



BBVA

UBS European Conference 2016

Ángel Reglero, BBVA Spain Chief Financial Officer
London, November 15th 2016

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Index

- 1 BBVA Group:** Resilience in a Challenging Environment
- 2 BBVA Spain:** Key management priorities
- 3 Key takeaways**



BBVA Group:

Resilience in a
Challenging
Environment

Resilience in a Challenging Environment

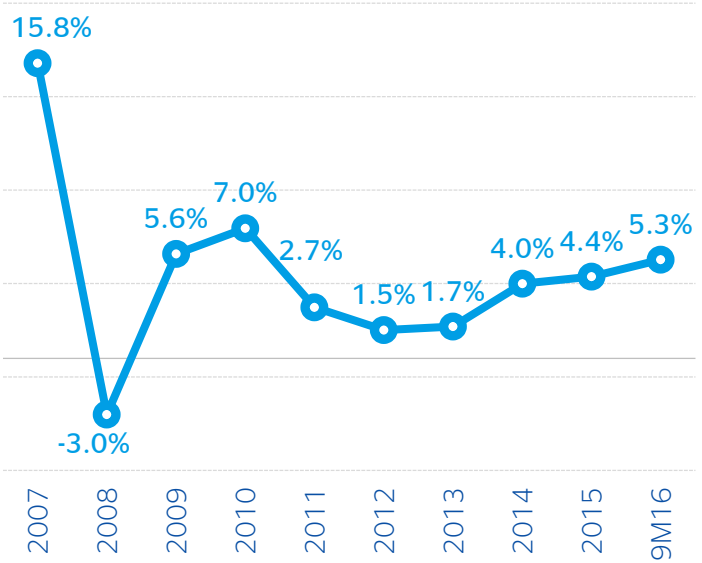
Negative interest rates in Europe

Slowdown in macro and weak loan growth in developed markets

Regulation

Transformation of the banking industry

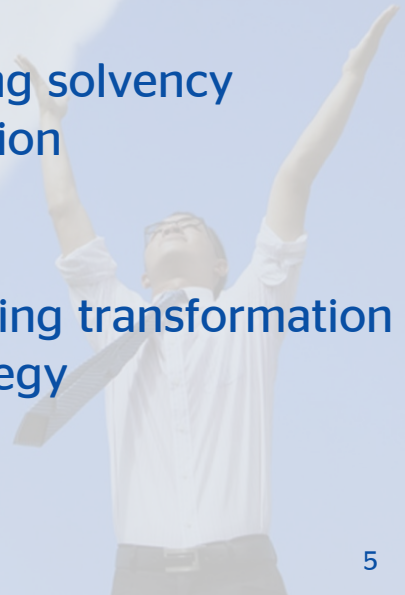
Peer Banks ROE Evolution (%)



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

BBVA Strengths

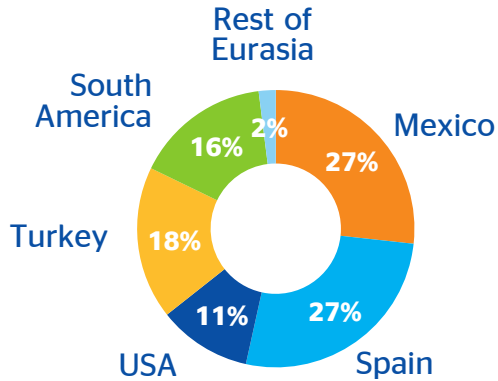
- 1 Diversified retail banking business model
- 2 Strong solvency position
- 3 Leading transformation strategy



High growth footprint ...

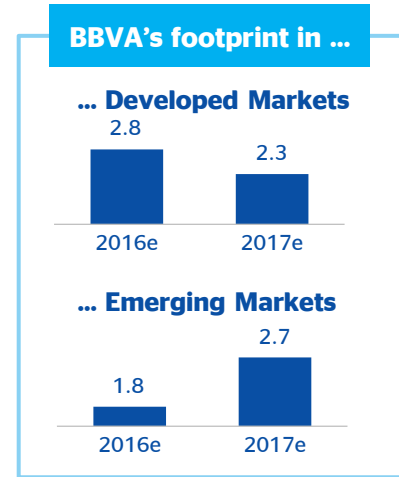
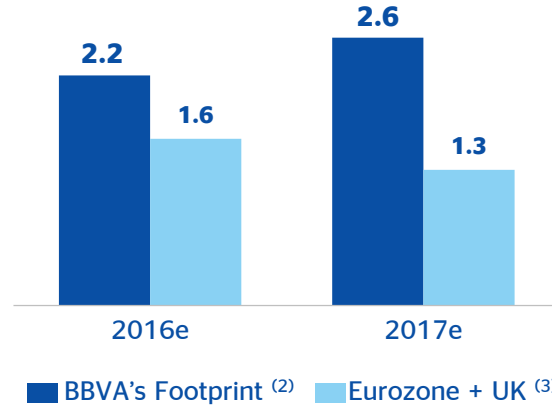
Geographically diversified business...

Gross Income breakdown
9M16 (%) ⁽¹⁾



... offering higher growth prospects

GDP growth estimates
(%)



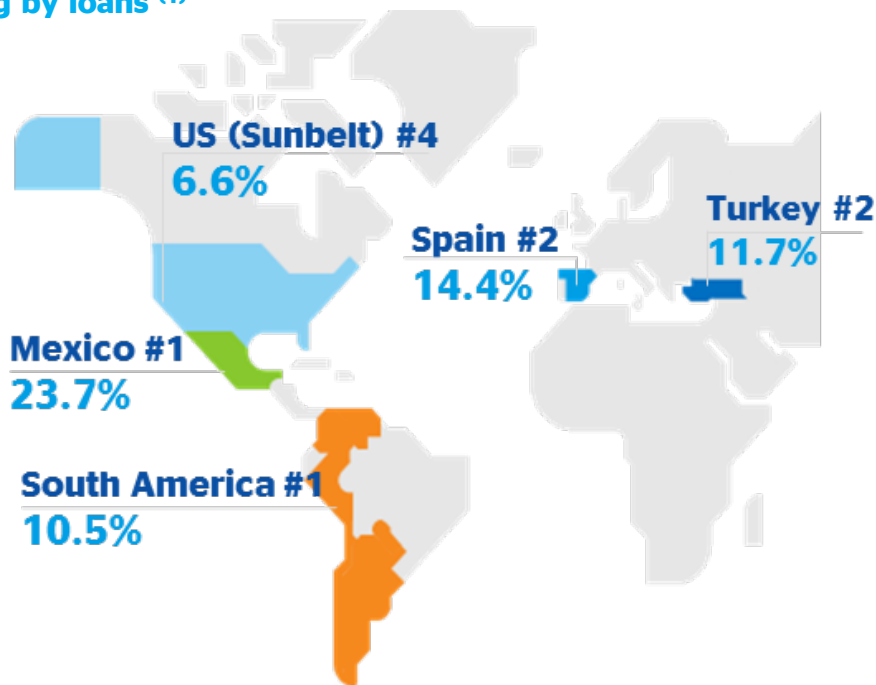
Contained exposure to Negative Interest Rates: <30% of Gross Income

(1) Excluding the Corporate Center. (2) GDP estimates according to BBVA Research. Weighting based on the countries contribution to 9M2016 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.

... and high quality franchises in core markets ...

Leadership positioning

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



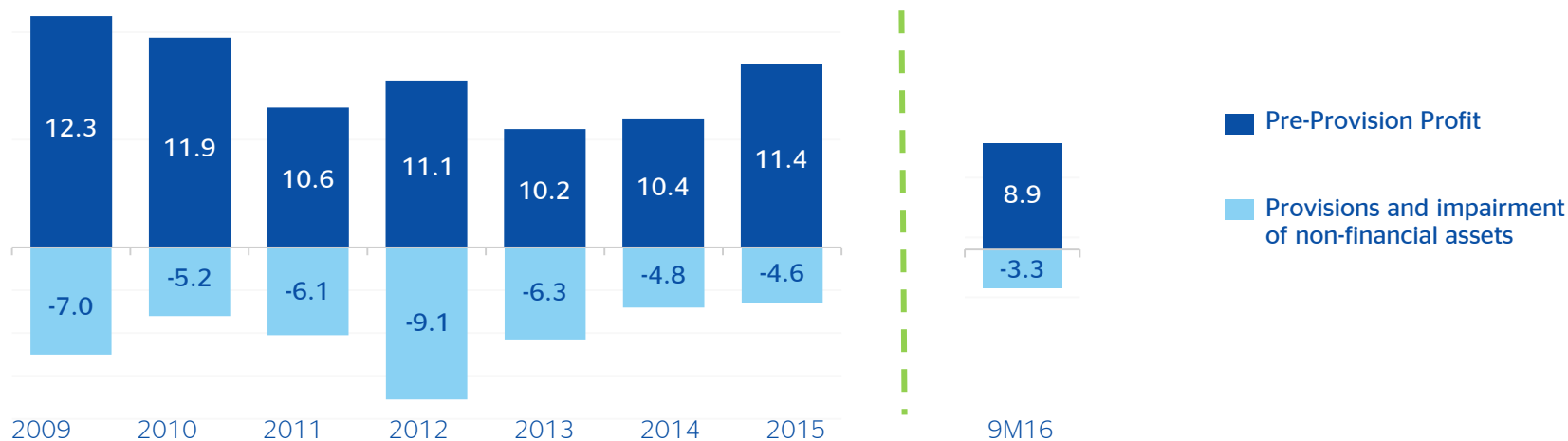
(1) Spain: Market data based on Bank of Spain other domestic sector and public sector loans (Jun 16), ranking based on AEB and CECA; Mexico: data as of Aug 16; South America data as of Aug 16 and ranking considering only our main peers in each country; USA: SNL data as of Jun 16 market share and ranking 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)



... as evidenced by 2016 EBA stress test:

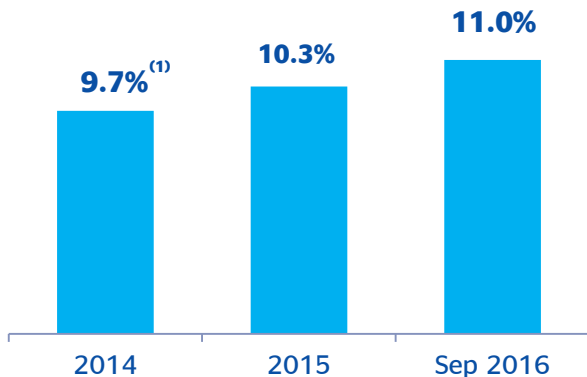
BBVA, the only bank generating positive results in the adverse scenario⁽¹⁾

(1) Within its European Peer Group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCG.

BBVA, well-positioned to face upcoming regulatory developments

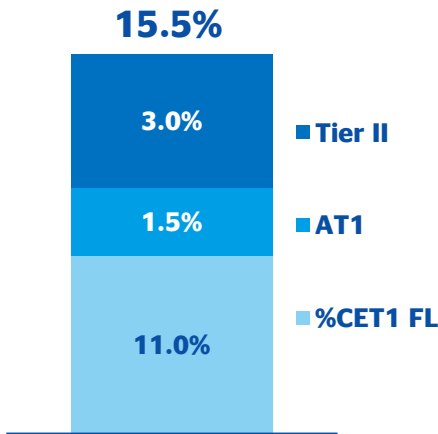
Ability to generate Capital

BBVA CET1 fully-loaded evolution
(2014 - Sep 2016)



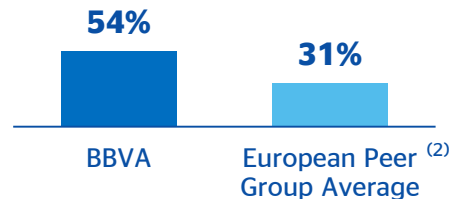
Solid Capital Ratios

BBVA Fully-loaded capital ratios
Sep 16

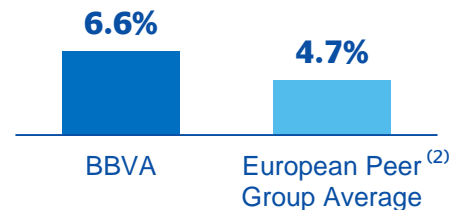


High Quality Capital

RWAs/ Total Assets
Sep 16



Fully-loaded Leverage ratio
Sep 16



CET1 FL 11% target achieved one year earlier and AT1 and T2 buckets already covered

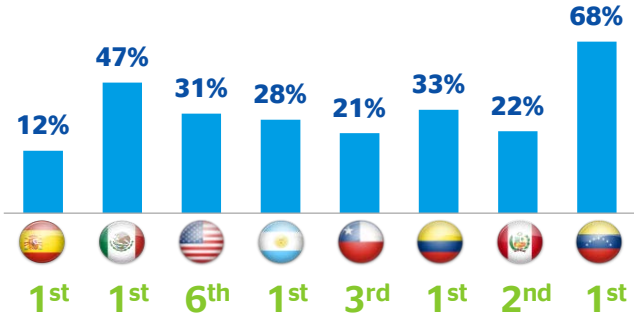
(1) Pro-forma including corporate operations announced and pending to be closed in 2014 (Acquisition of Catalunya Banc, acquisition of an additional 14,89% in Garanti, sale of 29,86% of CIFH and sale of a 4,9% stake in CNCB).
 (2) European Peer Group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCG. European Peer Group figures as of Sep 16.

BBVA transformation journey is embedded in the Group's 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 |

1. New standard in customer experience

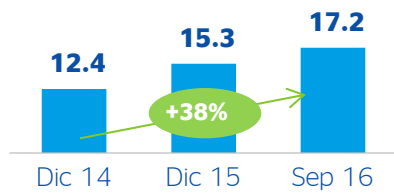
NPS (Net Promoter Score)
Jun 16



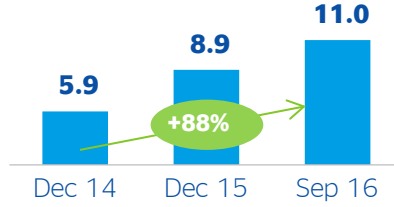
Peers included: Spain: SAN, CBK, BKIA, SAB, POP // USA: BoA, Bank of the West, Comerica, Frost, Chase, Regions, US Bank, Wells Fargo. // Mexico: Banamex, SAN, Banorte, HSBC. // Peru: BCP, Interbank, Scotiabank. // Argentina: B. Galicia, HSBC, Santander Rio. // Colombia: Bancolombia, Davivienda, B. de Bogotá. // Chile: BCI, Banco de Chile, SAN. // Venezuela: Banesco, Mercantil, B. de Venezuela. // USA and Peru: Data as of Dec 15.

2. Drive digital sales

Digital Customers
BBVA Group (mn)



Mobile Customers
BBVA Group (mn)



3. New business models

Internal incubation



Acquisitions



Strategic partnerships



Investments
(Through Propel Venture Partners)



2

BBVA Spain:

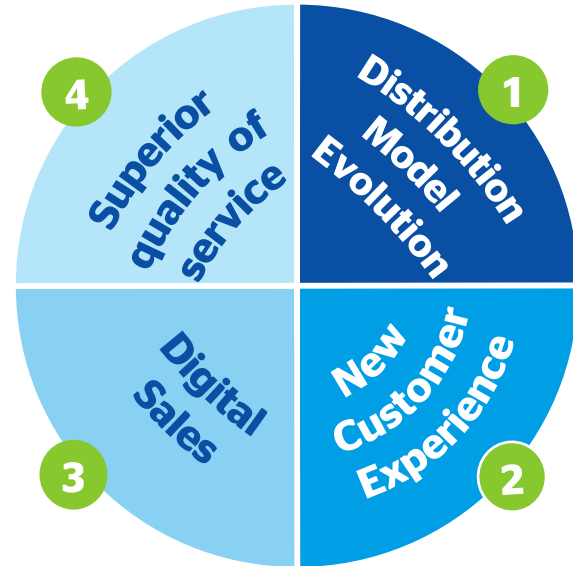
Key management
priorities

Key Management priorities

Profitable Growth

- 1 Price Management
- 2 Revenue Diversification
- 3 Efficiency
- 4 Prudent Risk Management

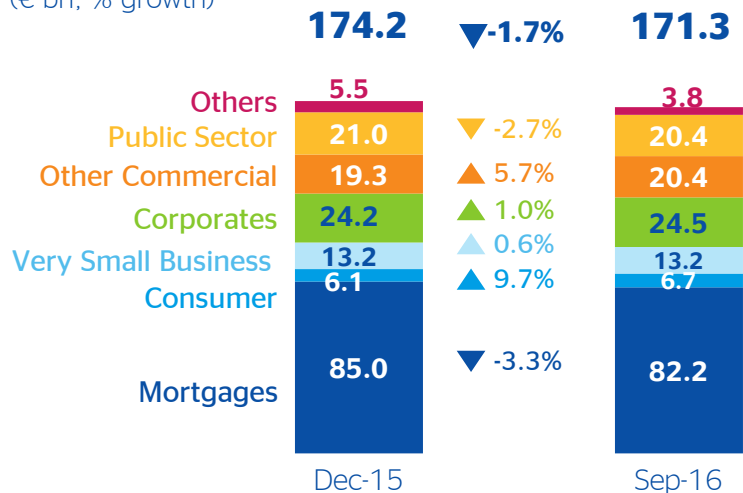
BBVA's Transformation based on 4 pillars



Excellent price management in a low interest rate environment (1/2)

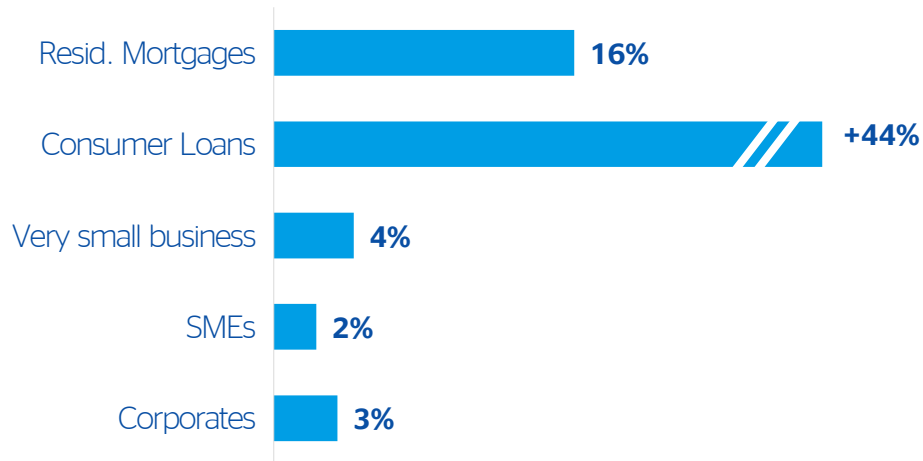
Performing Loans ⁽¹⁾

(€ bn, % growth)



New Loan production

(9M16 vs. 9M15, % growth)



- **Focus on profitable growth**
- Growth in commercial segments despite ECB measures, although not enough to offset **deleveraging in mortgages and public sector**

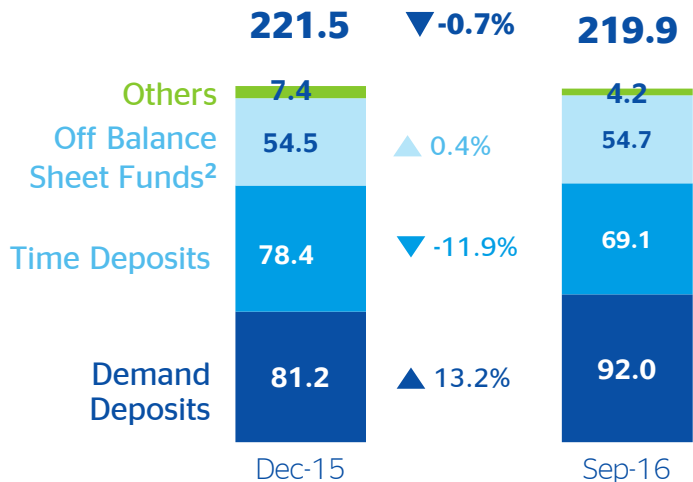
- **Strict pricing policies** in all segments.
- **Building fixed-rate loan portfolios to preserve NII** (42% of new mortgages in Sep16 at fixed rates vs. 4% in Jan16)

(1) Excluding repos

Excellent price management in a low interest rate environment (2/2)

Customer Funds ⁽¹⁾

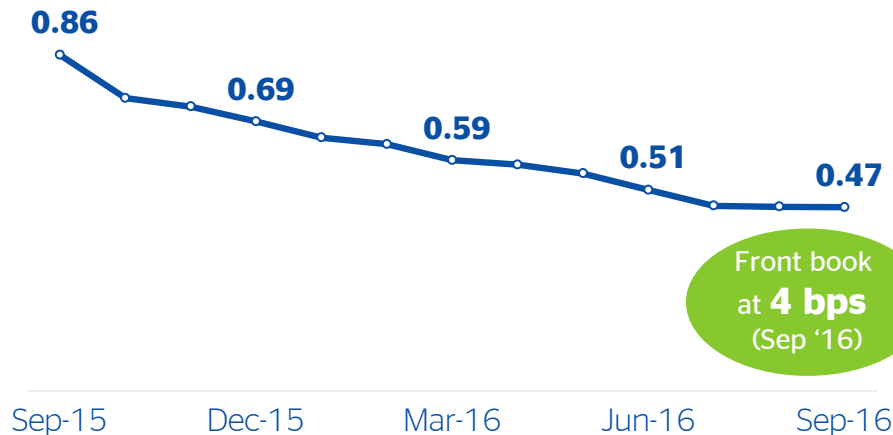
(€ bn, % growth)



- A **more profitable** mix of customer funds

Cost of time deposits

Back Book cost (monthly average, %) vs. front book cost



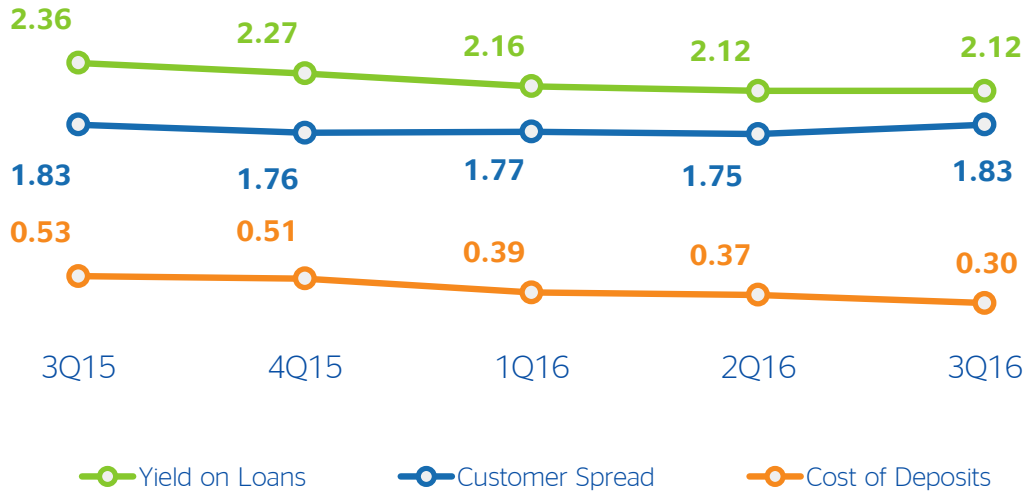
- Cost of time deposits: **Still room for improvement**

(1) Excluding repos (2) Includes mutual funds, pension funds and other off balance sheet funds.

Price management strategy paying off

Customer Spread

Quarterly Evolution (%)



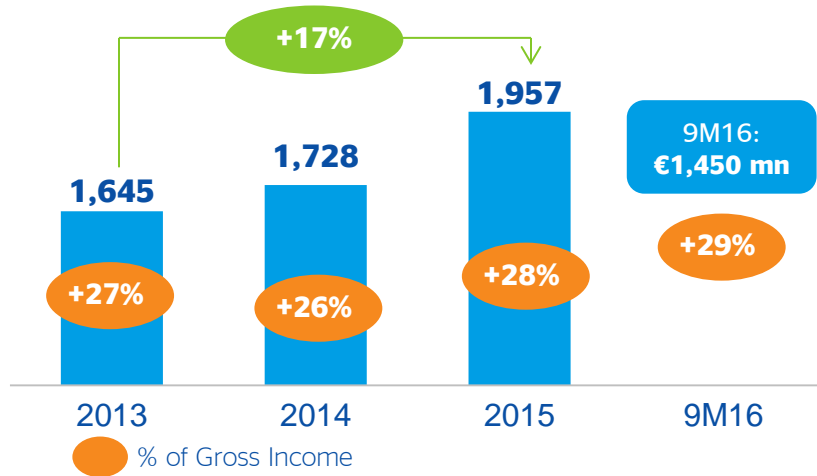
Lending yield:
Small Euribor repricing pending and successful spread management

Cost of deposits:
 benefitting from a **better mix** and **lower cost** of time deposits

Revenue diversification

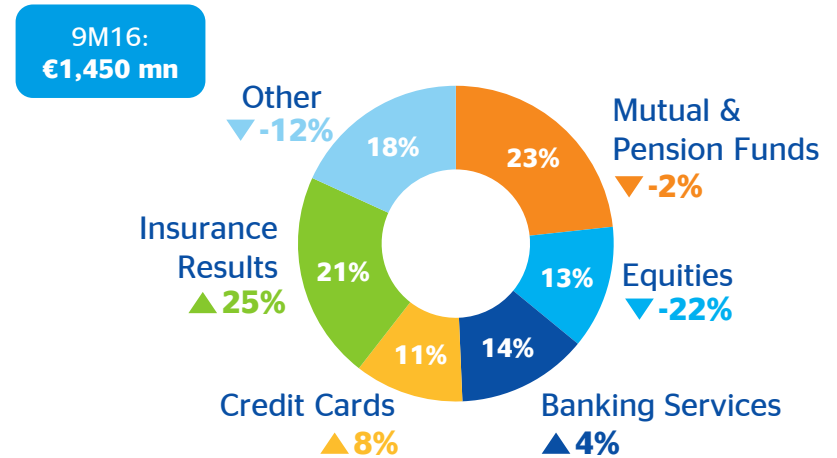
Net Fees & Commissions and Insurance Results Evolution

(€ mn)



Net Fees & Commissions and Insurance Results Breakdown

(9M16 distribution and YoY growth, 9M16 vs 9M15)



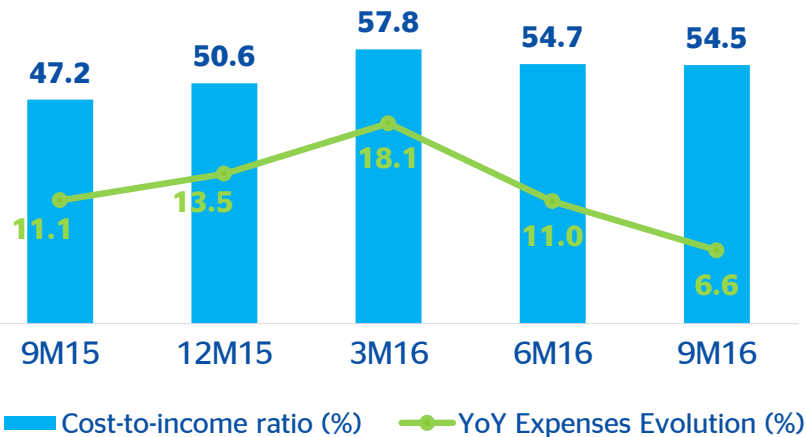
Focus on non-interest income products:

Increasing contribution of other sources of revenues, key priority in the current environment

Efficiency as a key strategic priority

Efficiency

(%)



- Expenses evolution impacted by **CX integration** (on April 24th, 2015)

On-going cost control efforts

- CX merger successfully completed, including 436 branches closed
- 100 additional branches to be closed by year end
- Total estimated exits of 2.000 employees in 2016
- Teller staffing optimization
- Reengineering work out operations and SMEs back office

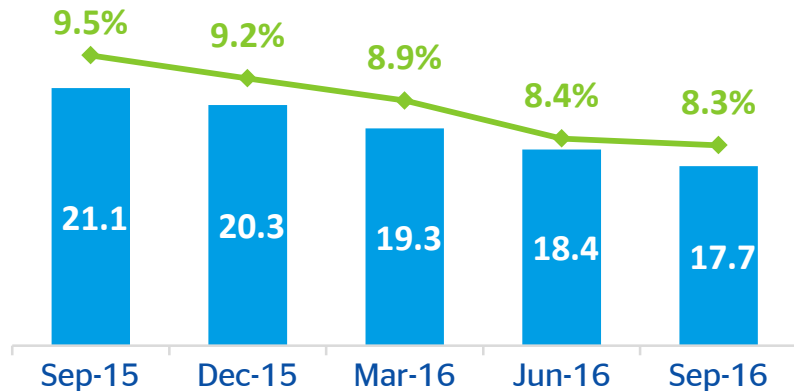
€ 200 mn cost synergies from CX fully achievable in 2017 (i.e. 6% of current cost base)

Risk indicators evolving better than expected

Non Performing Loans

NPL volume and NPL ratio

Spain Banking Activity + Real Estate (€ bn, %)

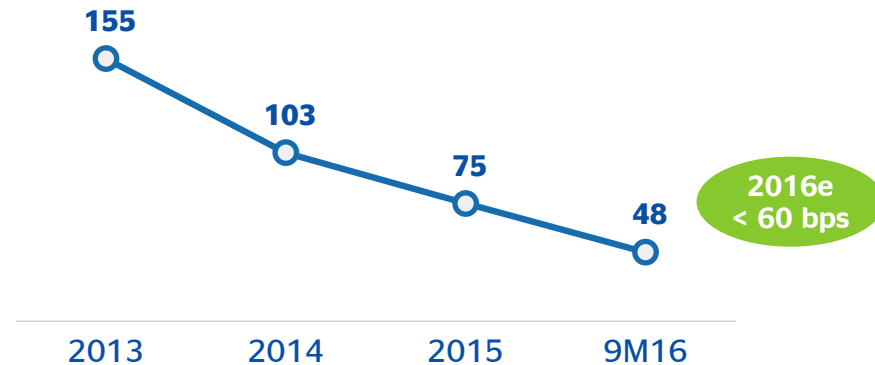


- NPLs flows **progressively improving**

Cost of Risk

Cumulative Cost of Risk

Spain Banking Activity + Real Estate (bps)



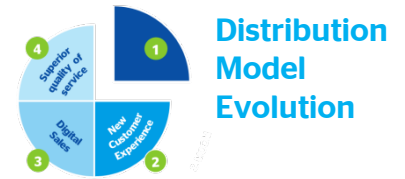
- Cost of Risk evolution in 2016 **better than guidance**

The reduction in provisions will remain a P&L driver

Total Spain - P&L highlights

BBVA Spain P&L	9M16 € mn	Growth 9M16 vs 9M15		
		Abs. (€mn)	%	
Net interest Income	2,911	- 88	-2.9%	} Core Revenues impacted by deleveraging, lower Euribor and market volatility
Net Fees and Commissions	1,141	- 78	-6.4%	
Net Trading Income	613	- 200	-24.6%	
Other Income & Expenses	304	- 48	-13.7%	
Gross Income	4,970	- 415	-7.7%	→ 9M16 includes contribution to the SRF ⁽¹⁾ (vs 4Q15)
Operating Expenses	-2,710	- 169	6.6%	→ Cost synergies expected after CX merger in 3Q16
Operating Income	2,260	- 584	-20.5%	
Impairment on Financial Assets (net)	-721	+ 357	-33.2%	→ Significant decrease in loan-loss provisions
Provisiones (net) and other gains (losses)	-212	+ 156	-42.3%	
Income Before Tax	1,327	- 71	-5.1%	
Income Tax	-390	+ 19	-4.6%	
Net Attributable Profit: Spain Banking Activity	936	- 51	-5.2%	
Net Attributable Profit: Spain RE	-315	+ 102	-24.4%	
Net Attributable Profit: Banking activity + RE	621	51	8.8%	

BBVA moving ahead in the transformation of its distribution model



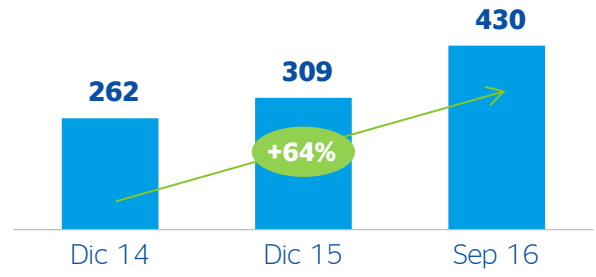
New distribution model

- **Retail Banking Centers** managing the relationship model.
 - Retail Banking Centers **experts in managing customers across all channels** (face to face, remote, digital)
 - **Redirecting sales through the most suitable channel**



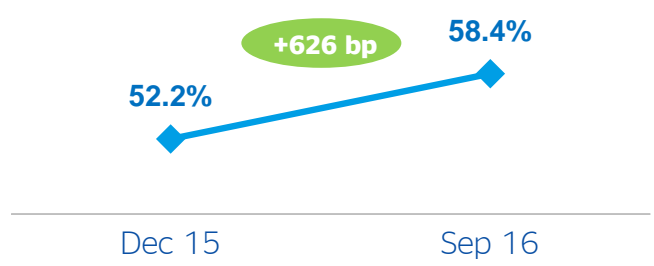
Active Remote Clients⁽¹⁾

(^{000s} customers)



Active Remote Clients Net Promoter Score (NPS)

(%)



(1) Attended through Remote Advisors

BBVA

New Customer Experience



New Value Proposition



Simplicity

- Transparent and Reliable
- Simple products
- Very simple buying processes



Convenience

- Mobile as the key relationship device

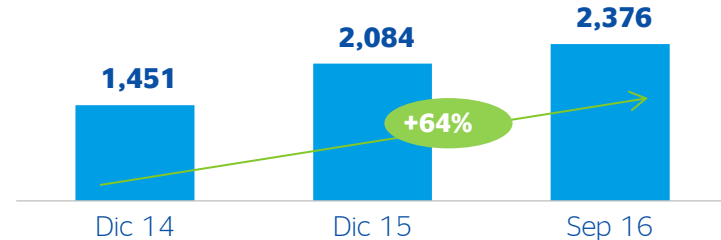


Advice

- Advice supported by the innovative tools (Commerce 360°, BBVA Valora,...)

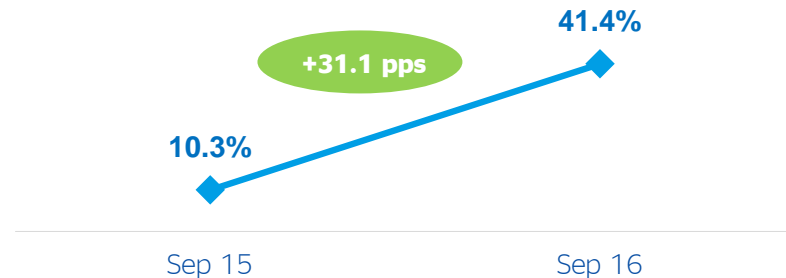
Mobile Customers

(thousands)



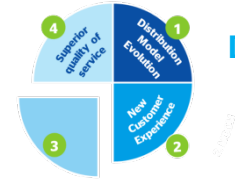
Digital Signatures

Retail Banking (% of digital signatures¹)



(1) Digital signatures over total products (excl. non-digital available products)

Increasing business done digitally

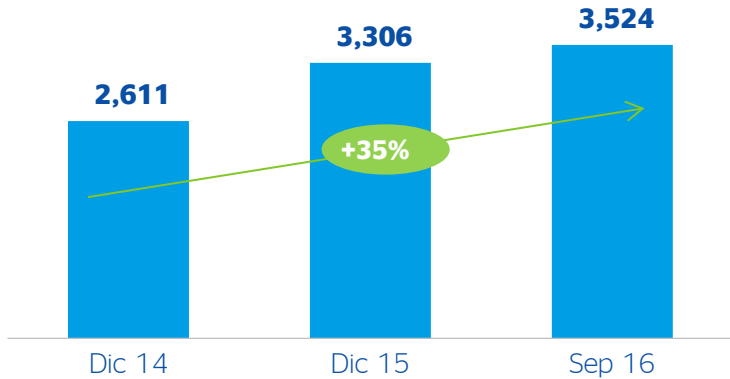


Digital Sales

Increasing the number of digital customers

Digital Customers

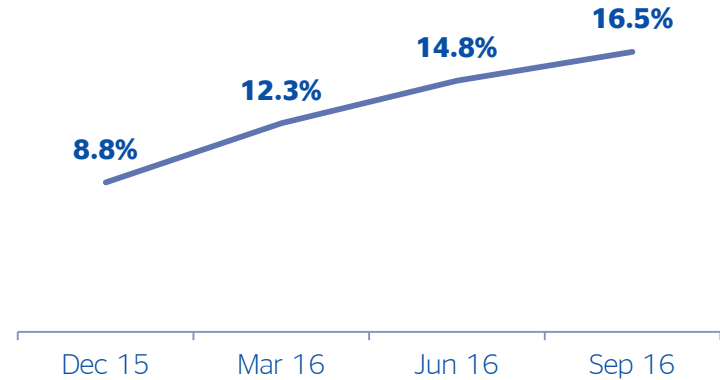
BBVA Spain (thousands)



Digital Sales

Digital Sales

(% of total sales, accumulated # of transactions)



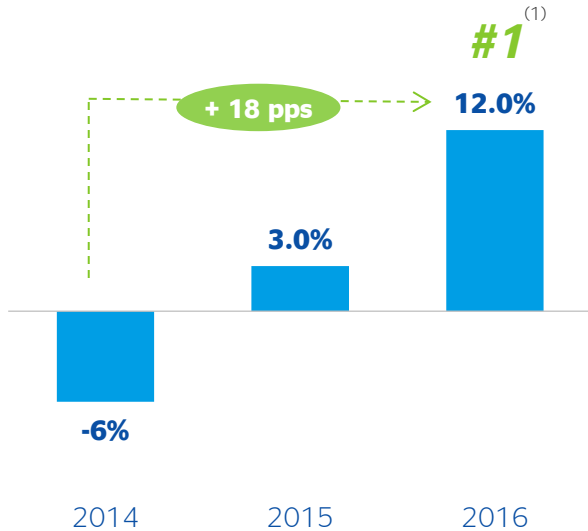
BBVA

Superior Quality of Service



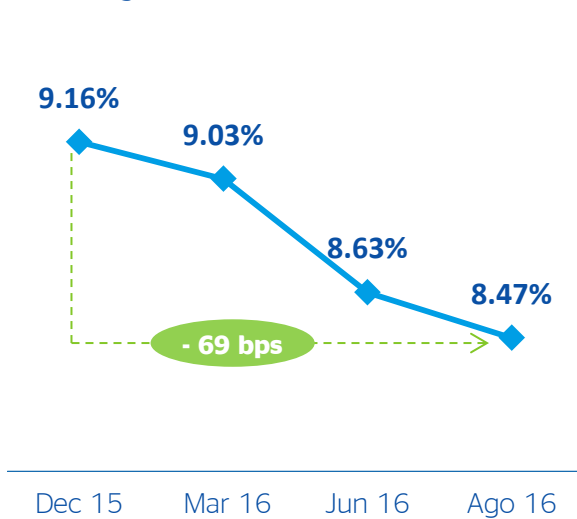
NPS

(%)



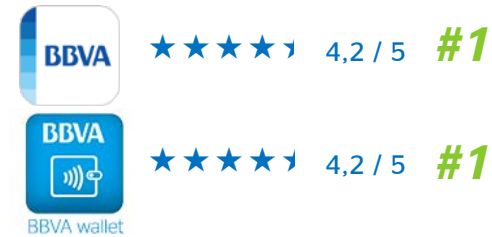
Attrition Rate

Retail Target customers (%)



Digital Customer Rating

(Play Store Android)



(1) Peers included: Spain: SAN, CBK, BKIA, SAB, POP

3

Key takeaways



Conclusions

- ✔ **BBVA, well positioned in the current challenging environment** thanks to its **well-diversified footprint**, its **strong solvency** position and its **leading transformation strategy**
- ✔ **In Spain, BBVA's key management priorities are focused on:**
 - **Profitable growth** through an **active price management, revenue diversification, cost control** and a **prudent risk management**.
 - **BBVA's transformation**, based on the **evolution of our distribution network, new customer experience, increasing digital sales and a superior quality of service**.



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