BBVA Global Risk Management

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Global Risk Management Model

Strong Risk Indicators

View by Business Area

Conclusions
1 Global Risk Management Model
The risk management model provides **strength** and **stability** to the Group, supporting the Group’s management and strategy.
Global Risk Management Model

Risk appetite principles

- A moderate risk profile at a Group level
- A universal client-driven banking business model
- Risk-adjusted return
- Diversification in geographies, asset classes, portfolios and clients
- Medium/low risk profile in each country
- Sustainable growth

The Global Model is adopted in each business unit reflecting their specific features in an assigned Risk Appetite Framework and individual Core Metrics
Strong Risk Indicators
RWAs breakdown by type of risk
Mar.16

- Credit Risk: 87%
- Operational Risk: 8%
- Market Risk: 5%

RWAs breakdown by business unit
Mar.16

- Spain Banking Activity: 31%
- USA: 15%
- Mexico: 12%
- South America: 14%
- Rest of Eurasia: 4%
- Spain Real Estate: 3%
- Corporate Center: 2%

Total RWAs: €399 Bn

(1) Turkey includes 100% of Garanti's RWAs.
A balanced approach between profitability and risk in Emerging Markets, maintaining ROEs above the system (2)

(1) Cumulative data; (2) ROE as of December, 2015 (local criteria): Mexico: BBVA Bancomer 20.5% vs. 10.9% for the system; Turkey: Garanti 12.1% vs. 11.3% peers’ average; Colombia: BBVA 19% vs. 16.9% for the system; Peru: BBVA 25.4% vs. 23.6% for the system; Argentina: BBVA 32.1% vs. 30.9% for the system; Chile: 15% vs. 15% for the system
3 View by Business Area
Spain (including Real Estate)
Cost of risk normalization as the main P&L driver

A portfolio mix biased to residential mortgages

Performing loans breakdown (1)
Mar.16

- Mortgages: 47%
- Large Corporates: 14%
- SMEs: 9%
- Public Sector: 13%
- Other: 3%
- RE Developer: 3%
- Consumer: 4%
- Other retail: 7%

Total performing loans: €178 Bn

2016e CoR < 60bps, a conservative guidance

NPLs (€ Bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>BBVA ex CX</th>
<th>CX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar.14</td>
<td>21.1</td>
<td></td>
</tr>
<tr>
<td>Mar.15</td>
<td>18.6</td>
<td></td>
</tr>
<tr>
<td>Mar.16</td>
<td>19.3</td>
<td>16.3</td>
</tr>
</tbody>
</table>

Better asset quality than peers

Asset quality indicators (3)
Mar.16

NPL Ratio (%)

- BBVA: 8.9
- Peers Avg.: 9.3

Coverage Ratio (%)

- BBVA: 60
- Peers Avg.: 51

Cost of Risk (bps)

- BBVA: 52
- Peers Avg.: 61

Notes:
(1) Excluding Repos. (2) Very small businesses. (3) Including Banking Activity in Spain and Real Estate loans. Peers include: Bankia, Bankinter, Caixabank, Popular, Sabadell and Santander.
USA

Risk indicators impacted by Oil & Gas sector

Growth biased to commercial and consumer portfolios

Closely monitoring BBVA Compass’ Oil & Gas portfolio

Performing loans breakdown (1)
Mar.16

Risk indicators setback from historically low levels

Key figures
Mar.16

Subsector breakdown
Mar.16

Total performing loans: € 58.2 Bn

Revision of 2016e CoR guidance to 55 bps

(1) Excluding Repos. (2) Funded exposure.
Focus on profitability, having asset quality in mind

Maintaining better asset quality than peers

Asset quality indicators
Local criteria data (Mar.16)

<table>
<thead>
<tr>
<th>NPL Ratio (%)</th>
<th>BBVA Bancomer</th>
<th>System</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPLs (€ Mn)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar.14</td>
<td>1,422</td>
<td>1,481</td>
</tr>
<tr>
<td>Mar.15</td>
<td>1,481</td>
<td>1,290</td>
</tr>
<tr>
<td>Mar.16</td>
<td>1,290</td>
<td></td>
</tr>
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</table>

Coverage Ratio (%)

<table>
<thead>
<tr>
<th>Coverage Ratio (%)</th>
<th>BBVA Bancomer</th>
<th>System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar.14</td>
<td>114</td>
<td>3.4</td>
</tr>
<tr>
<td>Mar.15</td>
<td>116</td>
<td>2.8</td>
</tr>
<tr>
<td>Mar.16</td>
<td>119</td>
<td>2.6</td>
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Cost of Risk (bps)

<table>
<thead>
<tr>
<th>Cost of Risk (bps)</th>
<th>BBVA Bancomer</th>
<th>System</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>345</td>
<td>349</td>
</tr>
<tr>
<td>2015</td>
<td>328</td>
<td></td>
</tr>
<tr>
<td>2016e</td>
<td>350</td>
<td></td>
</tr>
</tbody>
</table>

(1) Excluding Repos. (2) Source: CNBV. System's data exclude BBVA Bancomer.
**South America**

**Sound asset quality despite lower GDP growth**

A loan portfolio biased to the Andean region and commercial segments

**Performing loans by country**

- Mar.16
  - Venezuela: 2%
  - Argentina: 8%
  - Colombia: 25%
  - Peru: 29%
  - Chile: 29%
  - Rest of Countries: 7%

**Performing loans by segment**

- Mar.16
  - Credit cards: 2%
  - Public sector: 2%
  - Other: 3%
  - SMEs: 7%
  - Consumers: 16%
  - Mortgages: 23%
  - Mid-Size and large corporates: 44%

**Total performing loans: € 42.7 Bn**

**Limited impact of macro headwinds: 2016e CoR - 140-145 bps (+15/20 bps vs. Dec.15)**

**NPLs (€ Mn)**

<table>
<thead>
<tr>
<th>Year</th>
<th>NPLs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar.14</td>
<td>1,057</td>
</tr>
<tr>
<td>Mar.15</td>
<td>1,226</td>
</tr>
<tr>
<td>Mar.16</td>
<td>1,273</td>
</tr>
</tbody>
</table>

**Asset quality indicators**

- Local criteria data (Jan.16)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>BBVA</th>
<th>System</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPL Ratio (%)</td>
<td>1.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Coverage Ratio (%)</td>
<td>176</td>
<td>160</td>
</tr>
<tr>
<td>Cost of Risk (bps)</td>
<td>116</td>
<td>175</td>
</tr>
</tbody>
</table>

**Better asset quality than peers’ average in every country**

**Peru** 29%

**Chile** 29%

**Colombia** 25%

**Argentina** 8%

**Venezuela** 2%

**Rest of Countries** 7%

(1) Excluding Repos. (2) Source: Local Superintendencies. System’s data exclude BBVA.
Garanti
Well-positioned to cope with short-term volatility

Selective lending strategy

Performing loans breakdown (1)
Mar.16
- Mortgages: 11%
- Consumer: 25%
- Commercial: 57%
- Other: 7%

Total performing loans: €56.9 Bn

Stability of 2016e CoR - 110 bps

NPLs (€ Mn)
- Mar.14: 400
- Mar.15: 487
- Mar.16: 2,057
- Garanti full consolidation: 1,543
- 25% stake in Garanti: 514

Coverage Ratio (%)
- Mar.14: 112
- Mar.15: 118
- Mar.16: 129
- NPL Ratio (%)
  - Mar.14: 2.7
  - Mar.15: 2.6
  - Mar.16: 2.8

Cost of Risk (bps)
- 2014: 116
- 2015: 111
- 2016e: 110

Net Cost of Risk (bps)
- 2014: 84
- 1Q16: 84
- Garanti: 93 (4)
- Peers Avg.: 91

Maintaining better asset quality than peers

Asset quality indicators (3)
Local criteria data (Mar.16)

NPL Ratio (%)
- Garanti: 2.7
- Peers Avg.: 3.1

Coverage Ratio (%)
- Garanti: 81
- Peers Avg.: 82

Conclusions
Takeways

1. **Well-established** and **fully integrated** Risk Management model

2. A **client driven** business in a **well-diversified** footprint

3. **Medium-low risk** profile

4. **Resilient** risk indicators