

A low-angle photograph of the BBVA building, a modern structure with a distinctive semi-circular, ribbed facade. The building features multiple levels of glass windows and a prominent BBVA logo on the upper right. The sky is clear blue, and some greenery is visible at the base of the building.

**BBVA** Creating Opportunities

# Information of Prudential Relevance Pillar III September 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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# 1. Introduction

As of September, 30, 2018, BBVA has a CET 1 fully loaded capital ratio of 11.34% calculated by applying the shareholders remuneration's policy announced by BBVA Group; and 11.15% calculated according to article 5 of Decision (EU) 2015/656 of the ECB which implies the application of the nominal pay-out of 2017 to the interim profit to be included in the capital ratios. Both ratios are above the capital requirements set by the Regulator in its SREP letter and systemic buffers applicable for BBVA Group in 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 September 30, 2018. 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. In this regard, underlining the following:

- Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under articles 432 (1), 432 (2) and 433 of Regulation (EU) N° 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. Additionally, they also provide guidance for institutions to assess the need to disclose information more frequently than annually. These guidelines were adopted by the Executive Committee of Bank of Spain in February 2015.
- Guidelines on disclosure requirements under Part Eighth of Regulation (EU) N° 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 on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) N° 575/2013 (EBA/GL/2017/01). These guidelines specify the general framework for the disclosure of risk management information under Article 435 of Regulation (EU) N° 575/2013 in relation to liquidity risk, setting out a harmonised structure for the disclosure of the information required by Article 435(1) of the Regulation. These guidelines were adopted by the Executive Committee of Bank of Spain in July 2017.

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 473 bis of Regulation (EU) N° 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). These guidelines were adopted by the Executive Committee of Bank of Spain in February 2018.

In this report, the phased-in capital ratios in September 2018 are taking into account the transitional arrangements for IFRS9, while fully loaded capital ratios include the full impact of this new 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 regulatory own funds, main capital ratios and leverage ratio with and without the application of transitional arrangements for IFRS9 or analogous ECLs as of September 30, 2018, June 30, 2018 and March 31, 2018:

**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**

	09-30-2018	09-30-2018 (*)	06-30-2018	03-31-2018
<b>Own sources (million euros)</b>				
CET1 Capital	39,662	38,995	39,550	39,858
CET1 Capital without IFRS9 transitional arrangement or similar ECL	38,797	38,131	38,685	38,753
Level 1 Capital (T1)	45,765	45,098	45,717	45,987
Level 1 Capital (T1) without IFRS9 transitional arrangement or similar ECL	44,900	44,233	44,852	44,882
Total Capital	54,600	53,933	54,958	54,384
Total Capital without IFRS9 transitional arrangement or similar ECL	53,735	53,069	54,094	53,276
<b>Risk-weighted assets (million euros)</b>				
Total Risk-weighted assets	343,053	343,053	356,887	358,941
Total Risk-weighted assets without IFRS9 transitional arrangement or similar ECL	343,272	343,272	357,107	358,262
<b>Capital ratio</b>				
CET1 Capital (as a percentage of total exposure to risk)	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%	11.1%	10.8%	10.8%
Level 1 Capital (T1) (as a percentage of total exposure to risk)	13.3%	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	13.1%	12.9%	12.6%	12.5%
Total Capital (as a percentage of total exposure to risk)	15.9%	15.7%	15.4%	15.2%
Total Capital (as a percentage of total exposure to risk) without IFRS9 transitional arrangement or similar ECL	15.7%	15.5%	15.1%	14.9%
<b>Leverage Ratio</b>				
Total exposure related to leverage ratio	690,607	690,607	711,046	707,638
Leverage Ratio	6.6%	6.5%	6.4%	6.5%
Leverage ratio without IFRS9 transitional arrangements or similar ECL	6.5%	6.4%	6.3%	6.3%

(\*) 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 million which is the outcome of applying the pay-out ratio of 2017 to the interim profits of September 30, 2018, instead of €1,476 million that reflects the shareholders remuneration's policy announced by BBVA Group.

The table below shows the amount of total eligible capital, net of deductions, for the different items of the capital base as of September 30, 2018, June 30, 2018, March 31, 2018 and December 31, 2017, in accordance with the disclosure requirements for information relating to transitional capital set out in Regulation (EU) N° 1423/2013 of the Commission dated on December 20, 2013:

**TABLE 2. Amount of capital**

Million Euros	09-30-2018 <sup>(1)</sup>	09-30-2018	06-30-2018	03-31-2017	12-31-2017
a) Capital and share premium	27,259	27,259	27,259	27,259	27,259
b) Retained earnings	26,552	26,552	26,926	26,569	25,511
c) Other accumulated earnings (and reserves)	(10,082)	(10,082)	(9,803)	(8,960)	(8,717)
d) Minority interests	3,779	3,779	4,565	4,646	5,446
e) Net attrib. profit and interim and final Group dividends	2,589	1,922	1,375	705	1,436
<b>Ordinary Tier 1 Capital before other regulatory adjustments</b>	<b>50,097</b>	<b>49,431</b>	<b>50,322</b>	<b>50,219</b>	<b>50,935</b>
f) Additional value adjustments	(337)	(337)	(406)	(392)	(332)
g) Intangible assets	(8,062)	(8,062)	(8,255)	(8,041)	(6,627)
h) Deferred tax assets	(1,261)	(1,261)	(1,174)	(1,131)	(755)
i) Fair value reserves related to gains or losses on cash flow hedges	(114)	(114)	(286)	(230)	(193)
j) Expected losses in equity	(18)	(18)	(18)	(20)	(20)
k) Profit or losses on liabilities measured at fair value	-	-	-	-	-
l) Direct and indirect holdings of own instruments	(424)	(424)	(407)	(374)	(278)
m) Securitisation tranches at 1250%	(32)	(32)	(35)	(37)	(39)
n) Temporary CET1 adjustments	(124)	(124)	(149)	(110)	(324)
o) Admissible CET1 deductions	(64)	(64)	(42)	(26)	(26)
<b>Total Common Equity Tier 1 regulatory adjustments</b>	<b>(10,435)</b>	<b>(10,435)</b>	<b>(10,772)</b>	<b>(10,361)</b>	<b>(8,594)</b>
<b>Common Equity Tier 1 (CET1)</b>	<b>39,662</b>	<b>38,995</b>	<b>39,550</b>	<b>39,858</b>	<b>42,341</b>
p) Equity instruments and share premium classified as liabilities	5,364	5,364	5,358	5,312	5,751
q) Items referred in Article 484 (4) of the CRR	143	143	142	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)	596	596	667	674	403
<b>Additional Tier 1 before regulatory adjustments</b>	<b>6,103</b>	<b>6,103</b>	<b>6,167</b>	<b>6,129</b>	<b>6,296</b>
s) Temporary adjustments Tier 1	-	-	-	-	(1,657)
<b>Total regulatory adjustments of Additional Tier 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,657)</b>
<b>Additional Tier 1 (AT1)</b>	<b>6,103</b>	<b>6,103</b>	<b>6,167</b>	<b>6,129</b>	<b>4,639</b>
<b>Tier 1 (Common Equity Tier 1+Additional Tier 1)</b>	<b>45,765</b>	<b>45,098</b>	<b>45,717</b>	<b>45,987</b>	<b>46,980</b>
t) Equity instruments and share premium	2,021	2,021	1,765	1,757	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	6,239	6,239	6,890	6,056	6,438
-Of which: instruments issued by subsidiaries subject to ex-subsidiary stage	309	309	121	114	317
w) Credit risk adjustments	575	575	586	584	601
<b>Tier 2 before regulatory adjustments</b>	<b>8,835</b>	<b>8,835</b>	<b>9,241</b>	<b>8,397</b>	<b>8,798</b>
<b>Tier 2 regulatory adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 2</b>	<b>8,835</b>	<b>8,835</b>	<b>9,241</b>	<b>8,397</b>	<b>8,798</b>
<b>Total Capital (Total capital = Tier 1 + Tier 2)</b>	<b>54,600</b>	<b>53,933</b>	<b>54,958</b>	<b>54,384</b>	<b>55,778</b>
<b>Total RWA's</b>	<b>343,053</b>	<b>343,053</b>	<b>356,887</b>	<b>358,941</b>	<b>362,875</b>
CET 1 (Phased-In)	11.6%	11.4%	11.1%	11.1%	11.7%
CET 1 (fully-loaded)	11.3%	11.1%	10.8%	10.9%	11.0%
Tier 1 (Phased-In)	13.3%	13.1%	12.8%	12.8%	12.9%
Tier 1 (fully-loaded)	13.1%	12.9%	12.5%	12.5%	12.8%
Total Capital (Phased-In)	15.9%	15.7%	15.4%	15.2%	15.4%
Total Capital (fully-loaded)	15.6%	15.4%	15.1%	14.9%	15.1%

<sup>(1)</sup> As of September, 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 Group has adhered voluntarily (in accordance with Article 473 bis CRR)

<sup>(\*)</sup> The application of article 5 of Decision (EU) 2015/656 of the European Central Bank of 4 February 2015, results on a dividend of €2,142 million euro to be deducted from the amount of profits which corresponds to the dividend calculated on the basis of 2017 pay-out ratio as of September 30, 2018, instead of €1,476 million euro that reflects the policy announced by BBVA Group.

From June, 30, 2018, BBVA's CET1 ratio increased by 50bps, mainly attributed to the sale of BBVA Chile. Excluding this effect, the ratio has remained stable, supported by the organic generation of capital which neutralized the adverse market situation produced by, among others, the negative foreign currency volatility.

Additionally, the transfer of BBVA real estate business in Spain to Cerberus is estimated to have no material impact on the ratios. Also note that the measures activated at the local level by the Turkish regulator and supervisor (BRSA) in the quarter have no impact on the Group at a consolidated level.

Regarding capital issues, the group carried out in September a new issuance of contingent convertible bonds (CoCo's) for an amount of EUR 1,000 million which will compute as AT1 once received the authorization from the regulator with an impact of approximately +30 bps on the fully loaded Tier1 ratio. Lastly, the group received authorization from the regulator to compute the subordinated debt issued in May of USD 300 million as Tier 2 capital with a positive impact of 8 bps in the fully loaded ratio.

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 that are voluntary for institutions, adapting the impact of IFRS9 on their capital ratios. BBVA Group has informed the Supervisor body of its adherence to this arrangement.

Total capital ratio is above the requirements established by the regulator in its SREP letter and the systemic buffers applicable in 2018 for BBVA Group.

Risk-Weighted Assets (RWA) has decreased in approximately EUR 13,800 million, mostly due to the sale of BBVA Chile and the depreciation of the currencies against the euro (mainly, the Turkish lira).



### 3. Capital requirements information

The third part of the CRR sets out the capital requirements, in accordance with 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 September 30, 2018, June 30, 2018, March 31, 2018 and December 31, 2017. Securitisation (standardised and internal approach) and equity are included.

**TABLE 3. Capital requirements by risk type and exposure class**

Exposure Class and risk type	Capital requirements <sup>(2)</sup>				RWA's <sup>(1)</sup>			
	09-30-2018	06-30-2018	03-31-2018	12-31-2017	09-30-2018	06-30-2018	03-31-2017	12-31-2017
<b>Credit Risk</b>	<b>15,611</b>	<b>16,628</b>	<b>16,549</b>	<b>16,684</b>	<b>195,137</b>	<b>207,854</b>	<b>206,863</b>	<b>208,554</b>
Central governments or central banks	2,263	2,339	2,466	2,381	28,283	29,240	30,823	29,759
Regional governments or local authorities	119	114	104	100	1,491	1,428	1,295	1,252
Public sector entities	55	56	46	52	686	703	576	654
Multilateral development banks	1	1	1	1	10	10	12	14
International organisations	-	-	-	-	-	-	-	-
Institutions	518	513	499	463	6,480	6,411	6,236	5,793
Corporates	6,968	7,464	7,292	7,328	87,094	93,302	91,146	91,600
Retail	2,886	3,161	3,156	3,134	36,076	39,508	39,454	39,177
Secured by mortgages on immovable property	1,293	1,459	1,471	1,569	16,160	18,239	18,384	19,609
Exposures in default	324	343	290	420	4,055	4,291	3,629	5,248
Exposures associated with particularly high risk	250	290	296	296	3,124	3,621	3,698	3,694
Covered bonds	-	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	1	2	4	5
Collective investments undertakings	2	2	7	2	24	23	90	24
Other exposures	932	886	921	938	11,651	11,075	11,515	11,725
<b>Securitisation exposures</b>	<b>75</b>	<b>75</b>	<b>69</b>	<b>74</b>	<b>935</b>	<b>933</b>	<b>865</b>	<b>924</b>
Securitisation exposures	75	75	69	74	935	933	865	924
<b>TOTAL CREDIT RISK BY STANDARDISED APPROACH</b>	<b>15,686</b>	<b>16,703</b>	<b>16,618</b>	<b>16,758</b>	<b>196,072</b>	<b>208,786</b>	<b>207,728</b>	<b>209,478</b>
<b>Credit Risk</b>	<b>6,507</b>	<b>6,656</b>	<b>6,461</b>	<b>6,673</b>	<b>81,335</b>	<b>83,204</b>	<b>80,761</b>	<b>83,408</b>
Central governments or central banks	91	87	93	94	1,133	1,088	1,167	1,172
Institutions	393	433	465	474	4,906	5,416	5,811	5,931
Corporates	4,458	4,586	4,326	4,531	55,722	57,323	54,076	56,643
Of which: Specialised lending	705	746	745	804	8,815	9,320	9,317	10,056
Of which: SMEs	564	592	593	646	7,050	7,396	7,408	8,077
Of which: Others	3,189	3,249	2,988	3,081	39,858	40,607	37,351	38,510
Retail	1,566	1,550	1,577	1,573	19,574	19,377	19,707	19,661
Of which: Secured by real estate property	611	628	639	661	7,643	7,853	7,987	8,268
Of which: Qualifying revolving	569	556	553	541	7,112	6,948	6,916	6,764
Of which: Other SMEs	133	129	128	129	1,664	1,613	1,604	1,612
Of which: Other Non-SMEs	252	237	256	241	3,154	2,963	3,200	3,017
<b>Equity</b>	<b>1,161</b>	<b>1,162</b>	<b>1,329</b>	<b>1,342</b>	<b>14,515</b>	<b>14,528</b>	<b>16,618</b>	<b>16,775</b>
On the basis of method:	-	-	-	-	-	-	-	-
Of which: Simple approach	674	682	788	765	8,425	8,524	9,852	9,562
Of which: PD/LGD approach	383	377	422	396	4,784	4,715	5,277	4,953
Of which: Intern models	104	103	119	181	1,306	1,288	1,489	2,261
On the basis of nature:	-	-	-	-	-	-	-	-
Of which: Listed instruments	540	460	509	433	6,746	5,751	6,366	5,412
Of which: Not listed instruments in sufficiently diversified portfolios	622	702	820	909	7,769	8,777	10,253	11,363
<b>Securitisation exposures</b>	<b>104</b>	<b>102</b>	<b>98</b>	<b>66</b>	<b>1,304</b>	<b>1,279</b>	<b>1,225</b>	<b>827</b>
Securitisation exposures	104	102	98	66	1,304	1,279	1,225	827
<b>TOTAL CREDIT RISK BY IRB APPROACH</b>	<b>7,772</b>	<b>7,921</b>	<b>7,888</b>	<b>8,081</b>	<b>97,154</b>	<b>99,010</b>	<b>98,604</b>	<b>101,009</b>
<b>TOTAL CONTRIBUTIONS TO THE DEFAULT FUND OF A CCP</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>48</b>	<b>48</b>	<b>81</b>	<b>49</b>
<b>TOTAL CREDIT RISK</b>	<b>23,462</b>	<b>24,628</b>	<b>24,513</b>	<b>24,843</b>	<b>293,273</b>	<b>307,845</b>	<b>306,412</b>	<b>310,536</b>
<b>SETTLEMENT RISK</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Standardised approach:	196	241	178	226	2,456	3,009	2,223	2,829
Of which: Price Risk by fixed income exposures	174	219	149	197	2,177	2,737	1,862	2,461
Of which: Price Risk by Securitisation exposures	1	2	1	2	16	20	16	20
Of which: Price Risk by correlation	6	5	12	11	75	59	150	142
Of which: Price Risk by stocks and shares	12	15	15	16	151	182	185	197
Of which: Commodities Risk	3	1	1	1	36	10	11	9
IRB: Market Risk	695	675	701	689	8,693	8,442	8,761	8,611
<b>TOTAL TRADING BOOK RISK</b>	<b>892</b>	<b>916</b>	<b>879</b>	<b>915</b>	<b>11,149</b>	<b>11,451</b>	<b>10,984</b>	<b>11,439</b>
<b>FOREIGN EXCHANGE RISK (STANDARDISED APPROACH)</b>	<b>192</b>	<b>103</b>	<b>362</b>	<b>366</b>	<b>2,402</b>	<b>1,281</b>	<b>4,524</b>	<b>4,579</b>
<b>CVA RISK</b>	<b>107</b>	<b>113</b>	<b>127</b>	<b>125</b>	<b>1,333</b>	<b>1,413</b>	<b>1,586</b>	<b>1,566</b>
<b>OPERATIONAL RISK</b>	<b>2,792</b>	<b>2,792</b>	<b>2,835</b>	<b>2,780</b>	<b>34,895</b>	<b>34,898</b>	<b>35,434</b>	<b>34,755</b>
<b>CAPITAL REQUIREMENTS</b>	<b>27,444</b>	<b>28,551</b>	<b>28,715</b>	<b>29,030</b>	<b>343,053</b>	<b>356,887</b>	<b>358,941</b>	<b>362,875</b>

<sup>(1)</sup> Risk-weighted assets according to the transitional period (phased-in)

<sup>(2)</sup> Multiplied by 8% of RWAs

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

Million Euros	RWA <sup>(1)</sup>				Minimum Capital Requirements <sup>(2)</sup>
	09-30-2018	06-30-2018	03-31-2018	12-31-2017	09-30-2018
<b>Credit Risk (excluding CCR)</b>	<b>270,981</b>	<b>284,200</b>	<b>281,041</b>	<b>286,368</b>	<b>21,679</b>
Of which the standardised approach <sup>(3)</sup>	185,783	197,733	196,648	198,715	14,863
Of which the foundation IRB (FIRB) approach	-	-	-	-	-
Of which the advanced IRB (AIRB) approach	81,904	83,233	81,023	83,577	6,552
Of which equity IRB under the simple risk-weighted approach <sup>(4)</sup>	3,295	3,234	3,370	4,076	264
<b>CCR</b>	<b>8,704</b>	<b>9,220</b>	<b>9,882</b>	<b>9,459</b>	<b>696</b>
Of which mark to market	7,323	7,760	8,215	7,844	586
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	48	81	49	4
Of which CVA	1,333	1,413	1,586	1,566	107
<b>Settlement Risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Securitisation exposures in the banking book (after the cap)</b>	<b>2,239</b>	<b>2,211</b>	<b>2,090</b>	<b>1,751</b>	<b>179</b>
Of which IRB approach	1,304	1,279	1,225	827	104
Of which IRB supervisory formula approach (SFA)	-	-	-	-	-
Of which internal assessment approach (IAA)	-	-	-	-	-
Of which standardised approach	935	933	865	924	75
<b>Market Risk</b>	<b>13,551</b>	<b>12,732</b>	<b>15,508</b>	<b>16,018</b>	<b>1,084</b>
Of which the standardised approach	4,858	4,290	6,747	7,408	389
Of which IMA	8,693	8,442	8,761	8,611	695
<b>Operational Risk</b>	<b>34,895</b>	<b>34,898</b>	<b>35,434</b>	<b>34,755</b>	<b>2,792</b>
Of which basic indicator approach	4,504	5,729	6,198	6,204	360
Of which the standardised approach	9,464	10,595	10,601	10,102	757
Of which IRB approach	20,927	18,574	18,635	18,449	1,674
<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	<b>12,682</b>	<b>13,625</b>	<b>14,986</b>	<b>14,525</b>	<b>1,015</b>
<b>Floor Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>343,053</b>	<b>356,887</b>	<b>358,941</b>	<b>362,875</b>	<b>27,444</b>

<sup>(1)</sup> Risk-weighted assets according to the transitional period (phased-in).

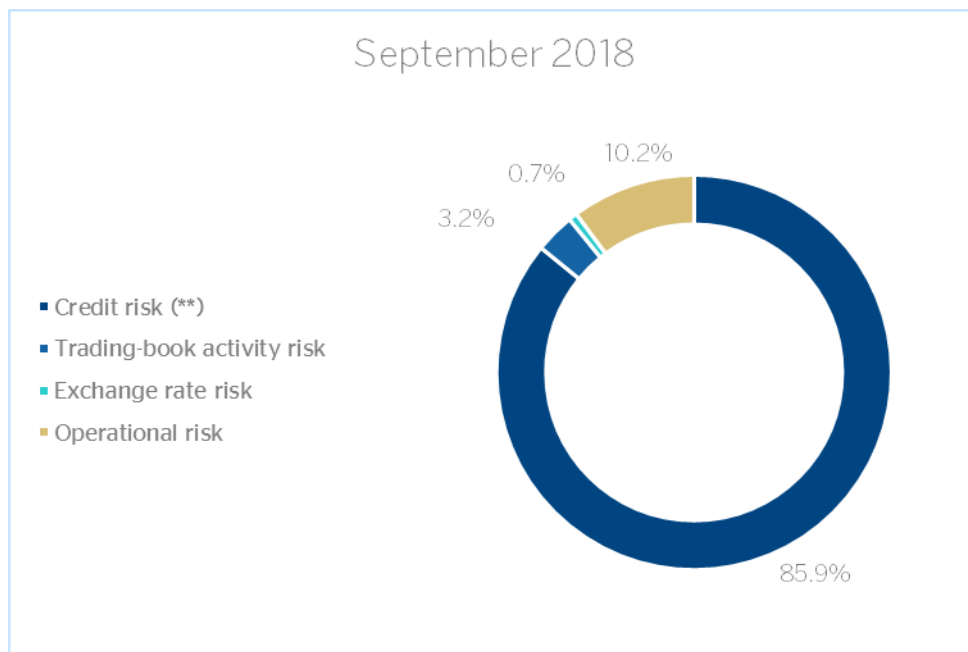
<sup>(2)</sup> Multiplied by 8% of RWAs.

<sup>(3)</sup> 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 6.2 and 7.0 billion at September 30, 2018 and June 30, 2018, respectively.

<sup>(4)</sup> 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 6.4 and 6.6 billion as at September 30, 2018 and June 30, 2018, respectively.

The chart below shows the total Risk weighted assets broken down by risk type as of September 30, 2018:

CHART 1. Breakdown of RWAs by risk type



(\*\*) Credit Risk includes Risk by CVA adjustment

## 4. Risk weighted assets flow statements

The following tables show the main variations in terms of RWA for credit risk by standardised and IRB approach (excluding equity and securitisation), for each quarter, between December 31, 2017, and September 30, 2018:

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

Credit Risk	3rd Quarter		2nd Quarter		1st Quarter	
	RWA amount	Capital Requirements	RWA amount	Capital Requirements	RWA amount	Capital Requirements
<b>Million Euros</b>						
<b>RWAs at the beginning of the period</b>	<b>78,518</b>	<b>6,281</b>	<b>75,747</b>	<b>6,060</b>	<b>78,624</b>	<b>6,290</b>
Asset size	393	31	3,173	253	(3,043)	(244)
Asset quality	(969)	(78)	(937)	(75)	(150)	(12)
Model updates	(1,630)	(130)	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Foreign exchange movements	809	65	535	43	300	24
Other	-	-	-	-	17	1
<b>RWAs at the end of the period</b>	<b>77,120</b>	<b>6,170</b>	<b>78,518</b>	<b>6,281</b>	<b>75,747</b>	<b>6,060</b>

Counterparty Credit Risk	3rd Quarter		2nd Quarter		1st Quarter	
	RWA amount	Capital Requirements	RWA amount	Capital Requirements	RWA amount	Capital Requirements
<b>Million Euros</b>						
<b>RWAs at the beginning of the period</b>	<b>4,686</b>	<b>375</b>	<b>5,014</b>	<b>401</b>	<b>4,784</b>	<b>383</b>
Asset size	57	5	74	6	251	20
Asset quality	(571)	(46)	(434)	(35)	-	-
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Foreign exchange movements	44	4	32	3	(21)	(2)
Other	-	-	-	-	-	-
<b>RWAs at the end of the period</b>	<b>4,215</b>	<b>337</b>	<b>4,686</b>	<b>375</b>	<b>5,014</b>	<b>401</b>

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

Credit Risk	3rd Quarter		2nd Quarter		1st Quarter	
	RWA amount	Capital Requirements	RWA amount	Capital Requirements	RWA amount	Capital Requirements
<b>Million Euros</b>						
<b>RWAs at the beginning of the period</b>	<b>204,780</b>	<b>16,382</b>	<b>203,663</b>	<b>16,293</b>	<b>205,493</b>	<b>16,439</b>
Asset size	2,778	222	1,571	126	3,339	268
Asset quality	273	22	636	51	(451)	(36)
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	(10,206)	(816)	-	-	-	-
Foreign exchange movements	(5,760)	(461)	(1,091)	(87)	(4,718)	(377)
Other	164	13	-	-	-	-
<b>RWAs at the end of the period</b>	<b>192,029</b>	<b>15,362</b>	<b>204,780</b>	<b>16,382</b>	<b>203,663</b>	<b>16,293</b>

Counterparty Credit Risk	3rd Quarter		2nd Quarter		1st Quarter	
	RWA amount	Capital Requirements	RWA amount	Capital Requirements	RWA amount	Capital Requirements
<b>Million Euros</b>						
<b>RWAs at the beginning of the period</b>	<b>3,073</b>	<b>246</b>	<b>3,200</b>	<b>256</b>	<b>3,060</b>	<b>245</b>
Asset size	692	55	(103)	(8)	151	12
Asset quality	-	-	(8)	(1)	-	-
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	(565)	(45)	-	-	-	-
Foreign exchange movements	(93)	(7)	(16)	(1)	(11)	(1)
Other	-	-	-	-	-	-
<b>RWAs at the end of the period</b>	<b>3,108</b>	<b>249</b>	<b>3,073</b>	<b>246</b>	<b>3,200</b>	<b>256</b>

The table below shows the variations for each quarter, between December 31, 2017, and September 30, 2018 RWA by market risk - advanced measurement approach:

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

Million Euros

<b>RWA flow statements of market risk exposure under IMA</b>	<b>VaR</b>	<b>SVaR</b>	<b>IRC</b>	<b>CRM</b>	<b>Other</b>	<b>Total RWAs</b>	<b>Total Capital Requirements</b>
<b>RWAs as of June 30, 2018</b>	<b>2,411</b>	<b>4,805</b>	<b>1,227</b>	<b>-</b>	<b>-</b>	<b>8,442</b>	<b>675</b>
Movement in risk levels	(391)	260	181	-	-	50	4
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign Exchange movements	49	127	25	-	-	201	16
Other	-	-	-	-	-	-	-
<b>RWAs as of September 30, 2018</b>	<b>2,069</b>	<b>5,192</b>	<b>1,432</b>	<b>-</b>	<b>-</b>	<b>8,693</b>	<b>695</b>

Million Euros

<b>RWA flow statements of market risk exposure under IMA</b>	<b>VaR</b>	<b>SVaR</b>	<b>IRC</b>	<b>CRM</b>	<b>Other</b>	<b>Total RWAs</b>	<b>Total Capital Requirements</b>
<b>RWAs as of March 31, 2018</b>	<b>2,305</b>	<b>4,987</b>	<b>1,467</b>	<b>-</b>	<b>-</b>	<b>8,761</b>	<b>701</b>
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	-	-	-	-	-	-	-
<b>RWAs as of June 30, 2018</b>	<b>2,411</b>	<b>4,805</b>	<b>1,227</b>	<b>-</b>	<b>-</b>	<b>8,442</b>	<b>675</b>

Million Euros

<b>RWA flow statements of market risk exposure under IMA</b>	<b>VaR</b>	<b>SVaR</b>	<b>IRC</b>	<b>CRM</b>	<b>Other</b>	<b>Total RWAs</b>	<b>Total Capital Requirements</b>
<b>RWAs as of December 31, 2017</b>	<b>2,232</b>	<b>5,138</b>	<b>1,240</b>	<b>-</b>	<b>-</b>	<b>8,611</b>	<b>689</b>
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	-	-	-	-	-	-	-
<b>RWAs as of March 31, 2018</b>	<b>2,305</b>	<b>4,987</b>	<b>1,467</b>	<b>-</b>	<b>-</b>	<b>8,761</b>	<b>701</b>

## 5. Leverage Ratio

The table below shows a breakdown of the items that set the leverage ratio as of September 30, 2018, June 30, 2018, March 31, 2018 and December 31, 2017:

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

Million Euros

Summary table of accounting assets and leverage ratio exposure conciliation	09-30-18 Phased-In	09-30-18 Phased-In (*)	09-30-18 Fully Loaded	09-30-18 Fully Loaded (*)	06-30-18 Phased-In	06-30-18 Fully Loaded
(a) Total assets as published financial statements	668,985	668,985	668,985	668,985	689,632	689,632
(b) Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(17,584)	(17,584)	(17,584)	(17,584)	(17,964)	(17,964)
(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	(14,911)	(14,911)	(14,911)	(14,911)	(12,718)	(12,718)
(d) Adjustments for securities financing transactions "SFTs"	2,512	2,512	2,512	2,512	(157)	(157)
(e) Adjustment for off-balance sheet items (1)	60,477	60,477	60,477	60,477	61,317	61,317
(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	(8,873)	(8,873)	(9,940)	(9,940)	(9,064)	(10,131)
<b>Leverage ratio total exposure measure</b>	<b>690,607</b>	<b>690,607</b>	<b>689,540</b>	<b>689,540</b>	<b>711,046</b>	<b>709,979</b>
h) Capital Tier 1	45,765	45,098	44,868	44,202	45,717	44,685
<b>Leverage ratio total exposure measure</b>	<b>690,607</b>	<b>690,607</b>	<b>689,540</b>	<b>689,540</b>	<b>711,046</b>	<b>709,979</b>
<b>Leverage ratio</b>	<b>6.6%</b>	<b>6.5%</b>	<b>6.5%</b>	<b>6.4%</b>	<b>6.4%</b>	<b>6.3%</b>

(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 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 million which is the outcome of applying the pay-out ratio of 2017 to the interim profits of September 30, 2018, instead of €1,476 million that reflects the shareholders remuneration's policy announced by BBVA Group.

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 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 regulatory level of leverage itself is well above the minimum required levels

Leverage ratio has shown an increase of 20 bps since June 2018 as result of the sale of BBVA Chile.

As of September 2018, this ratio is comfortably above the minimum requirement of 3%. The leverage ratio reflects the nature of the business model that is geared 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 third quarter of 2018, which has allowed it to maintain a stable LCR and beyond 100%, standing at 127% as of September 2018 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 145% that means 18% above the current level.

Pursuant to Article 435 of Regulation (EU) N° 575/2013, LCR calculated as simple averages of observations made at the end of each month over the twelve previous months, starting in September 2017, rises to 127%. Liquidity buffer amounts to €87,426 million and total cash outflows to €68,802 million. No transfer of liquidity is assumed between subsidiaries, and therefore no excess liquidity is transferred from the entities abroad to the consolidated figures.