

BBVA: Strong fundamentals and improving operating trends

Jaime Sáenz de Tejada, Chief Financial Officer

Disclaimer

This document is only provided for information purposes and does not constitute, nor must it be interpreted as, an offer to sell or exchange or acquire, or an invitation for offers to buy securities issued by any of the aforementioned companies. Any decision to buy or invest in securities in relation to a specific issue must be made solely and exclusively on the basis of the information set out in the pertinent prospectus filed by the company in relation to such specific issue. Nobody who becomes aware of the information contained in this report must regard it as definitive, because it is subject to changes and modifications.

This document contains or may contain forward looking statements (in the usual meaning and within the meaning of the US Private Securities Litigation Act of 1995) regarding intentions, expectations or projections of BBVA or of its management on the date thereof, that refer to miscellaneous aspects, including projections about the future earnings of the business. The statements contained herein are based on our current projections, although the said earnings may be substantially modified in the future by certain risks, uncertainty and other factors relevant that may cause the results or final decisions to differ from such intentions, projections or estimates. These factors include, without limitation, (1) the market situation, macroeconomic factors, regulatory, political or government guidelines, (2) domestic and international stock market movements, exchange rates and interest rates, (3) competitive pressures, (4) technological changes, (5) alterations in the financial situation, creditworthiness or solvency of our customers, debtors or counterparts. These factors could condition and result in actual events differing from the information and intentions stated, projected or forecast in this document and other past or future documents. BBVA does not undertake to publicly revise the contents of this or any other document, either if the events are not exactly as described herein, or if such events lead to changes in the information of this document.

This document may contain summarised information or information that has not been audited, as well as information relative to solvency produced with criteria that are still subject to definitive CRR regulatory interpretation, and its recipients are invited to consult the documentation and public information filed by BBVA with stock market supervisory bodies, in particular, the prospectuses and periodical information filed with the Spanish Securities Exchange Commission (CNMV) and the Annual Report on form 20-F and information on form 6-K that are disclosed to the US Securities and Exchange Commission.

Distribution of this document in other jurisdictions may be prohibited, and recipients into whose possession this document comes shall be solely responsible for informing themselves about, and observing any such restrictions. By accepting this document you agree to be bound by the foregoing Restrictions.

1 BBVA Group

2 Business areas

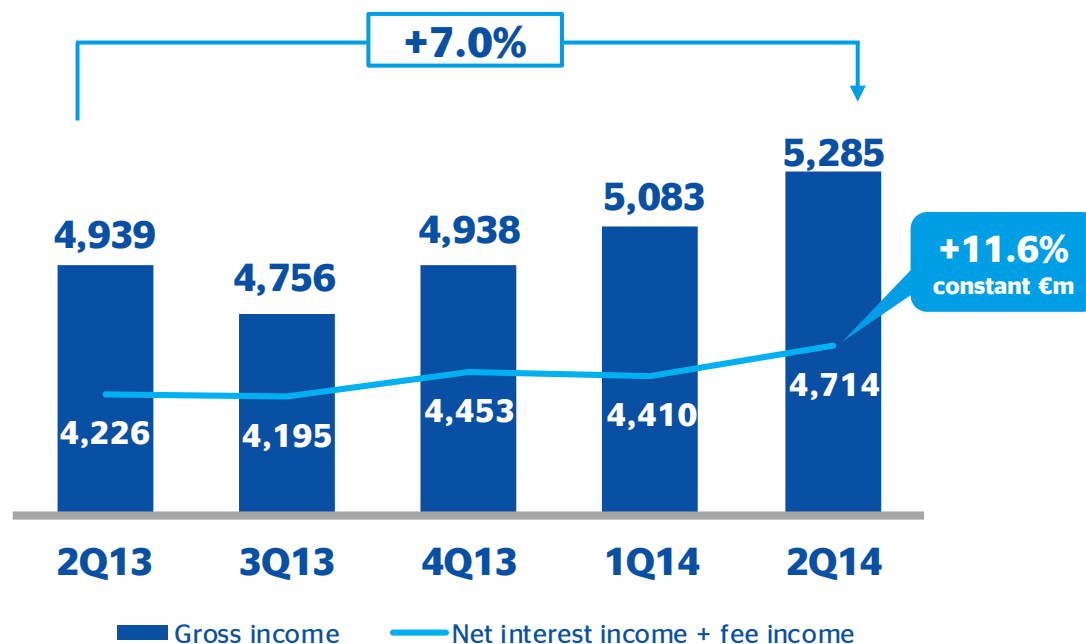
3 Conclusions

Earnings: positive trend in recurring revenue ...



Excluding FX effect

Constant € Mn



2Q14 Highlights

▽ Net trading income

Higher dividends

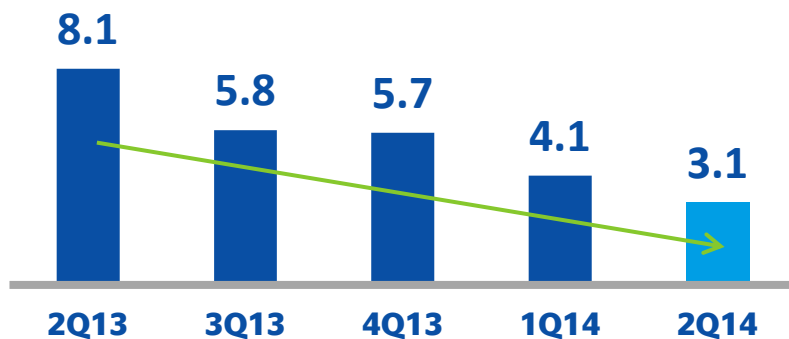
Hyperinflation in VZ

... rising faster than **costs** ...

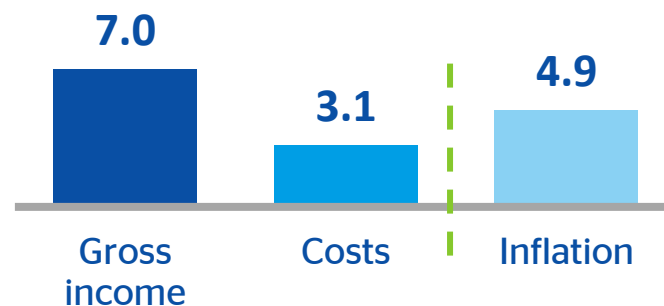


Excluding FX effect

Costs
YoY change, constant € Mn
(%)



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

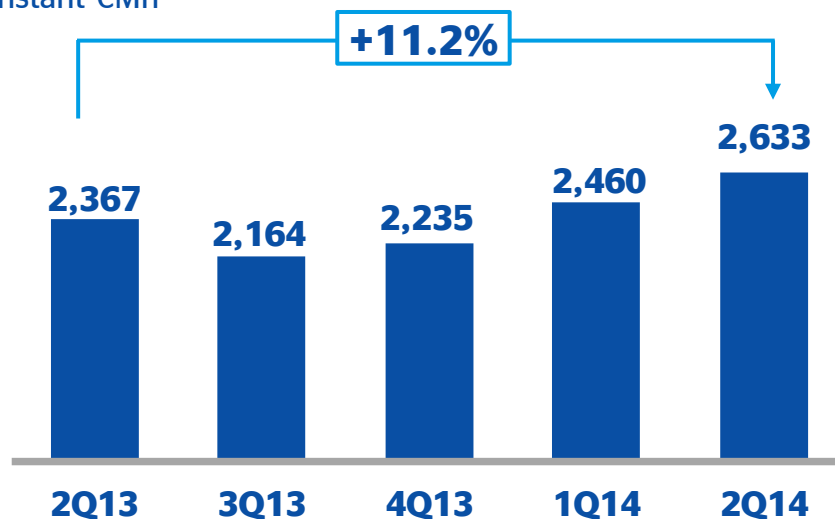


... and boosting **operating income**



Excluding FX effect

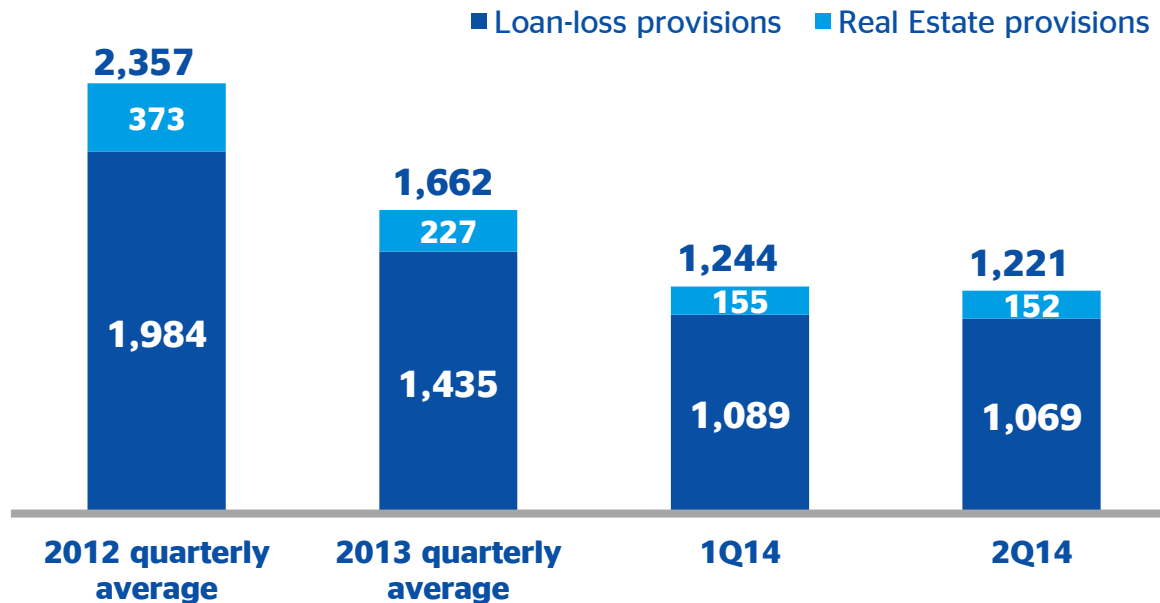
Constant €Mn



Maintaining leadership position in terms of profitability

Lower loan-loss and real estate provisions

Loan-loss + real estate provisions
BBVA Group
€ Mn

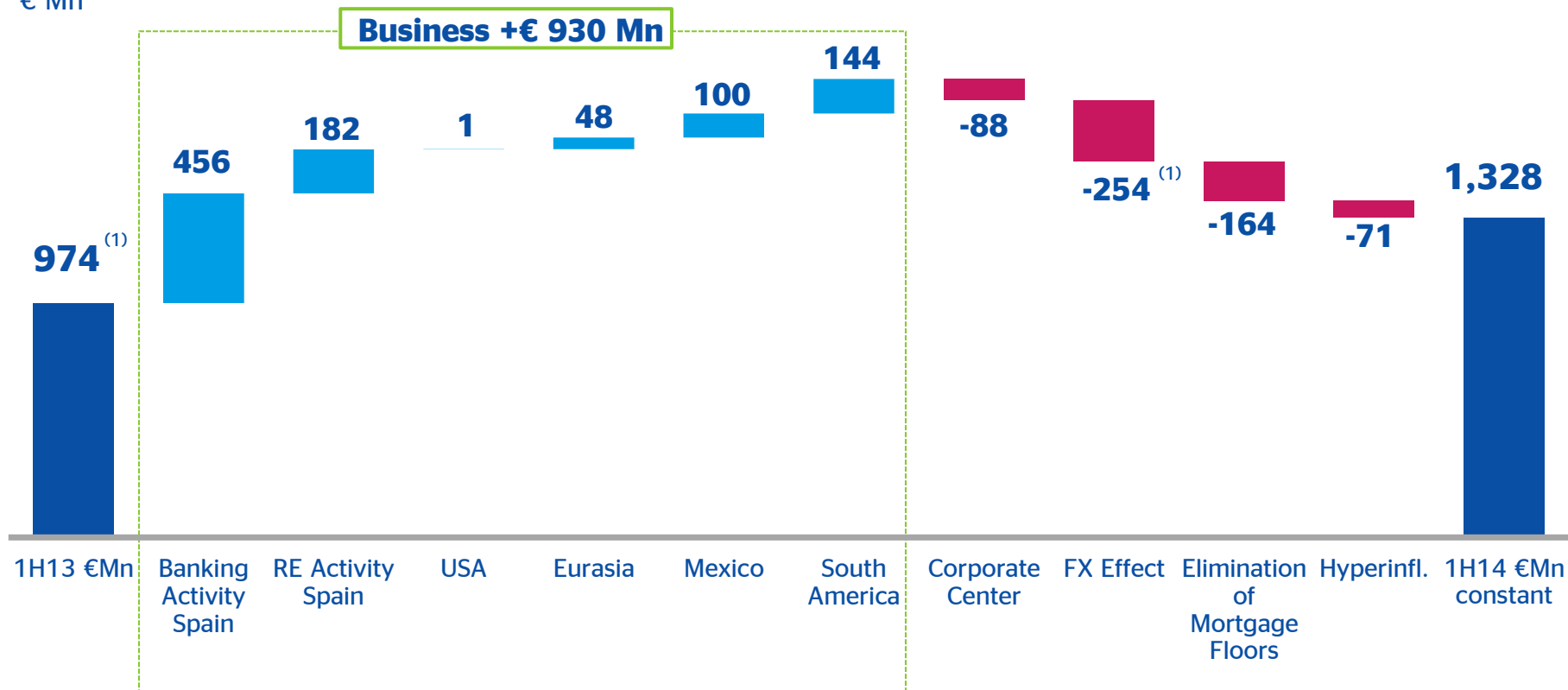


Consolidating the improvement in cost of risk

Net attributable profit growing in all business units

Net attributable profit

€ Mn



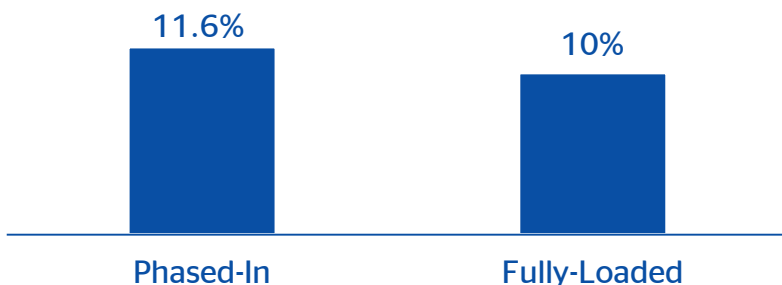
Elimination of mortgage floors and FX impacts less meaningful in 2H14

(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.

1 BBVA Group

2 Business areas

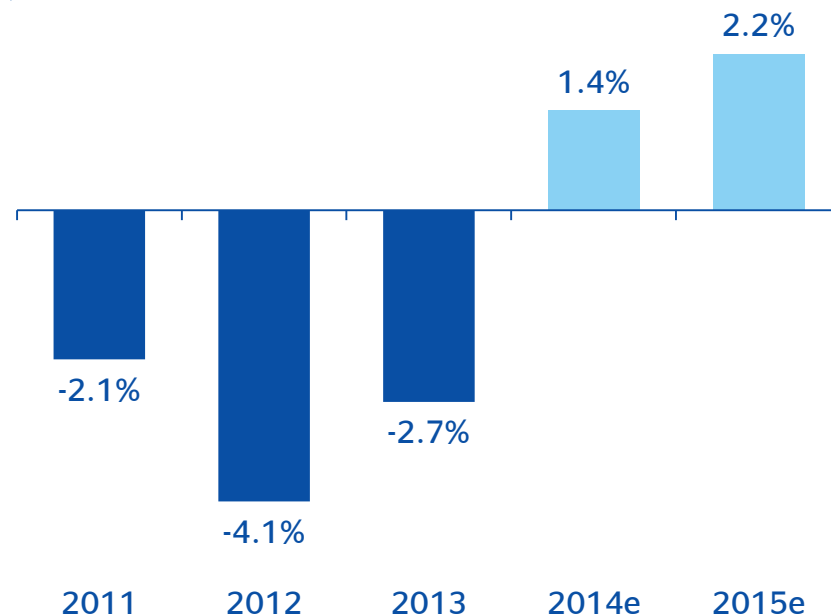
3 Conclusions

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 (%)

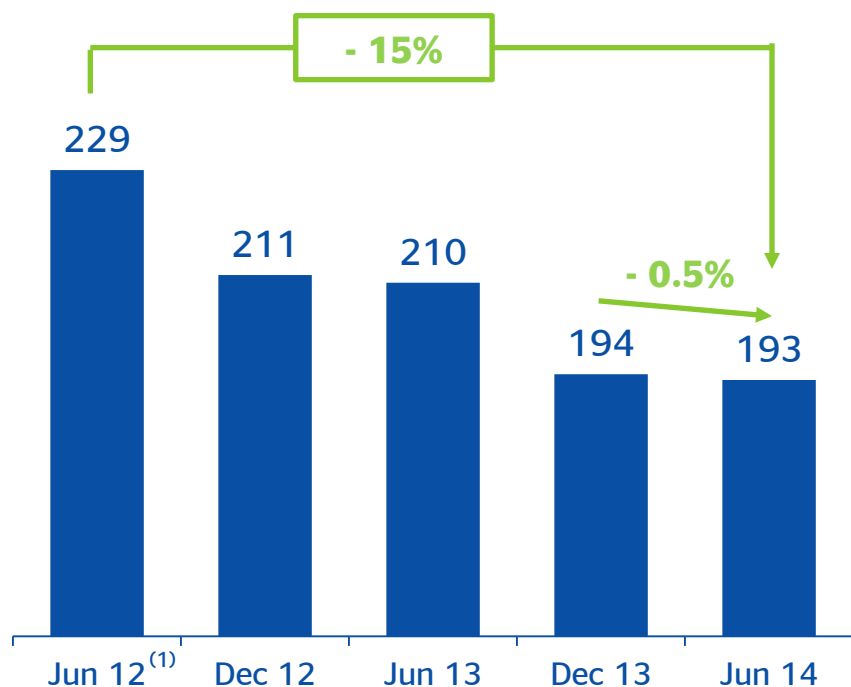


Recovery in internal demand is the determining factor
for new loan production growth

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

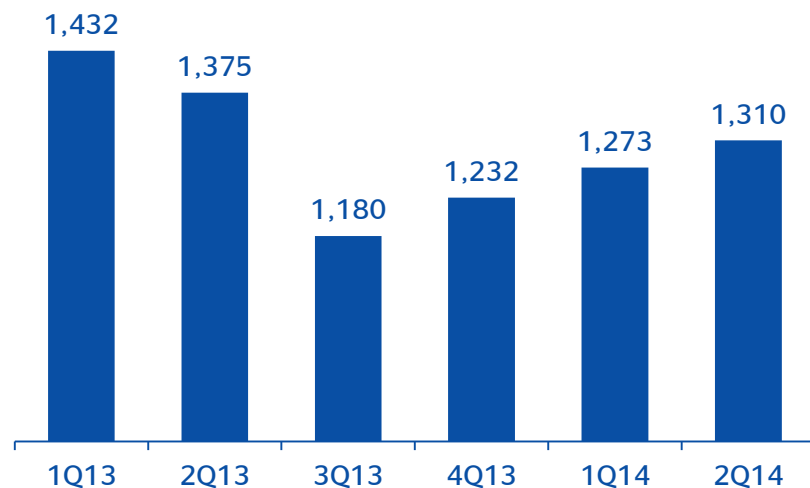
SME flows should pick up in 2H2014 and through 2015

Residential mortgages likely to continue deleveraging in 2015

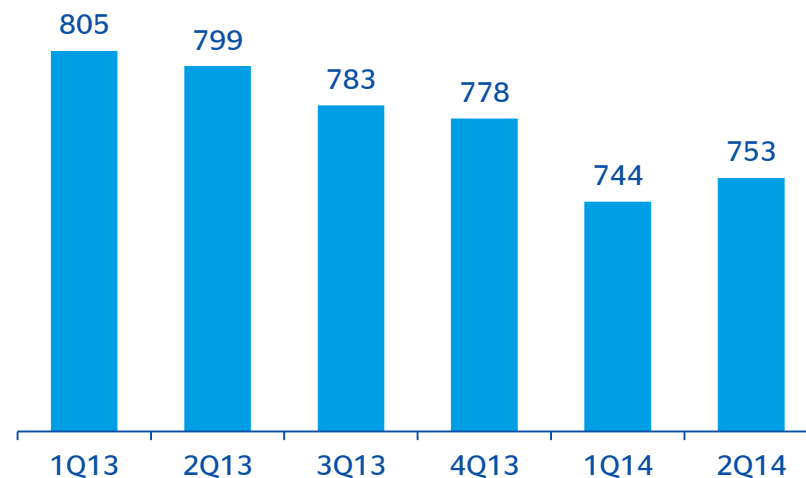
(1) June data pro forma including Unnim acquisition.

Cost control and improving core revenues

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



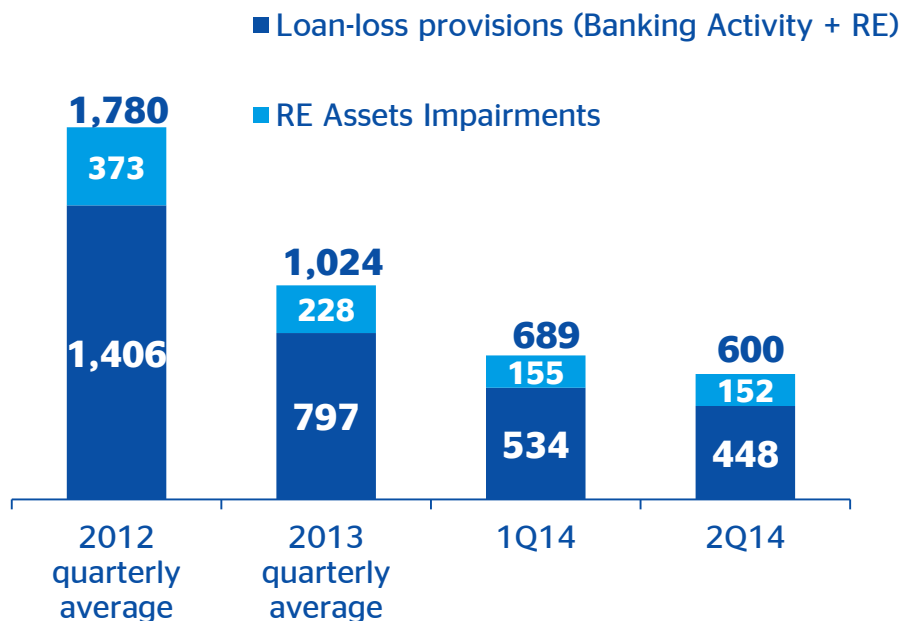
Operating expenses
(€ Mn)
Banking activity + RE



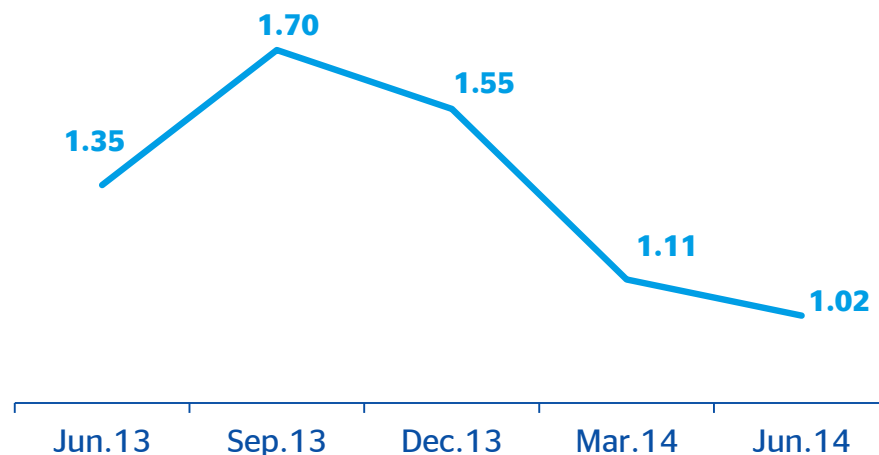
- Deposit cost reduction is the main driver behind the NII improvement
- New loan production should be the driver of NII growth starting in 2015, with mix changing towards more profitable segments
- Continued cost cutting efforts to optimize the operating structure

Provisions continue to come down ...

Evolution of total provisions and RE assets impairments
€ Mn



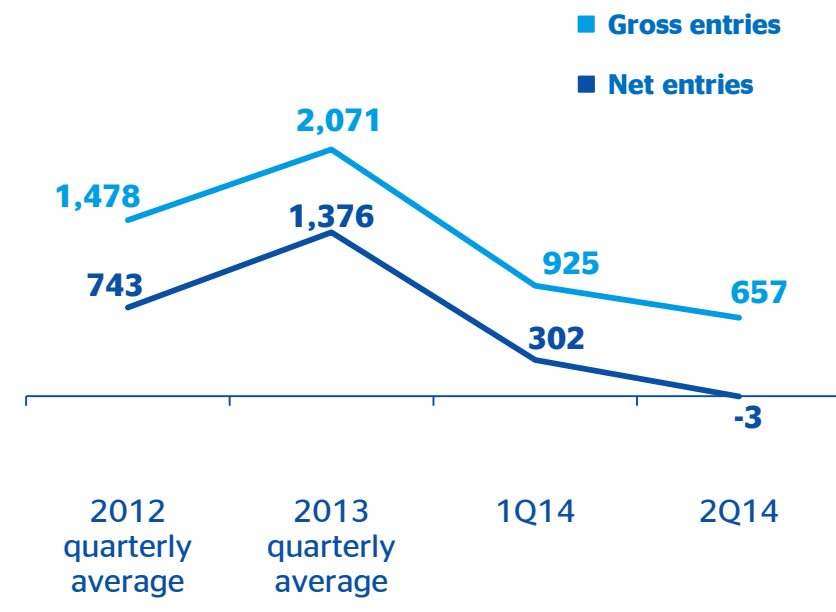
Cost of Risk YTD
Banking activity + RE
(%)



... as a result of improving asset quality

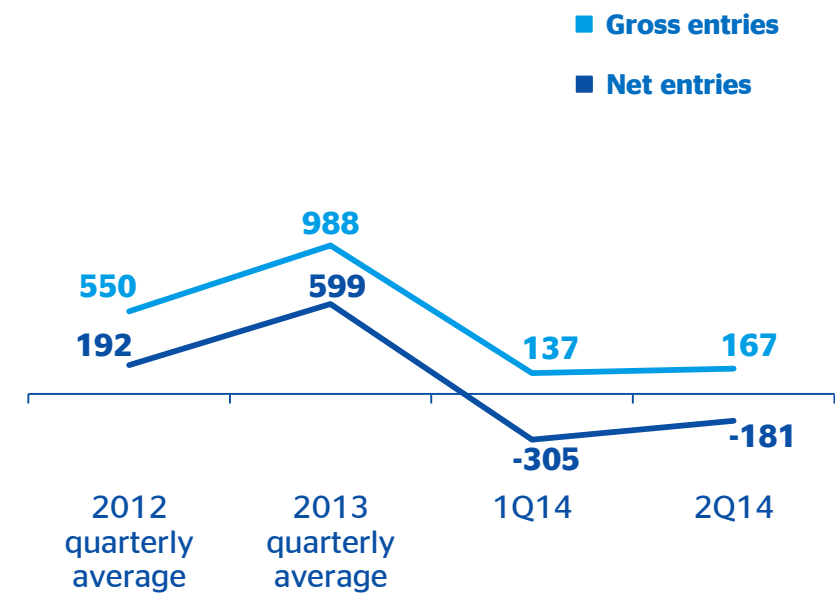
Banking activities

NPAs Entries Evolution
€ Mn



Real estate

NPAs Entries Evolution
€ Mn



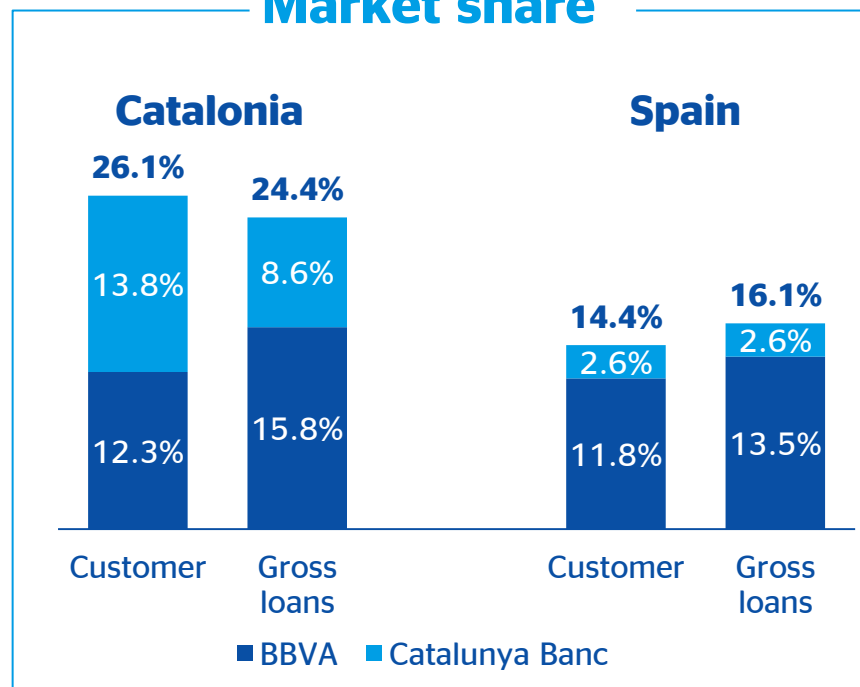
Normalization of provisions should continue following the reduction of gross entries

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)

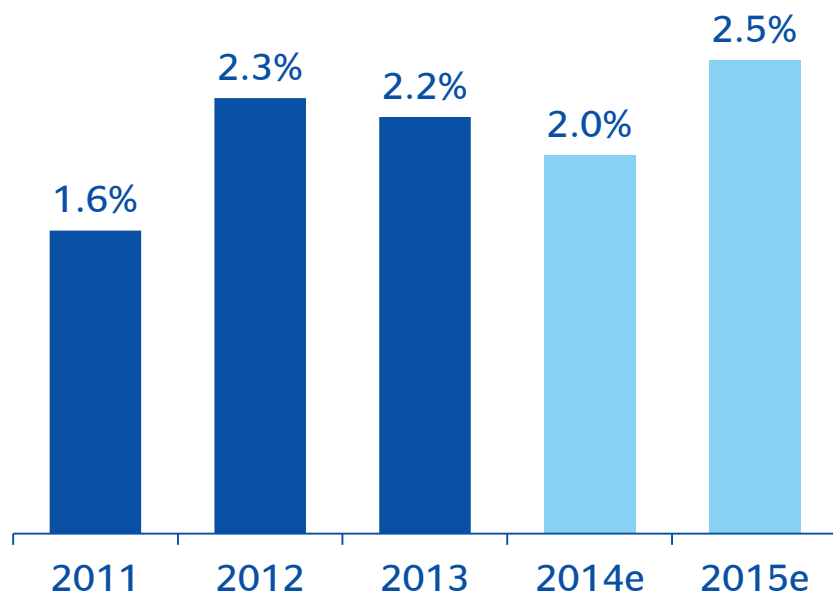
Market share



Gaining 1.5 million customers at the turning point of the cycle

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

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

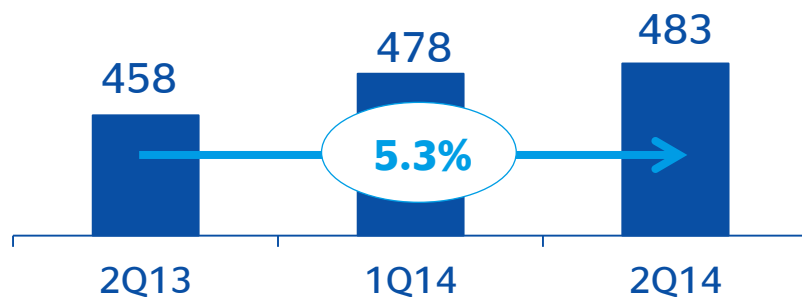
+15.5%

Net Lending

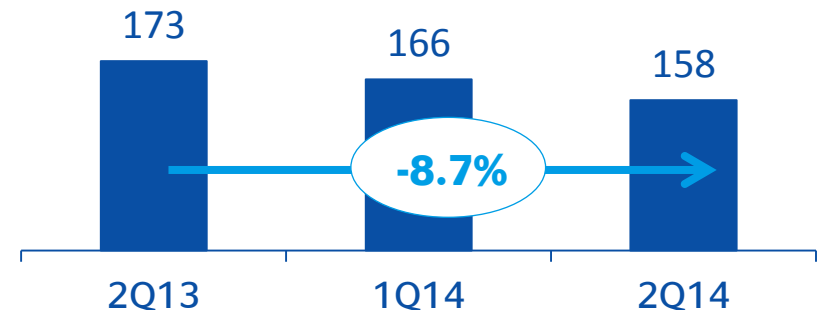
+13.7%

Translating to core revenues

NII+ fees



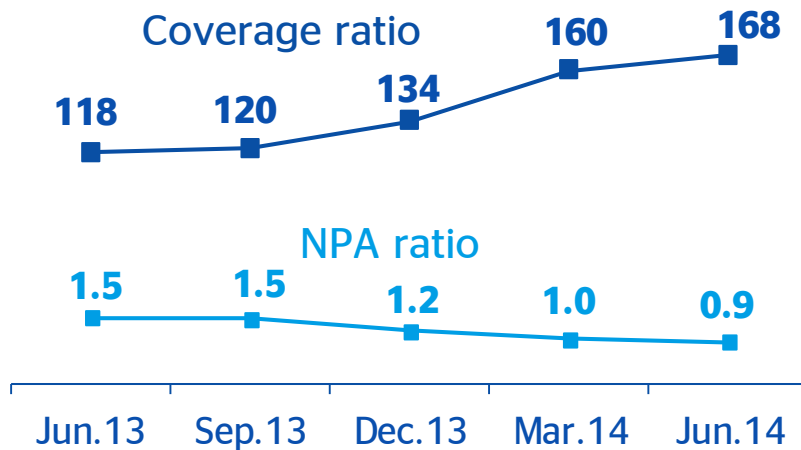
Operating income affected by investments



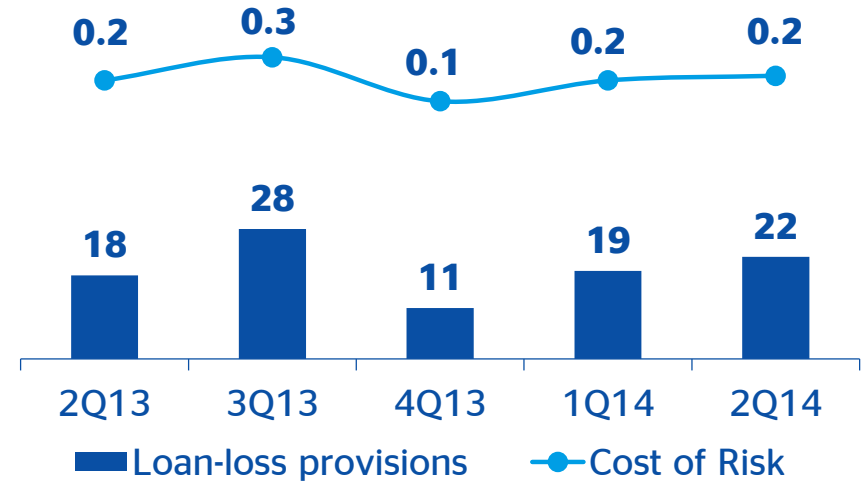
- The challenge is to continue to grow while keeping costs under control
- Positive interest rate sensitivity

Good asset quality performance continues

NPA and coverage ratios
(%)



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

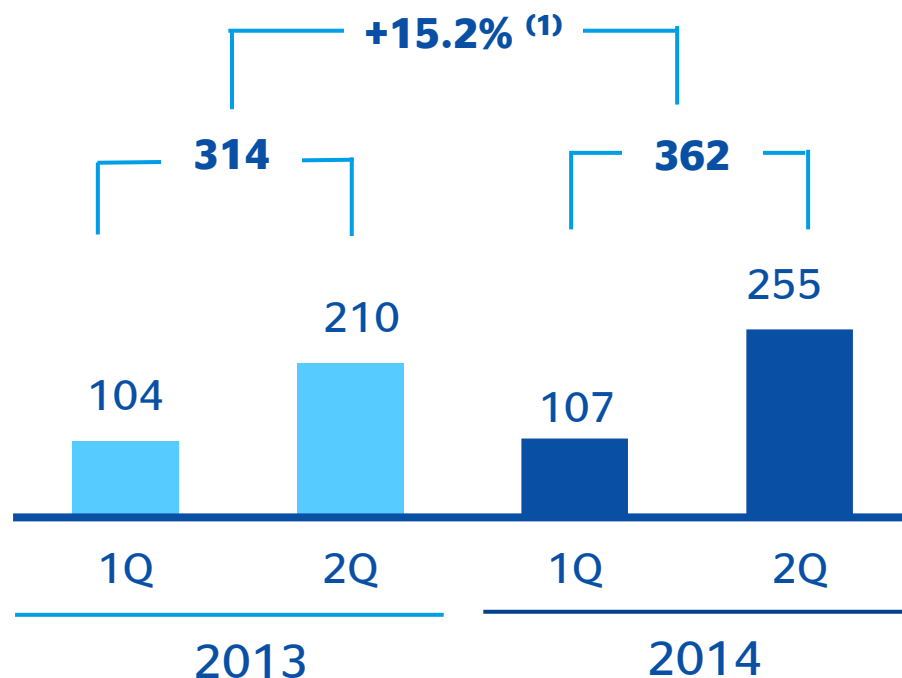


Eurasia: a source of earnings growth

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

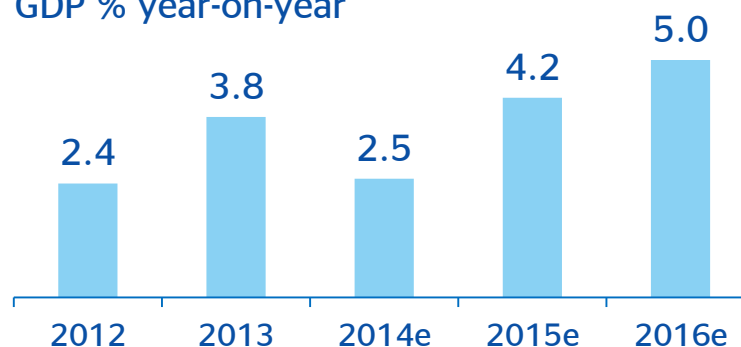
Garanti: better outlook

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

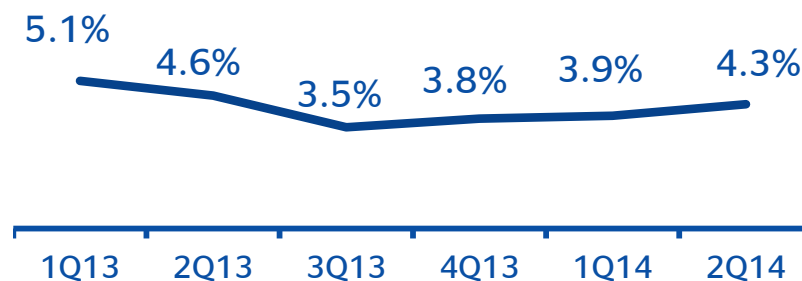
(1) Mortgages, general purpose loans.

GDP growth revised upwards

GDP % year-on-year

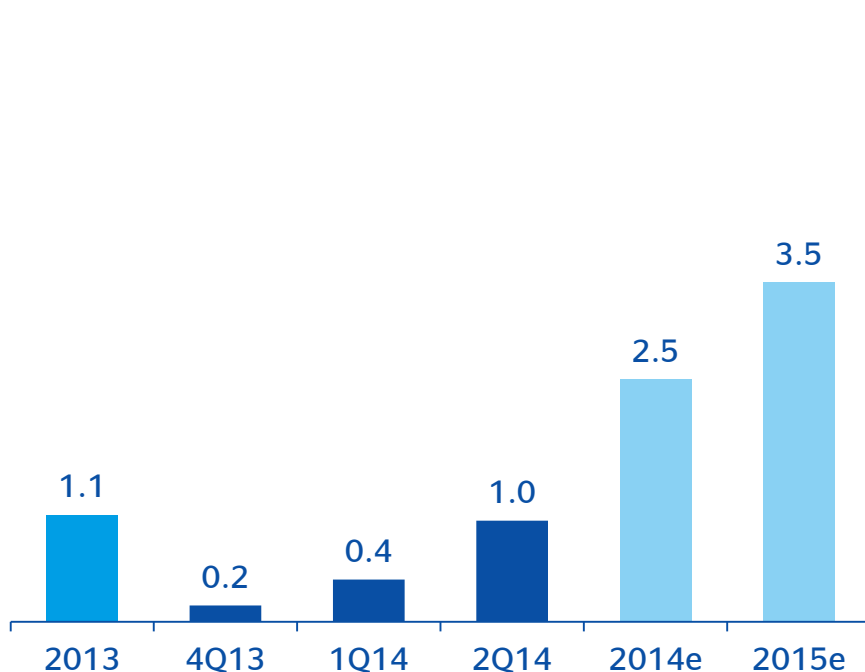


Quarterly NIM improving



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

BBVA Bancomer: Lending growth, maintaining sound asset quality

Gaining market share in more profitable segments

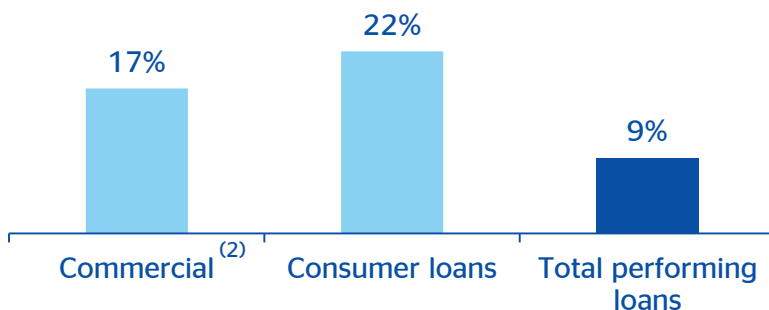
Lending growth per segment ⁽¹⁾
Jun.14 vs. Jun.13

Market share
Jul.14. vs.
Jul.13

+80bp

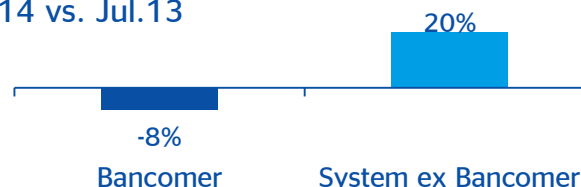
+210bp

+10bp

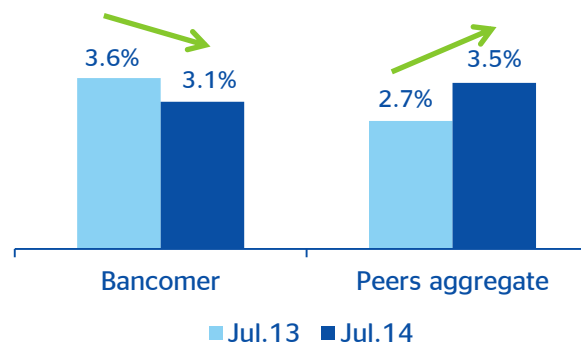


Better asset quality than peers

NPAs growth ⁽³⁾
Jul.14 vs. Jul.13



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

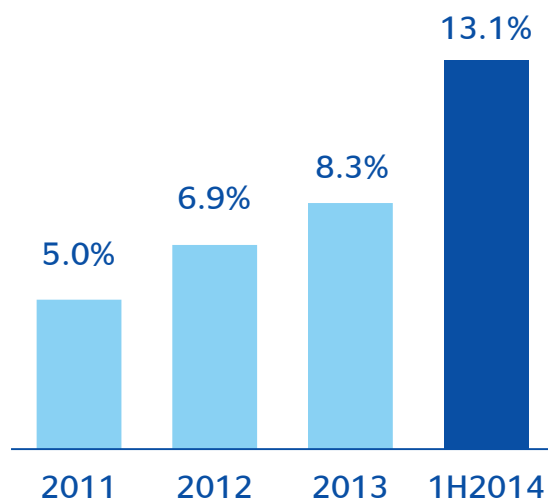


Risk premium to remain stable at around 350 bps

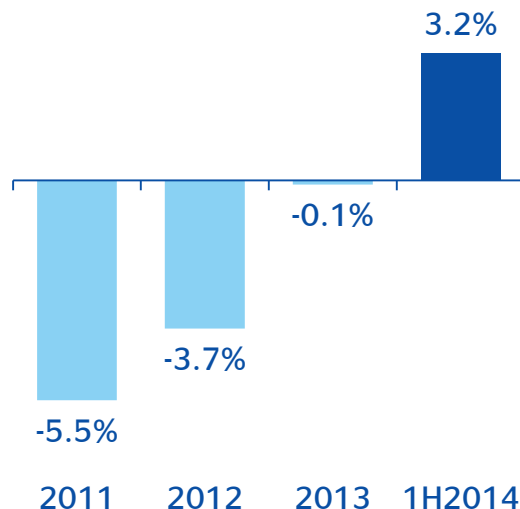
(1) Consolidated data for lending growth and local data for market shares. YoY market share gain Jul.14 vs. Jul.13. (2) Including SMEs, mid-size companies and corporates. Excluding homebuilders. (3) Source: CNBV. Boletín Estadístico. System's data (ex Bancomer) include the 44 banks comprised in Banca Múltiple, except for Bancomer. (4) NPA ratio, according to local criteria (ICV = Índice de Cartera Vencida). Peers aggregate includes Banamex, Banorte, Santander and HSBC.

Improving P&L dynamics

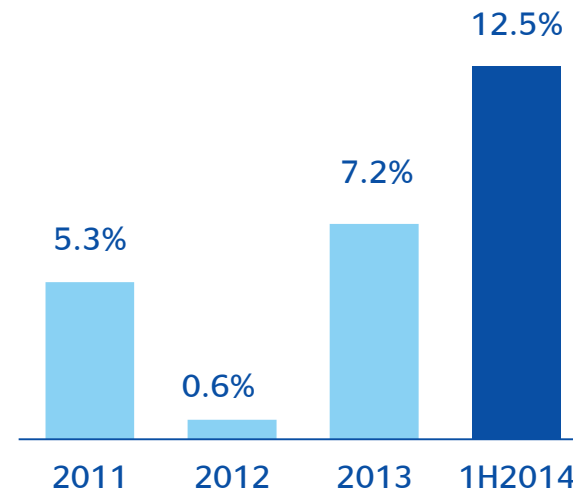
Core Revenues ⁽¹⁾
(YoY growth, constant €)



Operating leverage ⁽²⁾
(YoY growth, %)



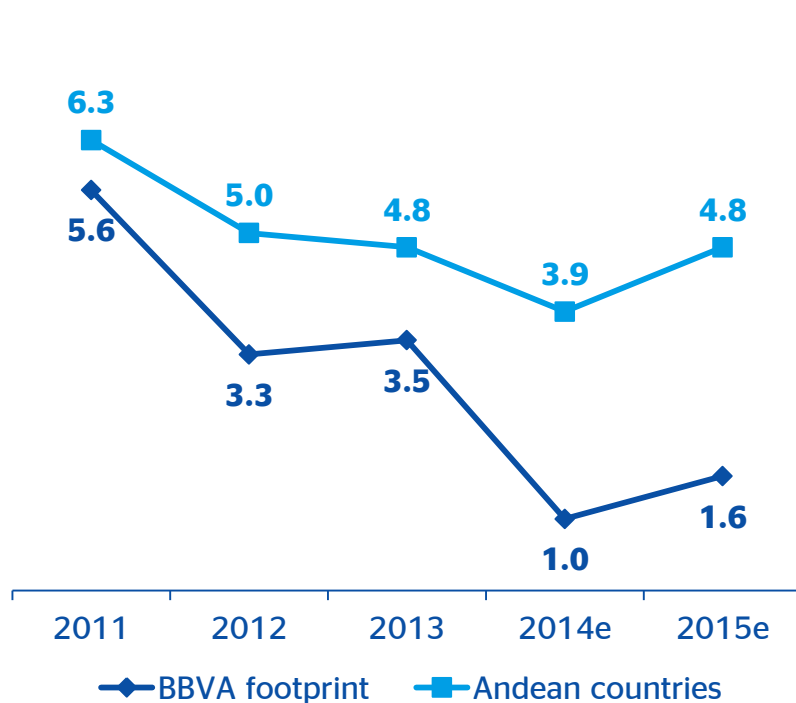
Net profit
(YoY growth, constant €)



- 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

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

BBVA S. America: A well diversified footprint

Business activity
(YoY growth, in constant €)

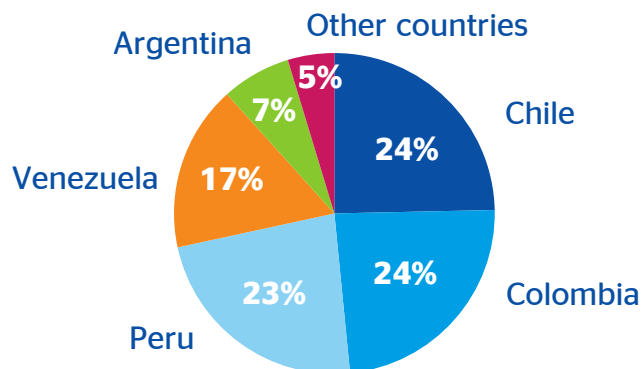
Lending

+24.3%

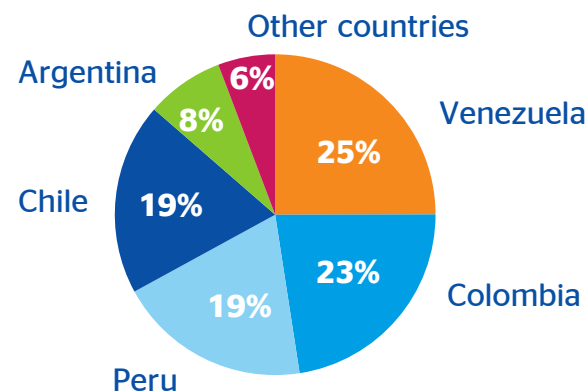
**Customer
Deposits**

+24.1%

Loans under management breakdown
(%, June 2014)



Customer deposits breakdown
(%, June 2014)

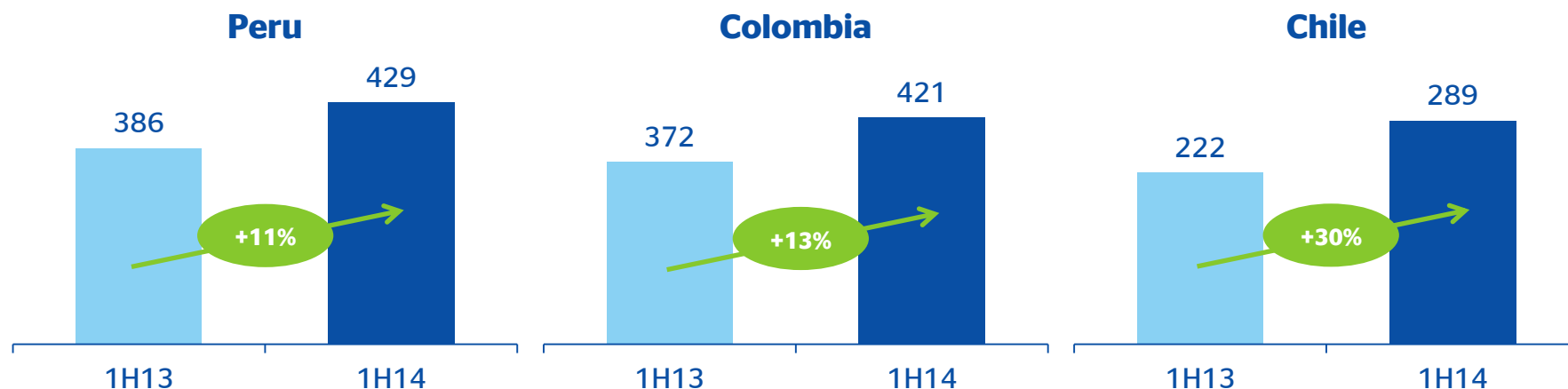


11% market share at a regional level in both loans and deposits

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

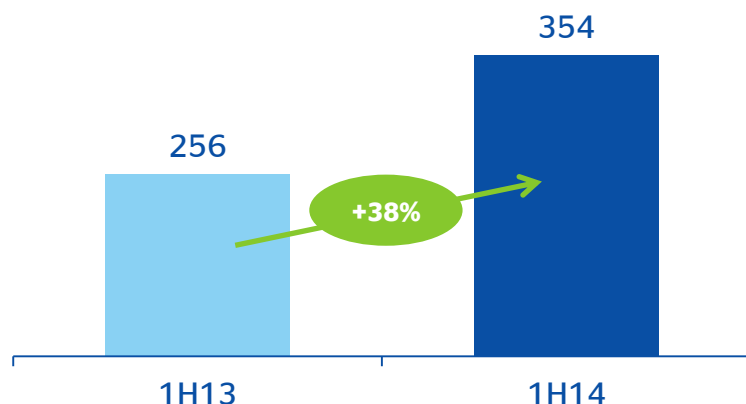
- Continued high loan growth in retail and recovery in commercial
- Positive P&L dynamics boosting bottom-line growth

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

Argentina & Venezuela: resilient performance in local currency despite uncertainties

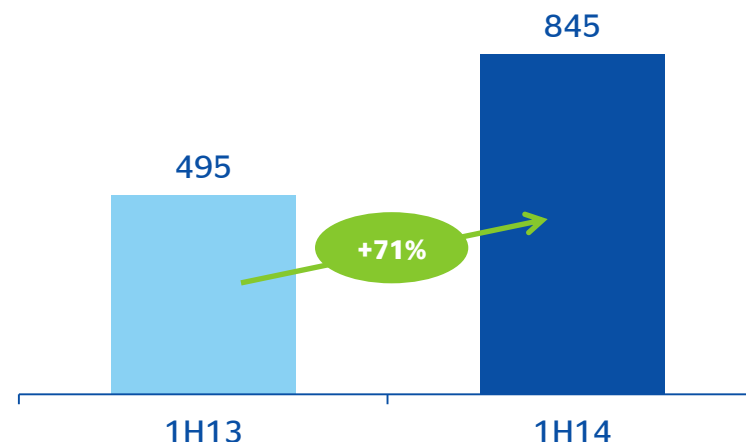
Core revenues evolution ⁽¹⁾
(In constant € Mn)

Argentina



No relevant exposure
to sovereign bonds

Venezuela



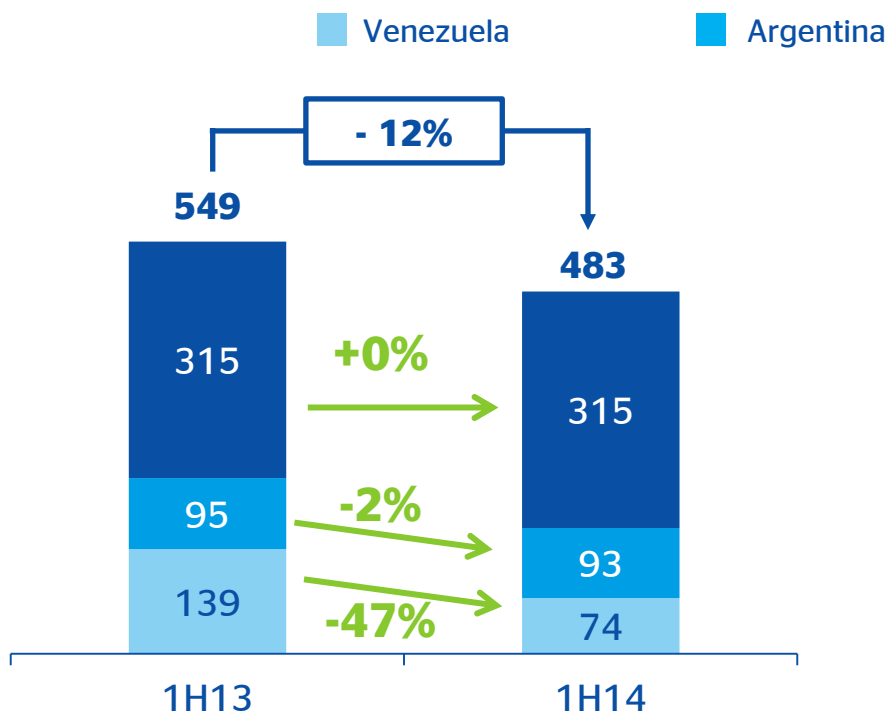
Bottom-line dragged by
hyperinflation adjustment

Affected by FX deterioration in 2014 at a consolidated level

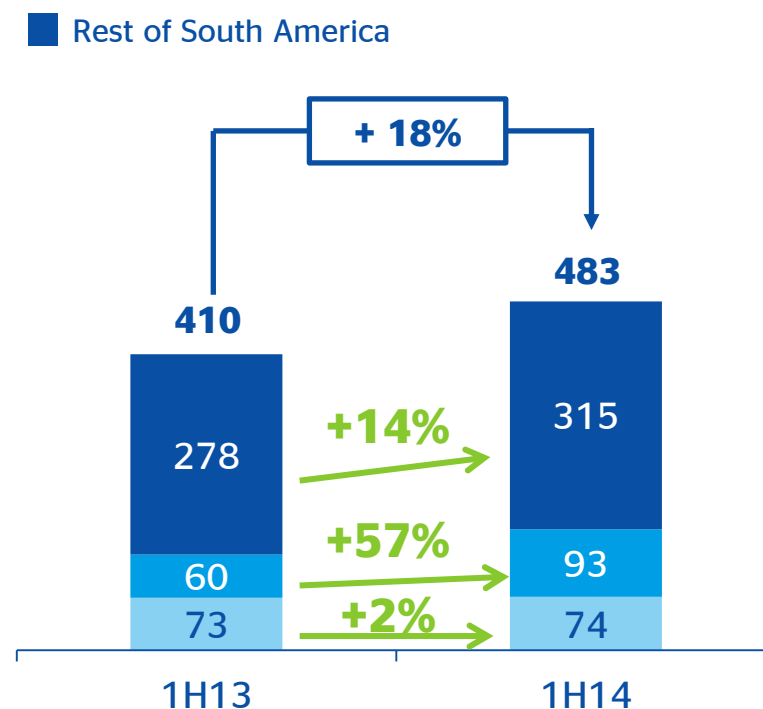
(1) Including net interest income and fees and commissions.

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

1 BBVA Group

2 Business areas

3 Conclusions

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

BBVA: Strong fundamentals and improving operating trends

Jaime Sáenz de Tejada, Chief Financial Officer