BBVA: Strength in the current challenging environment

BBVA USA: Transformation to a customer centric bank ready for growth

Manolo Sanchez, BBVA US Country Manager and BBVA Compass President and CEO
UBS Global Financial Services Conference 2012. May 9th, 2012
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1. BBVA Group: Well positioned to face industry challenges

2. BBVA in the US

3. Takeaways
In the current environment, the banking industry faces significant challenges.

- Questioning the viability of certain business models
- Lack of growth
- Pressures on profitability
- Liquidity/funding constraint
- Higher capital requirements
BBVA is well positioned to face these challenges

1. Attractive Business Model
2. Sustainable Growth
3. Recurring Profitability
4. Comfortable Funding Position
5. High Quality Capital
Customer centric

- Profitable and efficient operations
- Low volatility of earnings
- Technology as a competitive advantage

Attractive Business Model
BBVA business model main features
2 Sustainable Growth
Diversified business mix driving growth

Net attributable profit by region \(^1\)
BBVA Group. Percentage 1Q2012

Geographic diversification: revenues \(^2\)
Percentage 2011

With leading franchises in its core markets

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(1): Excluding corporate activities.
3 Recurring Profitability
Solid and recurrent earnings during the crisis...

Thanks to the good performance in emerging economies that offsets decline in developed markets.

(1) European Peers Aggregate: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCI.
Recurring Profitability … and resilient asset quality

**NPA – Net Balance**
BBVA Group. Billion Euros

<table>
<thead>
<tr>
<th>Month</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar.11</td>
<td>15.5</td>
</tr>
<tr>
<td>Jun.11</td>
<td>15.8</td>
</tr>
<tr>
<td>Sep.11</td>
<td>16.0</td>
</tr>
<tr>
<td>Dec.11</td>
<td>15.9</td>
</tr>
<tr>
<td>Mar.12</td>
<td>16.1</td>
</tr>
</tbody>
</table>

**NPA and Coverage Ratios**
BBVA Group. Percentage

Coverage ratio
- Mar.11: 61%
- Jun.11: 61%
- Sep.11: 60%
- Dec.11: 61%
- Mar.12: 60%

NPA ratio
- Mar.11: 4.1%
- Jun.11: 4.0%
- Sep.11: 4.1%
- Dec.11: 4.0%
- Mar.12: 4.0%

With a better asset quality than the local peer average in each geography
Comfortable Liquidity Position

Improving the liquidity position of the Euro Balance Sheet...

- Lower Funding Needs
  - Euro funding Gap continues to improve
- Strategic use of ECB LTRO
  - < 5% total assets
- Lowest redemptions in 2012 amongst peer group
  - €11bn
- Proven access to wholesale markets
- Enough additional collateral to absorb any liquidity shocks
- Funding costs continue to improve
Comfortable Liquidity Position
... and in all other franchises thanks to BBVA’s decentralized liquidity management

- Independent ratings and liquidity management
- Market discipline and proper incentives
- Firewalls between subsidiaries and the parent company
- Supervision and control by parent company
- Proven resilience during the crisis

BBVA Compass
Loan to Deposits DEC 2012
93%

Mexico
Loan to Deposits DEC 2011
100%

South America
Loan to Deposits DEC 2011
94%
High Quality Capital
Substantial capacity to generate capital organically and low leveraged

Early compliance with EBA 9% requirement as of March 2012, maintaining dividend policy and without selling assets

Core capital ratio (Basel 2.5)
BBVA Group. Percentage

<table>
<thead>
<tr>
<th></th>
<th>Dec.10 incl. Garanti</th>
<th>Organic generation</th>
<th>Conversion pref. shares</th>
<th>Other</th>
<th>Mar.12</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,5</td>
<td>1,1</td>
<td>1,0</td>
<td>0,1</td>
<td>10,7</td>
<td></td>
</tr>
</tbody>
</table>

>20bp quarterly average

RWAs / Total Assets
BBVA Group vs. Peer Group¹ (12M11, %)

<table>
<thead>
<tr>
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<td>10,7</td>
<td>10,7</td>
<td>10,7</td>
<td>10,7</td>
<td>10,7</td>
<td>10,7</td>
<td>10,7</td>
<td>10,7</td>
<td>10,7</td>
<td>10,7</td>
<td>10,7</td>
<td>10,7</td>
<td>10,7</td>
<td></td>
</tr>
</tbody>
</table>

¹ Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCI, JPM, BOA, CITI, WFC.
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3. Takeaways
BBVA: Growth in the United States

2004

BBVA Legacy

BBVA New York
1987

BBVA Puerto Rico
1968

Bancomer Transfer Services
1994

2005

Landing

2006

Texas

2007

Leadership in the Sunbelt

Strategic Rationale

Geographical diversification in developed economies

With a higher historical and projected profitability than Europe

With business synergy potential with other franchises of the Group
BBVA in the US at a glance

- Loans: 54 Billion
- Deposits: 48 Billion
- Revenues: 3,216 Million
- Op profit: 1,114 Million
- 2,500,000 clients
- 13,143 employees
- 745 branches
- 8 states and Puerto Rico

\(^1\) Loans 79% / Operating profit 77%
BBVA Compass: A leading franchise in the Sunbelt with a strong presence in Texas

Data as of 12/31/2011
Deposits in Billion Dollars
Source: FDIC
Texas: a strong economy, outperforming the US average

Real Gross Domestic Product in 2010
Billions of chained 2005 USD

Real personal Income per Capita in 2010
Chained 2005 USD

Source: BBVA Research and Haver Analytics. * Mexico as of 2009
Sound fundamentals and improving earnings

Total Loans and DDA Growth\(^1\)
% Growth vs. same month last year
- Loan Growth
- DDA Growth

Net Income\(^2\)
Million Dollars

Loans to Deposits\(^3\)
Percentage

Capital Ratios\(^4\)
Percentage
- Leverage
- TIER I Common

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\(^1\) BBVA Compass Loan Growth excludes Guaranty Bank’s LSA portfolio. 
\(^2\) BBVA Compass Net Income excluding Goodwill Impairment. 
\(^3\) BBVA Compass Loan to Deposits Ratio. 
\(^4\) Compass Bancshares Capital Ratios.
Recurring core business despite headwinds

Operating Profit\(^1\)
Million Dollars

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Guaranty Bank contribution</th>
<th>Durbin</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q111</td>
<td>161</td>
<td>17</td>
<td>178</td>
</tr>
<tr>
<td>Q211</td>
<td>145</td>
<td>17</td>
<td>162</td>
</tr>
<tr>
<td>Q311</td>
<td>130</td>
<td>17</td>
<td>147</td>
</tr>
<tr>
<td>Q411</td>
<td>151</td>
<td>39</td>
<td>190</td>
</tr>
<tr>
<td>Q112</td>
<td>188</td>
<td>36</td>
<td>224</td>
</tr>
</tbody>
</table>

\(+17\%\)

Core Margin\(^2\)
\(+7\%\)

Fee Income excluding Durbin impact\(^3\)
\(+7\%\)

(1) BBVA Compass Operating Profit (2) Net Interest Margin Q1 2012 vs. Q1 2011 BBVA Compass excluding Guaranty Bank contribution and adjustments (3) Fee Income Q1 2012 vs. Q1 2011 BBVA Compass excluding impact of Durbin Amendment measures
Opportunity for the universal banking model

Financial Services Value Chain

Mortgages
$14.5 Trillion

Credit Cards
$865 Billion

Auto Loans
$971 Billion

Commercial Banks
$8.2 Trillion

A booming consolidation

Mortgage Origination
By type of lender. Percentage

- Commercial Banks, Savings and Credit Unions
- Mortgage Specialists

Disruption of financial services value chain with a reduced number of players

Source: Financial Services Roundtable and SNL
BBVA Compass transformation on track

**From**

1. Business Mix
   - Concentrated RE Construction

2. Business Model
   - Product-Centric

3. IT Platform
   - Informational Silos No Real Time Manual Processes

4. Risk Management
   - Admission and Monitoring

**To**

- Diversified C&I and Mortgages
- Delivering the Right Solutions to Customers
- Full Customer View Real Time Process Automation
- Pro-activity and Anticipation
1. Business Mix
A Diversified Portfolio

Lending Mix
Percentage

- Commercial: 41% (2008), 49% (2011)
- Other loans to individuals: 23% (2008), 16% (2011)
- Mortgages: 14% (2008), 26% (2011)
- Construction: 22% (2008), 9% (2011)

Commercial and Industrial Growth
C&I year over Year Growth Percentage

Source: FDIC and Internal Reports
#### Business Mix
Diversification through industry specialization

<table>
<thead>
<tr>
<th>Healthcare</th>
<th>Government and Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>Million Dollars</td>
</tr>
<tr>
<td>3,263</td>
<td>2011</td>
</tr>
<tr>
<td>+25%</td>
<td>1,698</td>
</tr>
<tr>
<td>Deposits</td>
<td>Million Dollars</td>
</tr>
<tr>
<td>1,655</td>
<td>2010</td>
</tr>
<tr>
<td>+24%</td>
<td>4,126</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non Profit Organizations</th>
<th>Dealer Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non profits</td>
<td>Million Dollars</td>
</tr>
<tr>
<td>4,803</td>
<td>2011</td>
</tr>
<tr>
<td>2.8x</td>
<td>147</td>
</tr>
<tr>
<td>Supporters</td>
<td>Million Dollars</td>
</tr>
<tr>
<td>10,580</td>
<td>2010</td>
</tr>
<tr>
<td>+21%</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>+186%</td>
</tr>
<tr>
<td></td>
<td>+72%</td>
</tr>
</tbody>
</table>
1 Business Mix
Mortgage as the Anchor Product

Mortgage production strongly outpaced industry

BBVA Compass: 3x Industry: -21%

Mortgage Portfolio Growth

BBVA Compass Million Dollars

2007 2008 2009 2010 2011

Source: SNL and Internal Reports
BBVA Compass in Million Dollars, Industry in Billion Dollars

Innovative and Traditional channels

- Retail Network (MortgageBot)
- MBO Channel
- Online
- Construction/Perm Channel
- International Channel
2 Business Model
A Business Model transformation ...

Product-Centric
Selling Products to People
- Vision per product
- Lack of integration among LOBs
- Relationship length defined by product maturity

Customer-Centric
A new way of doing banking
- Processes
- Culture
- HR policies
- Technology
- Employee incentive programs etc.

BBVA
Delivering the right solutions to customers
- Customer knowledge
- Unique experience
- Operational efficiency
- Lasting relationships
- LOB integration
2 Business Model
... that is already delivering results

Household Cross-Sell
BBVA Compass

<table>
<thead>
<tr>
<th></th>
<th>MAR 11</th>
<th>JUN 11</th>
<th>SEP 11</th>
<th>DEC 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.43</td>
<td>3.49</td>
<td>3.52</td>
<td>3.54</td>
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</tbody>
</table>

Business Cross-Sell
BBVA Compass

<table>
<thead>
<tr>
<th></th>
<th>MAR 11</th>
<th>JUN 11</th>
<th>SEP 11</th>
<th>DEC 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.41</td>
<td>3.46</td>
<td>3.59</td>
<td>3.64</td>
<td></td>
</tr>
</tbody>
</table>

Household Cross-Sell: Existing household cross-sell with the theoretical maximum of 18 products and services.
Business Cross-Sell: Total Bank Business Cross sell with the theoretical maximum of 11 products and services.
2 Business Model
Strategic Partnerships

- 2011: most watched season in NBA’s history
- Partnership with 9 NBA and WNBA teams
- Key sponsor of All-Stars Games
- Successful season for our footprint teams. Dallas Mavericks NBA Champion 2011

1.7 Million household viewers

Brand Awareness\(^1\) up to 64% in 2012 from 48% in 2009

(\(^1\) Source: Millward Brown)
Modest IT investments in the US Banking industry

- Non customer-centric architecture
- No real time systems
- High dependency on external vendors
- Highly commoditized solutions
- Siloed vision per product
- Fragmented technology map
- Limited innovation
- Antiquated technology

... through differentiated technology
IT Platform
Maximizing our investment in Technology

Operations
- Efficiency through industrialized back offices
- Reduction in operational sites
- Reduce fraud loss

Channels and Accounts
- Single source of data
- Consolidate multiple origination systems
- Transactions captured and updated real time

Products and Origination
- Centralized and flexible product/fee definition
- Reduced time to market
- Product bundling
- Differentiation by segment, region, channel

Customers Interactions
- Improved customer service
- Cross-selling
- Single customer data shared across LOBs
IT Platform

Pioneering alternative channels

PCWorld Business Center

Choose a Tech-Savvy Bank

Find out how several of the biggest banks stack up in their online and mobile tools to help your small business manage money.

BY CHRISTOPHER NULL

MOST SMALL-BUSINESS OWNERS find themselves frequently visiting their banks' websites, which have become robust enough to render most trips to the teller window obsolete. But how do the biggest online and mobile services of the country's top business banks compare?

We picked eight large and midsize banks about their small-business offerings. We're highlighting five of the banks here: BBVA Compass, Bank of America, Capital One, Chase and TD Bank (none of which offer mobile support), see the online version of the article at freepropworld.com/1724.

Bank of America

Bank of America's vast array of banking products is attractive, provided that you're willing to pay a la carte for options. Basic accounts feature bill payment and money transfers, but the Business Suite ($18 per month) gives you options to add more users, integrate with QuickBooks, and manage multiple business accounts via a single sign-on. You can boss in online invoicing ($10 per month), payroll, ($20 per month) remote deposit ($4 per month) via a check scanner you hook to your computer, and more. You can even manage sick and vacation time and overtime via the online payroll app. BBVA also has a vast number of mobile options, supporting Android, BlackBerry, iOS—and—and—in this roundup—Windows Phone.

BBVA Compass Bank

BBVA Compass is the smallest bank in this group (though it's part of a much larger financial services empire). Despite that, it competes well thanks to a strong set of mobile offerings—for Android, BlackBerry, and iOS—and affordable fees. The bank waives the $12-per-month fee on its most popular account, Business Line-of-Credit Checking. (For details, see the article online at freepropworld.com/1724.)

Capitol One

Capitol One's small business services are relatively limited. In fact, it doesn't offer traditional business checking at all, only a business money market account. It also doesn't support adding more users, making it less desirable if you

<table>
<thead>
<tr>
<th></th>
<th>Bank of America</th>
<th>BBVA Compass</th>
<th>Capital One</th>
<th>CHASE</th>
<th>HANCOCK</th>
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</thead>
<tbody>
<tr>
<td>Business users</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Monthly deposit</td>
<td>$10</td>
<td>$10</td>
<td>$10</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>Free outgoing wire transfers</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Account alerts</td>
<td>Text message, email</td>
<td>Text message, phone</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Account options</td>
<td>Mobile app, text-to-text</td>
<td>Mobile app, text-to-text</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Availability of balances</td>
<td>18 months</td>
<td>18 months</td>
<td>18 months</td>
<td>18 months</td>
<td>18 months</td>
</tr>
</tbody>
</table>

CHANGES: The number of banks offering financial advising (25) and online transfers (23) has increased since our last update. Support availability is unchanged; talk to helping by 

4 Risk Management

Asset Quality continues to improve

- Reduced CRE concentration
- Reinforced infrastructure and processes
- Enterprise Risk Management Program
- Forward-looking capital planning

BBVA Compass NPL Ratio and Coverage Ratio Percentage. NPL Ratio excludes Guaranty Bank’s LSA Portfolio.
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Improving results despite a challenging environment

- Slower economy recovery than anticipated
- Regulatory challenges
- Low rates environment

2011 Net Income change vs. 2010\(^1\)

\(^1\) BBVA Compass Net Income growth excluding Goodwill Impairment
BBVA Compass
Transformation and sound fundamentals

- Improving Business Mix
- Customer-Centric Model adopted
- Technology upgrade on track
- Enhanced asset Quality
- Reinforced risk management
- Sound liquidity and capital condition
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