

BBVA



BBVA - Thinking Ahead

Morgan Stanley European Financials Conference 2016

London, March 16th 2016

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- 2 Our Transformation Journey
- 3 BBVA Strengths
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1

Reshaping of the Financial Industry

The Financial Industry has a Profitability Issue

Banks ROE Evolution (%)



Source: BBVA; Banks in peer group: Santander, Deutsche, Commerzbank, BNPP, SocGen, CASA, Intesa, Unicredit, HSBC, Barclays, Royal Bank of Scotland, Lloyds, UBS y Credit Suisse, Citigroup, Bank of America, JP Morgan y Wells Fargo.

Complex macro environment

Regulatory pressure

Heavy cost structures

Undifferentiated offer

Banking Changing at a Fast Pace

New players attacking parts of the value chain

Payments



Lending



Wealth Management



New technological developments

Big Data



Blockchain



Cloud



A.I.



Unbundling by new players: category killers

Superior value proposition

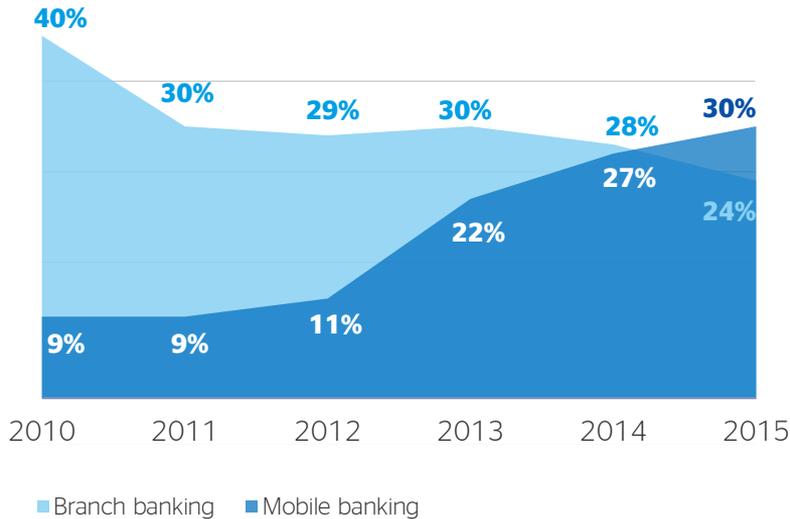
Lower cost of operations

Lower barriers for customers to switch

Customers want to Bank Through the Mobile

Mobile Banking Exceeds Branch Banking

Percentage of banked customers - US



Source: 2015 GA Javelin LLC

Exponential growth of mobile banking

Distribution model under disruption

Banking anytime, anywhere

Unsatisfied demand

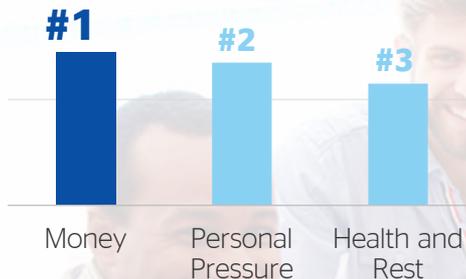
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Our Transformation Journey

Redefining Our Value Proposition:

Having a true impact on people's lives and companies' businesses

Major Causes of Stress



Source: GfK survey among 22 countries - multiple answers

- ✓ Assist our customers in their business and throughout their financial life
- ✓ Help them achieve their goals
- ✓ More than a bank, engine of opportunity

Our purpose is to bring the age of opportunity to everyone

Six Strategic Priorities

1



New standard in customer experience

2



Drive digital sales

3



New business models

4



Optimize capital allocation

5



Unrivaled efficiency

6



A first class workforce

Focused on Providing the Best Customer Experience

Ambition of becoming leaders in customer satisfaction

Relationship Model

Seamless across channels

Design

New Design and UX capabilities

Data

Leveraging data to customize value proposition

New functionalities

Revolution of the small things

NPS

Position in ranking peer group



Source: BBVA; Peer Group: Spain: Santander, CaixaBank, Bankia, Sabadell, Popular/ USA: Bank of America, Bank of the West, Comerica, Frost, Chase, Regions, US Bank, Wells Fargo // Mexico: Banamex, Santander, Banorte, HSBC// Peru: BCP, Interbank, Scotiabank// Argentina: Banco Galicia, HSBC, Santander Rio// Colombia: Bancolombia, Davivienda, Banco de Bogotá// Chile: BCI, Banco de Chile, Santander // Venezuela: Banesco, Mercantil, Banco de Venezuela

Driving Digital Sales and Launching Digital Products

- ✓ Digital Onboarding
- ✓ One-click products
- ✓ Digital offer

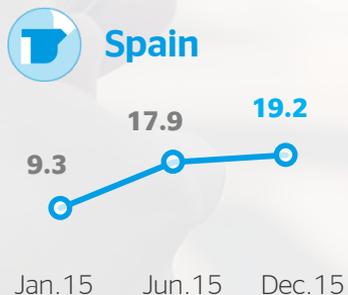
BBVA Wallet



Digital customers
+19%
Growth from Dec-14 to Dec-15 (total 15Mn)

Mobile customers
+45%
Growth from Dec-14 to Dec-15 (8.5Mn)

Consumer Loans Sold Digitally (%)



Source: BBVA

Digital Investments & Partnerships



BizDev
Partnerships
& In-house Dev.



Investments

Venture Capital

Direct Investments



Acquire
Digital M&A



sum up

500
STARTUPS



PERSONAL
CAPITAL

PROSPER

RADIUS

Ribbit Capital



taulia



Atom



SIMPLE



HOLVI

SpringStudio



soluciones
MADIVA

Technology Driving Efficiency

Technological levers

Infrastructure
Lower and variable cost of structures

Software
Development of global components + Agile

Process automation

Moving to more efficient channels

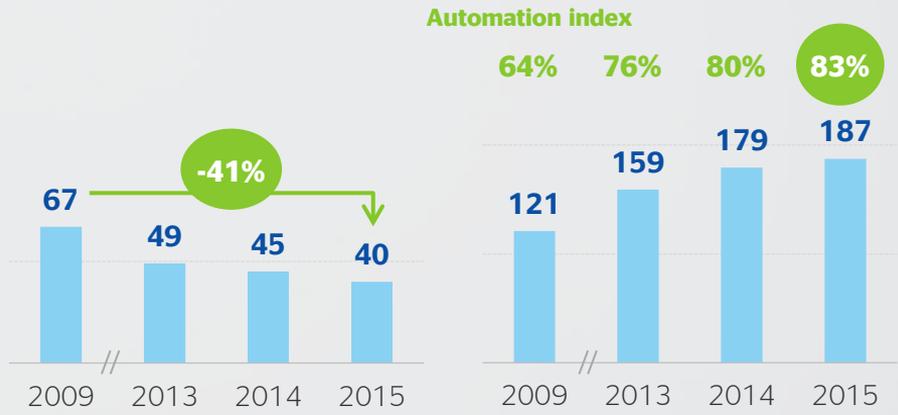
✓ **Web**

✓ **Mobile**

✓ **Remote managers**

Branch transactions
Millions - BBVA Spain

Other Channel transactions
Millions - BBVA Spain

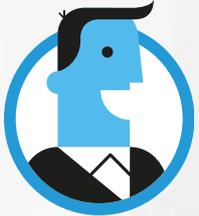


Source: BBVA; Automation index= Other Channel transactions/ Total transactions

Remote managers: **+23%** customers in portfolio vs. branch managers

Aspirational Goals

Customers



- Lead NPS in all markets
- Achieve accelerated customer growth rates

Business Model



- Most of our business done digitally
- Digital expansion into new markets

IT



- Significantly reduce average IT cost per customer / year
- Improve productivity one order of magnitude
- Scalable infrastructure

Profitability

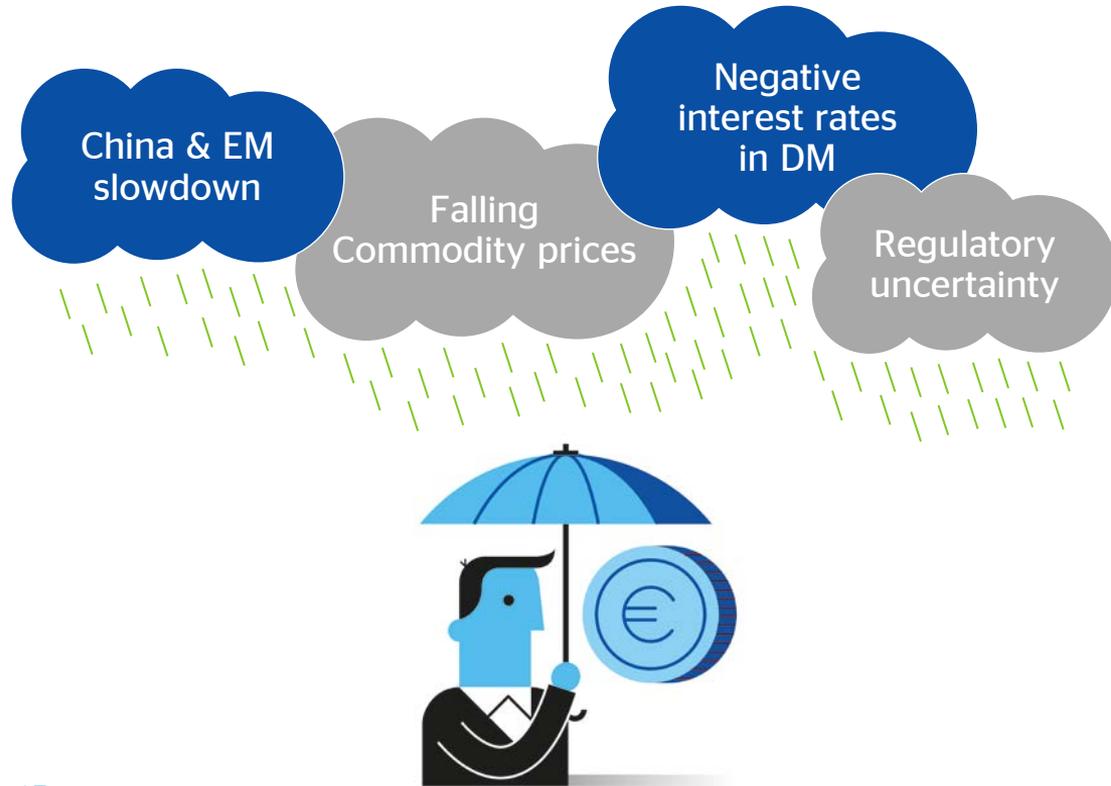


- ROTE in mid teens

3

BBVA Strengths

Resilience in a Difficult Environment

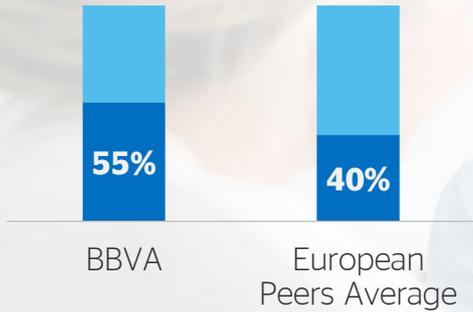


BBVA Strengths

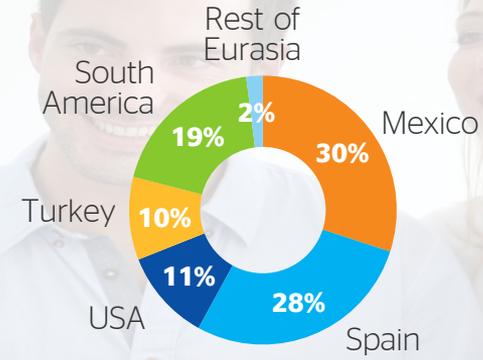
- ✓ Attractive business model
- ✓ Solid risk management
- ✓ Sound capital position
- ✓ Superior earnings power

An Attractive Business Model

Customer-Centric
Net loans to Total Assets⁽¹⁾ (%)
 December 2015



Geographically diversified
Gross Income breakdown
 12M15 (%)⁽²⁾



Resilient earnings
Gross income evolution
 Base 100= 2009



(1) Figures as of December, 2015 except for CMZ (as of September, 2015). (2) Excluding the Corporate Center. (3) European Peer Group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCG.

Ensures resilience and low volatility of earnings

A Solid Risk Management Model

NPL ratio



Coverage ratio



Cost of Risk



Dec. 13

Dec. 14

Dec. 15

Risk framework

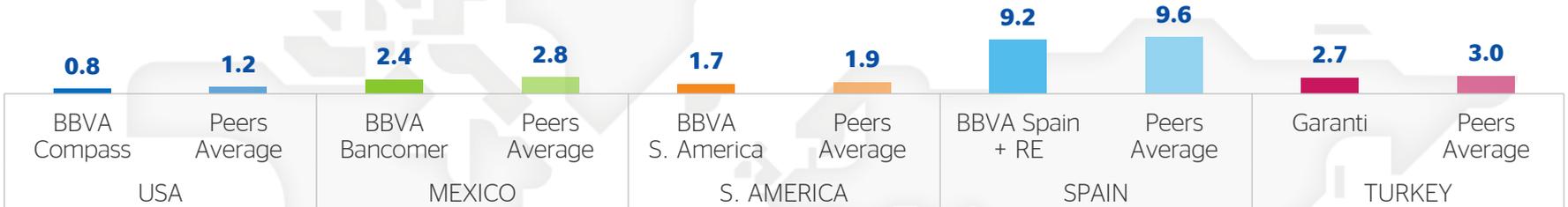
A Risk Management model based on **prudence** and **proactivity**

Risk Management Goal

To preserve the Group's **solvency**, support its **strategy** and ensure **business development**

A Prudent Risk Profile

2015 NPL ratio (%)



2015 Cost of Risk (bps)

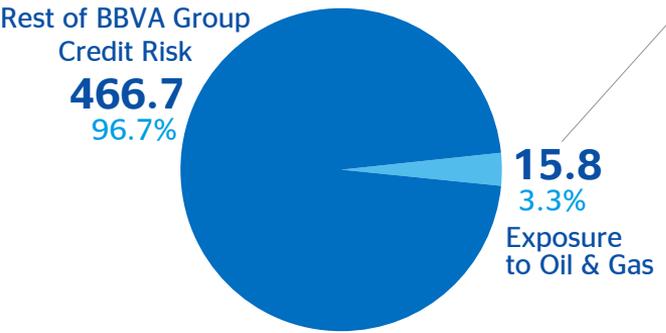


Figures according to local data to ensure comparability as of December 2015 (except for South America: Chile (Sept. 2015); Argentina (Oct.2015); Colombia & Peru (Nov.2015); Paraguay & Venezuela (Dic.2015); Uruguay (n/a)). USA figures refer to Compass for comparison purposes.

Limited Exposure to the Oil & Gas Sector

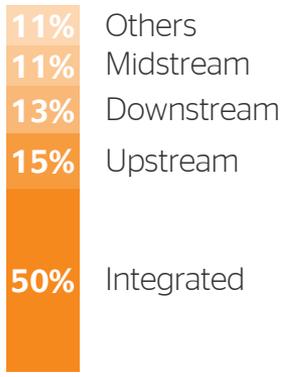
Oil & Gas credit exposure⁽¹⁾

Dec.2015 (€Bn)



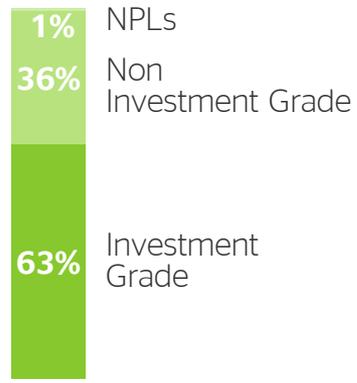
By subsegment

€15.8 Bn

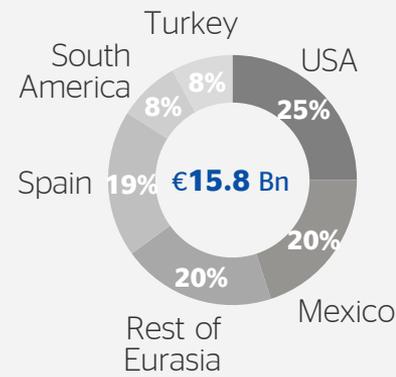


By rating

€15.8 Bn



By Business Area



- ✓ ~65% exposure to **Investment Grade** companies
- ✓ ~50% to **Vertically integrated** major oil companies
- ✓ Limited exposure to the **Upstream business (15%)**, of which **~90% in Compass**

Closely monitoring Compass O&G portfolio
€3.5 Bn, 6% of Compass Credit Risk

(1) Considers Funded Exposure + Contingent risks (excludes Unfunded amounts: €8.9Bn as of December 2015)

Sound Capital Position

CET1 Capital Ratios (Dec.15)



2015 Organic Generation
>40 bps

2017 CET1 FL target
11%

2016 Buffer to MDA
+235 bps

RWAs/ Total Assets (Dec.15)



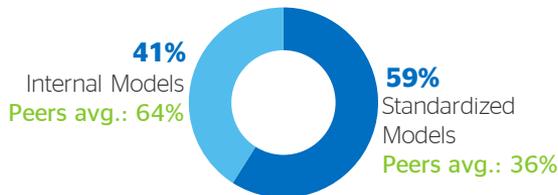
Leverage ratio (Dec.15)



RWAs: breakdown by type of risk⁽¹⁾



Credit Risk RWAs: breakdown by Model⁽¹⁾



Solid capital ratios & proven ability to generate capital

High Quality Capital

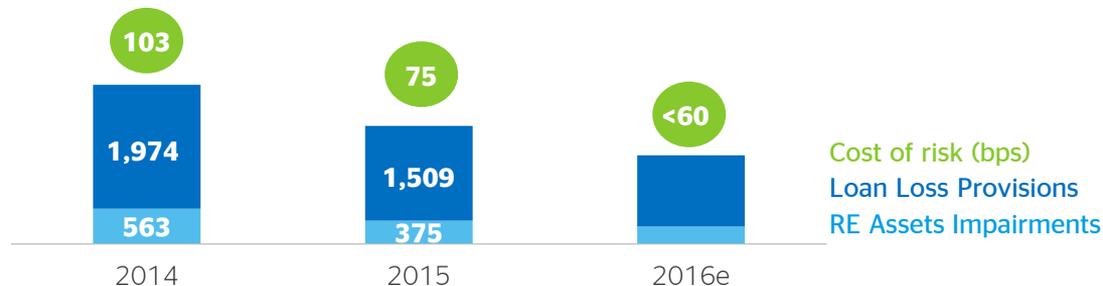
Strong position vs. regulatory developments

Spain

Provisions reduction, as the main P&L driver

Loan Loss Provisions, Cost of Risk and RE assets impairments

Spain Banking Activity + Real Estate, incl. CX (€ Bn, bps)



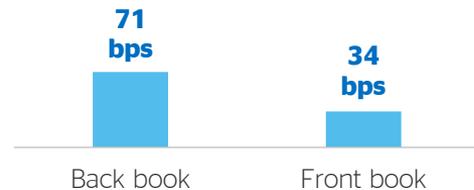
Customer deposits evolution

Spain Banking Activity (€ Bn)



Cost of time deposits

Spain Banking Activity, incl. CX (bps, Dec.15)



Levers in a low interest rate environment

Price management

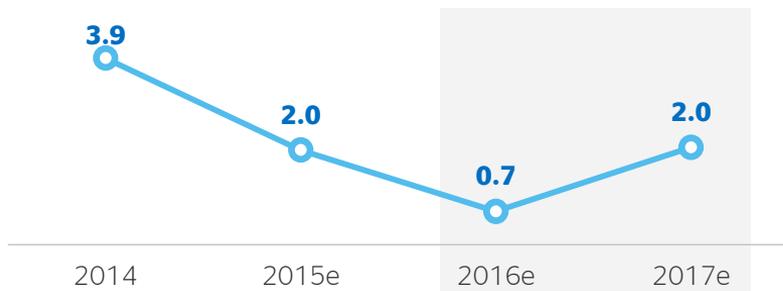
Focus on Fee income growth

Cost control (CX synergies)

Regional bank and digital challenger

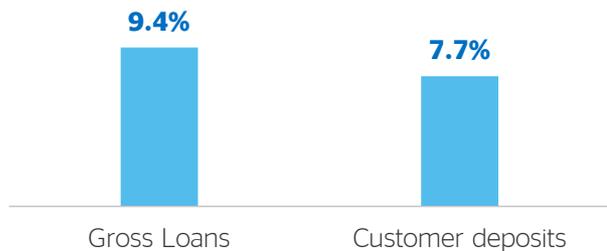
GDP Growth in BBVA Compass footprint⁽¹⁾

(%, BBVA Research)



Loans and Customer deposits growth

BBVA USA (% , yoy growth Dec.15, in constant €)



(1) Weighted GDP growth considering BBVA Compass loans in every State.

Trends

Despite macro slowdown, solid activity growth to remain, although < 2015

Modest 2016e CoR increase (+20bps) from historical low levels (2015 CoR: 25 bps)

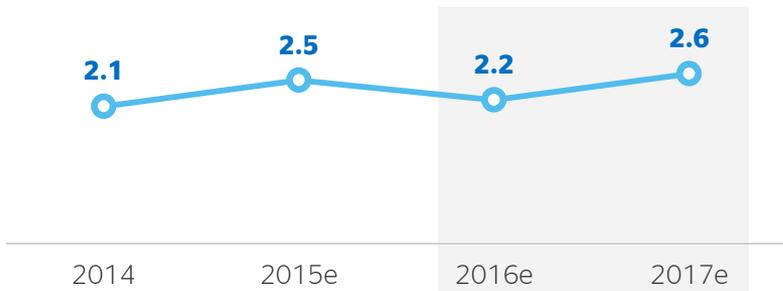
Well-positioned to benefit from future interest rate hikes

Mexico

Macro stability, growth potential & leadership

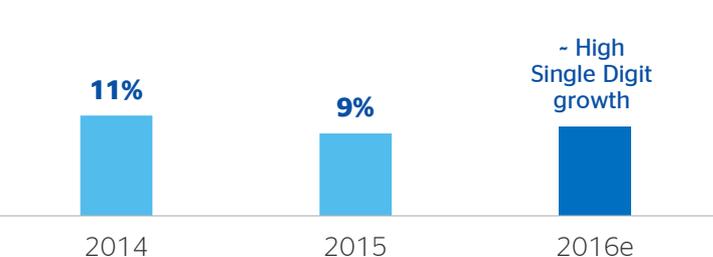
GDP Growth

(%, BBVA Research)



BBVA Bancomer Net Attributable Profit Growth

(%, in constant €)



€2,090Mn
2015
Net Attr. Profit

Trends

2016e Activity and Net Income growth expected to be in line with 2015

Change in mix towards retail segments

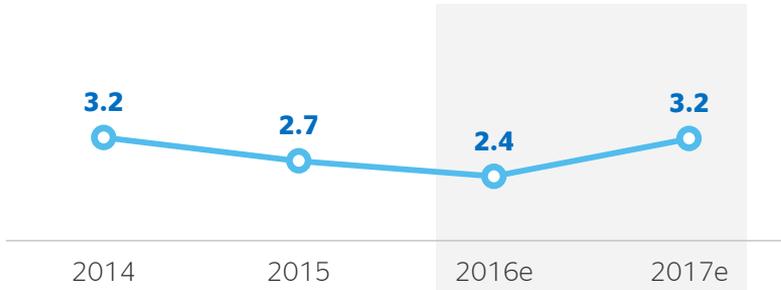
Sound asset quality to continue (2016e Cost of Risk: ~350bps)

South America

Sound and sustainable future growth

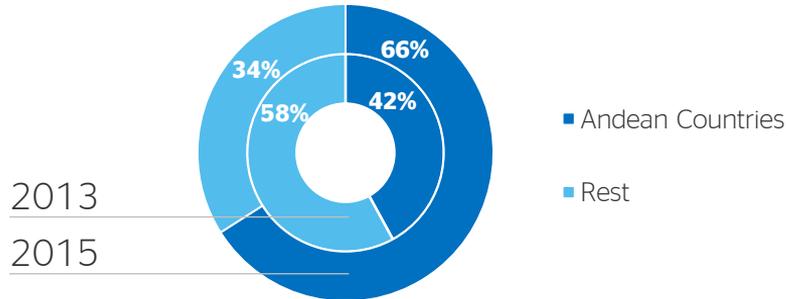
GDP growth (Andean countries: Chile, Colombia & Peru)

(%, BBVA Research based on GDP PPP weights)



Geographic breakdown of Net Attributable Profit

(%)



Trends

Despite macro slowdown, Andeans will grow > 2% in 2016e

Further improving the country mix in results (2/3rd Andeans)

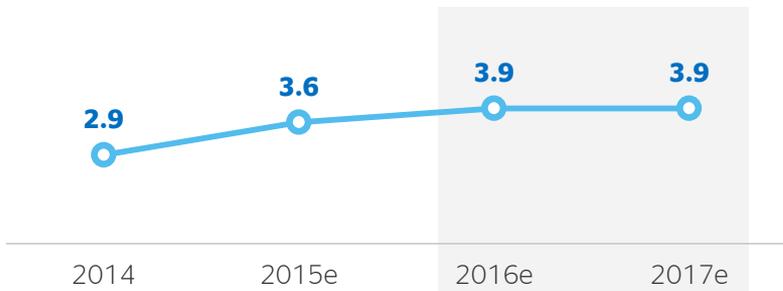
Limited impact of macro headwinds on asset quality (2016e Cost of Risk: ~140-145 bps)

Turkey

Strong growth and best-in-class player

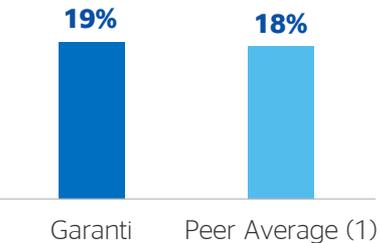
GDP Growth

(%, BBVA Research)



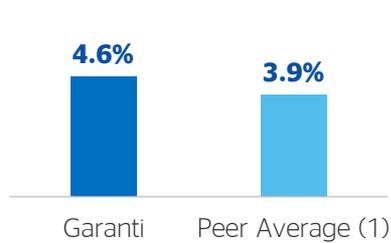
Loan Growth

(Performing loans, %, yoy growth Dec.2015)



NIM

(%, 2015)



Trends

Highest GDP growth in our footprint

Activity growth to remain >10%, while keeping the focus on profitability

Sound asset quality, better than sector

4 Conclusions



Conclusions

- ✓ **Banking industry is undergoing a structural transformation with mobile as key element**
- ✓ **BBVA transforming into a better bank for our customers**
 - Clear vision and roadmap around 6 strategic priorities
 - Impact on improving customer recommendation and lowering costs
- ✓ **BBVA, well positioned to take advantage of the current environment:**
 - Attractive business model
 - Solid risk management
 - Sound capital position
 - Superior earnings power

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Appendix

Appendix 1: Oil & Gas Sector Exposure Breakdown

December 2015	Exposure		Rating			Subsegment					Unfunded Exposure
	Funded		%IG	%NIG	%NPLs	Up stream	Mid stream	Down stream	Integra- ted	Others	€ Bn
€ Bn	% Credit Risk										
Group	15.8	3.3%	63%	36%	1%	15%	11%	13%	50%	11%	8.9
USA: Compass + NY branch	4.0	6.2%	25.8%	72.0%	2.2%	53%	31%	5%	10%	1%	5.8
Rest of Eurasia	3.2	13.6%	89.5%	10.4%	0.1%	0%	0%	7%	81%	12%	0.5
Mexico	3.1	6.3%	76.5%	23.3%	0.2%	2%	6%	1%	75%	16%	0.8
Spain	3.1	1.4%	85.5%	13.6%	0.9%	2%	11%	6%	70%	11%	1.4
S. America	1.2	2.4%	63.1%	36.5%	0.4%	15%	0%	15%	27%	43%	0.2
Turkey	1.2	1.6%	22.0%	76.8%	1.2%	-	-	100%	-	-	0.2

Appendix 2: Compass Oil & Gas Portfolio

Exposure

(December, 2015)

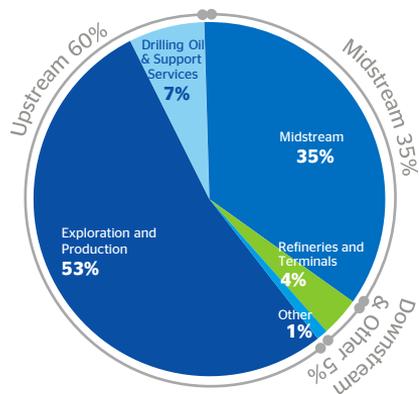
Funded exposure

€ 3.5 Bn

Total Credit Risk

6%

Subsector breakdown



Other Key figures



Conservative portfolio
thanks to prudent underwriting guidelines



Exploration & Production



2016e Cost of Risk
BBVA USA

NPLs

2.4%

Critized loans

16.3%

Coverage

100%

Reserved based loans

87%

Balanced portfolio

50%-50%

Oil

Gas

At \$30/barrel avg.

+120 €Mn

Additional Provisions vs. 2015

Already considered in our 2016e CoR increase of +20bps

BBVA



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