

# 2015 Second Quarter Results

Madrid, July 31st 2015

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# Garanti Bank Closing

## Opportunity

- ✓ Best franchise in Turkey
- ✓ Leadership in technology
- ✓ Market with huge potential
- ✓ Majority of BBVA Board Members
- ✓ Increase value generation after 4 years of active cooperation

## Impacts for BBVA

- ✓ Additional contribution to BBVA Group profit of around € 240<sup>(1)</sup> Mn in 2016
- ✓ -50 bps estimated capital impact (CET 1 Fully loaded), as expected
- ✓ € -1.8bn P&L impact (no cash outflow) due to changes in the consolidation method

(1) According to Bloomberg consensus

# Priorities in a Changing Environment

---

1

*New standard in  
customer experience*

2

*Drive digital sales*

3

*New business models*

4

*Optimize capital  
allocation*

5

*Unrivalled efficiency*

6

*A first class  
workforce*

# Increasingly Digital Customer Base

## Digital Customers<sup>(1)</sup>

BBVA Group - Million

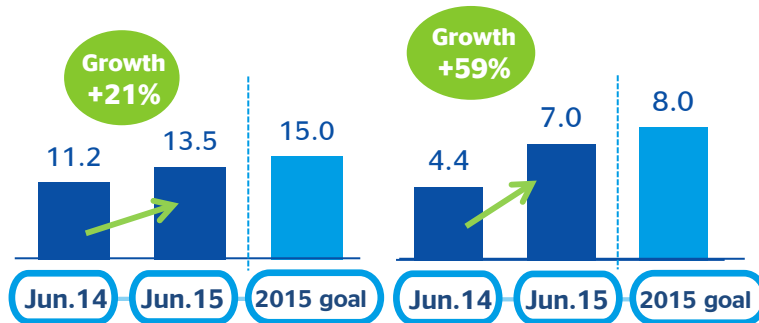
## Mobile Customers<sup>(1)</sup>

BBVA Group - Million

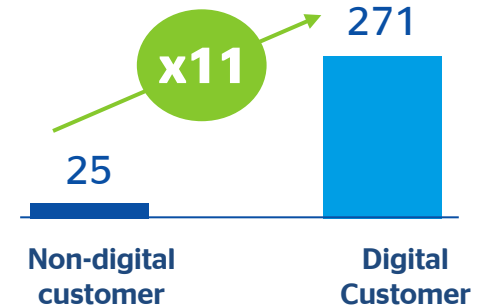
## Annual Transactions

BBVA Spain - Average Transactions per Customer

New  
Customer  
Behaviors



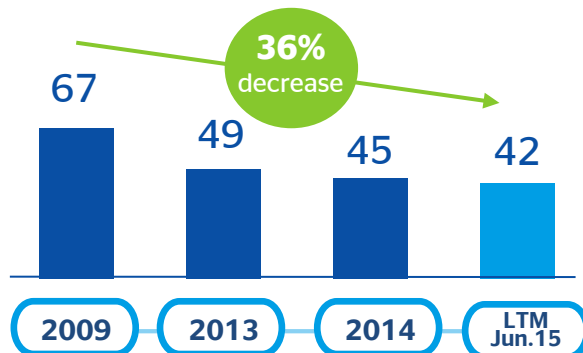
More  
Engaged



## Branch Activity

BBVA Spain - Millions of transactions

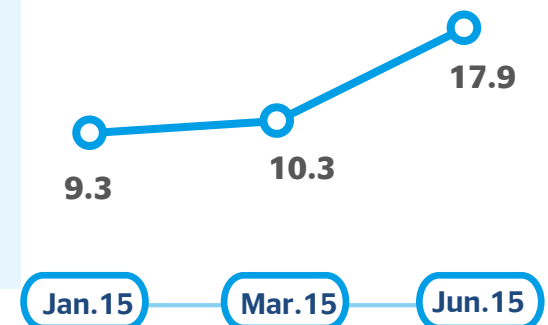
New  
Distribution  
Model



## Digital Consumer Loans

BBVA Spain - % of New Loans<sup>(2)</sup>





Growth of  
Digital  
Sales



(1) Figures include Turkey

(2) In number of loans

# Progress in the Development of New Competencies

	Milestones	Examples
Customer Solutions	✓ Incorporating <b>new design and user experience</b> capabilities	 <p><i>Spring Studio already working almost exclusively on BBVA projects</i></p>  <p>Leveraging data from Big Data startup Madiva</p>
Engineering	✓ Leveraging <b>IT Platform</b> to develop <b>Open Platform</b> and <b>Big Data</b> capabilities	 <p>BBVA Compass launch of instant funds transfer through Dwolla</p>
Global Marketing & Digital Sales	✓ <b>Exponential growth</b> of <b>digital sales</b> and <b>customer acquisition</b>	 <p><b>Growth of customer base of 23.6% in Q2 vs. Q1</b></p>
New Digital Businesses	✓ Fostering <b>in-house innovation</b> and accessing <b>external innovation</b>	 <p>Launch of virtual POS solution in Spain</p>  <p><b>PROSPER</b><sup>®</sup></p>
Talent & Culture	✓ New <b>ways of working</b> and new <b>organization</b>	<p><i>Escalating Agile across all geographies</i></p>

# 2Q Execution & Performance

## Strong Activity & P&L Dynamics

- ✓ Activity growth<sup>(1)</sup> (Jun15/Jun14) Lending **+13.6%** Cust.Funds **+18.3%**
- ✓ Double digit income growth (2Q15/2Q14) Operating Income: **+17.2%**
- ✓ Net attributable profit (2Q15) **€ 1.2Bn**

## Improvement in Risk Indicators

- ✓ NPL Ratio **6.1%**
- ✓ Coverage Ratio **72%**

## Solid Capital Ratios

- ✓ Catalunya Caixa impact
 

	CET 1 ratio		Leverage
	<b>10.4%</b>	<b>12.3%</b>	<b>5.9%</b>
	(Fully-loaded)	(Phased-in)	(Fully-loaded)

## Strategic Corporate Operations

- ✓ Catalunya Caixa Closing (April 2015) **+144 €m**
- ✓ Sale of 0.8% of CNCB **Attrib. profit**

Note: All figures exclude Venezuela and include Catalunya Caixa

(1) Activity excludes repos; Gross loans and advances to customers; customer funds include promissory notes.

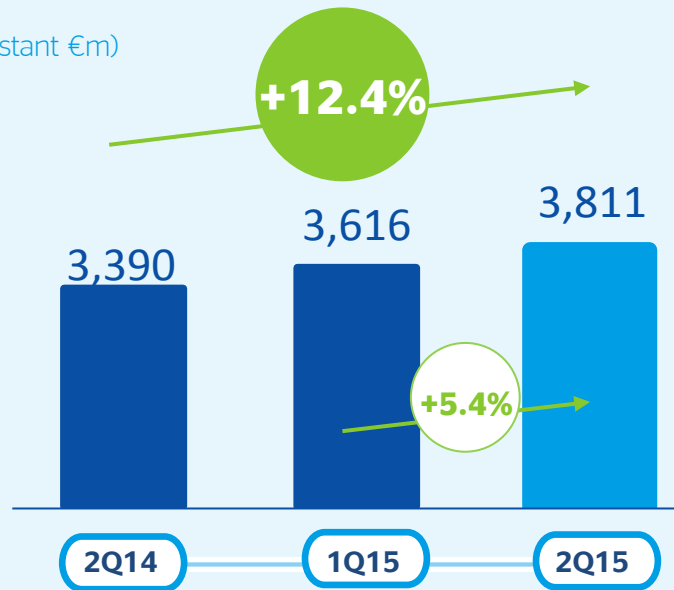
## Earnings

# Solid Net Interest Income Growth

Net interest income **+18.8%**  
(2Q15 vs. 2Q14)

Excluding FX effect

(Constant €m)



✓ Low interest rate environment

✓ Double digit growth

✓ Growth across all franchises

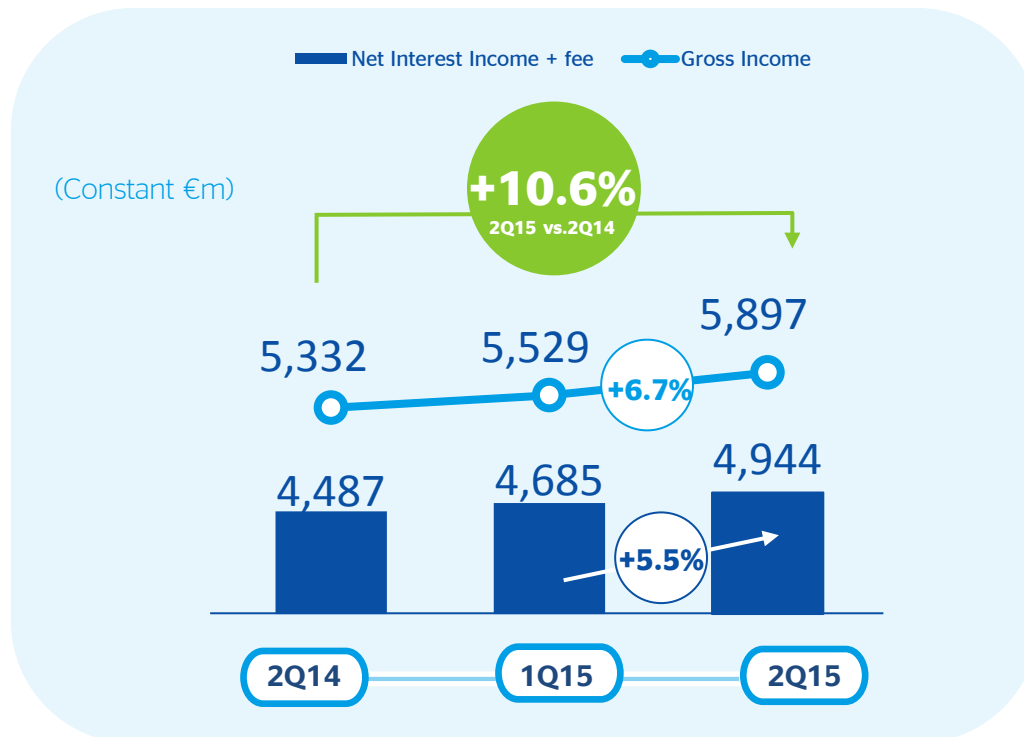


## Earnings

# Revenue Growth

Gross Income **+16.5%**  
(2Q15 vs. 2Q14)

Excluding FX effect



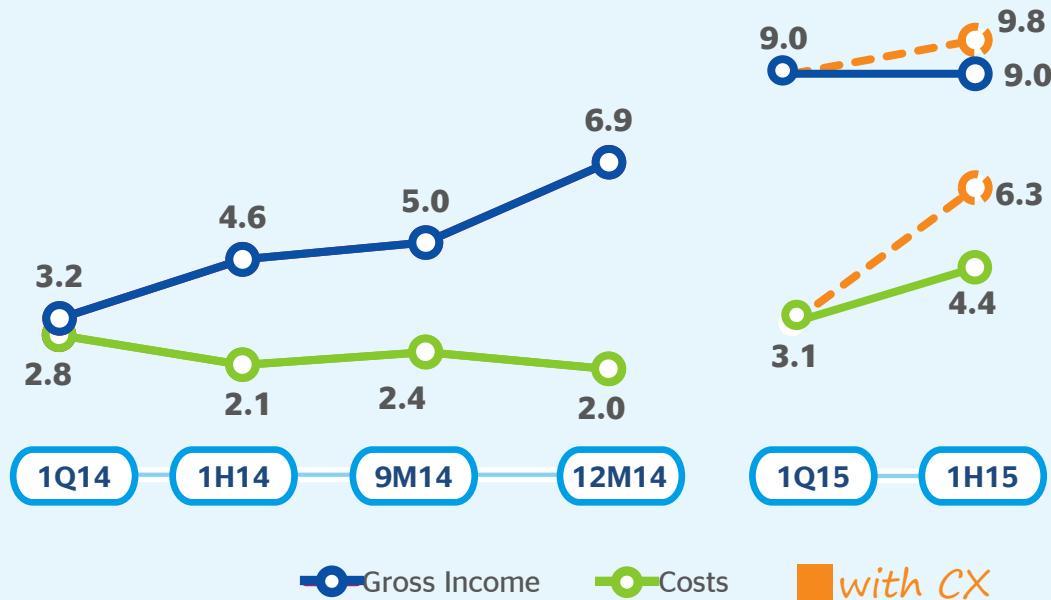
✓ Boosted  
by  
recurrent  
revenue

✓ Telefonica  
dividend

## Earnings

# Positive Jaws

Gross income vs costs  
YoY (%), constant €m



✓ Jaws widening

✓ Efficiency improvement

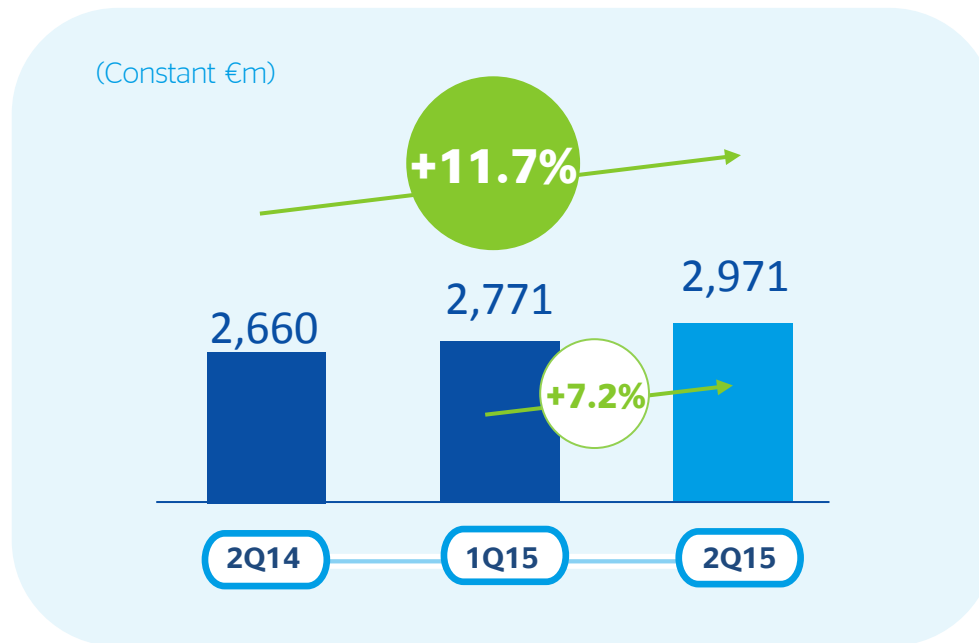
## Earnings

# Robust Operating Income

Operating income **+17.2%**  
(2Q15 vs. 2Q14)

Excluding FX effect

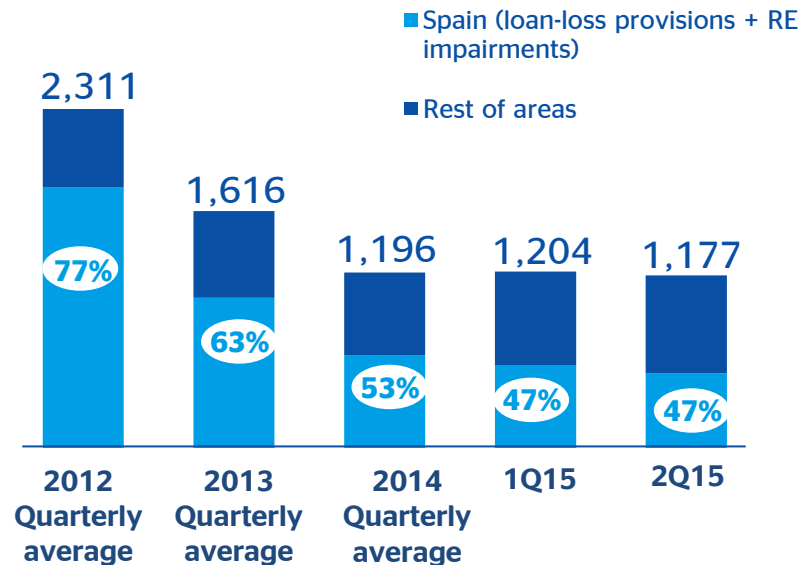
(Constant €m)



## Earnings

# Loan-loss Provisions Geographical Mix Change

Loan-loss provisions + real estate impairments  
(€m)



Cost of risk YTD  
(%)



## Earnings

## 2Q Summary YoY

(€m)

BBVA Group ex Venezuela	2Q15	Growth	
		2Q15/2Q14	
		%	% constant
Net interest Income	3,803	18.8	12.4
Gross Income	5,888	16.5	10.6
Costs	-2,923	15.9	9.5
Operating income	2,965	17.2	11.7
Income Before Tax	1,598	54.1	42.1
NI ex corporate operations	1,185	54.1	42.0
Corporate Operations Income	144	n.s.	n.s.
Net Attributable Profit	1,228	78.8	64.9
Net Attributable Profit (ex corporate operations)	1,084	57.8	45.6
Net Attributable Profit (Total Group with Venezuela)	1,223	73.5	64.1

## Earnings

## 1H15 Summary YoY

(€m)

BBVA Group ex Venezuela	1H15	Growth	
		1H15/1H14	
		%	% constant
Net interest Income	7,427	17.9	10.8
Gross Income	11,426	16.4	9.8
Costs	-5,684	12.7	6.3
Operating income	5,742	20.2	13.6
Income Before Tax	2,992	57.3	42.6
NI ex corporate operations	2,215	57.0	42.2
Corporate Operations Income	727	n.s.	n.s.
Net Attributable Profit	2,749	n.s.	98.3
Net Attributable Profit (ex corporate operations)	2,022	61.2	45.9
Net Attributable Profit (Total Group with Venezuela)	2,759	n.s.	98.3

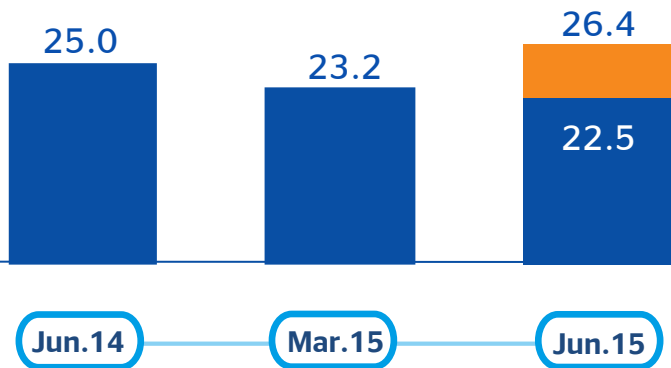
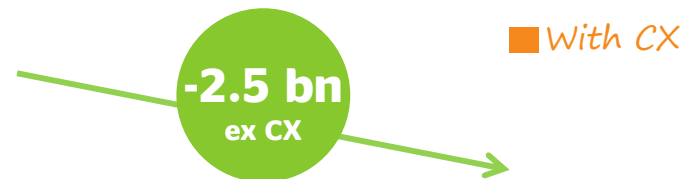
✓ *Recurring income growth*✓ *20% growth of operating income*✓ *Corporate operations*

Note: The P&L is presented this way to show the performance of recurring business. The reconciliation to the income statement is shown on page 42 of the financial information filed today with the CNMV.

## Risks

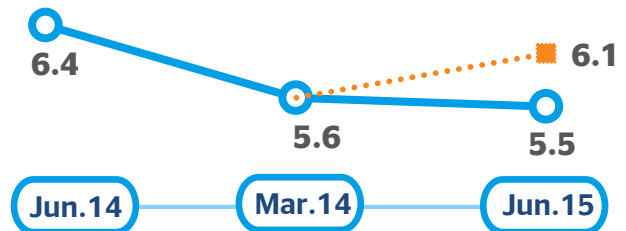
# Indicators Continue to Improve

NPLs  
€bn



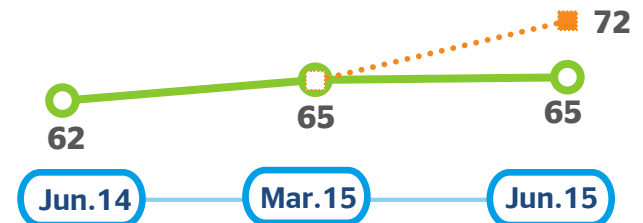
Excl. Real Estate	16.7	15.8	18.9
			15.5

NPL ratio (%)



Excl. Real Estate	4.5%	3.9%	4.5%
			4.0%

Coverage ratio (%)



Excl. Real Estate	63%	66%	74%
			66%

## Capital

# Solid Capital Position

### Strong & Resilient Regulatory Ratios

#### CET 1 ratio

**12.3%**

(Phased-in)

**10.4%**

(Fully-loaded)

Pro-forma\*

#### CET 1 ratio

**10.0%**<sub>e</sub>

(Fully-loaded)

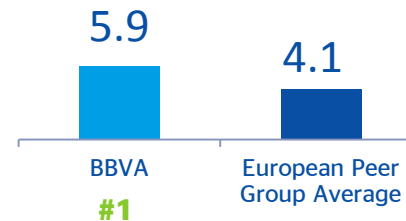
\* Pro-forma of corporate operations announced and pending to be closed at June 2015.

European Peer Group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCG

### High Quality Capital

- The highest RWA density ratio of the European peer group (51%)

- *Leverage ratio*  
(%); Fully-loaded





## Business Areas



## Business Areas

## 1H15 Earnings Breakdown

*Net Attributable Profit*  
(€m)

Business Areas	1H15	Growth	
		1H15/1H14	
		%	% (constant)
Spain	509	n.s.	n.s.
USA	286	45.9%	18.8%
Mexico	1,041	15.7%	8.6%
Turkey	174	12.9%	8.9%
Rest of Eurasia	43	-79.3%	-79.4%
South America ex Venezuela	465	14.4%	8.4%
Corporate Center	230	n.s.	n.s.
Total ex Venezuela	2,749	n.s.	98.3%

# Spain Banking Activity

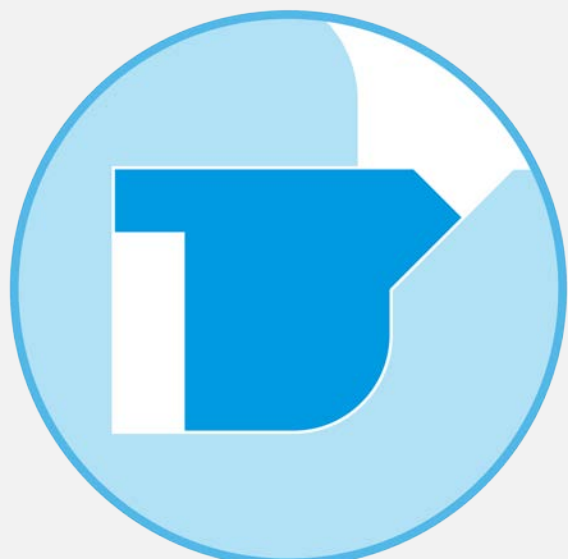
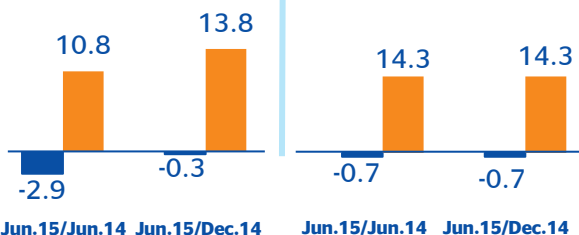
## Activity and Results

### Business Activity (%)

■ with CX

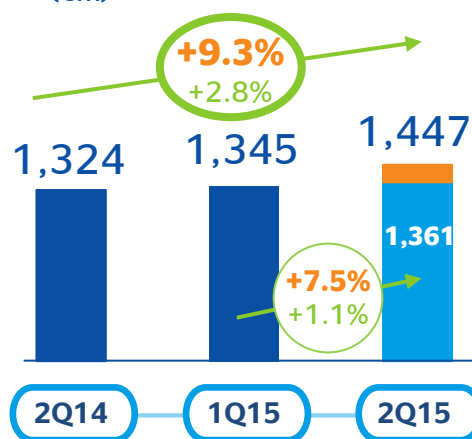
#### Lending\*

#### Cust. Funds

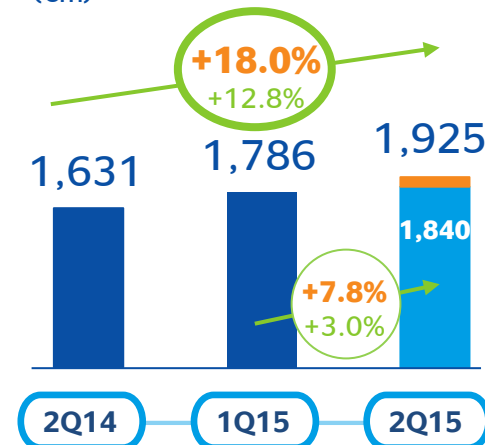


■ with CX

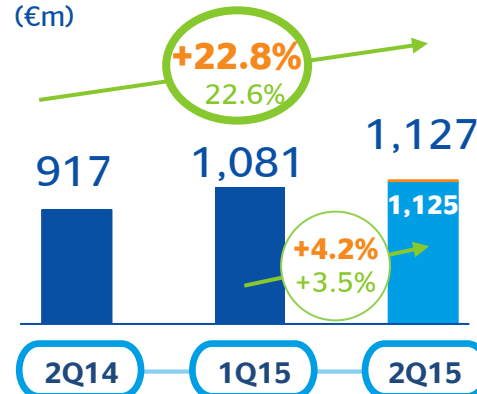
#### NII + Fees (€m)



#### Gross Income (€m)



#### Operating Income (€m)



\* Gross loans and advances to customers

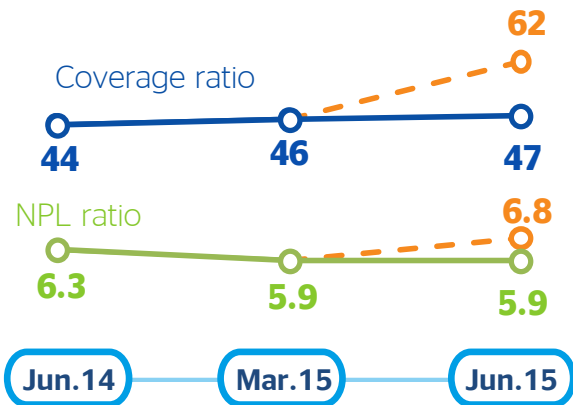
Note: Activity excludes repos; customer funds includes promissory notes.

# Spain Banking Activity Risk



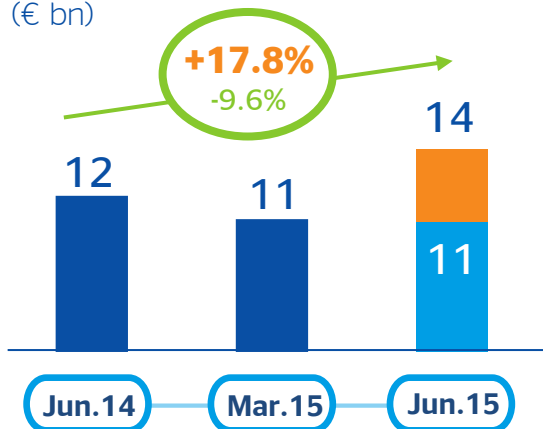
## Risk indicators

■ with CX



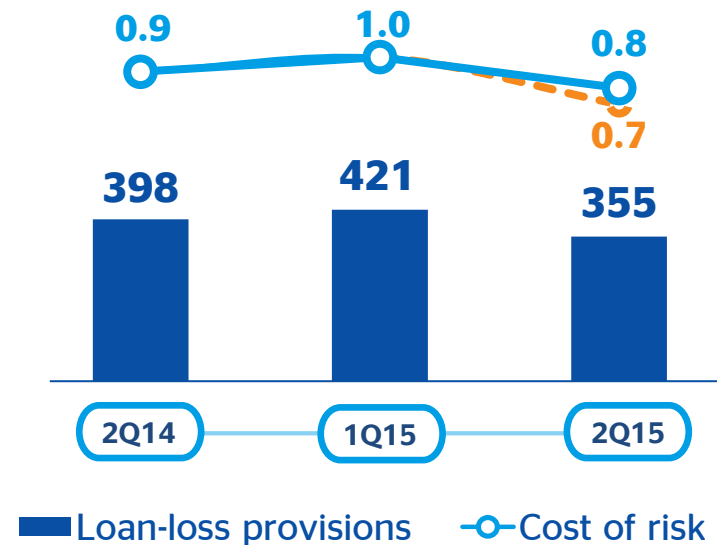
## NPLs

(€ bn)



## Loan-loss provisions and cost of risk

(€m, %)



# Spain Banking Activity

## Income Statement



(€m)

Banking activity in Spain	1H15	Growth			
		1H15/1H14			
		Abs.	%	Abs. ex CX	% ex CX
Net interest Income	1,982	+ 113	6.1	+ 58	3.1
Gross Income	3,711	+ 327	9.7	+ 241	7.1
Costs	-1,503	- 84	5.9	+ 5	-0.3
Operating income	2,208	+ 243	12.4	+ 246	12.5
Income Before Tax	1,152	+ 285	32.8	+ 285	32.8
Net Attributable Profit	809	+ 201	33.1	+ 201	33.0

✓ New loan production growth

✓ Diversifying revenue sources

✓ Catalunya Caixa integration

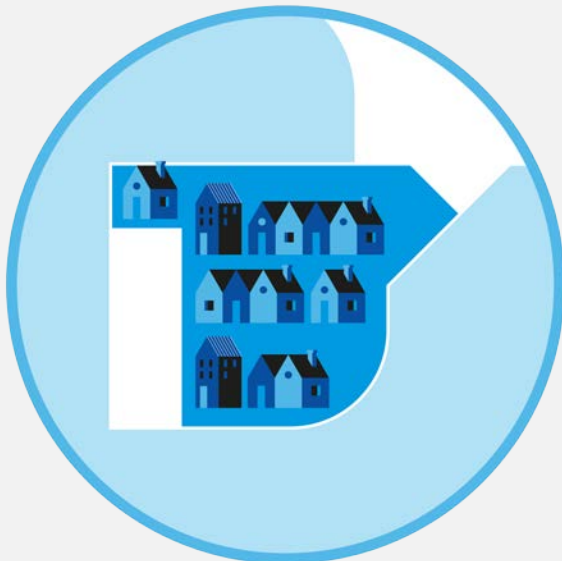
## Spain

# Real Estate Activity

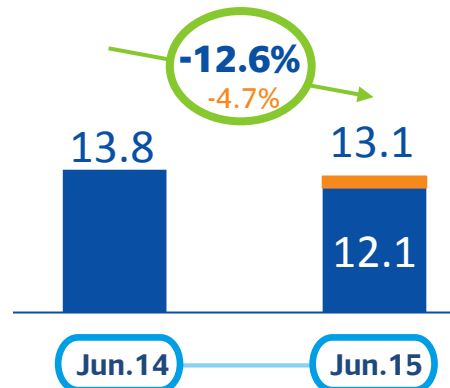
## Positive Trends



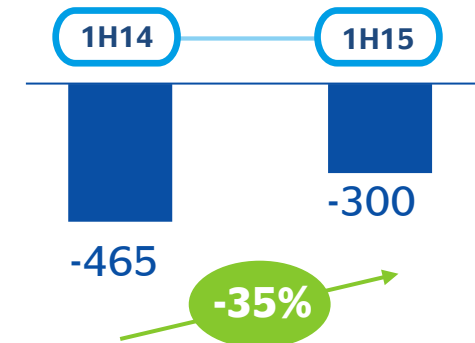
■ with CX



Net exposure  
(€ bn)



Net attributable profit<sup>(1)</sup>  
(€ m)



Note: Net exposure according to Bank of Spain's "RE transparency scope" (Circular 5-2011)

(1) Figures include Catalunya Caixa

# Total Spain

## Income Statement



(€m)

Total Spain	1H15	Growth	
		1H15/1H14	
		Abs.	%
Net interest Income	1,968	+ 121	6.6
Gross Income	3,655	+ 389	11.9
Costs	-1,572	- 78	5.2
Operating income	2,083	+ 311	17.6
Income Before Tax	715	+ 508	n.s.
Net Attributable Profit	509	+ 366	n.s.

**USA**

# Activity and Results

## Business Activity

(constant €, %)

Lending\*

**+12.9%**

(Jun.15/Jun.14)

Cust. Funds

**+9.0%**

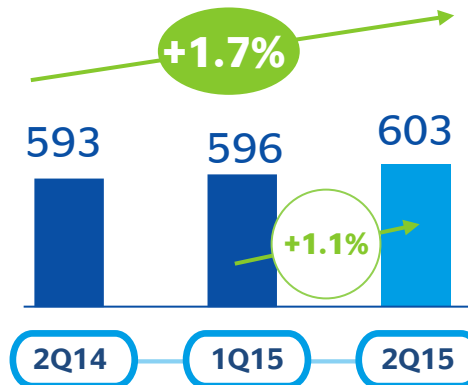
(Jun.15/Jun.14)



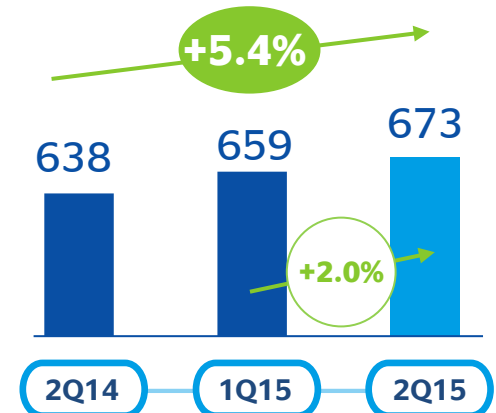
\* Gross loans and advances to customers

Note: Activity excludes repos; customer funds includes promissory notes

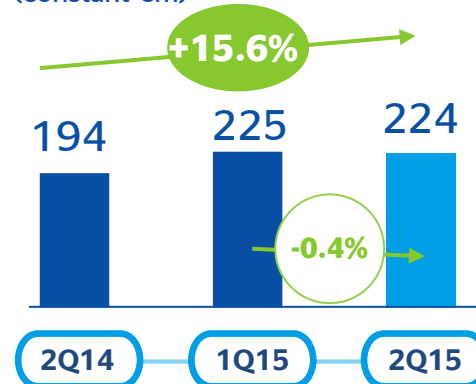
NII + Fees  
(constant €m)



Gross Income  
(constant €m)



Operating Income  
(constant €m)



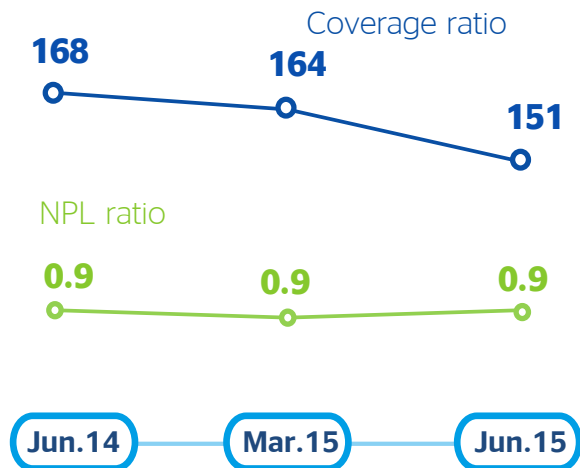


# USA Risk



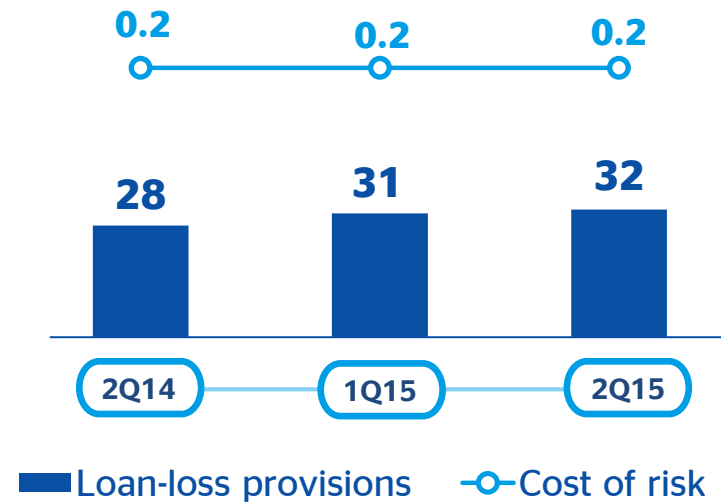
## Risk indicators

(%)



## Loan-loss provisions and cost of risk

(constant €m, %)



USA

## Income Statement



(Constant €m)

USA	1H15	Growth	
		1H15 / 1H14	
		Abs.	%
Net interest Income	881	+ 31	3.6
Gross Income	1,332	+ 59	4.6
Costs	-883	- 7	0.8
Operating income	449	+ 52	13.0
Income Before Tax	390	+ 63	19.4
Net Attributable Profit	286	+ 45	18.8

✓ Activity dynamism

✓ Positive P&amp;L dynamics

✓ Digital banking opportunity

## Mexico

# Activity and Results

### Business Activity

(constant €, %)

Lending\*

**+13.0%**

(Jun.15/Jun.14)

Cust. Funds

**+9.7%**

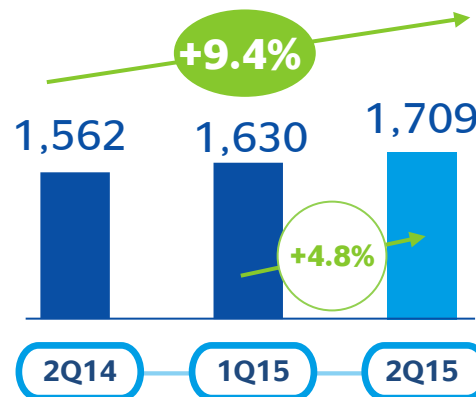
(Jun.15/Jun.14)



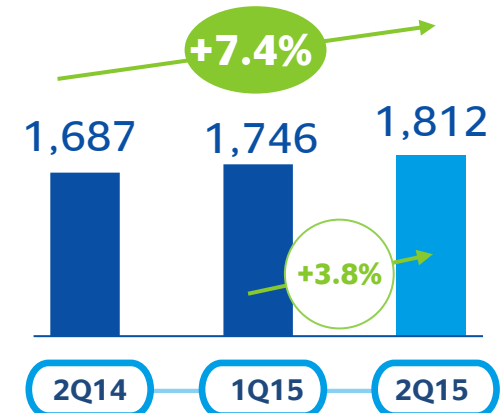
\* Gross loans and advances to customers

Note: Activity excludes repos; customer funds includes promissory notes

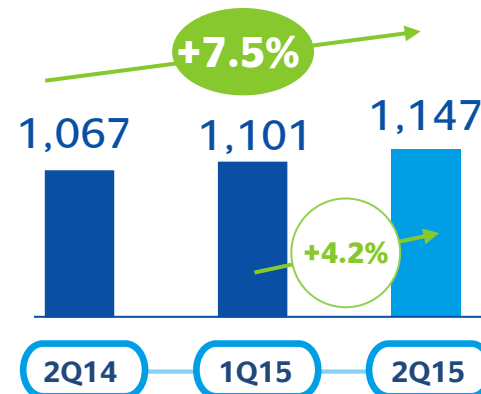
### NII + Fees (constant €m)



### Gross Income (constant €m)



### Operating Income (constant €m)

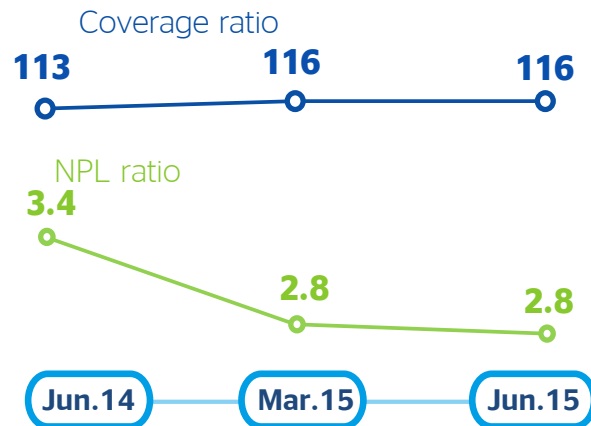


# Mexico Risk



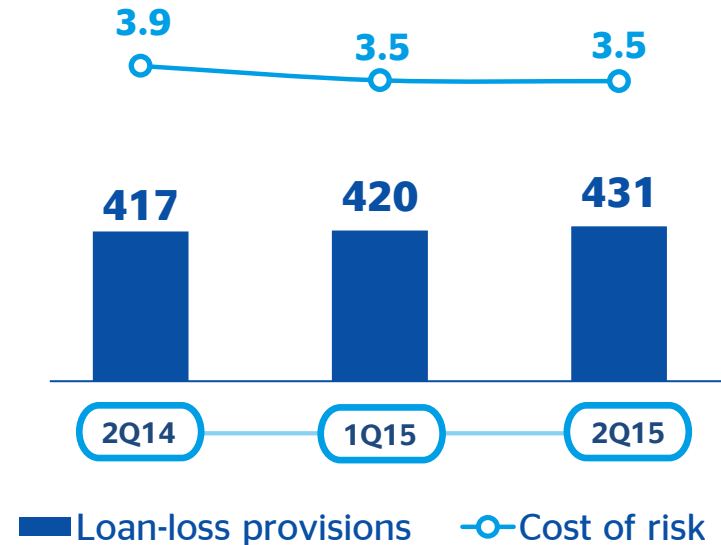
## Risk indicators

(%)



## Loan-loss provisions and cost of risk

(constant €m, %)



## Mexico

## Income Statement



(Constant €m)

Mexico	1H15	Growth	
		1H15 / 1H14	
		Abs.	%
Net interest Income	2,734	+ 228	9.1
Gross Income	3,558	+ 221	6.6
Costs	-1,309	- 80	6.5
Operating income	2,248	+ 141	6.7
Income Before Tax	1,380	+ 116	9.2
Net Attributable Profit	1,041	+ 83	8.6

✓ Double-digit business activity

✓ Portfolio mix change

✓ Sound and improving risk indicators

# South America ex Venezuela

## Activity and Results

### Business Activity

(constant €, %)

Lending\*

**+12.2%**

(Jun.15/Jun.14)

Cust. Funds

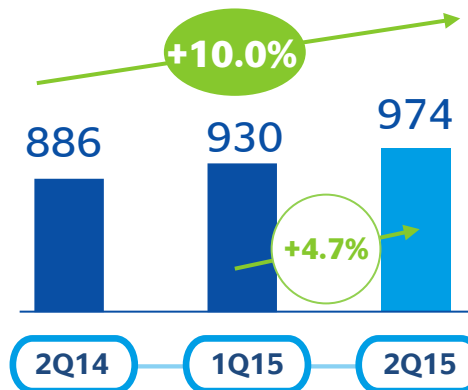
**+14.5%**

(Jun.15/Jun.14)

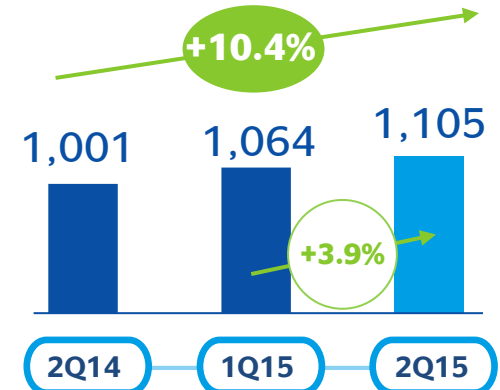


\*Gross loans and advances to customers  
Note: activity excluding repos; customer funds includes promissory notes

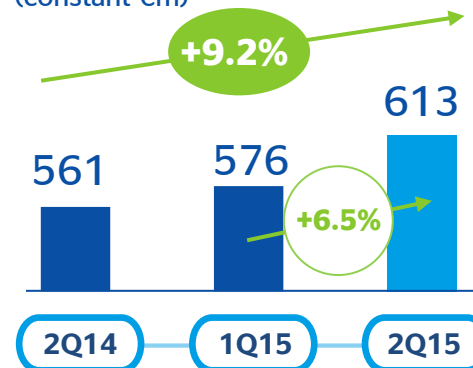
NII + Fees  
(constant €m)



Gross Income  
(constant €m)



Operating Income  
(constant €m)

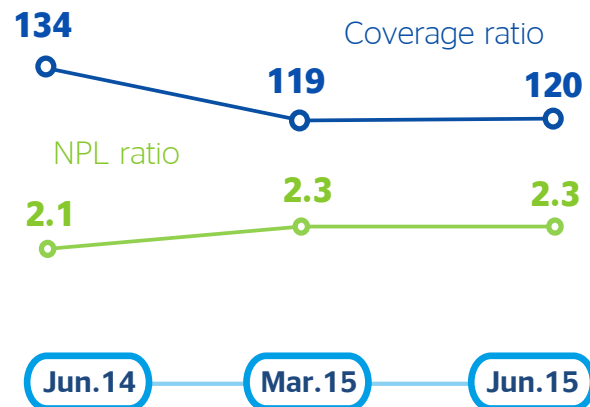


# South America ex Venezuela Risk



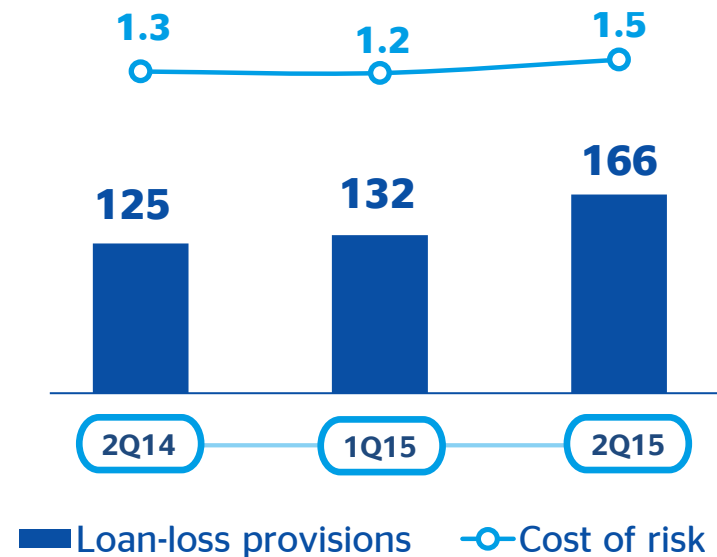
## Risk indicators

(%)



## Loan-loss provisions and cost of risk

(Constant €m, %)



# South America ex Venezuela

## Income Statement



(Constant €m)

South America ex Venezuela	1H15	Growth	
		1H15 / 1H14	
		Abs.	%
Net interest Income	1,558	+ 158	11.3
Gross Income	2,169	+ 236	12.2
Costs	-981	- 114	13.2
Operating income	1,189	+ 122	11.4
Income Before Tax	874	+ 75	9.4
Net Attributable Profit	465	+ 36	8.4

✓ Activity dynamism translated into the P&L

✓ Transforming distribution network



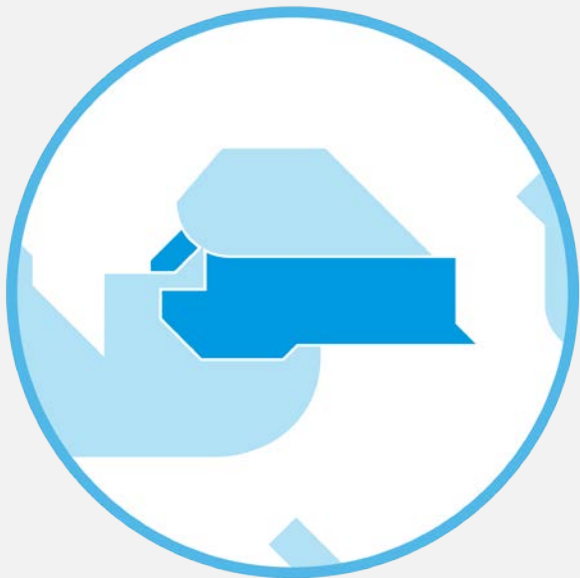
## Turkey

# Income Statement

✓ Market huge potential

✓ Activity dynamism

✓ Excellent spreads management



## 1H15 Results

(Constant €m)

YoY

NII + fees

523

+23.6%

Gross Income

510

+11.5%

Operating Income

289

+9.1%

Net Attributable Profit

174

+8.9%

# Takeaways

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Strong activity growth and income boosted by recurrent revenue

Excellent performance of pre-provision profit

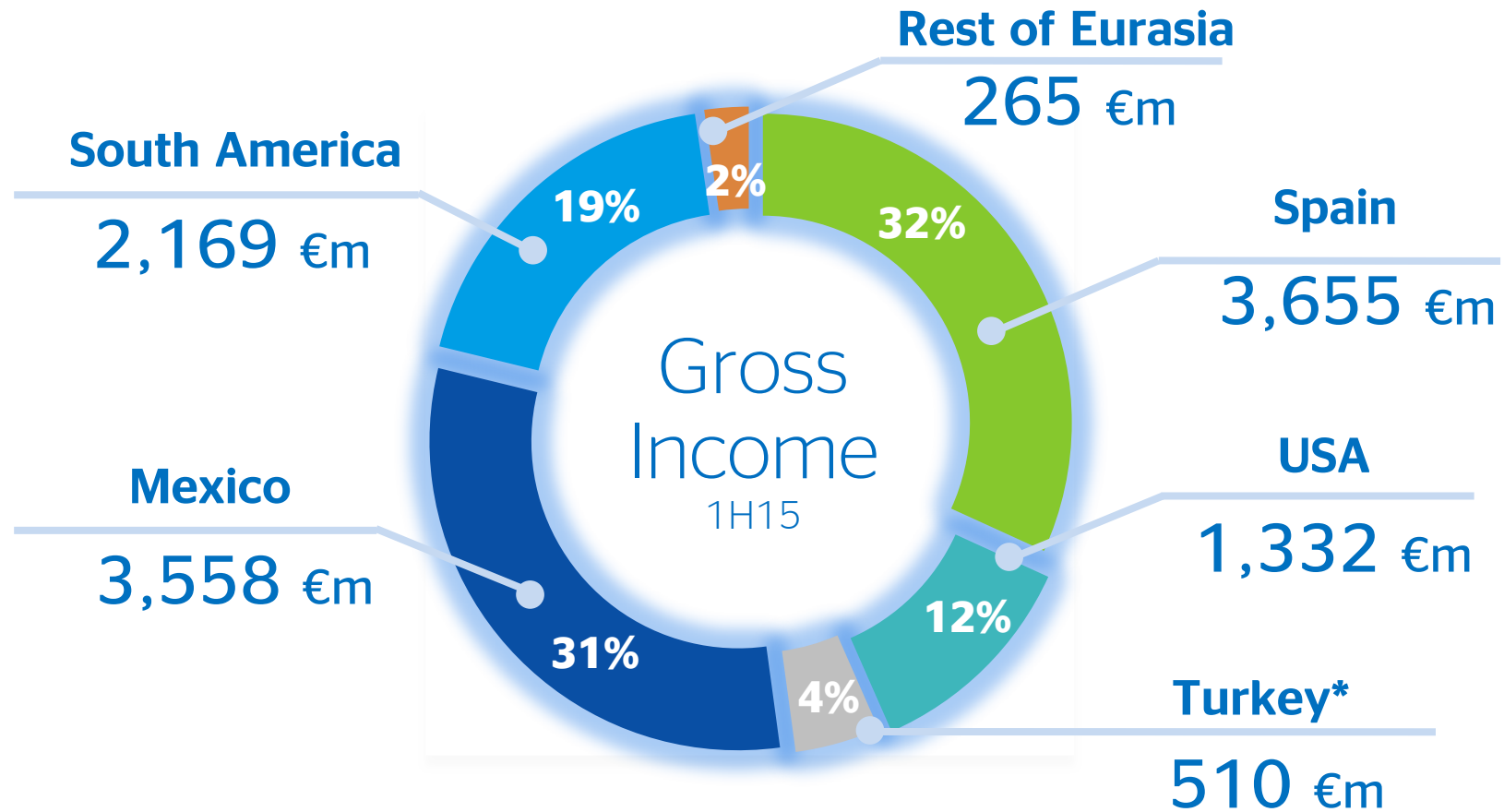
Earnings growth cycle confirmed

Corporate deals on track

Working on our strategic priorities

# Annex

## Gross Income Breakdown

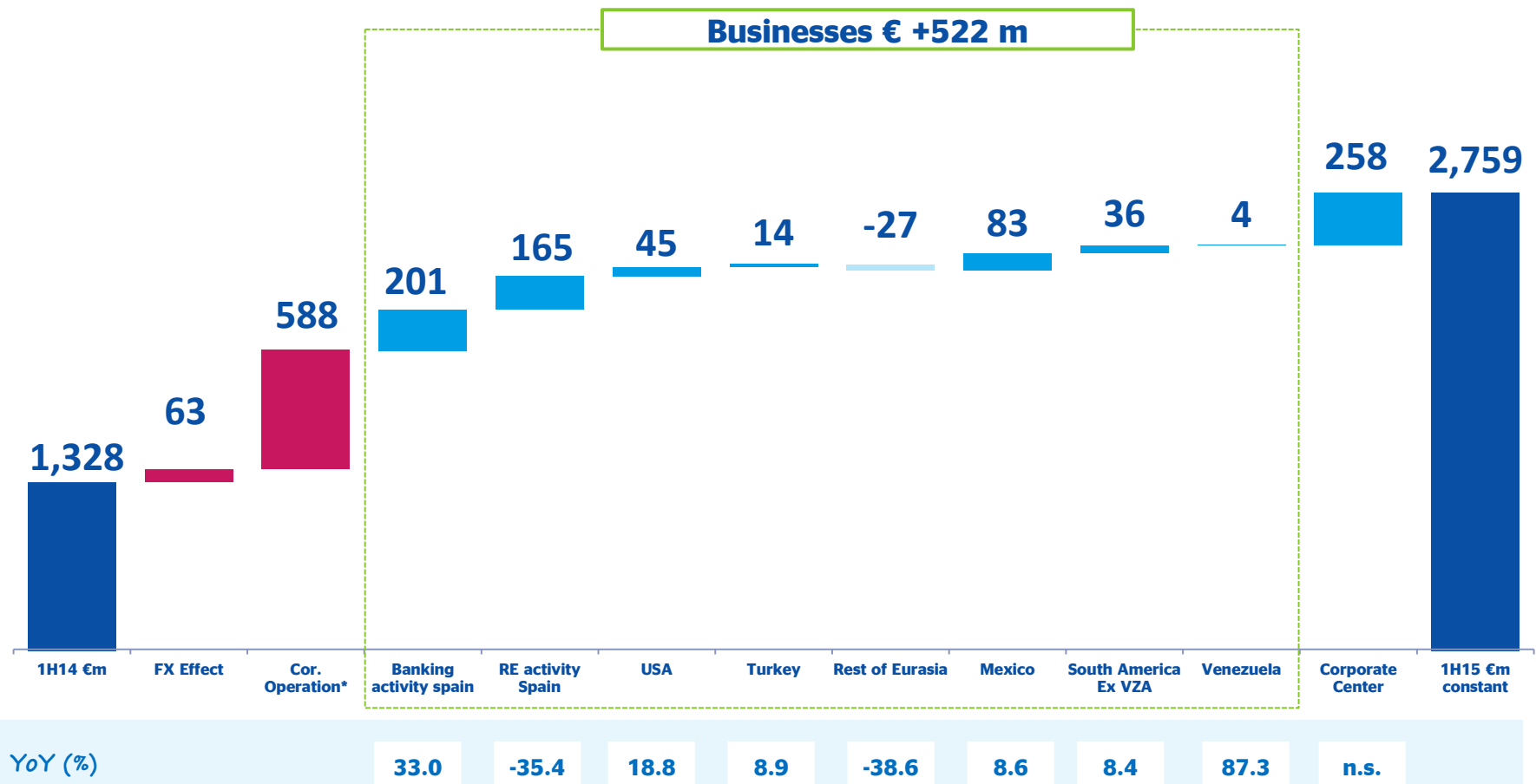


Note: Figures excluding Corporate activities, Venezuela and including Catalunya Caixa.

\* In a theoretical exercise of fully consolidation of Garanti Bank, the pro-forma weight of Turkey's gross income would be 16%.

# Group Earnings

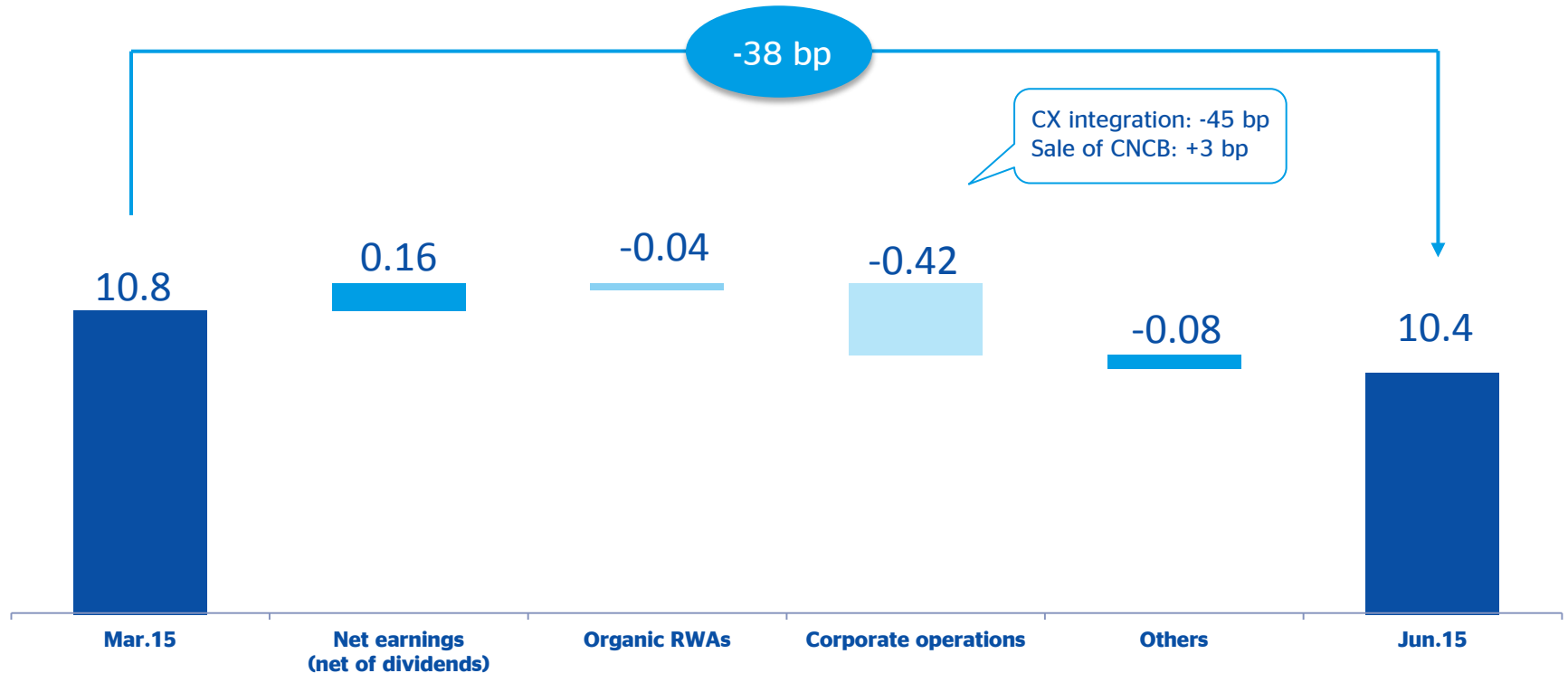
*Net attributable profit*  
 €m



\* Includes impact of lower dividends received from CNCB.

## Capital

# CET 1 Fully-loaded Evolution 2Q15



Note: Net earnings (net of dividends) and organic RWAs exclude FX impact (Included in "Others").

# BBVA Group

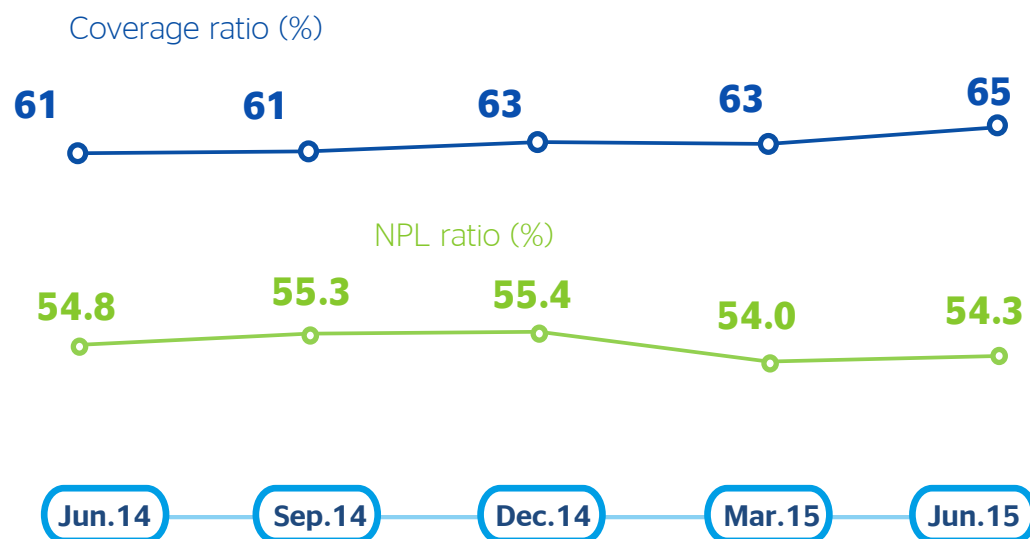
## Income Statement

(€m)

BBVA Group	1H15	Growth			
		1H15/1H14			
		Abs.	%	Abs. constant	% constant
Net interest Income	7,521	+ 483	6.9	+ 771	11.4
Gross Income	11,554	+ 1,186	11.4	+ 1,113	10.7
Costs	-5,718	- 442	8.4	- 354	6.6
Operating income	5,836	+ 743	14.6	+ 759	14.9
Income Before Tax	3,046	+ 937	44.4	+ 934	44.2
NI ex corporate operations	2,231	+ 687	44.5	+ 665	42.5
Corporate Operations Income	727	+ 727	n.s.	+ 727	n.s.
Net Attributable Profit	2,759	+ 1,430	n.s.	+ 1,367	98.3

# Real Estate Activity in Spain

## Risk





# Real Estate Activity in Spain

## Income Statement

(€m)

Real Estate Activity in Spain	1H15	Growth	
		1H15/1H14	
		Abs.	%
Net interest income	-14	+ 8	-35.1
Gross income	-56	+ 62	-52.6
Costs	-69	+ 6	-8.2
Operating income	-125	+ 68	-35.3
Loan-loss provisions	-115	+ 11	-8.7
Provisions (net) and other gains (losses)	-206	+ 134	-39.5
Other	-1	- 1	n.s.
Income Before Tax	-437	+ 224	-33.9
Net Attributable Profit	-300	+ 165	- 35.4

## Rest of Eurasia

# Income Statement

(€m)

Rest of Eurasia	1H15	Growth	
		1H15 / 1H14	
		Abs.	%
Net interest Income	85	- 10	-10.3
Gross Income	265	- 198	-42.7
Costs	-176	- 11	6.8
Operating income	89	- 209	-70.1
Income Before Tax	66	- 186	-73.7
Net Attributable Profit	43	- 165	-79.3

## Venezuela

## Income Statement

(€m)

Venezuela	1H15	Growth			
		1H15/1H14			
		Abs.	%	Abs. constant	% constant
Net interest Income	94	- 646	-87.3	+ 45	91.3
Gross Income	127	- 420	-76.7	+ 91	n.s.
Costs	-33	+ 199	-85.6	- 18	n.s.
Operating income	94	- 221	-70.1	+ 73	n.s.
Income Before Tax	54	- 153	-74.1	+ 40	n.s.
Net Attributable Profit	9	- 65	- 87.6	+ 4	87.3

# Corporate Center

## Income Statement

(€m)

Corporate Center	1H15	Growth	
		1H15/1H14	
		Abs.	%
Net interest Income	-225	+ 100	-30.7
Gross Income	-63	+ 272	-81.3
Costs	-542	- 25	4.9
Operating income	-605	+ 247	-29.0
Income Before Tax	-652	+ 304	-31.8
Corporate Operations Income	727	+ 727	n.s.
Net Attributable Profit	230	+ 985	n.s.

## Group

## Activity Growth

Jun-15 vs. Jun-14  
(constant €, %)

	<i>Gross loans *</i>	<i>Customer Funds *</i>
<b>Spain</b>	+10.8%	+14.3%
<b>USA</b>	+12.9%	+9.0%
<b>Turkey</b>	+21.0%	+26.8%
<b>Mexico</b>	+13.0%	+9.7%
<b>South America**</b>	+12.2%	+14.5%

(\*) Activity ex repos. Includes Catalunya Caixa. Customer Funds include promissory notes. (\*\*) Figures exclude Venezuela

# Customer Spreads

Average, €

Customer Spreads	2Q14	3Q14	4Q14	1Q15	2Q15	2T15: 1.96% ex CX	1H14	1H15
Spain	1.83%	1.92%	1.94%	1.93%	1.88%		1.80%	1.91%
USA	3.26%	3.13%	3.18%	3.13%	3.11%		3.29%	3.12%
Mexico	11.22%	11.05%	11.23%	10.94%	10.89%		11.29%	10.92%
Argentina	15.37%	16.37%	17.34%	16.70%	15.99%		15.03%	16.33%
Chile	4.57%	3.43%	4.80%	2.84%	4.56%		4.24%	3.71%
Colombia	6.82%	6.42%	6.31%	6.49%	6.33%		6.98%	6.41%
Peru	7.38%	7.16%	7.36%	7.23%	7.23%		7.46%	7.23%
Venezuela	17.33%	16.99%	17.94%	17.71%	16.65%		17.27%	17.18%
Turkey	3.60%	4.49%	4.67%	4.56%	4.68%		3.52%	4.62%

Note 1: USA ex NY Business Activity

Note 2: Customer spreads, difference between lending yield and cost of deposits from customers