



**BBVA**

“Information of Prudential Relevance”

Basel Accord Pilar III – September 2015

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# 1. Introduction

## 1.1 Executive Summary

*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.*

### 1.1 Executive Summary

BBVA ended the **third semester of 2015** with CET 1 capital levels and a total fully-loaded capital ratio of 9.8% and 13.7%, respectively, as well as a leverage ratio (fully-loaded) of 5.7%.

Pursuant to solvency regulation requirements, below is the prudential information as of September 30<sup>th</sup>, 2015, 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 12<sup>th</sup>, 2015, which specifies the prudential information to be reported within a year.

# 2. Total Eligible Capital

## 2.1 Breakdown

## 2.2 Variations

### 2.1. Breakdown

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<sup>th</sup>, 2015 and December 31<sup>st</sup>, 2014:

**TABLE 1. Total Eligible Capital Breakdown**

(Million euros)	Eligible Capital Resources	30/09/2015	31/12/2014
a)	Capital and share premium	27,082	27,016
b)	Retained Earnings	20,979	18,813
c)	Other Acc. Earnings (and reserves)	(3,969)	(1,272)
d)	Minority Interest	6,609	1,886
e)	Interim Net Income	1,031	1,871
	<b>Ordinary Tier 1 Capital Before Other Regulatory Adjustments</b>	<b>51,732</b>	<b>48,314</b>
f)	Additional Value Adjustments	(394)	(340)
g)	Intangible Assets	(3,744)	(1,747)
h)	Deferred Tax Assets	(103)	(28)
i)	Expected Losses in Equity	(33)	(44)
j)	Profit or Losses on Liabilities measured at Fair Value	(128)	(67)
k)	Direct and Indirect Holdings of Own Instruments	(579)	(588)
l)	Securitizations tranches at 1250%	(129)	(158)
m)	Temporary Adjustments CET1	233	(724)
n)	Admissible deductions from CET1	(395)	(2,786)
	<b>Total Common Equity Tier 1 Regulatory Adjustments</b>	<b>(5,272)</b>	<b>(6,482)</b>
	<b>Common Equity Tier 1 (CET1)</b>	<b>46,460</b>	<b>41,832</b>
o)	Equity Instruments and share premium classified as liabilities	4,376	2,735
p)	Items Referred in Article 484 (4) of the CRR	846	1,470
	<b>Additional Tier 1 before Regulatory Adjustments</b>	<b>5,222</b>	<b>4,205</b>
q)	Temporary Adjustments Tier 1	(5,222)	(4,205)
	<b>Total Regulatory Adjustments of Additional Tier 1</b>	<b>(5,222)</b>	<b>(4,205)</b>
	<b>Additional Tier 1 (AT1)</b>	<b>-</b>	<b>-</b>
	<b>Tier 1 (Common Equity Tier 1 + Additional Tier 1)</b>	<b>46,460</b>	<b>41,832</b>
r)	Equity Instruments and Share Premium	2,031	2,223
s)	Amount of the Admissible Items, pursuant to Article 484	528	604
t)	Admissible Shareholders' Funds Instruments included in Consolidated Tier 2 Issued by Subsidiaries and held by Third Parties	5,810	5,366
	<i>-Of which: instruments issued by subsidiaries subject to ex-subsidiary stage</i>	<i>15</i>	<i>1,051</i>
u)	Credit Risk Adjustments	3,451	2,793
	<b>Tier 2 before Regulatory Adjustments</b>	<b>11,820</b>	<b>10,986</b>
	<b>Tier 2 Regulatory Adjustments</b>	<b>-</b>	<b>-</b>
	<b>Tier 2</b>	<b>11,820</b>	<b>10,986</b>
	<b>Total Capital (Tier 1 + Tier 2)</b>	<b>58,280</b>	<b>52,818</b>
	<b>Total RWA's</b>	<b>397,936</b>	<b>350,802</b>
	CET 1 (phase-in)	11.7%	11.9%
	CET 1 (fully-loaded)	9.8%	10.4%
	Tier 1 (phase-in)	11.7%	11.9%
	Tier 1 (fully-loaded)	10.9%	11.1%
	Total Capital (phase-in)	14.6%	15.1%
	Total Capital (fully-loaded)	13.7%	14.2%

## 2.2. Variations

The variations in the CET1 capital ratio are mainly due to two corporate transactions that took place in the last quarter and had a negative cumulative effect of 44 basis points: the 14.89% acquisition of Garanti Bank on July 27<sup>th</sup>, 2015 and the sale of 29.68% ownership in Citic International Financial Holdings Limited (CIFH).

In addition, other relevant events that have occurred in the first two quarters of this year are the depreciation of equity holding in Venezuela as a result of the application of the new SIMADI system exchange rate, the incorporation of Catalunya Banc and the issue of €1,500 million of Additional Tier I Capital.

## 3. Capital Requirements

**3.1 Breakdown**  
**3.2 Variations**

### 3.1. Breakdown

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 September 30<sup>th</sup>, 2015 and December 31<sup>st</sup>, 2014. 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 Sep 15	Capital Amount Dec 14	RWA's Sep 15 <sup>(1)</sup>	RWA's Dec 14 <sup>(1)</sup>
<b>Credit Risk</b>	<b>17,954</b>	<b>14,194</b>	<b>224,419</b>	<b>177,425</b>
Central governments or central banks	2,740	2,388	34,256	29,850
Regional governments or local authorities	251	264	3,136	3,300
Public Sector Entities	127	107	1,582	1,338
Multilateral Development Banks	2	2	26	25
Institutions	635	211	7,933	2,638
Corporations	7,684	5,314	96,051	66,397
Retail	2,881	2,458	36,014	30,725
Secured by mortgages on immovable property	1,584	1,581	19,803	19,763
Exposure at default	382	436	4,777	5,450
High Risk Items	8	12	95	150
Covered Bonds	14	10	172	125
Short-term claims on institutions and corporations	37	34	465	425
Collective investments undertakings (CIU)	4	1	51	13
Other Exposures	1,605	1,378	20,058	17,225
<b>Securitized Positions</b>	<b>79</b>	<b>85</b>	<b>986</b>	<b>1,063</b>
Securitized Positions	79	85	986	1,063
<b>TOTAL CREDIT RISK BY THE STANDARDIZED APPROACH</b>	<b>18,033</b>	<b>14,279</b>	<b>225,405</b>	<b>178,487</b>
<b>Credit Risk</b>	<b>7,804</b>	<b>7,589</b>	<b>97,557</b>	<b>94,858</b>
Central governments or central banks	26	30	326	376
Institutions	881	994	11,016	12,425
Corporations	4,979	4,880	62,242	60,998
Of which: SME	916	887	11,456	11,084
Of which: Specialized lending	817	842	10,216	10,520
Of which: Other	3,246	3,151	40,571	39,394
Retail	1,918	1,685	23,973	21,059
Of which: Secured by real estate collateral, SME	68	26	846	321
Of which: Secured by real estate collateral, non-SME	991	808	12,392	10,099
Of which: Qualifying revolving retail	580	576	7,250	7,203
Of which: Other retail assets, SME	101	77	1,264	965
Of which: Other retail assets, non-SME	178	198	2,221	2,471
<b>Equity</b>	<b>1,477</b>	<b>1,749</b>	<b>18,464</b>	<b>21,865</b>
By method used:				
Of which: Simple Method	795	787	9,932	9,840
Of which: PD/LGD Method	549	833	6,864	10,417
Of which: Internal Models	133	129	1,668	1,609
By nature:				
Of which: Exchange-traded equity instruments	602	822	7,529	10,280
Of which: Non-traded equity instruments in sufficiently diversified portfolios	875	927	10,935	11,585
<b>Securitized Positions</b>	<b>51</b>	<b>57</b>	<b>637</b>	<b>712</b>
Securitized Positions	51	57	637	712
<b>TOTAL CREDIT RISK BY THE ADVANCED MEASUREMENT APPROACH</b>	<b>9,332</b>	<b>9,395</b>	<b>116,658</b>	<b>117,436</b>
<b>TOTAL CREDIT RISK</b>	<b>27,365</b>	<b>23,674</b>	<b>342,063</b>	<b>295,923</b>
Standardized:	200	234	2,500	2,925
Of which: Price Risk from fixed-income positions	176	202	2,205	2,525
Of which: Price Risk for securitizations	2	2	20	25
Of which: Correlations price risk	6	6	72	75
Of which: Price Risk from Equity Portfolios	16	24	203	300
Advanced: Market Risk	789	712	9,860	8,900
<b>TOTAL TRADING-BOOK ACTIVITY RISK</b>	<b>989</b>	<b>946</b>	<b>12,360</b>	<b>11,825</b>
<b>EXCHANGE RATE RISK (STANDARDIZED APPROACH)</b>	<b>482</b>	<b>732</b>	<b>6,025</b>	<b>9,150</b>
<b>RISK DUE TO CVA ADJUSTMENT</b>	<b>322</b>	<b>360</b>	<b>4,031</b>	<b>4,498</b>
<b>OPERATIONAL RISK</b>	<b>2,677</b>	<b>2,252</b>	<b>33,457</b>	<b>29,406</b>
<b>CAPITAL REQUIREMENTS</b>	<b>31,835</b>	<b>28,064</b>	<b>397,936</b>	<b>350,802</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 September 30<sup>th</sup>, 2015:

**CHART 1. Breakdown of RWA's by Risk Type**



The greater weight of credit risk is explained by the composition of BBVA Group's portfolio, which is primarily made up of the loan book.

### 3.2. Variations

The evolution of RWA's since December 2014 has been affected mainly by the Garanti acquisition and its consequent inclusion in the Financial Statements through global consolidation, the incorporation of Catalunya Banc and the positive increases in lending activity outside Spain.

This growth of RWA's has been offset by the devaluation of the different currencies (specially the Venezuelan bolivar) and the sale of CIFH holdings.

## 4. Leverage Ratio

### 4.1 Breakdown 4.2 Variations

#### 4.1. Breakdown

The BBVA Group's leverage ratio is low due to the type of business focused on retail and commercial banking activities.

The table below shows a breakdown of the items making up the leverage ratio as of September 30<sup>th</sup>, 2015 and December 31<sup>st</sup>, 2014:

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

(Millions euros)

Summary table of accounting assets and leverage ratio	30/09/2015	30/09/2015	31/12/2014	31/12/2014
	<i>Phase-In</i>	<i>Fully Loaded</i>	<i>Phase-In</i>	<i>Fully Loaded</i>
a) Total assets as per published financial statements	746,477	746,477	631,942	631,942
b) Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(16,625)	(16,625)	5,629	5,629
c) Adjustments for derivative financial instruments	(28,124)	(28,124)	(22,688)	(22,688)
d) Adjustments for securities financing transactions "SFTs"	30	30	(9,539)	(9,539)
e) Adjustments for off-balance sheet items (ie. Conversion to credit equivalent amounts of off-balance sheet exposures)	69,972 <sup>(1)</sup>	69,972 <sup>(1)</sup>	54,402 <sup>(1)</sup>	54,402 <sup>(1)</sup>
f) (Adjustments for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) de la CRR)	-	-	20,991	20,991
g) Other Adjustments	(11,521)	(12,668)	(9,656)	(10,668)
<b>Total Leverage Ratio Exposure</b>	<b>760,028</b>	<b>758,881</b>	<b>671,081</b>	<b>670,069</b>
h) Tier 1	46,460	43,200	41,832	39,037
<b>Total Leverage Ratio Exposures</b>	<b>760,028</b>	<b>758,881</b>	<b>671,081</b>	<b>670,069</b>
<b>Leverage Ratio</b>	<b>6.1%</b>	<b>5.7%</b>	<b>6.2%</b>	<b>5.8%</b>

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

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.

#### 4.2. Variations

There has been a decline in the leverage ratio with respect to December 2014 fundamentally due to an increase in assets from the incorporation of Catalunya Banc and, especially due to the effects from the Garanti Bank operation, consolidating by the full integration method. Both effects have been partly offset by the increase in Tier 1.



## Glossary

Acronym	Description
<b>RWAs</b>	Risk-Weighted Assets.
<b>BBVA</b>	Banco Bilbao Vizcaya Argentaria.
<b>Basel III</b>	Set of proposals to reform banking regulation, published December 16 <sup>th</sup> , 2010 and with a phase implementation period ending in 2019.
<b>CVA (Credit Valuation Adjustment)</b>	For the purpose of this Title and Title II, Chapter 6, "credit valuation adjustment" or "CVA" means a valuation adjustment at average market prices of the portfolio of transactions with a counterparty. This adjustment will reflect the current market value of the counterparty's credit risk with respect to the bank, but will not reflect the current market value of the bank's credit risk with respect to the counterparty.
<b>LGD (Loss Given Default)</b>	Loss in the event of default: the ratio between the losses in an exposure due to default by the counterparty and the outstanding amount at the time of default.
<b>PD (Probability of Default)</b>	Probability of default of a counterparty during a one-year period.
<b>PD-TTC (Through the Cycle)</b>	Probability of default over the course of the cycle.
<b>TIER I (CET 1)</b>	First-tier capital (basic capital).
<b>TIER II (CET 2)</b>	Second-tier capital (second-class capital).