

# *“Leading the New Financial System”*

---

**Banking & Insurance CEO Conference**

---

**Ángel Cano**  
President & COO

London, 28th September 2010

# 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 others 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 stated strategies and intentions.

The contents of this statement must be taken into account by any persons or entities that may have to make decisions or prepare or disseminate opinions about securities issued by BBVA and, in particular, by the analysts who handle 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.

# Superior performance of BBVA Group ...

**2002-2007**

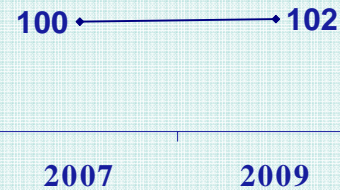
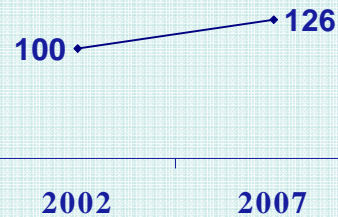
(Base 100: 2002)

**2007-2009**

(Base 100: 2007)

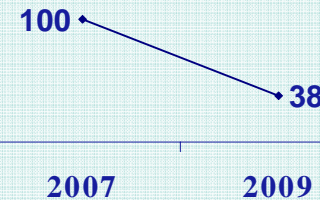
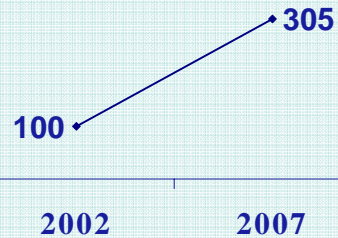
**1H10**

**Macro**  
(World GDP)



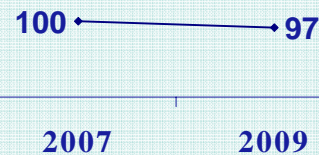
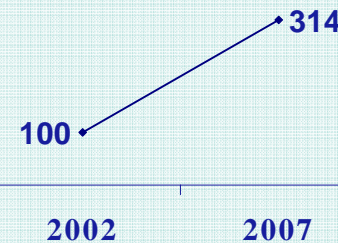
- Sovereign risk
- Fiscal consolidation
- Liquidity crunch

**Financial system**  
(Attributable profit peer group\*)



- Credit quality deterioration
- Funding constraints

**BBVA Group**  
(Attributable profit)



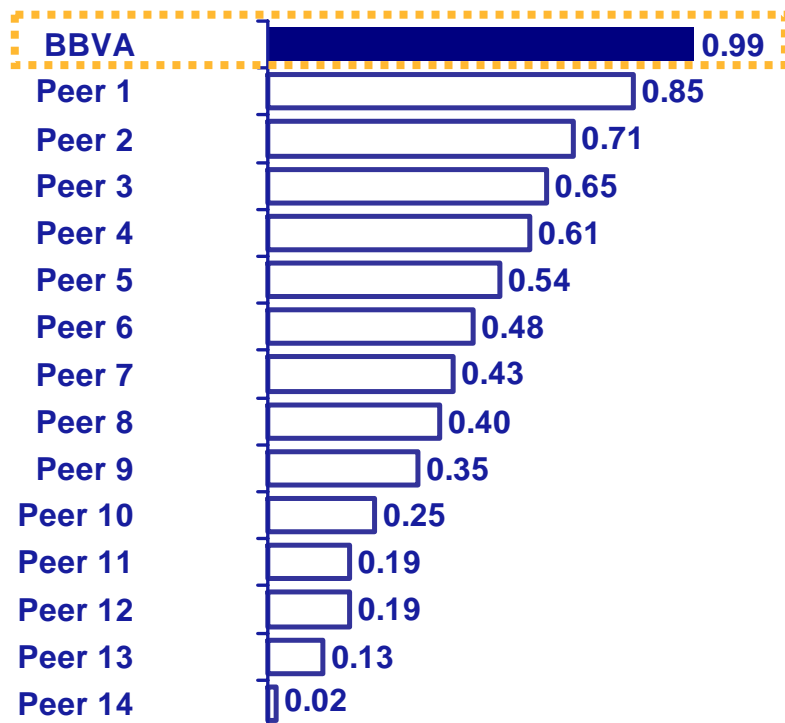
- Record gross margin
- Risk indicators stabilize
- Access to liquidity
- Solvency confirmed by stress-tests and S&P

\* Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI.

# ... and leadership in terms of profitability

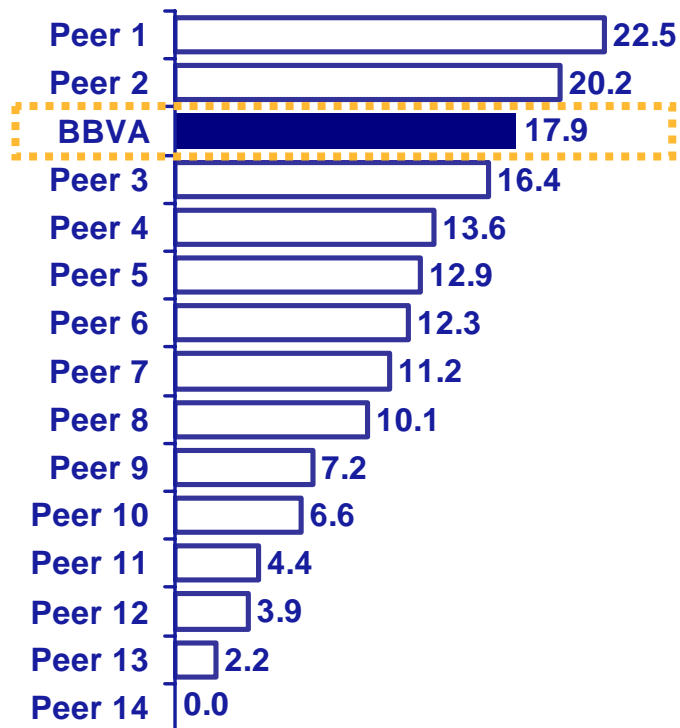
## ROA

BBVA Group & peer group\*  
(1H10, %)



## ROE

BBVA Group & peer group\*  
(1H10, %)



\* Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI.

# BBVA Why do we outperform our peers? Why will we continue to do so?

**1**

**Superior business model:  
source of differentiation**

**2**

**Bank transformation  
focused on superior future  
growth**

## Superior business model based on:

- 1. Customer**
- 2. Efficient distribution**
- 3. Technology**
- 4. Diversification**
- 5. Prudence**

## Three key differentiation elements

- A. Recurrence**
- B. Structural strength**
- C. Ability to anticipate**

1. Customer
2. Efficient distribution
3. Technology
4. Diversification
5. Prudence

## Customer-based banking model ...

**Customer-based revenues:**  
91%\* of total revenues

**Retail banking leader in all our franchises**

- 46.9 million customers
- 7,407 branches

**A global WB&AM franchise**

- 3,800 employees (1,900 Europe, 1,800 America and 100 in Asia)
- 25 countries

## ... with a leading position in our main markets



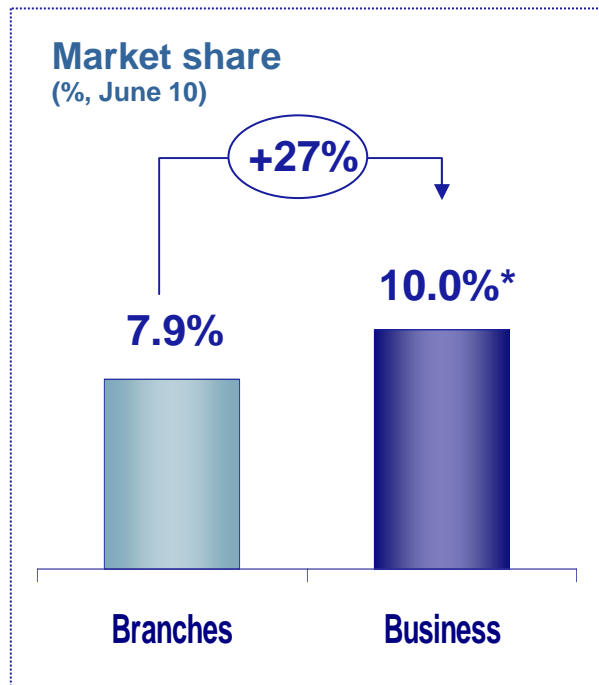
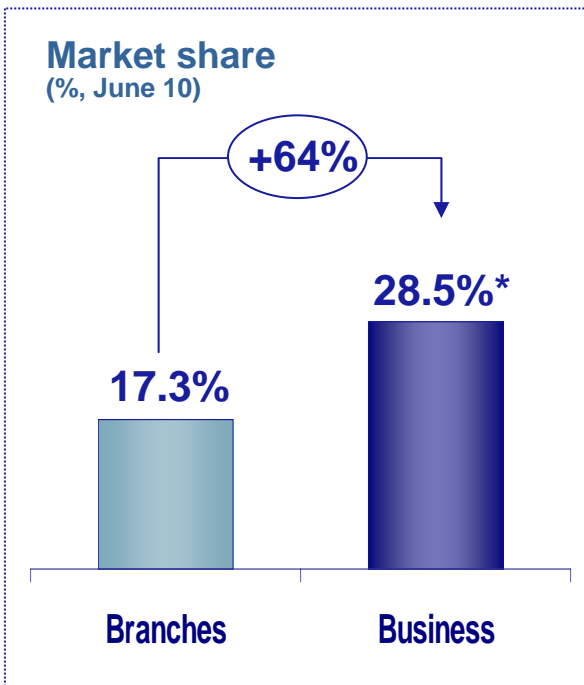
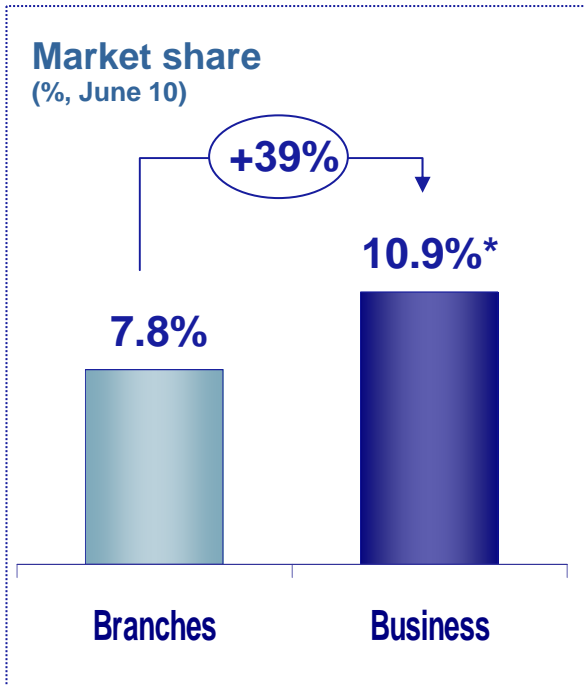
\* Customer based revenues = BBVA Group gross income – (corporate activities + no clients income from WB&AM)

- 1. Customer
- 2. Efficient distribution
- 3. Technology
- 4. Diversification
- 5. Prudence

**Spain**

**Mexico**

**Latam**



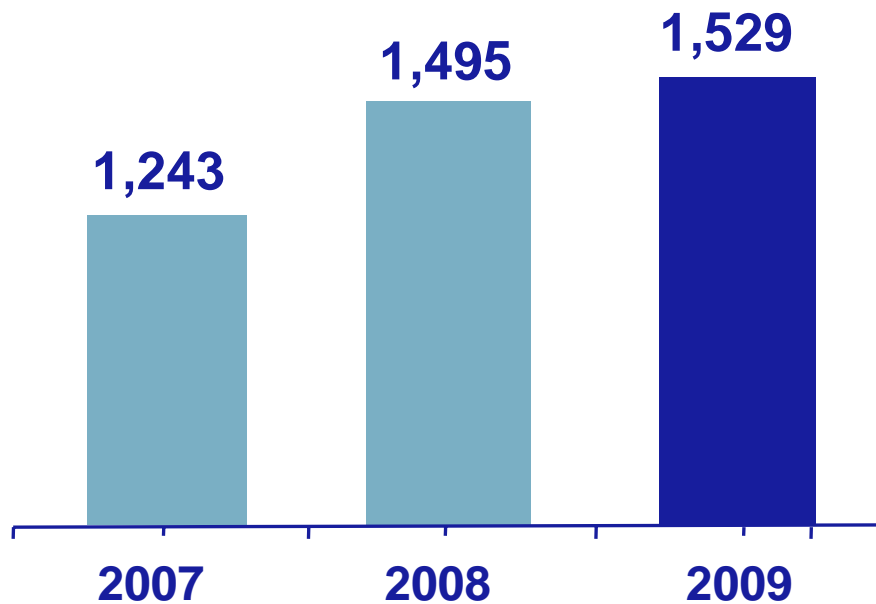
**Efficient networks are key factor  
given their weight in the cost structure**

\*Lending + customer funds

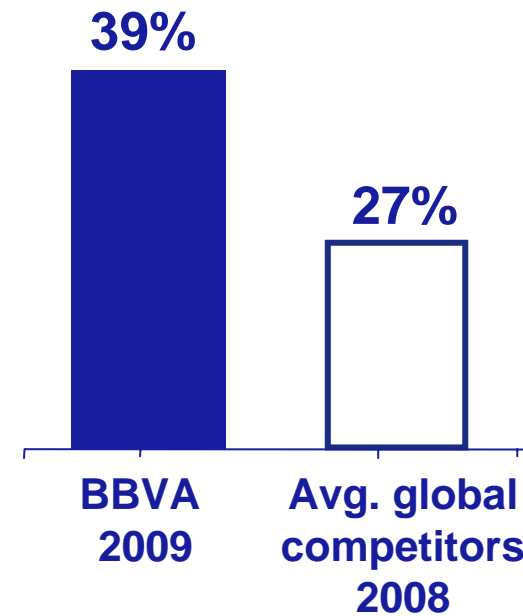


- 1. Customer distribution
- 2. Efficient distribution
- 3. Technology
- 4. Diversification
- 5. Prudence

**Expenditures on technology  
BBVA Group\***  
(€m)



**Change-the-bank vs  
Run-the-Bank**  
(Capex vs total costs)

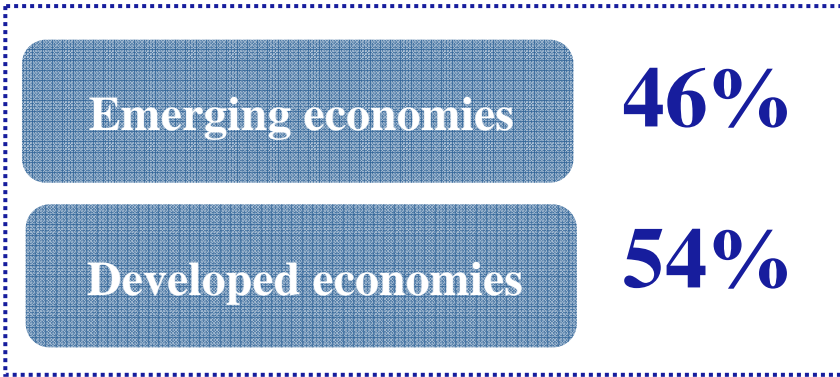
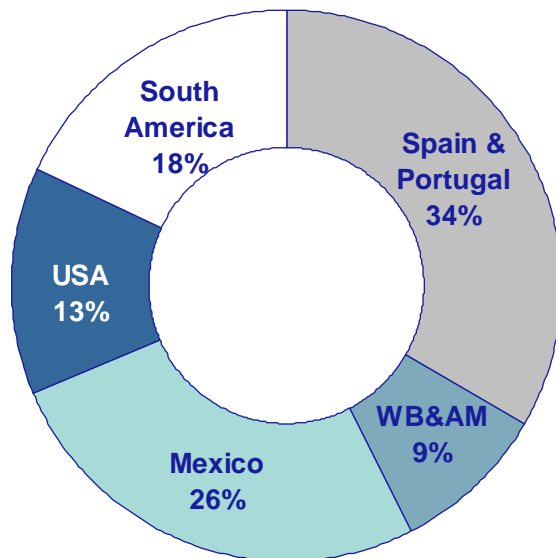


\* Include investment + incurred expense excluding depreciation.

Source: BCG and in-house.

1. Customer
2. Efficient distribution
3. Technology
4. Diversification
5. Prudence

**Gross income\***  
Breakdown by business area  
(%)



**... and finally prudence, the fundamental principle of our management**

\* Excl. corporate activities

# Superior business model: source of differentiation

Superior business model  
based on ...

1. Customer
2. Efficient distribution
3. Technology
4. Diversification
5. Prudence



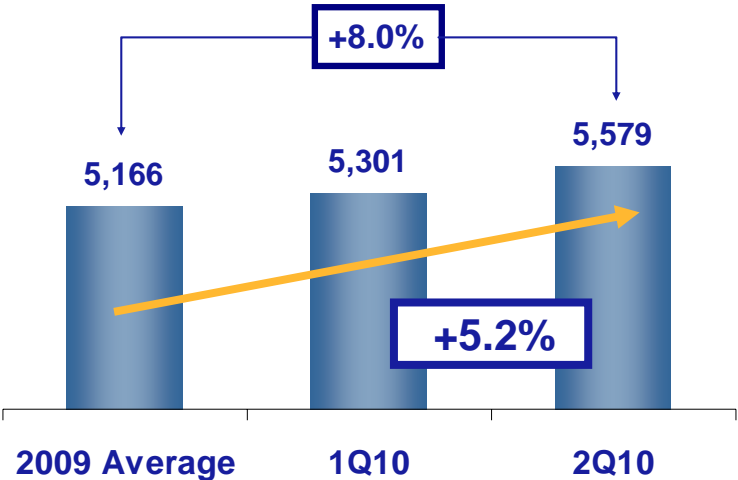
Three key differentiation  
elements ...

- A. Recurrence
- B. Structural strength
- C. Ability to anticipate

# BBVA A. Recurrence: as a result we enjoy recurrent high-quality gross income ...

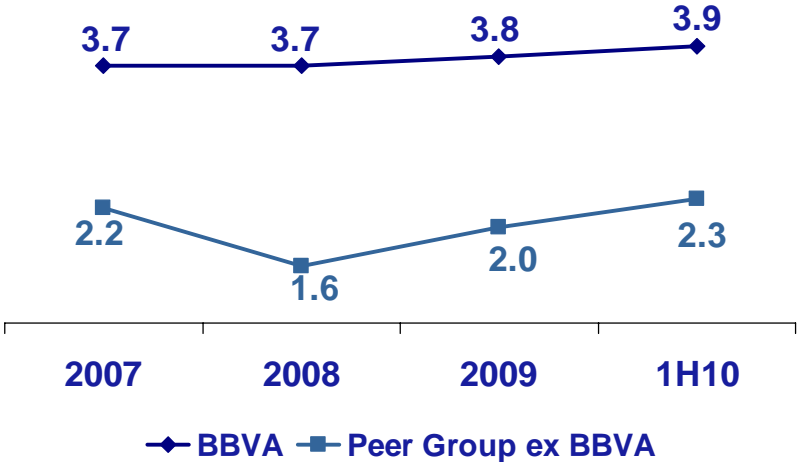
- A. Recurrence
- B. Structural strength
- C. Ability to anticipate

**Gross income**  
 BBVA Group  
 Quarter-by-quarter  
 (€m)



**Record quarter**

**Gross income / ATAs**  
 BBVA Group vs peer group\* (%)



**High profitability of our balance sheet**

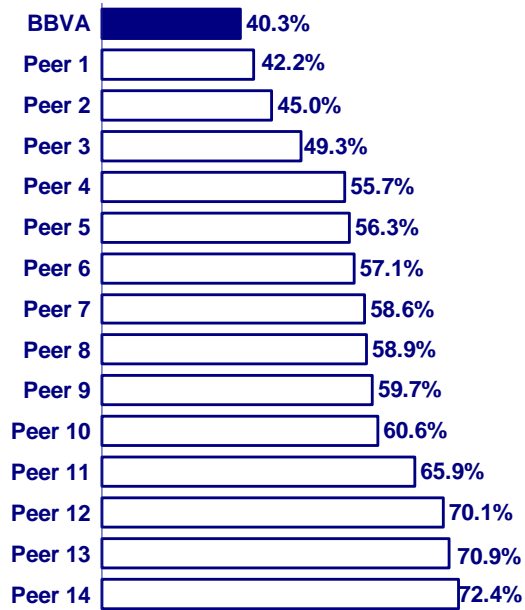
\* Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI.

# BBVA ... that along with continuous progress in efficiency leads to strong operating income ...

- A. Recurrence
- B. Structural strength
- C. Ability to anticipate

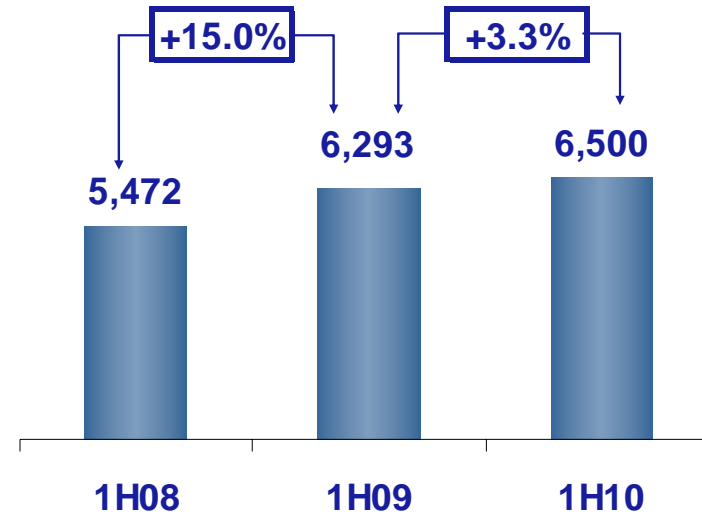
## Cost to income

BBVA Group & peer group  
(1H10, %)



## Operating income

BBVA Group  
(1H10, €m)



## Leadership in efficiency

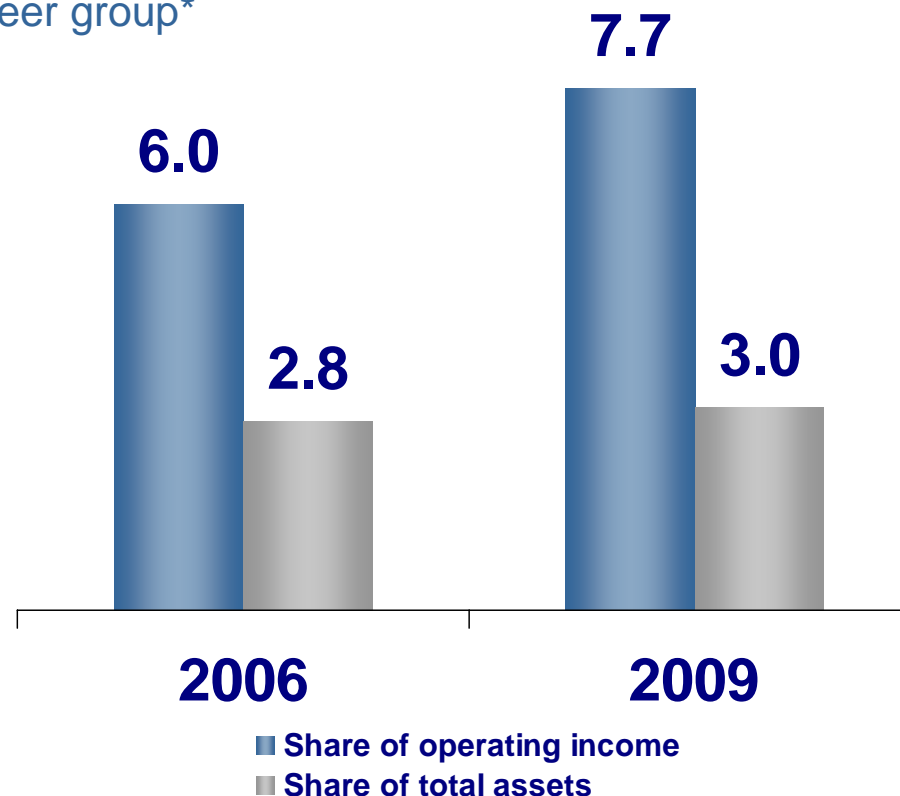
\* Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI.

# BBVA ... improving our relative position during the crisis

- A. Recurrence
- B. Structural strength
- C. Ability to anticipate

Share of operating income vs. share of total assets

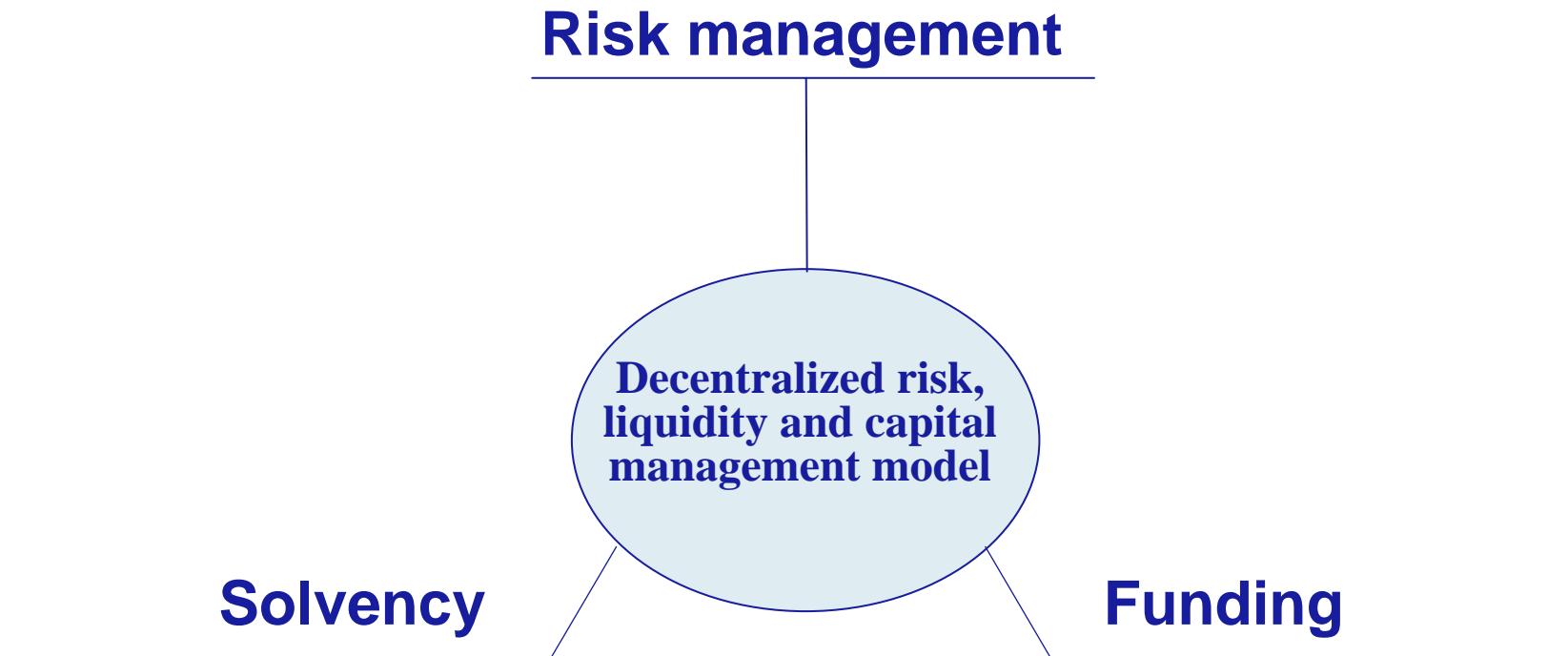
BBVA Group vs. peer group\*  
(%)



**Improvement in market share of operating income while keeping total assets stable**

\* Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI.

A.	Recurrence
B.	Structural strength
C.	Ability to anticipate



Gross additions to NPA:

**-14.8%**

Monthly average, 2010 vs 2009\*

Net additions to NPA:

**-56%**

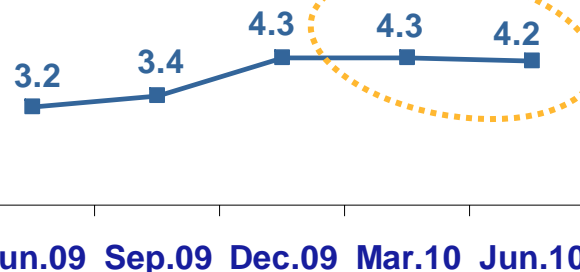
Monthly average, 2010 vs 2009\*

Recoveries:

**+37%**

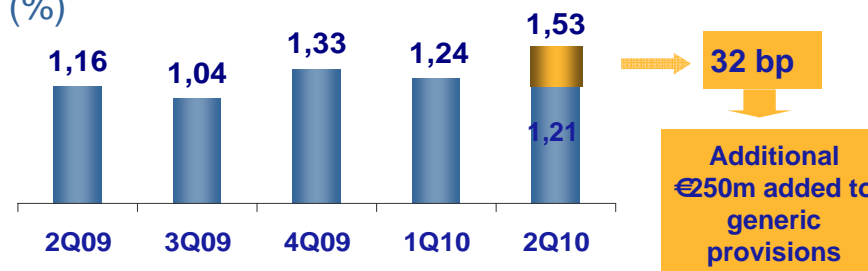
Monthly average, 2010 vs 2009

**NPA ratio**  
BBVA Group  
(%)



- A. Recurrence
- B. Structural strength
- C. Ability to anticipate

**Cost of risk excl. one-offs**  
BBVA Group  
Quarter-by-quarter  
(%)



**Stabilization and improvement  
in main risk indicators**

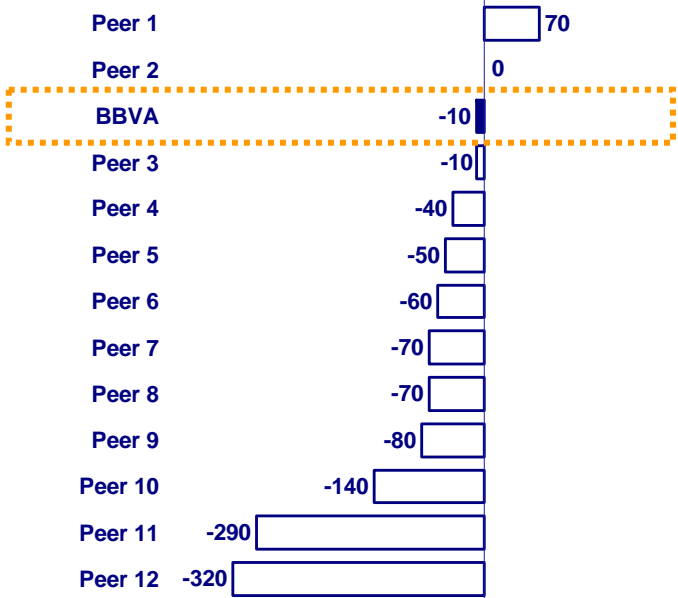
\* Excl. anticipation



# BBVA Solvency: according to CEBS stress test BBVA is one of the most resilient entities in Europe

- A. Recurrence
- B. Structural strength
- C. Ability to anticipate

## Impact of stress test over TIER I (In basis points)



**Maximum resilience of capital ratio despite the tough test scenario used for Spain**

**Ability to generate net operating income**

**Adequate solvency and payment of cash dividends in stress scenarios in the absence of capital increases**

**Standard & Poor's has confirmed AA rating**

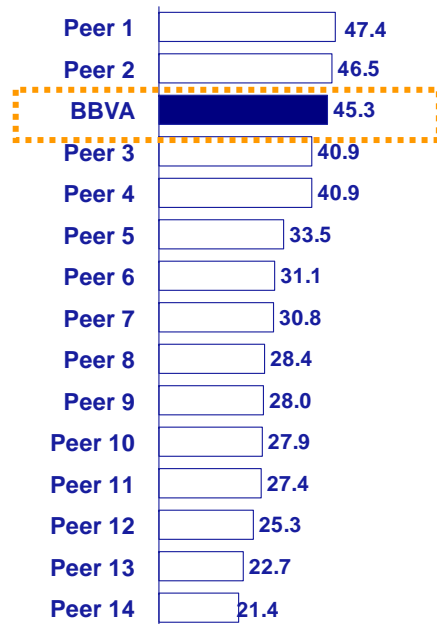
**Organic generation capacity demonstrated quarter by quarter**

\* Peer Group: BARCL, BNPP, CASA, CMZ, DB, HSBC, ISP, LBG, RBS , SAN, SG & UCI.

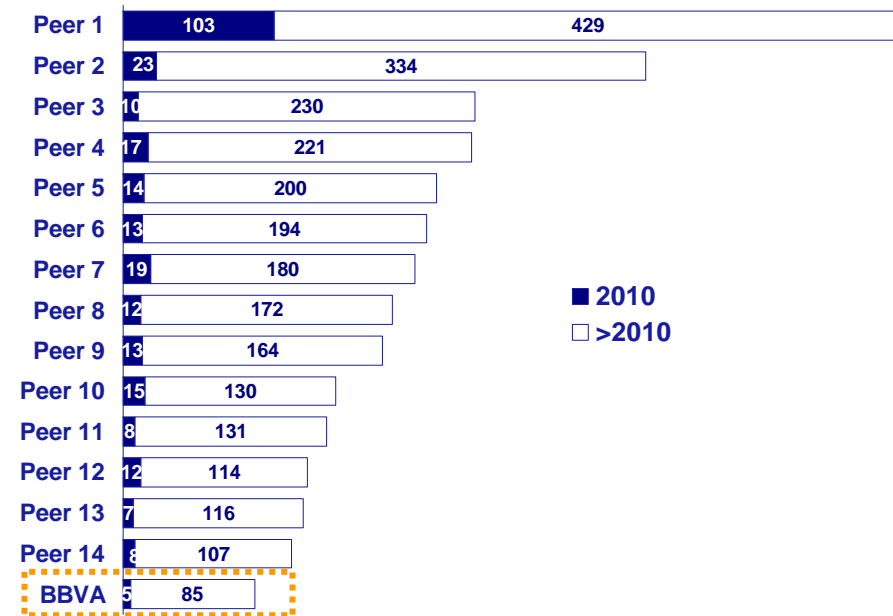
# Funding: solid liquidity and finance positions

- A. Recurrence
- B. Structural strength**
- C. Ability to anticipate

**Deposit / Assets**  
(1H2010, %)



**BBVA Group's wholesale maturities**  
(€bn)



Source: Bloomberg September, 6, 2010

**High deposit base and a smaller balance sheet than any peer**

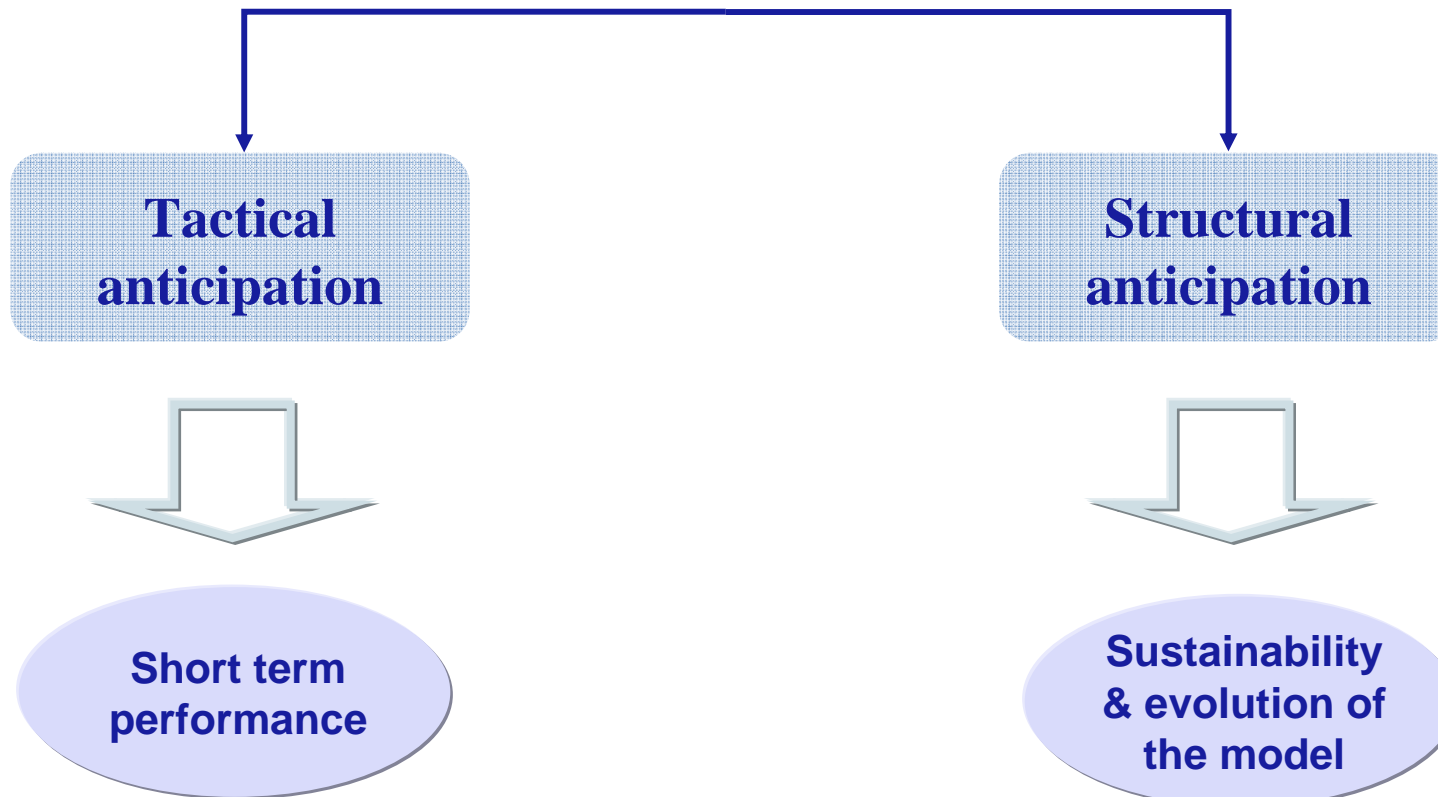
**Less dependent on wholesale debt rollover in the medium term**

\* Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI.

## C. A history characterized by anticipation

- A. Recurrence
- B. Structural strength
- C. Ability to anticipate

### Two types of anticipation



# Tactical anticipation: recent examples

- A. Recurrence
- B. Structural strength
- C. Ability to anticipate

## *Funding position*

### Wholesale funding

- LT wholesale finance budget covered in advance

### Retail funding

- Customized prices vs. massive price campaigns
- Selective growth

## *Credit quality*

- Anticipate future deterioration

- Comfortable position and access to the markets
  - Resilience of net interest income
  - Market share gains

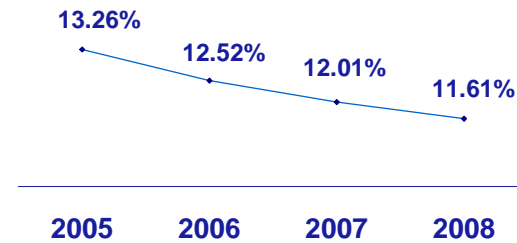
- Superior NPA evolution

# Structural anticipation: Spain

- A. Recurrence
- B. Structural strength
- C. Ability to anticipate

## Planned quota loss (since pre-crisis)

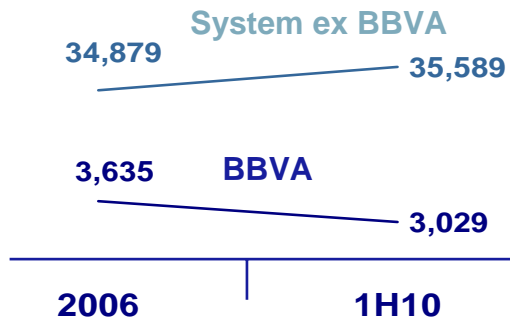
BBVA's lending share in Spain (%)



Source: BBVA and Bank of Spain

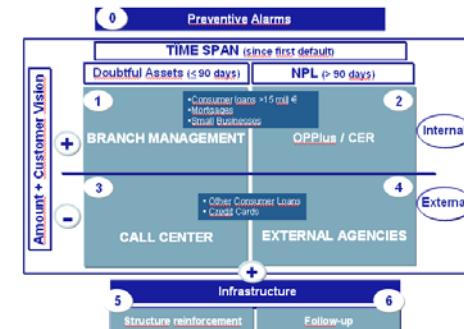
## Transformation plan (2007)

Branches in Spain



## New recovery process (2007)

Recoveries process redesign in Spain



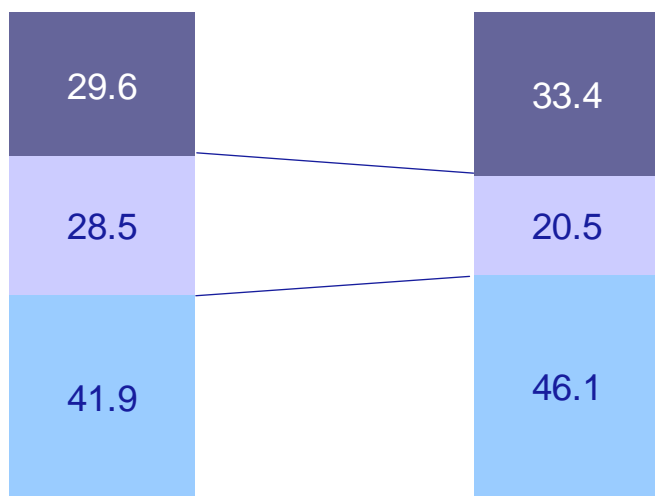
**Market share of recurrent operating income\*: 33.0 %**  
**(+10.7 pp in the last two years)**

\* Recurrent operating income= operating income ex net trading income. Peers: Caixa, Caja Madrid, Popular, Sabadell & Santander

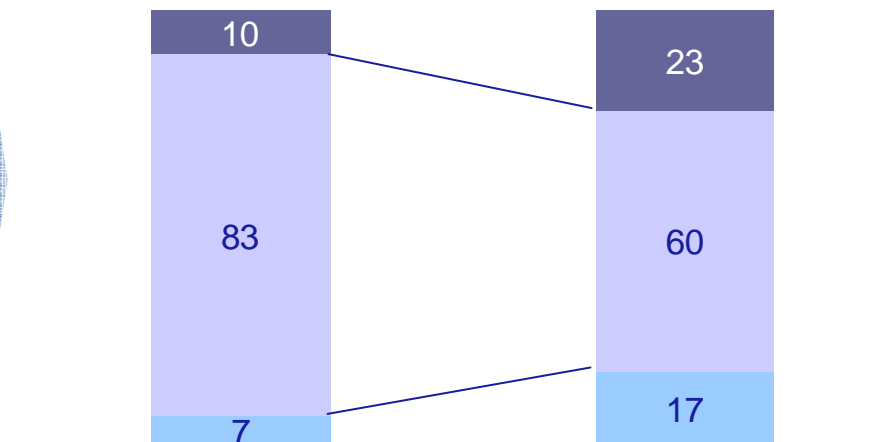
- A. Recurrence
- B. Structural strength
- C. Ability to anticipate

## Proactive change of the portfolio mix

Loan portfolio\*  
(Mix, %)



Net interest margin\* (loan portfolio)  
(Mix, %)



Dec.07

Jun.10

Commercial Consumer Mortgages

Jun.08

Jun.10

Commercial Consumer Mortgages

**... while increasing our share of recurrent operating income\*\*  
share: 37.2 % (+2.6 pp in the last two years)**

\* Local data Mexico.

\*\* Recurrent operating income= operating income ex net trading income. Peers: Banamex, Banorte, HSBC y Santander.

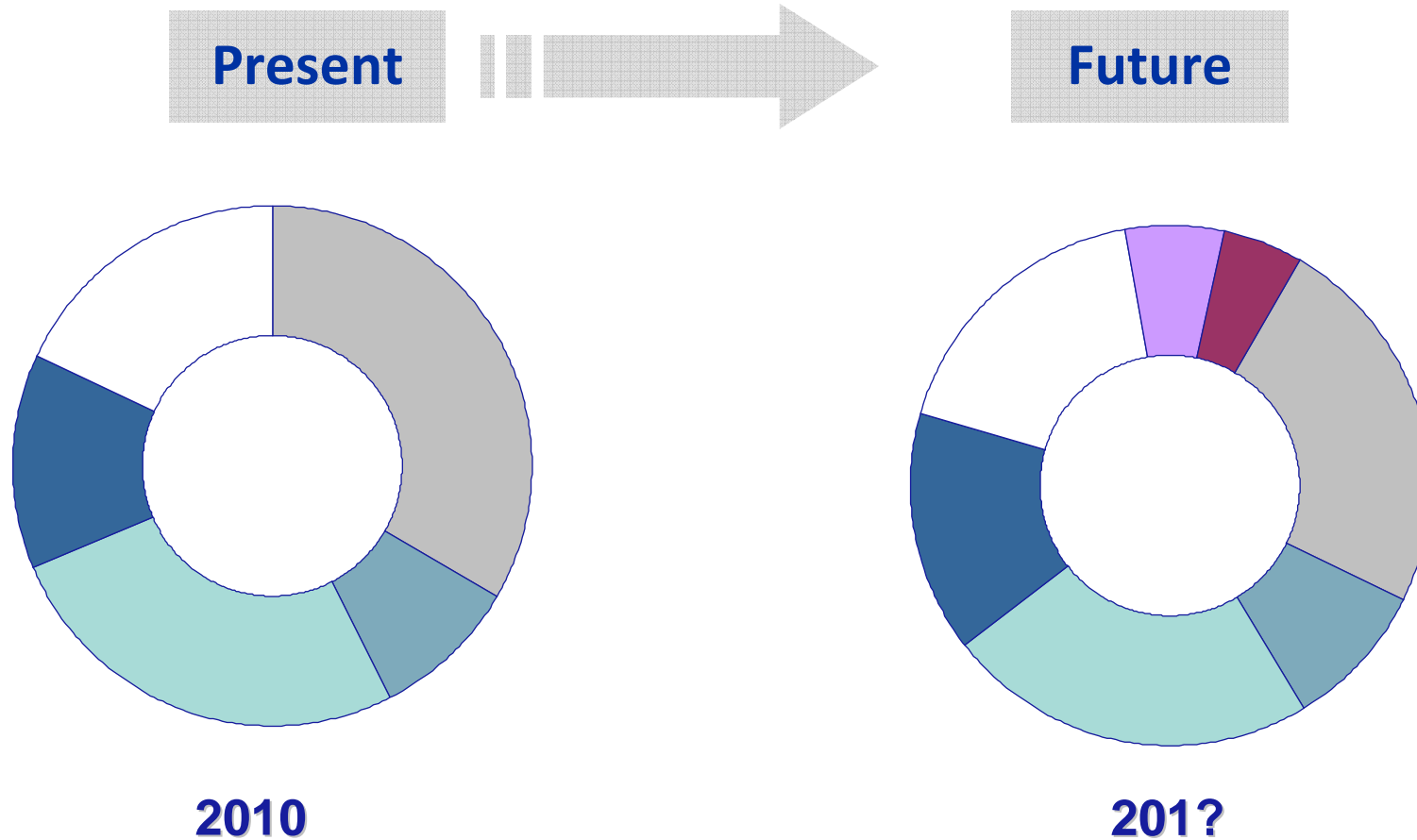
# BBVA Why do we outperform our peers? Why will we continue to do so?

**1 Superior business model: source of differentiation**

**2 Bank transformation focused on superior future growth**

- Diversification
- Growth potential

# BBVA Better diversification: portfolio mix biased towards high growth economies



**Potential growth of emerging economies and optimization of franchises in mature markets**



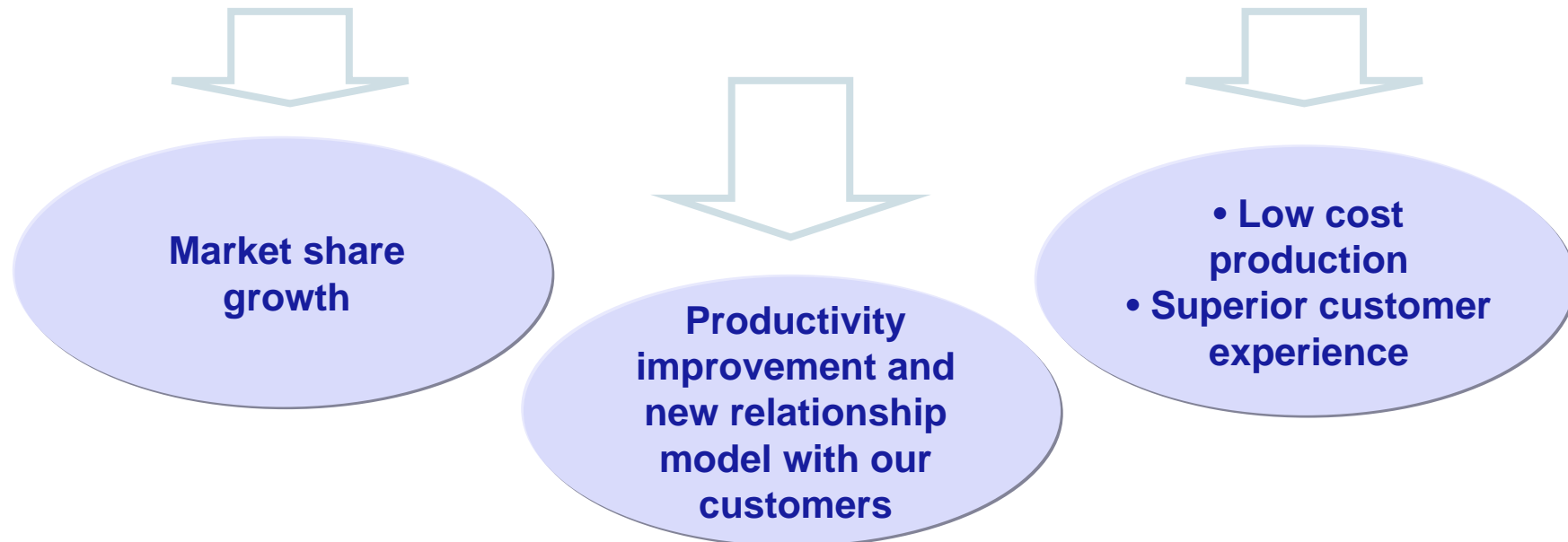
## Growth plan based on three pillars ...

**A. Customer**

**B. Distribution**

**C. Processes**

**... with three clear objectives ...**



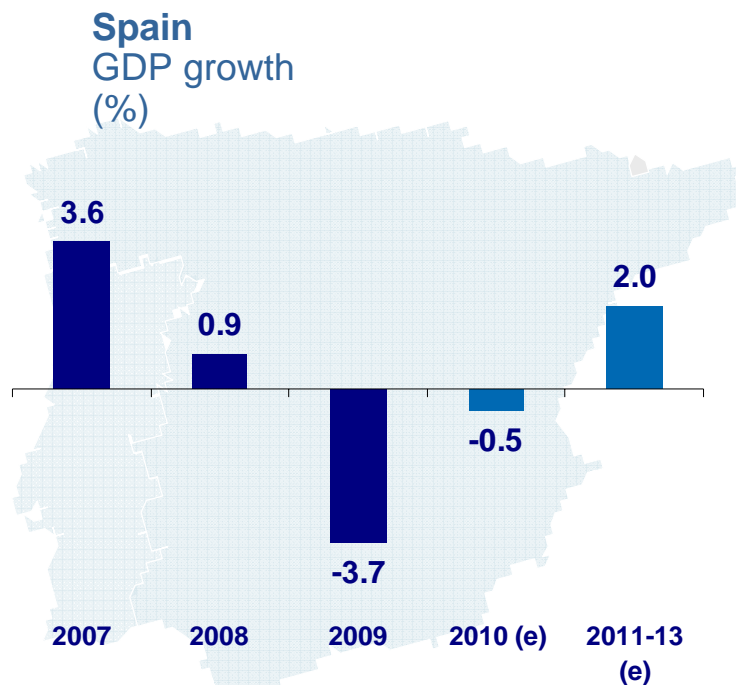
**... and with technology as a facilitator**

## **BBVA** And, what can we expect from each business unit as a result of this plan?

<b>Spain &amp; Portugal</b>	<ul style="list-style-type: none"><li>• Market share gains</li></ul>
<b>Mexico</b>	<ul style="list-style-type: none"><li>• Growth through bancarization and increased capillarity</li></ul>
<b>South America</b>	<ul style="list-style-type: none"><li>• Key driver of Group growth through efficiency and high value segments</li></ul>
<b>USA</b>	<ul style="list-style-type: none"><li>• Increase contribution and relative weight within the Group through implementation of BBVA model</li></ul>
<b>WB&amp;AM</b>	<ul style="list-style-type: none"><li>• Growth based on two pillars: product &amp; geography</li></ul>

# Spain, ongoing stabilization in macro terms ...

## Recovery symptoms ...



Source: BBVA Research

**Structural reforms on track  
(labour market, pensions ...)**

## ... and fiscal consolidation in progress

Measures	Reduction of public deficit in 2 years (% of GDP)
Discretionary measures	+2.7 %
Increase in revenues	+1.0 %
Immediate action plan	+0.5 %
Adjustment plan submitted to the EC	+1.5 %
Cyclical impact on deficit	-0.5 %
	<b>5.2 %</b>

**Deficit will fall from 11.2% to 6.0% of GDP in 2 years (to 3.0% by 2013: -7,2 pp)**

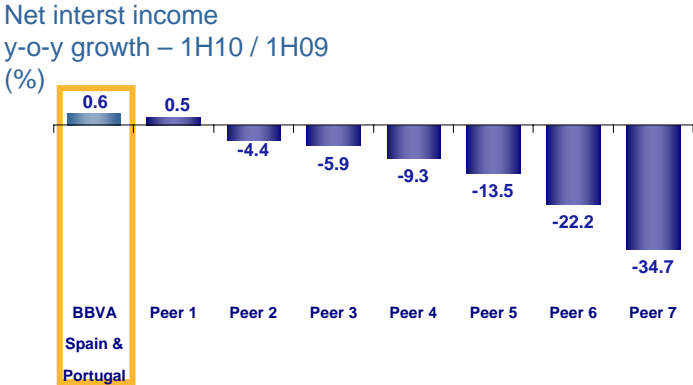
# BBVA ... and many opportunities we are already exploiting



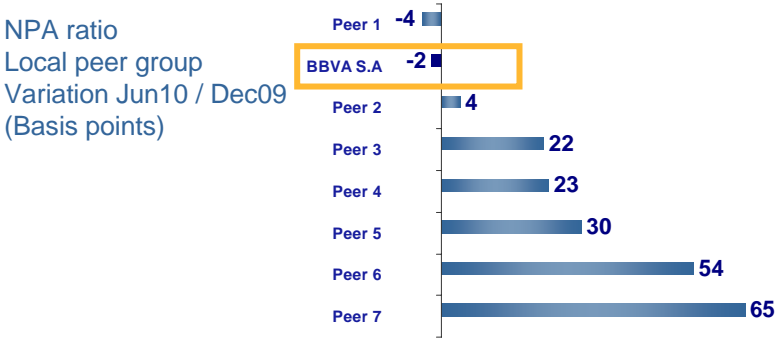
**Market share gain\***  
(Jul.10 vs Dec.09)

**Domestic deposits: +33 bp**  
**Domestic lending: +103 bp**

**Superior performance of Net interest income**



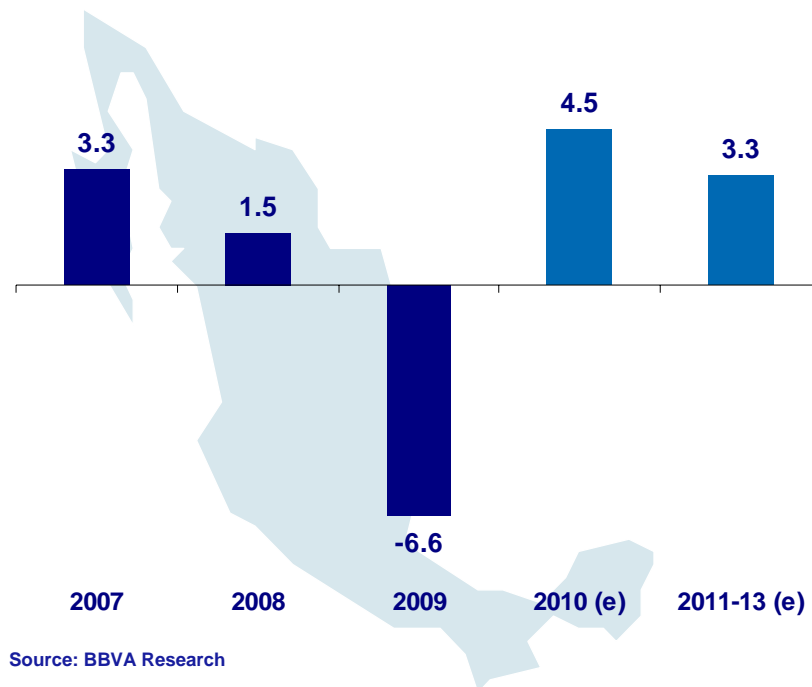
**Superior performance of risk indicators**



\*Other domestic lending and other domestic deposits

# BBVA Mexico: positive perspectives from the macro standpoint ...

Mexico  
GDP growth  
(%)



Source: BBVA Research

**Growth rates that  
will soon lead to  
higher earnings**

***Opportunity***

**High weight of informal workers in occupied labor  
Low banking penetration  
Low utilization of banking services**

***22 million potential customers***

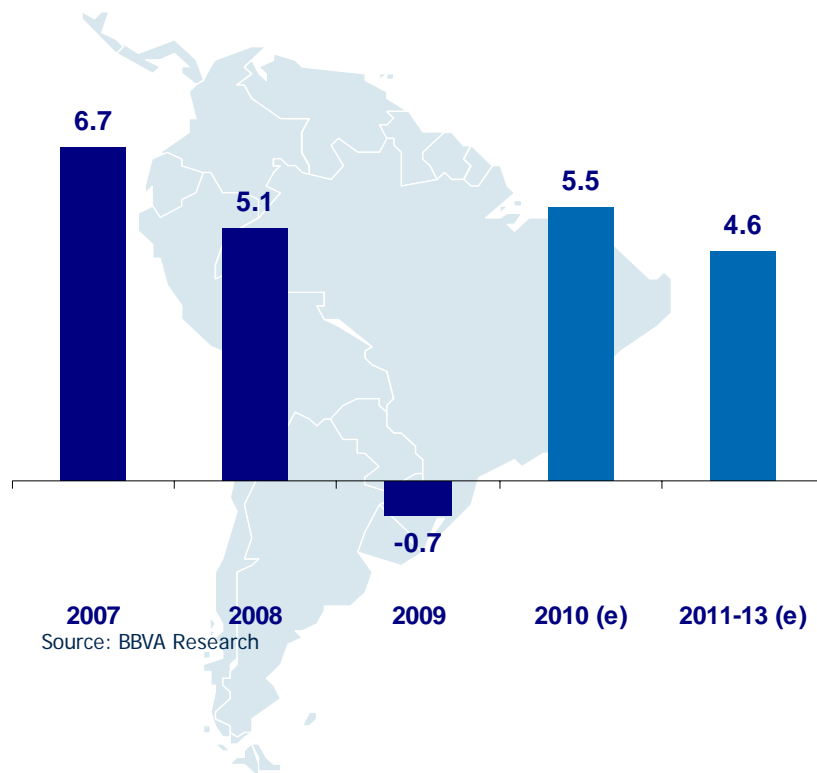
**Main lines of action**

**Bancarization**

**Increased capillarity**

## South America: high potential growth ...

South America\*  
GDP growth  
(%)



**Dynamism of a region  
that continues to be  
an important source  
of Group growth**

# BBVA ... and opportunities to upgrade the franchise and grow at full potential

## Opportunity

### Mass affluent and affluent

- Profitability of an average affluent customer is 7.8 times that of the average typical customer
- Unattended affluent and corporates segment

### Efficiency

	<u>Spain</u>	<u>South America</u>
% FTEs devoted to sales	61%	44%

## Main lines of action

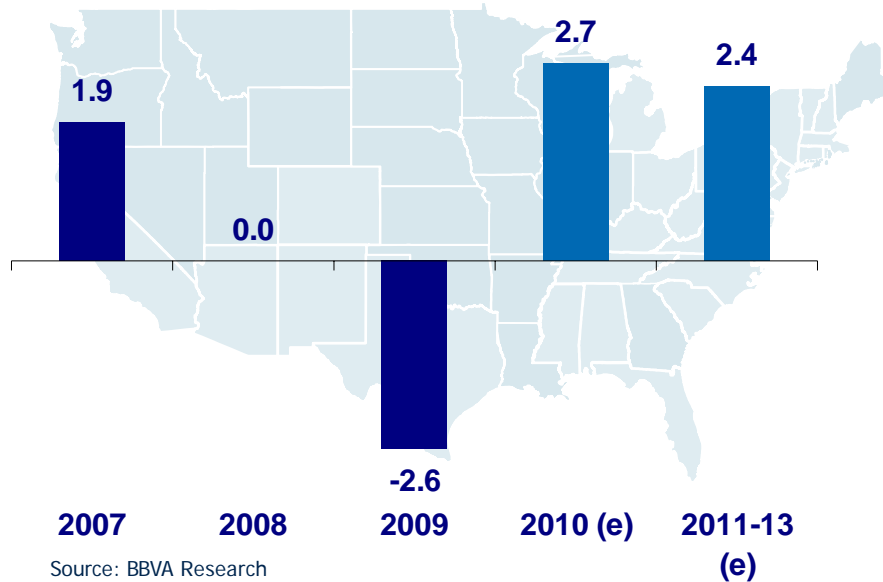
High value segments

Crucial process optimization



# USA: several growth niches for our franchise ...

**USA**  
GDP growth  
(%)



**Despite uncertainty  
the USA is leading  
global recovery**

**BBVA ... with a clear goal: to increase its contribution to 15% of BBVA's net income**

***Opportunity***

- **Sector consolidation: reduced competition**
- **Re-intermediation of financial services by banks**
- **Cross-border business**
- **Corporate banking**
- **High value customers**

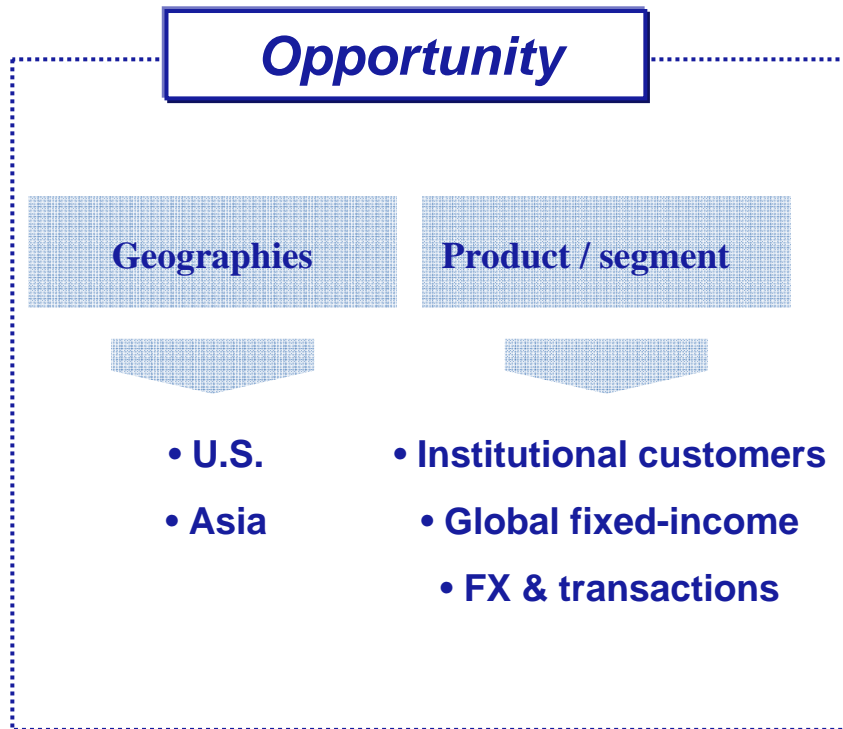
**Main lines of action**

**Customer acquisition and saturation**

**Distribution restructuring**

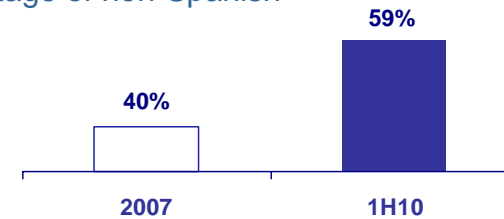
**New IT platform**

# BBVA WB&AM: good opportunities and already delivering results



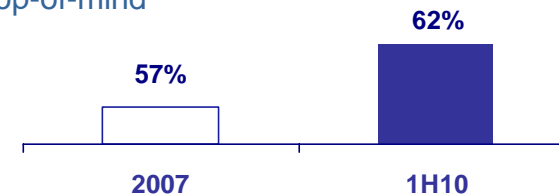
## A. More global

Percentage of non-Spanish Income (%)

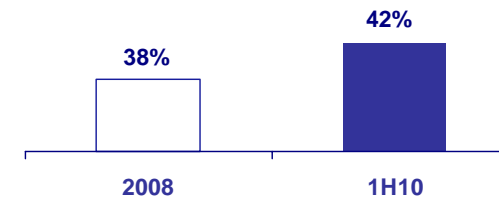


## B. Greater customer penetration

First 3 top-of-mind\* (%)



Added value income C&IB (%)



\* Spain and Latam ex Brazil

\*\* Commissions + Net trading income

# BBVA In conclusion: a valuable investment opportunity

**1**

**Superior business model:  
source of differentiation**



- Recurrence
- Structural strength
- Ability to anticipate

**2**

**Bank transformation  
focused on superior  
future growth**



- Diversification
- Growth potential

**Capacity and determination to lead  
the future financial system**

# *“Leading the New Financial System”*

---

**Banking & Insurance CEO Conference**

---

**Ángel Cano**  
President & COO

London, 28th September 2010