BBVA

“Information of Prudential Relevance”

Basel Accord PILLAR III– March 2017

1. Introduction 3
2. Total elegible capital 4
3. Capital requirements information 6
4. Risk weighted assets variations 9
5. Leverage ratio 10

1. Introduction

The quantitative information presented as of the date of this document corresponds to provisional data, subject to approval of the interim consolidated Financial Statements and the statements sent to the Regulator, as the case may be.

BBVA ended the **first quarter of 2017** with a CET 1 and a total phase-in capital ratio of 11.64% and 15.25%, respectively, well above the minimum levels of regulatory capital and those established in the SREP.

Pursuant to solvency regulation requirements, below is the prudential information as of March 31st, 2017, in accordance with the European Banking Authority's "Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013" published in December 2014, adopted by the Banco de España Executive Commission on February 12th, 2015, which specifies the prudential information to be reported within a year.

In order for all European institutions to implement the Basel revision in such a way as to meet CRR requirements on this matter, on December 14, 2016 the European Banking Authority ("EBA") published its final guidelines on regulatory disclosure ("Guidelines on Revised Pillar 3 Disclosures Requirements", hereinafter "GRPDR"). The implementation date for these guidelines is the close of the financial year 2017. However, it is recommended that global systemically important Banks ("G-SIB") should undertake a partial implementation at the close of the financial year 2016.

Following this recommendation, BBVA Group, committed to transparency, has decided to partially implement the guidelines as of the close of the financial year 2016.

2. Total elegible capital

The table below shows the amount of total eligible capital, net of deductions, for the different items making up the capital base as of March 31, 2017 and December 31, 2016:

TABLE 1. Total elegible capital breakdown

(Millions of euros)

Eligible capital resources	03/31/17	12/31/16
a) Capital and share premium	27,210	27,210
b) Retained earnings	25,741	23,688
c) Other accumulated earnings (and reserves)	(5,231)	(5,760)
d) Minority interests	5,653	6,969
e) Net attrib, profit and interim and final Group dividends	707	2,232
Ordinary Tier 1 Capital before other reglamentary adjustments	**54,080**	**54,339**
f) Additional value adjustments	(249)	(250)
g) Intangible assets	(7,410)	(5,675)
h) Deferred tax assets	(617)	(453)
i) Expected losses in equity	(18)	(16)
j) Profit or losses on liabilities measured at fair value	(134)	(202)
k) Direct and indirect holdings of own instruments	(126)	(181)
l) Securitizations tranches at 1250%	(54)	(62)
m) Temporary CET1 adjustments	(113)	(129)
n) Admisible CET1 deductions	-	-
Total Common Equity Tier 1 regulatory adjustments	**(8,721)**	**(6,969)**
Common Equity Tier 1 (CET1)	**45,359**	**47,370**
o) Equity instruments and share premium classified as liabilities	5,819	5,806
p) Items referred in Article 484 (4) of the CRR	703	691
Additional Tier 1 before reglamentary adjustments	**6,522**	**6,497**
q) Temporary adjustments Tier 1	(1,853)	(3,783)
Total reglamentary adjustments of Additional Tier 1	**(1,853)**	**(3,783)**
Additional Tier 1 (AT1)	**4,669**	**2,713**
Tier 1 (Common Equity Tier 1+Additional Tier 1)	**50,028**	**50,083**
r) Equity instruments and share premium	3,228	1,935
s) Amount of the admissible items, pursuant to Article 484	87	421
t) Admissible shareholders' funds instruments included in consolidated Tier 2 issued by subsidiaries and held by third parties	5,445	5,915
-Of which: instruments issued by subsidiaries subject to ex-subsidiary stage	*343*	*350*
u) Credit risk adjustments	637	538
Tier 2 before reglamentary adjustments	**9,397**	**8,810**
Tier 2 reglamentary adjustments	**-**	**-**
Tier 2	**9,397**	**8,810**
Total Capital (Total capital = Tier 1 + Tier 2)	**59,425**	**58,893**
Total RWA's	**389,624**	**388,951**
CET 1 (phased-in)	11.64%	12.18%
CET 1 (fully-loaded)	11.01%	10.90%
Tier 1 (phased-in)	12.84%	12.88%
Tier 1 (fully-loaded)	12.53%	12.46%
Total Capital (phased-in)	15.25%	15.14%
Total Capital (fully-loaded)	15.01%	14.71%

At the end of March, the CET 1 phase in ratio stood at 11.64%, which represents a reduction of 54 basis points compared to the previous quarter, which is explained by:

- The application of the "phase in" established in the current regulations for 2017 (80%) is the most significant element that explains the variation. Thus, the application of the planned calendar impacts on the greater deductibility of certain elements (mainly intangible), partially compensated by the greater computability in other elements (capital gains available for sale portfolios). This impact implies a reduction of 59 bp at the CET 1 ratio.

- In addition, during the quarter the acquisition of a 9.95% stake in the share capital of Turkiye Garanti Bankasi, A.S. ("Garanti Bank") has been completed with which BBVA's total interest in Garanti Bank now stands at 49.85%. This operation has generated a negative impact of approximately 18 bp.

- These negative effects were partially offset by the recurrent generation of results, the positive impact of market developments and a flat evolution of risk-weighted assets (RWA) in the period including an additional divestment to those included in previous periods on China Citic Bank (CNCB).

The TIER 1 ratio (12.84%) is similar to the previous period due to the reduction of the transitional adjustments that reflect the deductions not included in CET 1 according to the established schedule.

Finally, the TIER 2 rises to 2.41 (2.27% at December 16), supported by the computability (also under Fully Loaded criteria) of four new issues for a nominal amount of 1,338 million euros.

In fully loaded terms, the CET 1 ratio, which is not affected by the negative impact of the transitional adjustments, rises to 11.01%, which represents an increase of 11 bp over the previous quarter.

3. Capital requirements information

The third part of the CRR sets out the capital requirements, in accordance with the Basel III framework, as well as techniques for calculating the different minimum regulatory capital ratios.

Below is the total capital requirement broken down by type of risk as of March 31, 2017 and December 31, 2016. The total amount for credit risk includes the securitization positions (standardized and advanced measurement approaches) and the positions in equity.

TABLE 2. Capital Requirement Breakdown by Risk Type

The table below presents a breakdown of the RWA and the minimum capital requirements by risk type and calculation method.

(Millions of euros)

Exposure categories and risk types	Capital Requirements (*) mar-17	Capital Requirements (*) dic-16	RWA(1) mar-17	RWA(1) dic-16
Credit risk	**18,283**	**18,239**	**228,532**	**227,987**
Central governments or central banks	2,663	2,408	33,293	30,106
Regional governments or local authorities	77	79	957	989
Public sector entities	71	75	886	941
Multilateral Development Banks	3	3	32	33
Institutions	519	510	6,492	6,370
Corporates	7,785	8,301	97,311	103,761
Retail	3,344	3,266	41,799	40,821
Secured by mortgages on immovable property	1,750	1,702	21,870	21,276
Exposures in default	463	465	5,785	5,807
Items associated with particularly high risk	320	175	3,999	2,193
Covered bonds	-	-	-	-
Short-term claims on institutions and corporate	5	7	57	87
Collective investments undertakings (CIU)	5	11	62	140
Other exposures	1,279	1,237	15,989	15,463
Securitized positions	**87**	**92**	**1,089**	**1,144**
Securitized positions	87	92	1,089	1,144
TOTAL CREDIT RISK BY THE STANDARDIZED APPROACH	**18,370**	**18,330**	**229,621**	**229,131**
Credit risk	**7,176**	**7,179**	**89,699**	**89,741**
Central governments or central banks	48	38	604	480
Institutions	454	479	5,675	5,990
Corporates	4,914	4,894	61,419	61,180
Of which: SME	899	965	11,233	12,061
Of which: Specialised lending	798	777	9,974	9,710
Of which: Other	3,217	3,153	40,212	39,409
Retail	1,760	1,767	22,001	22,091
Of which: Secured by real estate collateral, SME	0	0	0	0
Of which: Secured by real estate collateral, non-SME	795	855	9,940	10,690
Of which: Qualifying revolving retail	633	590	7,907	7,376
Of which: Other retail assets, SME	124	120	1,545	1,503
Of which: Other retail assets, non- SME	209	202	2,609	2,523
Equity	**1,321**	**1,331**	**16,510**	**16,639**
By method:				
Of which: Simple Method	861	863	10,756	10,782
Of which: PD/LGD Method	400	392	4,997	4,896
Of which: Internal Models	61	77	756	961
By nature:				
Of which: Exchange-traded equity instruments	459	528	5,739	6,598
Of which: Non-trading equity instruments in sufficiently diversified portfolios	862	803	10,771	10,042
Securitized positions	**26**	**27**	**326**	**332**
Securitized positions	26	27	326	332
TOTAL CREDIT RISK BY THE ADVANCED MEASUREMENT APPROACH	**8,523**	**8,537**	**106,535**	**106,713**
TOTAL CCP DEFAULT GUARANTEE FUND CONTRIBUTION	**5**	**7**	**67**	**93**
TOTAL CREDIT RISK	**26,898**	**26,875**	**336,223**	**335,937**
Standardized:	247	246	3,083	3,071
Of which: Price Risk from fixed-income positions	214	211	2,678	2,638
Of which: Price risk for securitizations	1	1	17	17
Of which: Correlation price risk	5	5	66	63
Of which: Price Risk from equity portfolios	16	19	203	234
Of which: Commodities risk	9	9	118	118
Advanced: Market Risk	712	741	8,898	9,258
TOTAL TRADING-BOOK ACTIVITY RISK	**958**	**986**	**11,980**	**12,329**
EXCHANGE RATE RISK (STANDARDIZED APPROACH)	**391**	**323**	**4,884**	**4,041**
RISK DUE TO CVA ADJUSTMENT	**175**	**186**	**2,184**	**2,321**
OPERATIONAL RISK	**2,748**	**2,746**	**34,353**	**34,323**
CAPITAL REQUIREMENTS	**31,170**	**31,116**	**389,624**	**388,951**

(1) Corresponding temporary Risk Weighted Assets (phased-in)

(*) Calculated as 8% RWAs

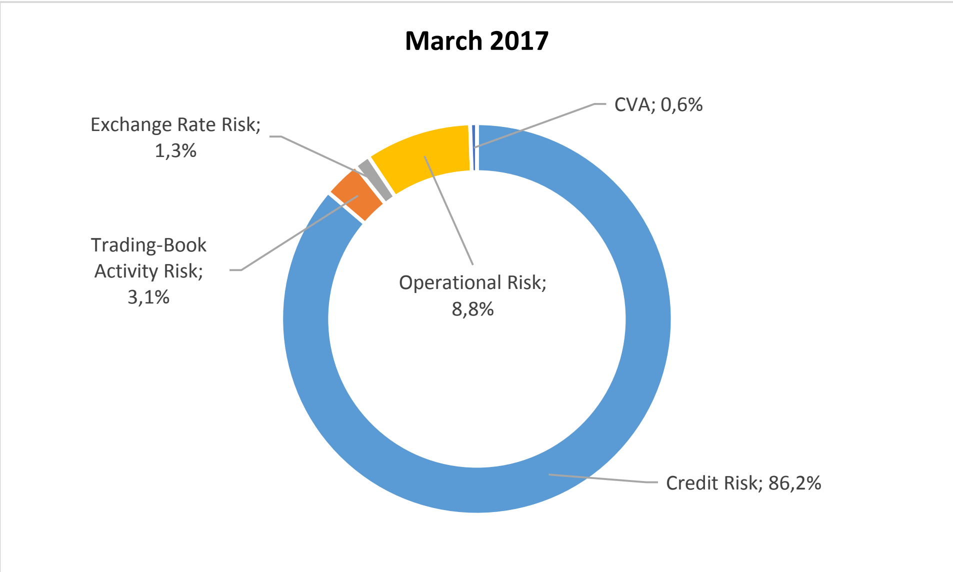
TABLE 3. EU OV1- Capital Requirement Breakdown by Risk Type

(Millions of euros)	RWA (1) 03/31/17	RWA (1) 12/31/2016 (4)	Minimum Capital Requirements (2) (3) 03/31/17
Credit Risk (excluding CCR)	**309,339**	**309,046**	**24,747**
Of which the standardized approach (4)	215,805	215,908	17,264
Of which the foundation IRB (FIRB) approach	-	-	-
Of which the advanced IRB (AIRB) approach	90,144	89,589	7,211
Of which equity IRB under the simple risk-weighted approach or the IMA (5)	3,390	3,548	271
CCR	**11,725**	**11,888**	**938**
Of which mark to market	9,474	9,473	758
Of which original exposure	-	-	-
Of which the standardized approach	-	-	-
Of which the Internal model method (IMM)	-	-	-
Of which risk exposure amount for contributions to the default fund of a CCP	67	93	5
Of which CVA	2,184	2,321	175
Settlement Risk	**-**	**-**	**-**
Securitization exposures in the banking book (after the cap)	**1,415**	**1,477**	**113**
Of which IRB approach	326	332	26
Of which IRB supervisory formula approach (SFA)	-	-	-
Of which internal assessment approach (IAA)	-	-	-
Of which standardized approach	1,089	1,144	87
Market Risk	**16,864**	**16,370**	**1,349**
Of which the standardized approach	7,967	7,112	637
Of which IMA	8,898	9,258	712
Operational Risk	**34,353**	**34,323**	**2,748**
Of which basic indicator approach	6,144	6,444	491
Of which standardized approach	10,751	10,781	860
Of which advanced measurement approach	17,457	17,098	1,397
Amounts below the thresholds for deduction (subject to 250% risk weight)	**15,928**	**15,848**	**1,274**
Floor Adjustment	**-**	**-**	**-**
TOTAL	**389,624**	**388,951**	**31,170**

(1) Risk-weighted assets according to the transitional period (phased-in).
(2) Multiplied by 8% of RWAs.
(3) Under CET 1 requirements (7,625%) after the supervisory evaluation process (SREP), the requirements amount to 29,709 million euros.
(4) Deferred tax assets arising from temporary differences, which are not deducted from own funds (subject to a risk weight of 250%) are excluded, in accordance with Article 48.4 CRR. This amount amounts to 7,805 and 7,653 at 31 March 2017 and 31 December 2016, respectively.
(5) Significant investments in financial sector entities and insurers that are not deducted from own funds (subject to a risk weight of 250%) are excluded, in accordance with Article 48.4 CRR. This amount amounts to 8,123 and 8,195 as at 31 March 2017 and 31 December 2016, respectively.

The chart below shows the total risk-weighted assets broken down by type of risk as of March 31, 2017:

CHART 1. Breakdown of RWA's by Risk Type



4. Risk weighted assets variations

As of March 31, 2017, the total risk weighted assets remains similar to the previous period (+0.17%) in which the aggregated effect of currency's variation has had a minor impact in the quarter.

The following table shows RWA movements for credit risk by advanced model (excluding counterparty risk, equity and securitization positions) between December 31, 2016 and March 31, 2017:

TABLE 4. EU CR8- Variations in terms of RWAs for the advanced measurement. Credit Risk approach

(Millions of euros)	RWA amounts	Capital Requirements
RWA´s December 2016	**84,694**	**6,775**
Asset size	(2,246)	(180)
Asset quality	28	2
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	2,671	214
Other	-	-
RWA´s March 2017	**85,147**	**6,811**

The table below shows the variations for the period between December 2016 and March 2017 in terms of RWA by market risk for the advanced measurement:

TABLE 5. EU MR2-B- RWA flow statement of market risk exposures under internal model approach

(Millions of euros)

RWA flow statements of market risk exposure under IMA	VaR	Stressed VaR	IRC	CRM	Other	Total RWAs	Total Capital Requirements
RWA´s December 2016	**3,006**	**4,412**	**1,841**	**-**	**-**	**9,258**	**741**
Movement in risk levels	(103)	(110)	(348)	-	-	(561)	(45)
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign Exchange movements	20	91	89	-	-	200	16
Other	-	-	-	-	-	-	-
RWA´s March 2017	**2,923**	**4,393**	**1,582**	**-**	**-**	**8,898**	**712**

5. Leverage ratio

The table below shows a breakdown of the items making up the leverage ratio as of March 31, 2017 and December 31, 2016:

TABLE 6. Elements Comprising the Leverage Ratio

(Millions of euros)

Summary table of accounting assets and leverage ratio exposure conciliation		03/31/17 *Phase-In*	03/31/17 *Fully Loaded*	12/31/16 *Phase-In*	12/31/16 *Fully Loaded*
a)	Total assets as per published financial statements	719,193	719,193	731,856	731,856
b)	Adjustment for entities which are consolidated for accounting purposes but are	(15,201)	(15,201)	(17,272)	(17,272)
c)	Adjustments for derivative financial instruments	(21,222)	(21,222)	(18,788)	(18,788)
d)	Adjustments for securities financing transactions "SFTs"	(2,903)	(2,903)	(4,525)	(4,525)
e)	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) (1)	65,190	65,190	66,397	66,397
f)	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-	-	-	-
g)	Other adjustments	(10,357)	(10,685)	(10,451)	(10,961)
Total leverage ratio exposure		**734,700**	**734,372**	**747,216**	**746,706**
h)	Tier 1	50,028	48,811	50,083	48,459
Total leverage ratio exposures		**734,700**	**734,372**	**747,216**	**746,706**
Leverage ratio					
Leverage ratio		**6.81%**	**6.65%**	**6.70%**	**6.49%**

(1) This corresponds to off-balance sheet exposure after application of the conversion factors obtained in accordance with Article 429, paragraph 10 of the CRR.

Among the activities that make up the regulatory reporting in the Group, is the monthly measurement and control of the leverage ratio, carrying out an evaluation and monitoring of this measure in its more fully loaded version, to ensure that leverage is kept away from the minimum levels (which could be considered risk), without undermining the return on investment.

Periodically, the estimates and evolution of the leverage ratio are reported to different governing bodies and committees, ensuring an adequate control of the leverage levels of the entity and continuous monitoring of the main capital indicators.

In line with the risk appetite framework and the management of structural risks, the Group operates by setting limits and operational measures to achieve a sustainable evolution and growth of the Balance Sheet, always maintaining tolerable levels of risk. Proof of this is the level of regulatory leverage itself that is loosely above the minimum levels required.

As regards the leverage ratio, and in particular the adjusted exposure, it suffers slight variations derived from the movement of the balance sheet masses in line with the business activity. The leverage ratio as is up to 6.81% (phase in), well above the required minimum of 3%. The level of leverage reflects the nature of the business model geared to the retail sector.