BBVA

BBVA: Strong fundamentals and improving operating trends

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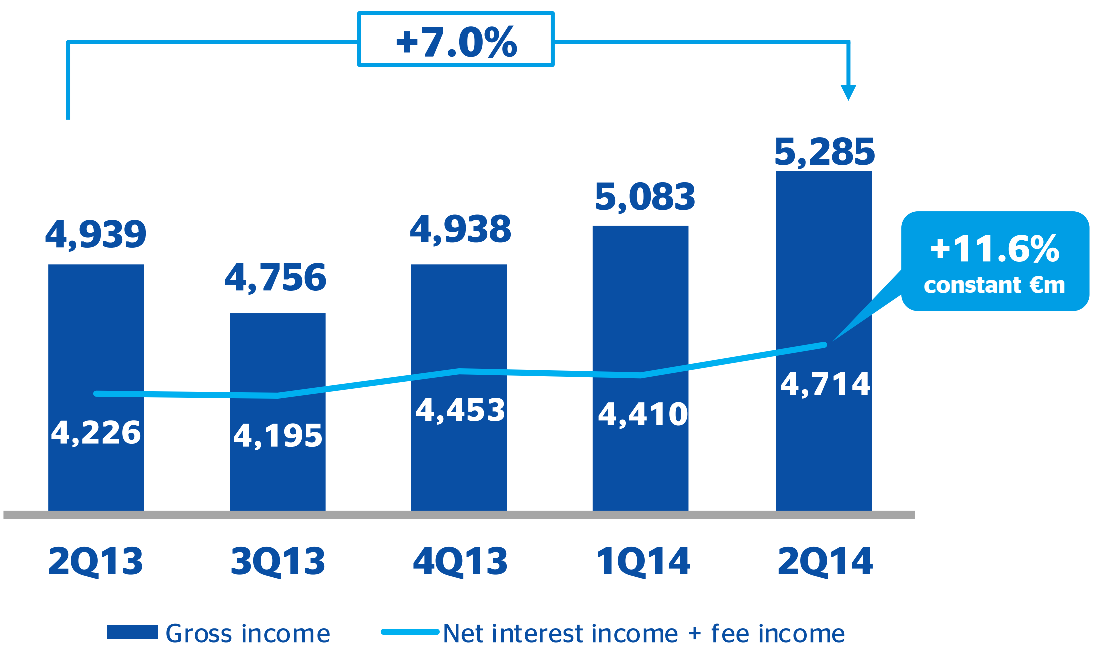
Contents

Earnings: positive trend in recurring revenue …

2Q14 vs 2Q13	Gross income	2Q14 vs 1Q14
-2.8%		+5.3%

Excluding FX effect

Constant € Mn



2Q14 Highlights

- ▽ Net trading income
- Higher dividends
- Hyperinflation in VZ

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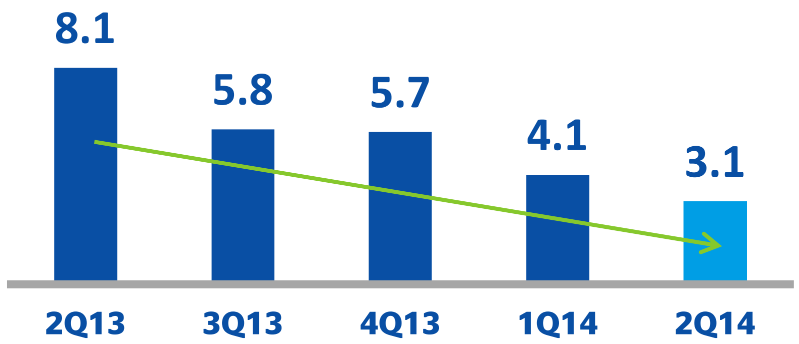
… rising faster than **costs** …

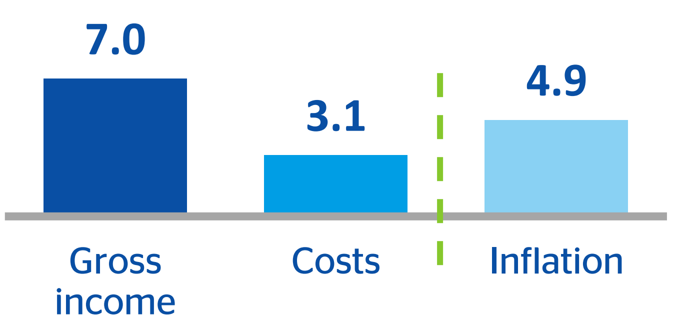
Costs	2Q14 vs 2Q13 **-5.4%**

Excluding FX effect

Costs
YoY change, constant € Mn
(%)



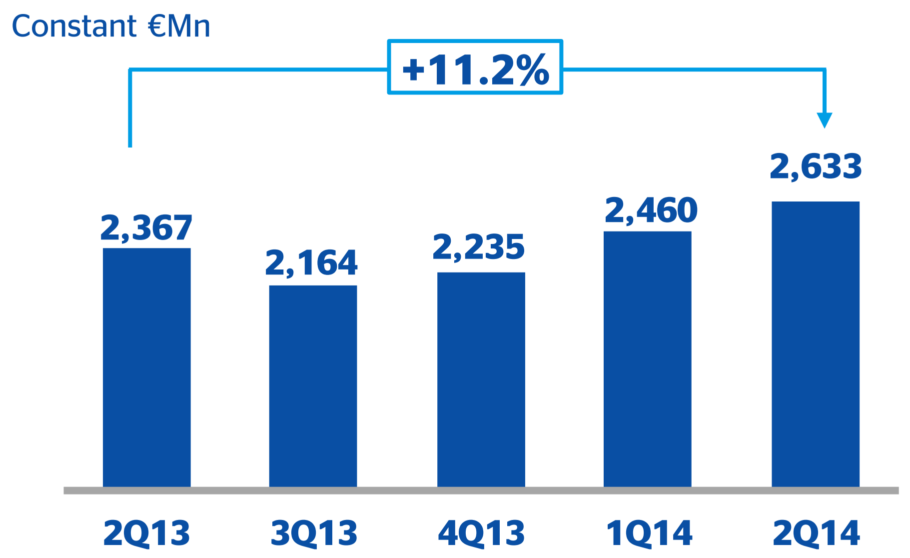
Gross income vs costs
2Q14 vs 2Q13, constant € Mn
(%)



... and boosting **operating income**

2Q14 vs 2Q13		2Q14 vs 1Q14
0.0%	Operating income	**+8.9%**

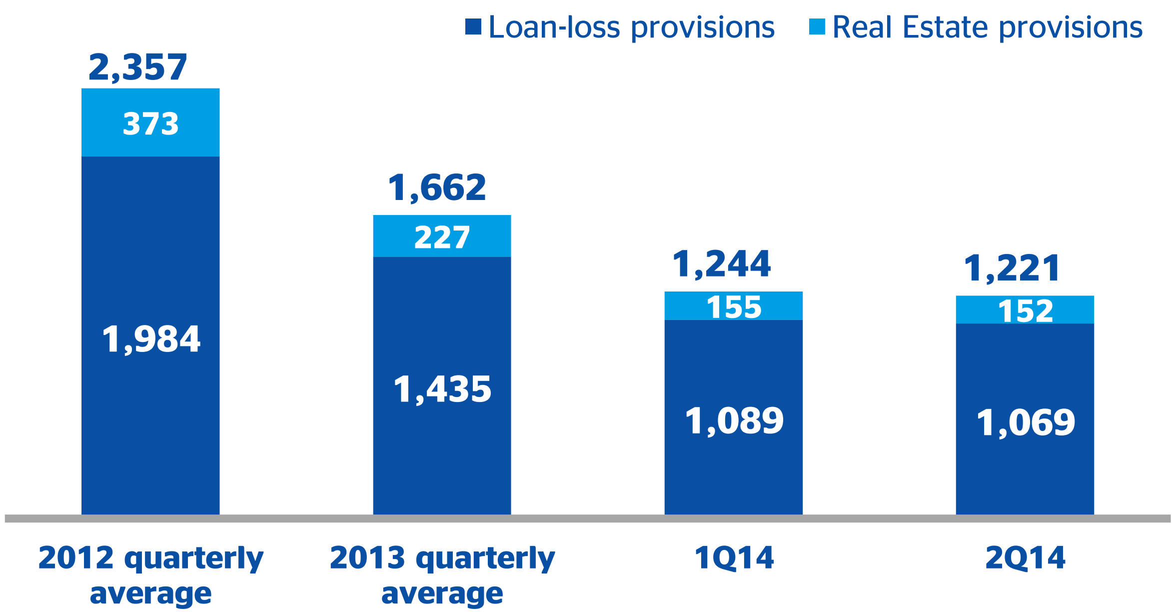
Excluding FX effect



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

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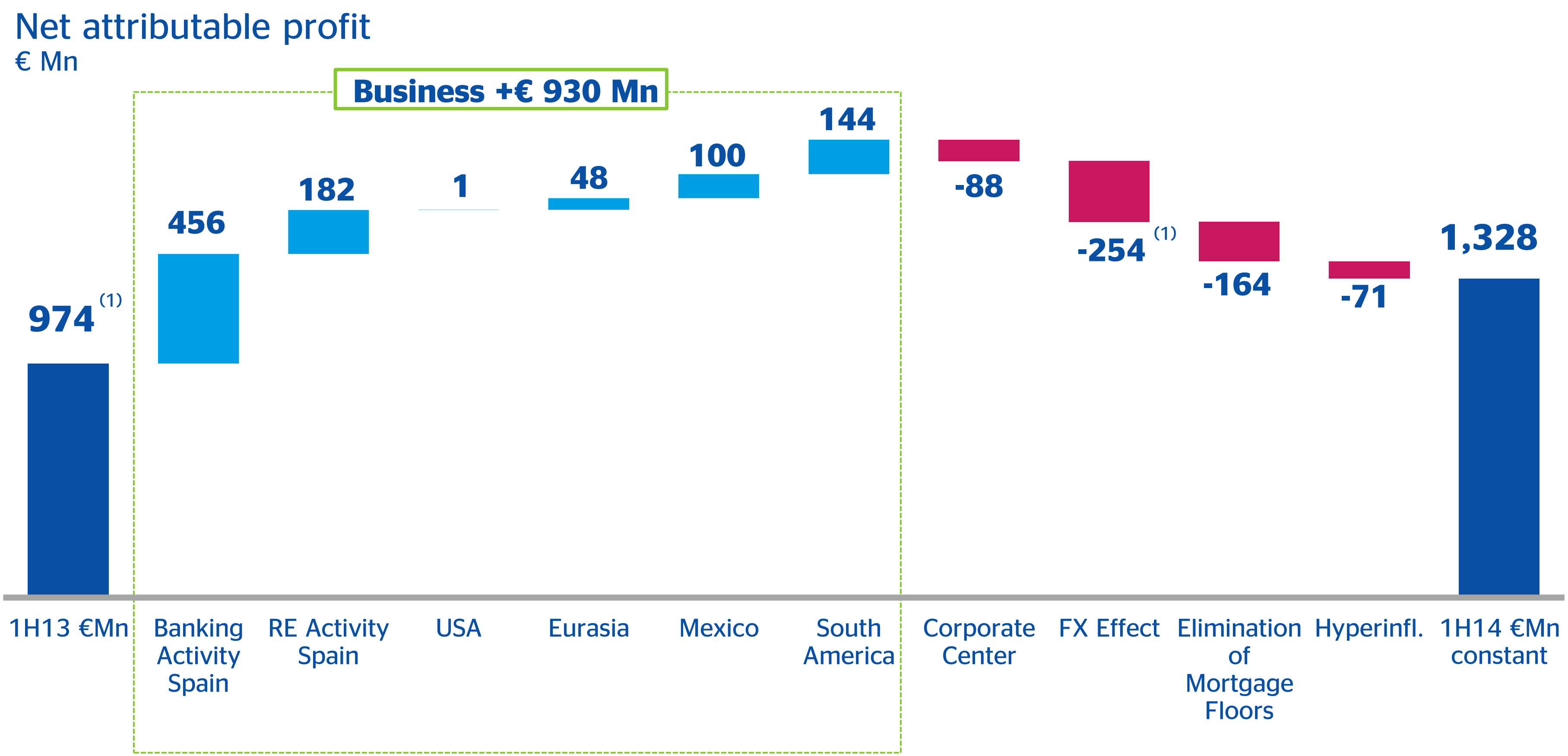
Net attributable profit growing in all business units



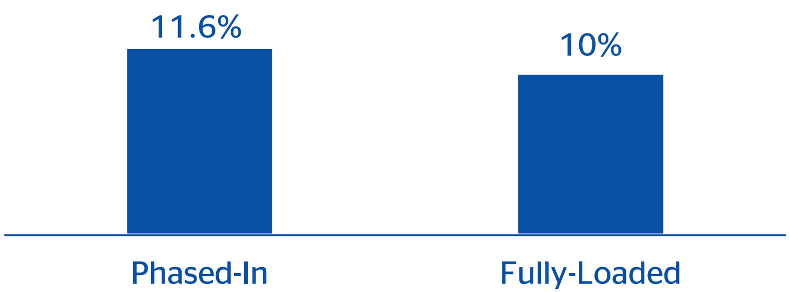
Elimination of mortgage floors and FX impacts less meaningful in 2H14

(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



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)**

(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.

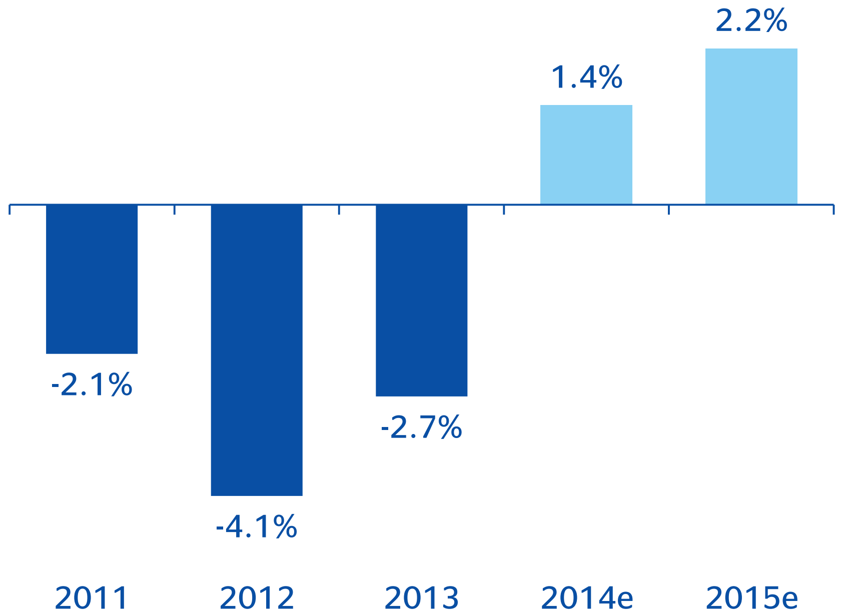
Contents

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

Domestic demand: contribution to GDP growth
(%)



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

Source: Most recent data. BBVA Research estimates.

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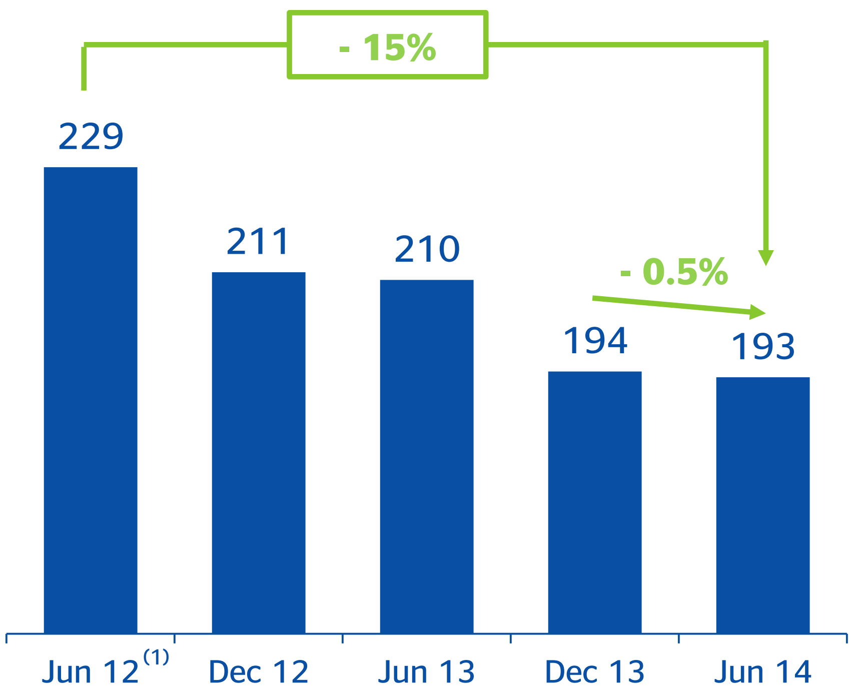
Spain

BBVA Spain: signs of recovery in a context of continued deleveraging

Gross Loans evolution
Banking activity + RE
(€ Bn)



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

(1) June data pro forma including Unnim acquisition.

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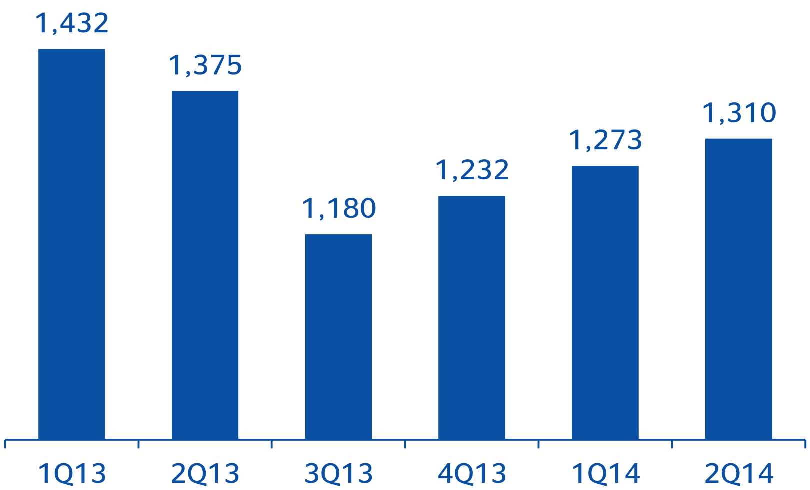
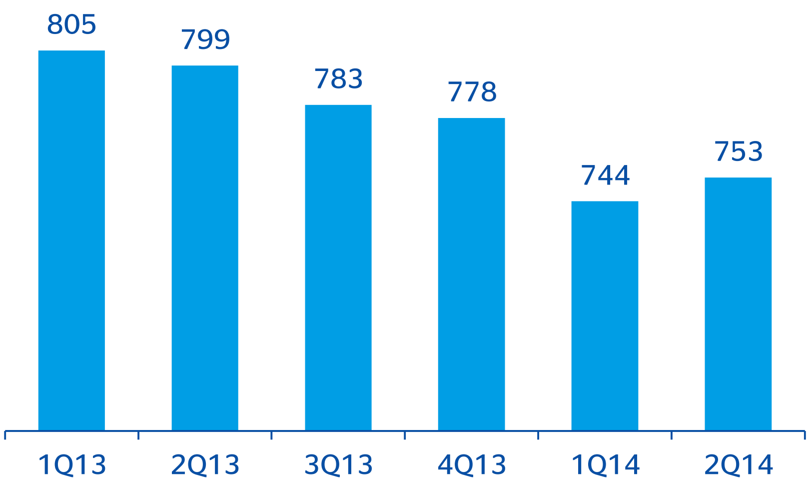
Spain

Cost control and improving core revenues

Core Revenues
NII + Fees (€ Mn)
Banking activity + RE



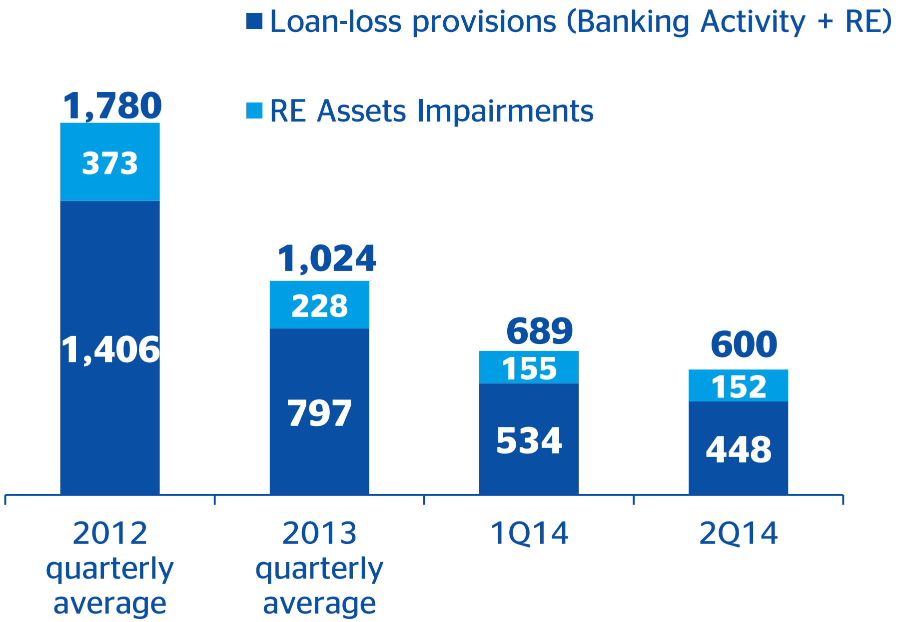
Operating expenses
(€ Mn)
Banking activity + RE



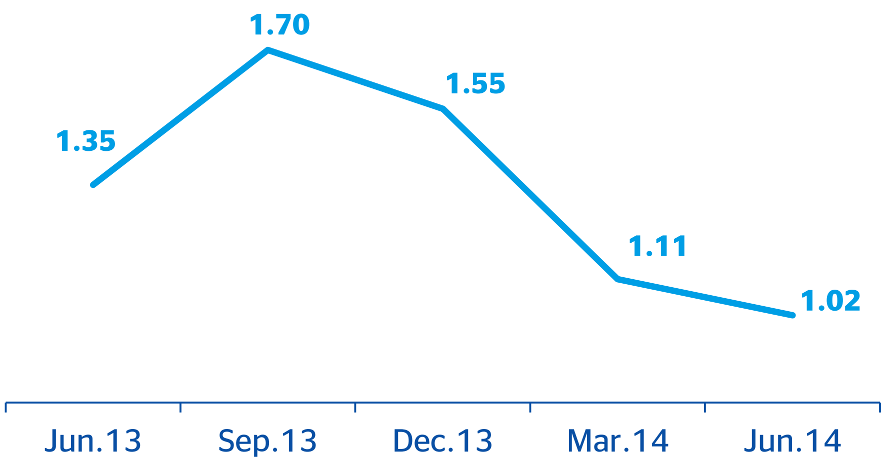
- Deposit cost reduction is the main driver behind the NII improvement
- New loan production should be the driver of NII growth starting in 2015, with mix changing towards more profitable segments
- Continued cost cutting efforts to optimize the operating structure

Provisions continue to come down …

Evolution of total provisions and RE assets impairments
€ Mn



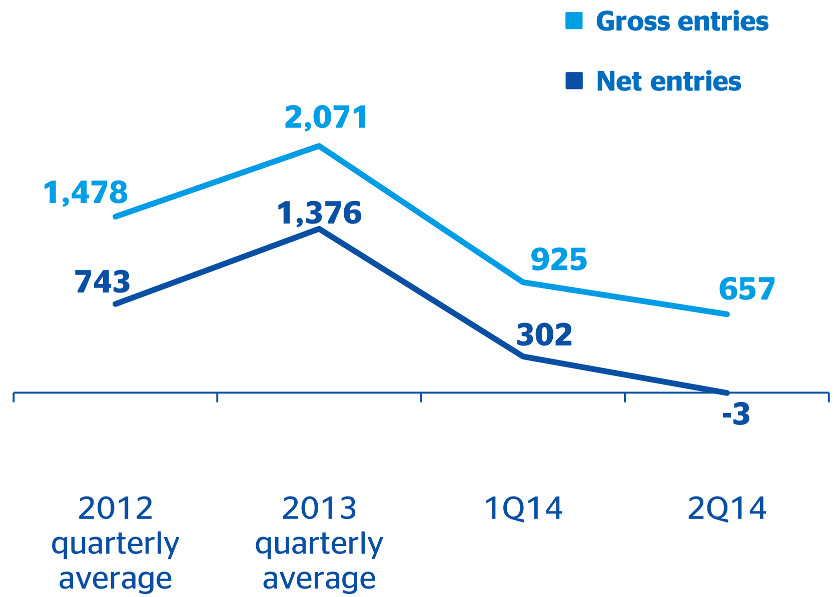
Cost of Risk YTD
Banking activity + RE
(%)



… as a result of improving asset quality

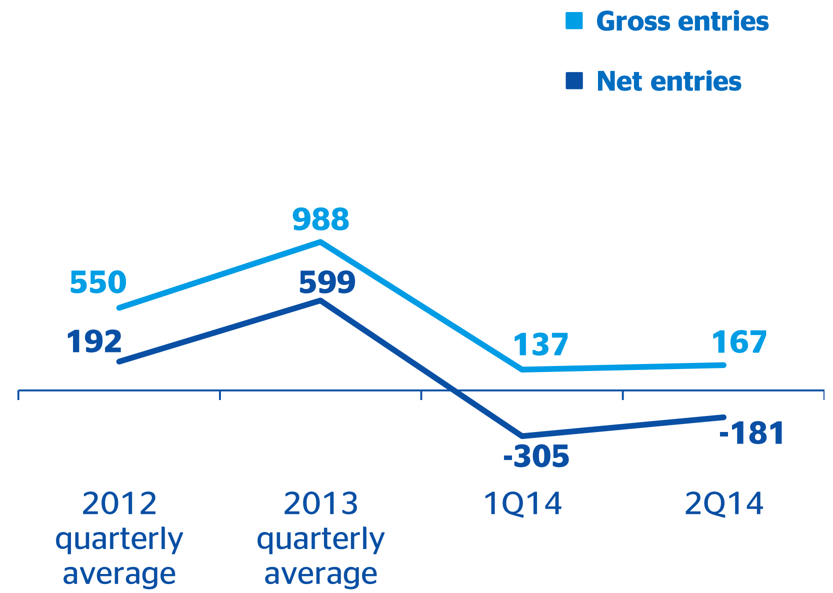
Banking activities

NPAs Entries Evolution
€ Mn



Real estate

NPAs Entries Evolution
€ Mn



Normalization of provisions should continue following the reduction of gross entries

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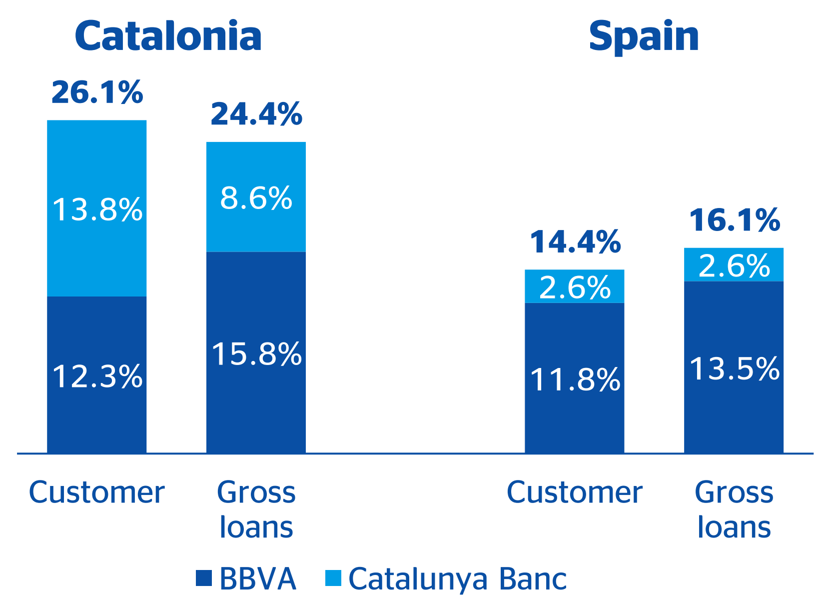
Catalunya Banc: a profitable and low risk acquisition

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



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.

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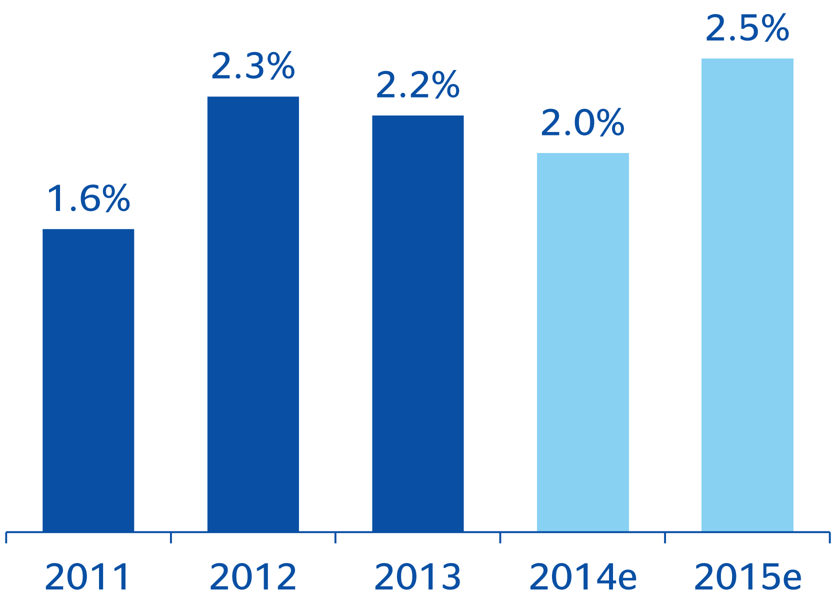
USA

USA: economic fundamentals are improving

GDP growth
(%)



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

Source: BBVA Research. Estimates as of August, 2014.

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USA

BBVA USA: focusing on growth

Focus on new business

Strong performance in Consumer and Commercial & Industrial loans

New loan production offices

Simple acquisition

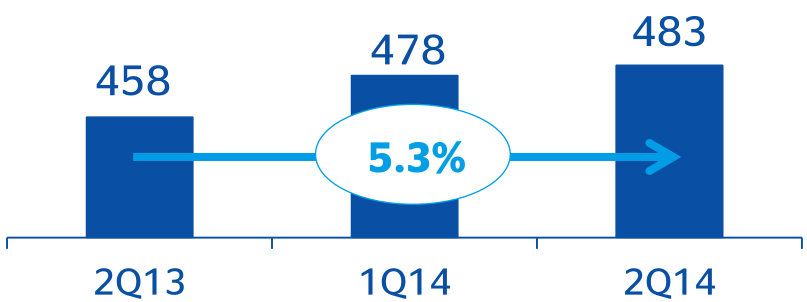
Strong activity growth

YoY growth

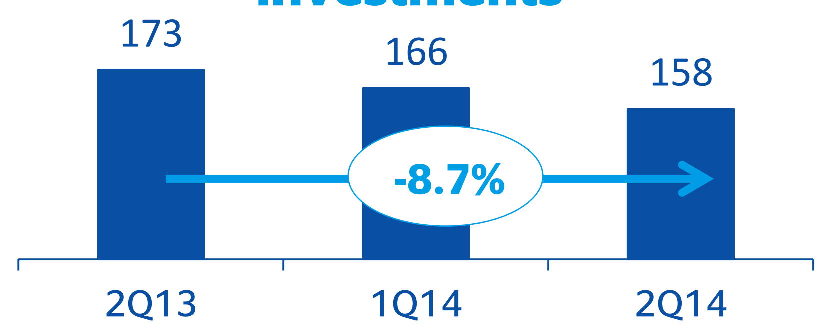
Customer Funds	+15.5%
Net Lending	+13.7%

Translating to core revenues

NII+ fees



Operating income affected by investments

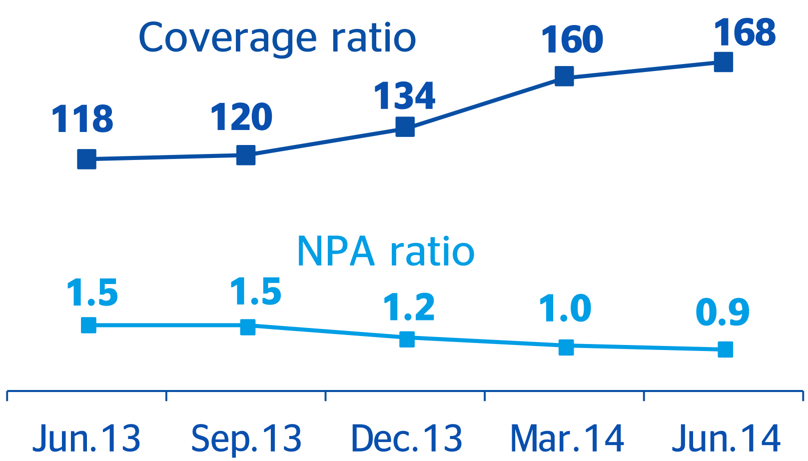


- The challenge is to continue to grow while keeping costs under control
- Positive interest rate sensitivity

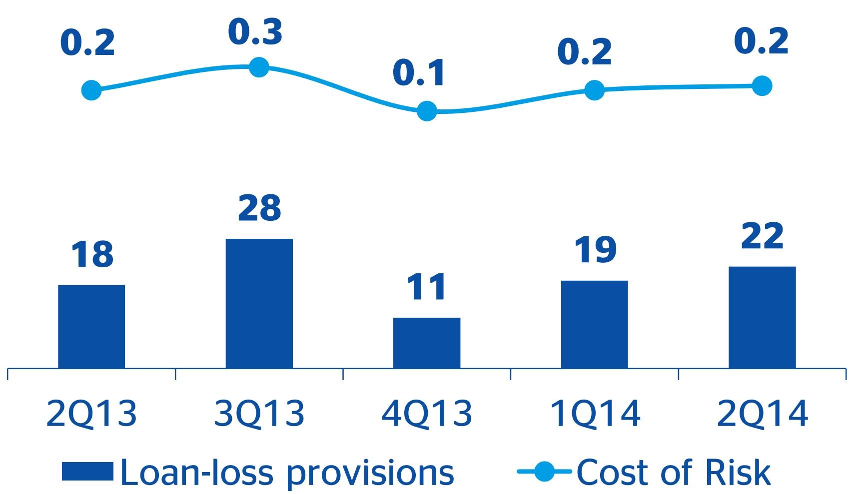
Note: Consolidated figures in Constant € Mn.

Good asset quality performance continues

NPA and coverage ratios
(%)



Loan-loss provisions and cost of risk
(Constant € Mn, %)

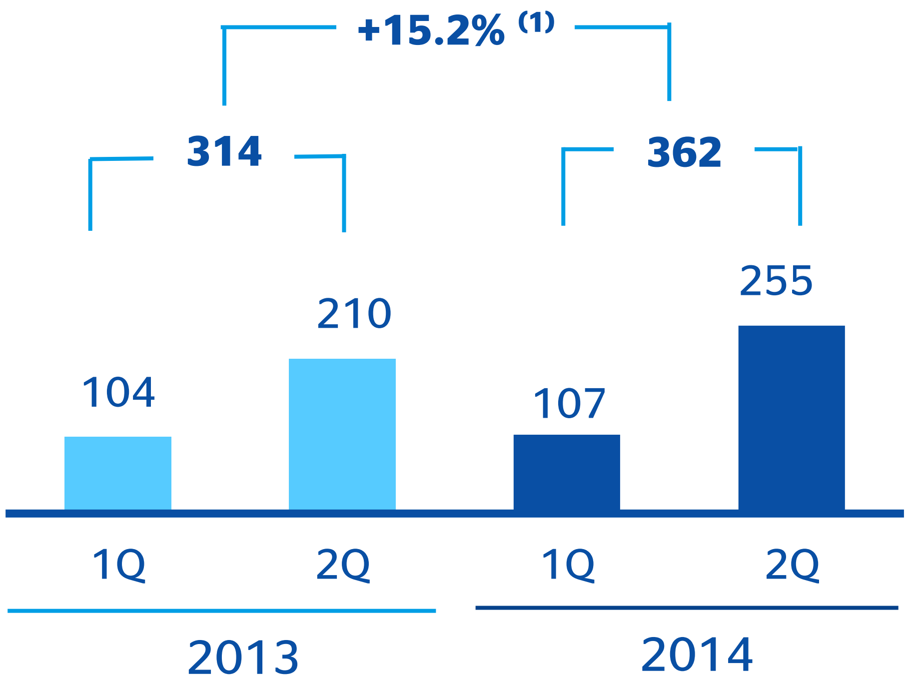


Eurasia: a source of earnings growth

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)



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

Strong performance in **Turkey**

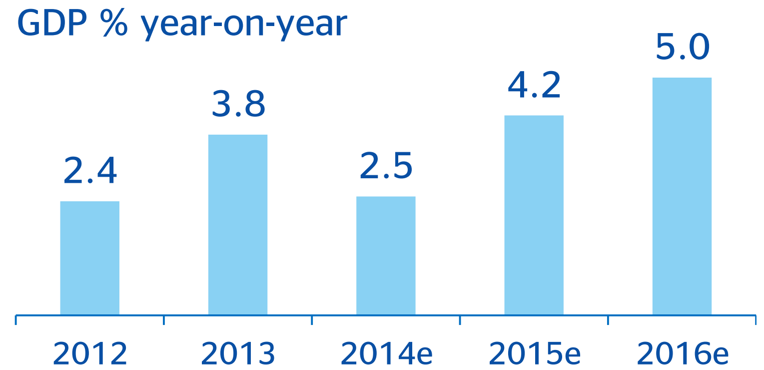
Turkey: highlights

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

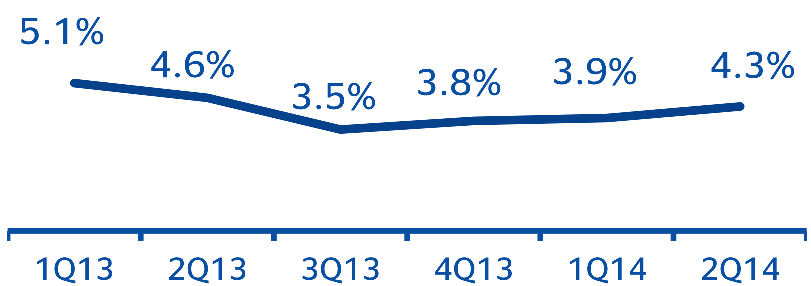
Garanti: better outlook

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

GDP growth revised upwards



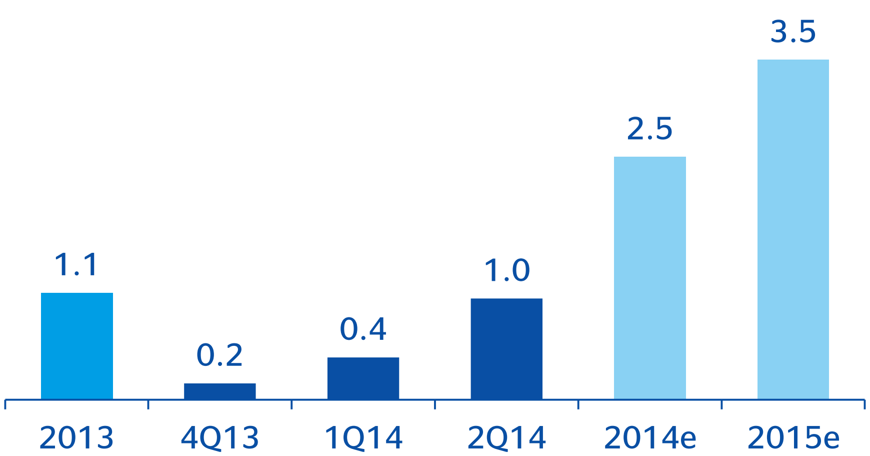
Quarterly NIM improving



(1) Mortgages, general purpose loans.

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.

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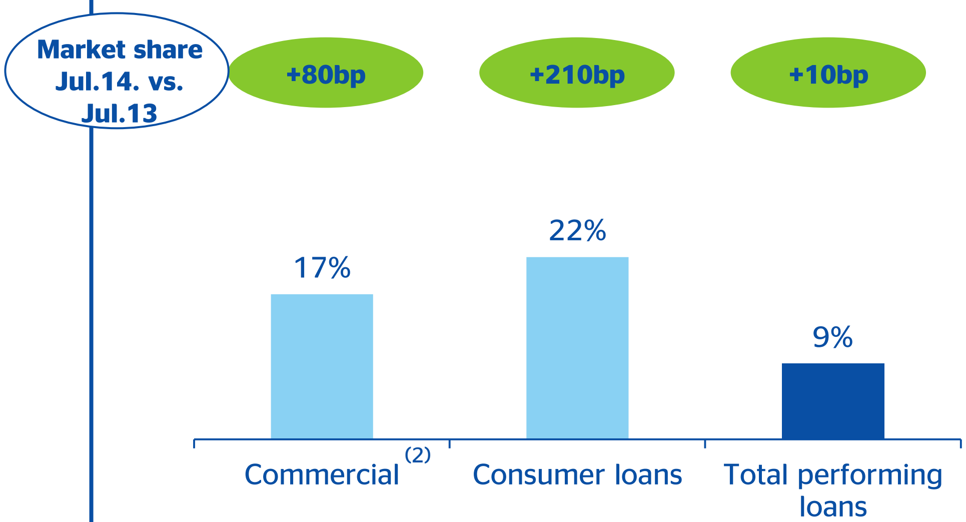
Mexico

BBVA Bancomer: Lending growth, maintaining sound asset quality

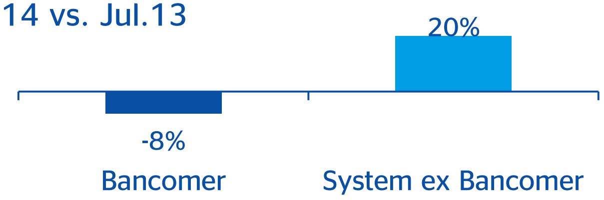
Gaining market share in more profitable segments

Lending growth per segment (1)
Jun.14 vs. Jun.13

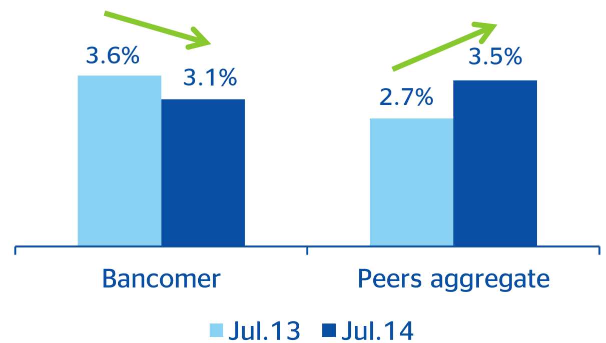


Better asset quality than peers

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



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



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.

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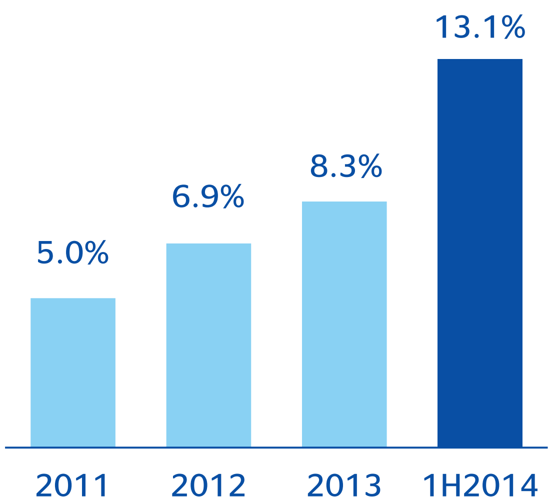
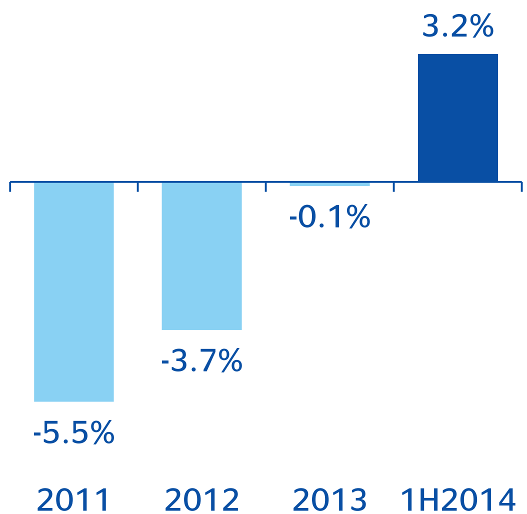
Mexico

Improving P&L dynamics

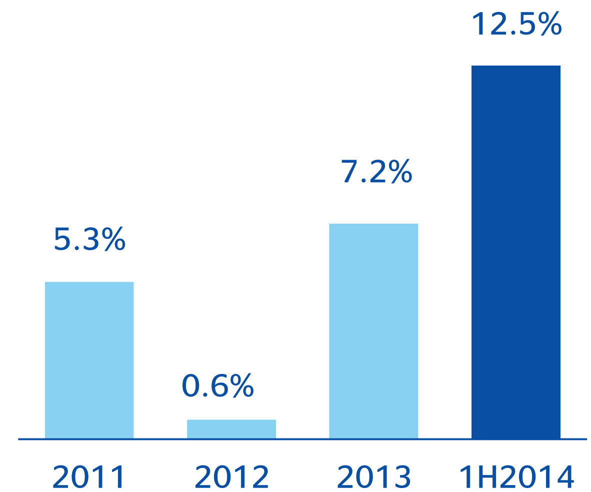
Core Revenues (1)
(YoY growth, constant €)



Operating leverage (2)
(YoY growth, %)



Net profit
(YoY growth, constant €)

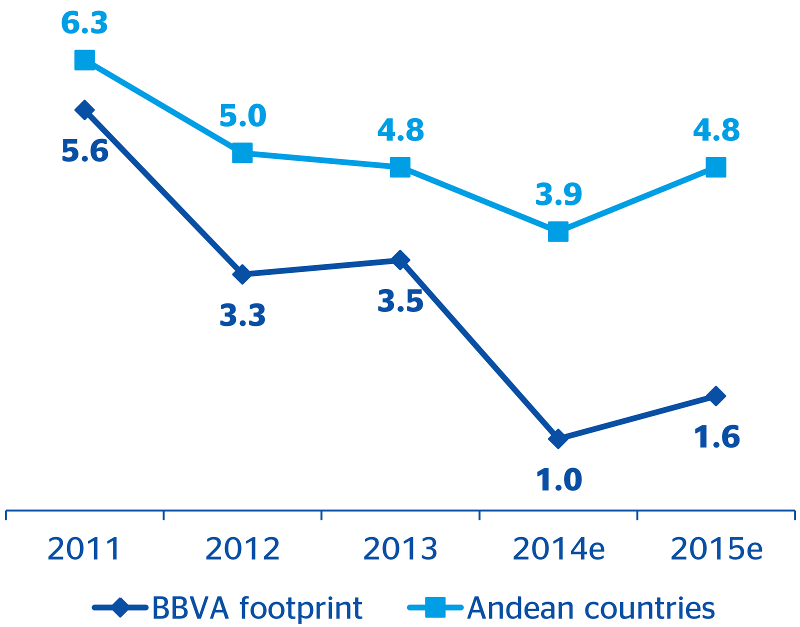


- Excellent price management compensating interest rate cuts
- We keep on investing for the future: $3.5 Bn plan for 2013-16, focused on technology and infrastructure

(1) Including Net Interest Income and fees and commissions. (2) Gross income growth rate minus operating expenses growth rate.
Note: BBVA Bancomer consolidated data restated excluding Afore Bancomer sold in 2012.

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

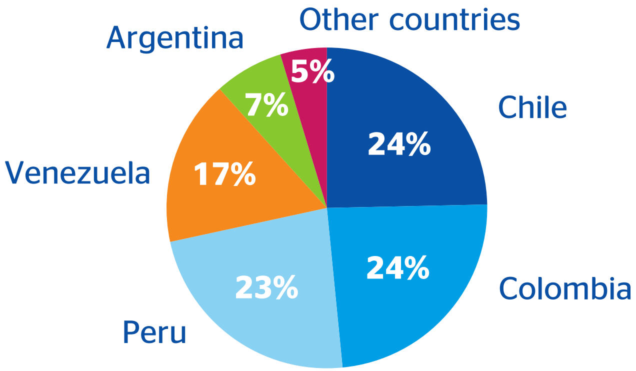
Source: BBVA Research. Estimates as of September, 2014. This slide has been updated to include new BBVA Research's estimates published shortly after the Conference. BBVA footprint includes: Argentina, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela. Andean countries include: Chile, Colombia and Peru.

BBVA S. America: A well diversified footprint

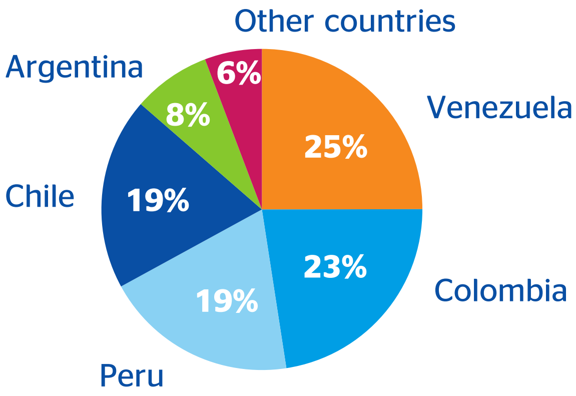
Business activity
(YoY growth, in constant €)

Lending	**+24.3%**
Customer Deposits	**+24.1%**

Loans under management breakdown
(%, June 2014)



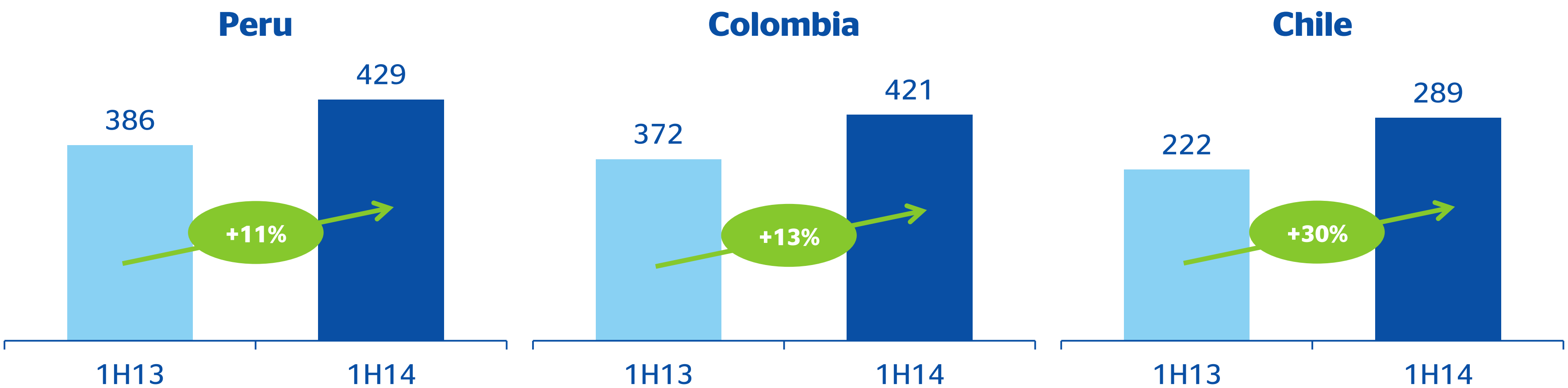
Customer deposits breakdown
(%, June 2014)



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)



- 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

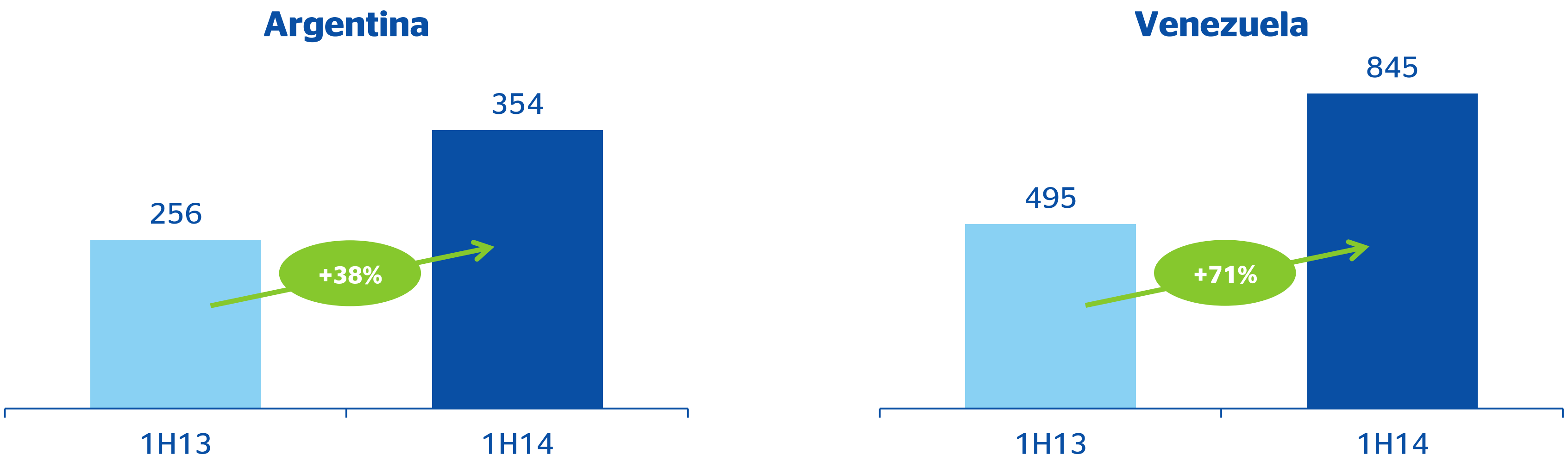
- Continued high loan growth in retail and recovery in commercial
- Positive P&L dynamics boosting bottom-line growth

(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)



No relevant exposure to sovereign bonds

Bottom-line dragged by hyperinflation adjustment

Affected by FX deterioration in 2014 at a consolidated level

(1) Including net interest income and fees and commissions.

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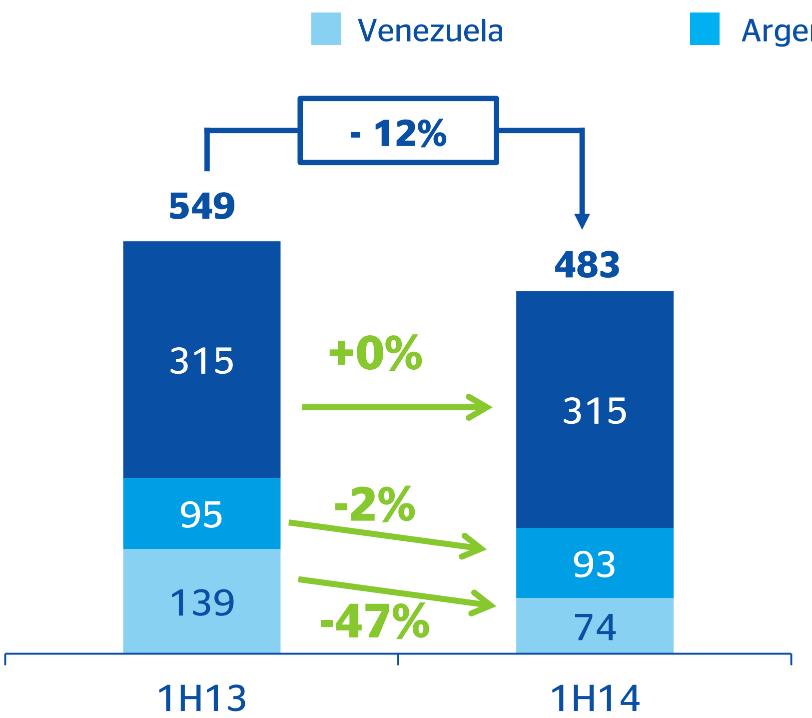
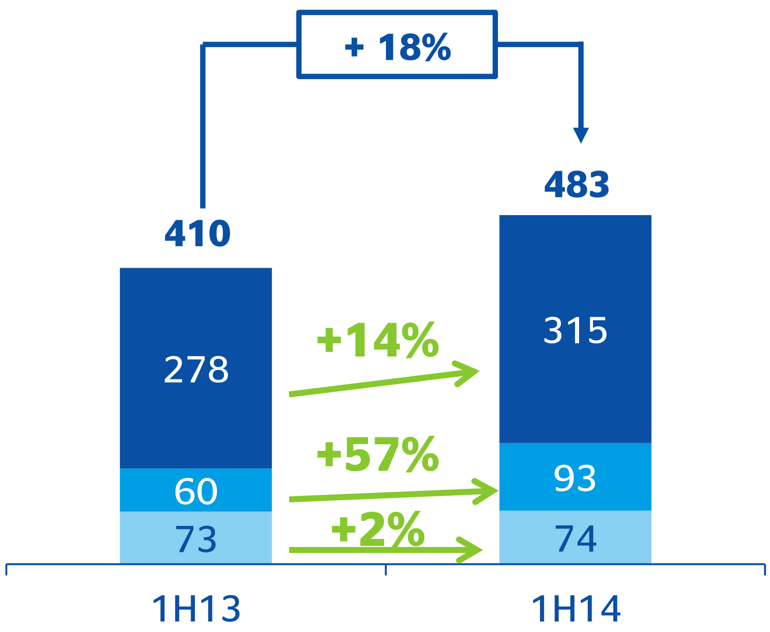
S.America

In sum, earnings resilience thanks to diversification

Net attributable profit
(YoY, in current € Mn)



Net attributable profit
(YoY, in constant € Mn)



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

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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

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Jaime Sáenz de Tejada, Chief Financial Officer

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