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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

**BBVA Strengths**

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

**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 (%)

- 2007: -3.0%
- 2008: 15.8%
- 2009: 5.6%
- 2010: 7.0%
- 2011: 2.7%
- 2012: 1.5%
- 2013: 1.7%
- 2014: 4.0%
- 2015: 4.4%
- 2016: 5.3%

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

**Geographically diversified business...**

**Gross Income breakdown**

9M16 (%) \(^{(1)}\)

- **Rest of Eurasia**: 27%
- **Mexico**: 16%
- **Turkey**: 27%
- **USA**: 18%
- **Spain**: 11%
- **South America**: 2%

**... offering higher growth prospects**

**GDP growth estimates**

(\(\%\))

- **Developed Markets**:
  - Spain: 2.6 (2016e), 1.3 (2017e)
  - USA: 1.6 (2016e)
- **Emerging Markets**:\(^{(3)}\)
  - Mexico: 2.8 (2016e), 2.3 (2017e)
  - Turkey: 1.8 (2016e), 2.7 (2017e)

**BBVA’s footprint in ...**

- **Developed Markets**:
  - BBVA’s Footprint: 27%
  - Eurozone + UK: 27%
- **Emerging Markets**:\(^{(3)}\)
  - BBVA’s Footprint: 11%
  - Eurozone + UK: 18%

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

**Profit generation all through the crisis**

**BBVA Pre-Provision Profit vs. Provisions**

(€ bn)

![Graph showing BBVA Pre-Provision Profit vs. Provisions from 2009 to 9M16](image)

- Pre-Provision Profit
- Provisions and impairment of non-financial assets

... 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)

<table>
<thead>
<tr>
<th>Year</th>
<th>CET1 FL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>9.7%</td>
</tr>
<tr>
<td>2015</td>
<td>10.3%</td>
</tr>
<tr>
<td>Sep 2016</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

**Solid Capital Ratios**

BBVA Fully-loaded capital ratios
Sep 16

- Tier II: 3.0%
- AT1: 1.5%
- %CET1 FL: 11.0%

**High Quality Capital**

RWAs/ Total Assets
Sep 16

- BBVA: 54%
- European Peer Group Average: 28%

**Fully-loaded Leverage ratio**

Sep 16

- BBVA: 6.6%
- European Peer Group Average: 4.7%

**Notes:**

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

**NPS (Net Promoter Score)**

<table>
<thead>
<tr>
<th></th>
<th>Jun 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>12%</td>
</tr>
<tr>
<td>1st</td>
<td>47%</td>
</tr>
<tr>
<td>6th</td>
<td>31%</td>
</tr>
<tr>
<td>1st</td>
<td>28%</td>
</tr>
<tr>
<td>3rd</td>
<td>21%</td>
</tr>
<tr>
<td>1st</td>
<td>33%</td>
</tr>
<tr>
<td>2nd</td>
<td>22%</td>
</tr>
<tr>
<td>1st</td>
<td>68%</td>
</tr>
</tbody>
</table>


2. Drive digital sales

**Digital Customers BBVA Group (mn)**

<table>
<thead>
<tr>
<th></th>
<th>Dec 14</th>
<th>Dec 15</th>
<th>Sep 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.4</td>
<td>15.3</td>
<td>17.2</td>
<td></td>
</tr>
<tr>
<td>+38%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Mobile Customers BBVA Group (mn)**

<table>
<thead>
<tr>
<th></th>
<th>Dec 14</th>
<th>Dec 15</th>
<th>Sep 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.9</td>
<td>8.9</td>
<td>11.0</td>
<td></td>
</tr>
<tr>
<td>+88%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. New business models

**Internal incubation**

**Strategic partnerships**

**Acquisitions**

**Investments (Through Propel Venture Partners)**

- coinbase
- Prosper
- DocuSign
- Simple
- Taulia
- Insiikt
- Holvi
- Atom
- Drive Motors
- earnest
BBVA Spain: Key management priorities
Key Management priorities

BBVA’s Transformation based on 4 pillars

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

1. Distribution Model Evolution
2. New Customer Experience
3. Digital Sales
4. Superior quality of service
Excellent price management in a low interest rate environment (1/2)

Performing Loans (1)

<table>
<thead>
<tr>
<th>Category</th>
<th>Dec-15</th>
<th>Sep-16</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>85.0</td>
<td>82.2</td>
<td>-3.3%</td>
</tr>
<tr>
<td>Consumer Loans</td>
<td>19.3</td>
<td>20.4</td>
<td>5.7%</td>
</tr>
<tr>
<td>Corporates</td>
<td>24.2</td>
<td>24.5</td>
<td>1.0%</td>
</tr>
<tr>
<td>Very Small Business</td>
<td>13.2</td>
<td>13.2</td>
<td>0.6%</td>
</tr>
<tr>
<td>Public Sector</td>
<td>21.0</td>
<td>20.4</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Others</td>
<td>5.5</td>
<td>3.8</td>
<td>-1.7%</td>
</tr>
</tbody>
</table>

New Loan production

<table>
<thead>
<tr>
<th>Category</th>
<th>9M16</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resid. Mortgages</td>
<td>174.2</td>
<td>16%</td>
</tr>
<tr>
<td>Consumer Loans</td>
<td>171.3</td>
<td>+44%</td>
</tr>
<tr>
<td>Very small business</td>
<td>16%</td>
<td>4%</td>
</tr>
<tr>
<td>SMEs</td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>Corporates</td>
<td></td>
<td>3%</td>
</tr>
</tbody>
</table>

- **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)

<table>
<thead>
<tr>
<th></th>
<th>Dec-15</th>
<th>Sep-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>7.4</td>
<td>4.2</td>
</tr>
<tr>
<td>Off Balance Sheet Funds²</td>
<td>54.5 ▲0.4%</td>
<td>54.7</td>
</tr>
<tr>
<td>Time Deposits</td>
<td>78.4 ▼11.9%</td>
<td>69.1</td>
</tr>
<tr>
<td>Demand Deposits</td>
<td>81.2 ▲13.2%</td>
<td>92.0</td>
</tr>
</tbody>
</table>

- **Others**
  - Excluding repos
  - Includes mutual funds, pension funds and other off balance sheet funds.

- **Off Balance Sheet Funds²**
  - ▲0.4%

- **Time Deposits**
  - ▼11.9%

- **Demand Deposits**
  - ▲13.2%

### Cost of time deposits

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

- **Sep-15**: 0.86
- **Dec-15**: 0.69
- **Mar-16**: 0.59
- **Jun-16**: 0.51
- **Sep-16**: 0.47

- **Front book at 4 bps (Sep ’16)**

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

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

- **Yield on Loans**
- **Customer Spread**
- **Cost of Deposits**
Revenue diversification

Net Fees & Commissions and Insurance Results Evolution

<table>
<thead>
<tr>
<th>Year</th>
<th>(€ mn)</th>
<th>% of Gross Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,645</td>
<td>+27%</td>
</tr>
<tr>
<td>2014</td>
<td>1,728</td>
<td>+26%</td>
</tr>
<tr>
<td>2015</td>
<td>1,957</td>
<td>+28%</td>
</tr>
<tr>
<td>9M16</td>
<td>1,450</td>
<td>+29%</td>
</tr>
</tbody>
</table>

Net Fees & Commissions and Insurance Results Breakdown

(9M16 distribution and YoY growth, 9m16 vs 9m15)

- Mutual & Pension Funds: -2%
- Equities: -22%
- Banking Services: ▲ 4%
- Credit Cards: ▲ 8%
- Insurance Results: ▲ 25%
- Other: ▼ -12%

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

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

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

€ 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, %)

<table>
<thead>
<tr>
<th></th>
<th>Sep-15</th>
<th>Dec-15</th>
<th>Mar-16</th>
<th>Jun-16</th>
<th>Sep-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPL volume</td>
<td>21.1</td>
<td>20.3</td>
<td>19.3</td>
<td>18.4</td>
<td>17.7</td>
</tr>
<tr>
<td>NPL ratio</td>
<td>9.5%</td>
<td>9.2%</td>
<td>8.9%</td>
<td>8.4%</td>
<td>8.3%</td>
</tr>
</tbody>
</table>

Cost of Risk

Cumulative Cost of Risk
Spain Banking Activity + Real Estate (bps)

- NPLs flows ***progressively improving***
- Cost of Risk evolution in 2016 **better than guidance**

The reduction in provisions will remain a P&L driver
# Total Spain - P&L highlights

<table>
<thead>
<tr>
<th>BBVA Spain P&amp;L</th>
<th>9M16 € mn</th>
<th>Growth 9M16 vs 9M15</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>2,911</td>
<td>- 88</td>
<td>-2.9%</td>
</tr>
<tr>
<td>Net Fees and Commissions</td>
<td>1,141</td>
<td>- 78</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Net Trading Income</td>
<td>613</td>
<td>- 200</td>
<td>-24.6%</td>
</tr>
<tr>
<td>Other Income &amp; Expenses</td>
<td>304</td>
<td>- 48</td>
<td>-13.7%</td>
</tr>
<tr>
<td><strong>Gross Income</strong></td>
<td>4,970</td>
<td>- 415</td>
<td>-7.7%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>-2,710</td>
<td>- 169</td>
<td>6.6%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>2,260</td>
<td>- 584</td>
<td>-20.5%</td>
</tr>
<tr>
<td>Impairment on Financial Assets (net)</td>
<td>-721</td>
<td>+ 357</td>
<td>33.2%</td>
</tr>
<tr>
<td>Provisions (net) and other gains (losses)</td>
<td>-212</td>
<td>+ 156</td>
<td>-42.3%</td>
</tr>
<tr>
<td><strong>Income Before Tax</strong></td>
<td>1,327</td>
<td>- 71</td>
<td>-5.1%</td>
</tr>
<tr>
<td>Income Tax</td>
<td>-390</td>
<td>+ 19</td>
<td>-4.6%</td>
</tr>
<tr>
<td><strong>Net Attributable Profit: Spain Banking Activity</strong></td>
<td>936</td>
<td>- 51</td>
<td>-5.2%</td>
</tr>
<tr>
<td><strong>Net Attributable Profit: Spain RE</strong></td>
<td>-315</td>
<td>+ 102</td>
<td>-24.4%</td>
</tr>
<tr>
<td><strong>Net Attributable Profit: Banking activity + RE</strong></td>
<td>621</td>
<td>51</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

### Notes

- **Core Revenues impacted by** deleveraging, lower Euribor and market volatility
- **9M16 includes contribution to the SRF** (1) (vs 4Q15)
- **Cost synergies expected** after CX merger in 3Q16
- **Significant decrease in loan-loss provisions**

(1) SRF: Single Resolution Fund
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)

<table>
<thead>
<tr>
<th>(000s customers)</th>
<th>Dic 14</th>
<th>Dic 15</th>
<th>Sep 16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>262</td>
<td>309</td>
<td>430</td>
</tr>
</tbody>
</table>

+64% increase from Dic 14 to Sep 16

### Active Remote Clients Net Promoter Score (NPS)

<table>
<thead>
<tr>
<th>(%)</th>
<th>Dec 15</th>
<th>Sep 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>52.2%</td>
<td>+626 bp</td>
<td>58.4%</td>
</tr>
</tbody>
</table>

(1) Attended through Remote Advisors
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

<table>
<thead>
<tr>
<th></th>
<th>Dec 14</th>
<th>Dec 15</th>
<th>Sep 16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,451</td>
<td>2,084</td>
<td>2,376</td>
</tr>
<tr>
<td>Change</td>
<td>+64%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Digital Signatures

<table>
<thead>
<tr>
<th></th>
<th>Sep 15</th>
<th>Sep 16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10.3%</td>
<td>41.4%</td>
</tr>
<tr>
<td>Change</td>
<td>+31.1 pps</td>
<td></td>
</tr>
</tbody>
</table>

(1) Digital signatures over total products (excl. non-digital available products)
Increasing business done digitally

Increasing the number of digital customers

Digital Customers
BBVA Spain (mn)

<table>
<thead>
<tr>
<th></th>
<th>Dec 14</th>
<th>Dic 15</th>
<th>Sep 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,611</td>
<td>3,306</td>
<td>3,524</td>
<td></td>
</tr>
</tbody>
</table>

+35%

Digital Sales
(% of total sales, accumulated # of transactions)

<table>
<thead>
<tr>
<th></th>
<th>Dec 15</th>
<th>Mar 16</th>
<th>Jun 16</th>
<th>Sep 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.8%</td>
<td>12.3%</td>
<td>14.8%</td>
<td>16.5%</td>
<td></td>
</tr>
</tbody>
</table>
Superior Quality of Service

**NPS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>-6%</td>
</tr>
<tr>
<td>2015</td>
<td>3.0%</td>
</tr>
<tr>
<td>2016</td>
<td>12.0%</td>
</tr>
</tbody>
</table>

+ 18 pps

**Attrition Rate**

Retail Target customers (%)

<table>
<thead>
<tr>
<th>Month</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 15</td>
<td>9.16%</td>
</tr>
<tr>
<td>Mar 16</td>
<td>9.03%</td>
</tr>
<tr>
<td>Jun 16</td>
<td>8.63%</td>
</tr>
<tr>
<td>Ago 16</td>
<td>8.47%</td>
</tr>
</tbody>
</table>

- 69 bps

**Digital Customer Rating**

(Play Store Android)

- BBVA wallet: 4.2 / 5, #1
- BBVA: 4.2 / 5, #1

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