

**BBVA** Mexico

# BBVA Bancomer: A leading franchise in the Mexican market

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**adelante.**

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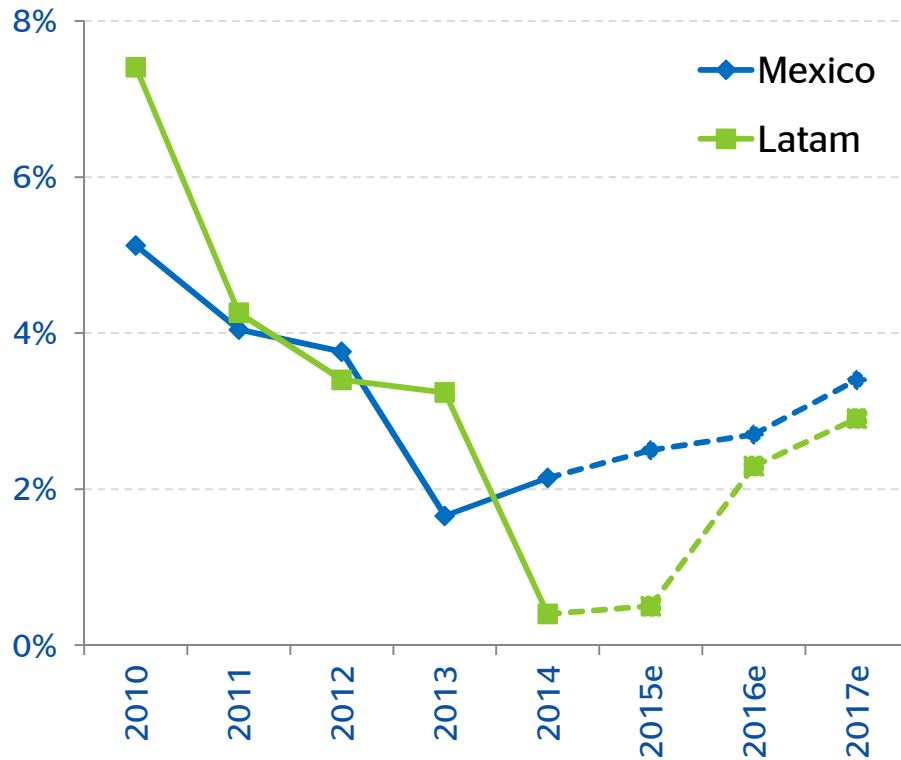
### **Disclosure:**

Financial information contained in this document have been prepared in accordance with International Financial Accounting Standards (IFRS) accordingly Mexico consolidated vision. Figures shown differ from Mexican Banking GAAP (accounting principles and regulations prescribed by the CNBV for banks).

# 1 Mexico

# In a complicated environment, Mexico is growing above some Latam economies

GDP Mexico vs GDP Latam  
(annual change, %)



Latam = Argentina, Brazil, Chile, Colombia and Peru.  
Source: INEGI and World Bank. Expectation with BBVA Research data.

## Fundamentals

**Moderate public debt** levels

No major disequilibrium on the external accounts: **low current account deficit** and relevant foreign inflows

**Floating exchange rate** and a **credible central bank** that has contributed to **low levels of inflation**

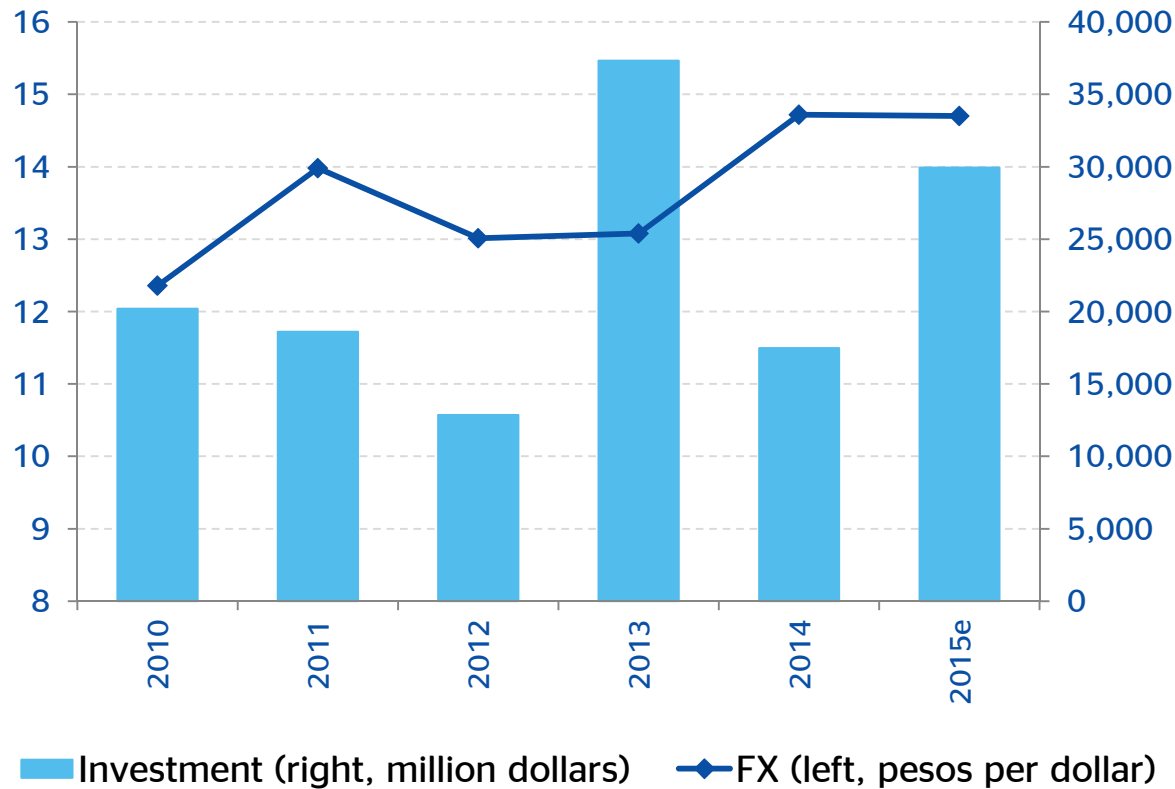
Relevant amount of liquidity in foreign currency: **international reserves** and IMF flexible credit line

## Mexico has shown a reasonable adjustment in recent global volatility

Country	Change since December 31st, 2012 up to date		
	Exchange Rate (%)	Local 10-year Bond (bp)	5-year CDS (bp)
<b>Mexico</b> (A3/BBB+/BBB+)	21.6	88	33
<b>Indonesia</b> (Baa3/BBB-/BB+)	36.7	356	53
<b>Turkey</b> (Baa3/BBB-/BB+)	54.3	293	107
<b>South Africa</b> (Baa2/BBB/BBB-)	47.2	162	73
<b>Brazil</b> (Baa2/BBB/BBB-)	51.7	328	140
<b>Russia</b> (Ba1/BBB-/BB+)	83.4	272	236
<b>Colombia</b> (Baa2/BBB/BBB)	47.6	160	71

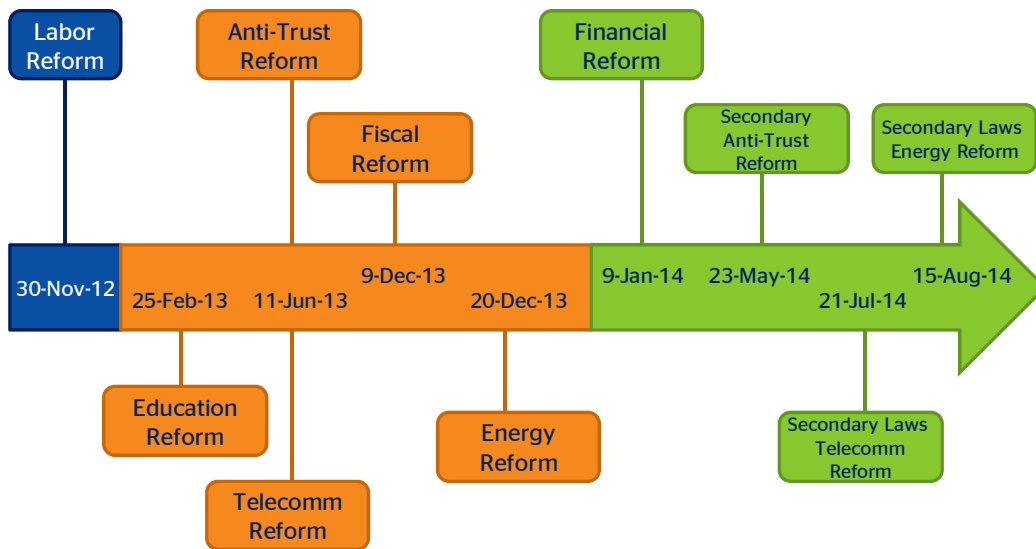
## Despite the peso depreciation, foreign investment flows still high

**FDI vs. Foreign Exchange Rate**  
(Million dollars vs. Pesos per dollar)



The floating exchange rate absorbs external shocks

# Ambitious reform agenda to foster productivity and growth

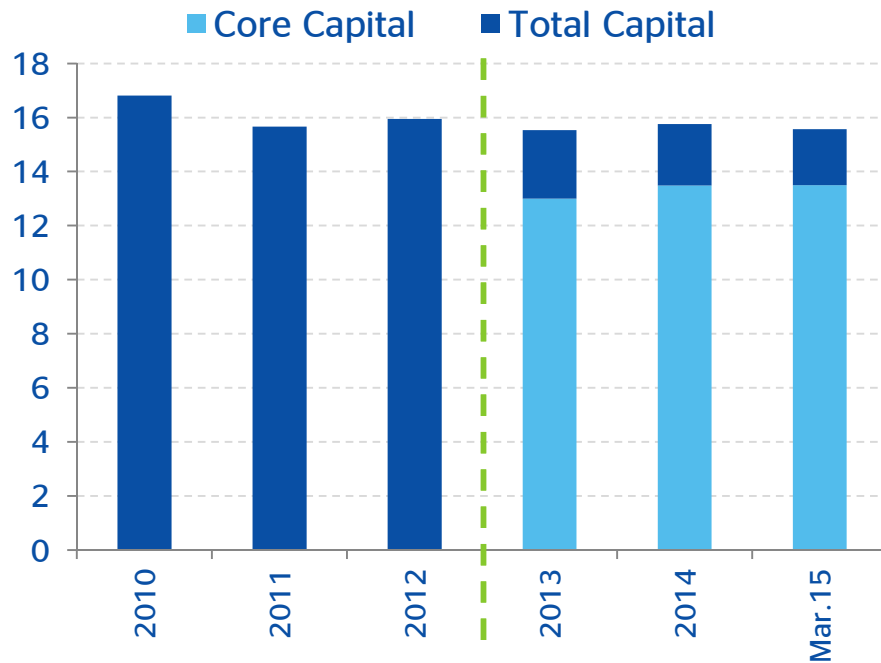


Mexico, mid term estimated GDP growth YoY% change



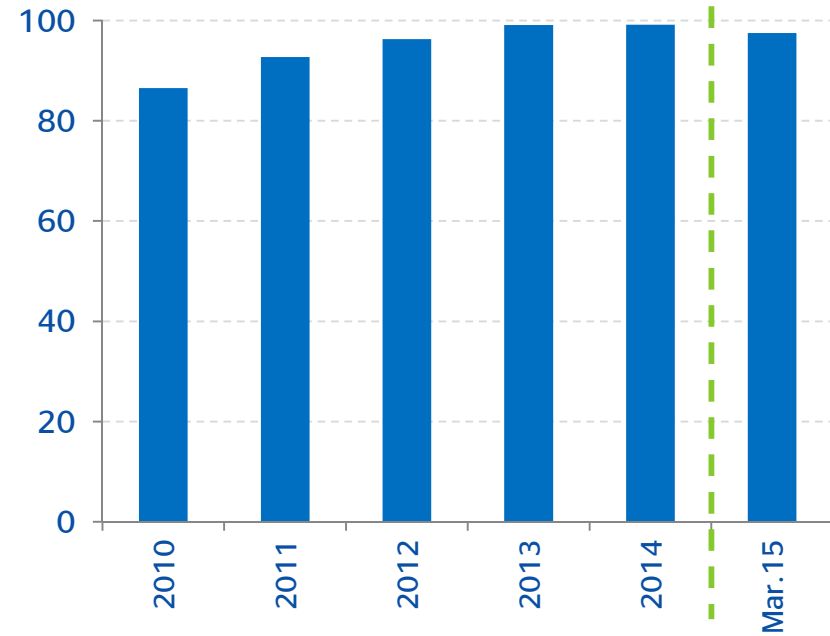
## Solid financial system with strict regulation standards

**Total Capital Index (%)**



**Basel III Fully Loaded since 2013**  
 Minimum requirements:  
 Total Capital 10.5% / Core Capital 7%

**Loans / Deposits (%)**



**CCL (Local LCR) since 2015**  
 Minimum requirement: 60%



## BBVA is investing in Mexico

- 1** Solid macroeconomic fundamentals limit contagion from external shocks
- 2** Positive differentiation from other emerging markets
- 3** Structural Reforms to boost productivity and foster a higher long-term growth

2

Strategy

BBVA Bancomer is part of one of the most important financial groups...

**BBVA Group:  
Present in 31  
countries**

**673 €**  
Billion assets

**7,360**  
Branches

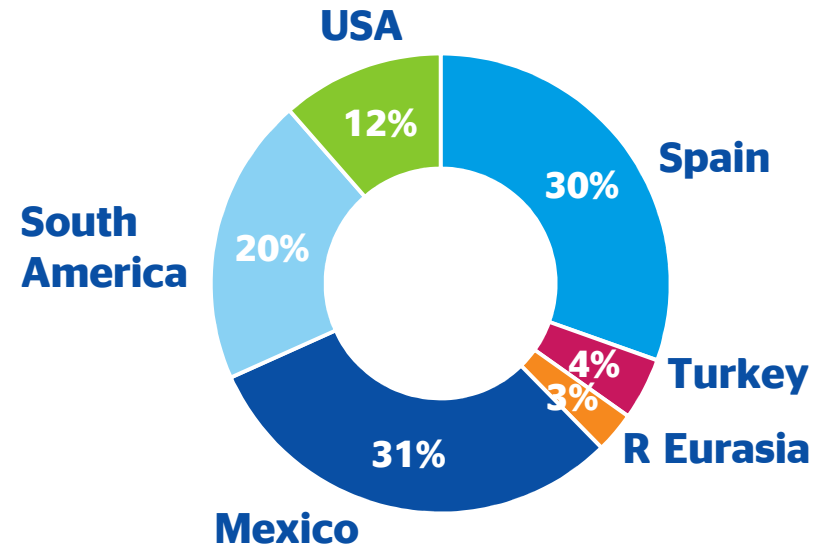
**22,595**  
ATMs

**51 M**  
Customers

**108,844**  
Employees

**Well-diversified footprint**

BBVA Group's 1Q15 Gross Income  
Breakdown by business area <sup>(1)</sup>

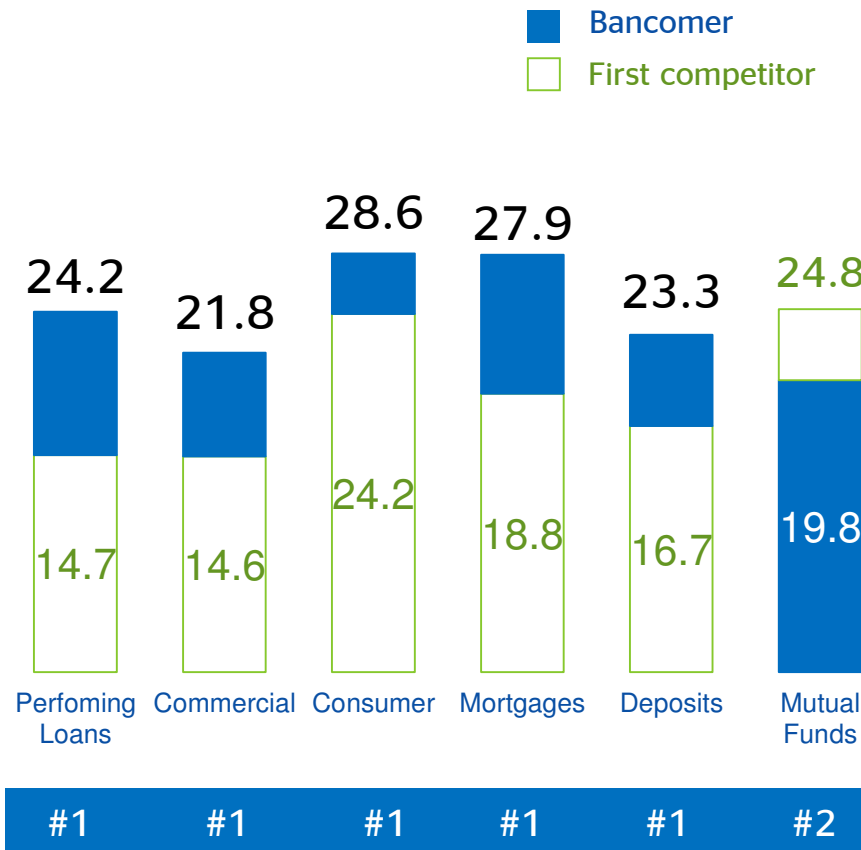


	Emerging	Developed
Weight	55%	45%
Y-o-Y chg	+10.8%	+3.5%

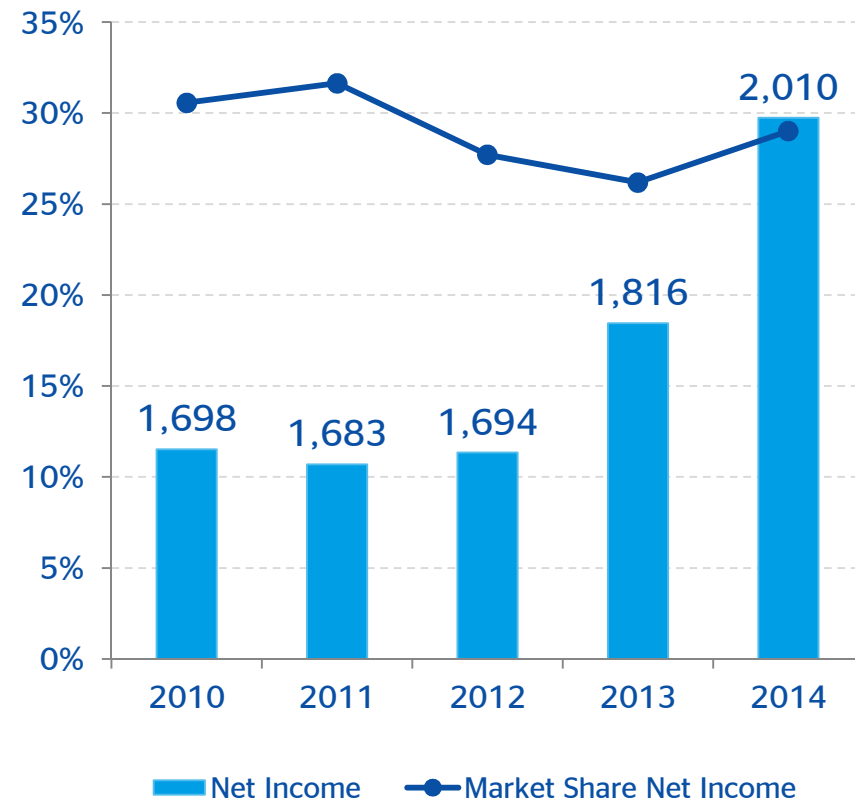
Note: Data as of March 31, 2015. (1) Excludes Corporate Center

## ... and a leader franchise in the Mexican market

Market Share (%)



Net Income (Million Euros) & Market Share (%)



## Strategic Plan 2013 -2016

- 1 Investment 2013 - 2016
- 2 Branch Remodeling
- 3 “Unique Customer Experience”
- 4 Digital Banking
- 5 Corporate Assurance

Improve customer service, increase productivity in branches, risk control

**Leadership position**

**Enhance competitive advantages**

**Sustainable growth**

## Investment Plan: USD\$ 3,500 M (2013 - 2016)

Cash-out 2013 - Mar-15:  
**USD\$ 1,644**

- ✓ Increase productivity in branches
- ✓ Migration of transactions to more efficient channels
- ✓ Technology and infrastructure to update distribution channels
- ✓ Headquarters: Self-sustainable buildings with savings in electricity and water

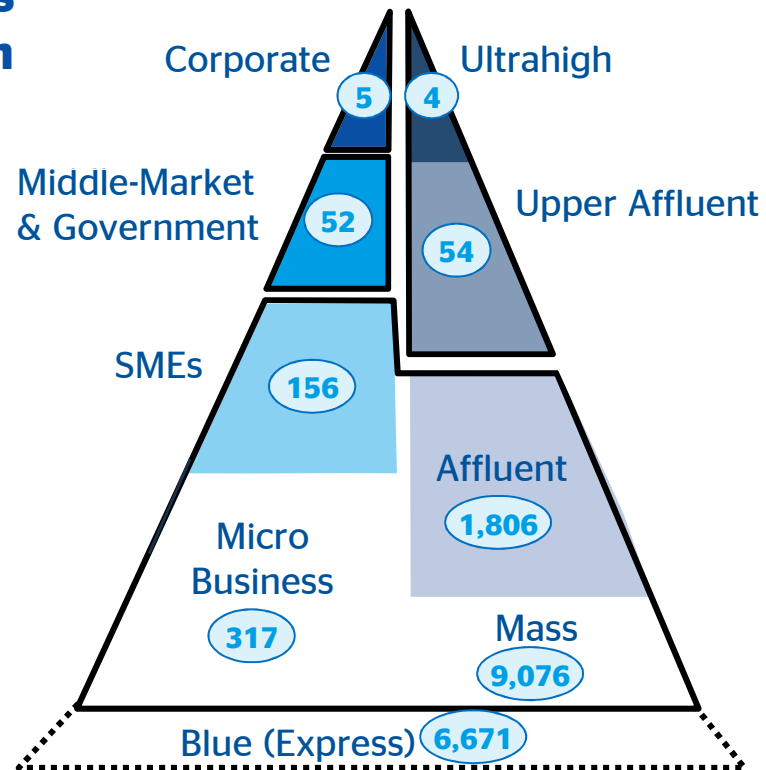


- Work culture: Lean & Simple
  - Mobility
  - Paperless
  - Better service among areas

## Business Model

**Total Customers:  
18 Million**

**Specialized executives  
and branches for each  
customer segment**



SMEs: increase network coverage

Increase cross-sell in the asset side (lending)

New business model for Affluent customers

Low cost and easy access products for the lower-end

**Maximize customer value**

## Digital Banking

### Digital Sales

Offer at the right time in the correct channel

one – click

### Digital Intelligence

More benefits for customers

BBVA 4me  
Commerce 360

### Mobile first

Think easier, friendly apps

BBVA Wallet  
Bancomer Trader

### Low Cost Solutions

For lower income customers

Bancomer SMS

### Open Banking

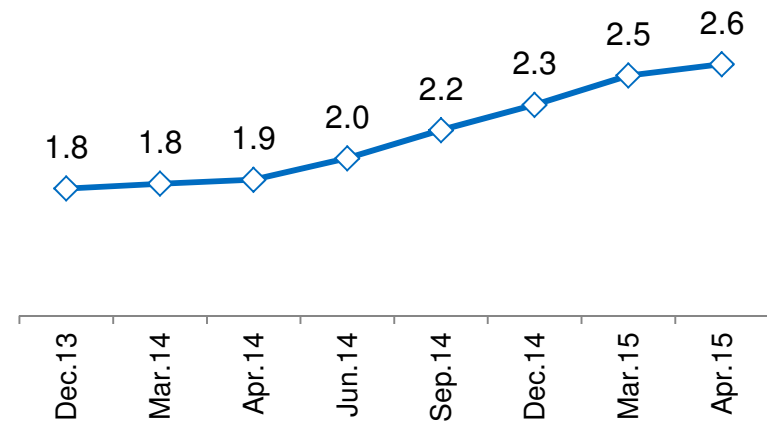


BBVA Open Talent 2014  
*let's make your project take off*

## Increase in 1 million the number of digital customers

**Digital Customers**  
(Quarterly Users in millions)

Y-o-Y %:  
**+39.2%**



**Bancomer.com**

**Bancomer SMS**

**Bancomer Mobile**



# Corporate Assurance

## Corporate Assurance Model in line with BBVA's Internal Model of Control

### Layers



- Ensure internal control function

- Design and implementation of controls
- Coordination with Holding Specialists
- Help the Business Units to fulfill their responsibilities

- Implementation of controls and operational risk management
- Run control measures in daily operations



# 3

## Business Performance

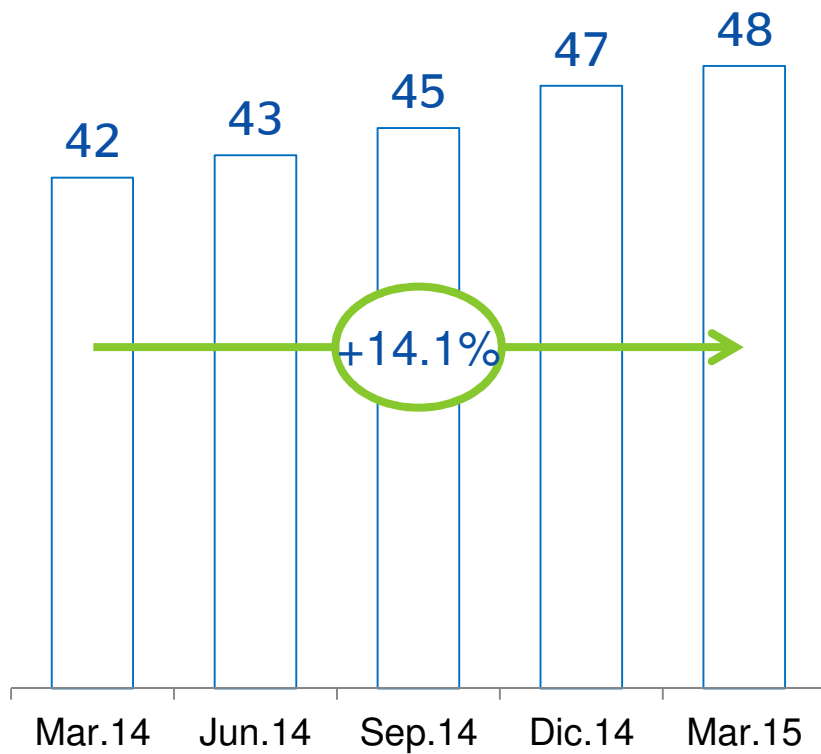
## Disclosure

- Figures under consolidated vision for BBVA business in Mexico (public information without Houston agency); international accounting standards (IFRS).
- These figures may differ from public information in Mexico, which is in local accounting standards (Mexican GAAP, defined by the local banking regulator, CNBV).
- **Activity:**
  - Exchange rate: 16.5123 pesos per euro.
- **Results:**
  - Exchange rate: 16.8274 pesos per euro.

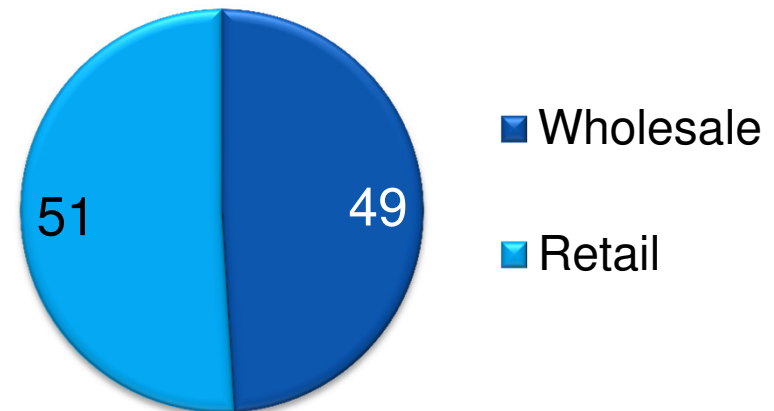
## Lending evolution

### Performing Loans

(average balances, bn euros)



### Lending Mix, Mar'15, %

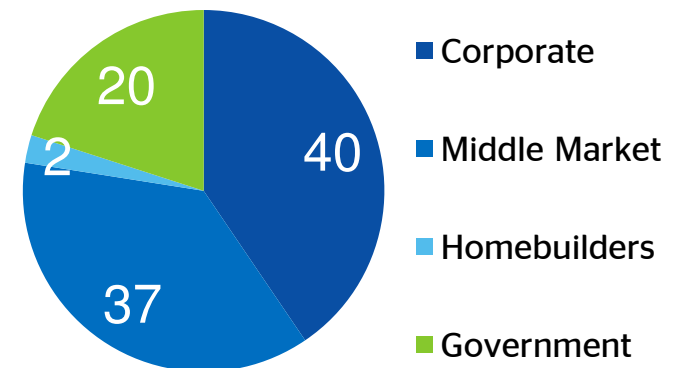




## Wholesale portfolio

<b>Performing Loans</b> (average balances, million euros)	<b>Mar-15</b>	<b>y-o-y % change</b>
Corporate	9,428	29.5%
Middle Market	8,616	21.8%
Homebuilders	575	-5.1%
Government	4,662	20.7%
<b>Wholesale</b>	<b>23,282</b>	<b>23.7%</b>

**Commercial Mix, Mar'15, %**

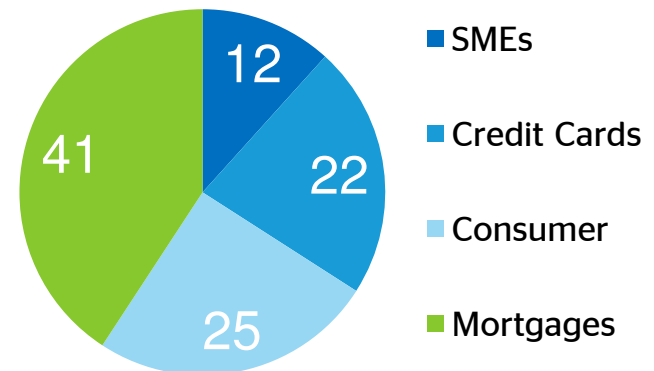




## Retail lending

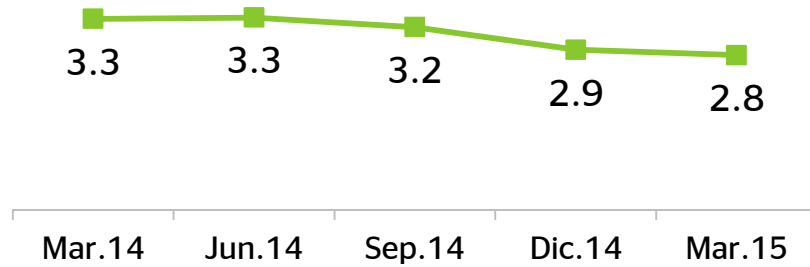
<b>Performing Loans</b> (average balances, million euros)	<b>Mar-15</b>	<b>y-o-y % change</b>
SMEs	2,878	25.1%
Credit Cards	5,499	-3.1%
Consumer	6,291	15.4%
Mortgages	10,026	2.8%
<b>Retail</b>	<b>24,694</b>	<b>6.5%</b>

**Retail Mix, Mar'15, %**

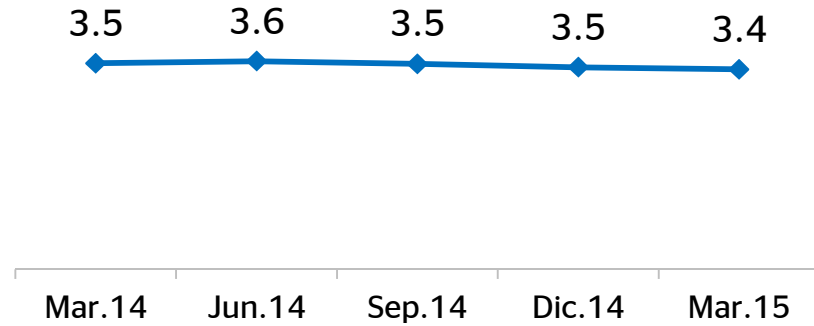


## Adequate asset quality indicators

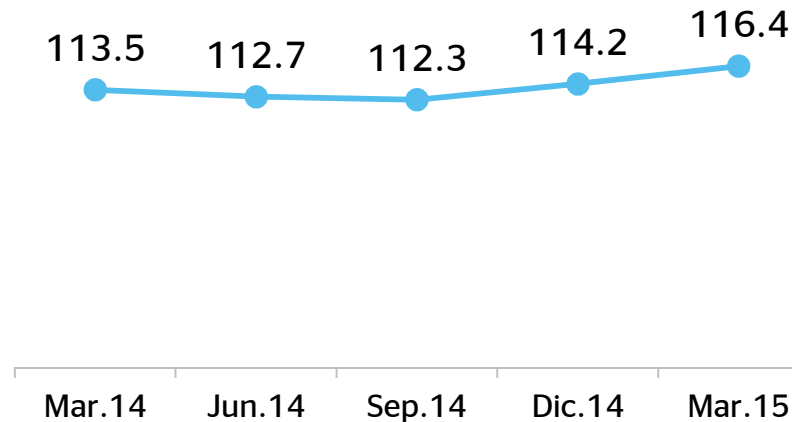
NPL ratio (%)



Cost of Risk (%)



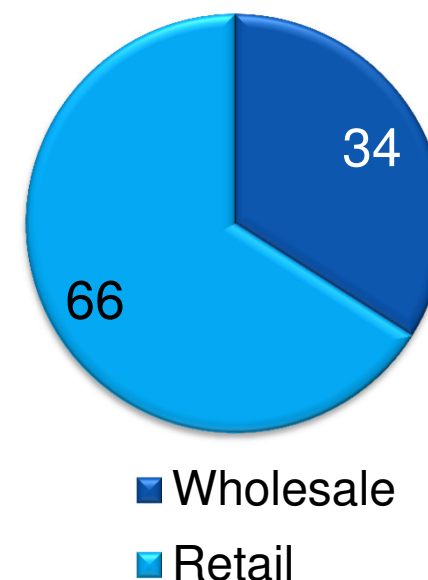
Coverage ratio (%)



## Funding

<b>Deposits</b> (average balance, million euros)	<b>Mar-15</b>	<b>y-o-y % change</b>
Demand	34,437	9.8%
Time	8,888	19.1%
<b>Bank Deposits</b>	<b>43,325</b>	<b>11.6%</b>
Mutual Funds	21,092	11.0%
<b>Customer Deposits</b>	<b>64,417</b>	<b>11.4%</b>

**Customer Deposits Mix**  
Mar'15, %



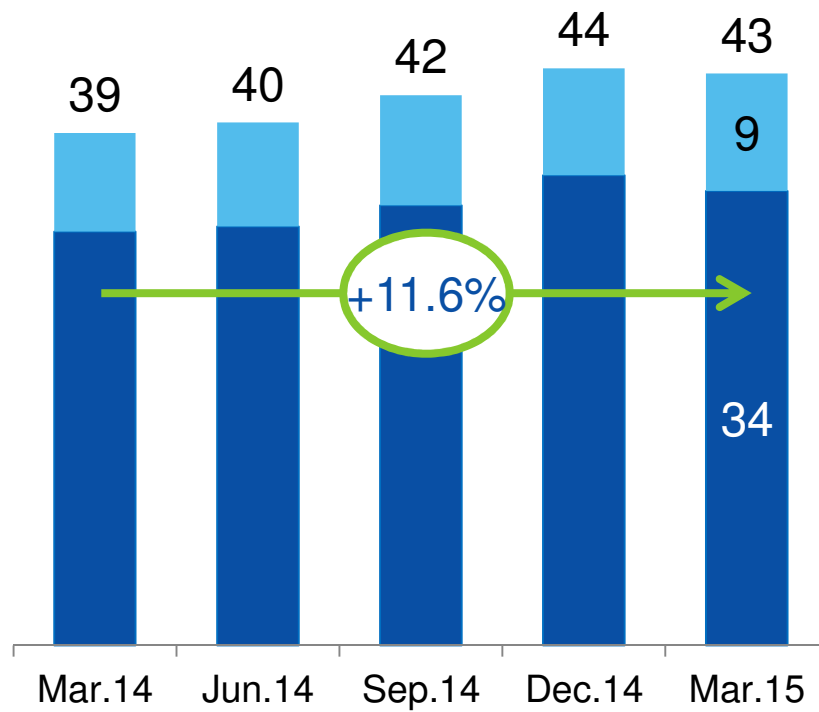
**Total funds under management: 87 billion euros**



## Funding

### Bank Deposits

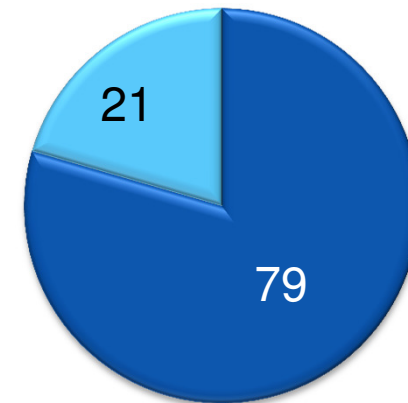
(average balances, bn euros)



### Funding Mix

Mar'15, %

- Time
- Demand



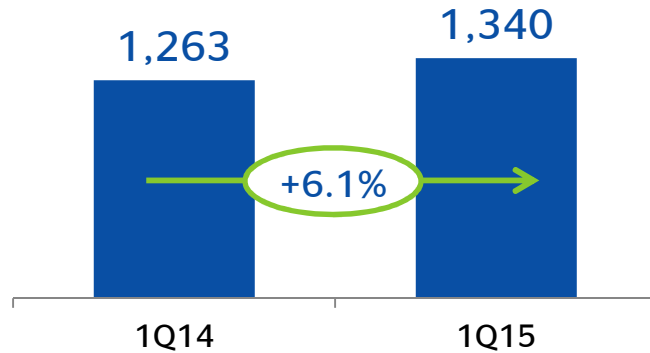


## Net Income increasing at 7.1% in annual terms

<b>Mexico</b> <i>(million euros)</i>	<b>Mar-15</b>	<b>y-o-y % change</b>
Net Interest Income	1,340	6.1
Fees & Commissions	295	4.5
Trading Income	52	-0.5
Other Income	64	11.3
Gross Income	1,752	5.8
Operating Expenses	-647	5.8
Operating Income	1,105	5.8
Provisions	-422	10.2
Income Before Tax	693	7.7
<b>Net Attributable Profit</b>	<b>524</b>	<b>7.1</b>

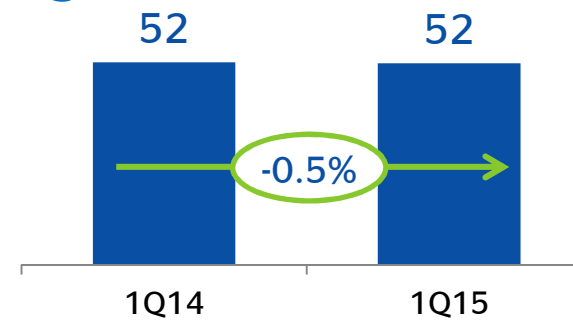
## Revenues

### Net Interest Income



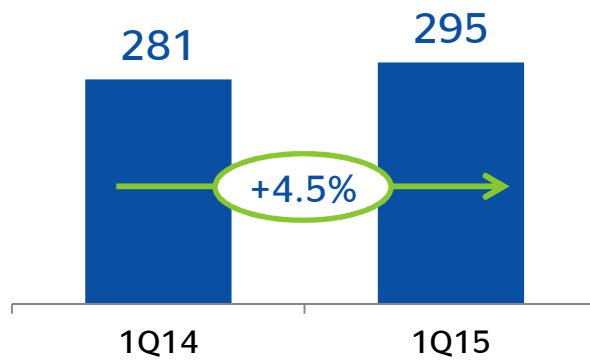
Core Business NII (NII ex. Global Markets) is increasing at 11.0% in annual terms

### Trading Income



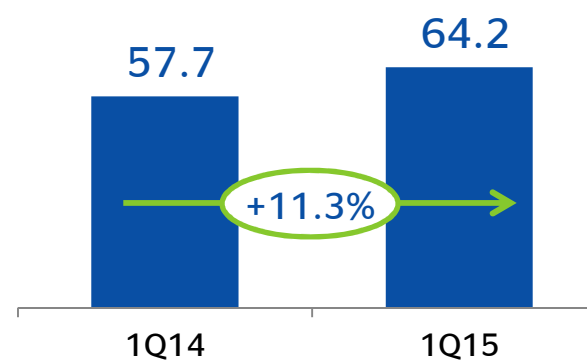
Better contribution from COAP vs GM

### Fees & Commissions



Higher transactions volume of customers with credit cards and higher revenues from investment banking

### Other Income

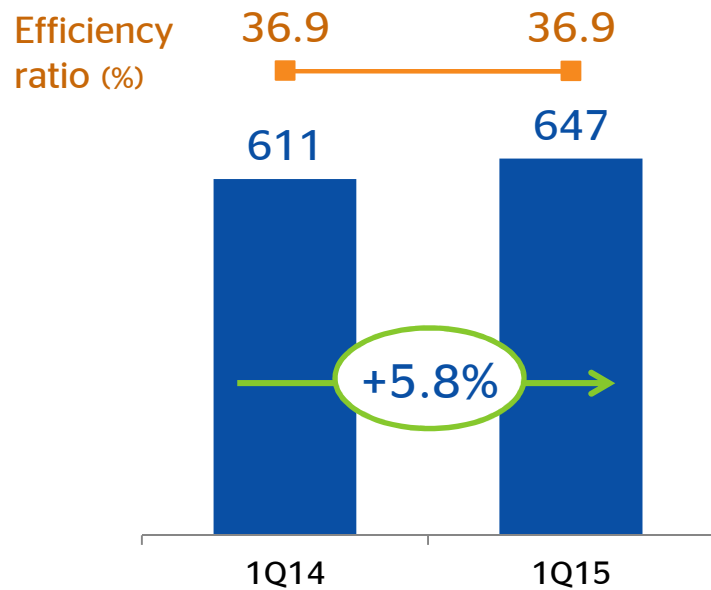


Higher contribution from Insurance Business

# Control of operating expenses evolution, maintaining the investment in Mexico

## Operating Expenses

(million euros)



+Employees = Stronger sales force to improve productivity in branches

Branches Remodeled:  
**790** Mar-15

**Moving into the new headquarters in 2H15**

**Investment Plan**  
Total: USD \$ 3,500 M  
2013 - 2016

Control of operating expenses besides the ambitious Investment Plan

Operating expenses under BBVA consolidated vision for Mexico (public information without the Houston agency). Exchange rate: 16.8274 pesos per euro. There are some networks that operate inside the branches. Including these additional points of sale we have 805 branches remodeled as of March 2015.

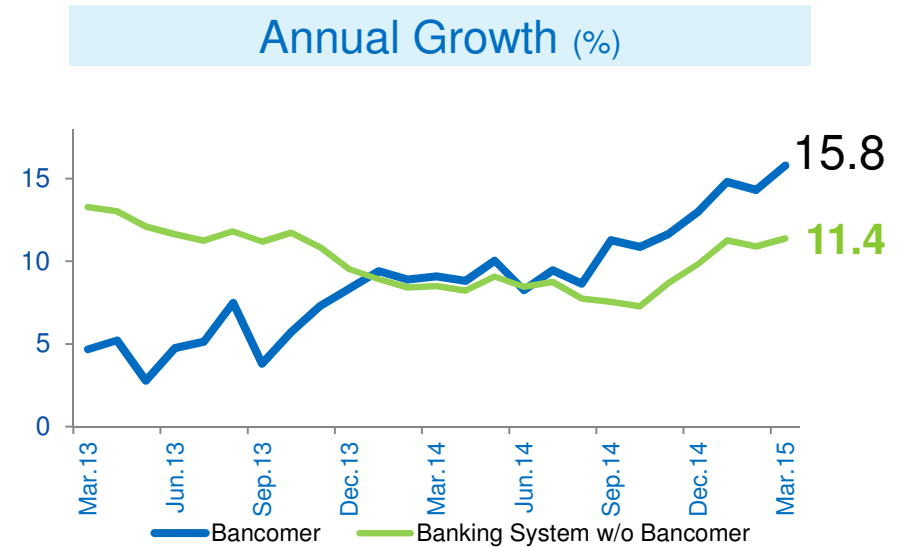
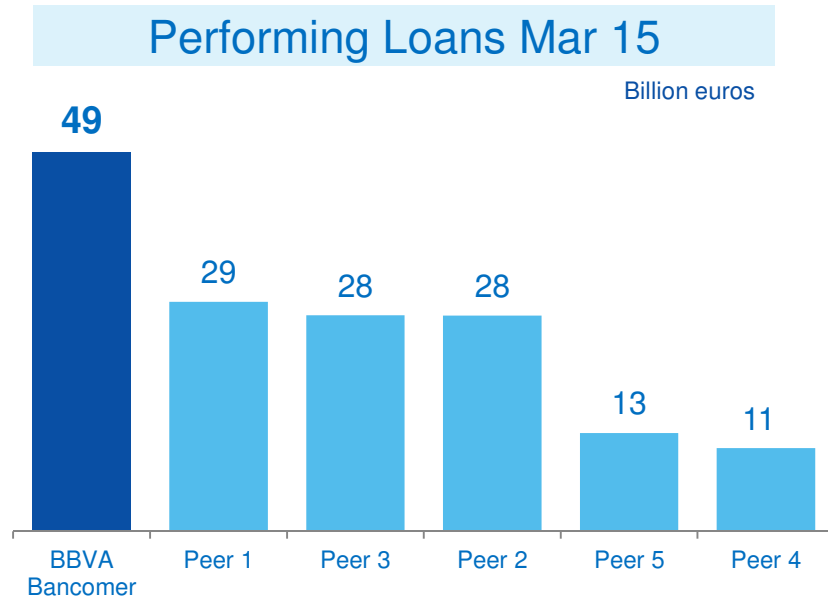
# 4

## Competitive Analysis

## Disclosure

- Figures shown in Mexican Banking GAAP (accounting principles and regulations prescribed by the CNBV for banks).
- **Activity:**
  - Source: CNBV Banks with SOFOM without subsidiaries.
  - Market Share: Calculated with 45 banks.
  - Exchange rate: 16.5123 pesos per euro.
- **Results:**
  - Source: Quarterly Results Financial Groups.
  - Exchange rate: 16.8274 pesos per euro.

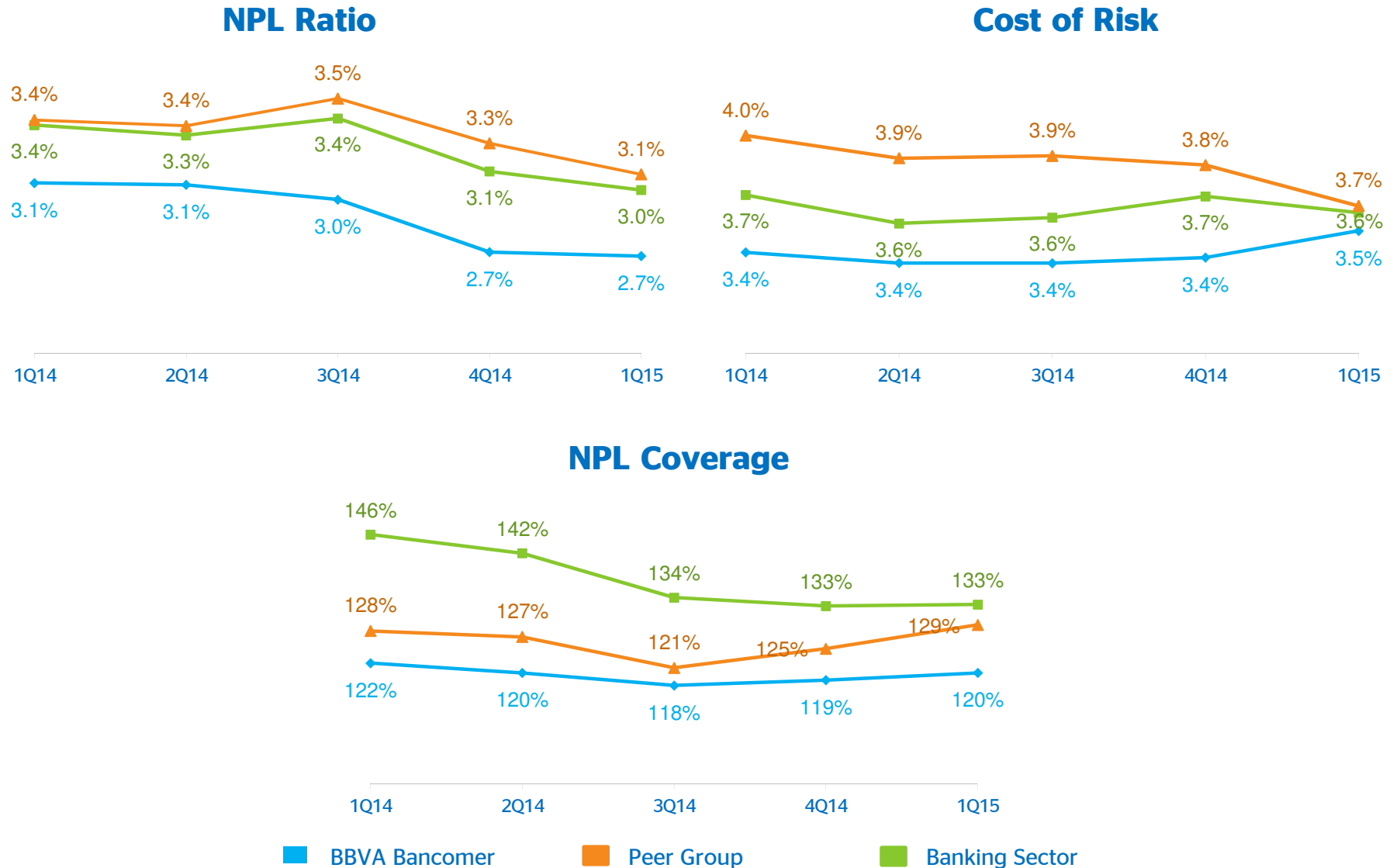
## Strong growth in performing loans that lead to market share increase



### Market Share

Market Share Mar15		Var (bp)	
Banks	%	Dec14	Mar14
Bancomer	24.2	20	71 ↑

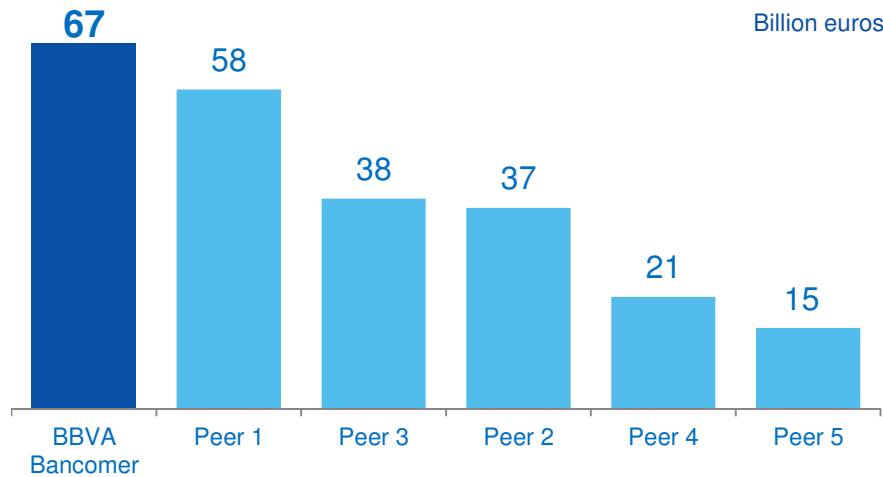
## Good comparison in terms of asset quality against the peers





## Total deposits increased above the market

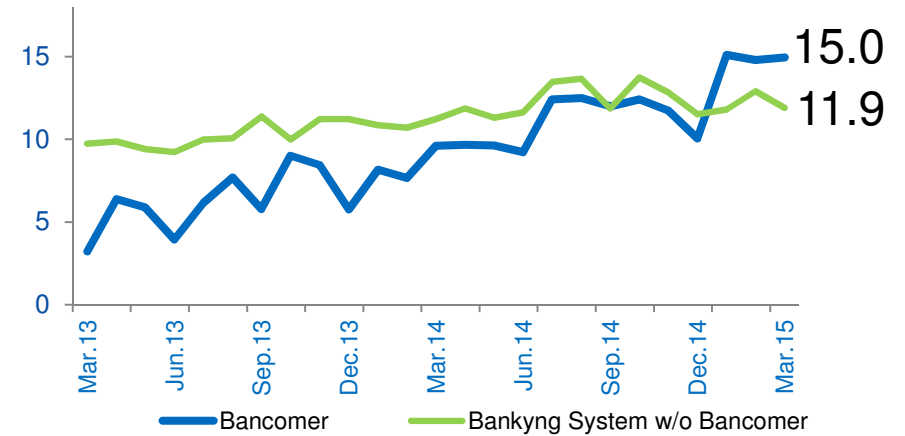
Deposits (Demand, Time & Mutual Funds)  
Mar 15



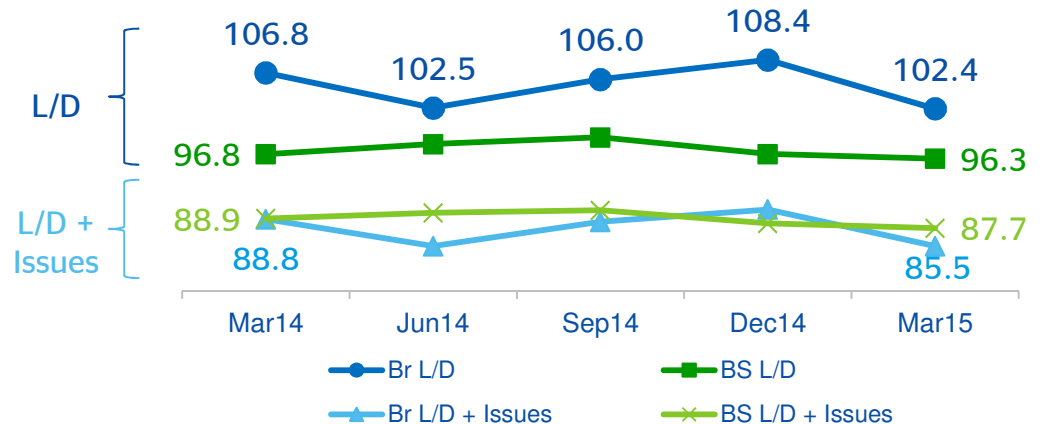
Market Share

Market Share Mar15		Var (bp)	
Bank	%	Dec14	Mar14
Bancomer	22.5	67 ↑	46 ↑

Annual Growth (%)



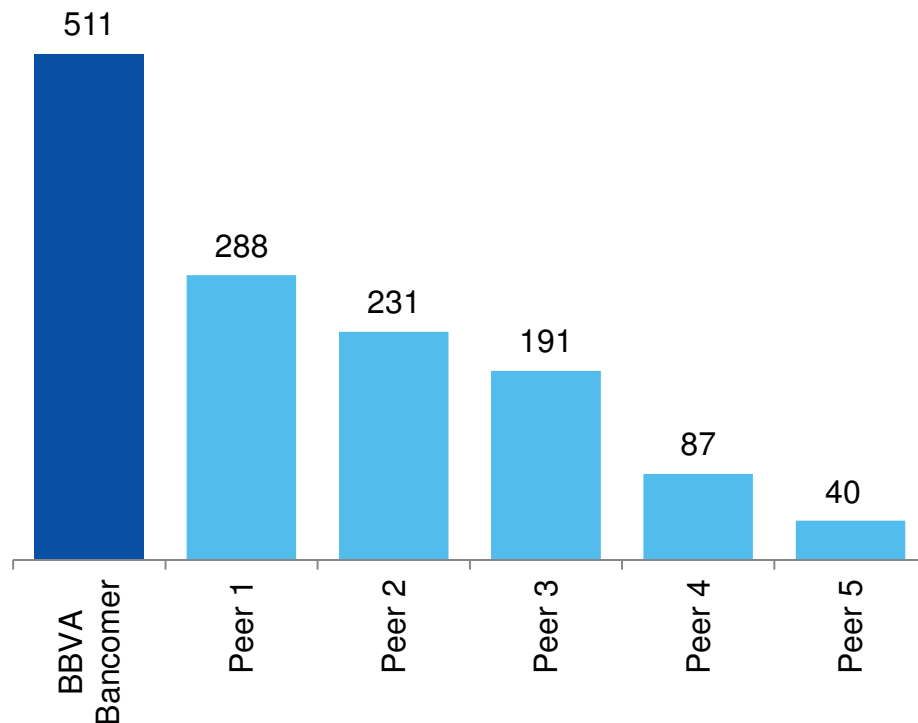
Loan to Deposits Ratio (%)



Figures Banks with Sofom without subsidiaries. Market: 45 Banks. Source: CNBV. Peers are determined by the size of total loans.  
Br: Bancomer. BS: Banking System w/o Bancomer. L/D: Loans/Deposits. L/D + Issues: Loans / Deposits + Bank bonds + subordinated notes

## Financial Groups: Net income (Jan-Mar'15)

Figures in Million Euros



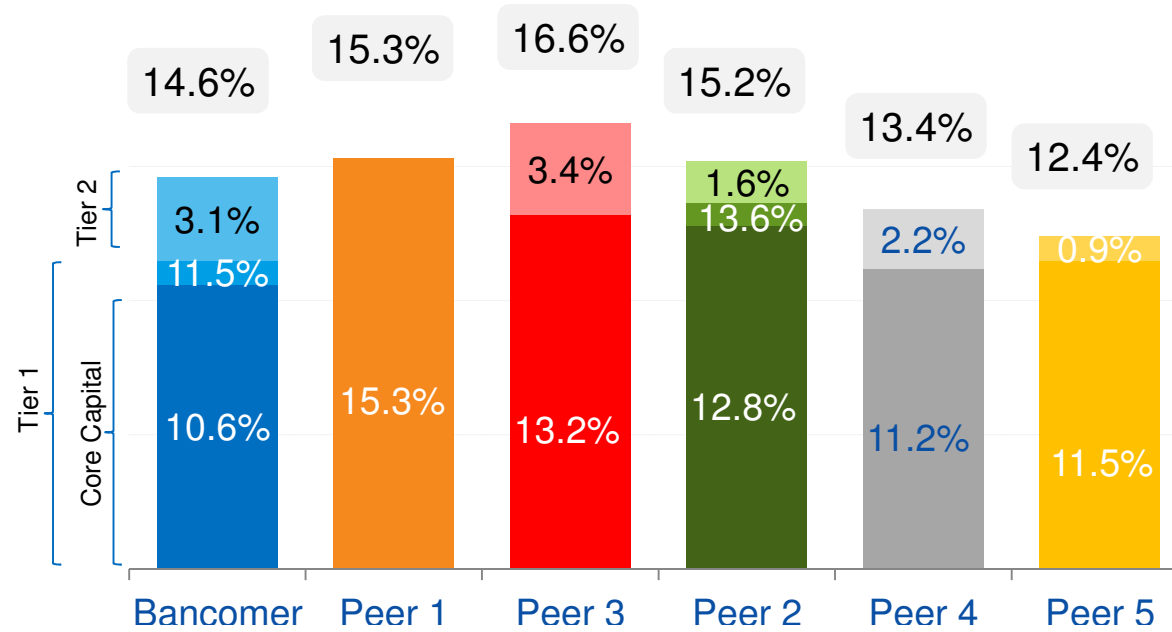
## Positive comparative vs our peers

Key Indicators (%, Mar-15)	GFBB	Peer Group
ROE	21.1	11.7
NIM	5.6	4.6
NIM after provisions	3.9	3.1
Efficiency	39.9	51.1

Figures under local accounting. Peer Group: 5 Financial Groups (Banamex, Santander, Banorte, HSBC, Scotiabank). Peers are determined by the size of total loans.  
NOTE: NIM: Net Interest Income / Total Assets. NIM after provisions: NII after provisions / Total Assets.

## Total Capital Index

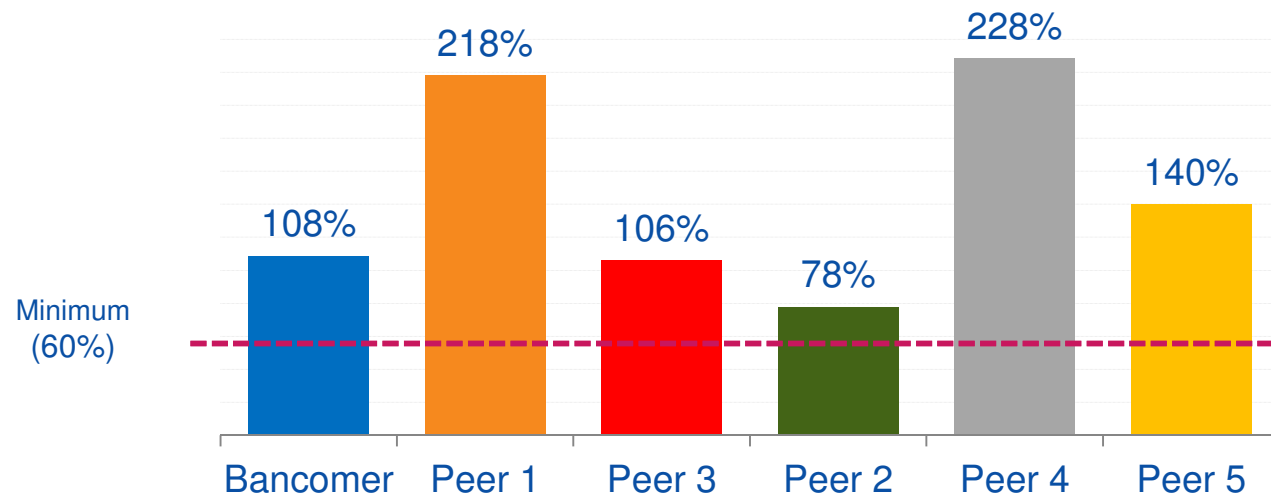
(%, March 2015)



## CCL

(Local LCR)

(%, March 2015)



Source: Quarterly Results Financial Groups. Peers are determined by the size of total loans. CCL = *Coeficiente de Cobertura de Liquidez*.

# 5

Concluding  
remarks

## Leading Franchise

Best positioned to thrive in a market with unique opportunities

## Sustained profitability

Long-term profitability based in high quality results

## Solvency, Liquidity & Risk Management

High levels of solvency and liquidity  
Conservative approach to risk

## Business Model (specialized service)

Segmented and specialized attention by type of customer to maximize customer value

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