BBVA: Strengths in the new environment

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BBVA, ready to take advantage of the new industry environment

**Industry themes**

1. **Global growth**

2. **Regulation**

3. **Banking industry transformation**

**BBVA’s strengths**

- A well-diversified footprint with leading franchises
- Ability to generate capital organically
- Leading the change
1 Global growth

2 Regulation

3 Banking industry transformation

4 Conclusions
BBVA has a well-diversified footprint supported by dominant and quality franchises...

BBVA Group’s 1H15 net attributable profit
Breakdown by country (1)

Market share and ranking by loans
Detail by country (2)

> 90% of net attributable profit coming from investment grade countries (3), biased to Mexico and Spain

(1) Pro-forma calculation including a 39.9% stake in Garanti. Figures exclude Corporate Centre. (2) Spain: Other domestic sector and public sector data as of June, 2015 (BBVA+CX); Mexico: data as of July, 2015; South America: data as of June, 2015: ranking considering only our main peers in each country; USA: data as of June, 2014, market share and ranking by deposits considering only Texas and Alabama; Turkey: BRSA data for commercial banks as of June, 2015. (3) Investment grade countries: Spain, USA, Mexico, Chile, Colombia, Peru, Uruguay, China, Turkey (except by S&P) and rest of Europe; Non-investment grade countries: Portugal, Argentina, Paraguay and Venezuela.
... allowing BBVA to maintain resilient profits ...

BBVA’s operating income vs. provisions and impairment on non-financial assets (€Bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income</th>
<th>Provisions and Impairment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>9.6</td>
<td>-1.9</td>
</tr>
<tr>
<td>2008</td>
<td>10.5</td>
<td>-3.0</td>
</tr>
<tr>
<td>2009</td>
<td>12.3</td>
<td>-7.0</td>
</tr>
<tr>
<td>2010</td>
<td>11.9</td>
<td>-5.2</td>
</tr>
<tr>
<td>2011</td>
<td>10.6</td>
<td>-6.1</td>
</tr>
<tr>
<td>2012</td>
<td>11.1</td>
<td>-9.1</td>
</tr>
<tr>
<td>2013</td>
<td>10.2</td>
<td>-6.3</td>
</tr>
<tr>
<td>2014</td>
<td>10.4</td>
<td>-4.8</td>
</tr>
<tr>
<td>1H15</td>
<td></td>
<td>-2.3</td>
</tr>
</tbody>
</table>

... even under stressed scenarios
BBVA Bancomer: solid growth in the current environment

High correlation with the US economy

Activity dynamism and portfolio mix change

Sound risk indicators

Annual GDP growth (1)
Mexico vs. USA (%)

Total performing loans
Evolution and mix

Asset quality indicators
Consolidated data

Cost of Risk (bps) (2)

Asset quality indicators
Local criteria data (Jul.15)

(1) Source: BBVA Research. (2) Cumulative data for the first half of the year.
Spain: growing the bottom-line

Already growing the stock in commercial loans and strong retail loans origination

<table>
<thead>
<tr>
<th>New loan production (ex-CX)</th>
<th>Monthly average (€Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential mortgages</strong></td>
<td></td>
</tr>
<tr>
<td>8M2013</td>
<td>165</td>
</tr>
<tr>
<td>8M2014</td>
<td>170</td>
</tr>
<tr>
<td>8M2015</td>
<td>239</td>
</tr>
<tr>
<td>+45%</td>
<td></td>
</tr>
<tr>
<td><strong>Consumer loans</strong></td>
<td></td>
</tr>
<tr>
<td>8M2013</td>
<td>66</td>
</tr>
<tr>
<td>8M2014</td>
<td>85</td>
</tr>
<tr>
<td>8M2015</td>
<td>117</td>
</tr>
<tr>
<td>+78%</td>
<td></td>
</tr>
<tr>
<td><strong>Very small businesses</strong></td>
<td></td>
</tr>
<tr>
<td>8M2013</td>
<td>447</td>
</tr>
<tr>
<td>8M2014</td>
<td>509</td>
</tr>
<tr>
<td>8M2015</td>
<td>702</td>
</tr>
<tr>
<td>+57%</td>
<td></td>
</tr>
</tbody>
</table>

Cost of risk normalization as the main P&L driver

<table>
<thead>
<tr>
<th>Loan-loss provisions (ex-CX)</th>
<th>Banking activity + RE (€Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.974</td>
</tr>
<tr>
<td>2015e</td>
<td>80-85 bps</td>
</tr>
<tr>
<td>2017e</td>
<td>~ 50 bps</td>
</tr>
</tbody>
</table>

Recurring cost synergies
Annual, pre-tax amount

Recurring cost synergies
2Q Total customer deposit cost (1) (%)

Revenue synergies
2Q Total customer deposit cost (1) (%)

CX integration: €300 Mn bottom-line contribution to be achieved before 2018

Cost of risk
~ €200 Mn

(1) CX (Catalunya Banc) total customer deposit cost includes data since integration (April 24th).

1H15 Net Attributable Profit

19%
USA: increasing its contribution to the Group

Activity dynamism

Evolution of gross loans
(Constant €)

Jun.14 Jun.15

€50.7 Bn €57.2 Bn

+13%

Sound risk indicators

Asset quality indicators
Consolidated data

Jun.14 Jun.15

Cost of Risk (bps) (1)

21 23

NPA Ratio (%)

0,9 0,9

Bottom-line growth

Net attributable profit
(Constant €)

1H14 1H15

€241 Mn €286 Mn

+19%

Well-positioned for the future interest rate environment

(1) Cumulative data for the first half of the year.
Garanti: the best positioned bank in Turkey to cope with short-term volatility

Selective lending strategy

YoY Loan growth (Jun.15)
- TL Loans
- FX Loans

Performing cash loans breakdown (Jun.15)
- SMEs (1)
- Rest of retail 24%
- Credit cards 10%
- Rest of Commercial 45%

High and sustainable profitability

ROA and NIM (2)
(1H15)
- Garanti bank
- Sector

Asset quality: resilient to volatility

NPL ratio vs real GDP growth (%)

BBVA, working to enhance long-term performance

Note: Garanti and sector BRSA bank-only data for fair comparison (commercial banks). (1) Based on BRSA definition. (2) Cumulative data for the first half of the year.
**S. America: footprint biased to higher growth countries**

Increasing contribution from lower risk / volatile countries

**BBVA S.America net attributable profit**
Breakdown by country (%)

- **1H14: €483 Mn**
  - Venezuela: 15%
  - Other countries: 85%

- **1H15: €474 Mn**
  - Venezuela: 2%
  - Other countries: 98%

Despite risks, GDP will continue to show stable growth in our footprint

**Annual GDP growth (1)**
BBVA South America ex Venezuela (%)

- 2014: 1.5%
- 2015e: 1.9%
- 2016e: 2.3%

**BBVA S.America business activity**
Jun.15 vs. Jun. 14 (Constant €)

- Gross Lending: +12.2%

Sound asset quality and better indicators than the system

**Asset quality indicators**
Consolidated data

- **Cost of Risk (bps) (2)**
  - 2014: 121 bps
  - 2015: 160 bps
  - 2016: 160 bps

- **NPL Ratio (%)**
  - 2014: 2.1%
  - 2015: 2.3%

**Asset quality indicators**
Local criteria data (Mar.15)

- BBVA
  - NPL Ratio (%): 1.6%
  - Coverage Ratio (%): 172%
  - Cost of Risk (bps): 2.1%

- System
  - NPL Ratio (%): 134%
  - Coverage Ratio (%): 153%
  - Cost of Risk (bps): 121%

Note: Data refer to South America ex Venezuela unless stated otherwise. (1) Source: BBVA Research. (2) Cumulative data for the first half of the year.
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Regulatory environment: despite considerable increase in capital levels in recent years ...

- Since 2007, banks have increased their capital ratios in a significant manner

  From Basel II ...
  ~ 6% \(\%\text{CET1 BIS II (2007)}\)\(^{(1)}\)

  … to Basel III
  \(\geq 10\%\) \(\%\text{CET1 BIS III FL (2014)}\)\(^{(1)}\)

- The focus is now on harmonization (CET1, RWAs), resolution and taxpayer protection

  Pillar II
  CET1 harmonization
  Basel IV (RWAs)
  TLAC/MREL
  IFRS 9

... still unclear impact of the implementation of new proposals

\(^{(1)}\) \(\%\text{CET1 average, including BBVA and its European Peer Group (BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCG).}\)
BBVA has a proven ability to generate capital organically

**Fully-loaded CET1 ratio**
BBVA Group (Jun.15)

10.4%

Pro-forma⁽¹⁾

10.0%

**Organic capital generation**

<table>
<thead>
<tr>
<th>Fully-loaded CET1 ratio</th>
<th>BBVA Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 Quarterly Average</td>
<td>8 bps</td>
</tr>
<tr>
<td>1Q2015</td>
<td>11 bps</td>
</tr>
<tr>
<td>2Q2015</td>
<td>12 bps</td>
</tr>
</tbody>
</table>

Disciplined capital management as a key priority

⁽¹⁾ Estimated pro-forma of corporate operations announced and pending to be closed as of June, 2015 (acquisition of Garanti and sale of CIFH).
BBVA stands out for the quality of its capital

**RWAs / Total Assets (%)**

Jun.15

<table>
<thead>
<tr>
<th></th>
<th>BBVA</th>
<th>Peer1</th>
<th>Peer2</th>
<th>Peer3</th>
<th>Peer4</th>
<th>Peer5</th>
<th>Peer6</th>
<th>Peer7</th>
<th>Peer8</th>
<th>Peer9</th>
<th>Peer10</th>
<th>Peer11</th>
<th>Peer12</th>
<th>Peer13</th>
<th>Peer14</th>
</tr>
</thead>
<tbody>
<tr>
<td>51</td>
<td>46</td>
<td>46</td>
<td>45</td>
<td>42</td>
<td>38</td>
<td>34</td>
<td>32</td>
<td>31</td>
<td>28</td>
<td>26</td>
<td>26</td>
<td>25</td>
<td>22</td>
<td>20</td>
<td></td>
</tr>
</tbody>
</table>

Peer group average: **33%**

**Leverage Ratio (%)**

(1)

Jun.15

<table>
<thead>
<tr>
<th></th>
<th>BBVA</th>
<th>Peer1</th>
<th>Peer2</th>
<th>Peer3</th>
<th>Peer4</th>
<th>Peer5</th>
<th>Peer6</th>
<th>Peer7</th>
<th>Peer8</th>
<th>Peer9</th>
<th>Peer10</th>
<th>Peer11</th>
<th>Peer12</th>
<th>Peer13</th>
<th>Peer14</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,9</td>
<td>4.9</td>
<td>4.9</td>
<td>4.8</td>
<td>4.7</td>
<td>4.6</td>
<td>4.3</td>
<td>4.1</td>
<td>4.0</td>
<td>3.8</td>
<td>3.7</td>
<td>3.7</td>
<td>3.6</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

Peer group average: **4.3%**

Well prepared for the harmonization process

(1) Under CRDIV Fully-Loaded. CASA and ISP do not disclose it. European Peer Group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCG.
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4 Conclusions
BBVA is ahead of its peers in the industry transformation process

**Top Management commitment**

**Global approach**

**Ready to benefit from the investment in technology**

**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

Customer at the center of all strategic decisions
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BBVA has built a sustainable competitive advantage, not easily replicable

- **Resilient growth** thanks to a well-diversified footprint with leading franchises
- **High quality capital** and sustainable organic generation
- **Leading the industry transformation**, placing customers at the center of our strategy
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