BBVA, a unique choice in the new normal of the financial industry

Manuel González Cid, CFO
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2011 has seen some progress towards a stronger EMU

**SOVEREIGN RISK**
- Firm steps towards a fiscal union
- Crisis management mechanism (ESM) has been brought forward

**LIQUIDITY**
- Ample provision of liquidity by the ECB through long-term operations (3 years)
- Availability of collateral could significantly widen

**FISCAL DISCIPLINE**
- Constitutional limits to public deficits will be adopted
- Peripheral countries executing severe fiscal adjustment plans

Whereas many issues are still pending, tail-risk is improving
In Spain recent events show movements in the right direction

- **New government with strong social mandate for the next 4 years**

- **Strong commitment on the key reforms, with a special focus on:**
  1. Fiscal Deficit
  2. Labour Market
  3. Financial Sector

The market should price achievements on these matters
At a European financial system level, the transition towards the “new normal” is accelerating.

The “new normal” of the financial system

- **Liquidity**: scarce and more expensive
- **Capital**: Higher level and quality
- **Deleveraging**
- **Increasing regulation and supervision**

Greater differentiation across institutions
In this environment, the banking industry faces significant challenges.

Banking industry challenges in the “new normal”

- Excessive balance sheet size
- Liquidity/funding constrains
- Higher capital requirements
- Regulatory changes
- Pressures on profitability
- Questioning the viability of certain business models
- Lack of growth

BBVA is well positioned to face these challenges.
Small balance sheet with the largest deposit base

### Total Assets
BBVA Group vs. Peer Group
(9M2011, € bn)

<table>
<thead>
<tr>
<th>Peers</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peer 1</td>
<td>2,282</td>
</tr>
<tr>
<td>Peer 2</td>
<td>2,031</td>
</tr>
<tr>
<td>Peer 3</td>
<td>1,926</td>
</tr>
<tr>
<td>Peer 4</td>
<td>1,875</td>
</tr>
<tr>
<td>Peer 5</td>
<td>1,741</td>
</tr>
<tr>
<td>Peer 6</td>
<td>1,740</td>
</tr>
<tr>
<td>Peer 7</td>
<td>1,250</td>
</tr>
<tr>
<td>Peer 8</td>
<td>1,247</td>
</tr>
<tr>
<td>Peer 9</td>
<td>1,158</td>
</tr>
<tr>
<td>Peer 10</td>
<td>1,148</td>
</tr>
<tr>
<td>Peer 11</td>
<td>950</td>
</tr>
<tr>
<td>Peer 12</td>
<td>850</td>
</tr>
<tr>
<td>Peer 13</td>
<td>738</td>
</tr>
<tr>
<td>Peer 14</td>
<td>667</td>
</tr>
<tr>
<td>BBVA</td>
<td>584</td>
</tr>
</tbody>
</table>

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

### Customer deposits / Total Assets
BBVA Group vs. Peer Group
(9M2011, %)

<table>
<thead>
<tr>
<th>Peers</th>
<th>Customer deposits / Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBVA</td>
<td>48</td>
</tr>
<tr>
<td>Peer 1</td>
<td>47</td>
</tr>
<tr>
<td>Peer 2</td>
<td>45</td>
</tr>
<tr>
<td>Peer 3</td>
<td>41</td>
</tr>
<tr>
<td>Peer 4</td>
<td>41</td>
</tr>
<tr>
<td>Peer 5</td>
<td>36</td>
</tr>
<tr>
<td>Peer 6</td>
<td>33</td>
</tr>
<tr>
<td>Peer 7</td>
<td>31</td>
</tr>
<tr>
<td>Peer 8</td>
<td>30</td>
</tr>
<tr>
<td>Peer 9</td>
<td>29</td>
</tr>
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<td>Peer 10</td>
<td>29</td>
</tr>
<tr>
<td>Peer 11</td>
<td>27</td>
</tr>
<tr>
<td>Peer 12</td>
<td>26</td>
</tr>
<tr>
<td>Peer 13</td>
<td>25</td>
</tr>
<tr>
<td>Peer 14</td>
<td>23</td>
</tr>
</tbody>
</table>
Low wholesale funding dependence and resilient to liquidity shocks

- Highest deposits / assets ratio in the peer group
- Low wholesale redemptions compared to peer group
- Euro funding gap improving:
  - €20bn (since summer 2010)
  - No need to refinance 2012 maturities if market conditions remain tough
- Available collateral: €40bn as of September 2011
Strong organic capital generation

BBVA will comfortably achieve the “temporary and extraordinary” capital requirements established by the European Banking Authority by June 2012.

*Calculated using final conversion data and RWAs as of Sep-11
High quality capital with low leverage

**RWAs / Total Assets**
BBVA Group vs. Peer Group
(9M11, %)

**Tangible equity / Tangible Assets**
BBVA Group vs. Peer Group
(9M11, %)

Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI.
BBVA is ready for the regulatory challenge

- Simpler, Retail focused business model
- Decentralized management of liquidity and capital
- Conservative risk culture
- Proven track record in capital and liquidity management

Estimated modest impact from upcoming Regulation
Solid and recurrent earnings

European Peers Aggregate *
Operating income (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating income (€m)</th>
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<tbody>
<tr>
<td>2006</td>
<td>144,524</td>
</tr>
<tr>
<td>2007</td>
<td>142,300</td>
</tr>
<tr>
<td>2008</td>
<td>67,279</td>
</tr>
<tr>
<td>2009</td>
<td>153,066</td>
</tr>
<tr>
<td>2010</td>
<td>161,863</td>
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</table>

CAGR<sub>06-10</sub> +2.9%

BBVA Group
Operating income (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating income (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>8,883</td>
</tr>
<tr>
<td>2007</td>
<td>9,441</td>
</tr>
<tr>
<td>2008</td>
<td>10,523</td>
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<tr>
<td>2009</td>
<td>12,307</td>
</tr>
<tr>
<td>2010</td>
<td>11,942</td>
</tr>
</tbody>
</table>

CAGR<sub>06-10</sub> +7.7%

Good performance in emerging economies offsets decline in developed markets

* European Peers Aggregate: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS; SAN, SG, UBS and UCI.
Strong asset quality

**NPA & coverage ratios**

**BBVA Group**

<table>
<thead>
<tr>
<th>(%)</th>
<th>Sep.10</th>
<th>Dec.10</th>
<th>Mar.11</th>
<th>Jun.11</th>
<th>Sep.11</th>
</tr>
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<tbody>
<tr>
<td>NPA ratio</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
<td>4.0</td>
<td>4.1</td>
</tr>
<tr>
<td>Coverage</td>
<td>62</td>
<td>62</td>
<td>61</td>
<td>61</td>
<td>60</td>
</tr>
</tbody>
</table>

**Cumulative risk premium**

**BBVA Group**

<table>
<thead>
<tr>
<th>(%)</th>
<th>2009</th>
<th>2010</th>
<th>Sep 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>Sep 2011</td>
<td></td>
<td></td>
<td>1.1</td>
</tr>
</tbody>
</table>
An attractive customer-centric, business model

Net Loans to Assets
BBVA Group vs. Peer Group
(9M11, %)

A client-driven business that ensures low volatility of earnings

Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, and UCI.
With leading franchises in its core markets

<table>
<thead>
<tr>
<th>Region</th>
<th>Loans</th>
<th>Deposits</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>12%</td>
<td>10%</td>
<td>2nd</td>
</tr>
<tr>
<td>Mexico</td>
<td>27%</td>
<td>24%</td>
<td>1st</td>
</tr>
<tr>
<td>South America (ex Brazil)</td>
<td>10%</td>
<td>10%</td>
<td>2nd</td>
</tr>
<tr>
<td>USA (Sunbelt)</td>
<td>--</td>
<td>6%</td>
<td>4th / 1st Regional Bank</td>
</tr>
<tr>
<td>Eurasia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China (Citic Bank)</td>
<td></td>
<td>15% stake (7th)</td>
<td></td>
</tr>
<tr>
<td>Turkey (Garanti Bank)</td>
<td></td>
<td>25% stake (1st)</td>
<td></td>
</tr>
</tbody>
</table>

Ranking by deposits (except for China, by assets and for Turkey, by deposits); **Spain**: Data as of November 2010; **México**: Data as of December 2010; **South America**: Data as of September 2010, countries considered: Argentina, Chile, Colombia, Panama, Paraguay, Peru, Uruguay and Venezuela; **USA**: Data as of June, 2011, market share and ranking considering only Texas and Alabama; **China and Turkey**: data as of December 31, 2010.
Highly profitable and efficient operations

Universal banking model, retail DNA

SCALE IS KEY

Large client base

IT intensive

Operational Efficiency

The key: critical mass in sizeable markets

Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, SAN, SG & UBS. Excludes banks with negative ROA (UCI, LBG & RBS).

ROA vs. Efficiency
BBVA Group vs. Peer Group (September 2011, %)

ROA: 0.8%
ROE: 11.3%

ATTRACTION BUSINESS MODEL
Diversified business mix ...

Net attributable profit by region (1)
BBVA Group
(%) 9M 2011

Geographic diversification of revenue (2)
BBVA Group vs. Peer Group
(%) 2010

With Garanti, emerging market revenue contribution > 50%

Diversified business mix that ensures sustainable growth

(1): Ex holding; (2) In-house preparation using available data as of January, 2011.
Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCI.
... biased to high growth markets

Estimated real GDP growth (yoy %)

Loans to private sector (Sept 2011, % of GDP)

Source: BBVA Research
Significant growth opportunities along 3 axes

1. Mature Markets
   - Margin normalization
   - Market share gains
   - Asset quality improvement

2. Emerging Markets
   - Superior economic growth prospects
   - High and sustainable demand
   - Increase in banking penetration

3. Technology as a key sustainable competitive advantage
Mature Markets Highlights

Spain

- Anticipation to the current environment (branch network transformation, price management, cost control, risk mgmt, etc.)
- Resilient earnings and manageable Real Estate exposure
- High quality franchise with no pending restructuring needs, ready for the opportunities of the new cycle

United States

- Good business performance despite slow economic recovery and regulatory changes
- Profitability and asset quality continues to improve
<table>
<thead>
<tr>
<th>Region</th>
<th>Highlights</th>
</tr>
</thead>
</table>
| EurAsia      | • Growing contribution to the Group  
• Dynamism in Asia and Turkey and resilience in wholesale banking in Europe                                                                   |
| Mexico       | • Focus on the most profitable segments  
• Dynamism in business and earnings, especially in the retail segment  
• Stable risk premium                                                                                                                                 |
| South America| • Strong growth of business and revenue, supported by diversification  
• The Group’s best risk indicators  
• Focus on operational efficiency                                                                                                                                 |
Relying on technology as a key sustainable competitive advantage

**Customer centric approach**
- Customized product offering
- Multichannel distribution
- Lower risk level and mitigation
- Risk intelligent system
- Operational efficiency enhancement
- Efficiency in processes
- Robust infrastructure

**Commercial productivity increase**
- Customized management model
- Easier access to banking services

**Lower risk level and mitigation**
- Higher profitability and better asset quality than the peer average in each market
  - Greater revenues per employee/customer
  - Higher cross sale ratio
  - Greater customer satisfaction/loyalty
  - Barriers of entry
  - Faster processes with less bureaucracy
  - Higher risk adjusted returns

Higher profitability and better asset quality than the peer average in each market
## Conclusions

**Strong Balance Sheet and Capital**
- Highest deposits / assets ratio in the peer group
- High quality capital with low leverage
- On track to comfortably achieve new capital requirements

**Diversified universal bank**
- Customer centric retail bank
- Business mix biased to high growth markets
- Leading franchises in attractive markets

**Recurrent profitability**
- Profitability and efficient operations
- IT intensive customer centric approach

**Attractive business outlook**
- In mature and high growth markets
- IT as key sustainable competitive advantage

**BBVA, an investable choice in the new normal**
BBVA, a unique choice in the new normal of the financial industry

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