A unique global value proposition

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What makes BBVA unique?

1 **BBVA structural strengths**

2 **Opportunities in all our franchises**

3 **Ready for the new digital world**

4 **Conclusions**
BBVA’s Global Presence

North America
- Mexico
- USA

Central America
- Panama

South America
- Argentina
- Bolivia
- Brazil
- Chile
- Colombia
- Paraguay
- Peru
- Uruguay
- Venezuela

Europe
- Belgium
- France
- Germany
- Italy
- Portugal
- Russia
- Spain
- Switzerland
- Turkey
- U.K.

Asia - Pacific
- Abu Dhabi, UAE
- Australia
- China
- Hong Kong
- India
- Japan
- Singapore
- South Korea
- Taiwan

607 Billion Assets
50 Million Customers
31 Countries
7,688 Branches
20,282 ATMs
113,293 Employees

Note: Data as of September, 2013.
A well-diversified revenue base

Breakdown of gross income
9M13 %

Emerging
Weight 58%
YoY chg. +11.1%

Developed
Weight 42%
YoY chg. -5.3%

Recovering developed markets and resilient and high potential emerging markets

Note: excludes Holding. Year-on-year variation in constant €
With over 80%\(^{(1)}\) of revenues coming from Retail & Business Banking

**Retail & Business Banking**
Gross Income breakdown by type of business (September 2013)

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>49%</td>
</tr>
<tr>
<td>Business Banking</td>
<td>23%</td>
</tr>
<tr>
<td>LOBs(^{(2)})</td>
<td>28%</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Excluding Corporate Activities.

\(^{(2)}\) LOBs (Lines Of Businesses) includes Consumer Finance, Payments Systems and factories of Insurance, and Asset Management.

**Creation of a Retail Banking business unit globally:**

- Innovation / Digital transformation
- Connect Retail Business: sharing knowledge
- Develop high growth potential Lines of Business (Consumer Finance, Insurance, Asset Management and Payment Systems)
- Management of South American Banks
High and resilient operating income, more than enough to absorb credit losses through the crisis

BBVA’s Operating Income (1) vs. Provisions and Impairment of non-financial assets (€ Bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income</th>
<th>Provisions + Impairment of Non Financial Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>8.3</td>
<td>-1.5</td>
</tr>
<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>12.2</td>
<td>-9.1</td>
</tr>
<tr>
<td>9M13</td>
<td></td>
<td>-4.8</td>
</tr>
</tbody>
</table>

Provisions progressively normalizing from 2012’s peak

(1) Including income from discontinued operations.
Strong track record of capital generation

Core capital ratio (BIS II)

2007: 5.3%
3Q13: 11.4%

+ 610 bps

CORE: €16Bn x 2.3 = €37,1Bn

BIS III fully loaded (Sept. 13)

Core Ratio: 8.4%
Leverage Ratio: 4.8%

High quality capital with low leverage
What makes BBVA unique?

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4 Conclusions
**BBVA Spain:** The best franchise to take advantage of market opportunities

- **Efficient NETWORK**
  - Operating income per branch (€ Mn. June 2013)
  - BBVA: 1.4
  - System Aggregate (1): 0.9
  - No significant restructuring needs

- **Growing CUSTOMER base**
  - BBVA’s domestic retail deposits market share evolution (2)
    - %
    - +105 bp gained excluding Unnim
    - Focus on commercial activity

**Opportunity:** Greater market share of new business at better pricing as the economy improves

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(1) Source: Bank of Spain.
(2) Domestic retail deposits include deposits from households and non-financial companies and promissory notes distributed through the retail network.
BBVA Spain: Cost of deposits and risk premium reduction as main P&L drivers in the short term

Cost of time deposits and promissory notes new production (%)

Evolution of total provisions and RE assets impairments and risk premium (€ Mn, %)

- 18 Bn of provisioning effort (1) since the start of the crisis (2009-Sep.13)

Risk premium progressively normalizing to reach levels <1% in 2015

(1) Including RE assets impairments.

Deposits amounting to €20 Bn will be rolled over in 4Q13 (2.8% average cost)
BBVA Compass: A leading franchise in the Sunbelt with a strong presence in Texas

$ in billions.  
Source: SNL Financial.
USA: Activity remains solid and profitability should increase with interest rates

Solid business activity

**YoY change, average balances, Sept 2013**
constant euros (1)

- Lending: 10.0%
- Deposits: 6.4%

Cost Control

Despite the strong technological effort, expenses remain contained

-2% (9months to September 2013)

Superior Credit Quality

Coverage ratio

<table>
<thead>
<tr>
<th>Date</th>
<th>Coverage ratio</th>
<th>NPA ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep. 12</td>
<td>2.4</td>
<td>94</td>
</tr>
<tr>
<td>Dec. 12</td>
<td>2.4</td>
<td>90</td>
</tr>
<tr>
<td>Mar. 13</td>
<td>1.8</td>
<td>109</td>
</tr>
<tr>
<td>Jun. 13</td>
<td>1.5</td>
<td>118</td>
</tr>
<tr>
<td>Sep. 13</td>
<td>1.5</td>
<td>120</td>
</tr>
</tbody>
</table>

High Interest Rate Sensitivity

Negatively impacting profitability in the short-term

(1) BBVA Compass in local figures.
**Significant EM growth potential:** critical mass, favorable demographics and low penetration

<table>
<thead>
<tr>
<th></th>
<th>GDP ($ Bn)</th>
<th>Popul. (Mn)</th>
<th>Loans to private sector (% GDP, 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mexico</strong></td>
<td>1,177</td>
<td>115</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Turkey</strong></td>
<td>795</td>
<td>75</td>
<td>52%</td>
</tr>
<tr>
<td><strong>Colombia</strong></td>
<td>366</td>
<td>47</td>
<td>37%</td>
</tr>
<tr>
<td><strong>Argentina</strong></td>
<td>475</td>
<td>41</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Peru</strong></td>
<td>199</td>
<td>31</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Venezuela</strong></td>
<td>382</td>
<td>30</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Chile</strong></td>
<td>268</td>
<td>17</td>
<td>82%</td>
</tr>
</tbody>
</table>

Source: IMF. GDP data as of December, 2012. Population data are the latest available (Mexico, Spain and Turkey, as of 2012; USA as of 2011; Argentina and Venezuela, as of 2010; and Chile and Peru as of 2009). Growth projections from The World Bank Data.

Over 54 million new inhabitants in the next 15 years in the emerging markets where BBVA is present.
A leading bank in Mexico, South America and Turkey

BBVA Bancomer (Mexico)

24% (1st) 23% (1st)

BBVA Provincial (Venezuela)

13% (3rd) 12% (3rd)

BBVA Colombia

10% (4th) 11% (4th)

BBVA Continental (Peru)

23% (2nd) 21% (2nd)

BBVA Francés (Argentina)

8% (4th) 7% (3rd)

BBVA Chile

7% (5th) 6% (5th)

Garanti Turkey (25% stake)

13% (2nd) 12% (2nd)

South America: 10% market share in loans and deposits (1st)

Loans and deposits share data: Mexico as of June, 2013 (Source: CNBV). South America as of August, 2013 (Source: Banks’s local Superintendencies). Garanti as of June, 2013 (performing loans and total customer deposits) based on BRSA bank-only data. South America regional ranking, constructed considering only the 4-5 main players in each country. Data as of August, 2013.
**Mexico: Prioritizing profitability vs. market share, in a historically low interest rate environment**

**Active management of asset mix**

*Bancomer’s loan growth per segment (1)*
(Y-o-Y, September 2013)

- Residential mortgages: 0.8%
- Consumer + C.Cards: 8.6%
- Developers: -36.2%
- Corporate + SMEs (2): 15.3%
- Total performing loans: 6.7%

**Leader in profitability**

*ROA and NIM (3)*
Bancomer vs. Peers’ average
(June 2013)

- ROA(%): Bancomer 2.0 vs. Peers’ average 1.6
- NIM (%): Bancomer 5.9 vs. Peers’ average 4.5

**A track record of anticipation, pulling back of increasingly risky segments like credit cards in 2006/07 and developers since 2010**

(1) Based on internal data (consolidated figures). (2) Excluding Public Sector. (3) Data according to local accounting. Consolidated financial groups. Peers include: Banamex, Banorte, HSBC and Santander.
**South America**: Well-diversified footprint within the region

**Normalized growth at a high and sustainable level**

<table>
<thead>
<tr>
<th></th>
<th>2010-2012 CAGR (1)</th>
<th>Sept. 2013 y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performing Loans</td>
<td>+25%</td>
<td>+17%</td>
</tr>
<tr>
<td>Customer Deposits</td>
<td>+23%</td>
<td>+27%</td>
</tr>
</tbody>
</table>

**Solid credit quality indicators**

<table>
<thead>
<tr>
<th></th>
<th>Dec-09</th>
<th>Jun-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPA ratio (2)</td>
<td>1.9</td>
<td>1.8</td>
</tr>
<tr>
<td>BBVA</td>
<td>1.2</td>
<td>1.8</td>
</tr>
<tr>
<td>System</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

BBVA’s business in South America offers strong profitability (3):

2.3% ROA and 5.9% NIM

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(1) South America (only banks), based on average balances, constant €. (2) Data according to local accounting. (3) Consolidated data, as of September, 2013. Annualized Net Income (for ROA) and annualized Net Interest Income (for NIM) over Average Total Assets.
Major investment plans in Latin America to capture the region’s high growth potential

**$ 6 Bn (2013-16)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Technology</th>
<th>Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>$1.5 Bn</td>
<td>$2 Bn(1)</td>
</tr>
<tr>
<td>S. America</td>
<td>$1 Bn</td>
<td>$1.5 Bn</td>
</tr>
</tbody>
</table>

Despite the investment effort, BBVA maintains leadership positions in efficiency

- **Investing for the future**
  - BBVA wants to be # 1 in client satisfaction
  - Full implementation of the omnichannel distribution model
  - BBVA aims at leading digital banking in the region

(1) Including €0.7 Bn investment in corporate buildings.
**Garanti: A well-managed bank in a challenging environment**

**Selective lending growth focused on high profitable retail products**

- Lending Growth YTD (Dec.12 - Sep.13)
  - Mortgages: 25%
  - General Purpose Loans: 21%
  - Credit Cards: 24%

**Strong and sustainable revenues generation capacity**

- Active spread management
  - Loan repricing strategy to offset the increase in deposit costs
- Securities portfolio
  - Strategically managed to serve as a hedge for volatility
- Net fees and commissions
  - Diversified fee sources
  - #1 bank in fees generation

**Sound asset quality, better than peers**

NPL Ratio Evolution (%)

- 2009: 5.2%
- 2010: 3.6%
- 2011: 4.3%
- 2012: 2.9%
- 1Q13: 2.7%
- 2Q13: 2.7%
- 3Q13: 2.7%

**A high potential market for BBVA**
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4 Conclusions
In retail banking, the rules of the game have changed.

- **New customer expectations**
- **Digitalization**
- **More productive and efficient operations**

Banks unable to adapt fast enough will lose competitiveness and customer’s loyalty.
BBVA’s 2007 Transformation Plan: technology as a key sustainable competitive advantage

GOALS

- Provide the best customer experience
- Increase revenues from digital channels
- Improve network productivity
- Flexible operative model and efficient cost structure
- Real-time customer-centric platform

A multiyear effort that requires major IT investments and process re-engineering
Our IT Platform is ready to face the challenges of the digital transformation

Flexible, modular, scalable, homogeneous across the Group, but adaptable to each countries' needs and specifications
A sales-oriented Operating Model and efficient cost structure ...

- **Lean organizational structures**
- More **collaborative ways of working**, sharing knowledge and best practices. First top company to adopt gmail and google apps
- **Digitalization** of the company with intensive use of technology

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<table>
<thead>
<tr>
<th>% Sales FTEs*</th>
<th>% Transactions Out of the Branch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-07 28%</td>
<td>2010 76%</td>
</tr>
<tr>
<td>+ 10%</td>
<td>2011 78%</td>
</tr>
<tr>
<td>2013 38%</td>
<td>2012 81%</td>
</tr>
</tbody>
</table>
```

... enabling sales forces to focus on higher value activities

* Full time employees at Group level.
Distribution Model: Omnichannel experience

- Same **product offering** anytime, anywhere
- Launching local commercial solutions
- Personalized and **consistent customer experience (the brand)**
- Seamless journey between channels
- **Digital marketing:** 10 million online views

Our goal is to offer the best customer experience
Focus on web & mobile

• New webs launched in Spain, Mexico and USA
• Smartphone apps available in all countries
• New user experience

15 million “digital” clients globally
• Web clients x2
• Mobile phone clients x4

Ambition to lead the new digital banking model
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What makes BBVA unique? Conclusions

1. A well-diversified business mix, biased towards emerging markets with high growth potential

2. In Spain provisions are progressively normalizing, as the cycle changes

3. Very strong capital position under the new BIS III requirements

4. Good progress towards becoming a digital bank, an advantage that will become increasingly relevant

BBVA offers a unique global value proposition, positioned to take advantage of structural and cyclical growth opportunities
A unique global value proposition

Ignacio Deschamps, Head of Retail Banking at BBVA Group

UBS 2013 European Conference
London, November 12th 2013