

BBVA Spain: Management Priorities in the New Environment

Ángel Reglero, BBVA Spain 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 contained in this document.

This document may contain summarised information or information that has not been audited, 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: Strengths in the new environment**
- 2 BBVA Spain: Management priorities
- 3 Takeaways

BBVA, ready to take advantage of the new industry environment

Industry themes

1

Global growth

2

Regulation

3

Banking industry transformation

BBVA's strengths

A **well-diversified** footprint with **leading** franchises

Ability to **generate capital organically**

Leading the change

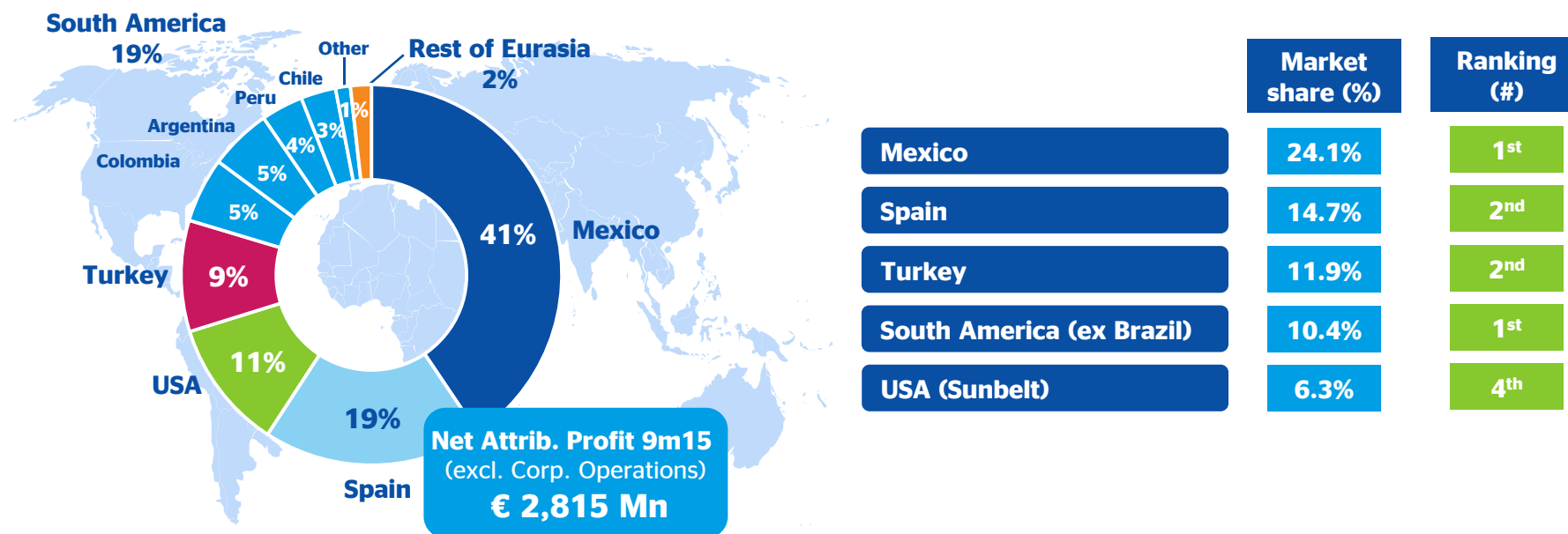
BBVA has a well-diversified footprint supported by dominant and quality franchises ...

BBVA Group's 9m15 Net attributable profit

Breakdown by country ⁽¹⁾

Market share and ranking by loans

Detail by country ⁽²⁾

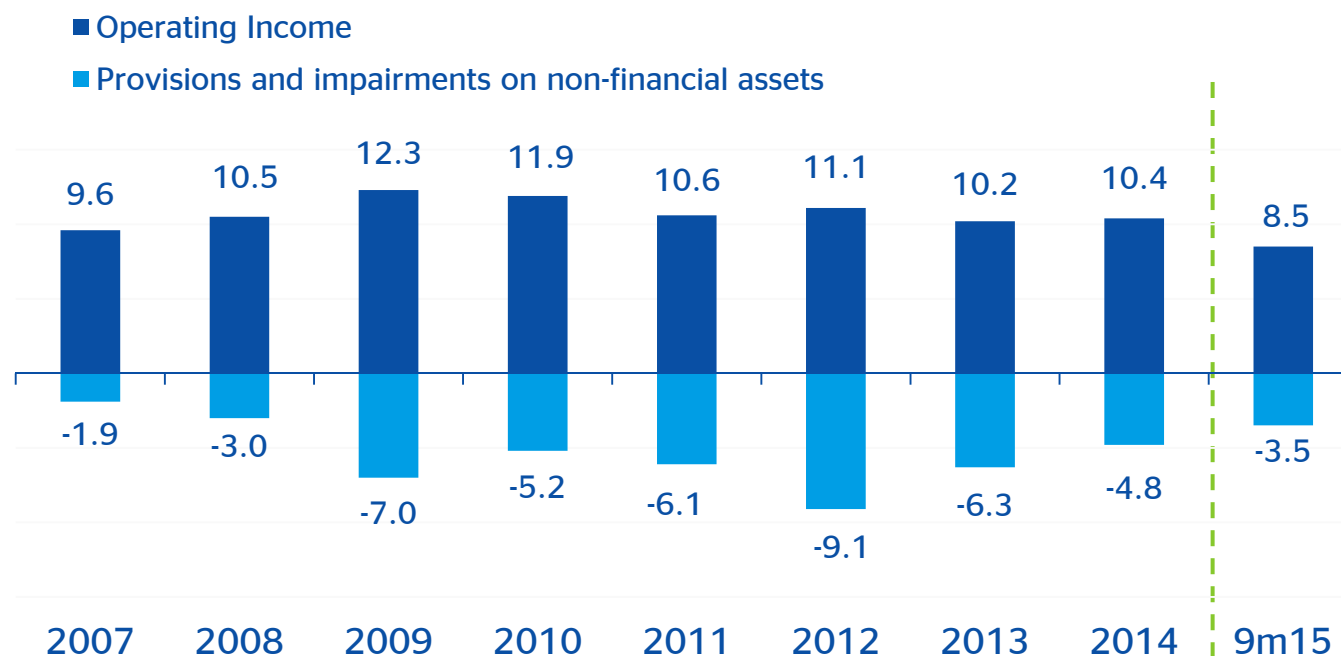


> 90% of net attributable profit coming from investment grade countries ⁽³⁾, mainly from Mexico and Spain

(1) Pro-forma calculation including a 39.9% stake in Garanti. Figures exclude Corporate Centre. (2) Spain: Other domestic sector + Public sector data as of June, 2015 (BBVA+ Catalunya Banc (CX)); Mexico: data as of July, 2015; South America: data as of June, 2015; ranking considering only our main peers in each country; USA: as of June, 2015 considering only Texas and Alabama; Turkey: BRSA data for commercial banks as of September 2015. (3) Investment grade countries: Spain, USA, Mexico, Chile, Colombia, Peru, Uruguay, China, Turkey (except by S&P) and rest of Europe; Non-investment grade countries: Portugal, Argentina, Paraguay and Venezuela.

... allowing BBVA to maintain resilient profits ...

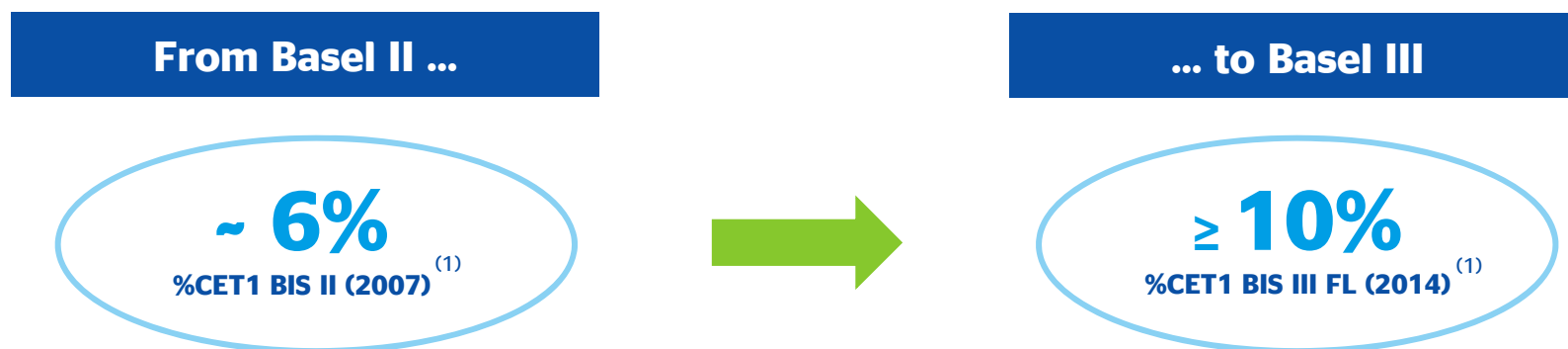
BBVA's operating income vs. provisions and impairment on non-financial assets
(€ Bn)



... even under stressed scenarios

Regulatory environment: despite considerable increase in capital levels in recent years ...

- ✓ Since 2007, banks have increased their capital ratios in a significant manner



- ✓ The focus is now on harmonization (CET1, RWAs), resolution and taxpayer protection



... still unclear impact of the implementation of new proposals

(1) %CET1 average, including BBVA and its European Peer Group (BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCG).

BBVA has a proven ability to generate capital organically

Solvency

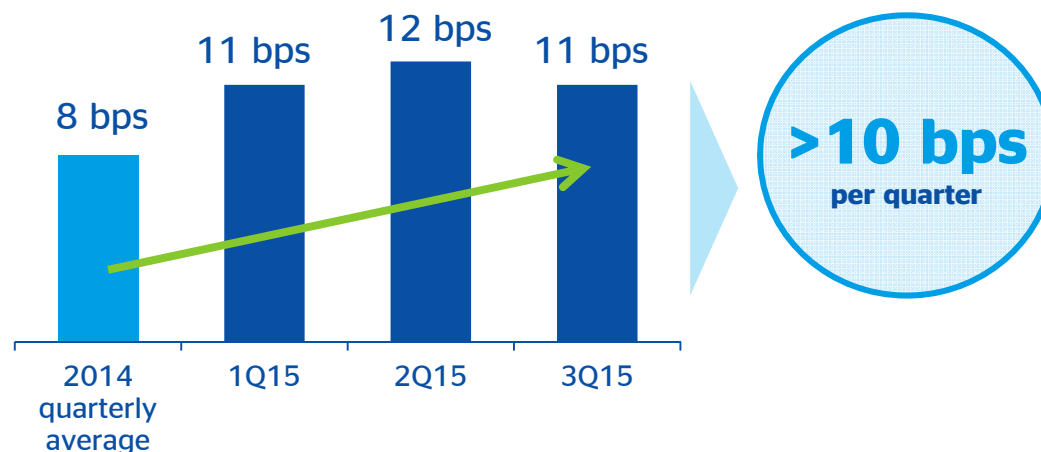
BBVA Group (Sept.15)

CET1 capital ratios

Fully-loaded	Phased-in
9.8%	11.7%

Leverage Ratio

Fully-loaded
5.7%

Organic capital generation
CET1 capital ratio fully-loaded
BBVA Group


Disciplined capital management as a key priority

BBVA stands out among its peers for the quality of its capital

RWAs / Total Assets (%)

#1

53%

33%

BBVA

European Peers
average

Leverage ratio(%) ⁽¹⁾

#1

5.7%

4.3%

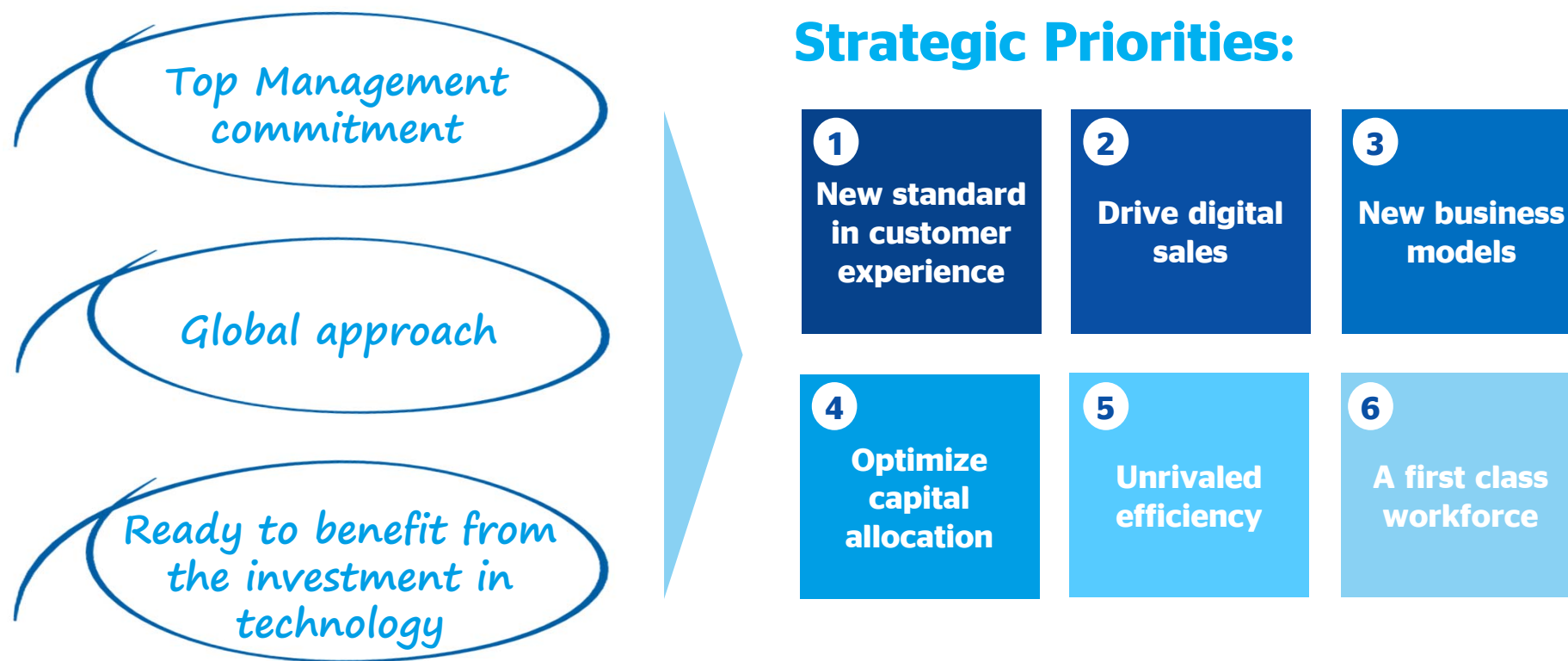
BBVA

European Peers
average

Well prepared for the harmonization process

(1) CRDIV fully-loaded. Within the European Peers average for the leverage ratio, CASA e ISP do not publish their leverage ratio.
European peer group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCG. European peer data as of Jun.15 vs. BBVA as of Sept.15

BBVA ahead of its peers in the industry transformation process



Customer at the center of all strategic decisions



- 1 BBVA Group: Strengths in the new environment
- 2 BBVA Spain: Management priorities**
- 3 Takeaways

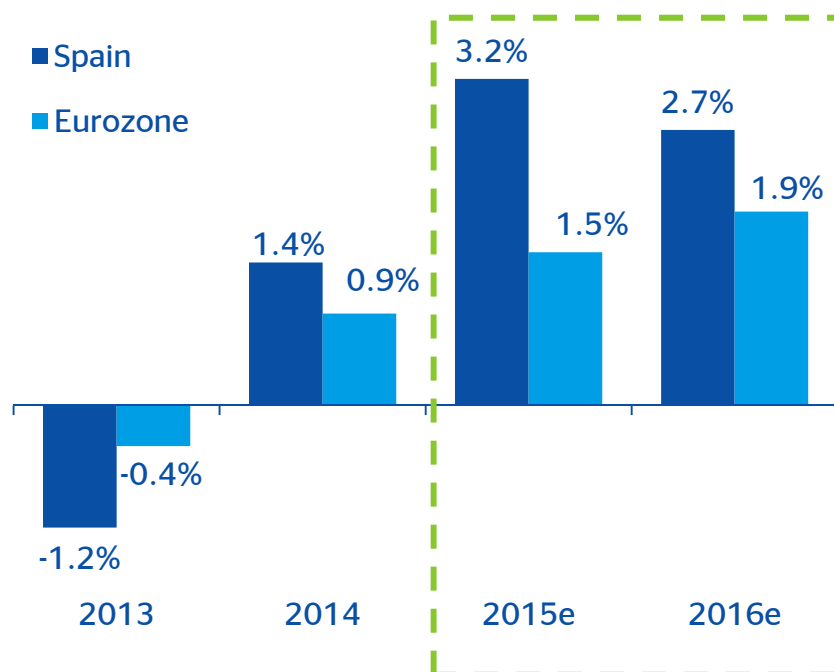
Economic growth: Spain will continue growing more than Eurozone

GDP Growth

(%)

■ Spain

■ Eurozone



Source: BBVA Research

Strong contribution of internal demand, highlighting the recovery of investment in machinery and equipment

Expansionary **monetary and fiscal policies**, and **low oil prices** support Spanish recovery

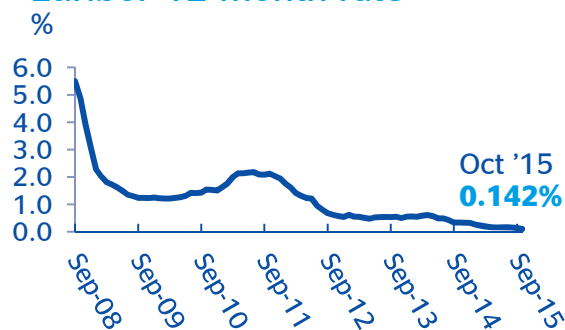
EUR/USD depreciation benefits exports

The recovery of domestic demand key for new loan production growth

Challenges and opportunities in the new banking business environment

Historically low Interest rates

Euribor 12 month rate



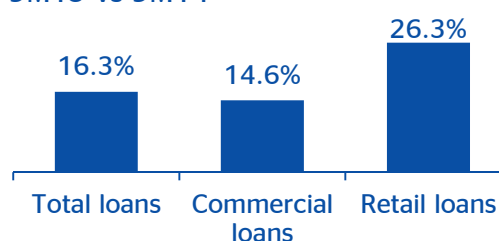
Source: Bloomberg

Regulation

- ✓ Impact on **future profitability** still unclear

Early signs of demand recovery

New loan production in Spain
9M15 vs 9M14



Source: Bank of Spain

New customer expectations and behaviours

- ✓ **Mobile & internet** transforming society



Competitive landscape

- ✓ Banks' focus on capturing solvent demand impacting **customer spreads**

New competitors with new value propositions

- ✓ **Fintech start-ups** disaggregating the value chain
- ✓ **Digital players**



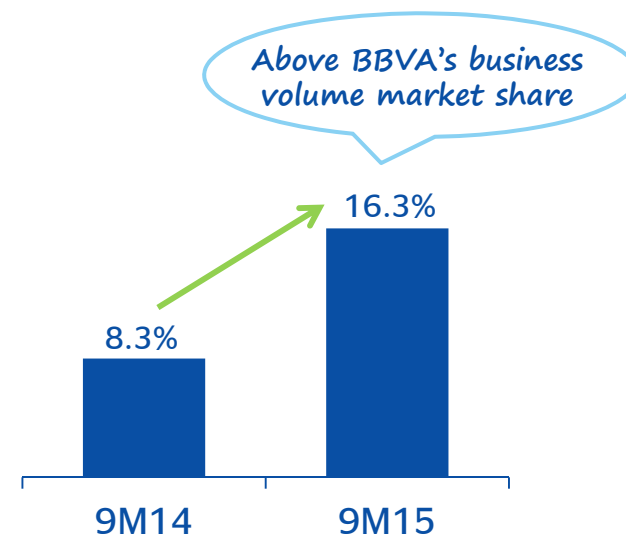
BBVA Spain well positioned to benefit from the new environment

BBVA Spain management priorities

- 1 **Profitable growth**
- 2 **Risk management**
- 3 **Transformation**

Net attributable profit market share ⁽¹⁾

BBVA Spain Banking Activities + Real Estate

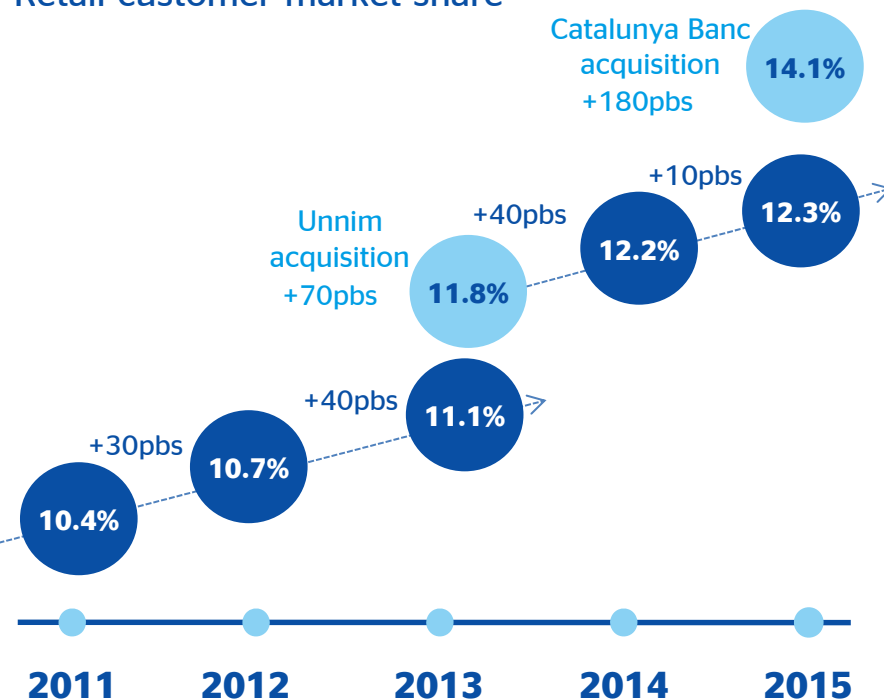


(1) Market share considering the following peers: CABK, SAN (Spain + RE), SAB, POP, BKIA and BKT

In the new environment, banks need higher market share to be profitable

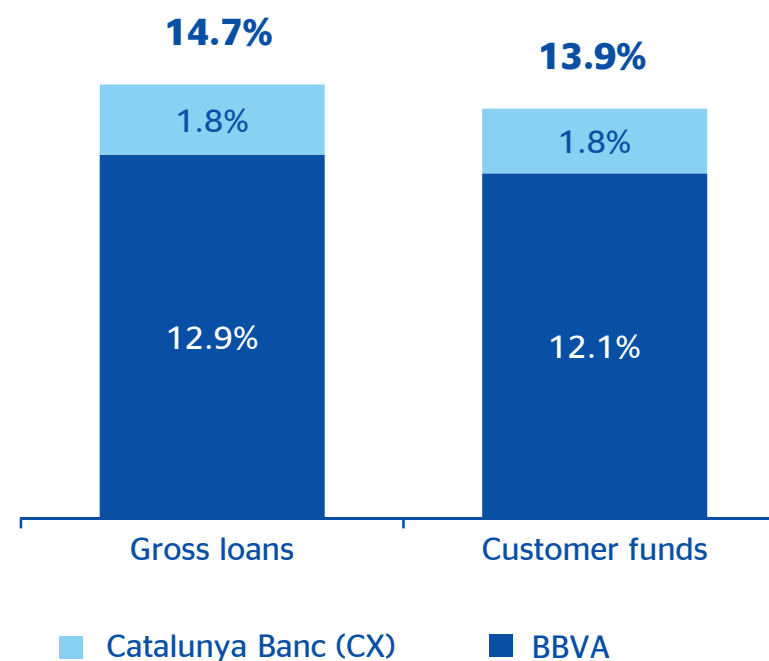
BBVA has gained market share organically and through acquisitions ...

Retail customer market share



Source: FRS Inmark, first supplier share.

... being one of the leaders in the Spanish banking industry



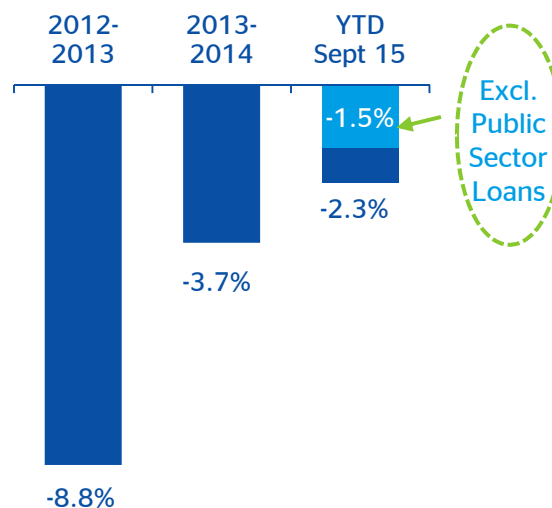
Source: Gross Loans (Other domestic sector+Public Sector Loans) and customer funds (deposits, mutual and pension funds) based on Bank of Spain data as of June 2015.

Deleveraging process coming to an end

Slight loan decrease explained by public sector and residential mortgages

Gross loans evolution ⁽¹⁾

BBVA Spain Banking Activity, ex-CX

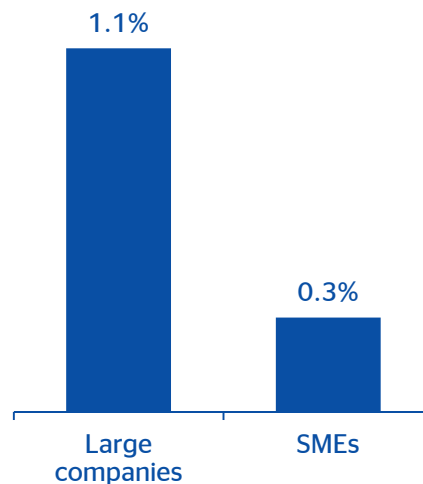


(1) Gross loans excluding Repos

Commercial banking already growing the stock

Gross loans evolution

YTD evolution Sept 15, ex-CX

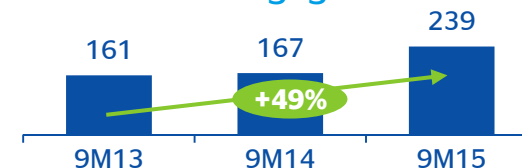


Retail banking: strong new loan production growth

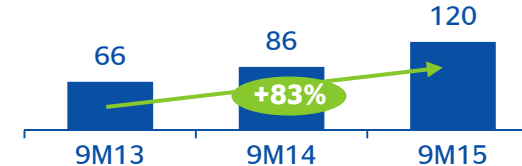
New loan production by segment

Monthly average ex-CX (€ Bn)

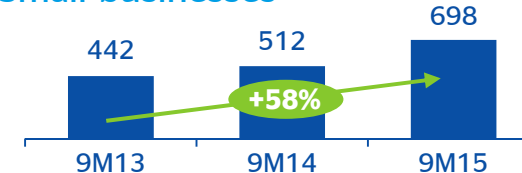
Residential mortgages



Consumer loans



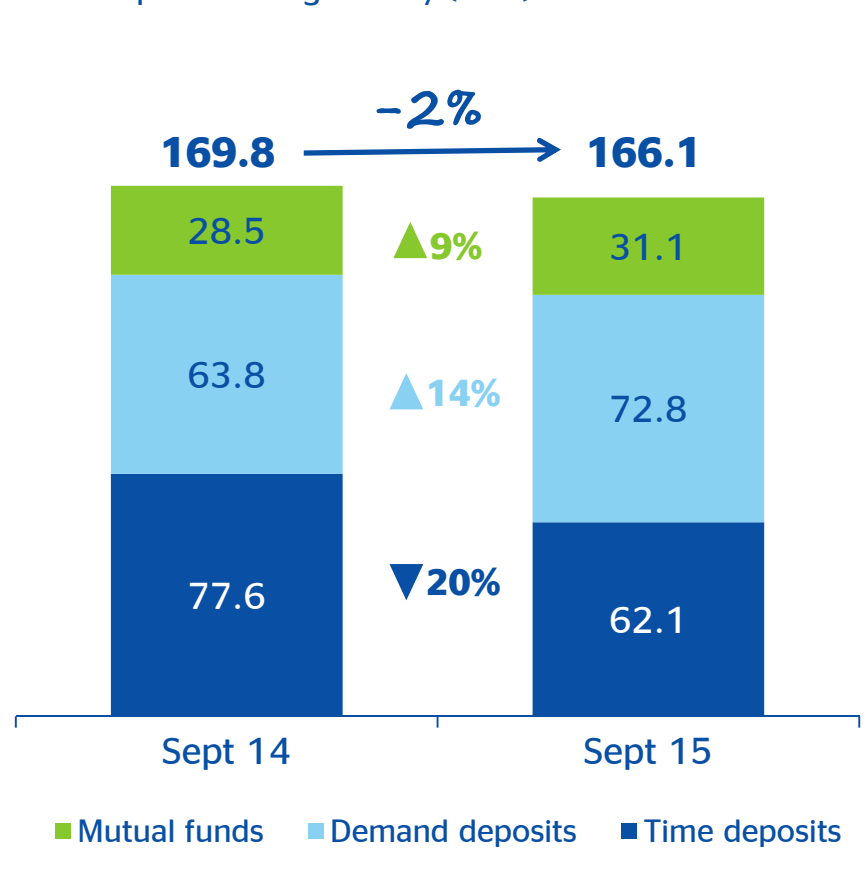
Small businesses



A more profitable mix of customer funds

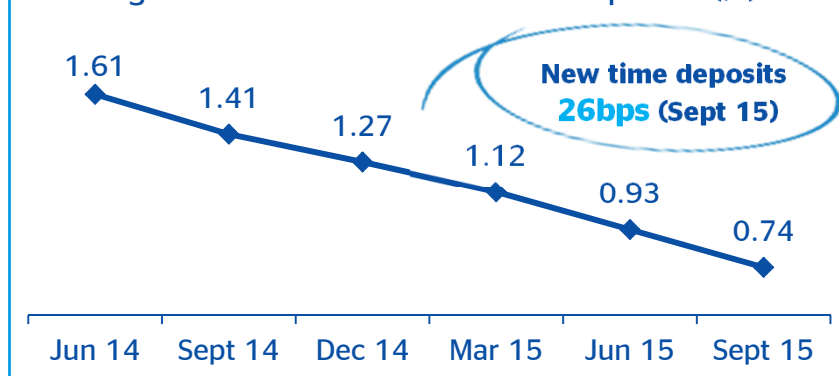
Customer funds evolution, ex-CX

BBVA Spain Banking Activity (€ Bn)



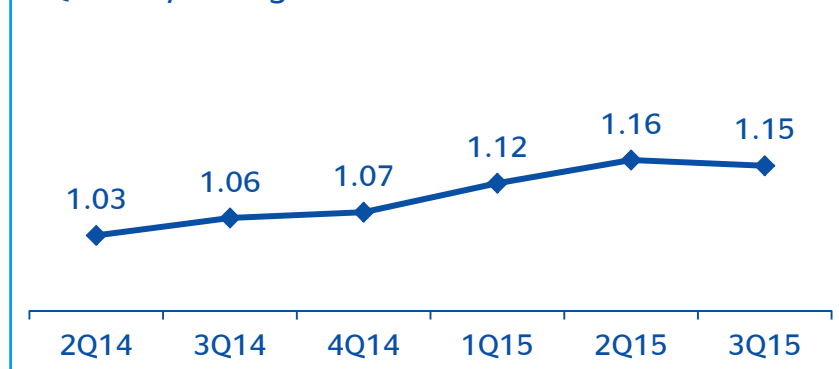
Cost of time deposits, ex-CX

Average cost on the last month of the quarter (%)



Average fee on mutual funds, ex-CX

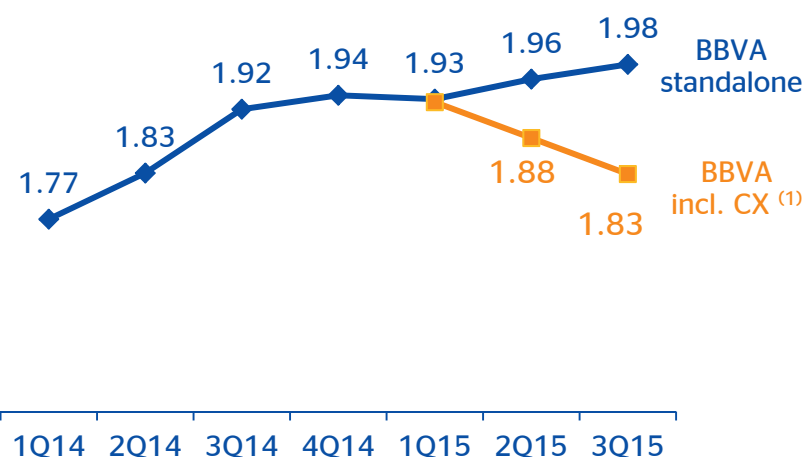
Quarterly average (%)



Net interest income growth driven by improvement in customer spread ...

Customer spread evolution

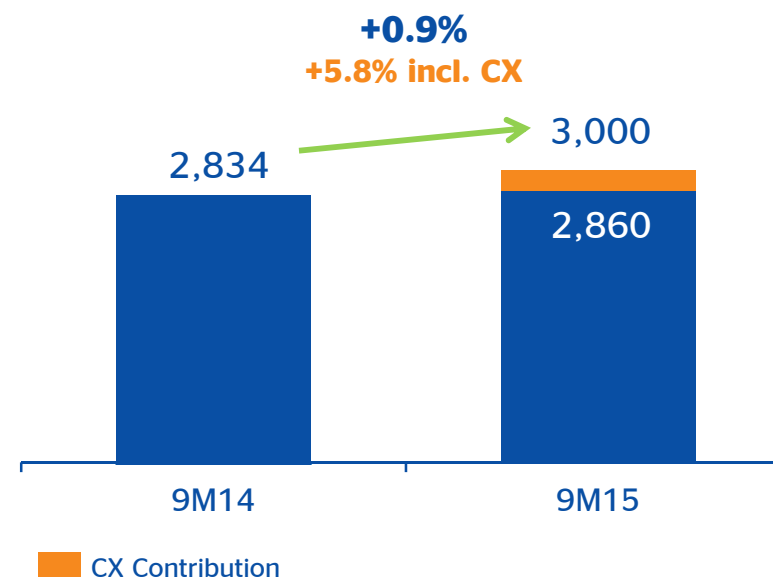
BBVA Spain Banking Activity (in %)



(1) Customer spread including CX since integration in April 24th

Net Interest Income evolution

BBVA Spain Banking Activity (€ Bn)

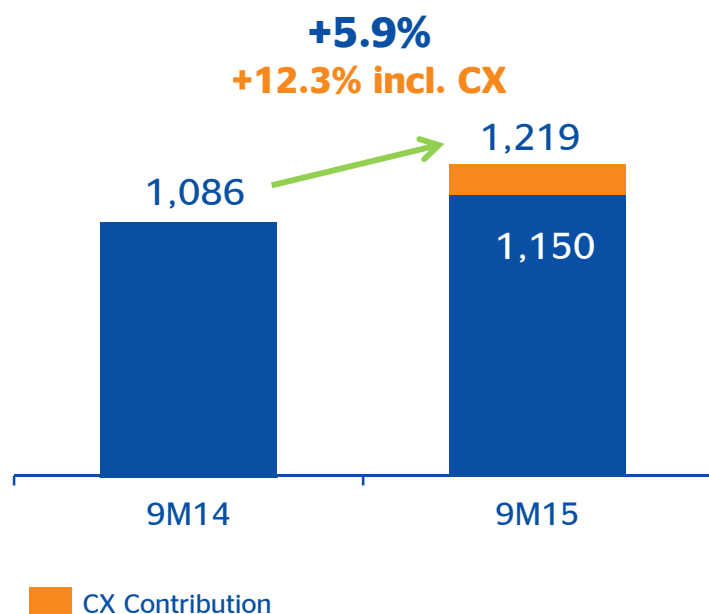


... loan demand recovery as the next key variable

Revenue diversification in a low interest rate environment

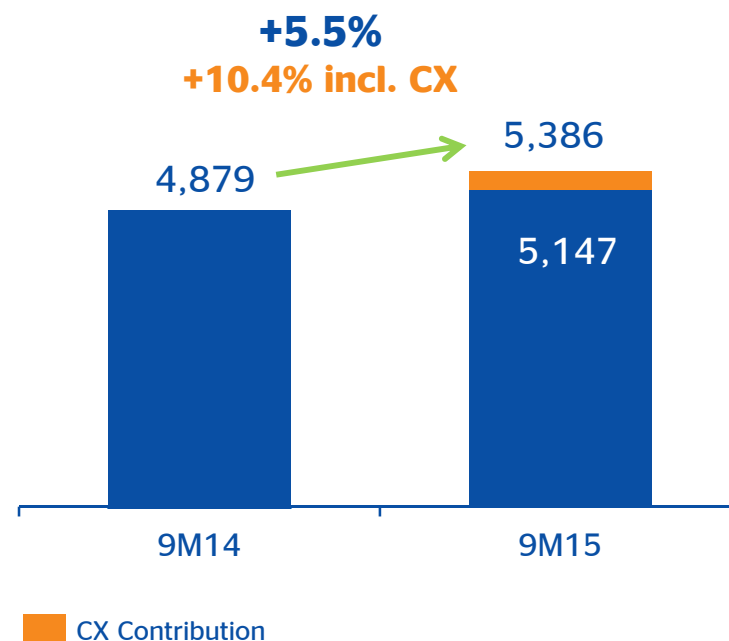
Net Fees and Commissions

BBVA Spain Banking Activity (€ Bn)



Gross Income

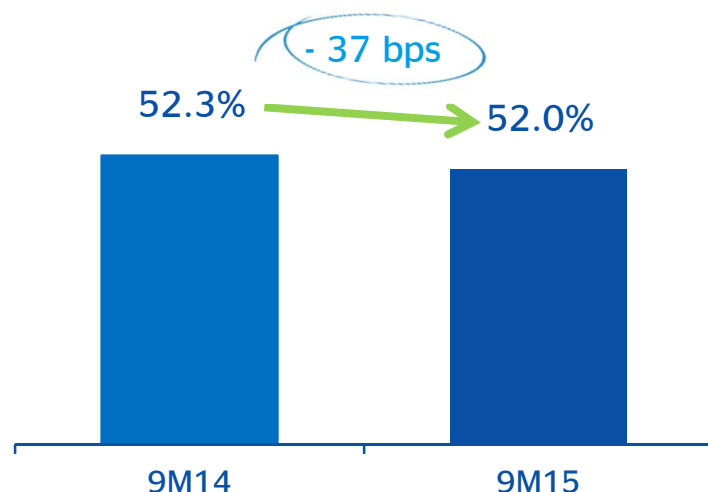
BBVA Spain Banking Activity (€ Bn)



Ongoing cost control improvement

Efficiency ratio excluding Net Trading Income

BBVA Spain Banking Activity (%)



Efficiency improvement despite:

Catalunya Banc consolidation in 2015

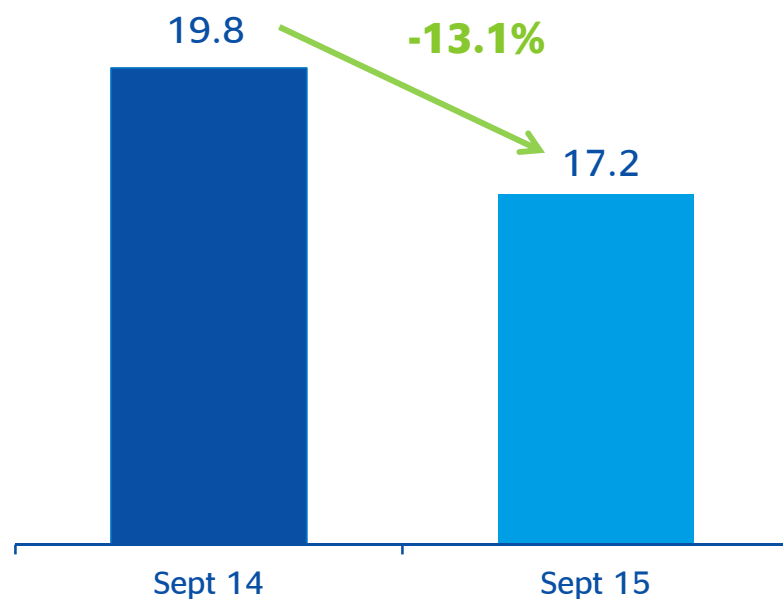
Reallocation of expenses from the Corporate Center to Spain in 2015

CX integration allows for additional cost savings

Risk indicators continue to evolve favorably

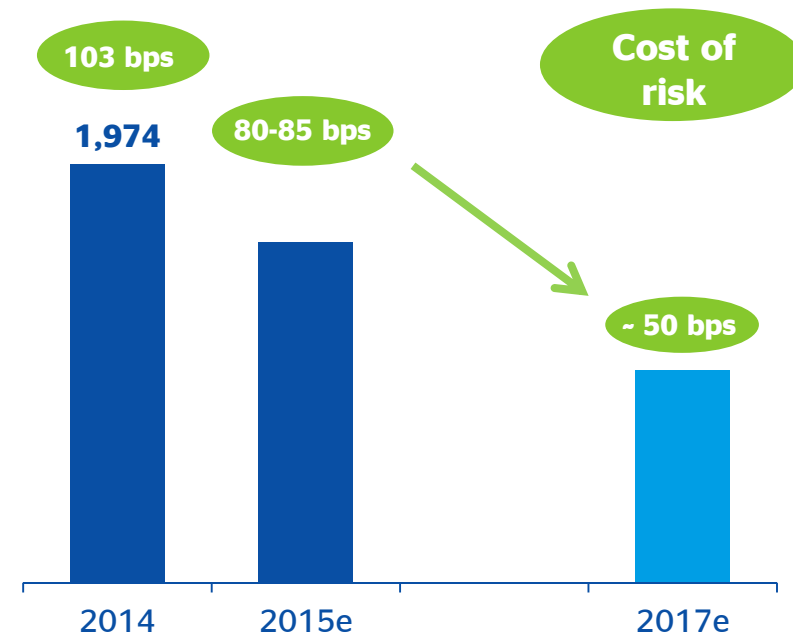
NPLs

Spain Banking Activity + RE (€ Bn, ex-CX)



Loan Loss Provisions and Cost of Risk

Spain Banking Activity + RE (€ Bn, ex-CX)

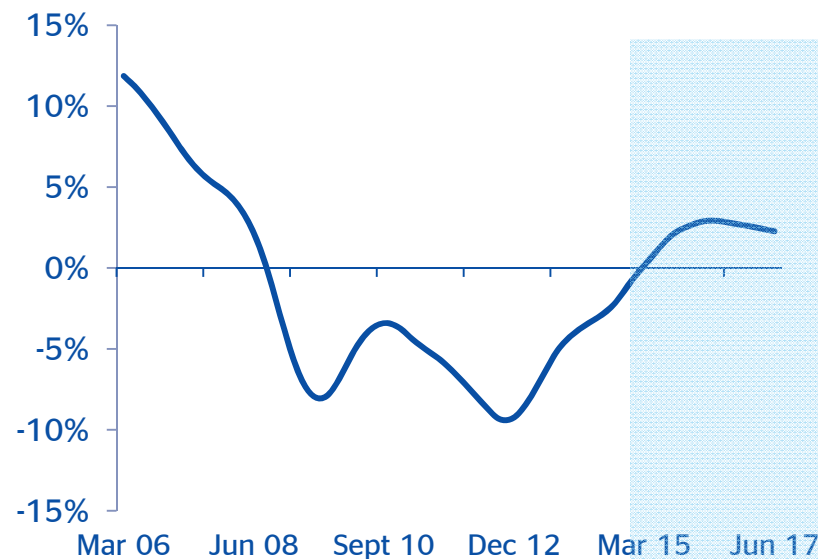


Cost of risk normalization as the key P&L driver

Improving dynamics in the Spanish Real Estate market

Housing prices have bottomed-out

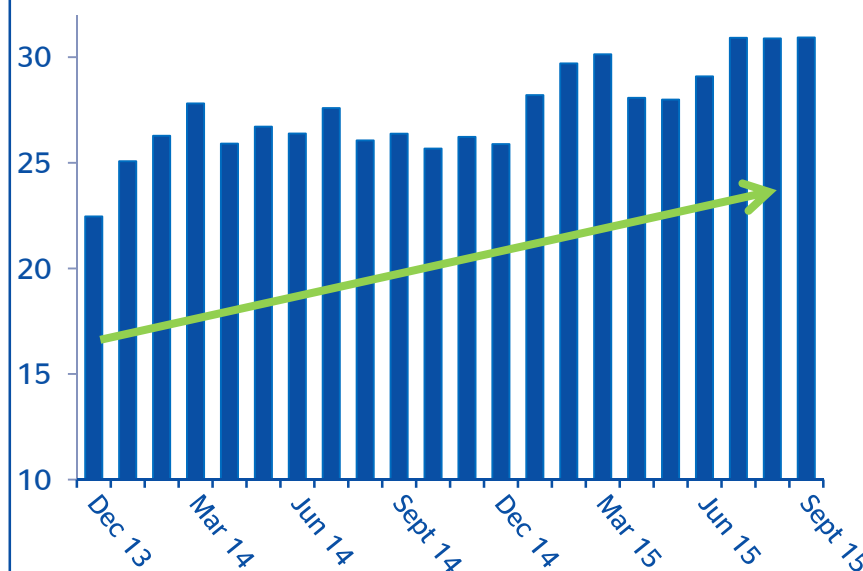
House price evolution
YoY (%)



Source: BBVA estimates based on Ministry of Public Works and Transport data.

Demand is growing from very low levels

Residential homes sales
Quarterly moving average (in thousands of units)

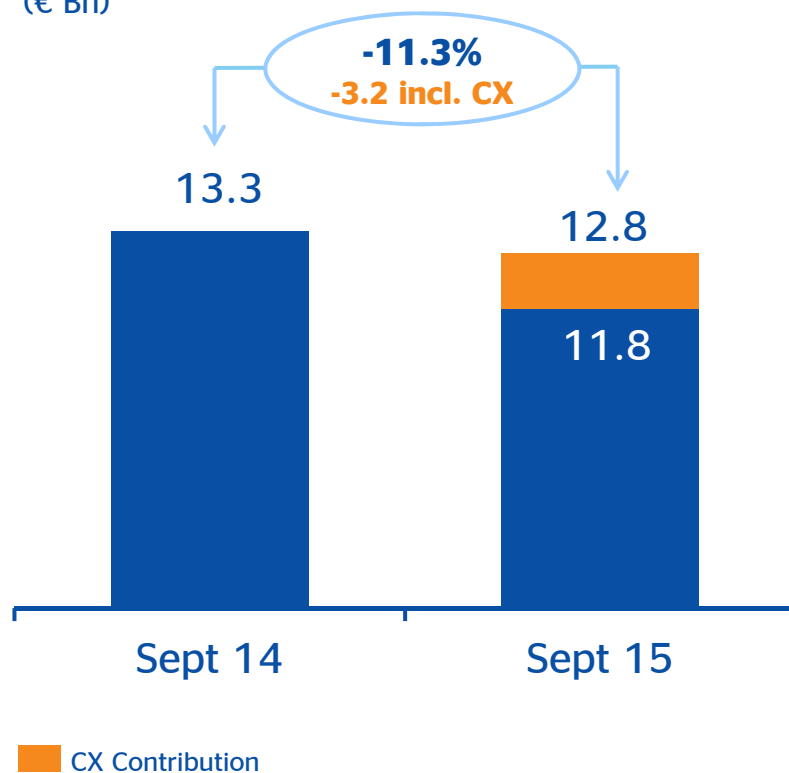


Source: BBVA and INE.

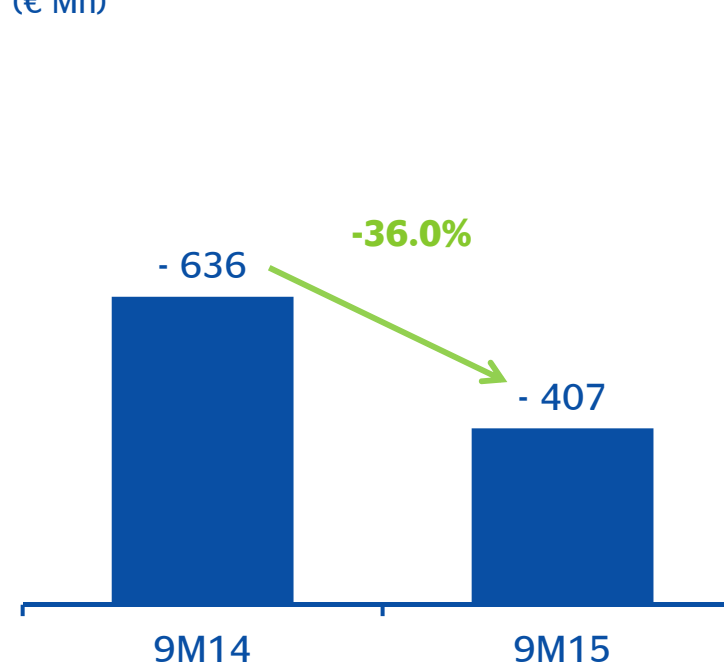
Reduction of unsold stock continues thanks to demand recovery in the absence of new home building

BBVA gradually decreasing its Real Estate exposure ...

BBVA's Real Estate Net exposure ⁽¹⁾
(€ Bn)



BBVA' Real Estate Net Attributable Profit
(€ Mn)



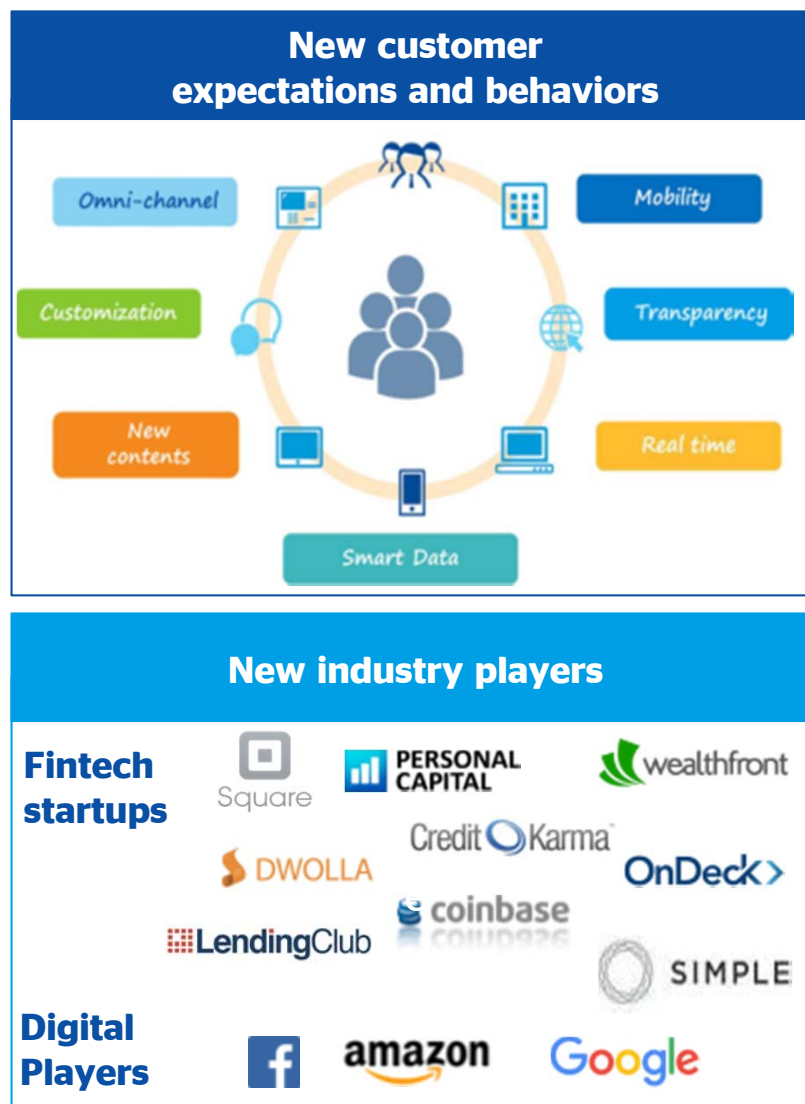
... while significantly improving the P&L contribution

(1) Net of provisions exposure based on Bank of Spain transparency criteria (Circular 5-2011). Data include developer loans and foreclosed assets.

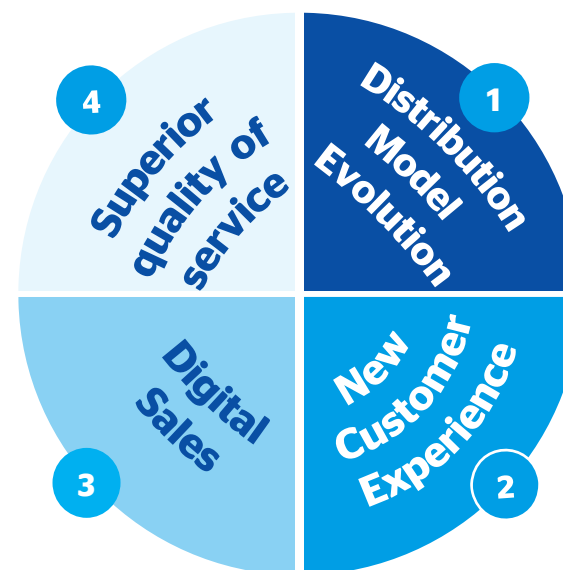
BBVA Spain: improving P&L dynamics

BBVA Spain Banking Activity	9M15 € mn	Growth	
		9M15 vs 9M14	
		Abs.	%
Net Interest Income	3,000	+ 165	5.8%
Gross Income	5,386	+ 507	10.4%
Costs	-2,375	- 238	11.1%
Operating Income	3,010	+ 269	9.8%
Income Before Tax	1,565	+ 383	32.4%
Net Attributable Profit Spain Banking Activity	1,101	+ 267	32.0%
Net Attributable Profit Spain Real Estate	-407	+ 229	-36.0%
Net Attributable Profit SPAIN Banking Activity + RE	694	+ 496	250.5%

Banks must adapt to the new landscape



BBVA's transformation plan based on 4 pillars:



BBVA moving ahead in the transformation of its distribution model

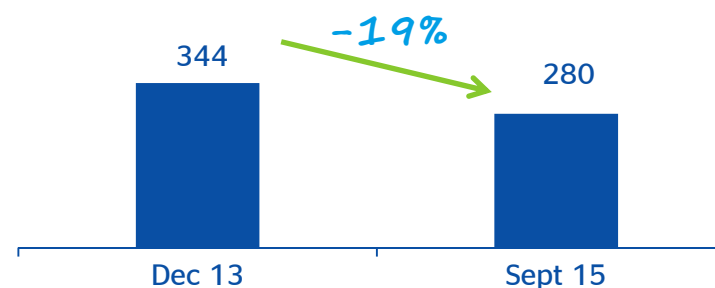
New distribution model



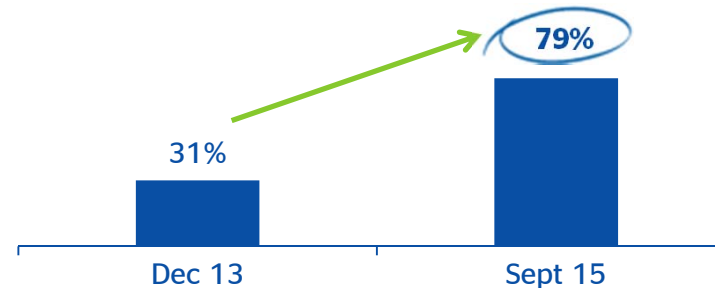
- ✓ Ongoing transformation of **branch network**: Hub & Spoke model
- ✓ RBCs managing the **new relationship model**: integrating face-to-face, remote advisors and digital sales
- ✓ RBCs manager responsible for the **customer flow management**: improving convenience and efficiency

RBCs: larger branches with higher critical mass and more functionalities

BBVA Spain: Number of Retail Banking Centers



BBVA Spain: % of Retail Banking Centers with >5 branches under its influence



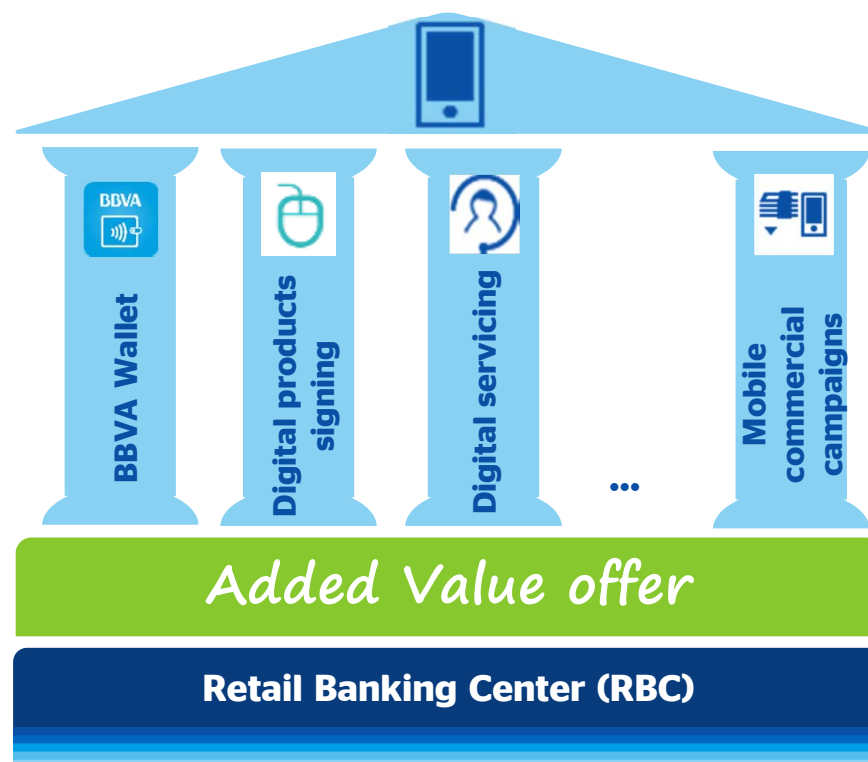
Note: Retail Banking Centers in urban areas

New customer experience: mobile as the key relationship device

From a face-to-face approach
to an *Omnichannel vision*

*Transformation of the
added value offer:*

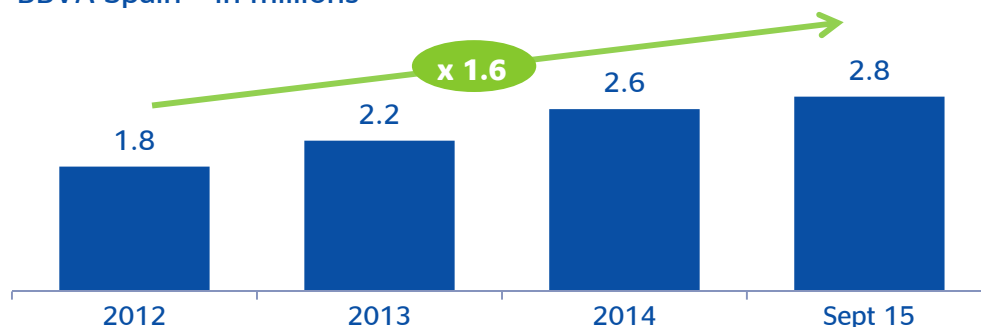
Increasing the catalogue of non face-to-face products and solutions



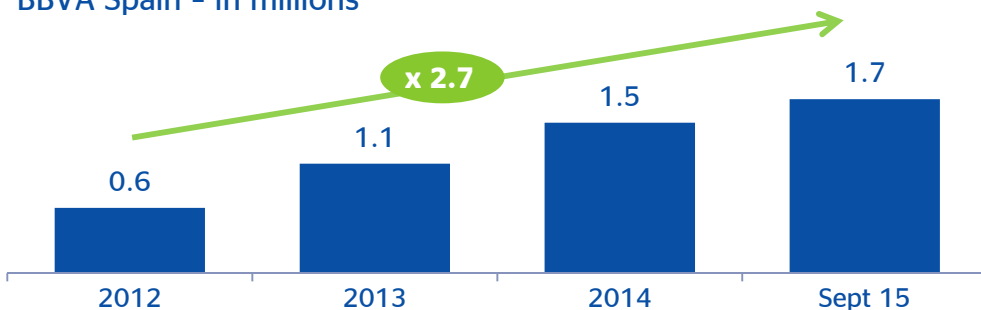
Client digitalization, driver of digital sales growth

Increase the number of digital clients

Digital Customers
BBVA Spain - in millions



Mobile Customers
BBVA Spain - in millions



Digitize current
existing customers through
Retail Banking Centers

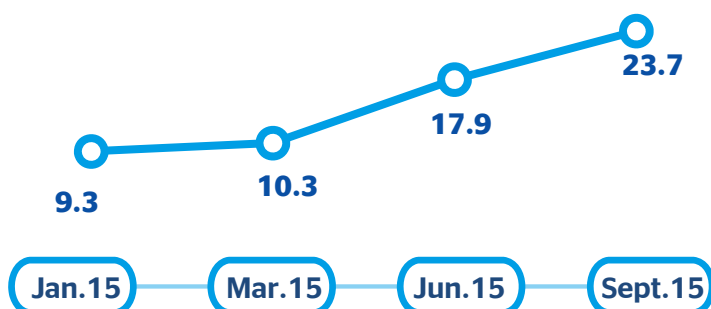


Boost **client acquisition** through
digital channels

Digital sales as an additional source of business

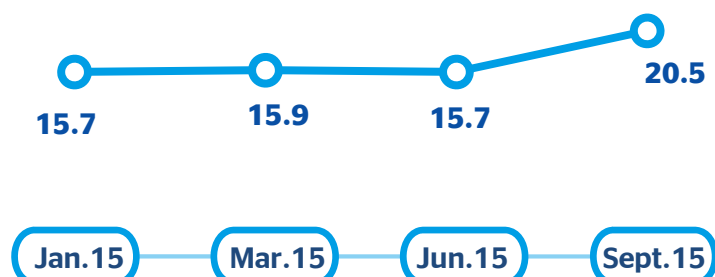
Consumer loans

% of new loans through digital channels
(in number of loans)



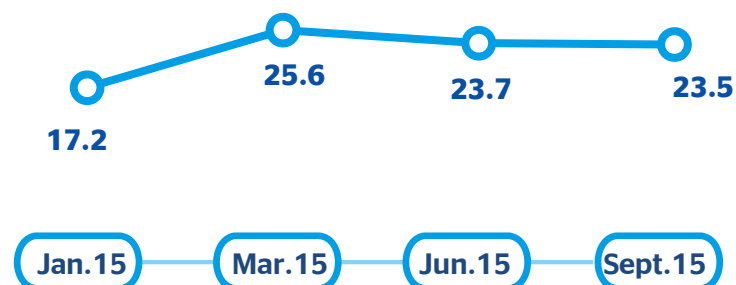
Contributions to mutual funds

% of contributions through digital channels
(in number of contributions)



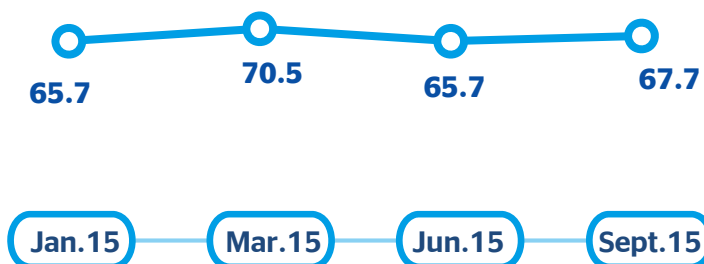
Contributions to pension funds

% contributions through digital channels
(in number of contributions)



Purchase and sale of domestic equities ⁽¹⁾

% of operations through digital channels
(in number of operations)



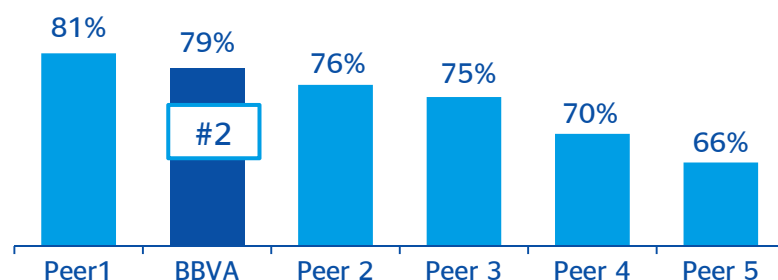
(1) Include equities, warrants, and ETFs

Outstanding customer satisfaction

Digital clients

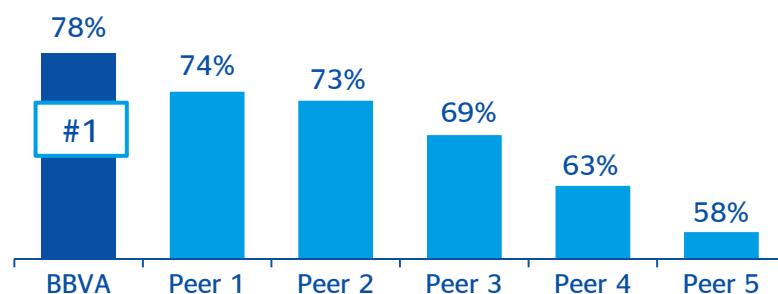
Online banking customer satisfaction

BBVA Spain vs. peer group ⁽¹⁾



Mobile banking customer satisfaction

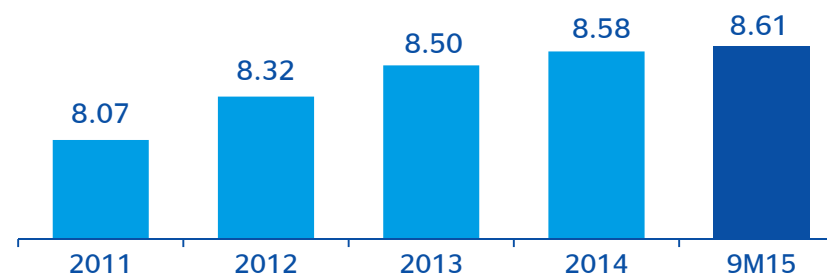
BBVA Spain vs. peer group ⁽¹⁾



Total retail clients

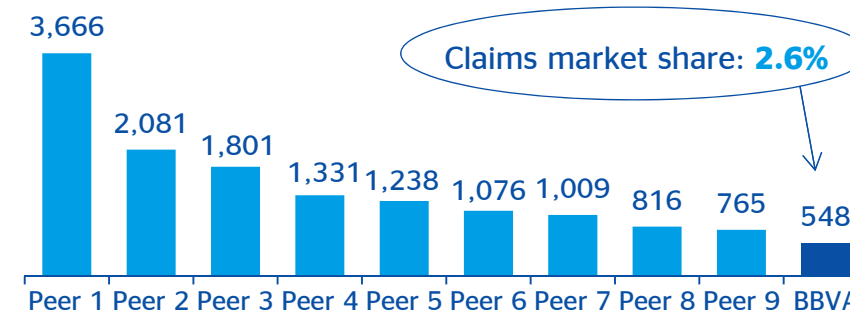
Customer satisfaction: General Satisfaction Index ⁽²⁾

BBVA Retail Banking



Number of claims in Spain

Yearly claims ⁽³⁾



(1) Source: FRS Inmark Report 2015. Reference group: BKIA, CABK, POP, SAB, SAN.

(2) General Satisfaction Index as the average of customer interviews ranking their satisfaction from 0 to 10.

(3) Source: Bank of Spain. 2014 report. Peers include: SAN, CABK, BKIA, POP, SAB, CX, Unicaja, Marenostrum and Caja España

Note: All data in this page refer to BBVA excluding Catalunya Banc.

- 1 BBVA Group: Strengths in the new environment
- 2 BBVA Spain: Management priorities
- 3 Takeaways**

BBVA has built a sustainable competitive advantage, not easily replicated

- ✓ **Resilient growth** thanks to a well-diversified footprint with leading franchises
- ✓ **High quality capital** and sustainable **organic generation**
- ✓ **Leading** the industry **transformation**, placing **customers at the center** of our strategy
- ✓ **BBVA Spain**, increasing contribution to the Group's P&L
 - ✓ Deleveraging process coming to an end
 - ✓ Cost of Risk normalization as the main P&L driver
 - ✓ Transformation of the distribution model to offer the best customer experience

BBVA Spain: Management Priorities in the New Environment

Ángel Reglero, BBVA Spain Chief Financial Officer