BBVA

Creating Opportunities

Information of Prudential Relevance Pillar III 3Q 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.

Contents

1. Introduction

BBVA ended the third quarter of 2019 with a CET 1 fully loaded capital ratio of 11.6% (11.8% 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.

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 September 30, 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 September 30, 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 IFRS 9 (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 September 2019 are taking into account the transitional arrangements for IFRS9, while fully loaded capital ratios include the full impact of this accounting regulation.

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 the regulatory own funds, main capital ratios and leverage ratio with and without the application of transitional arrangements for IFRS9, as of September 30, 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 Expected Credit Losses (ECL)

Own sources (million euros)	09/30/19	06/30/19	03/31/19	12/31/18	09/30/2018[1]
CET1 Capital	43,432	42,329	41,784	40,313	38,995
CET1 Capital without IFRS9 transitional arrangement or similar ECL	42,623	41,520	40,975	39,449	38,131
Level 1 Capital (T1)	51,035	48,997	47,455	45,947	45,098
Level 1 Capital (T1) without IFRS9 transitional arrangement or similar ECL	50,226	48,188	46,646	45,083	44,233
Total Capital	59,731	56,941	54,797	54,703	53,933
Total Capital without IFRS9 transitional arrangement or similar ECL	58,922	56,132	53,988	53,839	53,069
Risk-weighted assets (million euros)					
Total Risk-weighted assets	368,196	360,069	360,679	348,264	343,053
Total Risk-weighted assets without IFRS9 transitional arrangement or similar ECL	368,690	360,563	361,173	348,804	343,272
Capital ratio					
CET1 Capital (as a percentage of total exposure to risk)	11.8%	11.8%	11.6%	11.6%	11.4%
CET1 Capital (as a percentage of total exposure to risk) without IFRS9 transitional arrangement or similar ECL	11.6%	11.5%	11.3%	11.3%	11.1%
Level 1 Capital (T1) (as a percentage of total exposure to risk)	13.9%	13.6%	13.2%	13.2%	13.1%
Level 1 Capital (T1) (as a percentage of total exposure to risk) without IFRS9 transitional arrangement or similar ECL	13.6%	13.4%	12.9%	12.9%	12.9%
Total Capital (as a percentage of total exposure to risk)	16.2%	15.8%	15.2%	15.7%	15.7%
Total Capital (as a percentage of total exposure to risk) without IFRS9 transitional arrangement or similar ECL	16.0%	15.6%	14.9%	15.4%	15.5%
Leverage Ratio					
Total exposure related to leverage ratio	740,141	732,135	722,708	705,299	690,607
Leverage Ratio	6.9%	6.7%	6.6%	6.5%	6.5%
Leverage ratio without IFRS9 transitional arrangements or similar ECL	6.8%	6.6%	6.5%	6.4%	6.4%

(1) The application of article 5 of Decision (EU) 2015/656 of the European Central Bank of 4 February, 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 30, 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 phased-in CET1 ratio as of September 2018 comes to 11.6% (11.3% fully loaded).
In subsequent quarters, applying this mechanism, the pay-out is aligned with the policy announced by the Group.

The table below presents the amount of total eligible capital, net of deductions, for the different items making up the capital base as of September 30, 2019 and December 31, 2018, in accordance with the disclosure requirements for information relating to transitional capital set by Implementing Regulation (EU) No. 1423/2013 of the Commission dated on December 20, 2013:

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TABLE 2. Amount of capital

	09/30/19	12/31/2018[1]
a) Capital and share premium	27,259	27,259
b) Retained earnings	26,945	23,715
c) Other accumulated earnings and other reserves	(6,135)	(7,143)
d) Minority interests	4,370	3,809
e) Net interim attributable profit	1,865	3,246
Ordinary Tier 1 Capital before other regulatory adjustments	**54,303**	**50,887**
f) Additional value adjustments	(318)	(356)
g) Intangible assets	(8,311)	(8,199)
h) Deferred tax assets	(1,640)	(1,260)
i) Fair value reserves related to gains o losses on cash flow hedges	(5)	35
j) Expected losses in equity	-	-
k) Profit or losses on liabilities measured at fair value	(43)	(116)
l) Direct and indirect holdings of own instruments	(359)	(432)
m) Securitisations tranches at 1250%	(27)	(34)
n) Temporary CET1 adjustments	(109)	(150)
o) Admisible CET1 deductions	(61)	(61)
Total Common Equity Tier 1 regulatory adjustments	**(10,871)**	**(10,573)**
Common Equity Tier 1 (CET1)	**43,432**	**40,313**
p) Equity instruments and share premium classified as liabilities	6,835	4,863
q) Items referred in Article 486 (4) of the CRR	118	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)	651	629
Additional Tier 1 before regulatory adjustments	**7,603**	**5,634**
s) Temporary adjustments Tier 1	-	-
Total regulatory adjustments of Additional Tier 1	**-**	**-**
Additional Tier 1 (AT1)	**7,603**	**5,634**
Tier 1 (Common Equity Tier 1+Additional Tier 1)	**51,035**	**45,947**
t) Equity instruments and share premium	3,309	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	4,771	4,409
-Of which: instruments issued by subsidiaries subject to ex-subsidiary stage	495	37
w) Credit risk adjustments	615	579
Tier 2 before reglamentary adjustments	**8,696**	**8,756**
Tier 2 reglamentary adjustments	**-**	**-**
Tier 2	**8,696**	**8,756**
Total Capital (Total capital = Tier 1 + Tier 2)	**59,731**	**54,703**
Total RWA's	**368,196**	**348,264**
CET 1 (phased-in)[2]	11.8%	11.6%
CET 1 (fully loaded)[2]	11.6%	11.3%
TIER 1 (phased-in)[2]	13.9%	13.2%
TIER 1 (fully loaded)[2]	13.6%	12.9%
Total Capital (phased-in)[2]	16.2%	15.7%
Total Capital (fully loaded)[2]	15.7%	15.5%

(1) As of September 30, 2019, other reserves are included along with other accumulated earnings. The figures in rows b) and c) are restated as of December 2018.

(2) As of September 30, 2019, the main difference between phased-in and fully loaded ratios arises from the temporary treatment of the impact of IFRS9 to which the BBVA Group has voluntarily adhered it (in accordance with Article 473 bis of the CRR).

BBVA's fully loaded CET1 ratio stood at 11.6% as of the end of September 2019, isolating the impact of the first IFRS 16 implementation which came into effect on January 1, 2019 (-11 basis points) represents a growth of 33 basis points compared to December 2018. This increase is supported by the recurring organic capital generated and the impacts on the capital ratio of the positive evolution of the markets registered, mainly during the first six months of the year.

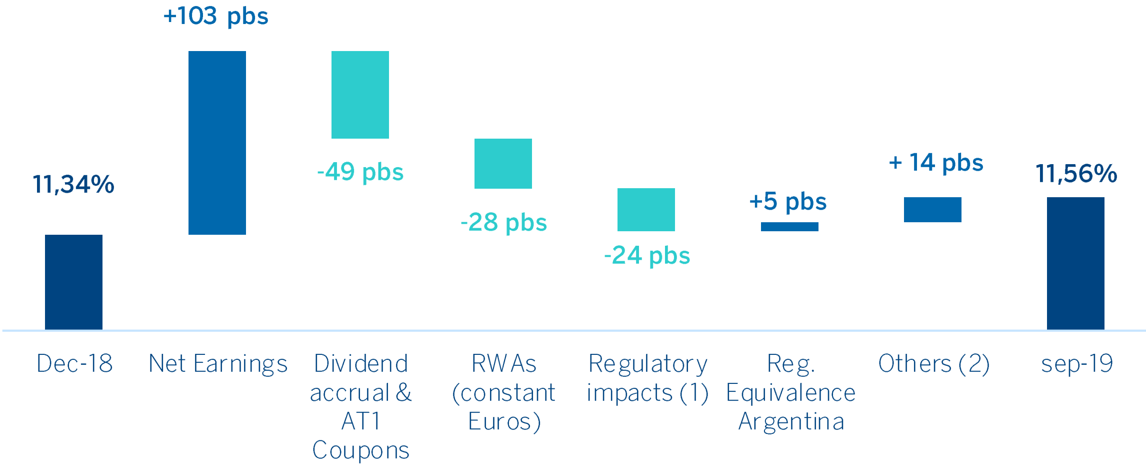
The phased-in CET1 ratio stood at 11.8% as of September 30, 2019, taking into account the effect of the IFRS 9 standard. Tier 1 stood at 13.9% and Tier 2 at 2.3%, resulting in a total capital ratio of 16.2%

These levels stand above the requirements established by the supervisor in its SREP (Supervisory Review and Evaluation Process) letter, applicable in 2019. The requirement, since March 1 2019 and at the consolidated level, for the CET1 ratio is 9.27% and a total capital ratio of 12.77%.

The total consolidated capital requirement includes: i) minimum capital requirement of Common Equity Tier 1 (CET1) of Pillar 1 (4.5%); ii) capital requirement of Additional Tier 1 (AT1) of Pillar 1 (1.5%); iii) capital requirement of Tier 2 of Pillar 1 (2%); iv) CET1 requirement of Pillar 2 (1.5%), which remains at the same level as established after the last SREP; v) capital conservation buffer (2.5% of CET1); vi) capital buffer for Other Systemically Important Institutions (O-SIIs) (0.75% of CET1); and vii) countercyclical capital buffer of 0.02% (in terms of CET1). With respect to the latter, on July 1 2019, the decision of the French macro prudential authority (French Financial Stability Council, HCSF) to impose a 0.25% countercyclical capital buffer on exposures in France, which means an increase of one basis point in the consolidated capital requirement at Group level.

Risk-weighted assets (RWAs) increased by approximately €19.8 billion in the first nine months of 2019, highlighting the impact of the implementation of IFRS 16 and TRIM - *Targeted Review of Internal Models* (in the first and second quarter, respectively) of, approximately, €7.3 billion. Regarding the evolution of RWAs since June 2019, the increase is mainly due to the appreciation of currencies against the euro, especially the US dollar and the Turkish lira.

GRAPH 1. Evolution of the CET1 fully loaded ratio



(1) Regulatory impacts includes IFRS-16 Impact (-11 bps) & TRIM (-13pbs)
(2) Others includes mainly market related impacts (FX impacts and Mark to market of HTC&S portfolios), among others

Additionally, regarding capital issuances, BBVA S.A. conducted three capital issuances: 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 amortization option from the fifth year; another CoCos issuance, registered in the *Securities Exchange Commission* (SEC) for US$1.0 billion, with an annual coupon of 6.5% and an amortization option from the fifth year and a half; a Tier 2 subordinated debt issuance of €750 million, with a maturity period of 10 years, amortization option in the fifth year, and a coupon of 2.575%[1].

[1] These issuances are calculated as capital instruments (as additional Tier 1 the first two and as Tier 2 the last one) without prior authorization required, all in accordance with the Royal Decree 309/2019, of April 26, which partially implements Law 5/2019, of March 15, regulating real estate loan agreements and adopting other financial measures.

During the first nine months of 2019, the Group continued with its program to meet the minimum requirement established by MREL (minimum requirement for own funds and eligible liabilities) – published in May 2018– by conducting the public issuance of three senior non-preferred debt for a total of €3.0 billion, one of which of €1.0 billion in green bond format.

Meanwhile, the early amortization of three issuances was conducted: one of CoCos for €1.5 billion, with annual coupon of 7% coupon issued in February 2014; another issuance of subordinated Tier 2 debt of €1.5 billion with annual coupon of 3.5%, issued in Abril 2014 and amortized in April 2019; another Tier 2 issued in June 2009 by Caixa d'Estalvis de Sabadell with an outstanding nominal amount of €4.9 million and amortized in June 2019.

With respect to the other subsidiaries of the Group, Mexico issued Tier 2 for US$ 750 million, with an annual coupon rate of 5.875% and an amortization option from the tenth year. The funds obtained were used to carry a partial redemption of two subordinated issuances (US$ 250 million with maturity in 2020 and US$ 500 million with maturity in 2021).

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 shows a breakdown of the RWA and the minimum capital requirements broken down by type of risk, as of September 30, 2019 and December 31, 2018. Securitization (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	09/30/19	12/31/18	09/30/19	12/31/18
Credit Risk	**16,276**	**15,817**	**203,454**	**197,715**
Central governments or central banks	2,394	2,445	29,921	30,560
Regional governments or local authorities	133	113	1,659	1,416
Public sector entities	60	57	751	714
Multilateral development banks	0	1	5	10
International organisations	-	-	-	-
Institutions	475	496	5,941	6,203
Corporates	7,062	7,159	88,270	89,481
Retail	2,988	2,941	37,349	36,768
Secured by mortgages on immovable property	1,225	1,237	15,309	15,466
Exposures in default	311	333	3,893	4,159
Exposures associated with particularly high risk	441	132	5,507	1,652
Covered bonds	-	-	-	-
Claims on institutions and corporates with a short-term credit assesment	0	0	2	2
Collective investments undertakings	13	5	168	57
Other exposures	1,174	898	14,680	11,229
Securitisation exposures	**5**	**76**	**65**	**950**
Securitisation exposures	6	76	65	950
Total credit risk by standardised approach	**16,282**	**15,893**	**203,519**	**198,665**
Credit Risk	**6,896**	**6,498**	**86,206**	**81,222**
Central governments or central banks	54	54	674	677
Institutions	543	429	6,790	5,366
Corporates	4,728	4,441	59,104	55,513
Of which: Specialised lending	1,030	950	12,877	11,877
Of which: SMEs	454	506	5,678	6,330
Of which: Others	3,244	2,984	40,549	37,305
Retail	1,571	1,573	19,638	19,667
Of which: Secured by real estate property	542	591	6,771	7,385
Of which: Qualifying revolving	588	555	7,348	6,938
Of which: Other SMEs	141	140	1,763	1,752
Of which: Other Non-SMEs	300	287	3,756	3,592
Equity	**1,304**	**1,220**	**16,303**	**15,246**
On the basis of method:				
Of which: Simple approach	779	647	9,742	8,085
Of which: PD/LGD approach	485	479	6,058	5,989
Of which: Intern models	40	94	503	1,172
On the basis of nature:				
Of which: Listed instruments	402	439	5,030	5,493
Of which: Not listed instruments in sufficiently diversified portfolios	902	780	11,272	9,753
Securitisation exposures	**118**	**134**	**1,471**	**1,673**
Securitisation exposures	118	134	1,471	1,673
Total credit risk by irb approach	**8,318**	**7,851**	**103,980**	**98,141**
Total contributions to the default fund of a ccp	**7**	**3**	**82**	**41**
Total credit risk	**24,606**	**23,748**	**307,581**	**296,846**
Settlement risk	-	-	-	-
Standardised approach:	294	222	3,672	2,776
Of which: Price Risk by fixed income exposures	220	155	2,749	1,940
Of which: Price Risk by Securitisation exposures	1	1	16	13
Of which: Price Risk by correlation	51	54	640	670
Of which: Price Risk by stocks and shares	19	11	236	136
Of which: Commodities Risk	2	1	30	18
IRB: Market Risk	799	661	9,993	8,268
Total trading book risk	**1,093**	**884**	**13,664**	**11,044**
Foreing exchange risk (standardised approach)	**294**	**182**	**3,675**	**2,271**
CVA risk	**149**	**110**	**1,865**	**1,377**
Operational risk	**3,073**	**2,938**	**38,411**	**36,725**
Other [3]	**240**	**-**	**3,000**	**-**
Capital requirements	**29,456**	**27,861**	**368,196**	**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)

(3) As of September 30, 2019, an advance of €3 billion of RWAs is included in this line due to the estimated regulatory impact of the TRIM (Targeted Review of Internal Models)

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

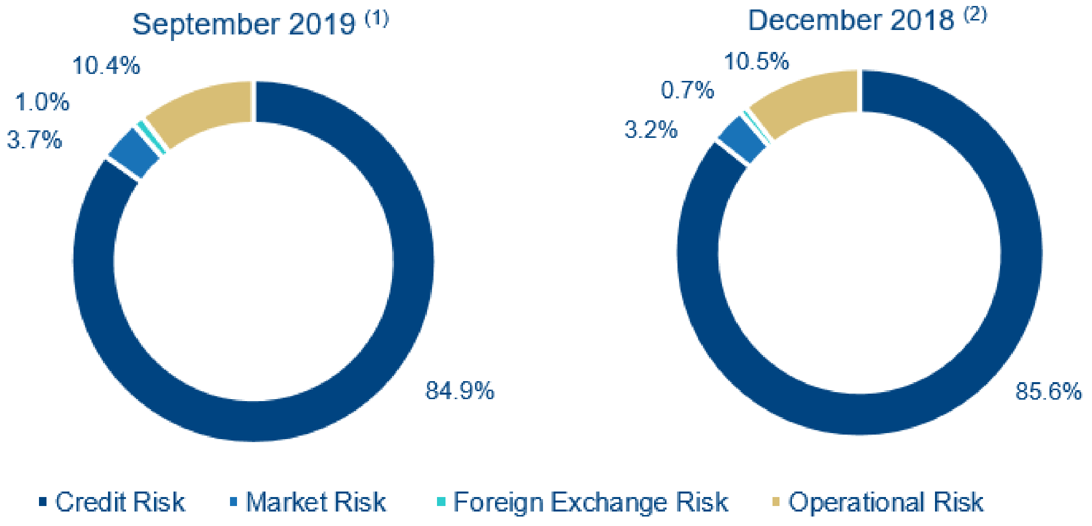
TABLE 4. EU OV1 – Overview of RWAs

	RWAs (1)		Capital requirements(2)(3)
	09/30/19	06/30/2019	09/30/19
Credit Risk (excluding CCR)	**286,842**	**282,863**	**22,947**
Of which the standardised approach [4]	193,996	190,634	15,520
Of which the foundation IRB (FIRB) approach [6]	4,666	4,926	373
Of which the advanced IRB (AIRB) approach [7]	85,702	85,008	6,856
Of which equity IRB under the simple risk-weighted approach [5]	2,477	2,295	198
CCR	**9,524**	**8,814**	**762**
Of which mark to market	7,576	7,410	606
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	82	64	7
Of which CVA	1,865	1,340	149
Settlement Risk	**-**	**0**	**-**
Securitisation exposures in the banking book (after the cap)	**1,536**	**1,619**	**123**
Of which IRB approach	1,471	1,552	118
Of which IRB supervisory formula approach (SFA)	-	-	-
Of which internal assessment approach (IAA)	-	-	-
Of which standardised approach	65	67	5
Market Risk	**17,339**	**14,505**	**1,387**
Of which the standardised approach	7,346	6,022	588
Of which IMA	9,993	8,483	799
Operational Risk	**38,411**	**37,952**	**3,073**
Of which basic indicator approach	6,828	6,462	546
Of which the standardised approach	9,892	9,877	791
Of which IRB approach	21,691	21,613	1,735
Amounts below the thresholds for deduction (subject to 250% risk weight)	**14,545**	**14,317**	**1,164**
Floor Adjustment	**-**	**-**	**-**
Total	**368,196**	**360,069**	**29,456**

(1) Risk-weighted assets according to the transitional period (phased-in).
(2) Multiplied by 8% of RWAs (Article 92 CRR)
(3) Under CET 1 requirements (9.27%) after the supervisory evaluation process (SREP), the requirements rise to €34.132 billion. Under total Capital requirements (12.77%) the requirements rise to €47.019 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 6.777 and 6.572 as at 30 September 2019 and 30 June 2019, respectively
(5) Equity, calculated under the simple risk-weighted approach and internal model method, is included. 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 7.768 and 7.744 billion as at 30 September 2019 and 30 June 2019, respectively.
(6) Exposures under the FIRB method correspond to Specialised Lending, for which the Group has opted for the method of supervisory slotting criteria, in line with article 153.5 of CRR.
(7) As of 30 June and 30 September 2019, this row includes an advance of €3 billion RWA due to the estimated impact of the TRIM (Targeted Review of Internal Models).

The charts below shows the total risk weighted assets broken down by risk type as of September 30, 2019 and December 31, 2018:

CHART 1. Breakdown of RWAs by risk type eligible under Pillar I



(1) Credit Risk includes Risk by CVA adjustment and TRIM impact
(2) Credit Risk includes Risk by CVA adjustment

4.Risk weighted assets flow statements

The following tables show the main variations in the period in terms of RWAs for credit and counterparty risk by standardized and IRB approach (excluding equity and securitization), between December 31, 2018, and September 30, 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	-	-	-	-	-	-
RWAs as of March 31, 2019	**78,228**	**6,258**	**4,182**	**335**	**82,410**	**6,593**

	Credit Risk		Counterparty Credit Risk		Total	
	RWA amounts	Capital requirements	RWA amounts	Capital requirements	RWA amounts	Capital requirements
RWAs as of March 31, 2019	**78,228**	**6,258**	**4,182**	**335**	**82,410**	**6,593**
Asset size	2,829	226	237	19	3,066	245
Asset quality	163	13	(328)	(26)	(165)	(13)
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Foreign exchange movements	(508)	(41)	229	18	(279)	(22)
Other	-	-	-	-	-	-
RWAs as of June 30, 2019 (*)	**80,712**	**6,457**	**4,320**	**346**	**85,032**	**6,803**

	Credit Risk		Counterparty Credit Risk		Total	
	RWA amounts	Capital requirements	RWA amounts	Capital requirements	RWA amounts	Capital requirements
RWAs as of June 30, 2019	**80,712**	**6,457**	**4,320**	**346**	**85,032**	**6,803**
Asset size	(684)	(55)	(352)	(28)	(1,036)	(83)
Asset quality	711	57	572	46	1,283	103
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Foreign exchange movements	571	46	356	28	927	74
Other	-	-	-	-	-	-
RWAs as of September 30, 2019 (*)	**81,310**	**6,505**	**4,896**	**392**	**86,206**	**6,896**

(*) For the purposes of ~~presenting~~ these tables, the advance of €3 billion RWA due to the estimated impact of the TRIM (Targeted Review of Internal Models) is not included.

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	7,398	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	-	-	-	-	-	-
RWAs as of March 31, 2019	**203,338**	**16,267**	**3,264**	**261**	**206,601**	**16,529**

	Credit Risk		Counterparty Credit Risk		Total	
	RWA amounts	Capital requirements	RWA amounts	Capital requirements	RWA amounts	Capital requirements
RWAs as of March 31, 2019	**203,338**	**16,267**	**3,264**	**261**	**206,601**	**16,528**
Asset size	(3,767)	(301)	(18)	(1)	(3,786)	(303)
Asset quality	(206)	(17)	(42)	(3)	(248)	(20)
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Foreign exchange movements	(2,158)	(173)	(113)	(9)	(2,271)	(182)
Other	-	-	-	-	-	-
RWAs as of June 30, 2019	**197,206**	**15,776**	**3,090**	**247**	**200,296**	**16,024**

	Credit Risk		Counterparty Credit Risk		Total	
	RWA amounts	Capital requirements	RWA amounts	Capital requirements	RWA amounts	Capital requirements
RWAs as of June 30, 2019	**197,206**	**15,776**	**3,090**	**247**	**200,296**	**16,024**
Asset size	(751)	(60)	(306)	(24)	(1,057)	(85)
Asset quality	(259)	(21)	(4)	(0)	(263)	(21)
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Foreign exchange movements	4,577	366	(100)	(8)	4,477	358
Other	-	-	-	-	-	-
RWAs as of September 30, 2019	**200,773**	**16,062**	**2,680**	**214**	**203,454**	**16,276**

The table below shows the variations, between December 31, 2018, and September 30, 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**

Million Euros	VaR	SVaR	IRC	CRM	Other	Total RWAs	Total Capital Requirements
RWAs as of March 31, 2019	**1,682**	**4,855**	**1,293**	**-**	**-**	**7,830**	**626**
Movement in risk levels	(49)	(313)	177	-	-	(185)	(15)
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign Exchange movements	(9)	(30)	(3)	-	-	(42)	(3)
Other	-	-	880	-	-	880	70
RWAs as of June 30, 2019	**1,624**	**4,512**	**2,346**	**-**	**-**	**8,483**	**679**

Million Euros	VaR	SVaR	IRC	CRM	Other	Total RWAs	Total Capital Requirements
RWAs as of June 30, 2019	**1,624**	**4,512**	**2,346**	**-**	**-**	**8,483**	**679**
Movement in risk levels	365	326	687	-	-	1,378	110
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign Exchange movements	25	91	16	-	-	132	11
Other	-	-	-	-	-	-	-
RWAs as of September 30, 2019	**2,014**	**4,929**	**3,050**	**-**	**-**	**9,993**	**799**

5.Leverage Ratio

The table below shows a breakdown of the items making up the leverage ratio as of September 30, 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	09/30/2019 *Phased-In*	09/30/2019 *Fully Loaded*	12/31/2018 *Phased-In*	12/31/2018 *Fully Loaded*
(a) Total assets as published financial statements	709,017	709,017	676,689	676,689
(b) Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(18,073)	(18,073)	(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	(7,133)	(7,133)	(7,410)	(7,410)
(d) Adjustments for securities financing transactions "SFTs"	2,240	2,240	2,949	2,949
(e) Adjustment for off-balance sheet items (1)	63,685	63,685	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	(9,596)	(10,405)	(9,012)	(10,080)
Leverage ratio total exposure measure	**740,141**	**739,332**	**705,299**	**704,231**
h) Capital Tier 1	51,035	50,112	45,947	45,047
Leverage ratio total exposure measure	**740,141**	**739,332**	**705,299**	**704,231**
Leverage ratio	**6.9%**	**6.8%**	**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 7 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.

In September 2019, the phased-in leverage ratio stands at 6.9% (6.8% in fully loaded terms), which represents an increase, during the quarter, of 20 bps. The increase of approximately €2 billion Tier 1 has a positive impact on the ratio (+28 bps). As for the growth of the exposure (+€8 billion), mainly derived from the increase in SFTs, has an effect of -8 bps.

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 risk

Liquidity Coverage Ratio

Regarding LCR, BBVA Group has maintained a liquidity buffer at both consolidated and individual level during the first nine months of 2019, which has allowed it to maintain a stable ratio and well beyond 100%, standing at 127% as of September 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 152% which means +25 basis points 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 130%. HQLA ("High Quality Liquid Assets") rise to €88.585 billion and total cash outflows to €68.343 billion. No transfer of liquidity is assumed between subsidiaries, and therefore no excess liquidity is transferred from the entities abroad to the consolidated figures.

Net Stable Funding Ratio

Regarding the *Net Stable Funding Ratio* (NSFR), its final definition was approved by the Basel Committee in October 2014 and is not yet in force. However, following the final approval of the *Capital Requirements Regulation II* (CRR II) or Regulation (EU) 2019/876 amending the CRR, the transposition of the Basel requirement will be effective in June 2021.

The NSFR ratio is a regulatory metric designed to foster long-term stability and defined as the ratio between Available Stable Financing (ASF) and Required Stable Financing (RSF). BBVA, within its risk appetite framework, has included within the limits scheme the NSFR indicator for both the Group as a whole and for each of the LUs individually, aimed at keeping this metric at a comfortable level above 100%. In this sense, the NSFR of the BBVA Group as of September 30, 2019 stood at 122%.

Glossary

ACRONYM	DESCRIPTION
ATI (Additional Tier 1)	Additional Tier 1 capital consists of hybrid innstruments, basically Cocos and preferred securities
Basel III	Set of proposals for reforming banking regulation, published after December 16, 2010 and to be implemented gradually by 2019.
CET 1 (Common Equity Tier 1)	Set of proposals for reforming banking regulation, published starting December 16, 2010 and to be implemented in a phased approach
CoCo (Contingent Convertible)	Preferred shares eventually convertible into ordinare shares
CRR /CRD IV	Solvency Regulation on prudential requireents 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 strasparency of markets and financial products, and protecting depositors and investors
ECL (Expected Credit Losses)	Expect ratio between the amount that is expected to be lost in an exposure, due to potential credit default by a counterparty or dilution over a one-year period and the amount outstanding at the time of default
Fully loaded	Complete compliance with the solvency requirements
IFRS (International Financial Reporting Standards)	IFRS9: Financial instruments IFRS16: Leases
IMA (Internal Modeling Approach for market risk)	Approach that uses internal models to calculate the exposure originated by market 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	Leverage ratio
Leverage Ratio	Measure that relates the indebtedness and assets of a company, calculated as the level 1 capital divided by the total exposure of the entity
MREL (Minimum Required Eligible Liabilities)	Minimum requirement for own funds and eligible liabilities
NSFR (Net Stabel Funding Ratio)	Assures a balanced structure, in which the steady financing needs are anchored by steady liabilities
Phased-in	Compliance with solvency requirements during the transitional period
RWAs (Risk-Weighted Assets)	The entity´s exposure to risk weighted by a percentage obtained by the applicable rule (the Standarised Approach) or internal models
SREP (Supervisory Review and Evaluation Process)	Surpervisory Review and Evaluation Process
TIER I	Capital made up of instruments dthat can absorb losses when the entity is in operation. It is composed of CET 1 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
TRIM (Targeted Review of Internal Models)	Review of internal capital models. Aiming to assess whether the internal models that banks currently use meet regulatory requirements and if their results are reliable and comparable.