



BBVA

BBVA Global Risk Management

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Index

1 Global Risk Management Model

2 Strong Risk Indicators

3 View by Business Area

4 Conclusions

1

Global Risk Management Model

Global Risk Management Model

The risk management model provides **strength** and **stability** to the Group, supporting the Group's management and strategy

*General Model
for Risk Control
& Management*

1

Governance & Organization

Roles, responsibilities and management framework

2

Risk appetite principles

Level of risk willing to be assumed

3

Decision-making and processes

Appetite cascading into daily risk management

4

Assessment, Monitoring & Reporting

Dynamic and anticipatory control of the risk function

5

Risk Infrastructures

Resources for effective management and risk control

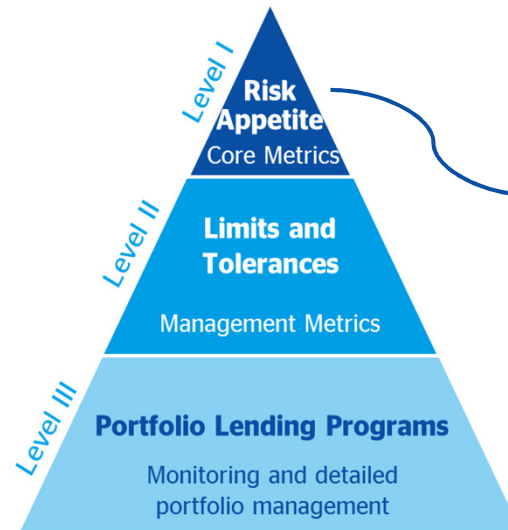
Global Risk Management Model

Risk appetite principles

Risk Appetite Statement

- A **moderate risk profile** at a Group level
- A **universal client-driven banking** business model
- **Risk-adjusted return**
- **Diversification** in geographies, asset classes, portfolios and clients
- **Medium/low risk profile** in each country
- **Sustainable growth**

Risk Appetite Framework



Core Metrics

Solvency

Liquidity & funding

Profitability & recurrence

The Global Model is adopted in each business unit reflecting their specific features in an assigned Risk Appetite Framework and individual Core Metrics

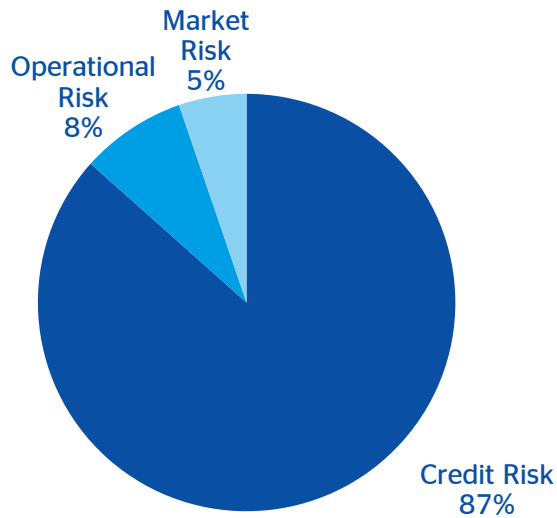
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Strong Risk Indicators

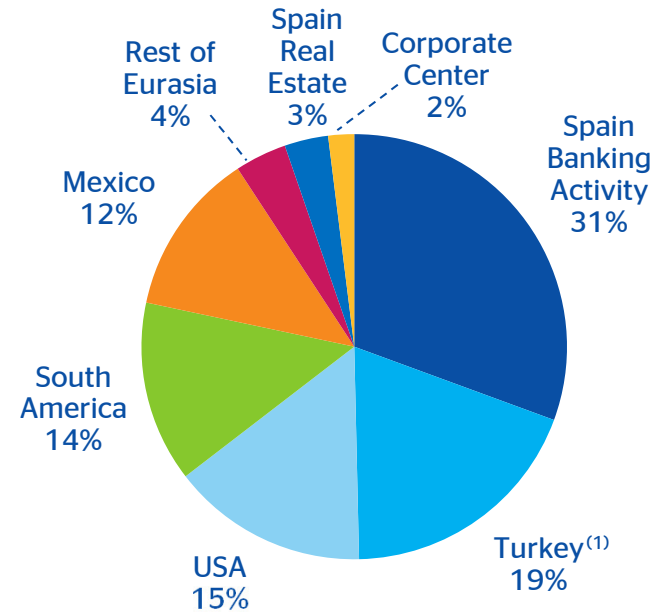
BBVA Group

A client-driven business in a well-diversified footprint

RWAs breakdown by type of risk
Mar.16



RWAs breakdown by business unit
Mar.16



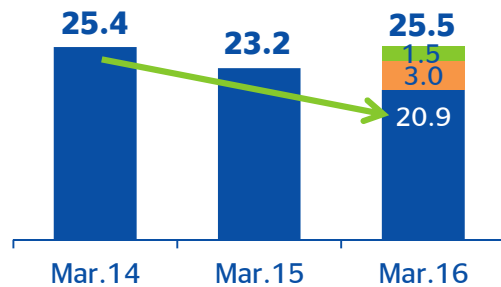
Total RWAs: € 399 Bn

(1) Turkey includes 100% of Garanti's RWAs.

BBVA Group: Credit Quality

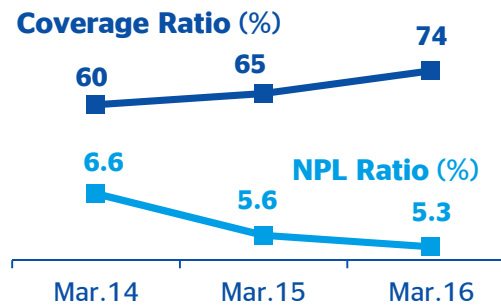
Continuous improvement thanks to Spain's recovery

Non-Performing Loans (€ Bn)

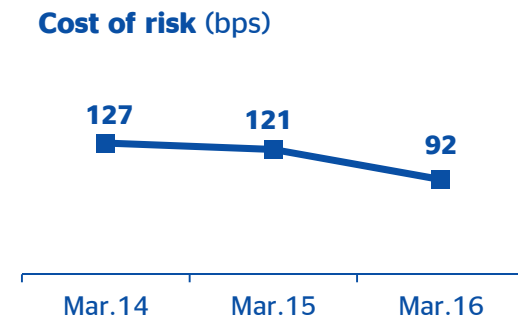


- Garanti (fully consolidated)
- CX
- BBVA Group

NPL and Coverage Ratios (%)



Cost of Risk (bps) ⁽¹⁾



A balanced approach between profitability and risk in Emerging Markets, maintaining ROEs above the system ⁽²⁾

(1) Cumulative data; (2) ROE as of December, 2015 (local criteria): Mexico: BBVA Bancomer 20.5% vs. 10.9% for the system; Turkey: Garanti 12.1% vs. 11.3% peers' average; Colombia: BBVA 19% vs. 16.9% for the system; Peru: BBVA 25.4% vs. 23.6% for the system; Argentina: BBVA 32.1% vs. 30.9% for the system; Chile: 15% vs. 15% for the system

3

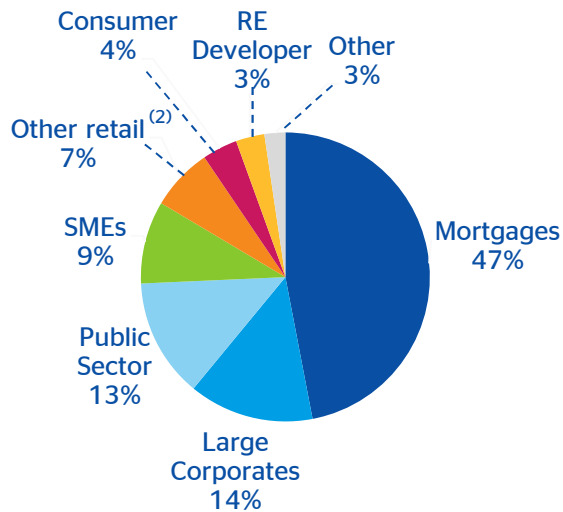
View by
Business Area

Spain (including Real Estate)

Cost of risk normalization as the main P&L driver

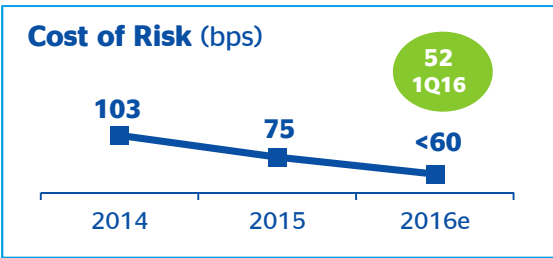
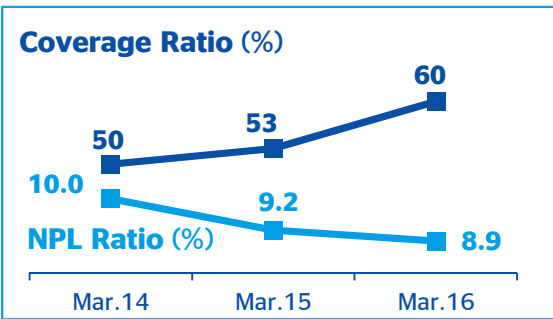
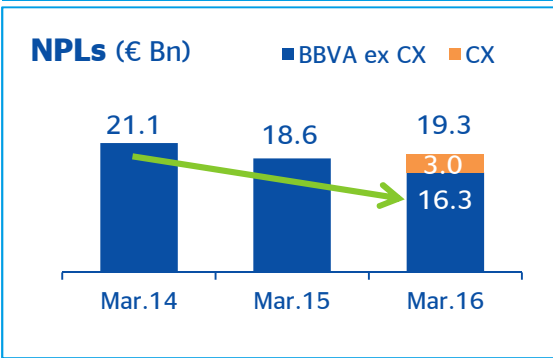
A portfolio mix biased to residential mortgages

Performing loans breakdown ⁽¹⁾
Mar.16



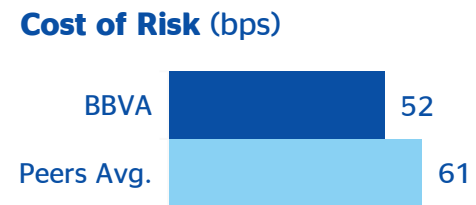
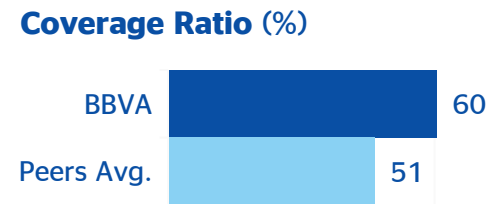
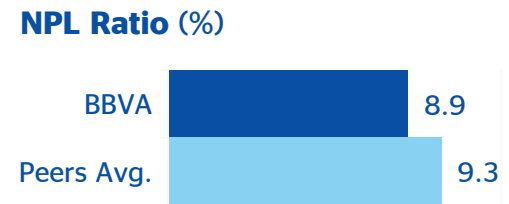
Total performing loans:
€ 178 Bn

2016e CoR < 60bps, a conservative guidance



Better asset quality than peers

Asset quality indicators ⁽³⁾
Mar.16



(1) Excluding Repos. (2) Very small businesses. (3) Including Banking Activity in Spain and Real Estate loans. Peers include: Bankia, Bankinter, Caixabank, Popular, Sabadell and Santander.

USA

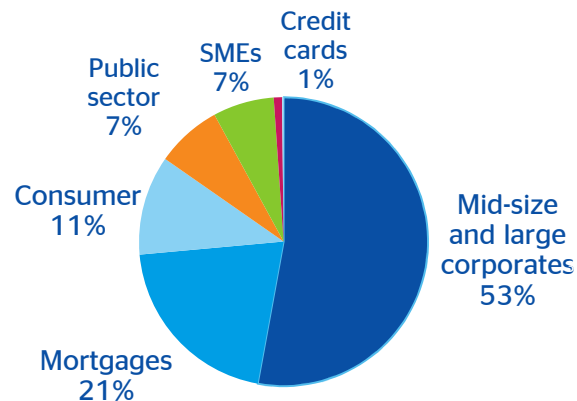
Risk indicators impacted by Oil & Gas sector

Growth biased to commercial and consumer portfolios

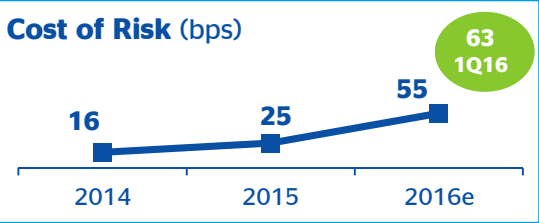
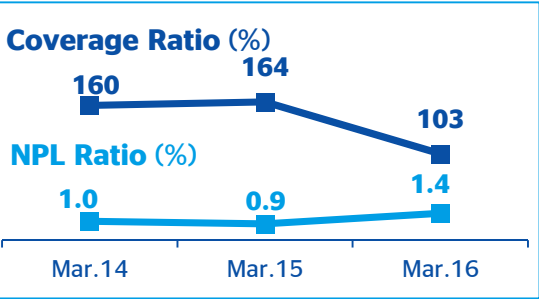
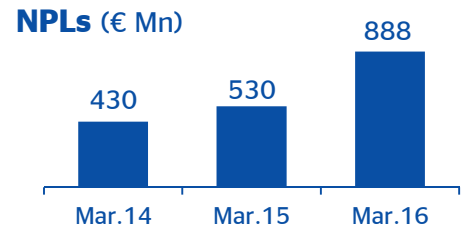
Risk indicators setback from historically low levels

Closely monitoring BBVA Compass' Oil & Gas portfolio

Performing loans breakdown ⁽¹⁾
Mar.16



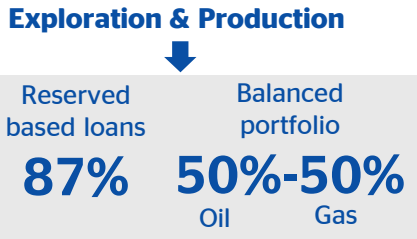
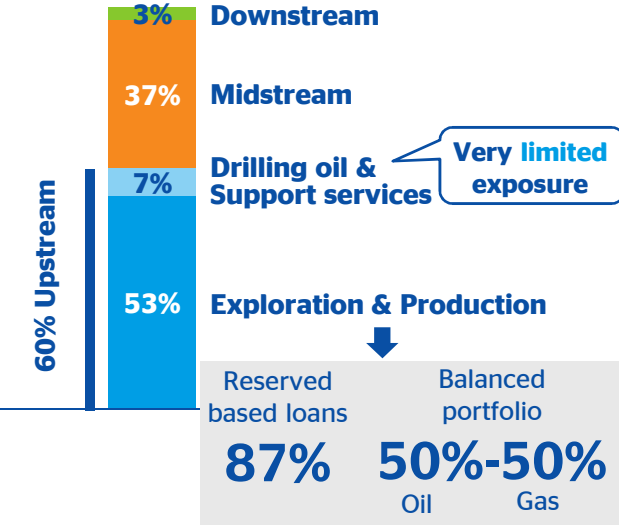
Total performing loans:
€ 58.2 Bn



Key figures
Mar.16



Subsector breakdown
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Revision of 2016e CoR guidance to 55 bps

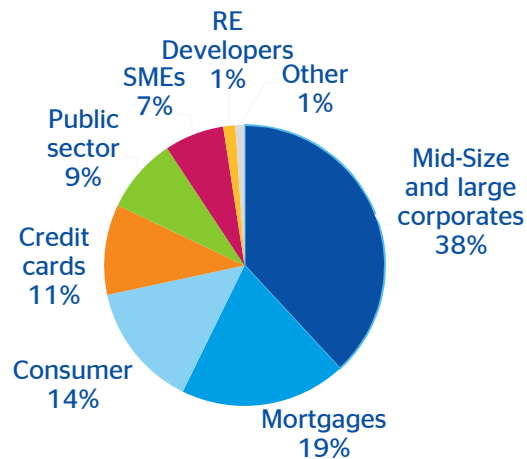
(1) Excluding Repos. (2) Funded exposure.

BBVA Bancomer

Focus on profitability, having asset quality in mind

Retail growth rate accelerating to reach a pace similar to commercial

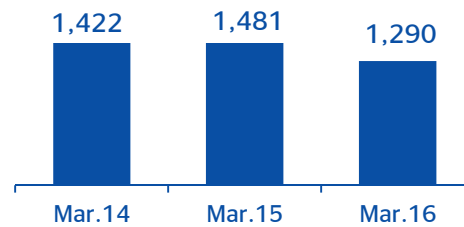
Performing loans breakdown (1)
Mar.16



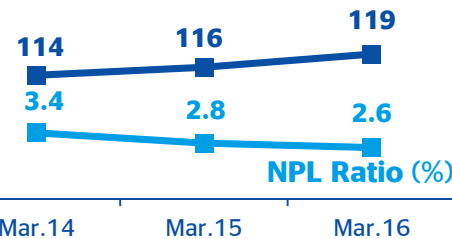
**Total performing loans:
€ 47.6 Bn**

2016e CoR to slightly deteriorate to ~ 350 bps

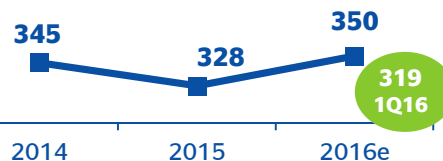
NPLs (€ Mn)



Coverage Ratio (%)



Cost of Risk (bps)



Maintaining better asset quality than peers

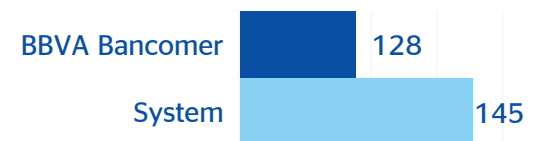
Asset quality indicators (2)

Local criteria data (Mar.16)

NPL Ratio (%)



Coverage Ratio (%)



Cost of Risk (bps)



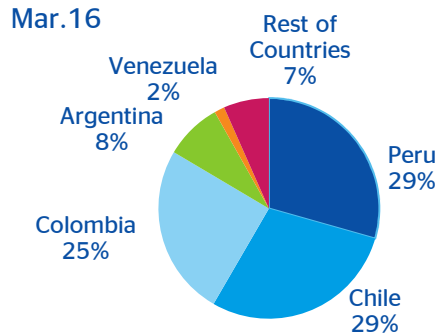
(1) Excluding Repos. (2) Source: CNBV. System's data exclude BBVA Bancomer.

South America

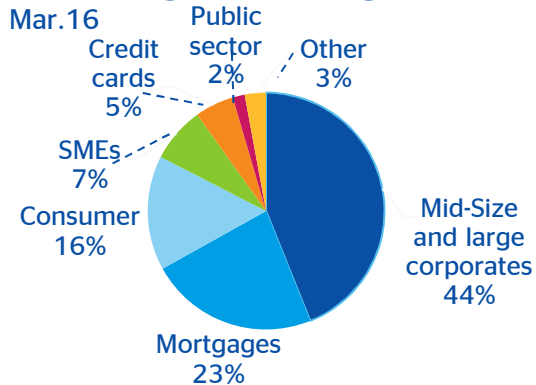
Sound asset quality despite lower GDP growth

A loan portfolio biased to the Andean region and commercial segments

Performing loans by country (1)

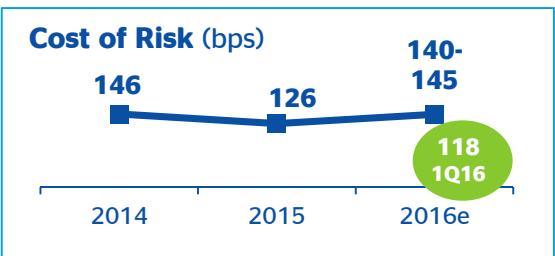
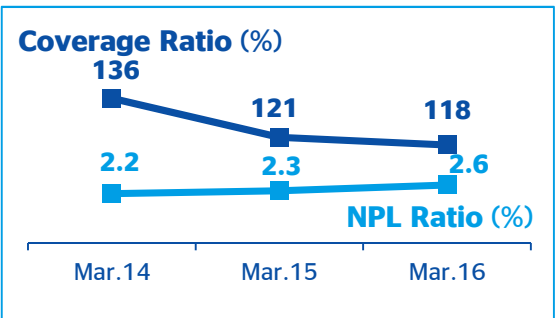
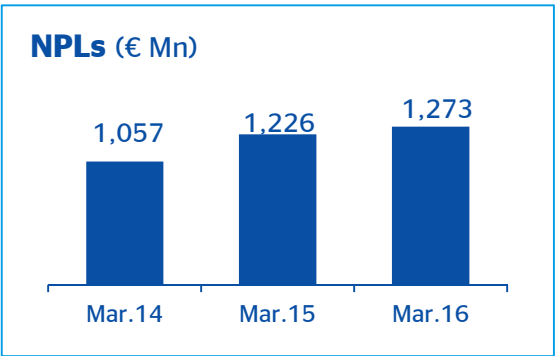


Performing loans by segment (1)



Total performing loans: € 42.7 Bn

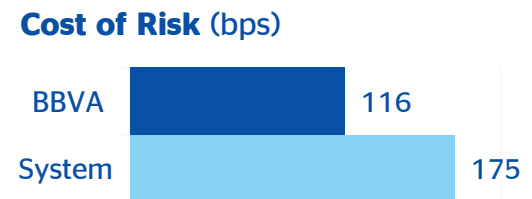
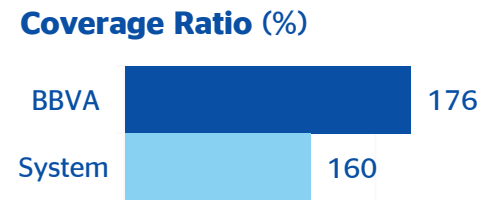
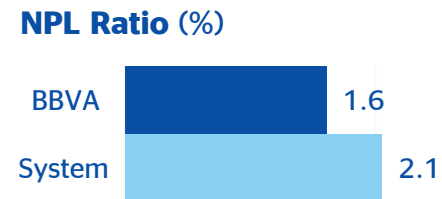
Limited impact of macro headwinds: 2016e CoR - 140 -145 bps (+15/20 bps vs. Dec. 15)



Better asset quality than peers' average in every country

Asset quality indicators (2)

Local criteria data (Jan. 16)



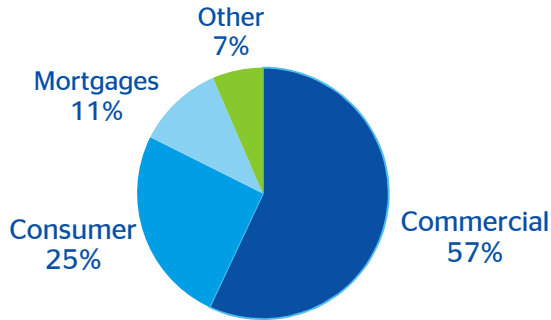
(1) Excluding Repos. (2) Source: Local Superintendencies. System's data exclude BBVA.

Garanti

Well-positioned to cope with short-term volatility

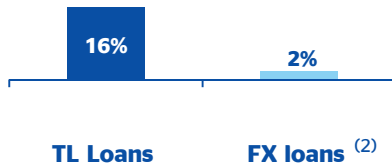
Selective lending strategy

Performing loans breakdown ⁽¹⁾
Mar.16



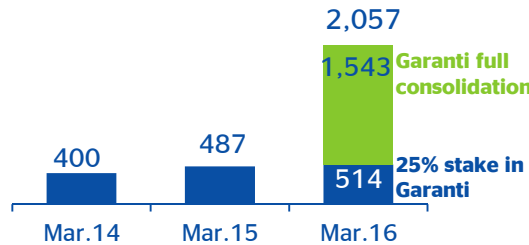
**Total performing loans:
€ 56.9 Bn**

YoY Performing loans growth
Mar.16

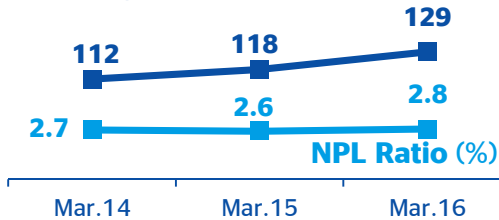


Stability of 2016e CoR ~ 110 bps

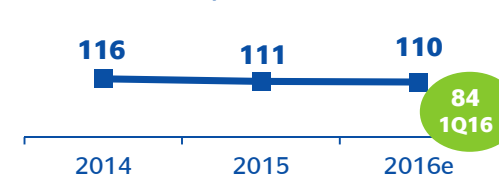
NPLs (€ Mn)



Coverage Ratio (%)



Cost of Risk (bps)



Maintaining better asset quality than peers

Asset quality indicators ⁽³⁾
Local criteria data (Mar.16)

NPL Ratio (%)



Coverage Ratio (%)



Net Cost of Risk (bps)



(1) Excluding Repos. (2) In US\$. (3) Peers include: Akbank, Halkbank, Isbank, Vakif Bank and Yapi Kredi. (4) Excluding collateral re-assessment related extra provision.

4

Conclusions

Takeways

1

Well-established and **fully integrated**
Risk Management model

2

A **client driven** business in a **well-diversified** footprint

3

Medium-low risk profile

4

Resilient risk indicators



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