

BBVA, ready for the new world

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BBVA

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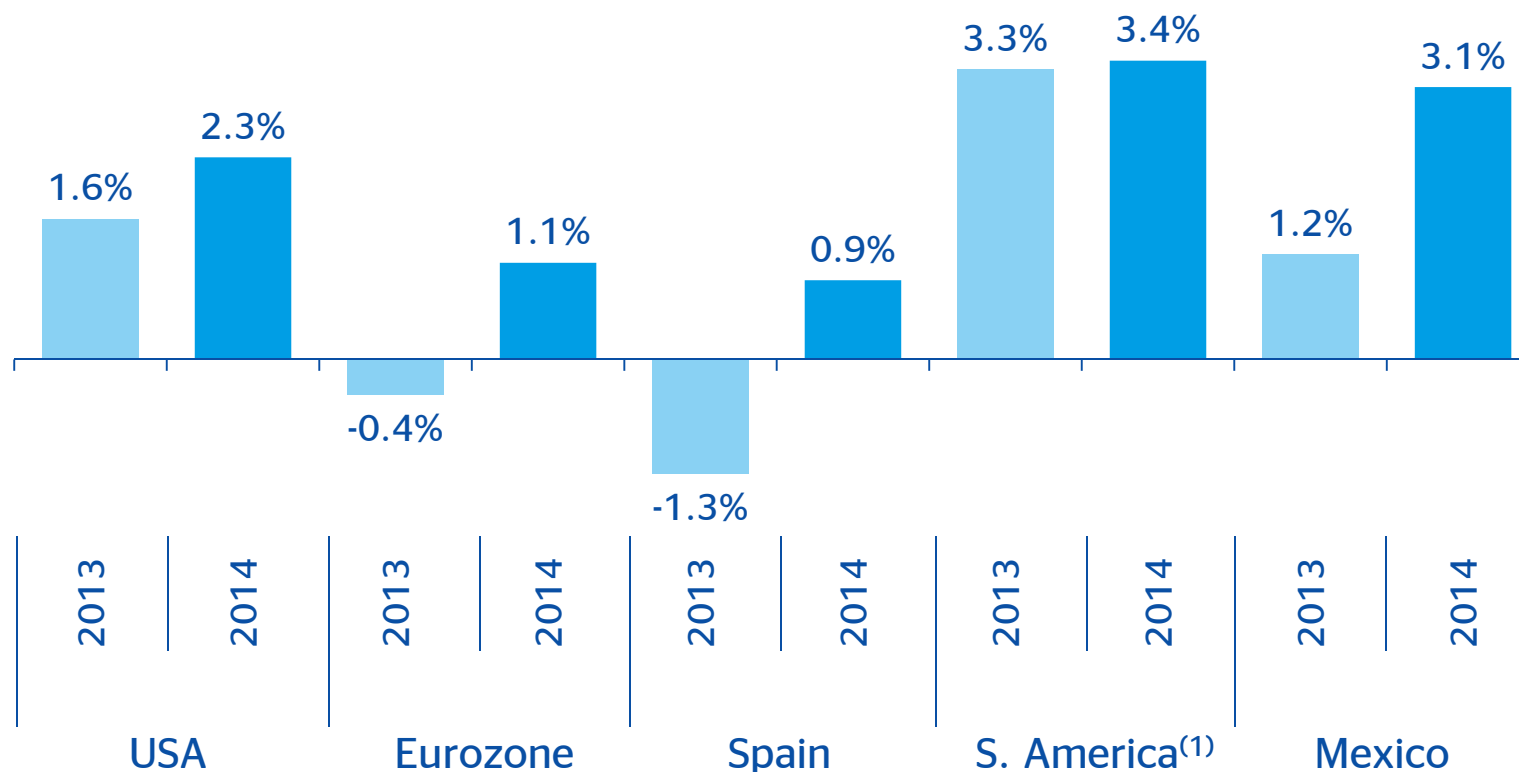
2 BBVA in a new banking industry and a higher capital world

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4 Conclusions

In 2014, growth will improve in all the areas in which BBVA is present

Real GDP growth
(%)



**BBVA is very well positioned
with an attractive footprint in Developed and Emerging Markets**

Source: BBVA Research. Estimates as of November, 2013.

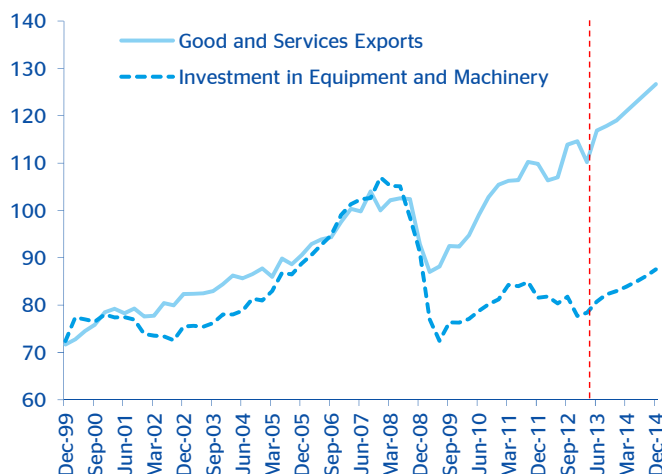
(1) South America includes only BBVA's footprint in the region (Argentina, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela).

The Spanish economy has bottomed out and GDP has started 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

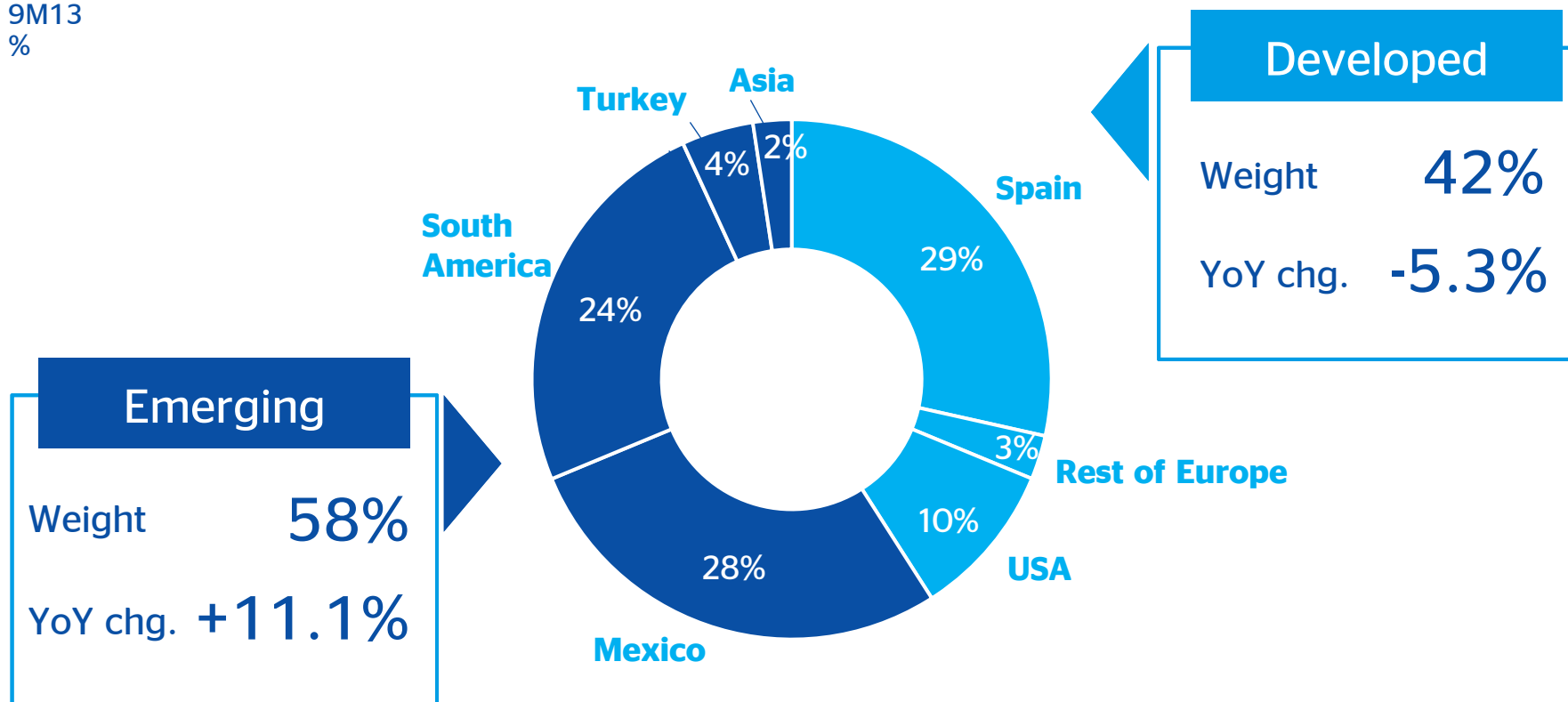


Strong competitiveness gains

Residential construction will not drain growth in 2014

BBVA has a well-diversified revenue base

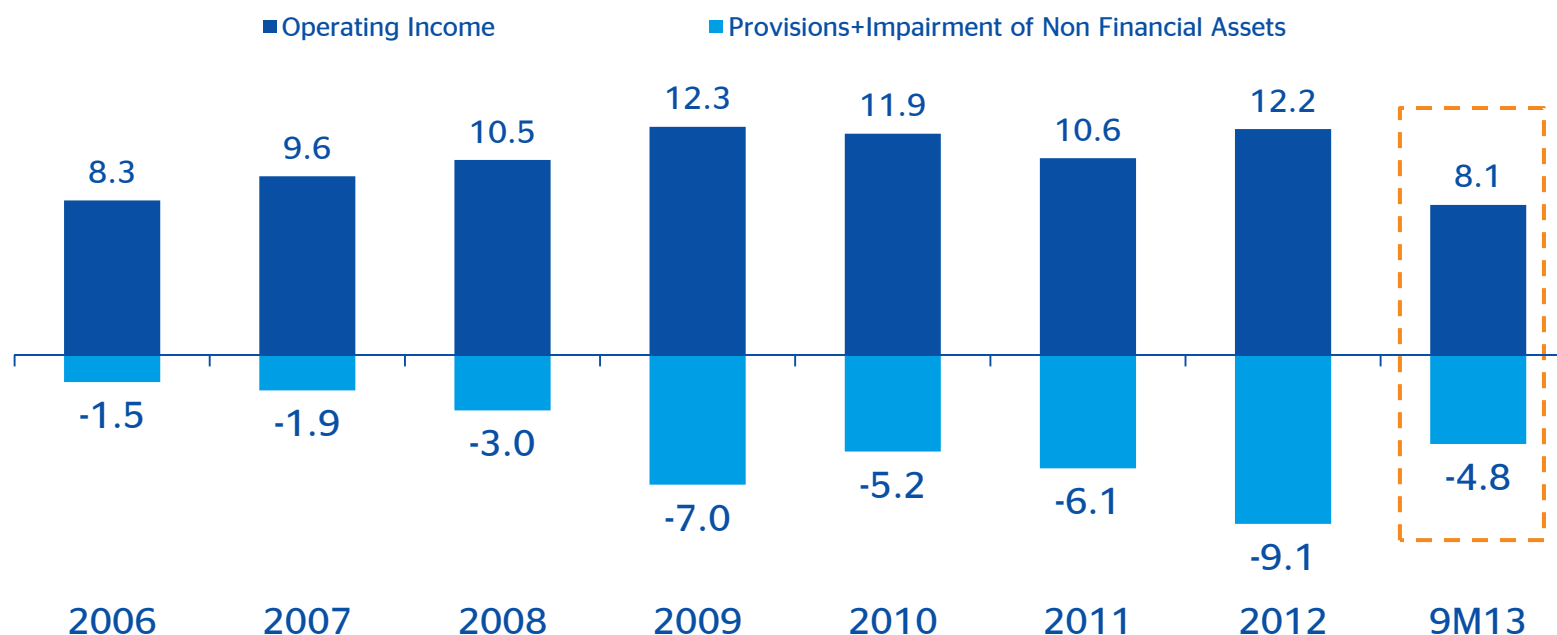
Breakdown of gross income
9M13
%



Recovering developed markets and resilient and high potential emerging markets, with leading franchises in all its core markets

That has allowed BBVA to maintain a high operating income: the best buffer to absorb provisions

BBVA operating income vs. provisions and impairment of non-financial assets
(€ Bn)



Facing a new earnings growth cycle
as provisions progressively normalize from 2012's peak

Note: includes income from discontinued operations

We have taken management actions to strengthen BBVA's Balance Sheet

Asset Quality

- Significant provisioning effort (over €32bn⁽¹⁾ since the start of the crisis)
- Better asset quality than the peer average in all franchises
- Thorough review of asset quality (including refinanced loans)

Liquidity & Funding

- Reduction of funding gap (over €45bn in the Euro Balance Sheet in the last 2 years)
- High appetite for BBVA's credit
- First European issuer of BIS III AT1

Business Portfolio Management

- Sale non-core assets
- Optimization of CNCB's stake
- **Generating 145 bps⁽²⁾ of Core capital in 2013**

Solvency

- High capital generation (core capital 2.3x since 2007)
- Strong BIS III fully loaded ratios
- Attractive shareholder remuneration, even through the crisis

(1) Provisions and impairment of non-financial Assets in the Group (2009 to September 2013). (2) Core Capital from the sale of non core assets in 2013 include Afore Bancomer, AFP Horizonte Colombia, AFP Horizonte Peru, Spanish Portfolio of Insurance Life Business, and in 4T the closing of AFP Provida and BBVA Panama; as well as the disposal of 5.1% in CNCB that generated 71bps (BIS III fully loaded).

Significant medium term upside in our major franchises ...

USA

- Growth in activity to continue
- Historically low interest rate environment impacting NII

Mexico

- Resilient market with high potential, growth to recover in 2014
- Prioritizing profitability vs. market share

South America

- Growth to stabilize at a high and sustainable level
- Balanced diversification within the region

Turkey

- Managing the business in a challenging environment
- High potential market for BBVA

Spain

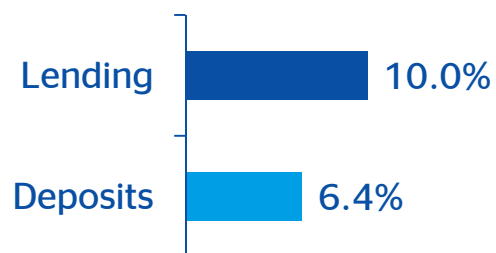
- Deposit cost and cost of risk normalization to drive P&L
- Higher share of new business in a context of continued deleverage in the system

... coupled with an active and successful FX hedging policy

USA: Activity remains strong and profitability impacted by low interest rate environment

Solid business activity

YoY change, average balances, Sept 2013
constant euros ⁽¹⁾



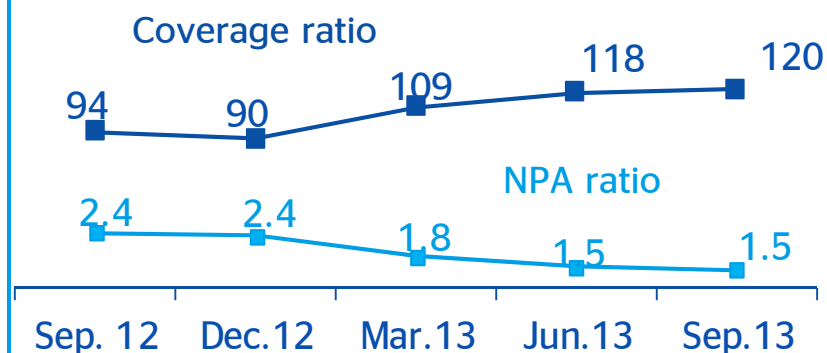
Cost Control

Despite the strong technological effort, expenses remain contained

-2%

(9months to September 2013)

Superior Credit Quality



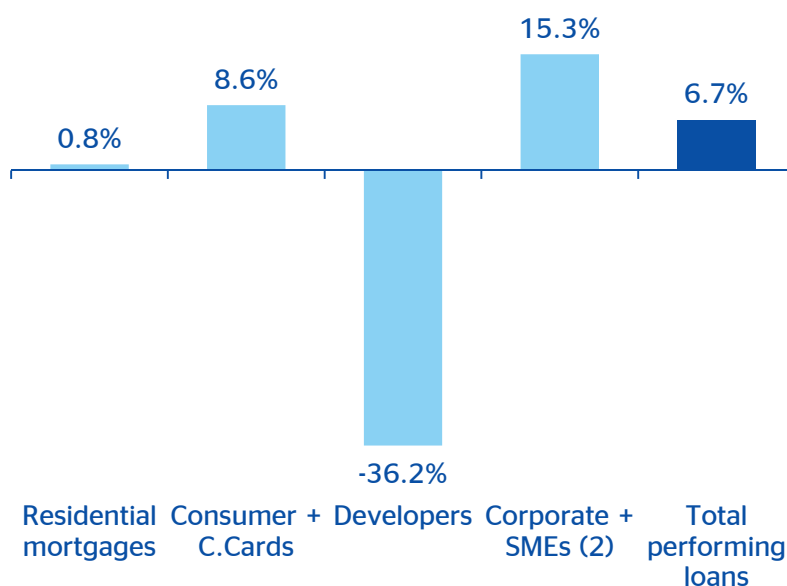
High Interest Rate Sensitivity

Negatively impacting profitability in the short term

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

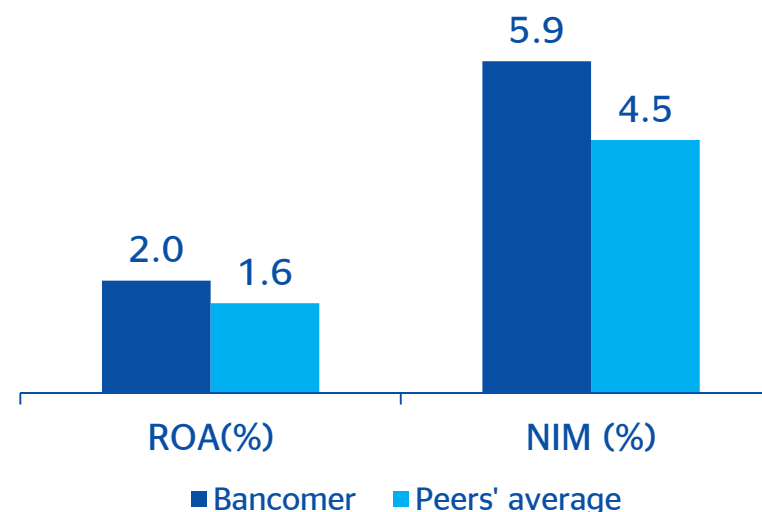
Active management of asset mix

Bancomer's loan growth per segment ⁽¹⁾
(Y-o-Y, September 2013)



Leader in profitability

ROA and NIM ⁽³⁾
Bancomer vs. Peers' average
(June 2013)



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

(1) Based on internal data (consolidated figures). (2) Excluding Public Sector. (3) Data according to local accounting. Consolidated financial groups. Peers include: Banamex, Banorte, HSBC and Santander.

South America: Normalizing growth at a high and sustainable level

Leadership positions ⁽¹⁾

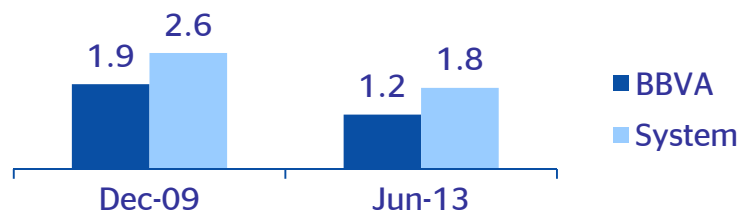
	PER	COL	VEN	ARG	CHI	Sth Am. ⁽²⁾
Mkt. Share	23%	10%	13%	8%	7%	10.2
Rkg	2 nd	4 th	3 rd	4 th	5 th	1 st

Self-financed growth

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

Solid credit quality indicators

NPA ratio ⁽⁴⁾
(%)



Strong profitability ⁽⁵⁾

2.3% ROA

5.9% NIM

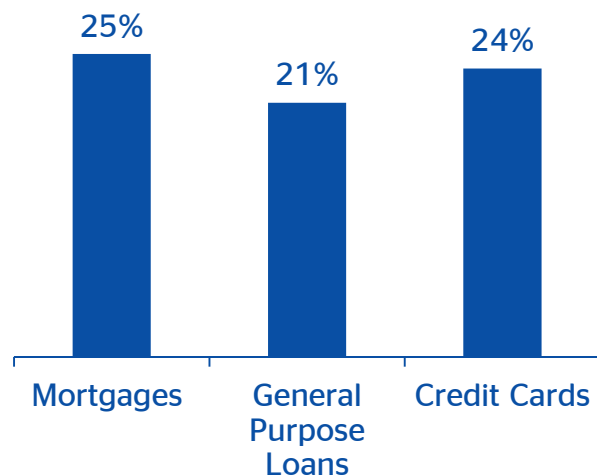
**Well-diversified footprint
with different management priorities across countries**

(1) Market share and ranking by loans, Aug '13 (2) Regional ranking considering only the 4-5 main players in each country. (3) Banks only, based on average balances, constant €. (4) Local Accounting (5) Consolidated data, Sept '13. 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 high profitable retail products

Lending Growth YTD
(Dec.12- Sep.13)



Strong and sustainable revenues generation capacity

Active spread management

Loan repricing strategy to offset the increase in deposit costs

Securities portfolio

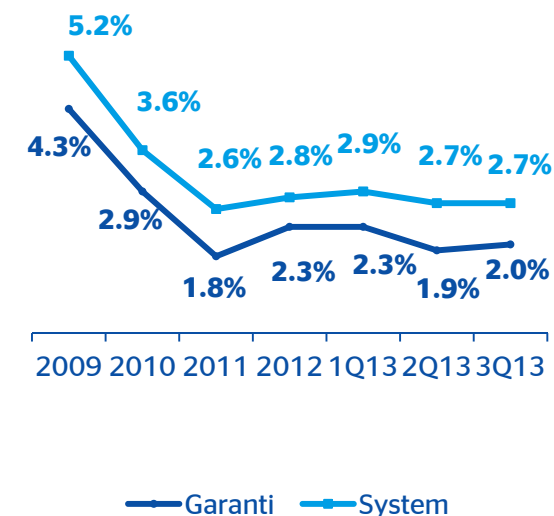
A less relevant contributor to the P&L looking forward

Net fees and commissions

- Diversified fee sources
- # 1 bank in fees generation

Sound asset quality, better than peers

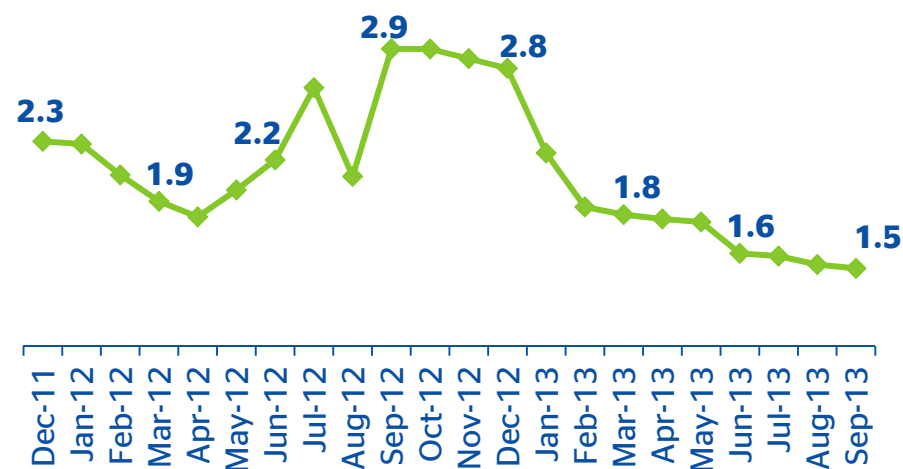
NPL Ratio Evolution (%)



A high potential market for BBVA

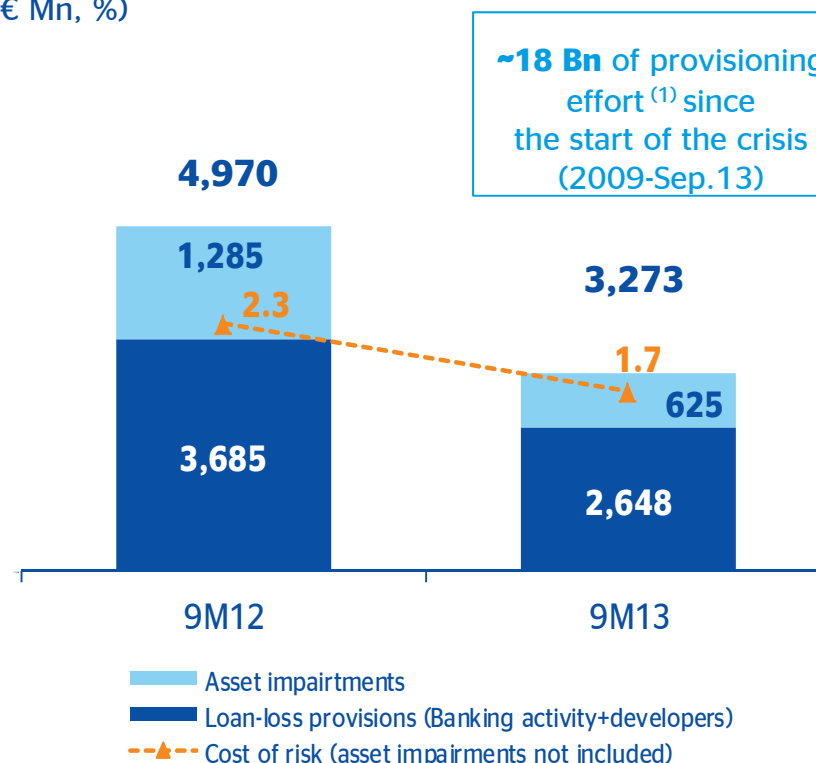
BBVA Spain: Cost of deposits and risk premium reduction as main P&L drivers in the short term

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



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

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



Risk premium progressively normalizing to reach levels <1% in 2015

(1) Including RE assets impairments.

1 A changing macro environment

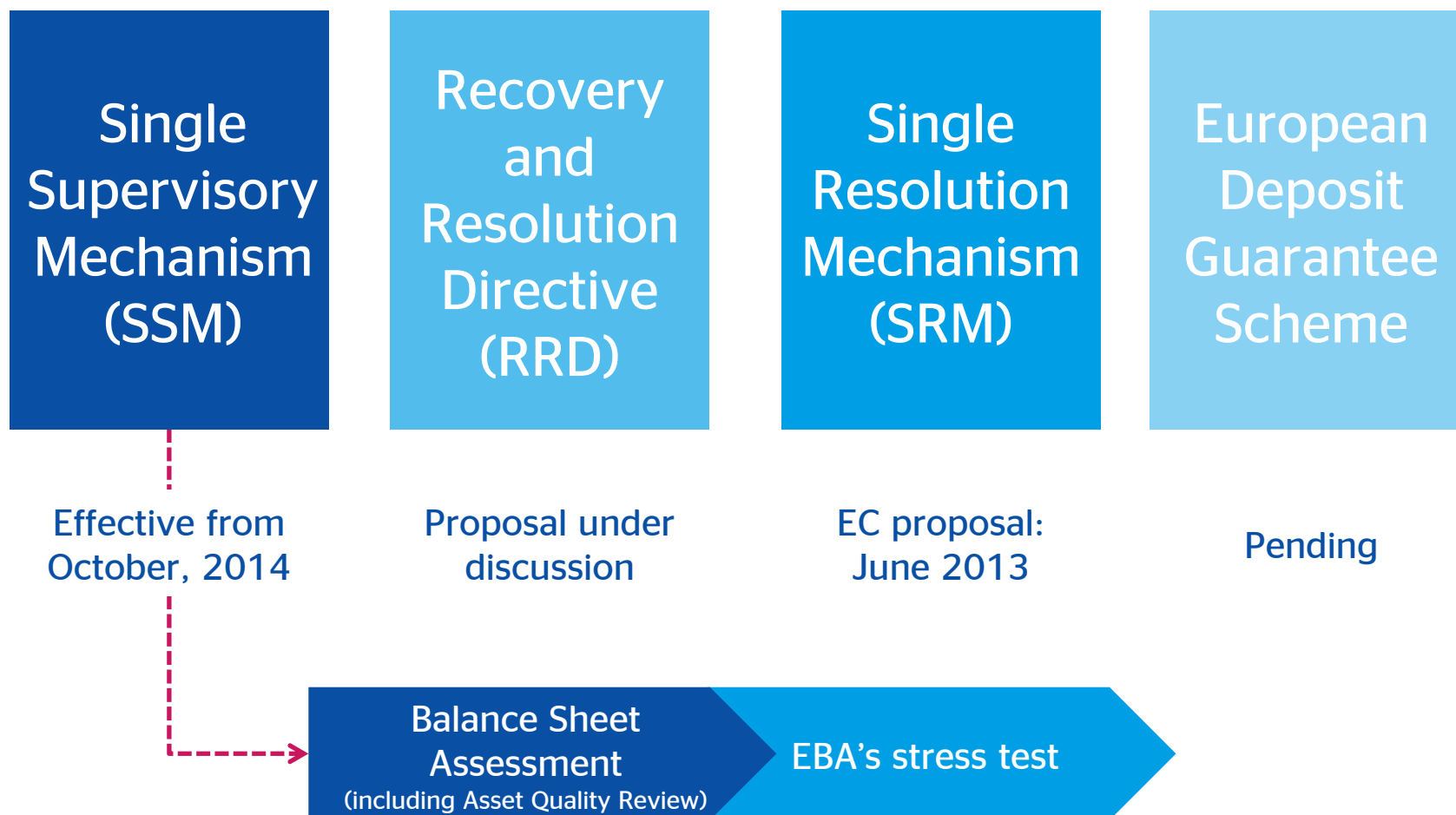
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EU progresses towards a real Banking Union

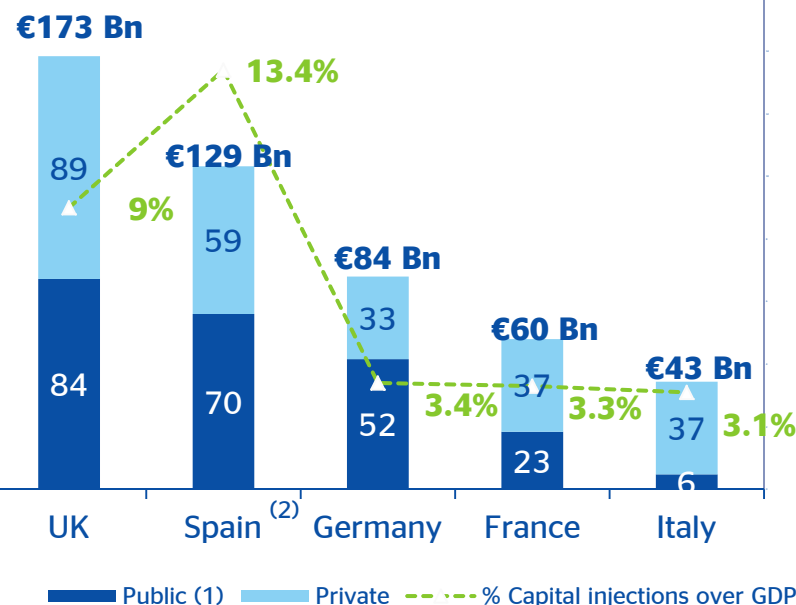
Developments in the European Banking Union:



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

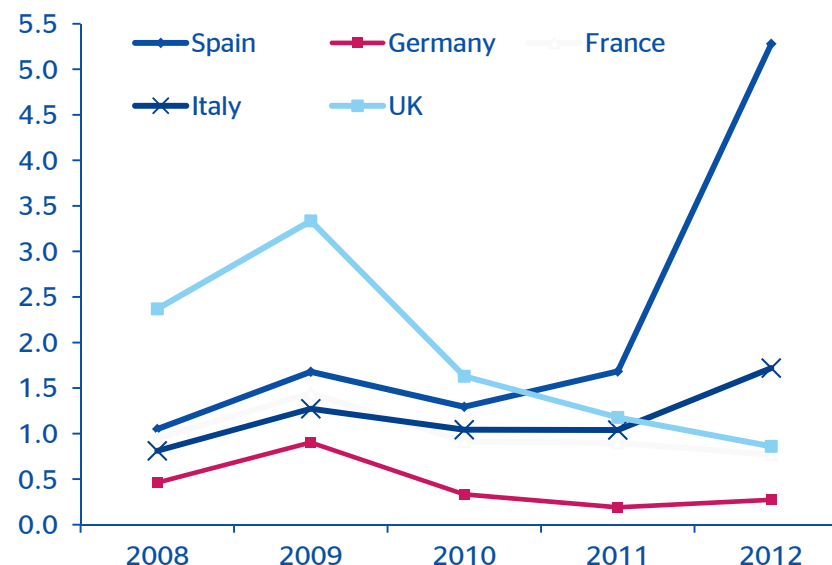
Financial System Recapitalization (Jul07-Jul13)
(€Bn)



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**

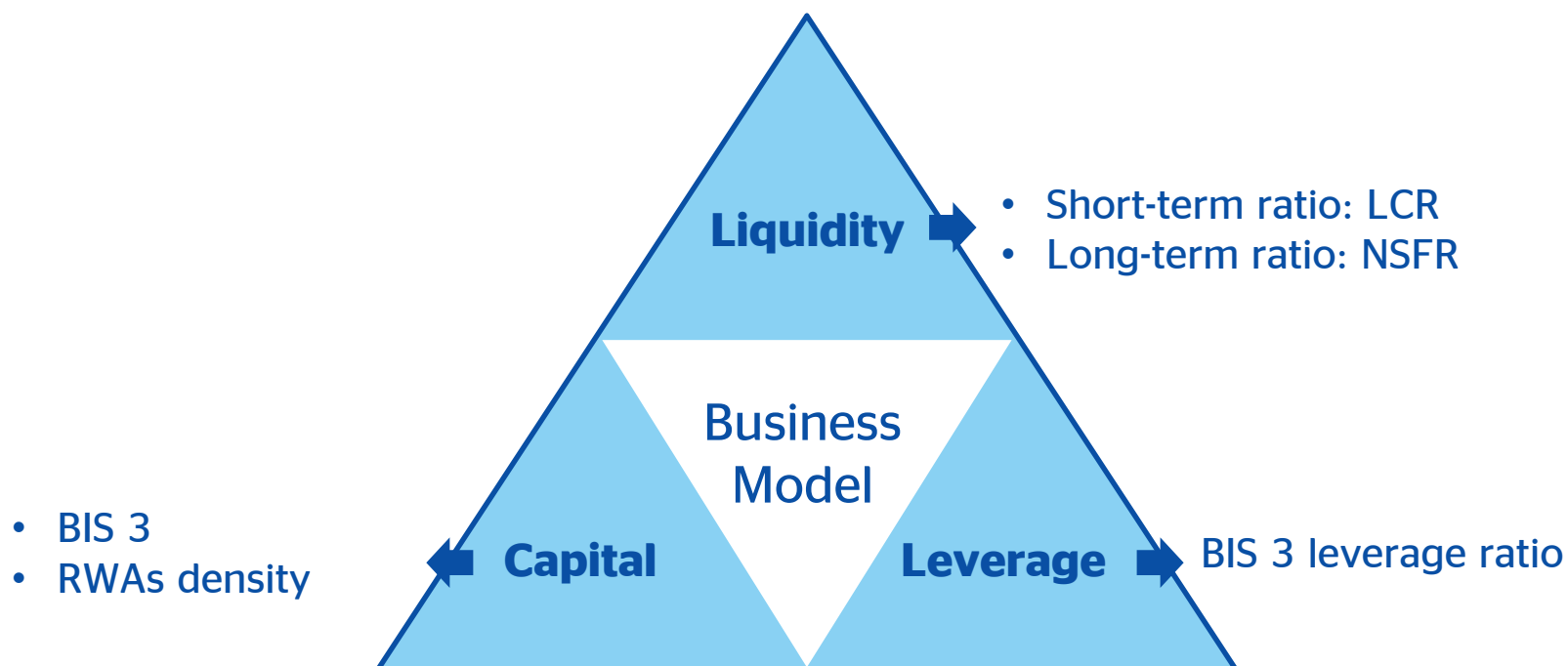
(1) Public financial assistance committed in various forms of capital. (2) Public capital support includes: €61 Bn of capital injections, €6.5 Bn of Asset Protection Schemes expected losses and €2.2 Bn of capital injection into SAREB. (3) Loan loss provisions over 'Other Residential Sector' loans

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



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

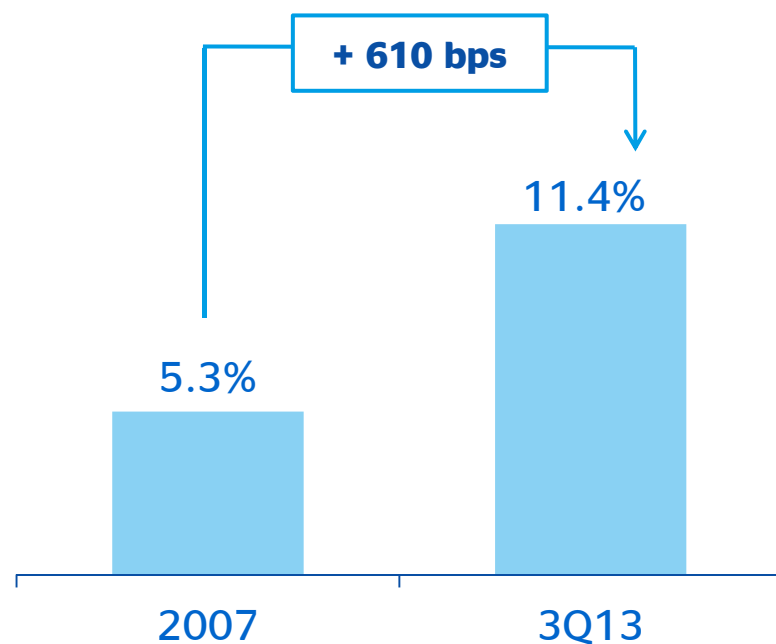
In the new regulatory environment, certain business models will be questioned



Retail business models will be reinforced

BBVA's strong track record of capital generation

Core capital ratio (BIS II)



And ...

BIS III fully loaded
(Sept.13)

Core Ratio: 8.4%

Leverage Ratio: 4.8%

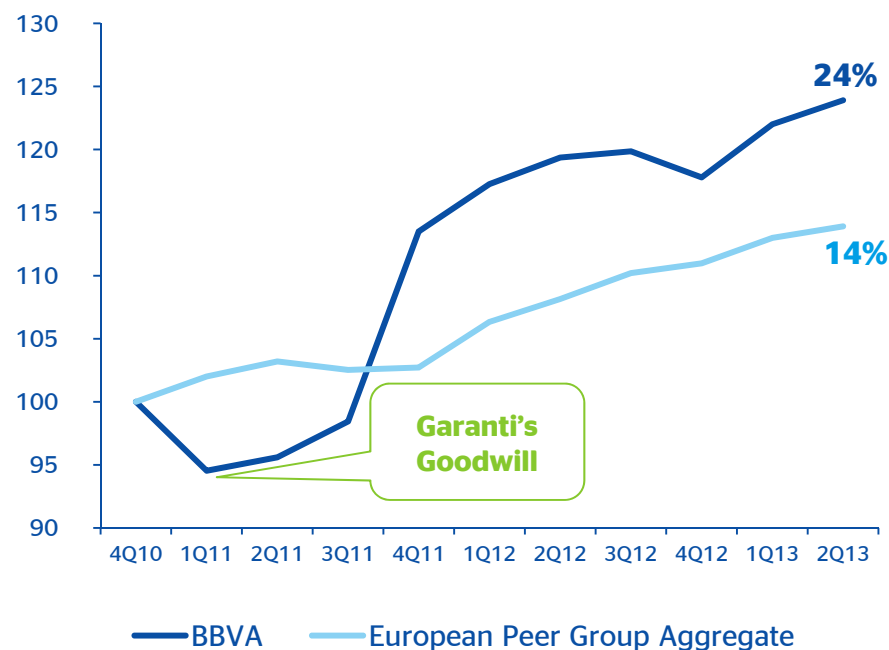
CORE **€ 16Bn** **x 2.3** **→** **€ 37.1Bn**

High quality capital with low leverage

Generation of organic capital absorbing RWAs growth

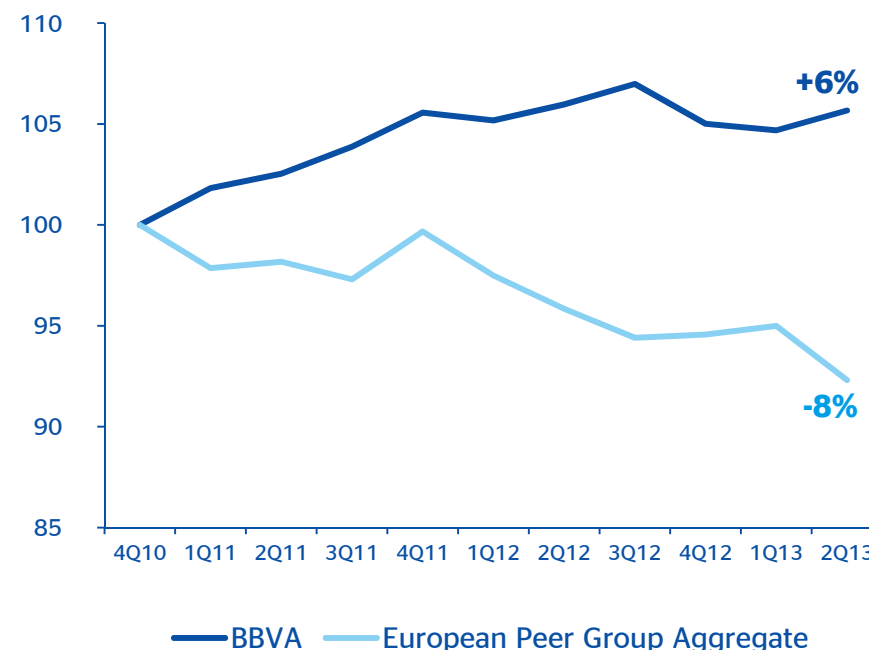
Δ BIS II Core Capital (€)

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



Δ BIS II RWAs (€)

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



Since 2007, BBVA has more than doubled its Core Capital⁽¹⁾ and increased by 610 bps its Core Capital ratio⁽²⁾

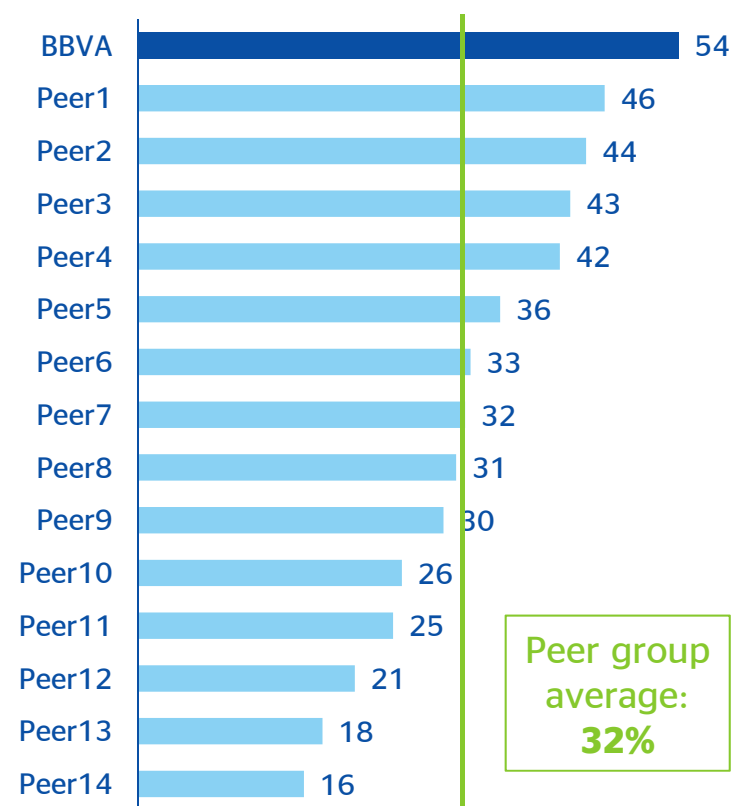
European Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, ISP, HSBC, LBG, RBS, SAN, SG, UCI and UBS. -

(1) Core Capital: From €16 Bn (Dec 2007) to €37.1Bn (Sept 2013). (2) From 5.3% (Dec 2007) to 11.4% (Sept 2013).

BBVA stands out for the quality of its capital

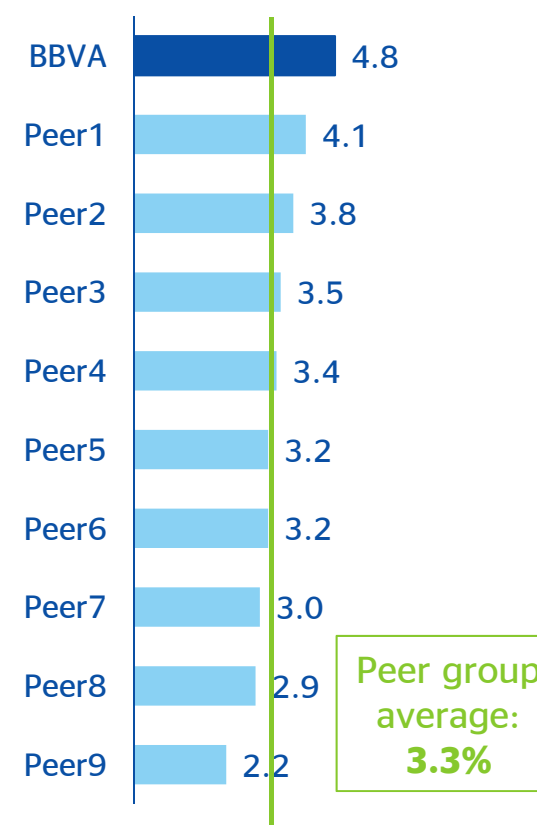
RWAs / Total Assets (%)

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



CRD IV fully loaded Leverage ratio

BBVA Group vs. Peer Group ⁽²⁾
June 2013

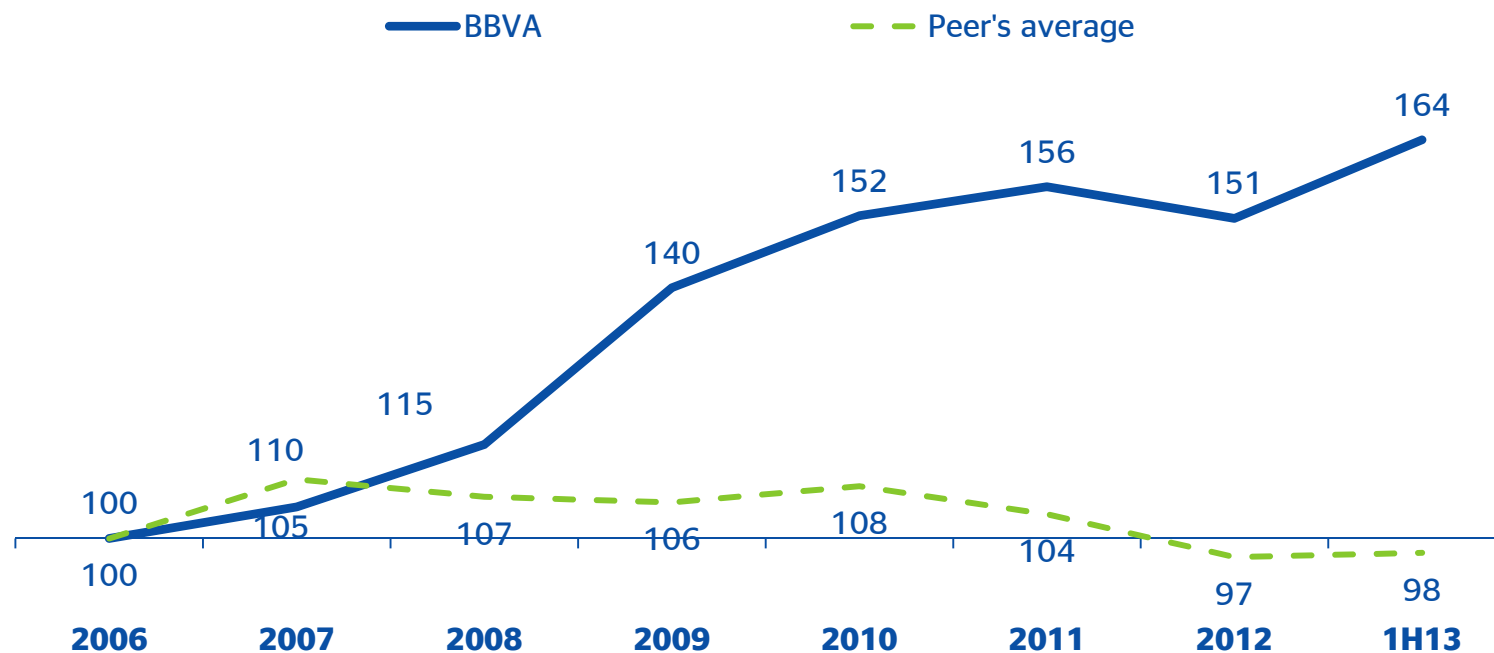


(1) European Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, ISP, HSBC, LBG, RBS, SAN, SG, UCI and UBS.

(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).

High quality of capital reflected in the evolution of its TBV

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



The Recovery and Resolution Directive proposal: an important milestone to break the sovereign – banking link

1

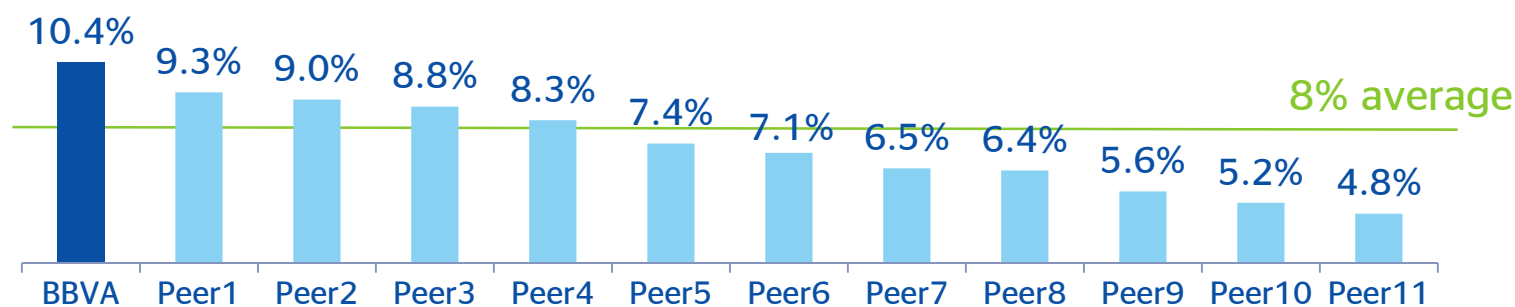
The Recovery and Resolution Directive proposal provides a common loss absorption framework

2

The Directive proposal is an important milestone to break the sovereign-banking link (8% bail-in + 5% resolution fund)

3

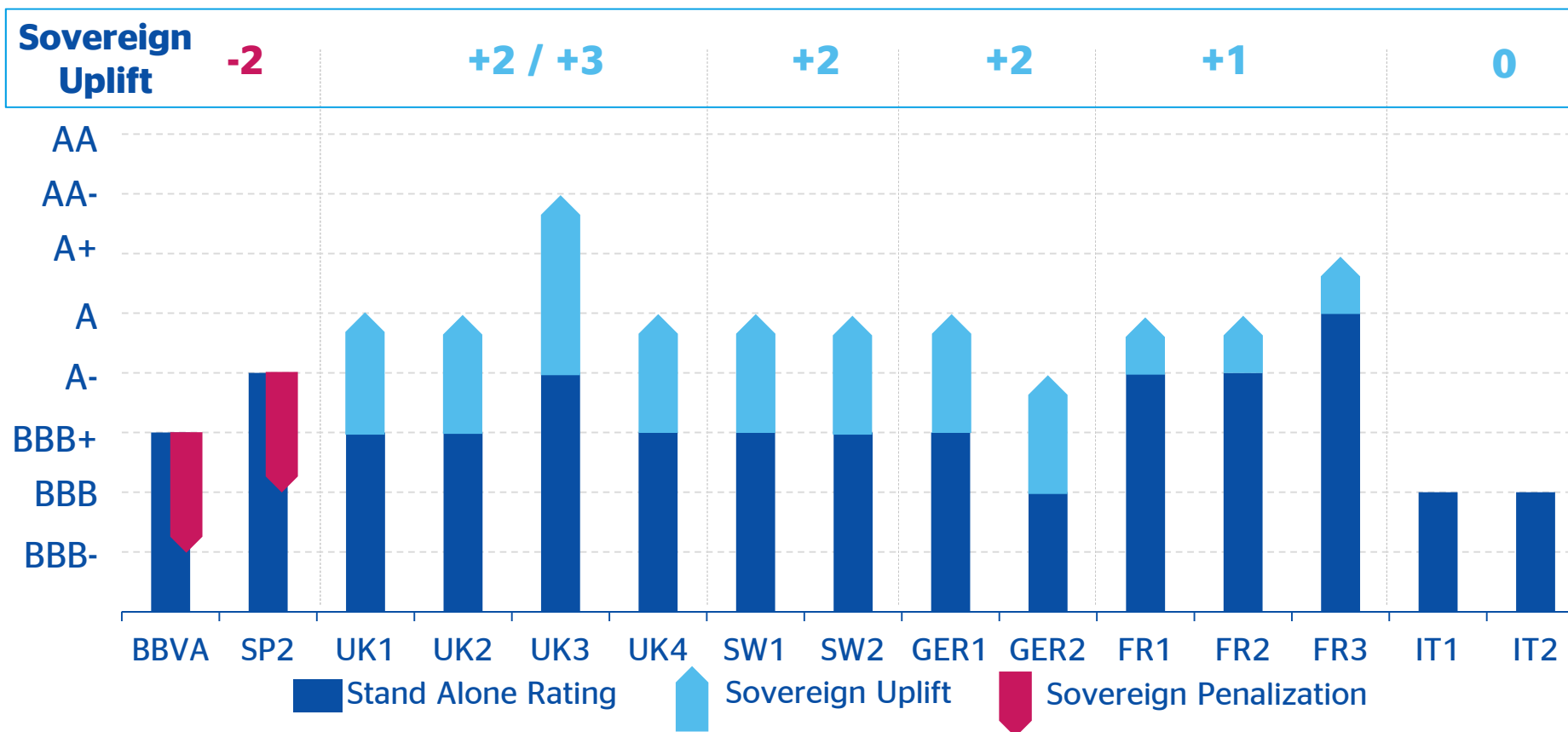
BBVA has one of the highest percentages of capital and loss absorption instruments over total liabilities



Data as of June 2013) $\text{RATIO} = (\text{Equity} + \text{Subordinated liabilities}) / (\text{Total Liabilities} - \text{Derivatives})$.
European Peers: BARCL, BNPP, CASA, CMZ, DB, ISP, HSBC, LBG, SAN, SG and UCI.

**The RRD should change current pricing & dynamics on senior debt.
Focus on “stand alone” credit strength**

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

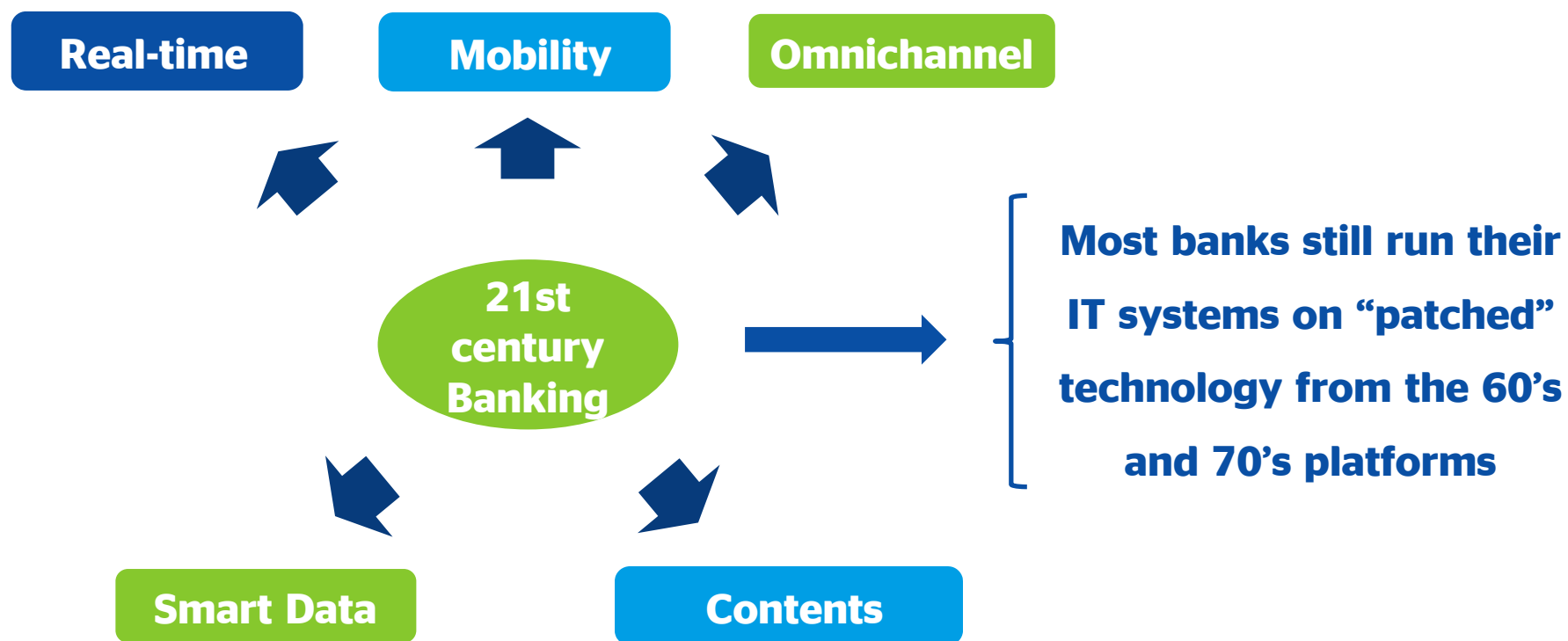


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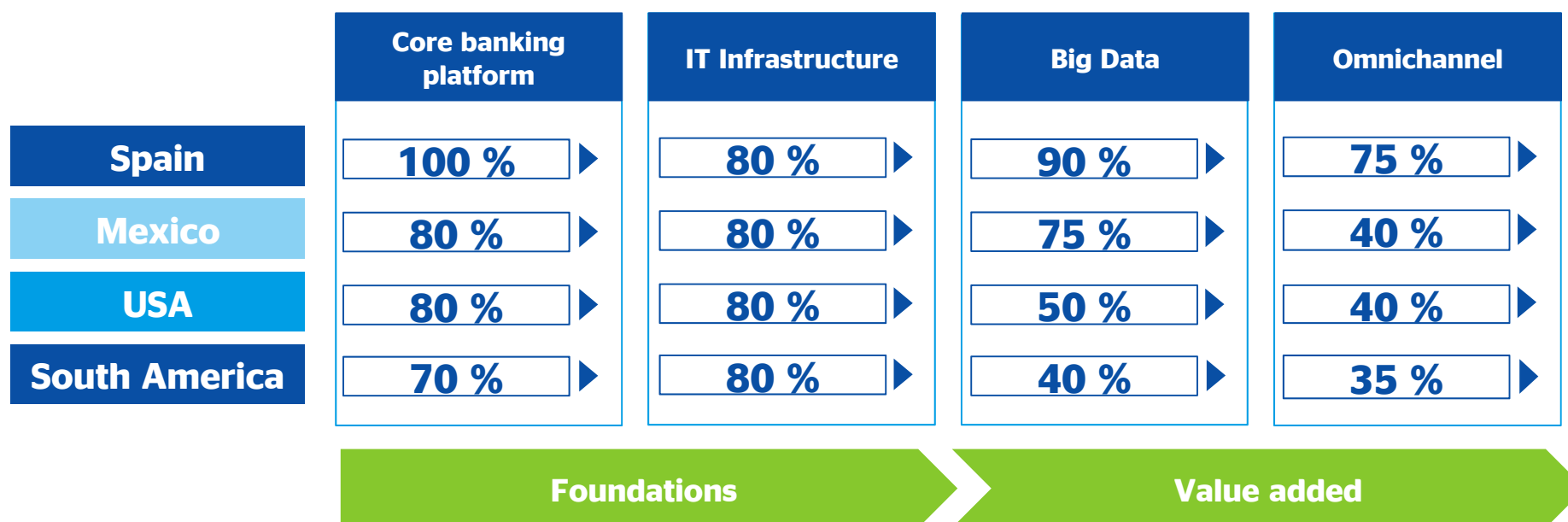
In retail banking, the rules of the game have changed



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:



GOAL

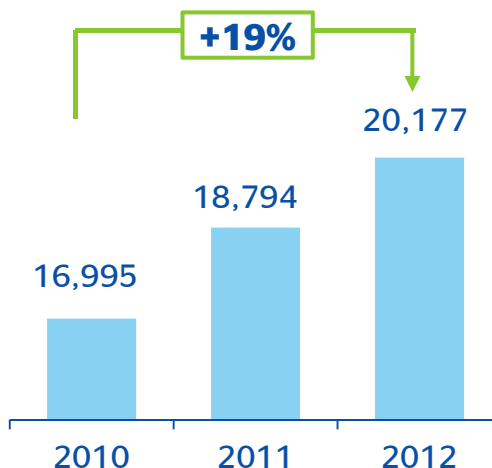
Satisfying client needs providing the best customer experience, while improving commercial productivity and efficiency

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

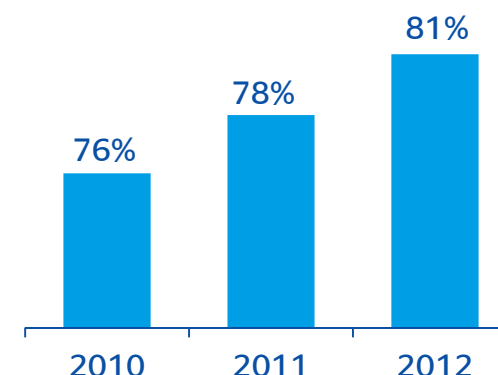
Active Internet customers
BBVA Group (in thousands)



ATMs
BBVA Group (number)



Transactions through alternative
channels
BBVA Group (%)



**Smartphone app adoption is growing fast:
721k active clients in Spain (up 68% 9 months to Sept 2013)**

Responsible Banking:

How we conduct our business also matters

Principle-based profitability



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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- 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

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