Opportunities in an improving macro environment

Jaime Sáenz de Tejada, Head of Spain and Portugal

SG Premium Review Conference
December 4th, 2013
Disclaimer

This document is only provided for information purposes and does not constitute, nor must it be interpreted as, an offer to sell or exchange or acquire, or an invitation for offers to buy securities issued by any of the aforementioned companies. Any decision to buy or invest in securities in relation to a specific issue must be made solely and exclusively on the basis of the information set out in the pertinent prospectus filed by the company in relation to such specific issue. Nobody who becomes aware of the information contained in this report must regard it as definitive, because it is subject to changes and modifications.

This document contains or may contain forward looking statements (in the usual meaning and within the meaning of the US Private Securities Litigation Act of 1995) regarding intentions, expectations or projections of BBVA or of its management on the date thereof, that refer to miscellaneous aspects, including projections about the future earnings of the business. The statements contained herein are based on our current projections, although the said earnings may be substantially modified in the future by certain risks, uncertainty and other factors relevant that may cause the results or final decisions to differ from such intentions, projections or estimates. These factors include, without limitation, (1) the market situation, macroeconomic factors, regulatory, political or government guidelines, (2) domestic and international stock market movements, exchange rates and interest rates, (3) competitive pressures, (4) technological changes, (5) alterations in the financial situation, creditworthiness or solvency of our customers, debtors or counterparts. These factors could condition and result in actual events differing from the information and intentions stated, projected or forecast in this document and other past or future documents. BBVA does not undertake to publicly revise the contents of this or any other document, either if the events are not exactly as described herein, or if such events lead to changes in the stated strategies and estimates.

This document may contain summarised information or information that has not been audited, and its recipients are invited to consult the documentation and public information filed by BBVA with stock market supervisory bodies, in particular, the prospectuses and periodical information filed with the Spanish Securities Exchange Commission (CNMV) and the Annual Report on form 20-F and information on form 6-K that are disclosed to the US Securities and Exchange Commission.

Distribution of this document in other jurisdictions may be prohibited, and recipients into whose possession this document comes shall be solely responsible for informing themselves about, and observing any such restrictions. By accepting this document you agree to be bound by the foregoing Restrictions.
1 BBVA Group: strengths

1.1 A well diversified revenue base
1.2 Earnings upside potential
1.3 Strong capital position
1.4 Principle-based profitability

2 BBVA Spain: Key management priorities in an improving macro environment

3 Conclusions
BBVA is an international retail bank with a well diversified revenue base

Breakdown of gross income
9M13 (%)

Emerging
- Weight: 58%
- YoY chg.: +11.1%

Developed
- Weight: 42%
- YoY chg.: -5.3%

Exposure to recovering developed markets and resilient and high potential emerging markets

Note: excludes Holding. Year-on-year variation in constant €
With leadership positions in all its core markets...

<table>
<thead>
<tr>
<th>Country</th>
<th>Market Share</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spain</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>13.6%</td>
<td>2nd</td>
</tr>
<tr>
<td>Deposits</td>
<td>11.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>23.6%</td>
<td>1st</td>
</tr>
<tr>
<td>Deposits</td>
<td>23.3%</td>
<td></td>
</tr>
<tr>
<td><strong>South America</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>10.2%</td>
<td>1st</td>
</tr>
<tr>
<td>Deposits</td>
<td>10.2%</td>
<td></td>
</tr>
<tr>
<td><strong>USA (Sunbelt)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>--</td>
<td>4th</td>
</tr>
<tr>
<td>Deposits</td>
<td>6.2%</td>
<td></td>
</tr>
<tr>
<td><strong>Eurasia:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China (Citic Bank)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stake</td>
<td>9.9 % (7th)</td>
<td></td>
</tr>
<tr>
<td>Turkey (Garanti Bank)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stake</td>
<td>25 % (2nd)</td>
<td></td>
</tr>
</tbody>
</table>

Ranking by deposits (except for Spain, by net loans): **Spain**: Deposit market share includes promissory notes, data as of September, 2013. **Mexico**: data as of June, 2013; **South America**: data as of August, 2013 for the following countries: Argentina, Chile, Colombia, Panama, Paraguay, Peru, Uruguay and Venezuela. Ranking considering only the 4-5 main players in each country; **USA**: data as of June, 2013, market share and ranking considering only Texas and Alabama; **China**: data as of June, 2013; and **Turkey**: data as of June 2013.
... that has allowed BBVA to maintain a high and recurrent operating income throughout the crisis.

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

Starting a new earnings growth cycle as provisions progressively normalize from 2012’s peak

Note: includes income from discontinued operations
Going forward, BBVA has significant medium term upside in all major franchises

<table>
<thead>
<tr>
<th>Region</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>• Growth in activity to continue</td>
</tr>
<tr>
<td></td>
<td>• Historically low interest rate environment impacting NII</td>
</tr>
<tr>
<td>Mexico</td>
<td>• Resilient market with high potential, growth to recover in 2014</td>
</tr>
<tr>
<td></td>
<td>• Prioritizing profitability vs. market share</td>
</tr>
<tr>
<td>South America</td>
<td>• Growth to stabilize at a high and sustainable level</td>
</tr>
<tr>
<td></td>
<td>• Balanced diversification within the region</td>
</tr>
<tr>
<td>Turkey</td>
<td>• Managing the business in a challenging environment</td>
</tr>
<tr>
<td></td>
<td>• High potential market for BBVA</td>
</tr>
<tr>
<td>Spain</td>
<td>• Deposit cost and cost of risk normalization to drive P&amp;L</td>
</tr>
<tr>
<td></td>
<td>• Improvement in credit flows in a deleveraging environment</td>
</tr>
</tbody>
</table>
BBVA’s strong track record of capital generation

Core capital ratio (BIS II)

- 2007: 5.3%
- 3Q13: 11.4%

+ 610 bps

BIS III fully loaded (Sept.13)

- Core Ratio: 8.4%
- Leverage Ratio: 4.8%

High quality capital with low leverage
Responsible Banking: How we conduct our business also matters

Principle-based profitability

- Normative compliance
- Behavioral standards
- Responsible commercial practices
- Corporate Governance

BBVA has avoided any relevant issue in terms of operational risk, reputational problems or bad “commercial practices”

Key to maintain a loyal and high value customer franchise
1  BBVA Group: strengths

2  BBVA Spain: Key management priorities in an improving macro environment

3  Conclusions
The Spanish economy has bottomed out and GDP has started growing in 3Q13

**Main drivers:**

**Exports and private sector investment**

- Lower drag on GDP growth from:
  - Lower fiscal consolidation needs
    - Fiscal effort in 2014e -0.6% of GDP (vs -4.6% in 2012)
  - Unemployment rate stabilization thanks to labor market reform
    - Strong competitiveness gains
  - Residential construction will not drain growth in 2014

- +0.9% GDP growth expected in 2014

Source: BBVA Research
The Spanish financial sector restructuring is coming to an end

Recapitalization and provisioning effort in Spain: among the highest in Europe

Financial System Recapitalization (Jul07-Jul13) and provisions (2008 -2012) (€Bn)

<table>
<thead>
<tr>
<th>Country</th>
<th>Public Capital Injection</th>
<th>Private Capital Injection</th>
<th>Loan-loss Provisions</th>
<th>% Capital Injections and Provisions over GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>€173 Bn</td>
<td>€89 Bn</td>
<td>€84 Bn</td>
<td>18%</td>
</tr>
<tr>
<td>Spain</td>
<td>€313 Bn</td>
<td>€184 Bn</td>
<td>€59 Bn</td>
<td>33%</td>
</tr>
<tr>
<td>Germany</td>
<td>€50 Bn</td>
<td>€33 Bn</td>
<td>€52 Bn</td>
<td>5%</td>
</tr>
<tr>
<td>France</td>
<td>€152 Bn</td>
<td>€37 Bn</td>
<td>€37 Bn</td>
<td>9%</td>
</tr>
<tr>
<td>Italy</td>
<td>€129 Bn</td>
<td>€86 Bn</td>
<td>€37 Bn</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Bank of Spain and BBVA internal calculations
GDP data as of Dec-2012.

In a strong position to face the ECB Asset Quality Review and stress test

1) Public capital injection includes various forms of capital. (2) Public capital support includes: €61 Bn of capital injections, €6.5 Bn of Asset Protection Schemes expected losses and €2.2 Bn of capital injection into SAREB.
Main industry trends

Challenges

• Low interest rate environment
• Deleveraging process
• Increased regulatory requirements

Opportunities

• Peers re-sizing:
  • from 60 to 20 financial institutions
  • -9,500 branches reduction since 2008
• More rational competition

A unique opportunity for BBVA in Spain:
profitable and sustainable growth in clients

Unprecedented client shifting

Higher profitability
BBVA Spain: Key management priorities

**Short term**
- Managing the current sector environment

**Medium term**
- Anticipating to the industry transformation

1. Targeted customer base growth

2. **Price management** strategy focused on profitability

3. **Diversified revenue sources**

4. Risk Management

**Profitable growth**

5. **Transformation** of the relationship model with our clients

**Sustainable growth**
Targeted customer base growth taking advantage of market opportunities

Growing CUSTOMER base

BBVA’s domestic customer funds market share evolution

<table>
<thead>
<tr>
<th>Year</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 2011</td>
<td>10.5</td>
</tr>
<tr>
<td>Sept 2013</td>
<td>12.6</td>
</tr>
</tbody>
</table>

Unnim’s acquisition

Customers funds are the main tool to gain new clients

Significant improvement in funding gap

BBVA’s Domestic LTD ratio evolution

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep 2011</td>
<td>150%</td>
</tr>
<tr>
<td>Sep 2013</td>
<td>127%</td>
</tr>
</tbody>
</table>

Ready to take advantage of the new credit growth cycle

(1) Source: BBVA and Bank of Spain. Customer funds include total deposits (including Public Sector), promissory notes and mutual and pension funds.
(2) The ratio excludes securitizations and repos and includes promissory notes placed in the retail network.
Price management strategy focused on profitability

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

Spread on new loan production
(%) €20 bn time deposits to be rolled over in 4Q13

In the short term, the driver should be the reduction of the cost of deposits
In the medium term, as loan volume grows, asset yield will be the main driver
Focus on diversifying revenue sources in an environment of low interest rates and deleverage...

<table>
<thead>
<tr>
<th>Credit card business</th>
<th>Insurance</th>
<th>Mutual and Pension Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Fees and Commissions (€ Mn)</strong></td>
<td><strong>Net Fees and Commissions (€ Mn)</strong></td>
<td><strong>Net Fees and Commissions (€ Mn)</strong></td>
</tr>
<tr>
<td>105 9M 2013</td>
<td>203 9M 2013</td>
<td>184 9M 2013</td>
</tr>
</tbody>
</table>

Note: Net fees and commissions from the Domestic Retail Banking Business
BBVA Spain (Banking Activities)
NPA ratio (%)

- Dec.12: 4.1
- Mar.13: 4.4
- Jun.13: 4.7
- Sep.13: 5.0

Including reclassification of refinanced loans: 6.2%

NPA gross entries (excluding reclassification of refinanced loans) (€ bn)
- Quarterly average from 1Q12 to 2Q13: 1.5
- 3Q13: 1.1

NPAs balance decreasing in 2014
Decreasing exposure to the Real Estate

Net exposure to real estate (€ bn)

-17.9%

Dec-11 | Dec-12 | Sept-13
---|---|---
18.0 | 15.6 | 14.8
0.2 | 0.4 | 0.5
3.4 | 4.0 | 1.8
13.3 | 9.7 | 8.5

Real estate sales ( Quarterly average, in units)

12,900 units sold in 9M 2013

9M 2012 | 9M 2013
---|---
3,466 | 4,300
955 | 1,050
2,512 | 3,249

Note: transparency scope according to Bank of Spain Circular 5/2011 dated Nov 30 (excluding Metrovacesa stake).
Cost of risk reduction as a key P&L driver

Evolution of total loan loss provisions and RE assets impairments and cost of risk (€ Mn, %)

4,970

1,285
2.3

3,685

3,273
1.7

625

2,648

9M12

9M13

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

Cost of risk progressively normalizing to reach levels <1% in 2015

(1) Including RE assets impairments.
In retail banking, the rules of the game have changed.

The industry is changing.

**BBVA’s response: Omnichannel Strategy**

**New customer expectations**

**Digitalization**

**More productive and efficient operations**

Banks unable to adapt fast enough will lose competitiveness and customer’s loyalty.
The new relationship model is a reality as our clients are becoming increasingly digital.

**BBVA Spain**

**Mobile active clients**
(in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>3T2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>33</td>
<td>223</td>
<td>630</td>
<td>1,006</td>
</tr>
</tbody>
</table>

**Clients using remote advisors**
(in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>69</td>
<td>185</td>
<td>361</td>
<td>450</td>
</tr>
</tbody>
</table>

**Active online customers**
(in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Sep-13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,144</td>
<td>1,398</td>
<td>1,806</td>
<td>2,045</td>
</tr>
</tbody>
</table>

Allowing us to reach more clients and increase customer satisfaction.
A sales-oriented Operating Model and efficient cost structure ...

Branch activity breakdown (% of hours dedicated)

<table>
<thead>
<tr>
<th>Activity</th>
<th>2010</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>38%</td>
<td>58%</td>
</tr>
<tr>
<td>Servicing</td>
<td>41%</td>
<td>33%</td>
</tr>
<tr>
<td>Back office</td>
<td>21%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Key customers per branch (FRS data as of 2013)

<table>
<thead>
<tr>
<th></th>
<th>BBVA</th>
<th>System Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,531</td>
<td>1,252</td>
</tr>
</tbody>
</table>

Client satisfaction levels
General Satisfaction Index BBVA Retail Banking

Note: system average considering Bankia, Santander (including Banesto), Caixabank, B. Popular y B. Sabadell

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

1 BBVA Group: strengths

2 BBVA Spain: Key management priorities in an improving macro environment

3 Conclusions
1. **Spanish economy has bottomed out** and GDP started growing in 3Q13

2. **Spanish financial sector restructuring nearly completed**, after a significant effort of recapitalization and provisioning

3. **BBVA’s opportunity in Spain: a profitable and sustainable client growth**

   **In the short term:**
   - **Reduction in the cost of deposits** will be the driver
   - **NPLs will start decreasing**

   **In the medium term:**
   - **Asset yields will drive P&L**, as loans start to grow
   - **Cost of risk will normalize <1% in 2015**
   - **Customer growth will leverage on our transformation plan**, based on customer experience and omnichannel strategy.
Opportunities in an improving macro environment

Jaime Sáenz de Tejada, Head of Spain and Portugal