BBVA, well positioned for the new growth cycle

BofAML 22nd Annual Financials Conference

The Financial Crisis – 10 Years On

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Entering a new growth cycle after a prolonged crisis

**GDP growth recovery (YoY %)**

- **EuroZone:** 3.0, 1.6, 1.6, 1.8, 2.1, 2.2, 1.6, 2.0, 1.8, 1.7, 1.8
- **USA:** -4.5, -2.8, 1.6, 1.7, 1.6

**At the beginning of a new monetary policy cycle (%)**

- **Fed (Funds Rate):** 2.0, 3.0, 4.3
- **ECB (Depo Rate):** 0.3, 0.3, 0.3, 0.6, 1.5, 2.0, 0.3, 0.3, 0.0, -0.4, -0.4, -0.4

**Banks profitability improving System¹ ROE² (%)**

- **2007:** Fed: 15.8, ECB: -3.0
- **2008:** Fed: 5.6, ECB: 7.0
- **2009:** Fed: 2.7, ECB: 1.5
- **2010:** Fed: 1.7, ECB: 4.0
- **2011:** Fed: 4.4, ECB: 4.4
- **2012:** Fed: 2.4, ECB: 6.3

(1) System: BARC, BBVA, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCG, BOA, CITI, JPM and WFC
(2) ROE: annualized net attributable profit / average shareholders funds

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Positive growth momentum after a double dip recession
Fed tightening its monetary policy Positive 12m Euribor estimated for 2018
Banks ROE entering a new growth cycle with strengthened balance sheets

Source: BBVA Research
BBVA, well positioned for the new growth cycle

Exceptional progress strengthening BBVA’s Balance Sheet

Provisions and Capital built-up

Unique footprint

Non replicable and well-balanced, offering higher growth prospects

Leading Transformation Strategy

Anticipation, key to succeed in the new financial industry

Superior profitability

(Jun 17, %)

ROE¹

BBVA Group 8.6%

European Peers average ² 5.3%

ROA

BBVA Group 0.82%

European Peers average ² 0.34%

¹ ROE: annualized net attributable profit / average shareholders funds.
² European Peer Group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCG.
Exceptional Progress strengthening our Balance Sheet

Superior coverage ratio

Provisions and impairments on non-financial assets built since 2008

- **€52 bn**

Coverage ratio (%)

- Jun 17

NPLs credit risk

- BBVA Group 71%
- European Peers average (1) 56%

NPLs & foreclosed assets

- 68% BBVA Group

Proven capacity to generate capital

CET 1 FL evolution

- Dec 2008
  - Basel II
  - €17.5 bn
- Jun 2017
  - Basel III
  - €41.4 bn

Doubling our capital position

- 6.2% → 11.1% CET1 FL

(1) European Peer Group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCG.
Solid and high quality capital

High quality capital
Jun 17

- **53%** RWAs / Total Assets vs. 31% European peers average (1) #1
- **6.7%** FL Leverage Ratio vs. 4.9% European peers average (1) #1

- CET1 FL in line with 11% Target
- AT1 & T2 buckets covered (FL)
- €500m AT1 issued in 2Q17 at the lowest cost achieved by a Spanish institution (5.875%)

MREL
- BBVA plans to issue €3.5-4.5bn over the period 2H17-2018
- Inaugural SNP successfully issued: €1.5bn 5Y SNP with a fixed coupon of 0.75% (Aug 17)
  - The lowest price achieved by a European institution in this product with this maturity

BBVA plans to issue €3.5-4.5bn over the period 2H17-2018
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- CET1 FL in line with 11% Target
- AT1 & T2 buckets covered (FL)
- €500m AT1 issued in 2Q17 at the lowest cost achieved by a Spanish institution (5.875%)
A unique and non replicable footprint, that offers higher growth prospects

Breakdown by Business Area (1)

RWA Jun 17

- Spain: 32.6%
- US: 16.7%
- Mexico: 13.4%
- Turkey: 18.6%
- South America: 14.8%
- Rest of Eurasia: 3.9%

Gross Income 1H17

- Spain: 25.2%
- US: 11.6%
- Mexico: 27.7%
- Turkey: 15.8%
- South America: 17.8%
- Rest of Eurasia: 2.0%

Higher Growth Prospects

GDP growth (YoY, %)

- 2008: 1.7
- 2009: -3.5
- 2010: 4.4
- 2011: 3.9
- 2012: 1.9
- 2013: 2.4
- 2014: 2.4
- 2015: 3.3
- 2016: 2.3
- 2017e: 2.9
- 2018e: 2.8

Leadership positioning

Market share (in %) and ranking (3)

- Spain #2: 14.2%
- USA (Sunbelt) #4: 6.6%
- Mexico #1: 23.4%
- Turkey #2: 11.6%
- S.AMERICA (ex Brazil) #1: 10.2%

(1) Excluding Corporate Center
(2) BBVA’s footprint GDP growth: weighted by each country contribution to Group’s gross income. Source: BBVA Research.
(3) Spain: based on BoS (Jun.17) and ranking by AEB and CECA (Apr.17); Mexico: data as of May.17 (CNBV); S. America (May.17), ranking considering main peers in each country; USA: SNL (Jun.16) considering Texas and Alabama; Turkey: BRSA (Jun.17) commercial banks.
Spain: Banking Activity

**Sustained macro recovery**
GDP YoY growth (%)

- Source: BBVA Research

**BBVA Banking Activity in Spain**

**BBVA’s loan growth by segment**
Performing loans under management (YTD growth %)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017 Jun-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEs &amp; very small bus.</td>
<td>6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporates</td>
<td>-1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public sector</td>
<td>-2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgages</td>
<td>-3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Cost control as a key management priority**
Operating expenses (€Mn, %)

- 1H16: 1,789
- 1H17: 1,709 (-4.4%)

**Better than expected CoR**
Cumulative CoR (bps)

- 2013: 135
- 2014: 95
- 2015: 71
- 2016: 32
- 2017: 34

**Macro scenario supporting credit quality and future loan growth**

**Deleveraging coming to an end**
System YoY loan growth (%)

- Source: Bank of Spain and BBVA Research

**NII sensitivity to interest rate hikes**
12-month NII sensitivity to +100bps interest rate increase

- Source: BBVA Research

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- 2017E: Mid-single digit reduction
- €670Mn, +8% YoY
- 1H17 Net attributable profit
- NII sensitivity to interest rate hikes
- Source: Bank of Spain and BBVA Research
Spain: Non Core Real Estate

**Improved market dynamics**

**Average housing prices**
- YoY growth (%)
- **2008-2017:**
  - 2008: -3.2%
  - 2009: -6.3%
  - 2010: -3.5%
  - 2011: -6.8%
  - 2012: -4.2%
  - 2013: -0.3%
  - 2014: 1.8%
  - 2015: 1.5%
  - 2016: 4.0%

**Housing transactions**
- YoY growth (%)
- **2008-2013:**
  - 2008: -12%
  - 2009: 21%
  - 2010: 9%
  - 2011: 14%
  - 2012: 14%
  - 2013: 14%

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**BBVA Non Core Real Estate**

**Decreasing net exposure to RE**
- (€ Bn)
- **2012-2017:**
  - 2012: 18.6
  - 2013: 10.1
  - 2014: 5.9
  - 2015: 3.8
  - 2016: 2.6
  - 2017: 1.1

**Best in class coverage ratios**
- foreclosed RE assets
- Net exposure breakdown (Jun 17)
- **Coverage ratio**
  - 27% Land
  - 5% Construction in progress
  - 68% Finished properties
  - 63% Total foreclosed assets coverage

**-20% YTD**
- Including the announced transactions since Jun 17

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(1) Source: Ministry of Public Works and BBVA Research estimates
(2) Source: Notary Public Register and BBVA Research estimates
(3) It includes the transfer of assets to MVC and the sale of an NPL portfolio

Taking advantage of the recovery of the RE market to speed up the run-off
USA

Resilient macro outlook even after Harvey and Irma
BBVA Compass footprint (YoY GDP growth\(^1\), %)

BBVA Compass: Profitable growth strategy
Successfully managing customer spread (%)

<table>
<thead>
<tr>
<th></th>
<th>1Q16</th>
<th>2Q16</th>
<th>3Q16</th>
<th>4Q16</th>
<th>1Q17</th>
<th>2Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield on loans</td>
<td>3.64</td>
<td>3.66</td>
<td>3.70</td>
<td>3.75</td>
<td>3.92</td>
<td>4.12</td>
</tr>
<tr>
<td>Cost of deposits</td>
<td>0.41</td>
<td>0.40</td>
<td>0.39</td>
<td>0.38</td>
<td>0.36</td>
<td>0.31</td>
</tr>
<tr>
<td>Customer Spread</td>
<td>3.23</td>
<td>3.26</td>
<td>3.31</td>
<td>3.37</td>
<td>3.57</td>
<td>3.81</td>
</tr>
</tbody>
</table>

Customer spread benefitting from higher rates and excellent price management

Focus on growing the consumer portfolio

- Total Loans: -1.7% YTD
- Consumer loans\(^2\): +4.7% YTD

Better than expected CoR (Cumulative, bps)

Impact of Oil & Gas Portfolio

2017E c. 50bps

- 1Q16: 63
- 2Q16: 49
- 3Q16: 44
- 4Q16: 37
- 1Q17: 49
- 2Q17: 38

Loan growth recovery from 2H17

(1) Weighted GDP growth considering BBVA Compass’ loans in every State. Source: BBVA Research. (2) Excluding indirect auto loans.

\[\text{€297 Mn. +62\% YoY} \]
1H17 Net attributable profit (% in constant €)
Mexico

Resilient and sustained GDP growth

GDP Growth¹ (YoY, %)

-4.7 1.4 4.0 3.8 1.6 2.3 2.6 2.3 2.2 2.0

(1) Source: BBVA Research. (2) Performing loans under management at BBVA consolidated level. (3) Data based on local criteria. Source: CNBV.

BBVA Bancomer

Loan growth²

8.4 14.5 11.2 12.5 8.8

2013 2014 2015 2016 Jun-17

Better than expected asset quality

Cumulative CoR (bps)

354 345 328 340 335

2013 2014 2015 2016 Jun-17

2017E c. 350bps

Best in class profitability³

(1H17 annualized, %)

NIM 5.7 5.3

Efficiency 39.0 54.0

ROE 13.5 24.0

High-single digit growth expected in loans and net income (in constant €)
Turkey

**Acceleration in GDP growth**
GDP growth (YoY, %)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth (YoY, %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>0.8</td>
</tr>
<tr>
<td>2009</td>
<td>-4.7</td>
</tr>
<tr>
<td>2010</td>
<td>11.1</td>
</tr>
<tr>
<td>2011</td>
<td>8.5</td>
</tr>
<tr>
<td>2012</td>
<td>4.8</td>
</tr>
<tr>
<td>2013</td>
<td>8.5</td>
</tr>
<tr>
<td>2014</td>
<td>5.2</td>
</tr>
<tr>
<td>2015</td>
<td>6.1</td>
</tr>
<tr>
<td>2016</td>
<td>3.2</td>
</tr>
<tr>
<td>2017</td>
<td>5.0</td>
</tr>
<tr>
<td>2018</td>
<td>4.5</td>
</tr>
</tbody>
</table>

**Garanti:**

Robust loan growth\(^2\) supported by loans in TRY
(YoY, % in constant €)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Jun-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>CoR (bps)</td>
<td>30.7</td>
<td>12.8</td>
<td>18.8</td>
<td>17.0</td>
<td>19.7</td>
</tr>
</tbody>
</table>

**Better than expected asset quality**
Cumulative CoR (bps)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
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<th>2015</th>
<th>2016</th>
<th>Jun-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>CoR (bps)</td>
<td>139</td>
<td>116</td>
<td>111</td>
<td>87</td>
<td>84</td>
</tr>
</tbody>
</table>

**Best in class profitability\(^3\)**
(1H17 annualized, %)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Garanti</th>
<th>System</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIM</td>
<td>5.3</td>
<td>4.6</td>
</tr>
<tr>
<td>Efficiency</td>
<td>42.4</td>
<td>45.3</td>
</tr>
<tr>
<td>ROE</td>
<td>18</td>
<td>16.9</td>
</tr>
</tbody>
</table>

The increased stake in Garanti (up to 49.85%) reinforces the Group’s growth prospects

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(1) Source: BBVA Research. (2) Performing loans under management at BBVA consolidated level. (3) Local bank-only data. Commercial banks only
**South America**

**Turning point in 2017**

GDP growth (YoY, %)\(^1\)

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>4.7</td>
<td>-1.9</td>
<td>6.2</td>
<td>2.5</td>
<td>4.2</td>
<td>1.2</td>
<td>2.7</td>
<td>0.8</td>
<td>2.1</td>
<td>2.8</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Weighting based on the GDP size of countries (Argentina, Chile, Colombia, Peru, Paraguay and Uruguay). Source: BBVA Research

**BBVA South America**

**Moderate and more sustainable loan growth** \(^2\)

(YoY, % in constant €)

<table>
<thead>
<tr>
<th>Year</th>
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<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Jun-17</th>
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<tbody>
<tr>
<td>NIM</td>
<td>16.3</td>
<td>12.7</td>
<td>15.4</td>
<td>6.8</td>
<td>6.3</td>
</tr>
<tr>
<td>ROE</td>
<td>16.3</td>
<td>12.7</td>
<td>15.4</td>
<td>6.8</td>
<td>6.3</td>
</tr>
</tbody>
</table>

\(^2\) Data based on local criteria from Superintendencies. \(^3\) Performing loans under management at BBVA consolidated level.

**Limited asset quality deterioration in line with expectations**

Cumulative CoR (bps)

<table>
<thead>
<tr>
<th>Year</th>
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<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Jun-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>CoR</td>
<td>150</td>
<td>146</td>
<td>126</td>
<td>115</td>
<td>152</td>
</tr>
</tbody>
</table>

\(^3\) Performing loans under management at BBVA consolidated level.

**A more conservative portfolio mix with better asset quality** \(^3\)

(1H17 annualized, %)

- NIM: 3.9 (4.5)
- Cum. CoR (bps): 150 (194)
- ROE: 16 (17)

\(^3\) Data based on local criteria from Superintendencies.

**Sustainable growth with asset quality at reasonable levels**
Delivering on our transformation strategy

**Customer Experience**

- #1 NPS in 7/11 geographies (2016) + Atom

**Digital customers**

- BBVA Digital Customers: 19.9m (+22% yoy) Jun 17
- BBVA Mobile Customers: 14.5m (+42% yoy) Jun 17

**Digital Sales**

- Digital Sales: 22.2% of total sales (in # of transactions YTD) +5.4 p.p. vs. Dec 2016
- >1 million Digital sales in Jul ‘17

**Tipping Point**

- (50% digital penetration) achieved in:
  - TURKEY
  - VENEZUELA
  - USA
  - CHILE
  - ARGENTINA

NPS: Net Promoter Score
BBVA Spain as an example of transformation

New standard in customer experience

Total NPS

Ranking among peers: Santander, Sabadell, Caixa, Bankia and Popular

Digital Sales

Digital Sales

1H17

26.3% of total sales (in # of transactions YTD)

Mobile product availability

(% of mobile available products)

Consumer loans: Growing market share in new loan production thanks to digital loans

BBVA Spain as an example of transformation
Key Takeaways

BBVA, well positioned for the new growth cycle

- Strong capital position and asset quality metrics
- A unique and non replicable footprint that offers higher growth prospects
- Delivering on our leading transformation strategy
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