BBVA

Time to return to fundamentals

Manuel González Cid, CFO

Morgan Stanley, European Financial Conference

March 28th, 2012

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Contents

Since the beginning of the crisis banks have faced significant challenges…

Scarce and expensive funding

Regulatory changes

Increasing capital requirements

Deleveraging

Sale of core assets

Revenue reduction

Earnings contraction

EPS dilution

Lower ROEs

Dividend cuts

BBVA has been able to adapt quickly and successfully to this changing environment

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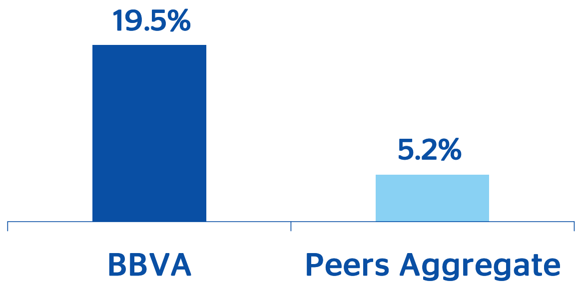
... under these extreme circumstances BBVA has proven to be very resilient

Operating Income Growth

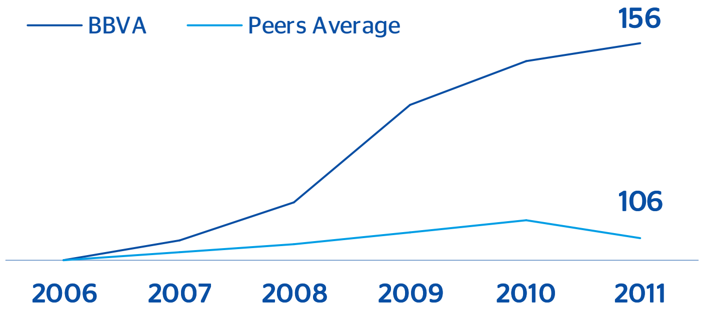
BBVA vs. European Peer Group Aggregate(1) (2)

(Change 2006-2011, %)



Tangible Book Value Per Share(1)

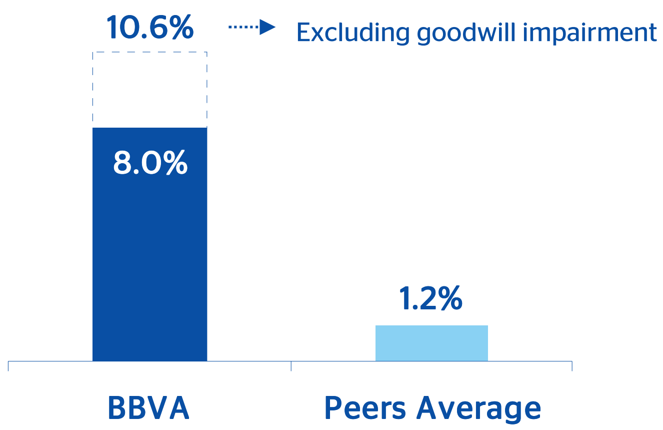
(Base 100: 2006)



ROE

BBVA vs. European Peer Group Average(1)

(%, December 2011)



BBVA sought to minimize the potential impact on earnings, profitability and dilution, maintaining dividends and without selling core assets

(1): Peer Group: BARCL, BNP, CASA, CMZ, CS, DB, HSBC, ISP, LLOYDS, RBS, SAN, SG, UBS and UCI. Figures as of Dec. 2011, except for UCI (as of Sept. 2011). (2) Excludes UCI.

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However, rating agencies and analysts continue to associate banking risk with sovereign risk

REGULATORY TRENDS

- Higher and more strict capital requirements (EBA, Basel III, G-SIFI buffer, ….)
- Creation of loss - absorption instruments (CoCos, bail-in debt, ….)
- Living wills

IMPACT ON BANKS

- Full loss absorption by shareholders and debt holders
- Elimination of implicit sovereign support

Equity investors should focus on earnings power and franchise value, which also backs a bank's creditworthiness for debt investors

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Time to return to fundamentals: BBVA's main levers

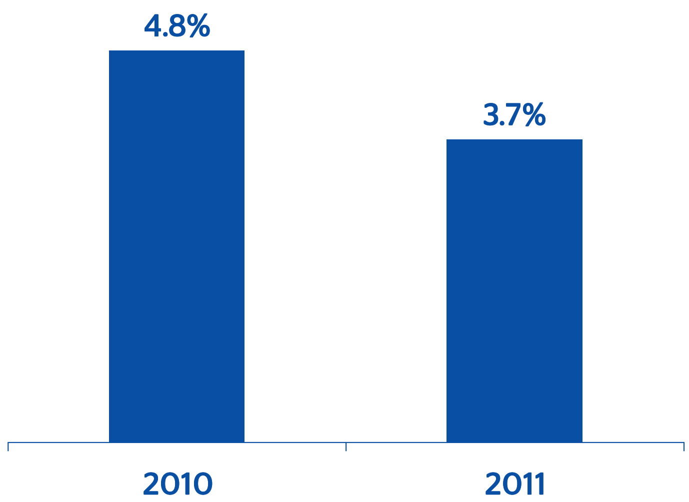
1. Strong dynamism of core revenues in all geographies
2. Investments in the franchise progressively stabilizing
3. Asset quality resilience and absorption of new regulation
4. Strong capital generation and solid liquidity position

1

Strong dynamism of core revenues in all geographies

Group: Resilient lending growth with favourable mix change

Gross Lending
BBVA Group
Year-on-year change (%)



Lending
(Constant €)
2011 vs. 2010 change (%)

Spain	-2%	Deleveraging and market share gains
Eurasia	47%	Perimeter effect
Mexico	8%	Growth in more profitable portfolios
South America	27%	Strong growth
USA	1%	Derisking and selective growth

Trends: Positive growth and favourable mix change: high growth in emerging markets to offset weaker performance in developed markets

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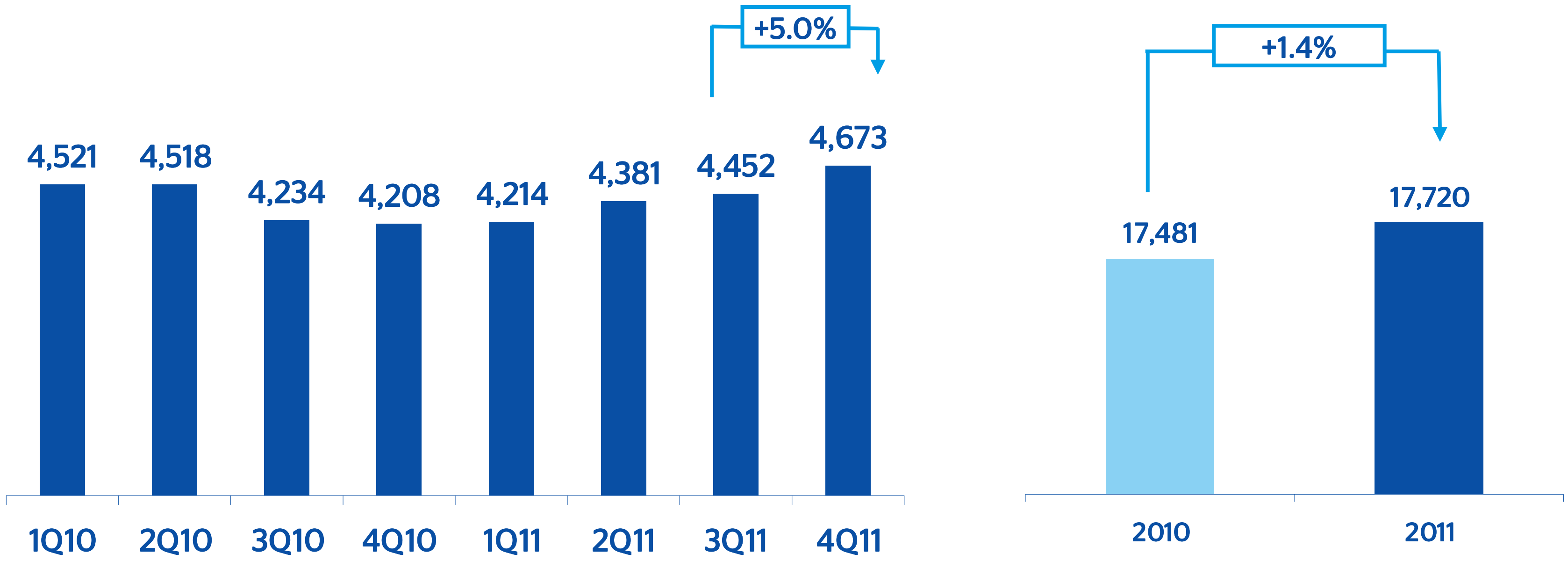
Group: Recurrent core revenues starting to grow

Core revenues(1)
BBVA Group
(Constant €m)



Trends

NII to increase in all geographies and stabilize in Spain
Fee Income to return to positive growth in all geographies

(1) Core revenues include: Net interest income and fee income.

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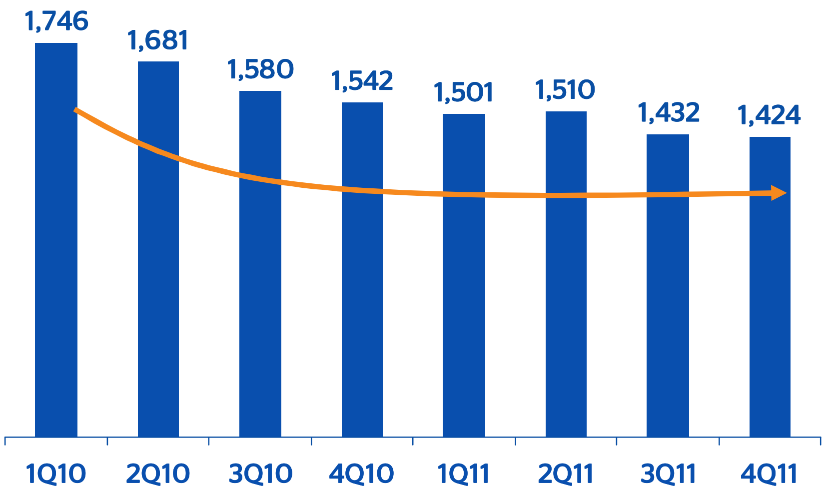
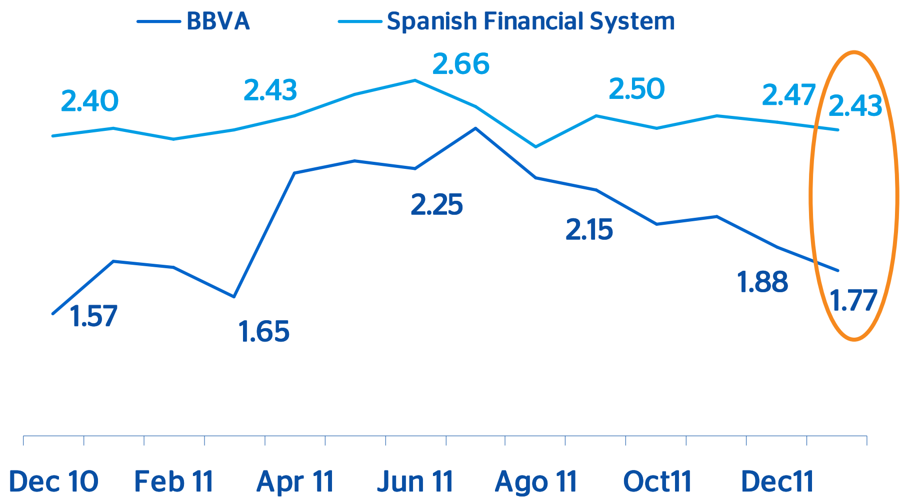
Spain: Net interest income stabilization due to the reduction of the cost of deposits

Core Revenues[1]
(€m)



Cost of deposits (households and corporates)
New production interest rates
(%)



Source: Bank of Spain and internal data

Trends

Price normalization will be the main driver of net interest income
Stabilization of fee income

(1) Core revenues include: Net interest income and fee income.

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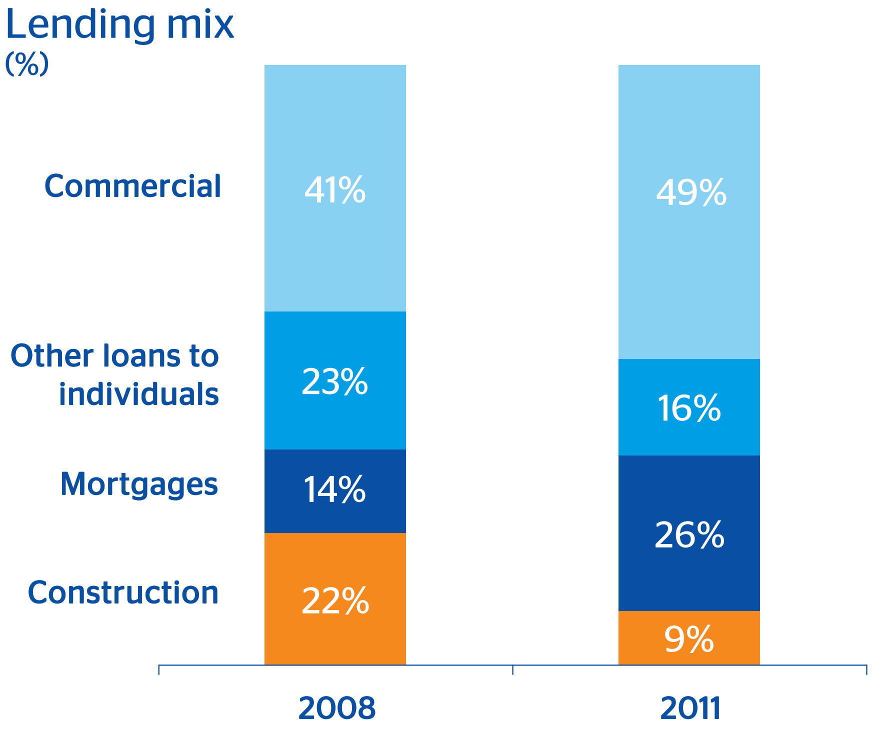
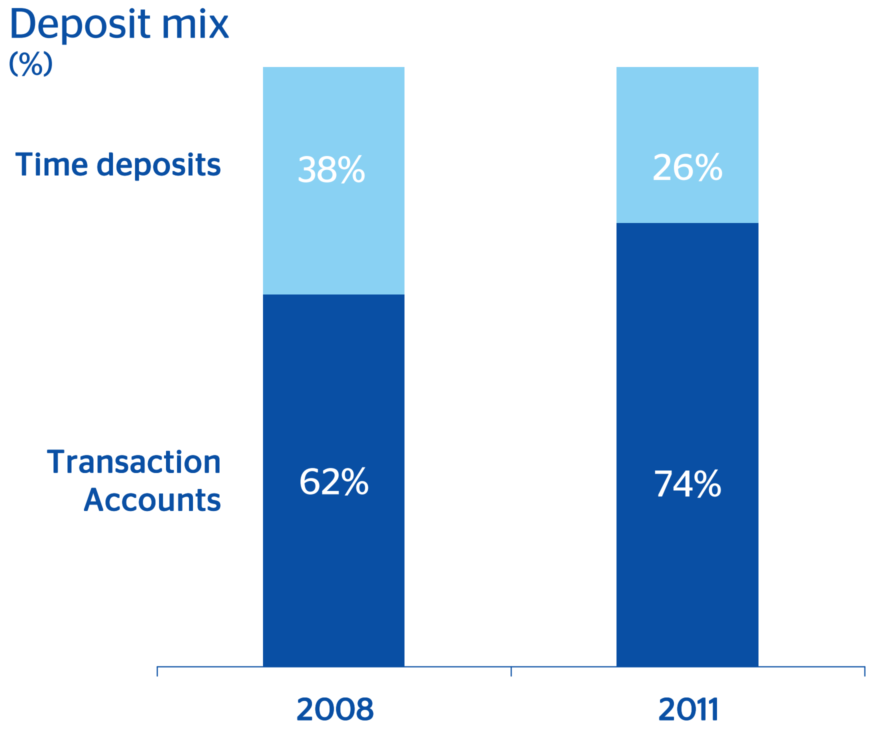
USA: BBVA has successfully performed a business mix transformation …





Trends

Prioritizing non-RE commercial & retail mortgages

Derisking and asset quality will continue to improve

Reduced deposit cost driving customer spread

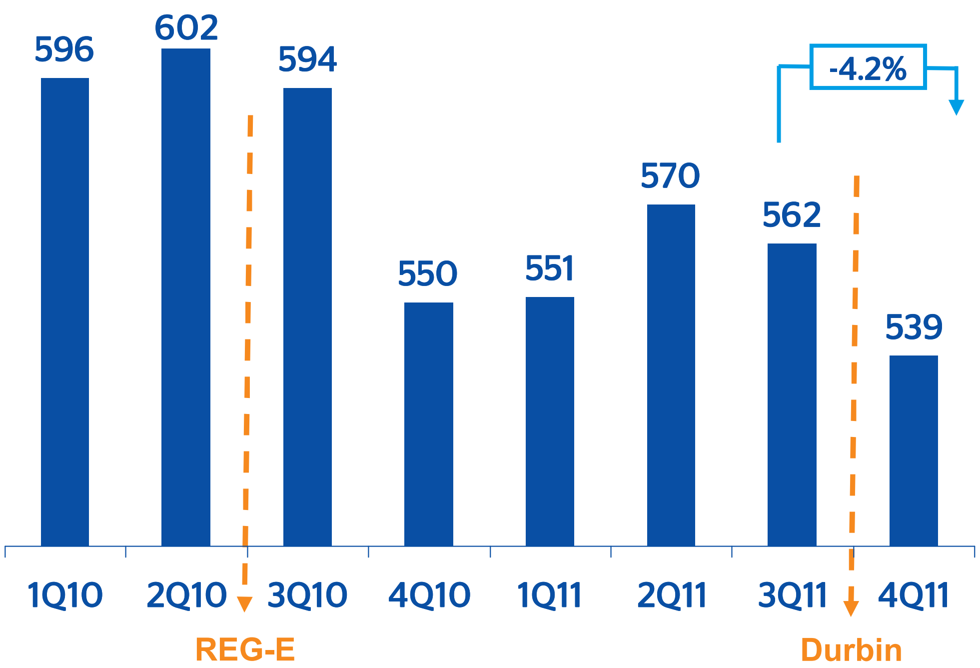
USA: … and a business model transformation

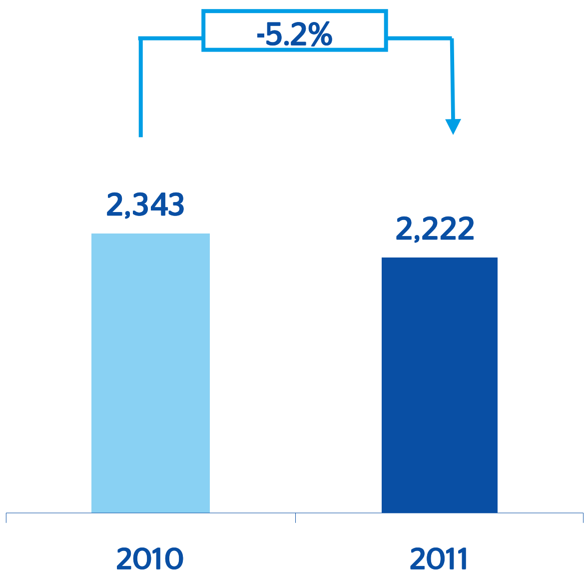
	From	To
BUSINESS MODEL	Selling products to people	Delivering the right solutions to customers
IT PLATFORM	Informational silos No real time Manual processes	Full customer view Real time Process automation
RISK MANAGEMENT	Admission and monitoring	Proactivity and anticipation

Transformation towards BBVA's industrialized customer centric business model on track (about 2/3 completed)

USA: Core revenues affected by the run-off from Guaranty portfolios and the new regulatory landscape

Core Revenues[1]
(Constant €m)





Trends

Profitability will improve reflecting the transformation of the business model and the economic recovery

(1) Core revenues include: Net interest income and fee income.

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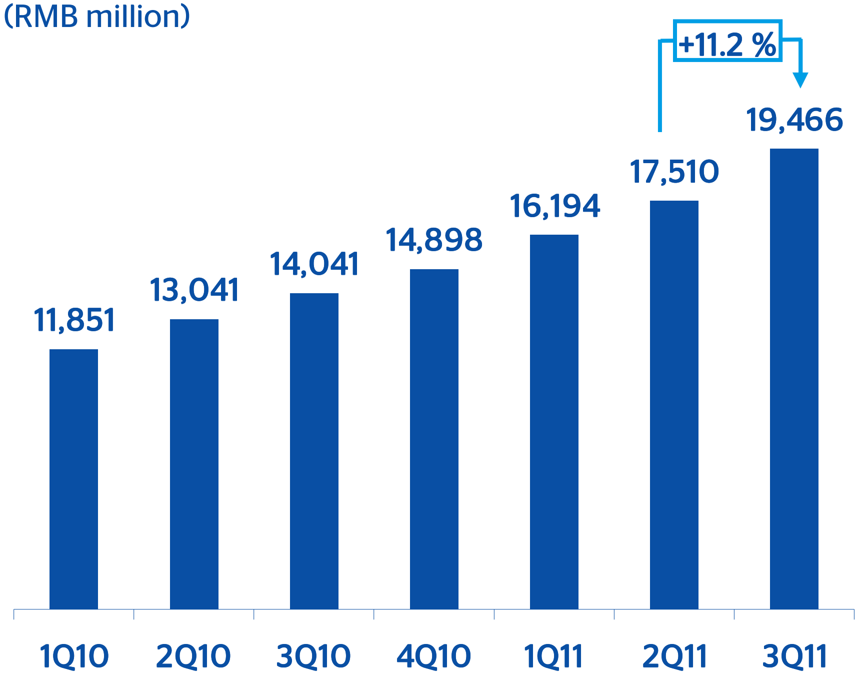
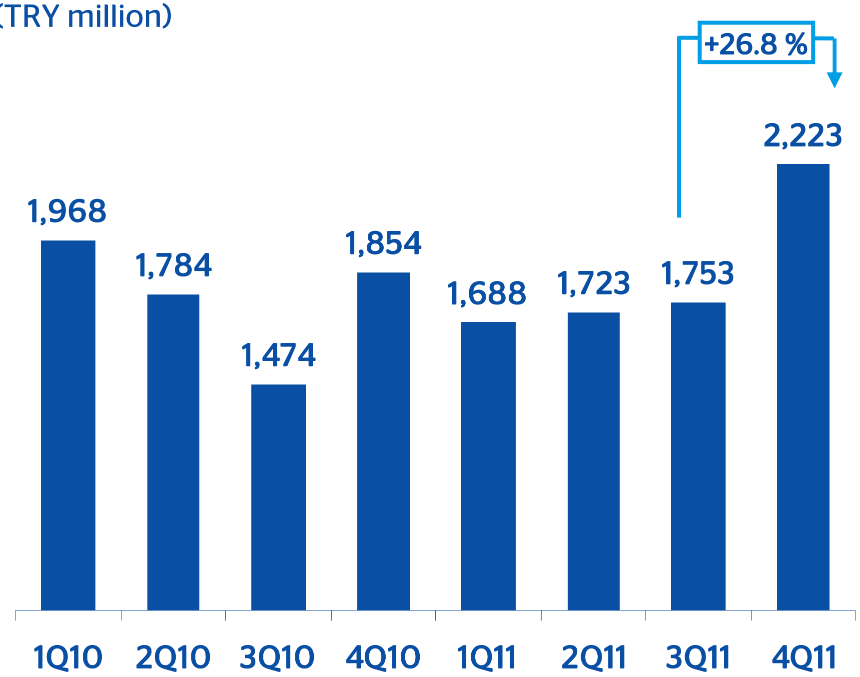
Eurasia: Buoyant activity in all regions

Citic Core revenues(1)
Quarter-on-quarter
(RMB million)



Source: CNBC public reporting

Garanti Core revenues(2)
Quarter-on-quarter
(TRY million)



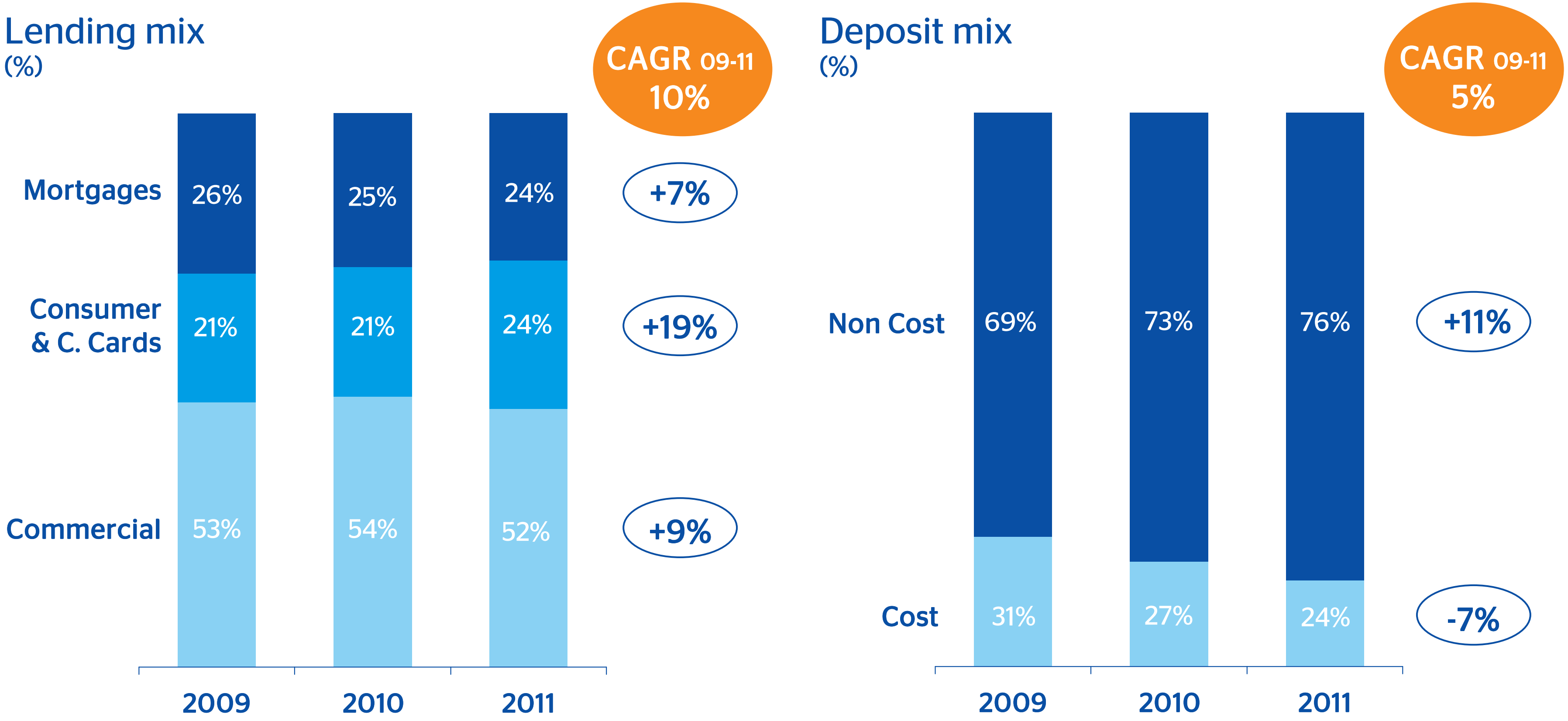
Source: BRSA Consolidated Garanti public reporting.

Trends

Activity dynamism and growing core banking revenues

(1) Core revenues include: Net interest income and fee income. (2). Core revenues include: Net interest income, income on RR and CPI linkers and net fees & commissions.

Mexico: Business dynamism and mix improvement …

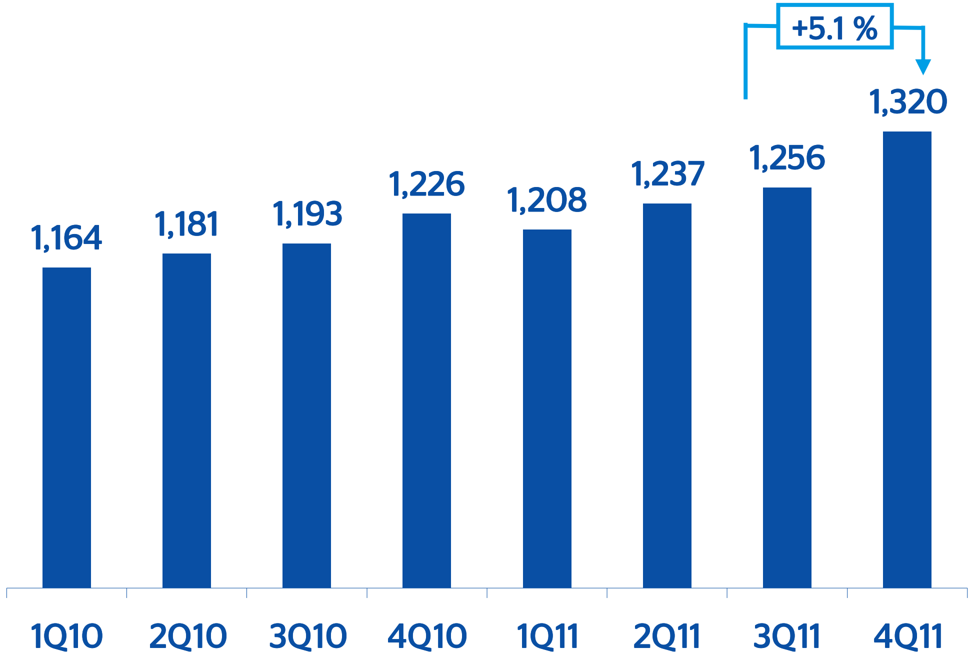


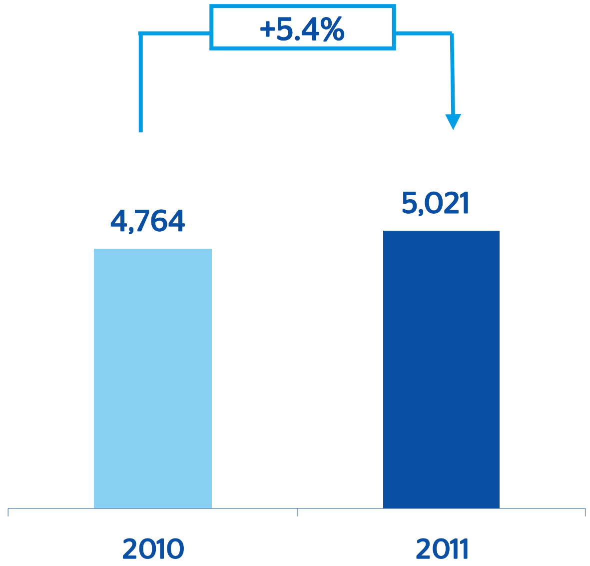
Trends

Growth biased to more profitable segments

Mexico: … with a positive impact on revenues …

Core revenues[1]
(Constant €m)





Trends

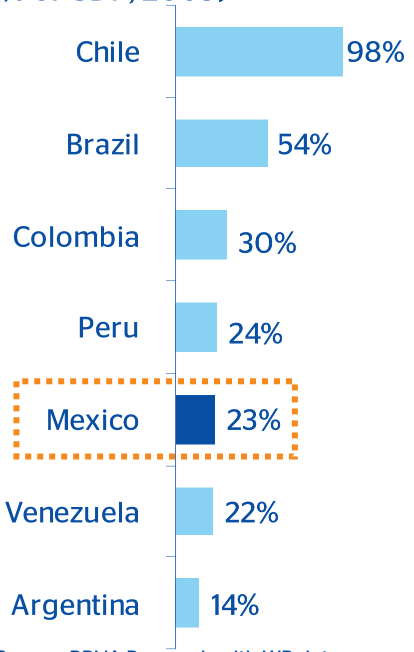
High net interest income growth
Impact of new regulation on fees and commissions absorbed in 2011

(1) Core revenues include: Net Interest Income and Fee Income.

Mexico: … and huge growth opportunities going forward, being the market leader

Low banking penetration

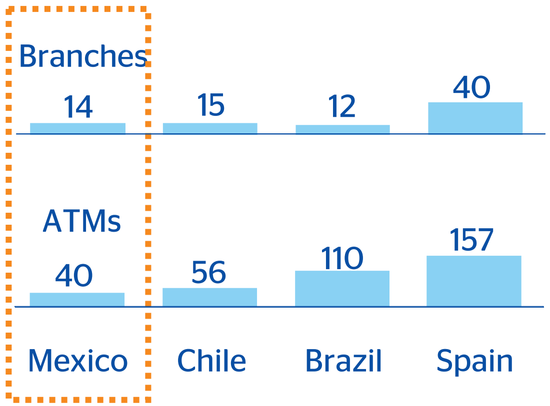
Domestic credit to private sector (% of GDP, 2009)



Source: BBVA Research with WB data

Under penetrated market

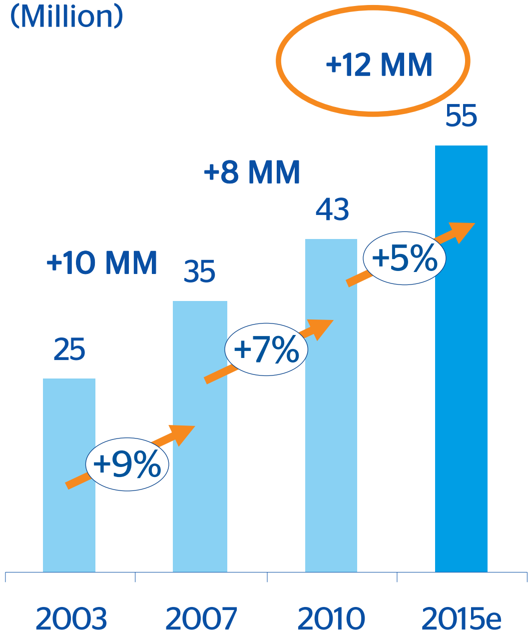
(Data per 100,000 inhabitants, 2008)



Source: McKinsey

Banked population

(Million)



Source: BBVA Bancomer

Trends

Opportunities in an under penetrated financial system to be exploited through innovation in the distribution model

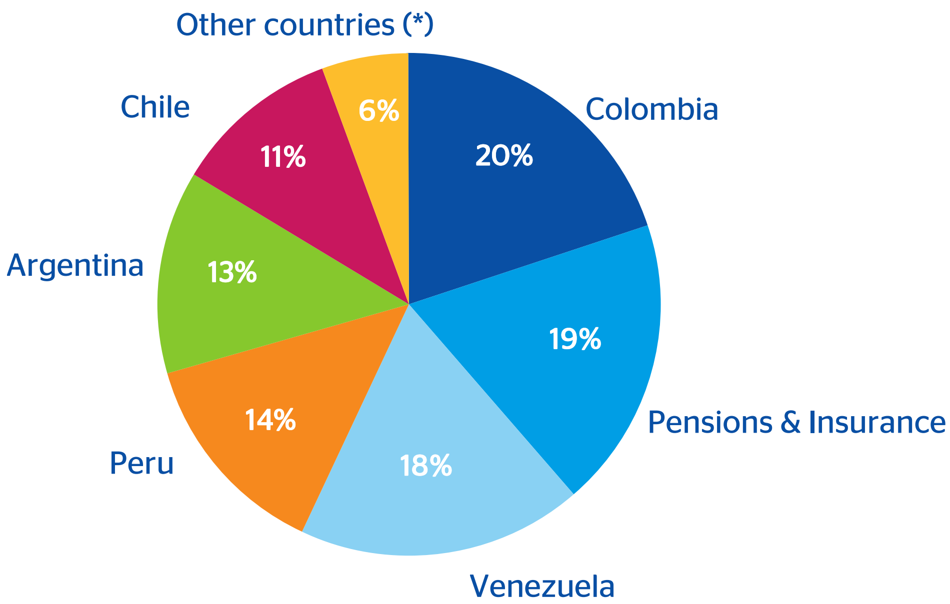
South America: Diversified leadership in a fast growing region

- 8 Banks
- 5 AFPs (Pension Funds Managers)
- 4 Insurance Companies

	Banks	Insurance	AFPs
Argentina	●	●	
Bolivia			●
Chile	●	●	●
Colombia	●	●	●
Ecuador			●
Panama	●		
Paraguay	●		
Peru	●		●
Uruguay	●		
Venezuela	●	●	

Net attributable profit breakdown

December, 2011 (%)

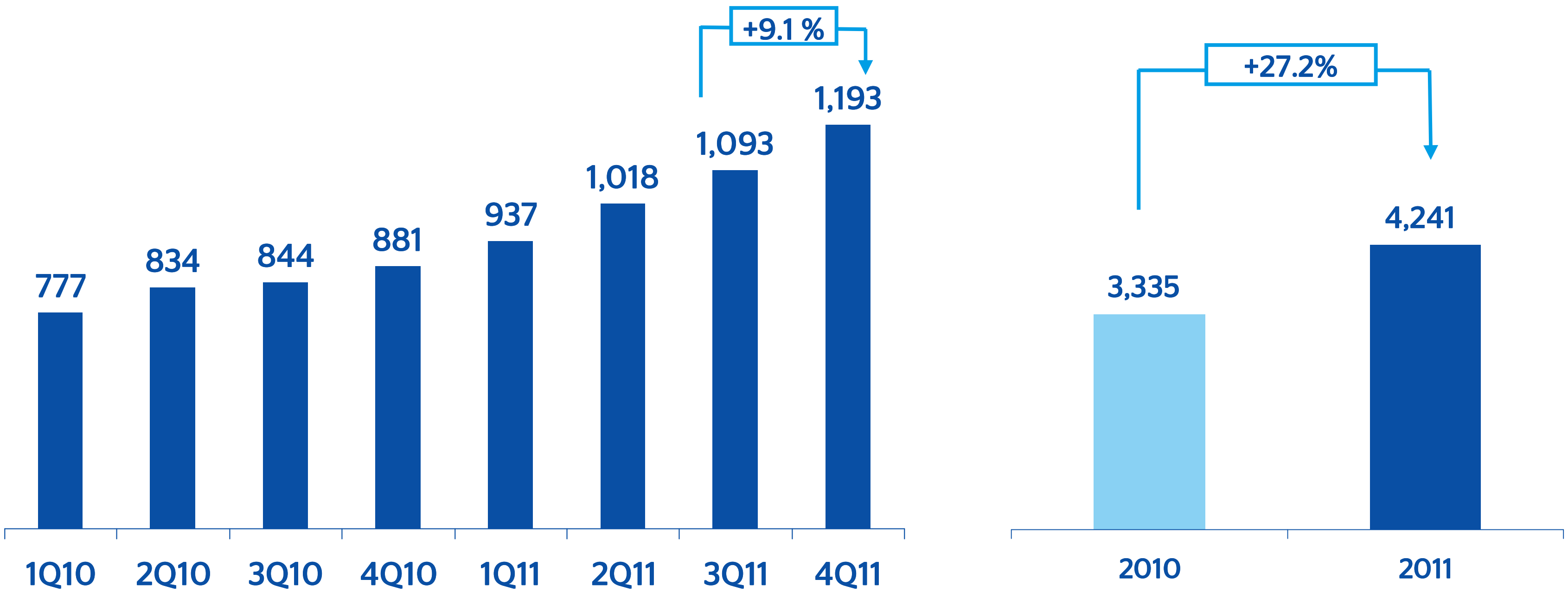


Total net attributable profit
€ 1 Bn (+16% vs 2010)

* Panama, Paraguay,Uruguay, Bolivia and Ecuador.

South America: ... leading to higher revenues and profitability

Core revenues[1]
(Constant €m)



Trends

High growth of core revenues and profits

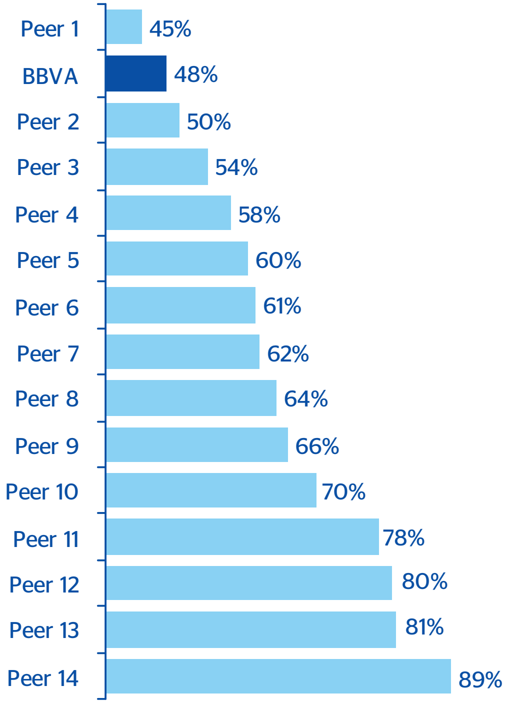
(1) Core revenues include: Net interest income and fee income.

2

Investments in the franchise progressively stabilizing

Group: Costs growing to reinforce our competitive position

AHEAD IN EFFICIENCY



OPPORTUNITIES

- **Growth** in emerging economies
- **Technological** transformation

2011 COST GROWTH

Perimeter	+4.2%
Technology	+1.6%
Growth	+1.3%
Recurrent business	+3.9%
	+11.0%

Trends

Costs to remain flat in developed economies and progressively stabilize in emerging economies

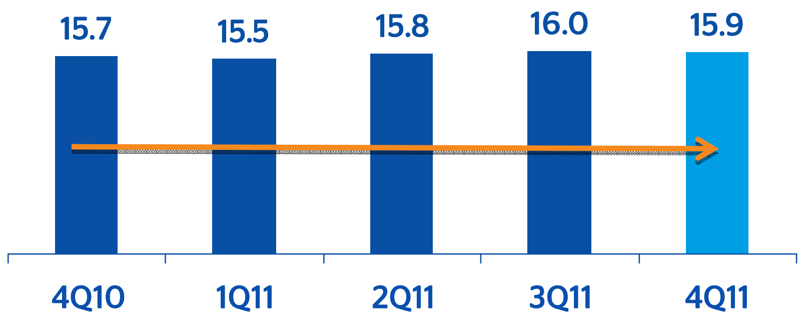
Peer Group: BARCL, BNP, CASA, CMZ, CS, DB, HSBC, ISP, LLOYDS, RBS, SAN, SG, UBS and UCI. Figures as of Dec. 2011, except for UCI (as of Sept. 2011).

3

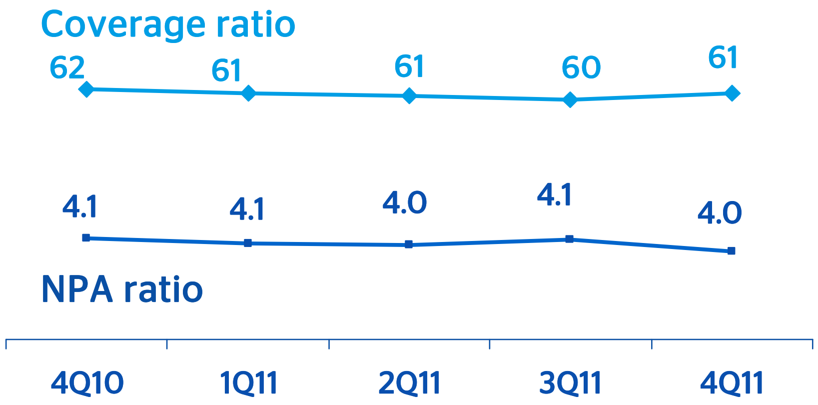
Asset quality resilience and absorption of new regulation

Group: Stable risk indicators for the 8th quarter running

NPAs – net balance
BBVA Group
(€bn)



NPA & coverage ratios
BBVA Group
(%)

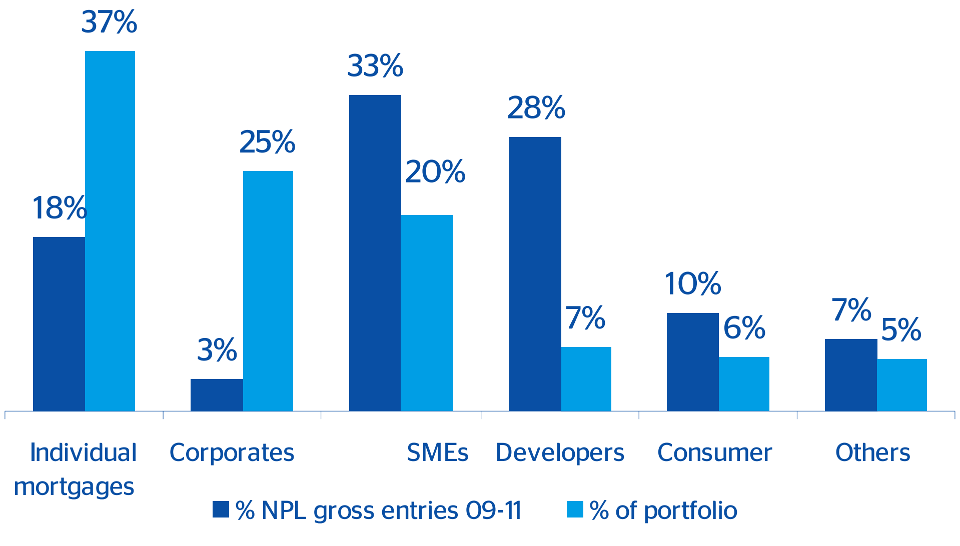


Trends

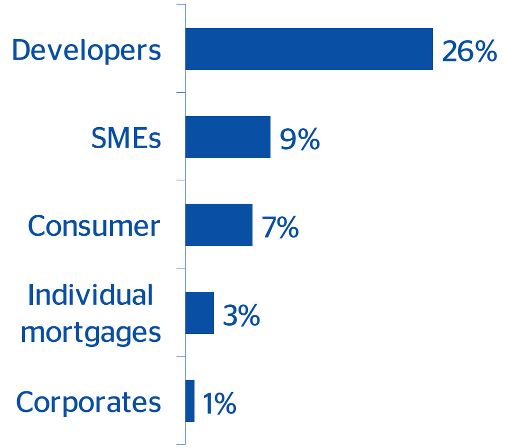
Risk indicators to remain stable at the Group level

Spain: RE developers and SMEs represented >60% of NPL formation during the crisis vs. <30% of the book

NPL gross entries 2009-2011
Breakdown by segment



NPL ratio by segment
December 2011



Trends

New entries to marginally increase in 2012 driven by SMEs due to a worse than expected economic situation

Note: Data from local businesses in Spain, excluding C&IB.

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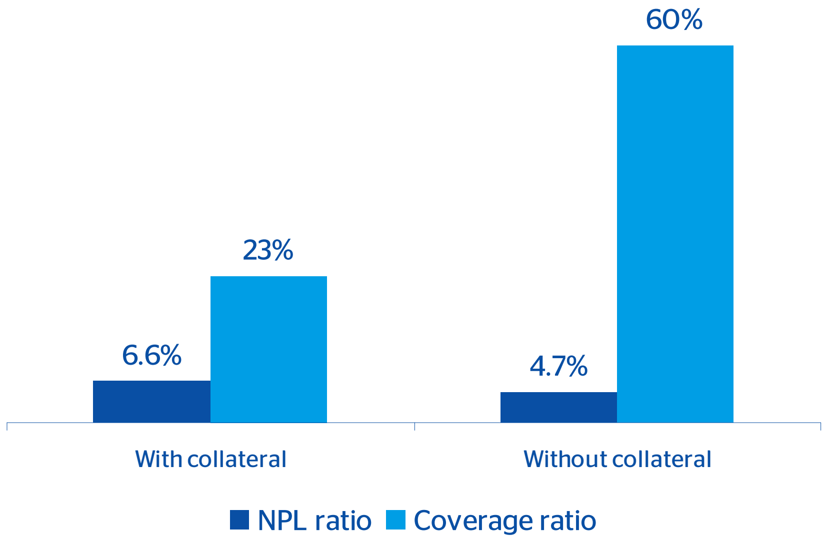
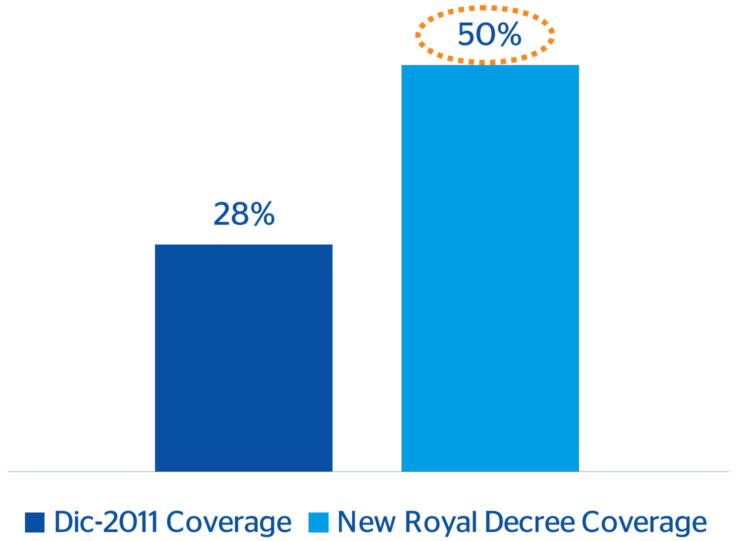
Spain: Provisions will peak in 2012 due to new RE requirements and SMEs NPL formation

NPL and Coverage breakdown[1]
2011



Coverage ratio RE Problematic Assets[2]
Pre and post new Royal Decree



Non collateralized NPLs are 100% covered within a year

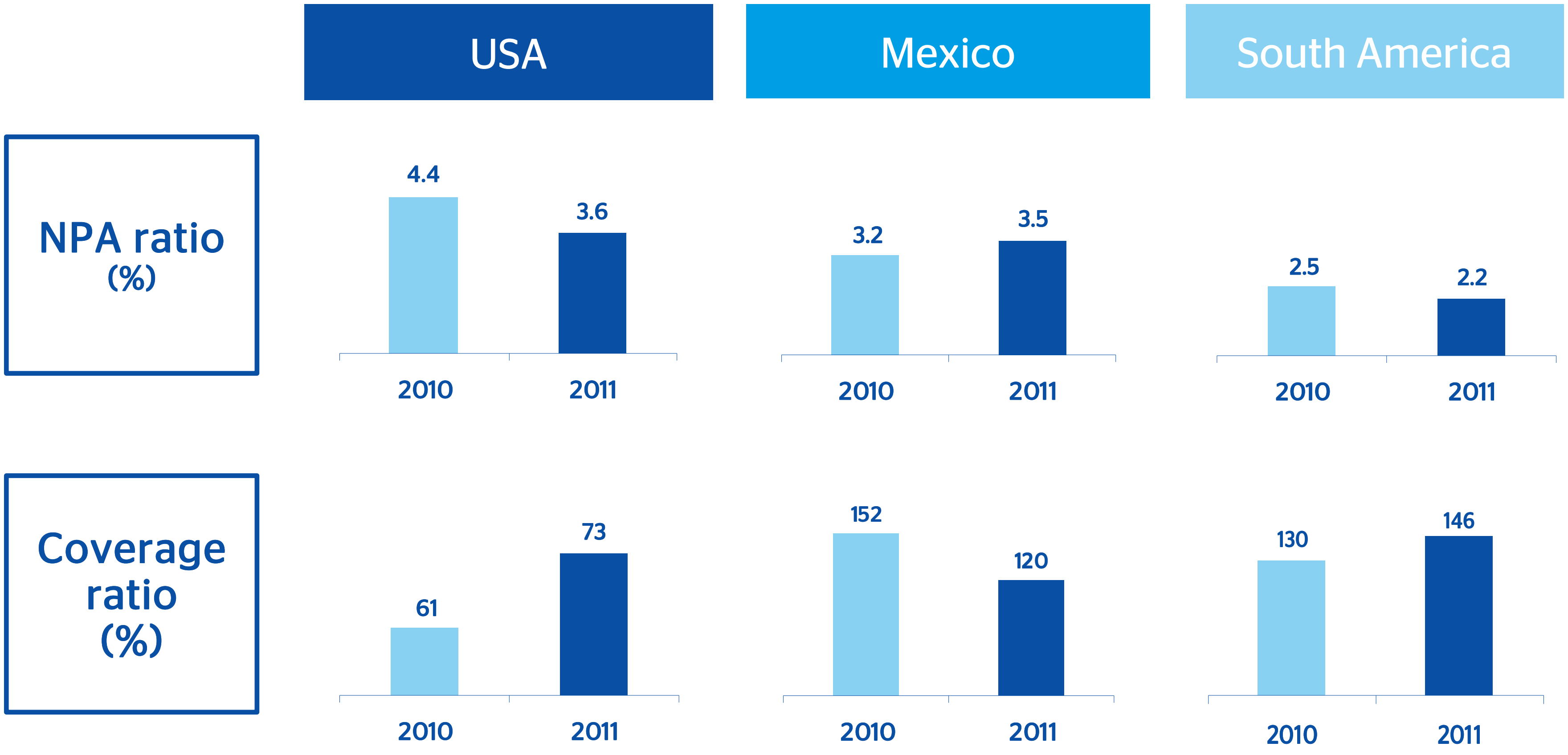
New RE provision requirements (€1.5 Bn after tax) to be absorbed in 2012

Trends

Coverage to substantially improve

(1) Local business in Spain excluding C&IB. "With collateral" includes individual mortgages and developer loans and "without collateral" includes corporates, SMEs and consumer loans.
(2) Problematic assets include doubtful and substandard developers' loans and foreclosed assets from households and developers. 50% coverage does not include the capital add-on required.

Rest of areas: Asset quality evolution reflecting change in mix



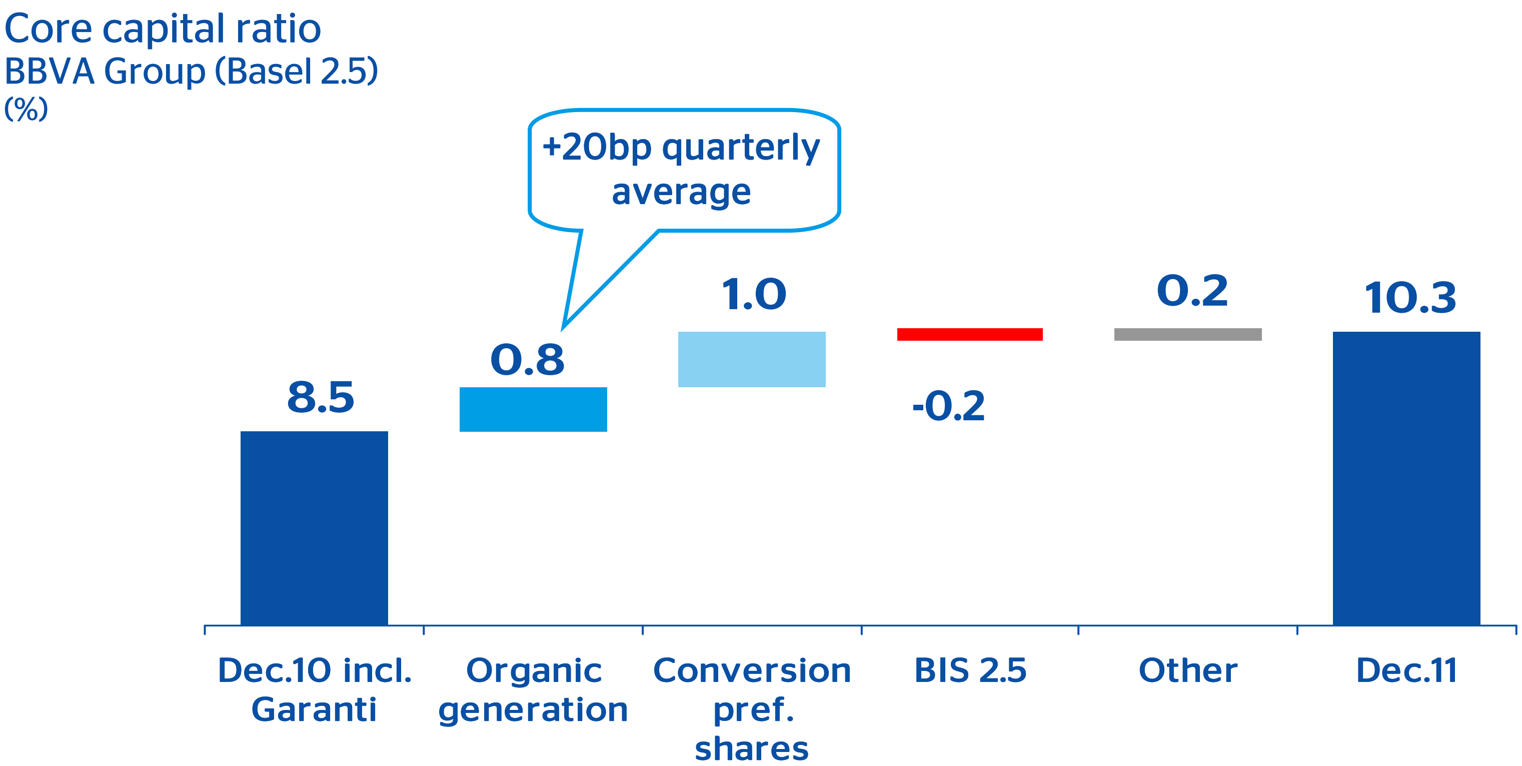
Trends

Stable asset quality in all geographies

4

Strong capital generation and solid liquidity position

Capital: Substantial capacity to generate capital



BBVA will comfortably achieve EBA's requirements even after new RE provisions
Sustainable dividend policy: €0.42 DPS remains the floor

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Liquidity: Improving position of the Euro Balance Sheet...

1 Lower funding needs	Liquidity gap: -€24bn since May.10; -€4bn in 4Q11
2 Strategic use of ECB LTRO	< 5% total assets
3 Proven access to wholesale markets	
4 Lowest redemptions in 2012 amongst peer group	€11bn
5 Enough additional collateral to absorb any liquidity shocks	

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Funding costs continue to improve

Liquidity: … and in all other franchises thanks to BBVA's decentralized liquidity management

- Independent ratings and liquidity management
- Market discipline and proper incentives
- Firewalls between subsidiaries and the parent company
- Supervision and control by parent company
- Proven resilience during the crisis

BBVA Compass	Mexico	South America
Loan to deposits (Dec-11) 95%	Loan to deposits (Dec-11) 100%	Loan to deposits (Dec-11) 94%

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In a “loss-absorption world”…

Equity investors should focus
on earnings power and franchise value…

…which also backs a bank’s creditworthiness

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Market attention should turn to the evolution of fundamentals

Earnings power and franchise value	• Resilient and growing core revenues in all geographies • Investments in the franchise progressively stabilizing • Stable asset quality absorbing the worst year in Spain
Capital and liquidity	• Successfully adapted to the new challenging environment • Strong capital and liquidity generation • Minimizing impact on profitability and shareholders dilution

BBVA continues to improve its earnings potential and franchise value

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