

PILLAR III DISCLOSURES AS OF 31 MARCH 2015

Regulatory framework

In accordance with the obligations established in Part Eight of the Regulation (Regulation 575/2013/EU) of June 26, 2013 (hereinafter, "CRR") and in the directive of December 23, 2014 of the European Banking Association adopted by the Executive Committee of Bank of Spain during the consultation of February 12, 2015, the information required by the aforementioned regulation as of 31 March 2015 is disclosed in the following table:

Own funds disclosure and regulatory capital ratios

Own Funds Disclosure	March 2015	Dec. 2014	Variation	%Variation
Common Equity Tier 1 (CET1) capital before regulatory adjustments	49.326	48.314	1.011	2,1%
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(5.331)	(6.482)	1.151	(17,8%)
Common Equity Tier 1 (CET1) capital	43.995	41.832	2.162	5,2%
Additional Tier 1 (AT1) capital before regulatory adjustments	5.426	4.205	1.221	29,0%
Total regulatory adjustments to Additional Tier 1 (AT1) capital	(5.426)	(4.205)	(1.221)	(29,0%)
Additional Tier 1 (AT1) capital	-	-	-	-
Tier 1 capital (T1 = CET1 + AT1)	43.995	41.832	2.163	5,2%
Tier 2 (T2) capital before regulatory adjustments	10.686	10.986	(300)	(2,7%)
Total regulatory adjustments to Tier 2 (T2) capital	-	-	-	-
Tier 2 (T2) capital	10.686	10.986	(300)	(2,7%)
Total capital (TC = T1 + T2)	54.681	52.818	1.862	3,5%

Capital Ratios	March 2015	December 2014	Variation
Common Equity Tier 1 (as a percentage of total risk exposure amount)	12,7%	11,9%	0,75%
Tier 1 (as a percentage of total risk exposure amount)	12,7%	11,9%	0,75%
Total capital (as a percentage of total risk exposure amount)	15,8%	15,1%	0,70%

The main variations of the period in terms of capital composition and capital ratio are as follows:

- The issuance of contingent convertible securities eligible as Additional Tier I for an amount of €1,500 million, has contributed to increase the capital ratio by 43 basis points.
- The sale of 5.6% stakes in China Citic Bank (CNCB) has resulted in an increase of the capital ratio by 35 basis points.
- The organic growth achieved during the first quarter 2015 has increased the capital ratio by 10 basis points (+25 basis points due to the revenue generation -net of dividends and excluding the above mentioned sale of CNCB-; and -15 basis points due to the organic growth of RWA).
- The effect of transitional adjustments (phase in) as established by the current regulation has resulted in a decrease by 5 basis points of the capital ratio.

Capital requirements and Risk Weight Assets

Risk weighted assets and Capital requirements	March 2015		Dec. 2014		Variation		%Variation	
	RWA	CR (1)	RWA	CR (1)	RWA	CR (1)	RWA	CR
Total risk weighted assets	347.099	27.768	350.802	28.064	(3.703)	(296)	(1,1%)	(1,1%)
Total credit risk	296.520	23.722	295.927	23.674	593	47	0,2%	0,2%
Total trading-book activity risk	12.459	997	11.825	946	634	51	5,4%	5,4%
Exchange rate risk	6.688	535	9.150	732	(2.462)	(197)	(27%)	(27%)
Operational risk	26.506	2.120	29.400	2.352	(2.894)	(232)	(10%)	(10%)
CVA/AVC	4.926	394	4.500	360	426	34	9,5%	9,5%

(1) CR: Capital requirements

The decline of RWA by €3.7 billion from December 2014 is due to movements of different nature:

- On the one hand, the organic growth (mainly in South America, Mexico and the U.S.A.), the impact of currency exchange rates (excluding Venezuela) and the elimination of the “regulatory equivalence” in Turkey, Colombia and Peru, has resulted in an increase of the RWA.
- On the other hand, the above mentioned increase has been widely compensated by the drop in RWA due to the sale of CNCB and the conversion of Venezuela figures to the new exchange mechanism called SIMADI.

Leverage ratio

<u>Leverage ratio</u>	March 2015	December 2014	Variation
Tier 1 capital (T1 = CET1 + AT1)	43.995	41.832	2.163
Choice on transitional arrangements for definition of capital measure		-	-
Total Exposures	670.404	671.307	(903)
End of Quarter leverage ratio	6,56%	6,23%	0,33%
Leverage ratio (avg of the monthly leverage ratios over the quarter)	6,53%		

The variation of the period is, mainly, due to the increase of TIER 1 aforementioned.