BBVA: Strong fundamentals and improving operating trends

Jaime Sáenz de Tejada, Chief Financial Officer
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1 BBVA Group

2 Business areas

3 Conclusions
Earnings: positive trend in recurring revenue...

2Q14 vs 2Q13
-2.8%

Gross income

2Q14 vs 1Q14
+5.3%

Excluding FX effect

Constant € Mn

2Q14 Highlights

- Net trading income
- Higher dividends
- Hyperinflation in VZ

2Q13 3Q13 4Q13 1Q14 2Q14

Gross income Net interest income + fee income

+11.6% constant €m

+7.0%
BBVA

... rising faster than costs ...

Costs vs Costs
2Q14 vs 2Q13

Excluding FX effect

Costs
YoY change, constant € Mn (%)

Gross income vs costs
2Q14 vs 2Q13, constant € Mn (%)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Costs (YoY change, constant € Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Q13</td>
<td>8.1</td>
</tr>
<tr>
<td>3Q13</td>
<td>5.8</td>
</tr>
<tr>
<td>4Q13</td>
<td>5.7</td>
</tr>
<tr>
<td>1Q14</td>
<td>4.1</td>
</tr>
<tr>
<td>2Q14</td>
<td>3.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Gross income</th>
<th>Costs</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Q14</td>
<td>7.0</td>
<td>3.1</td>
<td>4.9</td>
</tr>
</tbody>
</table>

-5.4%
... and boosting operating income

2Q14 vs 2Q13: 0.0%

2Q14 vs 1Q14: +8.9%

Excluding FX effect

Maintaining leadership position in terms of profitability
Lower loan-loss and real estate provisions

Loan-loss + real estate provisions
BBVA Group
€ Mn

Consolidating the improvement in cost of risk
BBVA

Net attributable profit growing in all business units

Net attributable profit
€ Mn

974
Banking Activity Spain
456
182
1
48
100
144
-88
-254
(1)
-164
-71
1,328
1H14 €Mn constant

1H13 €Mn
Banking Activity Spain
RE Activity Spain
USA
Eurasia
Mexico
South America
Corporate Center
FX Effect
Elimination of Mortgage Floors
Hyperinfl.

Elimination of mortgage floors and FX impacts less meaningful in 2H14

(1) Excludes €1,908 Mn (including -€ 15 Mn of FX) related to results from corporate operations (ie. sale of pension business in Latin America).
Comfortable **Capital** position

**Capital**

**BIS III Core Capital ratios (%)**
June 2014

- **Phased-In**: 11.6%
- **Fully-Loaded**: 10%

**Significant buffers**\(^{(1)}\) for the European stress test (June 2014):

- **Base Scenario**: €12.1 Bn
- **Adverse Scenario**: €20.5 Bn

**Leverage**

High leverage ratio combined with a high density (high RWAs / Total assets)

5.8%

**BIS III fully loaded**
June 2014

**Regulatory Issuance Activity**

- **€ 2.6 Bn Additional Tier 1** (79 bp)\(^{(2)}\)
- **€ 1.5 Bn Tier 2 debt** (45 bp)

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(1) These buffers are calculated by simply deducting, from June 2014 phased-in ratio, the base case scenario requirement (8%) and the adverse scenario requirement (5.5%). No output from the AQR or the stress test is considered in the calculation.

(2) € 2.6 Bn of which: $1.5 Bn as of Apr.13 (€ 1.1 Bn) + €1.5 Bn as of Feb.14.
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Spain: recovery process accelerating

Main levers

- **GDP forecast revised upwards to 1.3% and 2.3% both for 2014 and for 2015**

- **Private domestic demand** to be the main growth driver in the short run

- **Strong export growth to continue**, but net exports flattening as imports grow

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Recovery in internal demand is the determining factor for new loan production growth

Source: Most recent data. BBVA Research estimates.
BBVA Spain: signs of recovery in a context of continued deleveraging

Gross Loans evolution
Banking activity + RE
(€ Bn)

<table>
<thead>
<tr>
<th></th>
<th>Jun 12&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Dec 12</th>
<th>Jun 13</th>
<th>Dec 13</th>
<th>Jun 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Loans</td>
<td>229</td>
<td>211</td>
<td>210</td>
<td>194</td>
<td>193</td>
</tr>
</tbody>
</table>

- 15%
- 0.5%

(1) June data pro forma including Unnim acquisition.

- Deleveraging slowing down
- New credit flow starting to grow but not enough to compensate maturities
- SME flows should pick up in 2H2014 and through 2015
- Residential mortgages likely to continue deleveraging in 2015
Cost control and improving core revenues

• Deposit cost reduction is the main driver behind the NII improvement
• New loan production should be the driver of NII growth starting in 2015, with mix changing towards more profitable segments
• Continued cost cutting efforts to optimize the operating structure
Provisions continue to come down ...

Evolution of total provisions and RE assets impairments

<table>
<thead>
<tr>
<th>Period</th>
<th>Loan-loss provisions (Banking Activity + RE)</th>
<th>RE Assets Impairments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 Qtr Avg</td>
<td>1,406</td>
<td>373</td>
</tr>
<tr>
<td>2013 Qtr Avg</td>
<td>1,024</td>
<td>228</td>
</tr>
<tr>
<td>1Q14</td>
<td>689</td>
<td>155</td>
</tr>
<tr>
<td>2Q14</td>
<td>600</td>
<td>152</td>
</tr>
</tbody>
</table>

Cost of Risk YTD
Banking activity + RE (%)

- Jun.13: 1.35
- Sep.13: 1.70
- Dec.13: 1.55
- Mar.14: 1.11
- Jun.14: 1.02
... as a result of improving asset quality

**Banking activities**

NPAs Entries Evolution

€ Mn

- **Gross entries**
- **Net entries**

2012 quarterly average: 1,478
2013 quarterly average: 1,376
1Q14: 925
2Q14: 657

2012 quarterly average: 743
2013 quarterly average: 302
1Q14: -3

Normalization of provisions should continue following the reduction of gross entries

**Real estate**

NPAs Entries Evolution

€ Mn

- **Gross entries**
- **Net entries**

2012 quarterly average: 550
2013 quarterly average: 988
1Q14: 192
2Q14: 167

2012 quarterly average: 137
2013 quarterly average: 599
1Q14: -305
2Q14: -181
Catalunya Banc: a profitable and low risk acquisition

Key transaction terms

- Acquisition of a cleaned-up institution with a strong customer franchise
- Doubling market share in Catalonia and improving market share in Spain
- Attractive returns with manageable capital impacts:
  - €300 Mn average annual contribution to net attributable profit from 2018 (15% ROIC)
  - Capital impact of 55 bps (BIS 3 phased-in) (self-funded)

Market share

<table>
<thead>
<tr>
<th></th>
<th>Catalonia</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>26.1%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Gross loans</td>
<td>8.6%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

Customer

- BBVA: 13.8%
- Catalunya Banc: 12.3%

Gross loans

- BBVA: 15.8%
- Catalunya Banc: 12.3%

Gaining 1.5 million customers at the turning point of the cycle

Note: customer market share according to FRS Inmark, Branch Market Shares (Dec 2013). Gross Loans market share data from Bank of Spain information UME-1 and UME-2 as of December 2013, Catalunya Banc gross loans pro-forma after the sale of the mortgage portfolio to Blackstone.
USA: economic fundamentals are improving

GDP growth (

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014e</th>
<th>2015e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>1.6%</td>
<td>2.3%</td>
<td>2.2%</td>
<td>2.0%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

Preliminary data show a very positive 2Q (QoQ GDP Growth 4.2%)

BBVA Compass footprint: Solid internal demand and recovery of public expending and RE market

GDP expected to grow faster than the whole US (2014e at 3.3%)

Positive dynamics supporting tapering process

BBVA USA: focusing on growth

**Focus on new business**
- Strong performance in Consumer and Commercial & Industrial loans
- New loan production offices
- Simple acquisition

**Strong activity growth**
- Customer Funds: +15.5%
- Net Lending: +13.7%

**Translating to core revenues**
- NII+ fees
  - 2Q13: 458
  - 1Q14: 478, +5.3%
  - 2Q14: 483

**Operating income affected by investments**
  - 2Q13: 173
  - 1Q14: 166, -8.7%
  - 2Q14: 158

- The challenge is to continue to grow while keeping costs under control
- Positive interest rate sensitivity

*Note: Consolidated figures in Constant € Mn.*
Good asset quality performance continues

NPA and coverage ratios

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<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Coverage ratio</td>
<td>118</td>
<td>120</td>
<td>134</td>
<td>160</td>
<td>168</td>
</tr>
<tr>
<td>NPA ratio</td>
<td>1.5</td>
<td>1.5</td>
<td>1.2</td>
<td>1.0</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Loan-loss provisions and cost of risk

<table>
<thead>
<tr>
<th></th>
<th>2Q13</th>
<th>3Q13</th>
<th>4Q13</th>
<th>1Q14</th>
<th>2Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan-loss provisions</td>
<td>18</td>
<td>28</td>
<td>11</td>
<td>19</td>
<td>22</td>
</tr>
<tr>
<td>Cost of Risk</td>
<td>0.2</td>
<td>0.3</td>
<td>0.1</td>
<td>0.2</td>
<td>0.2</td>
</tr>
</tbody>
</table>
Eurasia: a source of earnings growth

Main highlights 1H14

✓ CNCB dividend of €139 Mn
✓ Improving commercial dynamics in Rest of Europe
✓ Provisions declining
✓ Positive FX trends YTD

Eurasia: net attributable profit (In constant € Mn)

2013
1Q: 104
2Q: 210

2014
1Q: 107
2Q: 255

+15.2% (1)

(1) At current exchange rates: +2.8%; TL /EUR +2.2% YTD.
Strong performance in Turkey

Turkey: highlights
- Current account deficit improving
- 175bp rate cuts in 3 months
- Reduced domestic uncertainty, but geopolitical risks remain

Garanti: better outlook
- Lending growth accelerating in key segments (1)
- Higher than expected decline in funding costs
- Strong fee performance
- Lower loan-loss provisions vs 2013

(1) Mortgages, general purpose loans.

GDP growth revised upwards

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP % year-on-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2.4</td>
</tr>
<tr>
<td>2013</td>
<td>3.8</td>
</tr>
<tr>
<td>2014</td>
<td>2.5</td>
</tr>
<tr>
<td>2015</td>
<td>4.2</td>
</tr>
<tr>
<td>2016</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Quarterly NIM improving

<table>
<thead>
<tr>
<th>Quarter</th>
<th>NIM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q13</td>
<td>5.1</td>
</tr>
<tr>
<td>2Q13</td>
<td>4.6</td>
</tr>
<tr>
<td>3Q13</td>
<td>3.5</td>
</tr>
<tr>
<td>4Q13</td>
<td>3.8</td>
</tr>
<tr>
<td>1Q14</td>
<td>3.9</td>
</tr>
<tr>
<td>2Q14</td>
<td>4.3</td>
</tr>
</tbody>
</table>
Mexico: The economy is finally starting to grow

GDP growth (%)

Higher than expected GDP growth in 2Q14, boosted by external demand

GDP growth to accelerate in 2H14: public investment in infrastructure will be key

Dynamism to continue in 2015

Structural reforms and US recovery supporting growth in the medium term

Source: BBVA Research. Quarterly growth rates are seasonally adjusted.
BBVA Bancomer: Lending growth, maintaining sound asset quality

Gaining market share in more profitable segments

Lending growth per segment (1)

- Commercial: 17% (2)
- Consumer loans: 22%
- Total performing loans: 9%


Better asset quality than peers

NPAs growth (3)
Jul.14 vs. Jul.13

- Bancomer: -8%
- System ex Bancomer: 20%

NPA ratio evolution (4)
Jul.14 vs. Jul.13

- Bancomer: 3.6% → 3.1%
- Peers aggregate: 2.7% → 3.5%

Risk premium to remain stable at around 350 bps

(1) Consolidated data for lending growth and local data for market shares. YoY market share gain Jul.14 vs. Jul.13. (2) Including SMEs, mid-size companies and corporates. Excluding homebuilders. (3) Source: CNBV. Boletín Estadístico. System’s data (ex Bancomer) include the 44 banks comprised in Banca Múltiple, except for Bancomer. (4) NPA ratio, according to local criteria (ICV = Índice de Cartera Vencida). Peers aggregate includes Banamex, Banorte, Santander and HSBC.
Improving P&L dynamics

- Excellent price management compensating interest rate cuts
- We keep on investing for the future: $3.5 Bn plan for 2013-16, focused on technology and infrastructure

Core Revenues (1) (YoY growth, constant €)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>1H2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.0%</td>
<td>6.9%</td>
<td>8.3%</td>
<td>13.1%</td>
<td></td>
</tr>
</tbody>
</table>

Operating leverage (2) (YoY growth, %)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>1H2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5.5%</td>
<td>-3.7%</td>
<td>-0.1%</td>
<td>3.2%</td>
<td></td>
</tr>
</tbody>
</table>

Net profit (YoY growth, constant €)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>1H2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.3%</td>
<td>0.6%</td>
<td>7.2%</td>
<td>12.5%</td>
<td></td>
</tr>
</tbody>
</table>

Note: BBVA Bancomer consolidated data restated excluding Afore Bancomer sold in 2012.

(1) Including Net Interest Income and fees and commissions. (2) Gross income growth rate minus operating expenses growth rate.
S.America: progressive convergence to the region’s growth potential after a weaker than expected 1H14

GDP growth in BBVA’s footprint (%)

In 1H14, slower GDP growth than in 2013 and also vs. expectations

Acceleration expected from 3Q14 thanks to the improvement of the global economy and higher public investment

Increasing differentiation, with the Andean countries as the growth engine of the region

Source: BBVA Research. Estimates as of September, 2014. BBVA footprint includes: Argentina, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela. Andean countries include: Chile, Colombia and Peru.
BBVA S. America: A well diversified footprint

Business activity
(YoY growth, in constant €)

**Lending**
+24.3%

**Customer Deposits**
+24.1%

Loans under management breakdown
(%, June 2014)

- Argentina: 7%
- Peru: 23%
- Colombia: 24%
- Chile: 24%
- Other countries: 5%

Customer deposits breakdown
(%, June 2014)

- Argentina: 8%
- Peru: 19%
- Colombia: 23%
- Chile: 19%
- Other countries: 25%
- Venezuela: 6%

11% market share at a regional level in both loans and deposits
Strong performance of the Andean region, the main growth lever going forward

Core revenues evolution (1)
(In constant € Mn)

Peru

- 386
- 429
- +11%

Colombia

- 372
- 421
- +13%

Chile

- 222
- 289
- +30%

- Strong competitive position: 23% loans market share
- Franchise oriented to commercial and mortgages

- High growth in every segment, driving strong NII performance
- Cost growth impacted by the execution of investment plans

- Continued high loan growth in retail and recovery in commercial
- Positive P&L dynamics boosting bottom-line growth

(1) Including net interest income and fees and commissions.
Argentina & Venezuela: resilient performance in local currency despite uncertainties

Core revenues evolution (1) (In constant € Mn)

**Argentina**

<table>
<thead>
<tr>
<th></th>
<th>1H13</th>
<th>1H14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core revenues</td>
<td>256</td>
<td>354</td>
</tr>
</tbody>
</table>

+38%

No relevant exposure to sovereign bonds

**Venezuela**

<table>
<thead>
<tr>
<th></th>
<th>1H13</th>
<th>1H14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core revenues</td>
<td>495</td>
<td>845</td>
</tr>
</tbody>
</table>

+71%

Bottom-line dragged by hyperinflation adjustment

Affected by FX deterioration in 2014 at a consolidated level

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(1) Including net interest income and fees and commissions.
In sum, earnings resilience thanks to diversification

Net attributable profit (YoY, in current € Mn)

<table>
<thead>
<tr>
<th></th>
<th>1H13</th>
<th>1H14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venezuela</td>
<td>315</td>
<td>315</td>
</tr>
<tr>
<td>Argentina</td>
<td>95</td>
<td>93</td>
</tr>
<tr>
<td>Rest of South America</td>
<td>139</td>
<td>74</td>
</tr>
</tbody>
</table>

Net attributable profit (YoY, in constant € Mn)

<table>
<thead>
<tr>
<th></th>
<th>1H13</th>
<th>1H14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venezuela</td>
<td>549</td>
<td>483</td>
</tr>
<tr>
<td>Argentina</td>
<td>315</td>
<td>278</td>
</tr>
<tr>
<td>Rest of South America</td>
<td>139</td>
<td>73</td>
</tr>
</tbody>
</table>

Dynamism of the Andean countries to drive P&L growth going forward
1 BBVA Group

2 Business areas

3 Conclusions
Strong fundamentals and improving operating trends

- **Positive operating jaws** driving operating income

- **Provisions continue normalizing**

- Net attributable **profit growing in all business units**

- **Comfortable capital position**, offering significant buffers for the European stress test
BBVA: Strong fundamentals and improving operating trends

Jaime Sáenz de Tejada, Chief Financial Officer