2. Own Funds and Capital

2.1. Characteristics of the eligible capital resources

For the purposes of calculating minimum capital requirements, according to Regulation (EU) 575/2013 and subsequent amendments, which enter into force on June 27, 2019 (CRR), the elements and instruments of Tier 1 capital are defined as the sum of Common Equity Tier 1 capital (CET1) and additional Tier 1 capital (AT1), as defined in Part Two, Title I, Chapters I to III of the CRR, as well as their corresponding deductions, in accordance with Articles 36 and 56, respectively.

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

The level of Common Equity Tier 1 capital essentially comprises the following elements:

a. **Capital and share premium:** This includes the elements described in article 26 section 1, and 28 of the CRR and the EBA list referred to in Article 26 Section 3 of the CRR.

b. **Accumulated gains:** In accordance with Article 26. 1 c), the gains that may be used immediately and with no restriction to cover any risk or losses are included, in the event that they occur.

c. **Other accumulated income and other reserves:** In accordance with Article 26. 1, d) and e), this item primarily classifies the exchange-rate differences and the valuation adjustments associated with the portfolio of financial assets at fair value with changes to other comprehensive income.

d. **Minority interests eligible as CET1:** Includes the sum of the Common Equity Tier 1 capital instruments of a subsidiary that arise in the process of its global consolidation and are attributable to natural or legal third persons other than companies included in the consolidation, calculated in accordance with Article 84 et seq. of the CRR.

e. **Net profit of the year attributed to the Group:** The independently verified profits are included, net of any possible expense or foreseeable dividend previously authorised by the supervisor (following the treatment set out in Article 5 of Decision (EU) 2015/656 of the ECB). As of December 2020, it includes the prudential accrual of 0.059 cents/share as Shareholders remuneration calculated according to the ECB recommendation.

Furthermore, CET1 capital is adjusted mainly through the following deductions:

f. **Additional value adjustments:** This includes adjustments resulting from the prudent valuation of positions at fair value, as set out in Article 105 of the CRR and taking into account the transitional treatment of the aggregation factor (66% vs. 50%) introduced by Delegated Regulation (EU) 2020/866 of 28 May 2020 as a measure to mitigate the impact of the extreme market volatilities caused by COVID-19. This transitional measure is applicable until 31 December 2020.

g. **Intangible assets:** These are included net of the corresponding tax liabilities, as set out in Article 36.1 b) and Article 37 of the CRR. It mainly includes goodwill, software and other intangible assets. The amount shall be deducted from the amount of the accounting revaluation of the intangible assets of the subsidiaries derived from the consolidation of the subsidiaries attributable to persons other than the companies included in the consolidation.This includes the positive effect due to the prudent treatment of software following the publication of Delegated Regulation 2020/2176 of 22 December.

h. **Deferred tax assets:** It includes deferred tax assets that rely on future profitability and do not rise from temporary differences (net of the corresponding tax liabilities when the conditions established in Article 38.3 of the CRR are met), as per Article 36.1 c) and Article 38 of the CRR, mainly loss carryforwards (LCFs).

i. **Reserves at fair value related to losses or gains from cash flow hedging:** Includes value adjustments of cash flow hedging of financial instruments not valued at fair value, including expected cash flows in accordance with Article 33 a) of the CRR.

j. **Negative amounts due to the calculation of the expected losses:** The default provision on expected losses in exposure weighted by method based on internal ratings, calculated in accordance with Article 36.1 d) of the CRR, is included.

k. **Profit and loss at fair value:** These are derived from the entity's own credit risk, in accordance with Article 33 b) of the CRR.

l. **Direct, indirect and synthetic holdings of own instruments (treasury stock):** Includes the shares and other instruments eligible as capital that are held by any of the Group's consolidating entities, together with those held by non-consolidating entities belonging to the economic Group, as set out in Article 36.1 f) and Article 42 of the CRR. It mainly includes financing own shares, synthetic treasury stock and own shares.

m. **Securitisation:** Any instance of securitisation that receives a risk weighting of 1.250% is included, as set out in Article 36.1 k) ii) of the CRR.

n. **Other regulatory adjustmens:** Other CET1 deductions are included according to the CRR, which were not recognised in the above headings, such as losses and gains at fair value arising from the entity's own credit risk related to derivative liabilities (DVA). It includes also the transitional adjustments of IFRS9[2].

2. Since 2018 BBVA Group has applied the transitional treatment of the impacts of IFRS9. Therefore, phased-in capital ratios and leverage ratio are calculated taking into account the transitional provisions as defined by article 473 bis of the CRR and its subsequent amendments made by Regulation 2020/873 of the Parliament and Council of 24 June 2020 in response to the COVID-19 pandemia. The Group also applies paragraph 7a of the aforementioned article in calculating the impact of the transitional treatment on phased in risk-weighted assets.

Other deductions that may be applicable are significant stakes in financial institutions and assets for deferred taxes arising from temporary differences that exceed the 10% limit of the CET1, and the deduction for exceeding the overall 17.65% limit of the CET1 according to Article 48.2 of the CRR. As of December 31, 2020, regarding phased in terms, these stakes are held at levels below the limits indicated, with no deductions to that effect being applicable.

In addition, as of December 31, 2020, the Group do not hold stakes in financial institutions that are excluded from the application of the previously mentioned limits (article 49 of the CRR) and, therefore, the standard template of the EBA INS1 shall not be applicable.

In addition, the Group includes as total eligible additional Tier 1 capital instruments defined in Articles 51, 52, 85, 86 and 484 of the CRR, including the corresponding adjustments, in accordance with Article 472 of the CRR:

o. **Capital instruments and share premium eligible as AT1:** This item includes the perpetual contingent convertible securities that meet the conditions set out in Articles 51 and 52.1, 53 and 54 of the CRR.
p. **Elements referred to in Article 484.4 of the CRR:** This section includes preferred securities issued by the Group.
q. **Qualifying Tier 1 capital included in the consolidated additional capital issued by affiliates and held by third parties:** Included as additional consolidated Tier 1 capital is the amount of Tier 1 capital from the subsidiaries, calculated in accordance with Article 85 and 86 of the CRR.

Finally, the Group also includes as Tier 2 eligible capital the following elements:

r. **Capital instruments and Tier 2 share premiums:** Includes funding that, for credit ranking purposes, comes behind all the common creditors. The issues, moreover, have to fulfill a number of conditions, which are laid out in Article 63 of the CRR.
s. **Eligible own funds instruments eligible as Tier 2 capital issued by subsidiaries and held by third parties:** These instruments are included under Articles 87 and 88 of the CRR.
t. **Credit risk adjustments:** It includes the surplus resulting from comparing the provisions and expected credit losses related to exposures calculated under IRB approach with the limit of 0.6% of the risk-weighted exposure.
u. **Tier 2 Regulatory adjustments:** This mainly includes direct and indirect holdings of own Tier 2 capital instruments.

Annex III outlines the main characteristics of capital instruments eligible for inclusion as additional Tier 1 and Tier 2 capital.

2.2. Amount of own funds

The amount of total eligible capital, net of deductions, for the different items making up the capital base as of December 31, 2020 and 2019, respectively, is below, in accordance with the requirements for the disclosure of information related to regulatory own funds established by the Commission's Implementing Regulation (EU) No 1423/2013 of December 20, 2013:

Table 6. Amount of capital (CC1) (Million Euros)

Reference to template CC2[1]	12-31-2020	12-31-2019
a) Capital and share premium	27,259	27,259
b) Retained earnings	29,974	29,127
c) Other accumulated earnings and other reserves	(14,023)	(10,133)
d) Minority interests eligible as CET1	3,656	4,404
e) Net profit of the year attributed to the Group	860	1,316
Common Equity Tier 1 Capital before other regulatory adjustments	**47,726**	**51,974**
f) Additional value adjustments	(233)	(302)
g) Intangible assets	(3,455)	(6,803)
h) Deferred tax assets	(1,478)	(1,420)
i) Fair value reserves related to gains o losses on cash flow hedges	(204)	69
j) Expected losses in equity	-	-
k) Profit or losses on liabilities measured at fair value	21	(24)
l) Direct, indirect and synthetic holdings of own instruments	(366)	(484)
m) Securitisations tranches at 1250%	(29)	(25)
n) Other CET1 regulatory adjustments	949	667
Total Common Equity Tier 1 regulatory adjustments	**(4,795)**	**(8,321)**
Common Equity Tier 1 (CET1)	**42,931**	**43,653**
o) Equity instruments and AT1 share premium	6,130	5,280
p) Elements referred in Article 484(4) of the CRR	-	120
q) Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	536	648
Additional Tier 1 before regulatory adjustments	**6,666**	**6,048**
Total regulatory adjustments of Additional Tier 1	**-**	**-**
Additional Tier 1 (AT1)	**6,666**	**6,048**
Tier 1 (Common Equity Tier 1+Additional Tier 1)	**49,597**	**49,701**
r) Equity instruments and Tier 2 share premiums	4,540	3,242
s) Eligible own funds instruments included in consolidated Tier 2 issued by subsidiaries and held by third parties	3,410	4,512
-Of which: instruments issued by subsidiaries subject to phase out	23	516
t) Credit risk adjustments	604	631
Tier 2 before regulatory adjustments	**8,554**	**8,385**
u) Tier 2 regulatory adjustments	**(6)**	**(82)**
Tier 2	**8,547**	**8,304**
Total Capital (Total capital = Tier 1 + Tier 2)	**58,145**	**58,005**
TOTAL RWA's	**353,273**	**364,448**
CET 1 (phased-in)	12.15%	11.98%
CET 1 (fully loaded)	11.73%	11.74%
TIER 1 (phased-in)	14.04%	13.64%
TIER 1 (fully loaded)	13.62%	13.37%
Total Capital (phased-in)	16.46%	15.92%
Total Capital (fully loaded)	15.91%	15.41%

[*] As of December 31, 2020, the diference between phased-in and fully loaded ratios arises from the transitional treatment of certain capital elements, mainly the impact of IFRS9, to which the BBVA Group has voluntarily adhered (in accordance with the article 473 bis of the CRR). See paragraph 2.3 for more information on the transitional impact of IFRS9.

In addition, noted that the Group to date is not applying the transitional treatment of unrealised gains and losses valued at fair value through Other comprehensive Income (hereinafter, unrealised P&L measured at fair value through OCI) as defined in Article 1.6 of that Regulation amending Article 468 of the CRR. Therefore, the Group's own funds, capital and leverage ratios to date reflect the full impact of the above-mentioned unrealised P&L measured at fair value through OCI.

[**] In line with the EBA Standards published in June 2020 (EBA/ITS/2020/04) the template has been adapted according to the format established by the EBA in those rows that are applicable to the date of the report, among which is the transitional impact of IFRS9 on CET1, which has been reclassified from the "Common Equity Tier 1 Before Other Regulatory Adjustments" row as an Common Equity Tier 1 regulatory adjustment, within the "Other regulatory adjustments" row. In addition to this change, December 2019 data has been restated to consider the change in accounting policy made by the Group which involves recording the differences generated when translating the restated financial statements of the subsidiaries in hyperinflationary economies into euros as indicated in footnote 1.3 of the Consolidated Financial Statements.

[1] References to regulatory balance sheet items (CC2) reflecting the diferent items described.

As of December 2020 Common Equity Tier 1 (CET1) phased-in ratio stood at 12.15% which represented an increase of +17 basis points with respect to 2019. The difference is mainly explained by:

- The positive BBVA´s organic profit generation which has made possible to cover the (in constant euros) of risk weighted assets (RWA) and the relative stabilisation of the financial markets during the second half of the year, largely motivated by the measures to stimulate the economy and the announced guaranteed programs by the different national and supranational authorities and the approval by the Parliament and the European Council of regulation 2020/873 (known as CRR quick fix). In this regard, the modification in the software deduction had a positive impact of +19 basis points.
- The effect of the transitional adjustments of IFRS9 in the solvency ratios and subsequent modifications in response to the COVID-19 pandemic.
- The execution of the agreement reached with Allianz to jointly develop the non-life insurance business in Spain, excluding the health insurance line had an impact of +7 basis points in CET1 ratio.

In addition, CET1 capital as of December 2020 includes the effect of the Shareholders remuneration accrued by 0.059 euros gross per share , which rises to a maximum amount of approximately 393 million euros (equivalent to 11 bps of CET1), calculated taking into account the ECB recommendation. (For more information see note 4 of the Consolidated Financial Statements of BBVA Group).

In terms of fully loaded, CET1 ratio stood at 11.73%, which remains at a similar level compared to December 2019 (11.74%).

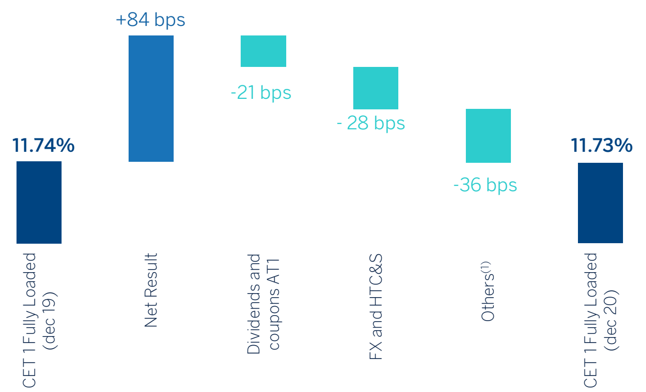
Phased-in Additional Tier 1 (AT1) capital stood at 1.89% at the end of December 2020, an improvement of +23 basis points compared to the previous year. In this respect, a green CoCo was issued in July 2020 for €1,000 million, with a 6% coupon and an early repayment option from five and a half years. Moreover, a CoCo of €1,500 million (6.75% coupon) was amortised in February, on the first date of the early amortisation option; in January 2021, the early amortisation options were implemented for two preferential issuances, issued by BBVA International Preferred and Caixa Sabadell Preferents for 31 million pounds sterling and €90 million respectively; and finally, for a third preferential issuance issued by Caixa Terrassa Societat de Participacions Preferents, the bondholders' meeting has approved its early amortisation on 29 January 2021 (versus the early amortisation option date of 10 August 2021). As of 31 December 2020, these issuances do not form part of the Group's capital adequacy ratios.

The phased-in Tier 2 ratio at 31 December 2020 stood at 2.42%, an increase of +14 basis points over the previous year. Two Tier 2 issuances were issued in 2020: An issuance of €1,000 million in January, with a maturity of 10 years and a repayment option from the fifth year, with a coupon of 1%; and another issuance of 300 million pounds sterling in July, with a maturity of 11 years and with an early repayment option from the sixth year, with a coupon of 3.104%.

Regarding the MREL (Minimum Requirement for own funds and Eligible Liabilities) requirements, BBVA has continued its issuance plan during 2020 by closing two public issuances of non-preferred senior debt, one in January 2020 for €1,250 million with a maturity of seven years and a coupon of 0.5%, and another in February 2020 for CHF 160 million with a maturity of six and a half years and a coupon of 0.125%. In May 2020, the first issuance of a COVID-19 social bond by a private financial institution in Europe was completed. This is a five-year senior preferred bond, for €1,000 million and a coupon of 0.75%. Finally, in order to optimize the MREL requirement, in September BBVA issued preferred senior debt of USD 2,000 million in two tranches, with maturities of three and five years, for USD 1,200 million and USD 800 million and coupons of 0.875% and 1.125% respectively.

The Group estimates that, following the entry into force of Regulation (EU) No. 2019/877 of the European Parliament and of the Council of May 20 (which, among other matters, establishes the MREL in terms of RWAs and new periods for said requirement's transition and implementation), the current structure of shareholders' funds and admissible liabilities enables compliance with the MREL.

Chart 2. Annual evolution of the CET1 fully loaded ratio



(1) Includes mainly RWAs evolution in constant Euros, frontloading of regulatory impacts (-25 bps), impact of the new treatment of software (+19 bps) and impact from the Joint Venture with Allianz (+7 bps).

The characteristics of the main capital instruments are shown in Annex III, available on the Group's website, in accordance with Commission Implementing Regulation (EU) No 1423/2013 of December 20, 2013.

The process of reconciliation between accounting own funds and regulatory own funds is shown below. Based on the shareholders' equity reported in the Consolidated Financial Statements of BBVA Group and applying the deductions and adjustments shown in the table below, we arrive at the regulatory capital figure eligible for solvency purposes:

Table 7. Reconciliation of the Public Balance Sheet from the accounting perimeter to the regulatory perimeter (Million Euros)

Eligible capital own funds	12-31-2020	12-31-2019
Capital	3,267	3,267
Share premium	23,992	23,992
Retained earnings, revaluation reserves and other reserves	30,344	29,269
Other equity	42	56
Less: Treasury shares	(46)	(62)
Attributable to the parent company	1,305	3,512
Attributable dividend	-	(1,084)
Total equity	**58,904**	**58,950**
Accumulated other comprehensive income (Loss)	(14,356)	(10,226)
Non-controlling interest	5,472	6,201
Shareholders`equity	**50,020**	**54,925**
Goodwill and other intangible assets	(3,455)	(6,803)
Direct and synthetic treasury shares	(320)	(422)
Deductions	**(3,775)**	**(7,225)**
Differences from solvency and accounting level	(186)	(215)
Equity not eligible at solvency level	**(186)**	**(215)**
Other adjustments and deductions[2]	**(3,128)**	**(3,832)**
Common Equity Tier 1 (CET 1)	**42,931**	**43,653**
Additional Tier 1 before Regulatory Adjustments	**6,666**	**6,048**
Total regulatory adjustments of additional Tier 1	**-**	**-**
Tier 1	**49,597**	**49,701**
Tier 2	**8,548**	**8,304**
Total Capital (Tier 1 + Tier 2)	**58,145**	**58,005**
TOTAL Minimum capital required[1]	**45,042**	**46,540**

[1] Calculated over minimum total capital applicable for each period.

[2] Other adjustments and deductions includes the amount of minority interest not eligible as capital, amount of dividends not distributed and other deductions and filters set by the CRR. Additionally, it includes a prudential accrual corresponding to 0.059 euros gross shareholder remuneration based on the current recommendation of the ECB.

2.3. IFRS 9 and OCI Transitional Arrangements

The table below shows a comparison of institutions' own funds and capital and leverage ratios with and without the application of the transitional treatment of IFRS9 impact, and with and without the application of the transitional treatment in accordance with Article 468 of the CRR, according to the standard format set by EBA guidelines (EBA/GL/2018/01).

Since 2018 BBVA Group has applied the transitional treatment of IFRS9 impact. Therefore, phased-in capital ratios and leverage ratio are calculated taking into account the transitional provisions as defined by article 473 bis of the CRR and its subsequent amendments made by Regulation 2020/873 of the Parliament and Council of 24 June 2020 in response to the COVID-19 pandemia. The Group also applies paragraph 7a of the aforementioned article in calculating the impact of the transitional treatment on phased in risk-weighted assets.

In addition, as of the date of the report, the Group is not applying the transitional treatment of unrealised gains and losses measured at fair value through other comprehensive income (hereinafter, unrealised gains and losses measured at FVTOCI) outlined in Article 1, Paragraph 6 of the aforementioned regulation amending Article 468 of the CRR. Therefore, the Group's own funds, and its capital adequacy and leverage ratios, reflect to date the full impact of the aforementioned unrealised gains and losses measured at FVTOCI.

In addition, the own funds and capital adequacy ratios without the application of the transitional treatment of IFRS 9 and unrealised gains and losses measured at FVTOCI do include the impact of applying other transitional regulatory adjustments.

Table 8. IFRS 9-FL - Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs and with and without the application of the transitional treatment of unrealised gains and losses measured at FVTOCI

Own funds	12-31-2020	09-30-2020	06-30-2020	03-30-2020	12-31-2019
CET1 Capital	42,931	41,231	42,119	40,854	43,653
CET1 Capital without IFRS9 transitional arrangement or similar ECL	41,333	39,640	40,734	39,902	42,844
CET1 Capital without FVOCI transitional arrangement					
Tier 1 Capital (T1)	49,597	48,248	48,186	46,974	49,701
Tier 1 Capital (T1) without IFRS9 transitional arrangement or similar ECL	48,000	46,657	46,802	46,022	48,892
Tier 1 Capital (T1) without FVOCI transitional arrangement					
Total Capital	58,145	57,305	57,531	56,731	58,005
Total Capital without IFRS9 transitional arrangement or similar ECL	56,544	55,712	56,146	55,779	57,196
Total Capital without FVOCI transitional arrangement					
Risk-weighted assets	-	-	-	-	-
Total Risk-weighted assets	353,273	343,923	362,050	368,666	364,448
Total Risk-weighted assets without IFRS9 transitional arrangement or similar ECL	352,679	344,215	362,388	368,839	364,943
Capital ratio	-	-	-	-	-
CET1 Capital (as a percentage of total exposure to risk)	12.15%	11.99%	11.63%	11.08%	11.98%
CET1 Capital (as a percentage of total exposure to risk) without IFRS9 transitional arrangement or similar ECL	11.72%	11.52%	11.24%	10.82%	11.74%
CET1 Capital (as a percentage of total exposure to risk) without FVOCI transitional arrangement					
Tier 1 Capital (T1) (as a percentage of total exposure to risk)	14.04%	14.03%	13.31%	12.74%	13.64%
Tier 1 Capital (T1) (as a percentage of total exposure to risk) without IFRS9 transitional arrangement or similar ECL	13.61%	13.55%	12.91%	12.48%	13.40%
Tier 1 Capital (T1) (as a percentage of total exposure to risk) without FVOCI transitional arrangement					
Total Capital (as a percentage of total exposure to risk)	16.46%	16.66%	15.89%	15.39%	15.92%
Total Capital (as a percentage of total exposure to risk) without IFRS9 transitional arrangement or similar ECL	16.04%	16.19%	15.49%	15.12%	15.67%
Total Capital (as a percentage of total exposure to risk) without FVOCI transitional arrangement					
Leverage Ratio	-	-	-	-	-
Total exposure related to leverage ratio	741,095	722,221	775,915	749,989	731,087
Leverage Ratio	6.69%	6.68%	6.21%	6.26%	6.80%
Leverage ratio without IFRS9 transitional arrangements or similar ECL	6.46%	6.47%	6.03%	6.15%	6.70%
Leverage ratio without FVOCI transitional arrangements					

2.4. Entity risk profile

The BBVA Group has a general risk management and control model (hereinafter, the "Model") that is appropriate for its business model, its organisation, the countries where it operates and its corporate governance system. This model allows the Group to carry out its activity within the risk management and control strategy and policy defined by the corporate bodies of BBVA and to adapt itself to a changing economic and regulatory environment, facing this management at a global level and aligned to the circumstances at all times. The Model establishes a suitable risk management system related to the risk profile and strategy of the entity.

The types of risk inherent in the business that make up the risk profile of the Group are as follows:

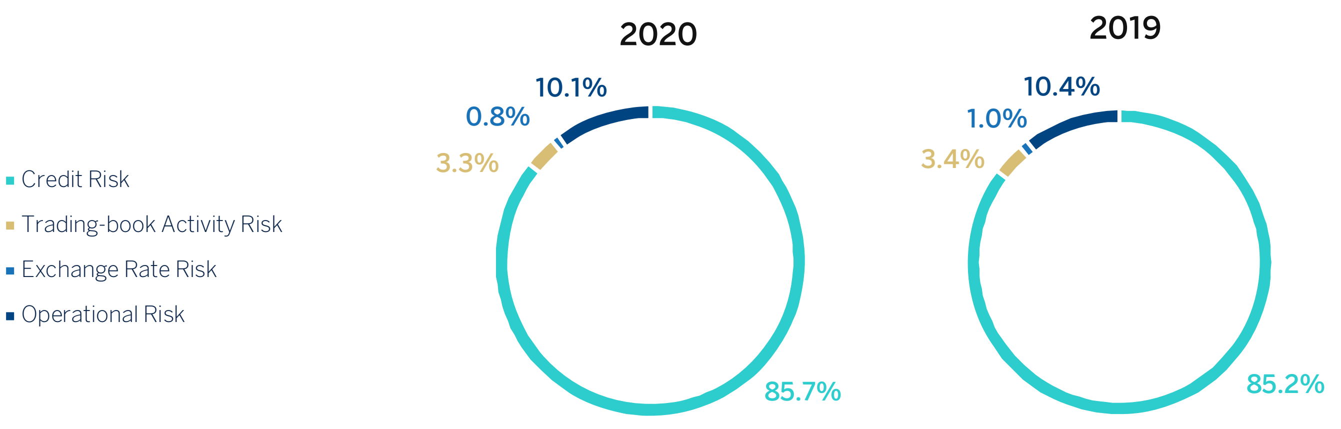
- *Credit risk and dilution:* Credit risk arises from the probability that one party to a financial instrument will fail to meet its contractual obligations for reasons of insolvency or inability to pay and cause a financial loss for the other party. This includes counterparty risk, issuer risk, liquidation risk and country risk.
- *Counterparty risk:* The credit risk corresponding to derivative instruments, repurchase and reverse repurchase transactions, securities or commodities lending or borrowing transactions and deferred settlement transactions.
- *Credit Valuation Adjustment Risk (CVA):* Its aim is to reflect the impact on the fair value of the counterparty's credit risk, resulting from OTC derivative instruments which are not recognised credit derivatives for the purpose of reducing the amount of credit risk weighted exposure.
- *Market risk:* Market risk originates in the possibility that there may be losses in the value of positions held due to movements in the market variables that affect the valuation of financial products and assets in the trading book. This includes risk with respect to the position in debt and equity instruments, exchange rate risk and commodity risk.
- *Operational risk:* a risk that may cause losses as a result of human error; inadequate or defective internal processes; inadequate conduct towards customers, in the markets or against the company; failures, interruptions or deficiencies in systems or communications; theft, loss or misuse of

information, as well as deterioration of its quality; internal or external fraud including, in all cases, fraud resulting from cyber-attacks; theft or physical damage to assets or persons; legal risks; risks resulting from workforce and occupational health management; and inadequate service provided by suppliers. This definition includes legal risk, but excludes strategic and/or business risk and reputational risk.

- *Structural risk:* This is divided into structural interest-rate risk (movements in market interest rates that cause changes in an entity's net interest income and book value) and structural exchange-rate risk (exposure to variations in exchange rates originating in the Group's foreign companies and in the provision of funds to foreign branches financed in a different currency from that of the investment).
- *Liquidity risk:* Risk of an entity having difficulties in duly meeting its payment commitments, or where, to meet them, it has to resort to funding under burdensome terms which may harm the Group's image or reputation.
- *Reputational risk:* Considered to be the potential loss in earnings as a result of events that may negatively affect the perception of the Group's different stakeholders.

The chart below shows the total risk-weighted assets broken down by type of risk (where credit risk encompasses counterparty risk) as of December 31, 2020 and December 31, 2019:

Chart 3. Distribution of RWAs by risk type eligible on Pillar 3



(*) Credit Risk includes CVA adjustment risk

2.5. Breakdown of minimum capital requirements by risk type

This section provides an overview of risk-weighted assets and the minimum capital requirements established by Article 92 of the CRR.

The following table shows the total capital requirements broken down by risk type as of December 31, 2020 and December 31, 2019:

Table 9. EU OV1 - Overview of RWAs (Million Euros)

	RWA(1)			Minimum Capital Requirements(2)(3)
	12-31-2020	09-30-2020	12-31-2019	12-31-2020
Credit Risk (excluding CCR)	**277,644**	**269,409**	**286,159**	**22,212**
Of which the standardised approach(4)	176,056	175,783	190,603	14,085
Of which the foundation IRB (FIRB) approach(6)	4,263	4,458	4,606	341
Of which the advanced IRB (AIRB) approach(7)	94,882	86,655	88,191	7,591
Of which equity IRB under the simple risk-weighted approach(5)	2,444	2,513	2,758	195
Counterparty credit risk (CCR)	**9,284**	**9,557**	**8,289**	**743**
Of which mark to market	7,710	8,107	6,716	617
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	89	60	44	7
Of which CVA	1,485	1,389	1,529	119
Settlement Risk	**1**	**-**	**-**	**0**
Securitisation exposures in the banking book(8) (after the cap)	**347**	**368**	**924**	**28**
Of which internal assessment approach (SEC-IRBA)	143	157	-	11
Of which standardised approach (SEC-SA)	-	-	-	-
Of which external assessment approach (SEC-ERBA)	204	210	-	16
Market Risk	**14,773**	**16,377**	**16,066**	**1,182**
Of which the standardised approach (SA)	6,397	6,232	6,991	512
Of which IMA approach	8,376	10,145	9,075	670
Operational Risk	**35,656**	**34,379**	**37,877**	**2,853**
Of which basic indicator approach	883	637	805	71
Of which the standardised approach	34,773	12,783	15,250	2,782
Of which IRB approach	-	20,959	21,822	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	**15,566**	**13,834**	**15,134**	**1,245**
Floor Adjustment	**-**	**-**	**-**	**-**
Total	**353,273**	**343,923**	**364,448**	**28,262**

(1) Risk-weighted assets for the transitional period (phased-in).

(2) Calculated on the minimum total capital requirements of 8% (Article 92 of the CRR).

(3) Under CET 1 requirements (8.59%) after the supervisory evaluation process (SREP), the requirements amount to EUR 30,346 million euros. Under Total Capital requirements (12.75%), the requirements amount to EUR 45,042 million euros.

(4) Deferred tax assets arising from temporary differences, which are not deducted from eligible own funds (subject to a risk weighting of 250%) are excluded, in accordance with Article 48.4 oh the CRR. This amount is 7,423, 6,548 and 7,279 million euros as of December 31, 2020, Septembre 30, 2020 and December 31, 2019, respectively.

(5) Includes equity, calculated under the simple risk-weighted approach and internal model approach, but excluding significant investments in financial sector entities and insurers that are not deducted from eligible own funds (subject to a risk weighting of 250%), in accordance with Article 48.4 CRR. This amount is 8,143, 7,286 and 7,855 as December 31, 2020, September 30, 2020 and December 31, 2019, respectively.

(6) Exposures clasisified in the FIRB approach correspond to specialised lending exposures. The Group has chosen to use the slotting criteria, in line with article 153.5 of the CRR.

(7) It includes the frontloading to partially cover the regulatory impacts derived from Targeted Review of Internal Models (TRIM) and other regulatory/supervisory impacts.

(8) As of December 31, 2019, the approaches applied to calculate the RWA of securitisations corresponded to the standard and IRB, which were later replaced by the approaches of the new securitisation framework defined in EU Regulation 2017/2401. As of December 31, 2020, the applicable approaches for the Group correspond to SEC-ERBA and SEC-IRBA.

Throughout 2020, RWAs have decreased by approximately €12.3 billion compared to December 2019 in aggregate terms, mainly affected by the widespread depreciation of currencies, mainly the Turkish lira and the Mexican peso. Excluding the currency effect, RWAs increased by approximately €18 billion, mainly due to:

- Organic growth in activity characterised by the various relief measures in the form of temporary payment deferrals for customers due to the pandemic, as well as the granting of loans backed by public guarantees or collateral; and the incorporation of regulatory and supervisory impacts.
- The frontloading of €7.4 billion (equivalent to 25 CET1 basis points) which will partially cover the regulatory and supervisory impacts expected for 2021.

Furthermore, as indicated in Section 3.6 of this report, in December 2020, BBVA reverted to using advanced models to calculate operational risk capital requirements at the consolidated level in geographical areas for which this method was previously used (Spain and Mexico), following authorisation from the European Central Bank's Governing Council on 18 December 2020. At the Group level, this reversal does not significantly impact capital requirement figures nor RWAs for operational risk.

The respective sections of the report explain in more detail the evolution of RWAs by type of risk.

The following is a breakdown of risk-weighted assets and capital requirements broken down by risk type and exposure categories as of December 31, 2020 and December 31, 2019:

Table 10. Capital requirements by risk type and exposure class (Million Euros)

	Capital requirements[2]		RWA's[1]	
Exposure Class and risk type	12-31-2020	12-31-2019	12-31-2020	12-31-2019
Credit Risk	**14,926**	**16,014**	**186,576**	**200,176**
Central governments or central banks	2,347	2,375	29,343	29,685
Regional governments or local authorities	185	132	2,317	1,644
Public sector entities	61	63	768	790
Multilateral development banks	1	1	7	11
International organisations	-	-	-	-
Institutions	626	429	7,827	5,366
Corporates	6,226	6,999	77,822	87,486
Retail	2,749	3,079	34,362	38,493
Secured by mortgages on immovable property	1,022	1,199	12,769	14,983
Exposures in default	358	305	4,480	3,808
Exposures associated with particularly high risk	381	411	4,758	5,136
Covered bonds	-	-	-	-
Claims on institutions and corporates with a short-term credit assesment	0	0	1	1
Collective investments undertakings	0	1	3	8
Other exposures	970	1,021	12,120	12,767
Total credit risk by Standardised approach	**14,926**	**16,019**	**186,576**	**200,237**
Credit Risk	**6,938**	**7,125**	**86,729**	**89,061**
Central governments or central banks	68	54	849	673
Institutions	567	532	7,084	6,646
Corporates	4,826	4,769	60,324	59,615
Of which: SMEs	916	998	11,452	12,478
Of which: Specialised lending	393	433	4,912	5,407
Of which: Others	3,517	3,338	43,960	41,730
Retail	1,478	1,770	18,471	22,128
Of which: Secured by mortgages on immovable property	586	712	7,319	8,904
Of which: Qualifying revolving	479	589	5,987	7,365
Of which: Other SMEs	103	131	1,289	1,636
Of which: Other Non-SMEs	310	338	3,876	4,223
Equity	**1,163**	**1,293**	**14,532**	**16,167**
Simple risk weight approach	146	185	1,831	2,309
Exposures in sufficiently diversified portfolios (RW 190%)	89	86	1,114	1,070
Exchange traded exposures (RW 290%)	34	67	425	841
Others (RW 370%)	23	32	291	399
PD/LGD approach	316	444	3,945	5,554
Internal models approach	49	36	613	449
Exposures subject to a 250% risk weight	651	628	8,144	7,854
Total credit risk by IRB approach	**8,101**	**8,487**	**101,261**	**106,091**
Total contributions to the default fund of a CCP	**7**	**3**	**89**	**44**
Securitisation exposures	**28**	**74**	**347**	**924**
Total credit risk	**23,062**	**24,510**	**288,273**	**306,372**
Settlement risk	**0**	**-**	**1**	**-**
Standardised approach:	275	272	3,431	3,395
Of which: Price Risk by fixed income exposures	155	197	1,943	2,461
Of which: Price Risk by Securitisation exposures	0	2	4	21
Of which: Price Risk by correlation	97	51	1,210	641
Of which: Price Risk by stocks and shares	21	20	264	248
Of which: Commodities Risk	1	2	10	24
IRB: Market Risk	670	726	8,376	9,075
Total trading book risk	**945**	**998**	**11,807**	**12,470**
Foreing exchange risk (standardised approach)	**237**	**288**	**2,966**	**3,596**
CVA risk	**119**	**122**	**1,485**	**1,529**
Operational risk	**2,853**	**3,030**	**35,656**	**37,877**
Others[3]	**1,047**	**208**	**13,084**	**2,605**
Capital requirements	**28,262**	**29,156**	**353,273**	**364,448**

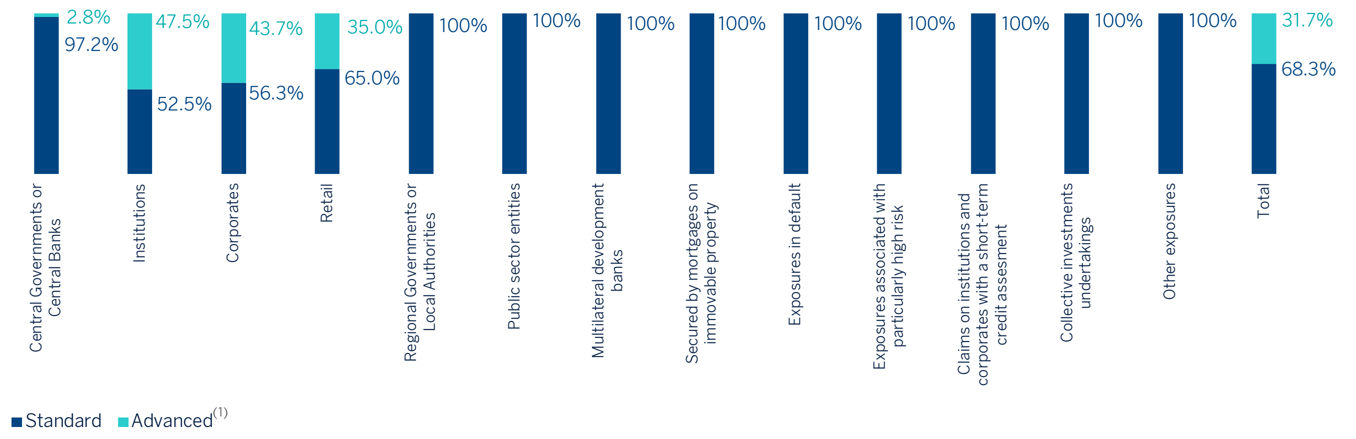
[1] Risk-weighted assets for the transitional period (phased-in).

[2] Calculated on the minimum total capital requirements of 8% (Article 92 of the CRR).

[3] As of report date, it includes the frontloading to partially cover the regulatory impacts derived from Targeted Review of Internal Models (TRIM) and other regulatory/supervisory impacts.

A breakdown of RWAs distribution by method each exposure category is below:

Chart 4. Distribution of RWAs by exposure category and method



(*) Excluding securitisation and equity subject to credit risk.
(1) Table 30 of the report details the models and portfolios authorised by the supervisor for use in the calculation of capital requirements.

2.6. Procedure used in the capital self-assessment process

The Group carries out the internal capital assessment process in accordance with the Capital Requirements Directive 2013/36/EU and guidelines on the supervisory review and evaluation process (SREP) published by the European Banking Authority. In accordance with Article 108 of the Capital Requirements Directive (2013/36/EU), the Group complies with the obligations set out in Article 73 thereof on a consolidated basis. Furthermore, the document is structured on the basis of the ECB's guidance on the internal capital adequacy assessment process (ICAAP) of November 2018.

Within the framework of the internal capital assessment process, the Group assesses and quantifies all risk that could significantly affect its capital position and draws a conclusion on the capital adequacy from a holistic medium-term perspective.

The Group applies a proportionate approach that aims to ensure the entity's survival and continued compliance with all legal and internal requirements. In addition to regulatory and accounting perspectives, the Group bases its capital adequacy position analysis on a sound internal approach in which its capital position is assessed under an economic vision, which includes quantifying capital needs for risk covered in Pillar 1 of Basel and the needs due to risk not covered by Pillar 1.

The following are some of the points assessed in the internal capital assessment process:

- Business and strategy model, describing both the changes planned by the bank in the current business model and its underlying activities such as the relationship between the business strategy and internal capital assessment process.
- Internal governance, risk management and the control framework, reviewing the processes and mechanisms that ensure that the bank has a sound and integrated framework for managing present and future material risk.
- Risk appetite framework, describing the correspondence between this framework and the bank's business strategy and model.
- Identification and assessment of risk (including credit, operational, market, liquidity and other structural risk) and quantification of the capital necessary to cover them, with a quantitative reconciliation between the Pillar 1 and Pillar 2 approaches.
- Planning capital under baseline and stress scenarios, projecting the capital base of the Group, the parent and its main subsidiaries over the next three years and analyzing capital sufficiency in accordance with the regulatory requirements and the internal objectives set out by the entity for the close of the period, also dealing with the planned capital actions.

This internal capital assessment process concludes with submission to the supervisor of an annual report on the process. The report plays a key role in the review and evaluation methodology applied by the Single Supervisory Mechanism, and is an important element for determining capital requirements under Pillar 2.