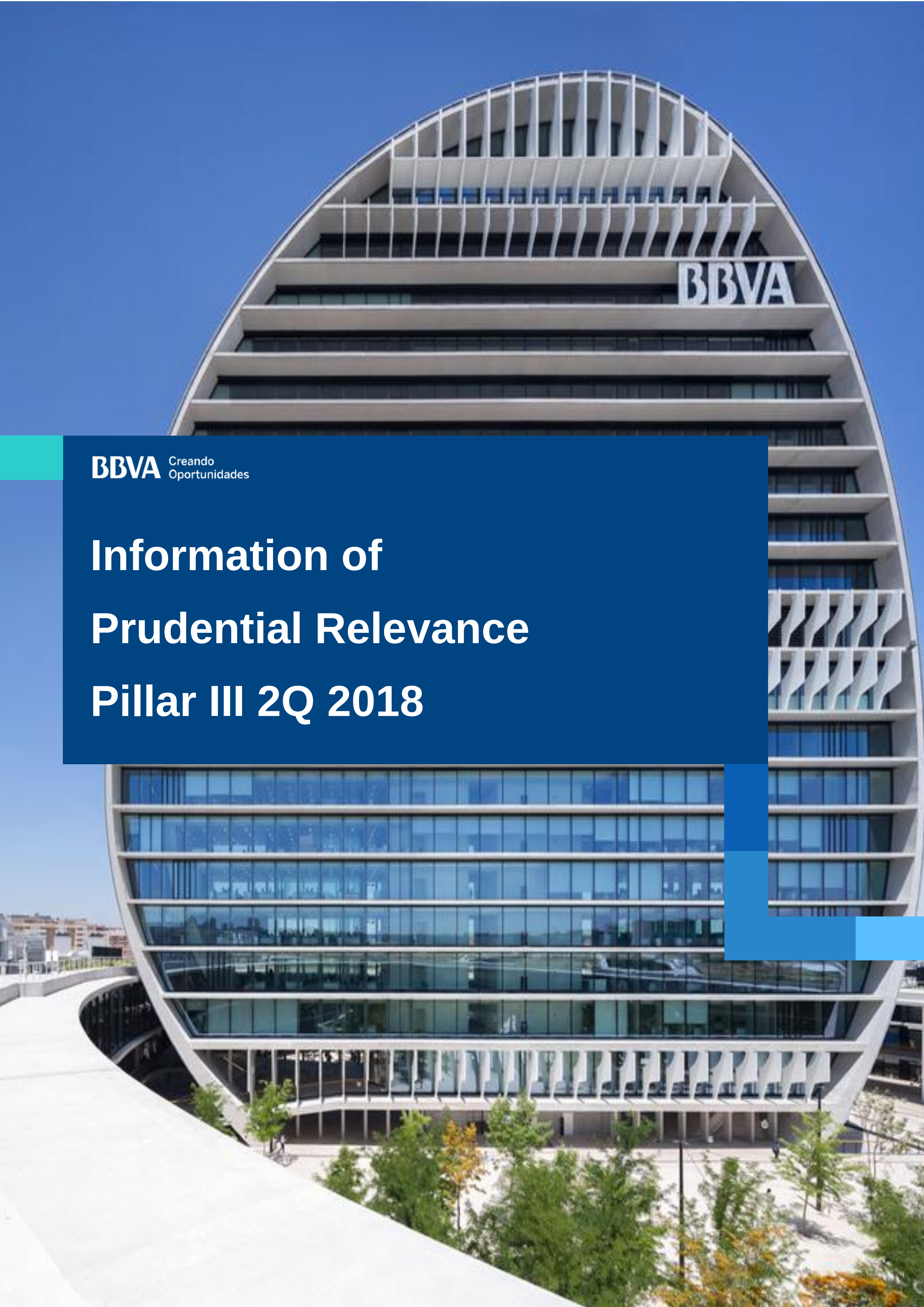

BBVA Creando Oportunidades

Information of Prudential Relevance Pillar III 2Q 2018

The English language version of this report is a free translation from the original, which was prepared in Spanish. All possible care has been taken, to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in Spanish take precedence over the translation.

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Glossary

ACRONYM	DESCRIPTION
RWAs (Risk-Weighted Assets)	Risk Exposure of the entity weighted by a percentage obtained by the applicable regulation (Standard Method) or internal models
AT1 (Additional Tier 1)	Additional Tier 1 capital consists of hybrid instruments, basically CoCos and preferred securities
Basel III	Set of proposals for reforming banking regulation, published starting December 16, 2010 and to be implemented in a phased approach
BCBS (Basel Committee on Banking Supervision)	An international forum for cooperation in banking supervision, whose mission is to enhance the quality of banking supervision at global level
BIS (Bank for International Settlements)	An independent international organization that promotes international financial and monetary cooperation and acts as a bank for central banks.
CCF (Credit Conversion Factor)	The ratio between the actual amount available for a commitment that could be used, and therefore, would be outstanding at the time of default, and the actual amount available for the commitment.
CET 1 (Common Equity Tier 1)	The entity's highest-quality capital (refer to section 2.1)
CRM (Credit Risk Mitigation)	A technique used to reduce the credit risk associated with one or more of the entity's current exposures
CRR / CRD IV	Solvency Regulation on prudential requirements of credit institutions and investment firms (Regulation EU 575/2013)
CVA (Credit Valuation Adjustment)	Value adjustments for counterparty credit risk
D-SIB (Domestic Systemically Important Bank)	Other systemically important institutions (O-SIIs)
EAD (Exposure at default)	Maximum loss at the counterparty's time of default
EBA (European Banking Authority)	Independent institution responsible for promoting the stability of the financial system, the transparency of markets and financial products, and protecting depositors and investors.
OE (Original Exposure)	The gross amount the entity may lose if the counterparty does not comply with its contractual payment obligations, not taking into account the effect of guarantees or improvements in credit or mitigate credit risk mitigation operations.
FSB (Financial Stability Board)	An international body that aims to increase the efficiency and stability of the international financial sector, supervising it and making recommendations.
G-SIBs (Global Systemically Important Banks)	Financial institutions that due to their large size, importance in the market and connection to each other, could trigger a serious crisis in the international financial system if they face economic problems.
IAA (Internal Assessment Approach)	Method of internal assessment used for the calculation of securitisation exposures in the investment portfolio
IFRS 9	International Financial Reporting Standards 9
IMA (Internal Model Approach)	Approach that uses internal models to calculate the exposure originated by market risk
IMM (Internal Model Method)	Internal model method used to calculate exposure originated by counterparty risk
IRB (Internal Rating-Based Approach)	Internal model method used to calculate exposure originated by credit risk. This method may be broken down into two types: FIRB (Foundation IRB) and AIRB (Advanced IRB)
IRC (Incremental Risk Capital)	Charge applied to the exposure by market risk calculated using the internal method that quantifies the risk not captured by the VaR model, specifically in migration and default events
LCR (Liquidity Coverage Ratio)	The objective is to ensure the resistance of the entities before a liquidity stress scenario within a period of 30 days.
LGD (Loss Given Default)	Loss in the event of default

ACRONYM	DESCRIPTION
LR (Leverage Ratio)	Measurement that indicates the level of debt related to the assets of an entity. It is calculated as Tier1 divided by total exposure.
MREL (Minimum Required Eligible Liabilities)	Minimum requirement for own funds and eligible liabilities
PD (Probability of Default)	Probability that a counterparty will default during a one-year period
EL (Expected Loss)	Ratio between the amount that is expected to be lost in an exposure, due to potential default by a counterparty or dilution over a one-year period, and the amount outstanding at the time of default
Credit Risk	This is a risk arising from the possibility that one party to a financial instrument contract will fail to meet its contractual obligations for reasons of insolvency or inability to pay, and cause a financial loss for the other party
Counterparty Credit Risk	The credit risk corresponding to derivative instruments, repurchase and resale transactions, securities or commodities lending or borrowing transactions and deferred settlement transactions.
Market Risk	This is a risk due to the possibility that there may be losses in the value of positions held due to movements in the market variables that affect the valuation of financial products and assets in trading activity.
Liquidity Risk	The risk of an entity finding it difficult to meet its payment commitments fully and in due time; or when to meet them it has to resort to finance under burdensome terms which may harm the bank's image or reputation
Structural Risk	This risk is subdivided into structural interest-rate risk (movements in interest rates that cause alterations in an entity's net interest income and book value); and structural exchange-rate risk (exposure to variations in exchange rates originating in BBVA Group's foreign companies and in the provision of funds to foreign branches financed in a different currency to that of the investment).
Operational Risk (OR)	The risk of losses caused by human errors, inadequate or faulty internal processes, system failures or external events, including external fraud, natural disasters, and faulty service provided by third parties. BBVA includes legal risk in this definition, but excludes strategic and/or business risk and reputational risk.
RW (Risk Weight)	Level of risk applied to exposures (%)
SFTs	Securities financing transactions
SREP	Supervisory Review and Evaluation Process
TIER I (First-Level Capital)	Capital made up of instruments that can absorb losses when the entity is in operation. It is composed of CET1 and AT1
TIER II (Second-Level Capital)	Additional capital formed by instruments, subordinated debt, revaluation reserves and hybrid instruments, which will absorb losses when the entity is not a going concern.
TLAC (Total Loss Absorbing Capacity)	Total loss absorption capacity: A regulatory framework approved by the FSB with the aim of guaranteeing that G-SIBs hold a minimum level of instruments and liabilities to ensure that the essential functions of the entity may be may maintained in the resolution procedures and immediately afterward, without endangering taxpayers' funds or financial stability.
VaR (Value at Risk)	The measurement model that forecasts the maximum loss that can be incurred by the entity's trading portfolios stemming from market price fluctuations in a specific time horizon and at a specific level of confidence.

1.Introduction

1.1. Executive Summary

BBVA Group locate his CET 1 fully-loaded ratio in a 10.8% by the end of June 2018 and achieving a leverage ratio of 6.3% (fully-loaded) that keeps comparing in a positive way with the rest of its Peer Group.

1.2. Regulatory Environment

Legal Context

As a Spanish credit institution, BBVA is subject to Directive 2013/36/EU of the European Parliament and of the Council dated June 26 2013, and its transposition to the national law, on access to the activity of credit institutions and investment firms ("Directive CRD IV") amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC by means of which the EU began, as of January 1 2014, to implement the capital reforms agreed within the framework of Basel III, thus establishing a period of gradual implementation for certain requirements until January 1 2019.

The major regulation governing the solvency of credit institutions is Regulation (EU) No 575/2013 of the European Parliament and of the Council dated June 26 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) No 648/2012 ("CRR" and, jointly with Directive CRD IV and any other CRD IV implementation measure, "CRD IV"), which is complemented by several binding Regulatory Technical Standards that apply directly to EU member states, there being no need to implement national measures.

Directive CRD IV was transposed to Spanish national law by means of Royal Decree-Law 14/2013 dated November 29 ("RD-L 14/2013"), Law 10/2014 dated June 26, Royal Decree 84/2015 dated February 13 ("RD 84/2015"), Bank of Spain Circular 2/2014 dated January 31 and Circular 2/2016 dated February 2 ("Bank of Spain Circular 2/2016").

Regulatory changes

<u>Reform of BIS III:</u> In order to strike a balance between risk sensitivity, simplicity and comparability, the Basel Committee has reformed the Basel III framework. The main amendments are focused on internal models, the standard credit risk method, the market risk framework, operational risk and capital floors in the advanced measurement approach based on the standardised approach. The reform has been approved by the Basel Committee meeting on December 8, 2017, with an implementation date of January 1, 2022. In the case of capital floors, its introduction is gradual over a period of 5 years, from a floor of 50% on January 1, 2022 to 72.5% on January 1, 2027. The Committee has also introduced an additional leverage ratio for global systemically important banks (G-SIBs).

<u>Reforms and disposals of EC:</u> In Europe, on November 23, 2016 the European Commission published a new reform package amending both the prudential banking regime (CRR IV) and the resolution regime (Bank Recovery and Resolution Directive, BRRD). This revision includes the implementation of international standards into European legislation (regulation later than 2010 adopted by the Basel Committee and the total loss absorbing capacity (TLAC), the final design of the Minimum Requirement for own funds and Eligible Liabilities (MREL) along with a package of technical improvements. At the same time, a proposal has also been put forward to harmonise the hierarchy of senior debt creditors within the European Union. Publication of this proposal is only the first step in the European legislative process. As of today discussions continue within the European Council and Parliament with the aim of reaching an agreement on the texts that will be the subject of negotiation between the European Commission, the European Council and the European Parliament. However, on December 27, 2017 the Official Journal of the European

Union (OJEU) published the agreement reached by the fast-track procedure relating to the following three aspects of the reform:

- A transitional period of 5 years (2018-2022) during which the banks will be allowed to mitigate partially the negative impact of the increased provisions under the new IFRS 9 accounting standard on their CET1 capital.

- An additional period of three years (2018-2020) during which exposure with respect to central governments or central banks of the Member States denominated and financed in a currency of another Member State remains exempt from calculation at the limit on large risks.

- Creation of a new category of subordinated senior debt in the hierarchy of bank creditors that will be eligible for the purposes of TLAC.

Reform of securitisation framework: Regarding securitisations, the European Commission published a proposal in 2015 designed to facilitate the development of a securitisation market in Europe. The package consisted of two draft Regulations:

- Securitisation Regulation: Combines the rules applicable to all the securitisations including high-quality securitisation (simple, transparent and standardised (STS) securitisation), which is now dispersed across several legal provisions. This rationalises and simplifies the existing rules and establishes a general system for defining STS securitisation.

- Text modifying the CRR with regard to the capital requirements for securitisation positions. Gives a more risk-sensitive treatment to STS securitisations.

These two regulations were published in the OJEU on December 28, 2017, and are applicable starting January 1, 2019 for securitisations that have been issued after this date. For securitisations realised before January 2019, entities will apply the actual system since December 31, 2019.

Management and framework of NPL: On July 2017, the European Council published a series of actions to target Non Performing Loans (NPL) in Europe. In this regard, the European Central Bank (ECB) has established supervisory expectations for prudential provisions for NPL. The application date is before SREP (Supervisory Review and Examination Process) exercise of 2021. At the same time, the EC is working on a regulatory proposal to modify the CRR regulation in terms of minimum coverage of non-performing loans. As regard transparency, the European Banking Authority (EBA) has published guidelines about the disclosure of NPL information that are expected to be applicable on December 31 2019.

Changes on Pilar III disclosure framework: At the same time, the Basel Pillar III framework is being revised by the Basel Committee on Banking Supervision (BCBS), which has divided the process into three phases.

The disclosure requirements derived from the first phase of the review were published in January 2015, replacing the disclosure requirements published in 2014 (modified in July 2009).

Subsequently in a second phase, the BCBS reviewed the disclosure requirements included in all the Basel rules currently in force and consolidated in the Pillar III framework in the document "Pillar 3 Disclosure Requirements - Consolidated and Enhanced Framework," which was published in March 2017. This consolidated and enhanced framework includes the following elements:

- Consolidation of all the BCBS disclosure requirements current in Pillar 3.

- Two improvements in the Pillar 3 framework: a dashboard with the key prudential metrics for a bank and a new disclosure requirement for prudent valuation adjustments.

- Reviews and additions to the Pillar 3 rule derived from the reform underway of the regulatory policy framework: disclosure requirements relating to the system of total loss absorption capacity (TLAC) for G-SIB and revised market risk disclosure requirements.

In February 2018, the BCBS has published a consultation on the third phase of the revision of the Pillar III framework, which includes, among others, new information disclosure requirements derived from the conclusion of the Basel III reforms.

This consultation ends on May 25, 2018. The disclosure requirements for the first phase of the review of Pillar 3 entered into force in December 2016, while the disclosure requirements for the second phase have different implementation dates, with the first phase coinciding with the close of 2017.

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

Additional disposals of IFRS9: Regarding the new IFRS9 accounting standards that came into force in January 2018, and in accordance with the standards listed in the Regulation (EU) 2017/2395 (which details article 473a of Regulation (EU) No. 575/2013), BBVA has decided to apply the transitional arrangements which allow the mitigation of the impact that the introduction of IFRS9 may have on the equity. During this transitional period, information will be reported with and without the impact of transitional arrangements for IFRS9 or analogous ECLs. On this regard, EBA has published guidelines specifying the uniform format to be used for the disclosure of the information required during the transitional period (EBA/GL/2018/01). The Executive Committee of Bank of Spain adopted these guidelines in February 2018.

In this report, the phased-in capital ratios in June 2018 are taking into account the transitional arrangement for IFRS9, while fully loaded capital ratios incorporate the full impact of this new accounting regulation.

Regulatory Capital Requirements

The new regulations require institutions to have a higher and better quality capital level, increase capital deductions and review the requirements associated with certain assets. Unlike the previous framework, the minimum capital requirements are complemented with requirements for capital buffers and others relating to liquidity and leverage. Own funds under CRD IV mainly comprise of the elements described in section 3.1 of this document.

The main features of the elements making up the capital requirements and risk-weighted assets are detailed in greater depth in section 4.2 herein.

In this regard, article 92 of CRR establishes that credit institutions must maintain at all times, at both individual and consolidated level, a total capital ratio of 8% of their risk-weighted assets (commonly referred to as the Pillar 1 requirement). At least 6% of the total capital ratio must comprise Tier 1 capital, of which 4.5% must in any case comprise Common Equity Tier 1 (CET1), and the remaining 2% may be completed with Tier 2 capital instruments.

Notwithstanding the application of the Pillar 1 requirement, CRD IV contemplates the possibility that competent authorities may require that credit institutions maintain more shareholders' equity than the requirements set out in the Pillar 1 requirements to cover risks other than those already covered by the Pillar 1 requirement (this power of the competent authority is commonly known as Pillar 2).

Furthermore, in accordance with CRD IV, credit institutions must comply with the "combined requirement of capital buffers" as of 2016. The "combined requirement of capital buffers" has incorporated five new capital buffers: (i) the capital conservation buffer, (ii) the buffer for global systemically important banks (the "G-SIB buffer"), (iii) the countercyclical capital buffer peculiar to each bank, (iv) the buffer for other systemically important financial institutions (the "D-SIB buffer") and (v) the buffer against systemic risks. The "combined requirement of capital buffers" must be met with Common Equity Tier 1 capital (CET1) in addition to that which is provided to meet the minimum capital required by "Pillar 1" and "Pillar 2".

Both the capital conservation buffer as well as the EISM buffer (where appropriate) will apply to credit institutions subsequently, as it establishes a percentage over 0%.

The buffer for global systemically important banks applies to those institutions on the list of global systemically important banks (G-SIBs), which is updated annually by the Financial Stability Board (FSB). Given that BBVA was excluded from the list of global systemically important financial institutions in 2017, as of January 1, 2018, the G-SIB buffer did not apply to BBVA in 2017 (notwithstanding the possibility that the FSB or the supervisor may in the future include BBVA on that list). BBVA does not appear on the list in 2018, as of January 1, 2019, because of that the buffer will not apply to BBVA in 2019.

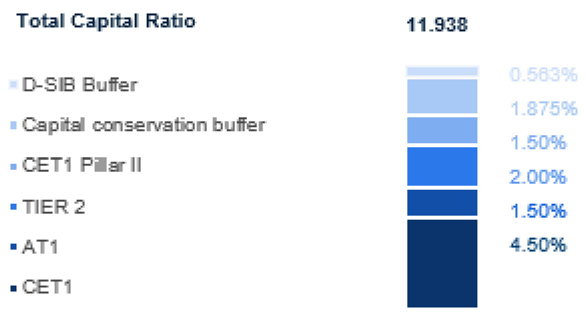
The Bank of Spain has extensive discretionary powers as regards the countercyclical capital buffer peculiar to each bank, the buffer for other systemically important financial institutions (which are those institutions considered to be systemically important local financial institutions D-SIB) and the buffer against systemic risks (to prevent or avoid systemic or macro prudential risks). The European Central Bank (ECB) can issue recommendations in this respect pursuant to the entry into force on November 4, 2014, of the Single Supervisory Mechanism (SSM).

In December 2015, the Bank of Spain agreed to set the countercyclical capital buffer that applies to credit exposures in Spain at 0% as of January 1, 2016. These percentages will be reviewed quarterly, as the Bank of Spain has decided in March 2018 to keep the countercyclical capital buffer at 0% for the third quarter of 2018.

As a result of the most recent SREP carried out by the European Central Bank (ECB), we have been informed by the ECB that, effective from January 1, 2018, we are required to maintain (i) a CET1 phased-in capital ratio of 8.438% (on a consolidated basis) and 7.875% (on an individual basis); and (ii) a phased-in total capital ratio of 11.938% (on a consolidated basis) and 11.375% (on an individual basis).

This phased-in total capital ratio of 11.938% on a consolidated basis includes (i) the minimum CET1 capital ratio required under "Pillar 1" (4.5%); (ii) the "Pillar 1" Additional Tier 1 capital requirement (1.5%); (iii) the "Pillar 1" Tier 2 capital requirement (2%); (iv) the additional CET1 capital requirement under "Pillar 2" (1.5%); (v) the capital conservation buffer (1.875% CET1); and (vi) the D-SIB buffer (0.563% CET1).

Chart 1. Capital Requirements



As of June 30, 2018, BBVA maintains at a consolidated level a fully loaded CET 1 and total ratio of 10.8% and 15.1%, respectively, (in phased-in terms, CET1 and total ratio of 11.1% and 15.4%, respectively), strengthening the Group's capital position.

The following chart presents the distribution by geographic areas of the credit exposure for calculation of the countercyclical capital buffer:

Table 1. Geographical breakdown of relevant credit exposures for the calculation of the countercyclical capital buffer

06/30/2018 (Million Euros)	General credit exposures (1)		Trading book exposure		Securitisation exposure		Own funds requirements					
	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Trading book exposure value for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Own funds requirements weights	Countercyclical capital buffer rate
Geographical breakdown												
Slovakia	1	153	-	-	-	-	8	-	-	8	0,04%	0,50%
Hong Kong	7	1.477	-	-	-	-	30	-	-	30	0,14%	1,88%
Ireland	0	0	-	-	-	-	0	-	-	0	0,00%	1,25%
Norway	20	17	-	5	-	-	1	0	-	1	0,00%	2,00%
United Kingdom	1.486	3.876	0	118	-	-	211	4	-	215	1,01%	0,50%
Sweden	39	90	-	0	-	-	6	1	-	7	0,03%	2,00%
Total countries with countercyclical capital buffer stablished	**1.552**	**5.614**	**0**	**123**	**-**	**-**	**256**	**4**	**-**	**261**	**1,23%**	
Argentina	5.629	228	1.288	3	-	-	378	8	-	386	1,82%	-
Chile	16.071	482	26.697	-	-	-	947	1	-	948	4,48%	-
Colombia	12.851	526	25.036	-	-	-	789	7	-	796	3,76%	-
Spain	24.757	144.299	33	50	0	5.222	5.290	5	102	5.398	25,51%	-
USA	58.378	8.192	7.316	19	4.366	-	4.244	9	72	4.325	20,44%	-
France	568	4.635	0	46	-	-	211	3	-	215	1,01%	-
Mexico	37.127	26.414	83	292	56	-	3.150	30	2	3.182	15,04%	-
Peru	15.518	685	2.548	-	-	-	910	2	-	913	4,31%	-
Portugal	4.694	1.394	38	9	-	-	267	2	-	269	1,27%	-
Turkey	48.700	587	17.045	0	-	-	3.108	2	-	3.110	14,70%	-
Total countries without countercyclical capital buffer but with own funds requirements greater than 1%	**224.293**	**187.442**	**80.084**	**420**	**4.423**	**5.222**	**19.295**	**69**	**177**	**19.541**	**92,35%**	
Other areas	9.040	19.446	153	218	-	0	1.352	8	-	1.360	6,42%	
Total countries without countercyclical capital buffer but with own funds requirements less than 1%	**9.040**	**19.446**	**153**	**218**	**-**	**0**	**1.352**	**8**	**-**	**1.360**	**6,42%**	**-**
Total	**234.885**	**212.502**	**80.236**	**760**	**4.423**	**5.222**	**20.903**	**82**	**177**	**21.162**	**100,01%**	

(1) Credit exposures exclude exposures to Central Governments or Central Banks, Regional Governments or Local Authorities, Public sector entities, Multilateral Development Banks, International Organizations and Institutions in accordance with art. 140.4 of Directive 2013/36/EU

	Importe
Total risk exposure amount	356.887
Institution specific countercyclical buffer rate (2)	0,007%
Institution specific countercyclical buffer requirement	23

(2) Countercyclical capital buffer calculated as of December 2017 in accordance with Commission Delegated Regulation (EU) 2015/1555

Leverage Ratio

In order to provide the financial system with a metric that serves as a backstop to capital levels, irrespective of the credit risk, a measure complementing all the other capital indicators has been incorporated into Basel III and transposed to the solvency regulations. This measure, the leverage ratio, can be used to estimate the percentage of the assets financed with Tier 1 capital.

Although the carrying amount of the assets used in this ratio is adjusted to reflect the bank's current or potential leverage with a given balance sheet position, the leverage ratio is intended to be an objective measure that may be reconciled with the financial statements.

As of June 30, 2018, BBVA Group had a Leverage Ratio of 6.3% (fully loaded), above the target set at 3%, and continuing to compare very favorably with the rest of its Peer Group.

2. Company name and differences in the consolidated group for the purposes of the solvency regulations and the accounting criteria

2.1. Corporate name and scope of application

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 consultation at its registered address (Plaza San Nicolás, 4, Bilbao) and on its corporate website (www.bbva.com).

The Solvency Regulations are applicable at the consolidated level for the whole Group.

2.2. Differences in the consolidable group for the purposes of the solvency regulations and accounting criteria

Based on accounting criteria, companies are considered to be part of a consolidated group when the controlling institution holds or can hold, directly or indirectly, control of them. An institution is understood to control another entity when it is exposed, or is entitled to variable returns because of its involvement in the investee and has t3he capacity to influence those returns through the power it exercises on the investee. For such control to exist, the following aspects must be fulfilled:

a) Power: an investor has power over an investee when it has current rights that provide it with the capacity to direct its relevant activities, i.e. those that significantly affect the returns of the investee.

b) Returns: an investor is exposed, or is entitled to variable returns because of its involvement in the investee when the returns obtained by the investor for such involvement may vary based on the economic performance of the investee. Investor returns may be positive only, negative only or both positive and negative.

c) Relationship between power and returns: An investor has control over an investee if the investor not only has power over the investee and is exposed, or is entitled to variable returns for its involvement in the investee, but also has the capacity to use its power to influence the returns it obtains due to its involvement in the investee.

Therefore, in drawing up the Group’s Intermediate Consolidated Financial Statements, all dependent companies and consolidated structured entities have been consolidated by applying the full consolidation method.

Associates as well as joint ventures (those over which joint control arrangements are in place), are valued using the equity method.

For purposes of the solvency regulation, the consolidated group comprises the following subsidiaries:

- Credit institutions.
- Investment services companies.
- Open-end funds.
- Companies managing mutual funds, together with companies managing pension funds, whose sole purpose is the administration and management of the aforementioned funds.
- Companies managing mortgage securitisation funds and asset securitisation funds.
- Venture capital companies and venture capital funds managers.
- Institutions whose main activity is holding shares or investments, unless they are mixed-portfolio financial corporations supervised at the financial conglomerate level.

Likewise, the special-purpose entities whose main activity implies an extension of the business of any of the institutions included in the consolidation, or includes the rendering of back-office services to these, will also be part of the consolidated group.

However, insurance entities and some service firms are not part of consolidated groups of credit institutions.

Therefore, for the purposes of solvency requirements, and hence the drawing up of this Prudential Relevant Report, the scope of consolidated entities is different from the scope defined for the purposes of drawing up the Group's Consolidated Financial Statements. The effect of the difference between the two regulations is basically due to:

- The difference between the balance contributed by entities (largely insurance, real-estate and non-financial companies) that are consolidated in the Group's Annual Consolidated Financial Statements by the full consolidation method and consolidated for the purposes of solvency by applying the equity method. The details of these companies are available in Annexes of the file Pillar III June 2018 Annexes, available in the section for Shareholders and Investors/Financial Information on the Group's website; the balance is mainly composed of the companies BBVA Seguros, Seguros BBVA Bancomer and Pensiones BBVA Bancomer.
- The entry of the balance from institutions (mainly financial) that are not consolidated at the accounting level but for purposes of solvency (by the proportional consolidation method), mainly Altura Markets. The details of these companies are available in the file Pillar III June 2018 Annexes, available on the Group's website.

2.3. Reconciliation of the Public Balance Sheet from the accounting perimeter to the regulatory perimeter

This section includes an exercise in transparency aimed at offering a clear view of the process of reconciliation between the account balances reported in the Public Balance Sheet (attached to the Group's Annual Consolidated Financial Statements) and the account balances as per this report (regulatory scope), revealing the main differences between both scopes.

Table 2. Reconciliation of the Public Balance Sheet from the accounting perimeter to the regulatory perimeter

06/30/18 (Million Euros)

Public Balance Sheet Headings	Public Balance Sheet	Insurance companies and real-estate finance companies (1)	Jointly-controlled entities and other adjustments (2)	Regulatory balance sheet
Cash and balances with central banks and other demand deposits	37,279	-	88	37,367
Financial assets held for trading	91,018	2,489	1	93,508
Other financial assets designated at fair value through profit or loss	4,377	(2,482)	-	1,895
Available for sale financial assets	1,487	(1,327)	-	160
Loans and receivables	63,212	(14,665)	-	48,547
Held-to-maturity investments	426,349	(6,210)	586	420,725
Hedging derivatives	3,035	(84)	-	2,951
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(39)	-	-	(39)
Investments in entities accounted for using the equity method	1,470	2,756	(79)	4,147
Non-current assets held for sale	23,604	(219)	2	23,387
Other assets	37,840	920	2	38,762
Total Assets	**689,632**	**(18,822)**	**600**	**671,410**

(1) Balances corresponding to the companies not consolidated for solvency purposes, but for accounting purposes

(2) Other adjustments correspond to other intra-group removals and other homogenization adjustments

3. Information of eligible capital resources and transitional arrangements for IFRS9

3.1. Characteristics of eligible capital resources

The following are considered for the purpose of calculating the minimum capital requirements under the solvency regulations: the elements and instruments corresponding to Tier 1 capital, which is defined as the sum of Common Equity Tier 1 capital (CET1) and additional Tier 1 capital (AT1), as defined in Part Two, Title I, Chapters I to III of the CRR, as well as their corresponding deductions, in accordance with articles 36 and 56, respectively.

Also considered are the elements of Tier 2 capital defined in Part Two of Chapter IV, section I of the CRR. The deductions defined as such in section II of the same Chapter are also considered.

In line with the stipulations of the solvency regulation, the level of Common Equity Tier 1 capital essentially comprises the following elements:

a) Capital and share premium: this includes the elements described in article 26, section 1, articles 27, 28 and 29 of the CRR and the EBA list referred to in article 26 section 3 of the CRR.

b) Retained earnings: in accordance with article 26.1 (c), the gains that may use immediately and with no restriction to hedge any risks and losses are included (mainly reserves, including the reserves of the consolidated companies).

c) Other accumulated earnings (and other reserves): Under this heading will be classified mainly the reserves of consolidated companies, and (including the associated exchange-rate differences) the valuation adjustments associated with the available-for-sale portfolio.

d) Minority interests: includes the sum of the ordinary Level 1 capital instruments of a subsidiary that arise in the process of its global consolidation and are attributable to natural or legal third persons.

e) Temporary benefits: included is the net income referring to the perimeter of credit institutions, deducting the amount corresponding to interim and final dividend payments, as set out in article 26, section 2 of the CRR. Also included is the balance of the equity account listing remuneration from equity instruments.

Capital is moreover adjusted mainly through the following deductions:

f) Additional value adjustments: The adjustments originated by the prudent valuation of the positions at fair value are included, as set out in article 105 of the CRR.

g) Intangible assets: these are included net of the corresponding tax liabilities, as set out in article 36, section 1, letter b) and article 37 of the CRR. It mainly includes goodwill, software and other intangible assets.

h) Deferred tax assets: These are understood to be assets for deferred taxes that depend on future returns, excluding those deriving from temporary differences (net of the corresponding tax liabilities when the conditions established in article 38.3 of the CRR are met), as per article 36.1 c) and article 38 of the CRR, mainly loss carryforwards (LCFs).

i) Fair value reserves related to gains or losses on cash flow hedges: Includes value adjustments of cash flow hedging of financial instruments not valued at fair value, including expected cash flows in accordance with article 33 a) of the CRR.

j) Expected losses in equity: The losses arising from the calculation of risk-weighted exposures through the method based on internal ratings are included, as set out in article 36.1 b) of the CRR.

k) Profit or losses on liabilities measured at fair value: These are derived from the entity's credit risk itself, in accordance with article 33 b) of the CRR.

l) Direct and indirect holdings of own instruments (treasury stock): includes the shares and other securities booked as own funds that are held by any of the Group's consolidated entities, together with those held by non-consolidated entities belonging to the economic Group, as set out in article 33. 1 f) and article 42 of the CRR. It mainly includes finance for own shares, synthetic treasury stock and own securities.

m) Securitisation: securitisations that receive a risk weighting of 1.250% are included, as set out in article 36.1 k) ii) of the CRR.

n) Transitional Common Equity Tier 1 capital: Considered as such are unrealised fair value gains and losses, in accordance with articles 467 and 468 of the CRR, as well as all the fair value gains and losses arising from the institution's own credit risk related to derivative liabilities (DVA) under article 33 c).

o) Admissible CET1 deductions: this includes the deductions that exceed the additional Tier 1 capital, as described in article 36.1 b) of the CRR.

The application of some of the above deductions (mainly intangible assets and LCFs) shall be carried out gradually over a transition period of 5 years starting in 2014 (phased in), as set out in the current regulation.

Other deductions that may be applicable are significant stakes in financial institutions and assets for deferred taxes arising from temporary differences that exceed the 10% limit of the CET1, and the deduction for exceeding the overall 17.65% limit of the CET1 according to article 48.2 of the CRR.

In addition, the Group includes as total eligible capital the additional Tier 1 capital instruments defined in article 51, 85 and 484 of the CRR, including the corresponding adjustments, in accordance with article 472 of the CRR:

p) Equity instruments and issue premiums classified as liabilities: This heading includes the perpetual contingent convertible securities that meet the conditions set out in article 51 and 52.1 of the CRR.

q) Items referred to in article 484 (4) of the CRR: This section includes the preferred securities issued by the Group.

r) Qualifying Tier 1 capital included in the consolidated additional capital issued by affiliates and held by third parties: Included as additional consolidated Tier 1 capital is the amount of Tier 1 capital from the subsidiaries, calculated in accordance with article 85 of the CRR and applying the phased-in percentages corresponding transitional period established by article 480 of the CRR.

s) Temporary adjustments of additional Tier 1 capital: This includes the adjustments considered in article 472 of the CRR as measures established for gradual adoption of the new capital ratios.

Finally, the entity also includes Tier 2 as eligible capital. Combined with what is indicated in Article 87 of the CRR, it is made up of the following elements:

t) Equity instruments and Tier 2 share premiums: Understood as the funding that, for credit seniority purposes, comes behind all the common creditors. The issues, moreover, have to fulfill a number of conditions, which are laid out in article 63 of the CRR.

u) Amounts of the eligible elements, under article 484: Tier 2 capital includes the subordinated debt received by the Group that does not meet the conditions set out in article 63 of the CRR, but is acceptable in the transitional regulatory capital under article 484 of the CRR.

v) Admissible shareholders funds instruments included in consolidated Tier 2 issued by subsidiaries and held by third parties: these instruments are included under articles 87 and 88 of the CRR, by applying the phased-in percentages corresponding to the transitional period established by article 480 of the CRR.

w) Credit risk adjustments: A calculation is made of the surplus resulting between the allowances for impairment losses on assets and provisions for risks related to exposures calculated as per the IRB Approach on the losses they are expected to incur, for the part that is below 0.6% of the risk-weighted exposures calculated according to this method.

The Annex available on the Group's website presents the Group's issues of perpetual contingent convertible securities and issues of preference shares, which as explained above, are part of additional Tier 1 capital.

This Annex also details the Group's issues of subordinated debt as of June 30, 2018, calculated as Tier 2 capital.

3.2. Amount of capital

The table below shows the amount of total eligible capital, net of deductions, for the different items making un the capital base as of June 30, 2018 and 31, December, 2017, in accordance with the disclosure requirements for information relating to temporary capital set by Implementing Regulation (EU) No. 1423/2013 of the Commission dated December, 20, 2013:

Table 3. Amount of capital

Eligible capital resources	06/30/2018	12/31/2017
a) Capital and share premium	27,259	27,259
b) Retained earnings	26,926	25,511
c) Other accumulated earnings (and reserves)	(9,803)	(8,717)
d) Minority interests	4,565	5,446
e) Net attrib. profit and interim and final Group dividends	1,375	1,436
Ordinary Tier 1 Capital before other regulatory adjustments	**50,322**	**50,935**
f) Additional value adjustments	(406)	(332)
g) Intangible assets	(8,255)	(6,627)
h) Deferred tax assets	(1,174)	(755)
i) Fair value reserves related to gains or losses on cash flow hedges	(286)	(193)
j) Expected losses in equity	(18)	(20)
k) Profit or losses on liabilities measured at fair value	-	-
l) Direct and indirect holdings of own instruments	(407)	(278)
m) Securitisations tranches at 1250%	(35)	(39)
n) Temporary CET1 adjustments	(149)	(324)
o) Admisible CET1 deductions	(42)	(26)
Total Common Equity Tier 1 regulatory adjustments	**(10,772)**	**(8,594)**
Common Equity Tier 1 (CET1)	**39,550**	**42,341**
p) Equity instruments and share premium classified as liabilities	5,358	5,751
q) Items referred in Article 484 (4) of the CRR	142	142
r) Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row d) issued by subsidiaries and held by third parties)	667	403
Additional Tier 1 before regulatory adjustments	**6,167**	**6,296**
s) Temporary adjustments Tier 1	-	(1,657)
Total regulatory adjustments of Additional Tier 1	**-**	**(1,657)**
Additional Tier 1 (AT1)	**6,167**	**4,639**
Tier 1 (Common Equity Tier 1+Additional Tier 1)	**45,717**	**46,980**
t) Equity instruments and share premium	1,765	1,759
u) Amount of the admissible items, pursuant to Article 484	-	-
v) Admissible shareholders' funds instruments included in consolidated Tier 2 issued by subsidiaries and held by third parties	6,890	6,438
-Of which: instruments issued by subsidiaries subject to ex-subsidiary stage	121	317
w) Credit risk adjustments	586	601
Tier 2 before regulatory adjustments	**9,241**	**8,798**
Tier 2 regulatory adjustments	**-**	**-**
Tier 2	**9,241**	**8,798**
Total Capital (Total capital = Tier 1 + Tier 2)	**54,958**	**55,778**
Total RWA's	**356,887**	**362,875**
CET 1 (Phased-In)	11.1%	11.7%
CET 1 (fully-loaded)	10.8%	11.0%
Tier 1 (Phased-In)	12.8%	12.9%
Tier 1 (fully-loaded)	12.5%	12.8%
Total Capital (Phased-In)	15.4%	15.4%
Total Capital (fully-loaded)	15.1%	15.1%

(*) As of June, 30, 2018, the main difference between phased-in ratio and fully-loaded ratio is based in the transitory treatment of the IFRS9 Impact, to whom BBVA Grup has adhered voluntarily (in accordance with Article 473 bis CRR)

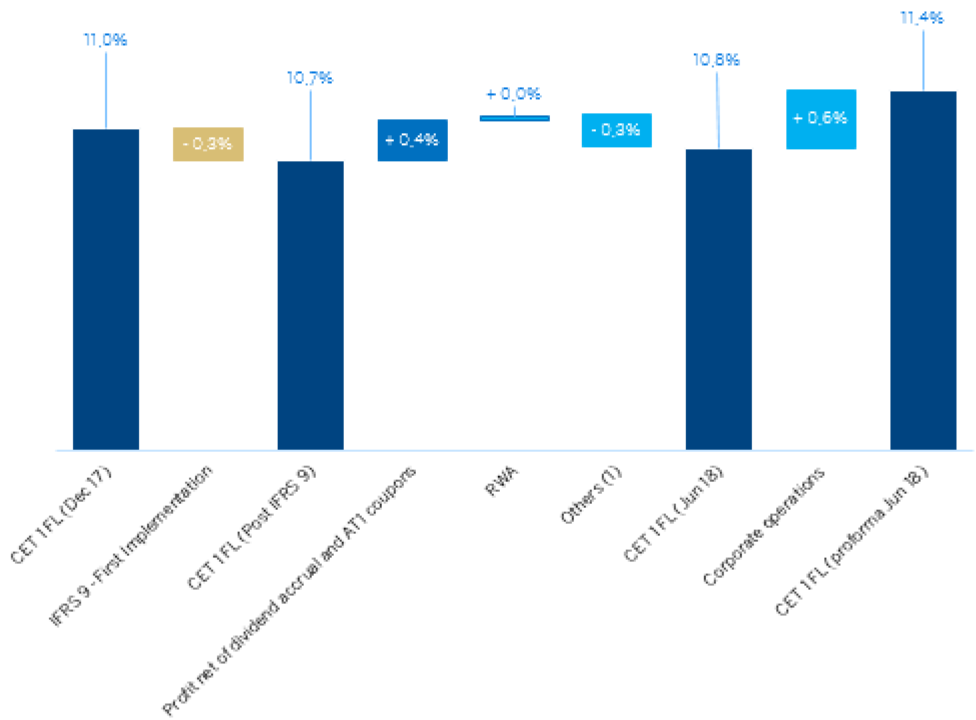
As of June 30, 2018, the phased-in Common Equity Tier 1 (CET1) stood at 11.1%, phased-in Tier 1 at 12.8% and phased-in Tier 2 at 2.6%. These capital ratios are above the requirements established by the ECB in its SREP letter and the systemic buffers applicable in 2018 for BBVA Group 8.438% for the phased-in CET1 ratio and 11.938% for the total capital ratio).

In terms of phased-in CET1, it shows a decrease of 59 basis points compared to December 2017, which was mainly attributable to the phase-in calendar concerning minority interests and deductions, which increased to 100% in 2018 from 80% in 2017; and the negative market situation during the second quarter of 2018. These effects were partially offset by the organic generation of capital because of the increased profit, net of dividends paid and remunerations. This phased-in CET1 ratio also includes the impact of the initial implementation of IFRS9. In this context, the European Commission and Parliament have established temporary arrangements that are voluntary for the institutions, adapting the impact of IFRS9 on capital ratios. BBVA has informed the supervisory board its adherence to these arrangements.

Regarding the issuance of capital, at the Tier 1 level the Group computed its US$ 1 billion AT1 capital issuance carried out in November 2017. However, the AT1 US$1.5 billion issuance of May 2013 was early cancelled, as announced to the market. At the Tier 2 level, BBVA S.A. closed a private placement of US$300m at 5.25% with a 15-year maturity, while BBVA Bancomer issued US$1 billion, which has been approved in the second quarter, as well as the one issued by Garanti in May 2017 for US$750m. Moreover, the Group completed two public issuances of senior non-preferred debt, for a total of €2.5 billion, which will be used to meet MREL (minimum required eligible liabilities) requirements.

Considering BBVA's Multiple Point of Entry (MPE) resolution strategy, the Single Resolution Board (SRB) determined that BBVA must meet starting on January, 2020 a MREL requirement to 15.1% of the total liabilities and own funds of its European resolution group (BBVA S.A. and its subsidiaries, which belong to the same European resolution group), with figures as of December 31, 2016 (28% expressed in RWA terms). According to our estimates, the current own funds and eligible liabilities structure of the resolution group is in line with this MREL requirement.

Chart 2. Fully-loaded CET1 ratio over the semester



(1) Other effects mainly include market related impacts (mark to market of the AFS portfolios and FX impact), as well as the balance of eligible minority interests and regulatory deductions

Annex available on the Group's website shows the main features of the capital instruments with the aim of reflecting, with the level of detail required by regulations, the characteristics of an entity's capital instruments, in accordance with Implementing Regulation (EU) No. 1423/2013 of the Commission dated December 20, 2013.

3.3. Transitional arrangements for IFRS9

Following EBA guidelines (EBA/GL/2018/01), the table below shows a summary of the own resources, main capital ratio, leverage ratio in application of IFRS9 transitional arrangement and leverage ratio without IFRS9 transitional arrangement, as of June, 30, 2018 and 31, March, 2018:

Table 4. IFRS9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous Expected Credit Losses (ECL)

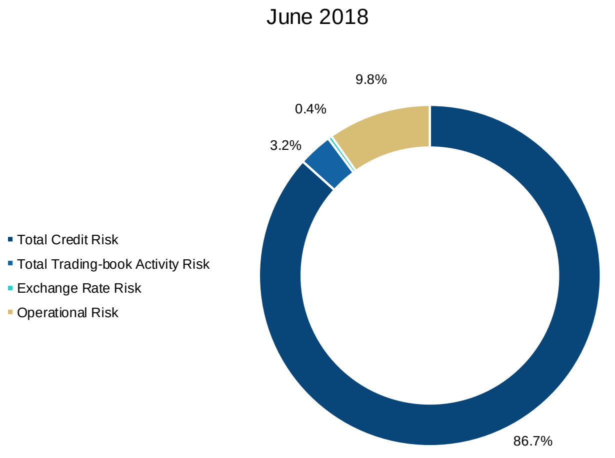
Million Euros	06/30/2018	03/31/2018
Own sources (amount)		
CET1 Capital	39,550	39,858
CET1 Capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	38,685	38,753
Level 1 Capital (T1)	45,717	45,987
Level 1 Capital (T1) as if IFRS 9 or analogous ECLs transitional arrangements had not been	44,852	44,882
Total Capital	54,958	54,384
Total Capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	54,094	53,276
Risk-weighted assets (amount)		
Total Risk-weighted assets	356,887	358,941
Total Risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	357,107	358,262
Capital ratio		
CET1 Capital (as a percentage of total exposure to risk)	11.1%	11.1%
CET1 Capital (as a percentage of total exposure to risk) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.8%	10.8%
Level 1 Capital (T1) (as a percentage of total exposure to risk)	12.8%	12.8%
Level 1 Capital (T1) (as a percentage of total exposure to risk) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.6%	12.5%
Total Capital (as a percentage of total exposure to risk)	15.4%	15.2%
Total Capital (as a percentage of total exposure to risk) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.1%	14.9%
Leverage Ratio		
Total exposure related to leverage ratio	711,046	707,638
Leverage Ratio	6.4%	6.5%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.3%	6.3%

4. Information on Capital Requirements

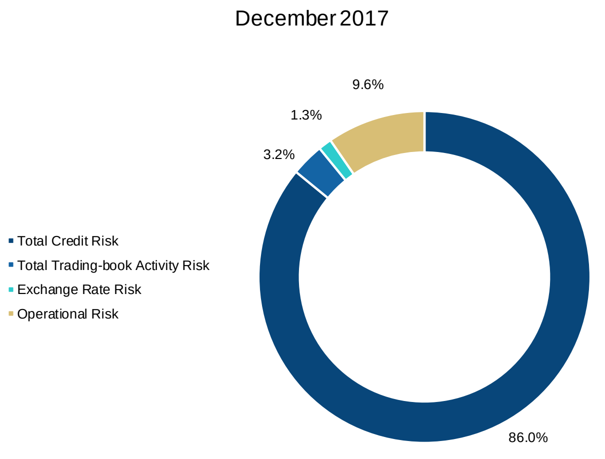
4.1. Bank risk profile

Chart 3. Distribution of RWAs by risk type eligible in Pillar I

The greater weight of credit risk is explained by the composition of the BBVA Group's portfolio, mainly composed of credit investments.



(*) Credit risk includes risk by CVA adjustment



(*) Credit risk includes risk by CVA adjustment

4.2. Breakdown of minimum capital requirements by risk type

In accordance with article 92 of the CRR, the entities must comply at all times with the following capital requirements:

a) Common Equity Tier 1 ratio of 4.5%, obtained as the Common Equity Tier 1 capital expressed as a percentage on the total amount of risk-weighted assets.

b) Tier 1 capital ratio of 6%, obtained as the Tier 1 capital expressed as a percentage on the total amount of risk-weighted assets.

c) Total capital ratio of 8%, obtained as the capital expressed as a percentage on the total amount of risk-weighted assets.

Regardless of article 92 of the CRR, after the Supervisory Review and Evaluation Process (SREP), in 2018 the minimum Common Equity Tier 1 ratio level should be 8.438%. As of June 30, 2018, the Group has a phased-in CET1 ratio of 11.1%, above the regulatory requirement.

The total amount of capital requirements is made up mainly of the following items:

- Credit risk:
  - Credit and dilution risk: Risk-weighted exposures for credit and dilution risk, excluding the amount of risk-weighted exposures for the trading book. When calculating the risk-weighted exposures, the credit institutions may apply the standard method or the method based on internal ratings, when allowed by the competent authorities.
  - Counterparty credit risk: Counterparty credit risk-weighted exposures corresponding to security financing transactions (SFTs) and derivative operations.
  - Credit valuation adjustment risk: The capital requirements determined with respect to the credit valuation adjustment risk resulting from OTC derivative instruments that are not credit derivatives recognised for reducing the amount of credit risk-weighted exposures.

- Market risk

  It arises mainly in the trading book and includes capital requirements determined with respect to the debt and equity instrument position risk, the exchange-rate risk and the commodity risk.

- Structural exchange-rate risk

  Capital requirements determined with respect to structural exchange-rate risk.

- Credit valuation adjustment risk

  The capital requirements determined with respect to the credit valuation adjustment risk resulting from OTC derivative instruments that are not credit derivatives recognised for reducing the amount of credit risk-weighted exposures.

- Operational risk

  The capital requirements determined in accordance with title III of the CRR with respect to operational risk.

In addition, as stated in the introductory section of the present Document, Basel III, unlike the previous framework, introduces capital buffers as a complement to the minimum capital requirements. A transition period ending in 2019 has been established to facilitate the adaptation of financial institutions to the minimum capital requirements.

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

Below the total for capital requirements are shown, broken down by type of risk as of June 30, 2018 and December 31, 2017.

Table 5. EU OV1 - Overview of RWAs

Million Euros	RWA [1] 06/30/2018	RWA [1] 12-31-2017[4]	Minimum Capital Requirements [2] [3] 06/30/2018
Credit Risk (excluding CCR)	**284,200**	**286,368**	**22,736**
Of which the standardised approach [5]	197,733	198,715	15,819
Of which the foundation IRB (FIRB) approach	-	-	-
Of which the advanced IRB (AIRB) approach	83,233	83,577	6,659
Of which equity IRB under the simple risk-weighted approach [6]	3,234	4,076	259
CCR	**9,220**	**9,459**	**738**
Of which mark to market	7,760	7,844	621
Of which original exposure	-	-	-
Of which the standardised approach	-	-	-
Of which the Internal model method (IMM)	-	-	-
Of which risk exposure amount for contributions to the default fund of a CCP	48	49	4
Of which CVA	1,413	1,566	113
Settlement Risk	-	-	-
Securitisation exposures in the banking book (after the cap)	**2,211**	**1,751**	**177**
Of which IRB approach	1,279	827	102
Of which IRB supervisory formula approach (SFA)	-	-	-
Of which internal assessment approach (IAA)	-	-	-
Of which standardised approach	933	924	75
Market Risk	**12,732**	**16,018**	**1,019**
Of which the standardised approach	4,290	7,408	343
Of which IMA	8,442	8,611	675
Operational Risk	**34,898**	**34,755**	**2,792**
Of which basic indicator approach	5,729	6,204	458
Of which the standardised approach	10,595	10,102	848
Of which IRB approach	18,574	18,449	1,486
Amounts below the thresholds for deduction (subject to 250% risk weight) [5+6]	**13,625**	**14,525**	**1,090**
Floor Adjustment	-	-	-
TOTAL	**356,887**	**362,875**	**28,551**

[1] Risk-weighted assets according to the transitional period (phased-in)

[2] Multiplied by 8% of RWAs

[3] Under CET 1 requirements (8.438%) after the supervisory evaluation process (SREP), the requirements amount to 30,114 million euros. Under Total Capital requirements (11.938%), the requirements amount to 42,605 million euros.

[4] Shown for comparative purposes only and corresponds to proforma data as of December 2017

[5] 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 is up to 7,047 and 6,778 at June 30, 2018 and December 31, 2017, respectively

[6] Significant investments in financial sector entities and insurers that are not deducted from eligible own funds (subject to a risk weight of 250%) are excluded, in accordance with Article 48.4 CRR. This amount rises to 6,578 and 7,747 as at June 30, 2018 and December 31, 2017, respectively.

The table below shows the risk-weighted assets broken down by risk and the capital requirements broken down by type of risk and categories of exposure, as of June 30, 2018 and December 31, 2017:

Table 6. Capital requirements by risk type and exposure class

Million Euros	Capital requirements (2)		RWA's (1)	
Exposure Class and risk type	**06/30/2018**	**12/31/2017**	**06/30/2018**	**12/31/2017**
Credit Risk	**16,628**	**16,684**	**207,854**	**208,554**
Central governments or central banks	2,339	2,381	29,240	29,759
Regional governments or local authorities	114	100	1,428	1,252
Public sector entities	56	52	703	654
Multilateral development banks	1	1	10	14
International organisations	-	-	-	-
Institutions	513	463	6,411	5,793
Corporates	7,464	7,328	93,302	91,600
Retail	3,161	3,134	39,508	39,177
Secured by mortgages on immovable property	1,459	1,569	18,239	19,609
Exposures in default	343	420	4,291	5,248
Exposures associated with particularly high risk	290	296	3,621	3,694
Covered bonds	-	-	-	-
Claims on institutions and corporates with a short-term credit assesment	0	0	2	5
Collective investments undertakings	2	2	23	24
Other exposures	886	938	11,075	11,725
Securitisation exposures	**75**	**74**	**933**	**924**
Securitisation exposures	75	74	933	924
TOTAL CREDIT RISK BY STANDARDISED APPROACH	**16,703**	**16,758**	**208,786**	**209,478**
Credit Risk	**6,656**	**6,673**	**83,204**	**83,408**
Central governments or central banks	87	94	1,088	1,172
Institutions	433	474	5,416	5,931
Corporates	4,586	4,531	57,323	56,643
Of which: Specialised lending	746	804	9,320	10,056
Of which: SMEs	592	646	7,396	8,077
Of which: Others	3,249	3,081	40,607	38,510
Retail	1,550	1,573	19,377	19,661
Of which: Secured by real estate property	628	661	7,853	8,268
Of which: Qualifying revolving	556	541	6,948	6,764
Of which: Other SMEs	129	129	1,613	1,612
Of which: Other Non-SMEs	237	241	2,963	3,017
Equity	**1,162**	**1,342**	**14,528**	**16,775**
On the basis of method:				
Of which: Simple approach	682	765	8,524	9,562
Of which: PD/LGD approach	377	396	4,715	4,953
Of which: Intern models	103	181	1,288	2,261
On the basis of nature:				
Of which: Listed instruments	460	433	5,751	5,412
Of which: Not listed instruments in sufficiently diversified portfolios	702	909	8,777	11,363
Securitisation exposures	**102**	**66**	**1279**	**827**
Securitisation exposures	98	66	1279	827
TOTAL CREDIT RISK BY IRB APPROACH	**7,921**	**8,081**	**99,010**	**101,009**
TOTAL CONTRIBUTIONS TO THE DEFAULT FUND OF A CCP	**4**	**4**	**48**	**49**
TOTAL CREDIT RISK	**24,628**	**24,843**	**307,845**	**310,536**
SETTLEMENT RISK	-	-	-	-
Standardised approach:	241	226	3,009	2,829
Of which: Price Risk by fixed income exposures	219	197	2,737	2,461
Of which: Price Risk by Securitisation exposures	2	2	20	20
Of which: Price Risk by correlation	5	11	59	142
Of which: Price Risk by stocks and shares	15	16	182	197
Of which: Commodities Risk	1	1	10	9
IRB: Market Risk	675	689	8,442	8,611
TOTAL TRADING BOOK RISK	**916**	**915**	**11,451**	**11,439**
FOREING EXCHANGE RISK (STANDARDISED APPROACH)	**103**	**366**	**1,281**	**4,579**
CVA RISK	**113**	**125**	**1,413**	**1,566**
OPERATIONAL RISK	**2,792**	**2,780**	**34,898**	**34,755**
CAPITAL REQUIREMENTS	**28,551**	**29,030**	**356,887**	**362,875**

(1) Risk-weighted assets according to the transitional period (phased-in)

(2) Multiplied by 8% of RWAs

In terms of Risk-weighted assets (RWAs), there was a slightly decreased since the end of 2017, largely explained by the depreciation of currencies against the euro. Regarding securitisations, the Group carried out two in the first half of 2018: a traditional one in June, of an auto loan portfolio of consumer finance for €800m, which has had a positive impact on capital of €324m (due to the release of RWAs); and a synthetic one in March, on which the European Investment Fund (EIF, a subsidiary of the European Investment Bank), issued a financial guarantee on an intermediate tranche of a €1.95 billion portfolio of loans to SMEs. Thanks to this guarantee, BBVA released €443m of RWAs. During the second quarter, BBVA received authorization from the European Central Bank (ECB) to update the calculation of RWAs for structural exchange-rate risk under standard model.

Focusing on credit risk RWAs, exposures under IRB approach have risen during the second quarter €2.443 billion, mainly, as a consequence of the increase in Corporates portfolio, the enhancement in risk profile, and the evolution of the exchange rate, especially, exposures in USD.

Regarding Standard approach, RWAs increased €991 million driven by the balance growth in emerging markets, mainly South America and Mexico, which has been partly offset by the widespread depreciation of its currencies against euro.

On the other hand, during the first quarter of 2018, there were a decrease of €4.707 billion in credit RWAs, mainly due to the depreciation of currencies against euro.

5. Credit Risk

Credit risk arises from the probability that one party to a financial instrument will fail to meet its contractual obligations for reasons of insolvency or inability to pay and cause a financial loss for the other party.

It is the most important risk for the Group and includes counterparty risk, issuer risk, settlement risk and country risk management.

Counterparty exposure involves that part of the original exposure corresponding to derivative instruments, repurchase and resale transactions, securities lending transactions and deferred settlement transactions.

Below, in addition to the credit exposure at default and the RWAs, the original exposure, the exposure net of provisions and the exposure once applied the conversion factors by the standard and advanced method as of June 30, 2018 and December 31, 2017 (including counterparty risk):

BBVA

Table 7. Exposure to Credit and Counterparty Risk

06/30/18 (Million Euros)

Exposure Class	Original Exposure [1]	Provisions [2]	Net exposure of provisions [3]	On-balance exposure after credit risk mitigation techniques [4a]	Off-balance exposure after credit risk mitigation techniques [4b]	Exposure in the adjusted value [5]	EAD [6]	RWA's [7]	RWA density (8=(7)/(6))
Central governments or central banks	108,164	(16)	108,149	129,736	6,640	136,376	130,740	29,240	22.4%
Regional governments or local authorities	10,414	(16)	10,398	6,504	800	7,304	6,943	1,428	20.6%
Public sector entities	1,085	(9)	1,075	1,735	206	1,940	1,817	703	38.7%
Multilateral development banks	69	-	69	236	23	259	236	10	4.3%
International organisations	0	-	0	0	0	0	0	-	-
Institutions	31,849	(1)	31,848	19,149	8,912	28,061	20,437	6,411	31.4%
Corporates	128,948	(1,467)	127,481	80,266	40,550	120,816	95,616	93,302	97.6%
Retail	101,167	(1,606)	99,561	53,393	33,718	87,111	56,065	39,508	70.5%
Secured by mortgages on immovable property	47,878	(207)	47,672	46,646	437	47,083	46,918	18,239	38.9%
Exposures in default	9,405	(4,993)	4,411	3,637	584	4,220	3,838	4,291	111.8%
Exposures associated with particularly high risk	2,502	(64)	2,438	2,414	3	2,417	2,414	3,621	150.0%
Covered bonds	-	-	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assesment	7	()	7	7	-	7	7	2	32.3%
Collective investments undertakings	41	()	41	7	28	35	23	23	100.0%
Other exposures	19,961	(33)	19,928	28,472	2,894	31,367	30,005	11,075	36.9%
Securitisation exposures	4,423	-	4,423	4,423	-	4,423	4,423	933	21.1%
TOTAL STANDARDISED APPROACH	**465,912**	**(8,410)**	**457,501**	**376,624**	**94,795**	**471,419**	**399,482**	**208,786**	**52.3%**
Central governments or central banks	6,700	(10)	-	7,885	593	8,478	8,179	1,088	13.3%
Institutions	95,354	(64)	-	71,708	4,780	76,488	74,390	5,416	7.3%
Corporates	135,458	(3,136)	-	75,750	57,923	133,674	104,829	57,323	54.7%
Corporates (SMEs)	17,169	(1,889)	-	13,294	3,602	16,896	14,849	9,320	62.8%
Corporates: Specialised lending	8,795	(110)	-	7,767	1,028	8,795	8,496	7,396	87.1%
Corporates: Others	109,494	(1,137)	-	54,689	53,294	107,983	81,484	40,607	49.8%
Retail	117,409	(2,711)	-	96,830	20,490	117,319	100,657	19,377	19.3%
Of which: secured by immovable property	83,177	(1,548)	-	78,677	4,474	83,150	78,900	7,853	10.0%
Of which: Secured by mortgages on immovable property	21,347	(488)	-	6,182	15,165	21,347	9,275	6,948	74.9%
Of which: Others	12,885	(676)	-	11,971	851	12,822	12,483	4,576	36.7%
Retail: Other SMEs	3,819	(234)	-	2,926	833	3,759	3,428	1,613	47.1%
Retail: Other Non-SMEs	9,066	(442)	-	9,044	18	9,063	9,055	2,963	32.7%
Securitisation exposures	5,222	-	-	5,222	-	5,222	5,222	1,279	24.5%
TOTAL IRB APPROACH	360,144	(5,921)	-	257,395	83,786	341,181	293,277	84,483	28.8%
TOTAL CREDIT RISK DILUTION AND DELIVERY	826,055	(14,331)	457,501	634,019	178,581	812,600	692,759	293,269	42.3%
Equity	7,016	()	-	7,016	-	7,016	7,016	14,528	207.1%
Simple Approach	3,453	()	-	3,453	-	3,453	3,453	8,524	246.9%
Not listed instruments in sufficiently diversified portfolios	3,172	()	-	3,172	-	3,172	3,172	7,640	240.9%
Listed in exchange-traded markets	281	-	-	281	-	281	281	884	314.8%
PD/LGD Approach	3,152	-	-	3,152	-	3,152	3,152	4,715	149.6%
Intern Models	411	-	-	411	-	411	411	1,288	313.5%
TOTAL CREDIT RISK	**833,071**	**(14,332)**	**457,501**	**641,035**	**178,581**	**819,616**	**699,775**	**307,797**	**44.0%**

(1) Gross exposure of provisions before credit risk mitigation techniques, excluding contributions to the default of a CCP
(2) Includes provisions and adjustments due to impairment of financial assets and contingent risks and commitments
(3) Exposures are only adjusted by provisions in those cases that are calculated by Standardised approach
(4a)(4b) Eligible credit mitigation techniques are included, either on-balance or off-balance, according to Chapter 4 of CRR
(5) It corresponds to the exposure in the adjusted value by eligible credit mitigation techniques
(6) Exposure to credit risk at default, calculated as (4a)+((4b)*CCF)

12/31/17 (Million Euros)

Exposure Class	Original Exposure [1]	Provisions [2]	Net exposure of provisions [3]	On-balance exposure after credit risk mitigation techniques [4a]	Off-balance exposure after credit risk mitigation techniques [4b]	Exposure in the adjusted value [5]	EAD [6]	RWA's [7]	RWA density (8=(7)/(6))"
Central governments or central banks	122,404	(48)	122,356	135,156	15,397	150,553	135,914	29,759	21.9%
Regional governments or local authorities	10,140	(8)	10,133	5,978	821	6,799	6,516	1,252	19.2%
Public sector entities	1,556	(4)	1,552	1,635	854	2,490	1,701	654	38.4%
Multilateral development banks	93	(1)	93	191	21	212	191	14	7.2%
International organisations	1	-	1	1		1	1	-	0.0%
Institutions	22,176	(17)	22,159	14,875	3,088	17,963	16,289	5,793	35.6%
Corporates	132,075	(1,613)	130,461	77,564	42,493	120,057	93,319	91,600	98.2%
Retail	92,773	(1,246)	91,527	53,441	33,393	86,834	55,645	39,177	70.4%
Secured by mortgages on immovable property	49,883	(339)	49,545	48,416	511	48,927	48,740	19,609	40.2%
Exposures in default	9,753	(4,645)	5,108	4,384	536	4,920	4,684	5,248	112.1%
Exposures associated with particularly high risk	2,557	(68)	2,489	2,463	1	2,464	2,463	3,694	150.0%
Covered bonds	-	-	-	-	-	-	-	-	0.0%
Claims on institutions and corporates with a short-term credit assessment	25	-	25	25	-	25	25	5	20.0%
Collective investments undertakings	34	-	34	9	26	34	24	24	100.0%
Other exposures	21,200	(34)	21,166	27,897	2,574	30,471	29,274	11,725	40.1%
Securitisation exposures	4,314	-	4,314	4,314	-	4,314	4,314	924	21.4%
TOTAL STANDARDISED APPROACH	**468,985**	**(8,023)**	**460,963**	**376,350**	**99,714**	**476,064**	**399,100**	**209,478**	**52.5%**
Central governments or central banks	6,817	(4)	-	7,801	660	8,461	8,131	1,172	14.4%
Institutions	97,127	(71)	-	72,271	5,446	77,717	75,314	5,931	7.9%
Corporates	134,011	(3,447)	-	73,875	58,182	132,057	103,323	56,643	54.8%
Corporates (SMEs)	18,015	(1,821)	-	14,089	3,555	17,644	15,651	10,056	64.3%
Corporates: Specialised lending	9,325	(109)	-	8,370	955	9,325	9,111	8,077	88.6%
Corporates: Others	106,670	(1,518)	-	51,416	53,672	105,088	78,561	38,510	49.0%
Retail	117,747	(2,339)	-	97,721	19,922	117,643	101,576	19,662	19.4%
Of which: garantizados con bienes inmuebles	84,366	(1,192)	-	79,848	4,497	84,345	80,073	8,268	10.3%
Of which: Secured by mortgages on immovable property	20,625	(527)	-	6,023	14,603	20,625	9,154	6,764	73.9%
Of which: Others	12,756	(620)	-	11,851	823	12,674	12,350	4,629	37.5%
Retail: Other SMEs	3,857	(198)	-	2,975	805	3,780	3,464	1,612	46.5%
Retail: Other Non-SMEs	8,899	(421)	-	8,876	18	8,894	8,885	3,017	34.0%
Securitisation exposures	757	-	-	757	-	757	757	827	109.2%
TOTAL IRB APPROACH	356,459	(5,861)	-	252,425	84,211	336,636	289,101	84,235	29.1%
TOTAL CREDIT RISK DILUTION AND DELIVERY	825,445	(13,884)	460,963	628,775	183,925	812,700	688,201	293,713	42.7%
Equity	7,798	(1,244)	-	7,798	-	7,798	7,798	16,775	215.1%
Simple Approach	3,881	(90)	-	3,881	-	3,881	3,881	9,562	246.4%
Not listed instruments in sufficiently diversified portfolios	3,705	(88)	-	3,705	-	3,705	3,705	8,989	242.6%
Listed in exchange-traded markets	176	(2)	-	176	-	176	176	573	326.5%
PD/LGD Approach	3,390	(1,123)	-	3,390	-	3,390	3,390	4,953	146.1%
Intern Models	527	(31)	-	527	-	527	527	2,261	429.0%
TOTAL CREDIT RISK	**833,242**	**(15,128)**	**460,963**	**636,573**	**183,925**	**820,498**	**695,999**	**310,487**	**44.6%**

[1] Gross exposure of provisions before credit risk mitigation techniques, excluding contributions to the default of a CCP

[2] Includes provisions and adjustments due to impairment of financial assets and contingent risks and commitments

[3] Exposures are only adjusted by provisions in those cases that are calculated by Standardised approach

([4a) [4b] Eligible credit mitigation techniques are included, either on-balance or off-balance, according to Chapter 4 of CRR

[5] It corresponds to the exposure in the adjusted value by eligible credit mitigation techniques

[6] Exposure to credit risk at default, calculated as (4a)+((4b)*CCF)

The following table shows the distribution by geographical area of the defaulted and impaired exposures of financial assets and contingent risks (including counterparty risk), as well as the adjustments for credit risk:

Table 8. EU CR1-C – Credit quality of exposures by geography

	a	b	c	d	e	f
	Gross Original exposure [1]					
	Defaulted exposures	Non-defaulted exposures	Credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Spain	12.572	292.287	(7.105)	23.240	(1.857)	297.754
Turkey	2.431	81.214	(1.895)	34	686	81.751
Eurasia	982	117.610	(768)	332	86	117.824
Mexico	1.086	102.988	(1.703)	2.283	689	102.371
USA	917	111.628	(786)	3.608	185	111.759
South America	2.380	84.910	(2.063)	1.316	660	85.227
Other areas	92	3.924	(11)	56	(1)	4.005
TOTAL	**20.460**	**794.561**	**(14.331)**	**30.869**	**447**	**800.705**

(1) The table above shows gross original exposure of COREP statements about Credit Risk and CCR by standardised and IRB approach

In addition, changes in the stock of non-performing exposures in the balance sheet from December 31, 2017 to June 30, 2018 (including counterparty risk) is shown below:

Table 9. EU CR2-B –Changes in the stock of defaulted and impaired loans and debt securities

Million Euros (06-30-2018)	Gross carrying value defaulted exposures [2]
Opening balance [1]	**19,783**
Loans and debt securities that have defaulted or impaired since the last reporting period	3,340
Returned to non-defaulted status	(1,618)
Amounts written off	(1,739)
Other changes	(748)
Closing balance	**19,018**

(1) Securitisation exposures are excluded

(2) Gross carrying values on balance

The following table shows details of losses due to impairment of financial assets and allowances on contingent risks and commitments, as well as derecognition of losses previously recognised as write-offs recorded directly in the statement of profit and loss in 2018 and 2017:

Table 10. EU CR2-A – Changes in the stock of general and specific credit risk adjustments

Million Euros (06-30-2018)	Accumulated credit risk adjustment [1]
Opening balance	**13.884**
Increases due to amounts set aside for estimated loan losses during the period	3.762
Decreases due to amounts reversed for estimated loan losses during the period	(2.390)
Decreases due to amounts taken against accumulated credit risk adjustments	(1.246)
Transfers between credit risk adjustments	500
Impact of exchange rate differences	(117)
Business combinations, including acquisitions and disposals of subsidiaries	(33)
Other adjustments	(28)
Closing balance	**14.331**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(301)
Specific credit risk adjustments directly recorded to the statement of profit or loss	872

(1) Value adjustments for total credit risk (including CCR) according to COREP statements

The following table presents the main variations in the period in terms of RWAs for the Credit and Counterparty Risk standardised approach, previously explained in section 4.2. of this Document:

BBVA

Table 11. RWAs flow statements of credit risk exposures under the standardised approach

Million Euros	Credit Risk		Counterparty Credit Risk		Total	
	RWA amounts	Capital Requirements	RWA amounts	Capital Requirements	RWA amounts	Capital Requirements
RWAs as of March 31, 2018	203,663	16,293	3,200	256	206,863	16,549
Asset size	1,571	126	(103)	(8)	1,469	118
Asset quality	636	51	(8)	(1)	628	50
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Foreign exchange movements	(1,091)	(87)	(16)	(1)	(1,106)	(89)
Other	-	-	-	-	-	-
RWAs as of June 30, 2018	204,780	16,382	3,073	246	207,854	16,628

Million Euros	Credit Risk		Counterparty Credit Risk		Total	
	RWA amounts	Capital Requirements	RWA amounts	Capital Requirements	RWA amounts	Capital Requirements
RWAs as of December 31, 2017	205,493	16,439	3,060	245	208,553	16,684
Asset size	3,339	268	151	12	3,490	280
Asset quality	(451)	(36)	-	-	(451)	(36)
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Foreign exchange movements	(4,718)	(377)	(11)	(1)	(4,729)	(378)
Other	-	-	-	-	-	-
RWAs as of March 31, 2018	203,663	16,293	3,200	256	206,863	16,549

The following table presents the main variations in the first semester in terms of RWAs for the Credit Risk and Counterparty advanced measurement approach, previously explained in section 4.2. of this Document:

Table 12. EU CR8 - RWA flow statements of credit risk exposures under the IRB approach

Million Euros	Credit Risk		Counterparty Credit Risk		Total	
	RWA amounts	Capital Requirements	RWA amounts	Capital Requirements	RWA amounts	Capital Requirements
RWAs as of March 31, 2018	75,747	6,060	5,014	401	80,761	6,461
Asset size	3,173	253	74	6	3,248	260
Asset quality	(937)	(75)	(434)	(35)	(1,371)	(110)
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Foreign exchange movements	535	43	32	3	567	45
Other	-	-	-	-	-	-
RWAs as of June 30, 2018	78,518	6,281	4,686	375	83,204	6,656

Million Euros	Credit Risk		Counterparty Credit Risk		Total	
	RWA amounts	Capital Requirements	RWA amounts	Capital Requirements	RWA amounts	Capital Requirements
RWAs as of December 31, 2017	78,624	6,290	4,784	383	83,408	6,673
Asset size	(3,043)	(244)	251	20	(2,792)	(224)
Asset quality	(150)	(12)	-	-	(150)	(12)
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Foreign exchange movements	300	24	(21)	(2)	279	22
Other	17	1	-	-	17	1
RWAs as of March 31, 2018	75,747	6,060	5,014	401	80,761	6,461

5.1. Information on Credit Risk

Pursuant to article 5 of the CRR, with respect to the bank capital requirements for credit risk, exposure is understood to be any asset item and all items included in the Group's memorandum accounts involving credit risk and not deducted from the Group's bank capital. Accordingly, mainly customer lending items are included, with their corresponding undrawn balances, letters of credit and guarantees, debt securities and capital instruments, cash and deposits in central banks and credit institutions, assets purchased or sold under a repurchase agreement (asset and liability repos), financial derivatives (nominal) and fixed assets.

The exposure value by exposure class, is broken down into defaulted and non-defaulted exposures as of June 30, 2018. This table excludes exposures subject to the Counterparty Risk framework under Part 3, Title II, Chapter IV of the CRR, as well as exposures subject to the securitisation framework as defined in Part 3, Title II, Chapter V of the CRR.

Table 13. EU CR1-A – Credit quality of exposures by exposure class and instrument

	a	b	c	d	e	f
	Gross Original exposure [3] of:					
	Defaulted exposures	Non-defaulted exposures	Credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values [2]
Central governments or central banks	220	4,873	10	10	6	5,083
Institutions	145	32,849	64	17	1	32,931
Corporates	5,462	126,722	3,136	5,174	(311)	129,047
Of which: Specialised lending	238	7,498	110	1,617	1	7,626
Of which: SMEs	3,174	13,870	1,889	-	68	15,156
Of which: Others	2,050	105,353	1,137	3,556	(380)	106,265
Retail	5,193	112,209	2,711	1,712	372	114,691
Secured by real estate property	4,219	78,958	1,548	860	356	81,629
Qualifying revolving	168	21,180	488	51	(40)	20,859
Other retail	806	12,072	676	801	56	12,202
SMEs	373	3,439	234	121	35	3,578
Non-SMEs	434	8,633	442	680	21	8,624
Equity	-	7,016	-	-	-	7,016
TOTAL IRB APPROACH	**11,020**	**283,669**	**5,921**	**6,912**	**68**	**288,768**
Central governments or central banks	5	104,887	16	6	(33)	104,872
Regional governments or local authorities	-	10,389	16	17	8	10,373
Public sector entities	1	1,080	9	19	5	1,071
Multilateral development banks	-	69	-	-	(1)	69
International organisations	-	-	-	-	-	-
Institutions	31	24,835	1	11	(16)	24,834
Corporates	3,882	127,351	1,467	15,532	(147)	125,885
Retail	2,826	94,710	1,606	3,631	359	93,104
Secured by mortgages on immovable property	2,521	47,878	207	2,530	(132)	47,672
Exposures in default [1]	9,404	-	4,993	-	348	4,411
Exposures associated with particularly high risk	36	2,466	64	145	(4)	2,438
Covered bonds	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assesment	-	7	-	-	-	7
Collective investments undertakings	-	35	-	9	-	35
Equity exposures	-	-	-	-	-	-
Other exposures	139	19,961	33	2,057	(1)	19,928
TOTAL STANDARDISED APPROACH	**9,440**	**433,669**	**8,410**	**23,957**	**388**	**434,699**
TOTAL	**20,460**	**717,338**	**14,331**	**30,869**	**456**	**723,466**
Of which: Loans	18,997	421,670	13,682	30,869	-	426,985
Of which: Debt securities	20	76,458	37	-	(10)	76,441
Of which: Off-balance sheet exposures	1,057	179,286	611	-	343	179,732
Of which: Others	386	39,924	1	-	123	40,308

(1) Exposures in default are additionally broken down by their respective categories of origin

(2) Net exposure is calculated as follows:

- Net exposure by standardised approach = "Non-defaulted exposures" - "Credit risk adjustment"; except "Exposures in default" and "Items associated with particularly high risk" that are calculated as exposures by IRB approach do;

- Net exposure by IRB approach = "Exposures in default" + "Non-defaulted exposures" - "Credit risk adjustment"

(3) The table above shows gross original exposure of COREP statements about Credit Risk by standardised and IRB approach

The next table shows the distribution of the defaulted and impaired exposures of financial assets and contingent risks by counterparty, as well as their corresponding credit risk adjustments:

Table 14. EU CR1-B - Credit quality of exposures by industry or counterparty types

	a	b	c	d	e	f
	Gross Original Exposure [1]					
	Defaulted exposures	Non-defaulted exposures	Credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Agriculture, forestry and fishing	266	5,969	199	82	15	6,036
Mining and quarrying	337	12,101	99	40	(36)	12,339
Manufacturing	1,747	76,003	1,469	394	(46)	76,281
Electricity, gas, steam and air conditioning supply	370	22,426	344	1	81	22,452
Water supply	50	2,495	23	2	(4)	2,522
Construction	3,179	24,191	2,163	1,277	(220)	25,207
Wholesale and retail trade	2,232	51,490	1,540	261	49	52,182
Transport and storage	712	17,920	531	70	80	18,101
Accommodation and food service activities	577	11,714	368	30	53	11,923
Information and communication	1130	11,577	395	77	223	12,312
Financial activities and insurance	387	112,981	278	2,421	55	113,090
Real estate activities	1,110	39,763	877	1,097	59	39,997
Professional, scientific and technical activities	558	16,818	396	267	(83)	16,980
Administrative and support service activities	301	8,310	239	36	59	8,372
Public administration and defence, compulsory social security	344	101,275	63	22	1	101,556
Education	152	5,108	174	2	113	5,086
Human health services and social work activities	223	11,055	202	22	46	11,076
Arts, entertainment and recreation	106	2,198	62	8	1	2,243
Other services	1,165	37,585	962	21,474	(48)	37,787
Household activities as employers of domestic staff; Activities of households as products of goods and services for own use	1	66	1	1,817	0	66
Extraterritorial organizations activities	0	15	0	0	0	15
Individuals without business activity	5,511	146,278	3,946	1,470	58	147,843
TOTAL	**20,460**	**717,338**	**14,331**	**30,869**	**456**	**723,467**

[1] The table above shows gross original exposure of COREP statements about Credit Risk by standardised and IRB approach

The following table shows the distribution of the loans and debt securities by residual maturity:

Table 15. EU CR1-D – Ageing of past-due exposures

Million Euros (06-30-2018)	Gross carrying values [1]				
	≤ 30 days	> 30 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	21,533	5,961	1,553	1,661	6,483
Debt securities	2	-	8	-	-
Total exposures	**21,535**	**5,961**	**1,561**	**1,661**	**6,483**

[1] Gross carrying values on balance

A general overview of non-performing exposures and forborne exposures is shown below:

Table 16. EU CR1-E - Non-performing and forborne exposures

06-30-2018 (Mllion Euros)	Gross carrying values of performing and non-performing exposures (1) (2)							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
				Of which: non-performing				On performing		On non-performing			
	Total	Of which: performing but past due > 30 days y ≤ 90 days	Of which: performing forborne	Total	Of which: defaulted	Of which: impaired	Of which: forborne	Total	Of which: forborne	Total	Of which: forborne	On non-performing exposures	Of which: forborne exposures
Debt Securities	439,759	4,675	8,361	18,632	18,632	18,632	11,550	(4,408)	(769)	(9,076)	(5,011)	6,391	10,184
Loans and advance	74,106	-	-	38	38	38	-	(21)	-	(15)	-	-	-
Off-Balance Sheet Exposures	180,343	-	116	1,057	1,057	-	99	(383)	(5)	(216)	(28)	104	-

(1) Gross carrying values on balance

(2) The table above does not include exposures derived from Chile as of June 30, 2018

(*) Securitisation risk is included

The table below shows an overview of the level of use of each of the credit risk mitigation techniques employed by the Group as of June 30, 2018 and December 31, 2017:

Table 17. EU CR3 – CRM techniques - Overview [(1)]

06-30-2018 (Million Euros)	Exposures unsecured - carrying amount -	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total Loans	320,503	106,481	32,901	27,897	-
Total debt securities	56,813	19,628	8,310	6,907	-
Total exposures	**377,316**	**126,109**	**41,211**	**34,804**	**-**
Of which: defaulted	**7,917**	**1,899**	**1,138**	**460**	**-**

[(1)] Securitisation risk is not included

12-31-2017 (Million Euros)	Exposures unsecured - carrying amount -	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total Loans	344,164	87,537	37,616	27,161	-
Total debt securities	56,288	17,239	6,051	7,692	-
Total exposures	**400,451**	**104,777**	**43,666**	**34,853**	**-**
Of which: defaulted	**8,842**	**2,221**	**1,376**	**374**	**-**

(1) Securitisation risk is not included

The credit risk exposure specified in the following sections of the document is broken down into the standardised credit risk approach (section 5.1.1), advanced credit risk approach (section 5.1.2), counterparty credit risk (section 5.2) and securitisation credit risk (section 5.3).

5.1.1. Information on the standardised approach

This section of the report presents information on exposures to credit risk by standard method, excluding counterparty credit risk.

The original exposure net of provisions and value adjustments is presented below, as well as the exposure after credit risk mitigation techniques and the RWAs density for each exposure category under standard approach, excluding counterparty risk and securitisation.

Table 18. EU CR4 – Standardised approach – Credit risk exposure and CRM effects

06/30/18 (Million Euros)	Exposures before CCF and CRM [(1)]		Exposures after CCF and CRM [(2)]		RWA [(3)] and RWA density	
Exposure Class	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA Density**
Central governments or central banks	99,626	5,246	128,588	1004	28,943	22%
Regional governments or local authorities	9,552	821	6,479	440	1,423	21%
Public sector entities	895	176	1,730	83	702	39%
Multilateral development banks	46	23	236	-	10	4%
International Organizations	-	-	-	-	-	-
Institutions	15,621	9,213	14,887	1,288	5,183	32%
Corporates	82,501	43,384	78,891	15,350	91,943	98%
Retail	58,988	34,116	53,145	2,672	39,326	70%
Secured by mortgages on immovable property	47,234	438	46,646	272	18,239	39%
Exposures in default	3,825	586	3,636	201	4,290	112%
Exposures associated with particularly high risk	2,435	3	2,414	-	3,621	150%
Covered bonds	-	-	-	-	-	-
Institutions and corporates with a short term credit assessment	7	-	7	-	2	32%
Collective Investment Undertakings	7	28	7	16	23	100%
Equity	-	-	-	-	-	-
Other Items	19,928	-	19,360	1,532	11,075	53%
Total	**340,666**	**94,033**	**356,026**	**22,858**	**204,780**	**54%**

[(1)] OE: Original Exposure net of credit risk adjustments
[(2)] EAD: Net Original Exposure of provisions, value adjustments and other exposures without risk
[(3)] RWAs: EAD after applying risk-weights

12/31/17 (Million Euros)	Exposures before CCF and CRM [1]		Exposures after CCF and CRM [2]		RWA [3] and RWA density	
Exposure Class	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA Density
Central governments or central banks	102,533	14,013	130,796	758	29,571	22%
Regional governments or local authorities	9,257	843	5,948	538	1,246	19%
Public sector entities	723	824	1,631	66	653	38%
Multilateral development banks	72	21	191	-	14	7%
International Organizations	1	0	1	-	-	-
Institutions	11,541	3,490	10,793	1,414	4,440	36%
Corporates	80,252	44,841	76,054	15,755	90,120	98%
Retail	57,755	33,708	53,391	2,204	39,146	70%
Secured by mortgages on immovable property	49,031	513	48,416	324	19,609	40%
Exposures in default	4,571	536	4,384	299	5,247	112%
Exposures associated with particularly high risk	2,488	1	2,463	0	3,694	150%
Covered bonds	-	-	-	-	-	-
Institutions and corporates with a short term credit assessment	25	-	25	-	5	20%
Collective Investment Undertakings	9	26	9	15	24	100%
Equity	-	-	-	-	-	-
Other Items	21,166	-	20,979	1,376	11,725	52%
Total	**339,425**	**98,817**	**355,080**	**22,750**	**205,493**	**54%**

[1] OE: Original Exposure net of credit risk adjustments
[2] EAD: Net Original Exposure of provisions, value adjustments and other exposures without risk
[3] RWAs: EAD after applying risk-weights

Moreover, the following tables present the amounts of exposures net of provisions, before and after the application of credit risk mitigation techniques by, risk weightings and exposure categories that correspond to the standardised method, not including securitisation positions and counterparty credit risk exposure.

Counterparty credit risk exposures net of provisions and after applying CCF and CRM are shown in table EU-CCR3 of section 5.2.1. of this report.

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Table 19. Standardised approach: Exposure values before the application of credit risk mitigation techniques

06-30-2018 (Million Euros)	Risk Weight																Total credit	Of which:
Exposure Class	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**	**100%**	**150%**	**250%**	**370%**	**1250%**	**Others**	**Deducted**	**exposures**	**unrated**
Central Government or central banks	73,450	-	-	-	5,138	-	4,490	-	-	18,628	92	3,075	-	-	-	-	104,872	46,080
Regional government or local authorities	491	-	-	-	9,693	-	82	-	-	108	-	-	-	-	-	-	10,373	10,373
Public sector entities	1	-	-	-	307	-	474	-	-	279	11	-	-	-	-	-	1,071	657
Multilateral development banks	25	-	-	-	-	-	20	-	-	23	-	-	-	-	-	-	69	69
International Organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	1,570	-	-	18,449	-	2,463	-	-	2,352	0	-	-	-	-	-	24,834	23,014
Corporates	-	-	-	-	176	-	1,154	-	-	124,320	235	-	-	-	-	-	125,885	125,273
Retail	-	-	-	-	-	-	-	-	93,104	-	-	-	-	-	-	-	93,104	92,978
Secured by mortgages on immovable property	-	-	-	-	-	38,470	7,044	-	729	1,428	-	-	-	-	-	-	47,672	47,664
Exposures in default	-	-	-	-	-	-	-	-	-	3,294	1,117	-	-	-	-	-	4,411	4,406
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	2,438	-	-	-	-	-	2,438	2,438
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	6	-	-	-	-	1	-	-	-	-	-	-	7	6
Collective investment undertakings	-	-	-	-	-	-	-	-	-	35	-	-	-	-	-	-	35	35
Other Items	4,601	-	-	-	-	-	-	-	-	15,327	-	-	-	-	-	-	19,928	19,602
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**78,568**	**1,570**	**-**	**-**	**33,768**	**38,470**	**15,727**	**-**	**93,833**	**165,794**	**3,892**	**3,075**	**-**	**-**	**-**	**-**	**434,699**	**372,594**

(*) Of which: Unrated refers to exposures for which no credit rating is available made by designated ECAIs.

12-31-2017 (Million Euros)	Risk Weight																Total credit	Of which:
Exposure Class	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**	**100%**	**150%**	**250%**	**370%**	**1250%**	**Others**	**Deducted**	**exposures**	**unrated**
Central Government or central banks	74,193	-	-	-	14,826	-	4,865	-	-	19,361	590	2,711	-	-	-	-	116,546	48,926
Regional government or local authorities	803	-	-	-	9,157	-	67	-	-	73	-	-	-	-	-	-	10,100	10,093
Public sector entities	2	-	-	-	918	-	254	-	-	343	30	-	-	-	-	-	1,547	1,344
Multilateral development banks	44	-	-	-	-	-	27	-	-	21	-	-	-	-	-	-	93	93
International Organizations	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	0
Institutions	-	497	-	-	9,250	-	2,926	-	-	2,359	-	-	-	-	-	-	15,031	13,755
Corporates	-	-	-	-	358	-	309	-	-	124,134	293	-	-	-	-	-	125,094	124,690
Retail	-	-	-	-	-	-	-	-	91,463	-	-	-	-	-	-	-	91,463	91,309
Secured by mortgages on immovable property	-	-	-	-	-	38,149	7,596	-	642	3,158	-	-	-	-	-	-	49,545	49,536
Exposures in default	-	-	-	-	-	-	-	-	-	3,751	1,356	-	-	-	-	-	5,107	5,103
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	2,489	-	-	-	-	-	2,489	2,489
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short- term credit assessment	-	-	-	-	25	-	-	-	-	0	-	-	-	-	-	-	25	25
Collective investment undertakings	-	-	-	-	-	-	-	-	-	34	-	-	-	-	-	-	34	34
Other Items	5,371	-	-	-	5	-	-	-	-	15,783	-	-	-	-	6	-	21,166	21,060
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**80,415**	**497**	**-**	**-**	**34,539**	**38,149**	**16,043**	**-**	**92,105**	**169,018**	**4,758**	**2,711**	**-**	**-**	**6**	**-**	**438,242**	**368,457**

(*) Of which: Unrated refers to exposures for which no credit rating is available made by designated ECAIs.

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Table 20. EU CR5 – Standardised approach: Exposure values after the application of credit risk mitigation

06-30-2018 (Million Euros)	Risk Weight																Of which:
Exposure Class	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	unrated
Central Government or central banks	101,805	-	-	-	1,681	-	4,317	-	-	18,623	92	3,075	-	-	-	-	129,592	52,110
Regional government or local authorities	313	-	-	-	6,427	-	82	-	-	97	-	-	-	-	-	-	6,919	6,919
Public sector entities	58	-	-	-	1,053	-	431	-	-	260	11	-	-	-	-	-	1,813	606
Multilateral development banks	216	-	-	-	-	-	20	-	-	-	-	-	-	-	-	-	236	46
International Organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	1,470	-	-	11,008	-	1,490	-	-	2,207	-	-	-	-	-	-	16,174	15,179
Corporates	-	-	-	-	185	-	1,570	-	-	92,259	227	-	-	-	-	-	94,241	94,241
Retail	-	-	-	-	-	-	-	-	55,816	-	-	-	-	-	-	-	55,816	54,005
Secured by mortgages on immovable property	-	-	-	-	-	37,980	6,859	-	697	1,382	-	-	-	-	-	-	46,918	46,910
Exposures in default	-	-	-	-	-	-	-	-	-	2,931	906	-	-	-	-	-	3,837	3,832
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	2,414	-	-	-	-	-	2,414	2,414
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	6	-	-	-	-	1	-	-	-	-	-	-	7	6
Collective investment undertakings	-	-	-	-	-	-	-	-	-	23	-	-	-	-	-	-	23	23
Other Items	9,817	-	-	-	-	-	-	-	-	11,074	-	-	-	-	-	-	20,892	20,727
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	112,210	1,470	-	-	20,359	37,980	14,769	-	56,513	128,858	3,650	3,075	-	-	-	-	378,884	297,018

(*) Of which: Unrated refers to exposures for which no credit rating is available made by designated ECAIs.

12-31-2017 (Million Euros)	Risk Weight																Of which:
Exposure Class	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	unrated
Central Government or central banks	102,481	-	-	-	2,197	-	4,214	-	-	19,361	590	2,711	-	-	-	-	131,554	53,518
Regional government or local authorities	651	-	-	-	5,695	-	67	-	-	73	-	-	-	-	-	-	6,486	6,486
Public sector entities	75	-	-	-	1,097	-	211	-	-	283	30	-	-	-	-	-	1,697	635
Multilateral development banks	163	-	-	-	-	-	27	-	-	-	-	-	-	-	-	-	191	72
International Organizations	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	0
Institutions	-	356	-	-	8,630	-	1,027	-	-	2,193	-	-	-	-	-	-	12,207	11,561
Corporates	-	-	-	-	351	-	298	-	-	90,870	290	-	-	-	-	-	91,808	91,427
Retail	-	-	-	-	-	-	-	-	55,595	-	-	-	-	-	-	-	55,595	55,435
Secured by mortgages on immovable property	-	-	-	-	-	37,695	7,427	-	630	2,989	-	-	-	-	-	-	48,740	48,732
Exposures in default	-	-	-	-	-	-	-	-	-	3,555	1,128	-	-	-	-	-	4,683	4,681
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	2,463	-	-	-	-	-	2,463	2,463
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	25	-	-	-	-	-	-	-	-	-	-	-	25	24
Collective investment undertakings	-	-	-	-	-	-	-	-	-	24	-	-	-	-	-	-	24	24
Other Items	10,630	-	-	-	5	-	-	-	-	11,714	-	-	-	-	6	-	22,356	22,241
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	114,002	356	-	-	18,000	37,695	13,272	-	56,225	131,062	4,501	2,711	-	-	6	-	377,830	297,297

(*) Of which: Unrated refers to exposures for which no credit rating is available made by designated ECAIs.

5.1.2. Information on the IRB model

The following table shows the credit risk information as of June 30, 2018 December 31, 2017 under the internal ratings based (IRB) method by level of obligors for the different exposure categories. Amounts do not include counterparty risk or specialised financing:

Table 21. EU CR6 – IRB approach: Credit risk exposure by exposure class and PD range

PD Scale as of 06-30-18 (1)	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF (2)	EAD post CRM and post-CCF	Average PD (3)	Number of obligors	Average LGD (4)	Average Maturity (days) (5)	RWAs	RWA Density	EL	Value adjustments and provisions
Prudential portfolios for FIRB approach	-	-	-	-	-	-	-		-	-	-	-
Prudential portfolios for AIRB approach	205,711	85,114	42.5%	224,173	5.3%	11,247,622	34.5%		83,233	37.1%	4,291	(5,921)
Central governments or central banks	**4,751**	**341**	**49.5%**	**6,571**	**0.7%**	**117**	**28.4%**	**65**	**425**	**6.5%**	**14**	**(10)**
0,00<0,15	4,126	128	49.4%	6,221	0.0%	31	27.7%	68	289	4.6%	1	(7)
0,15<0,25	89	76	50.0%	177	0.2%	15	42.4%	58	19	10.7%	-	-
0,25<0,50	9	3	46.1%	48	0.3%	4	44.1%	50	4	7.5%	-	-
0,50<0,75	71	-	47.3%	1	0.5%	9	33.0%	55	-	51.0%	-	-
0,75<2,50	24	21	50.0%	2	1.5%	7	27.1%	42	1	58.6%	-	-
2,50<10,00	221	98	50.1%	79	4.5%	33	40.2%	68	103	131.1%	1	(1)
10,00<100,00	1	7	50.3%	4	21.2%	3	19.6%	25	4	101.1%	-	-
100(Default)	211	9	50.0%	39	100.0%	15	30.5%	85	5	13.3%	12	(3)
Institutions	**26,908**	**6,086**	**56.1%**	**12,245**	**0.6%**	**1,881**	**40.0%**	**42**	**3,366**	**27.5%**	**30**	**(64)**
0,00<0,15	19,815	4,607	56.9%	10,133	0.1%	1003	40.8%	45	2,106	20.8%	3	(19)
0,15<0,25	2,227	716	49.9%	668	0.2%	189	39.3%	42	257	38.6%	1	(3)
0,25<0,50	3,612	437	55.8%	631	0.3%	204	29.7%	34	257	40.7%	1	(5)
0,50<0,75	450	46	52.7%	230	0.5%	97	34.2%	39	139	60.4%	-	(1)
0,75<2,50	424	230	62.4%	400	1.2%	203	39.5%	35	371	92.8%	2	(2)
2,50<10,00	186	47	54.3%	87	3.6%	125	43.1%	36	124	141.6%	1	(3)
10,00<100,00	50	2	52.0%	49	19.4%	24	37.1%	43	102	206.1%	4	(3)
100(Default)	145	1	86.3%	47	100.0%	36	40.2%	44	9	18.7%	19	(29)
Corporate SMEs	**13,367**	**3,677**	**43.2%**	**14,725**	**22.1%**	**41,461**	**47.3%**	**46**	**9,222**	**62.6%**	**1,531**	**(1,889)**
0,00<0,15	1,094	655	43.2%	1,665	0.1%	5,126	52.7%	54	464	27.8%	1	(5)
0,15<0,25	552	306	43.9%	801	0.2%	2,288	50.6%	47	291	36.4%	1	(3)
0,25<0,50	975	366	43.8%	1,371	0.3%	3,993	51.8%	44	693	50.5%	2	(9)
0,50<0,75	1,334	458	48.1%	1,791	0.5%	5,194	48.5%	43	1,082	60.4%	4	(11)
0,75<2,50	2,947	1,035	40.0%	3,126	1.2%	9,727	46.1%	42	2,457	78.6%	17	(35)
2,50<10,00	3,042	714	43.4%	2,646	4.2%	9,706	41.7%	42	2,897	109.5%	47	(234)
10,00<100,00	370	38	50.6%	282	16.0%	1441	41.0%	56	493	174.8%	18	(40)
100(Default)	3,054	105	44.8%	3,043	100.0%	3,986	47.3%	53	846	27.8%	1,441	(1,551)
Corporate Non-SMEs	**53,924**	**53,478**	**50.3%**	**79,392**	**2.9%**	**13,979**	**42.4%**	**52**	**39,675**	**50.0%**	**657**	**(1,137)**
0,00<0,15	17,966	27,175	49.3%	32,027	0.1%	2,659	43.6%	57	9,345	29.2%	15	(12)
0,15<0,25	5,197	8,291	49.7%	9,236	0.2%	1,391	43.3%	52	3,585	38.8%	8	(8)
0,25<0,50	10,083	7,647	54.6%	14,217	0.3%	2,278	43.1%	58	7,711	54.2%	19	(37)
0,50<0,75	8,115	6,918	49.4%	10,917	0.5%	2,246	42.8%	48	7,264	66.5%	23	(16)
0,75<2,50	6,550	2,237	49.6%	6,657	1.0%	2,609	39.2%	46	5,735	86.2%	28	(29)
2,50<10,00	3,959	992	57.8%	4,224	3.3%	1,900	40.1%	41	5,336	126.3%	56	(110)
10,00<100,00	181	43	53.8%	191	11.5%	106	39.9%	23	339	177.6%	9	(4)
100(Default)	1,872	175	43.4%	1,923	100.0%	790	25.9%	47	361	18.8%	498	(919)
Retail - Mortgage exposures	**78,701**	**4,476**	**5.0%**	**78,900**	**5.8%**	**1,094,265**	**17.5%**	-	**7,853**	**10.0%**	**833**	**(1,548)**
0,00<0,15	57,944	3,192	5.0%	58,091	0.0%	851,384	15.9%	-	1,312	2.3%	5	(11)
0,15<0,25	3,388	46	5.0%	3,387	0.2%	39,847	21.8%	-	315	9.3%	2	(3)
0,25<0,50	2,816	409	5.0%	2,836	0.3%	39,472	25.9%	-	447	15.8%	2	(3)
0,50<0,75	2,037	245	5.1%	2,048	0.5%	27,278	25.6%	-	437	21.3%	3	(3)
0,75<2,50	3,979	333	5.0%	3,994	1.1%	48,723	22.8%	-	1,261	31.6%	10	(68)
2,50<10,00	3,732	208	5.0%	3,739	4.7%	42,992	20.4%	-	2,440	65.3%	35	(338)
10,00<100,00	587	42	5.0%	589	18.3%	7,236	22.6%	-	751	127.5%	24	(43)
100(Default)	4,219	1	5.0%	4,215	100.0%	37,348	17.9%	-	891	21.1%	753	(1077)
Retail - Other exposures SMEs	**2,969**	**843**	**60.2%**	**3,421**	**13.7%**	**124,653**	**54.8%**	-	**1,610**	**47.1%**	**251**	**(234)**
0,00<0,15	176	173	58.8%	278	0.1%	16,426	55.7%	-	35	12.5%	-	-
0,15<0,25	89	58	61.1%	124	0.2%	5,438	55.9%	-	23	18.6%	-	-
0,25<0,50	174	92	60.0%	230	0.3%	9,128	56.1%	-	57	24.9%	-	-
0,50<0,75	267	110	59.4%	330	0.5%	11,557	55.0%	-	110	33.3%	1	(1)
0,75<2,50	715	217	61.3%	834	1.2%	27,085	55.0%	-	411	49.3%	5	(4)
2,50<10,00	981	153	62.6%	1,047	4.6%	36,647	55.1%	-	694	66.2%	26	(28)
10,00<100,00	207	27	55.1%	214	20.0%	8,540	51.5%	-	204	95.1%	22	(20)
100(Default)	360	12	49.8%	364	100.0%	9,832	53.8%	-	77	21.0%	196	(180)
Retail - Other exposures Non-SMEs	**9,048**	**19**	**54.8%**	**9,054**	**6.0%**	**816,881**	**54.4%**	-	**2,963**	**32.7%**	**248**	**(442)**
0,00<0,15	4,269	2	41.6%	4,270	0.1%	323,096	54.1%	-	388	9.1%	1	(2)
0,15<0,25	464	1	57.2%	464	0.2%	50,781	57.9%	-	112	24.2%	1	(4)
0,25<0,50	778	1	57.5%	778	0.3%	80,226	59.5%	-	276	35.4%	2	(2)
0,50<0,75	593	6	60.0%	597	0.6%	59,201	60.0%	-	289	48.4%	2	(3)
0,75<2,50	977	2	51.5%	978	1.2%	107,537	56.5%	-	620	63.5%	6	(10)
2,50<10,00	1,391	2	49.7%	1,390	4.3%	137,269	51.1%	-	1,079	77.6%	31	(87)
10,00<100,00	143	4	58.1%	144	22.0%	17,006	52.0%	-	174	120.9%	17	(14)
100(Default)	434	-	25.0%	433	100.0%	41,765	43.6%	-	24	5.5%	189	(320)
Retail - qualifying revolving (QRRE)	**6,182**	**15,165**	**20.4%**	**9,275**	**6.8%**	**9,153,912**	**72.9%**	-	**6,948**	**74.9%**	**525**	**(488)**
0,00<0,15	942	4,713	27.8%	2,251	0.0%	3,095,655	47.9%	-	32	1.4%	-	-
0,15<0,25	15	48	32.2%	31	0.2%	65,743	51.5%	-	2	5.9%	-	-
0,25<0,50	103	151	29.2%	148	0.3%	198,195	50.9%	-	12	8.0%	-	-
0,50<0,75	359	1,416	12.9%	541	0.5%	461,517	76.5%	-	98	18.0%	2	(2)
0,75<2,50	1,145	4,071	14.2%	1,723	1.2%	1,365,495	80.3%	-	623	36.1%	16	(16)
2,50<10,00	2,351	4,214	18.9%	3,148	5.4%	2,727,354	82.8%	-	3,412	108.4%	141	(119)
10,00<100,00	1,099	552	30.3%	1,266	21.7%	1,106,550	83.2%	-	2,761	218.1%	229	(218)
100(Default)	167	-	19.3%	167	100.0%	133,403	81.6%	-	9	5.4%	137	(132)
Equity	**3,152**	-	-	**3,152**	**0.4%**	-	**84.4%**	-	**4,715**	**149.6%**	**10**	-
0,00<0,15	2,061	-	-	2,061	0.1%	-	88.5%	-	2,430	117.9%	3	
0,15<0,25	99	-	-	99	0.2%	-	65.0%	-	102	103.0%	-	
0,25<0,50	1	-	-	1	0.3%	-	65.0%	-	1	124.1%	-	
0,50<0,75	4	-	-	4	0.5%	-	65.0%	-	5	152.2%	-	
0,75<2,50	971	-	-	971	0.9%	-	78.1%	-	2,136	220.0%	7	
2,50<10,00	17	-	-	17	2.5%	-	65.0%	-	40	236.0%	-	
10,00<100,00	-	-	-	-	-	-	-	-	-	-	-	
100(Default)	-	-	-	-	-	-	-	-	-	-	-	
Corporate - Specialized lending	**6,709**	**1,028**	**70.9%**	**7,437**	-	**473**	-	-	**6,456**	**86.8%**	**192**	**(110)**
Total Advanced Approach	205,711	85,114	42.5%	224,173	5.3%	11,247,622	34.5%		83,233	37.1%	4,291	(5,921)

(1) PD intervals according to RPDR document
(2) Calculated as EAD after CCF for off-balance exposures over total off-balance exposure before CCF
(3) Corresponds to PD by EAD-weighted debtor category
(4) Corresponds to LGD by EAD-weighted debtor category
(5) Corresponds to the EAD-weighted debtor expiration in days

PD Scale as of 12-31-17 (1)	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF (2)	EAD post CRM and post-CCF	Average PD (3)	Number of obligors	Average LGD (4)	Average Maturity (days) (5)	RWAs	RWA Density	EL	Value adjustments and provisions
Prudential portfolios for FIRB approach	-	-	-	-	-	-	-		-	-	-	-
Prudential portfolios for AIRB approach	206,089	85,560	43.6%	224,504	5.7%	11,479,545	34.3%		83,577	37.2%	4,635	(6.975)
Central governments or central banks	**5,288**	**376**	**49.9%**	**6,977**	**0.4%**	**134**	**27.9%**	**67**	**409**	**5.9%**	**5**	**(4)**
0,00<0,15	4,543	136	49.9%	6,466	0.0%	37	26.9%	69	179	2.8%	1	(2)
0,15<0,25	96	72	50.0%	183	0.2%	20	42.7%	59	18	9.8%	0	(0)
0,25<0,50	77	1	39.0%	121	0.3%	6	48.8%	60	48	40.1%	0	(0)
0,50<0,75	117	0	0.0%	88	0.6%	6	38.0%	94	35	39.4%	0	(0)
0,75<2,50	9	25	50.0%	4	1.5%	9	35.5%	50	3	73.8%	0	(0)
2,50<10,00	356	125	50.1%	89	4.7%	40	40.2%	74	121	136.4%	2	(1)
10,00<100,00	1	9	50.2%	5	21.2%	2	20.0%	5	5	103.1%	0	(0)
100(Default)	88	8	50.0%	21	100.0%	14	9.9%	59	0	0.7%	2	(1)
Institutions	**27,398**	**6,761**	**55.9%**	**12,560**	**1.0%**	**1,869**	**40.8%**	**44**	**3,988**	**31.8%**	**55**	**(62)**
0,00<0,15	18,770	4,486	55.5%	9,991	0.1%	948	41.4%	47	2,262	22.6%	3	(7)
0,15<0,25	3,506	908	62.8%	752	0.2%	196	37.0%	44	291	38.6%	1	(1)
0,25<0,50	3,587	816	54.0%	743	0.3%	200	33.6%	39	324	43.6%	1	(1)
0,50<0,75	510	158	62.9%	336	0.5%	121	36.6%	33	214	63.8%	1	(0)
0,75<2,50	466	346	50.8%	461	1.2%	183	44.2%	40	515	111.7%	2	(1)
2,50<10,00	326	43	53.2%	147	3.7%	146	48.0%	42	250	170.0%	3	(4)
10,00<100,00	40	3	50.8%	42	19.7%	28	45.5%	40	107	255.0%	4	(2)
100(Default)	193	1	86.5%	88	100.0%	47	47.0%	42	26	29.2%	41	(46)
Corporate SMEs	**14,260**	**3,606**	**43.9%**	**15,502**	**22.7%**	**43,278**	**47.7%**	**48**	**9,935**	**64.1%**	**1,666**	**(1.821)**
0,00<0,15	1,147	621	43.5%	1,835	0.1%	5,134	51.9%	56	520	28.3%	1	(4)
0,15<0,25	566	274	42.9%	1,015	0.2%	2,308	47.8%	43	381	37.5%	1	(2)
0,25<0,50	1,031	362	43.3%	1,402	0.3%	4,106	51.8%	47	704	50.2%	2	(6)
0,50<0,75	1,331	373	45.2%	1,505	0.5%	5,310	49.7%	46	896	59.5%	4	(6)
0,75<2,50	3,132	974	45.3%	3,201	1.2%	10,460	47.2%	46	2,623	81.9%	18	(18)
2,50<10,00	3,344	764	43.5%	2,943	4.2%	10,329	43.5%	42	3,369	114.5%	53	(194)
10,00<100,00	413	63	42.5%	309	16.1%	1523	39.9%	62	501	162.1%	20	(14)
100(Default)	3,296	174	41.0%	3,291	100.0%	4,108	47.6%	63	942	28.6%	1,568	(1.577)
Corporate Non-SMEs	**50,757**	**53,929**	**50.6%**	**76,577**	**3.5%**	**13,759**	**42.1%**	**55**	**37,614**	**49.1%**	**800**	**(1.518)**
0,00<0,15	17,194	26,765	49.2%	30,981	0.1%	2,647	43.3%	59	8,885	28.7%	15	(34)
0,15<0,25	5,071	7,709	48.6%	9,200	0.2%	1,432	43.4%	56	3,687	40.1%	8	(12)
0,25<0,50	8,859	8,240	51.0%	13,089	0.3%	2,277	43.2%	62	6,927	52.9%	18	(28)
0,50<0,75	7,693	7,907	57.8%	11,311	0.5%	2,280	41.7%	54	7,395	65.4%	23	(18)
0,75<2,50	5,567	1,872	45.4%	5,420	1.0%	2,548	40.3%	45	4,806	88.7%	22	(19)
2,50<10,00	3,539	1,157	55.8%	3,650	3.4%	1,721	40.3%	44	4,486	122.9%	50	(93)
10,00<100,00	596	126	50.0%	646	13.1%	105	31.4%	23	957	148.1%	28	(17)
100(Default)	2,239	153	44.5%	2,279	100.0%	749	27.9%	49	470	20.6%	635	(1.297)
Retail - Mortgage exposures	**79,867**	**4,499**	**5.0%**	**80,073**	**6.1%**	**1,102,494**	**17.7%**	-	**8,268**	**10.3%**	**907**	**(1.192)**
0,00<0,15	58,258	3,219	5.0%	58,412	0.1%	852,045	16.2%	-	1,333	2.3%	5	(6)
0,15<0,25	3,609	49	5.0%	3,611	0.2%	41,780	22.6%	-	347	9.6%	2	(2)
0,25<0,50	2,740	410	5.0%	2,760	0.3%	38,939	25.2%	-	423	15.3%	2	(3)
0,50<0,75	2,097	242	5.0%	2,108	0.5%	28,012	25.3%	-	443	21.0%	3	(3)
0,75<2,50	4,066	333	5.0%	4,081	1.1%	49,623	23.0%	-	1,305	32.0%	10	(15)
2,50<10,00	3,981	205	5.0%	3,988	4.8%	45,473	20.6%	-	2,642	66.3%	38	(240)
10,00<100,00	637	41	5.0%	639	17.9%	7,550	23.1%	-	826	129.3%	26	(26)
100(Default)	4,478	0	5.1%	4,474	100.0%	39,072	18.4%	-	949	21.2%	821	(898)
Retail - Other exposures SMEs	**3,037**	**812**	**60.8%**	**3,456**	**13.4%**	**121,952**	**54.4%**	-	**1,608**	**46.5%**	**241**	**(198)**
0,00<0,15	196	175	58.9%	299	0.1%	16,665	54.8%	-	37	12.3%	0	(0)
0,15<0,25	90	53	61.1%	122	0.2%	5,308	55.9%	-	23	18.6%	0	(0)
0,25<0,50	186	80	61.0%	234	0.3%	9,094	56.1%	-	58	25.0%	0	(0)
0,50<0,75	284	116	60.4%	350	0.5%	12,120	54.7%	-	116	33.2%	1	(1)
0,75<2,50	702	200	63.3%	811	1.2%	26,454	54.2%	-	394	48.6%	5	(3)
2,50<10,00	1019	151	61.1%	1,073	4.6%	36,181	55.1%	-	713	66.4%	27	(16)
10,00<100,00	207	25	57.6%	209	19.8%	7,592	51.6%	-	197	94.5%	21	(13)
100(Default)	354	12	52.5%	359	100.0%	8,538	52.0%	-	70	19.6%	186	(165)
Retail - Other exposures Non-SMEs	**8,879**	**19**	**53.5%**	**8,885**	**5.7%**	**821,034**	**53.2%**	-	**3,017**	**34.0%**	**209**	**(421)**
0,00<0,15	3,981	10	57.5%	3,987	0.1%	306,838	53.5%	-	358	9.0%	1	(3)
0,15<0,25	435	1	53.5%	436	0.2%	47,482	56.7%	-	103	23.7%	0	(1)
0,25<0,50	727	1	57.4%	728	0.3%	76,924	58.6%	-	254	34.9%	1	(2)
0,50<0,75	581	1	66.5%	581	0.6%	60,010	58.3%	-	273	47.0%	2	(3)
0,75<2,50	1039	2	60.1%	1,038	1.2%	115,016	54.8%	-	640	61.7%	7	(9)
2,50<10,00	1,596	4	44.7%	1,597	4.4%	160,905	49.6%	-	1,204	75.4%	34	(101)
10,00<100,00	138	0	56.9%	136	21.6%	17,374	50.9%	-	161	117.8%	15	(14)
100(Default)	383	1	0.0%	383	100.0%	36,485	38.8%	-	25	6.5%	149	(288)
Retail - qualifying revolving (QRRE)	**6,023**	**14,603**	**21.4%**	**9,154**	**6.6%**	**9,374,525**	**72.9%**	-	**6,764**	**73.9%**	**505**	**(527)**
0,00<0,15	942	4,804	29.3%	2,348	0.0%	3,132,253	48.1%	-	33	1.4%	0	(1)
0,15<0,25	16	48	34.0%	32	0.2%	67,924	51.6%	-	2	5.9%	0	(0)
0,25<0,50	160	355	20.9%	234	0.3%	247,187	63.4%	-	26	11.1%	1	(0)
0,50<0,75	376	1,745	11.6%	578	0.5%	542,379	76.8%	-	108	18.7%	2	(2)
0,75<2,50	989	3,059	15.0%	1,449	1.2%	1,234,690	80.1%	-	540	37.3%	14	(12)
2,50<10,00	2,414	4,057	20.0%	3,224	5.4%	2,872,090	83.7%	-	3,549	110.1%	147	(137)
10,00<100,00	959	533	30.4%	1,120	21.7%	1,131,749	83.5%	-	2,498	222.9%	203	(233)
100(Default)	168	0	17.8%	168	100.0%	146,253	82.0%	-	9	5.3%	137	(142)
Equity	**3,390**	-	-	**3,390**	**0.5%**	-	**80.9%**	-	**4,953**	**146.1%**	**12**	**(1.123)**
0,00<0,15	2,174	-	-	2,174	0.1%	-	89.9%	-	2,604	119.8%	3	
0,15<0,25	86	-	-	86	0.2%	-	65.0%	-	88	103.1%	0	
0,25<0,50	1	-	-	1	0.3%	-	65.0%	-	1	123.8%	0	
0,50<0,75	4	-	-	4	0.5%	-	65.0%	-	5	152.2%	0	
0,75<2,50	1108	-	-	1,108	1.3%	-	65.0%	-	2,212	199.7%	9	
2,50<10,00	18	-	-	18	2.6%	-	65.0%	-	41	236.0%	0	
10,00<100,00	-	-	-	-	-	-	-	-	-	-	-	
100(Default)	-	-	-	-	-	-	-	-	-	-	-	
Corporate - Specialized lending	**7,190**	**955**	**77.6%**	**7,931**	-	**500**	**0.0%**	-	7,021	**88.5%**	**234**	**(109)**
Total Advanced Approach	206,089	85,560	43.6%	224,504	5.7%	11,479,545	34.0%		83,577	37.0%	4,635	(6.975)

(1) PD intervals according to RPDR document
(2) Calculated as EAD after CCF for off-balance exposures over total off-balance exposure before CCF
(3) Corresponds to PD by EAD-weighted debtor category
(4) Corresponds to LGD by EAD-weighted debtor category
(5) Corresponds to the EAD-weighted debtor expiration in days

The information presented in the tables above is set out below in graphic format (including counterparty credit risk):

Chart 4. Internal Ratings-Based Approach: EAD by obligor category

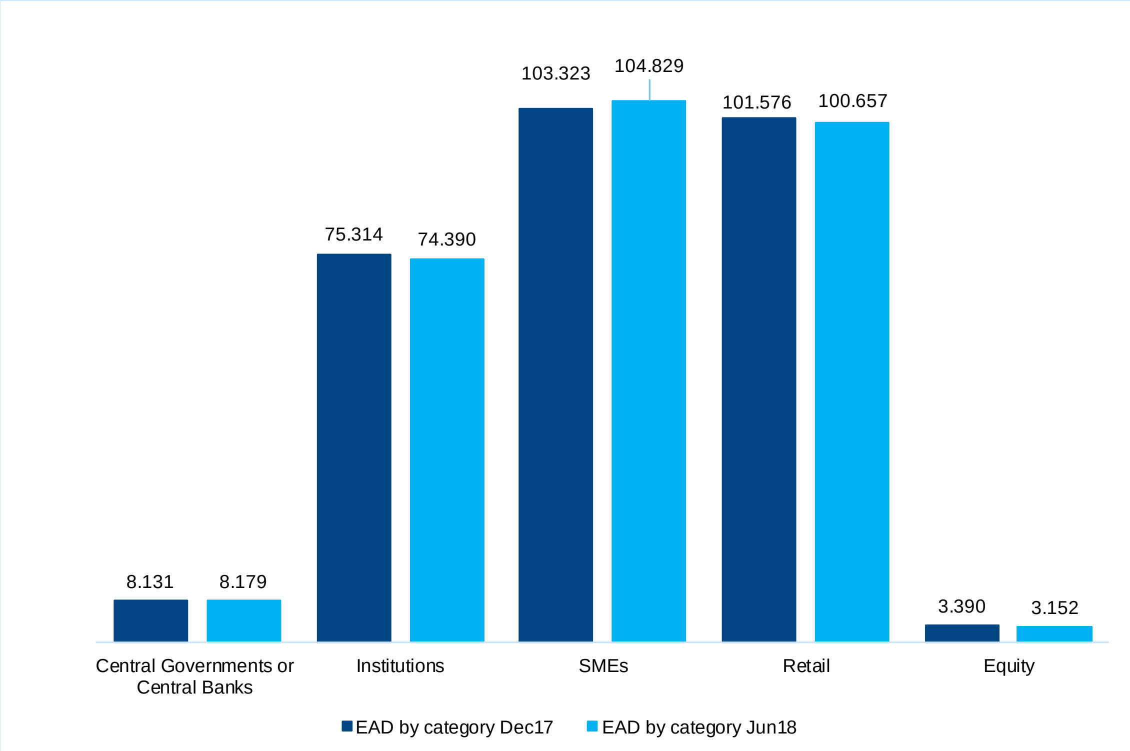


Chart 5. Internal Ratings-Based Approach: Weighted average PD by EAD

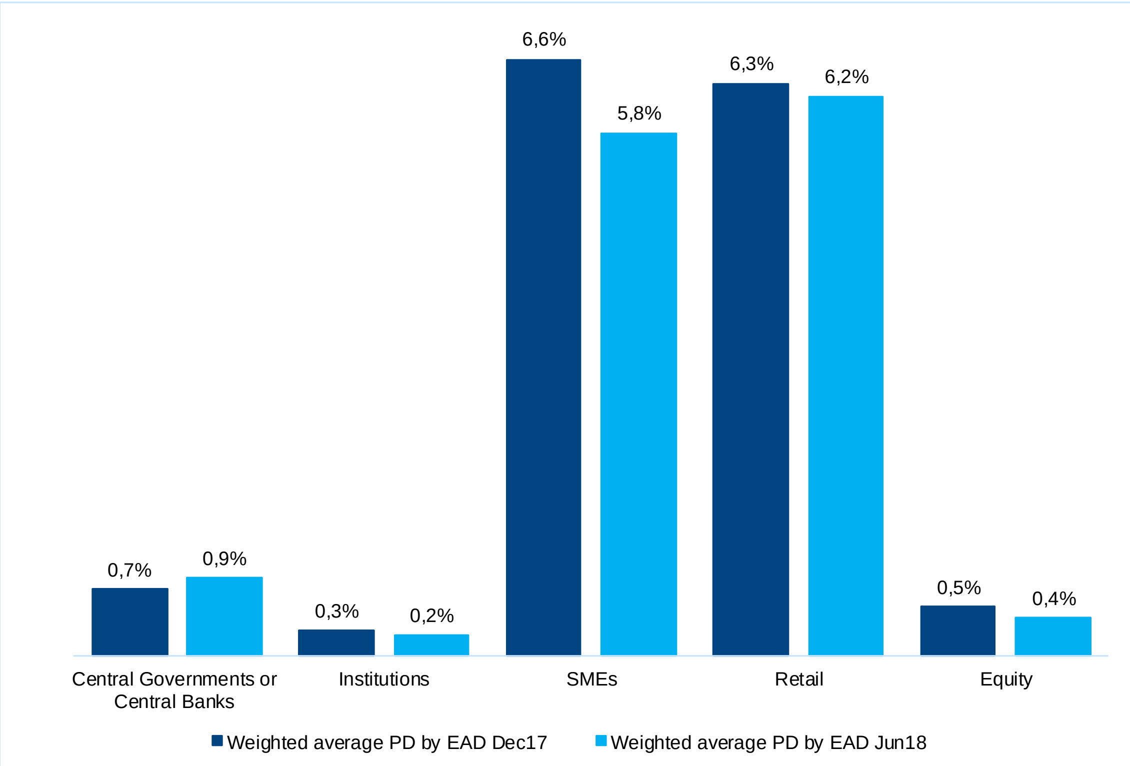


Chart 6. Internal Ratings-Based Approach: Weighted average LGD by EAD

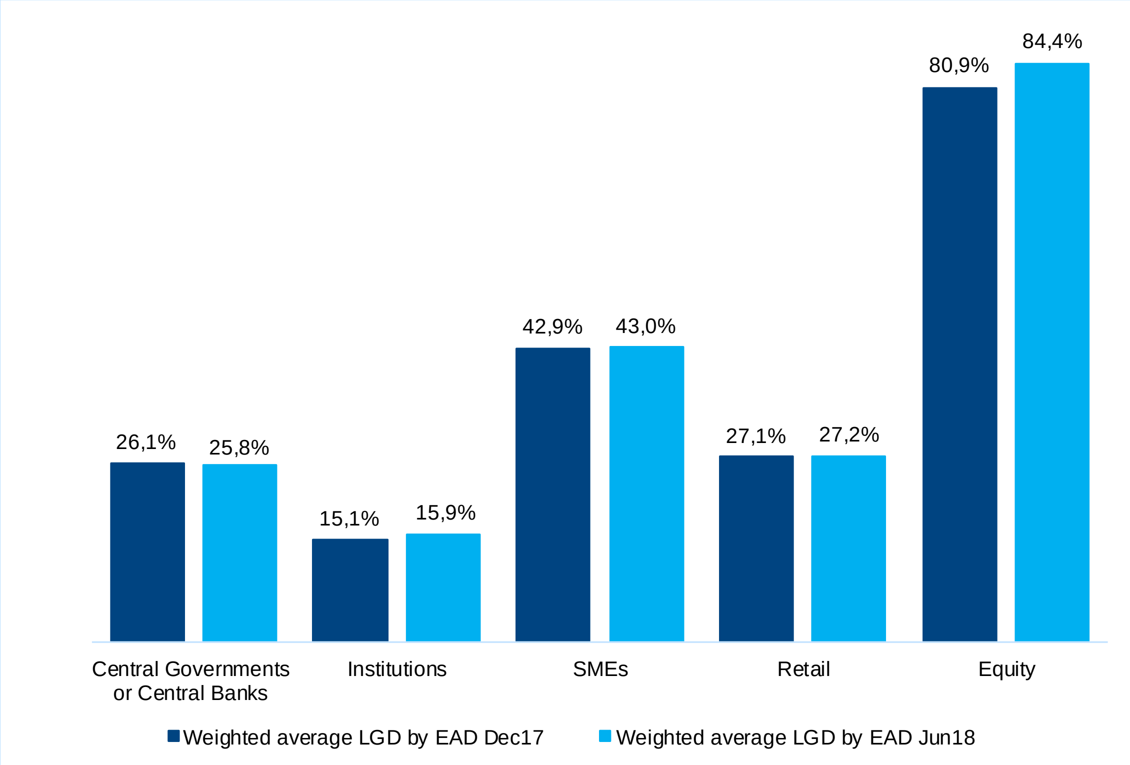
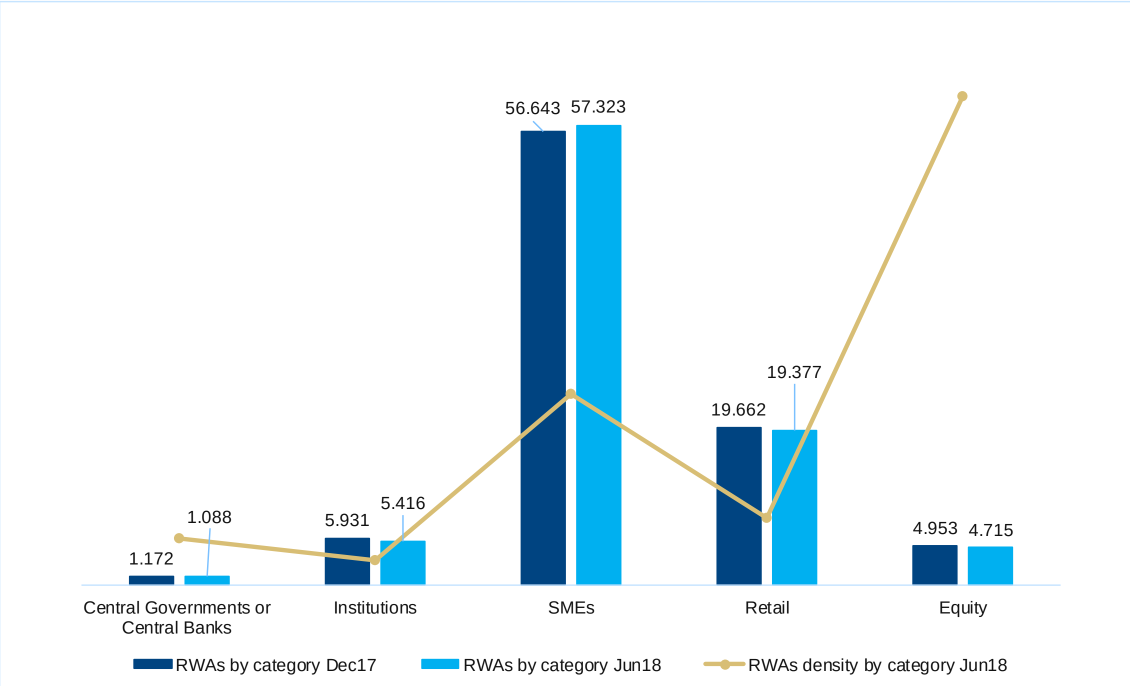


Chart 7. Internal Ratings-Based Approach: RWAs by obligor category



Regarding specialised lending, the Group has considered using the supervisory criteria method as set out in the Basle Accord of June 2004 and in the solvency regulations (Article 153.5 CRR).

The table below shows the exposure assigned to each of the risk weightings of exposure to specialised lending (including counterparty credit risk) as of June 30, 2018 and December 31, 2017:

Table 22. EU CR10 (1) - Specialised lending

06/30/18 (Million Euros)		Specialized lending					
Regulatory categories	Remaining Maturity	On-balance sheet amount (1)	Off-balance sheet amount (2)	RW	Exposure Amount (3)	RWAs	Expected Losses
Category 1	Less than 2.5 years	-	-	50%	-	-	-
Category 1	Equal to or more than 2.5 years	2,857	772	70%	3,598	2,518	14
Category 2	Less than 2.5 years	356	223	70%	479	335	2
Category 2	Equal to or more than 2.5 years	1,847	717	90%	2,409	2,168	19
Category 3	Less than 2.5 years	309	17	115%	318	365	9
Category 3	Equal to or more than 2.5 years	986	224	115%	1,205	1,386	33
Category 4	Less than 2.5 years	12	2	250%	14	35	1
Category 4	Equal to or more than 2.5 years	129	107	250%	235	588	19
Category 5	Less than 2.5 years	122	-	0%	122	-	61
Category 5	Equal to or more than 2.5 years	92	24	0%	116	-	58
Total	**Less than 2.5 years**	**799**	**242**	**-**	**933**	**735**	**73**
Total	**Equal to or more than 2.5 years**	**5,910**	**1,844**	**-**	**7,563**	**6,661**	**143**

(1) Corresponds to the amount of the net exposure of provisions and cancellations
(2) Corresponds to the value of off-balance sheet exposure, regardless of credit conversion factors (CCF), or the effect of the Credit Risk Mitigation (CRM) techniques
(3) Corresponds to exposure value after CRM and CCF

12/31/17 (Million Euros)		Specialized lending					
Regulatory categories	Remaining Maturity	On-balance sheet amount (1)	Off-balance sheet amount (2)	RW	Exposure Amount (3)	RWAs	Expected Losses
Category 1	Less than 2.5 years	-	-	50%	-	-	-
Category 1	Equal to or more than 2.5 years	2,966	842	70%	3,771	2,640	15
Category 2	Less than 2.5 years	423	246	70%	567	397	2
Category 2	Equal to or more than 2.5 years	2,050	497	90%	2,489	2,240	20
Category 3	Less than 2.5 years	349	18	115%	380	437	11
Category 3	Equal to or more than 2.5 years	904	312	115%	1,211	1,392	33
Category 4	Less than 2.5 years	18	6	250%	24	61	2
Category 4	Equal to or more than 2.5 years	227	137	250%	364	910	29
Category 5	Less than 2.5 years	143	20	0%	153	-	77
Category 5	Equal to or more than 2.5 years	109	58	0%	152	-	76
Total	**Less than 2.5 years**	**934**	**290**	**-**	**1,125**	**895**	**91**
Total	**Equal to or more than 2.5 years**	**6,256**	**1,846**	**-**	**7,986**	**7,181**	**173**

(1) Corresponds to the amount of the net exposure of provisions and cancellations
(2) Corresponds to the value of off-balance sheet exposure, regardless of credit conversion factors (CCF), or the effect of the Credit Risk Mitigation (CRM) techniques
(3) Corresponds to exposure value after CRM and CCF

Additionally, the following table presents the exposures assigned to each one of the risk weightings of equity exposures as of June 30, 2018 and December 31, 2017:

Table 23. EU CR10 (2) - Equity

06/30/18 (Million Euros)	Equity under the IRB approach					
Categories	On-balance sheet amount (1)	Off-balance sheet amount (2)	RW	Exposure Amount (3)	RWAs	Capital Requirements
Simple method - Private Equity Exposures	507	-	190%	507	962	77
Simple method - Exchange-traded equity exposures	228	-	290%	228	661	53
Simple method - Other Equity Exposures	87	-	370%	87	323	26
Exposures subject to 250% risk weight	2,631	-	250%	2,631	6,578	526
Internal model	411	-		411	1,288	103
PD/LGD method	3,152	-		3,152	4,715	377
Total	**7,016**	**-**		**7,016**	**14,528**	**1,162**

(1) Corresponds to the amount of the net exposure of provisions and cancellations
(2) Corresponds to the value of off-balance sheet exposure, regardless of credit conversion factors (CCF), or the effect of the Credit Risk Mitigation (CRM) techniques.
(3) Corresponds to exposure value after CRM and CCF

12/31/17 (Million Euros)	Equity under the IRB approach					
Categories	On-balance sheet amount (1)	Off-balance sheet amount (2)	RW	Exposure Amount (3)	RWAs	Capital Requirements
Simple method - Private Equity Exposures	525	-	190%	525	998	80
Simple method - Exchange-traded equity exposures	170	-	290%	170	493	39
Simple method - Other Equity Exposures	88	-	370%	88	324	26
Exposures subject to 250% risk weight	3,098	-	250%	3,099	7,747	620
Internal model	527	-		527	2,261	181
PD/LGD method	3,390	-		3,390	4,953	396
Total	**7,798**	**-**		**7,798**	**16,775**	**1,342**

(1) Corresponds to the amount of the net exposure of provisions and cancellations

(2) Corresponds to the value of off-balance sheet exposure, regardless of credit conversion factors (CCF), or the effect of the Credit Risk Mitigation (CRM) techniques.

(3) Corresponds to exposure value after CRM and CCF

5.2. Information on counterparty risk

The original exposure for the counterparty credit risk of derivatives, according to Chapter 6 of the CRR, can be calculated using the following methods: original risk, mark-to-market valuation, standardised and internal models.

The Group calculates the value of exposure to risk through the mark-to-market method, obtained as the aggregate of the positive mark-to-market value after contractual netting agreements plus the potential future risk of each transaction or instrument.

In order to determine the value of the exposure of the transaction subject to counterparty risk, the Group uses the market value method of valuation in accordance with article 274 of the CRR.

On the other hand, in order to determine the risk-weighted assets associated with such exposures, the Group uses the IRB and standardised approaches.

A breakdown of the counterparty credit risk in terms of original exposure (OE), EAD and RWA as of June 30 2018 and December 31, 2017 is shown below:

Table 24. Positions subject to counterparty credit risk in terms of EO, EAD and RWAs

06/30/18 (Million Euros)

Exposure Class and risk types	Securities financing transactions			Derivatives and transactions with deferred settlement			From contractual netting between products			Total		
	OE	EAD	RWAs	OE	EAD	RWAs	OE	EAD	RWAs	OE	EAD	RWAs
Central governments or central banks	2,853	676	258	35	36	33	390	437	6	3,277	1,148	297
Regional governments or local authorities	-	-	-	-	-	-	24	24	5	25	24	5
Public sector entities	-	-	-	-	-	-	4	4	1	5	5	1
Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	2,445	457	260	2,273	2,197	395	2,296	1,609	573	7,014	4,262	1,228
Corporates	193	-	-	792	792	784	611	583	576	1,596	1,375	1,360
Retail	6,402	194	145	34	34	22	21	21	14	6,457	248	181
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in default	-	-	-	-	-	0	-	-	0	-	-	1
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
Short-term claims on institutions and corporate	-	-	-	-	-	-	-	-	-	-	-	-
Collective investments undertakings	6	-	-	-	-	-	-	-	-	6	-	-
Other exposures	-	8,310	-	-	76	-	-	727	-	-	9,113	-
Total credit risk by standardised approach	**11,898**	**9,637**	**663**	**3,134**	**3,135**	**1,235**	**3,347**	**3,404**	**1,175**	**18,380**	**16,175**	**3,073**
Central governments or central banks	1,588	1,588	651	20	20	12	-	-	-	1,608	1,608	663
Institutions	44,434	44,434	389	2,054	2,053	727	15,872	15,657	934	62,360	62,145	2,050
Corporates	18	18	-	560	560	352	2,696	2,696	1,618	3,274	3,274	1,970
Of which: SMEs	-	-	-	38	38	32	86	86	66	124	124	98
Of which: companies of specialized finance	-	-	-	257	257	181	802	802	759	1,058	1,058	940
Of which: other	18	18	-	265	265	139	1,808	1,808	792	2,092	2,092	932
Retail	-	-	-	3	3	1	4	4	2	7	7	3
Of which: Secured by real estate collateral	-	-	-	-	-	-	-	-	-	-	-	-
Of which: Qualifying revolving retail	-	-	-	-	-	-	-	-	-	-	-	-
Of which: Other retail assets	-	-	-	3	3	1	4	4	2	7	7	3
Other corporates: SMEs	-	-	-	3	3	1	4	4	2	7	7	3
Other corporates: No SMEs	-	-	-	-	-	-	-	-	-	-	-	-
Total credit risk by IRB approach	**46,040**	**46,040**	**1,040**	**2,637**	**2,637**	**1,093**	**18,572**	**18,357**	**2,554**	**67,249**	**67,034**	**4,686**
TOTAL CREDIT RISK	**57,938**	**55,677**	**1,703**	**5,771**	**5,771**	**2,328**	**21,919**	**21,761**	**3,729**	**85,629**	**83,209**	**7,760**

12/31/17 (Million Euros)

Exposure Class and risk types	Securities financing transactions			Derivatives and transactions with deferred settlement			From contractual netting between products			Total		
	OE	EAD	RWAs	OE	EAD	RWAs	OE	EAD	RWAs	OE	EAD	RWAs
Central governments or central banks	5,455	3,915	180	7	8	4	348	436	4	5,810	4,360	188
Regional governments or local authorities	1	0	0	1	-	-	31	30	6	33	30	6
Public sector entities	-	-	-	-	-	-	4	4	1	4	4	1
Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	2,681	470	249	2,173	2,173	339	2,275	1,440	765	7,128	4,082	1,353
Corporates	4,038	212	202	791	791	785	538	508	494	5,367	1,511	1,480
Retail	15	2	1	31	31	20	17	17	11	64	50	31
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in default	-	-	-	-	0	0	0	0	0	0	0	1
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
Short-term claims on institutions and corporate	-	-	-	-	-	-	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-
Other exposures	-	6,051	-	-	-	-	-	867	-	-	6,918	-
Total credit risk by standardised approach	**12,190**	**10,649**	**632**	**3,003**	**3,003**	**1,147**	**3,214**	**3,304**	**1,282**	**18,407**	**16,956**	**3,060**
Central governments or central banks	1,075	1,075	750	19	19	13	59	59	0	1,154	1,154	763
Institutions	46,133	46,133	337	1,967	1,966	661	14,869	14,655	945	62,968	62,754	1,943
Corporates	13	13	0	490	490	329	2,811	2,811	1,744	3,314	3,314	2,074
Of which: SMEs	-	-	-	55	55	39	94	94	82	149	149	121
Of which: companies of specialized finance	-	-	-	278	278	218	903	903	838	1,180	1,180	1,056
Of which: other	13	13	0	158	158	73	1,814	1,814	824	1,985	1,985	897
Retail	-	-	-	4	4	2	4	4	2	8	8	4
Of which: Secured by real estate collateral	-	-	-	-	-	-	-	-	-	-	-	-
Of which: Qualifying revolving retail	-	-	-	-	-	-	-	-	-	-	-	-
Of which: Other retail assets	-	-	-	4	4	2	4	4	2	8	8	4
Other corporates: SMEs	-	-	-	4	4	2	4	4	2	8	8	4
Other corporates: No SMEs	-	-	-	0	0	0	0	0	0	0	0	0
Total credit risk by IRB approach	**47,221**	**47,221**	**1,087**	**2,480**	**2,479**	**1,005**	**17,743**	**17,529**	**2,691**	**67,444**	**67,230**	**4,784**
TOTAL CREDIT RISK	**59,411**	**57,870**	**1,720**	**5,483**	**5,483**	**2,152**	**20,957**	**20,833**	**3,973**	**85,851**	**84,186**	**7,844**

A whole overview of the methods used to calculate the regulatory requirements for counterparty credit risk and the main parameters of each method (excluding requirements for CVA and exposures offset through a CCP, which are shown in tables CCR2 and CCR8, respectively) is presented below:

Table 25. EU CCR1 - Analysis of CCR exposure by approach

Million Euros	06/30/2018				12/31/2017			
	Replacement Cost / Current market value	Potential future credit exposure	EAD post- CRM	RWAs	Replacement Cost / Current market value	Potential future credit exposure	EAD post- CRM	RWAs
Mark to market	12,436	10,054	20,781	5,877	12,514	10,254	21,213	6,001
Internal Model Method (for derivatives and SFTs)	-	-	-	-	-	-	-	-
Simple Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-	-	-
Comprehensive Approach for credit risk mitigation (for SFTs)	-	-	53,028	1,625	-	-	56,937	1,643
VaR for SFTs	-	-	-	-	-	-	-	-
Total	**12,436**	**10,054**	**73,809**	**7,502**	**12,514**	**10,254**	**78,150**	**7,644**

The surcharge for CVA in Capital refers to the additional surcharge in capital because of the unexpected CVA adjustment loss, for which there are two approaches:

- Standardised Approach (Art. 384 CRR): application of a standard regulatory formula. The formula applied is an analytical approximation to the calculating of the CVA VaR by supposing that the counterparty spreads depend on a single systematic risk factor and on its own idiosyncratic factor, both variables distributed by independent normal distributions, assuming a 99% confidence level.

- Advanced Approach (Art 383 CRR): based on the market risk VaR approach, which requires a calculation of the "CVA VaR", assuming the same confidence level (99%) and time horizon (10 days), as well as a stressed scenario. As of June 30, 2018 and December 31, 2017, the Group has no surcharge for CVA calculated under the advanced approach.

Procedures for calculating the valuation of adjustments and reserves

Credit valuation adjustments (CVA) and debit valuations adjustments (DVA) are incorporated into derivative valuations of both assets and liabilities, to reflect the impact on fair value of the counterparty credit risk and own credit risk, respectively.

Exposure values and RWAs referring to CVA as of June 30, 2018 and December 31, 2017 are shown below:

Table 26: EU CCR2 - CVA Capital Charge

06/30/18 (Million Euros)	Exposure value	RWA
Total portfolios subject to the advanced method	**-**	**-**
(i) VaR component (included 3x multiplier)	-	-
(ii) SVaR component (included 3x multiplier)	-	-
All portfolios subject to the standardised method	8,263	1,413
Total subject to the CVA capital charge	**8,263**	**1,413**

12/31/17 (Million Euros)	Exposure value	RWA
Total portfolios subject to the advanced method	**-**	**-**
(i) VaR component (included 3x multiplier)	-	-
(ii) SVaR component (included 3x multiplier)	-	-
All portfolios subject to the standardised method	7,865	1,566
Total subject to the CVA capital charge	**7,865**	**1,566**

The following table presents a complete overview of the exposures to central counterparty entities by type of exposure (arising from transactions, margins, contributions to the guarantee fund) and their corresponding capital requirements:

Table 27: EU CCR8 – Exposures to CCPs

Million Euros	06/30/2018		12/31/2017	
	EAD post CRM	RWA	EAD post CRM	RWA
Exposures to QCCPs (total)	**9,209**	**225**	**7,703**	**186**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	**7,381**	**169**	**5,903**	**119**
(i) OTC Derivatives	478	11	482	11
(ii) Exchange-traded derivatives	530	11	689	14
(iii) Securities financing transactions (SFTs)	655	13	824	16
(iv) Netting sets where cross-product netting has been approved	5,719	135	3,909	78
Segregated initial margin	1,357	-	1,558	-
Non-segregated initial margin	379	8	155	18
Pre-funded default fund contributions	91	48	87	49
Alternative calculation of own funds requirements for exposures	-	-	-	-
Exposures to non-QCCPs (total)	**2,220**	**93**	**246**	**84**
Exposures for trades at non-QCCPs (excluding initial margin and default to contributions; of which	**2,019**	**88**	**132**	**80**
(i) OTC Derivatives	21	21	17	17
(ii) Exchange-traded derivatives	5	3	6	3
(iii) Securities financing transactions (SFTs)	1,994	65	109	60
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	115	-	110	-
Non-segregated initial margin	85	4	4	4
Pre-funded default fund contributions	-	-	0	0
Unfunded default fund contributions	-	-	-	-

The following table presents the amounts in million euros involved in the counterparty risk of derivatives as of June 30, 2018:

Table 28. EU CCR5-A – Impact of netting and collateral held on exposure values [1]

06/30/2018	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives [2]	42,975	(30,148)	12,827	(5,959)	6,868
SFTs [3]	22,303	(143)	22,160	(19,543)	2,617
Cross-product netting					
Total	**65,278**	**(30,291)**	**34,987**	**(25,502)**	**9,485**

(1) SFTs includes both relative amount of recognised financial instruments and collaterals that are not netted on balance sheet but reduce credit risk.
Collaterals of derivatives correspond only to those that mitigate for capital purpose
(2) Positive mark to market of derivatives is include
(3) Asset repos is included

A table with a breakdown of all the types of collateral posted or received by the Group to strengthen or reduce exposure to counterparty credit risk related to derivatives exposures and securities financing transactions as of June 30, 2018 and December 31, 2017 is presented below:

Table 29. EU CCR5-B - Composition of collateral for exposures to CCR

06-30-2018	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair Value of Collateral received		Fair Value of posted Collateral		Fair Value of Collateral received	Fair Value of posted Collateral
	Segregated (1)	Unsegregated (2)	Segregated (1)	Unsegregated (2)		
Cash- domestic currency	7	2,002	14	0	26,113	20,473
Cash- other currencies	-	1,751	11	130	15,074	1,830
Domestic sovereign debt	-	-	-	-	5,973	12,080
Other sovereign debt	-	3	-	-	6,508	9,585
Government agency debt	-	16	-	3	37	253
Corporate bonds	-	554	-	-	2,252	6,277
Equity securities	-	-	-	-	-	2,285
Other collateral	-	1,625	-	-	4,774	6,503
Total	7	5,952	25	133		

(1) Refers to collateral that is held in a bankruptcy-remote manner in the meaning of Article 300 in the CRR.
(2) Refers to collateral that is not held in a bankruptcy-remote manner.
(*) Only collaterals which are considered as capital mitigation are included

12/31/2017	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair Value of Collateral received		Fair Value of posted Collateral		Fair Value of Collateral received	Fair Value of posted Collateral
	Segregated (1)	Unsegregated (2)	Segregated (1)	Unsegregated (2)		
Cash- domestic currency	4	2,353	7	-	29,053	24,244
Cash- other currencies	0	1,549	6	160	11,025	1,735
Domestic sovereign debt	-	-	-	-	10,852	17,000
Other sovereign debt	-	12	-	-	5,591	8,938
Government agency debt	-	4	-	4	330	477
Corporate bonds	-	468	-	-	3,891	10,088
Equity securities	-	0	-	-	-	3,207
Other collateral	-	1,638	-	-	5,554	447
Total	5	6,024	13	163		

(1) Refers to collateral that is held in a bankruptcy-remote manner in the meaning of Article 300 in the CRR.
(2) Refers to collateral that is not held in a bankruptcy-remote manner.
(*) Only collaterals which are considered as capital mitigation are included

The table below shows the amounts corresponding to transactions with credit derivatives, broken down into purchased and sold derivatives:

Table 30: EU CCR6- Credit derivatives transactions

06/30/18 (Million Euros)	Credit derivative hedges Protection Bought	Credit derivative hedges Protection Sold	Other credit derivatives
Notionals	**12,559**	**14,839**	-
Single-name credit default swaps	5,645	6,508	-
Index credit default swaps	5,789	6,369	-
Total return swaps	-	1,963	-
Credit options	1,125	-	-
Other credit derivatives	-	-	-
Fair Values	**(218)**	**56**	**-**
Positive fair value (asset)	55	260	-
Negative fair value (liability)	(273)	(204)	-

12/31/17 (Million Euros)	Credit derivative hedges Protection Bought	Credit derivative hedges Protection Sold	Other credit derivatives
Notionals	**13,848**	**16,333**	-
Single-name credit default swaps	5,374	5,929	-
Index credit default swaps	8,374	8,265	-
Total return swaps	-	2,039	-
Credit options	100	100	-
Other credit derivatives	-	-	-
Fair Values	**(451)**	**423**	**-**
Positive fair value (asset)	48	441	-
Negative fair value (liability)	(499)	(18)	-

As of June 30, 2018 and December 31, 2017, the Group did not use credit derivatives in brokerage activities as collateral.

5.2.1. Counterparty risk by standardised approach

The following table presents a breakdown of exposure to counterparty credit risk (following mitigation and CCF techniques) calculated using the standardised approach, by exposure class and risk weights:

Table 31. EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk

06/30/18 (Million Euros)	Risk Weight												
Exposure Class	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total**	**Of which: unrated**
Central governments or central banks	754	-	-	-	38.857	132	-	-	224	-	-	1,148	265
Regional government or local authorities	-	-	-	-	24	-	-	-	-	-	-	24	1
Public sector entities	-	-	-	-	4	-	-	-	-	-	-	5	4
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	928	80	-	2,066	790	-	-	398	-	-	4,262	4,198
Corporates	-	-	-	-	4	10	-	-	1,361	-	-	1,375	1,335
Retail	-	-	-	-	-	-	-	248	-	-	-	248	248
Institutions and corporates with a short term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other items	9,113	-	-	-	-	-	-	-	-	-	-	9,113	9,113
Total	**9,867**	**928**	**80**	**-**	**2,138**	**932**	**-**	**248**	**1,982**	**1**	**-**	**16,175**	**15,165**

(*) Of which: Unrated refers to exposures for which no credit rating is available made by designated ECAIs.

12/31/17 (Million Euros)	Risk Weight												
Exposure Class	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total**	**Of which: unrated**
Central governments or central banks	4,058	-	-	-	-	226	-	-	75	0	-	4,360	3,619
Regional government or local authorities	-	-	-	-	30	-	-	-	-	-	-	30	8
Public sector entities	-	-	-	-	4	-	-	-	-	-	-	4	4
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	1,099	72	-	1,778	322	-	-	812	-	-	4,082	3,937
Corporates	-	-	-	-	3	46	-	-	1,458	4	-	1,511	1,505
Retail	-	-	-	-	-	-	-	50	-	-	-	50	50
Institutions and corporates with a short term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other items	6,918	-	-	-	-	-	-	-	-	0	-	6,918	6,918
Total	**10,976**	**1,099**	**72**	**-**	**1,816**	**594**	**-**	**50**	**2,345**	**5**	**-**	**16,955**	**16,043**

(*) Of which: Unrated refers to exposures for which no credit rating is available made by designated ECAIs.

5.2.2. Counterparty risk by advanced measurement approach

The following table presents the relevant parameters used to calculate the capital requirements for counterparty credit risk in the IRB models as of June 30, 2018 and December 31, 2017:

Table 32. EU CCR4 - IRB Approach - CCR exposures by portfolio and PD scale

PD scale as of 06-30-18 [(1)]	EAD post-CRM	Average PD [(2)]	Number of Obligors	Average LGD [(3)]	Average Maturity (days) [(4)]	RWAs	RWA Density
Prudential Portfolio- FIRB method	-	-	-	-		-	-
Prudential Portfolio- AIRB method	67,034	0.2%	8,167	11.9%		4,686	7.0%
Central governments or central banks	**1,608**	**1.5%**	**5**	**15.3%**	**51**	**663**	**41.2%**
0.00 to <0.15	1,041	0.1%	2	1.9%	-	3	0.3%
0.15 to <0.25	19	0.2%	1	40.0%	183	12	61.4%
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.5	-	-	-	-	-	-	-
2.50 to <10,00	547	4.4%	2	40.0%	36	648	118.5%
10,00 to <100,00	-	-	-	-	-	-	-
100,00 (Default)	-	-	-	-	-	-	-
Institutions	**62,145**	**0.1%**	**2,425**	**11.1%**	**30**	**2,050**	**3.3%**
0.00 to <0.15	51,812	0.1%	1,936	12.8%	30	1,721	3.3%
0.15 to <0.25	5,345	0.2%	162	2.6%	34	102	1.9%
0.25 to <0.50	2,251	0.3%	92	2.6%	23	54	2.4%
0.50 to <0.75	1052	0.5%	41	2.3%	28	34	3.2%
0.75 to <2.5	822	1.5%	169	4.0%	17	68	8.2%
2.50 to <10,00	840	2.6%	20	3.7%	36	70	8.3%
10,00 to <100,00	23	21.2%	5	1.5%	130	1	4.8%
100,00 (Default)	-	-	-	-	-	-	-
Corporate - SMEs	**124**	**14.4%**	**2,182**	**41.1%**	**68**	**98**	**78.8%**
0.00 to <0.15	13	0.1%	356	40.0%	54	3	19.0%
0.15 to <0.25	5	0.2%	146	40.1%	52	1	25.9%
0.25 to <0.50	6	0.3%	236	42.0%	60	3	43.3%
0.50 to <0.75	7	0.5%	336	40.5%	59	4	52.4%
0.75 to <2.5	38	1.3%	590	41.2%	68	38	97.8%
2.50 to <10,00	38	4.1%	399	41.2%	82	44	116.6%
10,00 to <100,00	1	22.6%	47	40.4%	105	1	155.4%
100,00 (Default)	16	100.0%	72	41.5%	133	5	30.2%
Corporate - Non-SMEs	**2,092**	**0.4%**	**1,635**	**37.0%**	**68**	**932**	**44.5%**
0.00 to <0.15	1,195	0.1%	523	33.2%	63	313	26.2%
0.15 to <0.25	195	0.2%	228	36.1%	66	75	38.1%
0.25 to <0.50	232	0.3%	339	43.9%	65	124	53.4%
0.50 to <0.75	295	0.5%	262	43.9%	73	275	93.3%
0.75 to <2.5	143	0.9%	189	43.9%	81	113	78.7%
2.50 to <10,00	-	18.9%	1	44.0%	182	-	231.0%
10,00 to <100,00	28	3.0%	70	43.4%	79	32	115.0%
100,00 (Default)	3	100.0%	23	43.5%	71	1	20.1%
Retail - Other SMEs	**7**	**16.1%**	**1,559**	**40.0%**	**-**	**3**	**48.3%**
0.00 to <0.15	-	0.1%	146	40.0%	-	-	8.9%
0.15 to <0.25	-	0.2%	29	40.0%	-	-	14.6%
0.25 to <0.50	-	0.3%	72	40.0%	-	-	17.0%
0.50 to <0.75	1	0.5%	155	40.0%	-	-	23.7%
0.75 to <2.5	1	1.1%	362	40.0%	-	-	34.0%
2.50 to <10,00	2	4.9%	559	40.0%	-	1	45.8%
10,00 to <100,00	2	27.5%	128	40.0%	-	2	73.4%
100,00 (Default)	-	100.0%	108	40.0%	-	-	13.7%
Retail - Other Non-SMEs	**0**	**1.2%**	**21**	**40.0%**	**-**	**-**	**41.9%**
0.00 to <0.15	0	0.1%	10	40.0%	-	-	12.5%
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.5	0	1.5%	6	40.0%	-	-	48.6%
2.50 to <10,00	0	0.0%	3	0.0%	-	-	0.0%
10,00 to <100,00	-	-	2	-	-	-	-
100,00 (Default)	-	-	-	-	-	-	-
Corporate - Specialized lending	**1,058**	**-**	**340**	**-**	**-**	**940**	**88.8%**
Total Advanced Approach	**67,034**	**0.2%**	**8,167**	**11.9%**		**4,686**	**7.0%**

(1) PD intervals according to RPDR document
(2) Corresponds to PD by EAD-weighted debtor category
(3) Corresponds to LGD by EAD-weighted debtor category
(4) Corresponds to the EAD-weighted debtor expiration in days

PD scale as of 12-31-17 [1]	EAD post-CRM	Average PD [2]	Number of Obligors	Average LGD [3]	Average Maturity (days) [4]	RWAs	RWA Density
Prudential Portfolio- FIRB method	-	-	-	-		-	-
Prudential Portfolio- AIRB method	67,230	0.2%	8,319	10.7%		4,784	7.1%
Central governments or central banks	**1,154**	**2.6%**	**4**	**15.3%**	**48**	**763**	**66.1%**
0.00 to <0.15	59	0.0%	1	1.2%	1	0	0.0%
0.15 to <0.25	0	0.0%	0	0.0%	0	0	0.0%
0.25 to <0.50	19	0.3%	1	40.0%	150	13	65.9%
0.50 to <0.75	446	0.5%	1	0.0%	37	0	0.0%
0.75 to <2.5	0	0.0%	0	0.0%	0	0	0.0%
2.50 to <10,00	630	4.4%	1	26.7%	4	750.2	119.1%
10,00 to <100,00	0	0	0	0	0	0	0
100,00 (Default)	0	0	0	0	0	0	0
Institutions	**62,754**	**0.1%**	**2082**	**9.9%**	**31**	**1,943**	**3.1%**
0.00 to <0.15	52,512	0.1%	1,651	11.3%	32	1,572	3.0%
0.15 to <0.25	2,698	0.2%	145	4.0%	23	90	3.3%
0.25 to <0.50	5,620	0.3%	77	1.6%	21	87	1.5%
0.50 to <0.75	206	0.5%	28	9.6%	32	30	14.3%
0.75 to <2.5	800	1.4%	154	5.4%	30	85	10.7%
2.50 to <10,00	913	2.7%	22	3.0%	45	77	8.4%
10,00 to <100,00	5	21.2%	4	14.0%	71	3	67.7%
100,00 (Default)	0	0%	1	0	0	0	0
Corporate - SMEs	**149**	**12.2%**	**2,514**	**41.0%**	**547**	**121**	**81.4%**
0.00 to <0.15	10	0.1%	362	40.1%	54	2	18.0%
0.15 to <0.25	9	0.2%	172	40.0%	42	2	25.8%
0.25 to <0.50	8	0.3%	281	40.2%	67	3	34.3%
0.50 to <0.75	11	0.5%	353	40.4%	52	5	47.3%
0.75 to <2.5	48	1.1%	700	41.1%	72	44	91.1%
2.50 to <10,00	46	4.6%	503	41.7%	80	58	126.0%
10,00 to <100,00	2	17.6%	60	40.5%	94	2	147.7%
100,00 (Default)	15	100.0%	83	41.0%	85	5	33.3%
Corporate - Non-SMEs	**1,985**	**0.3%**	**1,444**	**37.7%**	**73**	**897**	**45.2%**
0.00 to <0.15	1,072	0.1%	434	34.5%	68	286	26.7%
0.15 to <0.25	231	0.2%	199	34.5%	66	82	35.3%
0.25 to <0.50	203	0.3%	301	43.7%	75	111	54.5%
0.50 to <0.75	404	0.5%	225	43.9%	83	338	83.6%
0.75 to <2.5	56	1.0%	185	43.6%	95	54	96.0%
2.50 to <10,00	17	4.7%	79	43.5%	70	25	147.7%
10,00 to <100,00	0.491	18.9%	3	44.0%	85	1	229.9%
100,00 (Default)	1	100.0%	18	41.7%	66	0.333	37.2%
Retail - Other SMEs	**8**	**16.4%**	**1,889**	**40.0%**	**0**	**4**	**47.3%**
0.00 to <0.15	0.251	0.1%	139	40.0%	0	0.023	9.2%
0.15 to <0.25	0.035	0.2%	41	40.0%	0	0.004	11.4%
0.25 to <0.50	0.305	0.3%	99	40.0%	0	0.053	17.4%
0.50 to <0.75	0.252	0.5%	122	40.1%	0	0.059	23.4%
0.75 to <2.5	1	1.3%	398	40.0%	0	1	35.4%
2.50 to <10,00	2	5.3%	772	40.0%	0	1	46.9%
10,00 to <100,00	3	22.0%	203	40.0%	0	2	66.8%
100,00 (Default)	0.516	100%	115	40.0%	0	0.068	13.2%
Retail - Other Non-SMEs	**0.083**	**2.4%**	**25**	**40.0%**	**0**	**0.046**	**55.4%**
0.00 to <0.15	0.001	0.1%	5	40.0%	0	0	0
0.15 to <0.25	0	0.0%	0	0.0%	0	0	0.0%
0.25 to <0.50	0	0	1	0	0	0	0
0.50 to <0.75	0	0.0%	1	0.0%	0	0	0.0%
0.75 to <2.5	0.006	1.5%	8	40.0%	0	0.003	50.0%
2.50 to <10,00	0.076	2.6%	8	40.0%	0	0.043	56.6%
10,00 to <100,00	0	0.0%	2	0.0%	0	0	0.0%
100,00 (Default)	0	0	0	0	0	0	0
Corporate - Specialized lending	**1,180**	**0**	**361**	**0**	**0**	**1,056**	**89.5%**
Total Advanced Approach	**67,230**	**0.2%**	**8,319**	**10.7%**		**4,784**	**7.1%**

(1) PD intervals according to RPDR document
(2) Corresponds to PD by EAD-weighted debtor category
(3) Corresponds to LGD by EAD-weighted debtor category
(4) Corresponds to the EAD-weighted debtor expiration in days

5.3. Information on securitisations

The main objective of securitisation is serving as an instrument to manage efficientlyf the balance sheet, mainly as a source of liquidity at an efficient cost, obtaining liquid assets through eligible collateral, as a complement to other financial instruments. In addition, there are other secondary objectives associated with the use of securitisation instruments, such as freeing up of regulatory capital by transferring risk and the freeing of potential excess of expected losses, provided that the volume of the first-loss tranche and risk transfer allow it.

The tables below show the amounts in terms of EAD of investment and trading portfolio by type of exposure as of June 30, 2018 and December 31, 2017:

Table 33: SEC1 – Securitisation exposures in the banking book

06/30/18 (Million Euros)	Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
	Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal
Retail (total)- of which	789	-	789	-	-	-	4,725	-	4,725
Residential mortgage	-	-	-	-	-	-	4,548	-	4,548
Credit card	-	-	-	-	-	-	177	-	177
Other retail exposures	789	-	789	-	-	-	-	-	-
Re-Securitisation	-	-	-	-	-	-	-	-	-
Wholesale (total)- of which	96	3,723	3,818	-	-	-	313	-	313
Loans to corporates	54	3,723	3,776	-	-	-	50	-	50
Commercial mortgage	-	-	-	-	-	-	1	-	1
Lease and receivables	42	-	42	-	-	-	-	-	-
Other wholesale	-	-	-	-	-	-	261	-	261
Re-Securitisation	-	-	-	-	-	-	-	-	-

12/31/17 (Million Euros)	Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
	Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal
Retail (total)- of which	-	-	-	-	-	-	4,635	-	4,635
Residential mortgage	-	-	-	-	-	-	4,447	-	4,447
Credit card	-	-	-	-	-	-	188	-	188
Other retail exposures	-	-	-	-	-	-	-	-	-
Re-Securitisation	-	-	-	-	-	-	-	-	-
Wholesale (total)- of which	97	2,391	2,488	-	-	-	338	-	338
Loans to corporates	56	2,391	2,447	-	-	-	51	-	51
Commercial mortgage	-	-	-	-	-	-	1	-	1
Lease and receivables	42	-	42	-	-	-	-	-	-
Other wholesale	-	-	-	-	-	-	285	-	285
Re-Securitisation	-	-	-	-	-	-	-	-	-

As of June 30, 2018 and December 31, 2017, the Group has no securitisation exposure in the financial instruments held for trading.

The table below shows the amounts in terms of EAD and RWAs of investment, securitisation positions originated by type of exposure, tranches and risk weights ranges corresponding to the securitisations and their corresponding capital requirements as of June 30, 2018 and December 31, 2017:

Table 34: SEC3 - Securitisation exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor

	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital requirement after cap			
06/30/18 (Million Euros)	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%
Total Exposures	**4,395**	**33**	**-**	**1**	**178**	**4,429**	**-**	**-**	**178**	**291**	**-**	**-**	**888**	**23**	**-**	**-**	**71**
Traditional Securitisation	**751**	**33**	**-**	**1**	**100**	**785**	**-**	**-**	**100**	**86**	**-**	**-**	**93**	**7**	**-**	**-**	**7**
Of which Securitisation	751	33	-	1	100	785	-	-	100	86	-	-	93	7	-	-	7
Of which retail underlying	751	33	-	1	4	785	-	-	4	86	-	-	28	7	-	-	2
Of which wholesale	-	-	-	-	96	-	-	-	96	-	-	-	65	-	-	-	5
Of which re-Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic Securitisation	**3,644**	**-**	**-**	**-**	**79**	**3,644**	**-**	**-**	**79**	**205**	**-**	**-**	**795**	**16**	**-**	**-**	**64**
Of which Securitisation	3,644	-	-	-	79	3,644	-	-	79	205	-	-	795	16	-	-	64
Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale	3,644	-	-	-	79	3,644	-	-	79	205	-	-	795	16	-	-	64
Of which re-Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital requirement after cap			
12/31/17 (Million Euros)	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%
Total Exposures	**2,343**	**-**	**2**	**0**	**143**	**2,346**	**-**	**-**	**143**	**132**	**-**	**-**	**549**	**11**	**-**	**-**	**44**
Traditional Securitisation	**-**	**-**	**2**	**0**	**95**	**2**	**-**	**-**	**95**	**0**	**-**	**-**	**72**	**-**	**-**	**-**	**6**
Of which Securitisation	-	-	2	0	95	2	-	-	95	0	-	-	72	-	-	-	6
Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale	-	-	2	0	95	2	-	-	95	0	-	-	72	-	-	-	6
Of which re-Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic Securitisation	**2,343**	**-**	**-**	**-**	**48**	**2,343**	**-**	**-**	**48**	**132**	**-**	**-**	**477**	**11**	**-**	**-**	**38**
Of which Securitisation	2,343	-	-	-	48	2,343	-	-	48	132	-	-	477	11	-	-	38
Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale	2,343	-	-	-	48	2,343	-	-	48	132	-	-	477	11	-	-	38
Of which re-Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The table below shows the amounts in terms of EAD and RWAs of investment, securitisation positions by type of exposure, tranches and weighting ranges and their respective capital requirements as of June 30, 2018 and December 31, 2017:

Table 35: SEC4 - Securitisation exposures in the banking book and associated capital requirements - bank acting as investor

	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital requirement after cap			
06/30/18 (Million Euros)	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%
Total Exposures	**4,772**	**213**	**14**	**4**	**35**	**612**	**-**	**4,391**	**35**	**100**	**-**	**933**	**-**	**8**	**-**	**75**	**-**
Traditional Securitisation	**4,772**	**213**	**14**	**4**	**35**	**612**	**-**	**4,391**	**35**	**100**	**-**	**933**	**-**	**8**	**-**	**75**	**-**
Of which Securitisation	4,772	213	14	4	35	612	-	4,391	35	100	-	933	-	8	-	75	-
Of which retail underlying	4,559	114	14	4	35	544	-	4,147	35	86	-	870	-	7	-	70	-
Of which wholesale	213	99	-	-	-	68	-	244	-	14	-	63	-	1	-	5	-
Of which re-Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which re-Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital requirement after cap			
12/31/17 (Million Euros)	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%
Exposición total	**4,475**	**432**	**20**	**6**	**39**	**655**	**-**	**4,279**	**39**	**146**	**-**	**924**	**-**	**12**	**-**	**74**	**-**
Traditional Securitisation	**4,475**	**432**	**20**	**6**	**39**	**655**	**-**	**4,279**	**39**	**146**	**-**	**924**	**-**	**12**	**-**	**74**	**-**
Of which Securitisation	4,475	432	20	6	39	655	-	4,279	39	146	-	924	-	12	-	74	-
Of which retail underlying	4,247	328	15	6	39	574	-	4,022	39	124	-	856	-	10	-	68	-
Of which wholesale	228	105	5	-	1	81	-	256	1	23	-	68	-	2	-	6	-
Of which re-Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which re-Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

6. Market Risk

6.1. Information about capital requirements by market risk

Market risk is the possibility of losses in the value of positions held due to movements in the market variables that affect the valuation of financial products and assets in trading activity.

Market risk amounts under the standardised approach in terms of RWAs and capital requirements as of June 30, 2018 and December 31, 2017 is shown below:

Table 36: EU MR1- Market Risk under Standardised Method

06/30/18 (Million Euros)	RWAs	Capital Requirements
Outright Products		
Interest Rate Risk	2,737	219
Equity Risk	182	15
Foreign Exchange Risk	1,281	103
Commodity Risk	10	1
Options		
Simplified approach	-	-
Delta-plus method	-	-
Scenario approach	-	-
Securitisation	**20**	**2**
Correlation trading portfolio	**59**	**5**
Total	**4,290**	**343**

12/31/17 (Million Euros)	RWAs	Capital Requirements
Outright Products		
Interest Rate Risk	2,461	197
Equity Risk	197	16
Foreign Exchange Risk	4,579	366
Commodity Risk	9	1
Options		
Simplified approach	-	-
Delta-plus method	-	-
Scenario approach	-	-
Securitisation	**20**	**2**
Correlation trading portfolio	**142**	**11**
Total	**7,408**	**593**

The following values (maximum, minimum, average and at period end within the statement period) are given based on the different model types used for computing the capital requirement under internal model approach:

Table 37: EU MR3- IMA values for trading portfolios

IMA values for trading portfolios (2018)		
VaR (10 day 99%)		
1	Maximum value	87
2	Average value	64
3	Minimum value	49
4	Period value	59
SVaR (10 day 99%)		
5	Maximum value	174
6	Average value	130
7	Minimum value	88
8	Period value	138
Incremental Risk Charge (99.9%)		
9	Maximum value	145
10	Average value	104
11	Minimum value	70
12	Period value	90

In accordance with article 455 e) of the CRR – corresponding to the breakdown of information on internal market risk models –, the elements comprising the shareholders' equity requirements referred to in articles 364 and 365 of the CRR are presented below.

Table 38: EU MR2-A – Market risk under internal models approach

06/30/18 (Million Euros)	RWAs	Capital Requirements
VaR	**2,411**	**193**
Previous day's VaR	733	59
Average of the daily VaR on each of the preceding sixty business days (VaRavg) x multiplication factor	2,411	193
SVaR	**4,805**	**384**
Latest SVaR	1,723	138
Average of the SVaR during the preceding sixty business days (sVaRavg) x multiplication factor (mc)	4,805	384
Incremental risk charge - IRC	**1,227**	**98**
Most recent IRC value	1,227	98
Average of the IRC number over the preceding 12 weeks	1,227	98
Comprehensive Risk Measure- CRM	-	-
Most recent risk number for the correlation trading portfolio over the preceding 12 weeks	-	-
Average of the risk number for the correlation trading portfolio over the preceding 12 weeks	-	-
8% of the own funds requirement in SA on most recent risk number for the correlation trading portfolio	-	-
Others	-	-
Total	**8,442**	**675**

12/31/2017 (Million Euros)	RWAs	Capital Requirements
VaR	**2,232**	**179**
Previous day's VaR	716	57
Average of the daily VaR on each of the preceding sixty business days (VaRavg) x multiplication factor	2,232	179
SVaR	**5,138**	**411**
Latest SVaR	1,590	127
Average of the SVaR during the preceding sixty business days (sVaRavg) x multiplication factor (mc)	5,138	411
Incremental risk charge - IRC	**1,240**	**99**
Most recent IRC value	1,147	92
Average of the IRC number over the preceding 12 weeks	1,240	99
Comprehensive Risk Measure- CRM	-	-
Most recent risk number for the correlation trading portfolio over the preceding 12 weeks	-	-
Average of the risk number for the correlation trading portfolio over the preceding 12 weeks	-	-
8% of the own funds requirement in SA on most recent risk number for the correlation trading portfolio	-	-
Others	-	-
Total	**8,611**	**689**

The main changes in the market RWAs, calculated using the method based on internal models are shown below:

Table 39: EU MR2-B – RWA flow statements of market risk exposures under an IMA

Million Euros

RWA flow statements of market risk exposure under IMA	VaR	SVaR	IRC	CRM	Other	Total RWAs	Total Capital Requirements
RWAs as of March 31, 2018	**2,305**	**4,987**	**1,467**	**-**	**-**	**8,761**	**701**
Movement in risk levels	116	(143)	(232)	-	-	(259)	(21)
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign Exchange movements	(10)	(40)	(8)	-	-	(58)	(5)
Other	-	-	-	-	-	-	-
RWAs as of June 30, 2018	**2,411**	**4,805**	**1,227**	**-**	**-**	**8,442**	**675**

Million Euros

RWA flow statements of market risk exposure under IMA	VaR	SVaR	IRC	CRM	Other	Total RWAs	Total Capital Requirements
RWAs as of December 31, 2017	**2,232**	**5,138**	**1,240**	-	-	**8,611**	**689**
Movement in risk levels	33	(298)	203	-	-	(62)	(5)
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign Exchange movements	40	147	25	-	-	212	17
Other	-	0	-	-	-	0	0
RWAs as of March 31, 2017	**2,305**	**4,987**	**1,467**	**-**	**-**	**8,761**	**701**

Changes in market risk exposures, during the second quarter, are mainly affected by the reduction of the positions, as well as the impact of the depreciation of currencies against the euro.

During the first quarter of 2018, market risk exposures under internal models were also affected by the depreciation of currencies against the euro, remaining the positions in aggregate terms at similar levels.

6.2. Backtesting

6.2.1. Introduction

Ex-post validation, or backtesting is based on the comparison of periodic results from the portfolio with the market risk measurements generated by the established measurement system. The validity of a VaR model depends crucially on the empirical reality of results not openly contradicting the expectations of the model. If the observed results are sufficiently in line with the model forecast, they shall be accepted, but if there is a notable discrepancy a review will be required to correct any errors or to make changes to improve quality.

To determine whether the results are sufficiently in line with risk measurements, objective criteria must be established in the form of a series of validation tests using a specific methodology. When establishing the most appropriate methodology, the criteria recommended by Basel are largely regarded as appropriate and therefore followed.

6.2.2. Validation test

In comparing results against risk measurements, a key element to be examined is the level of confidence that the losses will not exceed the VaR risk measurements more than by a given ratio, to be determined by the confidence level used in the model. The validation test below, which focuses on checking this aspect, puts the emphasis on ensuring that the risk measurement model does not underestimate the actual risk.

Hypothesis testing starts by taking the observed results and trying to infer if there is sufficient evidence to reject the model (the null hypothesis that the correct model confidence is being used is not met).

If the model works adequately, the VaR measurement will indicate that the change in the value of a portfolio over a given time span will not exceed the value obtained by a percentage ratio determined by the confidence level. Put another way, the probability of recording a loss that is greater than the VaR measurement, which we call exception, will be of 1%, and the probability that the exception does not occur will be 99%.

GREEN zone: model acceptance zone	This is a zone where there is a strong probability that the model will be accepted as fully appropriate and little probability of acceptance while there is an inadequacy. It is defined as a set for which the cumulative probability of the null hypothesis being true is less than 95%. It corresponds to a range of between zero and four exceptions.
YELLOW zone: ambiguous zone	Results possible for both an appropriate and inadequate model. It covers the area where the cumulative probability of the null hypothesis being true is 95% or more (it must be less than 99.99%). It corresponds to a range of between five and nine exceptions.
RED zone: model rejection zone	There is a strong probability that the model is inappropriate and little probability of rejection while being appropriate. It is defined as an area where de significance level is less than 0.1% or, which amounts to the same, the cumulative probability of the null hypothesis being true is 99.99% or more. Corresponds to a range of ten or more exceptions.

For this test, it is advisable to have at least a one-year historic series both in results and in daily risk estimates.

The approach used is perfectly adapted to the priorities of supervisory bodies, these priorities being to prevent any situations of excessive risk for which entities are not prepared from endangering their survival. However, the use of risk measurements as a tool for managing positions involves a concern that the risk measurements should be adapted to real risk on two fronts: the concern is not only that the risk could be underestimated, but also that it could be overestimated.

At the close of June 30, 2018, the model was in the green zone of model acceptance.

6.2.3. Backtesting results

Regulatory backtesting includes two types: hypothetical backtesting and real backtesting.

Hypothetical backtesting is defined as comparing the hypothetical P&L against the estimated VaR the day before this result was carried out. Real backtesting is defined as comparing the actual P&L against the same estimated VaR the day before this result was carried out.

Real backtesting was implemented and entered into force on January 1, 2013, because of transposing the CRD III introduced by Basel 2.5 in the European Union into Spanish law through Bank of Spain Circular 4/2011 of November 30. The results used to construct the two types of backtesting are based on the real results of the management tools.

Pursuant to Article 369 of the CRR, the P&L used in backtesting have a sufficient level of granularity to be demonstrated at top-of-house level, distinguishing hypothetical and actual P&L. As well as the above, the historic backtesting series will be at least for over one year.

Actual P&L

Actual P&L contains the full management results, including intraday operations and daily and nondaily valuation adjustments, deducting the markup results and fees per day per desk.

The valuation functions and the parameters of the valuation models used in calculating the actual P&L are the same as that used for calculating the economic P&L.

As the close of June 30, 2018, the negative P&L of May 29, 2018 has exceeded the VaR for the last 250 observations at BBVA SA, which means that there is an exception on the Real Backtesting at BBVA SA. At GM Bancomer, there are not exceptions on this year for the Real Backtesting.

Hypothetical P&L

Hypothetical P&L contains the management results without the P&L of daily activity, i.e. excluding intraday operations, markup results and fees. The data are provided by the management systems and are disaggregated by trading desk, in accordance with the Volcker Rule.

The valuation functions and the parameters of the valuation models used in calculating the hypothetical P&L are the same as that used for calculating the actual P&L.

The P&L used in both types of backtesting exclude Credit Valuation Adjustments (CVA), Debt Valuation Adjustments (DVA) and Additional Valuation Adjustments (AVA). As well as any change in value that results from rating migrations to default, except for those reflected in prices by the market itself, as the changes of value due to rating migrations into default are included in the Counterparty Credit Risk metrics.

As the close of June 30, 2018, the negative P&L of May 29, 2018 has exceeded the VaR for the last 250 observations at BBVA SA, which means that there is an exception on the Hypothetical Backtesting at BBVA SA. At GM Bancomer, there are not exceptions on this year for the Hypothetical Backtesting

6.2.4. Backtesting scope and exceptions of the internal models

The scope of calculation of the VaR and P&L (hypothetical and actual) is limited to all trading book portfolios in the Internal Global Markets Model of BBVA SA and GM Bancomer.

It therefore excludes from this scope of application all the positions belonging to the Banking Book, the portfolios limited to the Standardised Model and trading activity with Hedge Funds (by express decision of the Bank of Spain).

A top-of-house exception is considered to exist when the following circumstances occur at the same time in the same internal model and at the same date:

- The hypothetical P&L and/or the actual P&L are negative.
- With an amount that is equal to or greater than the estimated VaR on the previous day.

For calculating the number of regulatory backtesting exceptions, only the exceptions within a moving window of 250 consecutive business days be taken into account at top-of-house level in each respective internal model.

As of close of June 30, 2018, there was an exception on the Real Backtesting and on the Hypothetical Backtesting in the last 250 observations after the close at BBVA SA. There are no exception on the period at GM Bancomer

Chart 8: Trading Book. Validation of the Market Risk Measurement model for BBVA S.A. Hypothetical backtesting (EU MR4)

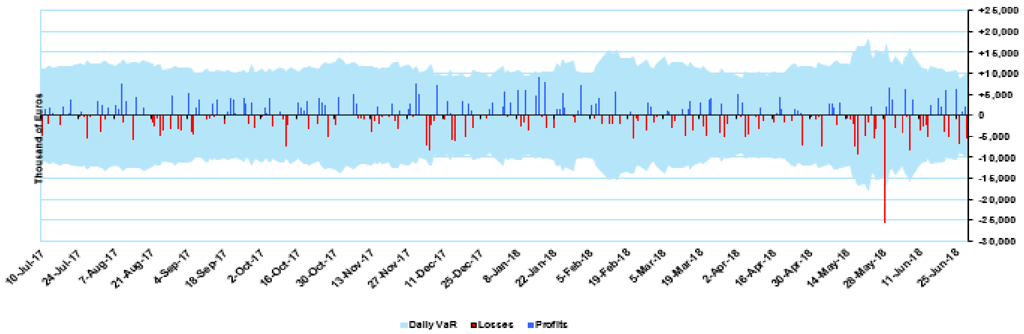


Chart 9: Trading Book. Validation of the Market Risk Measurement model for BBVA S.A. Real Backtesting (EU MR4)

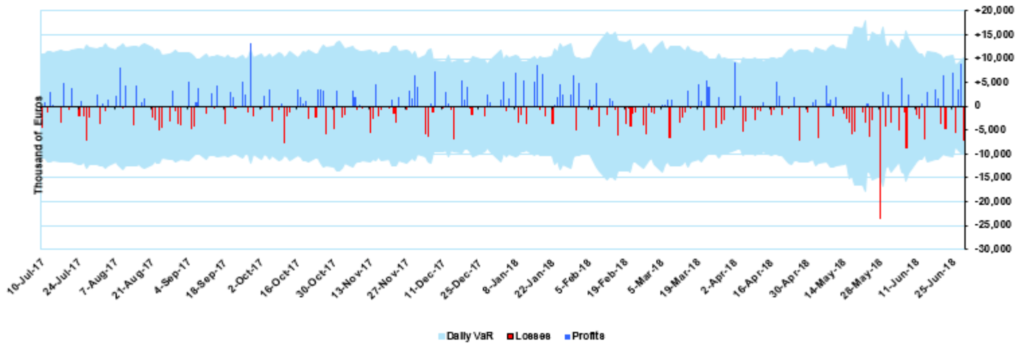


Chart 10: Trading Book. Validation of the Market Risk Measurement model for BBVA Bancomer, Hypothetical Backtesting (EU MR4)

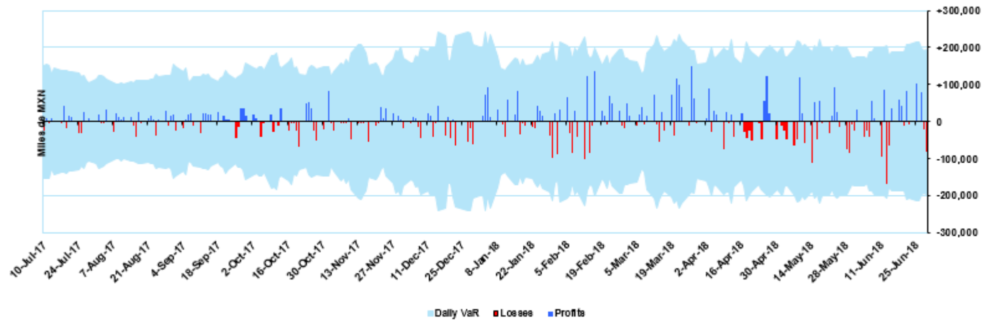
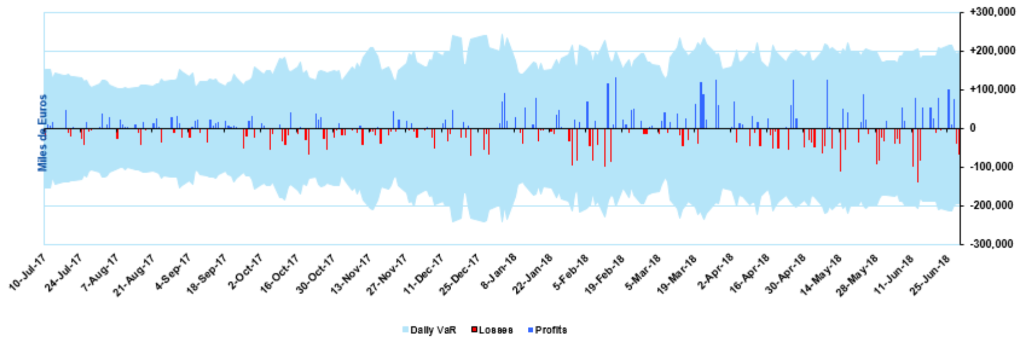


Chart 11: Trading Book. Validation of the Market Risk Measurement model for BBVA Bancomer. Real backtesting (EU MR4)



7. Leverage Ratio

7.1. Definition of the leverage ratio
7.2. Details of the leverage ratio

7.1. Definition of the leverage ratio

The *leverage ratio* is a regulatory measure (not risk-based) complementing capital designed to guarantee the soundness and financial strength of institutions in terms of indebtedness.

In January 2014, the Basel Committee on Banking Supervision published the final version of the *"Basel III leverage ratio framework and disclosure requirements*[1]*"*, which has been included through a delegated act that amends the definition of leverage ratio in the CRR regulation.

Pursuant to article 451, section 2 of the CRR, on June 15, 2015 the EBA published the final draft of the *Implementing Technical Standard* (ITS, leverage ratio disclosures) for breaking down the leverage ratio, which has been applied in this report.

7.2. Details of the leverage ratio

The table below shows a breakdown of the items making up the leverage ratio as of June 30, 2018 and December 31, 2017:

Table 40. LRSum – Summary reconciliation of accounting assets and leverage ratio exposures

Million Euros

Summary table of accounting assets and leverage ratio exposure conciliation	06-30-18 Phased-In	06-30-18 Fully Loaded	12-31-17 Phased-In	12-31-17 Fully Loaded
(a) Total assets as published financial statements	689,632	689,632	690,059	690,059
(b) Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(17,964)	(17,964)	(17,079)	(17,079)
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-	-	-	-
(c) Adjustments for derivative financial instruments	(12,718)	(12,718)	(14,772)	(14,772)
(d) Adjustments for securities financing transactions "SFTs"	(157)	(157)	(1,248)	(1,248)
(e) Adjustment for off-balance sheet items [(1)]	61,317	61,317	62,441	62,441
(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	(9,064)	(10,131)	(9,643)	(9,920)
Leverage ratio total exposure measure	**711,046**	**709,979**	**709,758**	**709,480**
h) Capital Tier 1	45,717	44,685	46,980	46,316
Leverage ratio total exposure measure	**711,046**	**709,979**	**709,758**	**709,480**
Leverage ratio	**6.4%**	**6.3%**	**6.6%**	**6.5%**

(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.

The elements building the leverage ratio, in accordance with the *"EBA FINAL draft Implementing Technical Standards on disclosure of the leverage ratio under Article 451(2) of Regulation (EU) No. 575/2013 (Capital Requirements Regulation – CRR) - Second submission following the EC's Delegated Act specifying the LR*[2] *"* published by the EBA on June 15, 2015 are described below:

1 http://www.bis.org/publ/bcbs251.htm

2 http://www.eba.europa.eu/regulation-and-policy/leverage-ratio/draft-implementing-technical-standards-its-on-disclosure-for-leverage-ratio/-/regulatory-activity/press-release

- Tier 1 capital (letter h in the following table): section 3.2 of this document presents details of the eligible capital, which has been calculated based on the criteria defined in the CRR.

- Exposure: as set out in article 429 of the CRR, the exposure measurement generally follows the book value subject to the following considerations:

    - On-balance-sheet exposures other than derivatives are included net of allowances and accounting valuation adjustments.

    - Measurement of the Group's total exposure is composed of the total assets as per financial statements adjusted for reconciliation between the accounting perimeter and the prudential perimeter.

Total exposure for calculating the Group's leverage ratio is composed of the sum of the following items:

a) On-balance asset positions: book balance of assets corresponding to the financial statements, excluding the derivative headings.

b) Adjustments between the accounting perimeter and the solvency perimeter: the balance resulting from the difference between the accounting balance sheet and the regulatory balance sheet is included.

c) Exposure in derivatives: the exposure referred to the EAD used in the measurement of capital use for counterparty credit risk, which includes both the replacement cost (mark-to-market) and the future potential credit exposure (add-on). The cost of replacement is reported adjusted by the margin of variation in cash and by effective notional amounts.

d) Securities financing transactions (SFTs): in addition to the exposure value, an addition for counterparty credit risk determined as set out in article 429 of the CRR in included.

e) Off-balance-sheet items: these include to risks and contingent liabilities and commitments associated with collateral, which are mainly available. A minimum floor of 10% is applied to the conversion factors (CCF), in line with article 429, section 10 a) of the CRR.

f) The exposures of the Group's financial institutions and insurance companies that are consolidated at accounting but not at regulatory level.

g) Tier 1 deductions: those amounts of assets that have been deducted in the determination of the eligible Tier 1 capital are deducted, in order not to duplicate exposures. The main deductions are intangible assets, loss carry forwards and other deductions defined in article 36 of the CRR and indicated in section 3.1 of this report.

As regards the leverage ratio, the fully-loaded ratio is located in 6.3% (6.4% phased-in). A light reduction is observed with regard to December 2017, justified mainly by the impact of the first application of IFRS9 Standards.

Additionally, the Group, at TIER1 Additional level, has started to compute a $1.0 billion issuance, and has excluded a $1.5 billion issuance, that means a negative effect on the ratio calculation. Moreover, the leverage ratio exposition has been maintained in similar figures.

8. Liquidity Risk

The risk of an entity finding it difficult to meet its payment commitments fully and in due time, or when to meet them it has to resort to finance under burdensome terms which may harm the bank's image or reputation.

LCR Disclosure

The table below shows the consolidated LCR disclosure as of June 30, 2018, pursuant to Article 435 (1) (f) of Regulation (EU) No. 575/2013. According to this regulation, it is necessary to disclose coefficients and key figures that provide a global view of the entity's risk management. In this way, in line with Delegated Regulation (EU) 2015/61 of the Commission of October 10, 2014, the Group publishes the information of the liquidity ratio with frequency and format established on EBA regulation referred to liquidity coverage ratio disclosure (EBA/GL/2017/01).

The Group has maintained on first half of the year a liquidity buffer (consolidated and individual) which has allowed it to maintain a stable LCR and beyond 100%, standing the consolidated ratio as of June 2018 on 127%.

Although this requirement is only necessary at Group level and Eurozone banks, in all subsidiaries the minimum requirement is exceeded. As stated above, no transfer of liquidity is assumed between subsidiaries, but if it was considered the LCR will be 147% (+20% beyond).

Likewise, the LCR calculated as simple average of the observations of the end of the last twelve months starting on June 2017, stands on 127%. The liquidity buffer is about 88.139 billion euros and the net cash outflows are about 69.637 billion euros. It is assumed neither transfer of liquidity between subsidiaries.

9. Subsequent events

As of July 6, 2018, BBVA Group finished the sale to The Bank of Nova Scotia of the shareholdings of 68,2% in BBVA Chile for US$2.2 billion, with a net gain of 640 million euros and a positive impact on Common Equity Tier 1 (fully-loaded) of 50bps.

As of September 18, 2018, BBVA has announced the issuance of Contingent Convertibles for a nominal amount of €1 billion, which would impact in Additional Tier 1 fully loaded, approximately, 28bps.

From July 1, 2018 to the date of preparation of this report, no other subsequent events not mentioned in the financial statements have been taken place that significantly affect the Group's earnings or its equity position at the date of their formulation.