

MATERIAL DISCLOSURE

Pursuant to article 228 of the recast Stock Market Act, implemented by Legislative Royal Decree 4/2015 of 23 October, BFA, Tenedora de Acciones, S.A.U. ("BFA") notifies that:

- The European Central Bank (ECB), once known the results of the supervisory review and assessment, has assigned Group BFA a Pillar 2 requirement of 2.0%.
- Thus, during 2018 a minimum Common Equity Tier 1 (CET 1) of 8.563% and a minimum Total Capital ratio of 12.063% are required, both measures in relation to transitional ("Phase-In") regulatory capital.
- These capital ratios include the Pillar 1 minimum requirement (4.5% CET1 and 8.0% Total Capital); the Pillar 2 requirement (2.0%); the capital conservation buffer (1.875%); and the requirement arising from the Bank's status as an Other Systemically Important Institution (O-SII), which for 2018 has been set at 0.1875%.

At 30 September 2017, Group BFA's Phase-In CET1 ratio stood at 14.52%, while its Total Capital ratio was 16.94%. At that date, Group BFA's "Fully Loaded" ratios were 13.34% and 16.02% for CET1 and Total Capital, respectively.

This decision by the ECB means that the consolidated CET1 level below which Group BFA would be obliged to calculate the maximum distributable amount that would limit its discretionary distributions (dividend payments, AT1 coupons payment and/or variable remuneration), commonly referred to as the activation level of the maximum distributable amount (or MDA trigger), stands at 8.563% for CET 1 and 12.063% for Total Capital.

Summary table of minimum prudential requirements for 2018:

	Capital requirements			
	2018			
	CET 1 <i>Phase In</i>	CET 1 <i>Fully Loaded</i>	Total Capital <i>Phase In</i>	Total Capital <i>Fully Loaded</i>
Pillar 1	4.50%	4.50%	4.50%	4.50%
Pillar 2R	2.00%	2.00%	2.00%	2.00%
Capital conservation buffer	1.875%	2.50%	1.875%	2.50%
O-SII Buffer	0.1875%	0.25%	0.1875%	0.25%
Tier 1 + Tier 2	-	-	3.50%	3.50%
Total	8.5625%	9.25%	12.0625%	12.75%
Group BFA capital levels at September 2017				
Group BFA ratios	14.52%	13.34%	16.94%	16.02%
Capital buffer	+596 bps	+409 bps	+488 bps	+327 bps

Considering the capital levels mentioned above, these regulatory requirements are not affected by any of the limitations mentioned before.

The above is notified as a Material Disclosure for all pertinent purposes.

Madrid, 13 December 2017

BFA, TENEDORA DE ACCIONES, S.A.U.