

Executive summary

BBVA's consolidated phased-in CET1 ratio stood at 12.15% at the close of December 2020, which increased by +17 basis points compared to 2019, mainly due to:

- The positive generation of organic results for the Group, which has enabled it to cover the growth of risk-weighted assets (RWAs), and the relative stabilisation of the financial markets that began during the second quarter. This was largely the result of the economic stimulus measures and guarantee programmes announced by various national and supranational authorities, as well as the approval by the European Parliament and the Council of Capital Requirements Regulation 2020/873 (known as the CRR Quick Fix). Here, the positive impact of +19 basis points due to the regulatory change in the deduction of intangible (software) assets stands out.
- The effect of transitional adjustments of IFRS9 impact on the solvency indicators, and subsequent changes in response to the COVID-19 pandemic.
- A positive impact of +7 basis points at the CET1 level due to the execution of the agreement reached with Allianz to jointly boost the non-life insurance business in Spain.

Additionally, the CET1 capital as of December 2020 includes the effect of the Shareholders' remuneration of €0.059 gross per share, which amounts to a maximum value of approximately €393m (equivalent to 11 CET1 basis points), calculated based on the ECB's recommendation.

In fully loaded terms, the CET1 ratio stood at 11.73%, similar to the level recorded by the Group in December 2019 (11.74%).

This ratio does not include the positive impact of the sale of BBVA USA and other companies in the United States, which, according to the current estimate and taking the capital level of December 2020 as a reference, would place the fully-loaded CET1 ratio at 14.58%. This also does not include the effect of the completion of the sale of BBVA Paraguay, which would have an approximate impact of +6 basis points and will be recorded in the first quarter of 2021.

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) in the Group has remained well above 100% throughout 2020. At December 31, 2020, these ratios stood at 149% (185% considering the excess liquidity of the subsidiaries) and 127%, respectively. Although these requirements are only established at Group level, this minimum is comfortably exceeded in all subsidiaries.

As for the leverage ratio, as of December 31, 2020, the fully loaded ratio was 6.49%, above the minimum required ratio of 3%, still comparing very favorably with the rest of the Peer Group¹. This ratio does not include the impact of the sale of BBVA USA, which, according to the current estimate and taking December 2020 as a reference, would place the leverage ratio at 7.74%

The following sections detail matters relating to the Group's solvency. These are supplemented by information included in the Group's Consolidated Financial Statements and Management Report, which also contain the Group's main activity and profitability indicators.

1. The peer group of the Group consists of the following entities: Barclays, BNP Paribas, Crédit Agricole, Commerzbank, Deutsche Bank, HSBC, Intesa Sanpaolo, Lloyds Bank, RBS, Santander, Société Générale, UBS and UniCredit.