

BBVA

BBVA: well positioned for the challenges of the financial industry

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Exane BNP Paribas, Spain Investors Day
Madrid, January 15th, 2014

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Challenges ahead for the financial institutions

Growth	<ul style="list-style-type: none">✓ Slow recovery and limited growth outlook✓ Low interest rate environment✓ Accommodative Monetary Policy	Profitability
Regulation	<ul style="list-style-type: none">✓ Capital, RWA and leverage✓ Banking Union and loss absorption	
Changing customer expectations	<ul style="list-style-type: none">✓ Digitalization✓ Responsible banking	

BBVA has a distinct position to face these challenges



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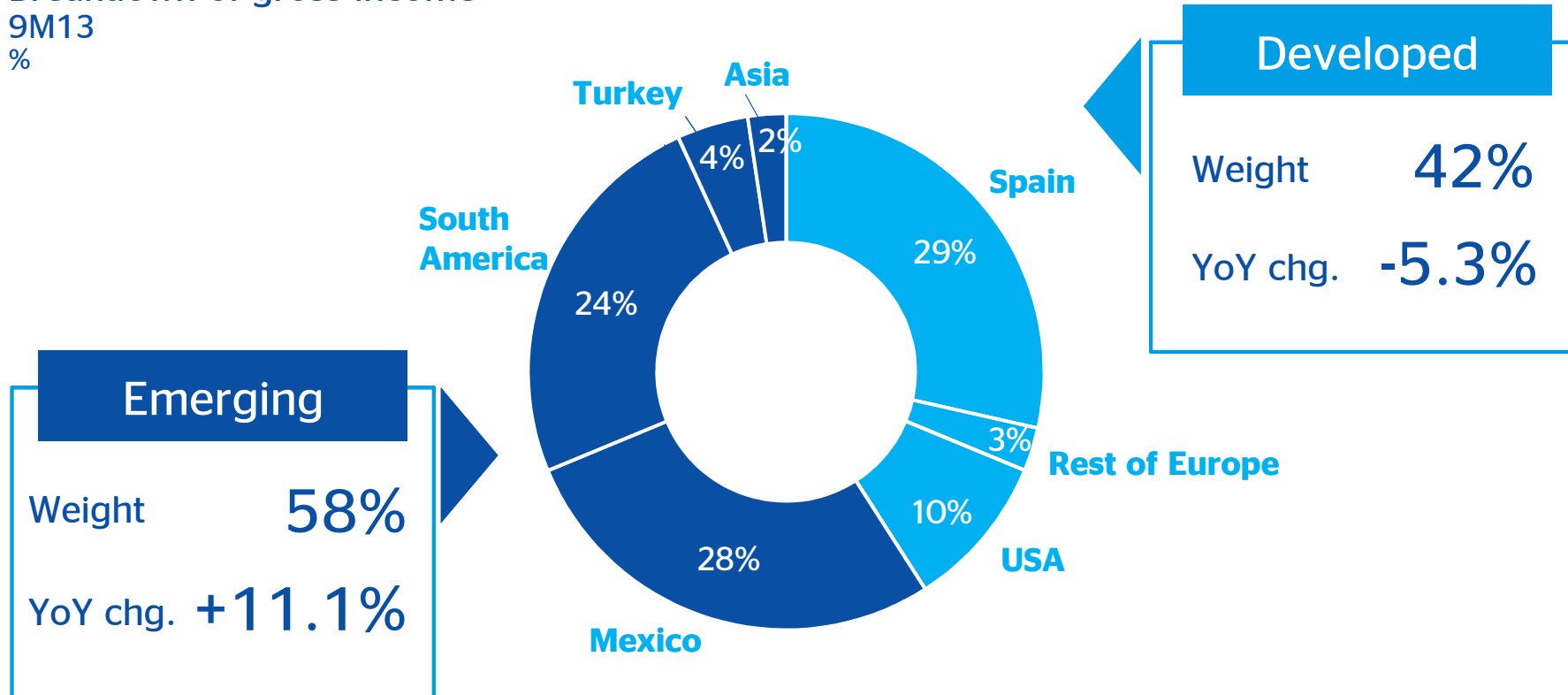
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2 Regulation

3 Changing customer expectations

BBVA is well-positioned with an attractive footprint in Developed and Emerging Markets

Breakdown of gross income
9M13
%



Recovering DMs - Resilient and high potential EMs

Note: excludes Holding. Year-on-year variation in constant €

Spain: The economy has started its recovery

Spain: Positive macro momentum

Economic recovery:

- GDP expected to grow in 2014 0.9%⁽¹⁾
- Recent economic data beating expectations

Lower risk:

- Fiscal adjustment progress
- Much more favorable funding conditions
- RE price adjustment starting to stabilize

Financial System: main industry trends

Challenges:

- Low interest rate environment
- Deleveraging process
- Increased regulatory requirements

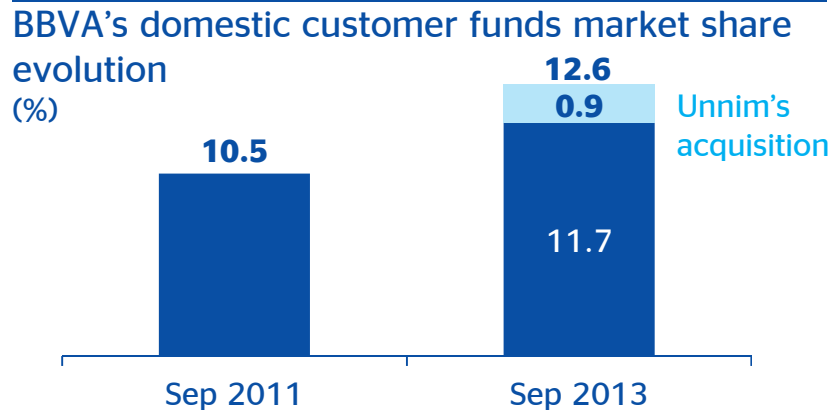
Opportunities:

- Peers re-sizing offering an unprecedented client shifting
- More rational competition

(1) Source: BBVA Research

A unique opportunity for BBVA Spain in this context: profitable and sustainable client growth ...

Targeted customer base growth



Diversifying revenue sources

Growth of Net Fees and Commissions (9M13 vs. 9M12)

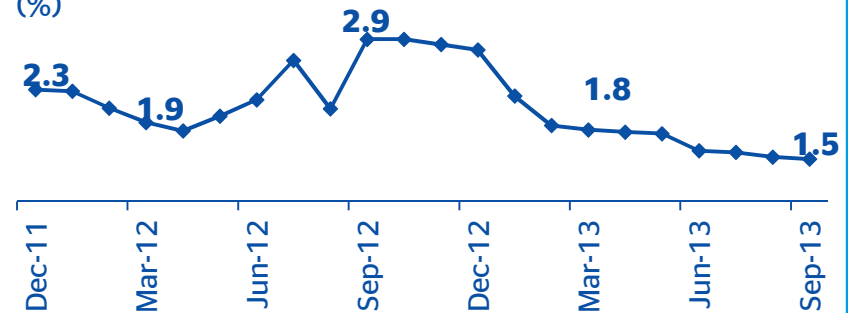
(9M13 vs. 9M12)

- Credit cards: +9%
- Insurance: +8%
- Mutual and Pension Funds: +9%

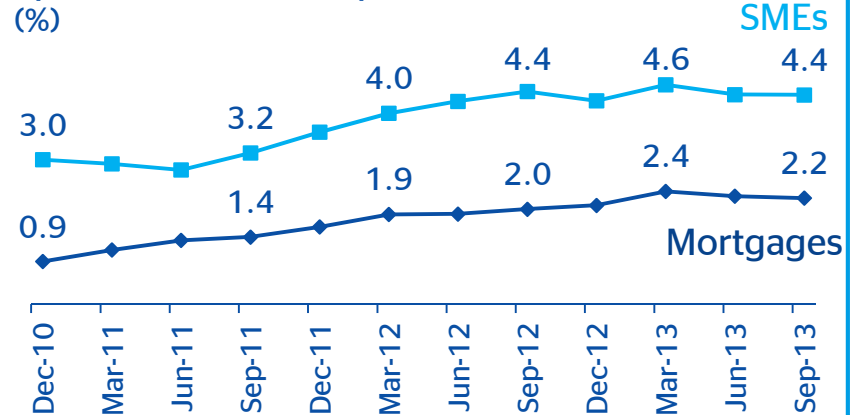
Price management strategy focused on profitability

Cost of time deposits and promissory notes

New production (%)



Spread on new loan production (%)

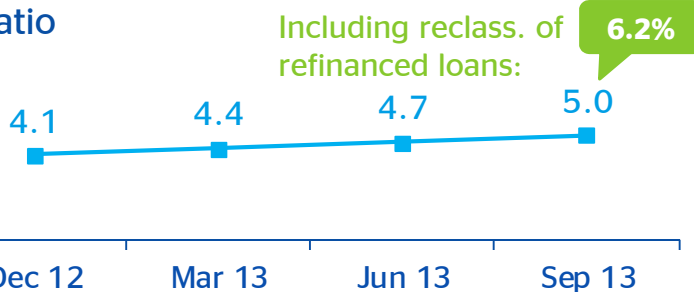


... and improving asset quality indicators

Risk indicators performance in line with forecast

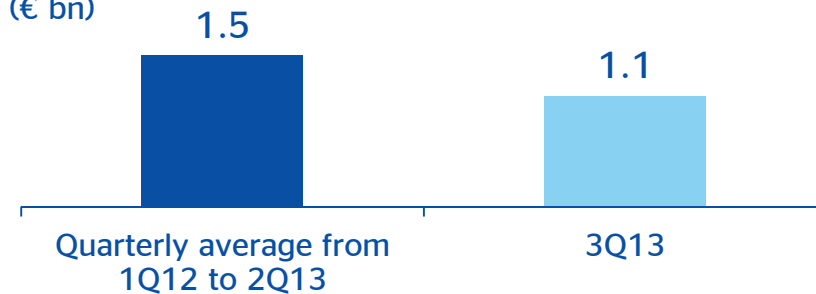
BBVA Spain (Banking Activities)

NPA ratio (%)



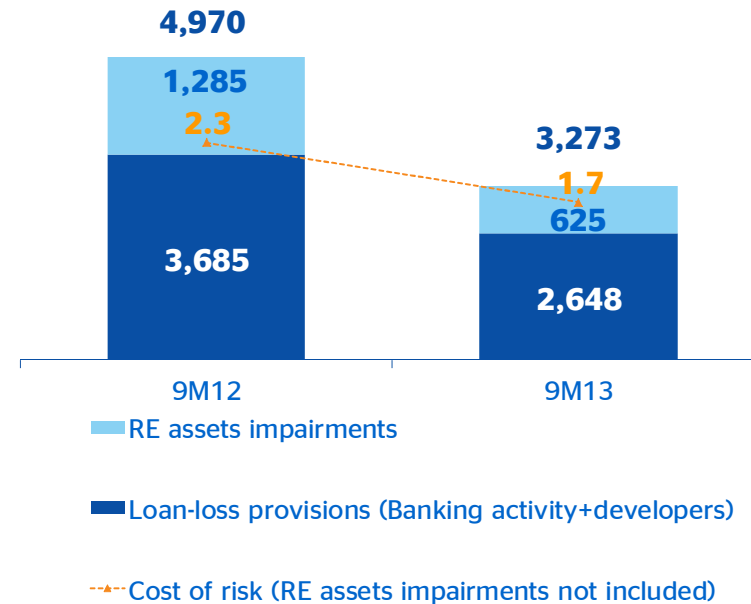
NPAs balance to decrease in 2014

NPA gross entries (excl. reclas. of refinanced loans) (€ bn)



Cost of risk normalization: a key P&L driver

Evolution of total loan loss provisions and RE assets impairments and cost of risk (€ Mn, %)

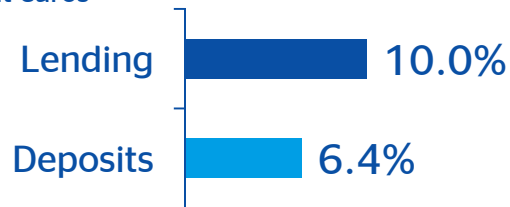


The challenge is to accelerate the normalization of profits

USA: Outstanding commercial performance, impacted by the interest rate environment

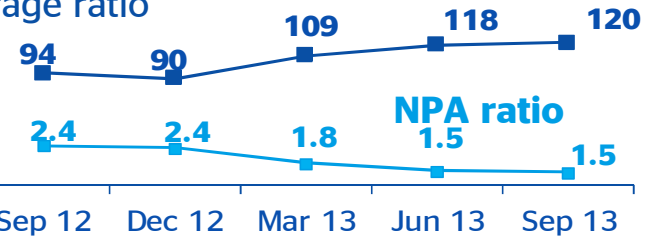
Business activity to remain solid

YoY change, average balances, Sept 2013
Constant euros ⁽¹⁾



Superior Credit Quality

Coverage ratio



Focus on new business

- Launching **new products**
- Opening new **loan production offices**
- Enhanced **online and mobile banking capabilities**

P&L

- High interest rate sensitivity
- Costs under control
- Low risk premium

The challenge is to accelerate revenue growth in a low rate environment

(1) BBVA Compass in local figures.

Mexico: commercial dynamism to improve thanks to a better economic environment

Recovery of GDP growth in 2014

- Improvement of macro outlook in **USA**
- Implementation of the **reform agenda**
- Recovery of **government expenditure**

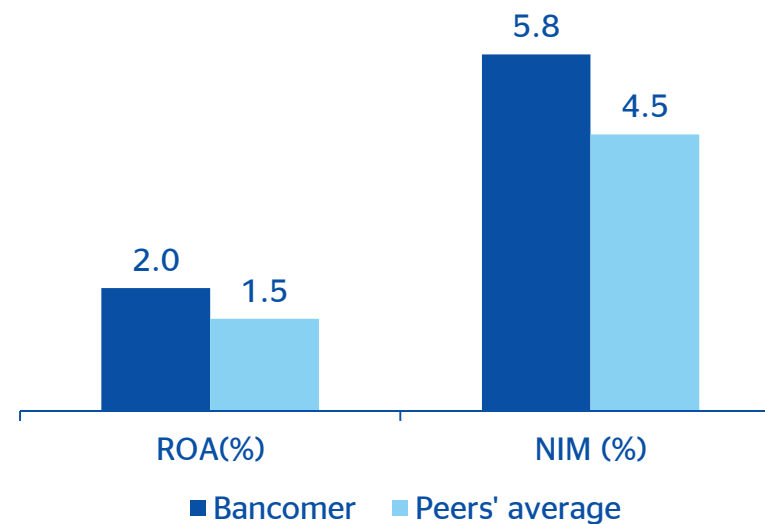


Bancomer

- **Loan book growing at +/- 10%**, driven by Commercial and SMEs
- **Stable asset quality** and risk premium
- **Strong investment effort** to continue: branch network remodelling

Focused on profitability

ROA and NIM ⁽¹⁾
September 2013



P&L to recover its dynamism

(1) Data according to local accounting. Consolidated financial groups. Peers included: Banamex, Banorte, HSBC and Santander.

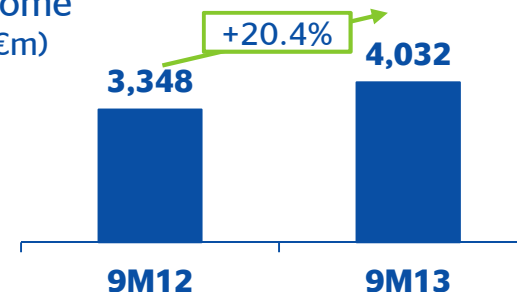
South America: Well-diversified footprint in a high growth market

Growth stabilizing at a sustainable level

	2010-2012 CAGR ⁽¹⁾	Sept. 2013 y-o-y
Performing Loans	+25%	+17%
Customer Deposits	+23%	+27%

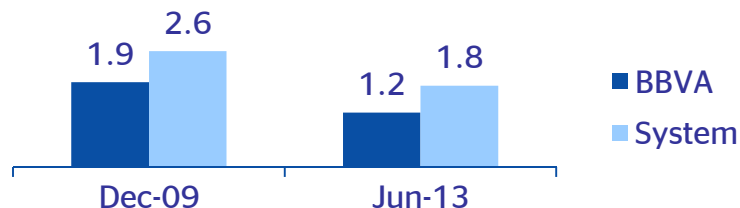
High revenue growth

Gross Income (Constant €m)



Solid credit quality indicators

NPA ratio ⁽²⁾ (%)



Strong profitability ⁽³⁾

2.3% ROA

5.9% NIM

Allowing major investment plans to capture high growth potential

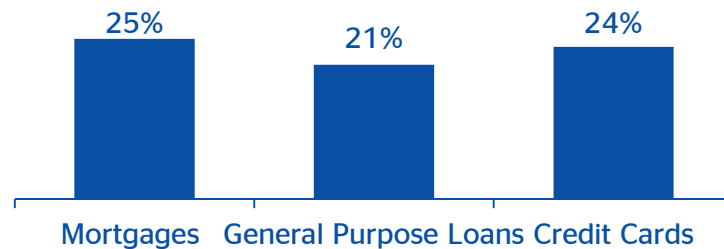
Focusing on gaining market share in retail customer lending and gathering transactional customer funds

(1) Banks only, based on average balances, constant €. (2) Local Accounting (3) Consolidated data, Sept '13. Annualized Net Income (for ROA) and annualized Net Interest Income (for NIM) over Average Total Assets.

Garanti: A well-managed bank in a challenging environment

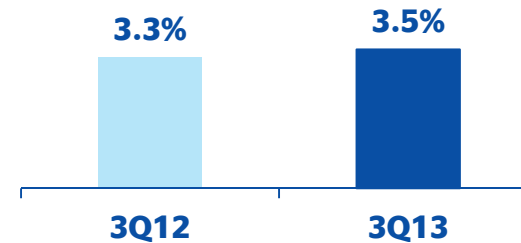
Selective lending growth

Growth in High Yielding Retail Loans
(Dec.12 - Sep.13)



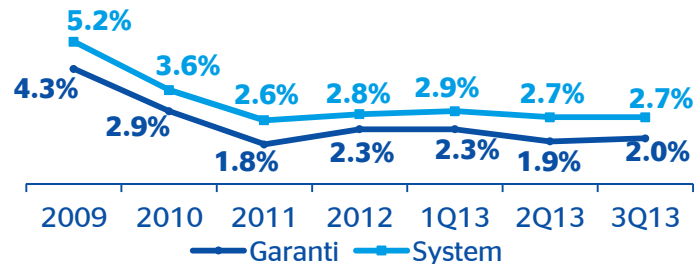
Resilient NIM

Quarterly NIM



Sound asset quality

NPL Ratio Evolution (%)



Challenging landscape

- More volatile environment
- Measures to curb private consumption
- Increasing funding costs

Core banking activity outperforming peers



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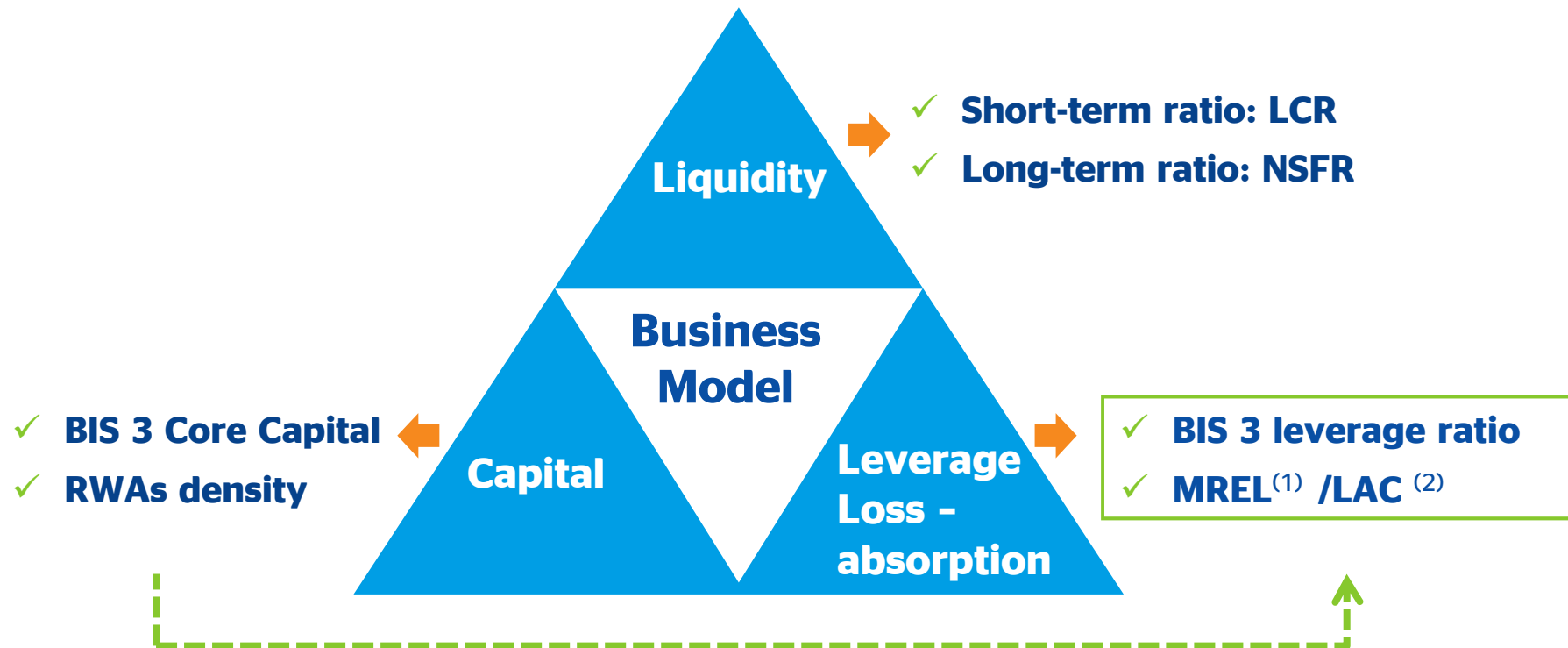
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Regulatory challenges: from core capital to leverage and loss absorption capacity

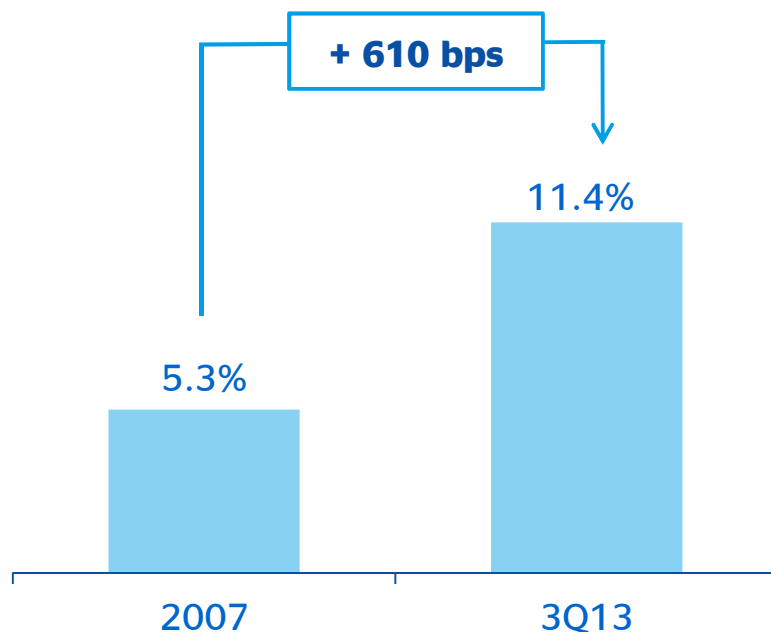


Regulation is having an impact on business models

(1) Minimum Requirements for Own Funds and Eligible Liabilities
(2) Loss Absorption Capacity

BBVA has a strong track record of capital generation

Core capital ratio (BIS II)



And ...

✓ **Strong capital ratios under BIS III fully loaded⁽¹⁾:**

Core Capital: >9.5% and Leverage: >5%

✓ **Transactions closed in 2013:**

USD **1.5bn** of **AT1** Issue
Non core business sales ⁽²⁾: **+145bp**

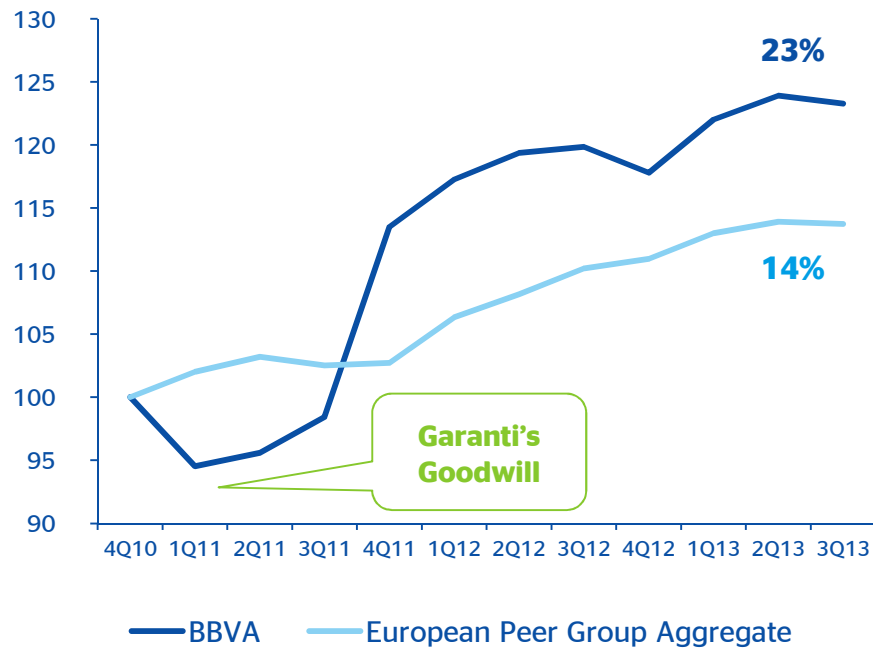


Since 2007, BBVA has more than doubled its Core Capital and increased by more than 600 bps its Core Capital ratio

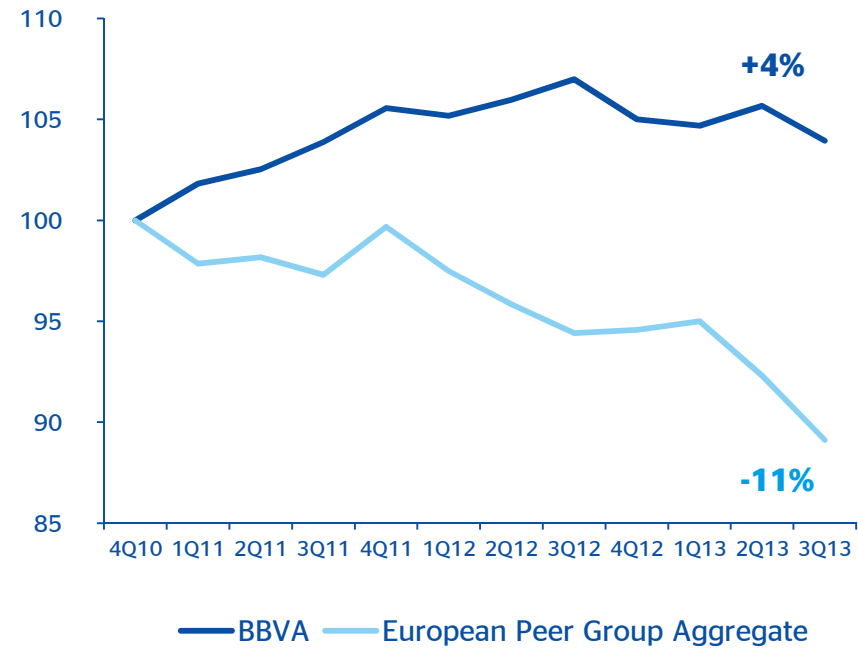
(1) Estimated ratios as of Dec.13 including DTAs and the sale of 5.1% in CNCB; (2) +71 bp from 5.1% CNCB stake sale, +55 bp from Latam pension businesses, +6 bp from BBVA Panama and +13bp from the transaction on the life insurance portfolio in Spain.

Generation of organic capital absorbing RWAs growth

Δ BIS II Core Capital (€)
BBVA Group vs. European Peer Group Aggregate
 Dec.10 - Sep.13



Δ BIS II RWAs (€)
BBVA Group vs. European Peer Group Aggregate
 Dec.10 - Sep.13



BBVA has increased its RWAs in line with the business cycle

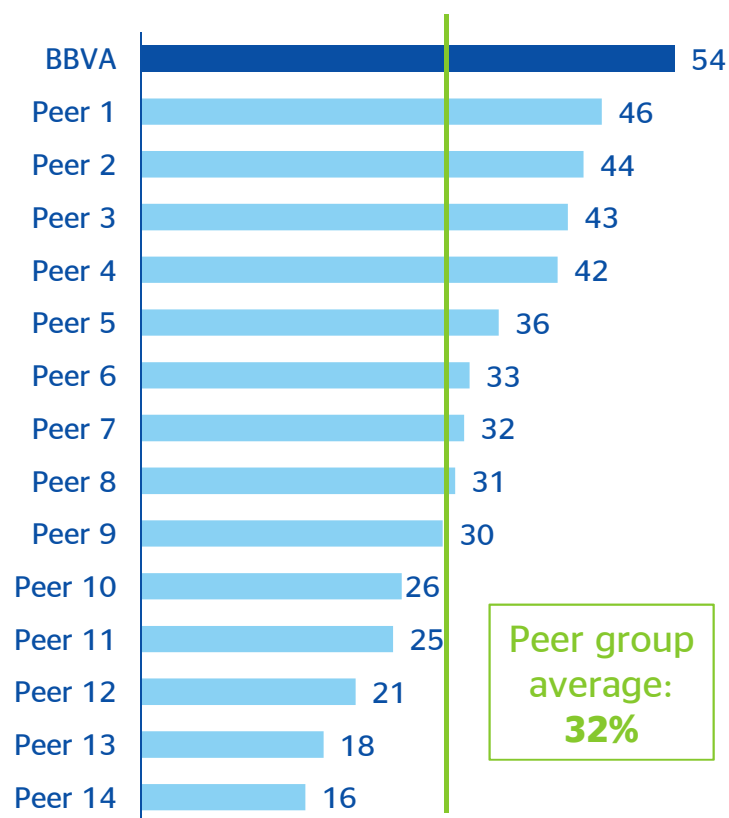
European Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, ISP, HSBC, LBG, RBS, SAN, SG, UCI and UBS.

BBVA stands out for the quality of its capital and its low leverage

RWAs / Total Assets (%)

BBVA Group vs. European Peer Group ⁽¹⁾

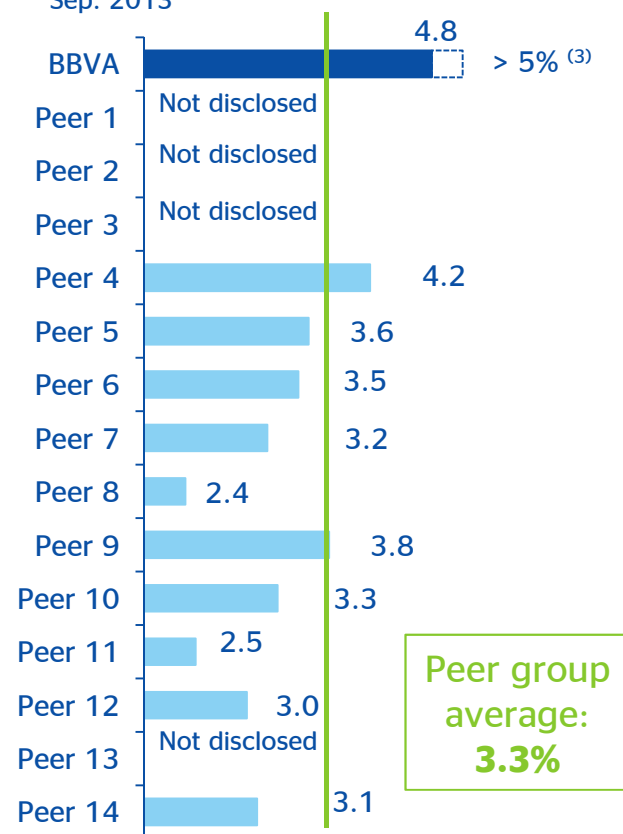
Sep. 2013



CRD IV fully loaded Leverage ratio ⁽²⁾

BBVA Group vs. Peer Group ⁽¹⁾

Sep. 2013



(1) European Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, ISP, HSBC, LBG, RBS, SAN, SG, UCI and UBS.

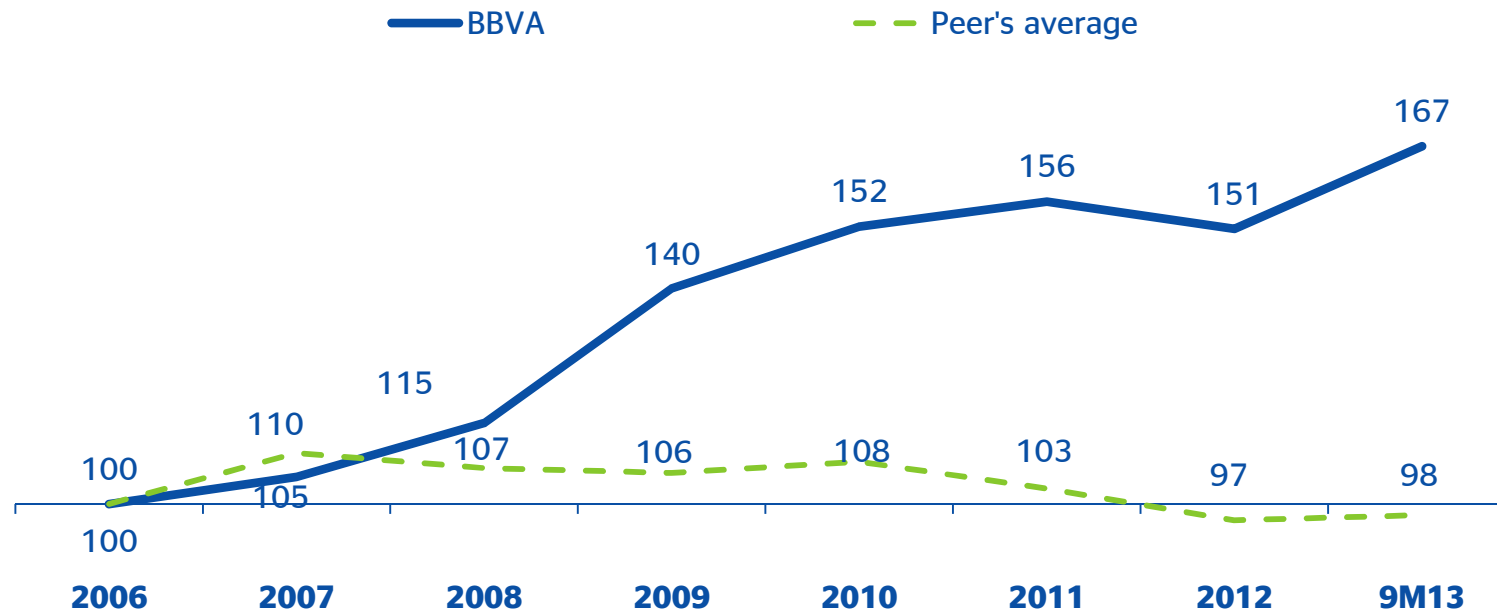
(2) UBS leverage ratio reported under Swiss regulation.

(3) Estimated ratio as of Dec.13 including Citic's and DTA's impacts.



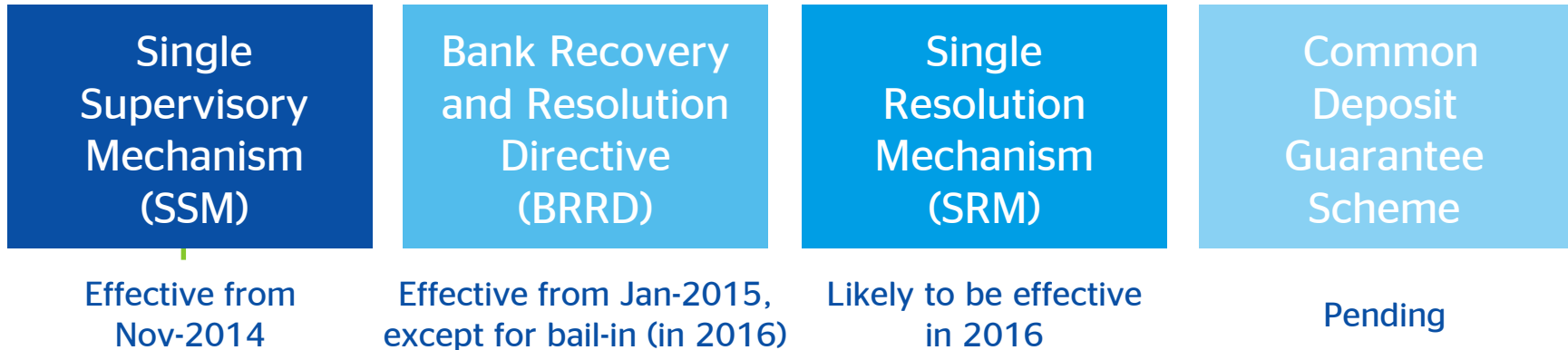
High quality of capital reflected in the evolution of its TBV

Tangible Book Value per share
BBVA Group vs. European Peer Group average
(Base 100 = 2006)



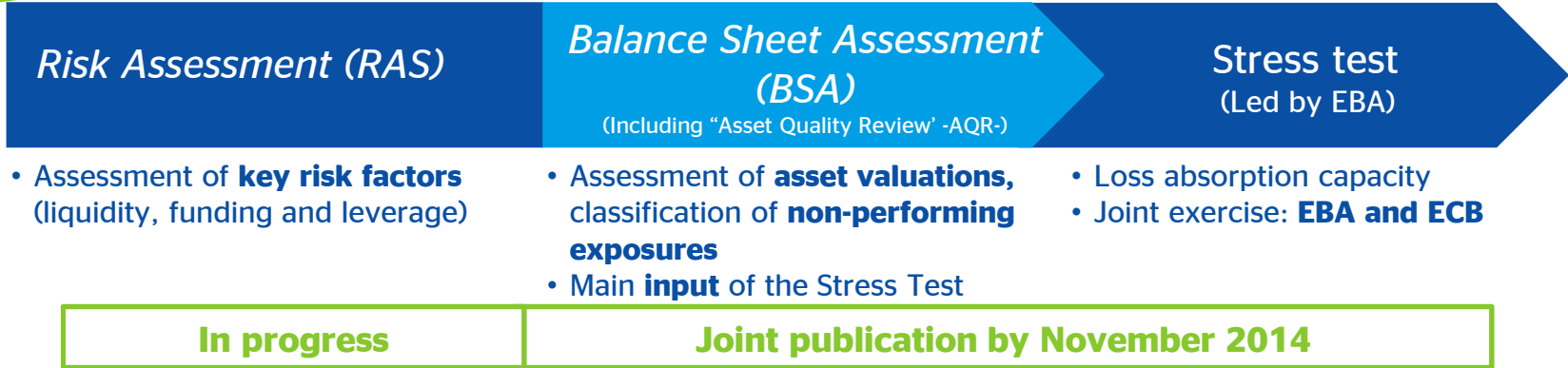
European Peer Group: BARCL, BNPP, CASA , CMZ, CS, DB, ISP, HSBC, LBG, RBS, SAN, SG, UCI and UBS.

EU progress towards a real Banking Union



Previous Step

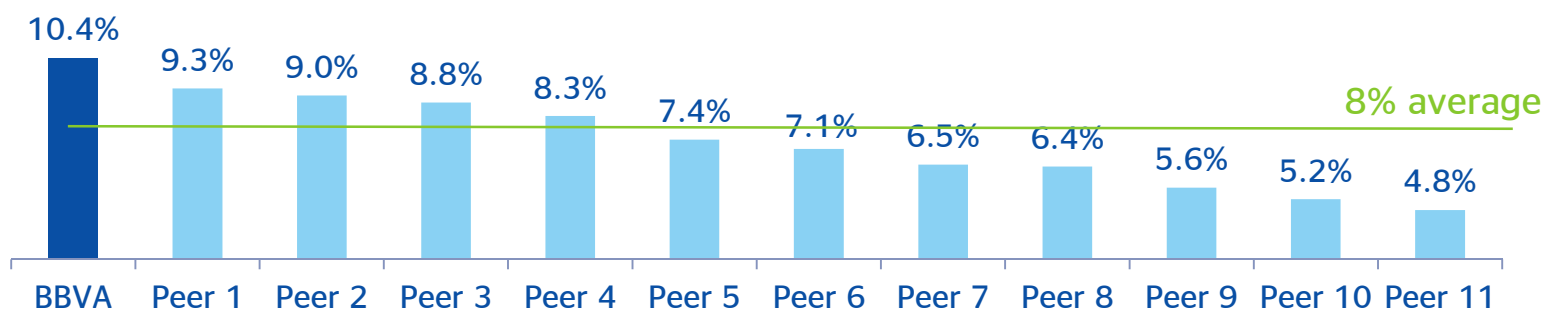
***Comprehensive Assessment:
A decisive step for the Banking Union***



BBVA has a comfortable capital buffer to face the upcoming stress tests

In Europe we already have a Recovery and Resolution Directive proposal

- 1 The Recovery and Resolution Directive proposal provides a common loss absorption framework
- 2 The Directive proposal is an important milestone to break the sovereign-banking link (8% bail-in + 5% resolution fund)
- 3 BBVA has one of the highest percentages of capital and loss absorption instruments over total liabilities

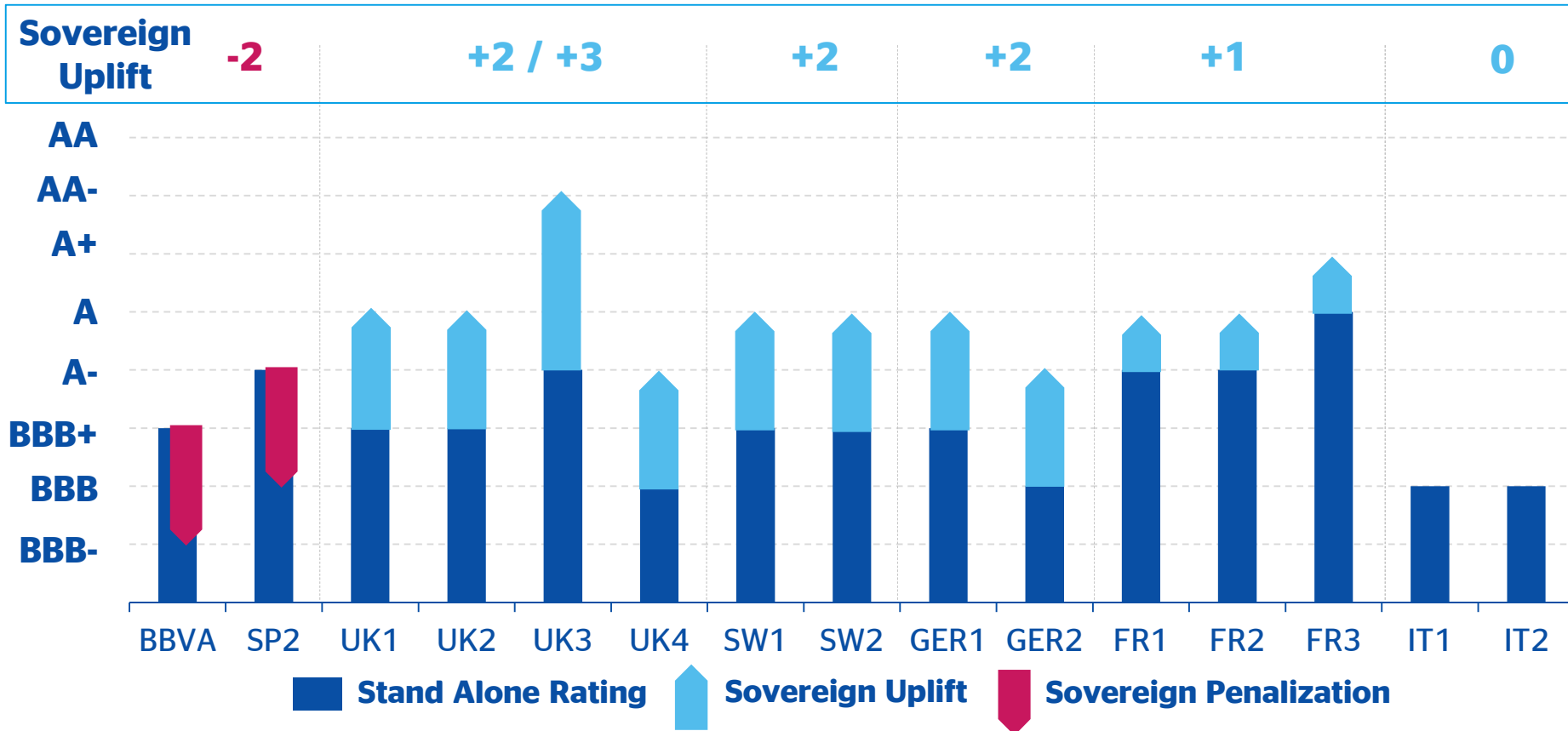


Data as of June 2013 $RATIO = (Equity + Subordinated liabilities) / (Total Liabilities - Derivatives)$.
European Peer Group: BARCL, BNPP, CASA, CMZ, DB, ISP, HSBC, LBG, SAN, SG and UCI.

The RRD is an important milestone to break the sovereign - banking link

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BBVA's rating does not properly reflect its capital adequacy and credit worthiness



Each bank's fundamentals and liability structures (LAC) will become more relevant under the new resolution regimes

Credit Rating according to S&P; European Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, ISP, HSBC, LBG, RBS, SAN, SG, UCI, and UBS



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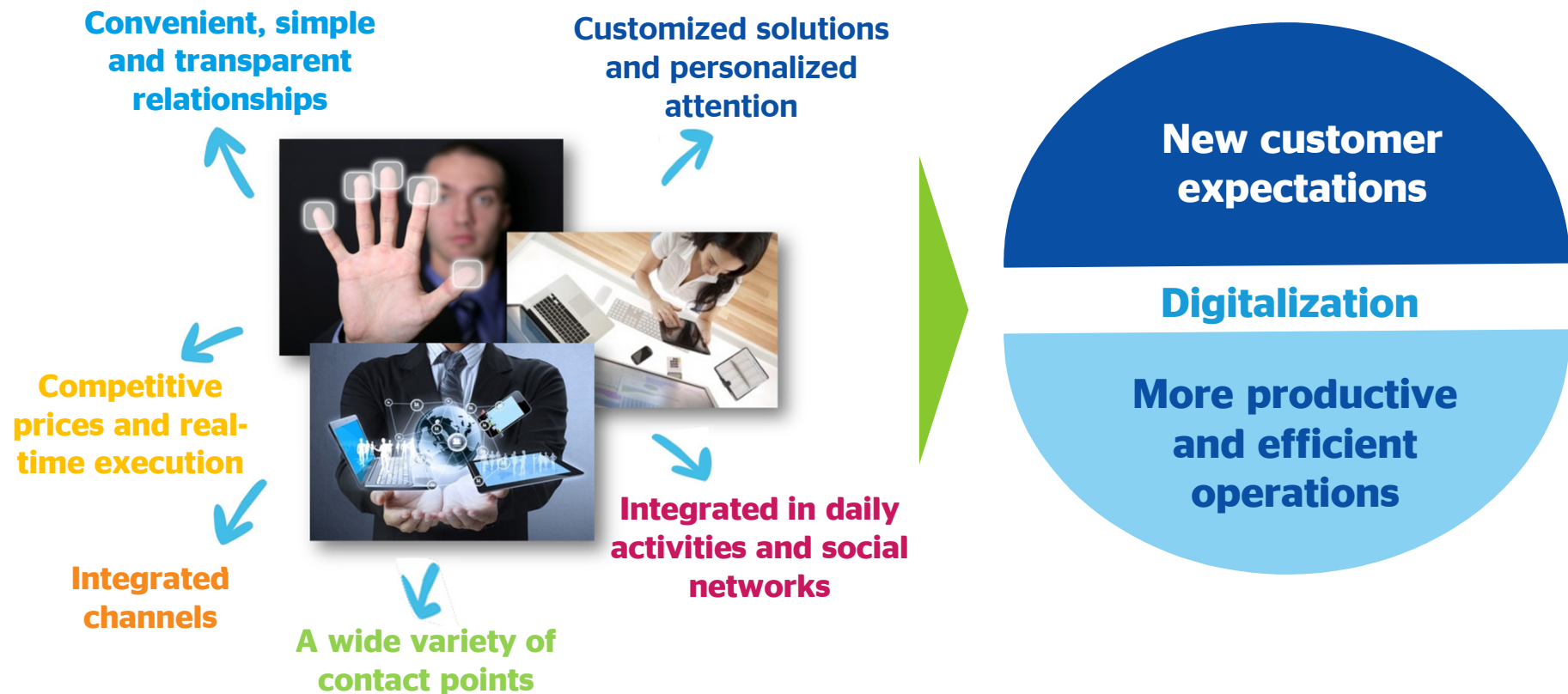
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Changing customer expectations: in traditional retail banking, the rules of the game have changed



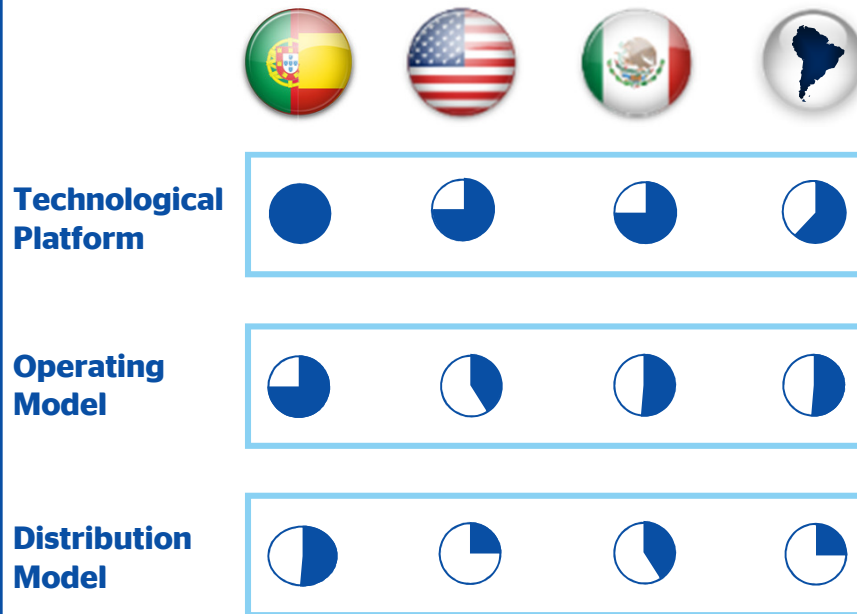
Banks unable to adapt fast enough will lose competitiveness and customer's appeal

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BBVA started its transformation in 2007: a multiyear effort that requires major IT investments

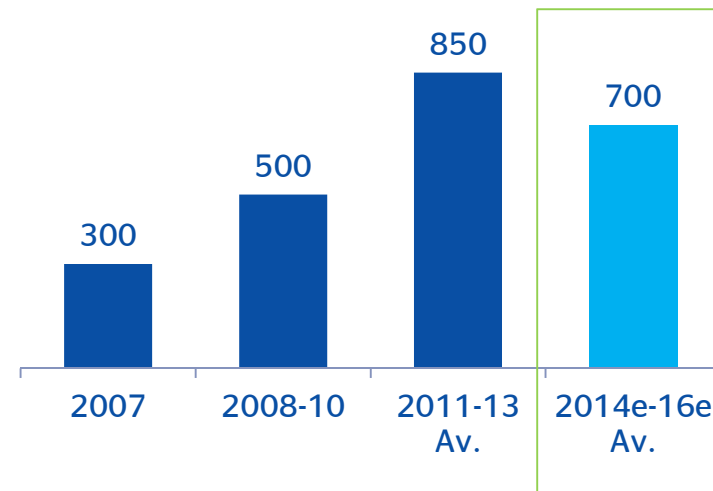
The most complex and costly element - the IT platform - almost completed

BBVA's transformation progress by region



Lower expected investment needs

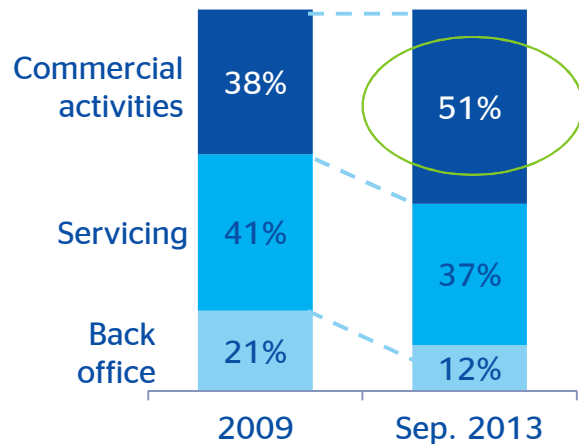
Technology and operations investments evolution (€Mn)



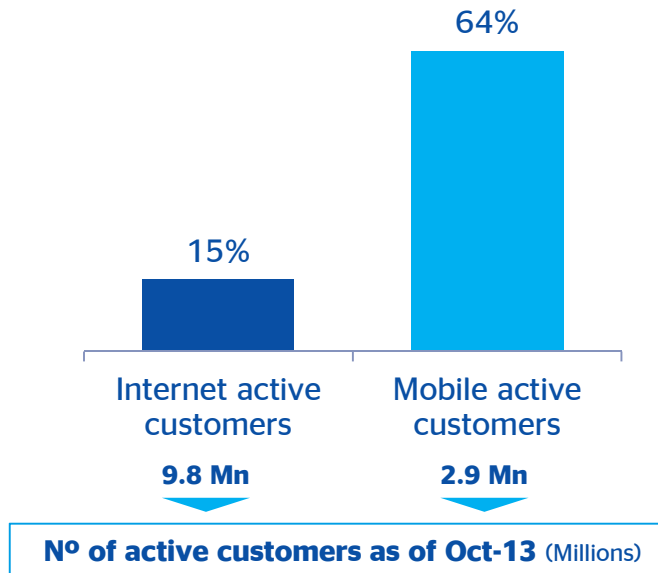
The IT platform is ready to provide the digital services that customers demand, the focus now is on the omnichannel distribution model

A more efficient and sales-oriented network

BBVA Group Branch activity breakdown
% of hours



BBVA Group YTD growth of internet and mobile active customers ⁽¹⁾
(%) Dec. 12 - Oct. 13



A more efficient and sales-oriented network

BBVA Group's Business Market Share:

1.4 times ⁽¹⁾

Branches market share

Our clients are becoming increasingly digital

(1) Group average

Responsible Banking: The industry is paying the consequences of past excesses

Close to **€100Bn⁽¹⁾** in fines in the last 2 years with reputational implications.

Clients and regulators will require higher standards from banks



BBVA has avoided any relevant issues
Key to maintain a loyal and high value customer franchise

(1) Source company filings. Figures as of December 2013. Includes fines to our European & US peers including, among others charges related to EURIBOR and LIBOR manipulation, Misleading Hedges, PPI and Mortgage related charges in the US. European & US Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, ISP, HSBC, LBG, RBS, SAN, SG, UCI, UBS, BOA, JPM, CITI and WFC.



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In sum, BBVA has a distinct position to face future challenges

Growth

- ✓ **High growth potential emerging economies**
- ✓ **Recovering developed economies**

Regulation

- ✓ **Strong capital generation with low leverage**
- ✓ **High loss absorption capacity**

Customer expectations

- ✓ **Well ahead in the bank's digitalization process**
- ✓ **Principle-based profitability**

Ready to deliver sustainable profit growth

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BBVA: well positioned for the challenges of the financial industry

Manuel Gonzalez, Chief Financial Officer



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