BBVA
Creating Opportunities

Information of Prudential Relevance Pillar III 1Q 2019

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.

BBVA Creating Opportunities

Contents

1. Introduction

BBVA ended the first quarter of 2019 with a CET 1 fully loaded capital ratio of 11.3% (11.6% on a phased-in basis), above the capital requirements set by the Regulator in its SREP letter and the systemic buffers applicable for BBVA Group in 2019 (capital requirement of 9.26% CET1 fully loaded ratio since the transitional period concluded in December 2018).

Article 13 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council as of June 26th, 2013, (hereinafter, "CRR"), states that parent entities of the European Union are subject, on a consolidated basis, to the disclosure requirements under Part Eighth of CRR.

The following report discloses the prudential information of BBVA Group on a consolidated basis as of March 31, 2019. This report has been prepared in accordance with the requirements set in Part Eighth of the CRR, as well as with those applicable guidelines published by the European Banking Authority (hereafter, EBA), which are applicable in March 31, 2019. In this regard, underlining the following:

- Guidelines on materiality, proprietary information, and confidentiality, and on the frequency of disclosure of information according to Article 432, sections 1 and 2, and Article 433 of Regulation (EU) No. 575/2013 (EBA/ GL/2014/14). These guidelines detail the process and the criteria to be followed regarding the principles of materiality, proprietary information, confidentiality and the right to omit information. They also provide guidance for entities to evaluate the need to publish information more frequently than the annual. The Executive Commission of the Bank of Spain adopted these guidelines in February 2015.

- Guidelines on disclosure requirements under Part Eighth of Regulation (EU) Nº 575/2013 (EBA/GL/2016/11). These guidelines provide orientation and standardised formats on the information that entities are required to disclose pursuant to the relevant Part Eight Articles. These guidelines were adopted by the Executive Committee of Bank of Spain in October 2017.

- Guidelines LCR disclosure to complement the information on liquidity risk management in accordance with Article 435 of Regulation (EU) No. 575/2013 (EBA/GL/2017/01). These guidelines specify the general framework for the disclosure of information on risk management under Article 435 of Regulation (EU) No. 575/2013 in relation to liquidity risk, establishing a harmonised structure for the disclosure of the information required by Article 435, point 1 of said Regulation. The Executive Commission of the Bank of Spain adopted these guidelines in July 2017.

- Guidelines on the uniform disclosure of information under article 473 bis of Regulation (EU) No. 575/2013 with regard to the transitional provisions for mitigating the impact on equity from the introduction of IFRS9 (EBA / GL / 2018/01). These guidelines were adopted by the Executive Commission of the Central Bank of Spain in February 2018.

In this report, the phased-in capital ratios in March 2019 are taking into account the transitional arrangements for IFRS9, while fully loaded capital ratios include the full impact of this accounting regulation.

BBVA
Creating Opportunities

2. Total eligible capital and transitional arrangements for IFRS9

In accordance with EBA guidelines (EBA/GL/2018/01), the table below shows a summary of regulatory own funds, main capital ratios and leverage ratio with and without the application of transitional arrangements for IFRS9 or analogous ECLs as of March 31, 2019:

TABLE 1. IFRS9-FL – Comparison of institutions' own funds, and capital and leverage ratios with and without the application of transitional arrangements for IFRS9 or analogous ECLs

Own sources (million euros)	03/31/19	12/31/18	09/30/2018[1]	06/30/18	03/31/18
CET1 Capital	41,784	40,313	38,995	39,550	39,858
CET1 Capital without IFRS9 transitional arrangement or similar ECL	40,975	39,449	38,131	38,685	38,753
Level 1 Capital (T1)	47,455	45,947	45,098	45,717	45,987
Level 1 Capital (T1) without IFRS9 transitional arrangement or similar ECL	46,646	45,083	44,233	44,852	44,882
Total Capital	54,797	54,703	53,933	54,958	54,384
Total Capital without IFRS9 transitional arrangement or similar ECL	53,988	53,839	53,069	54,094	53,276
Risk-weighted assets (million euros)					
Total Risk-weighted assets	360,679	348,264	343,053	356,887	358,941
Total Risk-weighted assets without IFRS9 transitional arrangement or similar ECL	361,173	348,804	343,272	357,107	358,262
Capital ratio					
CET1 Capital (as a percentage of total exposure to risk)	11.6%	11.6%	11.4%	11.1%	11.1%
CET1 Capital (as a percentage of total exposure to risk) without IFRS9 transitional arrangement or similar ECL	11.3%	11.3%	11.1%	10.8%	10.8%
Level 1 Capital (T1) (as a percentage of total exposure to risk)	13.2%	13.2%	13.1%	12.8%	12.8%
Level 1 Capital (T1) (as a percentage of total exposure to risk) without IFRS9 transitional arrangement or similar ECL	12.9%	12.9%	12.9%	12.6%	12.5%
Total Capital (as a percentage of total exposure to risk)	15.2%	15.7%	15.7%	15.4%	15.2%
Total Capital (as a percentage of total exposure to risk) without IFRS9 transitional arrangement or similar ECL	14.9%	15.4%	15.5%	15.1%	14.9%
Leverage Ratio					
Total exposure related to leverage ratio	722,708	705,299	690,607	711,046	707,638
Leverage Ratio	6.6%	6.5%	6.5%	6.4%	6.5%
Leverage ratio without IFRS9 transitional arrangements or similar ECL	6.5%	6.4%	6.4%	6.3%	6.3%

(1) The application of article 5 of Decision (EU) 2015/656 of the European Central Bank of February 4th, 2015, implies the inclusion of a dividend of €2.142 billion which is the outcome of applying the pay-out ratio of 2017 to the interim profits of September 30th, 2018, instead of €1.476 billion that reflects the shareholders remuneration's policy announced by BBVA Group.

Applying the pay-out announced by the Group, the CET1 phased-in ratio as of September 30, 2018 comes to 11.6% (in fully loaded terms, 11.3%)

The table below presents the amount of total eligible capital, net of deductions, for the different items in the capital base as of March 31, 2019 and December 31, 2018, in accordance with the information disclosure requirements relating to transitional capital set out in Regulation (EU) Nº 1423/2013 of the Commission dated on December 20, 2013:

g

TABLE 2. Amount of capital

	03/31/19	12/31/18
a) Capital and share premium	27,259	27,259
b) Retained earnings, other reserves and other equity	27,073	23,857
c) Other accumulated earnings	(6,773)	(7,285)
d) Minority interests	4,364	3,809
e) Net interim attributable profit	614	3,246
Ordinary Tier 1 Capital before other regulatory adjustments	**52,536**	**50,887**
f) Additional value adjustments	(308)	(356)
g) Intangible assets	(8,277)	(8,199)
h) Deferred tax assets	(1,489)	(1,260)
i) Fair value reserves related to gains o losses on cash flow hedges	(31)	35
j) Expected losses in equity	-	-
k) Profit or losses on liabilities measured at fair value	(78)	(116)
l) Direct and indirect holdings of own instruments	(353)	(432)
m) Securitisations tranches at 1250%	(25)	(34)
n) Temporary CET1 adjustments	(131)	(150)
o) Admisible CET1 deductions	(61)	(61)
Total Common Equity Tier 1 regulatory adjustments	**(10,752)**	**(10,573)**
Common Equity Tier 1 (CET1)	**41,784**	**40,313**
p) Equity instruments and share premium classified as liabilities	4,890	4,863
q) Items referred in Article 486 (4) of the CRR	143	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)	638	629
Additional Tier 1 before regulatory adjustments	**5,671**	**5,634**
s) Temporary adjustments Tier 1	-	-
Total regulatory adjustments of Additional Tier 1	**-**	**-**
Additional Tier 1 (AT1)	**5,671**	**5,634**
Tier 1 (Common Equity Tier 1+Additional Tier 1)	**47,455**	**45,947**
t) Equity instruments and share premium	2,274	3,768
u) Amount of the admissible items, pursuant to Article 486	-	-
v) Admissible shareholders' funds instruments included in consolidated Tier 2 issued by subsidiaries and held by third parties	4,481	4,409
-Of which: instruments issued by subsidiaries subject to ex-subsidiary stage	57	37
w) Credit risk adjustments	587	579
Tier 2 before regulatory adjustments	**7,341**	**8,756**
Tier 2 regulatory adjustments	**-**	**-**
Tier 2	**7,341**	**8,756**
Total Capital (Total capital = Tier 1 + Tier 2)	**54,797**	**54,703**
Total RWA's	**360,679**	**348,264**
CET 1 (phased-in)(*)	11.6%	11.6%
CET 1 (fully loaded)(*)	11.3%	11.3%
TIER 1 (phased-in)(*)	13.2%	13.2%
TIER 1 (fully loaded)(*)	12.9%	12.9%
Total Capital (phased-in)(*)	15.2%	15.7%
Total Capital (fully loaded)(*)	14.9%	15.5%

(*) As of March 31, 2019, the main difference between the phased-in and fully loaded ratios arises from the transitional treatment of the impact of IFRS9 to which the BBVA Group has adhered voluntarily (in accordance with article 473 bis of the CRR)

In 2018, the transitional period for the implementation of capital policies included in the CRR concluded, hence, the difference between the fully loaded and phased-in ratios as of March 31, 2019 in CET1 is due mainly to the implementation of the transitional arrangements of IFRS9 Accounting Regulation.

BBVA's fully loaded CET1 ratio stood at 11.3% at the end of March 2019. This ratio includes the impact of -11 bps due to the first application of the IFRS16 standard (which became effective on January 1, 2018). Excluding this effect, the ratio increased by +12 basis points, supported by the recurring organic capital generation and the positive evolution of the markets.

The phased-in CET1 ratio stood at 11.6%. The main difference between phased-in and fully loaded ratios arises from the transitional treatment on the impact of IFRS9. In this context, the European Parliament and the European Commission have established transitional arrangements, adapting the impact of IFRS9 on their capital ratios. BBVA Group has informed the supervisory body of its adherence to this arrangement. Tier 1 capital reached 12.2% while Tier 2 reached 2.0%, resulting in a total capital ratio of 15.2%.

These levels stand above the requirements established by the supervisor in its SREP letter, applicable from 2019 onwards for BBVA Group. ECB has notified on February, 14, 2019, that BBVA Group, starting from March, 1, 2019 maintain a CET1 ratio of 9.26% at the consolidated level and 8.53% at the individual level and a total capital ratio of 12.76% at the consolidated level and 12.03% at the individual level.

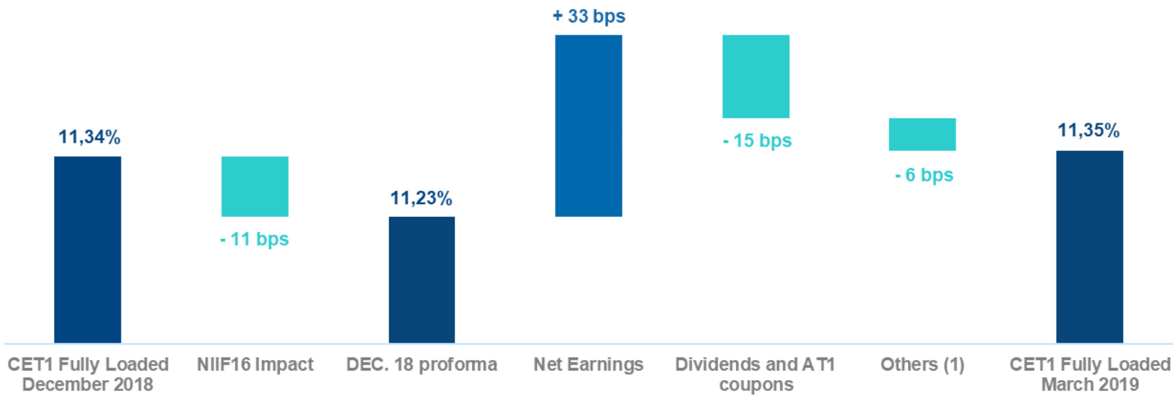
Regarding the evolution of risk-weighted assets (RWAs), they increased by €12.415 billion since the end of 2018, including an approximated impact of €3.4 billion (-11 bps) due to the first implementation of IFRS16 under standardised approach. The evolution of currencies, especially the appreciation of the US dollar against the euro, has meant an increase of approximately €2.7 billion.

The RWAs for credit risk under advanced approach (excluding equity and securitisations credit risk) have remained at similar levels (+241 million, excluding the currency effect).

On the other hand, the RWAs for Operational Risk increased by €1.544 billion, including the expected growth in 2019 in the standard and basic model.

Finally, the assets weighted by Market Risk increase in €674 million, mainly due to the increase in fixed income positions under the standard model.

GRAPH 1. Evolution of the CET1 fully loaded ratio



(1) Others includes, mainly, the evolution of APRs and market impacts, such as the exchange rate adjustments and Held to Collect and Sell portfolios.

Additionally, regarding capital issuances, BBVA S.A. conducted two capital issuances. Firstly, the issuance of preferred securities with possibility of conversion into ordinary BBVA shares (CoCos), registered in the Spanish Securities Market Commission (CNMV) for €1.0 billion, with an annual coupon of 6.0% and an amortisation option from the fifth year. Secondly, a Tier 2 subordinated debt issuance of €750 million, with a maturity period of 10 years, amortisation option in the fifth year, and a coupon of 2.575%. As of the last reporting date, the BBVA Group had requested authorisation for the computability of both emissions from the corresponding authorities, in compliance with the first additional provision of Royal Decree 84/2015 of February 13. However, the Royal Decree of April 26 removed this requirement of prior authorisation for the computability of additional Tier 1 capital instruments and Tier 2 capital, therefore eliminating the need for prior approval. Since the application of this Royal Decree, the entity includes both issuances in its capital base. As of March 31, 2019, including such issues, the impact is of +28 bps in Tier 1 and +21 bps in Tier 2, respectively.

In the first quarter of 2019, the Group continued with its program to meet the minimum requirement for own funds and eligible liabilities (MREL) –published in May 2018– by conducting the public issuance of senior non-preferred debt for a total of €1.0 billion. BBVA estimates that complies with MREL requirements.

3.Capital requirements information

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

The table below presents a breakdown of the RWA and the minimum capital requirements by risk type as of March 31, 2019 and December 31, 2018. Securitisation (standardised and internal approach) and equity are included.

TABLE 3. Capital requirements by risk type and exposure class

	Capital requirements (2)		RWA's (1)	
Exposure Class and risk type	**03/31/19**	**12/31/18**	**03/31/19**	**12/31/18**
Credit Risk	**16,528**	**15,817**	**206,601**	**197,715**
Central governments or central banks	2,593	2,445	32,410	30,560
Regional governments or local authorities	114	113	1,424	1,416
Public sector entities	59	57	740	714
Multilateral development banks	0	1	6	10
International organisations	-	-	-	-
Institutions	494	496	6,170	6,203
Corporates	7,034	7,159	87,919	89,481
Retail	3,014	2,941	37,681	36,768
Secured by mortgages on immovable property	1,238	1,237	15,476	15,466
Exposures in default	349	333	4,368	4,159
Exposures associated with particularly high risk	240	132	2,995	1,652
Covered bonds	-	-	-	-
Claims on institutions and corporates with a short-term credit assesment	0	0	1	2
Collective investments undertakings	11	5	142	57
Other exposures	1,382	898	17,270	11,229
Securitisation exposures	**79**	**76**	**984**	**950**
Securitisation exposures	79	76	984	950
Total credit risk by standardised approach	**16,607**	**15,893**	**207,585**	**198,665**
Credit Risk	**6,593**	**6,498**	**82,410**	**81,222**
Central governments or central banks	35	54	431	677
Institutions	470	429	5,881	5,366
Corporates	4,515	4,441	56,435	55,513
Of which: Specialised lending	1,083	950	13,538	11,877
Of which: SMEs	495	506	6,183	6,330
Of which: Others	2,937	2,984	36,714	37,305
Retail	1,573	1,573	19,662	19,667
Of which: Secured by real estate property	588	591	7,350	7,385
Of which: Qualifying revolving	563	555	7,038	6,938
Of which: Other SMEs	141	140	1,757	1,752
Of which: Other Non-SMEs	281	287	3,517	3,592
Equity	**1,236**	**1,220**	**15,450**	**15,246**
On the basis of method:	-			
Of which: Simple approach	714	647	8,920	8,085
Of which: PD/LGD approach	484	479	6,044	5,989
Of which: Intern models	39	94	485	1,172
On the basis of nature:	-			
Of which: Listed instruments	422	439	5,277	5,493
Of which: Not listed instruments in sufficiently diversified portfolios	814	780	10,173	9,753
Securitisation exposures	**129**	**134**	**1,615**	**1,673**
Securitisation exposures	129	134	1,615	1,673
Total credit risk by irb approach	**7,958**	**7,851**	**99,474**	**98,141**
Total contributions to the default fund of a ccp	**3**	**3**	**36**	**41**
Total credit risk	**24,568**	**23,748**	**307,095**	**296,846**
Settlement risk	-	-	-	-
Standardised approach:	276	222	3,451	2,776
Of which: Price Risk by fixed income exposures	211	155	2,633	1,940
Of which: Price Risk by Securitisation exposures	1	1	16	13
Of which: Price Risk by correlation	50	54	621	670
Of which: Price Risk by stocks and shares	11	11	132	136
Of which: Commodities Risk	4	1	49	18
IRB: Market Risk	626	661	7,830	8,268
Total trading book risk	**902**	**884**	**11,281**	**11,044**
Foreing exchange risk (standardised approach)	**217**	**182**	**2,708**	**2,271**
CVA risk	**106**	**110**	**1,326**	**1,377**
Operational risk	**3,062**	**2,938**	**38,269**	**36,725**
Capital requirements	**28,854**	**27,861**	**360,679**	**348,264**

(1) Risk-weighted assets according to the transitional period (phased-in)
(2) Calculated upon the minimum capital requirement of 8% (article 92 of CRR)

A summary of RWAs and capital requirements broken down by risk type and calculation approach is shown below:

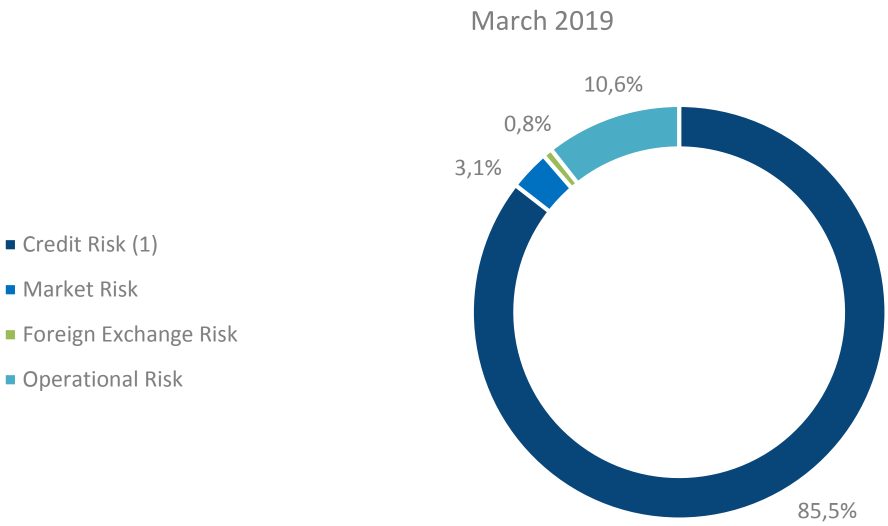
TABLE 4. EU OV1 – Overview of RWAs

	RWAs (1)		Capital requirements(2)(3)
	03/31/19	12/31/18	03/31/19
Credit Risk (excluding CCR)	**283,483**	**274,256**	**22,679**
Of which the standardised approach [4]	196,755	188,158	15,740
Of which the foundation IRB (FIRB) approach [6]	5,240	5,421	419
Of which the advanced IRB (AIRB) approach	79,032	77,733	6,323
Of which equity IRB under the simple risk-weighted approach [5]	2,456	2,944	196
CCR	**8,808**	**8,483**	**705**
Of which mark to market	7,445	7,065	596
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	36	41	3
Of which CVA	1,326	1,377	106
Settlement Risk	**-**	**-**	**-**
Securitisation exposures in the banking book (after the cap)	**2,598**	**2,623**	**208**
Of which IRB approach	1,615	1,673	129
Of which IRB supervisory formula approach (SFA)	-	-	-
Of which internal assessment approach (IAA)	-	-	-
Of which standardised approach	984	950	79
Market Risk	**13,989**	**13,316**	**1,119**
Of which the standardised approach	6,159	5,048	493
Of which IMA	7,830	8,268	626
Operational Risk	**38,269**	**36,725**	**3,062**
Of which basic indicator approach	6,649	5,908	532
Of which the standardised approach	9,980	9,341	798
Of which IRB approach	21,640	21,476	1,731
Amounts below the thresholds for deduction (subject to 250% risk weight)	**13,532**	**12,862**	**1,083**
Floor Adjustment	**-**	**-**	**-**
Total	**360,679**	**348,264**	**28,854**

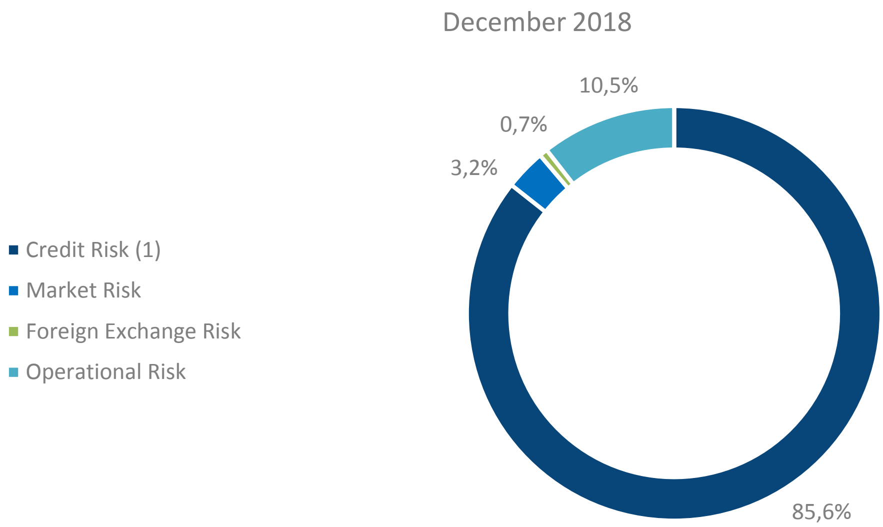
(1) Risk-weighted assets according to the transitional period (phased-in).
(2) Calculated upon the minimum capital requirement of 8% (article 92 of CRR).
(3) Under requirements of CET 1 (9.26%) after the supervisory evaluation process (SREP the required amount is €33.416 billion. Under total Capital requirements (11.76%) the required amount is €46.039 billion.
(4) Deferred tax assets arising from temporary differences, which are not deducted from own funds (subject to a risk weight of 250%) are excluded, in accordance with Article 48.4 CRR. This amount is up to 6.583 and 6.549 billion at March 31, 2019 and December 31, 2018, respectively.
(5) It includes the equity exposure calculated according to the simple method of risk weighting and the internal models method.
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 6.949 and 6.314 billion as of March 31, 2019 and December 31, 2018, respectively.
(6) The exposures classified in the FIRB method correspond to the specialised financing exposures. The Group has chosen to use the method of criteria for the attribution of supervisory categories, in line with the provisions of Article 153.5 of the CRR.

The charts below shows the total Risk weighted assets broken down by risk type as of March 31, 2019 and December 31, 2018:

CHART 1. Breakdown of RWAs by risk type



(1) Credit Risk includes Risk by CVA adjustment



(1) Credit Risk includes Risk by CVA adjustment

4.Risk weighted assets flow statements

The following tables show the main variations in terms of RWAs for credit risk by standardised and IRB approach (excluding equity and securitisation), between December 31, 2018, and March 31, 2019:

TABLE 5. EU CR8 – RWA flow statements of credit risk exposures under the IRB Approach

	Credit Risk		Counterparty Credit Risk		Total	
	RWA amounts	Capital requirements	RWA amounts	Capital requirements	RWA amounts	Capital requirements
RWAs as of December 31, 2018	77,166	6,173	4,056	325	81,222	6,498
Asset size	405	32	(301)	(24)	104	8
Asset quality	(307)	(25)	444	36	137	11
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Foreign exchange movements	964	77	(17)	(1)	947	76
Other	-	-	(0)	(0)	(0)	(0)
RWAs as of March 31, 2019	78,228	6,258	4,182	335	82,410	6,593

TABLE 6. RWA flow statements of credit and counterparty credit risk exposures under the standardised approach

	Credit Risk		Counterparty Credit Risk		Total	
	RWA amounts	Capital requirements	RWA amounts	Capital requirements	RWA amounts	Capital requirements
RWAs as of December 31, 2018	194,707	15,577	3,008	241	197,715	15,817
Asset size	7,169	574	229	18	7,392	591
Asset quality	164	13	22	2	186	15
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Foreign exchange movements	1,298	104	5	0	1,302	104
Other	-	-	(0)	(0)	(0)	(0)
RWAs as of March 31, 2019	203,338	16,267	3,264	261	206,612	16,529

The table below shows the variations, between December 31, 2018, and March 31, 2019 RWA by market risk - advanced measurement approach:

TABLE 7. EU MR2-B – RWA flow statement of market risk exposures under IMA

RWA flow statements of market risk exposure under IMA	VaR	SVaR	IRC	CRM	Other	Total RWAs	Total Capital Requirements
RWAs as of December 31, 2018	2,015	5,112	1,141	-	-	8,268	661
Movement in risk levels	(324)	(261)	138	-	-	(447)	(36)
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign Exchange movements	(9)	4	14	-	-	8	1
Other	-	-	-	-	-	-	-
RWAs as of March 31, 2019	1,682	4,855	1,293	-	-	7,830	626

5. Leverage Ratio

The table below shows a breakdown of the items that compose the leverage ratio as of March 31, 2019 and December 31, 2018:

TABLE 8. LRSum – Summary reconciliation of accounting assets and leverage ratio exposures

Summary table of accounting assets and leverage ratio exposure conciliation	03/31/2019 *Phased-In*	03/31/2019 *Fully Loaded*	12/31/2018 *Phased-In*	12/31/2018 *Fully Loaded*
(a) Total assets as published in financial statements	691,200	691,200	676,689	676,689
(b) Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(20,420)	(20,420)	(19,326)	(19,326)
(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 (13) of Regulation (EU) No 575/2013)	-	-	-	-
(c) Adjustments for derivative financial instruments	(1,275)	(1,275)	(7,410)	(7,410)
(d) Adjustments for securities financing transactions "SFTs"	1,891	1,891	2,949	2,949
(e) Adjustment for off-balance sheet items (1)	60,705	60,705	61,409	61,409
(f) (Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-	-	-	-
(g) Other adjustments	(9,392)	(10,201)	(9,012)	(10,080)
Leverage ratio total exposure measure	**722,708**	**721,899**	**705,299**	**704,231**
h) Capital Tier 1	47,455	46,503	45,947	45,047
Leverage ratio total exposure measure	**722,708**	**721,899**	**705,299**	**704,231**
Leverage ratio	**6.6%**	**6.4%**	**6.5%**	**6.4%**

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

Among the activities included in the Group's regulatory reporting, a monthly measurement and control of the leverage ratio is carried out by assessing and monitoring this measurement in its more restrictive version (fully loaded), to ensure that leverage remains far from the minimum levels (which could be considered high-risk levels), without undermining the return on investment.

The estimates and the development of the leverage ratio are reported on a regular basis to different governing bodies and committees to guarantee an adequate control of the entity's level of leverage and ongoing monitoring of the main capital indicators.

In line with the risk appetite framework and structural risk management, the Group proceeds by establishing limits and operational measures to achieve a sustainable development and growth of the balance sheet, maintaining at all times acceptable levels of risk. This can be seen in the fact that the level of leverage set out by the regulator is itself well above the minimum required levels.

The leverage ratio stands at 6.6% phased-in (6.4% fully loaded). It has registered a slight increase compared to December 2018, mainly due to the growth of Tier 1 capital, which is partially offset by the effect of exposure growth.

This ratio is comfortably above the minimum requirement of 3%. The leverage ratio reflects the nature of the business model that is aimed towards the retail sector.

6. Liquidity Coverage Ratio

Regarding LCR, BBVA Group has maintained a liquidity buffer at both consolidated and individual level during the first quarter of 2019, which has allowed it to maintain a stable ratio and well beyond 100%, standing at 127% as of March 2019 on a consolidated basis.

Although this requirement is only established at Group level and banks in the Eurozone, the minimum level required is widely exceeded in all the subsidiaries. It should be noted that the Consolidated LCR does not assume the transfer of liquidity between the subsidiaries, so no excess of liquidity is transferred from these entities abroad to the consolidated ratio. If the impact of these highly liquid assets is considered to be excluded, the LCR would be 155% which means +28% above the current level.

In compliance with Article 435 of Regulation (EU) Nº 575/2013, the LCR calculated with simple averages of observations made at the end of each month over the twelve previous months, rises to 129%. Liquidity buffer rises to €87.424 billion and total cash outflows to €68.069 billion. No transfer of liquidity is assumed between subsidiaries, and therefore no excess liquidity is transferred from the entities abroad to the consolidated figures.

Glossary

ACRONYM	DESCRIPTION
AT1 (Additional Tier 1)	Additional Tier 1 capital consistsof 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
CET 1 (Common Equity Tier 1)	The entity's highest-quality capital
CoCo (Contingent Convertible)	Preferred shares eventually convertible into ordinary shares
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
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
ECB	European Central Bank. EU institution that constitutes the core of the Eurosystem and the Single Supervisory Mechanism
Fully loaded	Complete compliance with the solvency requirements
IAA (Internal Assessment Approach)	Method of internal assessment used for the calculation of securitisation exposures in the investment portfolio
IFRS (International Financial Reporting Standards)	IFRS 9: Financial Instruments IFRS 16: Leases
IMA (Internal Model Approach for market risk)	Approach using internal models to calculate the exposure originated by market risk
IMM (Internal Model Method)	Internal model method used to calculate exposure originated by counterparty credit 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)
LCR (Liquidity Coverage Ratio)	Liquidity coverage ratio
LR (Leverage Ratio)	This measurement estimates the relative amount of assets, off-balance-sheet obligations and contingent obligations to be paid, delivered or guaranteed, including an entity's obligations derived from finance received, commitments acquired, derivatives contracts or repurchase agreements, but excluding the obligations that may only be executed during the entity's liquidation, which are financed with TIER 1 capital
MREL (Minimum Required Eligible Liabilities)	Minimum requirement for own funds and eligible liabilities
Phased-in	Compliance with solvency requirements during the transitional period
SFA (Supervisory Formula Approach)	Method based on the supervisory formula for the calculation of securitisation exposures
RWAs (Risk-Weighted Assets)	The entity's exposure to risk weighted by a percentage obtained by the applicable rule (the Standardised Approach) or internal models
SFTs (Securities Financing Transaction)	Securities financing transactions
SREP (Supervisory Review and Evaluation Process)	Supervisory Review and Evaluation Process
TIER I	Capital made up of instruments that can absorb losses when the entity is in operation. It is composed of CET1 and AT1
TIER II	Additional capital formed by instruments, basically subordinated debt,revaluation reserves and hybrid instruments, which will absorb losses when the entity is not a going concern