BBVA

BBVA Group

Erik Schotkamp, Capital & Funding Management Director

Deutsche Bank - 2015 Yankee Bank Conference

September 2015

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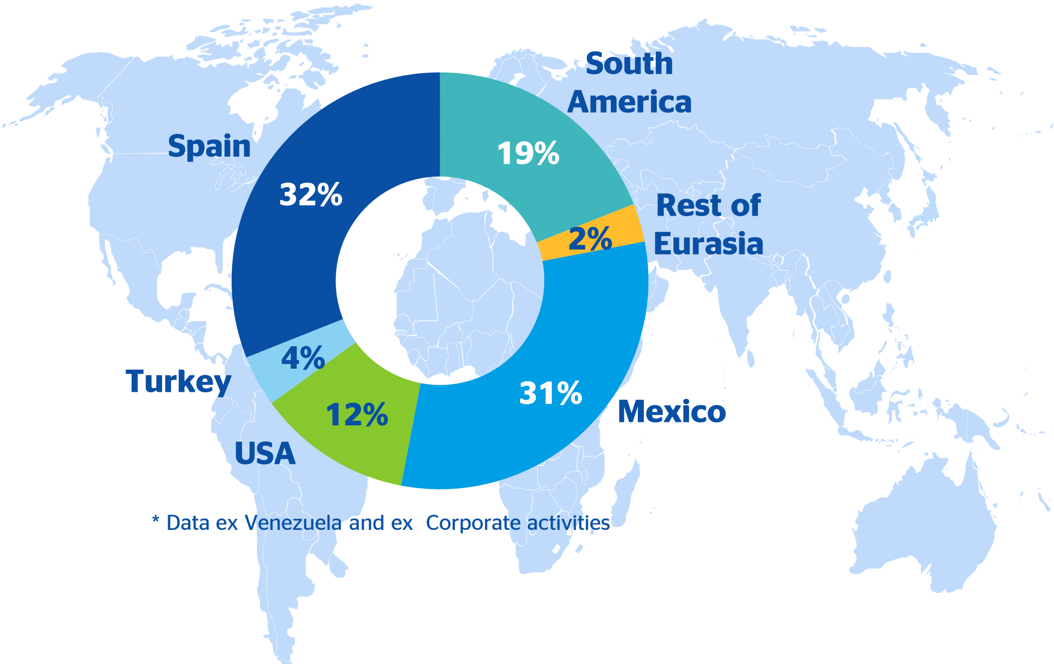
A balanced and well-diversified footprint supported by leading franchises

BBVA Group's 1H15 Gross Income
Breakdown by business area



* Data ex Venezuela and ex Corporate activities

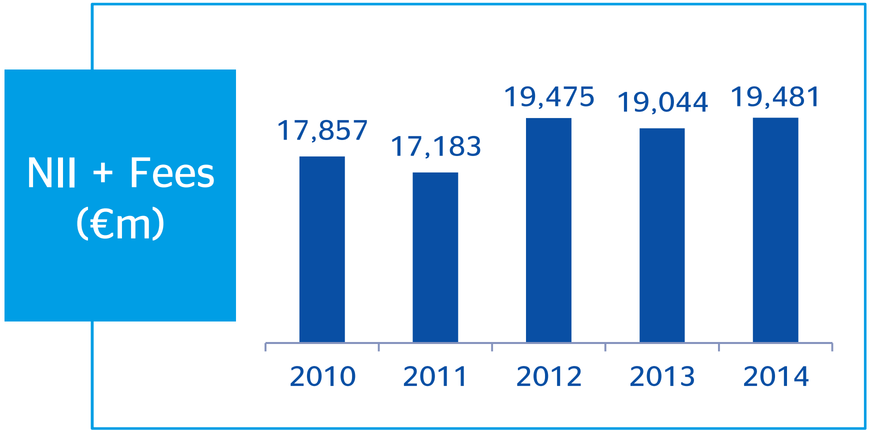
Market share and ranking by loans
Detail by country (1)

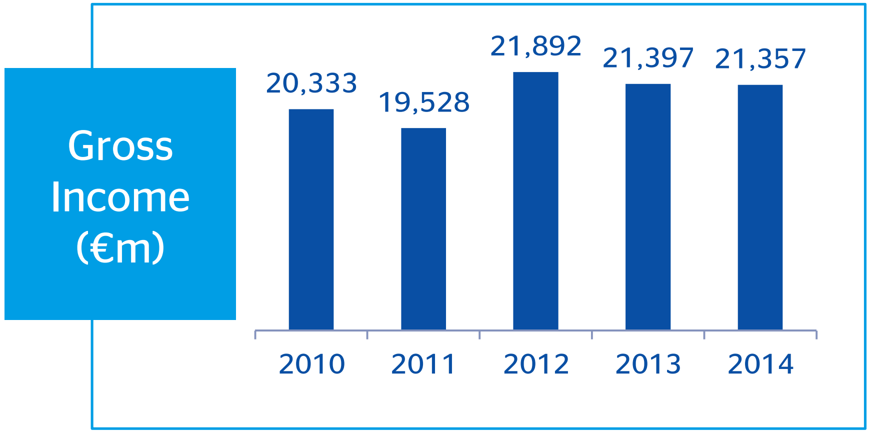
	Market share (%)	Ranking (#)
Mexico	24.1%	1st
Spain	14.7%	2nd
USA (Sunbelt)	6.2%	4th
Turkey	11.8%	2nd
South America (ex Brazil)	10.3%	1st

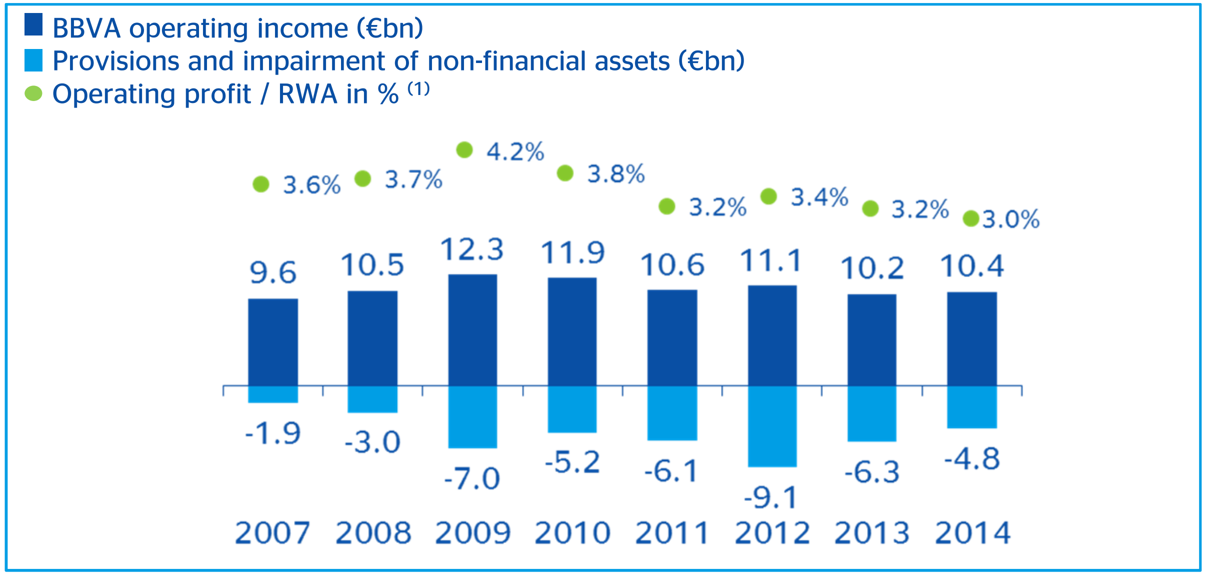
> 90% of gross income coming from investment grade countries (3), biased to Spain and Mexico

(1) Spain: Other domestic sector and public sector data as of June, 2015 (BBVA+CX). Mexico: data as of July, 2015; South America: market share as of May, 2015; ranking as of June, 2015, considering only our main peers in each country. USA: data as of June, 2014, market share and ranking by deposits considering only Texas and Alabama; Turkey: BRSA data for commercial banks as of June, 2015; (3) Investment grade countries: Spain, USA, Mexico, Chile, Colombia, Peru, Uruguay, China, Turkey (except by S&P) and rest of Europe; Non-investment grade countries: Portugal, Argentina, Paraguay and Venezuela.

Diversification has allowed BBVA to maintain recurring revenues, even during the crisis …







Ability to cover losses even under stressed scenarios

(1) Proforma 2013 considering BIS3 RWA = 3.0%

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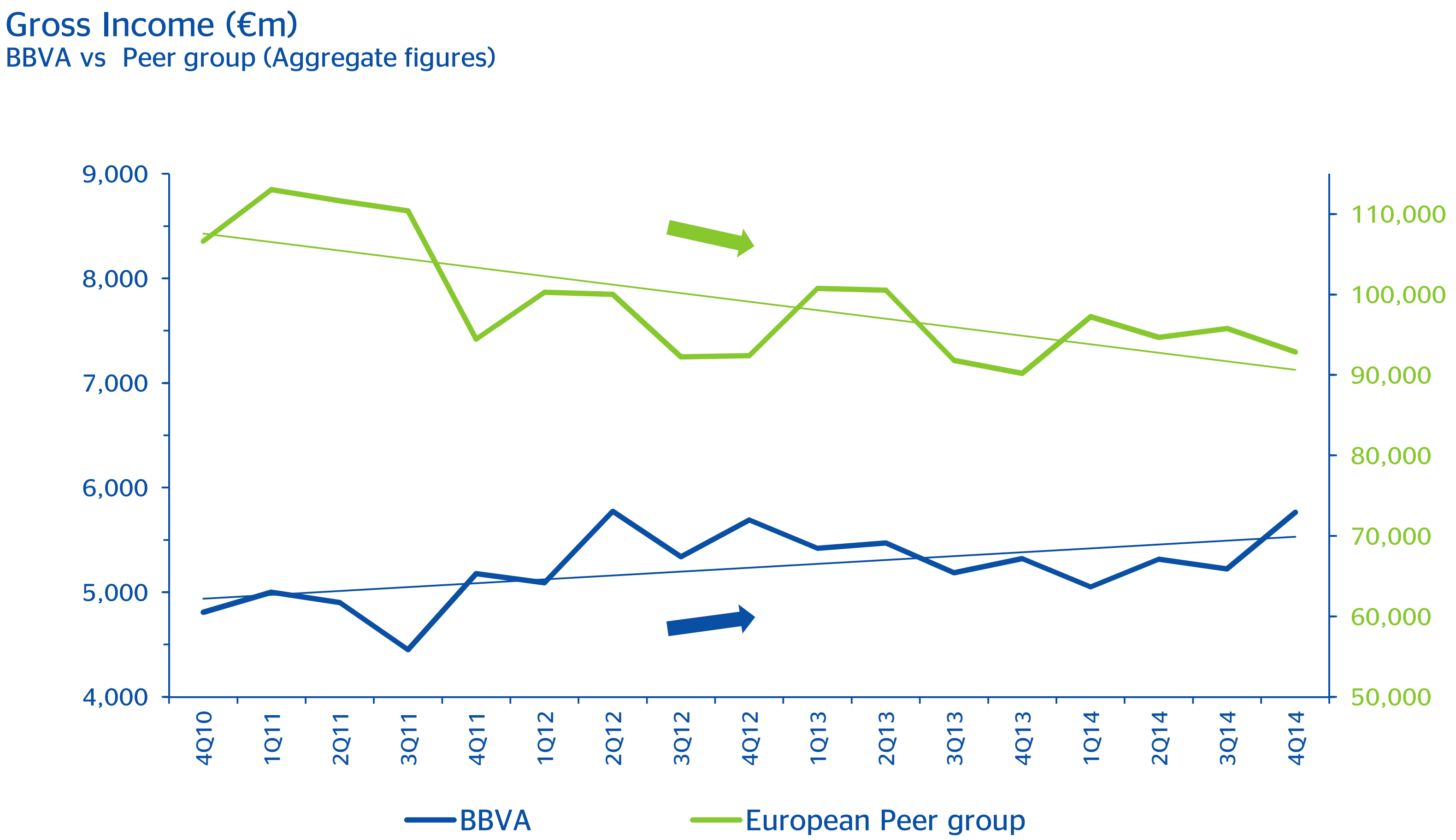
… bucking the trend of its European peers



European peer group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCG.

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Recent operating trends support underlying recurring growth

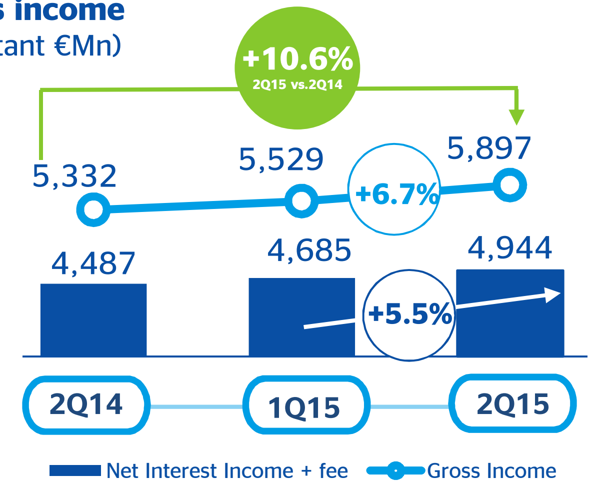
Strong Activity

Activity Growth [1]
(Jun14 vs Jun15)

Lending	Cust. Funds
13.6%	18.3%

Upward trend in revenues

Gross income
(Constant €Mn)



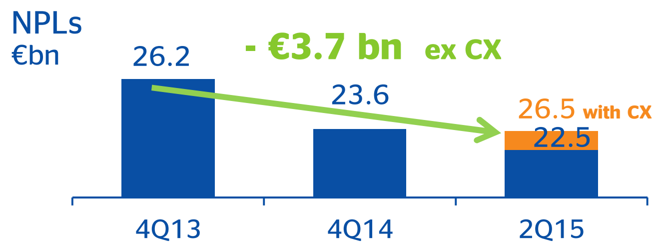
Profit growth

1H2015, constant € Mn

		YoY Growth
Gross Income	11,426	+10%
Operating Income	5,742	+14%
Net Attrib. Profit	2,749	98%
Net Attrib. Profit (ex. corporate operations)	2,022	+46%

Risk indicators improving

NPL ratio	Coverage ratio
5.5%	65%
6.1% with CX	72% with CX



Note: Figures exclude Venezuela and include CX. (1) Activity excludes repos; Gross loans and advances to customers; customer funds include promissory notes

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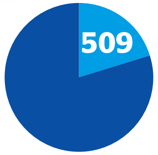
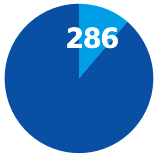
Solid franchises with positive dynamics

Net Attrib.[1] profit 1H15
€ Mn



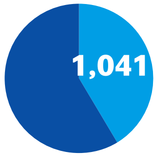
SPAIN [2]

- **New loan production growth**
- **Focused on diversified revenue sources and cost control**
- **Cost of risk[3]** downward trend: **80 – 85 bps in 2015e ; ~ 50 bps in 2017e**
- **Catalunya Caixa integration (adding €300Mn Net Attr. Profit before 2018)**



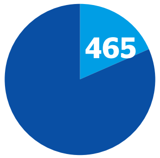
USA

- **Activity growth to remain solid**
- **Interest rates hikes as one of the main P&L drivers going forward**
- **Sound risk indicators**



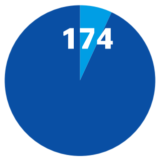
MEXICO

- **Double digit activity growth,** keeping **better asset quality than peers**
- **Portfolio mix change**
- Sound and **improving risk indicators**



SOUTH AMERICA

- **Activity growing at a sustainable level**
- **Venezuela: limited contribution to P&L** considering the application of Simadi



TURKEY

- **Market with huge potential**
- **Excellent spread management**
- **Sound asset quality**

(1) Ex Venezuela and ex Corporate Activities (2) Includes Real Estate Activity (3) Including RE and excluding CX

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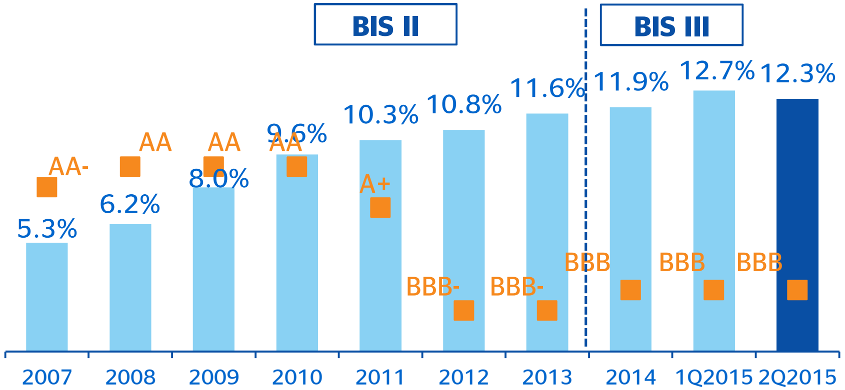
Solid capital position

Strong & Resilient Regulatory Ratios

Historical Core Capital ratios (%)

BBVA Group; S&P Ratings



€15.5 Bn → **x 2.8** → **€43.4 Bn**

Core

Core Capital CRD IV

2Q2015

12.3% (Phased-in)

10.4% (Fully-loaded)

Pro-forma [1]

Core Capital CRD IV

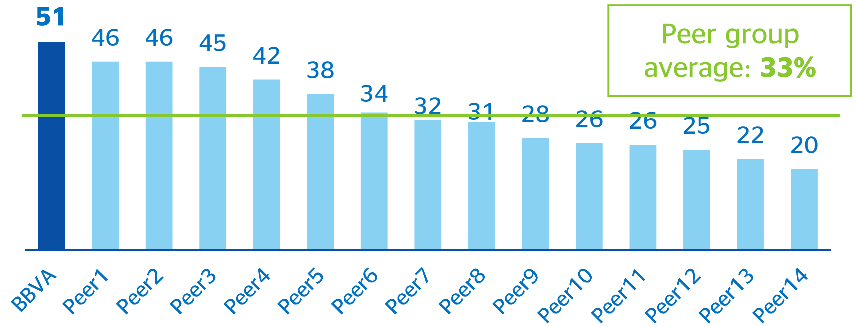
10.0%$_e$

(Fully-loaded)

High Quality Capital

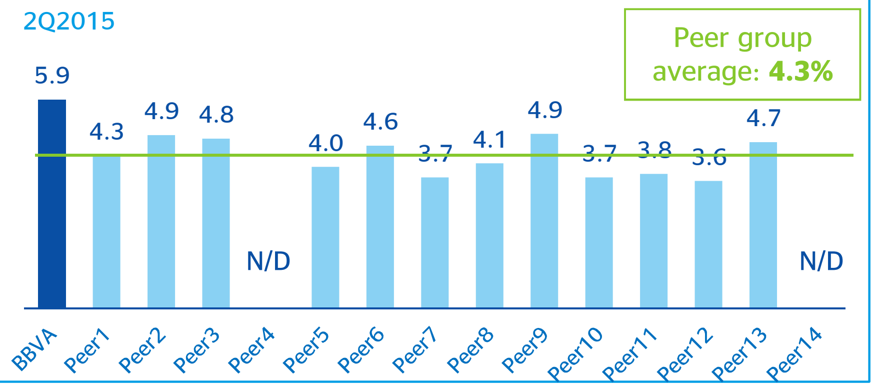
RWAs / Total Assets (%)

2Q2015



Leverage Ratio (%) [2]

2Q2015



(1) Pro-forma of corporate operations announced and pending to be closed as of June 30,2015 (Acquisition of Garanti and sale of CIFH) (2) Under CRDIV Fully-Loaded
European Peer Group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCG.

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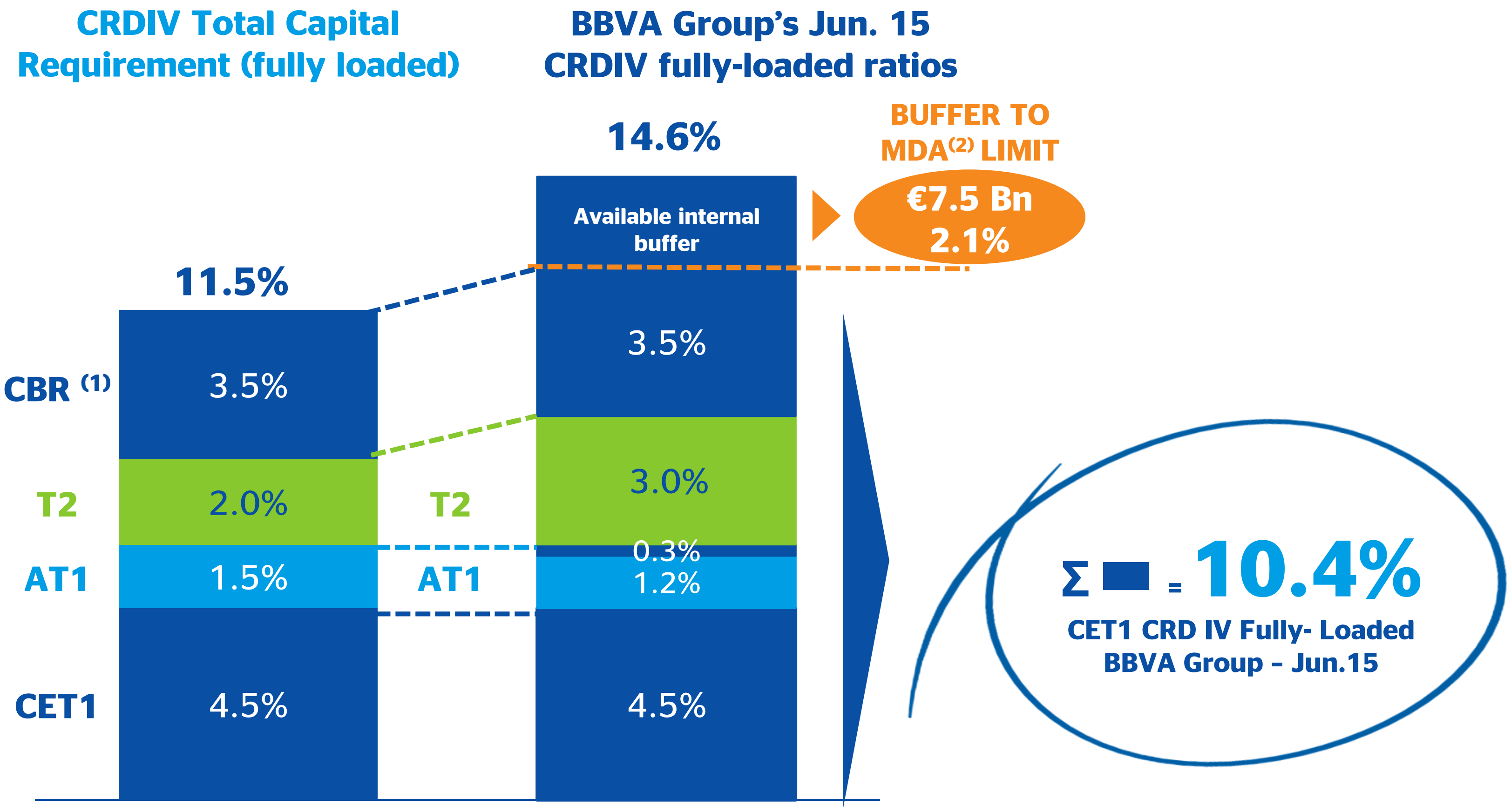
Strong and resilient regulatory capital ratios …

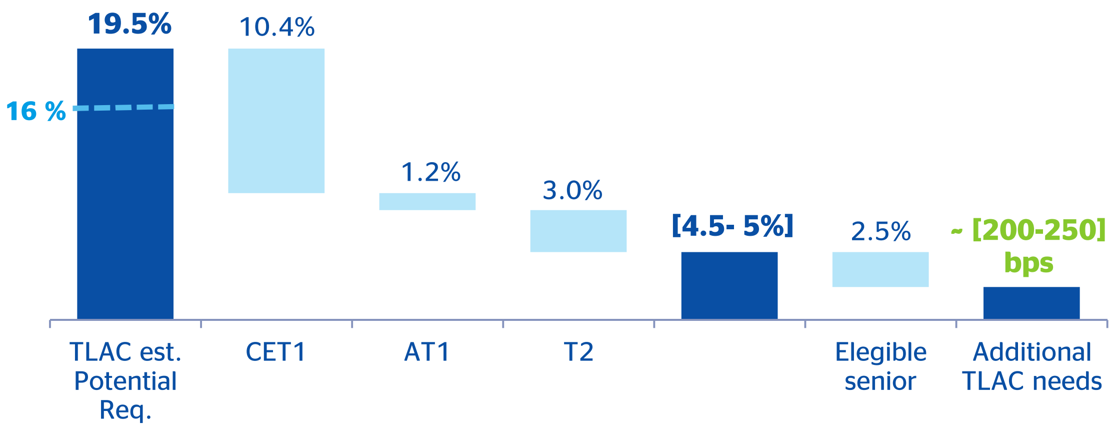


… reinforced by BBVA's proven ability to generate capital

(1) BBVA Group CBR (Combined Buffer Requirement) is currently expected to consist of 2.5% Capital Conservation Buffer (CCB) + 1% GSIB buffer (2) MDA: Maximum Distributable Amount.

TLAC expected to have a manageable impact on BBVA …

Estimated TLAC Walk-down for BBVA(1)
Fully-Loaded CET1 at a consolidated level as of Jun.2015



Other Considerations

- ✓ **Final calibration** subject to a **range: 16%-20%** (ex combined buffer requirement)
- ✓ **Garanti's** consolidation **& CIFH** sale will have an estimated impact of -40 bps(2)
- ✓ BBVA's structure predisposes **MPE as preferred resolution strategy**

… due to its strong capital position, maturity profile and demonstrated ability to access the market

(1) BBVA fully-loaded capital as of 2Q15. TLAC requirement calculated: 16% + 2.5% Capital Conservation Buffer + 1% GSIB Buffer; (2) To be recorded on 3Q15

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Sound liquidity position in all franchises thanks to BBVA's decentralized management model

- Independent ratings and liquidity management
- Market discipline and proper incentives
- Firewalls between subsidiaries and the parent company
- Supervision and control by parent company
- Proven resilience during the crisis

USA

Loan to deposits (Jun.15)
98%

Mexico

Loan to deposits (Jun.15)
95%

South America

Loan to deposits (Jun.15)
104%

BBVA

Active and successful FX hedging policy

1 Decentralized capital and liquidity management

- ✓ **Consistent with MPE resolution strategy**

2 Local capital covers local RWA

- ✓ **Natural hedge minimizes impact on CET1**

3 Hedging policy at a Group level, consists of:

BBVA Group's FX hedging policy
Goals

Reduce FX impact on Group's Net Income	**30% / 50%** of 12M expected FX Net Income hedged
Minimize Core capital Volatility	**40% / 50%** of the "excess" capital of subsidiaries hedged

No significant FX impact expected on 2015 core capital ratio

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Conclusions

A well diversified footprint supported by leading franchises

Demonstrated ability to generate significant and recurrent earnings

Strong capital ratios reinforced by a proven track record of capital generation

Appendix

BBVA Group ratings

BBVA's ratings (September, 2015)

MOODY'S		S&P		FITCH		DBRS		SCOPE	
Aaa		AAA		AAA		AAA		AAA	
Aa1		AA+		AA+		AA (high)		AA+	
Aa2		AA		AA		AA		AA	
Aa3		AA-		AA-		AA (low)		AA-	
A1		A+		A+		A (high)		A+	
A2		A		A		A	BBVA (st.)	A	BBVA (st.)
A3		A-		A-	BBVA (st.)	A (low)	Spain (st.)	A-	
Baa1	BBVA (st.)	BBB+		BBB+	Spain (st.)	BBB (high)		BBB+	
Baa2	Spain (+)	BBB	BBVA (st.) Spain (st.)	BBB		BBB		BBB	
Baa3		BBB-		BBB-		BBB (low)		BBB-	
Ba1		BB+		BB+		BB (high)		BB+	
Ba2		BB		BB		BB		BB	
Ba3		BB-		BB-		BB (low)		BB-	
B1		B+		B+		B (high)		B+	
B2		B		B		B		B	
B3		B-		B-		B (low)		B-	
(...)		(...)		(...)		(...)		(...)	

Non investment grade

(+) Positive outlook; (st.) Stable outlook; (-) Negative outlook

BBVA's rating trends improving since end 2013

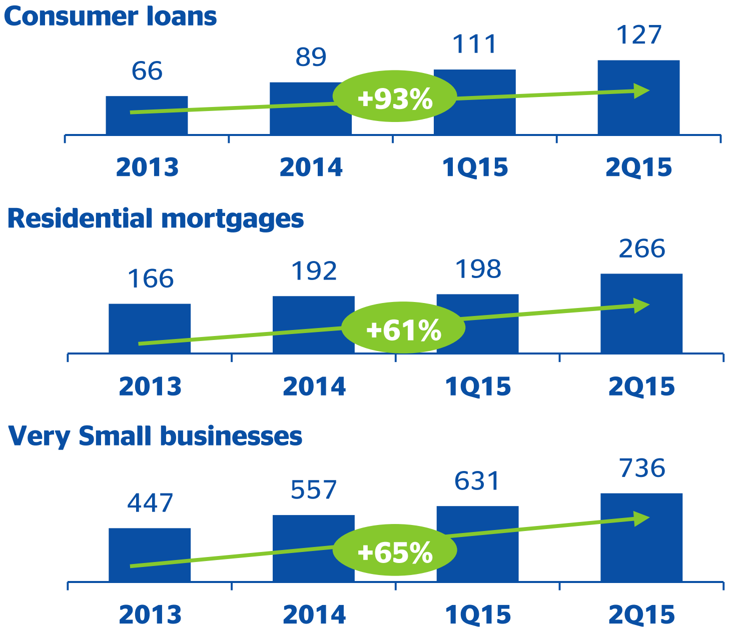
New methodologies are improving BBVA's absolute and / or relative rating position vs. peers

Moody's has recently upgraded BBVA's senior debt rating by 1 notch (from Baa2 to Baa1) and its deposits rating by 2 notches (from Baa2 to A3)

Banking activity in Spain: P&L recovery to continue

New loan production growth

New loan production (excl. CX)
Monthly average for the period, in €Mn

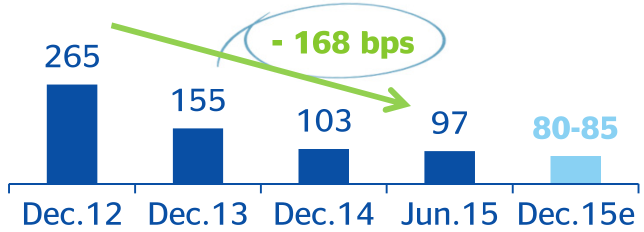


P&L

1H2015, € Mn		YoY
Gross Income	3,711	+10%
Operating Income	2,208	+12%
Net Attrib. Profit	809	+33%

Towards cost of risk normalization

Cumulative cost of risk (bps) (excl. CX)
Banking Activity + RE developers loans



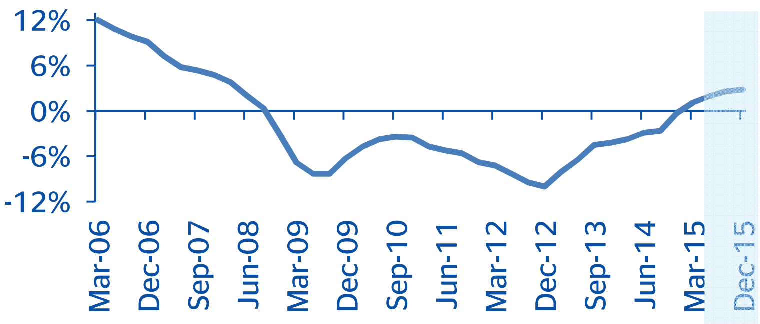
GDP in Spain expected to grow 3.2% in 2015 and 2.7% in 2016

CX integration will add €300Mn Net Attributable Profit before 2018

Real Estate: 2014, the turnaround year

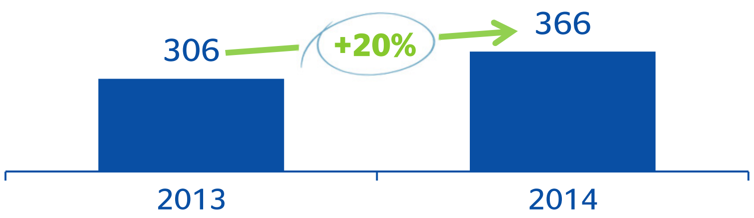
Improving market indicators

Residential home prices
%, YoY



Source: BBVA estimates based on Ministry of Public Works and Transport data.

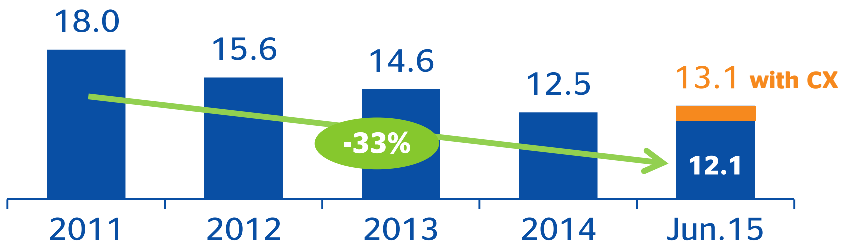
Residential housing demand
Housing transactions - in thousands



Source: General Council of Spanish Notary Publics

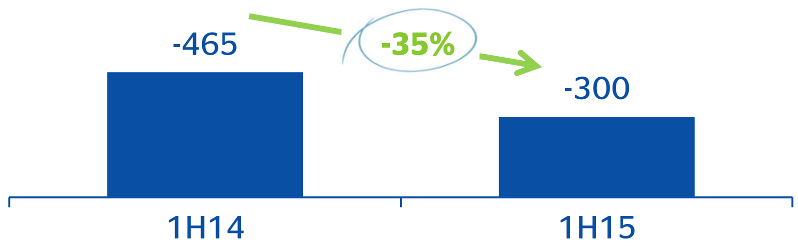
Reduction of BBVA's net exposure to RE

BBVA net exposure to RE
Bank of Spain's RE transparency scope (€ Bn)



RE Net attributable profit

BBVA RE net attributable profit
€ Mn



Limited negative P&L contribution expected in 2016

USA: a growing franchise

Activity dynamism (1)

Constant €, average balances, YoY
Jun.14 vs. Jun.15

Lending (2) **+12.9%**

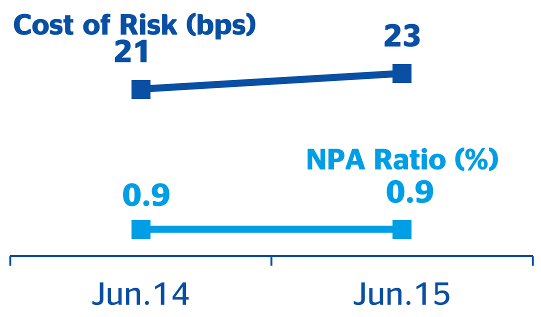
Customer Funds **+9.0%**

Higher contribution to the Group

1H2015, constant € Mn

		YoY
Gross Income	1,332	+5%
Operating Income	449	+13%
Net Attrib. Profit	286	+19%

Sound risk indicators

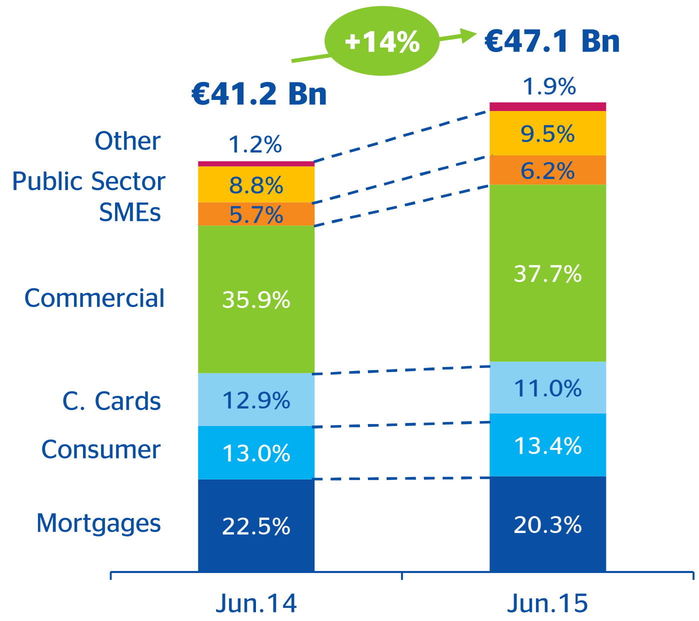


(1) Activity excludes repos; customer funds includes promissory notes (2) Gross loans and advances to customers.

Mexico: Leaders in a high potential growth market

Double-digit activity growth, biased to the commercial segment

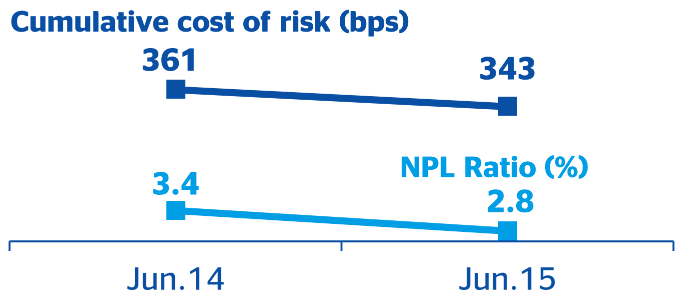
Total performing loans growth
Jun. 15 vs. Jun.14



Dynamic growth in all P&L lines

1H2015, constant € Mn		YoY
Gross Income	3,558	+7%
Operating Income	2,248	+7%
Net Attrib. Profit	1,041	+9%

Sound and improving risk indicators



Significant and recurrent contributor to BBVA Group's P&L

Better profitability and asset quality than local peers

South America: a highly diversified footprint within the region

Activity dynamism

Constant €, YoY
Jun.14 vs. Jun.15

Lending [1] **+12.2%**

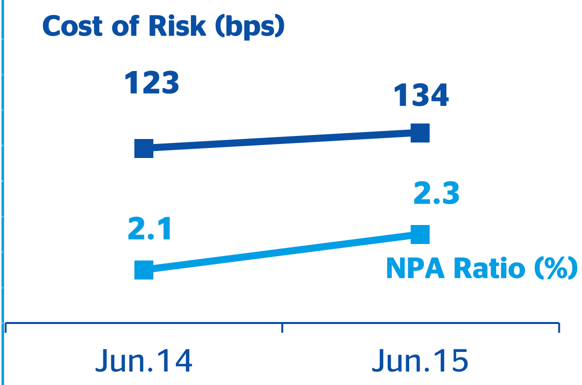
Customer Funds [2] **+14.5%**

Strong P&L growth

1H2015, constant € Mn, Ex Venezuela

		YoY
Gross Income	2,169	+12%
Operating Income	1,189	+11%
Net Attrib. Profit	465	+8%

Contained asset quality deterioration



Transformation of the distribution network on track

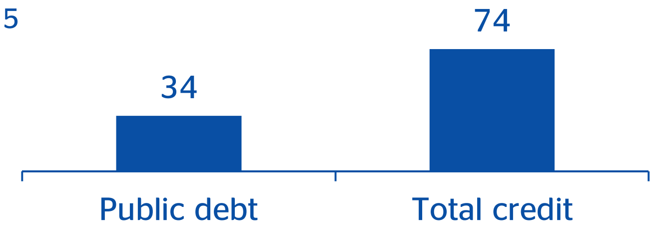
Venezuela: Limited contribution to P&L after the application of Simadi in 1Q2015

Note: Figures exclude Venezuela unless stated otherwise. (1) Gross loans and advances to customers excluding repos. (2) Including promissory notes and excluding repos. (3) Data as of April / May, 2015. Figures according to local criteria.

Turkey: Garanti boosts BBVA's long-term growth

Market potential intact

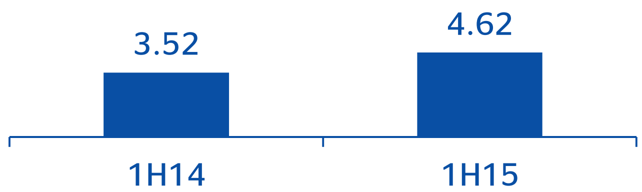
Low leverage and bank penetration, % GDP
Mar.15



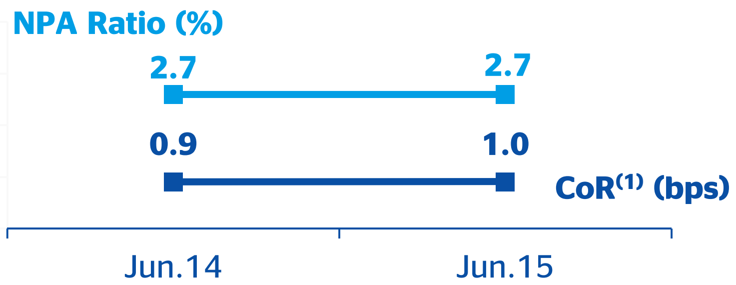
Source: BBVA Research

Excellent spreads management

Loan-to-deposit spread, %
Jun.14 vs. Jun.15



Sound asset quality



Increasing contribution to P&L

1H2015[2], constant € Mn		YoY
Gross Income	510	+12%
Operating Income	289	+9%
Net Attrib. Profit	174	+9%

Despite short-term headwinds, market potential remains intact

Successful customer spread management whilst asset quality holds up well

(1) Net cost of risk, including recoveries (2) Stake of 25.01% in Garanti, as of end-June 2015.

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