

Investing for growth: Acquisition of an additional 14.89% stake in Garanti

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BBVA

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2 Strategic rationale

3 Financial impacts and structure

4 Conclusions

Main transaction terms

<h3>Transaction</h3>	<ul style="list-style-type: none"> • Acquisition of an additional 14.89% stake in Garanti from our partner Doğuř, increasing BBVA's stake from 25.01% to 39.9% (Doğuř stake > 10%) • BBVA's + Doğuř' joint stake remains below the 50% trigger for a mandatory tender offer according to Turkish law 	<p>The diagram shows Garanti at the center. Above it, BBVA is connected by a line with an arrow pointing to Garanti, labeled '39.9%'. To the right, DOĐUŐ GROUP is connected by a line with an arrow pointing to Garanti, labeled '10.0%'. Below Garanti, a line with an arrow points to a box labeled 'Free-float', labeled '50.1%'.</p>
<h3>Governance</h3>	<ul style="list-style-type: none"> • BBVA gains board majority at Garanti: <ul style="list-style-type: none"> ✓ BBVA to appoint 7 of the 10 Board members ✓ Limited number of reserved matters requiring Doğuř approval • Doğuř remains a key Garanti shareholder (3-year lock-up period) 	
<h3>Transaction price and multiples</h3>	<ul style="list-style-type: none"> • Maximum: TL 8.90 / share, in line with market prices • Total consideration of TL 5,566 Mn in cash (€1,988 Mn ⁽¹⁾) • Attractive transaction multiples: 9.3x PE 2015e⁽²⁾; 1.4x PBV 3Q2014 • EPS Accretive⁽²⁾ • > €250Mn 2016e⁽²⁾ incremental net attributable profit 	
<h3>Capital action</h3>	<ul style="list-style-type: none"> • Estimated €2 Bn ⁽³⁾ Accelerated Bookbuilding Offer 	

(1) Exchange rate as of November 13, 2014: 2.7995 EURTRY. (2) Based on Bloomberg consensus as of November 17, 2014. (3) BBVA's Board of Directors has approved a maximum issuance of 310,481,867 shares



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Strategic Rationale

1

Very attractive market

Turkey: the European growth story

A market with critical mass, positive demographic dynamics and strong growth potential

2

Garanti, the best franchise

Garanti, the best banking franchise in Turkey

Market leader, solid fundamentals and focus on technology

3

Optimal Governance

BBVA increases its exposure and influence at Garanti while our local partner Doğuř remains a key shareholder

4

Deep knowledge of the franchise

The same business model and 4 years of active cooperation gaining knowledge of Garanti, enables BBVA to increase its value generation proposition

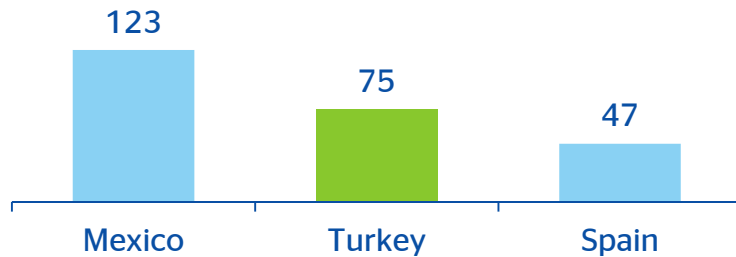
Turkey: a sizeable market

A market with critical mass

Population

(Mn people, 2013)

Source: Swiss Re research report (sigma no. 3/2014)



One of the youngest populations in Europe

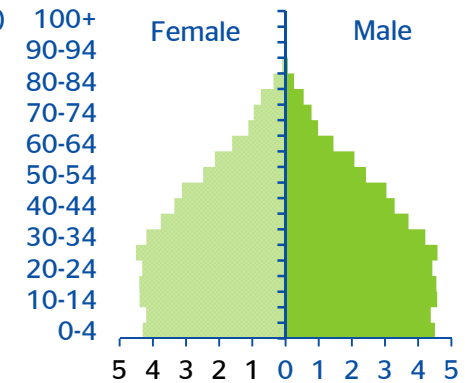
Population pyramid

(% of total population, 2010)

Source: BBVA Research and UN

Average age: 29

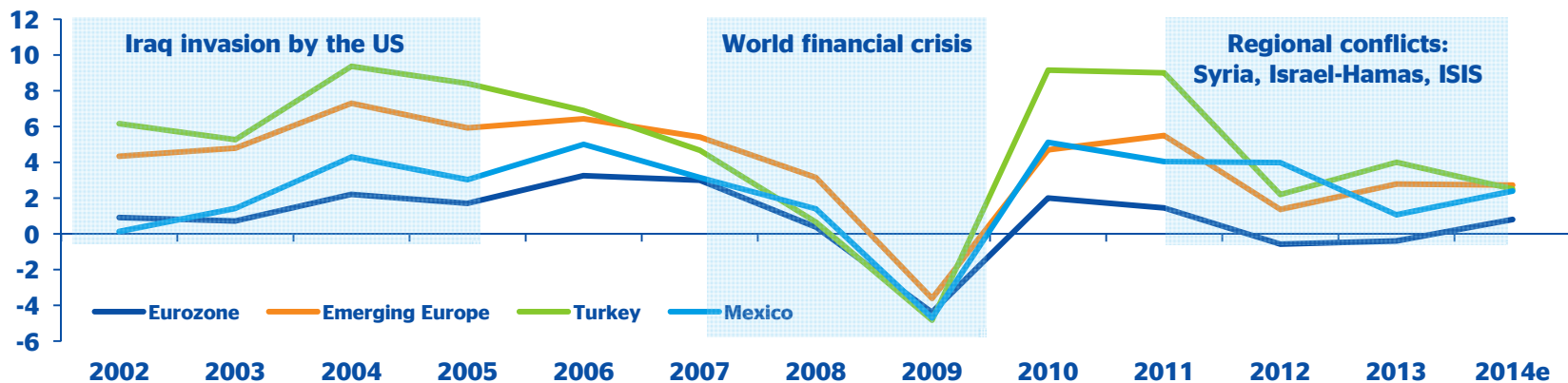
53% <30 years old



Outstanding performance during the crisis

GDP growth (%)

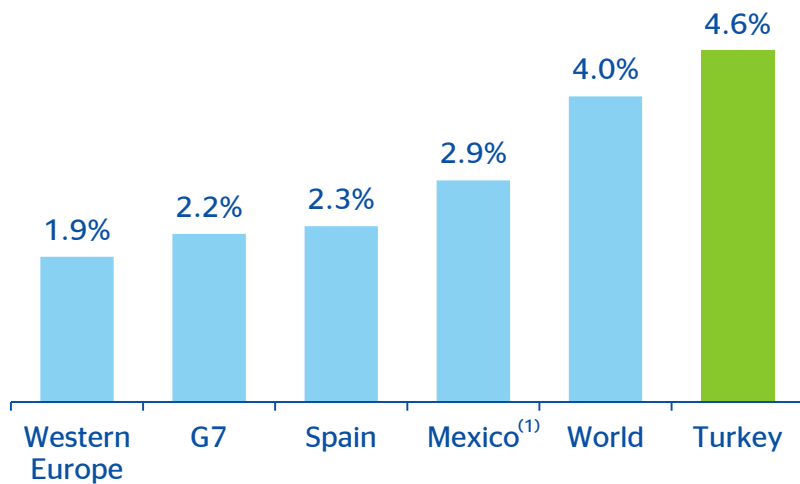
Source: BBVA Research, International Monetary Fund, World Economic Outlook Database for Emerging Europe



One of the markets with the highest growth potential in the world ...

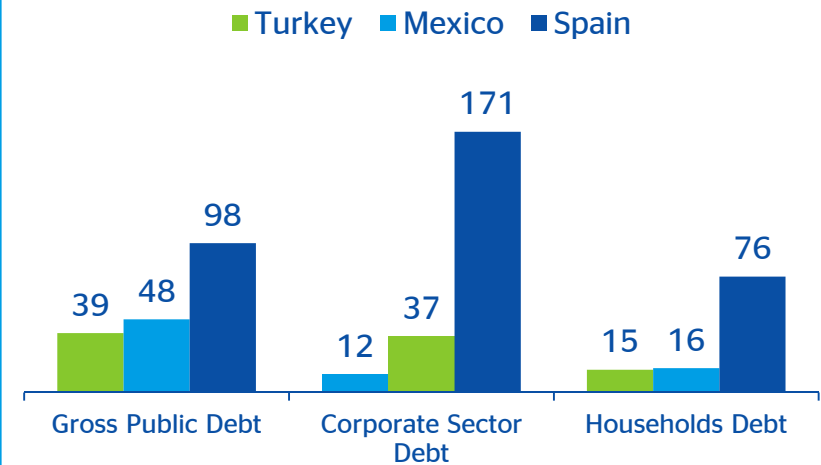
The highest GDP growth potential

GDP growth 2013-23e
(Annual %)



Low leverage

Debt
(As a % of 1H14 GDP⁽²⁾)



... coupled with a well-capitalized and profitable banking system

Source: BBVA Research. (1) Without considering the impact of structural reforms (2) Except for Gross Public Debt, as a % of 2014e GDP.

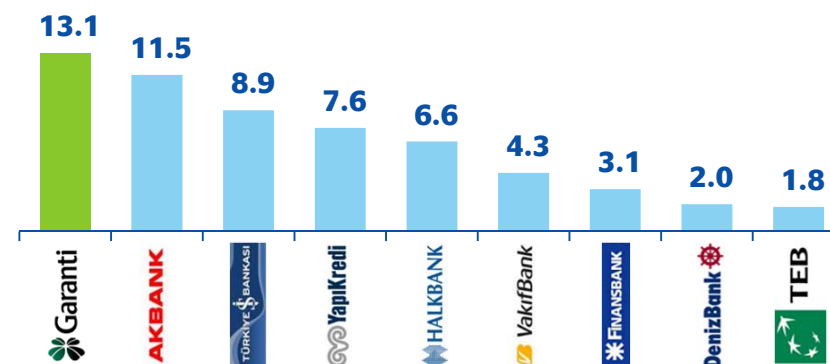
Garanti enjoys a leadership position in this attractive market

Garanti in numbers (1)

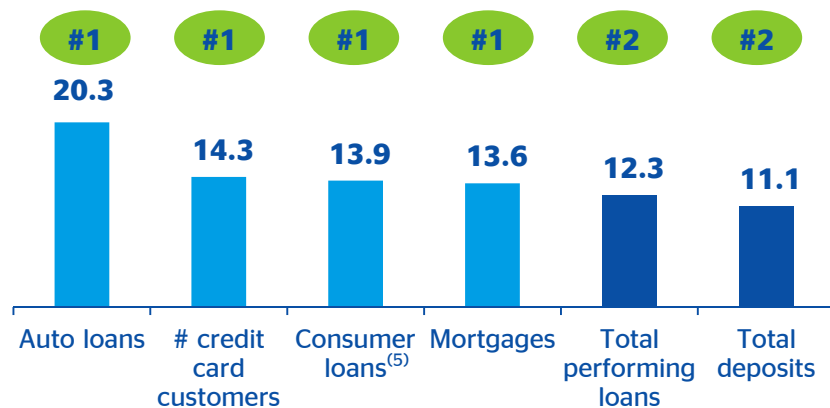
(€ Bn)	2013	Sep.2014
Total Assets	77.8	84.8
Net Loans	46.9	51.8
Cust. Deposits	40.2	42.1
Equity	8.4	9.4
RWAs	65.6	70.7
Net Income	1.3	1.1
Efficiency (%)	45%	45%

- ~ 1,000 Branches
- > 4,000 ATMs
- >22,000 Employees
- 13 Mn customers

Market Cap (2)
(€ Bn)



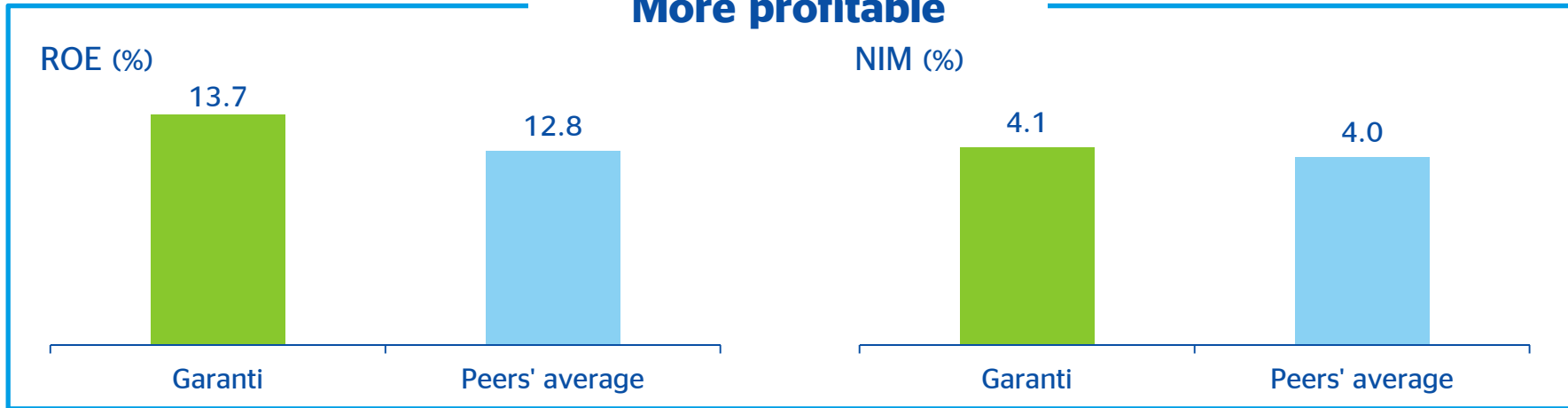
Market Share (3) and Ranking (4)
(%, #)



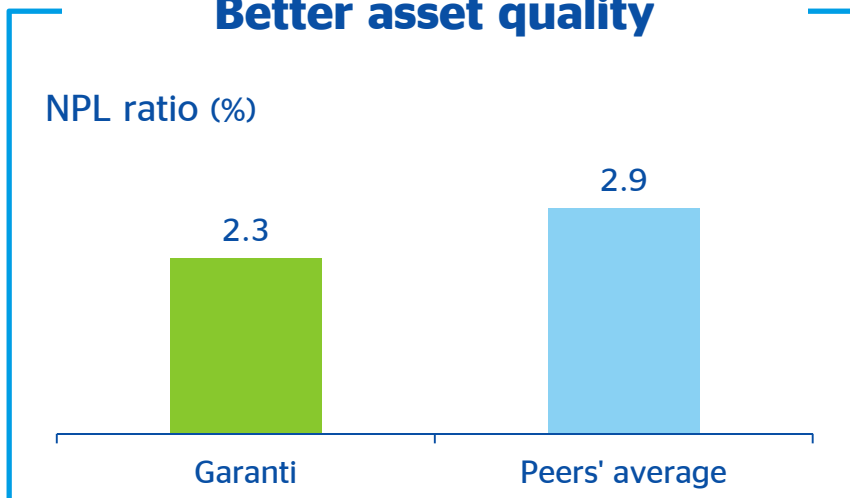
Exchange rate as of November 13, 2014: 2.7995 EURTRY (1) Source: Garanti. IFRS consolidated 2013 annual report and 3Q14 quarterly report. (2) Source: Bloomberg. Data as of November 17, 2014. (3) Source: Garanti, based on bank-only BRSA weekly data for commercial banks as of September 26, 2014. (4) Source: Garanti. Data as of 2Q14 among private banks, except for "# credit card customers", as of September, 2014. (5) Including consumer credit cards, overdraft loans and other.

Garanti stands out among its peers

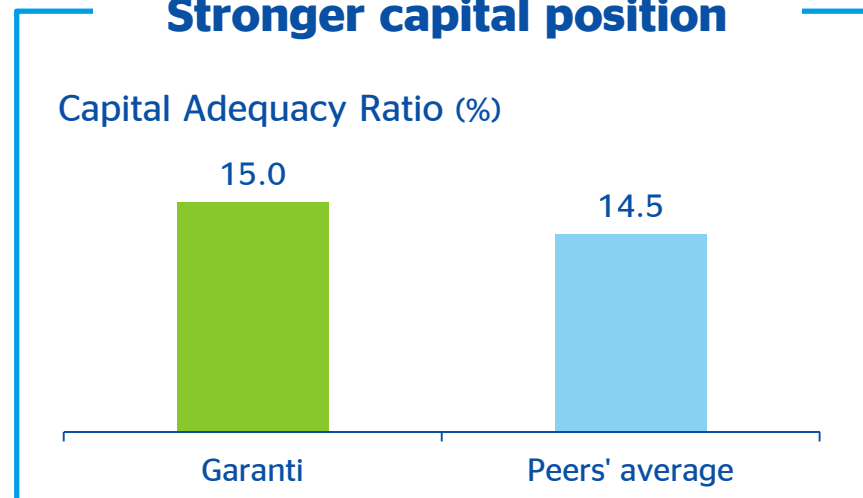
More profitable



Better asset quality



Stronger capital position



Source: BRSA. Bank-only data for fair comparison with sector, as of September, 2014. Peers considered: Akbank, Halkbank, Is Bank, Vakifbank and Yapi Kredi.

BBVA increases its influence on Garanti while Doğuş remains a key shareholder

BBVA increases its influence, anticipating “Phase II” of the 2010 agreement

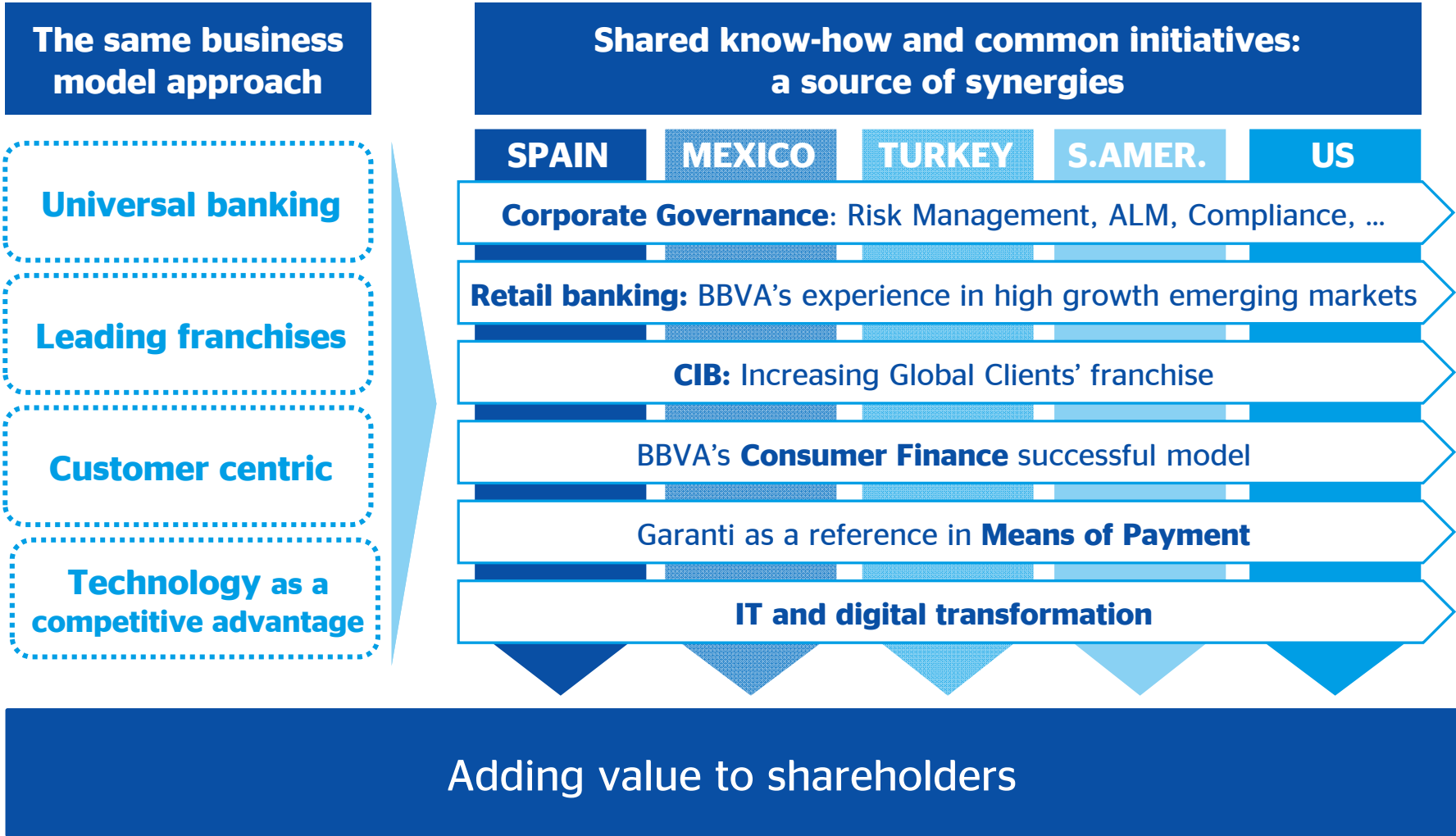
- **The transaction anticipates (and eliminates) the 1% call option BBVA had starting March, 2016**
- **BBVA will appoint the majority of the Board:**
 - ✓ 7 members appointed by BBVA
 - ✓ 2 members appointed by Doğuş
 - ✓ 1 independent director
- **Limited number of “Reserved Matters” requiring Doğuş approval**

Doğuş remains a relevant shareholder

- **Doğuş to remain as a relevant shareholder of Garanti (> 10.0%)**
 - ✓ 3 year lock-up period
 - ✓ “Qualified investor” under Turkish law

BBVA increases its economic exposure to Garanti, without launching a mandatory tender offer and increases its influence on the Board

Privileged starting point to increase value generation after 4 years of active cooperation





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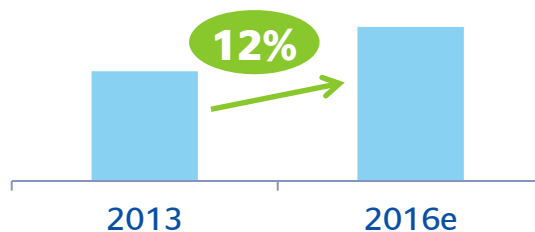
Garanti improves BBVA's long-term growth profile



CAGR 2013 - 2016e ⁽¹⁾

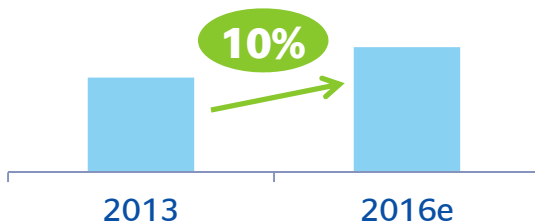
2016e incremental contribution to BBVA ^{(1),(2)}

Total Assets



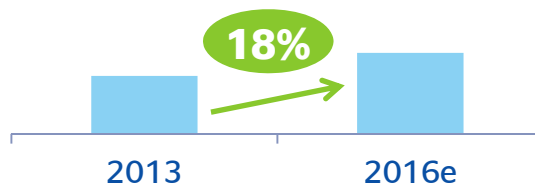
€ 80 Bn

Gross Income



€ 4 Bn

Net Attributable Profit



>€ 250 Mn

Transaction EPS accretive

Exchange rate as of November 13, 2014: 2.7995 EURTRY. (1) Based on analysts' estimates; (2) Estimated incremental contribution due to the additional 14.89% stake acquired: 75% due to full consolidation of Total Assets and Gross Income; 14.89% in Net attributable profit as it excludes minorities.

Transaction with moderate impacts

Capital impact ⁽¹⁾

- ✓ **- 48 bps** (- € 1.9 Bn) impact of the 14.89% stake acquisition
- ✓ **+58 bps⁽²⁾** impact of the estimated €2 Bn ABO

+ 10 bps
estimated impact
on CET1 fully loaded

REINFORCING OUR COMMITMENT TO MAINTAIN A CET1 FULLY LOADED RATIO AROUND 10%

P&L impact

- ✓ **-1.5 Bn P&L non cash one-off** due to changes in the accounting method of the existing 25.01% stake (from equity method to full consolidation)

LOSSES WITH IMPACT ON CAPITAL: - €0.4 Bn

**LOSSES WITH NO IMPACT
ON CAPITAL (mainly FX driven): - €1.1 Bn**

Closing expected for 1H 2015, subject to regulatory approvals

(1) Impact on ratios as of September 2014; (2) Include the positive impact of increased thresholds according to Basel III methodology



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Closing remarks

BBVA gains board majority at Turkey's largest bank by market cap, after increasing its stake in Garanti to 39.9%

Garanti boosts BBVA's long-term growth profile

EPS accretive deal, closed at current market prices

Maintaining strong capital levels after the transaction

Privileged starting point to increase value generation after 4 years of active cooperation

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Appendix: P&L non cash one-off due to change in accounting method

Change in accounting method

- ✓ After this transaction, **BBVA's stake in Garanti will be accounted for using the full consolidation method** (vs. the equity method currently used for the 25.01%)
- ✓ Accounting standards require to mark to market (at fair value ⁽¹⁾) a stake, when a **change in the accounting method occurs**
- ✓ The **-€1.5 Bn P&L one - off** responds to the mark to market (at fair value) of BBVA's current 25.01% stake
 - **No cash outflow**, just an accounting impact
 - **- €0.4 Bn impact on capital** (as the rest of the P&L one-off, mainly FX driven, has already been charged against capital)

€1.5 Bn P&L non cash one - off

TOTAL "FAIR VALUE"⁽¹⁾
(25.01% STAKE):
€3.3 Bn

BOOK VALUE
(25.01% STAKE):
€4.0 Bn

GROSS LOSS: - €0.7 Bn

Taxes: + €0.3 Bn

LOSSES WITH IMPACT ON CAPITAL: - €0.4 Bn

OTHER LOSSES WITH NO IMPACT ON CAPITAL (mainly FX driven): **- €1.1 Bn**

TOTAL ONE-OFF IMPACT ON P&L: - €1.5 Bn

Note: Data as of Sep.2014. Exchange rate as of November 13, 2014: 2.7995 EURTRY ; (1) Fair value has been calculated with the transaction price (Max 8.90 TL).

Appendix: Garanti's Balance Sheet

Balance Sheet (€ Mn)	2013	Sep-14
Cash and balances with central banks	2,447	1,712
Reserve deposits at central banks	6,561	7,282
Securities	13,984	15,915
Loans to banks	4,158	3,949
Loans to customers (net)	46,907	51,815
Tangible assets	721	748
Goodwill	12	12
Other Assets	2,988	3,327
Total Assets	77,777	84,760
Deposits from banks and credit institutions	2,405	3,111
Deposits from clients	40,172	42,086
Wholesale funding	21,854	24,008
Other liabilities	4,960	6,153
Total Equity	8,385	9,403
Total liabilities and equity	77,777	84,760

Source: Garanti. IFRS consolidated 2013 annual report and 3Q14 quarterly report (presented summarized). Exchange rate as of November 13, 2014: 2.7995 EURTRY.

Appendix: Garanti's Profit and Loss Account

Profit and Loss Account (€ Mn)	2013	Sep-14
Net interest income	2,543	2,134
Net fee and commission income	953	789
Other operating income ⁽¹⁾	414	220
Gross Income	3,909	3,143
Operating expenses	(1,756)	(1,415)
Operating Income	2,153	1,728
Provisions	(543)	(380)
Income Tax	(326)	(282)
Net income	1,284	1,066

(1) Other operating income: premium income from insurance business; net FX gains/(losses); net trading gains/(losses); gains/(losses) on the sale of assets; other operating income