



BBVA

Bank of America Merrill Lynch 21st Annual Financials CEO Conference

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Resilience in a Challenging Environment

Lower interest rates for longer in Europe

Slowdown in macro and loan growth in developed markets

Complex political environment

Regulation

Transformation of the banking industry

Peer Banks ROE Evolution (%)



Peers included: BBVA, BARCL, BNPP, BOA, Citi, CASA, CMZ, CS, DB, HSBC, ISP, JPM, LBG, RBS, SAN, SG, UBS, UCI and WFC.

BBVA Strengths

1

Diversified retail banking business model

2

Strong solvency position

3

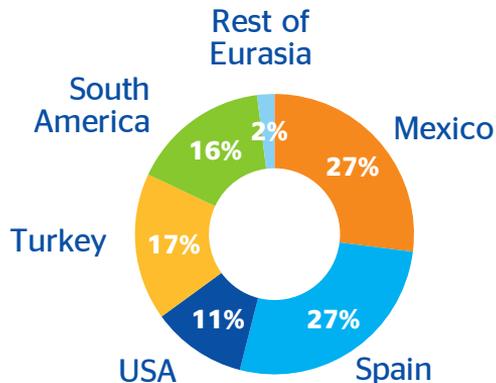
Leading transformation strategy



High growth footprint

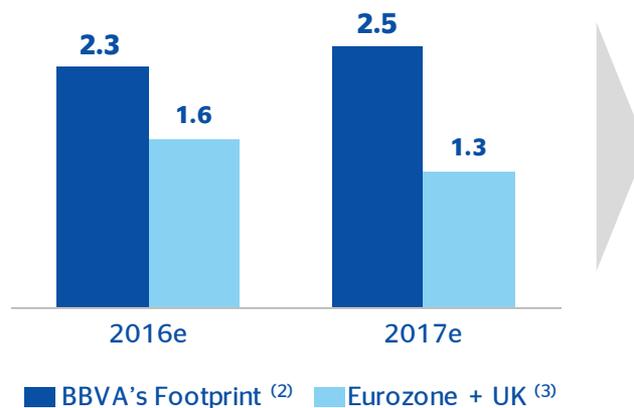
Geographically diversified business...

Gross Income breakdown
1H16 (%) ⁽¹⁾



... offering higher growth prospects

GDP growth estimates
(%)



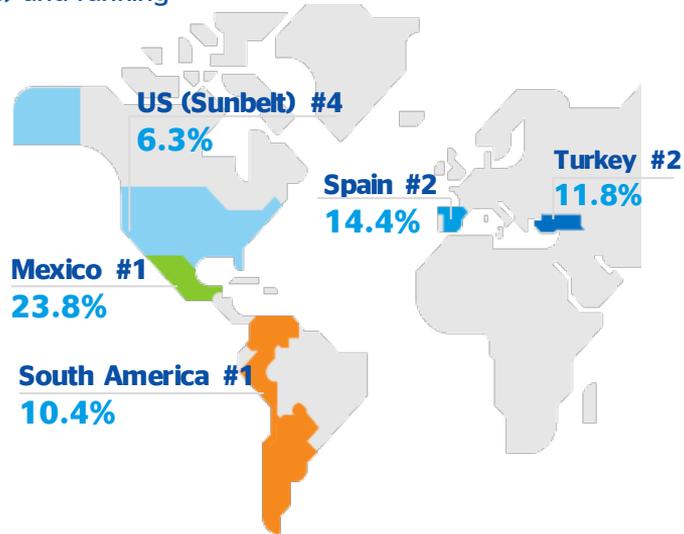
Contained exposure to NIRP: <30% of Group's Gross Income

(1) Excluding the Corporate Center. (2) GDP estimates according to BBVA Research. Weighting based on the countries contribution to 1H2016 BBVA's Gross Income. Developed Markets include mainly Spain and USA. Emerging Markets include Mexico, Turkey, Argentina, Bolivia, Chile, Colombia, Peru, Paraguay, Uruguay and Venezuela. (3) Eurozone countries and UK weighted by their GDP size and Purchasing Power Parity.

High quality franchises in core markets ...

Leadership positioning

Market share and ranking by loans ⁽¹⁾
(%) and ranking



Strategic Positioning and Management Focus

Spain Strong well-balanced footprint with a focus on **spread management** and **cost control**

Mexico Leadership in market share and profitability, levered by a USD 3.5bn investment plan

South America A **diversified country mix** with solid risk management, which has offered an ongoing contribution to the Group's results

Turkey Leading franchise in a **high-growth market** despite the volatile environment

US Growth focused on **profitability** leveraging on the Group's digital transformation

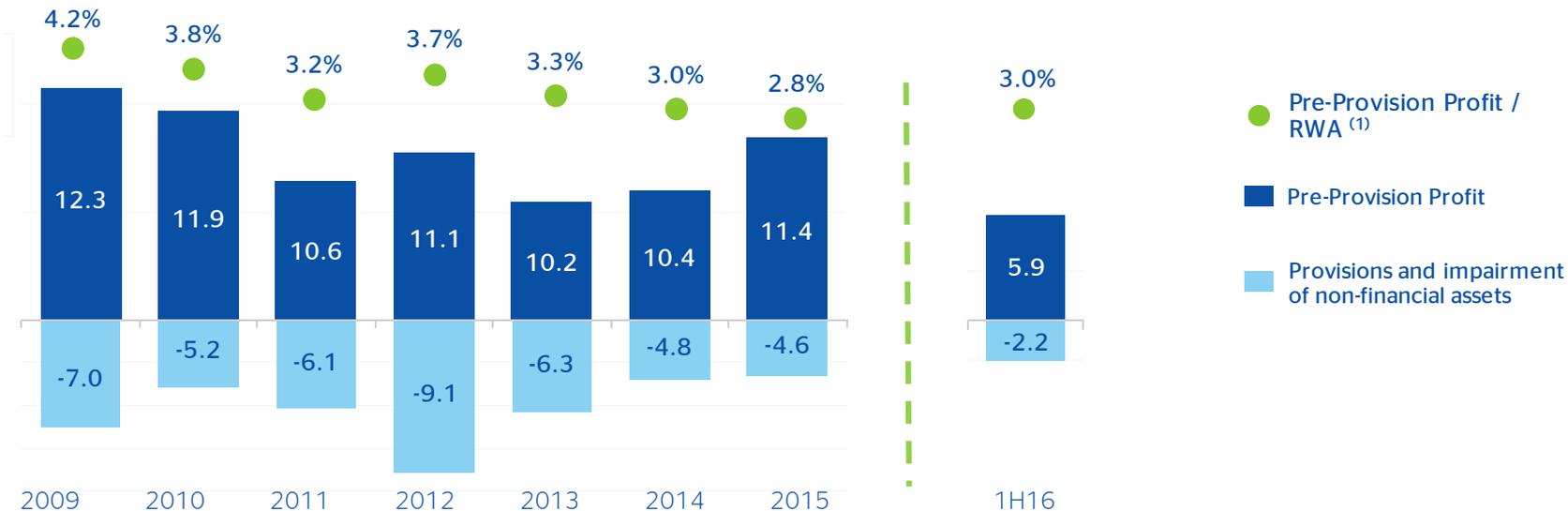
(1) Spain: Market data based on Bank of Spain other domestic sector and public sector loans (Jun 16), ranking based on AEB and CECA; Mexico data as of Jul 16; South America data as of Jun 16 and ranking considering only our main peers in each country; USA: SNL data as of Jun 15 market share and ranking by deposits considering only Texas and Alabama; Turkey: BRSA performing loans data for commercial banks as of Jun 16; ranking only considers private banks.

... providing resilience and low volatility of earnings ...

Profit generation all through the crisis

BBVA Pre-Provision Profit vs. Provisions

(€ bn, %)



BBVA has generated positive results and paid dividends all through the crisis

(1) 1H16 annualized for comparative purposes.

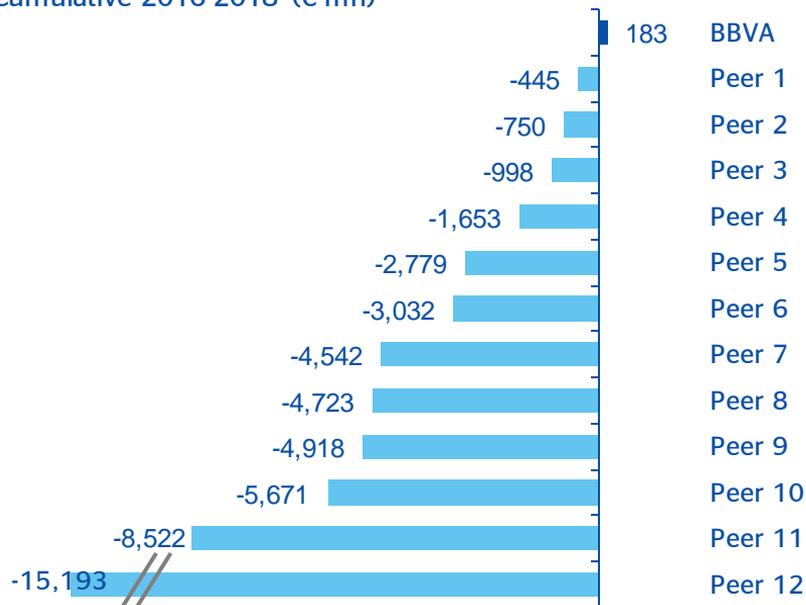
... as evidenced by 2016 EBA stress test

BBVA in the Adverse Scenario:

The only bank generating positive results

Profit generation in the adverse scenario

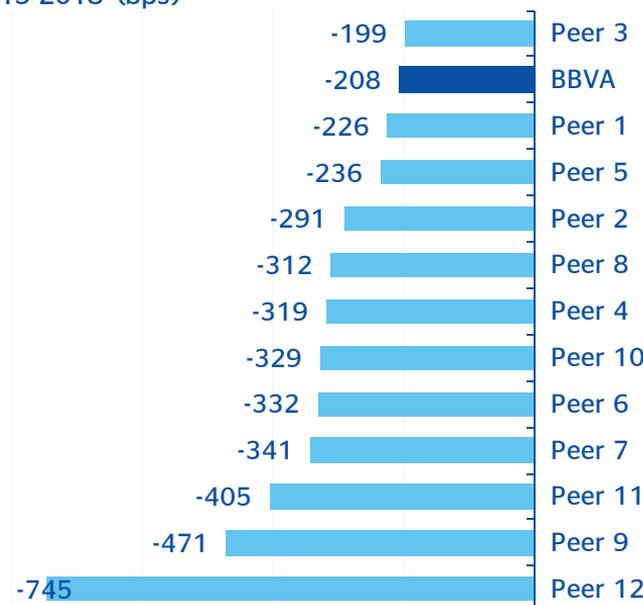
Cumulative 2016-2018 (€ mn)



Resilient capital position

CET1 Fully Loaded ratio evolution in the adverse scenario

2015-2018 (bps)



Source: BBVA based on 2016 EBA stress test.
 Note: Peers included: BARC, BNPP, CASA, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG and UCI.

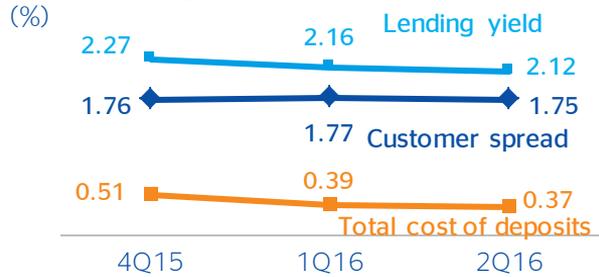
BBVA Spain



P&L drivers in a challenging revenue environment

Stable Customer Spread: Active price management

Spain Banking activity



Small Euribor repricing pending

Still room for improvement
(Time deposits front book at 14bps)

Focus on non-interest related revenues

Net Fees & Commissions and Insurance Results

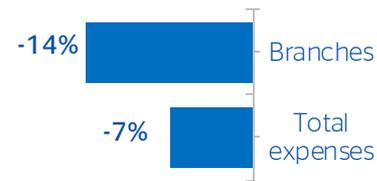
(excl. CX, € mn)



Efficiency: an on-going management priority

Spain Banking activity

2012-2015⁽¹⁾ (%)



436 branches already closed in 2016 (i.e. 12% of branch network)

€200 mn cost synergies from CX, achievable in 2017 (i.e. 6% of current cost base)

The reduction in provisions will remain a P&L driver

Cumulative Cost of Risk

Spain Banking Activity + Real Estate (bps)



(1) For comparison purposes, expenses exclude CX and the reallocation of expenses from the Corporate Centre to Spain Banking Activity in 2015.

Mexico (BBVA Bancomer)

Solid growth, profitability & leadership

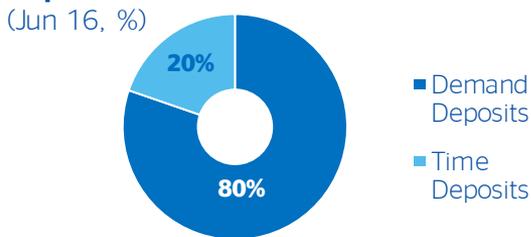


Strong activity dynamism and profitable balance sheet structure

Gross loans growth

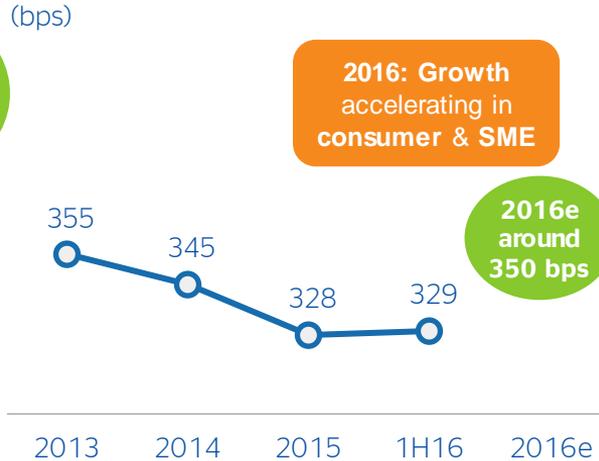


Deposits Mix



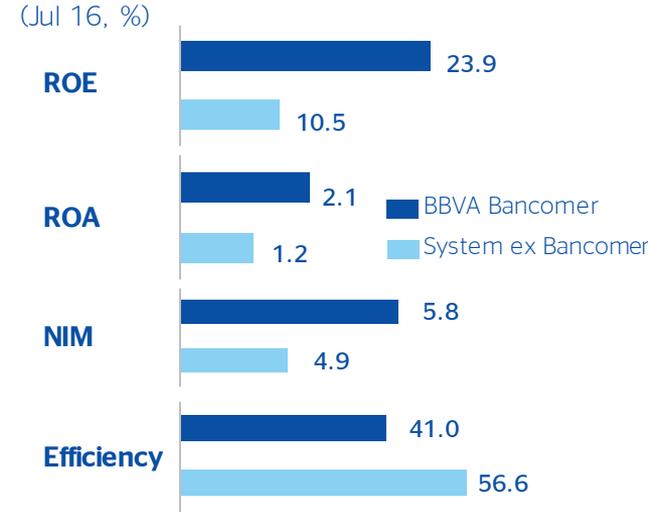
CoR evolution in line with 2016 guidance

Cumulative Cost of Risk



Best profitability in the system

Bancomer vs. system ⁽¹⁾



- ✓ 2016 Net attributable profit expected to grow around double digit in local currency
- ✓ Exchange rate evolution as the main headwind

(1) Data based on local criteria. Source: CNBV.

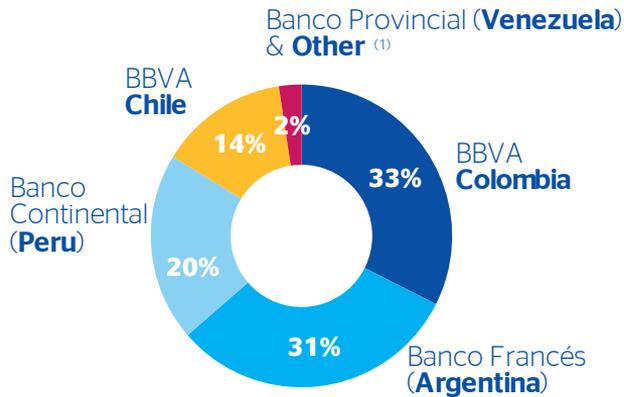
BBVA South America

Sound and sustainable growth



A well-diversified footprint

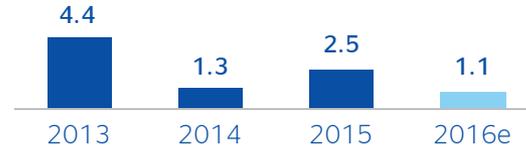
Net attributable profit breakdown (1H16, %)



Favorable evolution of CoR in a slowing macro

Annual GDP growth

BBVA's footprint in South America (%) (2)

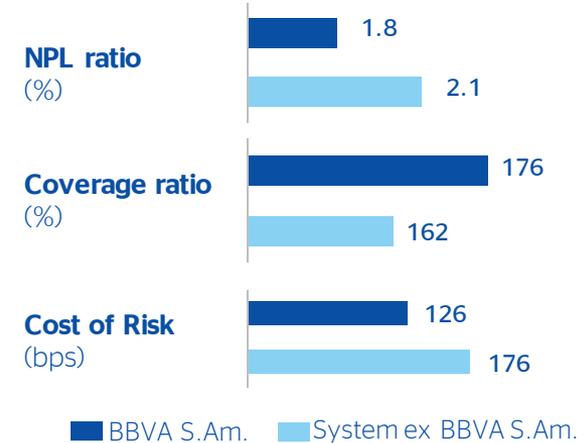


Cumulative Cost of Risk (bps)



Better asset quality than peers

BBVA South America vs. System (3) (Jun 16)



Net attributable profit, expected to fall around 10% in 2016 vs. 2015 in current €

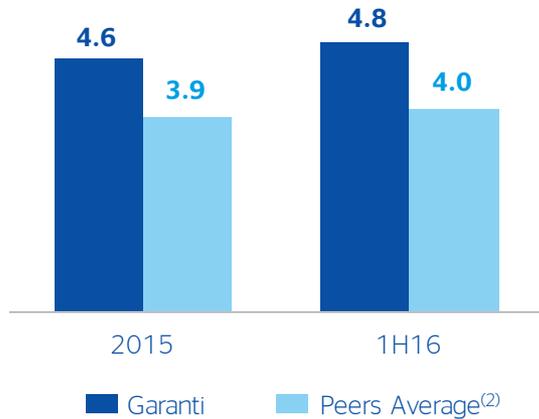
Turkey (Garanti)

Robust profitability & best-in-class player in a volatile environment



Excellent price management, highest NIM among peers

Cumulative NIM ⁽¹⁾
(%)



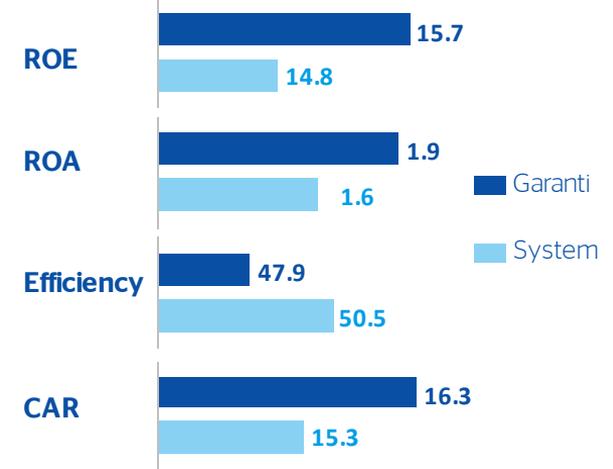
Sound asset quality maintained

NPL and Coverage ratios and CoR evolution



Sustainable competitive advantage

Garanti vs. system ⁽³⁾
(Jun 16, %)



- ✓ 2016e Net Attributable Profit at a Group level fully hedged, very low sensitivity of the Group's CET1 to TRY ⁽⁴⁾
- ✓ Around -15bps estimated impact on Group's CET1 from Moody's downgrade on Turkey

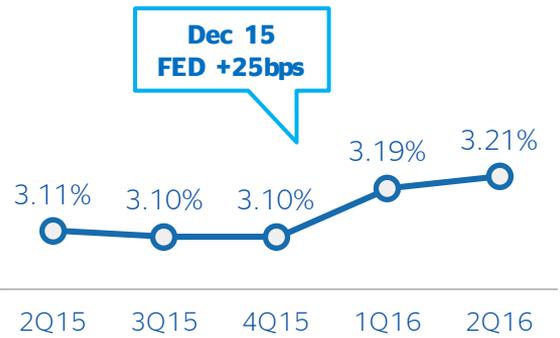
(1) Local Bank-Only data. (2) Peers: Akbank, Halkbank, Isbank, Vakifbank and Yapi Kredi. (3) Local bank-only data. Commercial banks only. (4) Turkish Lira.



Selective growth, monitoring asset quality evolution

Well positioned to benefit from interest rate hikes

Customer spread evolution
(%)



Evolution in line with 2016 Cost of Risk guidance

Cumulative Cost of Risk
(bps)



Managing Oil & Gas exposure

BBVA Compass Oil & Gas funded credit exposure

€ 3.6 bn
6.1% of credit risk

- ✓ QoQ exposure reduction (-8% vs 1Q16)
- ✓ No 2nd round effects so far

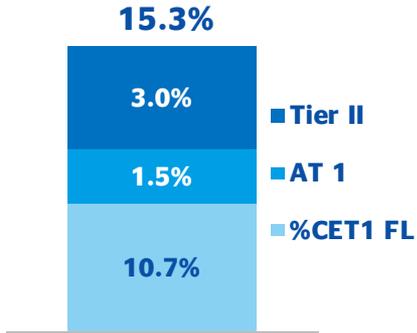
Management focus on capital allocation and cost control, key drivers to improve profitability

BBVA, well-positioned to face upcoming regulatory developments (1/2)



Solid Capital Ratios

BBVA Group's fully-loaded capital ratios
Jun 16



AT1 and T2 buckets already covered



Ability to generate Capital

BBVA Group 2016 CET1 fully-loaded ratio evolution



Around -15bps estimated impact on Group's CET1 FL from Moody's downgrade of Turkey

On track to achieve CET1 fully-loaded 11% target in 2017

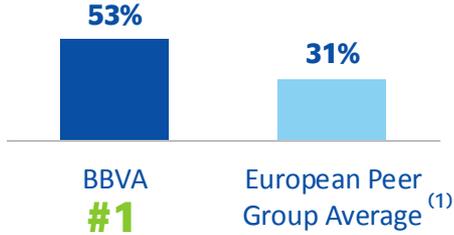
BBVA, well-positioned to face upcoming regulatory developments (2/2)



High quality capital

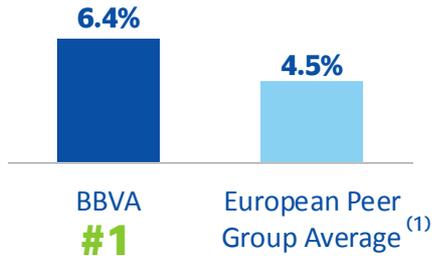
RWAs / Total Assets

Jun 16



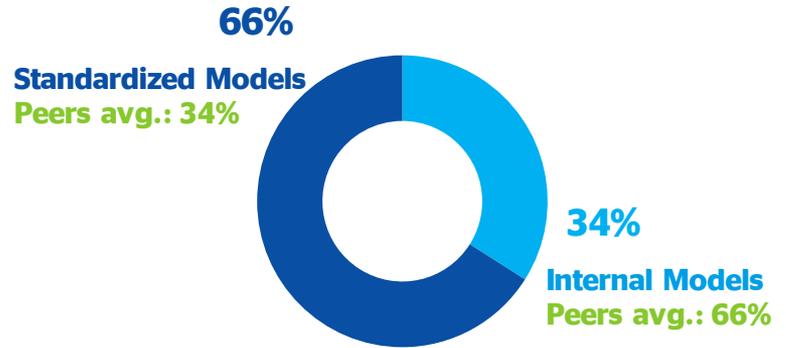
Leverage ratio

Jun 16



Less dependent on internal models than peers

Credit Risk RWAs: breakdown by Model ⁽²⁾



(1) European Peer Group: BARC, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCI. (2) Data as of Dec 15. Based on EBA's 2016 EU-wide Stress Test.

BBVA's transformation journey is embedded in the Group's strategic priorities



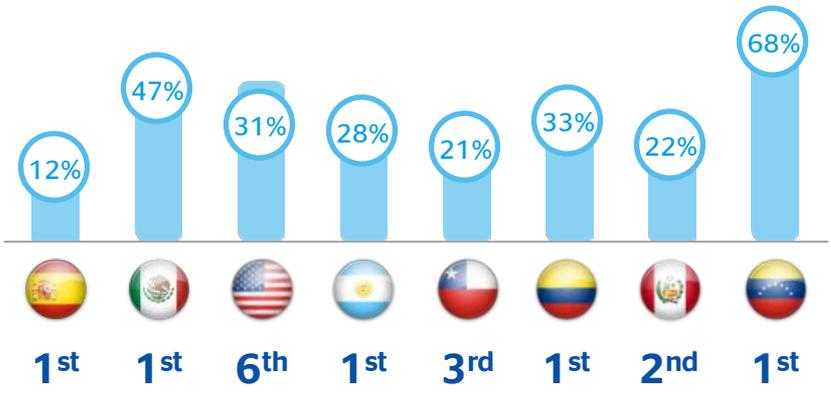


1. New standard in customer experience

Focus on providing the best Customer Experience

NPS (Net Promoter Score)

Jun 16



Peers included: 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. // USA and Peru: Data as of Dec 15.



2. Drive digital sales

Increasing business done digitally

Digital Customers

BBVA Group (mn)



Mobile Customers

BBVA Group (mn)



Digital Sales growth

% of total sales YtD, # of transactions

Spain



Mexico



South America





3. New business models

Leveraging on Fintech ecosystem to develop our value proposition

Internal incubation



Strategic partnerships



Acquisitions

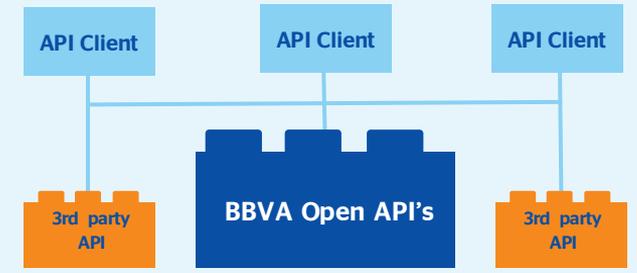


Investments (venture capital)



Open Platform

Enable new developments combining BBVA's APIs, client's technology and other building blocks





Conclusions

- ✔ **BBVA has a well-diversified footprint with leading franchises that provides resilience and low volatile earnings**
- ✔ **High quality capital and its generation capacity places BBVA in a good position to face upcoming regulatory developments**
- ✔ **BBVA's leading transformation strategy, embedded in the Group's Strategic Priorities, is key to succeed in the new financial industry**



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