“Information of Prudential Relevance”

Basel Accord PILAR III – September 2016

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 third quarter of 2016 with CET 1 capital levels and a total phase-in capital ratio of 12,3% and 15,9%, respectively, as well as a leverage ratio (phase-in) of 6,8%.

Pursuant to solvency regulation requirements, below is the prudential information as of September 30st, 2016, 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.

2. Total Eligible 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 September 30, 2016 and December 31, 2015, in accordance with the disclosure requirements for information relating to temporary capital set out by Implementing Regulation (EU) No. 1423/2013 of the Commission dated December 20, 2013:

TABLE 1. Total Eligible Capital Breakdown

(Million euros)

Eligible capital resources	30/09/2016	31/12/2015
a) Capital and share premium	27.167	27.112
b) Retained earnings	20.761	21.022
c) Other accumulated earnings (and reserves)	(1.752)	(1.904)
d) Minority interests	6.986	7.143
e) Interim Net Income	1.801	1.456
Ordinary Tier 1 Capital Before Other Regulatory Adjustments	54.963	54.829
f) Additional Value Adjustments	(221)	(195)
g) Intangible Assets	(5.488)	(3.901)
h) Deferred Tax Assets	(253)	(75)
i) Expected Losses in Equity	(19)	(31)
j) Profit or Losses on Liabilities measured at Fair Value	(210)	(136)
k) Direct and indirect holdings of own instruments	(260)	(511)
l) Securitizations tranches at 1250%	(64)	(89)
m) Temporary CET1 adjustments	(639)	(788)
n) Admissible CET1 deductions	-	(549)
Total Common Equity Tier 1 Regulatory Adjustments	(7.154)	(6.275)
Common Equity Tier 1 (CET1)	47.809	48.554
o) Equity instruments and share premium classified as liabilities	5.344	4.439
p) Items referred in Article 484 (4) of the CRR	659	862
Additional Tier 1 before Regulatory Adjustments	6.003	5.302
q) Temporary adjustments Tier 1	(3.260)	(5.302)
Total Regulatory Adjustments of Additional Tier 1	(3.260)	(5.302)
Additional Tier 1 (AT1)	2.744	-
Tier 1 (Common Equity Tier 1+Additional Tier 1)	50.553	48.554
r) Equity instruments and share premium	1.925	2.006
s) Amount of the admissible items, pursuant to Article 484	422	429
t) Admissible shareholders' funds instruments included in consolidated Tier 2 issued by subsidiaries and held by third parties	5.796	5.716
-Of which: instruments issued by subsidiaries subject to ex-subsidiary stage	*504*	*(99)*
u) Credit risk adjustments	3.403	3.496
Tier 2 before regulatory adjustments	11.546	11.646
Tier 2 regulatory adjustments	-	-
Tier 2	11.546	11.646
Total Capital (Total capital = Tier 1 + Tier 2)	62.099	60.200
Total RWA's	389.898	401.285
CET 1 Ratio (phased-in)	12,3%	12.1%
CET 1 Ratio (fully-loaded)	11,0%	10,3%
Tier 1 Ratio (phased-in)	13,0%	12.1%
Tier 1 Ratio (fully-loaded)	12,5%	11,6%
Total Capital (phased-in)	15,9%	15,0%
Total Capital (fully-loaded)	15,5%	14,4%

3. Capital Requirements

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

Below is the total capital requirements broken down by type of risk as of September 30, 2016 and December 31, 2015. The total amount for credit risk includes the securitization positions (standardized and advanced measurement approaches) and the positions in equity.

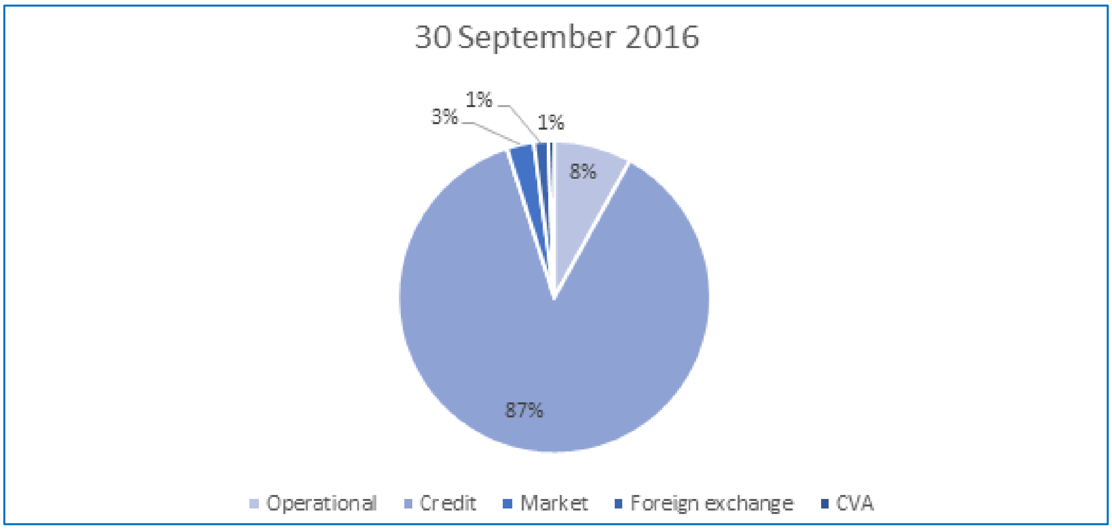
TABLE 2. Capital Requirement Breakdown by Risk Type

Exposure Categories and Risk Types	Capital Amount 30/09/2016(2) (3)	Capital Amount 31/12/2015(2)	RWA's 30/09/2016(1)	RWA's 31/12/2015(1)
Credit Risk	**18.258**	**18.299**	**228.220**	**228.737**
Central governments or central banks	2.843	2.814	35.540	35.174
Regional governments or local authorities	221	240	2.764	2.996
Public sector entities	47	108	582	1.349
Multilateral Development Banks	2	2	30	25
Institutions	586	458	7.320	5.730
Corporates	7.659	8.096	95.734	101.195
Retail	3.056	2.954	38.198	36.929
Secured by mortgages on immovable property	1.777	1.640	22.210	20.497
Exposures in default	447	376	5.590	4.706
High risk items	177	11	2.212	143
Covered bonds	2	31	28	393
Short-term claims on institutions and corporate	27	58	334	727
Collective investments undertakings (CIU)	19	5	243	67
Other exposures	1.395	1.504	17.433	18.806
Securitized positions	**92**	**84**	**1.152**	**1.049**
TOTAL CREDIT RISK BY THE STANDARDIZED APPROACH	**18.350**	**18.383**	**229.372**	**229.787**
Credit risk	**7.263**	**7.827**	**90.783**	**97.837**
Central governments or central banks	38	18	473	224
Institutions	631	866	7.889	10.826
Corporations	4.901	5.089	61.264	63.607
Of which: SME	1.123	999	14.040	12.487
Of which: Specialized lending	812	813	10.145	10.165
Of which: Other	2.966	3.276	37.079	40.954
Retail	1.693	1.854	21.156	23.180
Of which: Secured by real estate collateral, SME	-	35	-	441
Of which: Secured by real estate collateral, non-SME	814	958	10.178	11.970
Of which: Qualifying revolving retail	577	594	7.212	7.420
Of which: Other retail assets, SME	110	118	1.376	1.475
Of which: Other retail assets, non- SME	191	150	2.390	1.874
Equity	**1.532**	**1.562**	**19.144**	**19.522**
By method:				
Of which: Simple Method	1.064	959	13.301	11.993
Of which: PD/LGD Method	370	498	4.628	6.230
Of which: Internal Models	97	104	1.216	1.299
By nature:				
Of which: Exchange-traded equity instruments	1.189	1.133	14.868	14.157
Of which: Non-trading equity instruments in sufficiently diversified portfolios	342	429	4.276	5.365
Securitized positions	**26**	**28**	**331**	**345**
TOTAL CREDIT RISK BY THE ADVANCED MEASUREMENT APPROACH	**8.821**	**9.416**	**110.258**	**117.704**
TOTAL ECC'S DEFAULT GUARANTEE FUND CONTRIBUTION	**26**	**41**	**328**	**511**
TOTAL CREDIT RISK	**27.197**	**27.840**	**339.957**	**348.002**
Standardized:	213	224	2.657	2.801
Of which: Price Risk from fixed-income positions	187	189	2.337	2.368
Of which: Price risk for securitizations	2	2	19	26
Of which: Correlation price risk	6	6	70	76
Of which: Price Risk from equity portfolios	17	22	217	271
Of which: Commodities risk	1	5	14	59
Advanced: Market Risk	662	748	8.278	9.355
TOTAL TRADING-BOOK ACTIVITY RISK	**875**	**972**	**10.935**	**12.156**
EXCHANGE RATE RISK (STANDARDIZED APPROACH)	**414**	**320**	**5.181**	**4.003**
RISK DUE TO CVA ADJUSTMENT	**196**	**307**	**2.446**	**3.833**
OPERATIONAL RISK	**2.510**	**2.663**	**31.379**	**33.291**
CAPITAL REQUIREMENTS	**31.192**	**32.103**	**389.898**	**401.285**

(1) Corresponding temporary Risk Weighted Assets (phased-in)
(2) Calculated as 8% of RWAs
(3) Under CET 1 requirements (9,75%) after the supervisory evaluation process (SREP), total requirements are 38.015 millions of euros

The chart below shows the total risk-weighted assets broken down by type of risk as of September 30, 2016.

CHART 1. Breakdown of RWA’s by Risk Type



4. Leverage Ratio

The table below shows a breakdown of the items making up the leverage ratio as of September 30, 2016 and December 31, 2015:

TABLE 3. Elements Comprising the Leverage Ratio

(Millions euros)

	Summary table of accounting assets and leverage ratio exposure conciliation	September 2016 *Phase-In*	September 2016 *Fully Loaded*	December 2015 *Phase-In*	December 2015 *Fully Loaded*
a)	Total assets as per published financial statements	724.627	724.627	750.078	750.078
b)	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(17.139)	(17.139)	(16.920)	(16.920)
c)	Adjustments for derivative financial instruments	(21.211)	(21.211)	(23.056)	(23.056)
d)	Adjustments for securities financing transactions "SFTs"	(7.247)	(7.247)	37	37
e)	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	70.816 (1)	70.816 (1)	68.609(1)	68.609(1)
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	(10.426)	(10.987)	(12.159)	(12.746)
	Total Leverage Ratio Exposure	**739.419**	**738.859**	**766.589**	**766.001**
h)	*Tier* 1	50.553	48.806	48.554	45.796
	Total leverage ratio exposures	**739.419**	**738.859**	**766.589**	**766.001**
	Leverage Ratio				
	Leverage Ratio	**6,84%**	**6,61%**	**6,33%**	**5,98%**

The activities making up the Group's regulatory reporting include the monthly measurement and control of the leverage ratio. The estimates and the development of the leverage ratio are reported on a regular basis to different governing bodies and committees to collateral an adequate control of the entity's leverage levels and ongoing monitoring of the main capital indicators.

5. Variations

CET1 variations are mainly explained by the organic generation of capital in the three quarters of the year due to the recurrence of the results and the efficient management and allocation of capital line with the strategic objectives of the Group. This growth was partially offset by the negative effect generated by the general depreciation of foreign currencies.

Additionally, there is a negative effect on the minority interests and deductions due to the regulatory phase-in calendar of 60% in 2016 compared with 40% in 2015.

During the first semester of the year, BBVA Group completed the additional Tier 1 capital recommended by the Regulator (1.5% of Risk-Weighted Assets) with the issuance of perpetual securities eventually convertible into shares, classified as additional Tier 1 equity instruments (contingent convertible) under the solvency rules and contributing to the ratio of Tier 1 stood at 13.0%.

Finally, the total capital ratio is located at 15.9% reflecting the effects discussed above.

During the first three quarters of the year there have been the following significant **movements in terms of risk-weighted assets:**

- A general depreciation of foreign currencies which have decreased the amount of the risk exposure of the subsidiaries of the Group (-12.8 million).
- In the third quarter of the year there has been an increase in risk-weighted assets produced by a downgrade in the sovereign rating of Turkey (+5 MM).
- Decrease of 3.6 MM exposure on regional governments and local authorities (also including the amount arising from the integration of CX) which are covered by sovereign guarantee, according to article 56 of Royal Decree 84/2015, of 13th February which develops Law 10/2014, of 26th June, management, supervision and solvency of credit institutions.
- Improvement of the rating on central governments and central banks exposures in Argentine (-1 MM)
- The rest of the movement is mainly explained by the increase in activity.

Related to **leverage ratio**, the variations registered in the amount of Capital (Tier 1) are, basically due to the issuance of new perpetual securities eventually convertible into shares with a positive effect in percentual terms of leverage ratio. The rest of the elements compounding the adjusted exposure (denominator) register the variations derived of the asset side movement.