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Interim Consolidated Report BBVA Group 2019

Auditors' Report, Condensed Interim Consolidated Financial Statements and Interim Consolidated Management Report as of and for the six-months ended June 30, 2019

Banco Bilbao Vizcaya Argentaria, S.A. and Subsidiaries

Condensed Consolidated Interim Financial Statements

30 June 2019

Consolidated Interim Directors' Report for the period from 1 January to 30 June 2019

(With Independent Auditor's Report Thereon)

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

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

Independent Auditor's Report on the Condensed Consolidated Interim Financial Statements

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

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

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Opinión

We have audited the condensed consolidated interim financial statements of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the "Bank") and the subsidiaries which, along with the Bank, form the Banco Bilbao Vizcaya Argentaria Group (hereinafter the "Group"), which comprise the consolidated balance sheet at 30 June 2019, the consolidated income statement, the consolidated statement of recognized income and expenses, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes thereto for the six-month period then ended.

In our opinion, the accompanying condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2019 have been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34, Intermediate Financial Information, as adopted by the European Union, for the preparation of condensed interim financial information, pursuant to article 12 of Royal Decree 1362/2007.

Basis for Opinion

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

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

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

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

Key Audit Matters

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

Impairment of Loans and Advances to Other Debtors

See notes 6.2 and 13 to the condensed consolidated interim financial statements

Key audit matter	*How the matter was addressed in our audit*
The loans and advances to other debtors portfolio presents a net balance of Euros 377,155 million at 30 June 2019, and the impairment provisions made at that date amount to Euros 12,151 million. For the purposes of estimating impairment, financial assets measured at amortized cost are classified into three categories (Stage 1, 2 or 3) according to whether a significant increase in credit risk since their initial recognition has been identified or whether the financial assets are credit-impaired. For the Group, establishing this classification is a significant process as the calculation of credit risk coverage varies according to the category into which the financial asset is placed. Impairment is calculated based on an expected loss model, which the Group estimates on both an individual and a collective basis. This calculation entails a considerable level of judgment as this is a significant and complex estimate. Individual provisions consider the estimated future performance of the business and the market value of the collateral provided for credit transactions.	Our audit approach for estimating impairment of the Group's loans and advances to other debtors portfolio due to credit risk includes assessing the relevant controls linked to the process of estimating impairment and performing different tests of detail on that estimate, with the involvement of our credit risk specialists. Our procedures related to the control environment focused on the following key areas: • Governance: identification of the credit risk management framework and relevant controls. • Accounting policies: assessment of their alignment with applicable accounting regulations. • Classification of financial assets according to their credit risk in accordance with Group criteria, particularly the criteria for identifying and classifying refinancing and restructuring transactions. • Testing of the relevant controls relating to the information available for the monitoring of loans outstanding. • Collateral and guarantees: evaluation of the design of the relevant guarantee management and valuation controls.

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

Impairment of Loans and Advances to Other Debtors

See notes 6.2 and 13 to the condensed consolidated interim financial statements

Key audit matter	*How the matter was addressed in our audit*
For the collective analysis, estimates of expected losses are based on automated processes that are complex in their design and implementation, which use large databases, models and parameters to estimate provisions, and require past, present and future information to be considered. The consideration of this aspect as a key audit matter is based both on the significance for the Group of the loans and advances to other debtors portfolio and on the relevance and complexity of the process for classifying financial assets for the purpose of estimating impairment thereon and of the calculation of that impairment.	• Evaluation of the process for estimating both individual and collective provisions for expected losses. • Databases: evaluation of the integrity, accuracy, quality and recency of the data and of the control and management process in place. Our tests of detail on the estimate of expected losses basically comprised the following: • With regard to the impairment of individually significant transactions, we selected a sample of the population of significant risks for which there was objective evidence of impairment and assessed the sufficiency of the provisions recorded. • With respect to the impairment provisions estimated collectively, we evaluated the methodology used by the Group, assessing the integrity of the input balances for the process and validating the correct functioning of the calculation engine. We also reviewed the quality of the transactional data used to estimate impairment. Lastly, we analyzed whether the information disclosed in the notes to the condensed consolidated interim financial statements is appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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

Classification and Measurement of Financial Instruments at Fair Value

See notes 7 and 9 to the condensed consolidated interim financial statements

Key audit matter	*How the matter was addressed in our audit*
The classification and initial measurement of financial instruments (essentially financial assets and derivatives) may require a high level of judgment and complex estimates, and determines the criteria to be applied in their subsequent measurement. At 30 June 2019 the Group has financial assets and financial liabilities held for trading amounting to Euros 105,369 million and Euros 91,358 million, respectively, of which Euros 73,774 million and Euros 64,985 million, respectively, have been measured using valuation techniques as no quoted price in an active market is available (classified therefore for measurement purposes as level 2 or 3). In the absence of a quoted price in an active market, determining the fair value of financial instruments requires a complex estimate using valuation techniques that may take into consideration market data that are neither directly nor indirectly observable, or complex pricing models that require a high degree of subjectivity. We have therefore considered the estimate of fair value through these measurement methods as a key audit matter.	In relation to the classification and measurement of financial instruments at fair value, we performed control tests and tests of detail on the Group's decisions and estimates, with the involvement of our own specialists in this area. Our procedures relating to the assessment of the relevant controls linked to the processes for classifying and measuring financial instruments were focused on identifying the risk management framework and controls over operations in the financial markets in which the Group operates, evaluating the application of the Group's policies and procedures for the recognition and classification of instruments based on existing business models and their contractual characteristics, and examining the key controls associated with the process to measure financial instruments and with the analysis of the integrity, accuracy, quality and recency of the data used and of the control and management process in place for the existing databases. With regard to the tests of detail performed, we selected a sample of the financial instruments measured at fair value and assessed the appropriateness of their classification, the adequacy of the measurement criterion used and the accuracy of the measurement thereof. To this end, we also examined the most significant pricing models used by the Group. Lastly, we analyzed whether the information disclosed in the notes to the condensed consolidated interim financial statements has been prepared in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
The Group processes a large volume of transactions on a daily basis and has a complex technological operating environment, with large data processing centers in Spain and Mexico which provide support to subsidiaries in different countries, an independent data processing environment in Spain for its insurance activity, separate data processing centers in Turkey, Argentina and Venezuela, and other data processing services in the United States and Latin America. Given the heavy reliance of the Group's business on information technology (IT) systems, it is critical to evaluate the controls over the main technological risks associated with the information systems, IT platforms and programs considered relevant for our audit, and we have therefore considered this a key audit matter.	Our assessment of the Group's information systems that are key to preparing financial information included the following: • We evaluated the general IT controls (access to applications and data, application change management, application development management and production environment transaction management) over the technological platforms and over the relevant applications related to the critical areas of our work. Where deficiencies were identified, we verified the existence of compensatory controls to mitigate these deficiencies. • We determined the Group's business processes that are key for our audit, and for those processes we identified the programs used and the automated controls in place over information flows. For the information systems, IT platforms and programs considered key for our audit, we analyzed the threats and vulnerabilities associated with the integrity, accuracy and availability of information, and identified and tested the operating effectiveness of the controls implemented to mitigate these risks.

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Emphasis of Matter

We draw your attention to the accompanying note 1.2, which states that these condensed consolidated 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 condensed consolidated interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2018. Our opinion is not modified in respect of this matter.

Other Information: Consolidated Interim Directors' Report

Other information solely comprises the consolidated interim directors' report for the six-month period ended 30 June 2019, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the condensed consolidated interim financial statements.

Our audit opinion on the condensed consolidated interim financial statements does not encompass the consolidated interim directors' report. Our responsibility for the consolidated interim directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the consolidated interim directors' report with the condensed consolidated interim financial statements, based on knowledge of the Group obtained during the audit of the aforementioned condensed consolidated interim financial statements and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the consolidated interim directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, we verified that the information contained in the consolidated interim directors' report is consistent with that disclosed in the condensed consolidated interim financial statements for the six-month period ended 30 June 2019, and the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Condensed Consolidated Interim Financial Statements

Pursuant to article 12 of Royal Decree 1362/2007, the Directors of the Bank are responsible for the preparation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted by the European Union, and for such internal control as they determine is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Condensed Consolidated Interim Financial Statements

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed consolidated interim financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated to the Audit Committee of the Bank, we determine those that were of most significance in the audit of the condensed consolidated interim financial statements for the six-month period ended 30 June 2019, and which are therefore the key audit matters.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Contract Period

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

Services Provided

Non-audit services rendered by KPMG Auditores, S.L. for the Group during the six-month period ended 30 June 2019 comprised limited review work on the interim financial statements, comfort letters in relation to debt and equity issuances, and work related to regulatory requirements imposed the supervisory bodies.

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

(Signed on original in Spanish)

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

31 July 2019

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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INTERIM CONSOLIDATED MANAGEMENT REPORT

Consolidated balance sheets as of June 30, 2019 and December 31, 2018

ASSETS (Millions of Euros)	Notes	June 2019	December 2018 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	8	**44,565**	**58,196**
FINANCIAL ASSETS HELD FOR TRADING	9	**105,369**	**90,117**
Derivatives		30,414	30,536
Equity instruments		5,555	5,254
Debt securities		32,274	25,577
Loans and advances to central banks		244	2,163
Loans and advances to credit institutions		24,493	14,566
Loans and advances to customers		12,388	12,021
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	10	**4,918**	**5,135**
Equity instruments		3,711	3,095
Debt securities		155	237
Loans and advances to customers		1,052	1,803
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	11	**1,403**	**1,313**
Equity instruments		-	-
Debt securities		1,403	1,313
Loans and advances		-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	12	**63,364**	**56,337**
Equity instruments		2,613	2,595
Debt securities		60,718	53,709
Loans and advances to credit institutions		33	33
FINANCIAL ASSETS AT AMORTIZED COST	13	**430,930**	**419,660**
Debt securities		37,354	32,530
Loans and advances to central banks		5,575	3,941
Loans and advances to credit institutions		10,846	9,163
Loans and advances to customers		377,155	374,027
HEDGING DERIVATIVES	14	**3,105**	**2,892**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	14	**40**	**(21)**
JOINT VENTURES AND ASSOCIATES	15	**1,638**	**1,578**
Joint ventures		179	173
Associates		1,459	1,405
INSURANCE AND REINSURANCE ASSETS	22	**371**	**366**
TANGIBLE ASSETS	16	**10,302**	**7,229**
Property, plant and equipment		10,084	7,066
For own use		9,808	6,756
Other assets leased out under an operating lease		276	310
Investment properties		218	163
INTANGIBLE ASSETS	17	**8,262**	**8,314**
Goodwill		6,203	6,180
Other intangible assets		2,059	2,134
TAX ASSETS	18	**17,401**	**18,100**
Current		1,882	2,784
Deferred		15,519	15,316
OTHER ASSETS	19	**4,454**	**5,472**
Insurance contracts linked to pensions		-	-
Inventories		592	635
Other		3,861	4,837
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	20	**1,505**	**2,001**
TOTAL ASSETS		**697,626**	**676,689**

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

The accompanying Notes 1 to 50 and Appendices I to V are an integral part of the Condensed Interim Consolidated Financial Statements as of and for the six-months ended June 30, 2019.

Translation of the Condensed Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 49). In the event of a discrepancy, the Spanish-language version prevails.

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Consolidated balance sheets as of June 30, 2019 and December 31, 2018

LIABILITIES AND EQUITY (Millions of Euros)

	Notes	June 2019	December 2018 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	9	91,358	80,774
Trading derivatives		31,817	31,815
Short positions		12,864	11,025
Deposits from central banks		8,556	10,511
Deposits from credit institutions		29,733	15,687
Customer deposits		8,388	11,736
Debt certificates		-	-
Other financial liabilities		-	-
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	11	8,922	6,993
Deposits from central banks		-	-
Deposits from credit institutions		-	-
Customer deposits		999	976
Debt certificates		3,992	2,858
Other financial liabilities		3,931	3,159
Memorandum item: Subordinated liabilities		-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	21	513,937	509,185
Deposits from central banks		28,558	27,281
Deposits from credit institutions		32,899	31,978
Customer Deposits		375,104	375,970
Debt certificates		62,685	61,112
Other financial liabilities		14,692	12,844
Memorandum item: Subordinated liabilities		17,109	18,047
HEDGING DERIVATIVES	14	3,281	2,680
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	14	-	-
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	22	10,634	9,834
PROVISIONS	23	6,631	6,772
Provisions for pensions and similar obligations		4,745	4,787
Other long term employee benefits		58	62
Provisions for taxes and other legal contingencies		689	686
Provisions for contingent risks and commitments		639	636
Other provisions		500	601
TAX LIABILITIES	18	3,397	3,276
Current		1,074	1,230
Deferred		2,323	2,046
OTHER LIABILITIES	19	4,776	4,301
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		-	-
TOTAL LIABILITIES		642,936	623,814

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

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Translation of the Condensed Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 49). In the event of a discrepancy, the Spanish-language version prevails.

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Consolidated balance sheets as of June 30, 2019 and December 31, 2018

LIABILITIES AND EQUITY (Continued) (Millions of Euros)	Notes	June 2019	December 2018 (*)
SHAREHOLDERS' FUNDS		55,774	54,326
Capital	**25**	**3,267**	**3,267**
Paid up capital		3,267	3,267
Unpaid capital which has been called up		-	-
Share premium		**23,992**	**23,992**
Equity instruments issued other than capital		**-**	**-**
Other equity instruments		**43**	**50**
Retained earnings	**26**	**26,428**	**23,018**
Revaluation reserves	**26**	**1**	**3**
Other reserves	**26**	**(94)**	**(58)**
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates		(94)	(58)
Other		-	-
Less: Treasury shares		**(99)**	**(296)**
Profit or loss attributable to owners of the parent		**2,442**	**5,324**
Less: Interim dividends		**(208)**	**(975)**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	27	(6,923)	(7,215)
Items that will not be reclassified to profit or loss		(1,531)	(1,284)
Actuarial gains or losses on defined benefit pension plans		(1,393)	(1,245)
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		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		(164)	(155)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		25	116
Items that may be reclassified to profit or loss		(5,392)	(5,932)
Hedge of net investments in foreign operations (effective portion)		(537)	(218)
Foreign currency translation		(6,535)	(6,643)
Hedging derivatives. Cash flow hedges (effective portion)		50	(6)
Fair value changes of debt instruments measured at fair value through other comprehensive income		1,639	943
Hedging instruments (non-designated items)		-	-
Non-current assets and disposal groups classified as held for sale		-	1
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates		(9)	(9)
MINORITY INTERESTS (NON-CONTROLLING INTEREST)	28	5,839	5,764
Accumulated other comprehensive income (loss)		(3,527)	(3,236)
Other		9,366	9,000
TOTAL EQUITY		54,690	52,874
TOTAL EQUITY AND TOTAL LIABILITIES		697,626	676,689

MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)	Notes	June 2019	December 2018 (*)
Loan commitments given	30	122,938	118,959
Financial guarantees given	30	15,526	16,454
Other commitments given	30	36,158	35,098

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

The accompanying Notes 1 to 50 and Appendices I to V are an integral part of the Condensed Interim Consolidated Financial Statements as of and for the six-months ended June 30, 2019.

Translation of the Condensed Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 49). In the event of a discrepancy, the Spanish-language version prevails.

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Consolidated income statements for the six months ended June 30, 2019 and 2018

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	Notes	June 2019	June 2018 (*)
Interest and other income	32.1	15,678	14,418
Interest expense	32.2	(6,691)	(5,828)
NET INTEREST INCOME		**8,987**	**8,590**
Dividend income	33	103	83
Share of profit or loss of entities accounted for using the equity method	34	(19)	13
Fee and commission income	35	3,661	3,553
Fee and commission expense	35	(1,191)	(1,073)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	36	67	130
Gains (losses) on financial assets and liabilities held for trading, net	36	173	329
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	36	98	3
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	36	(3)	107
Gains (losses) from hedge accounting, net	36	73	51
Exchange differences, net	36	134	74
Other operating income	37	337	554
Other operating expense	37	(995)	(1,062)
Income from insurance and reinsurance contracts	38	1,547	1,601
Expense from insurance and reinsurance contracts	38	(983)	(1,091)
GROSS INCOME		**11,989**	**11,863**
Administration costs		(5,084)	(5,297)
Personnel expense	39.1	(3,131)	(3,104)
Other administrative expense	39.2	(1,953)	(2,193)
Depreciation and amortization	40	(790)	(599)
Provisions or reversal of provisions	41	(261)	(184)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	42	(1,777)	(1,606)
Financial assets measured at amortized cost		(1,772)	(1,618)
Financial assets at fair value through other comprehensive income		(5)	12
NET OPERATING INCOME		**4,077**	**4,177**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates		-	-
Impairment or reversal of impairment on non-financial assets	43	(44)	-
Tangible assets		(30)	(18)
Intangible assets		(1)	(3)
Other assets		(13)	21
Gains (losses) on derecognition of non financial assets and subsidiaries, net	44	8	80
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	45	11	29
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**49.1**	**4,052**	**4,286**
Tax expense or income related to profit or loss from continuing operations		(1,136)	(1,222)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		**2,916**	**3,063**
Profit or loss after tax from discontinued operations, net		-	-
PROFIT FOR THE PERIOD		**2,916**	**3,063**
Attributable to minority interest (non-controlling interest)	28	475	528
Attributable to owners of the parent	48.1	2,442	2,536

	June 2019	June 2018 (*)
EARNINGS PER SHARE (Euros)	**0.34**	**0.36**
Basic earnings per share from continued operations	0.34	0.36
Diluted earnings per share from continued operations	0.34	0.36
Basic earnings per share from discontinued operations	-	-
Diluted earnings per share from discontinued operations	-	-

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

The accompanying Notes 1 to 50 and Appendices I to V are an integral part of the Condensed Interim Consolidated Financial Statements as of and for the six-months ended June 30, 2019.

Consolidated statements of recognized income and expenses for the six months ended June 30, 2019 and 2018

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSES (Millions of Euros)

	June 2019	June 2018 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	2,916	3,063
OTHER RECOGNIZED INCOME (EXPENSE)	2	(1,399)
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	(242)	(168)
Actuarial gains and losses from defined benefit pension plans	(208)	(29)
Non-current assets and disposal groups held 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, net	4	(193)
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	(130)	98
Income tax related to items not subject to reclassification to income statement	92	(44)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	244	(1,230)
Hedge of net investments in foreign operations (effective portion)	**(327)**	**(69)**
Valuation gains or losses taken to equity	(327)	(121)
Transferred to profit or loss	-	-
Other reclassifications	-	52
Foreign currency translation	**(167)**	**(794)**
Valuation gains or losses taken to equity	(167)	(708)
Transferred to profit or loss	-	-
Other reclassifications	-	(86)
Cash flow hedges (effective portion)	**57**	**(60)**
Valuation gains or losses taken to equity	75	(106)
Transferred to profit or loss	(18)	46
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Debt securities at fair value through other comprehensive income	**975**	**(441)**
Valuation gains or losses taken to equity	997	(350)
Transferred to profit or loss	(23)	(91)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	**(1)**	**20**
Valuation gains or losses taken to equity	(1)	(14)
Transferred to profit or loss	-	-
Other reclassifications	-	35
Entities accounted for using the equity method	**1**	**-**
Income tax relating to items subject to reclassification to income statements	**(293)**	**113**
TOTAL RECOGNIZED INCOME/EXPENSES	2,918	1,664
Attributable to minority interest (non-controlling interests)	183	(199)
Attributable to the parent company	2,735	1,863

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

The accompanying Notes 1 to 50 and Appendices I to V are an integral part of the Condensed Interim Consolidated Financial Statements as of and for the six-months ended June 30, 2019.

Consolidated statements of changes in equity for the six months ended June 30, 2019 and 2018

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

JUNE 2019	Capital (Note 25)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 26)	Revaluation reserves (Note 26)	Other reserves (Note 26)	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income (Note 27)	Non-controlling interest		Total
												Valuation adjustments (Note 28)	Other (Note 28)	
Balances as of January 1, 2019	**3,267**	**23,992**	**-**	**50**	**23,017**	**3**	**(57)**	**(296)**	**5,324**	**(975)**	**(7,215)**	**(3,236)**	**9,000**	**52,874**
Total income/expense recognized	-	-	-	-	-	-	-	-	2,442	-	293	(291)	475	2,918
Other changes in equity	-	-	-	(7)	3,411	(1)	(37)	197	(5,324)	767	-	-	(108)	(1,103)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,060)	-	(3)	-	-	-	-	-	(138)	(1,201)
Purchase of treasury shares	-	-	-	-	-	-	-	(591)	-	-	-	-	-	(591)
Sale or cancellation of treasury shares	-	-	-	-	18	-	-	788	-	-	-	-	-	806
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	4,387	(1)	(37)	-	(5,324)	975	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(3)	-	-	-	-	-	-	-	-	-	(3)
Other increases or (-) decreases in equity	-	-	-	(4)	65	-	3	-	-	(208)	-	-	30	(113)
Balances as of June 30, 2019	**3,267**	**23,992**	**-**	**43**	**26,428**	**1**	**(94)**	**(99)**	**2,442**	**(208)**	**(6,923)**	**(3,527)**	**9,366**	**54,690**

The accompanying Notes 1 to 50 and Appendices I to V are an integral part of the Condensed Interim Consolidated Financial Statements as of and for the six-months ended June 30, 2019.

Translation of the Condensed Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 49). In the event of a discrepancy, the Spanish-language version prevails.

BBVA

Consolidated statements of changes in equity for the six months ended June 30, 2019 and 2018

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

JUNE 2018 (*)	Capital (Note 25)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 26)	Revaluation reserves (Note 26)	Other reserves (Note 26)	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income (Note 27)	Non-controlling interest: Valuation adjustments (Note 28)	Non-controlling interest: Other (Note 28)	Total
Balances as of January 1, 2018	**3,267**	**23,992**	**-**	**54**	**25,474**	**12**	**(44)**	**(96)**	**3,519**	**(1,043)**	**(8,792)**	**(3,378)**	**10,358**	**53,323**
Effect of changes in accounting policies	-	-	-	-	(2,713)	-	9	-	-	-	1,756	850	(822)	(919)
Adjusted initial balance	**3,267**	**23,992**	**-**	**54**	**22,761**	**12**	**(34)**	**(96)**	**3,519**	**(1,043)**	**(7,036)**	**(2,528)**	**9,536**	**52,404**
Total income/expense recognized	-	-	-	-	-	-	-	-	2,536	-	(672)	(726)	528	1,665
Other changes in equity	-	-	-	(7)	325	(1)	(40)	(108)	(3,519)	873	1,096	540	(949)	(1,791)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(992)	-	(4)	-	-	(170)	-	-	(375)	(1,541)
Purchase of treasury shares	-	-	-	-	-	-	-	(887)	-	-	-	-	-	(887)
Sale or cancellation of treasury shares	-	-	-	-	2	-	-	779	-	-	-	-	-	781
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	1,411	(1)	(30)	-	(3,519)	1,043	1,096	540	(540)	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(18)	-	-	-	-	-	-	-	-	-	(18)
Other increases or (-) decreases in equity	-	-	-	11	(96)	-	(6)	-	-	-	-	-	(35)	(126)
Balances as of June 30, 2018	**3,267**	**23,992**	**-**	**47**	**23,086**	**11**	**(74)**	**(205)**	**2,536**	**(170)**	**(6,612)**	**(2,715)**	**9,115**	**52,278**

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

The accompanying Notes 1 to 50 and Appendices I to V are an integral part of the Condensed Interim Consolidated Financial Statements as of and for the six-months ended June 30, 2019.

Translation of the Condensed Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 49). In the event of a discrepancy, the Spanish-language version prevails.

BBVA

Consolidated statements of cash flows for the six months ended June 30, 2019 and 2018

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (Millions of Euros)	June 2019	June 2018 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	(13,908)	(5,537)
1. Profit for the period	**2,916**	**3,063**
2. Adjustments to obtain the cash flow from operating activities:	**4,225**	**3,235**
Depreciation and amortization	790	606
Other adjustments	3,435	2,629
3. Net increase/decrease in operating assets	**(38,106)**	**(18,862)**
Financial assets held for trading	(14,707)	1,291
Non-trading financial assets mandatorily at fair value through profit or loss	247	42
Other financial assets designated at fair value through profit or loss	(337)	(350)
Financial assets at fair value through other comprehensive income	(7,114)	(6,409)
Loans and receivables	(17,860)	(12,207)
Other operating assets	1,665	(1,229)
4. Net increase/decrease in operating liabilities	**17,297**	**8,037**
Financial liabilities held for trading	10,206	2,529
Other financial liabilities designated at fair value through profit or loss	1,838	754
Financial liabilities at amortized cost	4,000	4,968
Other operating liabilities	1,253	(214)
5. Collection/Payments for income tax	**(241)**	**(1,010)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	(598)	(86)
1. Investment	**(1,030)**	**(783)**
Tangible assets	(672)	(244)
Intangible assets	(358)	(407)
Investments in joint ventures and associates	-	(112)
Subsidiaries and other business units	-	(20)
Non-current assets held for sale and associated liabilities	-	-
Other settlements related to investing activities	-	-
2. Divestments	**432**	**697**
Tangible assets	-	305
Intangible assets	-	-
Investments in joint ventures and associates	358	79
Subsidiaries and other business units	-	85
Non-current assets held for sale and associated liabilities	-	33
Other collections related to investing activities	74	195
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	(2,257)	(1,701)
1. Payments	**(4,812)**	**(3,315)**
Dividends	(1,272)	(1,240)
Subordinated liabilities	(2,613)	(813)
Treasury stock amortization	-	-
Treasury stock acquisition	(591)	(887)
Other items relating to financing activities	(336)	(375)
2. Collections	**2,555**	**1,614**
Subordinated liabilities	1,749	833
Treasury shares increase	-	-
Treasury shares disposal	806	781
Other items relating to financing activities	-	-
D) EFFECT OF EXCHANGE RATE CHANGES	2,920	(1,991)
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A + B + C+ D)	(13,843)	(9,312)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	54,138	45,549
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (E+F)	40,295	36,238

Components of cash and equivalent at end of the period (Millions of Euros)	June 2019	June 2018 (*)
Cash	5,544	5,545
Balance of cash equivalent in central banks	34,750	30,693
Other financial assets	-	-
Less: Bank overdraft refundable on demand	-	-

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

The accompanying Notes 1 to 50 and Appendices I to V are an integral part of the Condensed Interim Consolidated Financial Statements as of and for the six-months ended June 30, 2019.

Notes to the condensed interim consolidated financial statements as of and for the six-months ended June 30, 2019

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, 2018 were approved by the shareholders at the Annual General Meeting ("AGM") on March 15, 2019.

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

The BBVA Group's condensed interim 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 July 30, 2019. 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 condensed interim 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, 2018.

The aforementioned annual consolidated financial statements were presented in accordance with the EU-IFRS applicable as of December 31 2018 respectively, considering the Bank of Spain Circular 4/2017, and any other legislation governing financial reporting applicable to the Group in Spain.

The accompanying condensed interim 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, 2018, taking into consideration the new Standards and Interpretations that became effective on January 1, 2019 (see Note 2.1), so that they present fairly the Group's consolidated equity and financial position as of June 30, 2019, together with the consolidated results of its operations and the consolidated cash flows generated by the Group during the six months ended June 30, 2019.

The condensed interim 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 condensed interim consolidated financial statements were applied in their preparation.

The amounts reflected in the accompanying condensed interim 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 condensed interim 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.

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

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 condensed interim consolidated financial statements and in the explanatory notes, relating to December 31 and June 30, 2018, that was prepared in accordance with the standards for the year 2018 is presented for the purpose of comparison with the information for June 30, 2019.

Hyperinflationary economies

The information as of June 30, 2018 has been restated for comparative purposes taking into account the change in accounting policies for hyperinflationary economies made by the Group in 2018 in accordance with IAS 29 "Financial information in hyperinflationary economies". Additionally, the application of accounting for hyperinflation in Argentina was performed for the first time in September 2018 with accounting effects from January 1, 2018, recording the impact of the nine months in the third quarter. In order to make the 2019 financial information comparable to 2018, the condensed interim consolidated financial statements as of and for the six months ended June 30, 2018 have been reexpressed to reflect these impacts.

Leases

As of January 1, 2019, IFRS 16 “Leases” replaced IAS 17 “Leases” and includes changes in the lessee accounting model (see Note 2.1). This amendment was applied using the modified retrospective method and the previous periods have not been restated for comparison purposes as allowed by the standard itself.

Income taxes

As mentioned in Note 2.1, derived from the IFRS 2015-2017 Annual Improvements Project, the amendment to IAS 12 - Income Tax meant that the tax impacts of the distribution of dividends must be recorded in the "Tax expense or income related to profit or loss from continuing operations" line of the consolidated income statements for the period. Previously they were recorded under total equity. This amendment was applied prospectively from January 1, 2019. The amount derived from having applied this amendment to IAS 12 to prior years would have resulted in a benefit of €38 million in the consolidated income statement for the first half of 2018, which would have meant an increase of 1.5% of the profit attributable to owners of the parent result of that period). This reclassification has no impact on the consolidated total equity.

Operating segments

In 2019, there have been changes to the BBVA Group business segments in comparison to the segment structure in 2018 (See Note 5). The information related to business segments as of December 31, 2018 and as of June 30, 2018 has been restated in order to make them comparable, as required by IFRS 8 “Information by business segments”.

1.4 Seasonal nature of income and expense

The nature of the most significant activities carried out by the BBVA Group’s entities is mainly related to typical activities carried out by financial institutions, and are not significantly affected by seasonal factors within the same year.

1.5 Responsibility for the information and for the estimates made

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

Estimates were required to be made at times when preparing these condensed interim 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 (Notes 6, 12, 13, 14 and 15).
- The assumptions used to quantify certain provisions (Note 23) and for the actuarial calculation of post-employment benefit liabilities and commitments (Note 24).
- The useful life and impairment losses of tangible and intangible assets (Note 16, 17, 19 and 20).
- The valuation of goodwill and price allocation of business combinations (Note 17).
- The fair value of certain unlisted financial assets and liabilities (Note 7).
- The recoverability of deferred tax assets (Note 18).

Although these estimates were made on the basis of the best information available as of the end of the reporting period, 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 six months ended June 30, 2019 there were no significant changes to the assumptions made as of December 31, 2018, except as indicated in these consolidated financial statements.

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 as amended thereafter) and following other regulatory requirements of financial information applicable to the Bank.

Appendix I shows BBVA's financial statements for the six-months ended June 30, 2019.

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

The accounting policies and methods applied for the preparation of the accompanying condensed interim consolidated financial statements do not differ significantly to those applied in the consolidated financial statements of the Group for the year ended December 31, 2018 (Note 2) , except for the entry into force of new standards in 2019.

2.1 Standards and interpretations that became effective in the first six months of 2019

The following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC") became effective on or after January 1, 2019. They have had an impact on the BBVA Group's condensed interim consolidated financial statements corresponding to the period ended June 30, 2019.

IFRS 16 – "Leases"

Effective January 1, 2019, IFRS 16 replaced IAS 17 "Leases". The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases. The standard provides two exceptions that can be applied in the case of short-term contracts and those in which the underlying assets have low value. BBVA has elected to apply both exceptions. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset, which is recorded under the headings "Tangible assets – Property plants and equipment" and "Tangible assets – Investment properties" of the consolidated balance sheet (see Note 16) and a lease liability representing its obligation to make lease payments which are recorded under the heading "Financial liabilities at amortized cost – Other financial liabilities" in the consolidated balance sheet (see Note 21.6). In the consolidated income statement, the amortization of the right to use is recorded in the heading "Depreciation and amortization – tangible asset" (see Note 40) and the financial cost associated with the lease liability is recorded in the heading "Interest expense – financial liabilities at amortized cost" (see Note 32.2).

With regard to lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor will continue to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

As of January 1, 2019, the Group recognized assets for the right-of-use and lease liabilities for an amount of €3,419 and €3,472 million, respectively. The impact in terms of capital (CET1) of the Group amounted to -11 basis points.

IFRIC 23 – "Uncertainty over Income Tax Treatments"

IFRIC 23 provides guidance on how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

If the entity considers that it is probable that the taxation authority will accept an uncertain tax treatment, the Interpretation requires the entity to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings.

If the entity considers that it is not probable that taxation authority will accept an uncertain tax treatment, the Interpretation requires the entity to use the most likely amount or the expected value (sum of the probability weighted amounts in a range of possible outcomes) in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The method used should be the method that the entity expects to provide the better prediction of the resolution of the uncertainty.

The implementation of this standard as of January 1, 2019 has not had a significant impact on the Group's condensed interim consolidated financial statements.

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

The amendments to IAS 28 clarify that an entity is required to apply IFRS 9 to long term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The implementation of this standard as of January 1, 2019 has not had a significant impact on the Group's condensed interim consolidated financial statements.

Annual improvements cycle to IFRSs 2015-2017

The annual improvements cycle to IFRSs 2015-2017 includes minor changes and clarifications to IFRS 3- "Business Combinations", IFRS 11 – "Joint Arrangements", IAS 12 – "Income Taxes" and IAS 23 – "Borrowing Costs". The implementation of these standards as of January 1, 2019 has not had a significant impact on the Group's condensed interim consolidated financial statements.

Additionally, this project has introduced an amendment to IAS 12, whose entry into force on January 1, 2019 meant that the tax impact of the distribution of generated benefits must be recorded in the "Expenses or income for taxes on the profits of the continuing activities" line of the consolidated income statement for the year. The amount derived from this amendment to IAS 12 resulted in a credit of €32 million in the consolidated income statement for the first half of the 2019 fiscal year (see Note 1.3).

Amended IAS 19 – “Plan Amendment, Curtailment or Settlement”

The minor amendments in IAS 19 concern the cases if a plan is amended, curtailed or settled during the period. In these cases, an entity should ensure that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions applied for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The implementation of this standard as of January 1, 2019 has not had a significant impact on the Group´s condensed interim consolidated financial statements.

2.2 Standards and interpretations issued but not yet effective as of June 30, 2019

The following new International Financial Reporting Standards together with their interpretations had been published at the date of preparation of the accompanying condensed interim consolidated financial statements, but are not mandatory as of June 30, 2019. Although in some cases the International Accounting Standards Board (“IASB”) allows early adoption before their effective date, the BBVA Group has not proceeded with this option for any such new standards.

IAS 1 and IAS 8 – “Definition of Material”

This Standard will be applied to the accounting years starting on or after January 1, 2020.

IFRS 3 – “Definition of a business”

This Standard will be applied to the accounting years starting on or after January 1, 2020.

IFRS 17 – “Insurance Contracts”

This Standard will be applied to the accounting years starting on or after January 1, 2022.

3. BBVA Group

The BBVA Group is an international diversified financial group with a significant presence in retail banking, wholesale banking and asset management. The Group also operates in the insurance sector.

The following information is detailed in the consolidated financial statements of the Group for the year ended December 31, 2018:

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

The BBVA Group´s activities are mainly located in Spain, Mexico, South America, the United States and Turkey, with an active presence in other areas of Europe and Asia (see Note 5).

Main transactions in the Group in the first six months of 2019

There were no significant transactions during the first six months of 2019.

Main transactions in the Group in 2018

The following transactions are detailed in Note 3 of the consolidated financial statements of the Group for the year ended December 31, 2018

- Sale of BBVA’s stake in BBVA Chile (July).
- Agreement for the creation of a joint-venture and transfer of the Real Estate business in Spain (October).

4. Shareholder remuneration system

The Board of Directors, at the Annual General Meeting of March 15, 2019, approved the payment in cash of €0.16 (€0.1296 net of withholding tax) per BBVA share as the final dividend for 2018. The dividend was paid on April 10, 2019 (see Note 48.1).

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.

As of June 30, 2019, the reporting structure of the BBVA Group's business areas differs from the one presented at the end of the year 2018, as a result of the integration of the Non-Core Real Estate business area into Banking Activity in Spain, which has been renamed "Spain". Additionally, balance sheet intra-group adjustments between Corporate Center and the operating segments have been reallocated to the corresponding operating segments. In addition, certain expenses related to global projects and activities have been reallocated between the Corporate Center and the corresponding operating segments. In order to make the information as of and for the six months ended June 30, 2019 comparable as required by IFRS 8 "Information by business segments", figures as of December 31, 2018 and for the six months ended June 30, 2018 have been restated in conformity with the new segment reporting structure. The BBVA Group's operating segments are summarized below:

- Spain

  Includes mainly the banking and insurance business that the Group carries out in Spain.

- The United States

  Includes the financial business activity of BBVA USA in the country and the activity of the branch of BBVA Spain in New York.

- Mexico

  Includes banking and insurance businesses in this country as well as the activity of its branch in Houston.

- Turkey

  Reports the activity of Garanti BBVA group that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.

- South America

  Includes basically the Group´s banking and insurance businesses in the region.

- Rest of Eurasia

  Includes the banking business activity carried out by the Group in Europe, excluding Spain, and in Asia.

Lastly, Corporate Center performs centralized Group functions, including: the costs of the head offices with a corporate function; management of structural exchange rate positions; some equity instruments issuances to ensure an adequate management of the Group's global solvency. It also includes portfolios whose management is not linked to customer relationships, such as industrial holdings, certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets.

Translation of the Condensed Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 49). In the event of a discrepancy, the Spanish-language version prevails.

The breakdown of the BBVA Group's total assets by operating segments as of June 30, 2019 and December 31, 2018, is as follows:

Total assets by Operating Segments (Millions of Euros)	June 2019	December 2018
Spain	368,982	354,901
United States	86,229	82,057
Mexico	105,366	97,432
Turkey	64,641	66,250
South America	56,433	54,373
Rest of Eurasia	20,209	18,834
Subtotal Assets by Operating Segments	**701,860**	**673,848**
Corporate Center and adjustments	(4,234)	2,841
Total Assets BBVA Group	**697,626**	**676,689**

The attributable profit and main earning figures in the consolidated income statements as of June 30, 2019 and 2018 by operating segments are as follows:

Main margins and profit by Operating Segments (Millions of Euros)

	BBVA Group	Operating Segments						Corporate Center
		Spain	United States	Mexico	Turkey	South America	Rest of Eurasia	
June 2019								
Net interest income	8,987	1,808	1,217	3,042	1,353	1,613	84	(132)
Gross income	11,989	2,818	1,615	3,901	1,677	1,994	220	(236)
Net operating income	6,115	1,190	655	2,611	1,084	1,215	78	(718)
Operating profit /(loss) before tax from continuing operations	4,052	1,027	363	1,783	726	847	69	(762)
Profit	2,442	734	297	1,287	282	404	55	(616)
June 2018								
Net interest income	8,590	1,852	1,082	2,648	1,510	1,553	83	(137)
Gross income	11,863	3,023	1,437	3,465	1,924	1,987	217	(188)
Net operating income	5,967	1,336	544	2,309	1,245	1,078	77	(621)
Operating profit /(loss) before tax from continuing operations	4,286	1,056	493	1,654	964	724	93	(698)
Profit	2,536	746	385	1,200	372	332	60	(558)

The accompanying Interim Consolidated Management Report presents the condensed 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 June 30, 2019 do not differ significantly from those included in the consolidated financial statements of the Group for the year ended December 31, 2018 (see Note 7 of such financial statements).

6.1 Risk factors

BBVA has processes in place for identifying risks and analyzing scenarios that enable the Group to manage risks in a dynamic and proactive way.

The risk identification processes are forward looking to ensure the identification of emerging risks and take into account the concerns of both the business areas, which are close to the reality of the different geographical areas, and the corporate areas and senior management.

Risks are captured and measured consistently using the methodologies deemed appropriate in each case. Their measurement includes the design and application of scenario analyses and stress testing and considers the controls to which the risks are subjected.

As part of this process, a forward projection of the risk appetite framework variables in stress scenarios is conducted in order to identify possible deviations from the established thresholds. If any such deviations are detected, appropriate measures are taken to keep the variables within the target risk profile.

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

- Macroeconomic and geopolitical risks
  - Global growth is slowing in the face of protectionist pressures affecting the global industrial sector and international trade, although first quarter data indicates a certain degree of stabilization, supported by the strength of the service sector, strong employment and low inflation. This trend is occurring across all regions, with cyclical slowdown in the United States, the trend toward growth moderation in China and the continuation of lower growth in Europe. Thus, global growth is forecasted at around 3.3% in 2019 and 2020. However, the deterioration of trade negotiations between the United States and China since late April poses a major risk to the global economy.
  - In terms of monetary policy, the main central banks signaled their intention to adopt further measures that would provide a stimulus to counteract the high level of uncertainty in the economy, as well as the continued decrease in the long-term inflation outlook. The Federal Reserve, after raising its benchmark interest rate to 2.50% in December, laid the foundations to initiate interest rate reductions in the face of more moderate growth forecasts, weighed down by the trade threat and political uncertainty. For its part, the ECB strengthened its accommodative monetary policy stance by approving a new liquidity provision program, postponing its commitment to maintain interest rates at current levels until mid-2020, and indicating that it has a range of instruments at its disposal to combat growth and inflation risks, including the reduction of deposit rates or the renewal of the bond purchase program. Accordingly, interest rates will remain low in major economies, enabling emerging countries to gain room to maneuver.
- Regulatory and reputational risks
  - Financial institutions are exposed to a complex and ever-changing regulatory environment defined by governments and regulators. This can affect their ability to grow and the capacity of certain businesses to develop, and result in stricter liquidity and capital requirements with lower profitability ratios. The Group constantly monitors changes in the regulatory framework that allow for anticipation and adaptation to them in a timely manner, adopt industry practices and more efficient and rigorous criteria in its implementation.
  - The financial sector is under ever closer scrutiny by regulators, governments and society itself. In the course of activities, situations which might cause relevant reputational damage to the entity could raise and might affect the regular course of business. The attitudes and behaviors of the Group and its members are governed by the principles of integrity, honesty, long-term vision and industry practices through, inter alia, the internal control model, the Code of Conduct, the Corporate Principles in tax matters and Responsible Business Strategy of the Group.
- Business, operational and legal risks
  - New technologies and forms of customer relationships: Developments in the digital world and in information technologies pose significant challenges for financial institutions, entailing threats (new competitors, disintermediation, etc.) but also opportunities (new framework of relations with customers, greater ability to adapt to their needs, new products and distribution channels, etc.). Digital transformation is a priority for the Group as it aims to lead digital banking of the future as one of its objectives.
  - Technological risks and security breaches: The Group is exposed to new threats such as cyber-attacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control. One example was the early adoption of advanced models for management of these risks (*AMA - Advanced Measurement Approach*).

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

- In Spain, in many of the existing proceedings the plaintiffs claim, both before Spanish courts and in preliminary rulings before the Court of Justice of the European Union, that a number of clauses usually included in a mortgage loan agreements with financial institutions are declared abusive (including mortgage costs clauses, early termination clauses, the use of certain reference interest rates and opening fees).
  With regards to mortgage loan agreements with consumers linked to the IRPH index (average rate of mortgage loans for more than three years for the acquisition of free housing, granted by credit institutions in Spain), which is considered an "official interest rate" by the mortgage transparency regulation, calculated by the Bank of Spain and published in the Spanish Official Gazette, the Spanish Supreme Court issued on December 14, 2017 ruling nº 669/2017 in which confirmed that it was not possible to determine the lack of transparency of the interest rate of the loan from the mere fact of its reference to one or another official index, or consider it abusive according to Directive 93/13. As of the date of this report, there is still pending a preliminary ruling resolution of the European Court of Justice which challenges the decision taken by the Spanish Supreme Court.
  In addition, the application of certain interest rates and other mandatory rules in certain revolving credit card agreements is also being challenged in Spanish courts. This kind of resolution against the Group or other financial institutions may directly or indirectly affect the Group.

- The Group is also involved in antitrust proceedings in certain countries which could, among other things, give rise to sanctions or lead to lawsuits from third parties.

- The Spanish judicial authorities are investigating the activities of the company Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt). Such investigation includes the provision of services to the Bank. In this regard, on 29 July 2019, the Bank was notified of the order from the Central Investigating Court number 6 of the National High Court, declaring the Bank as an official suspect (investigado) under preliminary proceedings 96/2017 - piece number 9, for possible breaches of law related to bribery, revelation of secrets and corruption. The Bank has been collaborating proactively with the judicial authorities, sharing with the courts information of the 'forensic' investigation, currently ongoing, which was commissioned to PriceWaterhouseCoopers through its external lawyers Garrigues, together with Uría. The Bank is not authorized to publicly divulge this information given the requirement of not interfering with the judicial investigation. The criminal proceeding is at an incipient stage in the pre-trial phase and continues under secrecy order, so it is not possible to predict at this time the scope or duration of such proceeding or its possible outcome or implications for the Group, notwithstanding the potential reputation risk of these proceedings.

- The Group constantly manages and monitors investigations, proceedings and legal or regulatory actions for the defense of its interests, making provisions (based on the number of litigations and the status of the proceedings or actions) to cover them when necessary. However, it is difficult to predict the outcome of investigations, legal or regulatory proceedings or actions to which the Bank is already a party, those that may arise in the future or those in which other financial institutions are a party. Therefore, in the event of a change in the case law or unexpected results of some of these, the provisions recorded may be insufficient and may have a significant adverse effect on the Group's business, financial position and results.

6.2 Credit risk

6.2.1 Credit risk exposure

In accordance with IFRS 7 “Financial Instruments: Disclosures”, the BBVA Group’s credit risk, not including its impairment losses, by headings in the balance sheets as of June 30, 2019 and December 31, 2018, is provided below. It does not consider the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by financial instruments and counterparties:

Maximum credit risk exposure (Millions of euros)

	Notes	June 2019	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**74,954**			
Debt securities	9	32,274			
Equity instruments	9	5,555			
Loans and advances	9	37,125			
Non-trading financial assets mandatorily at fair value through profit or loss		**4,918**			
Loans and advances	10	1,052			
Debt securities	10	155			
Equity instruments	10	3,711			
Financial assets designated at fair value through profit or loss	11	**1,403**			
Derivatives (trading and hedging)		**40,738**			
Financial assets at fair value through other comprehensive income		**63,396**	**63,396**	**-**	**-**
Debt securities	12	60,750	60,750	-	-
Equity instruments	12	2,613	2,613	-	-
Loans and advances to credit institutions	12	33	33	-	-
Financial assets at amortized cost		**443,162**	**394,884**	**32,230**	**16,048**
Loans and advances to central banks		5,582	5,582	-	-
Loans and advances to credit institutions		10,862	10,739	113	10
Loans and advances to customers		389,306	341,582	31,724	15,999
Debt securities		37,412	36,981	392	39
Total financial assets risk		**628,572**	**458,280**	**32,230**	**16,048**
Total loan commitments and financial guarantees	30	**174,621**	**164,314**	**9,389**	**918**
Total maximum credit exposure		**803,193**			

Maximum Credit Risk Exposure (Millions of euros)

	Notes	December 2018	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**59,581**			
Debt securities	9	25,577			
Equity instruments	9	5,254			
Loans and advances	9	28,750			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,135**			
Loans and advances	10	1,803			
Debt securities	10	237			
Equity instruments	10	3,095			
Financial assets designated at fair value through profit or loss	11	**1,313**			
Derivatives (trading and hedging)		**38,249**			
Financial assets at fair value through other comprehensive income		**56,365**	**56,362**	**3**	**-**
Debt securities	12	53,737	53,734	3	-
Equity instruments	12	2,595	2,595	-	-
Loans and advances to credit institutions	12	33	33	-	-
Financial assets at amortized cost		**431,927**	**384,632**	**30,902**	**16,394**
Loans and advances to central banks		3,947	3,947	-	-
Loans and advances to credit institutions		9,175	9,131	34	10
Loans and advances to customers		386,225	339,204	30,673	16,348
Debt securities		32,580	32,350	195	35
Total financial assets risk		**592,571**	**440,993**	**30,905**	**16,394**
Total loan commitments and financial guarantees	30	**170,511**	**161,404**	**8,120**	**987**
Total maximum credit exposure		**763,082**			

The breakdown by country and Stage of the maximum credit risk exposure, the provisions recognized and the carrying amount of the loans and advances to customers as of June 30, 2019 and 2018 is shown below:

June 2019

	Gross exposure				Accumulated impairment				Carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Spain (*)	174,609	13,510	9,061	197,180	(748)	(740)	(3,932)	(5,420)	173,860	12,771	5,129	191,760
The United States	48,971	6,222	730	55,923	(193)	(326)	(213)	(732)	48,778	5,896	516	55,190
Mexico	51,450	3,600	1,289	56,339	(690)	(379)	(833)	(1,901)	50,760	3,221	456	54,438
Turkey (**)	32,859	5,687	3,093	41,639	(179)	(559)	(1,614)	(2,353)	32,680	5,128	1,478	39,286
South America (***)	32,906	2,698	1,807	37,411	(371)	(259)	(1,096)	(1,726)	32,535	2,439	712	35,685
Others	788	7	19	814	(1)	(1)	(17)	(18)	787	6	2	796
Total (****)	**341,582**	**31,724**	**15,999**	**389,306**	**(2,182)**	**(2,263)**	**(7,706)**	**(12,151)**	**339,400**	**29,462**	**8,293**	**377,155**

(*) Spain includes all countries where BBVA, S.A. operates.
(**) Turkey includes all countries in which Garanti BBVA operates.
(***) In South America, BBVA Group operates in Argentina, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela.
(****) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation and were originated mainly in the acquisition of Catalunya Banc, S.A.

December 2018

	Gross exposure				Accumulated impairment				Carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Spain (*)	172,599	12,827	10,021	195,447	(713)	(877)	(4,284)	(5,874)	171,886	11,951	5,737	189,574
The United States	50,665	5,923	733	57,321	(206)	(299)	(153)	(658)	50,459	5,624	580	56,663
Mexico	48,354	3,366	1,138	52,858	(640)	(373)	(737)	(1,750)	47,714	2,992	401	51,107
Turkey (**)	34,883	6,113	2,722	43,718	(171)	(591)	(1,479)	(2,241)	34,712	5,523	1,244	41,479
South America (***)	31,947	2,436	1,715	36,098	(338)	(234)	(1,084)	(1,656)	31,609	2,202	631	34,442
Others	756	8	19	783	-	(1)	(18)	(19)	755	7	1	763
Total (****)	**339,204**	**30,673**	**16,348**	**386,225**	**(2,070)**	**(2,374)**	**(7,755)**	**(12,199)**	**337,134**	**28,299**	**8,593**	**374,027**

(*) Spain includes all countries where BBVA, S.A. operates.
(**) Turkey includes all countries in which Garanti BBVA operates.
(***) In South America, BBVA Group operates in Argentina, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela.
(****) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation and were originated mainly in the acquisition of Catalunya Banc, S.A..

The disclosure of loans and advances at amortized cost covered by collateral, at June 30, 2019 and December 31, 2018, is the following:

Guarantees received (Millions of Euros)	June 2019	December 2018
Value of collateral	**156,190**	**158,268**
Of which: guarantees normal risks under special monitoring	*13,874*	*14,087*
Of which: guarantees non-performing risks	*4,668*	*5,068*
Value of other guarantees	**25,330**	**16,897**
Of which: guarantees normal risks under special monitoring	*2,186*	*1,519*
Of which: guarantees non-performing risks	*509*	*502*
Total value of guarantees received	**181,521**	**175,165**

Translation of the Condensed Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 49). In the event of a discrepancy, the Spanish-language version prevails.

The breakdown by counterparty and product of loans and advances, net of impairment losses, as well as the gross carrying amount by type of product, classified in the different headings of the assets, as of June 30, 2019 and December 31, 2018 is shown below:

June 2019 (Millions of Euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	-	7	-	192	2,689	616	3,503	3,686
Credit card debt	-	11	1	3	1,935	13,459	15,409	16,619
Trade receivables		1,007	-	364	14,937	96	16,404	16,688
Finance leases	-	227	-	6	8,201	405	8,838	9,198
Reverse repurchase loans	-	116	260	4	3	-	383	386
Other term loans	5,534	27,407	3,609	6,752	135,393	159,780	338,475	348,547
Advances that are not loans	41	880	7,009	2,022	1,147	549	11,648	11,711
LOANS AND ADVANCES	**5,575**	**29,655**	**10,879**	**9,342**	**164,305**	**174,906**	**394,661**	**406,836**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*1,102*	*15*	*270*	*25,319*	*111,314*	*138,021*	*141,562*
Of which: other collateralized loans	-	*8,758*	*172*	*1,081*	*28,409*	*6,621*	*45,041*	*45,922*
By purpose of the loan								
Of which: credit for consumption						*41,636*	*41,636*	*44,403*
Of which: lending for house purchase						*110,423*	*110,423*	*111,949*
By subordination								
Of which: project finance loans					*13,554*		*13,554*	*13,871*

December 2018 (Millions of Euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	-	10	-	151	2,833	648	3,641	3,834
Credit card debt	-	8	1	2	2,328	13,108	15,446	16,495
Trade receivables		948	-	195	16,190	103	17,436	17,716
Finance leases	-	226	-	3	8,014	406	8,650	9,077
Reverse repurchase loans	-	293	477	-	-	-	770	772
Other term loans	3,911	26,839	2,947	7,030	133,573	157,760	332,060	342,264
Advances that are not loans	29	1,592	5,771	2,088	984	498	10,962	11,025
LOANS AND ADVANCES	**3,941**	**29,917**	**9,196**	**9,468**	**163,922**	**172,522**	**388,966**	**401,183**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*1,056*	*15*	*219*	*26,784*	*111,809*	*139,883*	*144,005*
Of which: other collateralized loans	-	*7,179*	*285*	*1,389*	*31,393*	*6,835*	*47,081*	*47,855*
By purpose of the loan								
Of which: credit for consumption						*40,124*	*40,124*	*42,736*
Of which: lending for house purchase						*111,007*	*111,007*	*112,952*
By subordination								
Of which: project finance loans					*13,973*		*13,973*	*14,286*

6.2.2 Past due but not impaired and impaired secured loans risks

The tables below provide details by counterpart and by product of past due risks not considered to be impaired, as of June 30, 2019 and December 31, 2018, listed by their first past-due date; as well as the breakdown of the debt securities and loans and advances individually and collectively estimated, and the specific allowances for individually estimated and for collectively estimated.

June 2019 (Millions of Euros)

	Stage 1			Stage 2			Stage 3		
	<= 30 days	> 30 days <= 90 days	> 90 days	<= 30 days	> 30 days <= 90 days	> 90 days	<= 30 days	> 30 days <= 90 days	> 90 days
Debt securities	-	-	-	-	-	-	-	-	18
Loans and advances	4,414	281	-	5,143	2,547	-	583	551	2,851
Central banks	-	-	-	-	-	-	-	-	-
General governments	109	32	-	6	1	-	13	-	20
Credit institutions	6	5	-	-	-	-	-	-	-
Other financial corporations	163	2	-	4	1	-	-	-	6
Non-financial corporations	1,153	170	-	1,711	918	-	158	187	1,410
Households	2,982	71	-	3,423	1,628	-	412	363	1,416
TOTAL	**4,414**	**281**	**-**	**5,143**	**2,547**	**-**	**583**	**551**	**2,870**
Loans and advances by product, by collateral and by subordination	-	-	-	-	-	-	-	-	-
On demand (call) and short notice (current account)	263	1	-	32	50	-	1	2	35
Credit card debt	239	6	-	659	114	-	5	27	130
Trade receivables	29	14	-	40	145	-	5	3	59
Finance leases	297	20	-	76	103	-	16	46	90
Reverse repurchase loans	-	-	-	-	-	-	-	-	-
Other term loans	3,577	186	-	4,336	2,133	-	555	473	2,532
Advances that are not loans	10	54	-	-	1	-	-	-	5
Of which: mortgage loans collateralized by immovable property	*1,623*	*46*	*-*	*2,115*	*1,122*	*-*	*461*	*375*	*1,247*
Of which: other collateralized loans	*341*	*21*	*-*	*945*	*169*	*-*	*22*	*28*	*162*
Of which: credit for consumption	*985*	*27*	*-*	*1,266*	*461*	*-*	*27*	*50*	*376*
Of which: lending for house purchase	*1,384*	*30*	*-*	*1,819*	*941*	*-*	*333*	*257*	*707*
Of which: project finance loans	*34*	*-*	*-*	*8*	*188*	*-*	*-*	*-*	*52*

December 2018 (Millions of Euros)

	Stage 1			Stage 2			Stage 3		
	<= 30 days	> 30 days <= 90 days	> 90 days	<= 30 days	> 30 days <= 90 days	> 90 days	<= 30 days	> 30 days <= 90 days	> 90 days
Debt securities	-	-	-	-	-	-	-	-	5
Loans and advances	4,191	454	-	4,261	3,228	-	407	900	2,769
Central banks	-	-	-	-	-	-	-	-	-
General governments	95	7	-	5	1	-	5	5	26
Credit institutions	3	-	-	-	-	-	-	-	-
Other financial corporations	117	224	-	2	-	-	-	-	5
Non-financial corporations	1,140	158	-	1,282	1,180	-	149	276	1,333
Households	2,835	64	-	2,971	2,047	-	254	618	1,404
TOTAL	4,191	454	-	4,261	3,228	-	407	900	2,774
Loans and advances by product, by collateral and by subordination									
On demand (call) and short notice (current account)	127	-	-	25	47	-	3	4	52
Credit card debt	182	10	-	598	102	-	24	25	120
Trade receivables	46	12	-	20	106	-	2	11	50
Finance leases	307	16	-	43	102	-	10	20	110
Reverse repurchase loans	-	-	-	-	-	-	-	-	-
Other term loans	3,421	325	-	3,575	2,869	-	369	840	2,433
Advances that are not loans	108	89	-	-	1	-	-	-	4
Of which: mortgage loans collateralized by immovable property	1,681	38	-	1,598	1,745	-	251	712	1,365
Of which: other collateralized loans	255	14	-	742	99	-	22	21	103
Of which: credit for consumption	910	27	-	1,278	424	-	49	49	281
Of which: lending for house purchase	1,365	24	-	1,394	1,404	-	170	507	839
Of which: project finance loans	1	-	-	-	382	-	-	-	71

The breakdown of loans and advances, within financial assets at amortized cost, impaired and accumulated impairment, as well as the gross carrying amount, by counterparties as of June 30, 2019 and December 31, 2018 is as follows:

June 2019 (Millions of Euros)	Gross carrying amount	Non-performing loans and advances	Accumulated impairment	Non-performing loans and advances as a % of the total
Central banks	5,582	-	(8)	-
General governments	29,167	104	(92)	0.4%
Credit institutions	10,862	10	(16)	0.1%
Other financial corporations	9,405	17	(63)	0.2%
Non-financial corporations	170,149	8,484	(6,270)	5.0%
Households	180,585	7,394	(5,725)	4.1%
LOANS AND ADVANCES	**405,750**	**16,009**	**(12,174)**	**3.9%**

December 2018 (Millions of euros)	Gross carrying amount	Non-performing loans and advances	Accumulated impairment	Non-performing loans and advances as a % of the total
Central banks	3,947	-	(6)	-
General governments	28,632	128	(84)	0.4%
Credit institutions	9,175	10	(12)	0.1%
Other financial corporations	9,490	11	(22)	0.1%
Non-financial corporations	169,764	8,372	(6,260)	4.9%
Households	178,339	7,838	(5,833)	4.4%
LOANS AND ADVANCES	**399,347**	**16,359**	**(12,217)**	**4.1%**

The changes during the six months ended June 30, 2019 and the year ended December 31, 2018 of impaired financial assets and contingent risks are as follow:

Changes in Impaired Financial Assets and Contingent Risks (Millions of euros)	June 2019	December 2018
Balance at the beginning	**17,134**	**20,590**
Additions	4,817	9,792
Decreases (*)	(2,940)	(6,909)
Net additions	**1,877**	**2,883**
Amounts written-off	(1,734)	(5,076)
Exchange differences and other	(522)	(1,264)
Balance at the end	**16,755**	**17,134**

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

6.2.3 Impairment losses

Below are the changes in the six months ended June 30, 2019, and the year ended December 31, 2018 in the provisions recognized on the accompanying consolidated balance sheets to cover estimated impairment losses in loans and advances and debt securities measured at amortized cost and financial assets at fair value through other comprehensive income:

Changes in the accumulated impairment losses (Millions of Euros)

	June 2019	December 2018
Opening balance	**12,295**	**14,004**
Acquisition of subsidiaries in the period	-	-
Increase in impairment losses charged to income	6,110	9,070
Stage 1	*1,117*	*1,411*
Stage 2	*1,334*	*1,071*
Stage 3	*3,659*	*6,589*
Decrease in impairment losses charged to income	(4,118)	(4,547)
Stage 1	*(922)*	*(1,469)*
Stage 2	*(944)*	*(799)*
Stage 3	*(2,252)*	*(2,279)*
Transfer to written-off loans, exchange differences and other	*(2,022)*	(6,231)
Closing balance	**12,265**	**12,295**

7. Fair value of financial instruments

The criteria and valuation methods used to calculate the fair value of financial assets as of June 30, 2019 do not differ significantly from those included in Note 8 from the Consolidated Financial Statements for the year ended December 31, 2018.

The techniques and unobservable inputs used for the valuation of the financial instruments classified in the fair value hierarchy as Level 3, do not significantly differ from those detailed in Note 8 of the Consolidated Financial Statements for the year 2018. Nonetheless, certain interest rate curves have been adapted to those observable in the market, which mainly affects the valuation of certain deposit classes recorded under "Financial liabilities at amortized cost" and certain insurance products recorded under "Financial liabilities designated at fair value through profit or loss - Other financial liabilities", and, a result thereof, their classification as instruments of Level 2 from Level 3 previously.

The effect on the consolidated income statements and on the consolidated equity, resulting from changing the main assumptions used in the valuation of Level 3 financial instruments for other reasonably possible assumptions, does not differ significantly from that detailed in Note 8 of the Consolidated Financial Statements for the year 2018.

Below is a comparison of the carrying amount of the Group's financial instruments in the accompanying consolidated balance sheets and their respective fair values as of June 30, 2019 and December 31, 2018:

Fair Value and Carrying Amount (Millions of euros)

		June 2019		December 2018	
	Notes	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS					
Cash, cash balances at central banks and other demand deposits	8	44,565	44,565	58,196	58,196
Financial assets held for trading	9	105,369	105,369	90,117	90,117
Non-trading financial assets mandatorily at fair value through profit or loss	10	4,918	4,918	5,135	5,135
Financial assets designated at fair value through profit or loss	11	1,403	1,403	1,313	1,313
Financial assets at fair value through other comprehensive income	12	63,364	63,364	56,337	56,337
Financial assets at amortized cost	13	430,930	431,066	419,660	419,857
Hedging derivatives	14	3,105	3,105	2,892	2,892
LIABILITIES					
Financial liabilities held for trading	9	91,358	91,358	80,774	80,774
Financial liabilities designated at fair value through profit or loss	11	8,922	8,922	6,993	6,993
Financial liabilities at amortized cost	21	513,937	510,526	509,185	510,300
Hedging derivatives	14	3,281	3,281	2,680	2,680

Translation of the Condensed Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 49). In the event of a discrepancy, the Spanish-language version prevails.

The following table shows the financial instruments in the accompanying consolidated balance sheets, broken down by the measurement technique used to determine their fair value as of June 30, 2019 and December 31, 2018:

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

		June 2019			December 2018		
	Notes	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS							
Cash, cash balances at central banks and other demand deposits	8	44,333	-	233	58,024	-	172
Financial assets held for trading	9	31,594	72,726	1,048	26,730	62,983	404
Loans and advances		1,341	35,704	80	47	28,642	60
Debt securities		21,295	10,229	750	17,884	7,494	199
Equity instruments		5,499	-	56	5,194	-	60
Derivatives		3,459	26,793	163	3,605	26,846	85
Non-trading financial assets mandatorily at fair value through profit or loss	10	3,707	40	1,171	3,127	78	1,929
Loans and advances		59	-	993	25	-	1,778
Debt securities		43	38	75	90	71	76
Equity instruments		3,606	2	102	3,012	8	75
Financial assets designated at fair value through profit or loss	11	1,403	-	-	1,313	-	-
Loans and advances		-	-	-	-	-	-
Debt securities		1,403	-	-	1,313	-	-
Equity instruments		-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	12	52,768	9,626	969	45,824	9,323	1,190
Loans and advances		33	-	-	33	-	-
Debt securities		50,733	9,505	481	43,788	9,211	711
Equity instruments		2,003	121	489	2,003	113	479
Financial assets at amortized cost	13	25,582	218,460	187,024	21,419	204,619	193,819
Hedging derivatives	14	40	3,061	3	7	2,882	3
LIABILITIES							
Financial liabilities held for trading	9	26,373	64,748	237	22,932	57,573	269
Deposits		9,682	36,995	-	7,989	29,945	-
Trading derivatives		3,828	27,753	236	3,919	27,628	267
Other financial liabilities		12,862	-	1	11,024	-	1
Financial liabilities designated at fair value through profit or loss	11	-	8,915	7	-	4,478	2,515
Customer deposits		-	999	-	-	976	-
Debt certificates		-	3,985	7	-	2,858	-
Other financial liabilities		-	3,930	-	-	643	2,515
Financial liabilities at amortized cost	21	61,062	282,829	166,635	58,225	269,128	182,948
Derivatives – Hedge accounting	14	233	3,039	10	223	2,454	3

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

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

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

	June 2019	December 2018
Cash on hand	5,544	6,346
Cash balances at central banks	29,216	43,880
Other demand deposits	9,805	7,970
Total	**44,565**	**58,196**

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

9. Financial assets and liabilities held for trading

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

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

	Notes	June 2019	December 2018
ASSETS			
Derivatives		30,414	30,536
Equity instruments	6.2.1	5,555	5,254
Debt securities	6.2.1	32,274	25,577
Issued by Central Banks		1,298	1,001
Issued by public administrations		28,919	22,950
Issued by financial institutions		778	790
Other debt securities		1,279	836
Loans and advances to Central Banks	6.2.1	244	2,163
Reverse repurchase agreements		244	2,163
Loans and advances to credit institutions	6.2.1	24,493	14,566
Reverse repurchase agreements		24,352	13,305
Loans and advances to customers	6.2.1	12,388	12,021
Reverse repurchase agreements		12,123	11,794
Total Assets		**105,369**	**90,117**
LIABILITIES			
Derivatives		31,817	31,815
Short positions		12,864	11,025
Deposits from central banks		8,556	10,511
Repurchase agreements		8,556	10,511
Deposits from credit institutions		29,733	15,687
Repurchase agreements		29,360	14,839
Deposits from customers		8,388	11,736
Repurchase agreements		8,307	11,466
Total Liabilities		**91,358**	**80,774**

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

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

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

	Notes	June 2019	December 2018
Equity instruments	6.2.1	3,711	3,095
Debt securities	6.2.1	155	237
Loans and advances	6.2.1	1,052	1,803
Total		**4,918**	**5,135**

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

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

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

	Notes	June 2019	December 2018
ASSETS			
Debt securities		1,403	1,313
Total Assets	**6.2.1**	**1,403**	**1,313**
LIABILITIES			
Deposits		999	976
Debt certificates		3,992	2,858
Other financial liabilities		3,931	3,159
Unit-linked products		3,931	3,159
Total Liabilities		**8,922**	**6,993**

12. Financial assets at fair value through other comprehensive income

12.1 Balance details

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

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

	Notes	June 2019	December 2018
Debt securities	6.2.1	60,750	53,737
Impairment losses		(32)	(28)
Subtotal		**60,718**	**53,709**
Equity instruments	6.2.1	2,613	2,595
Loans and advances to credit institutions	6.2.1	33	33
Total		**63,364**	**56,337**

12.2 Debt securities

The breakdown of the balance under the heading "Debt securities at fair value through other comprehensive income" of the accompanying condensed interim consolidated financial statements, broken down by issuers, is as follows:

Financial assets designated at fair value through other comprehensive income: Debt Securities. June 2019 (Millions of Euros)

	Amortized Cost (*)	Unrealized Gains	Unrealized Losses	Fair Value
Domestic Debt Securities	**26,138**	**1,085**	**(10)**	**27,213**
Spanish Government and other Spanish government agency debt securities	24,304	967	(10)	25,261
Securities issued by Central Banks	-	-	-	-
Securities issued by credit institutions	894	73	-	967
Securities issued by other issuers	940	45	-	984
Foreign Debt Securities	**33,529**	**523**	**(548)**	**33,506**
Mexico	**6,209**	**17**	**(77)**	**6,150**
Mexican Government and other Mexican government agency debt securities	5,249	15	(54)	5,210
Securities issued by Central Banks	-	-	-	-
Securities issued by credit institutions	68	-	(1)	68
Securities issued by other issuers	892	2	(22)	872
The United States	**11,442**	**87**	**(80)**	**11,449**
Government securities	8,220	61	(32)	8,248
US Treasury and other US Government agencies	4,831	52	(8)	4,874
States and political subdivisions	3,389	9	(24)	3,374
Securities issued by Central Banks	-	-	-	-
Securities issued by credit institutions	98	2	-	100
Securities issued by other issuers	3,124	24	(48)	3,100
Turkey	**4,033**	**17**	**(293)**	**3,756**
Turkey Government and other Turkish government agency debt securities	3,893	17	(290)	3,620
Securities issued by Central Banks	-	-	-	-
Securities issued by credit institutions	140	-	(4)	136
Securities issued by other issuers	-	-	-	-
Other countries	**11,845**	**403**	**(98)**	**12,150**
Other foreign governments and other government agency debt securities	6,659	237	(56)	6,840
Securities issued by Central Banks	1,278	3	(7)	1,273
Securities issued by credit institutions	1,715	117	(18)	1,814
Securities issued by other issuers	2,194	46	(16)	2,224
Total	**59,667**	**1,608**	**(558)**	**60,718**

(*) The amortized cost includes portfolio gains/losses linked to insurance contracts in which the policyholder assumes the risk in case of redemption.

Financial assets designated at fair value through other comprehensive income: Debt Securities. December 2018 (Millions of euros)

	Amortized Cost (*)	Unrealized Gains	Unrealized Losses	Fair Value
Domestic Debt Securities	**18,802**	**761**	**(10)**	**19,553**
Spanish Government and other Spanish government agency debt securities	17,205	661	(9)	17,857
Securities issued by Central Banks	-	-	-	-
Securities issued by credit institutions	793	63	-	855
Securities issued by other issuers	804	37	(1)	841
Foreign Debt Securities	**34,521**	**392**	**(758)**	**34,157**
Mexico	**6,299**	**6**	**(142)**	**6,163**
Mexican Government and other Mexican government agency debt securities	5,286	4	(121)	5,169
Securities issued by Central Banks	-	-	-	-
Securities issued by credit institutions	35	-	(1)	34
Securities issued by other issuers	978	2	(20)	961
The United States	**14,507**	**47**	**(217)**	**14,338**
Government securities	11,227	37	(135)	11,130
US Treasury and other US Government agencies	7,285	29	(56)	7,258
States and political subdivisions	3,942	8	(79)	3,872
Securities issued by Central Banks	-	-	-	-
Securities issued by credit institutions	49	1	-	50
Securities issued by other issuers	3,231	9	(82)	3,158
Turkey	**4,164**	**20**	**(269)**	**3,916**
Turkey Government and other Turkish government agency debt securities	4,007	20	(256)	3,771
Securities issued by Central Banks	-	-	-	-
Securities issued by credit institutions	157	-	(13)	145
Securities issued by other issuers	-	-	-	-
Other countries	**9,551**	**319**	**(130)**	**9,740**
Other foreign governments and other government agency debt securities	4,510	173	(82)	4,601
Securities issued by Central Banks	987	2	(4)	986
Securities issued by credit institutions	1,856	111	(20)	1,947
Securities issued by other issuers	2,197	33	(25)	2,206
Total	**53,323**	**1,153**	**(768)**	**53,709**

(*) The amortized cost includes portfolio gains/losses linked to insurance contracts in which the policyholder assumes the risk in case of redemption.

The credit ratings of the issuers of debt securities as of June 30, 2019 and December 31, 2018, are as follows:

Debt Securities by Rating

	June 2019		December 2018	
	Fair Value (Millions of Euros)	**%**	**Fair Value (Millions of Euros)**	**%**
AAA	1,785	2.9%	531	1.0%
AA+	8,848	14.6%	13,100	24.4%
AA	257	0.4%	222	0.4%
AA-	307	0.5%	409	0.8%
A+	2,453	4.0%	632	1.2%
A	578	1.0%	687	1.3%
A-	11,389	18.8%	18,426	34.3%
BBB+	22,439	37.0%	9,195	17.1%
BBB	3,947	6.5%	4,607	8.6%
BBB-	1,868	3.1%	1,003	1.9%
BB+ or below	4,706	7.8%	4,453	8.3%
Without rating	2,140	3.5%	445	0.8%
Total	**60,718**	**100%**	**53,709**	**100%**

12.3 Equity instruments

The breakdown of the balance under the heading "Equity instruments at fair value through other comprehensive income" of the accompanying condensed interim consolidated financial statements as of June 30, 2019 and December 31, 2018, is as follows:

Financial assets designated at fair value through other comprehensive income: Equity instruments. June 2019 (Millions of Euros)

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity instruments listed	**2,274**	**71**	**(254)**	**2,091**
Listed Spanish company shares	2,172	-	(242)	1,930
Listed foreign company shares	102	71	(13)	161
United States	30	40	-	70
Mexico	1	28	-	29
Turkey	3	-	(1)	2
Other countries	68	2	(12)	59
Unlisted equity instruments	**459**	**63**	**(1)**	**521**
Unlisted Spanish company shares	6	1	-	6
Unlisted foreign companies shares	454	62	(1)	515
United States	389	28	-	416
Mexico	-	-	-	-
Turkey	5	4	-	9
Other countries	59	31	(1)	89
Total	**2,734**	**134**	**(255)**	**2,613**

Financial assets designated at fair value through other comprehensive income: Equity Instruments. December 2018 (Millions of euros)

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity instruments listed	**2,262**	**43**	**(222)**	**2,083**
Listed Spanish company shares	2,172	-	(210)	1,962
Listed foreign company shares	90	43	(12)	121
United States	20	17	-	37
Mexico	1	25	-	26
Turkey	3	-	(1)	2
Other countries	66	1	(11)	56
Unlisted equity instruments	**459**	**55**	**(1)**	**513**
Unlisted Spanish company shares	6	1	-	7
Unlisted foreign companies shares	453	54	(1)	506
United States	388	23	-	411
Mexico	-	-	-	-
Turkey	6	4	-	10
Other countries	59	27	(1)	85
Total	**2,721**	**98**	**(223)**	**2,595**

12.4 Gains/losses

Debt securities

The changes in the gains/losses (net of taxes) recognized during the six months ended June 30, 2019 and in the year ended December 31, 2018 under the equity heading "Accumulated other comprehensive income – Items that may be reclassified to profit or loss - Financial assets at fair value through other comprehensive income" in the accompanying consolidated balance sheets are as follows:

Accumulated other comprehensive income-Items that may be reclassified to profit or loss - Financial assets at fair value through other comprehensive income (Millions of Euros)

	Notes	June 2019	December 2018
Balance at the beginning		**943**	**1,557**
Effect of changes in accounting policies (IFRS 9)			(58)
Valuation gains and losses		1,007	(640)
Amounts transferred to income		(27)	(137)
Other reclassifications		-	-
Income tax		(284)	221
Balance at the end	**27**	**1,639**	**943**

Equity instruments

The changes in the gains/losses (net of taxes) recognized during the six months ended June 30, 2019 and in the year ended December 31, 2018 under the equity heading "Accumulated other comprehensive income – Items that will not be reclassified to profit or loss - Fair value changes of equity instruments measured at fair value through other comprehensive income" in the accompanying consolidated balance sheets are as follows:

Accumulated other comprehensive income-Items that may be reclassified to profit or loss - Financial assets at fair value through other comprehensive income (Millions of Euros)

	Notes	June 2019	December 2018
Balance at the beginning		**(155)**	**84**
Effect of changes in accounting policies (IFRS 9)			(40)
Valuation gains and losses		(1)	(174)
Amounts transferred to income		-	-
Other reclassifications		-	-
Income tax		(7)	(25)
Balance at the end	**27**	**(164)**	**(155)**

13. Financial assets at amortized cost

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

Financial assets at amortized cost (Millions of Euros)

	June 2019	December 2018
Debt securities	**37,354**	**32,530**
Of which: Impairment losses	*(58)*	*(51)*
Loans and advances to central banks	**5,575**	**3,941**
Of which: Impairment losses	*(7)*	*(6)*
Loans and advances to credit institutions	**10,846**	**9,163**
Of which: Impairment losses	*(16)*	*(12)*
Loans and advances to customers	**377,155**	**374,027**
Government	29,075	28,114
Other financial corporations	9,342	9,468
Non-financial corporations	163,876	163,922
Other	174,862	172,522
Of which: Impairment losses	*(12,151)*	*(12,199)*
Total	**430,930**	**419,660**

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

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

Derivatives – Hedge accounting and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of Euros)

	June 2019	December 2018
ASSETS		
Hedging derivatives	3,105	2,892
Fair value changes of the hedged items in portfolio hedges of interest rate risk	40	(21)
LIABILITIES		
Hedging derivatives	3,281	2,680
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-	-

15. Investments in joint ventures, associates

The breakdown of the balance of "Investments in joint ventures and associates" in the accompanying consolidated balance sheets is as follows:

Joint ventures and associates. Breakdown by entities (Millions of Euros)	June 2019	December 2018
Joint ventures	179	173
Associates	1,459	1,405
Total	**1,638**	**1,578**

16. Tangible assets

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

Tangible Assets. Breakdown by Type of Asset. (Millions of euros)	June 2019	December 2018
Property plant and equipment	**10,084**	**7,066**
For own use	9,808	6,756
Land and buildings	6,086	5,939
Work in progress	67	70
Furniture, fixtures and vehicles	6,240	6,314
Right to use assets	3,454	
Accumulated depreciation	(5,693)	(5,350)
Impairment	(346)	(217)
Leased out under an operating lease	276	310
Assets leased out under an operating lease	353	386
Accumulated depreciation	(77)	(76)
Impairment	-	-
Investment property	**218**	**163**
Building rental	202	195
Other	4	5
Right to use assets	53	
Accumulated depreciation	(13)	(11)
Impairment	(27)	(27)
Total	**10,302**	**7,229**

The change is mainly due to the implementation of IFRS 16 on January 1, 2019 (see Note 2.1).

The right to use asset consists mainly of the rental of commercial real estate premises for central services and the network branches located in the countries where the Group operates. The clauses included in rental contracts correspond to a large extent to rental contracts under normal market conditions in the country where the property is rented. From January 1 to June 30, 2019, there have been no significant changes in the right to use assets for leases.

17. Intangible assets

17.1 Goodwill

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, according to the cash-generating units (CGUs) to which it has been allocated, is as follows:

Goodwill. Breakdown by CGU and changes of the period (Millions of Euros)

	The United States	Turkey	Mexico	Colombia	Chile	Other	Total
Balance as of December 31, 2017	**4,837**	**509**	**493**	**168**	**32**	**23**	**6,062**
Additions	-	-	-	-	-	-	-
Exchange difference	229	(127)	26	(7)	(3)	-	118
Impairment	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance as of December 31, 2018	**5,066**	**382**	**519**	**161**	**29**	**23**	**6,180**
Additions	-	-	-	-	-	-	-
Exchange difference	31	(29)	16	5	1	(1)	23
Impairment	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance as of June 30, 2019	**5,097**	**353**	**535**	**166**	**30**	**22**	**6,203**

Impairment Test

As mentioned in Note 2.2.8 of the consolidated financial statements for the year 2018, the CGUs to which goodwill has been allocated are periodically tested for impairment by including the allocated goodwill in their carrying amount. This analysis is performed at least annually and whenever there is any indication of impairment. As of and for the six months ended June 30, 2019, no indicators of impairment have been identified in any of the main CGUs.

17.2 Other intangible assets

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

Other intangible assets (Millions of Euros)

	June 2019	December 2018
Computer software acquisition expense	1,601	1,605
Other intangible assets with an infinite useful life	12	11
Other intangible assets with a definite useful life	446	518
Total	**2,059**	**2,134**

18. Tax assets and liabilities

18.1 Consolidated tax group

Pursuant to current legislation, BBVA consolidated tax group in Spain includes the Bank (as the parent company) and its Spanish subsidiaries that meet the requirements provided for under Spanish legislation regulating the taxation regime for the consolidated profit of corporate groups.

The Group's non-Spanish banks and subsidiaries file tax returns in accordance with the tax legislation in force in each country.

18.2 Current and deferred taxes

The balance under the heading "Tax assets" in the accompanying consolidated balance sheets includes current and deferred tax assets. The balance under the "Tax liabilities" heading includes the Group's various current and deferred tax liabilities. The details of the mentioned tax assets and liabilities are as follows:

Tax assets and liabilities (Millions of euros)

	June 2019	December 2018
Tax assets		
Current tax assets	1,882	2,784
Deferred tax assets	15,519	15,316
Total	**17,401**	**18,100**
Tax Liabilities		
Current tax liabilities	1,074	1,230
Deferred tax liabilities	2,323	2,046
Total	**3,397**	**3,276**

19. Other assets and liabilities

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

Other assets and liabilities: (Millions of Euros)

	June 2019	December 2018
Assets		
Insurance contracts linked to pensions	-	-
Inventories	592	635
Real estate	591	633
Others	1	2
Transactions in progress	228	249
Accruals	1,032	702
Prepaid expense	577	465
Other prepayments and accrued income	455	237
Other items	2,602	3,886
Total other assets	**4,454**	**5,472**
Liabilities		
Transactions in progress	126	39
Accruals	2,428	2,558
Accrued expense	1,753	2,119
Other accrued expense and deferred income	675	439
Other items	2,222	1,704
Total other liabilities	**4,776**	**4,301**

20. Non-current assets and disposal groups held for sale

The composition of the balance under the heading "Non-current assets and disposal groups classified as held for sale" in the accompanying consolidated balance sheets, broken down by the origin of the assets, is as follows:

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

	June 2019	December 2018
Foreclosures and recoveries	1,771	2,211
Other assets from tangible assets	274	433
Business sale - Assets	29	29
Accrued amortization (*)	(32)	(44)
Impairment losses	(537)	(628)
Total non-current assets and disposal groups classified as held for sale	**1,505**	**2,001**

(*) Accumulated amortization until related asset was reclassified as "non-current assets and disposal groups held for sale".

21. Financial liabilities at amortized cost

21.1 Breakdown of the balance

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

Financial liabilities measured at amortized cost (Millions of Euros)

	June 2019	December 2018
Deposits	436,561	435,229
Deposits from central banks	28,558	27,281
Deposits from credit institutions	32,899	31,978
Customer deposits	375,104	375,970
Debt certificates	62,685	61,112
Other financial liabilities	14,692	12,844
Total	**513,937**	**509,185**

21.2 Deposits from central banks

Deposits from central banks (Millions of Euros)

	June 2019	December 2018
Demand deposits	11	20
Time deposits	27,700	26,886
Repurchase agreements	847	375
Total	**28,558**	**27,281**

21.3 Deposits from credit institutions

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

Deposits from credit institutions (Millions of Euros)

	June 2019	December 2018
Demand deposits	9,859	8,370
Time deposits	17,735	17,658
Repurchase agreements	3,366	4,593
Subordinated deposits	192	191
Other deposits	1,747	1,166
Total	**32,899**	**31,978**

The breakdown by geographical area and the nature of the related instruments of this heading in the accompanying consolidated balance sheets is as follows:

Deposits from credit institutions. June 2019 (Millions of Euros)

	Demand Deposits	Time Deposits & other	Repurchase Agreements	Total
Spain	2,502	2,109	336	4,947
The United States	2,496	3,952	-	6,448
Mexico	371	675	413	1,459
Turkey	337	553	4	894
South America	435	1,789	-	2,224
Rest of Europe	3,519	6,289	2,613	12,420
Rest of the world	199	4,308	-	4,508
Total	**9,859**	**19,674**	**3,366**	**32,899**

Deposits from credit institutions. December 2018 (Millions of Euros)

	Demand Deposits	Time Deposits & other	Repurchase Agreements	Total
Spain	1,981	2,527	55	4,563
The United States	1,701	2,677	-	4,379
Mexico	280	286	-	566
Turkey	651	669	4	1,323
South America	442	1,892	-	2,335
Rest of Europe	3,108	6,903	4,534	14,545
Rest of the world	207	4,061	-	4,268
Total	**8,370**	**19,015**	**4,593**	**31,978**

21.4 Customer deposits

The breakdown of this heading in the accompanying consolidated balance sheets, by type of financial instrument, is as follows:

Customer deposits (Millions of Euros)

	June 2019	December 2018
Demand deposits	269,010	260,573
Time deposits	98,634	106,385
Repurchase agreements	237	1,209
Subordinated deposits	211	220
Other deposits	7,012	7,582
Total	**375,104**	**375,970**
Of which:		
In Euros	*185,408*	*184,934*
In foreign currency	*189,696*	*191,036*

The breakdown by geographical area of this heading in the accompanying consolidated balance sheets, by type of instrument is as follows:

Customer deposits. June 2019 (Millions of Euros)

	Demand Deposits	Time Deposits & other	Repurchase Agreements	Total
Spain	143,897	25,848	2	169,747
The United States	41,096	20,898	-	61,994
Mexico	40,269	13,052	231	53,552
Turkey	12,239	21,459	4	33,702
South America	24,047	14,870	-	38,917
Rest of Europe	6,572	8,700	-	15,272
Rest of the world	890	1,030	-	1,919
Total	**269,010**	**105,857**	**237**	**375,104**

Customer deposits. December 2018 (Millions of Euros)

	Demand Deposits	Time Deposits and others	Repurchase Agreements	Total
Spain	138,236	28,165	3	166,403
The United States	41,222	21,317	-	62,539
Mexico	38,383	11,837	770	50,991
Turkey	10,856	22,564	7	33,427
South America	23,811	14,159	-	37,970
Rest of Europe	7,233	14,415	429	22,077
Rest of the world	831	1,731	-	2,563
Total	**260,573**	**114,188**	**1,209**	**375,970**

21.5 Debt certificates

The breakdown of the balance under this heading, by currency, is as follows:

Debt certificates (Millions of Euros)

	June 2019	December 2018
In Euros	**37,809**	**37,436**
Promissory bills and notes	475	267
Non-convertible bonds and debentures	10,744	9,638
Covered bonds (*)	15,781	15,809
Hybrid financial instruments	613	814
Securitization bonds	1,519	1,630
Wholesale funding	735	142
Subordinated liabilities	7,942	9,136
Convertible	5,000	5,490
Convertible perpetual securities	5,000	5,490
Convertible subordinated debt	-	-
Non-convertible	2,942	3,647
Preferred stock	85	107
Other subordinated liabilities	2,858	3,540
In foreign currencies	**24,876**	**23,676**
Promissory bills and notes	2,222	3,237
Non-convertible bonds and debentures	10,570	9,335
Covered bonds (*)	559	569
Hybrid financial instruments	1,723	1,455
Securitization bonds	23	38
Wholesale funding	1,014	544
Subordinated liabilities	8,764	8,499
Convertible	880	873
Convertible perpetual securities	880	873
Convertible subordinated debt	-	-
Non-convertible	7,884	7,626
Preferred stock	74	74
Other subordinated liabilities	7,810	7,552
Total	**62,685**	**61,112**

(*) Including mortgage-covered bonds (see Appendix III).

21.6 Other financial liabilities

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

Other financial liabilities (Millions of Euros)

	June 2019	December 2018
Lease liabilities	3,415	
Creditors for other financial liabilities	3,237	2,891
Collection accounts	2,356	4,305
Creditors for other payment obligations	5,683	5,648
Total	**14,692**	**12,844**

Lease liabilities are recognized after the implementation of IFRS 16 on January 1, 2019 (see Note 2.1).

22. Assets and Liabilities under insurance and reinsurance contracts

The heading "Assets under reinsurance and insurance contracts" in the accompanying consolidated balance sheets includes the amounts that the consolidated insurance entities are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the share of the reinsurer in the technical provisions recognized by the consolidated insurance subsidiaries. As of June 30, 2019 and December 31, 2018, the balance under this heading amounted to €371 million and €366 million, respectively.

The breakdown of the balance under the heading "Liabilities under reinsurance and insurance contracts" is as follows:

Technical reserves (Millions of Euros)

	June 2019	December 2018
Mathematical reserves	9,224	8,504
Provision for unpaid claims reported	656	662
Provisions for unexpired risks and other provisions	754	668
Total	**10,634**	**9,834**

23. Provisions

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, based on type of provisions, is as follows:

Provisions. Breakdown by concepts (Millions of euros)

	June 2019	December 2018
Provisions for pensions and similar obligations	4,745	4,787
Other long term employee benefits	58	62
Provisions for taxes and other legal contingencies	689	686
Provisions for contingent risks and commitments	639	636
Other provisions (*)	500	601
Total	**6,631**	**6,772**

(*) Individually insignificant provisions or contingencies, for various concepts in different geographies.

Ongoing legal proceedings and litigation

The financial sector faces an environment of increasing regulatory and litigious pressure. In this environment, the different Group's entities are often parties to individual or collective legal proceedings arising from the ordinary activity of their businesses. In accordance with the procedural status of these proceedings and according to the criteria of the attorneys who manage them, BBVA considers that none of them is material, individually or in aggregate, and that no significant impact derives from them neither in the results of operations nor on liquidity, nor in the financial position at a consolidated level of the Group, as at the level of the standalone Bank. The Group Management considers that the provisions made in connection with these legal proceedings are adequate. In addition, as mentioned in Note 6.1 "Risk factors", the Group is subject or may be subject in the future to a series of legal and regulatory procedures and actions which, in case of a negative result, could have an adverse impact on the Group's businesses, financial position and results of operations.

24. Post-employment and other employee benefit commitments

The Group sponsors defined-contribution plans for the majority of its active employees with the plans in Spain and Mexico being the most significant. Most defined benefit plans are closed to new employees with liabilities relating largely to retired employees, the most significant being those in Spain, Mexico, the United States and Turkey. In Mexico, the Group provides medical benefits to a closed group of employees and their family members, both active service and in retirees.

The amounts relating to the post-employment benefit commitments recorded in the consolidated income statement for the six month periods ended June 30, 2019 and 2018 are as follows:

Consolidated income statement impact (Millions of Euros)			
	Notes	**June 2019**	**June 2018**
Interest income and expense		38	41
Personnel expense		79	81
Defined contribution plan expense	39.1	55	51
Defined benefit plan expense	39.1	24	30
Provisions, net	41	127	57
Total impact on income statement: expense (income)		**244**	**179**

25. Common stock

As of June 30, 2019 and December 31, 2018, BBVA's common stock amounted to €3,267,264,424.20 divided into 6,667,886,580 fully subscribed and paid-up registered shares, all of the same class and series, at €0.49 par value each, represented through book-entries. All of the Bank shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's common stock.

BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. BBVA has not received any information on stockholder agreements including the regulation of the exercise of voting rights at its annual general meetings or restricting or placing conditions on the free transferability of BBVA shares. BBVA does not know any agreement that could give rise to changes in the control of the Bank.

26. Retained earnings, revaluation reserves and other reserves

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

Retained earnings, revaluation reserves and other reserves (Millions of Euros)		
	June 2019	**December 2018**
Retained earnings	26,428	23,018
Revaluation reserves	1	3
Other reserves	(94)	(58)
Total	**26,336**	**22,963**

27. Accumulated other comprehensive income (loss)

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

Accumulated other comprehensive income (Millions of Euros)

	Notes	June 2019	December 2018
Items that will not be reclassified to profit or loss		**(1,531)**	**(1,284)**
Actuarial gains or losses on defined benefit pension plans		(1,393)	(1,245)
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		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	12.4	(164)	(155)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		25	116
Items that may be reclassified to profit or loss		**(5,392)**	**(5,932)**
Hedge of net investments in foreign operations (effective portion)		(537)	(218)
Foreign currency translation		(6,535)	(6,643)
Hedging derivatives. Cash flow hedges (effective portion)		50	(6)
Fair value changes of debt instruments measured at fair value through other comprehensive income	12.4	1,639	943
Hedging instruments (non-designated items)		-	-
Non-current assets and disposal groups classified as held for sale		-	1
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates		(9)	(9)
Total		**(6,923)**	**(7,216)**

The balances recognized under these headings are presented net of tax.

28. Non-controlling interest

The table below is a breakdown by groups of consolidated entities of the balance under the heading “Minority interests (non-controlling interest)” of total equity in the accompanying consolidated balance sheets is as follows:

Non-controlling interests: Breakdown by subgroups (Millions of Euros)

	June 2019	December 2018
Garanti BBVA	4,018	4,058
BBVA Peru	1,206	1,167
BBVA Argentina	426	352
BBVA Colombia	70	67
BBVA Venezuela	69	67
Other entities	50	53
Total	**5,839**	**5,764**

These amounts are broken down by groups of consolidated entities under the heading "Attributable to minority interests (non-controlling interest)" in the accompanying consolidated income statements:

Profit attributable to non-controlling interests (Millions of Euros)

	June 2019	June 2018
Garanti BBVA	291	383
BBVA Peru	115	99
BBVA Argentina	60	12
BBVA Colombia	5	5
BBVA Venezuela	2	-
BBVA Chile	2	2
Other entities	-	26
Total	**475**	**528**

29. Capital base and capital management

The eligible capital resources and the risk weighted assets of the Group (phased-in), in accordance with the applicable regulation, considering the entities in scope required by the regulation, as of June 30, 2019 and December 31, 2018 are shown below:

Capital ratios (phased-in)

	June 2019 (*)	December 2018
Eligible Common Equity Tier 1 capital (million euros) (a)	42,328	40,313
Eligible Additional Tier 1 capital (million euros) (b)	6,669	5,634
Eligible Tier 2 capital (million euros) (c)	7,944	8,756
Risk Weighted Assets (million euros) (d)	360,069	348,264
Common Tier 1 capital ratio (CET 1) (A)=(a)/(d)	11.76%	11.58%
Additional Tier 1 capital ratio (AT 1) (B)=(b)/(d)	1.85%	1.62%
Tier 1 capital ratio (Tier 1) (A)+(B)	13.61%	13.19%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.21%	2.51%
Total capital ratio (A)+(B)+(C)	**15.81%**	**15.71%**

(*) Provisional data.

Leverage ratio

	June 2019 (*)	December 2018
Tier 1 (millions of euros) (a)	48,997	45,947
Exposure to leverage ratio (millions of euros) (b)	731,125	705,299
Leverage ratio (a)/(b) (percentage)	6.70%	6.51%

(*) Provisional data

30. Commitments and guarantees given

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

Loan commitments, financial guarantees and other commitments (Millions of Euros)

	Notes	June 2019	December 2018
Loan commitments given		**122,938**	**118,959**
Of which: defaulted		211	247
Central banks		3	-
General governments		1,688	2,318
Credit institutions		9,966	9,635
Other financial corporations		5,716	5,664
Non-financial corporations		60,845	58,405
Households		44,720	42,936
Financial guarantees given (*)		**15,526**	**16,454**
Of which: defaulted		318	332
Central banks		0	2
General governments		151	159
Credit institutions		1,417	1,274
Other financial corporations		582	730
Non-financial corporations		13,069	13,970
Households		307	319
Other commitments given		**36,158**	**35,098**
Of which: defaulted		*389*	*408*
Central banks		5	1
General governments		605	248
Credit institutions		7,339	5,875
Other financial corporations		3,479	2,990
Non-financial corporations		24,477	25,723
Households		252	261
Total Loan commitments and financial guarantees	6.2.1	174,621	170,511

(*) Non-performing financial guarantees given amounted to €707 and €740 million, respectively, as of June 30, 2019 and December 31, 2018, respectively.

As of June 30, 2019, the provisions for loan commitments given, financial guarantees given and other commitments given, recorded in the consolidated balance sheet amounted €321 million, €176 million and €141 million, respectively.

Since a significant portion of the amounts above will expire without any payment being made by the consolidated entities, the aggregate balance of these commitments cannot be considered the actual future requirement for financing or liquidity to be provided by the BBVA Group to third parties.

31. Other contingent assets and liabilities

As of June 30, 2019 and December 31, 2018, there were no material contingent assets or liabilities other than those disclosed in the accompanying notes to the condensed interim consolidated financial statements.

32. Net interest income

32.1 Interest and other income

The breakdown of the interest and other income recognized in the accompanying consolidated income statement is as follows:

Interest and other similar income. Breakdown by origin (Millions of Euros)

	June 2019	June 2018
Financial assets held for trading	1,071	813
Financial assets designated at fair value through profit or loss	77	71
Financial assets at fair value through other comprehensive income	975	744
Financial assets at amortized cost	12,956	11,985
Adjustments of income as a result of hedging transactions	(38)	129
Other income	143	147
Insurance activity	494	528
Total	**15,678**	**14,418**

32.2 Interest expense

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Interest expense (Millions of Euros)

	June 2019	June 2018
Financial liabilities held for trading	746	135
Financial liabilities designated at fair value through profit or loss	3	-
Financial liabilities at amortized cost (*)	5,613	4,939
Adjustments of expense as a result of hedging transactions	(136)	300
Insurance activity	338	366
Other expense	127	89
Total	**6,691**	**5,828**

(*) Includes €58 million in June 2019 corresponding to interest expense on leases (see Note 21.6).

33. Dividend income

The balances for this heading in the accompanying consolidated income statements correspond to dividends on shares and equity instruments other than those from shares in entities accounted for using the equity method (see Note 34), as can be seen in the breakdown below:

Dividend income (Millions of Euros)

	June 2019	June 2018
Dividends from:		
Non-trading financial assets mandatorily at fair value through profit or loss	25	11
Financial assets at fair value through other comprehensive income	78	73
Total	**103**	**83**

34. Share of profit or loss of entities accounted for using the equity method

Net income from "Investments in entities accounted for using the equity method" resulted in a negative impact of €19 million for the six months ended June 30, 2019, compared with the positive impact of €13 million recorded for the six months ended June 30, 2018.

35. Fee and commission income and expense

The breakdown of the balance under these heading in the accompanying consolidated income statements is as follows:

Fee and commission income (Millions of Euros)

	June 2019	June 2018
Bills receivables	19	23
Demand accounts	232	223
Credit and debit cards, ATMs and TPV	1,538	1,382
Checks	100	92
Transfers and other payment orders	319	295
Insurance product commissions	87	96
Commitment fees	60	117
Contingent risks	196	195
Asset management	511	518
Securities fees	158	192
Custody securities	59	62
Other fees and commissions	381	357
Total	**3,661**	**3,553**

The breakdown of fee and commission expense under these heading in the accompanying consolidated income statements is as follows:

Fee and commission expense (Millions of Euros)

	June 2019	June 2018
Credit and debit cards	798	706
Transfers and other payment orders	65	49
Commissions for selling insurance	26	33
Other fees and commissions	302	285
Total	**1,191**	**1,073**

36. Gains (losses) on financial assets and liabilities, net and exchange differences

The breakdown of the balance under this heading, by source of the related items, in the accompanying consolidated income statement is as follows:

Gains (losses) on financial assets and liabilities and exchange differences: Breakdown by heading of the consolidated income statements (Millions of Euros)

	June 2019	June 2018
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	67	130
Financial assets at amortized cost	15	21
Other financial assets and liabilities	53	109
Gains or losses on financial assets and liabilities held for trading, net	173	329
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	98	3
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	(3)	107
Gains or losses from hedge accounting, net	73	51
Subtotal gains or (losses) on financial assets and liabilities	**408**	**621**
Exchange differences	134	74
Total	**542**	**696**

The breakdown of the balance (excluding exchange rate differences) under this heading in the accompanying income statements by the nature of financial instruments is as follows:

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

	June 2019	June 2018
Debt instruments	451	221
Equity instruments	764	31
Loans and advances to customers	92	(85)
Trading derivatives and hedge accounting	(653)	192
Customer deposits	32	219
Other	(277)	42
Total	**408**	**621**

37. Other operating income and expense

The breakdown of the balance under the heading “Other operating income” in the accompanying consolidated income statements is as follows:

Other operating income (Millions of Euros)

	June 2019	June 2018
Gains from sales of non-financial services	129	246
Other operating income	208	307
Total	**337**	**554**

The breakdown of the balance under the heading "Other operating expense" in the accompanying consolidated income statements is as follows:

Other operating expense (Millions of Euros)

	June 2019	June 2018
Change in inventories	59	165
Other (*)	936	897
Total	**995**	**1,062**

(*) Includes the contributions to guaranteed banks deposits funds and hyperinflation adjustment (see Note 1.3)

38. Income and expense from insurance and reinsurance contracts

The detail of the headings "Income and expense from insurance and reinsurance contracts" in the accompanying consolidated income statements is as follows:

Other operating income and expense on insurance and reinsurance contracts (Millions of Euros)

	June 2019	June 2018
Income on insurance and reinsurance contracts	1,547	1,601
Expenses on insurance and reinsurance contracts	(983)	(1,091)
Total	**565**	**510**

39. Administration costs

39.1 Personnel expense

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Personnel expense (Millions of Euros)

	Notes	June 2019	June 2018
Wages and salaries		2,435	2,432
Social security costs		396	369
Defined contribution plan expense	24	55	51
Defined benefit plan expense	24	24	30
Other personnel expense		222	223
Total		**3,131**	**3,104**

The breakdown of the average number of employees in the BBVA Group as of June 30, 2019 and 2018 is as follows:

Average number of employees

	June 2019	June 2018
BBVA Group	***125,907***	***131,881***
Men	*58,203*	*60,623*
Women	*67,704*	*71,258*
Of which BBVA, S.A.:	***25,879***	***26,356***
Men	*12,842*	*13,178*
Women	*13,037*	*13,178*

39.2 Other administrative expense

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Other administrative expense (Millions of Euros)	June 2019	June 2018
Technology and systems	604	556
Communications	109	119
Advertising	158	174
Property, fixtures and materials	266	492
Of which: Rent expense (*)	*52*	*282*
Taxes other than income tax	203	215
Other expense	612	638
Total	**1,953**	**2,193**

(*) The change is mainly due to the implementation of IFRS 16 on January 1, 2019 (see Note 2.1).

40. Depreciation and amortization

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Depreciation and amortization (Millions of Euros)	June 2019	June 2018
Tangible assets	488	290
For own use	294	289
Investment properties	2	1
Right-of-use assets (*)	192	
Other Intangible assets	302	309
Total	**790**	**599**

(*) The change is mainly due to the implementation of IFRS 16 on January 1, 2019 (see Note 2.1).

41. Provisions or (reversal) of provisions

In the six months ended June 30, 2019 and 2018 the net provisions recognized in this income statement line item were as follows:

Provisions or (reversal) of provisions (Millions of Euros)	Notes	June 2019	June 2018
Pensions and other post employment defined benefit obligations	24	127	57
Commitments and guarantees given		7	(102)
Pending legal issues and tax litigation		75	124
Other Provisions		51	105
Total		**261**	**184**

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

The breakdown of Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss by the nature of those assets in the accompanying consolidated income statements is as follows:

Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss (Millions of Euros)

	June 2019	June 2018
Financial assets at fair value through other comprehensive income - debt securities	5	(12)
Financial assets at amortized cost	1,772	1,618
Of which: Recovery of written-off assets	*(534)*	*(317)*
Total	**1,777**	**1,606**

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

The impairment losses on non-financial assets broken down by the nature of those assets in the accompanying consolidated income statements are as follows:

Impairment or (reversal) of impairment on non-financial assets (Millions of Euros)

	June 2019	June 2018
Tangible assets	30	18
Intangible assets	1	3
Others	13	(21)
Total	**44**	**-**

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

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Gains (losses) on derecognition of non-financial assets and subsidiaries, net (Millions of Euros)

	June 2019	June 2018
Gains		
Disposal of investments in non-consolidated subsidiaries	-	52
Disposal of tangible assets and other	13	60
Losses		
Disposal of investments in non-consolidated subsidiaries	-	-
Disposal of tangible assets and other	(6)	(32)
Total	**8**	**80**

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

The main items included in the balance under this heading in the accompanying consolidated income statements are as follows:

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

	June 2019	June 2018
Gains on sale of real estate	26	70
Impairment of non-current assets held for sale	(15)	(41)
Total	**11**	**29**

46. Related-party transactions

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the normal course of their business. All of these transactions are not material and are carried out under normal market conditions. As of June 30, 2019, and December 31, 2018, the following are the transactions with related parties:

46.1 Transactions with significant shareholders

As of June 30, 2019 and December 31, 2018, there were no shareholders considered significant (see Note 25).

46.2 Transactions with BBVA Group entities

The main balances in the accompanying consolidated balance sheets arising from the transactions carried out by the BBVA Group with associates and joint venture entities accounted for using the equity method are as follows:

Balances arising from transactions with entities of the Group (Millions of Euros)

	June 2019	December 2018
Assets		
Loans and advances to credit institutions	122	132
Loans and advances to customers	1,403	1,866
Liabilities		
Deposits from credit institutions	2	2
Customer deposits	601	521
Debt certificates	-	-
Memorandum accounts		
Contingent commitments	116	152
Other contingent commitments given	1,030	1,358
Financial guarantees given	103	78

The main balances in the accompanying consolidated income statements resulting from transactions with associates and joint venture entities that are accounted for under the equity method are as follows:

Balances of consolidated income statement arising from transactions with entities of the Group (Millions of Euros)

	June 2019	June 2018
Income statement		
Interest and other income	26	11
Interest expense	1	1
Fee and commission income	2	2
Fee and commission expenses	14	26

There were no other material effects in the consolidated financial statements arising from dealings with these entities, other than the effects from using the equity method (see Note 2.1) and from the insurance policies to cover pension or similar commitments (see Note 25) and the futures transactions arranged by BBVA Group with these entities, associates and joint ventures.

In addition, as part of its normal activity, the BBVA Group has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the accompanying condensed interim consolidated financial statements.

46.3 Transactions with members of the Board of Directors and Senior Management

The information on the remuneration of the members Board of Directors and Senior Management of BBVA is included in Note 47.

As of June 30, 2019 and December 31, 2018, the amount availed against the loans granted by the Group's entities to the members of the Board of Directors amounted to €617 and €611 thousand, respectively. The amount availed against the loans by the Group's entities to the members of Senior Management on those same dates (excluding the executive directors) amounted to €3,759 and €3,783 thousand, respectively.

As of June 30, 2019 and December 31, 2018, there were no loans granted to parties related to the members of the Board of Directors. As of June 30, 2019 and December 31, 2018 the amount availed against the loans to parties related to members of the Senior Management amounted to €61 and €69 thousand, respectively.

As of June 30, 2019, and December 31, 2018, no guarantees had been granted to any member of the Board of Directors.

As of June 30, 2019 and December 31, 2018, the amount availed against guarantees arranged with members of the Senior Management amounted to €10 and €38 thousand, respectively.

As of June 30, 2019 and December 31, 2018, no commercial loans and guarantees have been granted with parties related to the members of the Bank's Board of Directors and the Senior Management.

46.4 Transactions with other related parties

As of June 30, 2019 and December 31, 2018, the Group did not conduct any transactions with other related parties that are not in the ordinary course of its business, which were not carried out at arm's-length market conditions and of marginal relevance; whose information is not necessary to give a true picture of the BBVA Group's consolidated net equity, net earnings and financial situation.

47. Remuneration and other benefits to the Board of Directors and members of the Bank's Senior Management

The notes accompanying the Bank's annual consolidated financial statements, corresponding to the financial year ending 31 December 2018, detail the remuneration and other benefits corresponding to the members of the Board of Directors and of Senior Management, including the description of the applicable policies and remuneration systems, and information regarding the conditions to receive remuneration and other benefits.

The General Shareholders' Meeting of the Bank held on 15 March 2019, approved a new Remuneration Policy for BBVA Directors, which while maintaining the same remuneration system as established in the previous policy, incorporates the adjustments to the contractual conditions of the Group Executive Chairman and the Chief Executive Officer resulting from the positions and functions for which they were appointed on 20 December 2018.

On the basis of said policies and remuneration systems, information regarding the remuneration and other benefits for the members of the Board of Directors and for Senior Management corresponding to the period between the start of the financial year and 30 June 2019 is shown below.

Remuneration of non-executive directors

The remuneration paid to non-executive directors during the first semester of 2019 is itemised per director below:

Remuneration for non-executive directors (Thousands of Euros)

	Board of Directors	Executive Committee	Audit Committee	Risk and Compliance Committee	Remunera-tions Committee	Appoint-ments and Corporate Governance Committee	Technology and Cyber-security Committee	Other functions (1)	Total
Tomás Alfaro Drake	64	-	-	-	21	-	21	-	107
José Miguel Andrés Torrecillas	64	-	71	53	-	53	-	8	250
Jaime Félix Caruana Lacorte	64	83	28	53	-	-	14	-	243
Belén Garijo López	64	-	35	-	54	21	-	-	174
Sunir Kumar Kapoor	64	-	-	-	-	-	21	-	86
Carlos Loring Martínez de Irujo	64	83	-	53	21	-	-	-	223
Lourdes Máiz Carro	64	-	35	-	21	14	-	-	134
José Maldonado Ramos	64	83	-	-	-	21	-	-	169
Ana Peralta Moreno	64	-	35	-	21	-	-	-	121
Juan Pi Llorens	64	-	24	107	-	8	21	13	238
Susana Rodríguez Vidarte	64	83	-	53	-	21	-	-	222
Jan Verplancke	64	-	-	-	-	-	21	-	86
Total (2)	**772**	**333**	**226**	**321**	**139**	**138**	**100**	**22**	**2,052**

(1) Amounts received during the first semester of 2019 by José Miguel Andrés Torrecillas, in his capacity as Deputy Chair of the Board of Directors, and by Juan Pi Llorens, in his capacity as Lead Independent Director, positions for which they were appointed by resolution of the Board of Directors on April 29, 2019.

(2) Includes the amounts corresponding to the positions of member of the Board and of member of various committees during the first semester of 2019. By resolution of the Board of Directors on 29April2019, the functions of some Board committees were redistributed, and their names and composition were adapted to these changes.

Likewise, during the first semester of 2019, EUR 100 thousand was paid in healthcare and casualty insurance premiums to non-executive directors.

Remuneration of executive directors

The remuneration paid to executive directors during the first semester of 2019 is itemised per director below:

Fixed remuneration (Thousands of Euros)

Group Executive Chairman	1,227
Chief Executive Officer (1)	1,090
Head of Global Economics & Public Affairs (Head of GE&PA)	417
Total	**2,733**

(1) In addition, in accordance with the Remuneration Policy for BBVA Directors, during the first semester of 2019, the Chief Executive Officer received EUR 327 thousand as cash in lieu of pension and EUR 181 thousand as a mobility allowance.

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Variable remuneration	In cash (Thousands of Euros)	In shares
Group Executive Chairman (1)	1,091	179,593
Chief Executive Officer (2)	200	41,267
Head of GE&PA (1)	193	31,308
Total	**1,483**	**252,168**

(1) Remuneration corresponding to the upfront portion (40%) of the Annual Variable Remuneration (AVR) for 2018 and to the deferred AVR for 2015 to be paid in 2019, along with its update in cash. For the Group Executive Chairman, this variable remuneration relates to his previous position as Chief Executive Officer.

(2) Remuneration corresponding to the upfront portion (40%) of the AVR for the 2018 financial year. Data in thousands of euro is for information purposes. The exchange rate applied is that at the close of April 2019.

Moreover, in the first semester of 2019, remuneration in kind was paid to executive directors, including insurance premiums and other items, for a total amount of EUR 372 thousand.

Remuneration of members of Senior Management (*)

The remuneration paid to the Senior Management as a whole during the first semester of 2019, excluding executive directors, is itemised below:

Fixed remuneration (Thousands of Euros)	
Senior Management Total	7,674

Variable remuneration (Thousands of Euros)	In cash (1) (Thousands of Euros)	In shares (1)
Senior Management Total	2,769	437,804

(1) Remuneration corresponding to the upfront portion (40%) of the AVR for the 2018 financial year and to the deferred AVR for 2015 to be paid in 2019, for the senior managers beneficiaries, along with its update in cash. For those members of Senior Management appointed by the Board of Directors on 20 December 2018 and 29 April 2019, this remuneration relates to their previous positions.

(*) 15 members with such status as at 30 June 2019, excluding executive directors.

Likewise, during the first semester of 2019, remuneration in kind was paid in favour of Senior Management as a whole, excluding executive directors, which included insurance premiums and other items, for a total amount of EUR 540 thousand.

Remuneration system with deferred delivery of shares for non-executive directors

During the first semester of 2019, the following "theoretical shares" were allocated, derived from the deferred delivery of shares remuneration system for non-executive directors, equivalent to 20% of the total remuneration in cash received by each director in 2018:

	Theoretical shares allocated in 2019	Theoretical shares accumulated as at 30 June 2019
Tomás Alfaro Drake	10,138	93,587
José Miguel Andrés Torrecillas	19,095	55,660
Jaime Félix Caruana Lacorte	9,320	9,320
Belén Garijo López	12,887	47,528
Sunir Kumar Kapoor	6,750	15,726
Carlos Loring Martínez de Irujo	17,515	116,391
Lourdes Máiz Carro	11,160	34,320
José Maldonado Ramos	15,328	94,323
Ana Peralta Moreno	5,624	5,624
Juan Pi Llorens	17,970	72,141
Susana Rodríguez Vidarte	17,431	122,414
Jan Verplancke	5,203	5,203
Total	**148,421**	**672,237**

Pension commitments with executive directors and members of Senior Management

Executive directors (Thousands of Euros)	Contributions (1)		Accumulated funds
	Retirement	Death and disability	
Group Executive Chairman	820	139	20,463
Chief Executive Officer	-	71	-
Head of GE&PA	129	75	1,271
Total	**949**	**285**	**21,735**

(1) Contributions registered to fulfil the proportion of pension commitments undertaken with the executive directors corresponding to the first semester of 2019. For the Group Executive Chairman and the Head of GE&PA, these correspond to the sum of the annual retirement benefit and the death and disability premiums, as well as to the adjustment made to the discretionary pension benefits for 2018 that fall due in the 2019 financial year, once the AVR for 2018 has been determined. For the Chief Executive Officer, the registered contributions correspond exclusively to the proportion of the premiums for death and disability coverage corresponding to the first semester of 2019, as there are no commitments with the Chief Executive Office for the retirement benefit.

Senior Management (Thousands of Euros)	Contributions (1)		Accumulated funds
	Retirement	Death and disability	
Senior Management Total*	1,758	381	31,099

(1) Contributions registered to fulfil the proportion of pension commitments undertaken with the Senior Management as a whole for the first semester of 2019 corresponding to the sum of the annual contributions to cover retirement benefits, death and disability premiums, and the adjustments made to the discretionary pension benefits for 2018 that fall due in 2019, once the AVR for the year 2018 has been determined.

(*) 15 members with such status as at 30 June 2019, excluding executive directors.

48. Other information

48.1 Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid in the year

The table below presents the dividends per share paid in cash during the six months ended June 30, 2019 and 2018 (cash basis dividend, regardless of the year in which they were accrued), but without including other shareholder remuneration, such as the "Dividend Option".

Dividends paid ("Dividend Option" not included)	June 2019			June 2018		
	% Over Nominal	**Euros per Share**	**Amount (Millions of Euros)**	**% Over Nominal**	**Euros per Share**	**Amount (Millions of Euros)**
Ordinary shares	32.65%	0.16	1,067	30.61%	0.15	1,000
Rest of shares	-	-	-	-	-	-
Total dividends paid in cash	**32.65%**	**0.16**	**1,067**	**30.61%**	**0.15**	**1,000**
Dividends with charge to income	32.65%	0.16	1,067	30.61%	0.15	1,000
Dividends with charge to reserve or share premium	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-

Ordinary earnings by Operating Segment

The detail of the consolidated profit for each operating segment is as follows for the six months ended June 30, 2019 and 2018:

Profit attributable by Operating Segment

	Profit/ (loss)	
	June 2019	**June 2018**
Spain	734	746
United States	297	385
Mexico	1,287	1,200
Turkey	282	372
South America	404	332
Rest of Eurasia	55	60
Subtotal operating segments	**3,058**	**3,094**
Corporate Center	(616)	(558)
Total	**2,442**	**2,536**

Interest income by geographical area

The breakdown of the balance of "Interest income and other income" in the accompanying consolidated income statements by geographical area is as follows:

Interest Income. Breakdown by geographical area (Millions of Euros)

	Notes	**June 2019**	**June 2018**
Domestic		2,466	2,443
Foreign		13,212	11,975
European Union		245	247
Eurozone		164	170
No Eurozone		81	76
Other countries		12,967	11,728
Total	**32.1**	**15,678**	**14,418**
Of which BBVA, S.A.:			
Domestic		*2,199*	*2,174*
Foreign		*286*	*180*
European Union		*104*	*66*
Eurozone		*83*	*45*
No Eurozone		*22*	*21*
Other countries		*182*	*114*
Total		**2,485**	**2,354**

48.2 Mortgage market policies and procedures

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

49. Subsequent events

From July 1, 2019 to the date of preparation of these condensed interim consolidated financial statements, no other subsequent events not mentioned above in these condensed interim financial statements have taken place that could significantly affect the Group's earnings or its equity position.

50. Explanation added for translation into English

These accompanying condensed interim consolidated financial statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to EU-IFRS may not conform to other generally accepted accounting principles.

Appendices

APPENDIX I. Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A.

ASSETS (Millions of Euros)	June 2019	December 2018 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**15,138**	**30,922**
FINANCIAL ASSETS HELD FOR TRADING	**87,546**	**75,210**
Derivatives	30,108	30,217
Equity instruments	5,079	4,850
Debt securities	15,528	11,453
Loans and advances to central banks	185	2,073
Loans and advances to credit institutions	23,592	14,588
Loans and advances to customers	13,053	12,029
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**810**	**1,726**
Equity instruments	90	200
Debt securities	131	150
Loans and advances to central banks	-	-
Loans and advances to credit institutions	-	-
Loans and advances to customers	588	1,376
OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**-**
Equity instruments	-	-
Debt securities	-	-
Loans and advances to central banks	-	-
Loans and advances to credit institutions	-	-
Loans and advances to customers	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME	**26,589**	**19,273**
Equity instruments	2,005	2,020
Debt securities	24,583	17,253
FINANCIAL ASSETS AT AMORTIZED COST	**224,939**	**219,127**
Debt securities	22,089	19,842
Loans and advances to central banks	5	5
Loans and advances to credit institutions	7,431	5,271
Loans and advances to customers	195,414	194,009
HEDGING DERIVATIVES	**1,114**	**1,090**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**40**	**(21)**
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	**30,814**	**30,734**
Subsidiaries	29,633	29,634
Joint ventures	58	58
Associates	1,123	1,042
TANGIBLE ASSETS	**4,651**	**1,739**
Property, plants and equipment	4,595	1,737
For own use	4,595	1,737
Other assets leased out under an operating lease	-	-
Investment properties	56	2
INTANGIBLE ASSETS	**895**	**898**
Goodwill	-	-
Other intangible assets	895	898
TAX ASSETS	**13,722**	**13,990**
Current	1,074	1,410
Deferred	12,648	12,580
OTHER ASSETS	**2,996**	**4,187**
Insurance contracts linked to pensions	2,134	2,032
Inventories	-	-
Other	861	2,155
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	**983**	**1,065**
TOTAL ASSETS	**410,237**	**399,940**

(*) Presented for comparison purposes only.

Translation of the Condensed Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 49). In the event of a discrepancy, the Spanish-language version prevails.

LIABILITIES AND EQUITY (Millions of Euros)

	June 2019	December 2018 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**76,540**	**68,242**
Trading derivatives	29,536	29,748
Short positions	10,001	9,235
Deposits from central banks	4,724	5,149
Deposits from credit institutions	26,794	15,642
Customer deposits	5,485	8,468
Debt certificates	-	-
Other financial liabilities	-	-
OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,426**	**1,746**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Customer deposits	2,426	1,746
Debt certificates	-	-
Other financial liabilities	-	-
Of which: Subordinated liabilities	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	**283,740**	**283,157**
Deposits from central banks	26,892	26,605
Deposits from credit institutions	21,424	20,539
Customer deposits	188,696	192,419
Debt certificates	36,894	35,769
Other financial liabilities	9,835	7,825
Of which: Subordinated liabilities	*9,423*	*10,588*
HEDGING DERIVATIVES	**1,557**	**1,068**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
PROVISIONS	**4,842**	**5,125**
Provisions for pensions and similar obligations	3,999	4,043
Other long term employee benefits	24	29
Provisions for taxes and other legal contingencies	369	348
Provisions for contingent risks and commitments	221	238
Other provisions	229	467
TAX LIABILITIES	**1,156**	**1,197**
Current	134	126
Deferred	1,022	1,071
OTHER LIABILITIES	**2,750**	**1,996**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	-	-
TOTAL LIABILITIES	**373,011**	**362,531**

(*) Presented for comparison purposes only.

LIABILITIES AND EQUITY (Continued) (Millions of Euros)

	June 2019	December 2018 (*)
SHAREHOLDERS' FUNDS	37,313	37,417
Capital	**3,267**	**3,267**
Paid up capital	3,267	3,267
Unpaid capital which has been called up	-	-
Share premium	**23,992**	**23,992**
Equity instruments issued other than capital	**37**	**46**
Equity component of compound financial instruments	-	-
Other equity instruments issued	37	46
Other equity	**-**	**-**
Retained earnings	**-**	**-**
Revaluation reserves	**1**	**3**
Other reserves	**9,106**	**8,796**
Less: Treasury shares	**(13)**	**(23)**
Profit or loss of the period	**1,129**	**2,316**
Less: Interim dividends	**(208)**	**(980)**
ACCUMULATED OTHER COMPREHENSIVE INCOME	(87)	(8)
Items that will not be reclassified to profit or loss	**(264)**	**(152)**
Actuarial gains or (-) losses on defined benefit pension plans	(79)	(78)
Non-current assets and disposal groups classified as held for sale	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(210)	(190)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	25	116
Items that may be reclassified to profit or loss	**177**	**144**
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedges (effective portion)	(145)	(116)
Fair value changes of debt instruments measured at fair value through other comprehensive income	321	260
Hedging instruments (non-designated items)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
TOTAL EQUITY	37,226	37,409
TOTAL EQUITY AND TOTAL LIABILITIES	410,237	399,940

MEMORANDUM ITEM - OFF BALANCE SHEET EXPOSURES (Millions of euros)

	June 2019	December 2018 (*)
Loan commitments given	68,003	69,513
Financial guarantees given	9,069	9,197
Contingent commitments given	29,327	27,202

(*) Presented for comparison purposes only.

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INCOME STATEMENTS (Millions of Euros)

	June 2019	June 2018 (*)
Interest income and other income	2,485	2,354
Financial assets and liabilities at fair value through other comprehensive income	146	185
Financial assets at amortized cost	2,200	2,092
Other interest income	139	76
Interest expense	(784)	(641)
NET INTEREST INCOME	**1,702**	**1,713**
Dividend income	1,496	1,475
Fee and commission income	1,022	1,013
Fee and commission expense	(207)	(177)
Gains (losses) on recognition of financial assets and liabilities not measured at fair value through profit or loss, net	18	25
Financial assets at amortized cost	-	1
Other financial assets and liabilities	18	24
Gains or (-) losses from hedge accounting, net	200	275
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortized cost	-	-
Other gains or losses	200	275
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss, net	8	7
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortized cost	-	-
Other gains or losses	8	7
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(82)	(45)
Gains (losses) from hedge accounting, net	34	14
Exchange differences,	(117)	(23)
Other operating income	64	55
Other operating expense	(227)	(207)
GROSS INCOME	**3,910**	**4,124**
Administration costs	(1,939)	(2,033)
Personnel expense	(1,185)	(1,154)
Other administrative expense	(753)	(879)
Depreciation and amortization	(333)	(227)
Provisions or (-) reversal of provisions	(208)	(488)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	28	(147)
Financial assets at amortized cost	29	(158)
Financial assets at fair value through other comprehensive income	(1)	11
NET OPERATING INCOME	**1,458**	**1,230**
Impairment or reversal of impairment of investments in joint ventures and associates	(311)	13
Impairment or reversal of impairment on non-financial assets	(26)	(18)
Tangible assets	(27)	(18)
Intangible assets	-	-
Other assets	1	-
Gains or losses on derecognized assets not classified as non-current assets held for sale, net	-	(17)
Negative goodwill recognized in profit or loss	-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(3)	180
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**1,117**	**1,388**
Tax expense or income related to profit or loss from continuing operations	12	(92)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**1,129**	**1,296**
Profit or loss after tax from discontinued operations	-	-
PROFIT FOR THE PERIOD	**1,129**	**1,296**

(*) Presented for comparison purposes only.

STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)

	June 2019	June 2018 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	1,129	1,296
OTHER RECOGNIZED INCOME (EXPENSE)	(79)	(334)
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	(111)	(176)
Actuarial gains and losses from defined benefit pension plans	(1)	-
Non-current assets available for sale	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income, net	(15)	(242)
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	(130)	98
Income tax related to items not subject to reclassification to income statement	34	(31)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	33	(158)
Hedge of net investments in foreign operations [effective portion]	**-**	**-**
Foreign currency translation	**-**	**-**
Translation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	**(41)**	**(85)**
Valuation gains or (-) losses taken to equity	(41)	(85)
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments [non-designated elements]	**-**	**-**
Debt securities at fair value through other comprehensive income	**87**	**(122)**
Valuation gains or (losses)	100	(98)
Amounts reclassified to income statement	(13)	(24)
Reclassifications (other)	-	-
Non-current assets held for sale and disposal groups held for sale	**-**	**-**
Income tax related to items subject to reclassification to income statement	**(14)**	**49**
TOTAL RECOGNIZED INCOME/EXPENSES	1,051	962

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Statement of changes in equity for the six month ended June 30, 2019 of BBVA, S.A.

Statement of changes in equity for the six month ended June 30, 2019 of BBVA, S.A. (Million of Euros)

June 2019	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2019	3,267	23,992	46	-	-	3	8,796	(23)	2,316	(980)	(8)	37,409
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,129**	**-**	**(79)**	**1,051**
Other changes in equity	**-**	**-**	**(9)**	**-**	**-**	**(2)**	**309**	**10**	**(2,316)**	**772**	**-**	**(1,235)**
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	-	-	-	-	-	-	(1,067)	-	-	(208)	-	(1,275)
Purchase of treasury shares	-	-	-	-	-	-	-	(516)	-	-	-	(516)
Sale or cancellation of treasury shares	-	-	-	-	-	-	37	526	-	-	-	563
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	(1)	-	-	(2)	1,339	-	(2,316)	980	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	(8)	-	-	-	1	-	-	-	-	(7)
Balances as of June 30, 2019	3,267	23,992	37	-	-	1	9,106	(13)	1,129	(208)	(87)	37,226

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Statement of changes in equity for the six month ended June 30, 2018 of BBVA, S.A.

Statement of changes in equity for the six month ended June 30, 2018 of BBVA, S.A. (Million of Euros)

June 2018 (*)	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2018	3,267	23,992	47	-	-	12	9,445	-	2,083	(1,045)	409	38,211
Effect of correction of errors	-	-	-	-	-	-	(667)	-	-	-	-	(667)
Adjusted initial balance	**3,267**	**23,992**	**47**	**-**	**-**	**12**	**8,778**	**-**	**2,083**	**(1,045)**	**409**	**37,543**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,296**	**-**	**(334)**	**962**
Other changes in equity	**-**	**-**	**(5)**	**-**	**-**	**(1)**	**45**	**(1)**	**(2,083)**	**875**	**-**	**(1,171)**
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	-	-	-	-	-	-	-	-	-	(170)	-	(170)
Purchase of treasury shares	-	-	-	-	-	-	-	(659)	-	-	-	(659)
Sale or cancellation of treasury shares	-	-	-	-	-	-	6	658	-	-	-	664
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	(1)	-	-	(1)	40	-	(1,083)	1,045	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	(5)	-	-	-	(1)	-	(1,000)	-	-	(1,006)
Balances as of June 30, 2018	3,267	23,992	42	-	-	11	8,823	(1)	1,296	(170)	75	37,335

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CASH FLOWS STATEMENTS (Millions of Euros)

	June 2019	June 2018 (*)
A) CASH FLOW FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	**(13,185)**	**1,310**
1. Profit for the period	**1,129**	**1,296**
2. Adjustments to obtain the cash flow from operating activities:	**838**	**265**
Depreciation and amortization	333	227
Other adjustments	505	38
3. Net increase/decrease in operating assets	**(23,378)**	**153**
Financial assets held for trading	(12,335)	2,444
Non-trading financial assets mandatorily at fair value through profit or loss	917	-
Other financial assets designated at fair value through profit or loss	-	242
Financial assets at fair value through other comprehensive income	(7,316)	(1,909)
Loans and receivables	(5,812)	(477)
Other operating assets	1,168	(147)
4. Net increase/decrease in operating liabilities	8,238	**(495)**
Financial liabilities held for trading	8,298	2,281
Other financial liabilities designated at fair value through profit or loss	680	303
Financial liabilities at amortized cost	(1,487)	(2,684)
Other operating liabilities	747	(395)
5. Collection/Payments for income tax	**(12)**	**92**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	**(176)**	**147**
1. Investment	**(446)**	**(884)**
Tangible assets	(45)	(29)
Intangible assets	(150)	(121)
Investments	(106)	(582)
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	(146)	(152)
Other settlements related to investing activities	-	-
2. Divestments	**270**	**1,031**
Tangible assets	20	59
Intangible assets	-	-
Investments	25	804
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	225	168
Other collections related to investing activities	-	-

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CASH FLOWS STATEMENTS (Continued) (Millions of euros)

	June 2019	June 2018 (*)
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	(2,399)	(2,536)
1. Investment	**(4,806)**	**(3,554)**
Dividends	(1,274)	(1,170)
Subordinated liabilities	(3,005)	(1,724)
Common stock amortization	-	-
Treasury stock acquisition	(527)	(659)
Other items relating to financing activities	-	-
2. Divestments	**2,407**	**1,018**
Subordinated liabilities	1,750	-
Common stock increase	-	-
Treasury stock disposal	564	663
Other items relating to financing activities	93	355
D) EFFECT OF EXCHANGE RATE CHANGES	(23)	(85)
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A + B + C + D)	(15,783)	(1,164)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	30,922	18,503
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (E + F)	15,138	17,339

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE PERIOD (Millions of euros)

	June 2019	June 2018 (*)
Cash	767	785
Balance of cash equivalent in central banks	10,015	12,899
Other financial assets	4,357	3,655
Less: Bank overdraft refundable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	15,138	17,339

(*) Presented for comparison purposes only.

This Appendix is an integral part of Note 1.6 of the condensed interim consolidated financial statements for the six months ended June 30, 2019.

APPENDIX II. Information on data derived from the special accounting registry and other information bonds

The Bank has implemented policies and procedures for its activities in the mortgage market and in the financing of exportation of goods and services or the process of internationalization of companies, which allow ensuring compliance with the applicable regulations of the mortgage market and for the issuance of bonds.

a) Mortgage market policies and procedures

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

The mortgage origination policy is based on principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system. Therefore, the applicant's repayment ability is a key aspect within the credit decision-making tools and retail risk acceptance manuals, and has a high weighting in the final decision.

During the mortgage risk transaction analysis process, documentation supporting the applicant's income (payroll, etc.) is required, and the applicant's position in the financial system is checked through automated database queries (internal and external). This information is used for calculation purposes in order to determine the level of indebtedness/compliance with the remainder of the system. This documentation is kept in the transaction's file.

In addition, the mortgage origination policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 3/2010 and Circular 4/2016. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for issues related to the mortgage market, the Finance area annually defines the strategy for wholesale finance issues, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and receivables" outstanding balances and the conditions in the market.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificates and/or Mortgage Participations issued by BBVA to securitize the credit rights derived from loans and mortgage loans. Likewise, the Board of Directors authorizes the establishment of a Base Prospectus for the issuance of fixed-income securities through which the mortgage-covered bonds are implemented.

As established in article 24 of Royal Decree 716/2009, of April, 24, by virtue of which certain aspects of Law 2/1981, of 25 March, of regulation of the mortgage market and other rules of the mortgage and financial system are developed, *"the volume of outstanding mortgage-covered bonds issued by a bank may not exceed 80% of a calculation base determined by adding the outstanding principal of all the loans and mortgage loans in the bank's portfolio that are eligible"* and which are not covered by the issue of Mortgage Bonds, Mortgage Participations or Mortgage Transfer Certificates. For these purposes, in accordance with the aforementioned Royal Decree 716/2009, in order to be eligible, loans and mortgage loans, on a general basis: (i) must be secured by a first mortgage on the freehold; (ii) the loan's amount may not exceed 80% of the appraisal value for residential mortgages, and 60% for other mortgage lending; (iii) must be established on assets exclusively and wholly owned by the mortgagor; (iv) must have been appraised by an independent appraisal company unrelated to the Group and authorized by the Bank of Spain; and (v) the mortgaged property must be covered at least by a current damage insurance policy.

The Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the remaining eligible collateral, to avoid exceeding the maximum limit set by Royal Decree 716/2009, and outlined in the preceding paragraph. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked according to an agreed procedures engagement, by the Bank's external auditor as required by the Spanish Securities and Exchange Commission. There is also a series of filters through which some mortgage loans and credits are excluded in accordance with legal, commercial and risk concentration criteria.

b) Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 as of June 30, 2019 and December 31, 2018 is shown below.

b.1) Ongoing operations

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)

	June 2019	December 2018
Nominal value of outstanding loans and mortgage loans	95,203	97,519
Minus: Nominal value of all outstanding loans and mortgage loans that form part of the portfolio, but have been mobilized through mortgage bond holdings or mortgage transfer certificates	*(29,386)*	*(29,781)*
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	**65,817**	**67,738**
Of which:		
Loans and mortgage loans which would be eligible if the calculation limits set forth in Article 12 of Spanish Royal Decree 716/2009 were not applied.	*45,611*	*45,664*
Minus: Loans and mortgage loans which would be eligible but, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, cannot be used to collateralize any issuance of mortgage bonds.	*(1,111)*	*(1,240)*
Eligible loans and mortgage loans that, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, can be used as collateral for the issuance of mortgage bonds	**44,500**	**44,424**
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	35,600	35,539
Issued Mortgage-covered bonds	**27,204**	**24,301**
Outstanding Mortgage-covered bonds	**15,112**	**15,207**
Capacity to issue mortgage-covered bonds	8,396	11,238
Memorandum items:	-	-
Percentage of overcollateralization across the portfolio	*242%*	*279%*
Percentage of overcollateralization across the eligible used portfolio	*164%*	*183%*
Nominal value of available sums (committed and unused) from all loans and mortgage loans	5,461	5,267
Of which:		
Potentially eligible	*4,600*	*4,517*
Ineligible	*861*	*750*
Nominal value of all loans and mortgage loans that are not eligible, as they do not meet the thresholds set in Article 5.1 of Spanish Royal Decree 716/2009, but do meet the rest of the eligibility requirements indicated in Article 4 of the Royal Decree	11,231	12,827
Nominal value of the replacement assets subject to the issue of mortgage-covered bonds	-	-

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Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)

		June 2019	December 2018
Total loans	(1)	95,203	97,519
Issued mortgage participations	(2)	4,670	4,360
Of which: recognized on the balance sheet		*3,323*	*2,927*
Issued mortgage transfer certificates	(3)	24,716	25,422
Of which: recognized on the balance sheet		*21,880*	*23,590*
Mortgage loans as collateral of mortgages bonds	(4)	-	-
Loans supporting the issuance of mortgage-covered bonds	1-2-3-4	65,818	67,738
Non-eligible loans		20,207	22,074
Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009		11,231	12,827
Other		8,976	9,247
Eligible loans		45,611	45,664
That cannot be used as collateral for issuances		1,111	1,240
That can be used as collateral for issuances		44,500	44,424
Loans used to collateralize mortgage bonds		-	-
Loans used to collateralize mortgage-covered bonds		44,500	44,424

Mortgage loans. Classification of the nominal values according to different characteristics (Millions of Euros)

	June 2019			December 2018		
	Total mortgage loans	**Eligible Loans(*)**	**Eligible that can be used as collateral for issuances (**)**	**Total mortgage loans**	**Eligible Loans(*)**	**Eligible that can be used as collateral for issuances (**)**
TOTAL	65,818	45,611	44,500	67,738	45,664	44,424
By source of the operations						
Originated by the bank	60,456	41,060	40,012	62,170	40,962	39,799
Subrogated by other institutions	895	686	682	797	664	660
Rest	4,467	3,865	3,806	4,771	4,038	3,965
By Currency						
In euros	65,427	45,362	44,251	67,255	45,362	44,122
In foreign currency	391	249	249	483	302	302
By payment situation						
Normal payment	58,308	42,167	41,752	56,621	41,688	41,057
Other situations	7,510	3,444	2,748	11,117	3,976	3,367
By residual maturity						
Up to 10 years	15,588	11,865	11,529	15,169	11,226	10,808
10 to 20 years	27,311	22,596	22,013	28,317	22,907	22,344
20 to 30 years	18,273	9,846	9,686	18,195	9,973	9,752
Over 30 years	4,646	1,304	1,272	6,057	1,558	1,520
By Interest Rate						
Fixed rate	11,542	6,242	6,192	10,760	5,545	5,467
Floating rate	54,276	39,369	38,308	56,978	40,119	38,957
Mixed rate	-	-	-	-	-	-
By Target of Operations						
For business activity	12,531	7,139	6,296	13,308	7,107	6,196
From which: public housing	*2,511*	*1,458*	*700*	*2,770*	*1,455*	*682*
For households	*53,287*	*38,472*	*38,204*	*54,430*	*38,557*	*38,228*
By type of guarantee						
Secured by completed assets/buildings	**63,843**	**44,835**	**43,947**	**65,535**	**44,912**	**43,884**
Residential use	55,482	39,987	39,261	56,880	40,098	39,276
From which: public housing	*4,265*	*3,325*	*3,186*	*4,464*	*3,423*	*3,278*
Commercial	8,337	4,837	4,675	8,618	4,803	4,597
Other	24	11	11	37	11	11
Secured by assets/buildings under construction	**973**	**456**	**305**	**1,014**	**369**	**261**
Residential use	773	382	233	721	234	150
From which: public housing	*5*	*1*	*1*	*18*	*1*	*1*
Commercial	200	74	72	293	135	111
Other	-	-	-	-	-	-
Secured by land	**1,002**	**320**	**248**	**1,189**	**383**	**279**
Urban	391	109	45	478	134	47
Non-urban	610	211	203	711	249	232

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009.

(**) Taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009.

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June 2019. Nominal value of the total mortgage loans (Millions of Euros)

	Loan to Value (Last available appraisal risk)				
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80%	Total
Home mortgages	13,758	15,286	11,753		40,797
Other mortgages	2,584	2,230			4,814
Total	**16,342**	**17,516**	**11,753**	**-**	**45,611**

December 2018. Nominal value of the total mortgage loans (Millions of Euros)

	Loan to Value (Last available appraisal risk)				
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80%	Total
Home mortgages	13,792	15,459	11,704		40,955
Other mortgages	2,506	2,203			4,709
Total	**16,298**	**17,662**	**11,704**	**-**	**45,664**

Eligible and non-eligible mortgage loans. Changes of the nominal values in the period (Millions of Euros)

	June 2019		December 2018	
	Eligible (*)	Non-eligible	Eligible (*)	Non-eligible
Balance at the beginning	**45,664**	**22,074**	**48,003**	**24,762**
Retirements	**3,519**	**3,869**	**7,994**	**7,483**
Held-to-maturity cancellations	1,947	550	4,425	1,883
Anticipated cancellations	1,213	1,438	2,227	2,625
Subrogations to other institutions	11	5	25	13
Rest	348	1,876	1,317	2,962
Additions	**3,466**	**2,002**	**5,655**	**4,795**
Originated by the bank	1,536	1,496	2,875	3,376
Subrogations to other institutions	4	2	15	7
Rest	1,926	504	2,765	1,412
Balance at the end	**45,611**	**20,207**	**45,664**	**22,074**

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009.

Mortgage loans supporting the issuance of mortgage-covered bonds. Nominal value (Millions of Euros)

	June 2019	December 2018
Potentially eligible	4,600	4,517
Ineligible	861	750
Total	**5,461**	**5,267**

b.2) Liabilities operations

Issued mortgage bonds (Millions of Euros)

	June 2019		December 2018	
	Nominal value	Average residual maturity	Nominal value	Average residual maturity
Mortgage bonds	-		-	
Mortgage-covered bonds	**27,204**		**24,301**	
Of which: Not recognized as liabilities on balance	*12,092*		*9,093*	
Of Which: Outstanding	*15,112*		*15,207*	
Debt securities issued through public offer	12,501		12,501	
Residual maturity up to 1 year	-		-	
Residual maturity over 1 year and less than 2 years	4,801		2,051	
Residual maturity over 2 years and less than 3 years	1,250		2,750	
Residual maturity over 3 years and less than 5 years	3,250		3,500	
Residual maturity over 5 years and less than 10 years	3,000		4,000	
Residual maturity over 10 years	200		200	
Debt securities issued without public offer	12,163		9,161	
Residual maturity up to 1 year	-		-	
Residual maturity over 1 year and less than 2 years	1,550		50	
Residual maturity over 2 years and less than 3 years	-		1,500	
Residual maturity over 3 years and less than 5 years	5,500		2,500	
Residual maturity over 5 years and less than 10 years	5,113		5,111	
Residual maturity over 10 years	-		-	
Deposits	2,540		2,640	
Residual maturity up to 1 year	526		380	
Residual maturity over 1 year and less than 2 years	400		246	
Residual maturity over 2 years and less than 3 years	225		425	
Residual maturity over 3 years and less than 5 years	268		468	
Residual maturity over 5 years and less than 10 years	471		471	
Residual maturity over 10 years	650		650	
Mortgage participations	**3,323**		**2,927**	
Issued through public offer	3,323		2,927	
Issued without public offer	-		-	
Mortgage transfer certificates	**21,880**		**23,590**	
Issued through public offer	21,880	266	23,590	269
Issued without public offer	-	-	-	-

Given the characteristics of the type of covered bonds issued by the Bank, there is no substituting collateral related to these issues.

c) Quantitative information on internationalization covered bonds

Below is the quantitative information of BBVA, S.A. internationalization covered bonds required by Bank of Spain Circular 4/2015 as of June 30, 2019 and December 31, 2018.

c.1) Assets operations

Principal outstanding payment of loans (Millions of Euros)

	Nominal value June 2019	Nominal value December 2018
Eligible loans according to article 34.6 y 7 of the Law 14/2013	3,438	3,369
Minus: Loans that support the issuance of internationalization bonds	-	-
Minus: NPL to be deducted in the calculation of the issuance limit, according to Article 13 del Royal Decree 579/2014	6	4
Total loans included in the base of all issuance limit	**3,432**	**3,365**

c.2) Liabilities operations

Internationalization covered bonds (Millions of Euros)

	Nominal value June 2019	Nominal value Decembe 2018
(1) Debt securities issued through public offer (a)	1,500	1,500
Of which: Treasury shares	*1,500*	*1,500*
Residual maturity up to 1 year	1,500	1,500
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
(2) Debt securities issued without public offer (a)	-	-
(3) Deposits (b)	-	-
TOTAL: (1) + (2) + (3)	1,500	1,500
	Percentage	**Percentage**
Coverage ratio of internationalization covered bonds on loans (c)	**44%**	**45%**

(a) Balance that includes all internationalization covered bonds issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Nominative bonds.

(c) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.

Given the characteristics of the Bank's internationalization covered bonds, there are no substitute assets assigned to these issuances.

d) Territorial bonds

d.1) Assets operations

June 2019. Loans that serves as collateral for the territorial bonds

	Nominal Value (a)		
	Total	**Spanish Residents**	**Residents in other countries of the European Economic Area**
Central Governments	1,535	1,492	43
Regional Governments	8,952	8,922	30
Local Governments	4,773	4,773	-
Total loans	**15,260**	**15,187**	**73**

(a) Principal pending payment of loans.

December 2018. Loans that serves as collateral for the territorial bonds (Millions of Euros)

	Nominal Value (a)		
	Total	**Spanish Residents**	**Residents in other countries of the European Economic Area**
Central Governments	1,637	1,592	45
Regional Governments	8,363	8,333	30
Local Governments	5,145	5,145	-
Total loans	**15,145**	**15,070**	**75**

(a) Principal pending payment of loans.

d.2) Liabilities operations

Territorial bonds (Millions of Euros)	Nominal value June 2019	Nominal value December 2018
Territorial bonds issued (a)	**7,540**	**7,540**
Issued through a public offering	7,540	7,540
Of which: Treasury stock	*7,040*	*7,040*
Residual maturity up to 1 year	1,500	-
Residual maturity over 1 year and less than 2 years	3,000	4,500
Residual maturity over 2 years and less than 3 years	2,840	2,000
Residual maturity over 3 years and less than 5 years	200	1,040
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
Other issuances	-	-
Of which: Treasury stock	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
	Percentage	**Percentage**
Coverage ratio of the territorial bonds on loans (b)	**49%**	**50%**

(a) Includes the nominal value of all loans that serve as collateral for the territorial bonds, regardless of the item in which they are included in the balance sheet. Principal pending payment of loans. The territorial bonds include all the instruments issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.

This Appendix is an integral part of Note 21.5 of the condensed interim consolidated financial statements for the first semester ended June 30, 2019.

APPENDIX III. Quantitative information on refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012

a) Quantitative information on refinancing and restructuring operations

The breakdown of refinancing and restructuring operations as of June 30, 2019 and December 31, 2018, is as follows:

JUNE 2019 BALANCE OF FORBEARANCE
(Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	78	107	67	69	57	-	13
Other financial corporations and individual entrepreneurs (financial business)	400	13	61	5	3	-	7
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	54,619	4,310	16,862	4,229	2,079	235	3,084
Of which: financing the construction and property (including land)	*585*	*242*	*1,314*	*847*	*431*	*17*	*435*
Rest homes (*)	162,338	1,335	77,626	6,381	4,762	103	1,475
Total	**217,435**	**5,764**	**94,616**	**10,684**	**6,902**	**338**	**4,579**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	47	43	33	23	16	-	9
Other financial corporations and individual entrepreneurs (financial business)	256	10	33	3	1	-	6
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	34,785	2,797	10,899	2,627	1,100	72	2,734
Of which: financing the construction and property (including land)	*544*	*213*	*923*	*554*	*234*	*5*	*401*
Rest homes (*)	93,573	682	36,753	3,105	2,141	23	1,163
Total	**128,661**	**3,532**	**47,718**	**5,757**	**3,259**	**95**	**3,912**

(*) Number of operations does not include Garanti BBVA.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

The accumulated impairment or accumulated losses in fair value due to credit risk correspond to €667 million of collective impairment losses and €3,912 million of specific impairment losses.

DECEMBER 2018 BALANCE OF FORBEARANCE
(Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	75	111	46	64	52	-	15
Other financial corporations and individual entrepreneurs (financial business)	252	13	29,360	5	3	-	6
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	44,271	4,483	15,493	4,177	2,200	221	3,148
Of which: financing the construction and property (including land)	*734*	*258*	*1,627*	*962*	*501*	*12*	*517*
Rest homes (*)	193,061	1,326	355,466	6,990	5,083	150	1,716
Total	**237,659**	**5,933**	**400,365**	**11,236**	**7,338**	**371**	**4,885**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	46	65	12	16	8	-	10
Other financial corporations and individual entrepreneurs (financial business)	133	4	29,320	4	2	-	5
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	25,420	2,723	9,922	2,777	1,192	100	2,773
Of which: financing the construction and property (including land)	*631*	*200*	*1,145*	*656*	*254*	*1*	*477*
Rest homes (*)	116,916	741	42,403	3,673	2,435	26	1,414
Total	**142,515**	**3,533**	**81,657**	**6,470**	**3,636**	**126**	**4,202**

(*) Number of operations does not include Garanti BBVA.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

The accumulated impairment or accumulated losses in fair value due to credit risk correspond to €682 million of collective impairment losses and €4,202 million of specific impairment losses.

In addition to the restructuring and refinancing transactions mentioned in this section, loans that were not considered impaired or renegotiated have been modified based on the criteria set out in the accounting regulation that applies. These loans have not been classified as renegotiated or impaired, since they were modified for commercial or competitive reasons (for instance, to improve relationships with clients) rather than for economic or legal reasons relating to the borrower's financial situation.

The table below provides a breakdown by segments of the forbearance operations (net of provisions) as of June 30, 2019 and December 31, 2018:

Forbearance operations. Breakdown by segments (Millions of Euros)

	June 2019	December 2018
Credit institutions	-	-
Central governments	163	160
Other financial corporations and individual entrepreneurs (financial activity)	11	13
Non-financial corporations and individual entrepreneurs (non-financial activity)	5,455	5,512
Of which: Financing the construction and property development (including land)	*654*	*702*
Households	6,241	6,600
Total carrying amount	**11,869**	**12,284**

NPL ratio by type of renegotiated loan

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

As of June 30, 2019 and December 31, 2018, the non-performing ratio for each of the portfolios of renegotiated loans is as follows:

Ratio of Impaired loans - Past due

	June 2019	December 2018
General governments	38%	47%
Commercial	64%	64%
Of which: Construction and developer	*70%*	*70%*
Other consumer	49%	53%

b) Qualitative information on the concentration of risk by activity and guarantees

Loans and advances to customers by activity (carrying amount)

June 2019 (Millions of Euros)

				Collateralized Credit Risk. Loan to value				
	Total (*)	**Mortgage loans**	**Secured loans**	**Less than or equal to 40%**	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**
General governments	29,966	1,102	9,069	3,250	1,757	1,100	3,334	730
Other financial institutions	21,290	289	12,229	894	233	80	11,198	113
Non-financial institutions and individual entrepreneurs	174,197	28,455	29,399	21,779	11,036	9,500	5,160	10,379
Construction and property development	14,158	4,597	1,742	1,550	1,996	1,769	432	592
Construction of civil works	7,420	854	579	543	247	254	148	241
Other purposes	152,619	23,004	27,078	19,686	8,793	7,477	4,580	9,546
Large companies	97,595	9,663	17,559	11,872	4,097	3,992	2,298	4,963
SMEs (**) and individual entrepreneurs	55,024	13,341	9,519	7,814	4,696	3,485	2,282	4,583
Rest of households and NPISHs (***)	165,142	108,159	5,640	21,724	27,641	33,117	21,458	9,859
Housing	110,423	104,618	2,397	20,008	26,284	32,084	19,276	9,363
Consumption	41,636	504	2,504	492	467	231	1,678	140
Other purposes	13,083	3,037	739	1,224	890	802	504	356
TOTAL	**390,595**	**138,005**	**56,337**	**47,647**	**40,667**	**43,797**	**41,150**	**21,081**
MEMORANDUM ITEM:								
Forbearance operations (****)	*11,836*	*8,093*	*408*	*1,684*	*1,417*	*1,661*	*1,417*	*2,322*

(*) The amounts included in this table are net of impairment losses.

(**) Small and medium enterprises.

(***) Nonprofit institutions serving households.

(****) Net of provisions.

December 2018 (Millions of Euros)

				Collateralized loans and receivables -Loans and advances to customers. Loan to value				
	Total (*)	**Mortgage loans**	**Secured loans**	**Less than or equal to 40%**	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**
General governments	30,488	1,056	7,750	1,729	1,856	1,119	3,514	588
Other financial institutions	20,802	233	12,549	1,167	221	93	11,209	92
Non-financial institutions and individual entrepreneurs	173,493	29,001	32,371	25,211	11,121	9,793	5,087	10,160
Construction and property development	14,323	5,226	2,539	1,979	2,556	2,140	486	605
Construction of civil works	7,775	1,082	620	703	285	195	200	319
Other purposes	151,394	22,694	29,212	22,529	8,281	7,459	4,401	9,235
Large companies	97,132	9,912	19,069	13,918	3,979	4,019	2,245	4,820
SMEs (**) and individual entrepreneurs	54,262	12,782	10,143	8,611	4,302	3,440	2,156	4,416
Rest of households and NPISHs (***)	163,068	109,578	5,854	21,974	27,860	33,200	21,490	10,908
Housing	111,007	105,817	2,419	19,981	26,384	32,122	19,345	10,404
Consumption	40,124	522	2,600	489	587	306	1,597	142
Other purposes	11,938	3,239	835	1,505	888	772	547	362
TOTAL	**387,850**	**139,868**	**58,524**	**50,082**	**41,058**	**44,206**	**41,300**	**21,747**
MEMORANDUM ITEM:								
Forbearance operations (****)	*12,284*	*8,325*	*523*	*1,508*	*1,421*	*1,769*	*1,527*	*2,623*

(*) The amounts included in this table are net of impairment losses.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions.

c) Information on the concentration of risk by activity and geographical areas

June 2019 (Millions of Euros)

	TOTAL (*)	Spain	European Union Other	America	Other
Credit institutions	114,536	19,094	45,699	35,619	14,124
General governments	140,777	64,906	12,952	52,739	10,180
Central Administration	103,061	45,941	12,670	34,398	10,052
Other	37,716	18,965	282	18,341	128
Other financial institutions	48,263	12,817	18,184	14,704	2,558
Non-financial institutions and individual entrepreneurs	226,305	70,667	23,355	89,317	42,966
Construction and property development	17,548	3,375	150	10,532	3,491
Construction of civil works	10,897	5,586	1,391	1,502	2,418
Other purposes	197,860	61,706	21,814	77,283	37,057
Large companies	137,146	37,066	20,839	54,477	24,764
SMEs and individual entrepreneurs	60,714	24,640	975	22,806	12,293
Other households and NPISHs	165,516	92,975	3,255	59,018	10,268
Housing	110,424	77,151	737	29,274	3,262
Consumer	41,637	11,180	644	23,087	6,726
Other purposes	13,455	4,644	1,874	6,657	280
TOTAL	**695,397**	**260,459**	**103,445**	**251,397**	**80,096**

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given and contingent risks". The amounts included in this table are net of impairment losses.

December 2018 (Millions of Euros)

	TOTAL (*)	Spain	European Union Other	America	Other
Credit institutions	113,978	35,728	33,440	31,234	13,575
General governments	123,382	53,686	11,081	50,092	8,523
Central Administration	87,611	35,691	10,756	32,735	8,428
Other	35,771	17,995	325	17,357	95
Other financial institutions	49,166	13,784	17,977	15,345	2,061
Non-financial institutions and individual entrepreneurs	226,487	70,536	24,565	87,419	43,967
Construction and property development	17,697	3,497	244	10,113	3,843
Construction of civil works	11,430	5,789	1,535	1,762	2,343
Other purposes	197,361	61,250	22,786	75,543	37,781
Large companies	137,150	36,964	22,114	53,423	24,649
SMEs and individual entrepreneurs	60,211	24,286	672	22,120	13,132
Other households and NPISHs	163,443	91,977	3,383	56,777	11,306
Housing	111,007	78,414	765	28,034	3,794
Consumer	40,124	10,303	629	22,036	7,155
Other purposes	12,312	3,259	1,989	6,707	357
TOTAL	**676,456**	**265,710**	**90,447**	**240,867**	**79,432**

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given and contingent risks". The amounts included in this table are net of impairment losses.

This Appendix is an integral part of Note 6.2 and 48.2 of the condensed interim consolidated financial statements for the first semester ended June 30, 2019.

APPENDIX IV. Additional information on risk concentration

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

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

Lending for real estate development of the loans as of June 30, 2019 and December 31, 2018, is shown below:

June 2019. Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of Euros)

	Gross Amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**2,766**	**782**	**(397)**
Of which: Impaired assets	*708*	*348*	*(341)*
Memorandum item:	-	-	-
Write-offs	*2,554*		
Memorandum item:	-	-	-
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book Value)	*189,406*		
Total consolidated assets (total business) (book value)	*697,626*		
Impairment and provisions for normal exposures	*4,972*		

December 2018. Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of Euros)

	Gross Amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**3,183**	**941**	**(537)**
Of which: Impaired assets	*875*	*440*	*(463)*
Memorandum item:			
Write-offs	*2,619*		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book Value)	*183,196*		
Total consolidated assets (total business) (book value)	*676,689*		
Impairment and provisions for normal exposures	*4,938*		

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

Financing allocated by credit institutions to construction and real estate development and lending for house purchase (Millions of Euros)

	June 2019	December 2018
Without secured loan	**274**	**324**
With secured loan	**2,492**	**2,859**
Terminated buildings	1,562	1,861
Homes	1,129	1,382
Other	433	479
Buildings under construction	470	432
Homes	465	408
Other	5	24
Land	460	566
Urbanized land	300	364
Rest of land	160	202
Total	**2,766**	**3,183**

The table below provides the breakdown of the financial guarantees given as of June 30, 2019 and December 31, 2018:

Financial guarantees given (Millions of Euros)

	June 2019	**December 2018**
Houses purchase loans	47	48
Without mortgage	5	24

The information on the retail mortgage portfolio risk (housing mortgage) as of June 30, 2019 and December 31, 2018 is as follows:

June 2019. Financing allocated by credit institutions to construction and real estate development and lending for house purchase. (Millions of Euros)

	Gross amount	**Of which: impaired loans**
Houses purchase loans	78,462	*3,147*
Without mortgage	1,690	*25*
With mortgage	76,772	*3,122*

December 2018. Financing allocated by credit institutions to construction and real estate development and lending for house purchase. (Millions of Euros)

	Gross amount	**Of which: impaired loans**
Houses purchase loans	80,159	3,852
Without mortgage	1,611	30
With mortgage	78,548	3,822

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

LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain) (Millions of Euros)

	Total risk over the amount of the last valuation available (Loan To Value-LTV)					
	Less than or equal to 40%	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**	**Total**
Gross amount June 2019	14,524	18,856	21,754	12,693	8,945	76,772
Of which: Impaired loans	*180*	*300*	*477*	*553*	*1,612*	*3,122*
Gross amount 2018	14,491	18,822	21,657	13,070	10,508	78,548
Of which: Impaired loans	*204*	*323*	*507*	*610*	*2,178*	*3,822*

Outstanding home mortgage loans as of June 30, 2019 and December 31, 2018 had an average LTV of 48% and 49%, respectively.

The breakdown of foreclosed, acquired, purchased or exchanged assets from debt from loans relating to business in Spain, as well as the holdings and financing to non-consolidated entities holding such assets is as follows:

Information about assets received in payment of debts (Business in Spain) (Millions of Euros)

	June 2019			
	Gross Value	**Provisions**	**Of which: Valuation adjustments on impaired assets, from the time of foreclosure**	**Carrying Amount**
Real estate assets from loans to the construction and real estate development sectors in Spain.	**1,198**	**639**	***368***	**559**
Terminated buildings	470	188	*102*	282
Homes	294	112	*65*	182
Other	176	76	*37*	100
Buildings under construction	87	52	*33*	35
Homes	86	51	*33*	35
Other	1	1	-	-
Land	641	399	*233*	242
Urbanized land	576	363	*201*	213
Rest of land	65	36	*32*	29
Real estate assets from mortgage financing for households for the purchase of a home	**1,400**	**710**	***192***	**690**
Rest of foreclosed real estate assets	**410**	**215**	***32***	**195**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,417**	**244**	***206***	**1,173**
Total	4,425	1,808	*798*	2,617

Information about assets received in payment of debts (Business in Spain) (Millions of euros)

	December 2018			
	Gross Value	**Provisions**	**Of which: Valuation adjustments on impaired assets, from the time of foreclosure**	**Carrying Amount**
Real estate assets from loans to the construction and real estate development sectors in Spain.	2,165	1,252	*828*	913
Terminated buildings	991	445	*274*	546
Homes	588	245	*144*	343
Other	403	200	*130*	203
Buildings under construction	209	131	*96*	78
Homes	194	117	*85*	77
Other	15	14	*11*	1
Land	965	676	*458*	289
Urbanized land	892	633	*421*	259
Rest of land	73	43	*37*	30
Real estate assets from mortgage financing for households for the purchase of a home	1,797	932	*331*	865
Rest of foreclosed real estate assets	348	192	*40*	156
Equity instruments, investments and financing to non-consolidated companies holding said assets	1,345	234	*234*	1,111
Total	5,655	2,610	*1,433*	3,045

This Appendix is an integral part of Note 6.2 of the condensed interim consolidated financial statements for the first semester ended June 30, 2019

Translation of the Condensed Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 49). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX V. Consolidated statements of recognized income and expense for the three and six months ended June 30, 2019 and 2018

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	June 2019	June 2018 (*)	2nd Quarter 2019	2nd Quarter 2018
Interest and other income	15,678	14,418	7,912	7,220
Interest expense	(6,691)	(5,828)	(3,346)	(2,918)
NET INTEREST INCOME	**8,987**	**8,590**	**4,566**	**4,302**
Dividend income	103	83	92	72
Share of profit or loss of entities accounted for using the equity method	(19)	13	(15)	5
Fee and commission income	3,661	3,553	1,881	1,782
Fee and commission expense	(1,191)	(1,073)	(625)	(538)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	67	130	22	53
Gains (losses) on financial assets and liabilities held for trading, net	173	329	56	(136)
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	98	3	(5)	7
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(3)	107	(53)	67
Gains (losses) from hedge accounting, net	73	51	41	34
Exchange differences, net	134	74	56	261
Other operating income	337	554	133	182
Other operating expense	(995)	(1,062)	(519)	(509)
Income from insurance and reinsurance contracts	1,547	1,601	708	770
Expense from insurance and reinsurance contracts	(983)	(1,091)	(417)	(513)
GROSS INCOME	**11,989**	**11,863**	**5,920**	**5,838**
Administration costs	(5,084)	(5,297)	(2,554)	(2,626)
Personnel expense	(3,131)	(3,104)	(1,578)	(1,539)
Other administrative expense	(1,953)	(2,193)	(976)	(1,087)
Depreciation and amortization	(790)	(599)	(398)	(295)
Provisions or reversal of provisions	(261)	(184)	(117)	(85)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(1,777)	(1,606)	(753)	(783)
Financial assets measured at amortized cost	(1,772)	(1,618)	(752)	(779)
Financial assets at fair value through other comprehensive income	(5)	12	(1)	(4)
NET OPERATING INCOME	**4,077**	**4,177**	**2,098**	**2,049**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	-	-	-	-
Impairment or reversal of impairment on non-financial assets	(44)	-	(12)	(8)
Tangible assets	(30)	(18)	(5)	(1)
Intangible assets	(1)	(3)	(1)	(2)
Other assets	(13)	21	(5)	(5)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	9	80	6	69
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	11	29	3	5
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**4,052**	**4,286**	**2,095**	**2,116**
Tax expense or income related to profit or loss from continuing operations	(1,136)	(1,222)	(577)	(605)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**2,916**	**3,063**	**1,519**	**1,511**
Profit or loss after tax from discontinued operations, net	-	-	-	-
PROFIT FOR THE PERIOD	**2,916**	**3,063**	**1,519**	**1,511**
Attributable to minority interest [non-controlling interest]	475	528	241	265
Attributable to owners of the parent	2,442	2,536	1,278	1,245

BBVA
Creating Opportunities

Interim consolidated management report

First semester of the year 2019

Index

BBVA Group highlights

BBVA GROUP HIGHLIGHTS (CONSOLIDATED FIGURES)

	30-06-19	Δ %	30-06-18	31-12-18
Balance sheet (millions of euros)				
Total assets	697,626	1.1	689,850	676,689
Loans and advances to customers (gross)	389,306	(0.3)	390,661	386,225
Deposits from customers	375,104	2.1	367,312	375,970
Total customer funds	478,907	2.2	468,811	474,120
Total equity	54,690	4.6	52,278	52,874
Income statement (millions of euros)				
Net interest income	8,987	4.6	8,590	17,591
Gross income	11,989	1.1	11,863	23,747
Operating income	6,115	2.5	5,967	12,045
Net attributable profit	2,442	(3.7)	2,536	5,324
The BBVA share and share performance ratios				
Number of shares (million)	6,668	-	6,668	6,668
Share price (euros)	4.92	(19.0)	6.07	4.64
Earning per share (euros) (1)	0.34	(5.5)	0.36	0.76
Book value per share (euros)	7.34	6.2	6.91	7.12
Tangible book value per share (euros)	6.10	8.0	5.65	5.86
Market capitalization (millions of euros)	32,786	(19.0)	40,501	30,909
Yield (dividend/price; %)	5.3		4.0	5.4
Significant ratios (%)				
ROE (net attributable profit/average shareholders' funds +/- average accumulated other comprehensive income) (2)	10.2		11.2	11.5
ROTE (net attributable profit/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (2)	12.4		13.7	14.1
ROA (Profit or loss for the year/average total assets)	0.86		0.90	0.91
RORWA (Profit or loss for the year/average risk-weighted assets - RWA)	1.65		1.72	1.74
Efficiency ratio	49.0		49.7	49.3
Cost of risk	0.91		0.82	1.01
NPL ratio	3.8		4.4	3.9
NPL coverage ratio	75		71	73
Capital adequacy ratios (%)				
CET1 fully-loaded	11.5		10.8	11.3
CET1 phased-in (3)	11.8		11.1	11.6
Total ratio phased-in (3)	15.8		15.4	15.7
Other information				
Number of clients (million)	76.0	1.4	75.0	74.8
Number of shareholders	888,559	(0.3)	890,821	902,708
Number of employees	126,017	(4.4)	131,784	125,627
Number of branches	7,823	(3.9)	8,141	7,963
Number of ATMs	32,621	1.6	32,121	32,635

General note: the application of accounting for hyperinflation in Argentina was performed for the first time in September 2018 with accounting effects on January 1, 2018, recording the impact of the nine months in the third quarter. In order to make the 2019 information comparable to the 2018, the income statements and balance sheets of the first three quarters of 2018 have been reexpressed to reflect these impacts.

(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 9.0%, in the first semester of 2019; 10.1%, in 2018; and 9.8%, in the first semester of 2018; and the ROTE at 10.6%, 11.9% and 11.7%, respectively.

(3) As of June 30, 2019, phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis of the Capital Requirements Regulation (CRR).

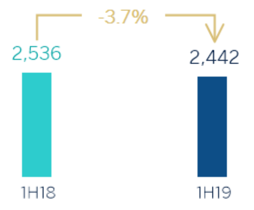
Group information

Relevant events

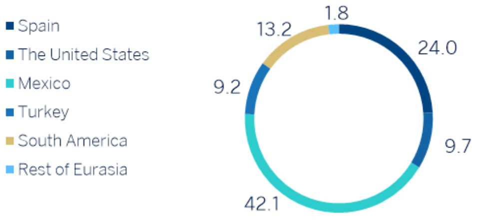
Results

- In the first half of 2019, the overall growth **in recurring revenue items** is maintained**,** with a positive evolution in terms of net interest income in most business areas.
- The trend of containing **operating expenses** and improving the efficiency ratio compared to the same period of the previous year continues.
- As a result of the above, **operating income** increased 2.5% year-on-year.
- **Impairment on financial assets** increased 10.6% year-on-year as a result of the higher loan-loss provisions due to the deterioration of specific portfolios and the update of macroeconomic scenarios in the United States, Mexico and Turkey, especially in the first quarter of the year. The second quarter registered one of the lowest levels of impairment in recent years, thanks to lower needs in Spain, including the positive impact of the sale of non-performing and written-off loan portfolios.
- Finally, the net attributable **profit** stood at €2,442m, a 3.7% lower than in the same period of 2018, but increased 9.8% in the second quarter of 2019 compared to the first quarter of the year.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS)



NET ATTRIBUTABLE PROFIT BREAKDOWN (1)
(PERCENTAGE. 1H19)



(1) Excludes the Corporate Center.

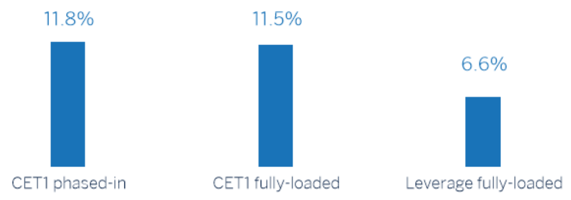
Balance sheet and business activity

- As of June 30, 2019, **loans and advances to customers** (gross) grew 0.8% compared to December 31, 2018, with improved levels of activity in all business areas.
- Strong performance of **customer funds** (up1.0% compared to December 31, 2018). Noteworthy is the strong performance of demand deposits, mutual funds and pension funds.
- Issuance in June of a **green bond** of €1,000m in a senior non-preferred debt format (the second in this category issued by BBVA).

Solvency

- The **CET1 fully-loaded ratio** reached 11.5%, up 17 basis points in the first half of the year due to recurring organic capital generation and supported by the positive evolution of the markets. Thus, this ratio is positioned within the range of this capital target defined for the Group.

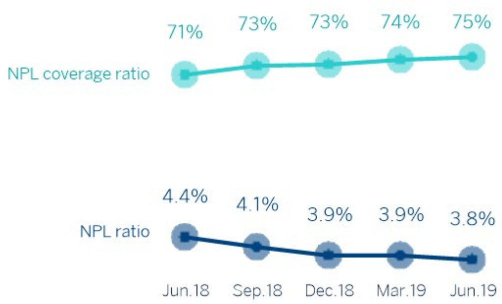
CAPITAL AND LEVERAGE RATIOS
(PERCENTAGE AS OF 30-06-19)



Risk management

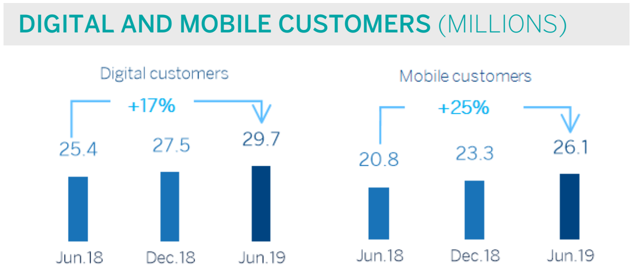
- Positive performance of **risk metrics** in the first half of 2019: **Non-performing loans** fell by 2.2% in the first six months of the year. As of June 30, 2019, the **NPL** ratio stood at 3.8%, the NPL coverage ratio 75%, and the cost of risk 0.91%.
- In the second quarter of 2019, the great majority of the credits that composed the loans from a non-performing and written-off mortgages loan portfolio, with a gross amount of €1,162m, were transferred to Anfora Investing UK Limited Partnership, an entity belonging to Canada Pension Plan Investment Board, has taken place. The positive impact of this transaction in the net attributable profit was €130m, and on the fully loaded CET1 it's slightly positive. The transfer of the remainder of the portfolio took place in mid-July, with a slightly positive result which will be accounted in the third quarter of 2019.

NPL AND NPL COVERAGE RATIOS (PERCENTAGE)



Transformation

- In the second quarter of 2019, the Group changed its **brand** name to BBVA in the countries in which it operates, discontinuing the local brand names in Argentina (Francés), the United States (Compass), Mexico (Bancomer) and Peru (Continental). The franchise in Turkey has changed its name to Garanti BBVA. As a result of this rebranding, BBVA has updated its logo and corporate identity.
- The new corporate identity reinforces BBVA's aim of offering a unique value proposition and a homogeneous customer experience which, leveraged on technology and data, will help customers manage their finances. In addition, it has a better design for the growing digital world in which BBVA operates and it's an example of the Group's values, in particular "We are one team" value, which emphasizes the importance of its employees and their commitment to the BBVA project. The new brand also reflects the Bank's purpose: to bring the age of opportunity to everyone.
- While the new logo retains key elements already known by BBVA - especially the color and the use of capital letters- it introduces a new font and design that provides it with more versatility and functionality on digital channels and platforms.
- This change emphasises the Group's digital transformation and BBVA's commitment to offer its customers global products and services with the aim of being a global digital financial advisor, with a value proposition that helps people and companies in their real needs, lives and businesses in order to make better financial decisions.
- In addition, the Group's **digital and mobile customer** base continues to grow, as well as its **digital sales**.



Dividends

- On April 10, 2019, there was a gross cash payment of €0.16 per share, corresponding to the supplementary dividend for 2018 that was approved at the General Shareholders' Meeting held on March 15.

Other matters of interest

- **IFRS 16** "Leases" came into effect on January 1, 2019, which requires lessees to recognize the assets and liabilities arising from the rights and obligations of lease agreements. The main impacts are the recognition of an asset through the right of use and a liability based on future payment obligations. The impact of the first implementation was €3,419m and €3,472m, respectively, resulting in a decrease of 11 basis points of the CET1 capital ratio.
- In order to ensure that the information for 2019 is comparable to that of 2018, the balance sheets, income statements and ratios of the first three quarters of 2018 financial year for the Group and the South America business area have been restated to reflect the impact of the hyperinflation in Argentina as a result of the application of **IAS 29** "Financial Reporting in Hyperinflationary Economies". This impact was first registered in the third quarter of 2018, but with accounting effects as of January 1, 2018.

Results

In the first half of 2019, BBVA Group generated a net attributable **profit** of €2,442m, a decrease of 3.7% compared to the same period of 2018 (down 3.3% at constant exchange rates), while it showed an increase of 9.8% compared to the first quarter of the year. The strong performance in recurring revenue items, especially that of net interest income, along with the positive impact on the impairment on financial assets due to the sale of non-performing and written-off loans explain the improvement when compared to the first quarter of 2019.

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (MILLIONS OF EUROS)

	2019		2018			
	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**4,566**	**4,420**	**4,692**	**4,309**	**4,302**	**4,287**
Net fees and commissions	1,256	1,214	1,226	1,173	1,244	1,236
Net trading income	116	426	316	212	285	410
Other operating income and expenses	(18)	8	(83)	38	6	92
Gross income	**5,920**	**6,069**	**6,151**	**5,733**	**5,838**	**6,026**
Operating expenses	(2,952)	(2,922)	(2,981)	(2,825)	(2,921)	(2,975)
Personnel expenses	(1,578)	(1,553)	(1,557)	(1,459)	(1,539)	(1,565)
Other administrative expenses	(976)	(977)	(1,119)	(1,062)	(1,087)	(1,106)
Depreciation	(398)	(392)	(305)	(304)	(295)	(304)
Operating income	**2,968**	**3,147**	**3,170**	**2,908**	**2,917**	**3,050**
Impairment on financial assets not measured at fair value through profit or loss	(753)	(1,023)	(1,353)	(1,023)	(783)	(823)
Provisions or reversal of provisions	(117)	(144)	(66)	(123)	(85)	(99)
Other gains (losses)	(3)	(22)	(183)	(36)	67	41
Profit/(loss) before tax	**2,095**	**1,957**	**1,568**	**1,727**	**2,116**	**2,170**
Income tax	(577)	(559)	(421)	(419)	(605)	(617)
Profit/(loss) after tax from ongoing operations	**1,519**	**1,398**	**1,147**	**1,307**	**1,511**	**1,553**
Results from corporate operations (1)	-	-	-	633	-	-
Profit/(loss) for the year	**1,519**	**1,398**	**1,147**	**1,941**	**1,511**	**1,553**
Non-controlling interests	(241)	(234)	(145)	(154)	(265)	(262)
Net attributable profit	**1,278**	**1,164**	**1,001**	**1,787**	**1,245**	**1,290**
Net attributable profit excluding results from corporate operations	**1,278**	**1,164**	**1,001**	**1,154**	**1,245**	**1,290**
Earning per share (euros) (2)	**0.17**	**0.16**	**0.14**	**0.26**	**0.17**	**0.18**

General note: the application of accounting for hyperinflation in Argentina was performed for the first time in September 2018 with accounting effects on January 1, 2018, recording the impact of the 9 months in the third quarter. In order to make the 2019 information comparable to the 2018, the income statements for the first three quarters of 2018 have been reexpressed to reflect the impacts of inflation on their income and expenses.

(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)

	1H19	Δ %	Δ % at constant exchange rates	1H18
Net interest income	**8,987**	**4.6**	**7.1**	**8,590**
Net fees and commissions	2,470	(0.4)	1.4	2,480
Net trading income	542	(22.0)	(20.9)	696
Other operating income and expenses	(10)	n.s.	n.s.	98
Gross income	**11,989**	**1.1**	**3.3**	**11,863**
Operating expenses	(5,874)	(0.4)	1.2	(5,896)
Personnel expenses	(3,131)	0.9	2.6	(3,104)
Other administrative expenses	(1,953)	(11.0)	(9.5)	(2,193)
Depreciation	(790)	32.0	33.3	(599)
Operating income	**6,115**	**2.5**	**5.4**	**5,967**
Impairment on financial assets not measured at fair value through profit or loss	(1,777)	10.6	12.9	(1,606)
Provisions or reversal of provisions	(261)	41.7	45.0	(184)
Other gains (losses)	(25)	n.s.	n.s.	108
Profit/(loss) before tax	**4,052**	**(5.4)**	**(2.4)**	**4,286**
Income tax	(1,136)	(7.1)	(4.7)	(1,222)
Profit/(loss) after tax from ongoing operations	**2,916**	**(4.8)**	**(1.5)**	**3,063**
Results from corporate operations	-	-	-	-
Profit/(loss) for the year	**2,916**	**(4.8)**	**(1.5)**	**3,063**
Non-controlling interests	(475)	(10.1)	9.4	(528)
Net attributable profit	**2,442**	**(3.7)**	**(3.3)**	**2,536**
Net attributable profit excluding results from corporate operations	**2,442**	**(3.7)**	**(3.3)**	**2,536**
Earning per share (euros) [1]	**0.34**			**0.36**

General note: the application of accounting for hyperinflation in Argentina was performed for the first time in September 2018 with accounting effects on January 1, 2018, recording the impact of the 9 months in the third quarter. In order to make the 2019 information comparable to the 2018, the income statements for the first three quarters of 2018 have been reexpressed to reflect the impacts of inflation on their income and expenses.

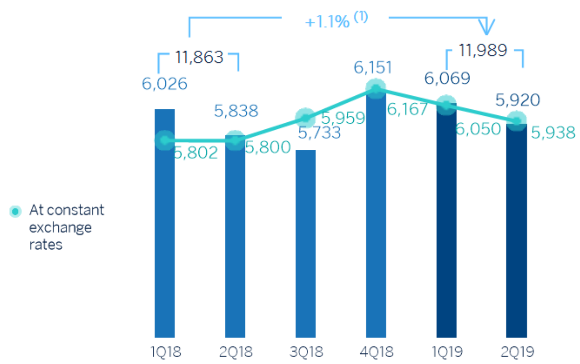
(1) Adjusted by additional Tier 1 instrument remuneration.

Unless expressly indicated otherwise, to better understand the changes in the main headings of the Group's income statement, the year-on-year percentage changes provided below refer to **constant exchange rates** and the quarterly changes are for the quarter ending with respect to the previous quarter.

Gross income

Gross income grew 3.3% year-on-year, supported by the strong performance of the net interest income and, to a lesser extent, the growth of net fees and commissions.

GROSS INCOME (MILLIONS OF EUROS)



(1) At constant exchange rates: +3.3%.

Net interest income increased 7.1% year-on-year and 4.0% quarter-on-quarter. This is explained by a higher activity during the first half of the year in Spain, Mexico, Turkey, South America and the Rest of Eurasia.

NET INTEREST INCOME/ATAS (PERCENTAGE)

Net fees and commissions in the first half of 2019 grew 1.4% year-on-year, driven by an adequate diversification. Net fees and commissions increased by 4.2% in the second quarter.

As a result, the more **recurring revenue items** (net interest income plus net fees and commissions) increased by 5.8% year-on-year (up 4.0% compared to the previous quarter).

NET INTEREST INCOME PLUS NET FEES AND COMMISSIONS (MILLIONS OF EUROS)

(1) At constant exchange rates: +5.8%.

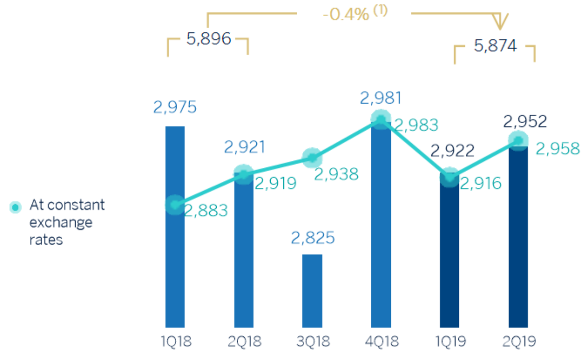
The positive contribution of **NTI** moderated in the first half of 2019 compared to the same period in 2018, mainly explained by a lower contribution from Corporate & Investment Banking (CIB), which was partially offset by capital gains coming from the sale of Prisma Medios de Pago, S.A. in Argentina.

Other operating income and expenses recorded a negative balance as a result of BBVA's annual contribution in Spain to the Single Resolution Fund (SRF) of €144m made in the second quarter (€124m in the same period of 2018), and the negative impact from the inflation in Argentina. However, the net contribution of the insurance business grew by 10.4% year-on-year.

Operating income

Operating expenses in the first half of 2019 increased 1.2% year-on-year, (down 0.4% at current exchange rates), with a variation below the inflation recorded in most of the countries where BBVA operates, highlighting the cost reduction in Spain.

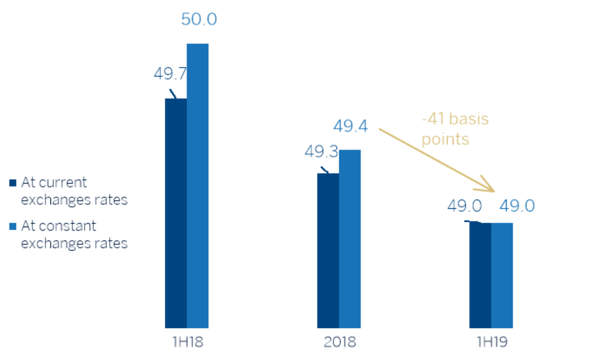
OPERATING EXPENSES (MILLIONS OF EUROS)



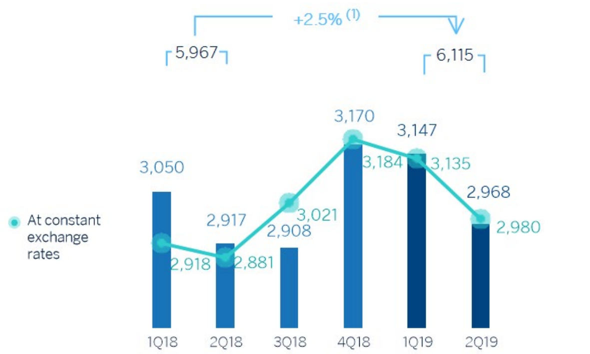
(1) At constant exchange rates: +1.2%.

The **efficiency** ratio stood at 49.0% in the first half of the year, improving as a result of the lower growth in expenses compared to the increase in gross income, and it was slightly below the level reached in the 2018 financial year (49.3%). **Operating income** grew 5.4% year-on-year.

EFFICIENCY RATIO (PERCENTAGE)



OPERATING INCOME (MILLIONS OF EUROS)



(1) At constant exchange rates: +5.4%.

Provisions and other

Impairment on financial assets not measured at fair value through profit or loss (**impairment on financial assets)** in the second quarter of 2019 stood at €753m, one of the lowest quarterly figures in the last five years (down 25.6% in the quarter). In the first half of 2019, impairment on financial assets increased by 12.9% compared to the same period of 2018. By business area, the United States recorded higher loan-loss provisions for specific customers in the commercial portfolio and increased write-offs in consumer loans. In the case of Mexico and Turkey higher loan-loss provisions are explained by the deterioration of specific customer portfolios and by d the update of their macroeconomic scenarios. On the other hand Spain registered a positive amount due to the lower loan-loss provisioning needs mainly due to, the positive effect of the sale of non-performing and written-off portfolios especially mortgage loans during the second quarter of 2019.

IMPAIRMENT ON FINANCIAL ASSETS (NET)
(MILLIONS OF EUROS)

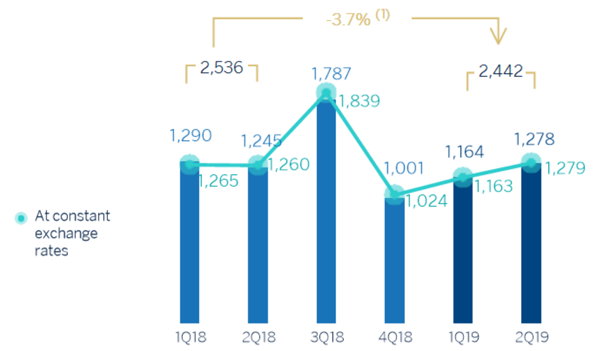
(1) At constant exchange rates: +12.9%.

Provisions or reversal of provisions (**provisions**) increased by 45.0% compared to the same period of 2018, which incorporated the gains for certain sales of holdings carried out in Mexico, Turkey and the former Non Core Real Estate business area.

Results

As a result of the above, the Group's **net attributable profit** in the first half of 2019 was 3.3% lower than in the same period last year (down 3.7% at current exchange rates), featured by higher levels of recurring revenues but negatively impacted by lower net trading income and by higher loan-loss provisions.

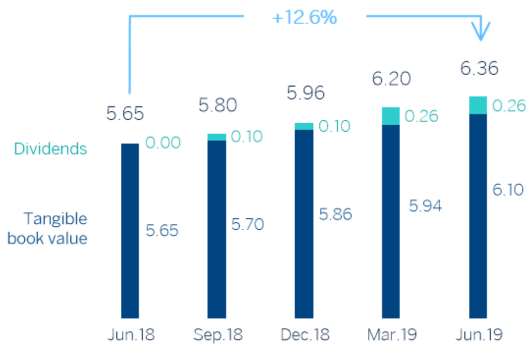
NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS)



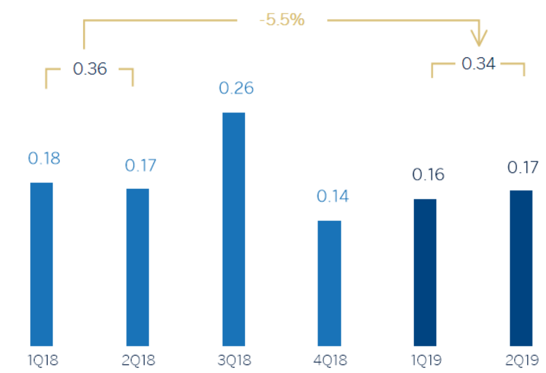
(1) At constant exchange rates: -3.3%.

By **business areas**, during the first six months of the year Spain generated a net attributable profit of €734m, the United States contributed €297m, Mexico registered €1,287m of profit, Turkey contributed €282m, South America €404m and the Rest of Eurasia €55m.

TANGIBLE BOOK VALUE PER SHARE AND SHAREHOLDER REMUNERATION (EUROS)

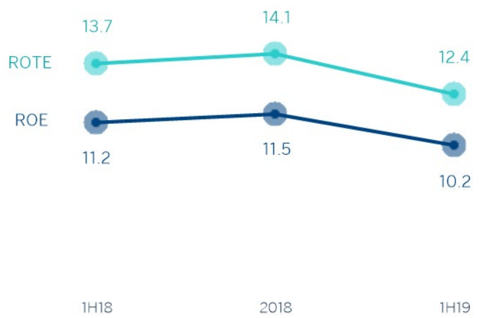


EARNING PER SHARE (1) (EUROS)



(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 9.8% in 1H18, 10.1% in 2018 and 9.0% in 1H19; and the ROTE on 11.7%, 11.9% and 10.6%, respectively.

ROA AND RORWA (PERCENTAGE)

Balance sheet and business activity

The most relevant **aspects** of the Group's balance sheet and business activity as of June 30, 2019 are summarized below:

- **Loans and advances to customers** (gross) registered a growth of 0.8% in the first half of 2019 (up 1.1% at constant exchange rates), with increases in the business areas of Mexico, South America, the Rest of Eurasia, and, to a lesser extent, Spain.

- **Non-performing loans** fell by 2.2% in the first six months of 2019 (down 15.0% year-on-year), mainly due to the decrease registered in Spain resulting from the sale of non-performing loans portfolios and, to a lesser extent, in the Rest of Eurasia.
- In terms of customer **deposits**, time deposits decreased by 8.0% in the first half (down 15.2% year-on-year), primarily in Spain, Turkey and the United States, which was not compensated by the 3.2% increase in demand deposits in the first six months of 2019 (up 6.7% year-on-year), especially in Spain.
- **Off-balance sheet funds** registered a growth of 5.8% in the first half of the year, thanks to the strong performance of, both, mutual funds and pension funds.
- In terms of **tangible assets**, the balance as of June 30, 2019 is affected, above all, by the implementation of IFRS 16 "Leases", with a growth of 42.5% compared to the end of the previous fiscal year.

CONSOLIDATED BALANCE SHEET (MILLIONS OF EUROS)

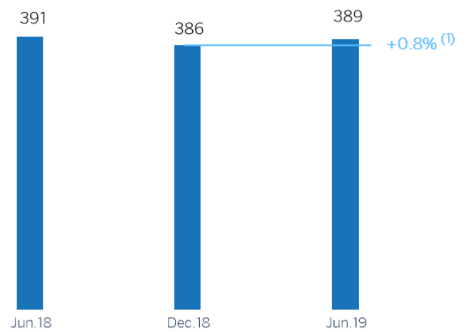
	30-06-19	Δ %	31-12-18	30-06-18
Cash, cash balances at central banks and other demand deposits	44,565	(23.4)	58,196	37,279
Financial assets held for trading	105,369	16.9	90,117	91,018
Non-trading financial assets mandatorily at fair value through profit or loss	4,918	(4.2)	5,135	4,377
Financial assets designated at fair value through profit or loss	1,403	6.9	1,313	1,487
Financial assets at fair value through accumulated other comprehensive income	63,364	12.5	56,337	63,212
Financial assets at amortized cost	430,930	2.7	419,660	426,349
Loans and advances to central banks and credit institutions	16,421	25.3	13,103	17,092
Loans and advances to customers	377,155	0.8	374,027	377,175
Debt securities	37,354	14.8	32,530	32,082
Investments in subsidiaries, joint ventures and associates	1,638	3.8	1,578	1,470
Tangible assets	10,302	42.5	7,229	6,987
Intangible assets	8,262	(0.6)	8,314	8,377
Other assets	26,876	(6.7)	28,809	49,295
Total assets	**697,626**	**3.1**	**676,689**	**689,850**
Financial liabilities held for trading	91,358	13.1	80,774	83,667
Other financial liabilities designated at fair value through profit or loss	8,922	27.6	6,993	6,221
Financial liabilities at amortized cost	513,937	0.9	509,185	503,073
Deposits from central banks and credit institutions	61,457	3.7	59,259	62,041
Deposits from customers	375,104	(0.2)	375,970	367,312
Debt certificates	62,685	2.6	61,112	62,349
Other financial liabilities	14,692	14.4	12,844	11,370
Liabilities under insurance and reinsurance contracts	10,634	8.1	9,834	9,500
Other liabilities	18,085	6.2	17,029	35,112
Total liabilities	**642,936**	**3.1**	**623,814**	**637,573**
Non-controlling interests	5,839	1.3	5,764	6,400
Accumulated other comprehensive income	(6,923)	(4.1)	(7,215)	(6,612)
Shareholders' funds	55,774	2.7	54,326	52,490
Total equity	**54,690**	**3.4**	**52,874**	**52,278**
Total liabilities and equity	**697,626**	**3.1**	**676,689**	**689,850**
Memorandum item:				
Guarantees given	45,650	1.0	45,831	45,207

General note: the application of accounting for hyperinflation in Argentina was performed for the first time in September 2018 with accounting effects on January 1, 2018, recording the impact of the nine months in the third quarter. In order to make the 2019 information comparable to the 2018, the balance sheet of the first three quarters of 2018 has been reexpressed to reflect the impacts of inflation on its assets and liabilities.

LOANS AND ADVANCES TO CUSTOMERS (MILLIONS OF EUROS)

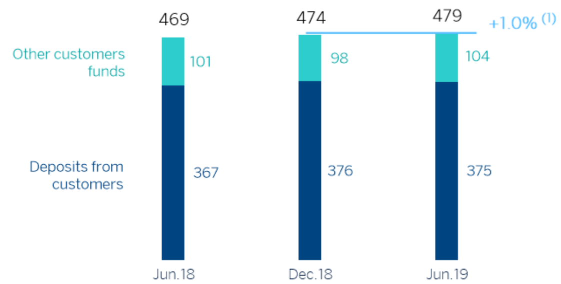
	30-06-19	Δ %	31-12-18	30-06-18
Public sector	**29,062**	**2.0**	**28,504**	**28,716**
Individuals	**173,191**	**1.6**	**170,501**	**171,481**
Mortgages	110,908	(0.6)	111,528	113,184
Consumer	36,413	4.2	34,939	34,317
Credit cards	13,928	3.1	13,507	13,105
Other loans	11,942	13.4	10,527	10,875
Business	**171,053**	**0.1**	**170,872**	**171,836**
Non-performing loans	**15,999**	**(2.1)**	**16,348**	**18,627**
Loans and advances to customers (gross)	**389,306**	**0.8**	**386,225**	**390,661**
Loan-loss provisions	(12,151)	(0.4)	(12,199)	(13,486)
Loans and advances to customers	**377,155**	**0.8**	**374,027**	**377,175**

LOANS AND ADVANCES TO CUSTOMERS (GROSS) (BILLIONS OF EUROS)



(1) At constant exchange rates: +1.1%.

CUSTOMER FUNDS (BILLIONS OF EUROS)



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

CUSTOMER FUNDS (MILLIONS OF EUROS)

	30-06-19	Δ %	31-12-18	30-06-18
Deposits from customers	**375,104**	**(0.2)**	**375,970**	**367,312**
Current accounts	269,010	3.2	260,573	249,579
Time deposits	99,693	(8.0)	108,313	110,548
Other deposits	6,401	(9.6)	7,084	7,185
Other customer funds	**103,804**	**5.8**	**98,150**	**101,498**
Mutual funds and investment companies	65,681	7.0	61,393	64,686
Pension funds	34,960	3.4	33,807	33,890
Other off-balance sheet funds	3,162	7.2	2,949	2,922
Total customer funds	**478,907**	**1.0**	**474,120**	**468,811**

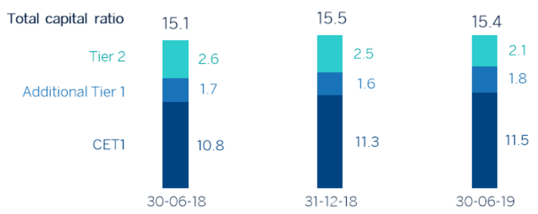
Solvency

Capital base

BBVA's **fully loaded CET1** ratio stood at 11.5% as of the end of June 2019, increasing by 17 basis points in the first half of the year, supported by recurring organic capital generation and strong market performance.

Risk-weighted assets (RWAs) increased by more than €11,700m in the first half of the year, as a result of activity growth mainly in emerging markets, the incorporation of regulatory impacts of (IFRS 16 implementation and TRIM - Targeted Review of Internal Models) worth approximately €7,300m (-24 basis points in the CET1 ratio), and a decrease of approximately €1,500m in RWAs (+5 basis points in the CET1 ratio) due to the recognition by the European Commission of Argentina as an equivalent country for the purposes of supervisory and regulatory requirements[1].

FULLY-LOADED CAPITAL RATIOS (PERCENTAGE)



CAPITAL BASE (MILLIONS OF EUROS)

	CRD IV phased-in			CRD IV fully-loaded		
	30-06-19 (1) (2)	31-12-18	30-06-18	30-06-19 (1) (2)	31-12-18	30-06-18
Common Equity Tier 1 (CET 1)	42,328	40,313	39,550	41,519	39,571	38,746
Tier 1	48,997	45,947	45,717	48,047	45,047	44,685
Tier 2	7,944	8,756	9,241	7,514	8,861	9,263
Total Capital (Tier 1 + Tier 2)	**56,941**	**54,703**	**54,958**	**55,561**	**53,907**	**53,947**
Risk-weighted assets	**360,069**	**348,264**	**356,887**	**360,563**	**348,804**	**357,107**
CET1 (%)	11.8	11.6	11.1	11.5	11.3	10.8
Tier 1 (%)	13.6	13.2	12.8	13.3	12.9	12.5
Tier 2 (%)	2.2	2.5	2.6	2.1	2.5	2.6
Total capital ratio (%)	**15.8**	**15.7**	**15.4**	**15.4**	**15.5**	**15.1**

(1) As of June 30, 2019, the difference between the phased-in and fully-loaded ratios arises from the temporary treatment of certain capital items, mainly of the impact of IFRS9, to which the BBVA Group has adhered voluntarily (in accordance with article 473bis of the CRR).

(2) Provisional data.

In terms of capital **issuances**, BBVA S.A. conducted two public capital issuances: the issuance of preferred securities that may be converted into ordinary BBVA shares (CoCos), registered with the Spanish Securities Market Commission (CNMV) for an amount of €1,000m, at an annual coupon of 6.0% and with an amortization option after five years of being issued; ; and an issuance of Tier 2 subordinated debt for an amount of €750m, with a 10-year maturity and an amortization option in the fifth year and a coupon of 2.575%[2]. In the first half of 2019, the Group continued its funding program to meet the **MREL** (minimum requirement for own funds and eligible liabilities) requirement published in May 2018, by closing two public issuances of senior non-preferred debt for a total amount of €2,000m, one of them of €1,000m in the form of a green bond.

[1] On April 1, 2019, the Official Journal of the European Union published Commission Implementing Decision (EU) 2019/536, which includes Argentina within the list of third countries and territories whose supervisory and regulatory requirements are considered equivalent for the purposes of the treatment of exposures in accordance with Regulation (EU) No 575/2013.

[2] Royal Decree 309/2019, of April 26, which partially implements Law 5/2019, of March 15, regulating real estate loan agreements and adopting other financial measures, excludes in Spain the obligation for prior approval of the supervisor for additional tier 1 capital and tier 2 capital instruments.

Additionally, the early amortization options on three issuances were exercised: one of CoCos, for €1,500m with a 7% coupon issued in February 2014; another issuance of Tier 2 subordinated debt, for €1,500m with a coupon of 3.5% issued in April 2014 and amortized in April 2019; and another Tier 2 security issued in June 2009 by Caixa d'Estalvis de Sabadell with an outstanding nominal amount of €4,878,000, amortized in June 2019.

Regarding **shareholder remuneration**, on April 10, 2019, BBVA paid a supplementary gross cash dividend for the financial year 2018 of €0.16 per share, in line with the Group's dividend policy of maintaining a pay-out ratio of 35-40% of recurring profit. This supplementary dividend does not have any impact on the Group's solvency ratio during the first half of the year, as it was already incorporated on December 2018.

The **phased-in CET1 ratio** stood at 11.8% as of June 30, 2019, taking into account the effect of IFRS 9. **Tier 1** stood at 13.6% and **Tier 2** at 2.2%, resulting in a **total capital ratio** of 15.8%.

These levels are above the requirements established by the supervisor in its SREP letter (Supervisory Review and Evaluation Process), applicable in 2019. Since March 1, 2019, at the consolidated level, this requirement has been established at 9.26% for the CET1 ratio and 12.76% for the total capital ratio. Its variation compared to 2018 is explained by the end of the transitional period for the implementation of the capital conservation buffer and the capital buffer applicable to Other Systemically Important Institutions, as well as the progression of the countercyclical capital buffer. For its part, the CET1 Pillar 2 requirement (P2R) remains unchanged at 1.5%.

Finally, the Group's maintained a solid **leverage** ratio of 6.6% fully-loaded (6.7% phased-in), the highest among its peer group.

Ratings

During the first six months of the year, Moody's, S&P, DBRS and Scope confirmed BBVA's senior preferred debt (A3, A-, A (high) and A+, respectively) rating. Fitch increased this rating by a notch in July 2019, considering that BBVA's loss-absorbing capital buffers (such as senior non-preferred debt) are sufficient to materially reduce the risk of default. In these actions, the agencies highlighted the Group's diversification and self-sufficient franchise model, with subsidiaries responsible for managing their own liquidity. These ratings, together with their outlook, are detailed in the table below:

RATINGS

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

(1) Ratings assigned to long term senior preferred debt. Additionally, Moody's and Fitch assign A2 and A rating respectively, to BBVA's long term deposits.

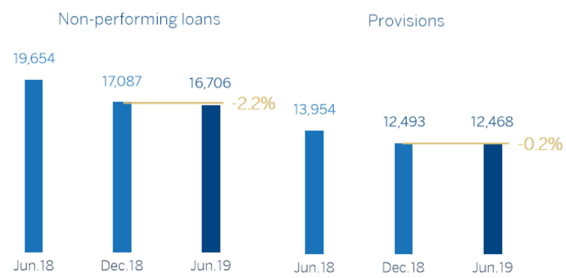
Risk management

Credit risk

During the **first half** of 2019, BBVA Group's risk metrics performed well:

- **Credit risk** increased slightly by 0.3% in the first half of the year, both at current and constant exchange rates, rising in all areas except the United States and Turkey, and remaining stable in Spain.
- **Balance of non-performing loans** registered a 2.2% decrease in the first six months of 2019 (down 2.3% in constant terms) and a 15.0% decrease year-on-year, primarily due to the sale of non-performing loan portfolios in Spain.
- **The NPL ratio** stood at 3.8% as of June 30, 2019, a decrease of 10 basis points compared to the end of December 2018.
- **Loan-loss provisions** remained stable in the first half of the year (up 0.6% at constant exchange rates).
- The **NPL coverage ratio** stood at 75% at the end of June, an improvement of 152 basis points in the first six months of 2019 and 55 basis points higher than at the end of March 2019.
- The accumulated **cost of risk** as of June 2019 was 0.91%, 10 basis points lower than at the end of 2018.

NON-PERFORMING LOANS AND PROVISIONS (MILLIONS OF EUROS)



CREDIT RISK [1] (MILLIONS OF EUROS)

	30-06-19	31-03-19	31-12-18	30-09-18	30-06-18 [2]
Credit risk	**434,955**	**439,152**	**433,799**	**428,318**	**451,587**
Non-performing loans	16,706	17,297	17,087	17,693	19,654
Provisions	12,468	12,814	12,493	12,890	13,954
NPL ratio (%)	**3.8**	**3.9**	**3.9**	**4.1**	**4.4**
NPL coverage ratio (%)	**75**	**74**	**73**	**73**	**71**

(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)

	2Q19 [1]	1Q19	4Q18	3Q18	2Q18 [2]
Beginning balance	**17,297**	**17,087**	**17,693**	**19,654**	**19,516**
Entries	2,461	2,353	3,019	2,168	2,596
Recoveries	(1,531)	(1,409)	(1,560)	(1,946)	(1,655)
Net variation	**930**	**944**	**1,459**	**222**	**942**
Write-offs	(958)	(775)	(1,693)	(1,606)	(863)
Exchange rate differences and other	(564)	41	(372)	(576)	59
Period-end balance	**16,706**	**17,297**	**17,087**	**17,693**	**19,654**
Memorandum item:					
Non-performing loans	15,999	16,559	16,348	17,045	18,627
Non performing guarantees given	707	738	739	649	1,027

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

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

The financial soundness of the BBVA Group's banks continues to be based on the funding of lending activity, fundamentally through the use of stable customer funds. During the first half of 2019**, liquidity** conditions remained comfortable across all countries in which the BBVA Group operates:

- In the eurozone, the liquidity situation remains comfortable, with a slight increase in the credit gap over the first six months of the year.
- In the United States, the liquidity situation is solid. In the first half of this year, there has been a decrease in the credit gap due primarily to the increase in deposits as a result of deposit-taking campaigns, and a slowdown in lending activity.
- In Mexico, the liquidity position is stable The credit gap increased slightly in the first half of the year, affected by the seasonal outflow of deposits, while the loan portfolio remained virtually flat.
- In Turkey, positive liquidity situation, with an adequate buffer against a possible liquidity stress scenario. The credit gap improved in the first half of 2019, both in terms of the balance sheet in foreign currency, due to a greater contraction of loans than deposits, and in local currency, due to higher growth in deposits than loans.
- In South America, the liquidity situation remains comfortable throughout the region. In Argentina, the liquidity situation improved due to moderate growth in lending activity and the increase in deposits.

The BBVA Group's **liquidity coverage ratio** (LCR) remained comfortably above 100% during the first half of 2019, and stood at 132% as of June 30, 2019. It comfortably exceeded 100% in all subsidiaries (eurozone 155%, Mexico 147%, the United States 144% and Turkey 187%). For the calculation of the ratio, it is assumed that there is no transfer of liquidity among subsidiaries; i.e. no kind of excess liquidity levels in foreign subsidiaries are considered in the calculation of the consolidated ratio. When considering these excess liquidity levels, the BBVA Group's LCR would stand at 163% (31 percentage points above 132%).

The **Net Stable Funding Ratio** (NSFR), defined as the ratio between the amount of stable funding available and the amount of stable funding required, is one of the Basel Committee's essential reforms, and requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance-sheet activities. This ratio should be at least 100% at all times. BBVA Group's, NSFR ratio, calculated according to Basel requirements, remained above 100% throughout the first half of 2019 and stood at 121% as of June 30, 2019. It comfortably exceeded 100% in all subsidiaries (eurozone 116%, Mexico 131%, United States 111% and Turkey 151%).

The wholesale **financing** markets in which the Group operates remained stable.

The main **transactions** carried out by entities of the BBVA Group in the first half of 2019 were:

- BBVA, S.A. carried out two issuances of senior non-preferred debt: the first for €1,000m with a fixed-rate annual coupon of 1.125% and a maturity period of five years; the second, a green bond (following the first green bond issuance in May 2018), also for €1,000m, with an annual coupon of 1% and a maturity period of seven years.

- Regarding capital issuances, BBVA, S.A. carried out two public issuances: an issuance of preferred securities that may be converted into ordinary BBVA shares (CoCos), registered in the Spanish Securities Market Commission (CNMV) for €1,000m with an annual coupon of 6.0% and amortization option from the fifth year; and a Tier 2 subordinated debt issuance for €750m, with a maturity period of 10 years, an amortization option in the fifth year, and a coupon of 2.575%.

- Additionally, in the first half of 2019, the early amortization option for the issuance of CoCos for €1,500m with a coupon of 7%, issued in February 2014, was exercised; and a Tier 2 subordinated debt issuance for €1,500m with a coupon of 3.5%, issued in April 2014, was amortized. In June 2019, BBVA, S.A., as the successor to

Unnim Banc, S.A.U., exercised the early amortization of the issuance of subordinated bonds, originally issued by Caixa d'Estalvis de Sabadell, for an outstanding nominal amount of €4,878,000.

- In Mexico, €458m of senior debt was issued on the local market in two tranches: €229m with a maturity period of three years at the Interbank Equilibrium Interest Rate (TIIE) +28 basis points, and €229m with a maturity period of eight years at the Mbono rate +80 basis points, obtaining the lowest cost of funding in history in the local market in both maturities.

- In Turkey, Garanti BBVA issued a Diversified Payment Rights (DPR) securitization for US$150m with a maturity period of five years. It also renewed syndicated loans for US$784m.

- In South America, BBVA Argentina issued negotiable instruments on the local market for an amount equivalent to €33m, while BBVA Peru issued three-year senior bonds for an amount equivalent to €32m in the first week of July. Meanwhile, Forum in Chile issued a bond on the local market for an amount equivalent to €108m.

Foreign exchange

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

In the first half of **2019**, the Turkish lira (down 7.7%) and the Argentine peso (down 11.2%) depreciated against the euro, while the Mexican peso (up 3.1%) and the US dollar (up 0.6%) appreciated compared to rates at the end of 2018. BBVA has maintained its policy of actively hedging its main investments in emerging markets, covering on average between 30% and 50% of annual earnings and around 70% of the CET1 capital ratio excess. Based on this policy, the sensitivity of the CET1 ratio to a depreciation of 10% against the euro of the main emerging-market currencies stood at -3 basis points for the Mexican peso and -2 basis points for the Turkish lira. In the case of the US dollar, the sensitivity to a depreciation of 10% against the euro is approximately +11 basis points, as a result of RWAs denominated in US dollars outside the United States. The coverage level for expected earnings for 2019 is currently 75% for Mexico and Turkey.

Interest rate

The aim of managing **interest rate** risk is to maintain 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 through profit or loss.

Regarding the **monetary policies** pursued by central banks in the main countries where BBVA operates, in the first half of 2019 it should be noted that:

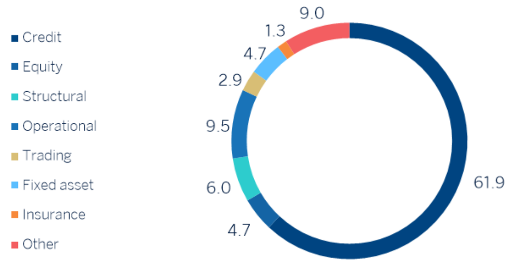
- In the eurozone, interest rates remain at 0% and the deposit facility rate at down 0.40%. The ECB left the door open to new monetary stimuli in the face of the possible negative impacts on the eurozone's economy from the global slowdown and geopolitical uncertainty. This led to a downward movement in forecasts of future interest rates. In addition, at its June meeting, it announced details of the new round of liquidity injections (TLTRO-III) that will begin in September.
- In the United States, the FED maintained interest rates at 2.5%. However, it paved the way for possible rate reductions given the increased risks of lower activity, primarily due to the weakness of the global economy and the absence of inflationary pressures. In fact, the market is currently discounting at least two rate reductions in 2019, pushing forecasts for future rates downward.
- In Mexico, Banxico maintained the monetary policy rate at 8.25%, showing a restrictive tone until the June meeting, when one of the governing board members voted in favor of a rate reduction.
- In Turkey, the Central Bank of the Republic of Turkey (CBRT) maintained rates at 24.00% during the first half of 2019. Meanwhile, at the market level, there was an increase in volatility prior to the final local elections held on March 31 which led the CBRT to intervene, raising the cost of financing to stabilize the Turkish lira, with no impact on the balance sheet structure. Subsequently, tension with the United States led to this volatility continuing throughout the second quarter. In this context, management of the customer spread was very positive, thanks to efforts to reduce the cost of funds, which enabled strong performance in net interest income in the first half of 2019, despite a lower contribution from inflation-linked bonds compared to previous quarters.
- In South America, monetary authorities in Colombia and Peru maintained their respective benchmark rates during the first half of the year, with these rates expected to remain unchanged during the second half of 2019. In Argentina, interest rates showed some pre-election volatility in response to the improved inflation outlook, closing at 62.7% at the end of June.

The Group's banks maintain fixed-income portfolios to manage their balance sheet structure. During the first half of 2019, the results of this management were satisfactory, with limited risk strategies maintained in all the Group's banks.

Economic capital

Economic risk capital (ERC) consumption reached €28,829m at the end of May 2019 in consolidated terms, equivalent to an increase of 0.4% compared to the end of February 2019 (up 2.1% at constant exchange rates). This increase was primarily due to credit risk, in line with higher exposure in the different portfolios and geographic areas.

CONSOLIDATED ECONOMIC RISK CAPITAL BREAKDOWN (PERCENTAGE. MAY 19)



The BBVA share

The main **stock market** indexes performed strongly during the first half of 2019. In Europe, increases in the first quarter of the year were expanded on, with the Stoxx 50 and Euro Stoxx 50 rising 15.2% and 15.7%, respectively. In Spain, the rise of the Ibex 35 during the same period was more moderate at 7.7%, with a decline in the second quarter partially offsetting the increase during the first three months of the year. In the United States, the S&P 500 Index rose 17.3% in the first half of the year, maintaining in the second quarter the positive trend initiated in the first quarter.

The performance of European **banking sector** indexes remained positive during the first half of 2019, although to a lesser extent than general market indexes, having been hindered by declines during the second quarter of the year. The Stoxx Europe 600 Banks index, which includes banks in the United Kingdom, rose 0.9% during the first half of 2019, and the Euro Stoxx Banks index for the eurozone rose 1.3%, while in the United States, the S&P Regional Banks Select Industry Index built on gains made during the first quarter, rising by 14.4% compared to the close of the 2018 financial year.

For its part, the **BBVA share** outperformed the European banking sector during the first half of the year, with the share price increasing by 6.1% and closing June 2019 at €4.92.

BBVA SHARE EVOLUTION COMPARED WITH EUROPEAN INDICES (BASE INDICE 100=31-12-18)

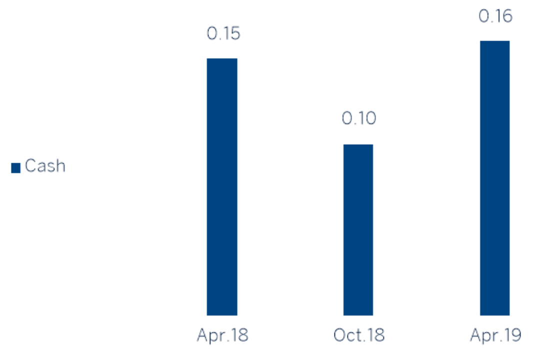
THE BBVA SHARE AND SHARE PERFORMANCE RATIOS

	30-06-19	31-12-18
Number of shareholders	888,559	902,708
Number of shares issued	6,667,886,580	6,667,886,580
Daily average number of shares traded	31,586,100	35,909,997
Daily average trading (millions of euros)	164	213
Maximum price (euros)	5.68	7.73
Minimum price (euros)	4.51	4.48
Closing price (euros)	4.92	4.64
Book value per share (euros)	7.34	7.12
Tangible book value per share (euros)	6.10	5.86
Market capitalization (millions of euros)	32,786	30,909
Yield (dividend/price; %) (1)	5.3	5.4

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

Regarding **shareholder remuneration** in 2019**,** in line with the policy announced in the Relevant Event released on February 1, 2017, BBVA plans to distribute between 35% and 40% of annual earnings in dividends. This shareholder remuneration policy, will consist of two cash payments that are expected to be made in October of this year and in April 2020, all subject to the appropriate approvals by the relevant governing bodies.

SHAREHOLDER REMUNERATION
(EUROS PER SHARE)



As of June 30, 2019, the number of BBVA **shares** remained at 6.668 billion, held by 888,559 **shareholders**, of which 43.55% are Spanish residents and the remaining 56.45% are non-residents.

SHAREHOLDER STRUCTURE (30-06-19)

	Shareholders		Shares	
Number of shares	**Number**	**%**	**Number**	**%**
Up to 150	176,075	19.8	12,448,419	0.2
151 to 450	176,014	19.8	48,275,584	0.7
451 to 1800	278,981	31.4	273,197,704	4.1
1,801 to 4,500	135,493	15.2	386,002,666	5.8
4,501 to 9,000	62,927	7.1	396,491,180	5.9
9,001 to 45,000	52,631	5.9	912,487,236	13.7
More than 45,001	6,438	0.7	4,638,983,791	69.6
Total	**888,559**	**100.0**	**6,667,886,580**	**100.0**

BBVA **shares** are included on the main stock market indexes, including the Ibex 35, Euro Stoxx 50 and Stoxx 50, with a weighting of 6.9%, 1.3% and 0.9%, respectively, as of the close of June 2019. They also form part of several sector indexes, including the Euro Stoxx Banks index, with a weighting of 8.7%, and the Stoxx Europe 600 Banks index, with a weighting of 4.0%.

Finally, BBVA maintains a significant presence on a number of international **sustainability indexes** or Environmental, Social and Governance (ESG) indexes, which evaluate companies' performance in these areas. This presence is summarized in the following table:

MAIN SUSTAINABILITY INDICES ON WHICH BBVA IS LISTED AS OF 30-06-19

Listed on the DJSI World and DJSI Europe indices

1)

Listed on the MSCI ESG Leaders Indexes

AAA Rating

Listed on the FTSE4Good Global Index Series

Listed on the Euronext Vigeo Eurozone 120 and Europe 120 indices

Listed on the Ethibel Sustainability Excellence Europe and Eithebel Sustainability Excellence Global indices

Listed on the Bloomberg Gender-Equality Index

In 2018, BBVA obtained a "B" rating

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

Responsible banking

At BBVA we have a **differential** banking **model** that we refer to as responsible banking, based on seeking out the profitability 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 2018, BBVA announced its **2025 Pledge**. This sets out the Bank's strategy for climate change and sustainable development, working toward meeting the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. The pledge is an eight-year commitment based on three lines of action:

- To finance: BBVA is pledging to mobilize €100 billion in green and social financing, sustainable infrastructure and agribusiness, social entrepreneurship and financial inclusion.
- To manage the environmental and social risks associated with the Group's activity in order to minimize its potential direct and indirect negative impacts. BBVA pledges that 70% of energy used by the Group will be renewable by 2025, reaching 100% by 2030, and to reduce direct CO_2 emissions by 68% with respect to 2015.
- To engage all stakeholders to collectively promote the financial sector's contribution to sustainable development.

The figure for **sustainable finance** mobilized in the first half of 2019 amounts to €10,000m (up 50% year-on-year) which, added to €11,815m of 2018, represents a cumulative amount of approximately €22,000m mobilized since the launch of the Pledge.

In the second quarter of 2019, BBVA published the first monitoring report on its first green bond as part of its commitment to issue sustainable bonds. With this issuance, as noted in the report, BBVA contributed to reducing the carbon footprint by 274,609 tons of CO_2 in 2018 from the date of issue in May of that year, and by another 106,529 tons estimated in 2019, and s generated 558 gigawatt/hour of renewable energy. The Bank allocated €1,000m obtained from wholesale markets to finance renewable energy and sustainable transportation projects. In addition, BBVA issued its second green bond in June, also on a senior non-preferred bond, with a maturity of seven years and an amount of €1,000m. The operation was very well received by investors.

In the retail business BBVA launched in Spain a new green line of loan worth €20m for all customers wishing to purchase electric or hybrid cars. This new product seeks to respond to growing demand from society, which is increasingly aware of the fight against climate change.

As part of its objective to engage its stakeholders, BBVA continues to participate in different initiatives within sector associations such as the Spanish Banking Association (Asociación Española de Banca, AEB) and the European Banking Federation (EBF), where the Bank chairs the sustainable finance group as well as in working groups related to this issue, also collaborating in consultations on taxonomy, regulation, disclosure and other objectives of the European Commission Sustainable Finance Action Plan.

Within the framework of **community investment**, education for society has an important weight. Thus, BBVA in Mexico decided to double the contribution it makes to the Foundation from 2019, allocating more than MXN 1,000m (€46m at the average exchange rate of the first half of the year) which, added to the voluntary contributions of the community, will have more than MXN1,500m per year, significantly increasing the number of education grants awarded.

For its part, the **Learning Together** educational project, BBVA aims to lead and promote conversation about education in the 21st century, bearing in mind that education is the great opportunity to improve people's lives. The project, which was born in January 2018 with a transforming vocation and which aims to create opportunities in more than 3 million homes and its educational community,is being followed by more than one million people in social networks (Facebook, Twitter, Instagram and YouTube), with about 400 million views of its inspiring content, and with more than 24,700 teachers and parents being trained in the online courses it offers. .

In addition,, in June 2019, the **BBVA Foundation** held a ceremony in Bilbao to award the Frontiers of Knowledge prizes , worth 400,000 euros in each of its eight categories. In this eleventh edition of the awards, focused on achieving a greater commitment to sustainability of the planet, twelve new researchers were added to recognize contributions on subjects ranging from sea level rise to discovery of the microbiome.

Finally, BBVA develops **entrepreneurship** programs and initiatives that benefited 2.2 million people in 2018. These programs especially target entrepreneurs who are in vulnerable circumstances and those whose projects will have a positive impact on society or the environment. With them, BBVA seeks to foster social change and create opportunities for all. Among the global initiatives related to entrepreneurship, the following stand out:

- The **BBVA Microfinance Foundation**, the private philanthropic initiative with the greatest social impact in Latin America, supports vulnerable entrepreneurs through productive finance. It has two lines of action: establish a group of sustainable and innovative microfinance institutions, and to promote the transformation of the financial sector. Since its launch in 2007, the BBVA Microfinance Foundation has invested $11,775m in productive loans that have benefited 2 million people across 5 countries, with special focus on women.
- **BBVA Momentum** is a global program that includes training, strategic accompaniment , financing, collaboration, networking and visibility for social entrepreneurs who are changing the world through their companies. Since its launch in 2011, more than 500 entrepreneurs from Colombia, Spain, the United States, Mexico, Peru and Turkey have participated.
- **BBVA Open Talent** is a fintech startups competition that aims to promote innovative technological solutions and make emerging projects visible with the capacity to transform the financial sector. Since 2008, this contest has handed out €1.8m in prizes to 600 startups in over 80 countries, with more than 700 professionals involved.
- **BBVA Blue Challenge** is a program aimed at helping young university students to channel all their energy into development of projects with which they can change the world by offering entrepreneurship training program that stands out for the high level of its participants. Since its inception in 2016, more than 5,000 young people from 23 countries have completed the program.

Business areas

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

In 2019, BBVA Group's business areas **reporting structure** of the BBVA Group's business areas differs from the one presented at the end of 2018, as a result of the integration of the Non-Core Real Estate business area into Banking Activity in Spain, now reported as "Spain". In order to make the 2019 information comparable to 2018, the figures for both areas have been reexpressed.

In the second quarter of the year, the Group carried out the unification of the BBVA brand in the countries in which it operates, discontinuing the local brand names in Argentina (Francés), the United States (Compass), Mexico (Bancomer), and Peru (Continental). The franchise in Turkey has been renamed Garanti BBVA.

BBVA Group's business areas are summarized below:

- **Spain** mainly includes the banking and insurance businesses that the Group carries out in this country.
- **The United States** includes the financial business activity that BBVA carries out in the country and the activity of the BBVA, S.A branch in New York.
- **Mexico** includes banking and insurance businesses in this country as well as the activity that BBVA Mexico carries out through its branch in Houston.
- **Turkey** reports the activity of BBVA Garanti group that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.
- **South America** basically includes banking and insurance businesses in the region.
- **Rest of Eurasia** includes the banking business activity carried out in Asia and in Europe, excluding Spain.

The **Corporate Center** exercises centralized Group functions, including: the costs of the head offices with a corporate function; management of structural exchange rate positions; some equity instruments issuances to ensure an adequate management of the Group's global solvency. It also includes portfolios whose management is not linked to customer relationships, such as industrial holdings; certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets.

The **information by business area** is based on units at the lowest level and/or companies that comprise the Group, which are assigned to the different areas according to the main region or company group in which they carry out their activity.

As usual, in the case of the different business areas in America and Turkey, the results of applying constant **exchange rates** are given as well as the year-on-year variations at current exchange rates.

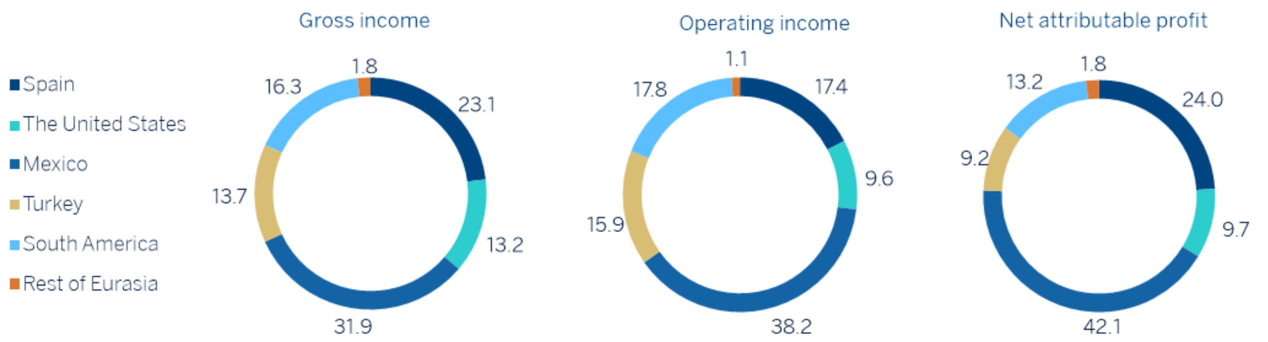
MAJOR INCOME STATEMENT ITEMS BY BUSINESS AREA (MILLIONS OF EUROS)

		Business areas							
	BBVA Group	Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	∑ Business areas	Corporate Center
1H19									
Net interest income	8,987	1,808	1,217	3,042	1,353	1,613	84	9,118	(132)
Gross income	11,989	2,818	1,615	3,901	1,677	1,994	220	12,225	(236)
Operating income	6,115	1,190	655	2,611	1,084	1,215	78	6,833	(718)
Profit/(loss) before tax	4,052	1,027	363	1,783	726	847	69	4,814	(762)
Net attributable profit	2,442	734	297	1,287	282	404	55	3,058	(616)
1H18 (1) (2)									
Net interest income	8,590	1,852	1,082	2,648	1,510	1,553	83	8,727	(137)
Gross income	11,863	3,023	1,437	3,465	1,924	1,987	217	12,052	(188)
Operating income	5,967	1,336	544	2,309	1,245	1,078	77	6,588	(621)
Profit/(loss) before tax	4,286	1,056	493	1,654	964	724	93	4,984	(698)
Net attributable profit	2,536	746	385	1,200	372	332	60	3,094	(558)

(1) The impact derived from the accounting for hyperinflation in Argentina for the first nine months of 2018 was recorded for the first time in the third quarter of the year, with accounting effects on January 1, 2018. In order to make the 2019 information comparable to the 2018, the income statements for the first three quarters of the 2018 fiscal year have been reexpressed to reflect the impacts of inflation on their income and expenses.

(2) The income statements for 2018 were reexpressed due to changes in the reallocation of some expenses related to global projects and activities between the Corporate Center and the business areas incorporated in 2019.

GROSS INCOME(1), OPERATING INCOME(1) AND NET ATTRIBUTABLE PROFIT(1) BREAKDOWN (PERCENTAGE. 1H19)



(1) Excludes the Corporate Center.

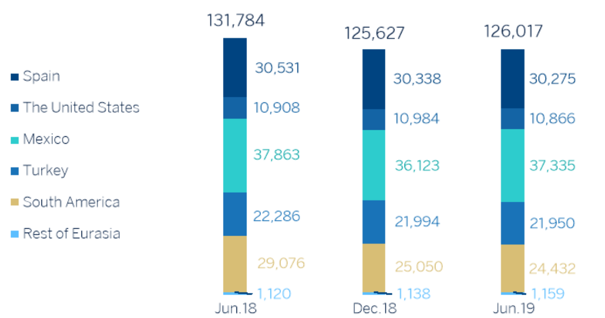
MAJOR BALANCE-SHEET ITEMS AND RISK-WEIGHTED ASSETS BY BUSINESS AREA (MILLIONS OF EUROS)

	BBVA Group	Business areas: Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	∑ Business areas	Corporate Center	Deletions
30-06-19										
Loans and advances to customers	377,155	171,081	60,130	54,432	39,286	35,712	17,552	378,193	349	(1,386)
Deposits from customers	375,104	180,434	63,122	52,960	39,456	36,896	4,294	377,162	302	(2,361)
Off-balance sheet funds	103,804	64,370	-	23,419	2,983	12,577	454	103,804	-	-
Total assets/liabilities and equity	697,626	368,982	86,229	105,366	64,641	56,433	20,209	701,860	10,567	(14,801)
Risk-weighted assets	360,069	107,486	62,383	55,919	57,551	43,995	16,405	343,739	16,331	-
31-12-18 (1)										
Loans and advances to customers	374,027	170,438	60,808	51,101	41,478	34,469	16,598	374,893	990	(1,857)
Deposits from customers	375,970	183,414	63,891	50,530	39,905	35,842	4,876	378,456	36	(2,523)
Off-balance sheet funds	98,150	62,559	-	20,647	2,894	11,662	388	98,150	-	-
Total assets/liabilities and equity	676,689	354,901	82,057	97,432	66,250	54,373	18,834	673,848	16,281	(13,440)
Risk-weighted assets	348,264	104,113	64,175	53,177	56,486	42,724	15,476	336,151	12,113	-

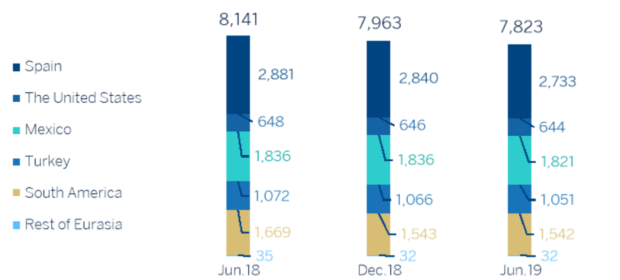
(1) The impact derived from the accounting for hyperinflation in Argentina for the first nine months of 2018 was recorded for the first time in the third quarter of the year, with accounting effects on January 1, 2018. In order to make the 2019 information comparable to the 2018, the balance sheets of the first three quarters of the 2018 have been reexpressed to reflect the impacts of inflation on their assets and liabilities.

Since 2019, a column has been included in the balance sheet, which includes the **deletions** and balance adjustments between different business areas, especially in terms of the relationship between the areas in which the parent company operates, i.e. Spain, Rest of Eurasia and Corporate Center. In previous years, these deletions were allocated to the different areas, mainly in Banking Activity in Spain. Accordingly, the figures from the previous year have been reexpressed to show comparable series.

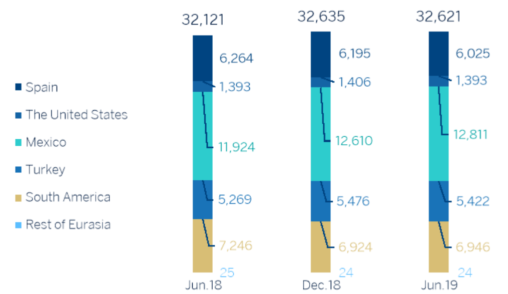
NUMBER OF EMPLOYEES



NUMBER OF BRANCHES



NUMBER OF ATMS



Macro and industry trends

Global growth is slowing in the face of protectionist pressures affecting the global industrial sector and international trade, although first quarter data indicates a certain degree of stabilization, supported by the strength of the service sector, strong employment and low inflation. This trend is occurring across all regions, with cyclical slowdown in the United States, the trend toward growth moderation in China and the consolidation of lower growth in Europe. Thus, global growth is forecasted at around 3.3% in 2019 and 2020, implying a soft landing. However, the deterioration of trade negotiations between the United States and China since late April poses a major risk to the global economy.

In terms of **monetary policy**, the main central banks signaled their intention to adopt further measures that would provide a stimulus to counteract the high level of uncertainty in the economy, as well as the continued decrease in the long-term inflation outlook. The Federal Reserve, after raising its benchmark interest rate to 2.50% in December, laid the foundations to initiate interest rate reductions in the face of more moderate growth forecasts, weighed down by the trade threat and political uncertainty. For its part, the ECB strengthened its accommodative monetary policy stance by approving a new liquidity provision program, postponing its commitment to maintain interest rates at current levels until mid-2020, and indicating that it has a range of instruments at its disposal to combat growth and inflation risks, including the reduction of deposit rates or the renewal of the bond purchase program. Accordingly, **interest rates** will remain low in major economies, enabling emerging countries to gain room to maneuver.

Spain

The most recent data confirms that GDP is growing at a faster pace than in the rest of the eurozone, with a growth of 0.7% in the first quarter of 2019 and a rate between 0.6% and 0.7% expected for the second quarter. The activity was driven by investment in machinery and equipment as well as tourism, which offset moderation in both public and private consumption, and exports of goods.

With regard to the banking system, both the deleveraging of the system and the improvement in asset quality indicators continue (the NPL ratio stood at 5.7% in April 2019). Profitability remained under pressure (ROE of 5.8% in the first quarter of 2019) due to low interest rates and lower business volumes. Spanish banks maintain comfortable levels of capital adequacy and liquidity.

United States

In the first quarter of 2019, GDP grew by 3.1% on a year-on-year rate, the highest rate in four years, and growth is expected to be below 2% in the second quarter. The largest contribution in the first quarter came from net exports, inventory accumulation and local government spending. However, private consumption and fixed investment slowed, reflecting decreases in durable goods consumption and residential construction. In the absence of inflationary pressures, the Federal Reserve may lower interest rates, which would be a factor that would contribute to preventing further slowdown in the face of rising uncertainty and the prolongation still-unresolved trade disputes.

The most recent bank activity figures (May 2019) shows that loans and deposits grew at rates of 4.3% and 5.1%, respectively. Non-performing loans continued to decrease, with the NPL ratio standing at 1.55% at the end of the first quarter of 2019.

Mexico

GDP contracted in the first quarter of 2019 (down 0.2% quarter-on-quarter) and remains weak in the second quarter despite the strength of the services sector. This weakness is due to several factors: the delay in the ratification of the new USMCA (the United States, Mexico and Canada Agreement), the weakness of investment, continued uncertainty due to external and internal factors, the deceleration of the manufacturing sector in the United States and the slowdown in private consumption and job creation. The central bank remains cautious, but the good performance of inflation (forecast at 3.4% in 2019) and the exchange rate would allow interest rates to be cut to alleviate the slowdown in growth.

The banking system continues to grow in year-on-year terms. According to data May 2019, loans and deposits grew by 8.3% and 7.6%, respectively, with increases in all portfolios. The non-performing loan ratio remained under control (2.16%, compared to 2.20% twelve months earlier) while capital indicators remain at comfortable levels.

Turkey

The Turkish economy technically moved out of recession in the first quarter of 2019, growing at a quarterly rate of 1.3%, while the year-on-year rate remains negative and declined by 2.6%. The economy is expected to grow by 0.3% in 2019. However, risks remain and a prudent policy combination continues to be key to keeping the recovery trend alive. The disinflationary process continued in the first months of the year at a faster pace than expected, which allowed inflation to decrease from 20.3% in December 2018 to 15.7% in June of this year. In this context, a cycle of official interest rate cuts can begin.

With figures of May 2019, the total loan volume in the system grew by 8.9% year-on-year (down 0.1% in local currency and up 25.4% in foreign currency affected by the variation effect of the exchange rate. The system's NPL ratio stood at 4.2% in May 2019.

Argentina

In the first half of 2019, the economy improved slowly after a sharp contraction in 2018, as a consequence of the currency crisis and a severe drought on the primary sector. In the first quarter of 2019, GDP contracted by 0.2% compared to the previous quarter, while slight growth is expected from the second quarter onwards, driven by the good performance of the sectors related to agriculture and the positive effects of lower volatility, as well as the positive effect of the higher confidence of the agents. During the second quarter, inflation has improved at a lower pace, reflecting the contractionary monetary policy of the central bank and the calm in the currency market, which we expect a decline in the next year.

In the financial system, loans and deposits are growing at high rates, albeit with the notable influence of high inflation. Profitability indicators are very high (ROE: 41.2% and ROA: 4.5% in April 2019) and non-performing loans increased, with a NPL ratio of 4.2% in April 2019.

Colombia

The economy continues to recover at a slow pace after the oil price crisis, growing by 2.6% in 2018 and 2.8% in the first quarter of 2019. This recovery was driven mainly by consumption, both private and public, and recently by a recovery in investments not related to construction. Investment in construction is still affected by the aftermath of the previous economic cycle, since the high level of stock caused a reduction in the launch of new constructions and therefore, the production of the sector. Going forward, it is expected that the economy will grow at a faster pace, reaching 3.0% growth in this year.

The total loan system grew by 6.9% year-on-year in April 2019, with a NPL ratio of 4.7%. Total deposits increased by 6.6% year-on-year in the same period.

Peru

GDP in the first quarter of 2019 contracted, although is expected to recover slightly in the second quarter. This low growth is mainly due to the primary sector (extractive industries) which remain negative due to factors of a temporary nature. Simultaneously, the expenditure indicators aims to moderation, while the recovery in investment was lower. It is expected that growth for the first half of the year will be around 3%. The central bank maintains interest rates at 2.75%, which implies an expansionary tone in monetary policy. The context of a transitory slowdown in activity, increased external volatility and anchored inflation expectations suggest the possibility of cutting interest rates.

The banking system is showing moderate year-on-year growth rates in lending and deposits (up 7.6% and up 10.5%, respectively, in April 2019), with reasonably high levels of profitability (ROE: 18.2%) and contained non-performing loans (NPL ratio: 2.5%).

END OF PERIOD INTEREST RATES (PERCENTAGE)

	30-06-19	31-03-19	31-12-18	30-09-18	30-06-18	31-03-18
Official ECB rate	0.00	0.00	0.00	0.00	0.00	0.00
Euribor 3 months	(0.33)	(0.31)	(0.31)	(0.32)	(0.32)	(0.33)
Euribor 1 year	(0.19)	(0.11)	(0.13)	(0.17)	(0.18)	(0.19)
USA Federal rates	2.40	2.43	2.40	2.18	1.91	1.67
TIIE (Mexico)	8.51	8.52	8.41	8.11	7.93	7.83
CBRT (Turkey)	23.86	25.50	24.06	24.01	17.77	12.75

EXCHANGE RATES (EXPRESSED IN CURRENCY/EURO)

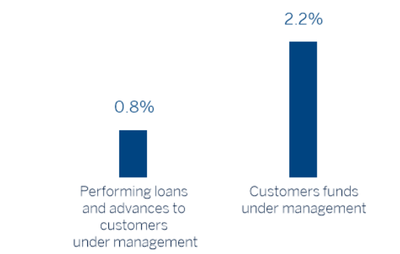
	Year-end exchange rates			Average exchange rates	
	30-06-19	Δ % on 30-06-18	Δ % on 31-12-18	1H19	Δ % on 1H18
Mexican peso	21.8201	4.9	3.1	21.6509	6.6
U.S. dollar	1.1380	2.4	0.6	1.1297	7.2
Argentine peso	48.7557	(33.5)	(11.2)	48.7557	(33.5)
Chilean peso	773.68	(2.4)	2.8	763.29	(3.0)
Colombian peso	3,638.45	(5.6)	2.9	3,602.32	(4.3)
Peruvian sol	3.7402	2.0	3.3	3.7516	4.8
Turkish lira	6.5655	(18.7)	(7.7)	6.3577	(22.0)

Spain

Highlights

- **Favorable trend of activity, especially in high profitable segments.**
- **Net Interest income affected by lower ALCO contribution and the impact of IFRS 16.**
- **The positive trend in operating expenses continues.**
- **Positive impact of the sale of NPL and write-off portfolios on loan loss provisions and risk indicators.**

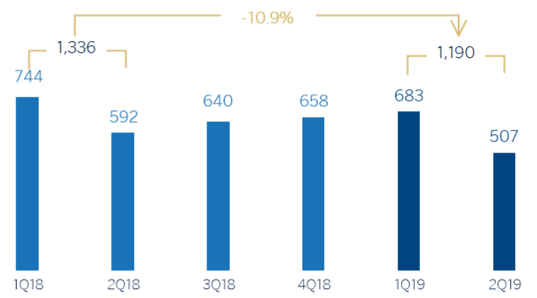
BUSINESS ACTIVITY(1)
(YEAR-ON-YEAR CHANGE. DATA AS OF 30-06-19)



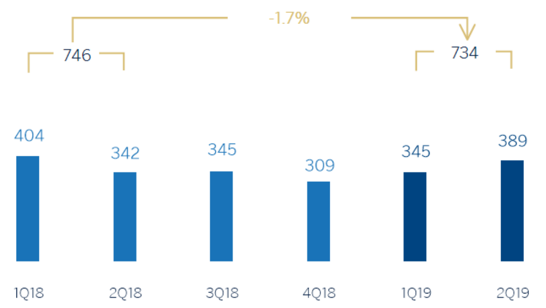
(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE)

OPERATING INCOME
(MILLIONS OF EUROS)



NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS)



FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H19	Δ %	1H18
Net interest income	**1,808**	**(2.4)**	**1,852**
Net fees and commissions	846	(0.6)	851
Net trading income	92	(67.4)	282
Other operating income and expenses	72	91.7	38
Of which: Insurance activities (1)	258	9.4	235
Gross income	**2,818**	**(6.8)**	**3,023**
Operating expenses	(1,628)	(3.5)	(1,687)
Personnel expenses	(942)	(0.8)	(950)
Other administrative expenses	(447)	(23.5)	(584)
Depreciation	(239)	56.5	(152)
Operating income	**1,190**	**(10.9)**	**1,336**
Impairment on financial assets not measured at fair value through profit or loss	25	n.s.	(213)
Provisions or reversal of provisions and other results	(188)	181.9	(67)
Profit/(loss) before tax	**1,027**	**(2.8)**	**1,056**
Income tax	(292)	(5.5)	(309)
Profit/(loss) for the year	**735**	**(1.7)**	**748**
Non-controlling interests	(1)	(17.0)	(2)
Net attributable profit	**734**	**(1.7)**	**746**

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

Balance sheets	30-06-19	Δ %	31-12-18
Cash, cash balances at central banks and other demand deposits	12,157	(57.4)	28,545
Financial assets designated at fair value	127,397	18.7	107,320
Of which: Loans and advances	37,564	24.3	30,222
Financial assets at amortized cost	200,008	2.3	195,467
Of which: Loans and advances to customers	171,081	0.4	170,438
Inter-area positions	18,794	34.0	14,026
Tangible assets	3,484	169.3	1,294
Other assets	7,142	(13.4)	8,249
Total assets/liabilities and equity	**368,982**	**4.0**	**354,901**
Financial liabilities held for trading and designated at fair value through profit or loss	80,487	13.3	71,033
Deposits from central banks and credit institutions	47,280	3.0	45,914
Deposits from customers	180,434	(1.6)	183,414
Debt certificates	32,861	4.8	31,352
Inter-area positions	-	-	-
Other liabilities	19,099	31.5	14,519
Economic capital allocated	8,822	1.8	8,670

Relevant business indicators	30-06-19	Δ %	31-12-18
Performing loans and advances to customers under management (1)	167,541	0.7	166,396
Non-performing loans	9,096	(9.7)	10,073
Customer deposits under management (1)	180,434	(1.4)	182,984
Off-balance sheet funds (2)	64,370	2.9	62,559
Risk-weighted assets	107,486	3.2	104,113
Efficiency ratio (%)	57.8		55.9
NPL ratio (%)	4.6		5.1
NPL coverage ratio (%)	58		57
Cost of risk (%)	(0.03)		0.21

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

Activity

The most relevant aspects related to the area's activity during the first half of 2019 were:

- As of June 30, 2019 **lending** (performing loans under management) increased 0.7% compared to the end of 2018 (up 0.8% year-on-year), supported by the positive performance of consumer loans and credit cards (up 9.2% in the first half of 2019, and up 18.2% year-on-year) as well as retail and medium-sized enterprises (up 3.5% in the first half of the year, and up 6.0% year-on-year), which more than offset the reduction in mortgage loans (down 1.6% in the first half of the year, and down 3.4% year-on-year).
- In terms of **asset quality**, NPL balances decreased in the quarter, with a positive impact on the NPL ratio which stood at 4.6% as of June 30, 2019 (5.1% as of December 31, 2018), mainly explained by the sale of non-performing real estate developer loans in the second quarter and, in general, due to a lower level of non-performing mortgage loans. The coverage ratio stood at 58%, above the closing of 2018.
- Customer **deposits** under management registered a slight reduction compared to December 2018, with growth in demand deposits of 3.6% in the first half of the year (up 9.2% year-on-year) and a reduction in time deposits (down 19.2% in the first half of the year, and down 19.4% year-on-year). However, total deposits remained stable over the first six months of 2019, and increased by 2.7% in the last twelve months. Demand deposits now account for more than 80% of total customer deposits.
- **Off-balance sheet funds** performed well (up 2.9% since December 31, 2018 and up 0.8% year-on-year), especially in mutual funds, supported by the positive evolution of the market in the first half of the year.

Results

Net attributable **profit** of BBVA in Spain stood at €734m, in the first half of 2019 slightly below the figure registered in the same period of the previous year (down 1.7%).

The main highlights of the area's income statement are:

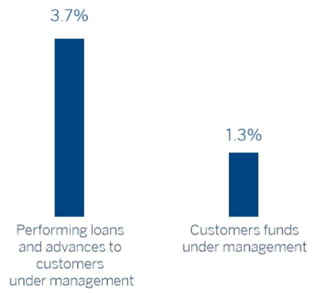
- **Net interest income** decreased by 2.4% year-on-year, affected by the lower contribution from the ALCO portfolios and the effect of IFRS 16 implementation.
- **Net fees and commissions** remained virtually flat year-on-year (down 0.6%).
- Lower contribution from **NTI** (down 67.4% compared to the first half of 2018), due to uneven market performance in the first six months of the year and lower portfolio sales.
- **Other operating income and expenses** showed a year-on-year growth (up 91.7%) driven by the strong performance of net earnings from the insurance business, although the quarter-on-quarter comparison is negatively affected by the contribution to the SRF in the second quarter of 2019.
- The positive trend in **operating expenses** (down 3.5% year-on-year) continues, driven by the cost reduction plans. As a result, the efficiency ratio stood at 57.8%.
- The favorable performance of **impairment on financial assets** continues as a result of the positive impact of the aforementioned sale of non-performing and write-offs from real estate developer loans, and the lower reserve requirements, primarily in real estate developer loan portfolios.
- Finally, **provisions (net) and other gains (losses)** showed a year-on-year increase due to the positive valuation of assets in the former Non Core Real Estate area in the first half of last year.

The United States

Highlights

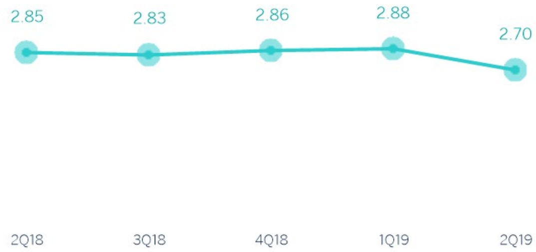
- **Good performance of retail lending**
- **Positive trend in net interest income and customer spreads.**
- **The improvement in the efficiency ratio continues.**
- **Net attributable profit affected by the impairment on financial assets associated with specific customers of the commercial portfolio and to write-offs in consumer loans.**

BUSINESS ACTIVITY [(1)]
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATE. DATA AS OF 30-06-19)

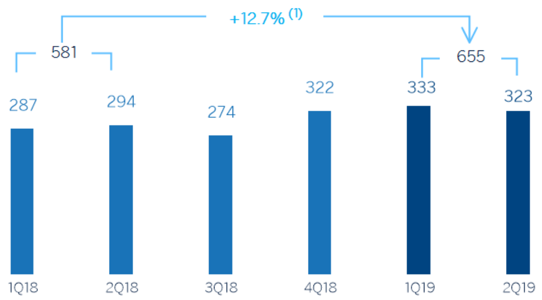


(2) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

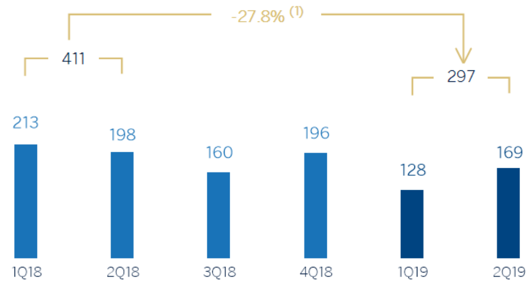


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: +20.5%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -22.9%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H19	Δ %	Δ % (1)	1H18
Net interest income	**1,217**	**12.6**	**5.2**	**1,082**
Net fees and commissions	320	5.8	(1.0)	302
Net trading income	79	61.8	52.5	49
Other operating income and expenses	(1)	n.s.	n.s.	4
Gross income	**1,615**	**12.4**	**5.1**	**1,437**
Operating expenses	(959)	7.5	0.4	(893)
Personnel expenses	(554)	8.0	0.9	(513)
Other administrative expenses	(295)	0.5	(6.1)	(294)
Depreciation	(110)	28.3	19.8	(86)
Operating income	**655**	**20.5**	**12.7**	**544**
Impairment on financial assets not measured at fair value through profit or loss	(286)	n.s.	n.s.	(63)
Provisions or reversal of provisions and other results	(6)	n.s.	n.s.	12
Profit/(loss) before tax	**363**	**(26.3)**	**(31.0)**	**493**
Income tax	(67)	(38.4)	(42.3)	(108)
Profit/(loss) for the year	**297**	**(22.9)**	**(27.8)**	**385**
Non-controlling interests	-	-	-	-
Net attributable profit	**297**	**(22.9)**	**(27.8)**	**385**

Balance sheets	30-06-19	Δ %	Δ % (1)	31-12-18
Cash, cash balances at central banks and other demand deposits	7,504	55.2	54.2	4,835
Financial assets designated at fair value	10,283	(1.9)	(2.5)	10,481
Of which: Loans and advances	1,433	n.s.	n.s.	156
Financial assets at amortized cost	64,839	2.0	1.4	63,539
Of which: Loans and advances to customers	60,130	(1.1)	(1.7)	60,808
Inter-area positions	-	-	-	-
Tangible assets	925	38.4	37.5	668
Other assets	2,678	5.7	5.0	2,534
Total assets/liabilities and equity	**86,229**	**5.1**	**4.4**	**82,057**
Financial liabilities held for trading and designated at fair value through profit or loss	1,475	n.s.	n.s.	234
Deposits from central banks and credit institutions	4,568	35.6	34.7	3,370
Deposits from customers	63,122	(1.2)	(1.8)	63,891
Debt certificates	3,382	(6.0)	(6.6)	3,599
Inter-area positions	3,757	95.0	93.8	1,926
Other liabilities	6,232	10.2	9.6	5,654
Economic capital allocated	3,692	9.1	8.5	3,383

Relevant business indicators	30-06-19	Δ %	Δ % (1)	31-12-18
Performing loans and advances to customers under management (2)	60,172	(1.0)	(1.6)	60,784
Non-performing loans	827	3.2	2.5	802
Customer deposits under management (2)	63,120	(1.2)	(1.8)	63,888
Off-balance sheet funds (3)	-	-	-	-
Risk-weighted assets	62,383	(2.8)	(3.4)	64,175
Efficiency ratio (%)	59.4			62.2
NPL ratio (%)	1.3			1.3
NPL coverage ratio (%)	91			85
Cost of risk (%)	0.94			0.39

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

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. In addition, the quarterly variations are from the quarter ending with respect to the previous quarter.

The most relevant evolution to the area's activity in the first semester of 2019 was:

- **Lending activity** (performing loans under management) showed a decrease of 1.6% year-to-date, although it grew by 3.7% compared to the figure for the same period of the previous year. Loan growth has been moderate throughout 2019, mainly due to a contraction in the commercial portfolio as well as, to a lesser extent, in the retail portfolio.
- The **commercial portfolio** showed a negative evolution in the semester (down 1.8%) but increased year-on-year (up 3.7%). The high level of interest rates continued to negatively affect the mortgages portfolios (down 0.4% year-to-date and up 0.9% year-on-year). Regarding the rest of **retail** portfolios, credit cards and consumer loan portfolios, which are increasingly being granted through digital channels and have higher margins, decreased slightly by 1.6% year-to-date but increased by 11.2% year-on-year.
- Regarding the **risk indicators**, the NPL ratio remained stable throughout the semester at 1.3%.The NPL coverage ratio improved to 91% as of June 30, 2019.
- As the competition for deposits remains intense, customer **deposits** under management decreased slightly by 1.8% year-to-date but increased 1.3% year-on-year, mainly due to the increase in time deposits (up 4.0% year-on-year, down 5.9% in the semester) and, to a lesser extent, in demand deposits (up 0.4% year-on-year, down 0.4% year-to-date).

Results

The United States generated a cumulative net attributable **profit** of €297m in the first half of 2019, down 27.8% year-on-year, as a result of higher levels of impairments on financial assets registered in the first six months of 2019. The most relevant aspects of the evolution of the results are summarized below:

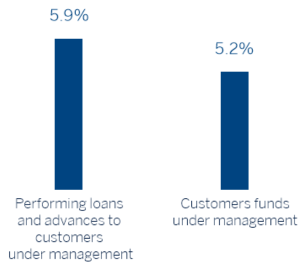
- **Net interest income** continued to perform positively, with an increase of 5.2% year-on-year, despite the current market situation in the United States, which is affected by the uncertainties about the monetary policy decisions that the FED will take.
- **Net fees and commissions** decreased by 1.0% year-on-year, mainly due to those related to deposits and investment banking and a lower contribution from markets.
- Higher contribution from **NTI** due to the good performance during the first half of 2019 associated with higher ALCO portfolio sales in the first quarter of 2019.
- **Operating expenses** grew slightly by 0.4% year-on-year but this increase is lower than the growth in gross income (up 5.1%), as a result, the efficiency ratio improved.
- **Impairment on financial assets** increased during the first half of 2019, due to provisions for some specific commercial customers, a higher level of write-offs in the consumer portfolio and, to a lesser extent, to the macro scenario adjustment. In addition, 2018 was positively impacted by the release of provisions related to the hurricanes the previous year. As a result, the cumulative cost of risk on June 30, 2019 increased to 0.94% compared to 0.39% on December 31, 2018.

Mexico

Highlights

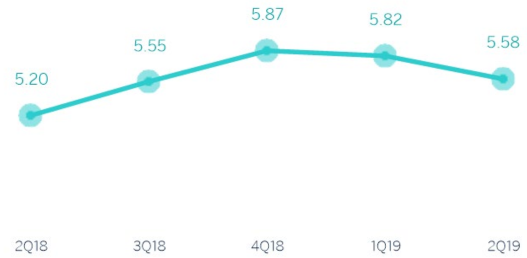
- **Lending growth boosted by the retail portfolio.**
- **Favourable performance of customer funds especially in time deposits and off-balance sheet funds.**
- **Positive performance of net interest income growing above activity.**
- **Good asset quality indicators.**

BUSINESS ACTIVITY (1)
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATE. DATA AS OF 30-06-19)

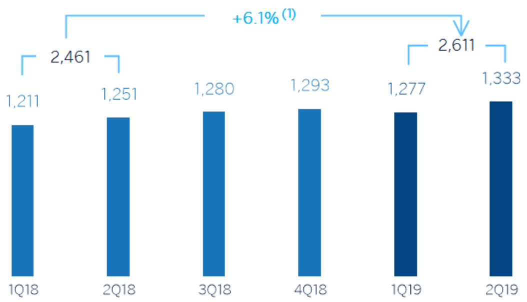


(3) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

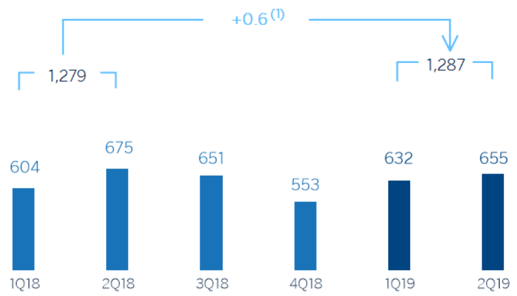


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: +13.1%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: +7.2%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H19	Δ %	Δ % (1)	1H18
Net interest income	**3,042**	**14.9**	**7.8**	**2,648**
Net fees and commissions	621	5.5	(1.0)	589
Net trading income	135	(6.0)	(11.8)	144
Other operating income and expenses	102	21.6	14.0	84
Gross income	**3,901**	**12.6**	**5.6**	**3,465**
Operating expenses	(1,290)	11.6	4.7	(1,156)
Personnel expenses	(548)	9.9	3.1	(498)
Other administrative expenses	(570)	6.4	(0.2)	(536)
Depreciation	(172)	41.3	32.5	(122)
Operating income	**2,611**	**13.1**	**6.1**	**2,309**
Impairment on financial assets not measured at fair value through profit or loss	(818)	15.5	8.4	(708)
Provisions or reversal of provisions and other results	(10)	n.s.	n.s.	54
Profit/(loss) before tax	**1,783**	**7.8**	**1.1**	**1,654**
Income tax	(496)	9.2	2.5	(454)
Profit/(loss) for the year	**1,287**	**7.2**	**0.6**	**1,200**
Non-controlling interests	(0)	12.1	5.1	(0)
Net attributable profit	**1,287**	**7.2**	**0.6**	**1,200**

Balance sheets	30-06-19	Δ %	Δ %(1)	31-12-18
Cash, cash balances at central banks and other demand deposits	10,051	21.5	17.9	8,274
Financial assets designated at fair value	28,405	9.2	5.9	26,022
Of which: Loans and advances	1,276	n.s.	n.s.	72
Financial assets at amortized cost	61,510	6.6	3.4	57,709
Of which: Loans and advances to customers	54,432	6.5	3.3	51,101
Tangible assets	2,020	13.0	9.6	1,788
Other assets	3,379	(7.1)	(9.9)	3,639
Total assets/liabilities and equity	**105,366**	**8.1**	**4.9**	**97,432**
Financial liabilities held for trading and designated at fair value through profit or loss	20,682	14.7	11.3	18,028
Deposits from central banks and credit institutions	1,868	173.4	165.2	683
Deposits from customers	52,960	4.8	1.7	50,530
Debt certificates	9,512	11.0	7.7	8,566
Other liabilities	16,287	5.2	2.0	15,485
Economic capital allocated	4,058	(2.0)	(4.9)	4,140

Relevant business indicators	30-06-19	Δ %	Δ % (1)	31-12-18
Performing loans and advances to customers under management (2)	55,046	7.1	3.9	51,387
Non-performing loans	1,289	13.3	9.9	1,138
Customer deposits under management (2)	52,679	5.9	2.7	49,740
Off-balance sheet funds (3)	23,419	13.4	10.0	20,647
Risk-weighted assets	55,919	5.2	2.0	53,177
Efficiency ratio (%)	33.1			33.3
NPL ratio (%)	2.2			2.1
NPL coverage ratio (%)	148			154
Cost of risk (%)	2.98			3.07

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

Activity

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators. In addition, the quarterly variations are from the quarter ending with respect to the previous quarter.

The most relevant aspects related to the area's activity during the first half of 2019 were:

- **Lending activity** (performing loans under management) increased by 3.9% during the first half of the year (5.9% year-on-year). That allows BBVA to maintain its leading position in Mexico, with a market share of 22.2% in performing loans, according to local figures as of the end of May 2019 released by the National Banking and Securities Commission (CNBV).
- The **wholesale** portfolio, which represents 50% of total lending, grew by 0.5% in the first six months of the year, supported by 4.3% growth in corporate loans. Year-on-year growth was 1.9%, due to the strong lending activity to corporates and the public sector. Meanwhile, the **retail portfolio** (including SMEs) continues to perform strongly over the first six months of 2019 (up 4.8%), driven by consumer lending (payroll and personal loans) and mortgages. Noteworthy is the 8.3% growth in consumer loans resulting from the Bank's strategy to increase penetration among its customer base.
- **Asset quality** indicators as of June 30, 2019 remained similar to levels seen at the end of 2018: the NPL ratio closed at 2.2%, and coverage ratio stood at 148%.
- Total customer **funds** (customer deposits under management, mutual funds and other off-balance sheet funds) showed an increase of 4.9% in the first six months of the year, despite the highly competitive market. This is mainly explained by an increase of 5.8% in time deposits and 11.0% in mutual funds over the period. The year-on-year growth of total customer funds was 5.2%, driven by growth in both demand and time deposits. The funding mix remains unchanged from the end of December 2018, with demand deposits which represents 76% of total customer deposits under management, despite the transfer of demand deposits to time deposits and mutual funds. There was also a strong performance from off-balance sheet funds (up 10.0% compared to December 2018) and, in particular, mutual funds (up 11.0%).

Results

BBVA in Mexico showed a net attributable **profit** of €1,287m in the first six months of 2019, up 0.6% year-on-year. Net attributable profit was higher in the second quarter of the year (up 3.7% compared to the previous quarter). The most relevant aspects of the income statement evolution for the first half of 2019 are summarized below:

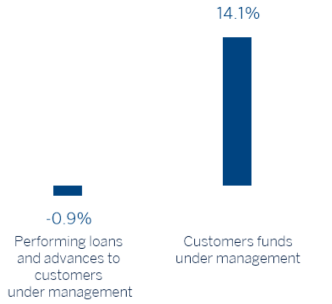
- Positive performance of **net interest income**, which showed a year-on-year growth of 7.8%, driven by higher income from the retail portfolio and low financing costs.
- **Net fees and commissions** registered a slight decrease of 1.0% year-on-year, with the comparison being affected by lower activity levels in corporate segments versus those registered in the same period of the previous year.
- **NTI** fell by 11.8%, mainly due to lower income from Global Markets and exchange rate transactions, which decreased compared to the previous year.
- The heading **other operating income and expenses** registered a year-on-year increase of 14.0%, resulting from higher earnings in the insurance business.
- **Gross income** grew by 5.6% year-on-year. This growth is higher than the increase in **operating expenses** (up 4.7%) which, despite being strongly influenced by the effect of doubling the contribution to the Foundation, remain subject to a strict cost control policy. As a result, the efficiency ratio improved in the first half of 2019, standing at 33.1%.
- **Impairment on financial assets** grew by 8.4%, primarily due to one-off customers in the corporate portfolio and the impact due to the macroeconomic scenario adjustments. The cost of risk stood at 2.98%, improving slightly from the cumulative cost of risk of 3.07% in 2018.
- In the heading **provisions (net) and other gains (losses)**, the comparison was negative due to extraordinary income in the first half of 2018 from the sale of holdings in real estate developments by BBVA in Mexico.

Turkey

Highlights

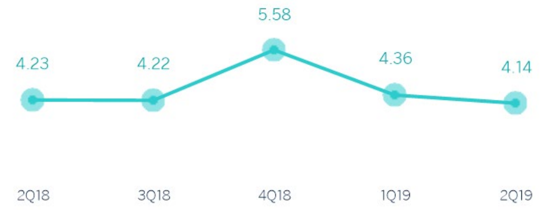
- **Positive trend in activity.**
- **Good performance of net interest income, favored by the income from inflation-linked bonds.**
- **Operating expenses growth below the inflation rate.**
- **Positive evolution of the recurring revenue items offset by higher loan-loss provisions on financial assets.**

BUSINESS ACTIVITY (1)
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATE. DATA AS OF 30-06-19)

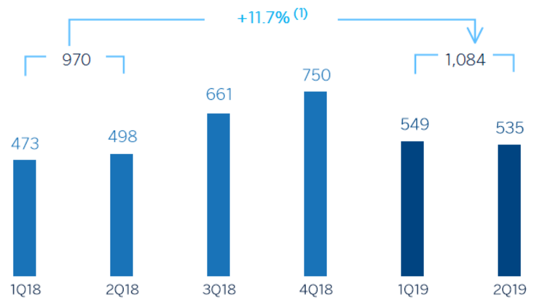


(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

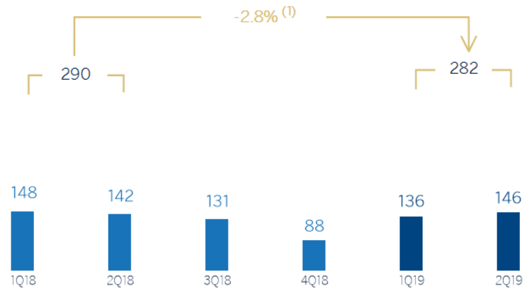


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -13.0%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -24.2%

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H19	Δ %	Δ %(1)	1H18
Net interest income	**1,353**	**(10.4)**	**15.0**	**1,510**
Net fees and commissions	360	(2.9)	24.5	371
Net trading income	(65)	n.s.	n.s.	4
Other operating income and expenses	30	(24.1)	(2.6)	39
Gross income	**1,677**	**(12.8)**	**11.9**	**1,924**
Operating expenses	(594)	(12.5)	12.2	(679)
Personnel expenses	(335)	(5.9)	20.7	(356)
Other administrative expenses	(173)	(29.4)	(9.4)	(244)
Depreciation	(86)	9.8	40.9	(78)
Operating income	**1,084**	**(13.0)**	**11.7**	**1,245**
Impairment on financial assets not measured at fair value through profit or loss	(337)	6.8	37.1	(315)
Provisions or reversal of provisions and other results	(21)	n.s.	n.s.	34
Profit/(loss) before tax	**726**	**(24.7)**	**(3.5)**	**964**
Income tax	(153)	(27.2)	(6.6)	(210)
Profit/(loss) for the year	**573**	**(24.1)**	**(2.6)**	**754**
Non-controlling interests	(291)	(23.9)	(2.4)	(383)
Net attributable profit	**282**	**(24.2)**	**(2.8)**	**372**

Balance sheets	30-06-19	Δ %	Δ %(1)	31-12-18
Cash, cash balances at central banks and other demand deposits	7,687	(2.1)	6.1	7,853
Financial assets designated at fair value	5,257	(4.5)	3.5	5,506
Of which: Loans and advances	414	1.0	9.4	410
Financial assets at amortized cost	49,119	(2.4)	5.8	50,315
Of which: Loans and advances to customers	39,286	(5.3)	2.6	41,478
Tangible assets	1,129	6.5	15.4	1,059
Other assets	1,449	(4.4)	3.6	1,517
Total assets/liabilities and equity	**64,641**	**(2.4)**	**5.7**	**66,250**
Financial liabilities held for trading and designated at fair value through profit or loss	2,275	22.9	33.2	1,852
Deposits from central banks and credit institutions	5,459	(18.9)	(12.2)	6,734
Deposits from customers	39,456	(1.1)	7.1	39,905
Debt certificates	5,799	(2.8)	5.4	5,964
Other liabilities	9,051	(2.3)	5.8	9,267
Economic capital allocated	2,601	2.8	11.4	2,529

Relevant business indicators	30-06-19	Δ %	Δ %(1)	31-12-18
Performing loans and advances to customers under management (2)	38,542	(6.0)	1.9	40,996
Non-performing loans	3,254	13.1	22.6	2,876
Customer deposits under management (2)	39,452	(1.1)	7.2	39,897
Off-balance sheet funds (3)	2,983	3.1	11.7	2,894
Risk-weighted assets	57,551	1.9	10.4	56,486
Efficiency ratio (%)	35.4			32.0
NPL ratio (%)	6.3			5.3
NPL coverage ratio (%)	75			81
Cost of risk (%)	1.57			2.44

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

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. In addition, the quarterly variations are from the quarter ending with respect to the previous quarter.

The most relevant aspects related to the area's activity year-to-date as of June 30, 2019 were:

- **Lending** activity (performing loans under management) increased slightly by 1.9% year-to-date (down 0.9% year-on-year) mainly driven by currency depreciation impact and continued contraction of foreign-currency loans (in U.S. dollar terms). Turkish Lira loans reduced in the second quarter by -4.8%, after experiencing a notable growth in the first quarter.
- Despite contracting in the second quarter, Turkish Lira **commercial loans** grew year to date thanks to a strong performance in the first quarter supported by the Credit Guarantee Fund (CGF) utilization and short term corporate loans. Additionally, a downward trend in the consumer loans continued mainly driven by mortgage and auto loans. On the other hand, credit cards showed a solid performance during the quarter.
- In terms of **asset quality**, the NPL ratio increased to 6.3% mainly due to some specific customers in the wholesale portfolio. The NPL coverage ratio stood at 75%.
- Customer **deposits** (61% of total liabilities in the area as of June 30, 2019) remained the main source of funding for the balance sheet and increased by 7.2% on a year to date basis, yet it remained stable during the quarter. It is worth mentioning the good performance of demand deposits, which increased by 21.5% year to date and 5.6% in the quarter.

Results

Turkey generated a net attributable **profit** of €282m in the first half of 2019, representing a 2.8% decrease in year-on-year terms (up 6.9% in the second quarter of 2019). The most significant aspects of the year-on-year evolution in the income statement are the following:

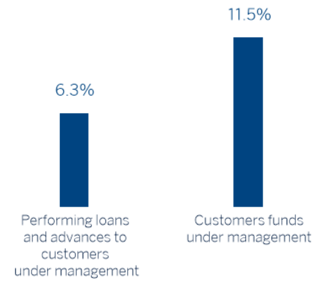
- Positive performance of **net interest income** (up 15.0%) mainly thanks to the significant income from inflation-linked bonds and, to a lesser extent good ALM portfolio management despite the increase in cost of funding.
- Income from **net fees and commissions** grew by 24.5%. This significant increase was mainly driven by the positive performance in payment systems and backed by money transfers and non-cash loans.
- Decrease in **NTI** due to the unfavorable market conditions which was not offset by the strong performance of the asset and liabilities management and derivative gains.
- **Gross income** grew 11.9% in the first half of 2019 compared to the same period of 2018, thanks to increased core banking revenues and the aforementioned high contribution from inflation-linked bonds.
- **Operating expenses** increased by 12.2%, significantly below the average inflation rate during the last 12 months (19.9%). As a result of strict cost-control discipline, the efficiency ratio remained at low levels (35.4%).
- **Impairment losses on financial assets** rose by 37.1% on a year on year basis due to some negative impacts from wholesale portfolio and higher macro scenario adjustments. As a result, the cumulative cost of risk of the area stood at 1.57%.

South America

Highlights

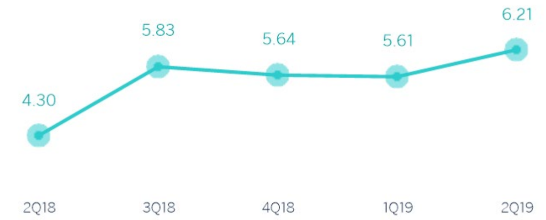
- **Positive trend of lending in the main countries.**
- **Good performance of net interest income is maintained.**
- **Net Attributable profit impacted by Argentina's hyperinflation adjustment.**
- **Positive contribution of the main countries: Argentina, Colombia and Peru to the Group's attributable profit.**

BUSINESS ACTIVITY [1]
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATES [2]. DATA AS OF 30-06-19)

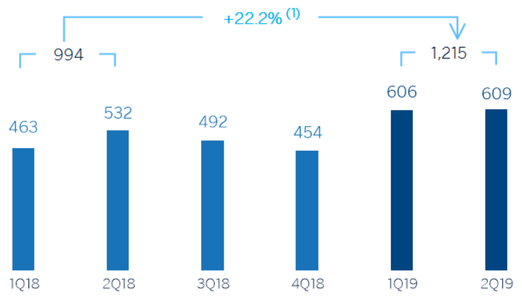


(1) Excluding repos.
(2) Excluding BBVA Chile as of June 30, 2018.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

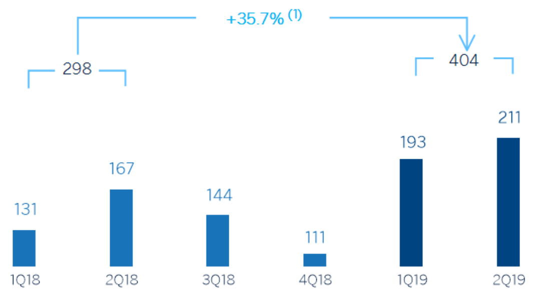


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate: +12.7%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate: +21.9%

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H19	Δ %	Δ % (1)	1H18
Net interest income	**1,613**	**3.9**	**12.1**	**1,553**
Net fees and commissions	298	(6.9)	0.0	321
Net trading income	314	43.7	59.3	219
Other operating income and expenses	(231)	118.9	100.2	(106)
Gross income	**1,994**	**0.4**	**9.7**	**1,987**
Operating expenses	(779)	(14.3)	(5.5)	(909)
Personnel expenses	(402)	(13.7)	(4.5)	(465)
Other administrative expenses	(293)	(25.0)	(17.5)	(391)
Depreciation	(84)	60.8	73.4	(52)
Operating income	**1,215**	**12.7**	**22.2**	**1,078**
Impairment on financial assets not measured at fair value through profit or loss	(349)	9.0	13.8	(321)
Provisions or reversal of provisions and other results	(19)	(43.6)	(33.9)	(34)
Profit/(loss) before tax	**847**	**17.0**	**28.6**	**724**
Income tax	(271)	4.8	14.4	(259)
Profit/(loss) for the year	**576**	**23.8**	**36.6**	**465**
Non-controlling interests	(171)	28.8	38.7	(133)
Net attributable profit	**404**	**21.9**	**35.7**	**332**

Balance sheets	30-06-19	Δ %	Δ %(1)	31-12-18
Cash, cash balances at central banks and other demand deposits	7,662	(14.7)	(12.8)	8,987
Financial assets designated at fair value	7,378	31.0	30.7	5,634
Of which: Loans and advances	70	(45.8)	(47.3)	129
Financial assets at amortized cost	37,996	3.7	3.4	36,649
Of which: Loans and advances to customers	35,712	3.6	3.3	34,469
Tangible assets	1,001	23.1	24.1	813
Other assets	2,397	4.7	3.6	2,290
Total assets/liabilities and equity	**56,433**	**3.8**	**3.9**	**54,373**
Financial liabilities held for trading and designated at fair value through profit or loss	1,931	42.3	38.9	1,357
Deposits from central banks and credit institutions	3,231	5.0	3.0	3,076
Deposits from customers	36,896	2.9	3.6	35,842
Debt certificates	3,202	(0.1)	(2.7)	3,206
Other liabilities	8,722	2.1	2.3	8,539
Economic capital allocated	2,452	4.2	4.7	2,355

Relevant business indicators	30-06-19	Δ %	Δ % (1)	31-12-18
Performing loans and advances to customers under management (2)	35,429	2.6	2.3	34,518
Non-performing loans	1,853	6.1	4.4	1,747
Customer deposits under management (3)	36,909	2.6	3.2	35,984
Off-balance sheet funds (4)	12,577	7.8	7.4	11,662
Risk-weighted assets	43,995	3.0	3.5	42,724
Efficiency ratio (%)	39.1			46.2
NPL ratio (%)	4.4			4.3
NPL coverage ratio (%)	95			97
Cost of risk (%)	1.89			1.44

(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)

	Operating income				Net attributable profit			
Country	1H19	Δ %	Δ % (1)	1H18	1H19	Δ %	Δ % (1)	1H18
Argentina	335	174.3	n.s.	122	110	n.s.	n.s.	(2)
Chile	70	(68.4)	(67.4)	221	33	(66.9)	(65.9)	101
Colombia	331	3.3	7.9	320	130	8.2	13.1	120
Peru	409	19.0	13.6	344	98	17.9	12.6	83
Other countries (2)	70	(0.7)	3.4	71	33	10.2	16.7	30
Total	**1,215**	**12.7**	**22.2**	**1,078**	**404**	**21.9**	**35.7**	**332**

(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	
	30-06-19	31-12-18	30-06-19	31-12-18	30-06-19	31-12-18	30-06-19	31-12-18
Performing loans and advances to customers under management (1)(2)	3,891	3,748	2,067	2,103	12,252	12,183	14,332	13,786
Non-performing loans and guarantees given (1)	114	77	64	60	753	791	781	732
Customer deposits under management (1)(3)	5,840	5,315	7	10	12,726	12,912	13,808	13,261
Off-balance sheet funds (1)(4)	1,043	695	-	-	1,431	1,325	1,686	1,720
Risk-weighted assets	6,435	8,036	2,268	2,243	13,778	12,680	17,715	15,739
Efficiency ratio (%)	41.8	73.7	32.5	42.1	35.3	37.1	35.4	36.0
NPL ratio (%)	2.8	2.0	3.0	2.8	5.6	6.0	4.1	4.0
NPL coverage ratio (%)	104	111	93	93	97	100	95	93
Cost of risk (%)	3.00	1.60	2.25	0.81	1.87	2.16	1.64	0.98

(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.

Activity and results

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators. In addition, the quarterly variations are from the quarter ending with respect to the previous quarter.

The most relevant aspects related to the area's activity in the first half of 2019 were:

- **Lending activity** (performing loans under management), increased by 2.3% compared to the end of 2018. Credit cards and corporate lending performed particularly well.
- In **asset quality**, the NPL ratio stood at 4.4% as of June 30, 2019, slightly higher that at December 31, 2018; the coverage ratio stood at 95%, marginally lower than at the end of the previous year.
- In terms of customer **funds**, deposits increased by 3.2% in the first half of the year, driven mainly by time deposits, off-balance sheet funds grew by 7.4% in the same period.

With respect to results, South America generated a cumulative net attributable **profit** of €404m in the first half of 2019, representing a year-on-year increase of 35.7% (21.9% at current exchange rates). As in the previous quarter, this performance was affected by the negative impact of inflation in Argentina on the area's net attributable profit (-€94m). The most relevant aspects of the income statement in the first half of the year were:

- Continued growth of recurring income (10.0%, 2.0% at current exchange rates), especially due to the contribution of **net interest income** (12.1%, 3.9% at current exchange rates).
- **Net fees and commissions** remained stable (-6.9% at current exchange rates) compared to the same period last year.
- Increased requirements due to the **impairment** on financial assets (up 13.8%, up 9.0% at current exchange rates), bringing the cumulative cost of risk to 1.89% at the end of June 2019.
- Lower **provisions (net) and other gains (losses)** than in the same period of the previous year (down 33.9%, down 43.6% at current exchange rates).

On n homogeneous comparison, i.e. excluding BBVA Chile due to the sale completed in July 2018, net attributable profit grew by 51.8% year-on-year in the first half of 2019 at current exchange rates (up 72.4% at constant exchange rates).

The most significant countries in the business area, **Argentina**, **Colombia** and **Peru**, performed as follows in the first half of 2019 in terms of activity and results:

Argentina

- **Lending activity** grew by 3.8% in the first half of 2019, driven by retail consumer portfolios, mortgages and credit cards. Regarding asset quality, there was an increase in the NPL ratio, which stood at 2.8% as of June 30, 2019, although it continued to compare favorably with the system.
- Customer **deposits** increased by 9.9%, while off-balance sheet funds increased by 50.0%, both with respect to December 2018 figures.
- **Net attributable profit** stood at €110m, supported by the strong performance of recurring revenue items (driven by an increased contribution from securities portfolios and a better customer spread) as well as an increase in NTI, positively impacted by the sale of the holding in Prisma Medios de Pago S.A. in the first quarter of 2019. This strong performance was partially offset by increased operating expenses, significantly influenced by high levels of inflation and greater requirements due to impairment on financial assets as a result of the country's macroeconomic situation.

Colombia

- **Lending activity** grew by 0.6% in the first six months of the year, driven by the performance of retail portfolios (mainly mortgages and credit cards). In terms of asset quality, the NPL ratio decreased in the first half of the year, reaching 5.6%.
- **Deposits from customers** declined by 1.4% compared to the end of 2018, although they increased 1.3% year-on-year.
- **Net attributable profit** stood at €130m, increasing by 13.1% year-on-year, driven by the strong performance of net interest income (3.8%), due to higher business volumes, solid management of customer spreads, and a stable level of impairments on financial asset (0.3%).

Peru

- **Lending activity** grew by 4.0% compared to the end of 2018, explained by the positive performance of both, the retail o (consumer loans, credit cards and mortgages) and the wholesale portfolios; on a year-on-year basis, the lending activity increased by 6.3%. Regarding asset quality, there was a slight increase in the NPL ratio to 4.1% and in the coverage ratio to 95%.
- Customers **deposits** increased by 4.1% in the first half of 2019 (up 12.2% year-on-year), supported by time deposits (up 20.9% in the first half of the year).
- Strong performance of net interest income, which grew by 13.7% year-on-year due to higher business volumes. NTI also grew by 11.4% year-on-year, influenced by positive performance in foreign exchange transactions. As a result, net attributable **profit** stood at €98 million, an increase of 12.6% year-on-year.

Rest of Eurasia

Highlights

- Good performance in lending.
- Positive trend of net interest income, in an environment of negative interest rates.
- Moderated growth of the operating expenses.
- Improvement of asset quality indicators.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H19	Δ %	1H18
Net interest income	**84**	**2.2**	**83**
Net fees and commissions	69	(12.7)	79
Net trading income	60	10.2	55
Other operating income and expenses	6	n.s.	(0)
Gross income	**220**	**1.4**	**217**
Operating expenses	(142)	1.3	(140)
Personnel expenses	(69)	3.3	(67)
Other administrative expenses	(64)	(8.4)	(70)
Depreciation	(9)	183.9	(3)
Operating income	**78**	**1.5**	**77**
Impairment on financial assets not measured at fair value through profit or loss	(11)	n.s.	14
Provisions or reversal of provisions and other results	1	(41.4)	2
Profit/(loss) before tax	**69**	**(26.1)**	**93**
Income tax	(13)	(59.3)	(33)
Profit/(loss) for the year	**55**	**(8.0)**	**60**
Non-controlling interests	-	-	-
Net attributable profit	**55**	**(8.0)**	**60**

Balance sheets	30-06-19	Δ %	31-12-18
Cash, cash balances at central banks and other demand deposits	217	(9.0)	238
Financial assets designated at fair value	511	1.3	504
Of which: Loans and advances	-	-	-
Financial assets at amortized cost	19,144	7.6	17,799
Of which: Loans and advances to customers	17,552	5.7	16,598
Inter-area positions	-	-	-
Tangible assets	94	137.8	39
Other assets	244	(4.2)	254
Total assets/liabilities and equity	**20,209**	**7.3**	**18,834**
Financial liabilities held for trading and designated at fair value through profit or loss	43	2.9	42
Deposits from central banks and credit institutions	879	(30.9)	1,271
Deposits from customers	4,294	(11.9)	4,876
Debt certificates	985	n.s.	213
Inter-area positions	12,660	11.0	11,406
Other liabilities	532	97.2	270
Economic capital allocated	817	7.9	757

Relevant business indicators	30-06-19	Δ %	31-12-18
Performing loans and advances to customers under management (1)	17,542	6.0	16,553
Non-performing loans	365	(15.1)	430
Customer deposits under management (1)	4,294	(11.9)	4,876
Off-balance sheet funds (2)	454	17.2	388
Risk-weighted assets	16,405	6.0	15,476
Efficiency ratio (%)	64.5		69.3
NPL ratio (%)	1.4		1.7
NPL coverage ratio (%)	98		83
Cost of risk (%)	0.12		(0.11)

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

Activity and results

The most relevant aspects of the activity and results in the area during the first half of 2019 were:

- Lending **activity** (performing loans under management) recorded an increase of 6.0% in the first half of 2019 (up 5.5% year-on-year), thanks, above all, to the good performance in Asia.
- **Credit risk** indicators improved in the first six months of the year: the NPL ratio closed at 1.4% and the NPL coverage ratio at 98% (1.7% and 83%, respectively at the end of December 2018).
- Customer **deposits** under management fell by 9.9% in the first half of 2019, affected by the negative interest rate environment in Europe.
- Regarding **results, net interest income** (up 2.2% year-on-year) and NTI (up 10.2% year-on-year) performed strongly, thanks to the contribution of commercial activity in the Global Markets unit, partially offset by a reduction in **net fees and commissions**. **Operating expenses** showed a moderate growth due to the continuous management of discretionary spending. The **impairment on financial assets** line showed an increase compared to the first six months of the previous year. The comparison is affected by the release of provisions in the first half of 2018, due to lower loan-loss provision requirements in Europe. As a result, the area's cumulative **net attributable profit** for the first half of 2019 was €55m (down 8.0% year-on-year).

Corporate Center

FINANCIAL STATEMENTS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H19	Δ %	1H18
Net interest income	**(132)**	**(4.1)**	**(137)**
Net fees and commissions	(44)	36.6	(32)
Net trading income	(74)	27.8	(58)
Other operating income and expenses	13	(65.7)	39
Gross income	**(236)**	**25.4**	**(188)**
Operating expenses	(482)	11.3	(433)
Personnel expenses	(280)	10.4	(254)
Other administrative expenses	(111)	50.2	(74)
Depreciation	(91)	(13.6)	(105)
Operating income	**(718)**	**15.6**	**(621)**
Impairment on financial assets not measured at fair value through profit or loss	-	-	-
Provisions or reversal of provisions and other results	(44)	(43.3)	(77)
Profit/(loss) before tax	**(762)**	**9.1**	**(698)**
Income tax	156	3.9	150
Profit/(loss) after tax from ongoing operations	**(606)**	**10.6**	**(548)**
Results from corporate operations	-	-	-
Profit/(loss) for the year	**(606)**	**10.6**	**(548)**
Non-controlling interests	(10)	2.4	(10)
Net attributable profit	**(616)**	**10.4**	**(558)**
Net attributable profit excluding results from corporate operations	**(616)**	**10.4**	**(558)**

Balance sheets	30-06-19	Δ %	31-12-18
Cash, cash balances at central banks and other demand deposits	933	27.4	732
Financial assets designated at fair value	2,615	(4.5)	2,738
Of which: Loans and advances	-	-	-
Financial assets at amortized cost	2,034	(23.7)	2,665
Of which: Loans and advances to customers	349	(64.8)	990
Inter-area positions	(18,794)	34.0	(14,026)
Tangible assets	2,232	41.9	1,573
Other assets	21,546	(4.7)	22,598
Total assets/liabilities and equity	**10,567**	**(35.1)**	**16,281**
Financial liabilities held for trading and designated at fair value through profit or loss	16	(60.3)	39
Deposits from central banks and credit institutions	874	19.2	733
Deposits from customers	302	n.s.	36
Debt certificates	6,945	(15.4)	8,212
Inter-area positions	(28,822)	26.4	(22,808)
Other liabilities	197	(90.0)	1,975
Economic capital allocated	(22,442)	2.8	(21,833)
Shareholders' funds	53,496	7.1	49,927

The Corporate Center registered a net attributable **loss** of €616m in the first half of 2019, compared to the loss of €558m in the same period of 2018 (up 10.4%). The most relevant results in the first half of the year were:

- Negative contribution from **NTI**, mainly due to the solid performance of the Mexican peso, since this line includes results related to exchange rate hedges of the year's results and those from operations with industrial and financial holdings
- **Other income/expenses** mainly includes the dividends of Telefónica, S.A. and the earnings of the companies accounted for the equity method, including certain investments in companies in the real estate sector.
- Operating expenses include those expenses for central functions that are of corporate nature; the year- on- year increase is related to data and cybersecurity costs.
- **Provisions (net) and other gains (losses)** decreased 43.3% year-on-year, and includes various expenses such as the Group's pension contributions and restructuring costs, etc.

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

			30-06-19	31-12-18	30-06-18
Numerator (million euros)	+	Shareholders' funds	55,774	54,326	52,490
	+	Dividend-option adjustment	-	-	-
	+	Accumulated other comprehensive income	(6,923)	(7,215)	(6,612)
Denominator (million euros)	+	Number of shares outstanding	6,668	6,668	6,668
	+	Dividend-option	-	-	-
	-	Treasury shares	16	47	31
=		**Book value per share (euros / share)**	**7.34**	**7.12**	**6.91**

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

			30-06-19	31-12-18	30-06-18
Numerator (million euros)	+	Shareholders' funds	55,774	54,326	52,490
	+	Dividend-option adjustment	-	-	-
	+	Accumulated other comprehensive income	(6,923)	(7,215)	(6,612)
	-	Intangible assets	8,262	8,314	8,377
Denominator (million euros)	+	Number of shares outstanding	6,668	6,668	6,668
	+	Dividend-option	-	-	-
	-	Treasury shares	16	47	31
=		**Tangible book value per share (euros / share)**	**6.1**	**5.86**	**5.65**

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

		30-06-19	31-12-18	30-06-18
Numerator (euros)	∑ Dividends	0.26	0.25	0.24
Denominator (euros)	Closing price	4.92	4.64	6.07
=	**Dividend yield**	**5.3%**	**5.4%**	**4.0%**

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 "Risk management" section 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.

Non-Performing Loans (NPLs) ratio

		30-06-19	31-12-18	30-06-18
Numerator (million euros)	NPLs	16,706	17,087	19,654
Denominator (million euros)	Credit Risk	434,955	433,799	451,587
=	**Non-Performing Loans (NPLs) ratio**	**3.8%**	**3.9%**	**4.4%**

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 "Risk management" section 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

		30-06-19	31-12-18	30-06-18
Numerator (million euros)	Provisions	12,468	12,493	13,954
Denominator (million euros)	NPLs	16,706	17,087	19,654
=	**NPL coverage ratio**	**75%**	**73%**	**71%**

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

		30-06-19	31-12-18	30-06-18
Numerator (million euros)	Annualized loan-loss provisions	3,558	3,964	3,257
Denominator (million euros)	Average loans and advances to customers (gross)	388,949	392,037	398,584
=	**Cost of risk**	**0.91%**	**1.01%**	**0.82%**

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 graphs on "Results" section of this report should be consulted, 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.-Mar.2019	Jan.-Dec.2018	Jan.-Mar.2018
Numerator (million euros)	Operating expenses	(5,874)	(11,702)	(5,896)
Denominator (million euros)	Gross income	11,989	23,747	11,863
=	Efficiency ratio	49.0%	49.3%	49.7%

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.

ROE

			Jan.-Mar.2019	Jan.-Dec.2018	Jan.-Mar.2018
Numerator (million euros)		Annualized net attributable profit	4,924	5,324	5,113
Denominator (million euros)	+	Average shareholder's funds	54,940	52,877	52,066
	+	Average accumulated other comprehensive income	(6,829)	(6,743)	(6,364)
=		ROE	10.2%	11.5%	11.2%

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.

ROTE

			Jan.-Mar.2019	Jan.-Dec.2018	Jan.-Mar.2018
Numerator (million euros)		Annualized net attributable profit	4,924	6,151	5,113
Denominator (million euros)	+	Average shareholder's funds	54,940	52,877	52,066
	+	Average accumulated other comprehensive income	(6,829)	(6,743)	(6,364)
	-	Average intangible assets	8,333	8,296	8,272
=		ROTE	12.4%	14.1%	13.7%

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.-Mar.2019	Jan.-Dec.2018	Jan.-Mar.2018
Numerator (million euros)	Annualized profit for the year	5,881	6,151	6,178
Denominator (million euros)	Average total assets	681,194	678,905	683,675
=	ROA	0.86%	0.91%	0.90%

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.-Mar.2019	Jan.-Dec.2018	Jan.-Mar.2018
Numerator (million euros)	Annualized profit for the year	5,881	6,151	6,178
Denominator (million euros)	Average RWA	356,856	353,199	360,061
=	RORWA	1.65%	1.74%	1.72%

Other customer funds

This includes off-balance sheet funds, these are, mutual funds, pension funds and other off-balance sheet funds.

Explanation of the formula: It is the period-end sum on a given date of the mutual funds, pension funds and other off-balance sheet funds; as displayed in the table on "Balance sheet and business activity" section 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, etc.

Other customer funds

Million euros		30-06-19	31-12-18	30-06-18
+	Mutual funds	65,681	61,393	64,686
+	Pension Funds	34,960	33,807	33,890
+	Other off-balance sheet funds	3,162	2,949	2,922
=	Other customer funds	103,804	98,150	101,498

Main risks and uncertainties

At the date of preparation of this management report, the main risks and uncertainties to which BBVA Group is exposed are described in Note 6.1 “Risk factors” of the Condensed Interim Consolidated Financial Statements corresponding to the first half of the financial year 2019.

Subsequent events

From July 1, 2019, to the date of preparation of these Condensed Interim Consolidated Financial Statements corresponding to the first half of the financial year 2019, no other subsequent events not mentioned above in these consolidated financial statements have taken place that could significantly affect the Group´s earnings or its equity position.