

**BBVA**

Creating Opportunities

# Fixed Income Investor Update

BBVA USA

August 2019

## “Safe Harbor” Forward Looking Statements

The following should be read in conjunction with the financial statements, notes and other information contained in BBVA USA Bancshares, Inc.’s (the “Company”) Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

This presentation includes non-GAAP financial measures to describe the Company’s performance. Reconciliation of those non-GAAP measures are provided within or in the appendix of this presentation. Additionally, certain ratios are presented on an annualized basis for comparison, which is the preferred industry standard.

Certain statements in this presentation may contain forward-looking statements about the Company and its industry that involve substantial risks and uncertainties. Statements other than statements of current or historical fact, including statements regarding our future financial condition, results of operations, business plans, liquidity, cash flows, projected costs, and the impact of any laws or regulations applicable to the Company, constitute forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995.

Words such as “anticipates,” “believes,” “estimates,” “expects,” “forecasts,” “intends,” “plans,” “projects,” “may,” “will,” “should,” and other similar expressions are intended to identify these forward-looking statements. These forward-looking statements reflect the Company’s views regarding future events and financial performance. Such statements are subject to risks, uncertainties, assumptions and other important factors, many of which may be beyond the Company’s control, that could cause actual results to differ materially from anticipated results. If the Company’s assumptions and estimates are incorrect, or if the Company becomes subject to significant limitations as the result of litigation or regulatory action, then the Company’s actual results could vary materially from those expressed or implied in these forward-looking statements.

The forward-looking statements are and will be based on the Company’s then current views and assumptions regarding future events and speak only as of their dates made. The Company assumes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by securities law.

For further information regarding risks and uncertainties associated with the Company’s business, please refer to the “Risk Factors” section of the Company’s Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on 2/28/19, as updated by the Company’s subsequent SEC filings.



Creating Opportunities

# Index

- 4** Bank Overview & Global Rebranding
- 10** 2Q19 Financial Summary
- 14** Asset Quality Overview
- 18** Balance Sheet Trends
- 21** Liquidity & Capital
- 29** Additional Information

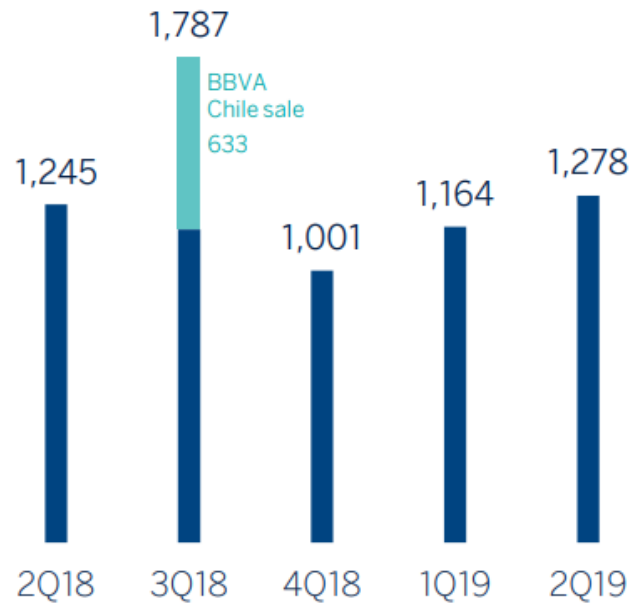
# BBVA 2Q19 Highlights

<b>01 Robust core revenue growth</b>	NII + FEES (€ constant) <b>+8.7%</b> vs. 2Q18		
<b>02 Further improvement in best-in-class efficiency</b>	COST TO INCOME <b>49.0%</b> -41 bps vs. 12M18 (€ constant)		
<b>03 Sound risk indicators</b>	NPL RATIO <b>3.84%</b> -57 bps vs. 2Q18	COVERAGE RATIO <b>75%</b> +330 bps vs. 2Q18	CoR <b>0.91%</b> +9 bps vs. 1H18
<b>04 Strong capital position</b>	CET 1 FL <b>11.52%</b> +17 bps vs. Mar-19	<b>ALREADY WITHIN THE TARGET RANGE</b>	
<b>05 Outstanding delivery on shareholder value creation</b>	ROTE <b>12.4%</b> Jun-19	TBV/SHARE + DIVIDENDS <b>+12.6%</b> vs. Jun-18 6.26 €/sh.	
<b>06 Ahead of the curve in digital transformation</b>	DIGITAL SALES (units) <b>58.1%</b> Jun-19	DIGITAL CUSTOMERS <b>29.7 m</b> +17% Jun-19 vs. Jun-18	MOBILE CUSTOMERS <b>26.1 m</b> +25% Jun-19 vs. Jun-18

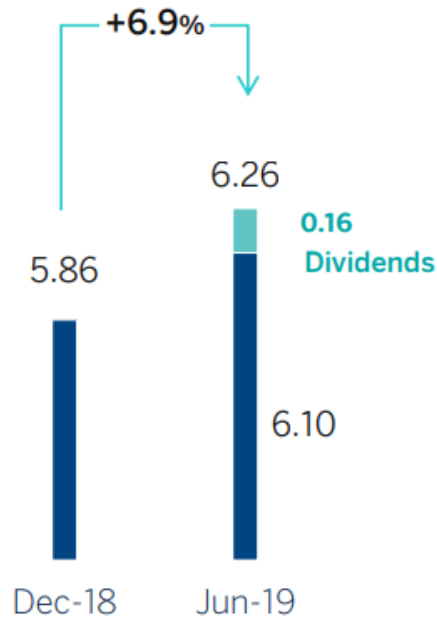
Note: For a better understanding of the financial performance of BBVA Group: 1) BBVA Chile recurrent operations have been excluded in 1Q18 and 2Q18 (sale closed on July 6th); 2) The hyperinflation impact in Argentina recorded in 3Q18 has been allocated on a monthly basis in the first nine 9 months of 2018.

# BBVA 2Q19 Highlights

## NET ATTRIBUTABLE PROFIT (€M)

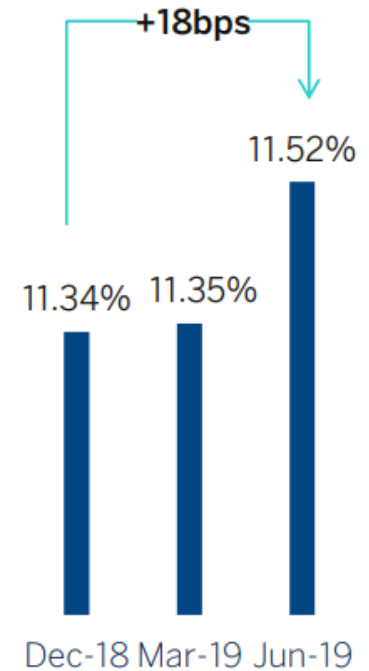


## TBV/SHARE + DIVIDENDS (€/SH.)



+12.6%  
vs Jun18

## CET1 FULLY-LOADED (%)



Absorbing  
-24 bps from  
TRIM + IFRS16

Note: The hyperinflation impact in Argentina recorded in 3Q18 has been allocated on a monthly basis in the first nine 9 months of 2018 impacting 1Q18, 2Q18 and 3Q18 P&L and balance sheet figures. 2Q18 figures include BBVA Chile recurrent operations (sale closed on July 6th).

## BBVA Compass has Rebranded as **BBVA USA**

In June, BBVA, which has been known by different brand family names in different countries, moved to one brand name globally—BBVA.

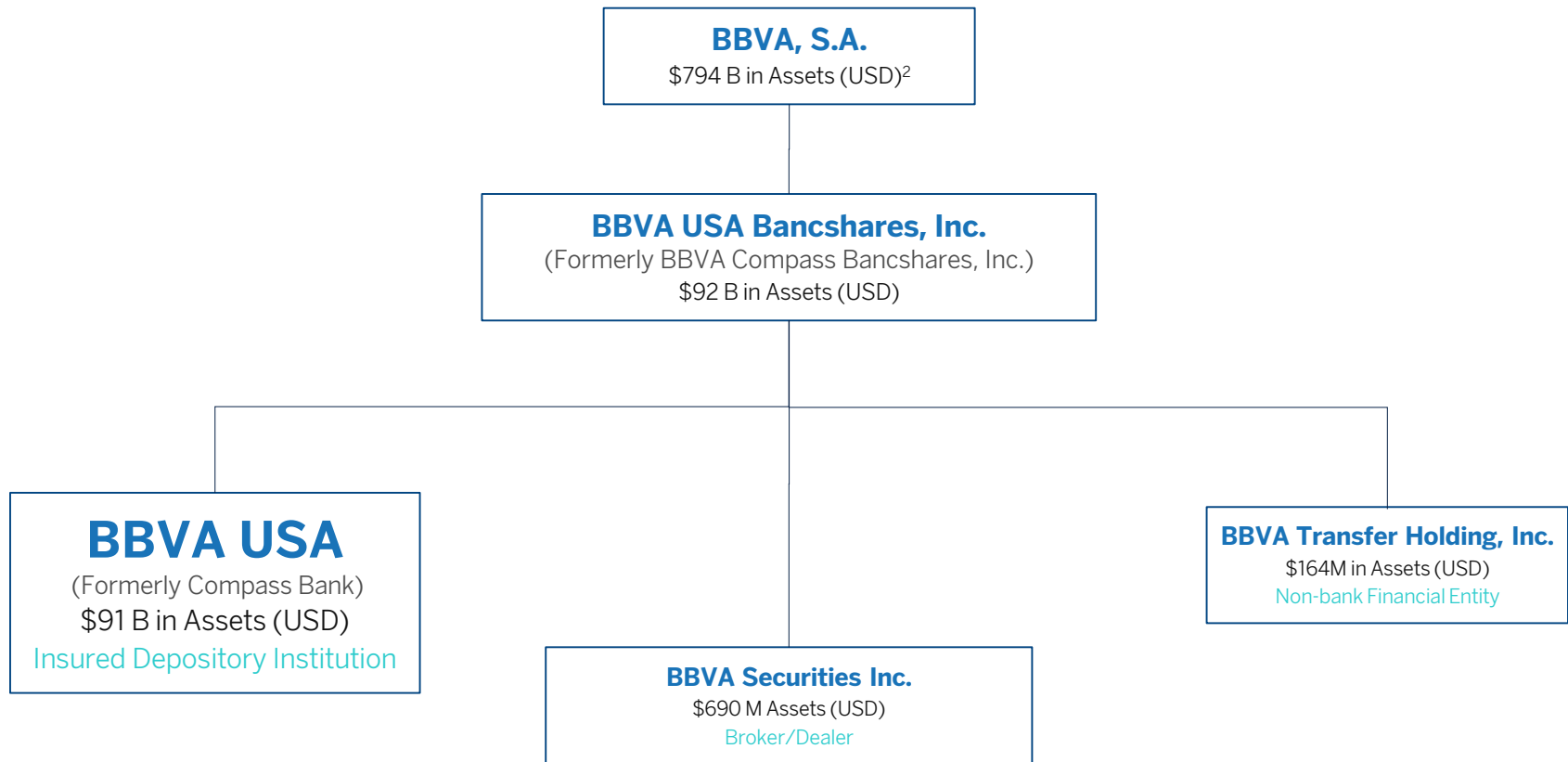
We launched a new logo to portray this unification. The move is part of BBVA's drive to become a truly global digital company—where the unified brand is recognized in all the areas we operate and beyond.

**BBVA** Compass



This change is not the result of an acquisition, change in ownership, or merger of any kind. While the names of the Holding Company and Bank have changed, there has been no change to the structure of the legal entity.

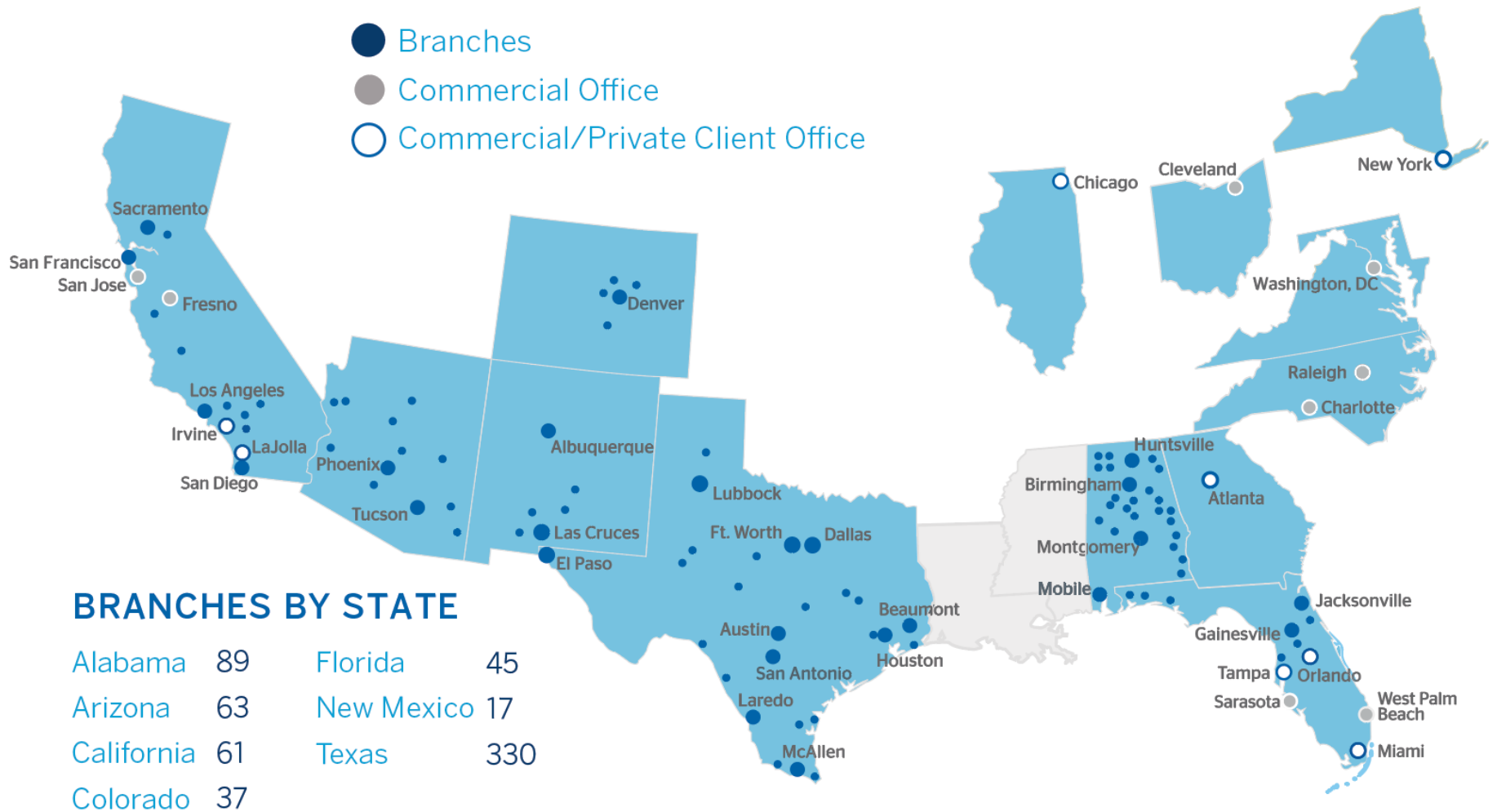
# BBVA USA Organization Structure<sup>1</sup>



<sup>1</sup> Abridged organizational representation of primary subsidiaries, does not include all entities, trusts, property companies, leasing companies or other holding entities.

<sup>2</sup> BBVA S.A. consolidated assets (€697.6 B) reported in dollars with USD/EUR exchange rate of 1.138.

# BBVA USA Operating Footprint





BBVA

Creating Opportunities

# Financial Summary

# 2Q19 Financial Summary

\$ in millions	2Q18	1Q19	2Q19	% Change QoQ	% Change YoY
Net interest income	643.5	683.1	659.7	-3	3
Noninterest income (ex. Securities gains)	270.0	248.8	284.3	14	5
Securities gains	0.0	9.0	0.0	-100	NM
<b>Revenues</b>	<b>913.5</b>	<b>940.8</b>	<b>944.0</b>	<b>0</b>	<b>3</b>
Noninterest expense	579.5	582.0	598.3	3	3
<b>Operating income<sup>1</sup></b>	<b>334.0</b>	<b>358.9</b>	<b>345.7</b>	<b>-4</b>	<b>4</b>
Provision	91.3	182.3	155.0	-15	70
Pre-Tax income	242.7	176.6	190.7	8	-21
Tax expense	58.3	35.6	30.5	-14	-48
Noncontrolling interest	0.6	0.6	0.6	NM	NM
<b>Net income attributable to BBVA USA Bancshares, Inc.</b>	<b>183.8</b>	<b>140.4</b>	<b>159.6</b>	<b>14</b>	<b>-13</b>
Preferred stock dividends	4.3	4.5	4.7	4	9
<b>Net income attributable to common shareholder</b>	<b>179.5</b>	<b>135.9</b>	<b>154.9</b>	<b>14</b>	<b>-14</b>
Average loans (\$B)	63.20	65.48	64.06	-2	1
Average deposits (\$B)	69.74	72.20	72.69	1	4
Net Interest Margin (%)	3.30	3.41	3.24	-17 bps	-6 bps
Return on Avg. Assets (%)	0.83	0.61	0.69	8 bps	-14 bps
Return on Avg. Tangible Equity (%) <sup>1</sup>	9.05	6.64	7.34	70 bps	-171 bps
Efficiency Ratio (%) <sup>1</sup>	62.56	61.58	62.50	92 bps	-6 bps

<sup>1</sup> Non-GAAP metrics with reconciliation in Additional Information section.

- YoY revenue and operating income growth continue; QoQ margin indicative of lower loan balances, flattening yield curve, and higher funding costs.
- QoQ provision was lower in both Consumer and Commercial banking.
- Expenses continue to be well-contained.

## BBVA USA: Key Points for 2nd Quarter 2019

### Earnings / Capital

- Net income of \$160 million in 2Q19 up 14% over 1Q19, driven by increased fee income and decline in provisions.
- Strong capital position: CET1 = 12.57%.

### Margin / Fee Income

- Margin impacted by reduced loan portfolios, and reflects impact of rates turning lower while deposit costs lag.
- Solid fee income from across core areas: service charges on deposits, investment services sales fees, asset management, card and merchant processing fees.

### Asset Quality

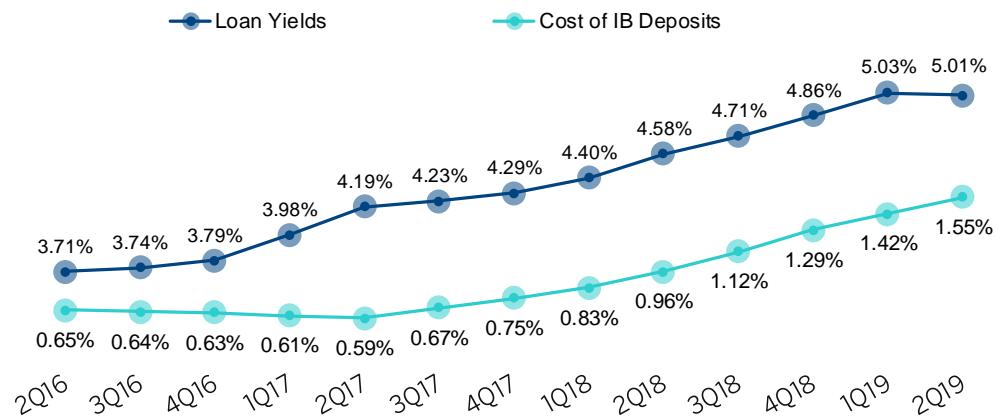
- Recent asset quality improvement: charge-offs higher but provision lower led by Commercial and Consumer banking.
- Consumer charge-offs now leveling / consumer-direct portfolio now smaller.

### Cost Management

- Expenses well contained reflecting continued discipline across expense categories with measured investment in future growth initiatives.

# Loan Yields & Deposit Rates / Rate Sensitivity

## Loan Yields and Cost of Total Deposits



## Loan & Deposit Portfolio trends

- Loan yields down 2 bps.
- IB deposit rates +13 bps / Pricing lagging market rates – similar to industry trends.

## Estimated % Change in NII

Data as of June 30, 2019

- 100 basis points

-4.7%

## Trimming exposure on asset-sensitive balance sheet

- Asset-sensitive core balance sheet.
- Taking actions with deposit pricing and hedges to reduce rate sensitivity.

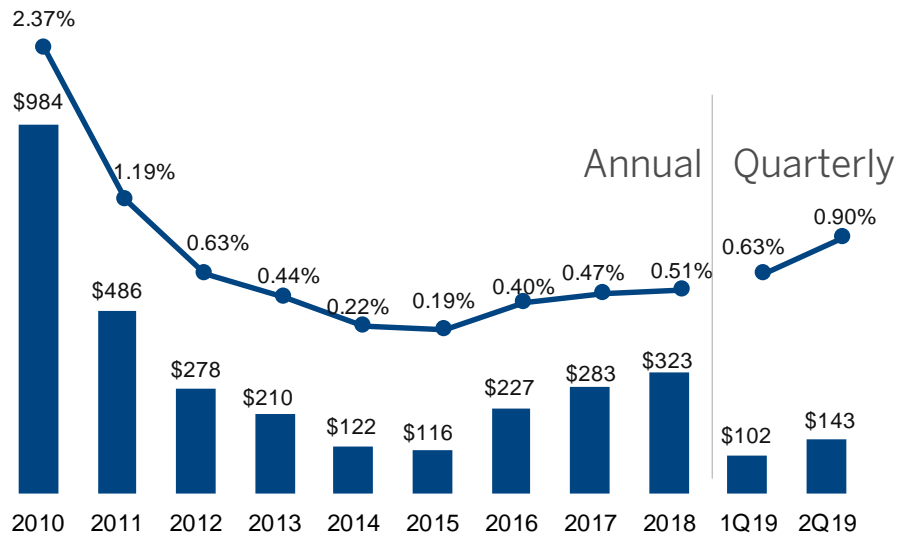
Assumes a gradual and sustained parallel shift in interest rate

# Asset Quality Overview

# Charge-offs, Provision, and Reserve Coverage

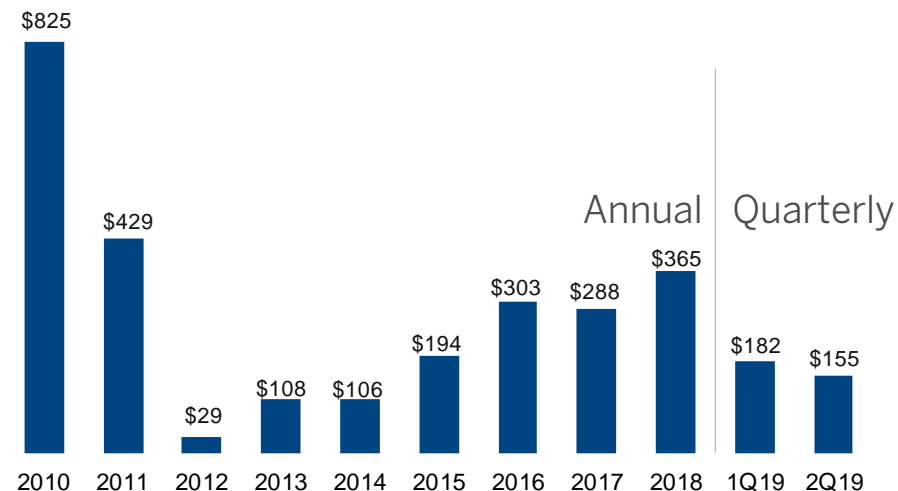
## Net Charge Offs

Quarterly Percentage Annualized as a % of average loans



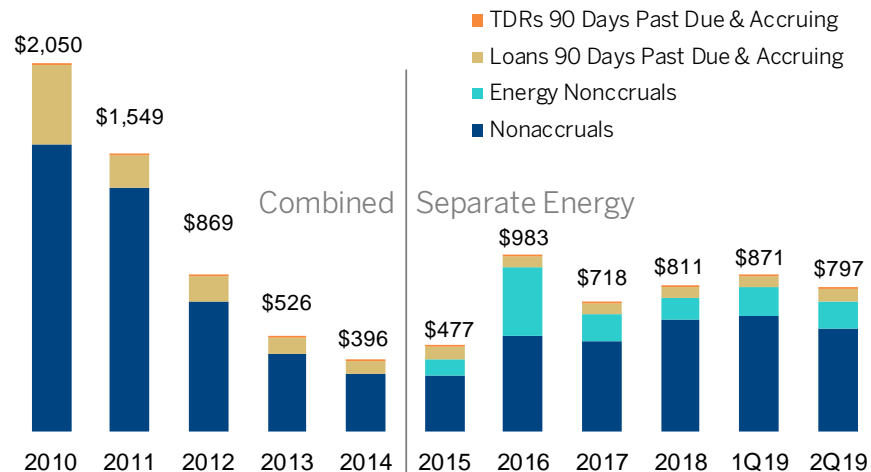
## Provision Expense

(\$ in millions)



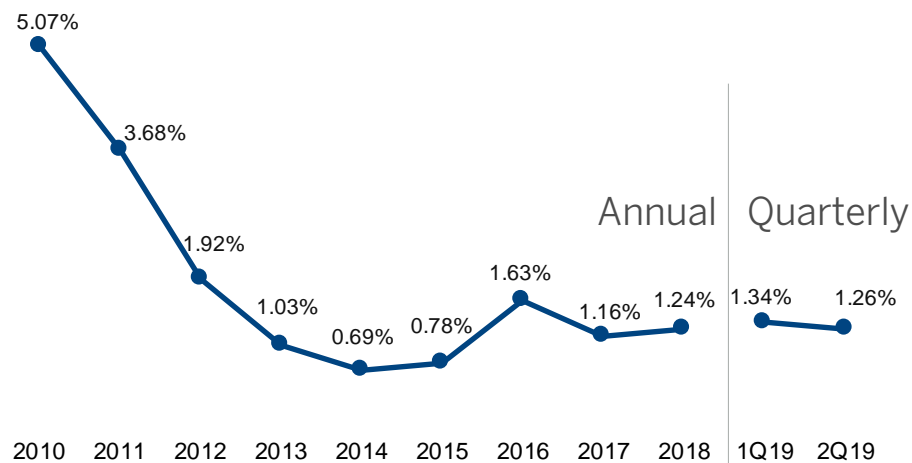
## Nonperforming Loans

Nonaccrual loans + Past dues 90 days



## Nonperforming Loans to Total Loans

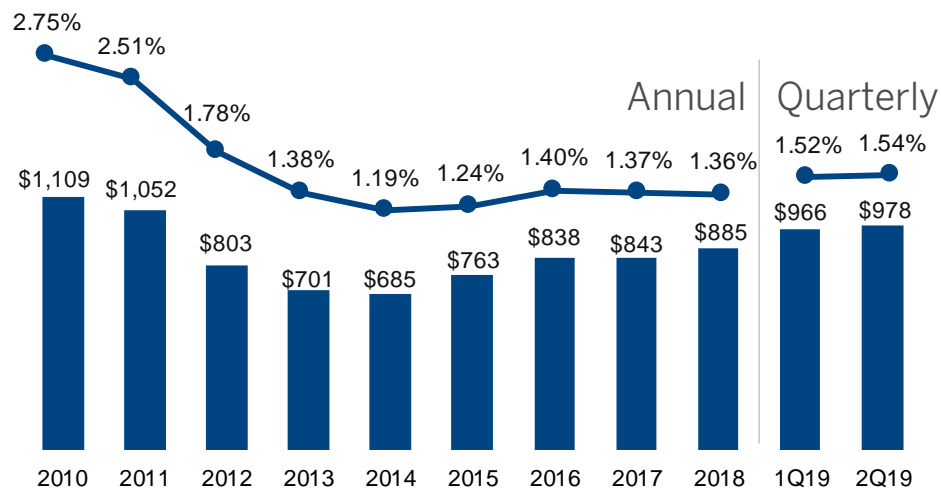
Nonaccrual loans + Past dues 90 days



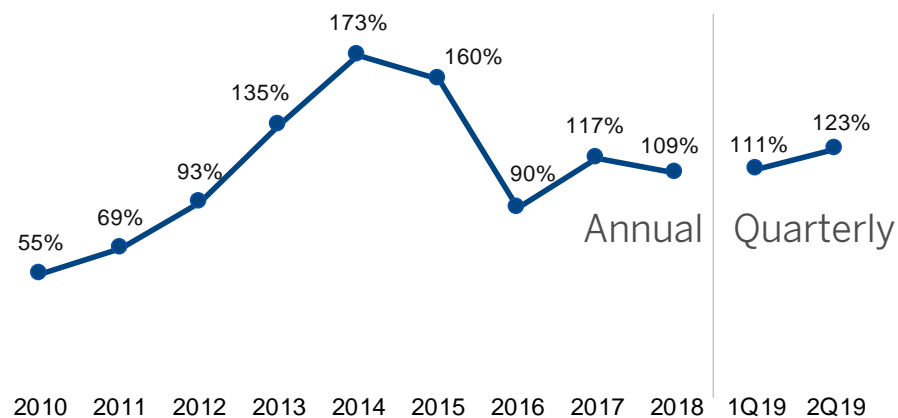
# Asset Quality and Coverage Metrics

## ALLL and ALLL / Total Loans

(\$ in millions)



## ALLL to NPLs



## Asset Quality Summary

### Charge Offs & Provision

- YoY increase in charge-offs driven by consumer portfolio (Consumer Direct in particular), but reflective of growth of other Consumer loans (credit cards, indirect auto) as well. Consumer Direct portfolio now lower than 4Q18.
- YoY provision largely reflects coverage of Consumer C/Os with modest increase in Commercial provisioning.

### NPLs NPAs

- NPL's somewhat higher YoY, driven primarily by unrelated Commercial credits and modest increase in indirect auto.
- Energy portfolio non-accruals now \$151 million, and portfolio relatively static at \$3.0 billion, close to levels from early 2017.

### Allowance Ratios

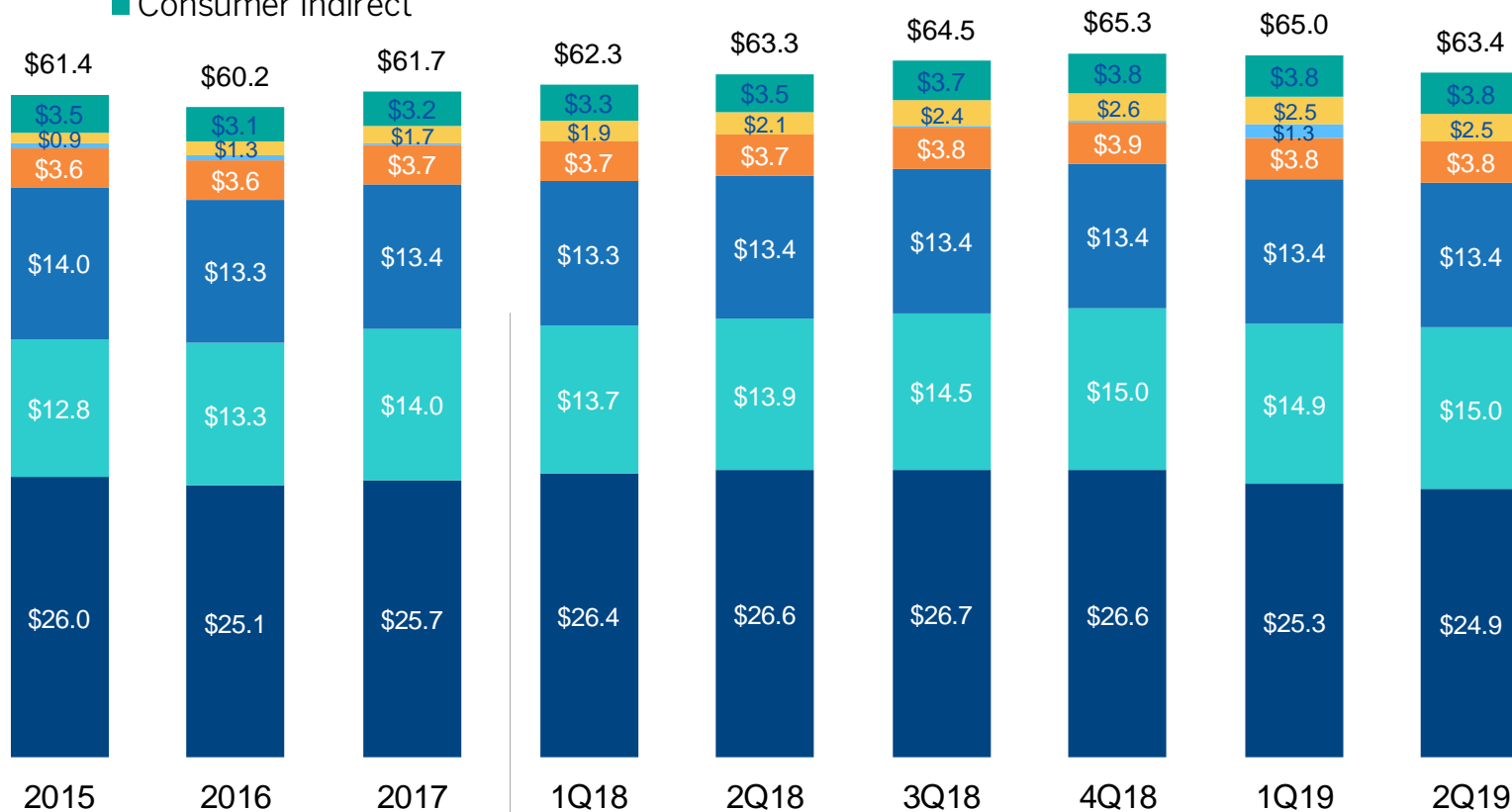
- Higher level of allowance for loan losses driven by Consumer portfolio trends, and modest LLR increase for Commercial credits.
- NPL coverage ratio at 123%. ALLL to total loans at 1.54%



# Balance Sheet Trends

# Loan Portfolio Trends

- CF&A
- CRE
- Resi Mortgage
- Other Consumer Loans
- Other and LHFS
- Consumer Direct
- Consumer Indirect



**-2.5%**  
QoQ

\$ in Billions / Period-end

Annual | Quarterly

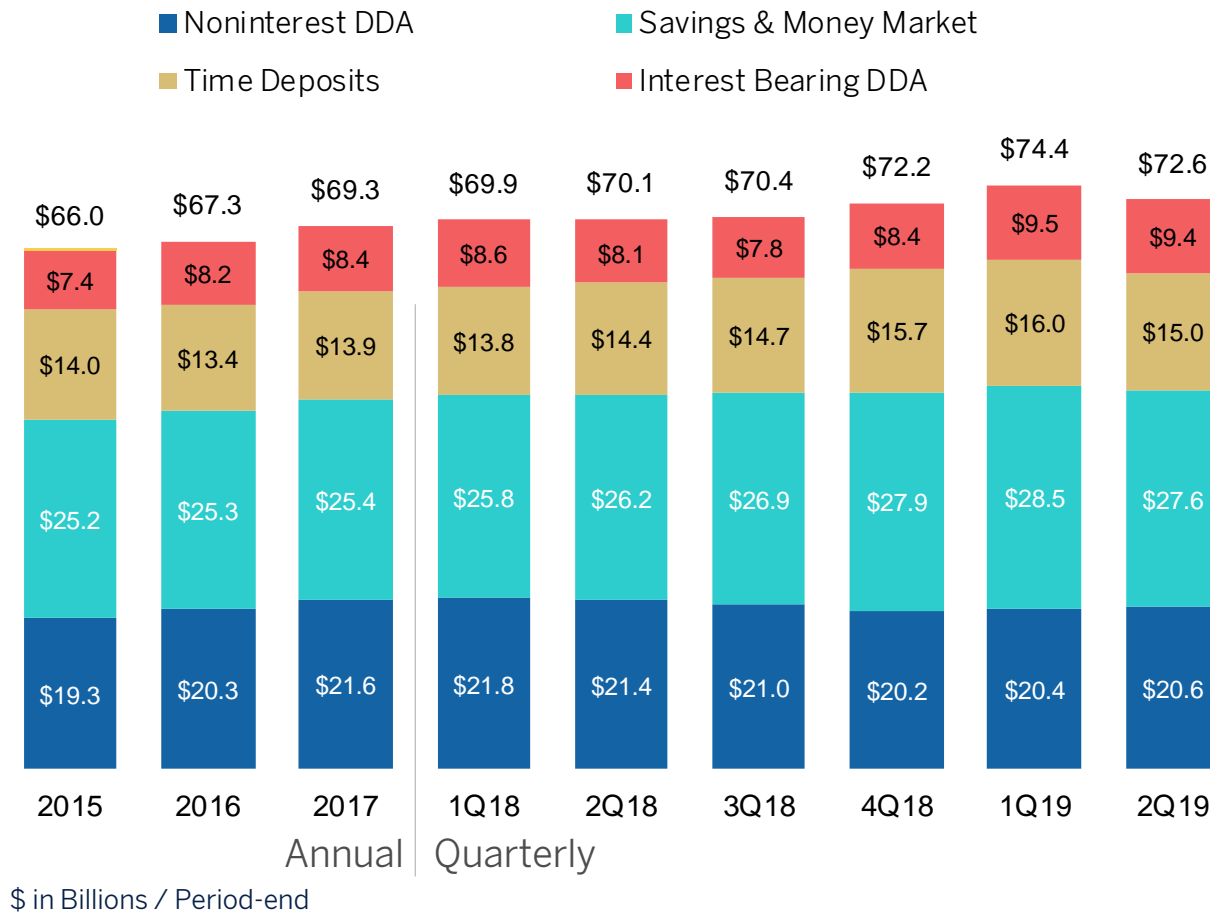
QoQ decline in loan balances reflect sale of CF&A loans to BBVA NY.

CF&A: Commercial, Financial & Agricultural

"CRE" consists of Commercial Real Estate Mortgage and Commercial Real Estate Construction

"Other Consumer Loans" consists of Equity Lines of Credit, Equity Loans, and Credit Card

# Deposit Funding Trends and Mix



- YoY solid IB deposit growth led by the Commercial and Retail Banking.
- Early signs of non-interest DDA stabilizing after matching declining industry trends with rising rates.
- Brokered deposits = \$6.7b, substantially lower QoQ and YoY.

**-2.4%**

QoQ

**+3.5%**

YoY

BBVA

Creating Opportunities

# Liquidity & Capital

# BBVA Manages a Decentralized Liquidity Model

## B Subsidiaries

- Self-sufficient balance-sheet management
- Own capital and liquidity management
- Market access with its own credit, name and rating
- Responsible for doing business locally



## Corporate Center

- Guidelines for capital and liquidity / ALCO supervision
- Common risk culture

Decentralized  
model

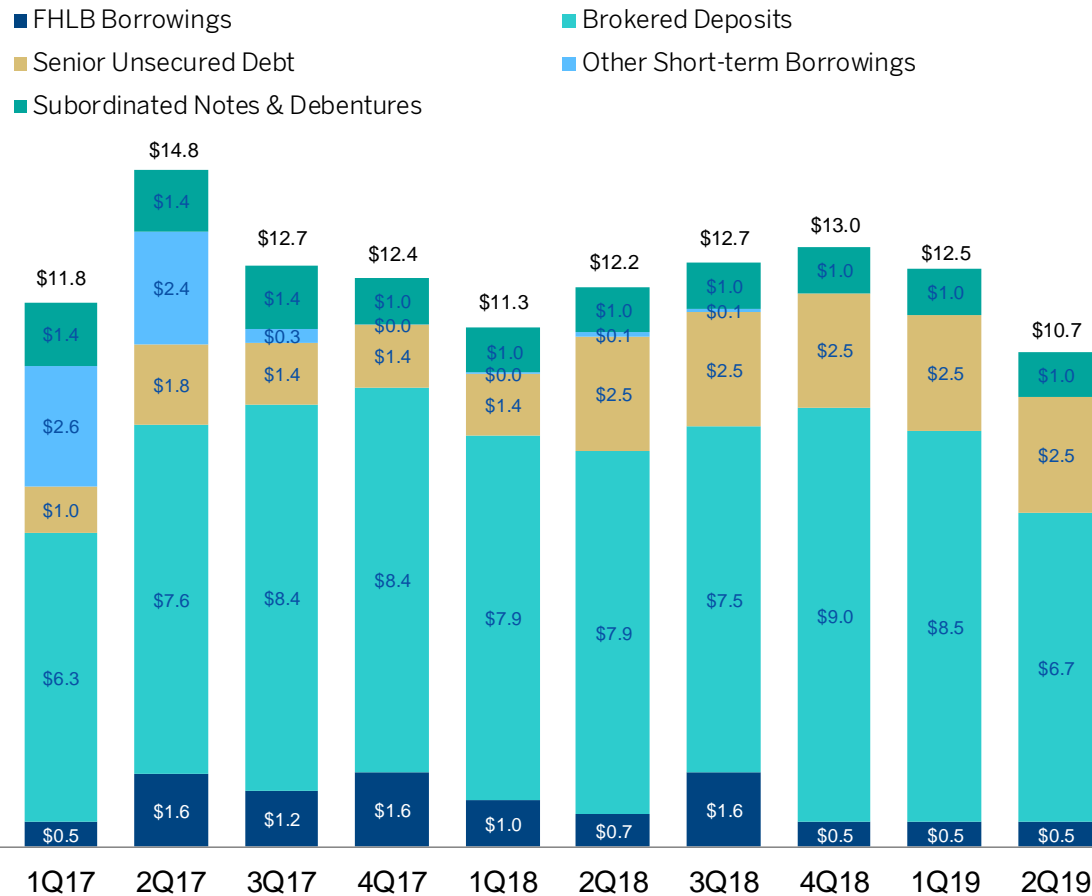
## Advantages

- Medium term orientation / consistent with retail banking
- Improves risk assessment: imposes market discipline and proper incentives to reach sustainable credit growth
- Absence of cross-funding or cross-subsidies
- Helps development of local capital markets
- It curtails the risk of contagion: natural firewalls / limited contagion
- Safeguards financial stability / proven resilience during the crisis
- Liquidity and capital buffers in different balance sheets

Subsidiaries are separate legal entities that operate locally in the countries in which they operate. “Think globally but act locally”.

# Wholesale Funding Levels

\$ in Billions. Period-end



Wholesale funding levels lower both QoQ and YoY:

- Retail insured brokered deposits substantially reduced.
- Brokered deposit levels driven in part by stringent Parent EBA LCR requirements.

# Highly Liquid with Large Pool of HQLA

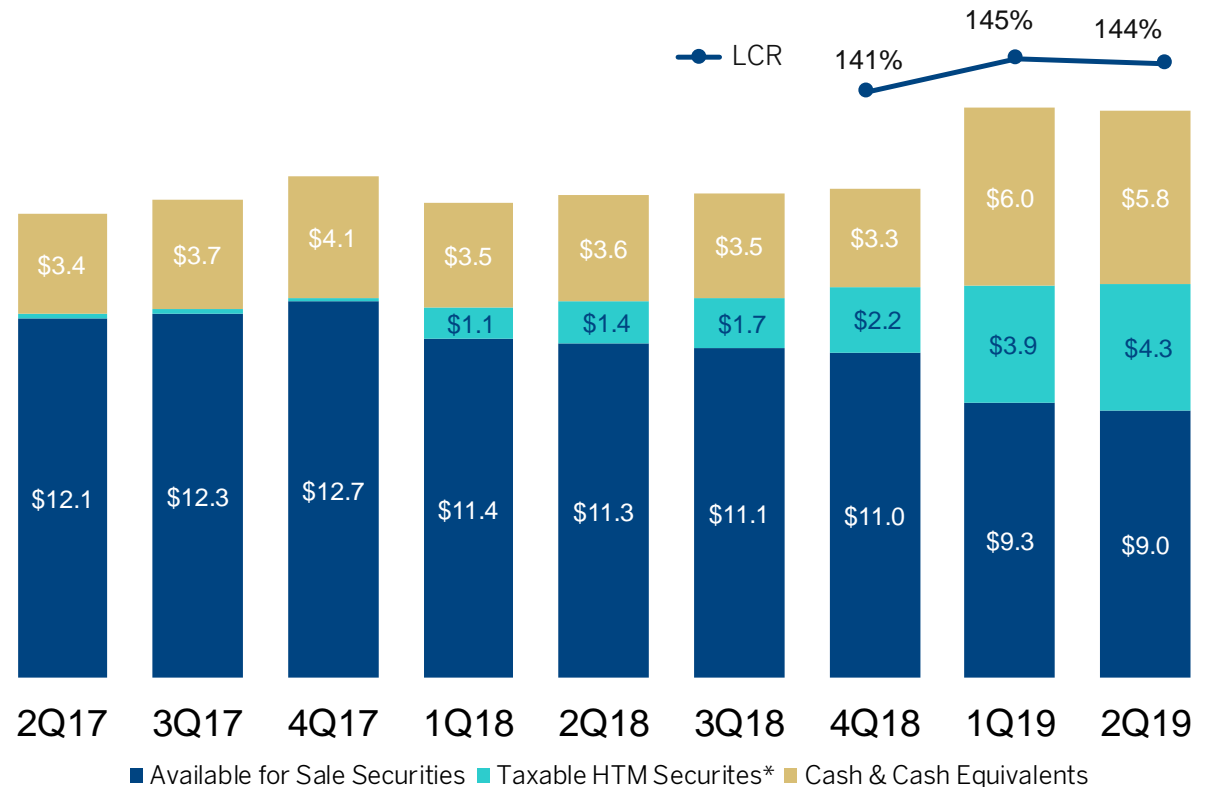
Significant stock of High Quality Liquid Assets (HQLA) for LCR ratio in the U.S. and for BBVA Group.

LCR materially exceeds Modified U.S. LCR requirements. Subject to more stringent parent requirements.

LCR limits established at BBVA level, ensuring strong, independent liquidity profile across subsidiaries.

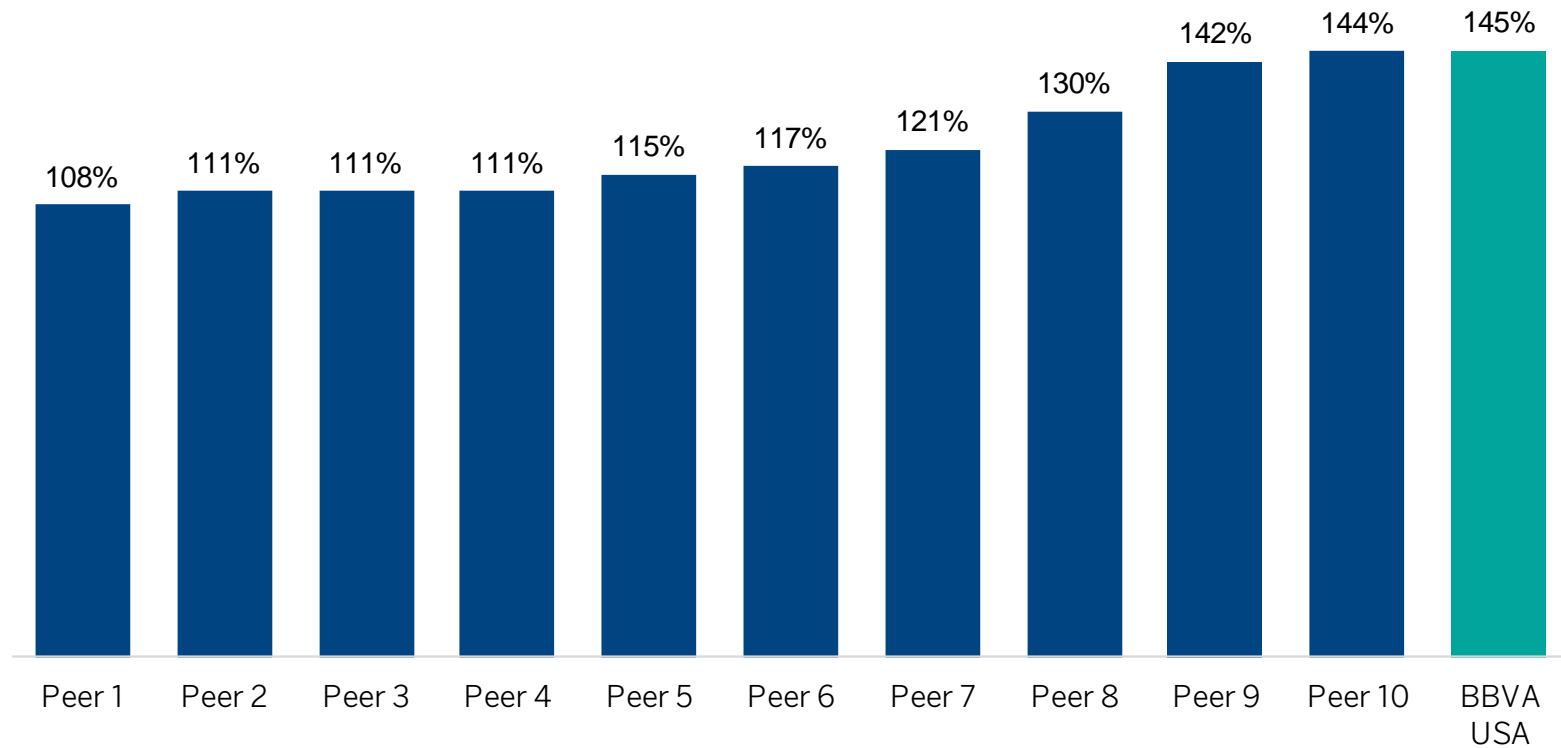
## AFS/Liquid HTM Securities & Cash

\$ in Billions. Period-end balances



\*Taxable HTM Securities = Total HTM Less State and Political Obligations.

# 1Q19 Liquidity Coverage Ratio Versus Peers

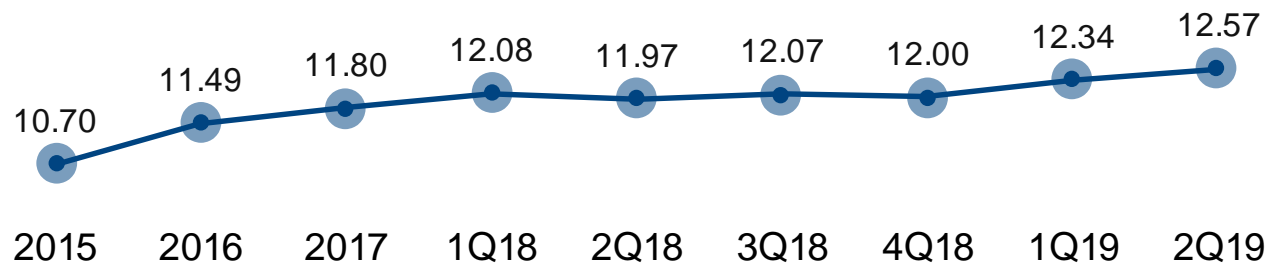




# Strong Capital Levels

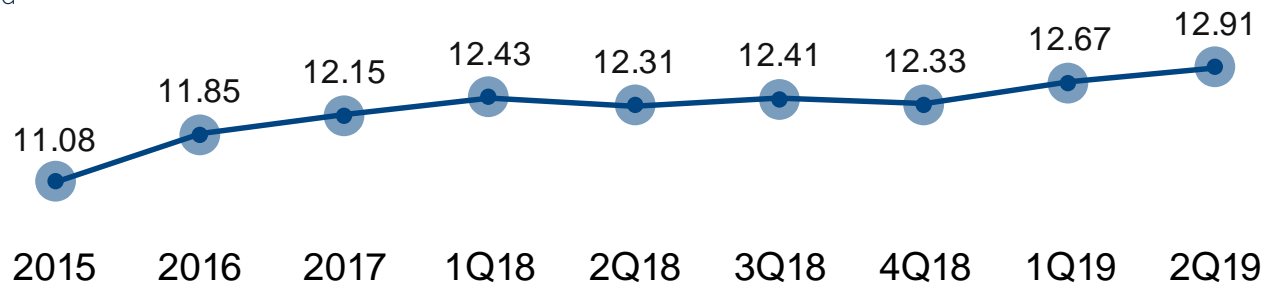
## Tier 1 Common Equity Ratio (%)

Period End



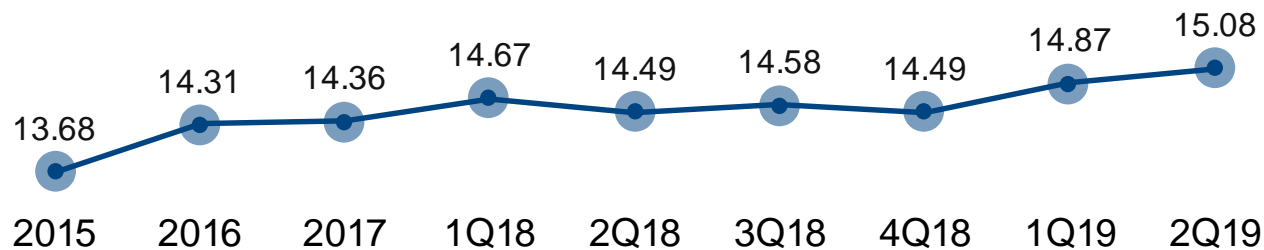
## Tier 1 Capital Ratio (%)

Period End



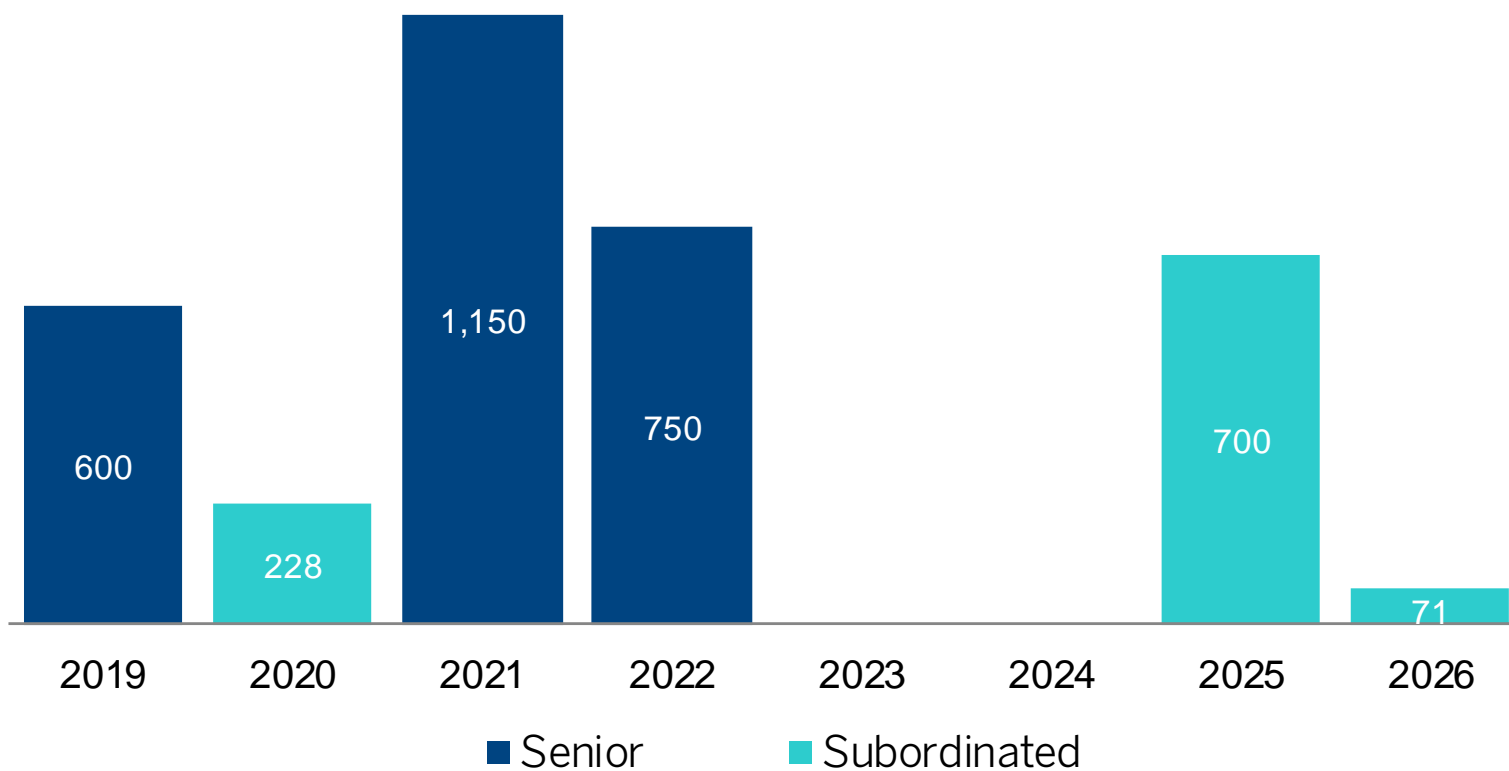
## Total Capital Ratio (%)

Period End



# Senior and Subordinated Debt Maturity Schedule

\$ in Millions



# BBVA Ratings

At June 30, 2019			
	Standard & Poor's	Moody's	Fitch
<b>BBVA S.A.</b>			
Long Term Debt Rating	A-	A3	A-
Short Term Debt Rating	A-2	P-2	F2
Outlook	Negative	Stable	Negative
<b>BBVA USA Bancshares, Inc.</b>			
Long Term Debt Rating	BBB+	Baa2	BBB+
Short Term Debt Rating	A-2	—	F2
<b>BBVA USA</b>			
Long Term Debt Rating	BBB+	Baa2	BBB+
Long Term Bank Deposits <sup>1</sup>	N/A	A2	A-
Subordinated Debt	BBB	Baa2	BBB
Short Term Debt Rating	A-2	P-2	F2
Short Term Deposit Rating <sup>1</sup>	N/A	P-1	F2
Outlook	Stable	Stable	Negative

1) S&P does not provide a rating for long-term bank deposits or short-term deposit ratings therefore the rating is N/A

BBVA

Creating Opportunities

# Additional Information

## 2Q19 Noninterest Income

\$ in millions	2Q18	1Q19	2Q19	% Change QoQ	% Change YoY
Service charges on deposits	58.6	58.9	61.7	5	5
Card and Merchant processing fees	44.0	46.0	50.4	10	15
Investment services sales fees	29.8	26.7	31.3	17	5
Investment banking & advisory fees	24.5	18.9	20.8	10	-15
Money transfer income	23.9	22.0	25.3	15	6
Asset management fees	11.0	10.8	11.9	10	8
Corp. and Corr. investment sales	16.4	6.9	5.6	-19	-66
Mortgage banking income	8.0	4.9	5.9	20	-26
BOLI & Other income	53.8	53.8	71.5	33	33
	<b>270.0</b>	<b>248.8</b>	<b>284.3</b>	<b>14</b>	<b>5</b>
Securities gains	0.0	9.0	0.0	-100	NM
<b>Total noninterest income</b>	<b>270.0</b>	<b>257.8</b>	<b>284.3</b>	<b>10</b>	<b>5</b>

Core fee income increases include deposit charges, card interchange fees, syndication fees, and mortgage banking.

Stronger market performance helped lead solid Investment Services Sales Fees, Asset Management gains.

Weaker Corp. and Correspondent sales attributable to slower loan activity & hedges and lack of FX volatility.

## 2Q19 Noninterest Expense

\$ in millions	2Q18	1Q19	2Q19	% Change QoQ	% Change YoY
Salaries, benefits, and commissions	286.9	292.7	296.3	1	3
Professional services	68.6	63.9	73.8	15	8
Equipment	63.7	65.4	62.6	-4	-2
Net occupancy	42.7	40.9	40.1	-2	-6
Money transfer expense	16.3	15.0	17.3	15	6
Other expense	101.5	104.0	108.2	4	7
<b>Total noninterest expense</b>	<b>579.5</b>	<b>582.0</b>	<b>598.3</b>	<b>3</b>	<b>3</b>

Q2 compensation increase driven by Deferred Comp – offset in Other Income. Compensation expense remains well contained.

Increased professional services fees attributable to some re-branding along with BAU and technology development.

Increase in Other Expense driven by marketing: online along with BBVA re-branding.

# Non-GAAP Reconciliation

	2Q18	1Q19	2Q19
<b>Computation of Operating Income:</b>			
Net interest income (GAAP)	\$ 643,499	\$ 683,089	\$ 659,749
Plus: noninterest income (GAAP)	270,019	257,760	284,281
Less: noninterest expense (GAAP)	579,545	581,973	598,314
Operating income (non-GAAP)	<u>\$ 333,973</u>	<u>\$ 358,876</u>	<u>\$ 345,716</u>
<b>Computation of Average Tangible Equity:</b>			
Total stockholder's equity (average) (GAAP)	\$ 13,217,831	\$ 13,640,655	\$ 13,782,011
Less: Goodwill and other intangibles (average) (GAAP)	5,040,777	5,035,591	5,031,129
Average tangible equity (non-GAAP) [B]	<u>8,177,054</u>	<u>8,605,064</u>	<u>8,750,882</u>
Net income (GAAP) [A]	<u>\$ 184,398</u>	<u>\$ 140,981</u>	<u>\$ 160,186</u>
Return on average tangible equity (non-GAAP) ([A]/[B], annualized)	9.05 %	6.64 %	7.34 %
<b>Computation of Efficiency Ratio:</b>			
Noninterest expense (GAAP)	\$ 579,545	\$ 581,973	\$ 598,314
Less: securities impairment (GAAP)	—	—	113
Total expense [A]	<u>\$ 579,545</u>	<u>\$ 581,973</u>	<u>\$ 598,201</u>
Net interest income, taxable equivalent basis	\$ 656,298	\$ 696,286	\$ 672,807
Plus: noninterest income (GAAP)	270,019	257,760	284,281
Less: investment securities gains, net (GAAP)	—	8,958	—
Total revenue [B]	<u>\$ 926,317</u>	<u>\$ 945,088</u>	<u>\$ 957,088</u>
Efficiency ratio (non-GAAP) ([A]/[B])	62.56 %	61.58 %	62.50 %

**BBVA**

Creating Opportunities

# Fixed Income Investor Update

BBVA USA

August 2019