



# BBVA

## UBS European Conference 2016

Ángel Reglero, BBVA Spain Chief Financial Officer  
London, November 15<sup>th</sup> 2016

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# Index

**1 BBVA Group:** Resilience in a Challenging Environment

**2 BBVA Spain:** Key management priorities

**3 Key takeaways**

A large, stylized blue number '1' that serves as a section marker.

# **BBVA Group:**

Resilience in a  
Challenging  
Environment

# Resilience in a Challenging Environment

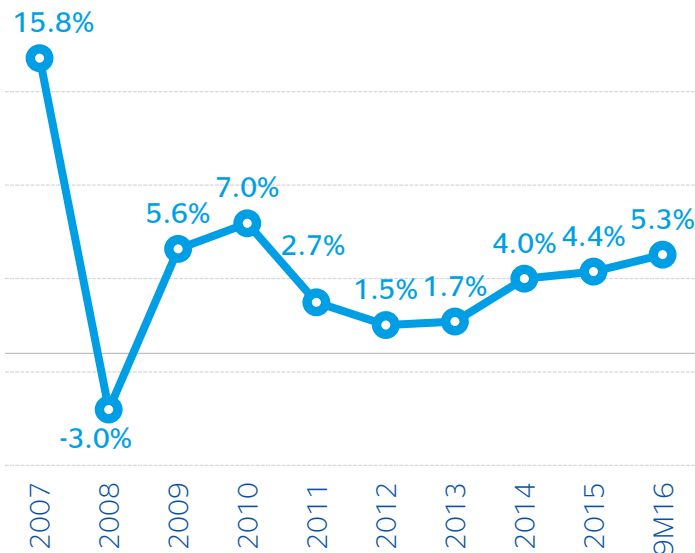
Negative interest rates  
in Europe

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

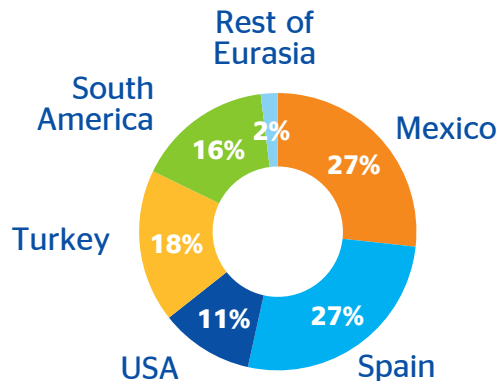
Leading transformation  
strategy

# High growth footprint ...

## Geographically diversified business...

### Gross Income breakdown

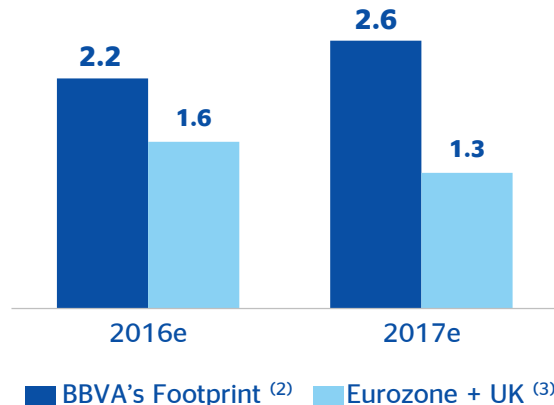
9M16 (%) <sup>(1)</sup>



## ... offering higher growth prospects

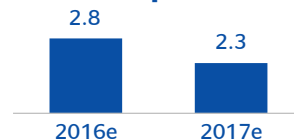
### GDP growth estimates

(%)

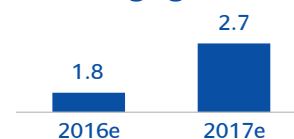


### BBVA's footprint in ...

#### ... Developed Markets



#### ... Emerging Markets

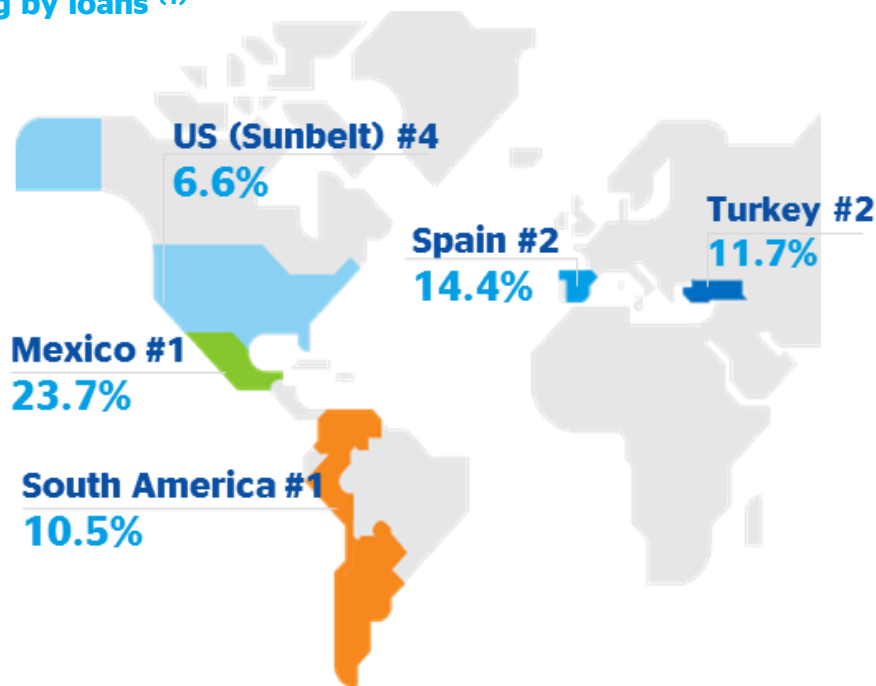


Contained exposure to Negative Interest Rates: <30% of Gross Income

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

## Leadership positioning

### Market share and ranking by loans <sup>(1)</sup> (%) and ranking

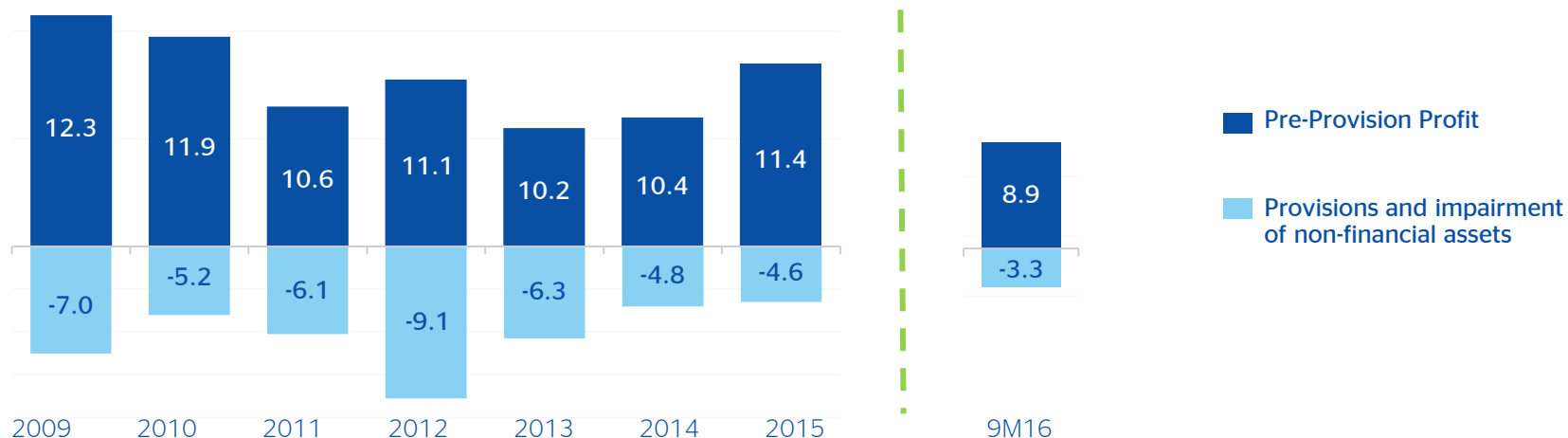


(1) Spain: Market data based on Bank of Spain other domestic sector and public sector loans (Jun 16), ranking based on AEB and CECA; Mexico: data as of Aug 16; South America data as of Aug 16 and ranking considering only our main peers in each country; USA: SNL data as of Jun 16 market share and ranking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

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

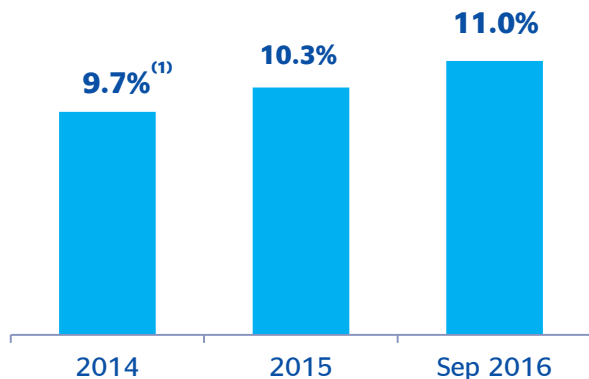


# BBVA, well-positioned to face upcoming regulatory developments



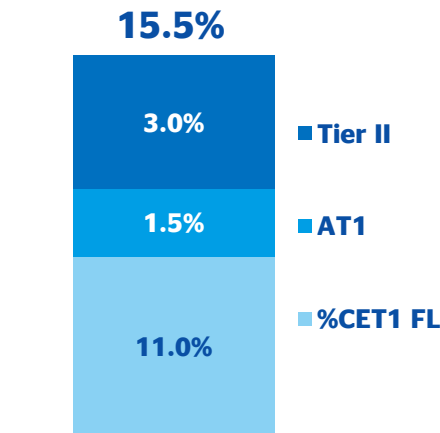
## Ability to generate Capital

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



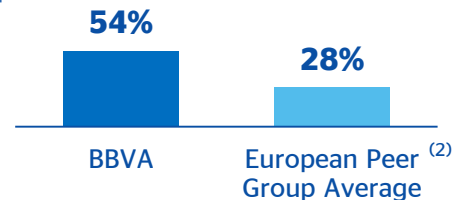
## Solid Capital Ratios

BBVA Fully-loaded capital ratios  
Sep 16

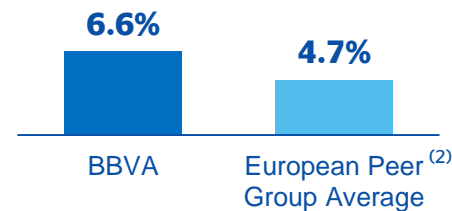


## High Quality Capital

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**

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

## 3 Leading transformation strategy

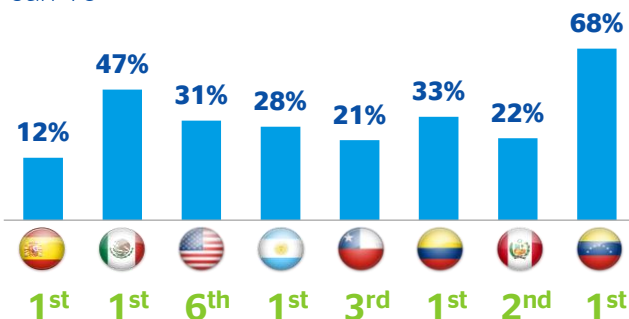
1 New standard in customer experience	2 Drive digital sales	3 New business models
4 Optimize capital allocation	5 Unrivalled efficiency	6 A first class workforce



### 1. New standard in customer experience

#### NPS (Net Promoter Score)

Jun 16



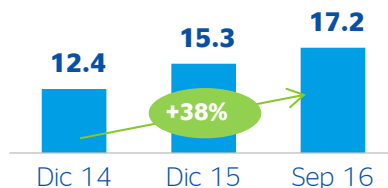
Peers included: Spain: SAN, CBK, BKIA, SAB, POP // USA: BoA, Bank of the West, Comerica, Frost, Chase, Regions, US Bank, Wells Fargo. // Mexico: Banamex, SAN, Banorte, HSBC. // Peru: BCP, Interbank, Scotiabank. // Argentina: B. Galicia, HSBC, Santander Río. // Colombia: Bancolombia, Davivienda, B. de 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

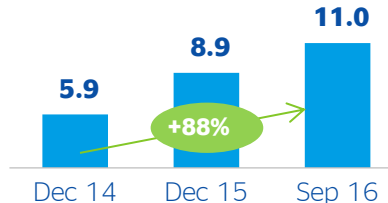
#### Digital Customers

BBVA Group (mn)



#### Mobile Customers

BBVA Group (mn)



### 3. New business models

#### Internal incubation

**Nimble**  
Simple Payments & Easy Business

**elenko**  
by BBVA Group

**API MARKET**  
Innovation for growing your business

#### Strategic partnerships

**dlc** distributed ledger group

**DWOLLA**

#### Acquisitions

**HOLVI**

**Atom**  
29.5% stake

**SIMPLE**

#### Investments

(Through Propel Venture Partners)

**coinbase**

**DocuSign**

**PROSPER**

**civic**

**INSIKT**

**PERSONAL CAPITAL**

**taulia**

**DRIVE MOTORS**

**I-lippo**

**earnest**

**Guideline**

**brave**

2

## **BBVA Spain:**

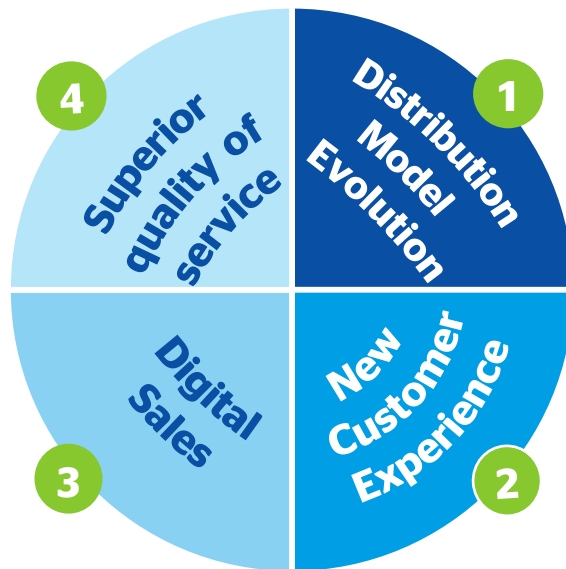
Key management  
priorities

# Key Management priorities

## Profitable Growth

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

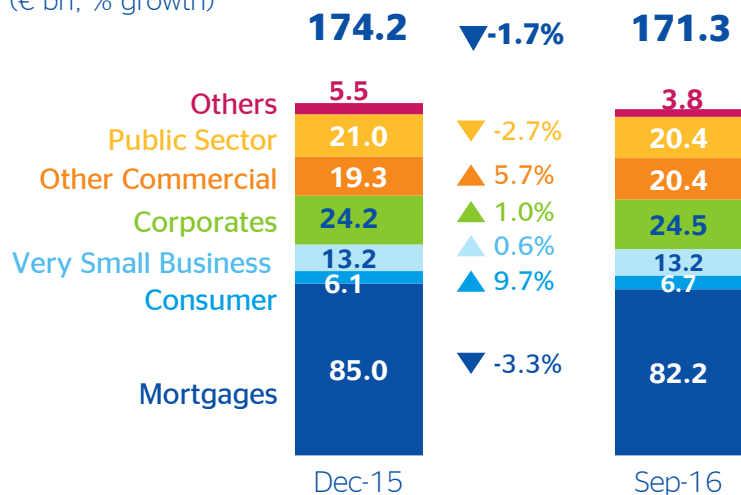
## BBVA's Transformation based on 4 pillars



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

## Performing Loans <sup>(1)</sup>

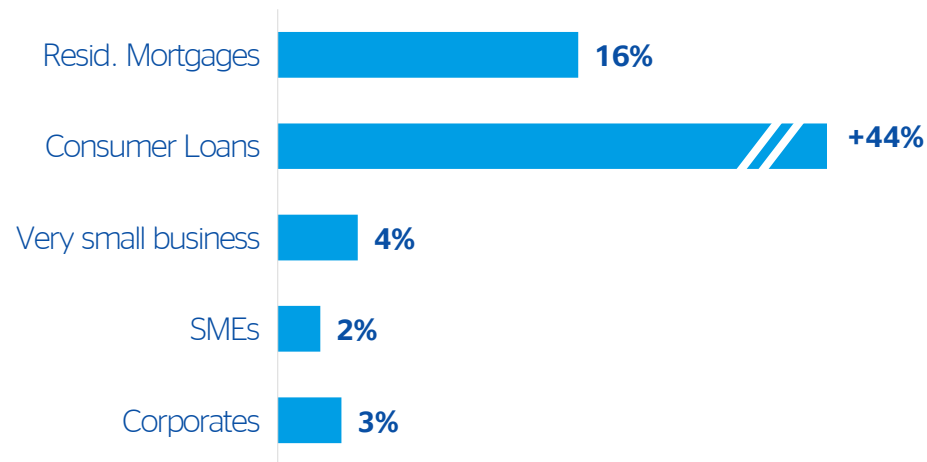
(€ bn, % growth)



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

## New Loan production

(9M16 vs. 9M15, % growth)

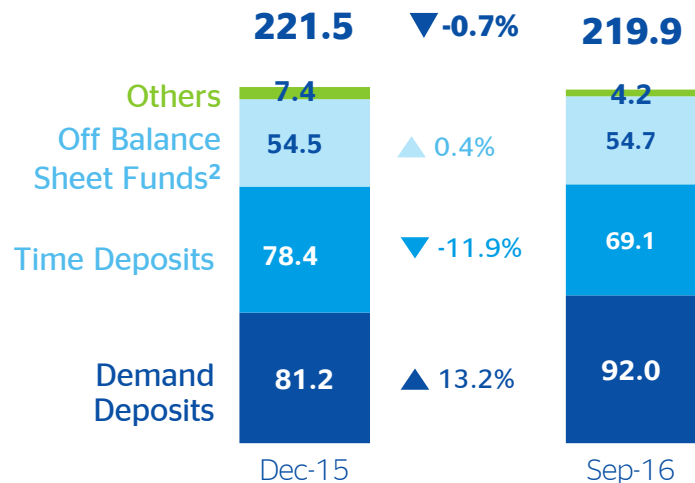


- **Strict pricing policies** in all segments.
- **Building fixed-rate loan portfolios to preserve NII** (42% of new mortgages in Sep16 at fixed rates vs. 4% in Jan16)

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

Customer Funds <sup>(1)</sup>

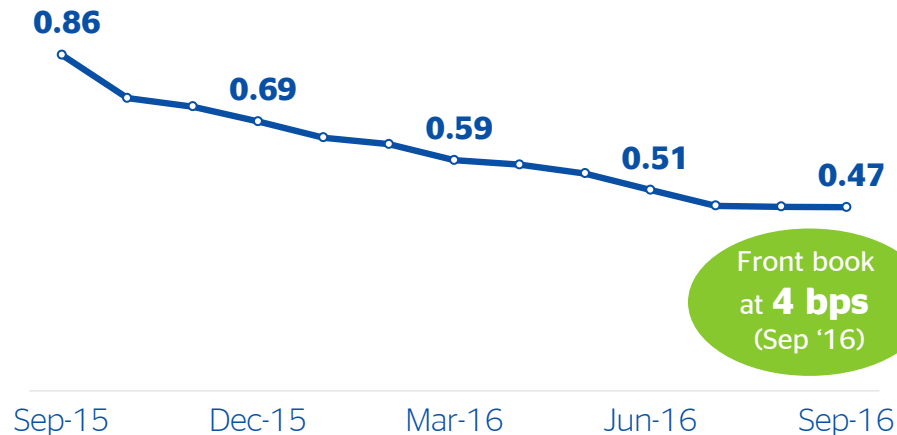
(€ bn, % growth)



- 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**

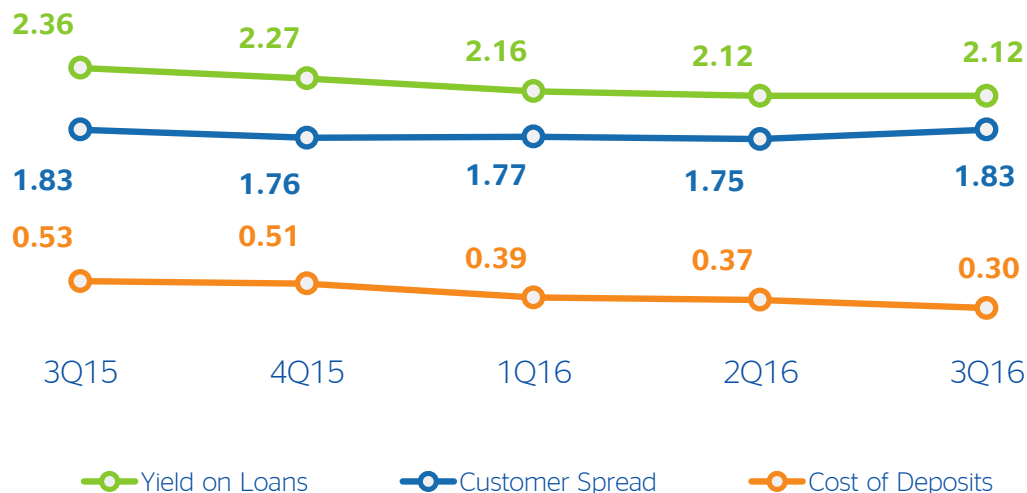
(1) Excluding repos (2) Includes mutual funds, pension funds and other off balance sheet funds.

# Price management strategy paying off

## Customer Spread

### Quarterly Evolution

(%)



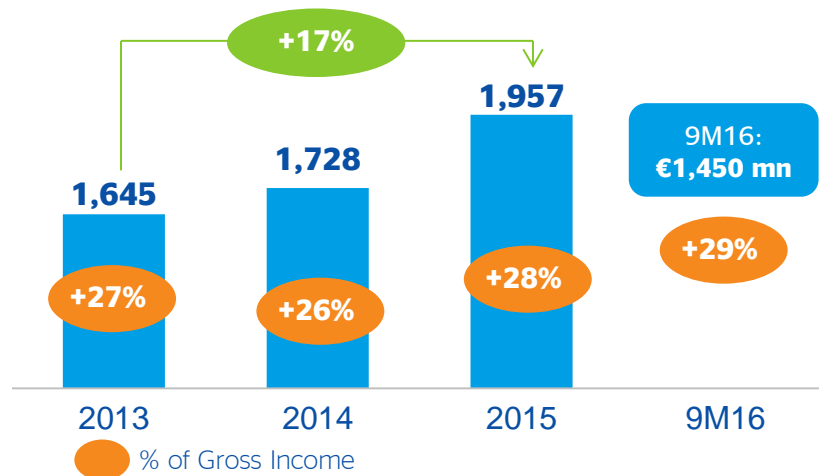
Lending yield:  
**Small Euribor repricing pending and successful spread management**

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

# Revenue diversification

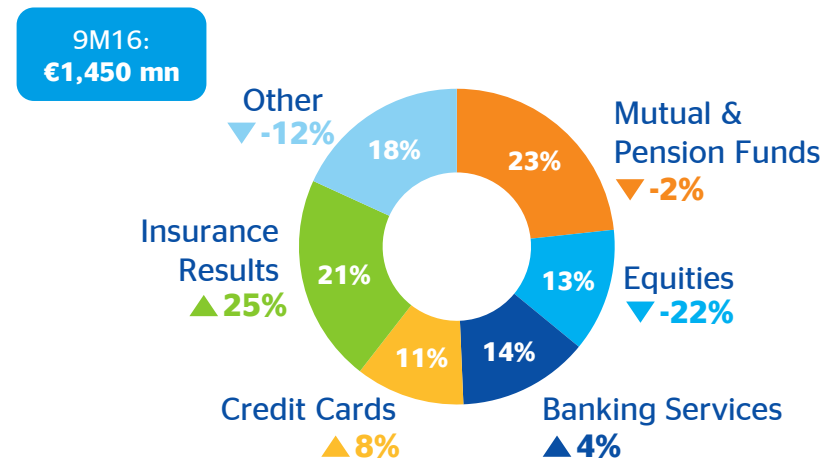
## Net Fees & Commissions and Insurance Results Evolution

(€ mn)



## Net Fees & Commissions and Insurance Results Breakdown

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



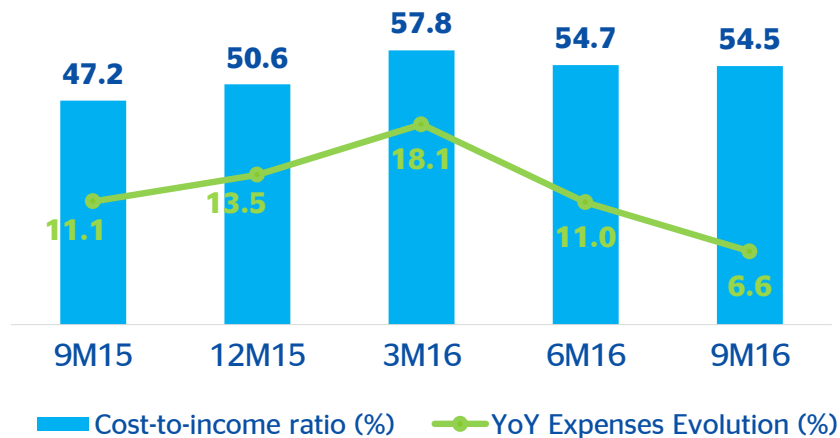
**Focus on non-interest income products:**  
Increasing contribution of other sources of revenues, key priority in the current environment



# Efficiency as a key strategic priority

## Efficiency

(%)



- Expenses evolution impacted by **CX integration** (on April 24<sup>th</sup>, 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

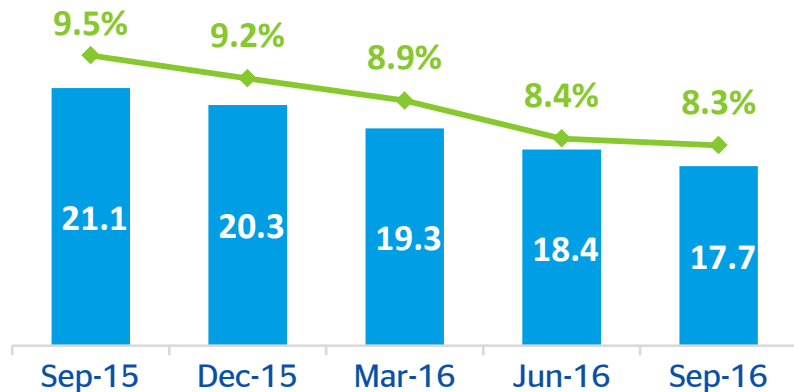
€ 200 mn cost synergies from CX fully achievable in 2017 (i.e. 6% of current cost base)

# Risk indicators evolving better than expected

## Non Performing Loans

### NPL volume and NPL ratio

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

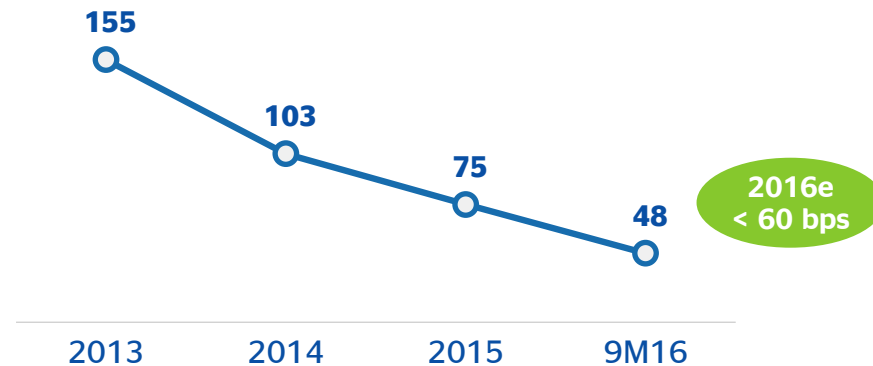


- NPLs flows **progressively improving**

## 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%	} <b>Core Revenues impacted by</b> 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 <b>contribution to the SRF</b> <sup>(1)</sup> (vs 4Q15)
Operating Expenses	-2,710	- 169	6.6%	→ <b>Cost synergies expected</b> after CX merger in 3Q16
Operating Income	2,260	- 584	-20.5%	
Impairment on Financial Assets (net)	-721	+ 357	-33.2%	→ Significant <b>decrease in loan-loss provisions</b>
Provisions (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



Distribution  
Model  
Evolution

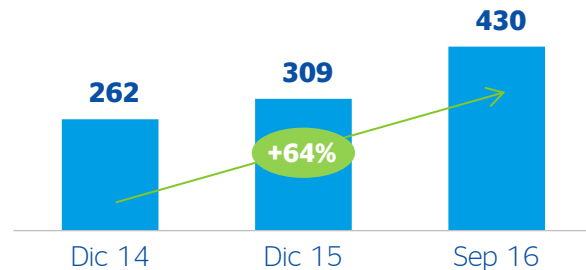
## New distribution model

- **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**



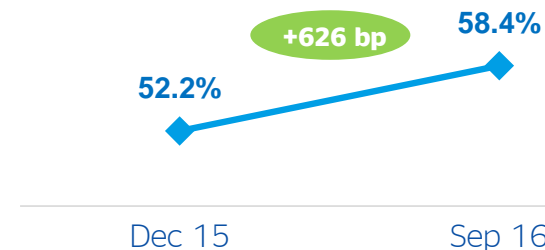
## Active Remote Clients<sup>(1)</sup>

('000s customers)



## Active Remote Clients Net Promoter Score (NPS)

(%)



# New Customer Experience



New  
Customer  
Experience

## New Value Proposition



### Simplicity

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



### Convenience

- Mobile as the key relationship device

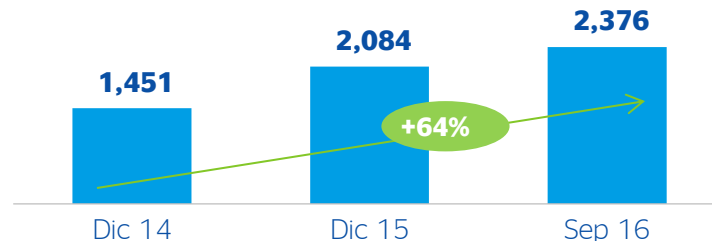


### Advice

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

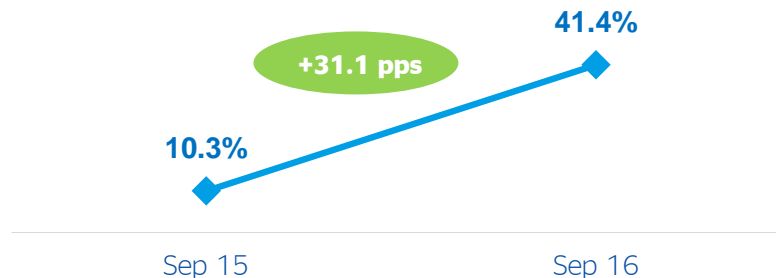
## Mobile Customers

(mn)



## Digital Signatures

Retail Banking (% of digital signatures<sup>1</sup>)



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

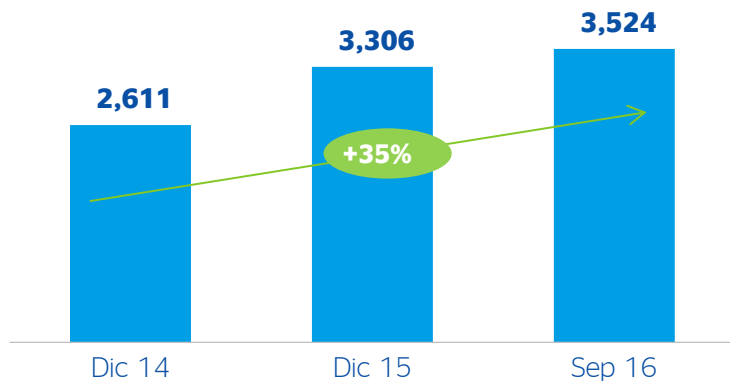
# Increasing business done digitally

**Digital Sales**

## Increasing the number of digital customers

### Digital Customers

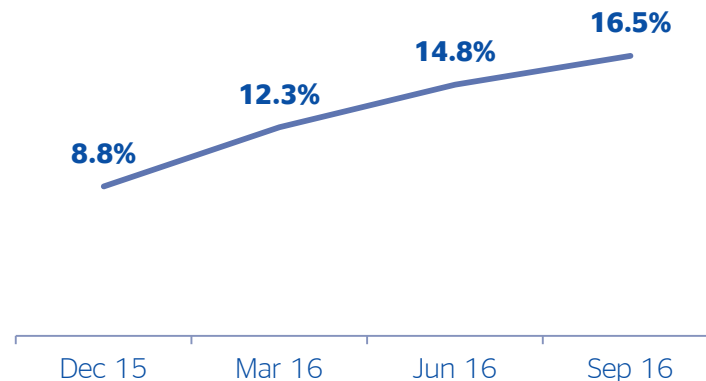
BBVA Spain (mn)



## Digital Sales

### Digital Sales

(% of total sales, accumulated # of transactions)

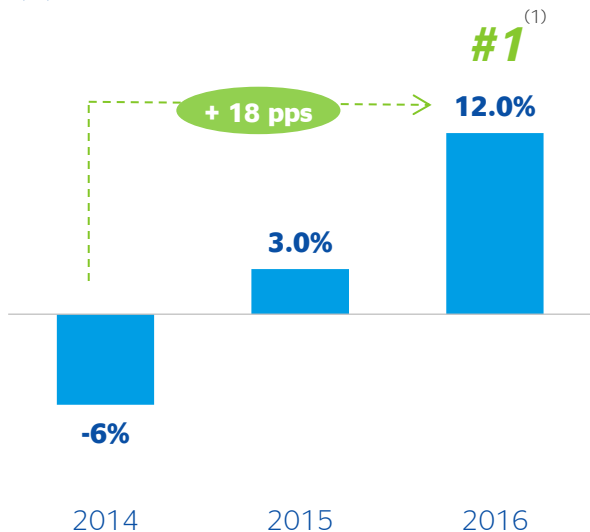


# Superior Quality of Service



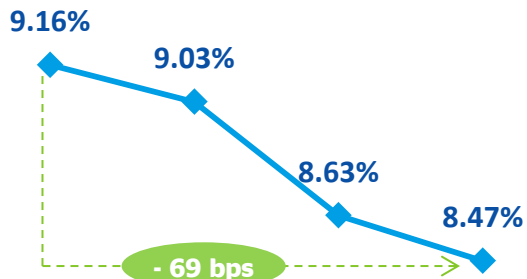
## NPS

(%)



## Attrition Rate

Retail Target customers (%)



## Digital Customer Rating

(Play Store Android)



★★★★☆ 4,2 / 5 **#1**



BBVA wallet

★★★★☆ 4,2 / 5 **#1**

(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**.



# BBVA

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