



**BBVA**

“Information of Prudential Relevance”

Basel Accord PILAR III – March 2016

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# 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 2016 with CET 1 capital levels and a total phase-in capital ratio of 11,6% and 15,0%, respectively, as well as a leverage ratio (phase-in) of 6.4%

Pursuant to solvency regulation requirements, below is the prudential information as of March 31<sup>st</sup>, 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 March 31st, 2016, December 31st, 2015 and March 31st, 2015.

**TABLE 1. Total Eligible Capital Breakdown**

(Million euros)	Eligible capital resources	31/03/2016	31/12/2015	31/03/2015
a)	Capital and share premium	27.112	27.112	27.042
b)	Retained earnings	20.228	21.022	18.236
c)	Other accumulated earnings (and reserves)	(613)	(1.904)	1.362
d)	Minority interests	6.556	7.143	1.230
e)	Interim Net Income	553	1.456	1.457
	<b>Ordinary Tier 1 Capital Before Other Regulatory Adjustments</b>	<b>53.836</b>	<b>54.829</b>	<b>49.326</b>
f)	Additional Value Adjustments	(244)	(195)	(391)
g)	Intangible Assets	(5.612)	(3.901)	(3.758)
h)	Deferred Tax Assets	(224)	(75)	(139)
i)	Expected Losses in Equity	(18)	(31)	(41)
j)	Profit or Losses on Liabilities measured at Fair Value	(240)	(136)	(108)
k)	Direct and indirect holdings of own instruments	(392)	(511)	(153)
l)	Securitizations tranches at 1250%	(75)	(89)	(165)
m)	Temporary CET1 adjustments	(564)	(788)	(364)
n)	Admissible CET1 deductions	-	(549)	(212)
	<b>Total Common Equity Tier 1 Regulatory Adjustments</b>	<b>(7.368)</b>	<b>(6.275)</b>	<b>(5.331)</b>
	<b>Common Equity Tier 1 (CET1)</b>	<b>46.468</b>	<b>48.554</b>	<b>43.995</b>
o)	Equity instruments and share premium classified as liabilities	4.318	4.439	4.394
p)	Items referred in Article 484 (4) of the CRR	816	862	1.031
	<b>Additional Tier 1 before Regulatory Adjustments</b>	<b>5.134</b>	<b>5.302</b>	<b>5.426</b>
q)	Temporary adjustments Tier 1	(3.334)	(5.302)	(5.426)
	<b>Total Regulatory Adjustments of Additional Tier 1</b>	<b>(3.334)</b>	<b>(5.302)</b>	<b>(5.426)</b>
	<b>Additional Tier 1 (AT1)</b>	<b>1.800</b>	<b>-</b>	<b>-</b>
	<b>Tier 1 (Common Equity Tier 1+Additional Tier 1)</b>	<b>48.268</b>	<b>48.554</b>	<b>43.995</b>
r)	Equity instruments and share premium	2.002	2.006	1.997
s)	Amount of the admissible items, pursuant to Article 484	429	429	582
t)	Admissible shareholders' funds instruments included in consolidated Tier 2 issued by subsidiaries and held by third parties	5.659	5.716	5.367
	<i>-Of which: instruments issued by subsidiaries subject to ex-subsidiary stage</i>	<i>506</i>	<i>(99)</i>	<i>583</i>
u)	Credit risk adjustments	3.473	3.496	2.740
	<b>Tier 2 before regulatory adjustments</b>	<b>11.563</b>	<b>11.646</b>	<b>10.686</b>
	<b>Tier 2 regulatory adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Tier 2</b>	<b>11.563</b>	<b>11.646</b>	<b>10.686</b>
	<b>Total Capital (Total capital = Tier 1 + Tier 2)</b>	<b>59.831</b>	<b>60.200</b>	<b>54.681</b>
	<b>Total RWA's</b>	<b>399.226</b>	<b>401.285</b>	<b>348.419</b>
	CET 1 Ratio (phased-in)	11.6%	12.1%	12.6%
	CET 1 Ratio (fully-loaded)*	10.5%	10.3%	10.8%
	Tier 1 Ratio (phased-in)	12.1%	12.1%	12.6%
	Tier 1 Ratio (fully-loaded)**	12.0%	11,6%	12,0%
	Total Capital (phased-in)	15,0%	15,0%	15,7%
	Total Capital (fully-loaded)	15,0%	14,4%	14,9%

\* Includes a proforma positive impact of 15 bps from the ongoing corporate reorganization agreed in Perú so we can include, for solvency purposes and subject to CRDIV limits, the minority interests held in BBVA Banco Continental. This transaction has no impact on BBVA Group's consolidated equity, financial position, results or on the economic interest held in Banco Continental.

\*\* Includes 1,000 million € issue of Additional Tier 1 capital (contingent convertible) held in April 2016

## 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.

The table below shows the total capital requirements broken down by type of risk as of March 31st, 2016, December 31st, 2015 and March 31st, 2015. The total amount for credit risk includes the securitization positions (standardized and advanced measurement approaches) and the equity positions.

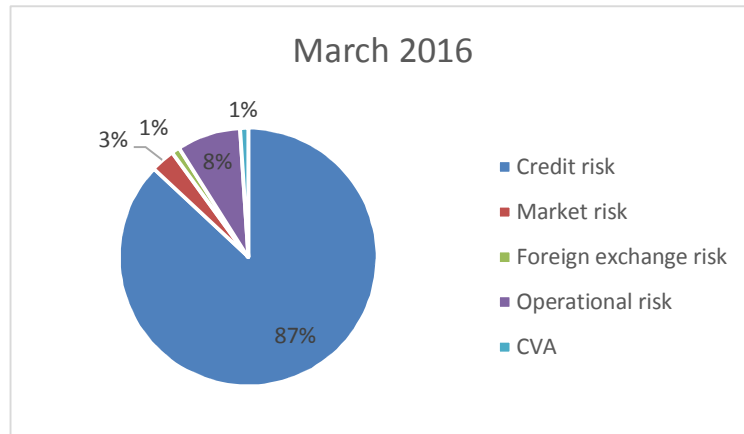
**TABLE 2. Capital Requirement Breakdown by Risk Type**

(millions euros)							
Exposure Categories and Risk Types	Capital Amount 31/03/2016	Capital Amount 31/12/2015	Capital Amount 31/03/2015	RWA's 31/03/2016 <sup>(1)</sup>	RWA's 31/12/2015 <sup>(1)</sup>	RWA's 31/03/2015 <sup>(1)</sup>	
<b>Credit Risk</b>	<b>18.125</b>	<b>18.299</b>	<b>14.132</b>	<b>226.560</b>	<b>228.737</b>	<b>176.630</b>	
Central governments or central banks	2.663	2.814	1.720	33.291	35.174	21.494	
Regional governments or local authorities	233	240	296	2.911	2.996	3.705	
Public sector entities	61	108	128	757	1.349	1.597	
Multilateral Development Banks	2	2	3	23	25	32	
Institutions	651	458	337	8.138	5.730	4.212	
Corporates	8.016	8.096	5.752	100.205	101.195	71.899	
Retail	3.437	2.954	2.254	42.961	36.929	28.174	
Secured by mortgages on immovable property	1.121	1.640	1.649	14.017	20.497	20.608	
Exposures in default	433	376	432	5.412	4.706	5.400	
High risk items	10	11	12	128	143	150	
Covered bonds	26	31	12	328	393	156	
Short-term claims on institutions and corporate	56	58	40	669	727	496	
Collective investments undertakings (CIU)	4	5	2	45	67	19	
Other exposures	1.411	1.504	1.495	17.643	18.806	18.688	
<b>Securitized positions</b>	<b>93</b>	<b>84</b>	<b>86</b>	<b>1.156</b>	<b>1.049</b>	<b>1.076</b>	
Securitized positions	93	84	86	1.156	1.049	1.076	
<b>TOTAL CREDIT RISK BY THE STANDARDIZED APPROACH</b>	<b>18.218</b>	<b>18.383</b>	<b>14.218</b>	<b>227.716</b>	<b>229.787</b>	<b>177.706</b>	
<b>Credit risk</b>	<b>7.865</b>	<b>7.827</b>	<b>7.871</b>	<b>98.316</b>	<b>97.837</b>	<b>98.388</b>	
Central governments or central banks	48	18	30	604	224	375	
Institutions	851	866	982	10.639	10.826	12.273	
Corporations	5.104	5.089	5.124	63.799	63.607	64.053	
Of which: SME	970	999	900	12.122	12.487	11.246	
Of which: Specialized lending	845	813	857	10.562	10.165	10.716	
Of which: Other	3.289	3.276	3.367	41.115	40.954	42.091	
Retail	1.862	1.854	1.735	23.274	23.180	21.687	
Of which: Secured by real estate collateral, SME	36	35	24	449	441	300	
Of which: Secured by real estate collateral, non-SME	937	958	793	11.707	11.970	9.910	
Of which: Qualifying revolving retail	599	594	658	7.483	7.420	8.220	
Of which: Other retail assets, SME	115	118	79	1.437	1.475	986	
Of which: Other retail assets, non-SME	176	150	182	2.197	1.874	2.270	
<b>Equity</b>	<b>1.496</b>	<b>1.562</b>	<b>1.612</b>	<b>18.704</b>	<b>19.522</b>	<b>20.145</b>	
By method:							
Of which: Simple Method	967	959	821	12.088	11.993	10.268	
Of which: PD/LGD Method	437	498	631	5.462	6.230	7.890	
Of which: Internal Models	92	104	159	1.155	1.299	1.986	
By nature:							
Of which: Exchange-traded equity instruments	1.066	1.133	1.202	13.320	14.157	15.027	
Of which: Non-trading equity instruments in sufficiently diversified portfolios	431	429	409	5.384	5.365	5.118	
<b>Securitized positions</b>	<b>26</b>	<b>28</b>	<b>49</b>	<b>331</b>	<b>345</b>	<b>612</b>	
Securitized positions	26	28	49	331	345	612	
<b>TOTAL CREDIT RISK BY THE ADVANCED MEASUREMENT APPROACH</b>	<b>9.388</b>	<b>9.416</b>	<b>9.531</b>	<b>117.351</b>	<b>117.704</b>	<b>119.144</b>	
<b>TOTAL ECC'S DEFAULT GUARANTEE FUND CONTRIBUTION</b>	<b>49</b>	<b>41</b>	<b>-</b>	<b>609</b>	<b>511</b>	<b>-</b>	
<b>TOTAL CREDIT RISK</b>	<b>27.655</b>	<b>27.840</b>	<b>23.748</b>	<b>345.676</b>	<b>348.002</b>	<b>296.851</b>	
Standardized:	245	224	252	3.069	2.801	3.146	
Of which: Price Risk from fixed-income positions	193	189	226	2.417	2.368	2.820	
Of which: Price risk for securitizations	3	2	3	38	26	38	
Of which: Correlation price risk	5	6	4	63	76	52	
Of which: Price Risk from equity portfolios	39	22	19	491	271	237	
Of which: Commodities risk	5	5	-	59	59	-	
Advanced: Market Risk	766	748	752	9.579	9.355	9.402	
<b>TOTAL TRADING-BOOK ACTIVITY RISK</b>	<b>1.012</b>	<b>972</b>	<b>1.004</b>	<b>12.647</b>	<b>12.156</b>	<b>12.549</b>	
<b>EXCHANGE RATE RISK (STANDARDIZED APPROACH)</b>	<b>356</b>	<b>320</b>	<b>535</b>	<b>4.451</b>	<b>4.003</b>	<b>6.688</b>	
<b>RISK DUE TO CVA ADJUSTMENT</b>	<b>313</b>	<b>307</b>	<b>394</b>	<b>3.912</b>	<b>3.833</b>	<b>4.925</b>	
<b>OPERATIONAL RISK</b>	<b>2.603</b>	<b>2.663</b>	<b>2.193</b>	<b>32.540</b>	<b>33.291</b>	<b>27.406</b>	
<b>CAPITAL REQUIREMENTS</b>	<b>31.939</b>	<b>32.103</b>	<b>27.873</b>	<b>399.226</b>	<b>401.285</b>	<b>348.419</b>	

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

The chart below shows the total risk-weighted assets broken down by type of risk as of March 31st, 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 March 31st, 2016, December 31st, 2015 and March 31st, 2015:

**TABLE 3. Elements Comprising the Leverage Ratio**

(Millions euros)

Summary table of accounting assets and leverage ratio exposure conciliation	31/03/2016	31/03/2016	31/12/2015	31/12/2015	31/03/2015	31/03/2015
	Phase-In	Fully Loaded*	Phase-In	Fully Loaded	Phase-In	Fully Loaded
a) Total assets as per published financial statements	740.947	740.947	750.078	750.078	651.802	651.802
b) Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(17.071)	(17.071)	(16.920)	(16.920)	5.574	5.574
c) Adjustments for derivative financial instruments	(23.249)	(23.249)	(23.056)	(23.056)	(30.683)	(30.683)
d) Adjustments for securities financing transactions "SFTs"	17	17	37	37	52	52
e) Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	66.963 <sup>(1)</sup>	66.963 <sup>(1)</sup>	68.609 <sup>(1)</sup>	68.609 <sup>(1)</sup>	57.216 <sup>(1)</sup>	57.216 <sup>(1)</sup>
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	(10.572)	(10.688)	(12.159)	(12.746)	(13.594)	(14.199)
<b>Total Leverage Ratio Exposure</b>	<b>757.035</b>	<b>756.939</b>	<b>766.589</b>	<b>766.001</b>	<b>670.366</b>	<b>669.761</b>
h) <i>Tier 1</i>	48.268	48.011	48.554	45.796	43.995	41.747
<b>Total leverage ratio exposures</b>	<b>757.035</b>	<b>756.939</b>	<b>766.589</b>	<b>766.001</b>	<b>670.366</b>	<b>669.761</b>
<b>Leverage Ratio</b>	<b>6,38%</b>	<b>6,34%</b>	<b>6,33%</b>	<b>5,98%</b>	<b>6,56%</b>	<b>6,23%</b>

(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.

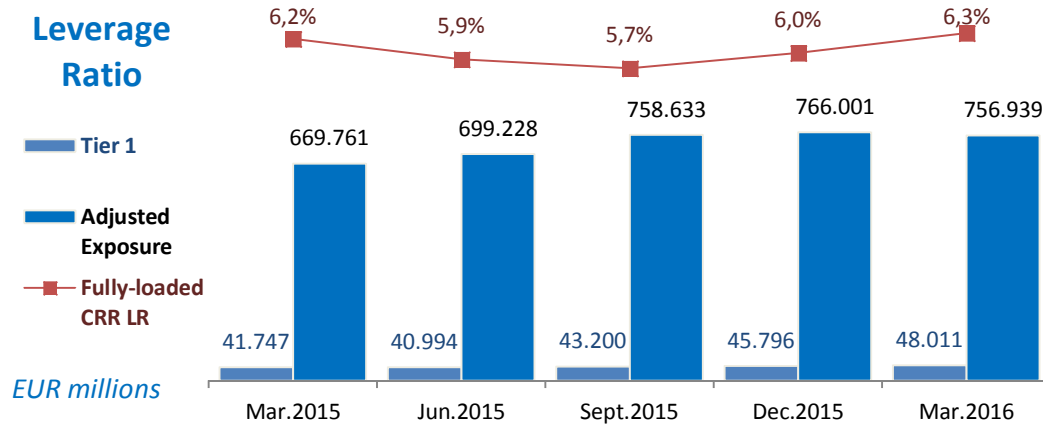
\* Includes a proforma positive impact of 15 bps from the ongoing corporate reorganization agreed in Perú so we can include, for solvency purposes and subject to CRDIV limits, the minority interests held in BBVA Banco Continental. This transaction has no impact on BBVA Group's consolidated equity, financial position, results or on the economic interest held in Banco Continental. Additionally, included 1,000 million € issue of Additional Tier 1 capital (contingent convertible) held in April 2016.

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.



The chart below shows how the ratio has remained stable throughout the year:

**CHART 2. Trends in the leverage ratio**



## 5. Variations

Compared with the previous year, the effect of the “phase in” application set out in the current regulation for 2016 (60%) is the most significant element that explain the variations. Thus, the established schedule application impacts in most deductibility of certain elements (mainly, intangibles), partly offset by higher computability of other elements (gains from available for-sale portfolios). This impact implies a reduction of 40 bp at CET-1 level.

TIER I ratio remained at levels similar to those of the previous period due to the reduction of temporary adjustments which show the not included CET -1 deductions according to the established schedule.

Finally TIER II remains at same levels as December 2015.

RWA´s fell by 0.5% affected by the evolution of exchange rates in the quarter.

Interannual variations are affected by the calendar application discussed above and the corporate operations which occurred during the period concerned (acquisition of 14.89% of Garanti Bank, partial sales in China Citic Bank´s (CNCB) participation.

Leverage ratio (phase-in) has remained stable throughout the year, due mainly to limited volatility and a sustainable development of both exposure and regulatory capital. In addition, the development of the macro variables and other external aspects has not originated relevant impacts on the exposure.