

# BBVA

## SPAIN INVESTOR DAYS – EXANE BNP PARIBAS

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Chief Financial Officer – BBVA Group

**Madrid, November 22th 2010**

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**1. High and Recurrent Operating Income**

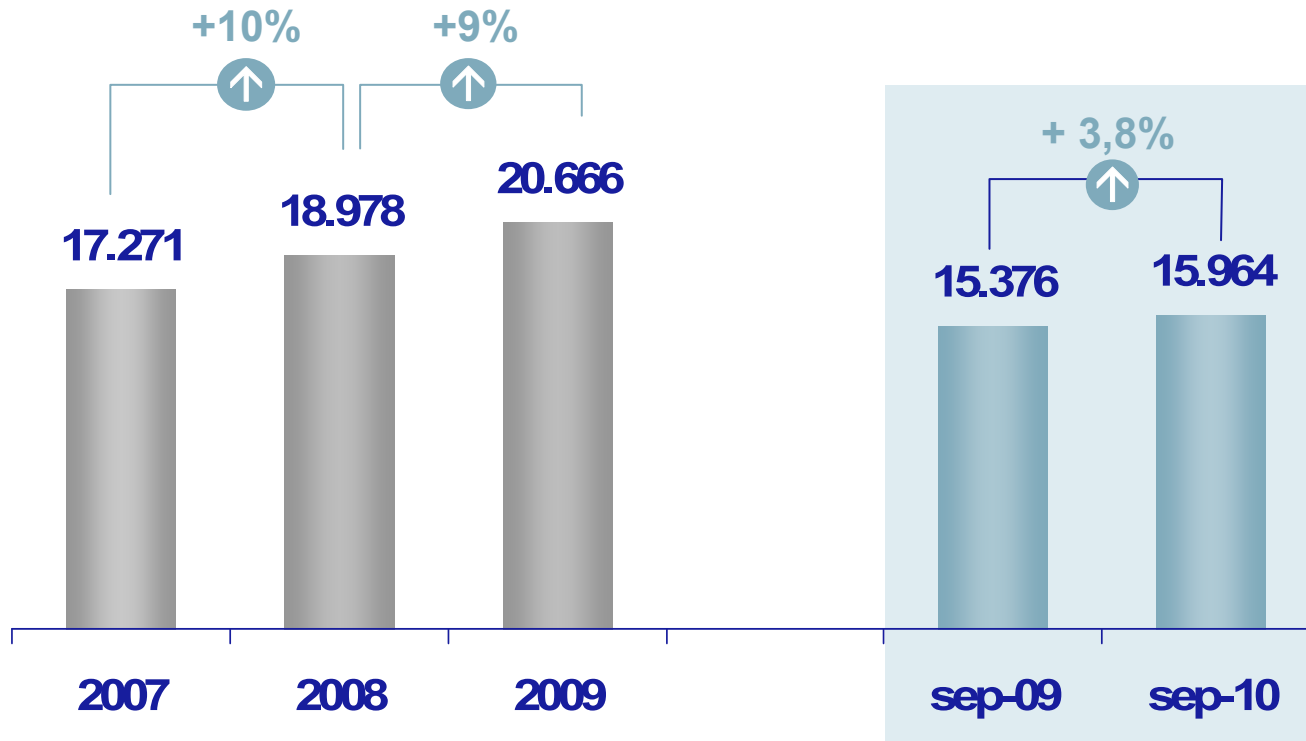
**2. Strong Balance Sheet**

**3. Attractive Business Mix**

# Record revenues in 2009 and YTD with high growth throughout the crisis

BBVA

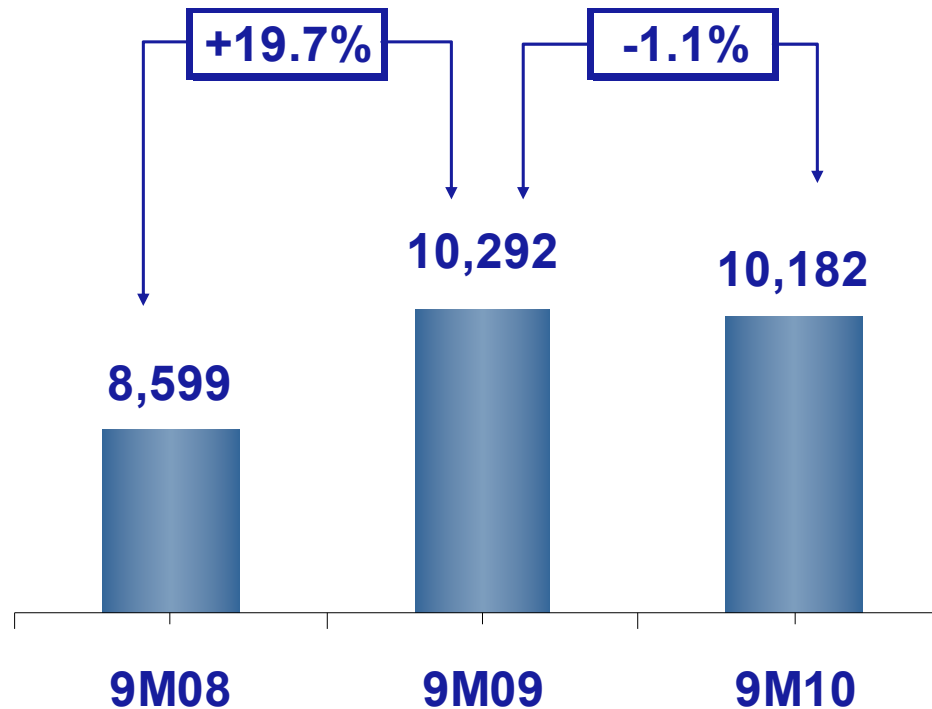
Gross income  
BBVA Group  
(€m)



# Differential net interest income performance

BBVA

Net interest income  
BBVA Group  
Year to date  
(€m)



**Appropriate management of asset portfolio  
and of finance structure**

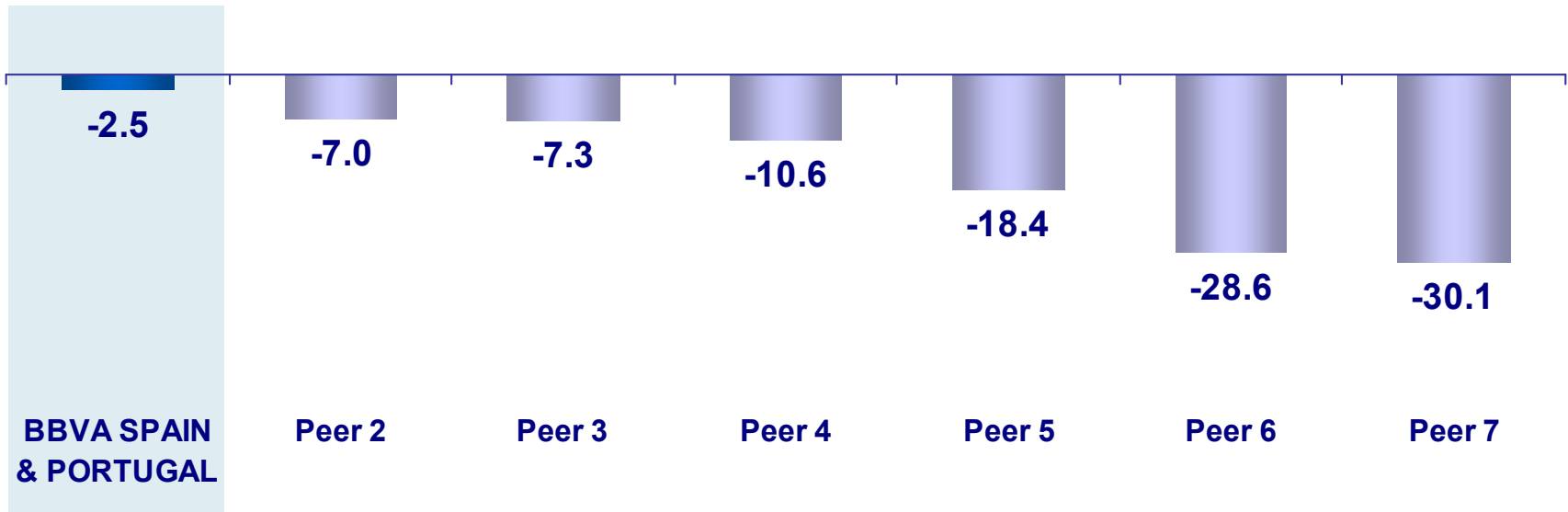
# Outperforming in Spain

## Net interest income (NII)

BBVA vs domestic peers

y/y – 9M10 / 9M09

(%)



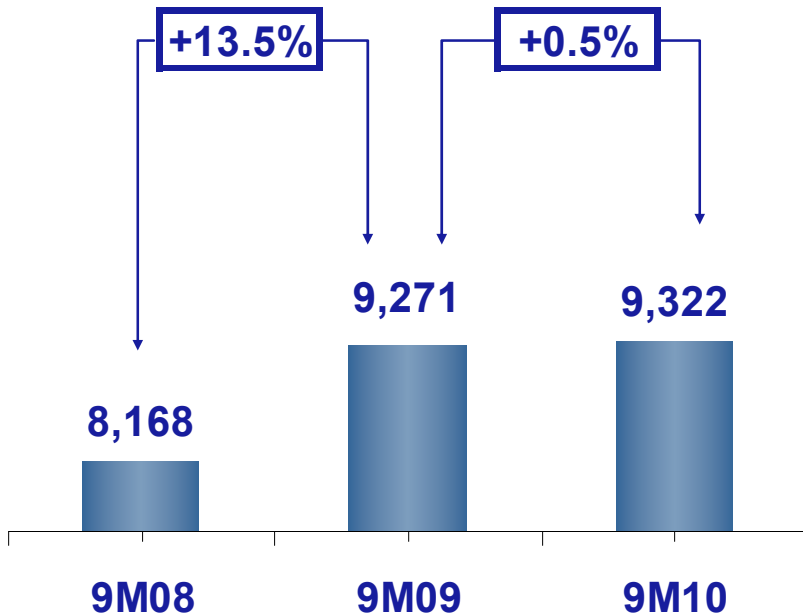
Peers: Caixa, Caja Madrid, Bankinter, Popular, Sabadell, and Santander Spain.

**Different strategy, different execution, different results:  
Spain is not the same for everyone**

# As a result, operating income is stronger ...

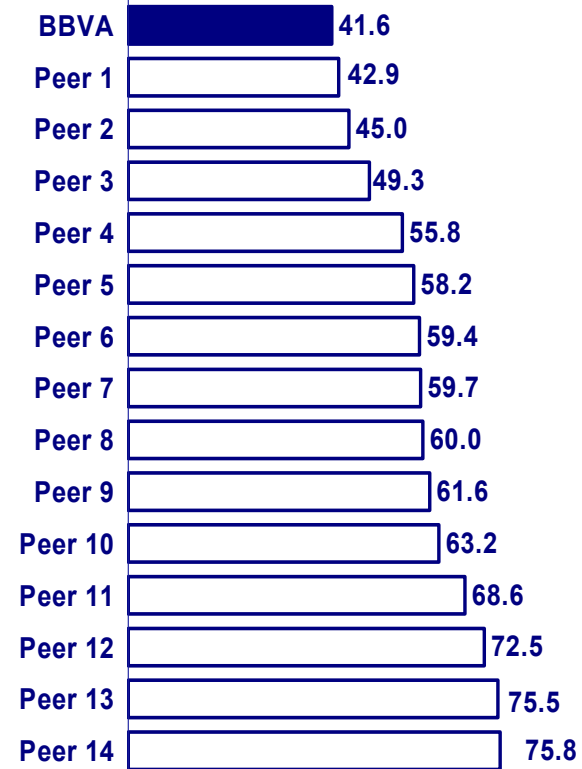
## Operating income

BBVA Group  
Year to date  
(€m)



## Efficiency

BBVA Group vs peer group\*  
(9M10, %)



**€1.6 Bn average annual investment in technology throughout the crisis, will be a sustainable competitive advantage**

\* Peer Group: BNPP, CASA, CMZ, CS, DB, ISP, RBS, SAN, SG, UBS & UCI as of 9M10. HSBC, BARCL & LBG as of 1S10.

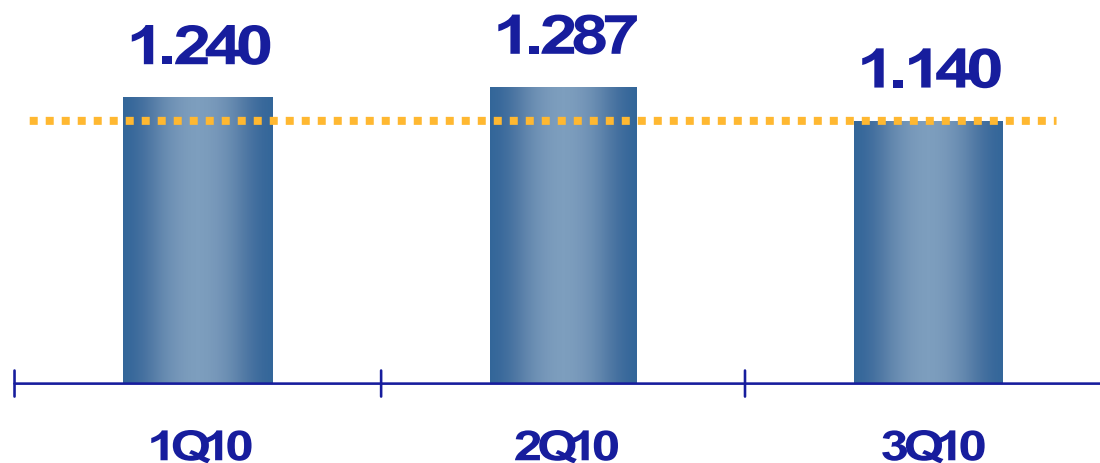
# ... and earnings resilient

## Net attributable profit

BBVA Group

Quarter-by-quarter

(€m)



Second interim  
dividend in cash:  
€0.09 per share

ROE: 17.2%

ROA: 0.95%



**Efficiency**  
**41.6%**

**ROE**  
**17.2%**

**NPA ratio**  
**4.1%**

**Coverage**  
**62%**

**Cost of risk\***  
**1.06% (1.33% with one-offs)**

**1. High and Recurrent Operating Income**

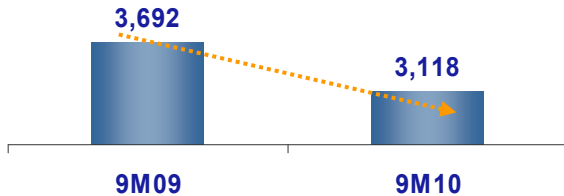
**2. Strong Balance Sheet**

**3. Attractive Business Mix**

# NPAs stabilise

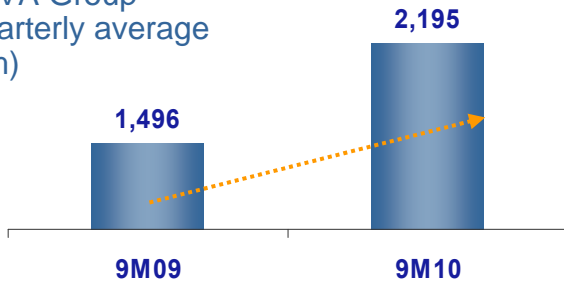
## Gross additions to NPA

BBVA Group  
Quarterly average  
(€m)



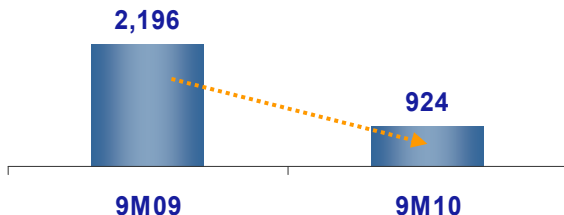
## Recoveries

BBVA Group  
Quarterly average  
(€m)

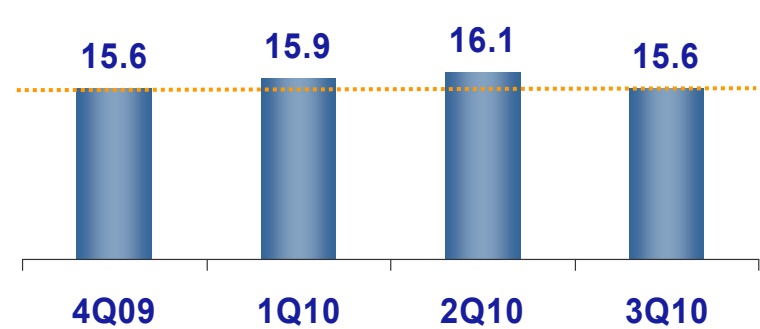


## Net additions to NPA

BBVA Group  
Quarterly average  
(€m)



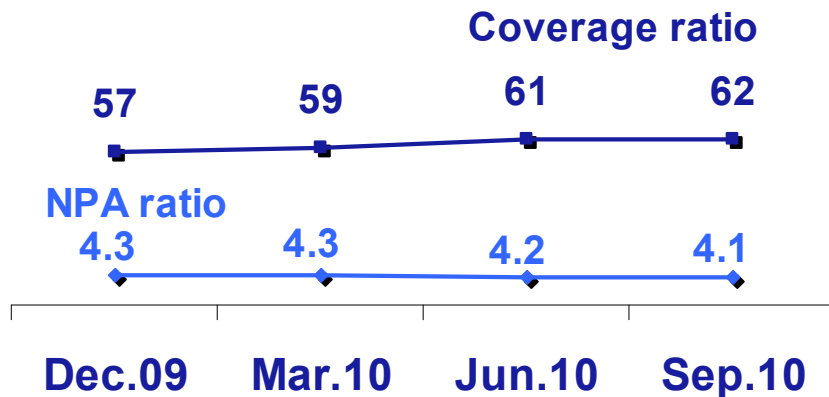
## NPAs BBVA Group (€billion)



# Improvements in NPA ratio, cost of risk and coverage...

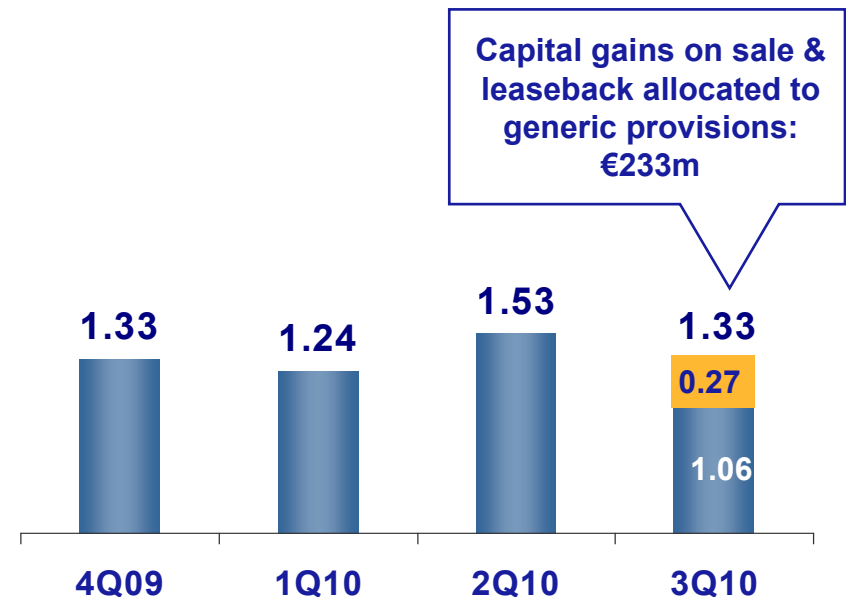
## NPA ratio and coverage ratio

BBVA Group  
(%)



## Cost of risk excl. one-offs

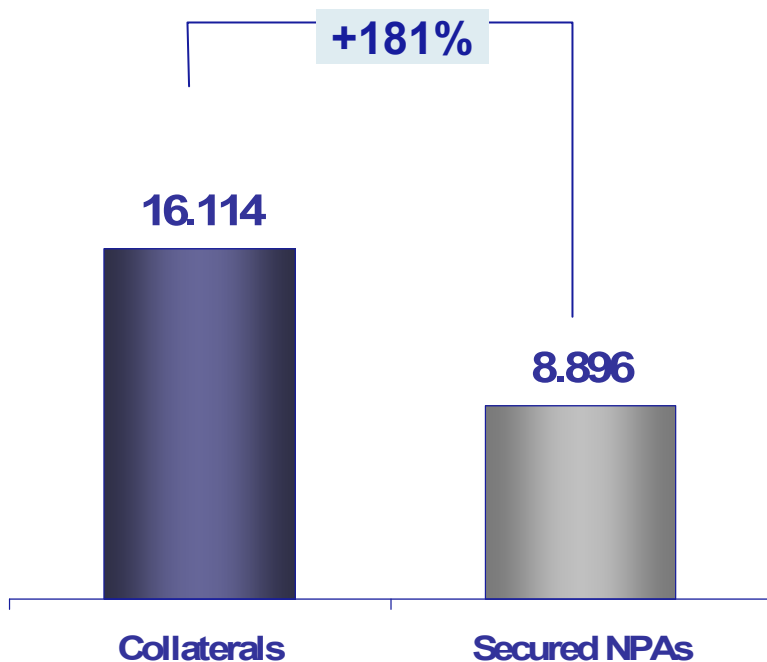
BBVA Group  
Quarter-by-quarter  
(%)



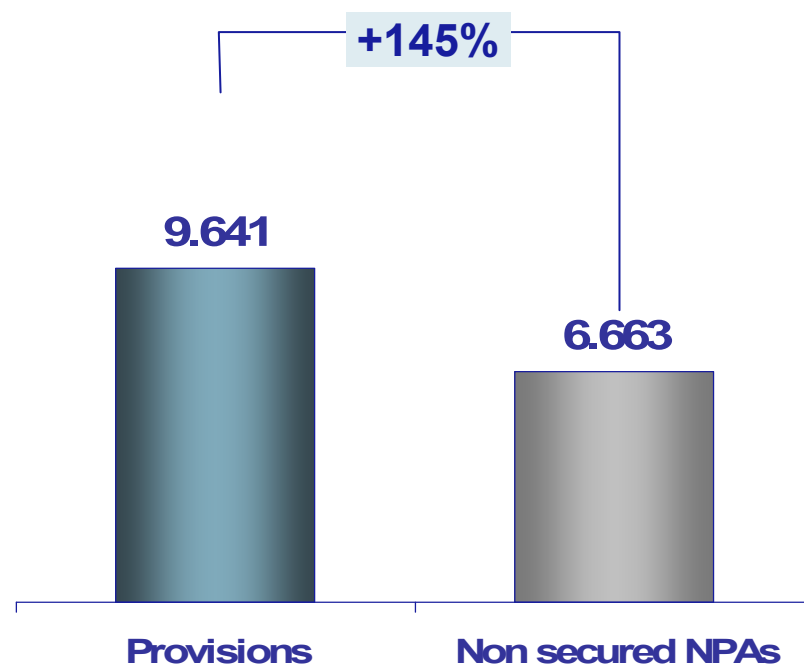
**Asset quality outlook confirmed**  
**NPAs and risk premiums stable or down**

# ...with a high degree of collateralization

Secured loans  
(€m)



Unsecured Loans  
(€m)

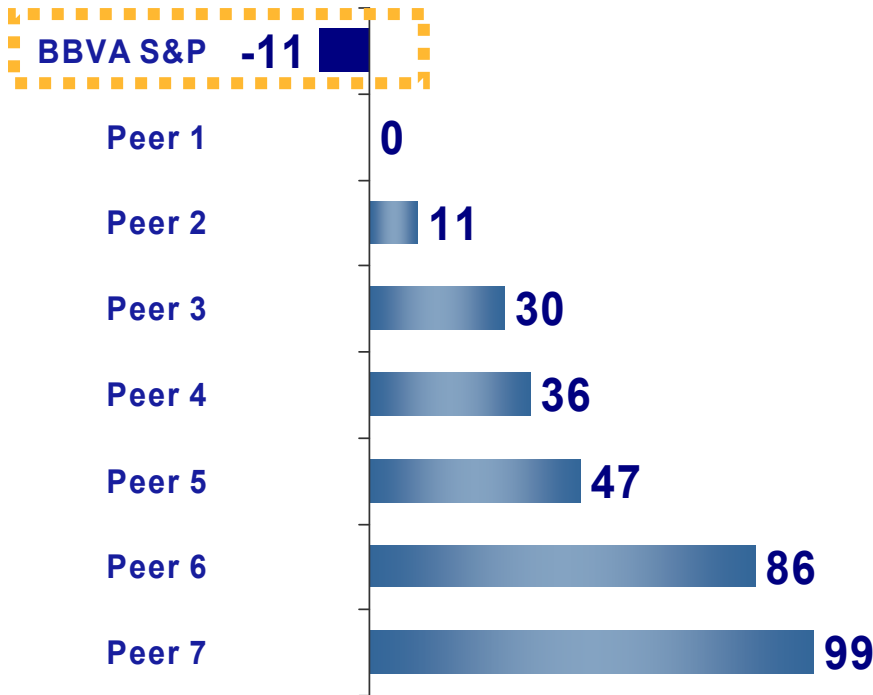


**Latent capital gains: > €1.500m**  
**Annual Pre-provision Profit: €12.308m in 2009**

# Better NPA performance and clear asset quality outlook in Spain

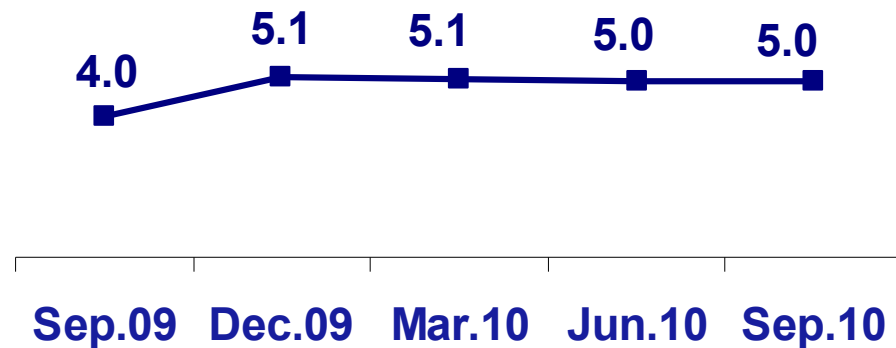
## NPA ratio

BBVA S&P and local peer group  
Variation Sep10 / Dec09  
(Basis points)



## NPA ratio

BBVA Spain & Portugal  
(%)

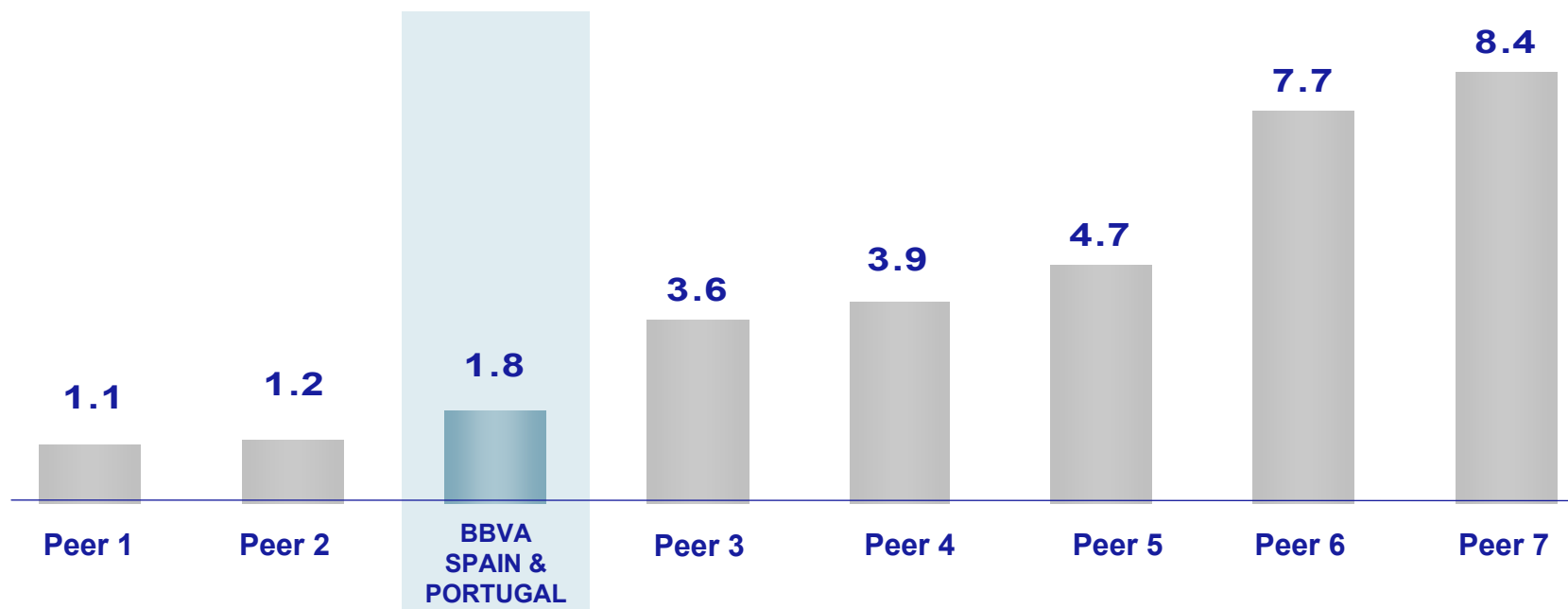


Peers: Caixa, Caja Madrid, Bankinter, Popular, Sabadell, Banesto and Santander .

**Classification of €1,8 Bn of performing loans to subjective NPAs in 4Q09**

# Adoption of the new Bank of Spain Circular

**Relative impact**  
(Provision charge / NPAs %)



Peers: Caixa, Caja Madrid, Bankinter, Popular, Sabadell, Banesto and Santander.

**Lower relative impact at BBVA, an objective indication of better underlying asset quality and collaterals**

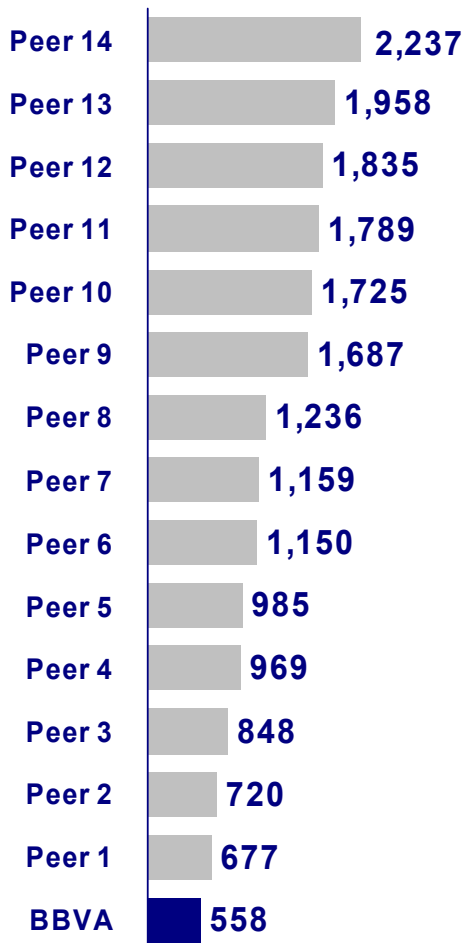
# Comfortable funding position

- **Retail deposits added in 2Q10 & 3Q10:**  
**€35,000m in BBVA Group; €20,000m in Spain**  
(Quarterly average balance)
- **Increased weighting of retail financing**
- **Amounts issued for the medium and long term 3Q10: €6,522m**  
**(over total issues up to Sep.10: €16,115m)**
- **Average annual maturities for next three years: €10,000m**
- **Available collateral: €75 billion**

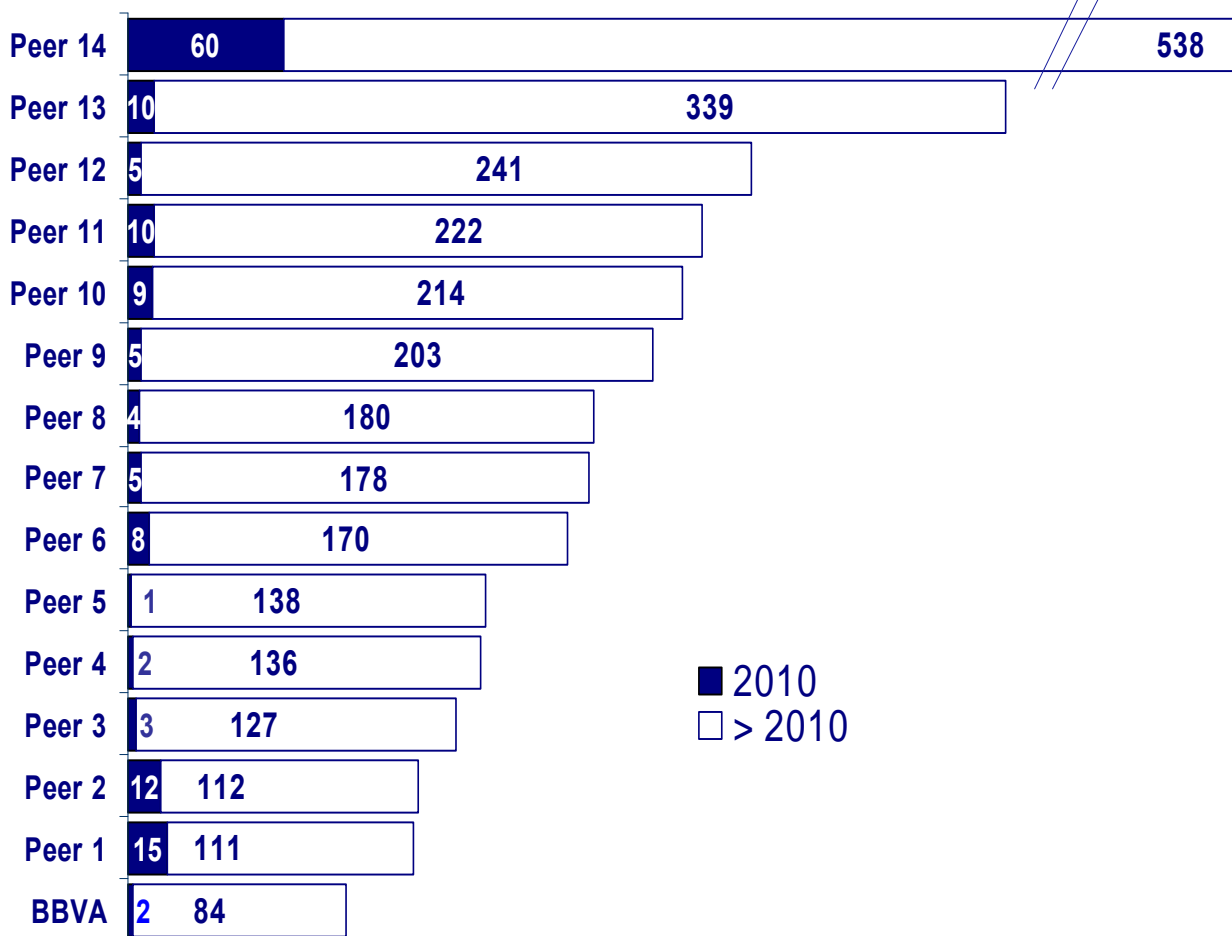


# Small balance sheet and lowest wholesale debt maturities among peers

**Assets**  
(€bn, 9M10)



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

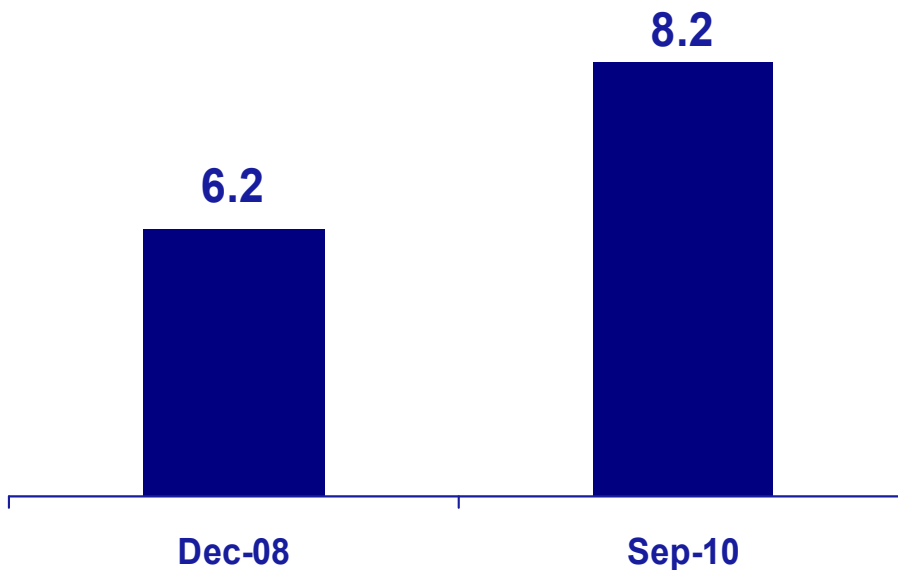


■ 2010  
□ > 2010

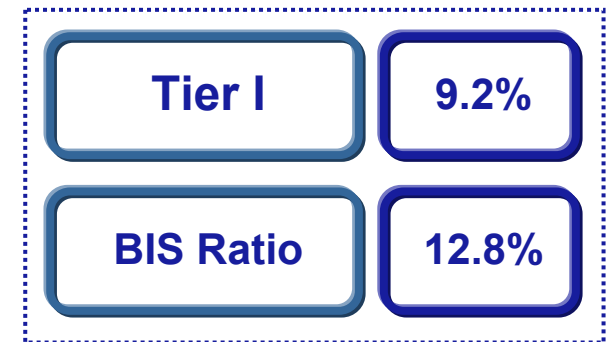
Source: Bloomberg 05/11/10

# Strong organic capital generation throughout the crisis

Core capital  
BIS II rules  
(%)



Tier I and BIS ratio  
BIS II rules  
(%)



**No capital increase during the crisis**  
**Maintaining dividend payments**

# BBVA is raising capital for growth

## Key terms

- ✓ Capital raising of € 5 Bn through a fully underwritten rights issue
- ✓ New shares fully fungible with existing shares

## Garanti acquisition

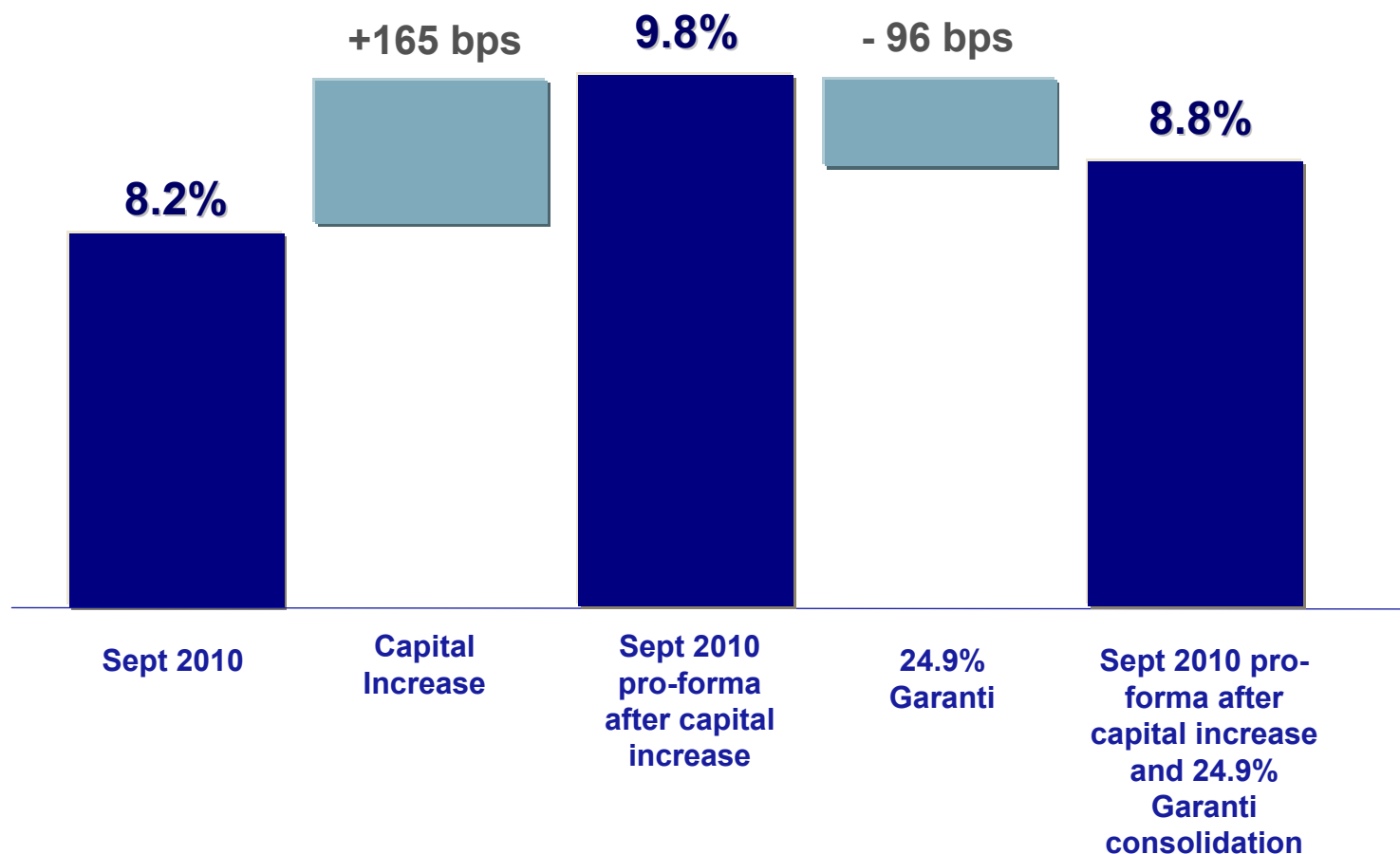
- ✓ To cover capital consumption of 24.9% acquisition of Garanti: € 3.1 Bn
- ✓ To anticipate potential BIS III impact of 24.9% Garanti acquisition (additional € 1 Bn)

## Additional capital for growth

- ✓ To take advantage of profitable growth opportunities across our existing franchises

**Plus existing capital buffers (€1.3 Bn) in an environment of uncertain and increasing capital requirements**

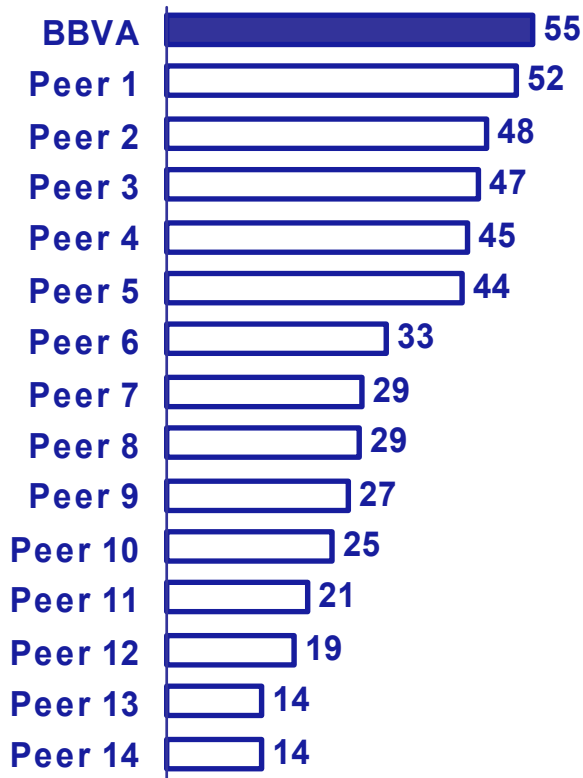
# Core Capital Pro-forma



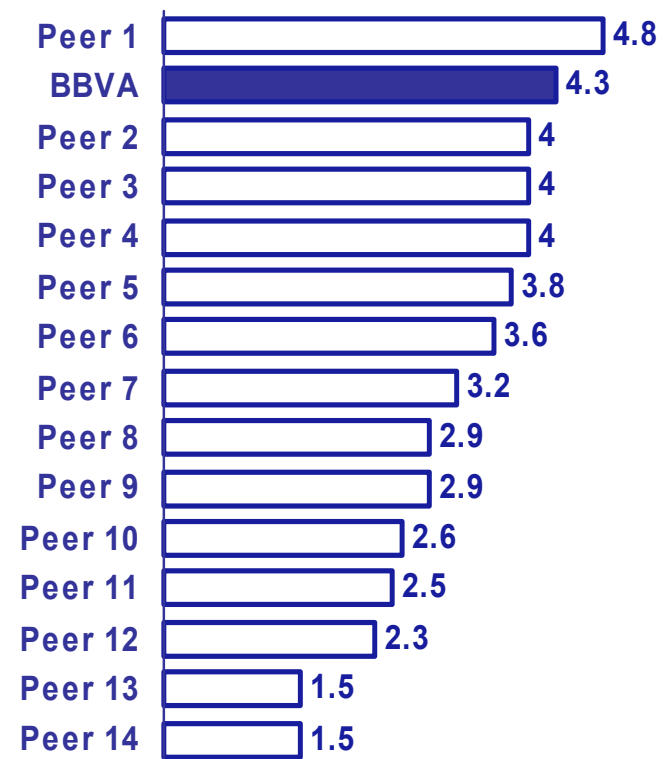
**Strong core capital of high quality**

# Factoring in bigger RWA and lower leverage than peers

**RWAs / total assets**  
(%, 9M10)



**Tangible equity / assets**  
(%, 9M10)



**BBVA: Stable dividend policy**  
**DPS of €0.42 remains floor**

**1. High and Recurrent Operating Income**

**2. Strong Balance Sheet**

**3. Attractive Business Mix**

# Garanti increases emerging markets' contribution to BBVA

BBVA

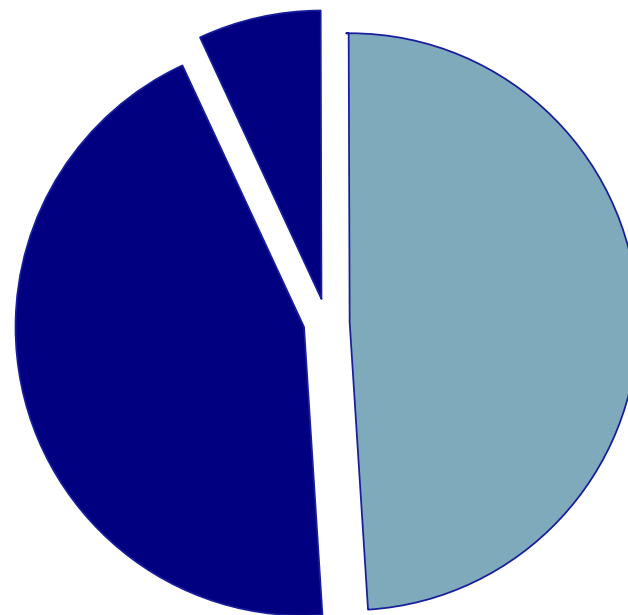
**BBVA**  
Net income 9M2010

Emerging markets: 47%



**BBVA + Garanti**  
Net income 9M 2010 <sup>(1)</sup>

Emerging markets: 51%  
Turkey: 7%



**Adding growth to our business portfolio**

• (1) Proforma 9M 2010 Contribution from Garanti based on current market estimates on a consolidated basis

# Garanti: A unique opportunity for BBVA and its shareholders

BBVA

**Garanti:  
a great  
franchise in an  
attractive  
market**

- ✓ Reinforces growth profile, BBVA exploits its capabilities in emerging markets and will additionally foster Garanti's growth
- ✓ Attractive market, Great franchise, leading management, common vision of innovation

**Garanti:  
a unique  
transaction  
for BBVA**

- ✓ Acquisition of strategic stake (24.9%) in leading Turkish Bank for € 4.2 Bn
- ✓ 10% discount to market, attractive financial impacts
- ✓ 9.0x P/E 10, 8.2x P/E 11, 2.0x P/BV 10 (28% ROE)
- ✓ Equal governance rights since day 1. Option to reach at least two thirds of Board seats after 5 years
- ✓ Desired transaction structure and positive financial impacts



# Turkey is one of the most attractive markets for retail banking looking forward

BBVA

**Big & high growth economy**



✓ \$608 Bn of GDP  
✓ Real GDP CAGR 09- 12e +5%

**Large & young population**



✓ Population: 75 millions  
✓ 50% < 30 years

**Low banking penetration**



✓ Loans/GDP at 40%  
✓ Mortgages/GDP at 4.7%

**Solid funding position  
Stable and high profitability**



✓ Loan / Deposits 75%  
✓ ROE 2006 – 2009 18%

# Desired transaction structure for this strategic investment

**Phased approach,  
BBVA controls timing**

- ✓ **Relevant stake: 24.9%**
- ✓ **Flexibility for further investment, no obligation**
- ✓ **Equal governance rights for both partners since day 1**
- ✓ **Option to control the Board after 5 year.**
- ✓ **Control may be reached sooner if Dogus sells additional shares to BBVA**

**Alliance with Doğuş  
to gain local knowledge  
and share know-how**

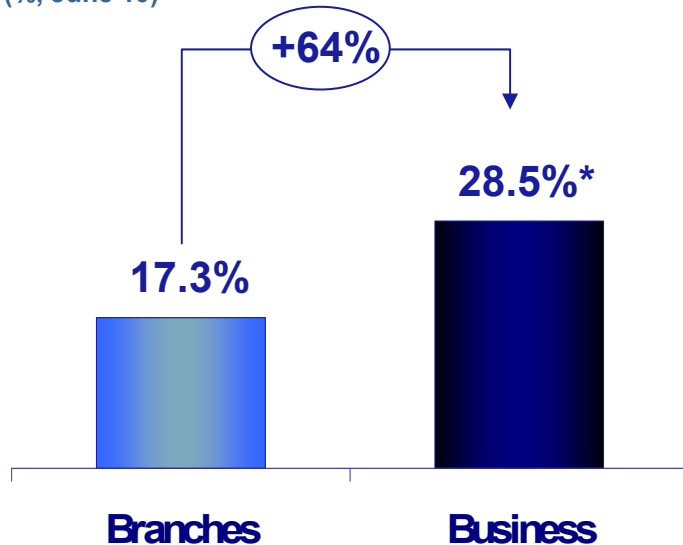
- ✓ **BBVA successful track record in phased investment in emerging economies**
- ✓ **Phasing minimises execution risks and allows flexibility**
- ✓ **Sharing banking best practices**

# BBVA has a proven track record in emerging markets

BBVA

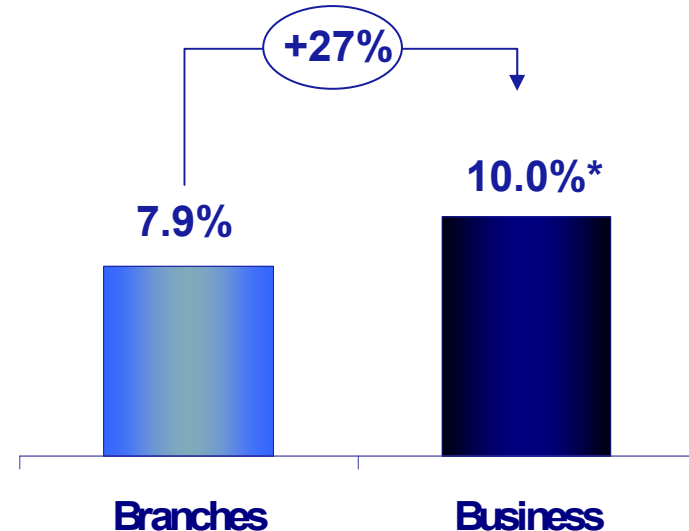
## MEXICO

Market share  
(%, June 10)



## SOUTH AMERICA

Market share  
(%, June 10)



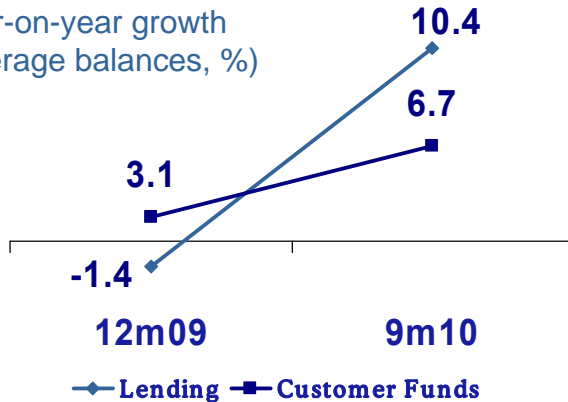
**BBVA's franchises in emerging markets are characterized by productivity, efficiency and strong competitive positioning**

# Mexico: upturn in activity from less to more throughout the year

## Surge in business

### Business

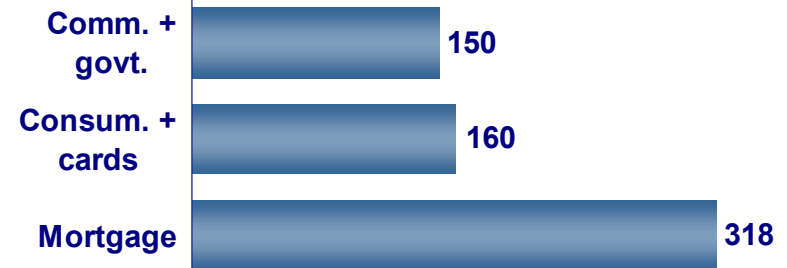
Year-on-year growth  
(Average balances, %)



## Gain in market share

### Market share

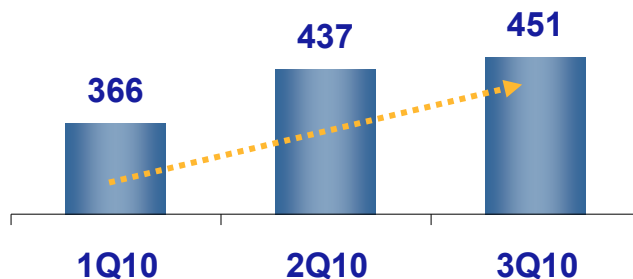
Change Sep10 vs Dec09  
(Basis points)



## Growing income

### Net attributable profit

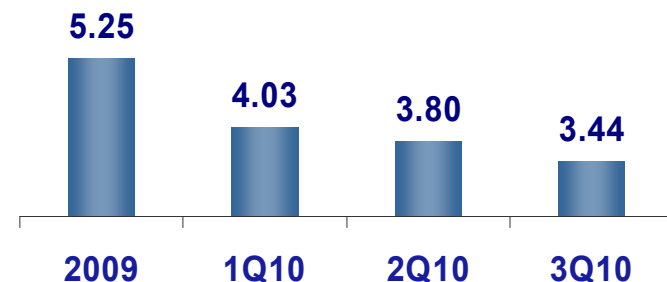
Quarter-by-quarter  
(Constant €m)



## Improvement in cost of risk

### Cost of risk

Quarter-by-quarter  
(%)

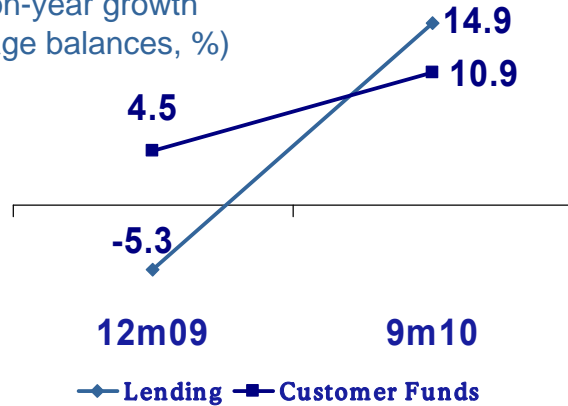


# South America: business prospers and income rises

## Surge in business

### Business

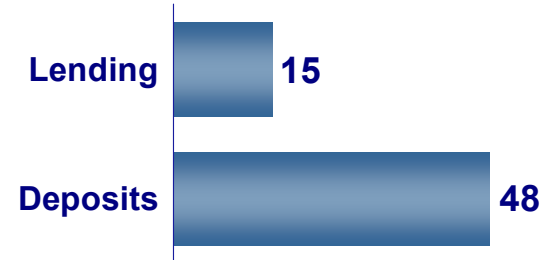
Year-on-year growth  
(Average balances, %)



## Gain in market share

### Market share

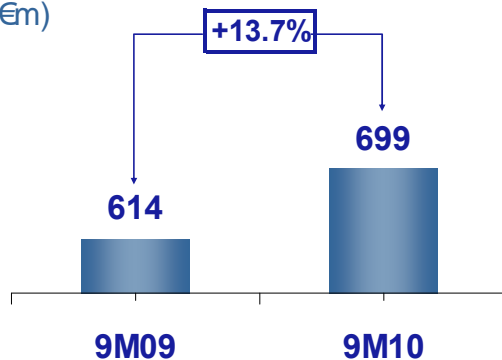
Change Jul10 vs Dec09  
(Basis points)



## Good rate of growth

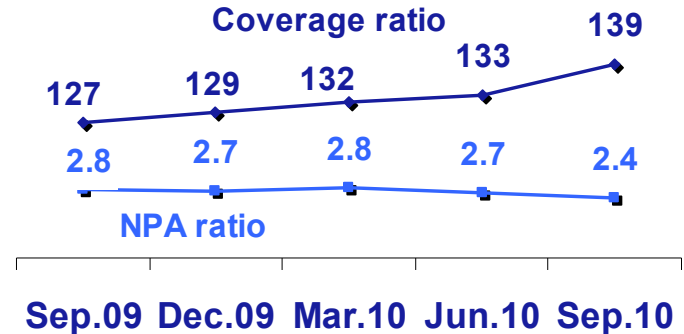
### Attributable profit

Year to date  
(Constant €m)



## Lower NPAs and higher coverage

### NPA & Coverage ratio (%)



# Attractive business mix

<b>Spain &amp; Portugal</b>	<b>Superior performance despite the complex market Opportunities: market share &amp; margin normalization</b>
<b>Mexico</b>	<b>Loan growth accelerating (+10%) Provisioning continues to decrease</b>
<b>South America</b>	<b>High loan growth (+15%) High growth of net income (+14%)</b>
<b>United States</b>	<b>Improvements in business activity and profitability Good progress of business model/IT implementation</b>
<b>Wholesale Banking &amp; Asset Management</b>	<b>High quality of revenues – customer franchise Increasing contribution from Asia</b>

# Conclusions

## High and recurrent revenues

Differential performance in Spain

## Strong Balance Sheet

Improving asset quality outlook

Comfortable funding position

Strong and high quality capital (organic generation)

Capital increase to support growth opportunities

## Attractive business mix

Significant high growth emerging market exposure

Clear opportunities in developed markets

Garanti reinforces growth profile

**A winner business model in the current environment of the sector: highly profitable with very prudent policies**

# BBVA

## SPAIN INVESTOR DAYS – EXANE BNP PARIBAS

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**Manuel Gonzalez Cid**  
Chief Financial Officer – BBVA Group

Madrid, November 22th 2010