BBVA Mexico

BBVA Bancomer: A leading franchise in the Mexican market

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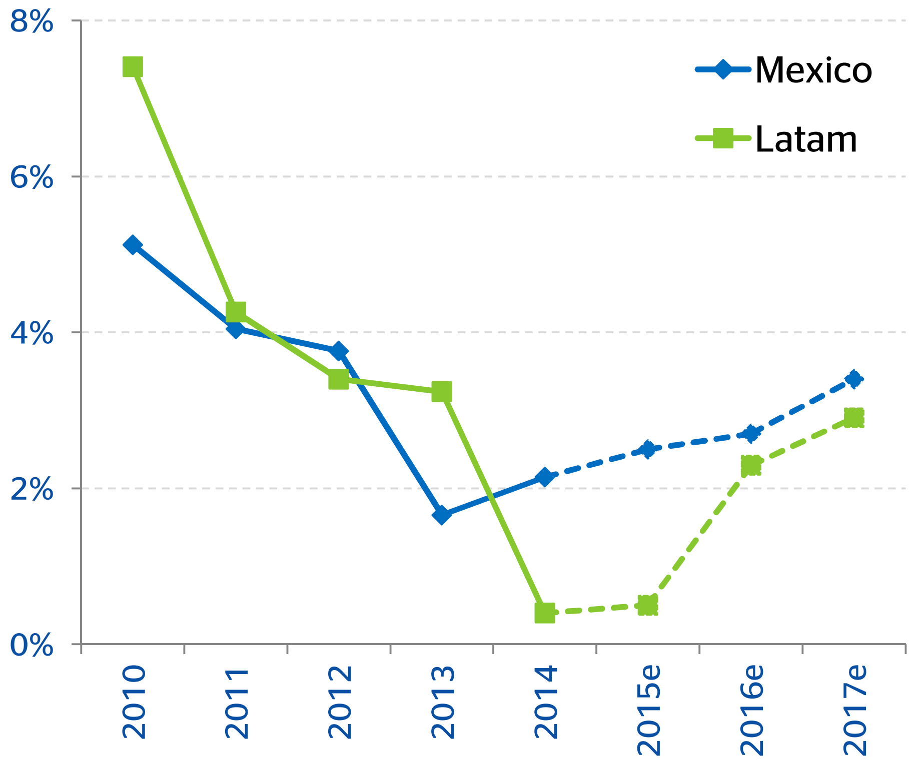
Disclosure:

Financial information contained in this document have been prepared in accordance with International Financial Accounting Standards (IFRS) accordingly Mexico consolidated vision. Figures shown differ from Mexican Banking GAAP (accounting principles and regulations prescribed by the CNBV for banks).

1 Mexico

In a complicated environment, Mexico is growing above some Latam economies

GDP Mexico vs GDP Latam
(annual change, %)



Latam = Argentina, Brazil, Chile, Colombia and Peru.
Source: INEGI and World Bank. Expectation with BBVA Research data.

Fundamentals

Moderate public debt levels

No major disequilibrium on the external accounts: **low current account deficit** and relevant foreign inflows

Floating exchange rate and a **credible central bank** that has contributed to **low** levels of **inflation**

Relevant amount of liquidity in foreign currency: **international reserves** and IMF flexible credit line

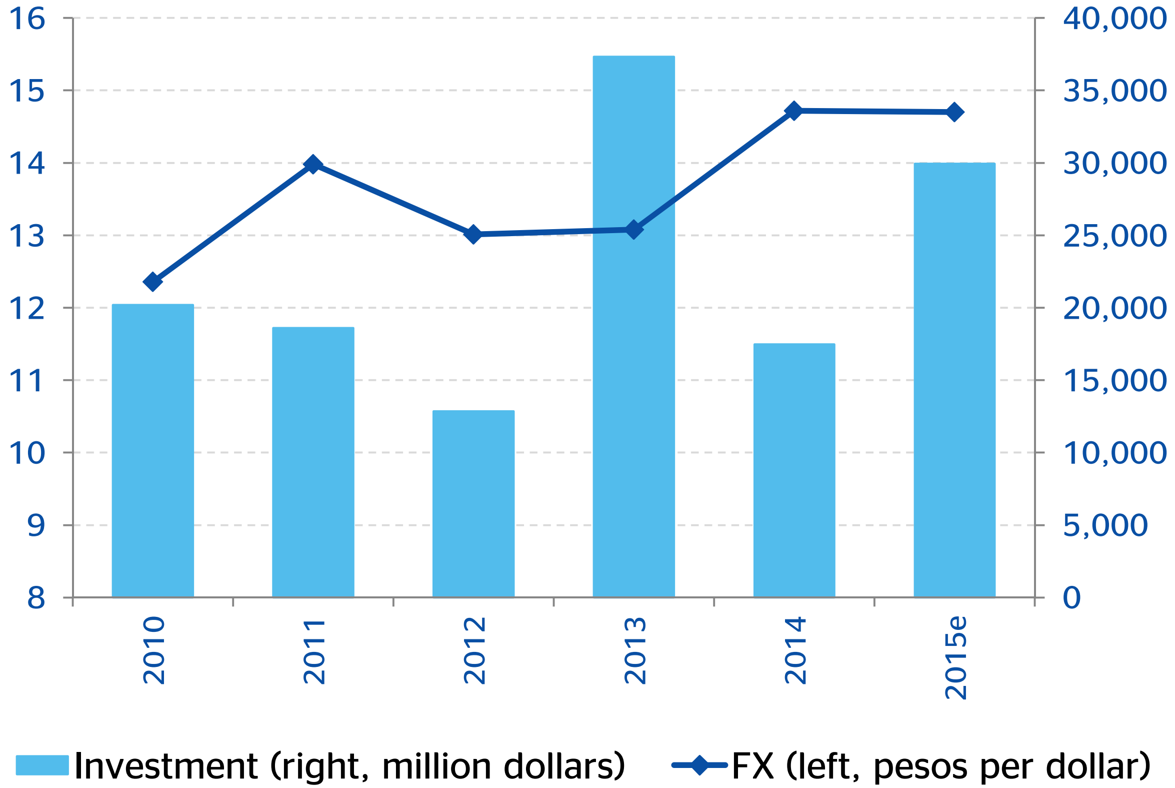
Mexico has shown a reasonable adjustment in recent global volatility

Country	Change since December 31st, 2012 up to date Exchange Rate (%)	Local 10-year Bond (bp)	5-year CDS (bp)
Mexico (A3/BBB+/BBB+)	21.6	88	33
Indonesia (Baa3/BBB-/BB+)	36.7	356	53
Turkey (Baa3/BBB-/BB+)	54.3	293	107
South Africa (Baa2/BBB/BBB-)	47.2	162	73
Brazil (Baa2/BBB/BBB-)	51.7	328	140
Russia (Ba1/BBB-/BB+)	83.4	272	236
Colombia (Baa2/BBB/BBB)	47.6	160	71

Source: Bloomberg, with figures as of June 2015.

Despite the peso depreciation, foreign investment flows still high

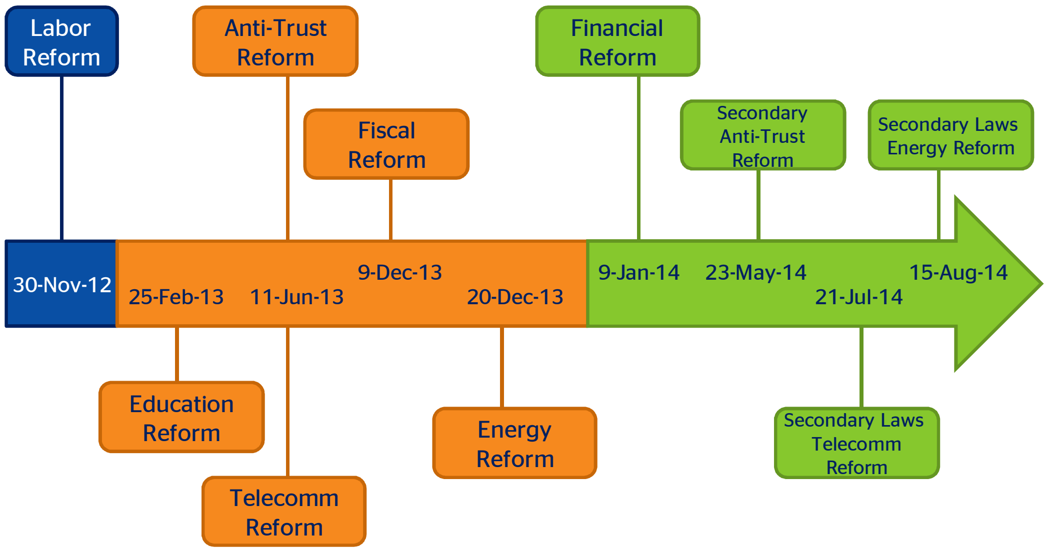
FDI vs. Foreign Exchange Rate
(Million dollars vs. Pesos per dollar)



The floating exchange rate absorbs external shocks

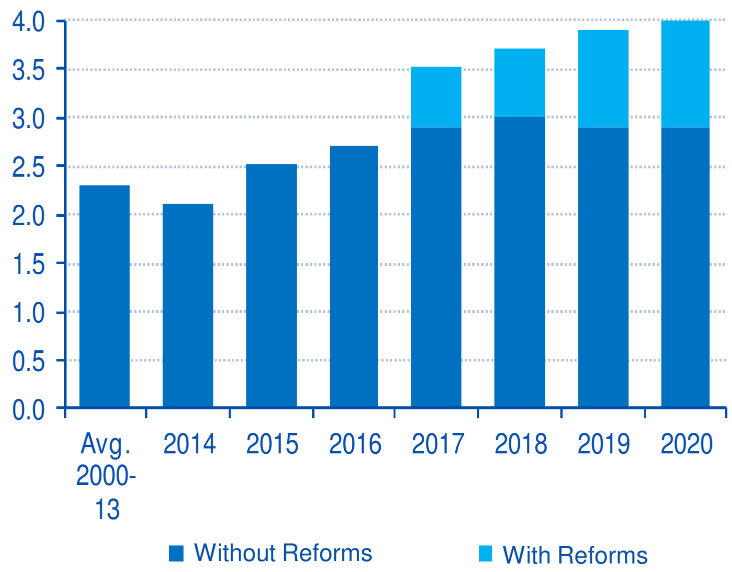
Source: Banxico and Ministry of Economy. Investment defined as new investment and reinvestment of profits.

Ambitious reform agenda to foster productivity and growth



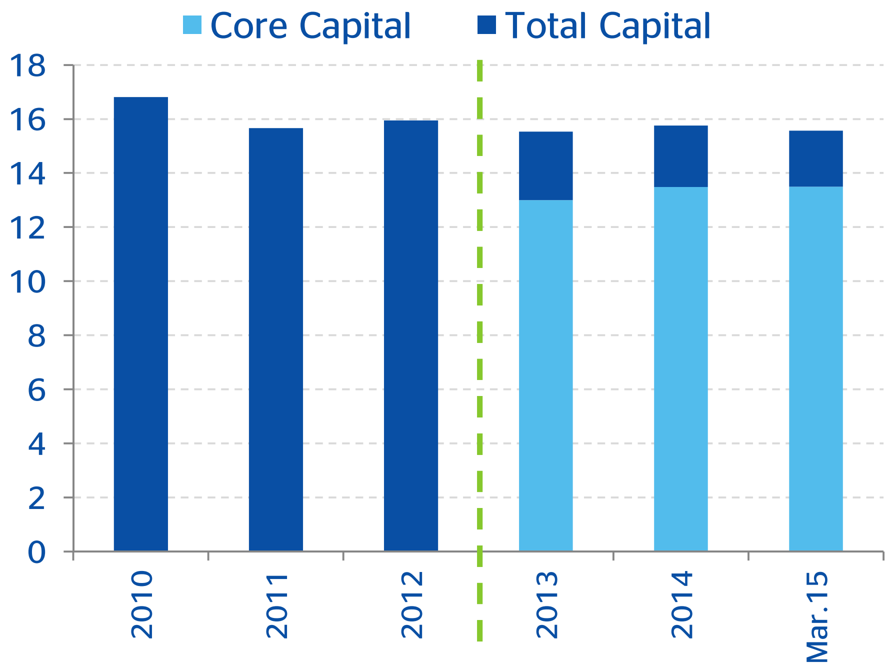
Mexico, mid term estimated GDP growth

YoY% change



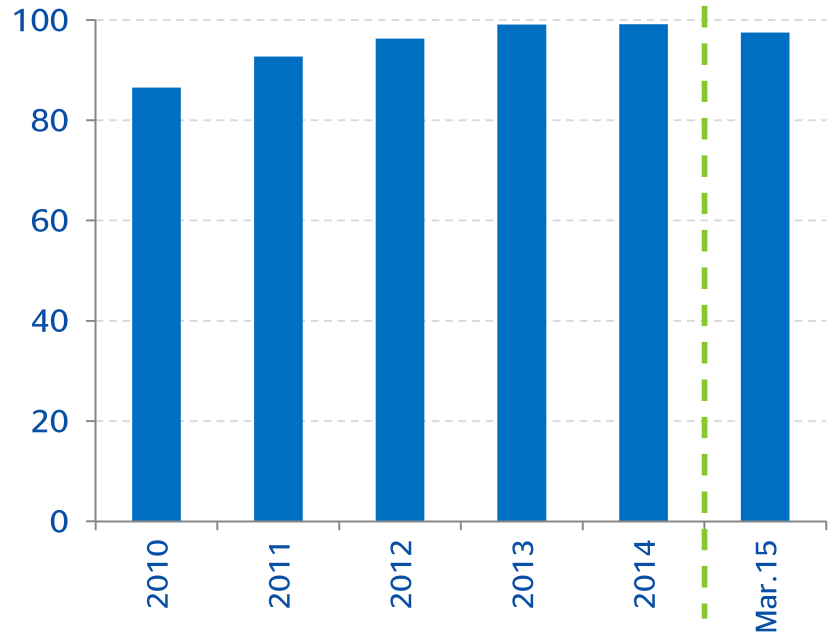
Solid financial system with strict regulation standards

Total Capital Index
(%)



Basel III Fully Loaded since 2013
Minimum requirements:
Total Capital 10.5% / Core Capital 7%

Loans / Deposits
(%)



CCL (Local LCR) since 2015
Minimum requirement: 60%

Source: Banxico and CNBV.

BBVA is investing in Mexico

1. Solid macroeconomic fundamentals limit contagion from external shocks

2. Positive differentiation from other emerging markets

3. Structural Reforms to boost productivity and foster a higher long-term growth

2 Strategy

BBVA Bancomer is part of one of the most important financial groups…

BBVA Group: Present in 31 countries

673 €
Billion assets

7,360
Branches

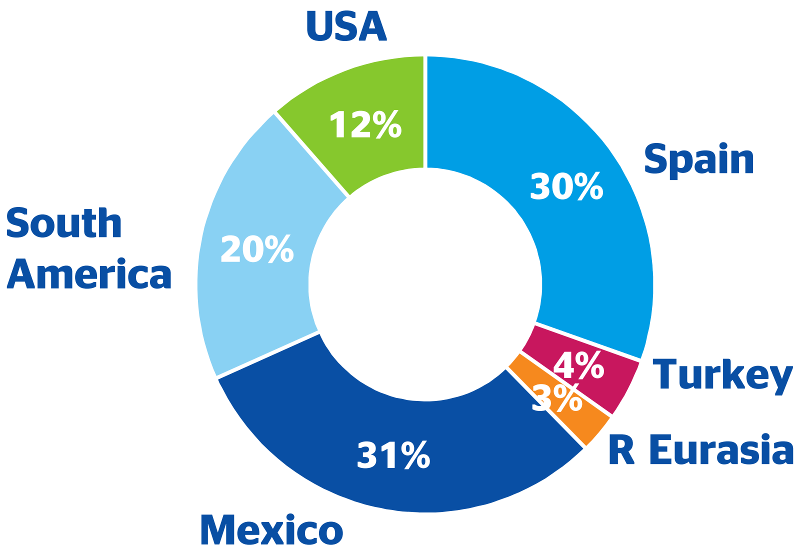
22,595
ATMs

51 M
Customers

108,844
Employees

Well-diversified footprint

BBVA Group's 1Q15 Gross Income
Breakdown by business area (1)

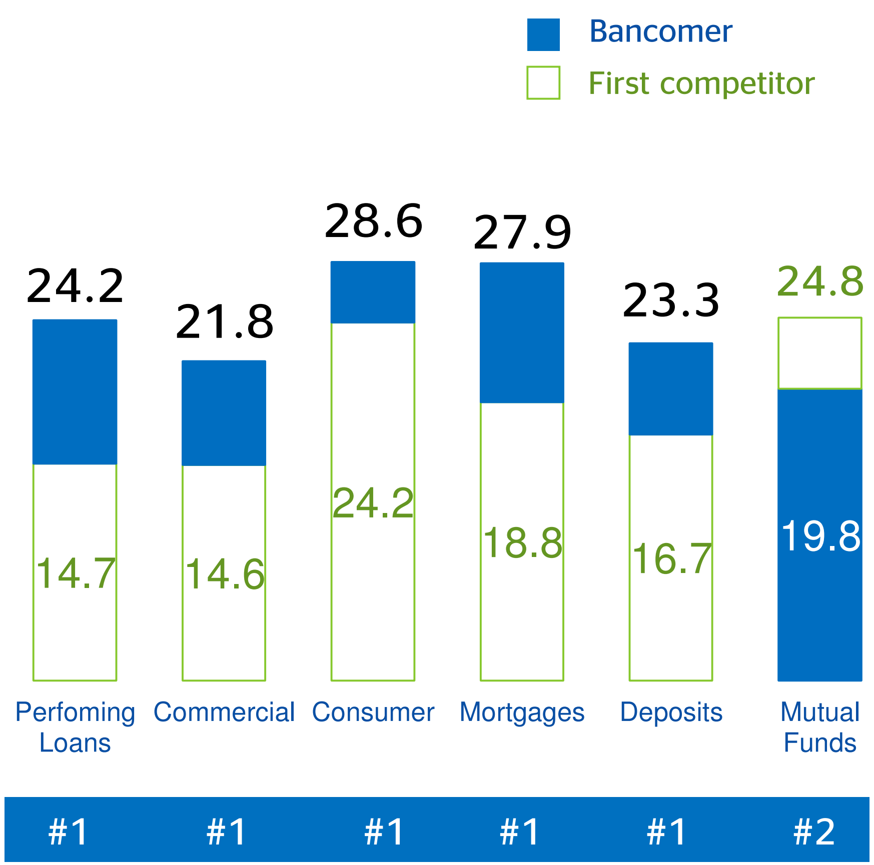


	Emerging	Developed
Weight	55%	45%
Y-o-Y chg	+10.8%	+3.5%

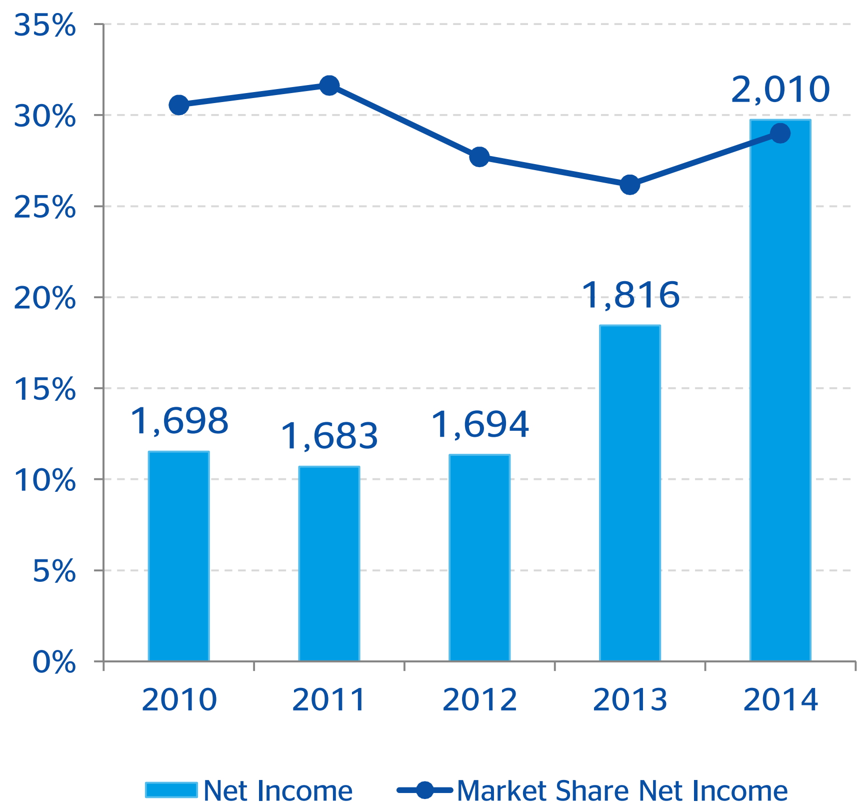
Note: Data as of March 31, 2015. (1) Excludes Corporate Center

… and a leader franchise in the Mexican market

Market Share (%)



Net Income (Million Euros) & Market Share (%)



Source: CNBV & AMIB. Figures as of March, 2015. Banks without subsidiaries. Market Share for Net Income with CNBV data of Financial Groups.

Strategic Plan 2013 -2016

1. Investment 2013 - 2016
2. Branch Remodeling
3. "Unique Customer Experience"
4. Digital Banking
5. Corporate Assurance

Improve customer service, increase productivity in branches, risk control

Leadership position

Enhance competitive advantages

Sustainable growth

Investment Plan: USD$ 3,500 M (2013 - 2016)

Cash-out 2013 - Mar-15:
USD$ 1,644

- ✓ Increase productivity in branches
- ✓ Migration of transactions to more efficient channels
- ✓ Technology and infrastructure to update distribution channels
- ✓ Headquarters: Self-sustainable buildings with savings in electricity and water

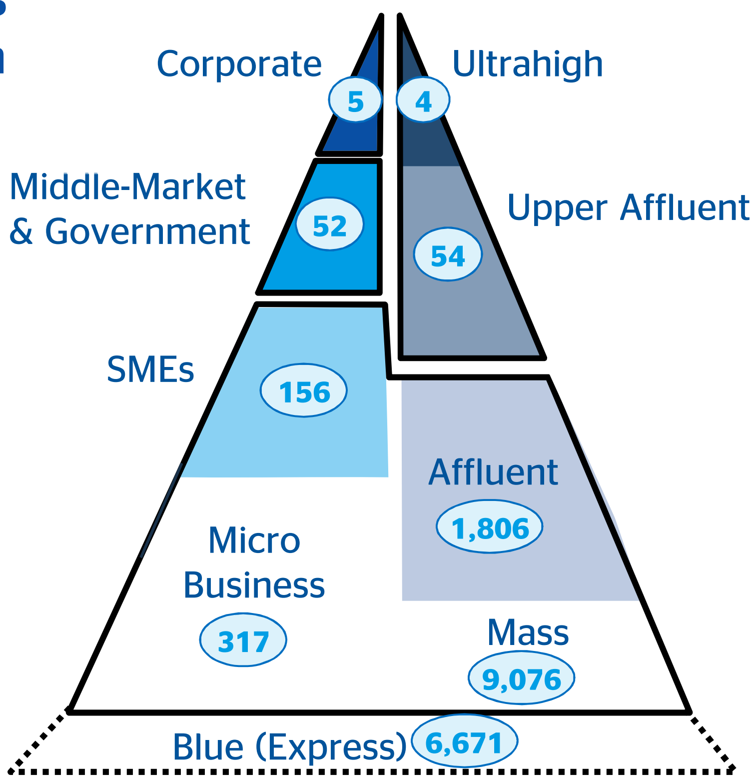
- Work culture: Lean & Simple
  - Mobility
  - Paperless
  - Better service among areas

Business Model

Total Customers:
18 Million

Specialized executives and branches for each customer segment

SMEs: increase network coverage



Increase cross-sell in the asset side (lending)

New business model for Affluent customers

Low cost and easy access products for the lower-end

Maximize customer value

Source: BBVA Bancomer ◯ Number of customers in thousand

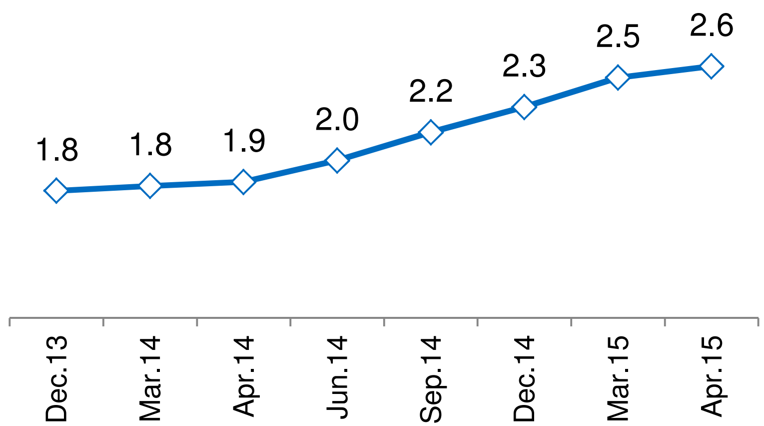
Digital Banking

Digital Sales	Offer at the right time in the correct channel	one – click
Digital Intelligence	More benefits for customers	BBVA 4me Commerce 360
Mobile first	Think easier, friendly apps	BBVA Wallet Bancomer Trader
Low Cost Solutions	For lower income customers	Bancomer SMS
Open Banking	INNOVA CHALLENGE MX BBVA Open Talent 2014	InnovaApps+ BBVA | Google

Increase in 1 million the number of digital customers

Digital Customers
(Quarterly Users in millions)

Y-o-Y %: **+39.2%**

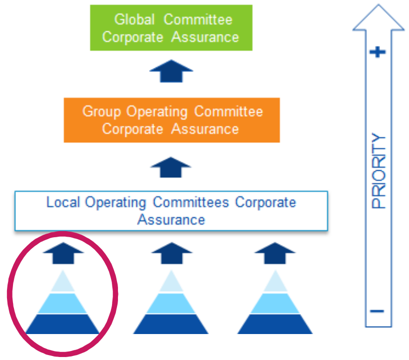


Bancomer.com

Bancomer Mobile

Bancomer SMS

Corporate Assurance



Corporate Assurance Model in line with BBVA's Internal Model of Control

Layers

3rd Internal Auditing

- Ensure internal control function

2nd Internal control and Operational Risk Unit specialists

- Design and implementation of controls
- Coordination with Holding Specialists
- Help the Business Units to fulfill their responsibilities

1st Business and Support Units (operational risk managers)

- Implementation of controls and operational risk management
- Run control measures in daily operations

3

Business Perfomance

Disclosure

- Figures under consolidated vision for BBVA business in Mexico (public information without Houston agency); international accounting standards (IFRS).

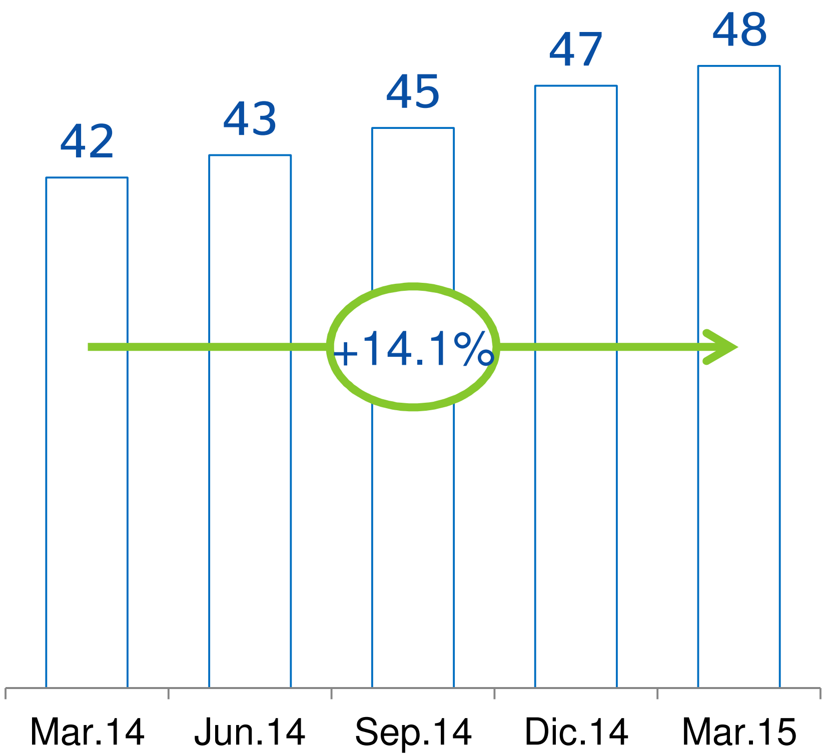
- These figures may differ from public information in Mexico, which is in local accounting standards (Mexican GAAP, defined by the local banking regulator, CNBV).

- **Activity:**
  - Exchange rate: 16.5123 pesos per euro.

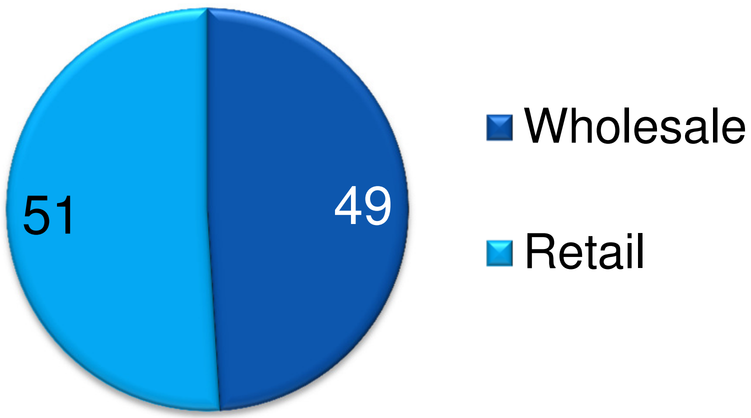
- **Results:**
  - Exchange rate: 16.8274 pesos per euro.

Lending evolution

Performing Loans
(average balances, bn euros)



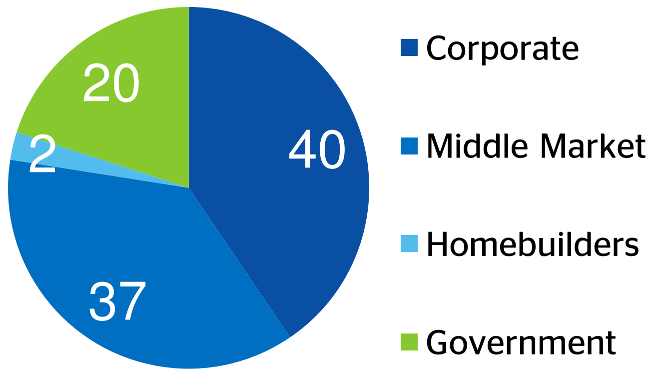
Lending Mix, Mar'15, %



Wholesale portfolio

Performing Loans (average balances, million euros)	**Mar-15**	**y-o-y % change**
Corporate	9,428	29.5%
Middle Market	8,616	21.8%
Homebuilders	575	-5.1%
Government	4,662	20.7%
Wholesale	**23,282**	**23.7%**

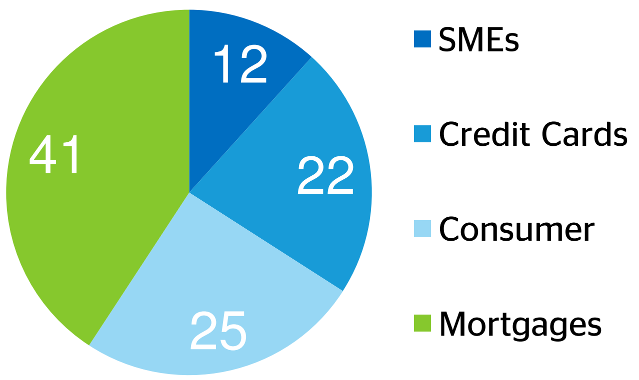
Commercial Mix, Mar'15, %



Retail lending

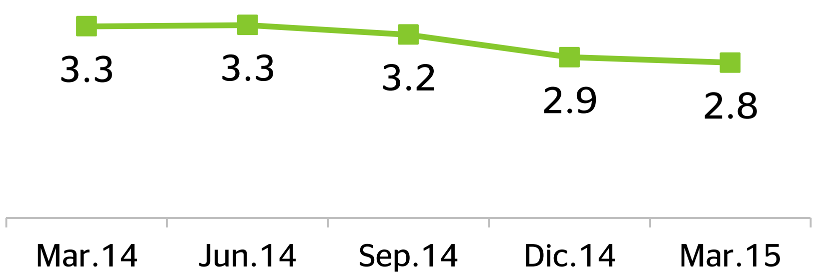
Performing Loans (average balances, million euros)	**Mar-15**	**y-o-y % change**
SMEs	2,878	25.1%
Credit Cards	5,499	-3.1%
Consumer	6,291	15.4%
Mortgages	10,026	2.8%
Retail	**24,694**	**6.5%**

Retail Mix, Mar'15, %

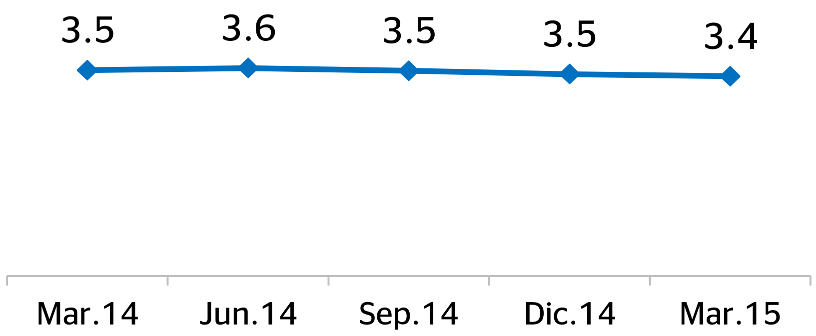


Adequate asset quality indicators

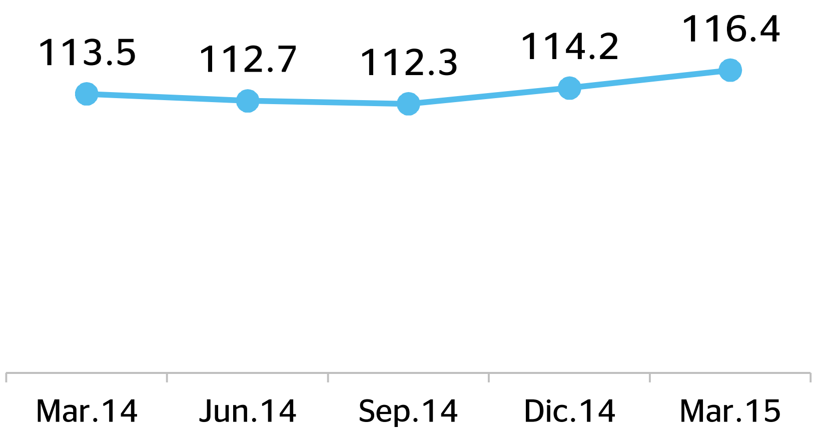
NPL ratio (%)



Cost of Risk (%)



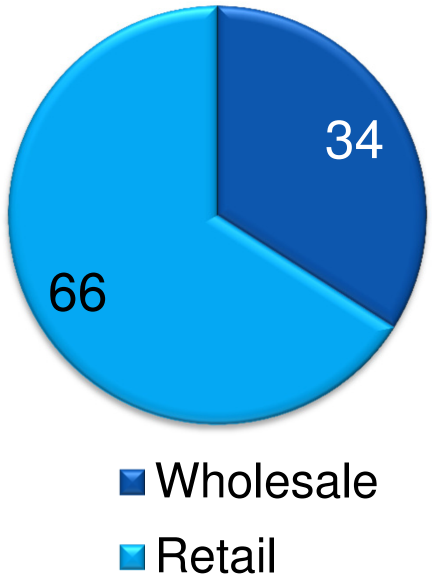
Coverage ratio (%)



Funding

Deposits (average balance, million euros)	**Mar-15**	**y-o-y % change**
Demand	34,437	9.8%
Time	8,888	19.1%
Bank Deposits	43,325	11.6%
Mutual Funds	21,092	11.0%
Customer Deposits	64,417	11.4%

Customer Deposits Mix
Mar'15, %

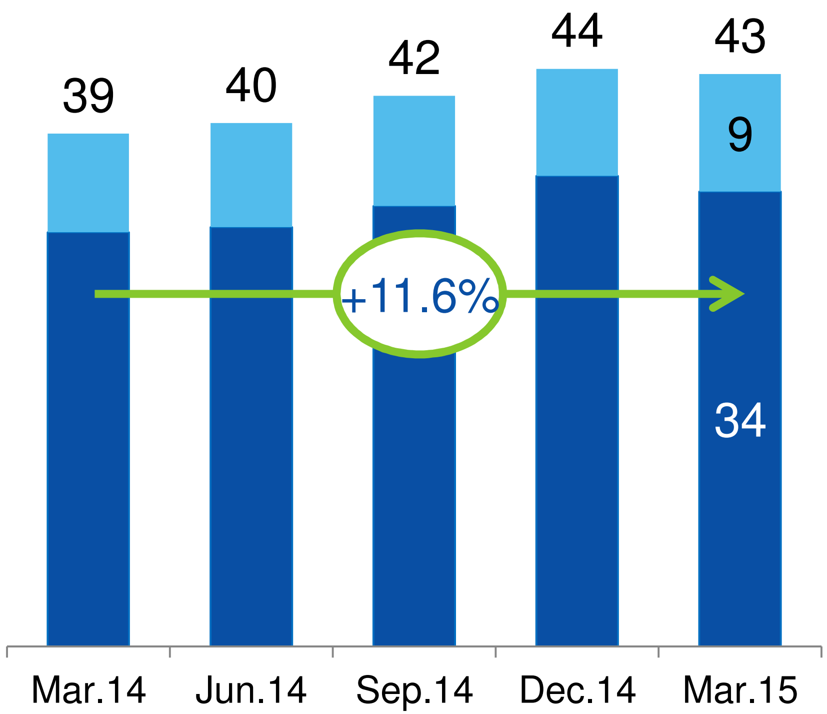


Total funds under management: 87 billion euros

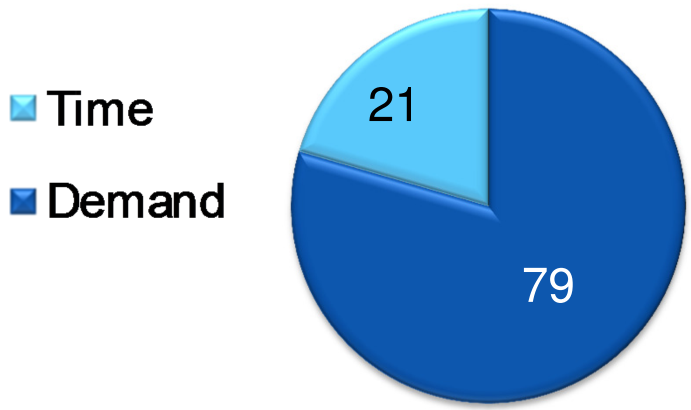
Funds under management: Total Deposits + Funds under custody (mutual funds of the insurance business and capital markets of the High Network segment).

Funding

Bank Deposits
(average balances, bn euros)



Funding Mix
Mar'15, %



Net Income increasing at 7.1% in annual terms

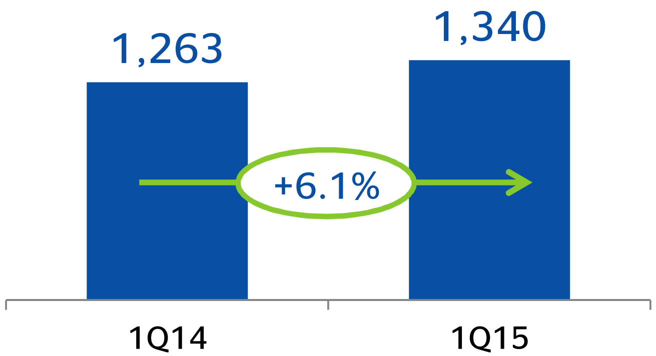
Mexico *(million euros)*	**Mar-15**	**y-o-y % change**
Net Interest Income	1,340	6.1
Fees & Commissions	295	4.5
Trading Income	52	-0.5
Other Income	64	11.3
Gross Income	1,752	5.8
Operating Expenses	-647	5.8
Operating Income	1,105	5.8
Provisions	-422	10.2
Income Before Tax	693	7.7
Net Attributable Profit	**524**	**7.1**

BBVA Mexico

Revenues

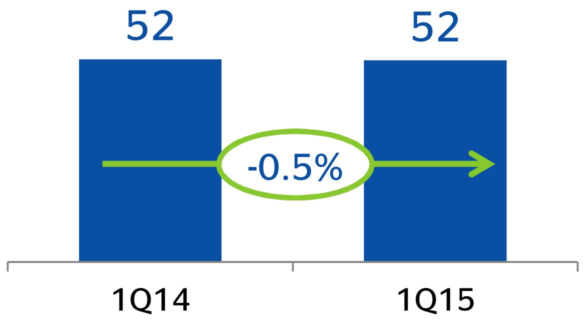
Million euros

Net Interest Income



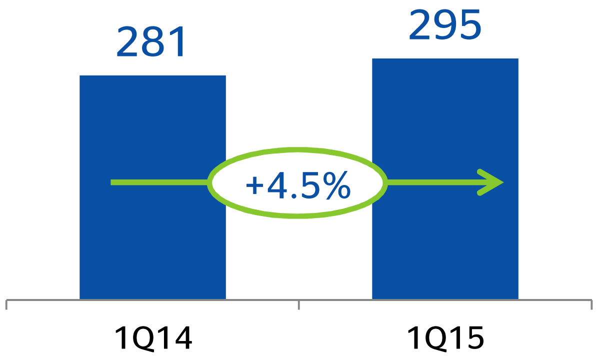
Core Business NII *(NII ex. Global Markets)* is increasing at 11.0% in annual terms

Trading Income



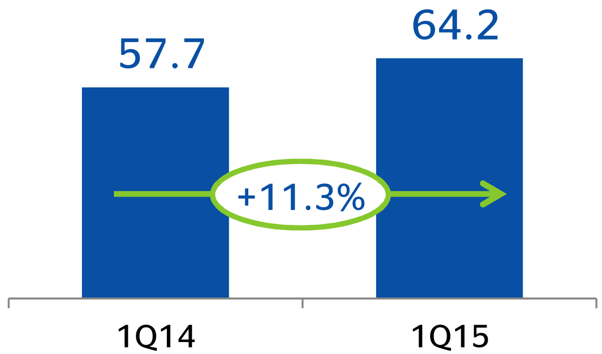
Better contribution from COAP vs GM

Fees & Commissions



Higher transactions volume of customers with credit cards and higher revenues from investment banking

Other Income

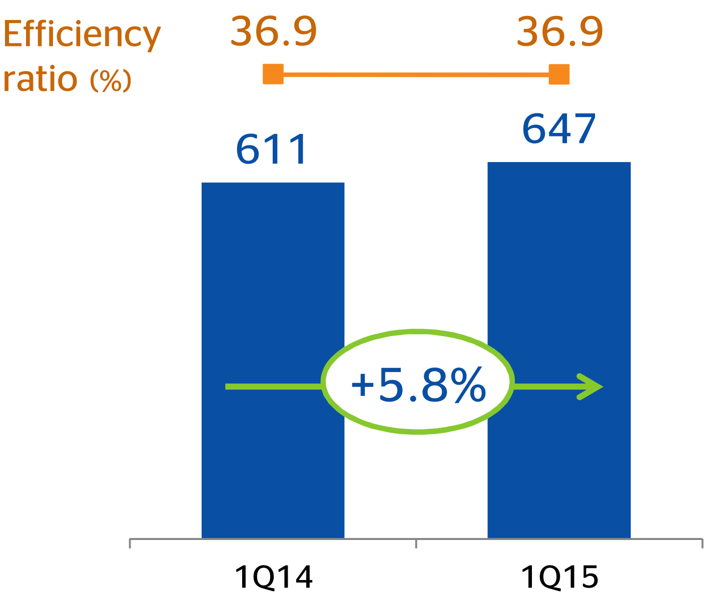


Higher contribution from Insurance Business

Figures under BBVA consolidated vision for Mexico (public information without the Houston agency). Exchange rate: 16.8274 pesos per euro.

Control of operating expenses evolution, maintaining the investment in Mexico

Operating Expenses
(million euros)



Control of operating expenses besides the ambitious Investment Plan

+Employees = Stronger sales force to improve productivity in branches

Branches Remodeled: **790** Mar-15

Moving into the new headquarters in 2H15

Investment Plan
Total: USD $ 3,500 M
2013 - 2016

Operating expenses under BBVA consolidated vision for Mexico (public information without the Houston agency). Exchange rate: 16.8274 pesos per euro.
There are some networks that operate inside the branches. Including these additional points of sale we have 805 branches remodeled as of March 2015.

4 Competitive Analysis

Disclosure

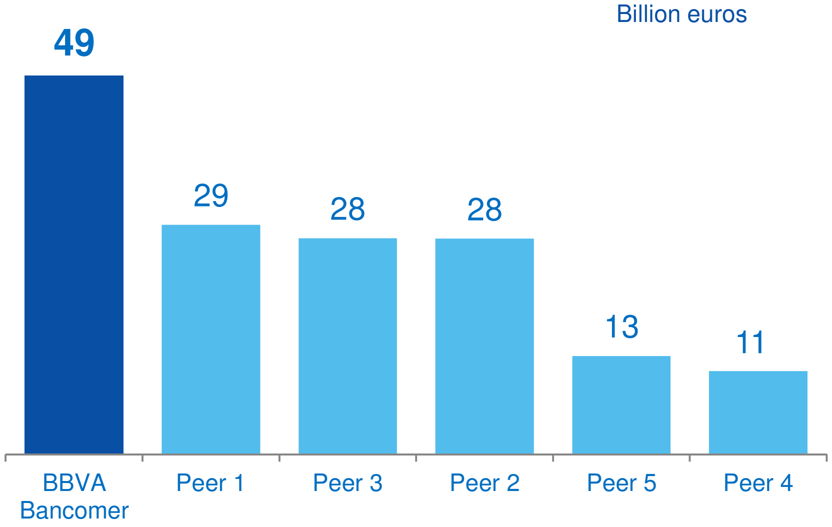
- Figures shown in Mexican Banking GAAP (accounting principles and regulations prescribed by the CNBV for banks).

- **Activity:**
  - Source: CNBV Banks with SOFOM without subsidiaries.
  - Market Share: Calculated with 45 banks.
  - Exchange rate: 16.5123 pesos per euro.

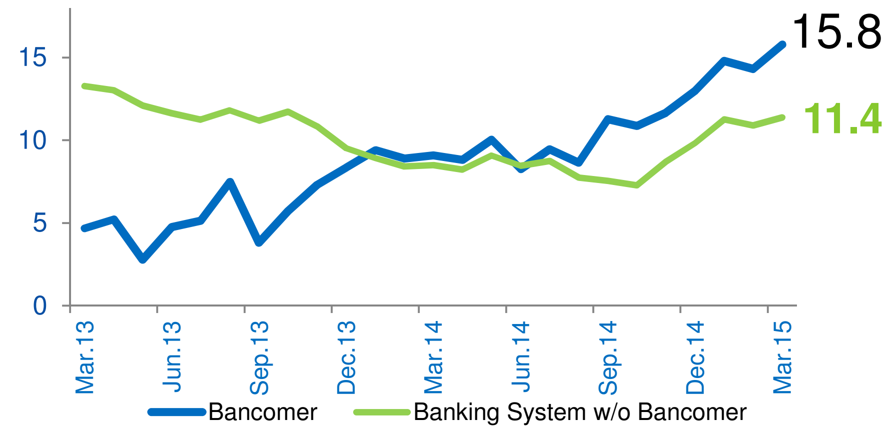
- **Results:**
  - Source: Quarterly Results Financial Groups.
  - Exchange rate: 16.8274 pesos per euro.

Strong growth in performing loans that lead to market share increase

Performing Loans Mar 15



Annual Growth (%)



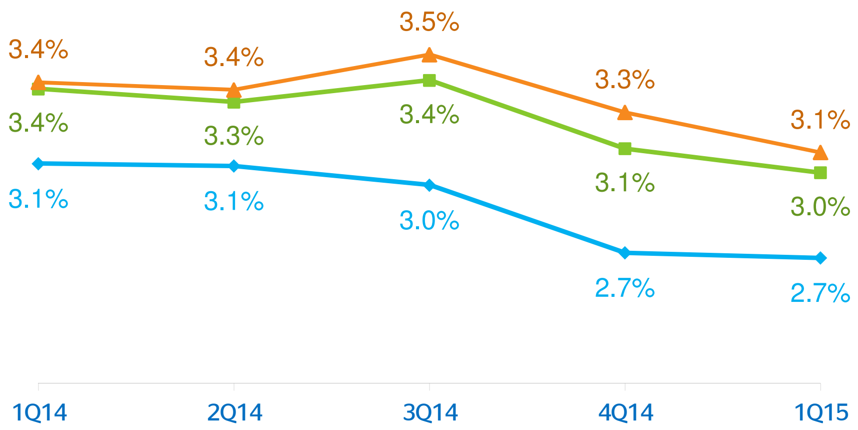
Market Share

Market Share Mar15		Var (bp)	
Banks	**%**	**Dec14**	**Mar14**
Bancomer	**24.2**	**20**	**71** ↑

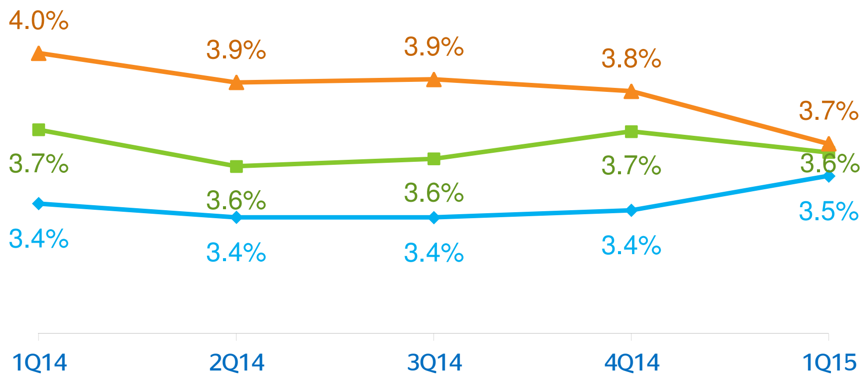
Figures Banks with Sofom without subsidiaries. Market: 45 Banks. Source: CNBV. Peers are determined by the size of total loans.

Good comparison in terms of asset quality against the peers

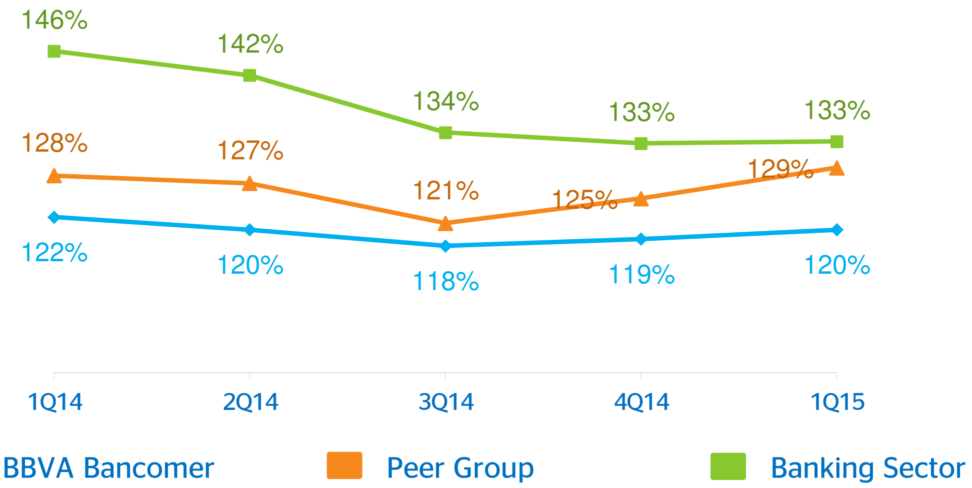
NPL Ratio



Cost of Risk



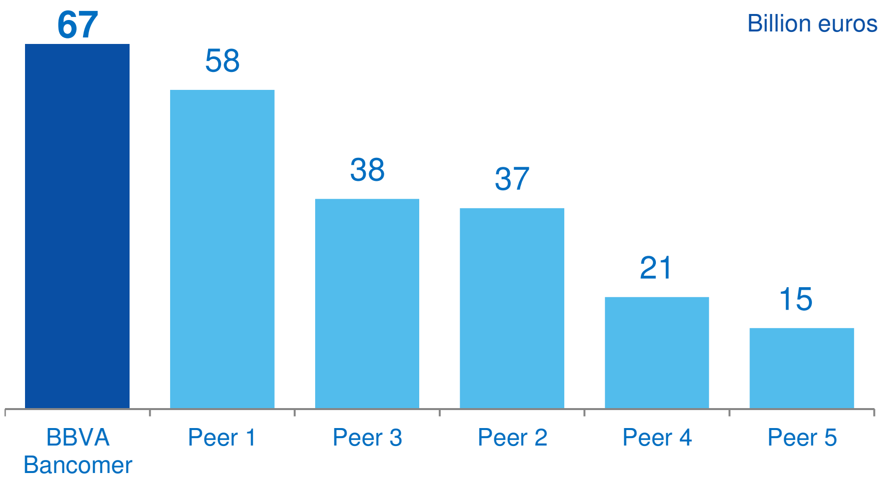
NPL Coverage



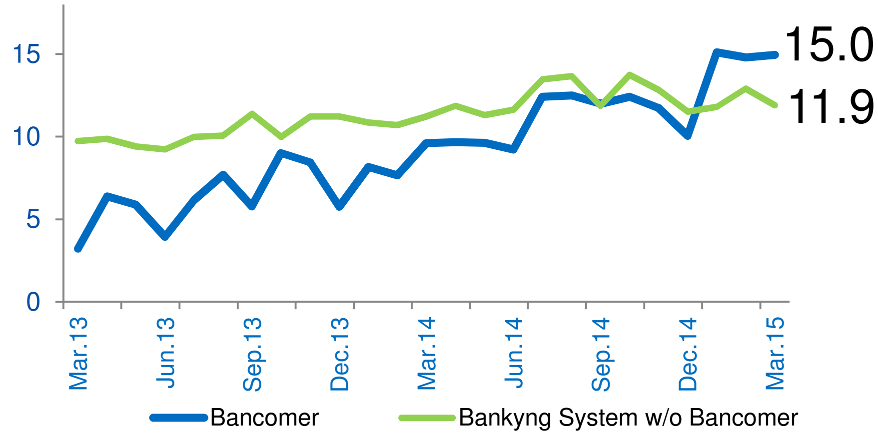
Peer group: Banamex, Banorte, Santander, HSBC and Scotiabank. Source: CNBV Statistics Bulletin, March 2015

Total deposits increased above the market

Deposits (Demand, Time & Mutual Funds) Mar 15



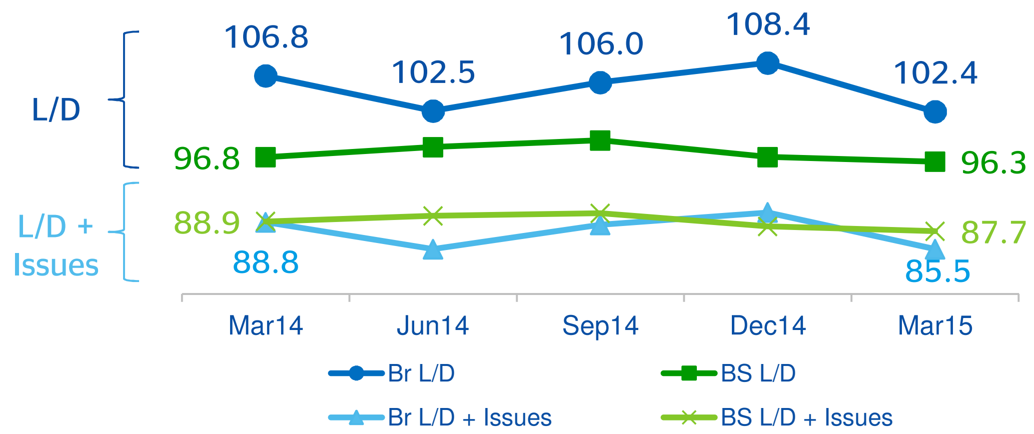
Annual Growth (%)



Market Share

Market Share Mar15		Var (bp)	
Bank	**%**	**Dec14**	**Mar14**
Bancomer	**22.5**	**67**	**46**

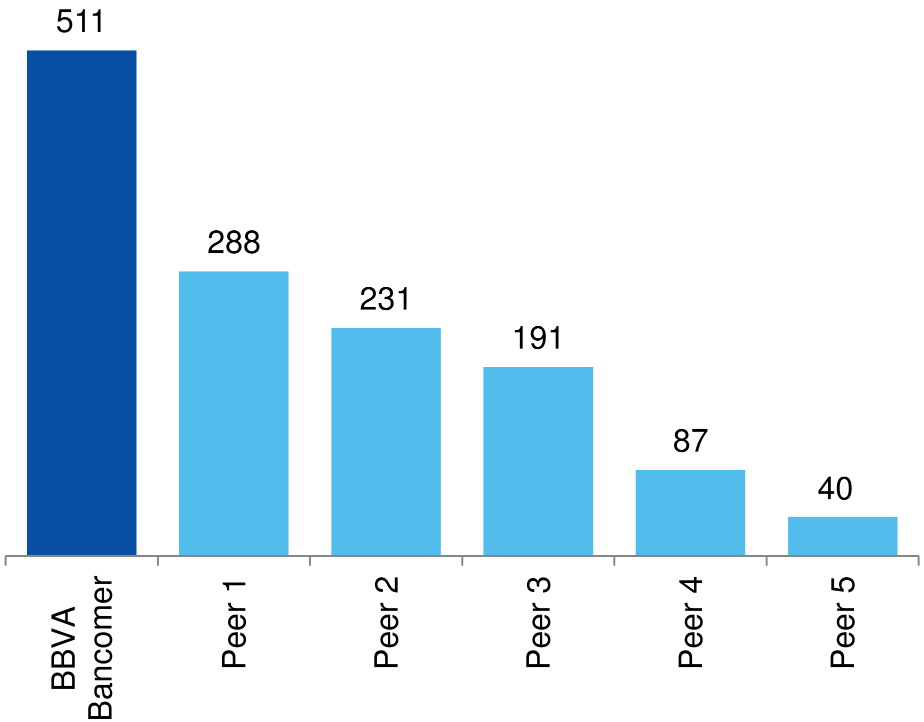
Loan to Deposits Ratio (%)



Figures Banks with Sofom without subsidiaries. Market: 45 Banks. Source: CNBV. Peers are determined by the size of total loans.
Br: Bancomer. BS: Banking System w/o Bancomer. L/D: Loans/Deposits. L/D + Issues: Loans / Deposits + Bank bonds + subordinated notes

Financial Groups:
Net income (Jan-Mar'15)

Figures in Million Euros

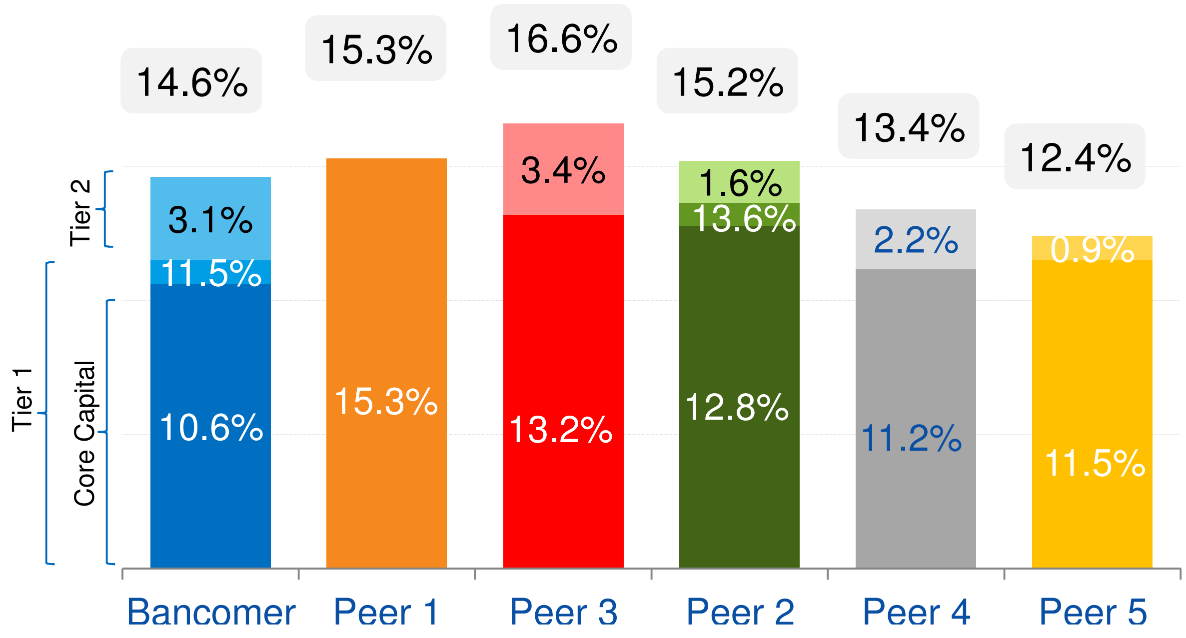


Positive comparative vs our peers

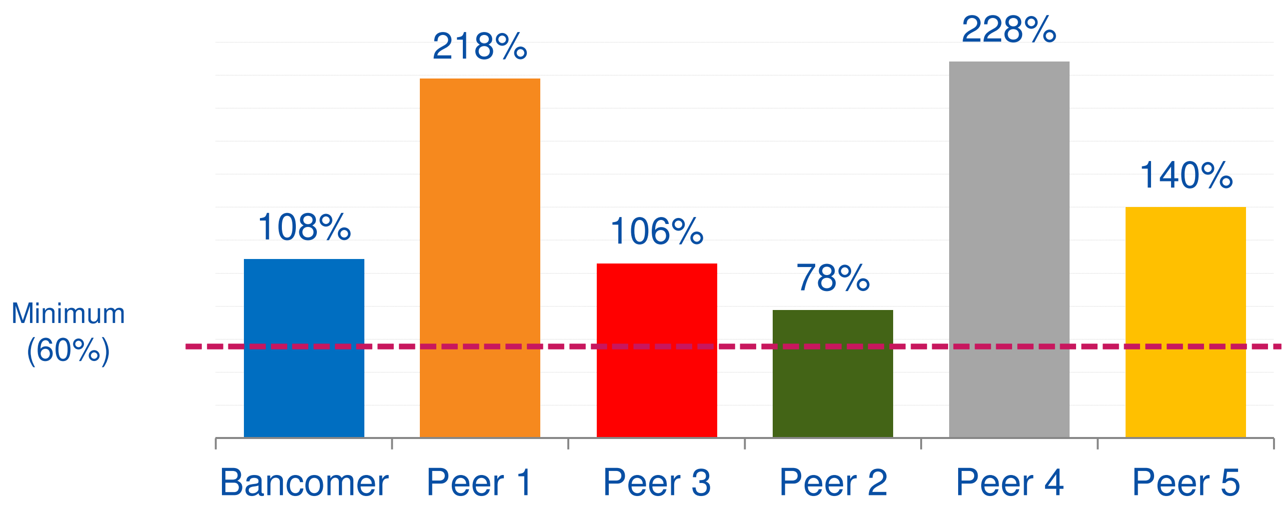
Key Indicators (%, Mar-15)	GFBB	Peer Group
ROE	21.1	11.7
NIM	5.6	4.6
NIM after provisions	3.9	3.1
Efficiency	39.9	51.1

Figures under local accounting. Peer Group: 5 Financial Groups (Banamex, Santander, Banorte, HSBC, Scotiabank). Peers are determined by the size of total loans.
NOTE: NIM: Net Interest Income / Total Assets. NIM after provisions: NII after provisions / Total Assets.

Total Capital Index
(%, March 2015)



CCL
(Local LCR)
(%, March 2015)



Source: Quarterly Results Financial Groups. Peers are determined by the size of total loans. CCL = *Coeficiente de Cobertura de Liquidez.*

5 Concluding remarks

Leading Franchise

Best positioned to thrive in a market with unique opportunities

Sustained profitability

Long-term profitability based in high quality results

Solvency, Liquidity & Risk Management

High levels of solvency and liquidity
Conservative approach to risk

Business Model (specialized service)

Segmented and specialized attention by type of customer to maximize customer value

BBVA Mexico

BBVA Bancomer: A leading franchise in the Mexican market

Javier Malagón, CFO

adelante.