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BBVA, ready for the new world

Manuel González Cid, CFO

BoAML 18th Annual Banking & Insurance CEO Conference

"Making finance work in a higher capital world"

September 25th, 2013

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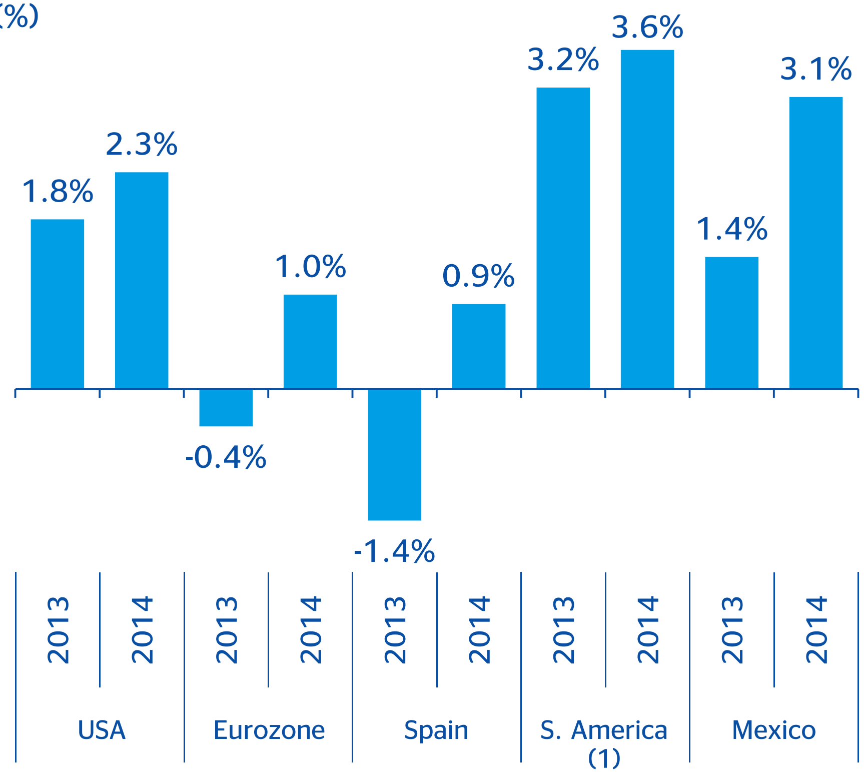
Growth improves across areas

Real GDP growth
(%)



USA: QE "tapering" on the back of an improving economy, especially in Texas

EM: still high growth rates, despite recent global tightening; heterogeneous impact

Europe: gradual recovery with a stronger institutional framework

Spain significant progress in 2013, 0.9% expected growth in 2014

In this context, BBVA is very well positioned with an attractive footprint in Developed and Emerging Markets

Source: BBVA Research.
(1) South America includes only BBVA's footprint in the region (Argentina, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela).

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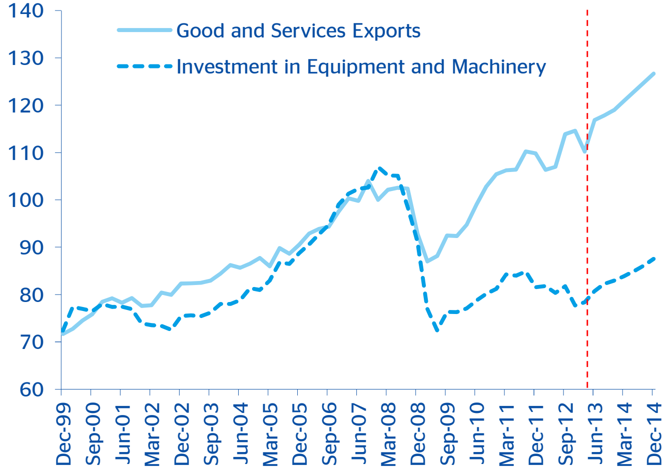
The Spanish economy has bottomed out and GDP will start growing in 3Q13

Main drivers:

Exports and private sector investment

Spain: exports and investment in equipment and machinery
(2008=100)



Continued export growth should boost private sector investment

Lower drag on GDP growth from:

Lower fiscal consolidation needs

Fiscal effort in 2014e -0.6% of GDP (vs -4.6% in 2012)

Unemployment rate stabilization thanks to labor market reform

Strong competitiveness gains

Residential construction will not drain growth in 2014

Source: BBVA Research

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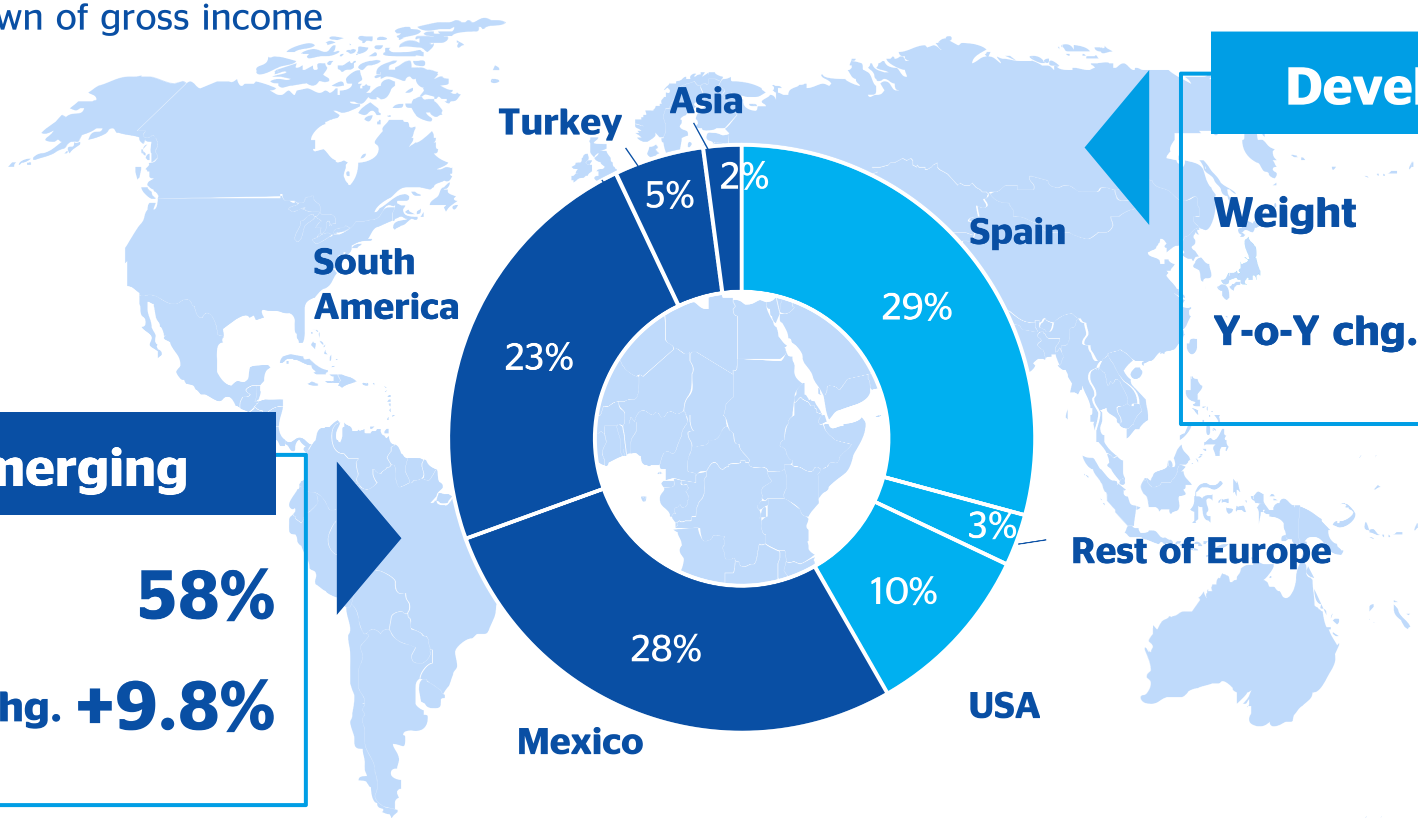
In this environment, BBVA has a well-diversified revenue base …

Breakdown of gross income
1H13
%



Emerging

Weight	**58%**
Y-o-Y chg.	**+9.8%**

Developed

Weight	**42%**
Y-o-Y chg.	**-4.7%**

Recovering DMs - resilient and high potential EMs

Note: excludes Holding. Year-on-year variation in constant €

… with significant medium term upside in our major franchises …

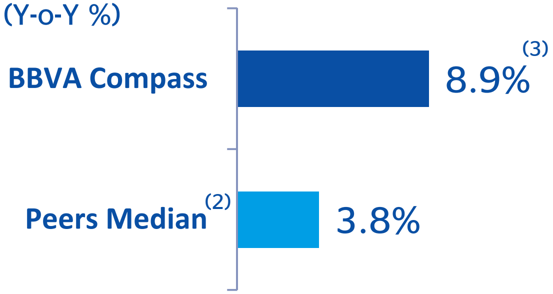
USA	• Growth in activity to continue • NII to improve as rates increase
Mexico	• Resilient market with high potential, growth to recover in 2H13 • Profitability vs. market share during historically low rate period
South America	• Growth to stabilize at a high and sustainable level • Balanced diversification within the region
Turkey	• Successfully managing the recent turmoil • High potential market for BBVA
Spain	• Deposit cost and cost of risk normalization to drive P&L • Higher share of new business in a context of continued deleverage in the system

… coupled with an active and successful FX hedging policy

USA: Activity remains solid and profitability will increase with interest rates

Solid Loan Growth

Loan Growth (1)
June 2013
(Y-o-Y %)



New loan production

Over $1Bn

a month

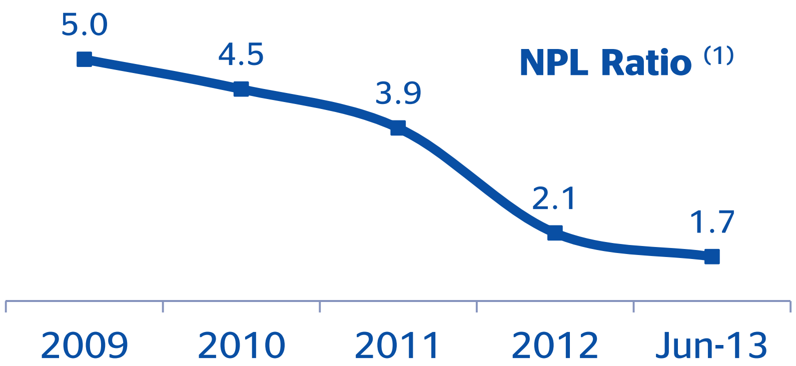
Cost Control

Despite the strong technological effort, expenses remain contained

-1%

(YTD June 2013)

Superior Credit Quality



High Interest Rate Sensitivity

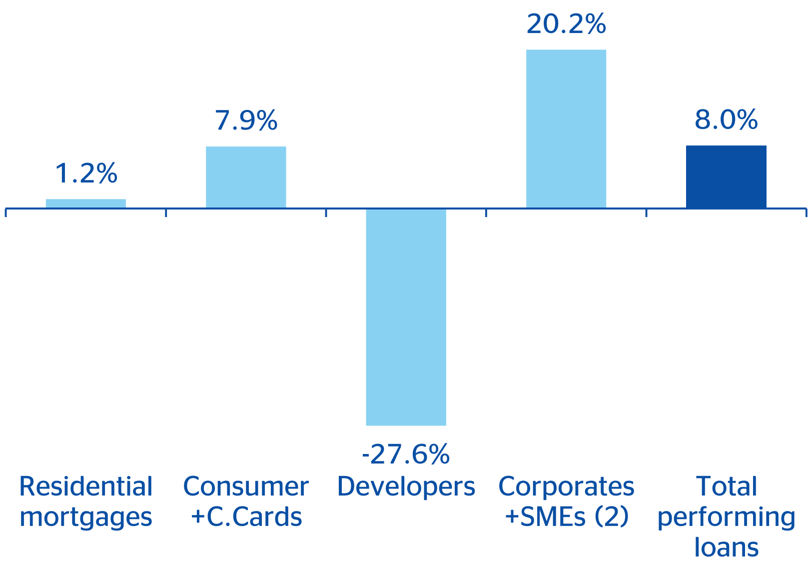
- Negatively impacting profitability in the short term
- NII will increase by **+7%** if the yield curve rises 100bps

(1) BBVA Compass in Local Figures. (2) Peers: PNC, FHN, ASBC,STI, ZION, SNV, RF, KEY, FITB, CMA, USB, CFR, BBT, HBAN, MTB. (3) Excluding Guaranty LSA

Mexico: Prioritizing profitability vs. market share, in a historically low interest rate environment

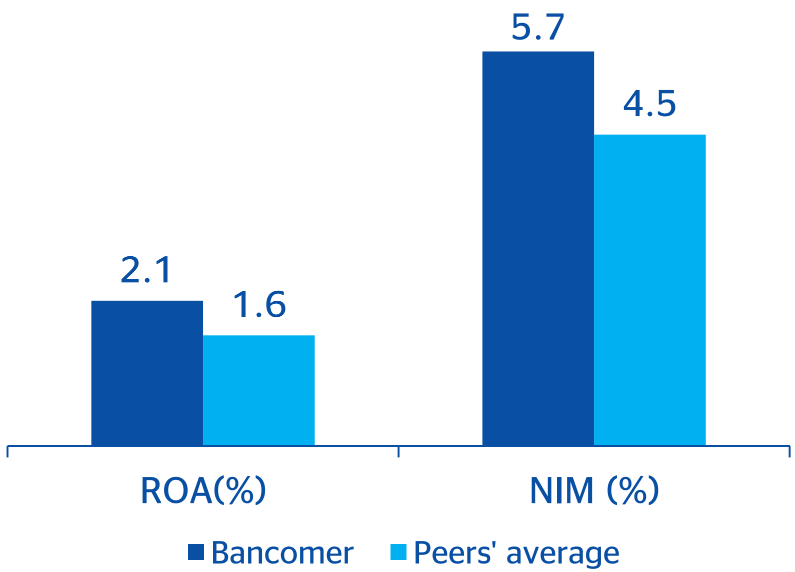
Active management of asset mix

Loan growth per segment [1]
(Y-o-Y, June 2013)



Leader in profitability

ROA and NIM [3]
Bancomer vs. Peers' average
(December 2012)



A track record of anticipation, pulling back of increasingly risky segments like credit cards in 2006/07 and developers since 2010

(1) Consolidated figures. (2) Excluding Public Sector. (3) Data according to local accounting; Peers included: Banamex, Banorte, HSBC and Santander.

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South America: Normalizing growth at a high and sustainable level

Leadership positions (1)

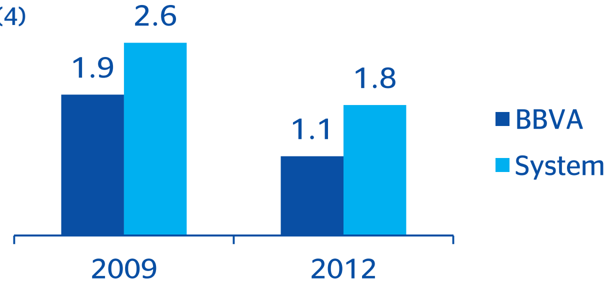
	PER	COL	VEN	ARG	CHI	S.A.(2)
Mkt. Share %	23.2	9.6	13.0	7.6	7.4	10.2
Rkg. #	2nd	4th	3rd	4th	5th	

Self-financed growth

	2010-2012 CAGR (3)	June 2013 y-o-y
Performing Loans	+25%	+17%
Deposits	+23%	+27%

Solid credit quality indicators

NPL ratio (4) (%)



Strong profitability (5)

2.2% ROA

5.7% NIM

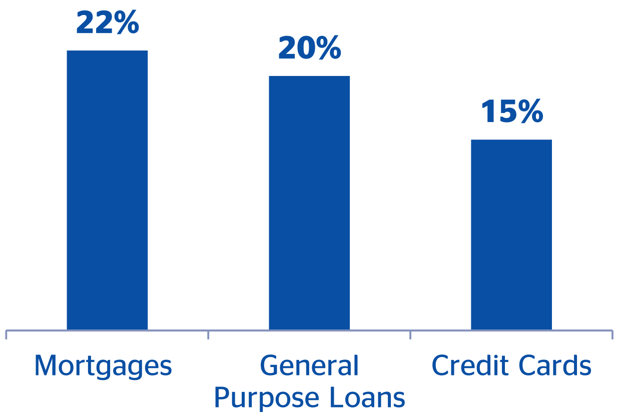
Well-diversified footprint with different management priorities across countries

(1) Market share and ranking by loans. Data as of June, 2013. (2) Regional market share including: Argentina, Chile, Colombia, Panama, Paraguay, Peru, Uruguay and Venezuela. (3) South America (only banks), based on average balances, constant €. (4) Data according to local accounting. (5) Consolidated data, as of June, 2013. Annualized Net Income (for ROA) and annualized Net Interest Income (for NIM) over Average Total Assets.

Garanti: A well-managed bank in a challenging environment

Selective lending growth focused on highly profitable retail products

Lending Growth YTD
(Dec.12- Aug 23,2013)



Strong and sustainable revenues generation capacity

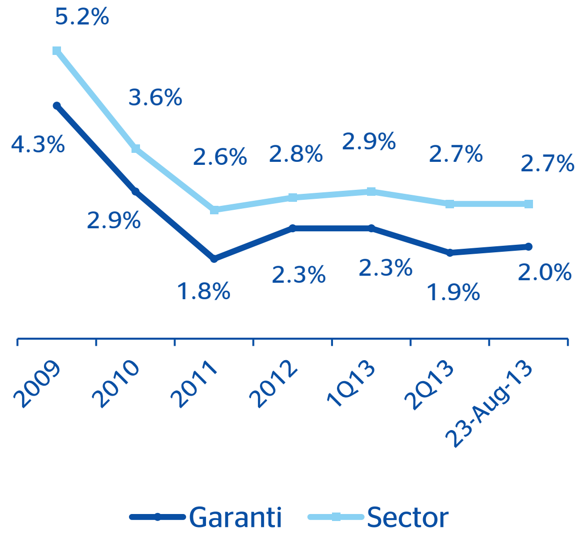
Active spread management: Loan repricing strategy to offset the increase in deposit costs

Securities portfolio: Strategically managed to serve as a hedge for volatility

Net fees and commissions:
- Diversified fee sources
- # 1 bank in fees generation

Sound asset quality, better than peers

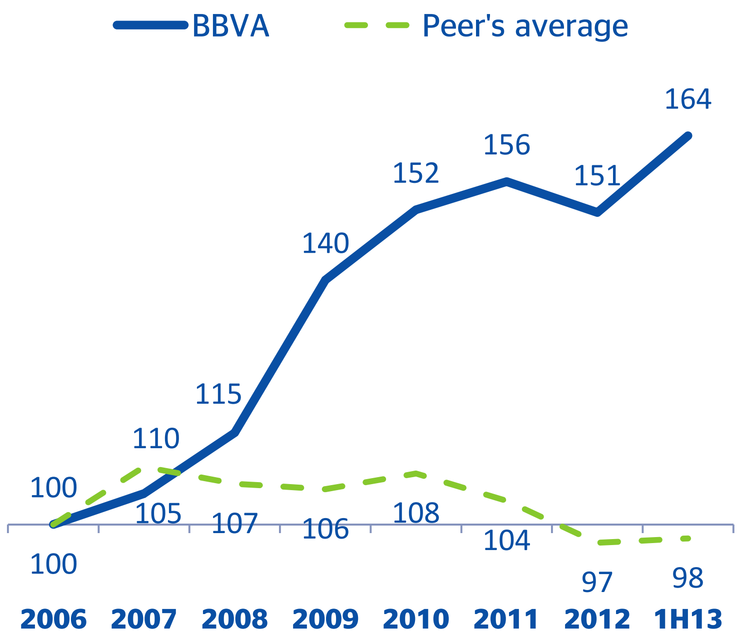
NPL Ratio Evolution (%)



Active and successful FX hedging policy

Minimize Core capital Volatility	40% of FX Equity hedged
Reduce FX impact on Group's Net Income	60% of expected FX Net Income hedged

Tangible Book Value per share
BBVA Group vs. European Peer Group average
(Base 100 = 2006)

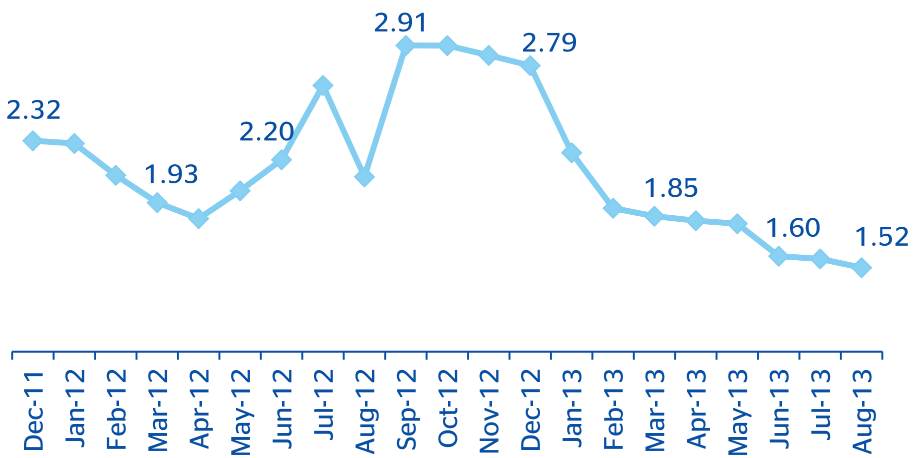


Limited impact of FX volatility on core capital (10 bps YTD)

Peers considered: BARCL, BNPP, CASA , CMZ, CS, DB, ISP, HSBC, LBG, RBS, SAN, SG, UCI and UBS.

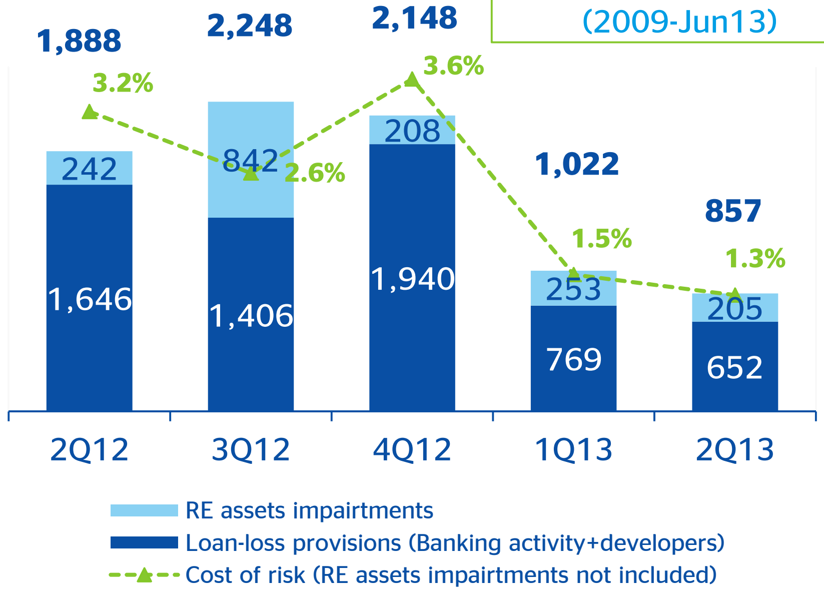
Spain: Cost of deposits and cost of risk reduction will be the main drivers of P&L

Cost of time deposits and promissory notes new production
(%)



Evolution of total provisions and RE assets impairments and cost of risk
(€ Mn, %)

>16 Bn of provisioning effort [1] since the start of the crisis (2009-Jun13)



Deposits amounting to €20 Bn will be rolled over in 4Q13 (2.8% average cost)

Cost of risk progressively normalizing to reach levels <1% in 2015

(1) Including RE assets impairments

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EU progresses towards a real Banking Union

Developments in the European Banking Union:

Single Supervisory Mechanism (SSM)	Recovery and Resolution Directive (RRD)	Single Resolution Mechanism (SRM)	European Deposit Guarantee Scheme
Effective from October, 2014	Proposal under discussion	EC proposal: June 2013	Pending

Balance Sheet Assessment (including Asset Quality Review) → EBA's stress test

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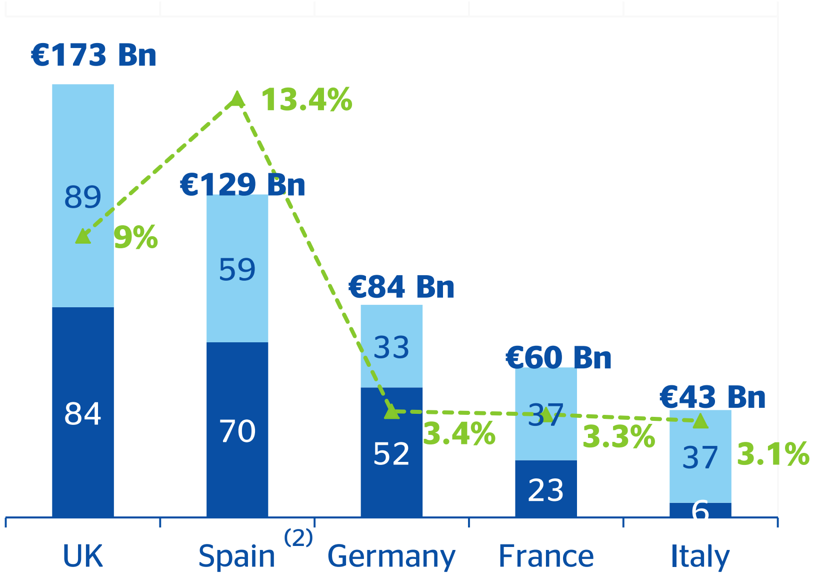
Spanish financial sector: in a strong position to face the upcoming European Asset Quality Review and stress test

Recapitalization in Spain: among the highest in Europe

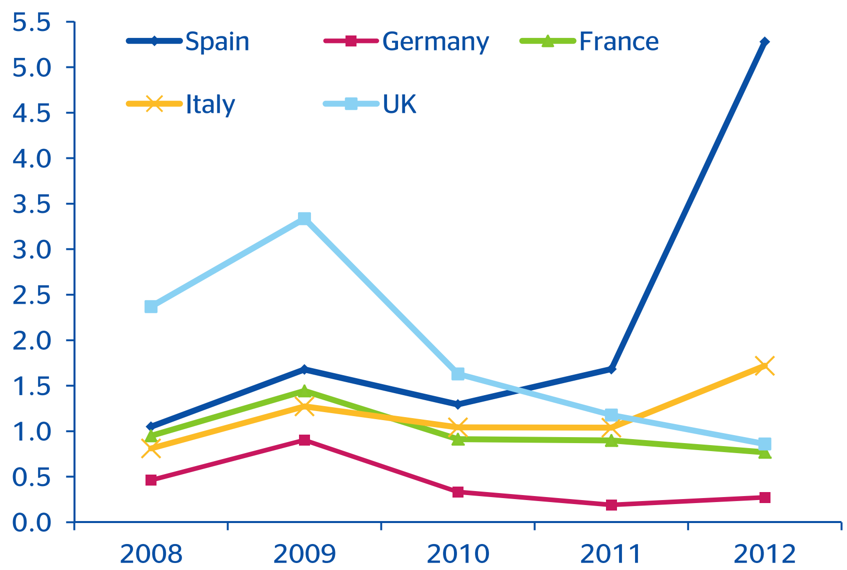
Financial System Recapitalization (Jul07-Jul13) (€Bn)



Source: BBVA.
GDP data as of Dec-2012.

Very significant effort in terms of provisions

Cost of Risk (pp) (3)



Source: BoS and BBVA

Provisioning effort in Spain Jun08 - Dec12: > €200 Bn, including RE assets impairments

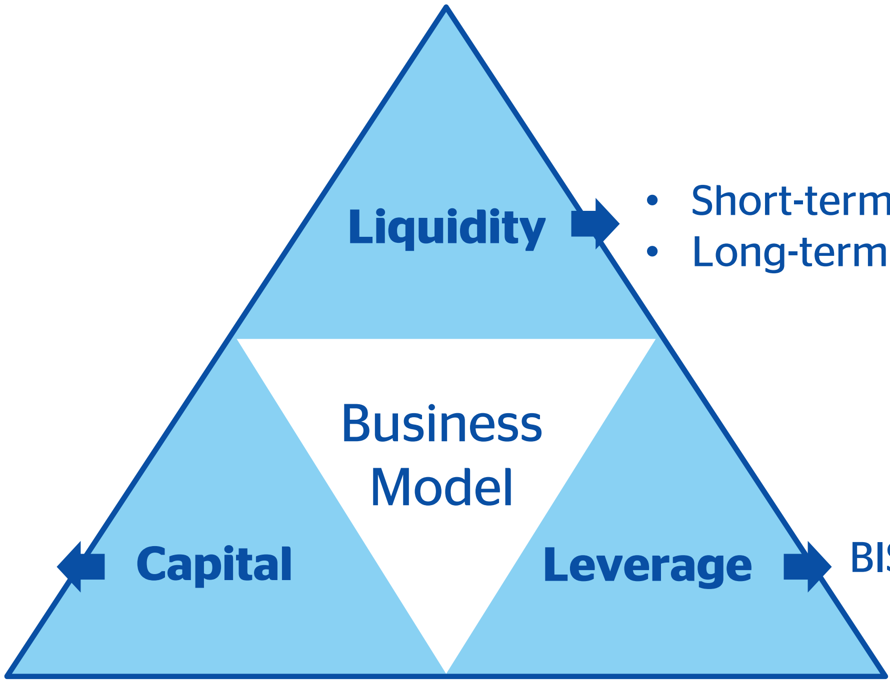
(1) Public financial assistance committed in various forms of capital. (2) Public capital support includes: €61 Bn of capital injections, €6.5 Bn of Asset Protection Schemes expected losses and €2.2 Bn of capital injection into SAREB. (3) Loan loss provisions over 'Other Residential Sector' loans

Regulatory developments should provide additional tools to assess a bank's solvency

	from	*to*
Capital Adequacy	Risk-based capital ratios	Combination of risk-based and **leverage**
Credit Worthiness	Profitability + Sovereign support	Profitability + **Loss absorption capacity**

The solvency of a sovereign should contribute less to a bank's rating than its fundamentals

In the new regulatory environment, certain business models will be questioned



- Short-term ratio: LCR
- Long-term ratio: NSFR

- BIS 3
- RWAs density

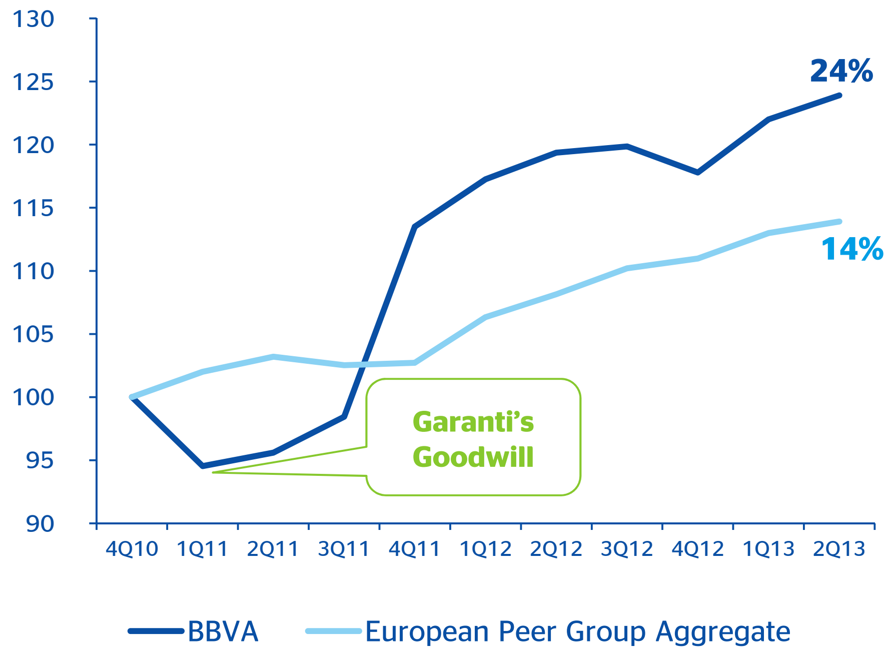
BIS 3 leverage ratio

Retail business models will be reinforced

BBVA has a strong capital generation capacity and has increased its RWAs in line with the business cycle

Δ BIS II Core Capital (€)

BBVA Group vs. European Peer Group Aggregate
Dec.10 – Jun.13



Δ BIS II RWAs (€)

BBVA Group vs. European Peer Group Aggregate
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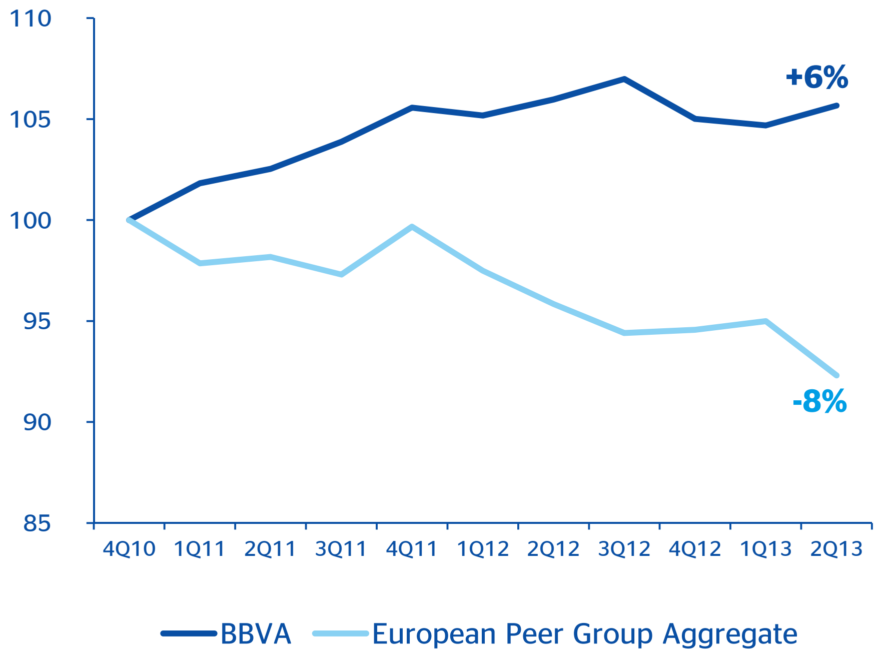


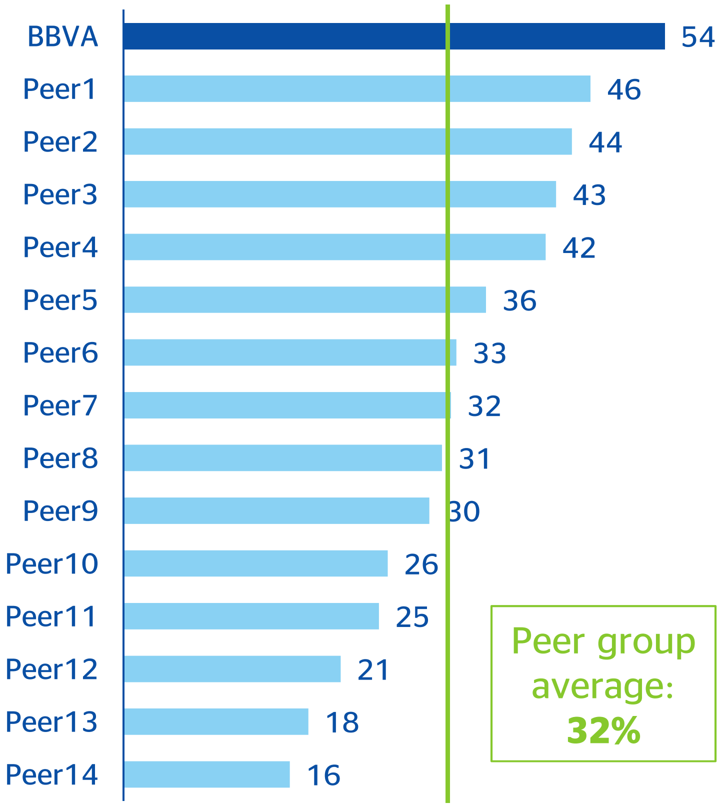
Since 2007, BBVA has more than doubled its Core Capital(1) and increased by 600 bps its Core Capital ratio(2)

European Peer Group: BARCL, BNPP, CASA , CMZ, CS, DB, ISP, HSBC, LBG, RBS, SAN, SG, UCI and UBS.
(1) Core Capital: €16 Bn (Dec 2007), €32.5Bn (June 2013). (2) From 5.3% (Dec 2007) to 11.3% (June 2013).

BBVA stands out for the quality of its capital

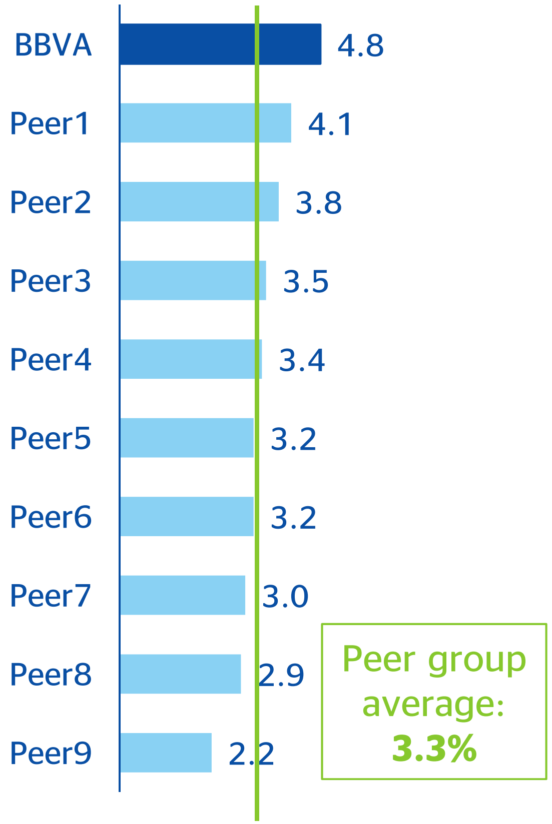
RWAs / Total Assets (%)

BBVA Group vs. European Peer Group (1)
June 2013



CRD IV fully loaded Leverage ratio

BBVA Group vs. Peer Group (2)
June 2013



(1) European Peer Group: BARCL, BNPP, CASA , CMZ, CS, DB, ISP, HSBC, LBG, RBS, SAN, SG, UCI and UBS.
(2) Only considered those peers that have reported June 2013 CRD IV fully loaded leverage ratio (BARCL, BNPP, CMZ, DB, HSBC, LBG, RBS, SG and UBS).

The Recovery and Resolution Directive proposal provides a common loss absorption framework

Aims to minimize costs to taxpayers

Shareholders and creditors should assume losses

Provides a clear Bail-In framework

Path of loss absorption:

- Losses should be absorbed by banks' liabilities (1st tranche: **8%**)
- Resolution fund that could assume losses (2nd tranche: **5%**)

Senior debt holders and depositors would be safer at banks with **capital and loss absorption instruments > 8%**

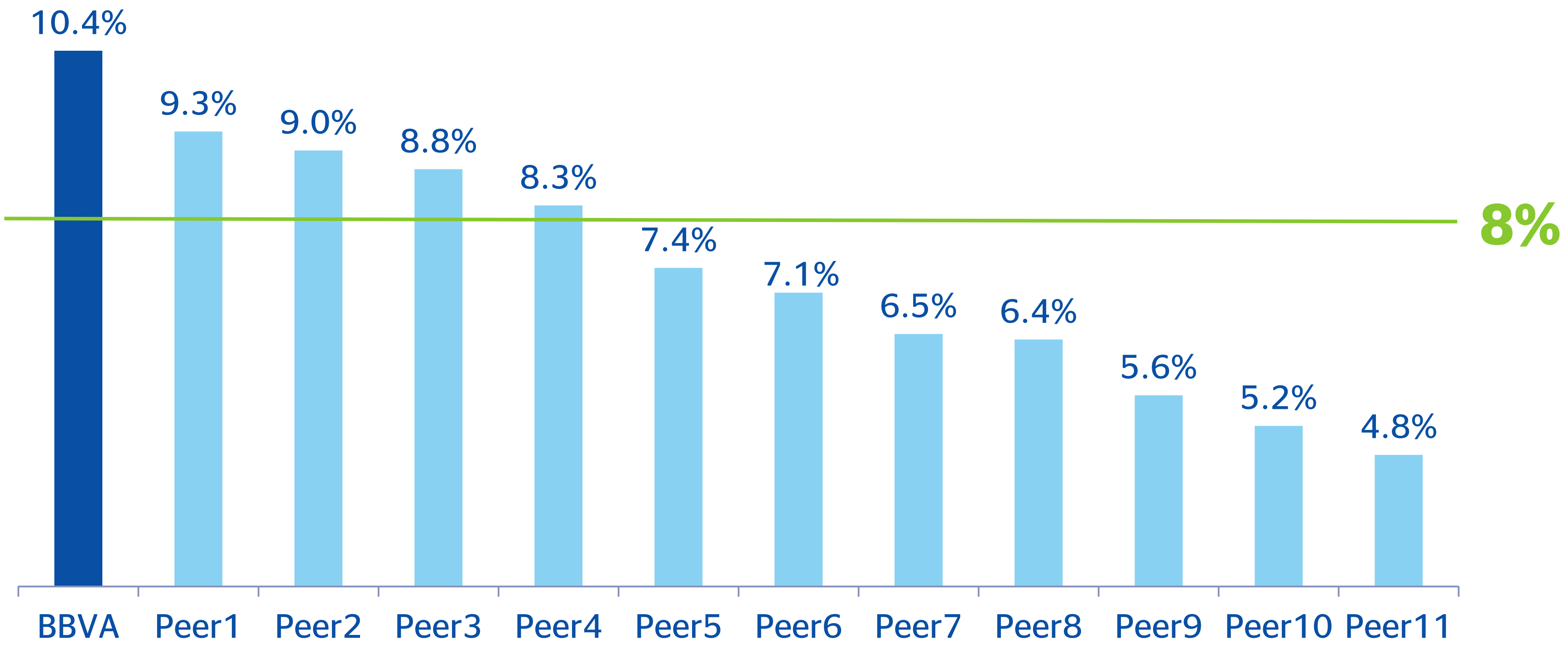
[BBVA = 10.4% (1)**]**

The Directive proposal is an important milestone to break the sovereign-banking risk link

(1) BBVA Consolidated figures as of June 2013 (Equity + Subordinated liabilities)/ (Total Liabilities – Derivatives)

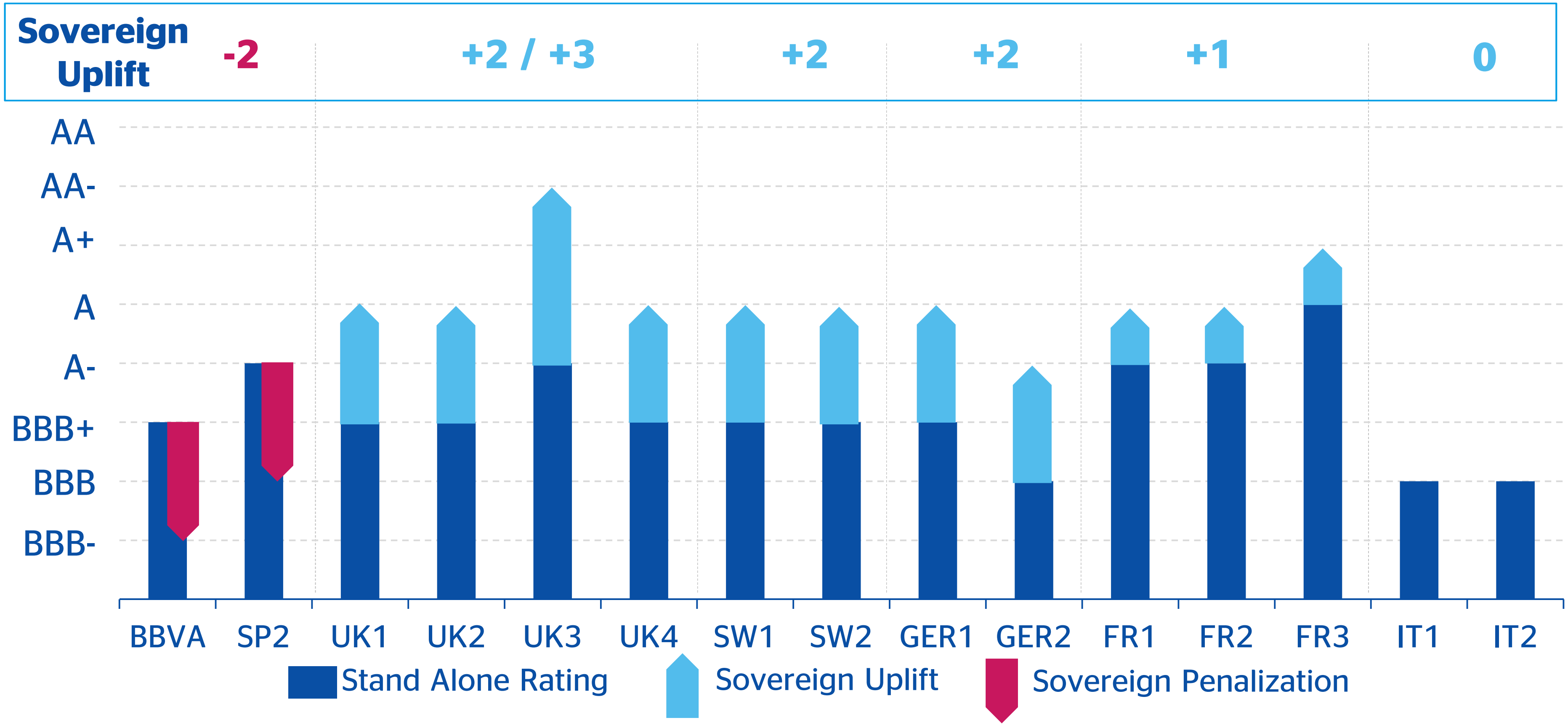
BBVA has one of the highest percentages of capital and loss absorption instruments over total liabilities

Capital and loss absorption instruments / Total Liabilities (1)
Consolidated figures as of June, 2013
(%)



(1) (Equity + Subordinated liabilities)/ (Total Liabilities - Derivatives).
European Peers: BARCL, BNPP, CASA, CMZ, DB, ISP, HSBC, LBG, SAN, SG and UCI.

The RRD should break the sovereign - banking link and change current rating dynamics



BBVA's rating does not reflect its capital adequacy and credit worthiness

Credit Rating according to S&P; European Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, ISP, HSBC, LBG, RBS, SAN, SG, UCI, and UBS.

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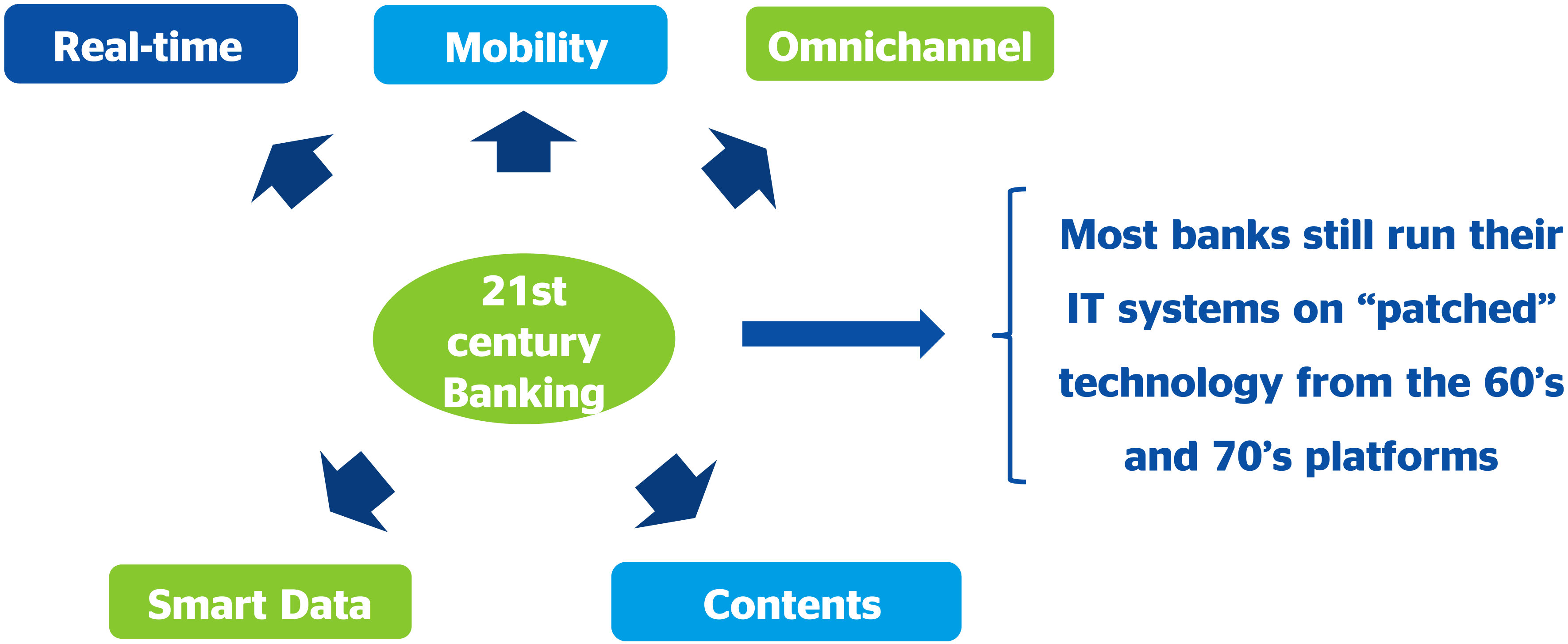
In retail banking, the rules of the game have changed



Adapting to the digital age is a multi-year effort that requires major investments and process re-engineering

BBVA's 2007 Transformation Plan: technology as a key sustainable competitive advantage

Transformation Plan IT investment progress:

	Core banking platform	IT Infrastructure	Big Data	Omnichannel
Spain	100 %	80 %	90 %	75 %
Mexico	80 %	80 %	75 %	40 %
USA	80 %	80 %	50 %	40 %
South America	70 %	80 %	40 %	35 %

Foundations → Value added

GOAL

Satisfying client needs providing the best customer experience, while improving commercial productivity and efficiency

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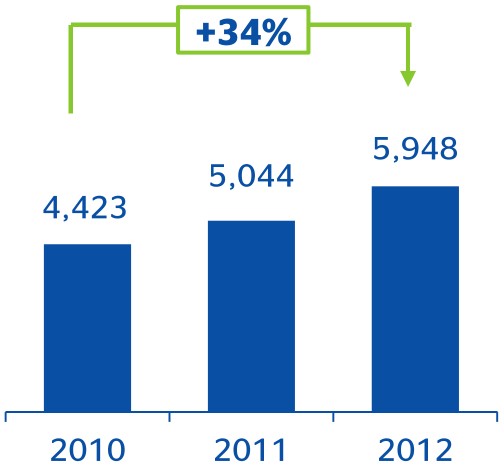
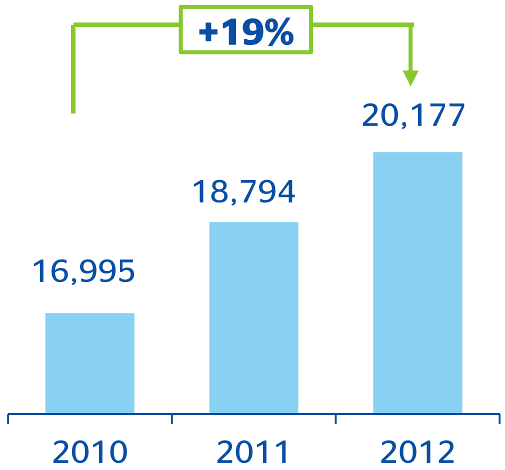
This effort is mandatory, as our clients are becoming increasingly digital

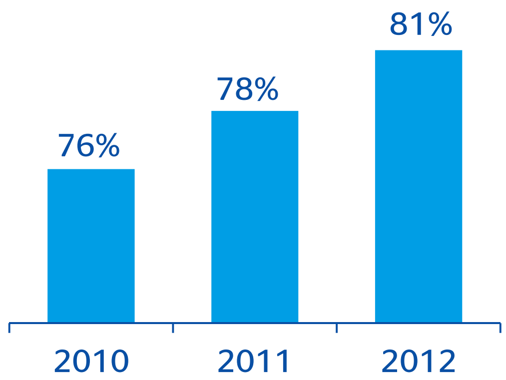
Active Internet customers
BBVA Group (in thousands)



ATMs
BBVA Group (number)



Transactions through alternative channels
BBVA Group (%)



Smartphone app adoption is growing fast

Source: BBVA
Garanti Bank not included

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Responsible Banking:
How we conduct our business also matters

Principle-based profitability

- Integrity
- Prudence
- Transparency

- Normative compliance
- Behavioral standards
- Responsible commercial practices
- Corporate Governance

BBVA has avoided any relevant issue in terms of operational risk, reputational problems or bad “commercial practices”

Key to maintain a loyal and high value customer franchise

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Conclusions

1. **Well positioned** for the new macroeconomic cycle
2. **Positive dynamics in our major franchises** despite uncertainties
3. **Active FX hedging policy** to protect our shareholders wealth
4. **Strong capital position:** capital generation capacity & low leverage
5. **RRD: breaking sovereign-banking link**
6. **Ready for the digital era,** a competitive advantage
7. **Responsible Banking:** How we conduct our business also matters

BBVA, ready for the new world

Manuel González Cid, CFO

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