

# *Earnings*

## **BBVA Group**

Cheuvreux Financials Conference

Pedro Urresti, Deputy CFO

London, 1<sup>st</sup> December 2009



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***BBVA, strength of earnings and fundamentals:***

**1**

**Earnings to date**

**2**

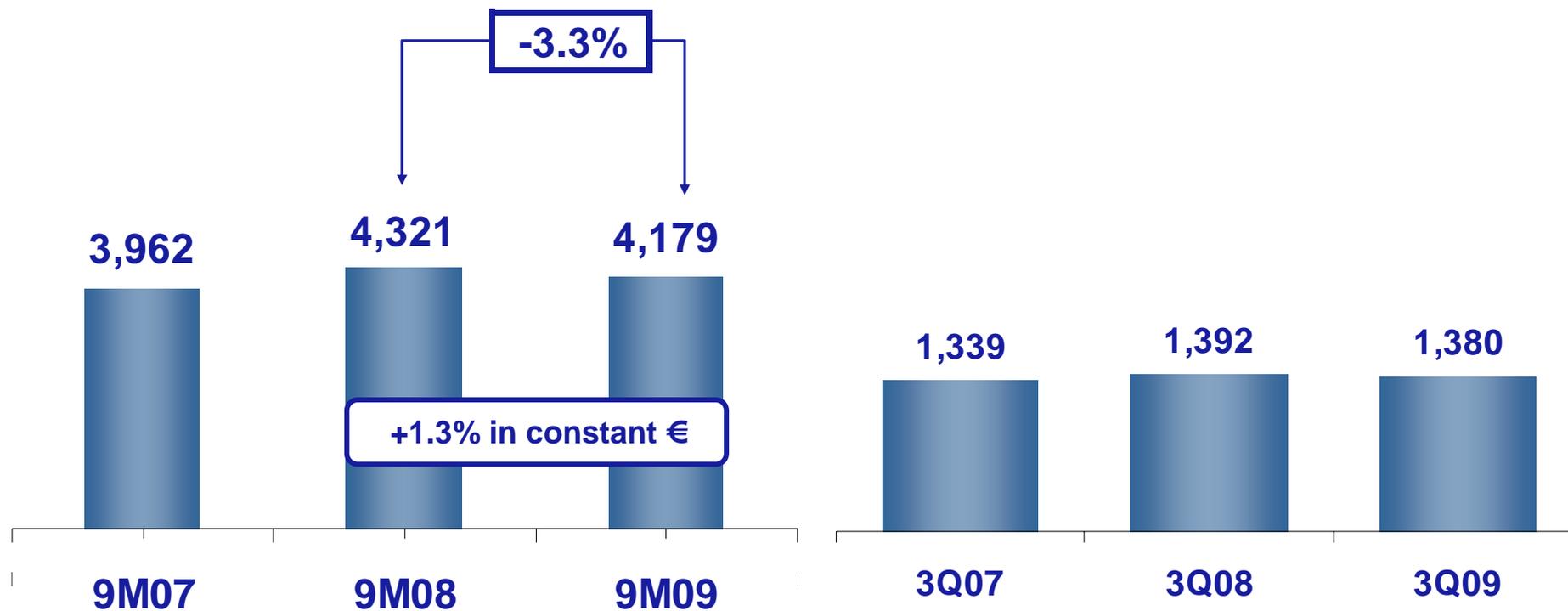
**Earnings to come**

# High recurrent earnings despite environment

**BBVA**

**Net attributable profit**  
BBVA Group excluding one-offs  
YTD  
(€m)

**Net attributable profit**  
BBVA Group excluding one-offs  
Quarter-on-quarter  
(€m)

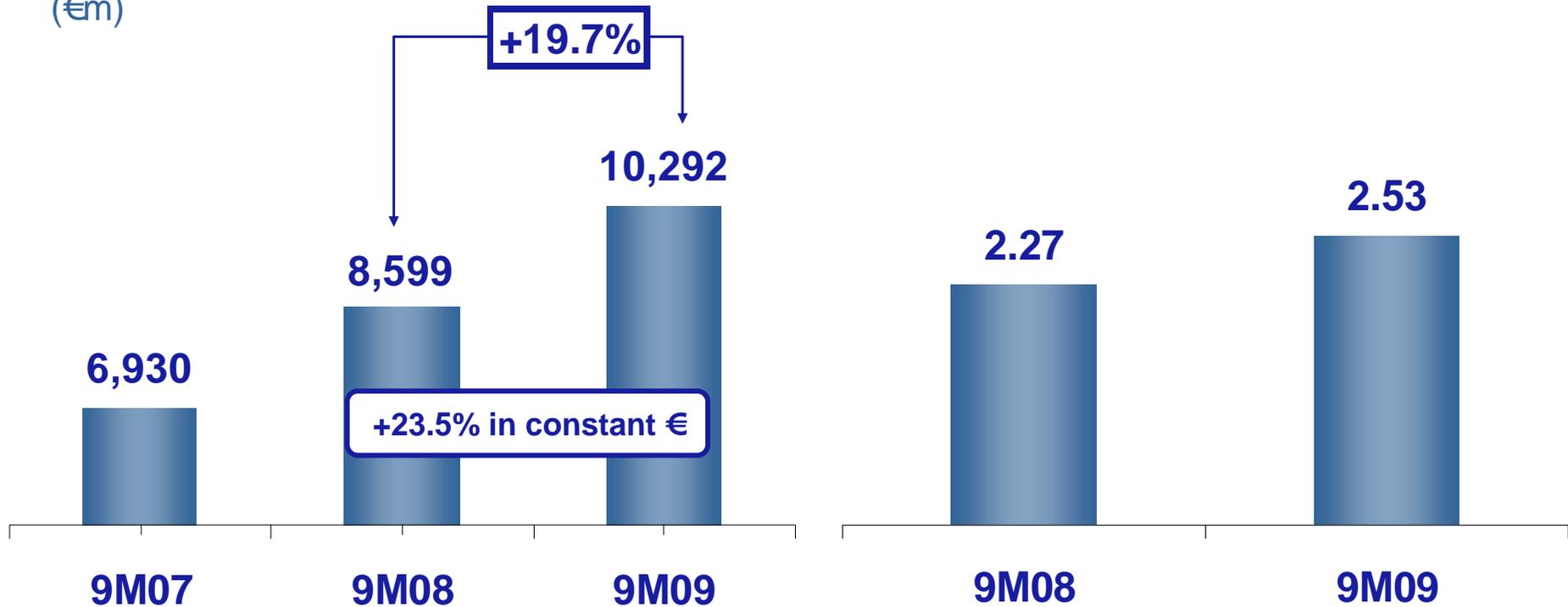


**Earnings per share: €1.12 (-3.3%)**

# Buoyant net interest income . . .

Net interest income  
BBVA Group  
YTD  
(€m)

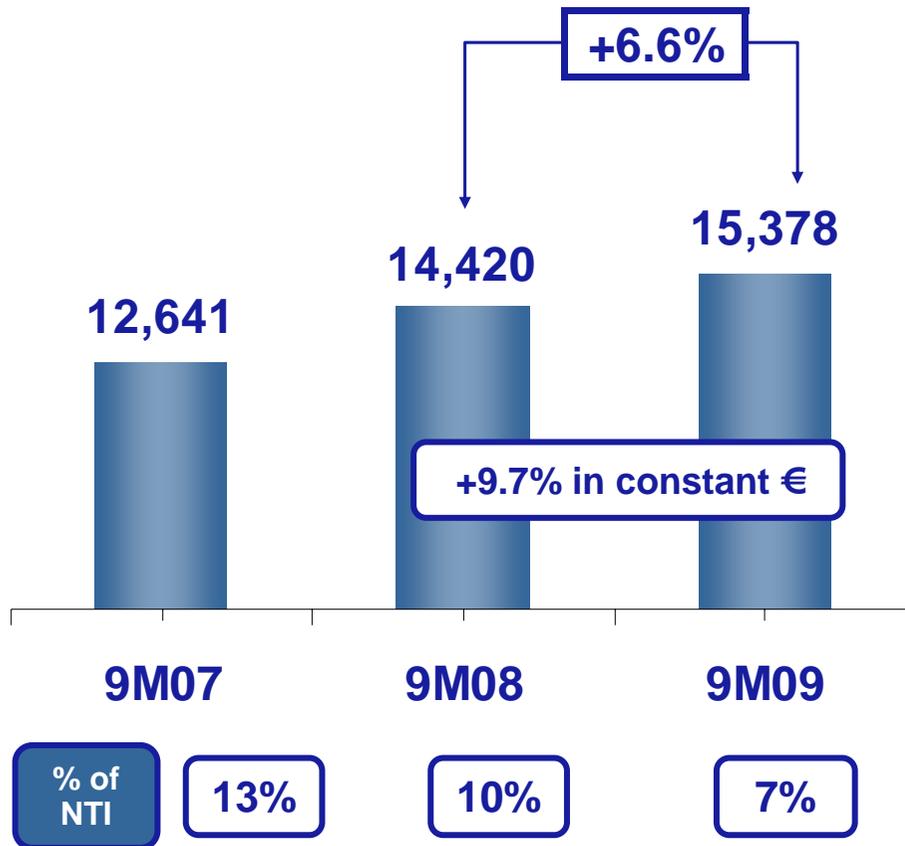
Net interest income / ATAs  
BBVA Group  
(%)



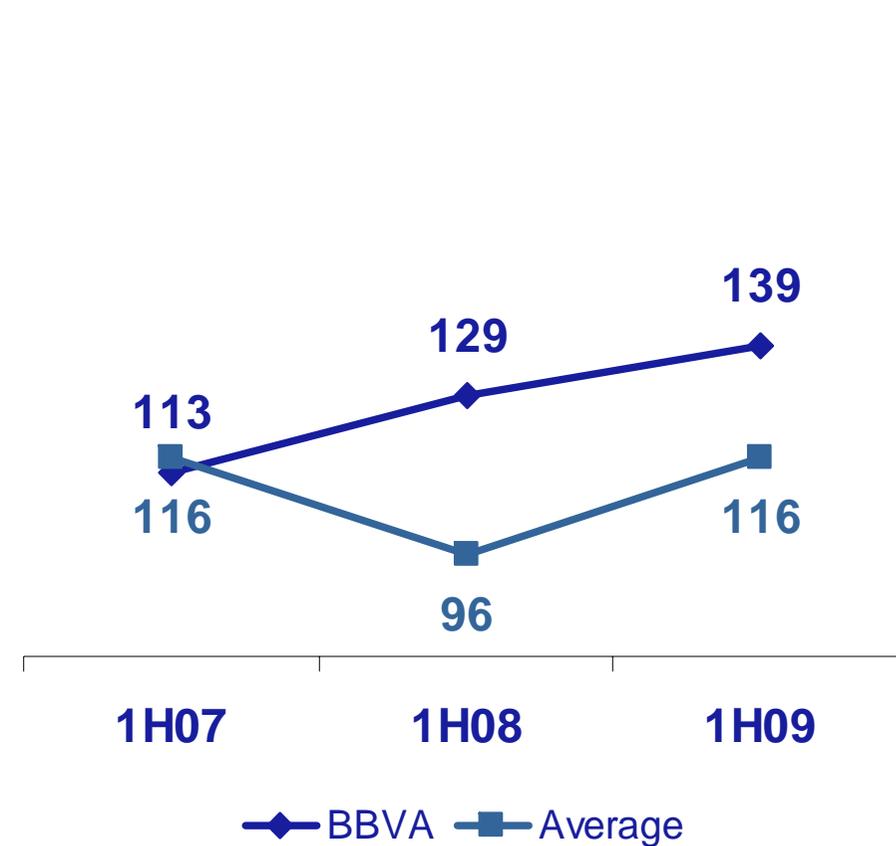
**Sustained year-on-year growth at about 20% in recent quarters**

## ... plus high quality gross income with little volatility

Gross income  
BBVA Group  
YTD  
(€m)



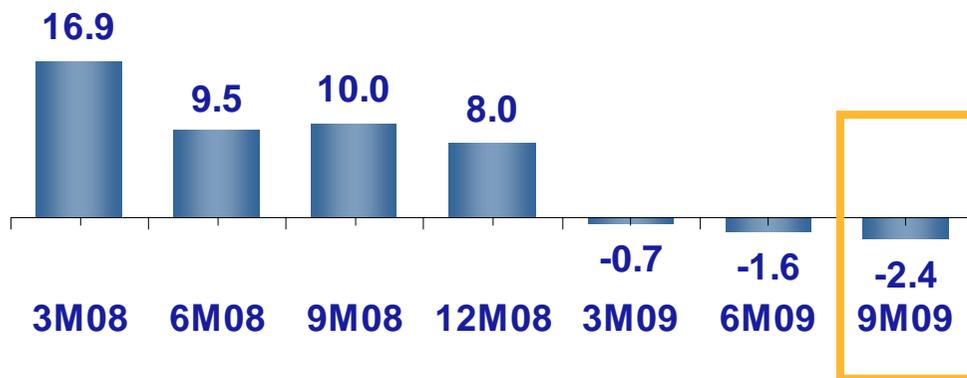
Gross income  
Peer Group  
(Base 100: 1H06; %)



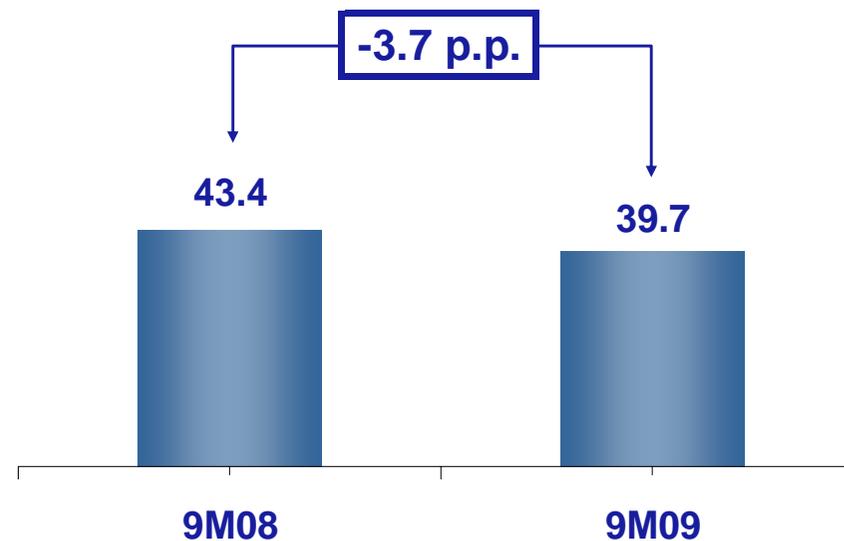
Peers: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, RBS, SAN, SG, UBS, LBG & UCI.  
For periods prior to 2009: HBOS and LLOYDS instead of LBG.

# Cost cutting benefits from the Transformation Plan

**Operating costs**  
BBVA Group  
Year-on-year growth  
(%)

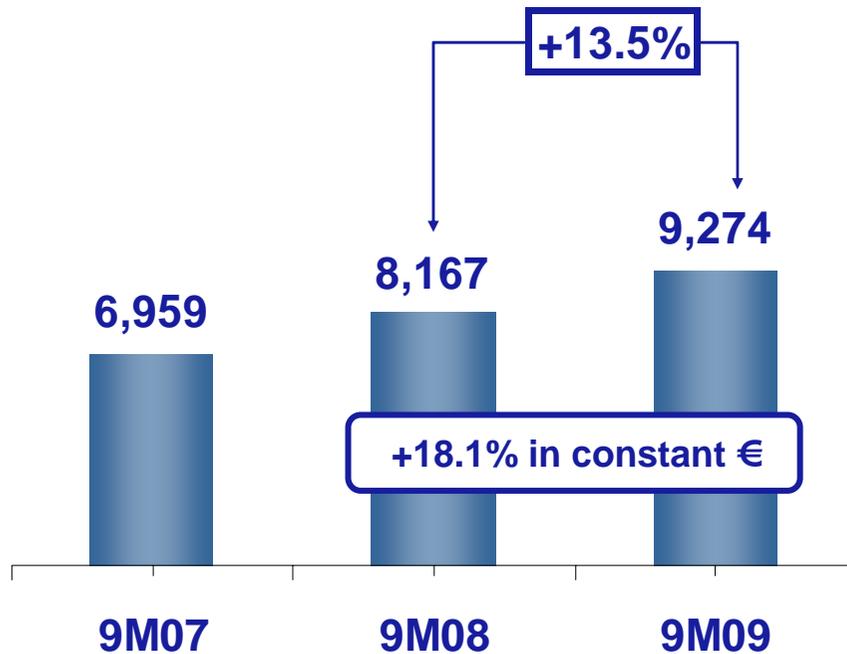


**Cost-income ratio**  
BBVA Group  
(%)

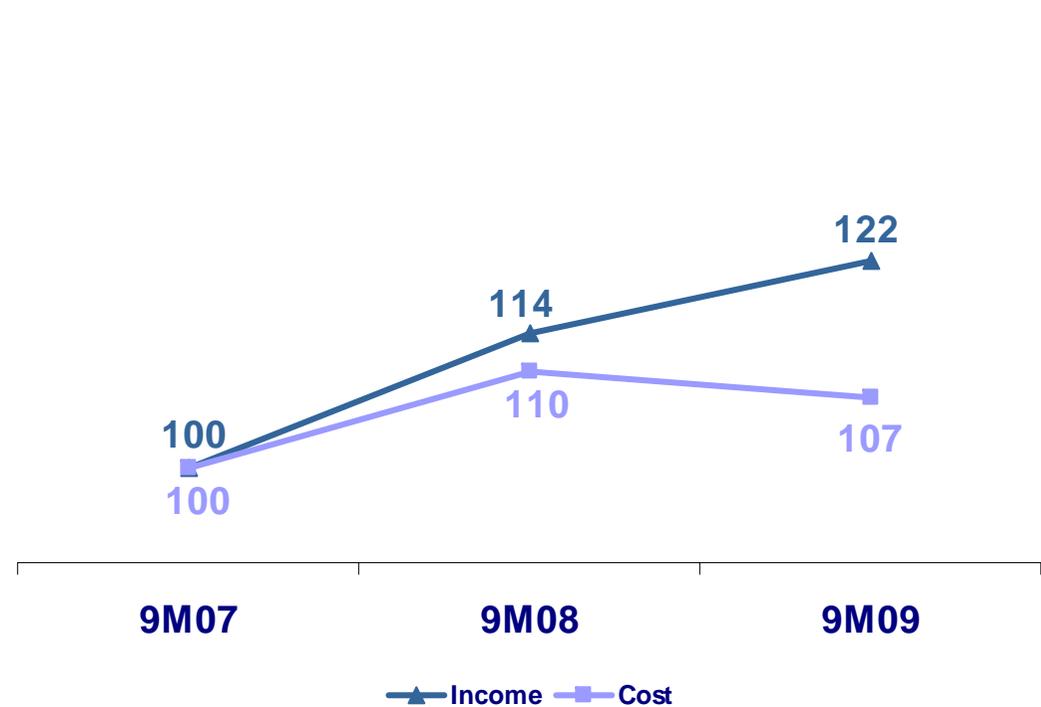


# Strong growth of operating income, a critical management variable ...

Operating income  
BBVA Group  
YTD  
(€m)



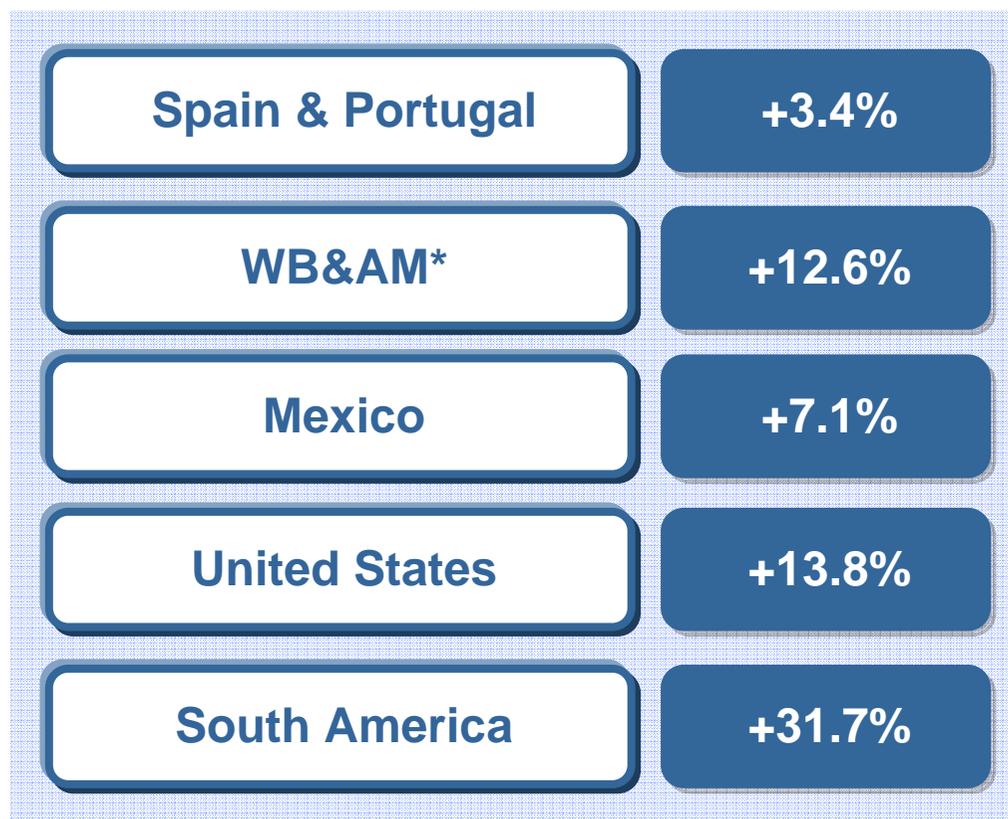
Total income and cost  
BBVA Group  
YTD  
(Base 100 in 9M07, %)



**both in terms of revenues and costs**

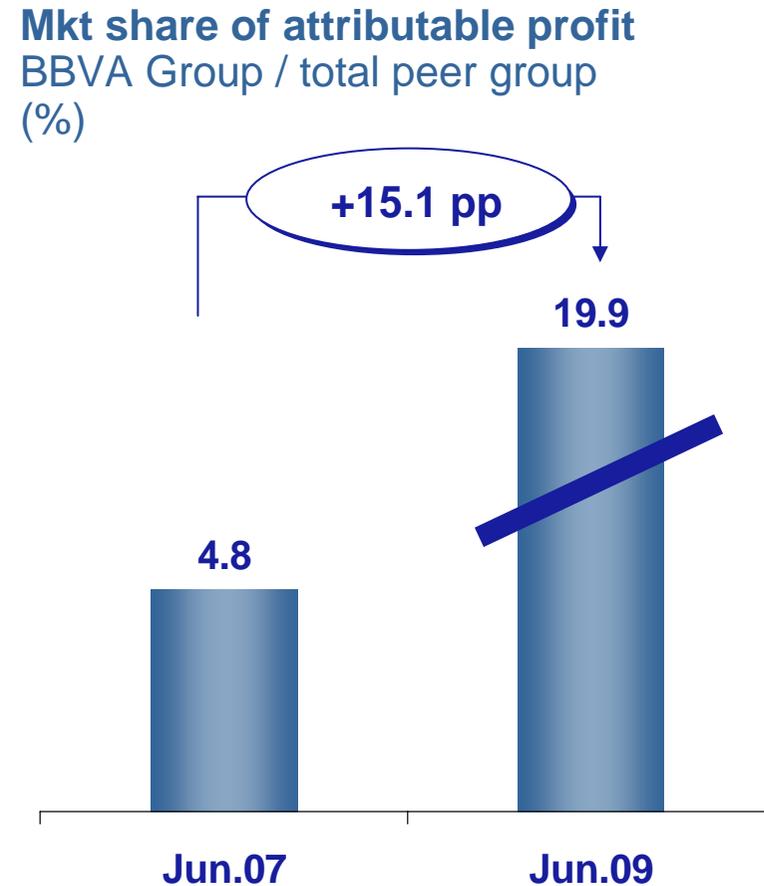
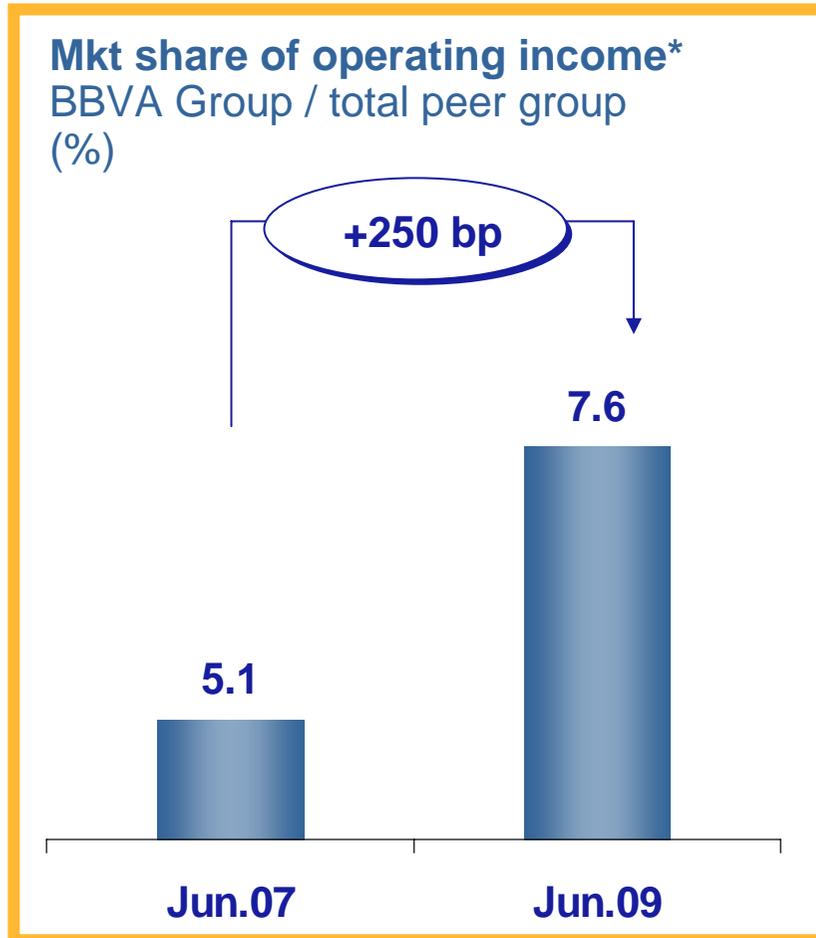
**. . . in all business areas**

**Operating income by business area**  
 Year-on-year growth  
 Constant €  
 (%)



\* WB & AM excludes Industrial & Real Estate Holdings

**. . . confirming BBVA's strength relative to its peers. . .**

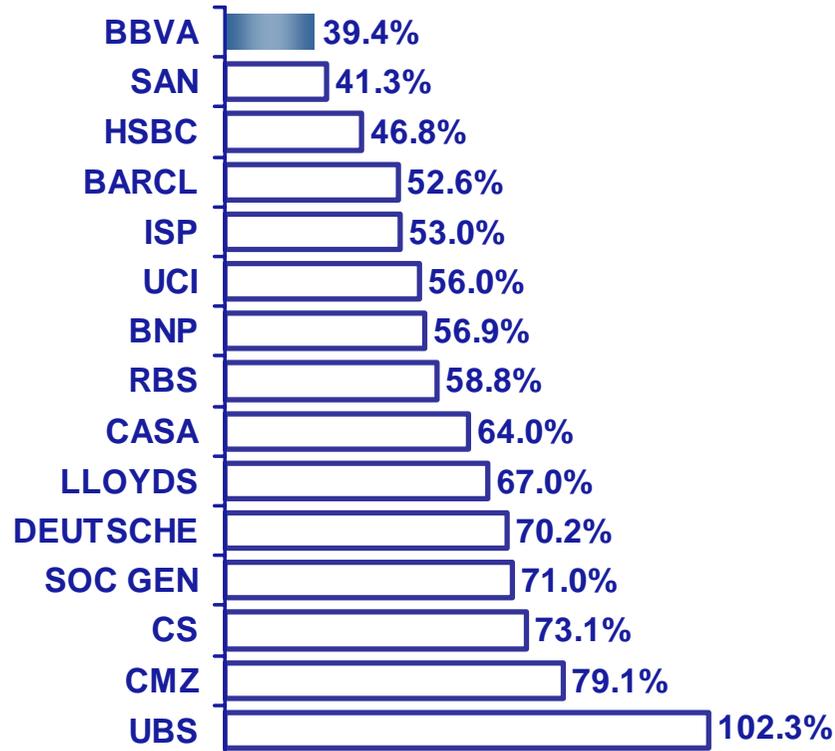


**The gap widens during the crisis**

Peers: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, RBS, SAN, SG, UBS, LBG & UCI.  
For periods prior to 2009: HBOS and LLOYDS instead of LBG.  
\* Operating income = gross income – operating costs

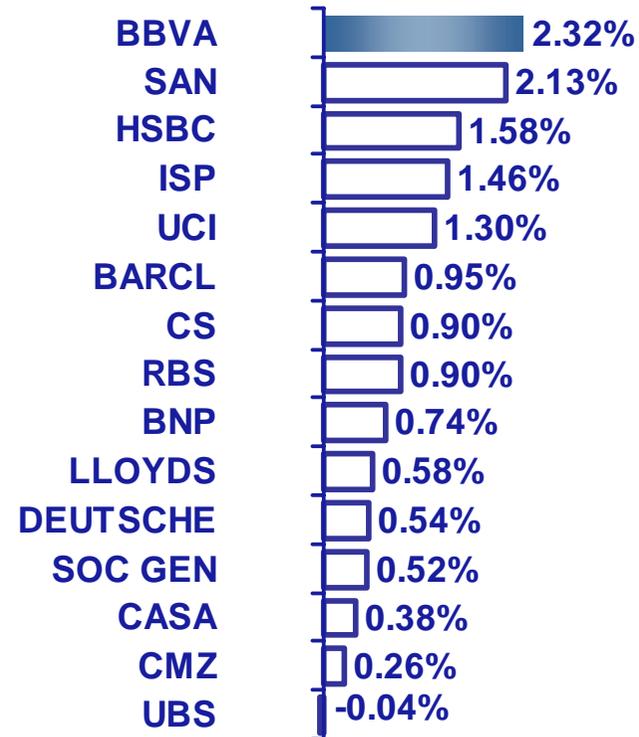
# ... and its leadership position in efficiency and profitability

**Efficiency**  
Peer Group  
(% at Sep.09)<sup>1</sup>



1: latest available data for British banks (June 09)

**Operating income / total assets**  
Peer Group  
(% at Sep.09)<sup>2</sup>



2: latest available data for British and French banks (June 09)

## Appropriate risk management in each phase of cycle

**A**

Steady reduction in net entries to NPA

**B**

Stronger generic and ample coverage by provisions and collateral

**C**

Stable cost of risk and slower growth of NPAs

**D**

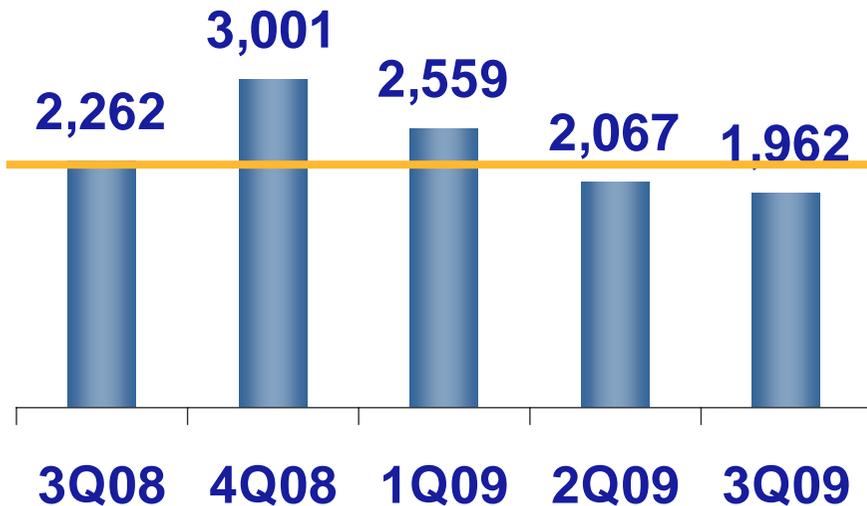
Limited use of property purchases

**E**

Leader in return/risk ratio

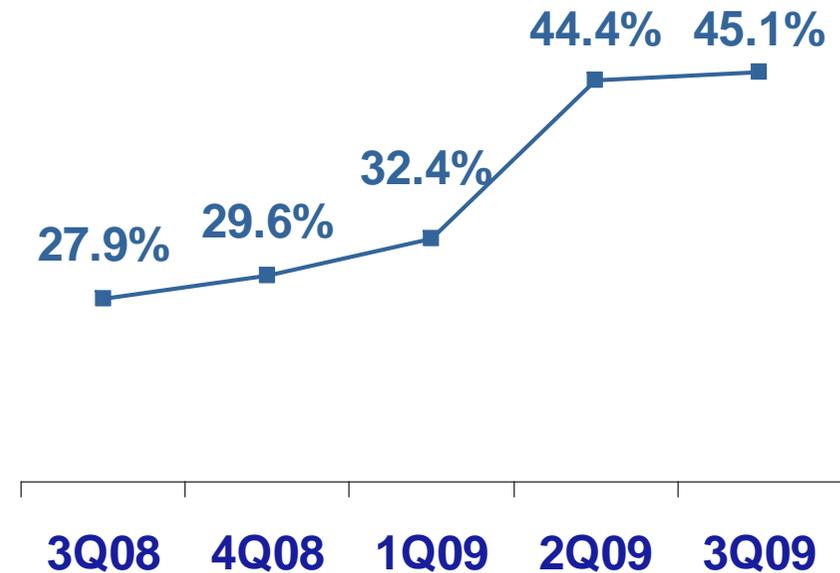
**A** **Steady reduction in net entries to NPA**

**Net entries to NPA**  
BBVA Group  
Quarter-on-quarter  
(€m)



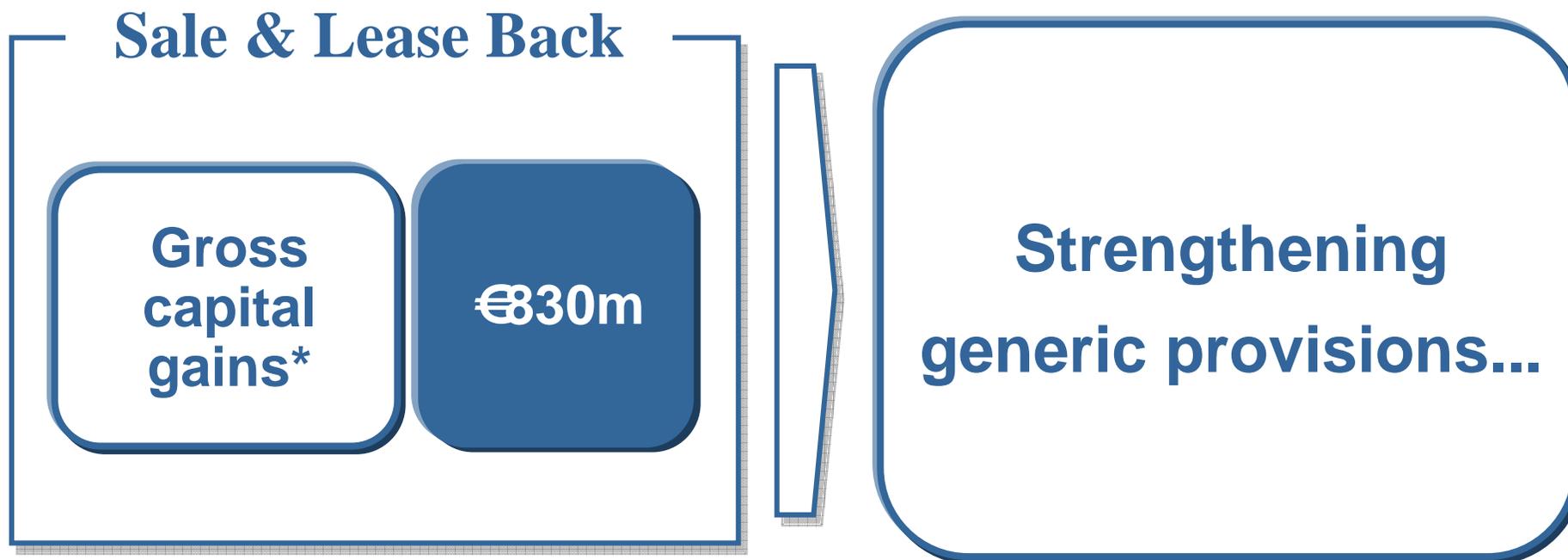
**Lower net entries to NPA**

**Recoveries / entries to NPA**  
BBVA Group  
Quarter-by-quarter  
(%)



**Efficiency of debt recovery improves despite seasonal factor**

**B Stronger generic provisions . . .**

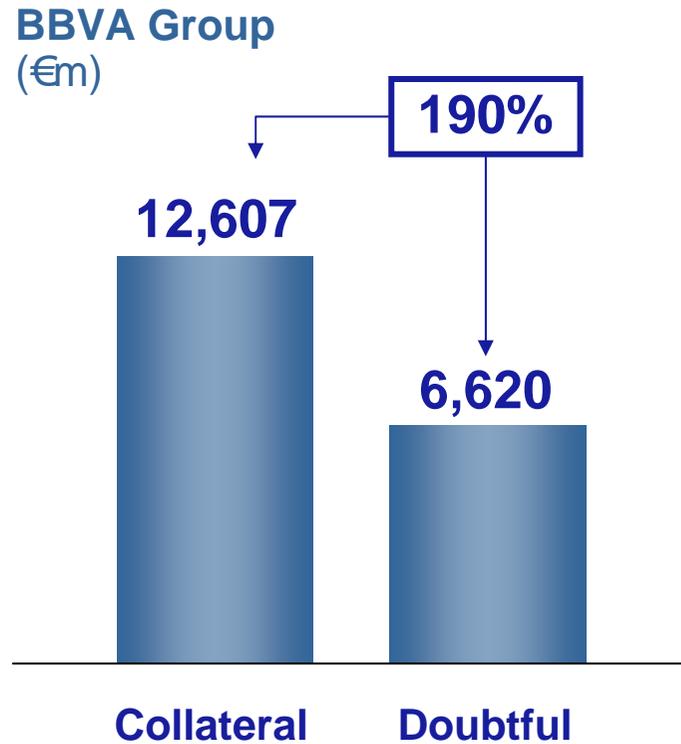


**Total generic and substandard provisions: €4,655m**

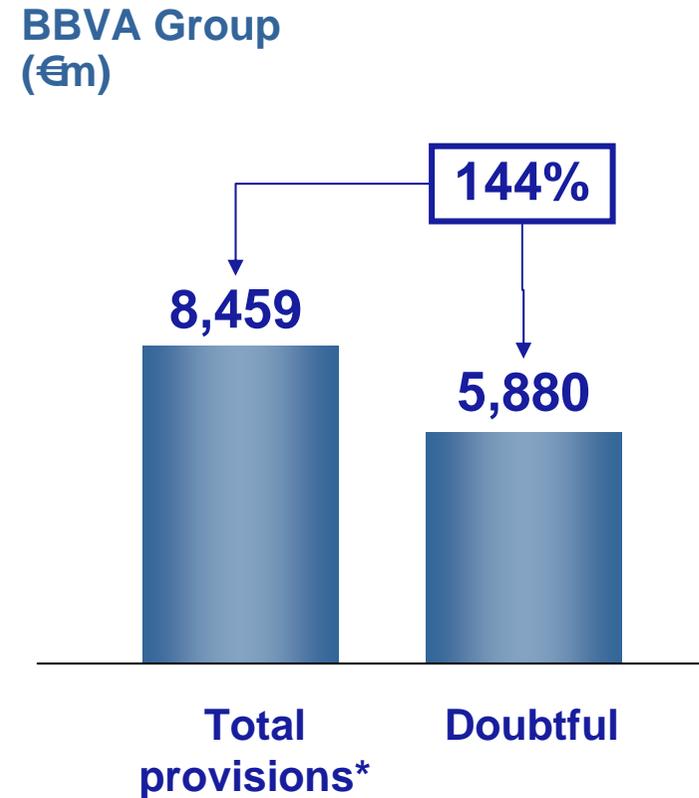
\* Gross of tax but net of costs

**... and ample coverage by provisions and collateral**

**Secured loans**



**Unsecured loans**



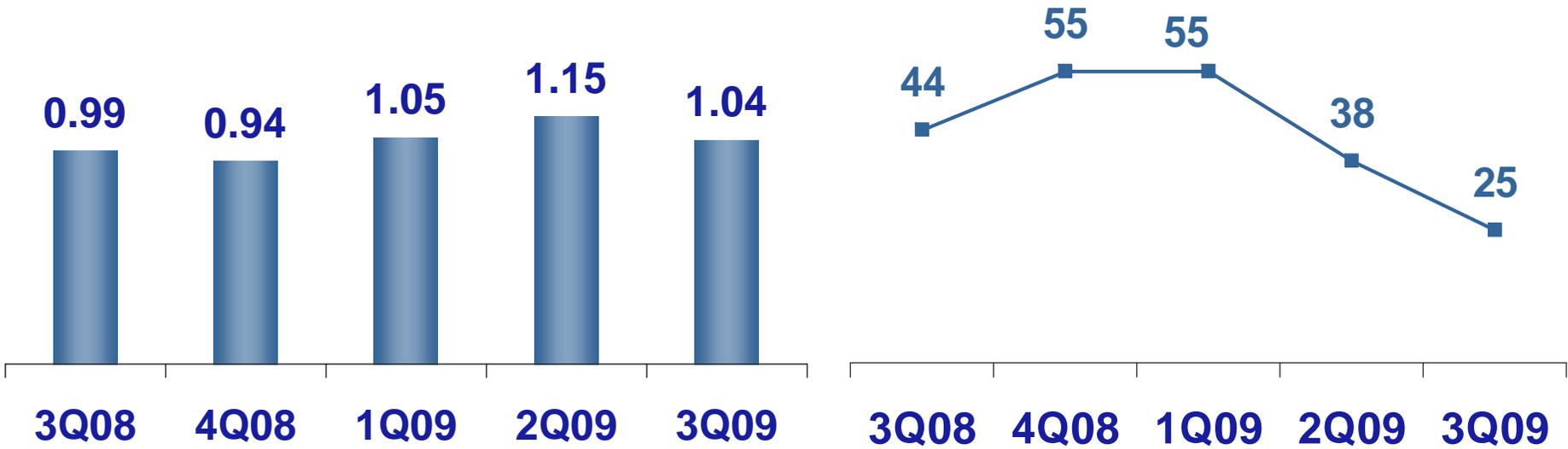
**BBVA Group coverage: 68% (168% including collateral)**

\* Specific+Generic+Substandard

**C** **Stable cost of risk and slower growth of NPAs**

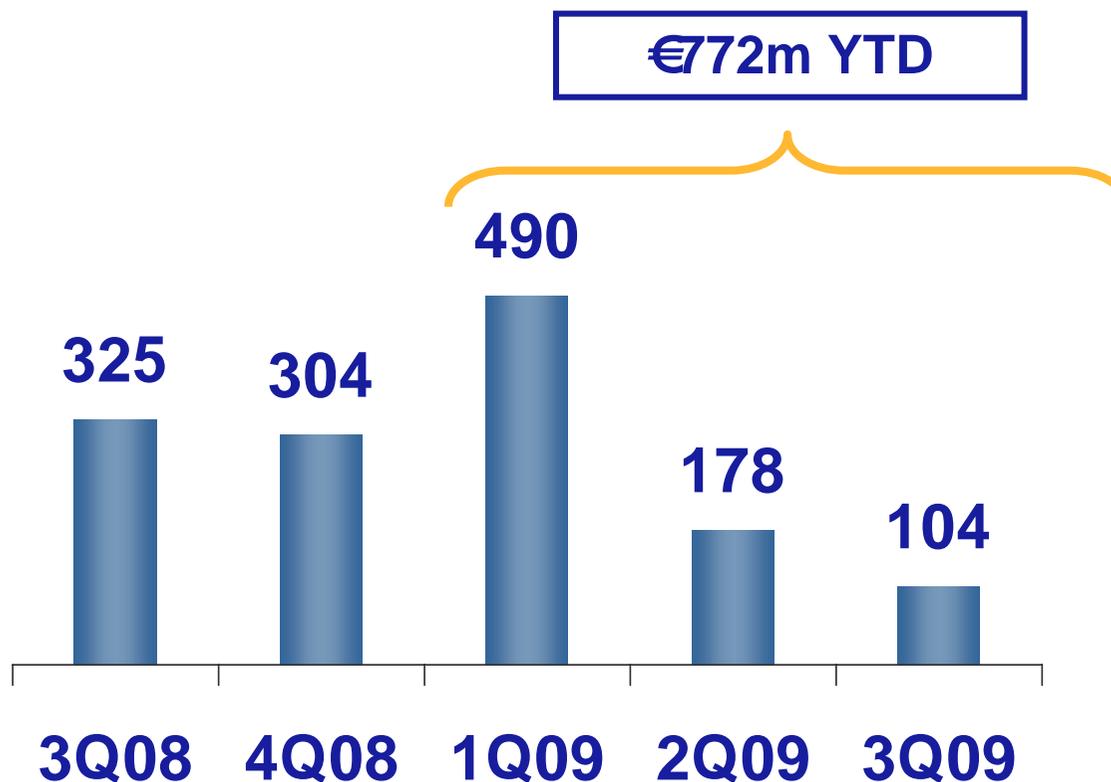
**Cost of risk**  
 BBVA excl. additional generic provision  
 Quarter-by-quarter  
 (%)

**NPA ratio**  
 BBVA Group  
 Quarter-by-quarter growth  
 (Basis points)



**D Limited use of property purchases**

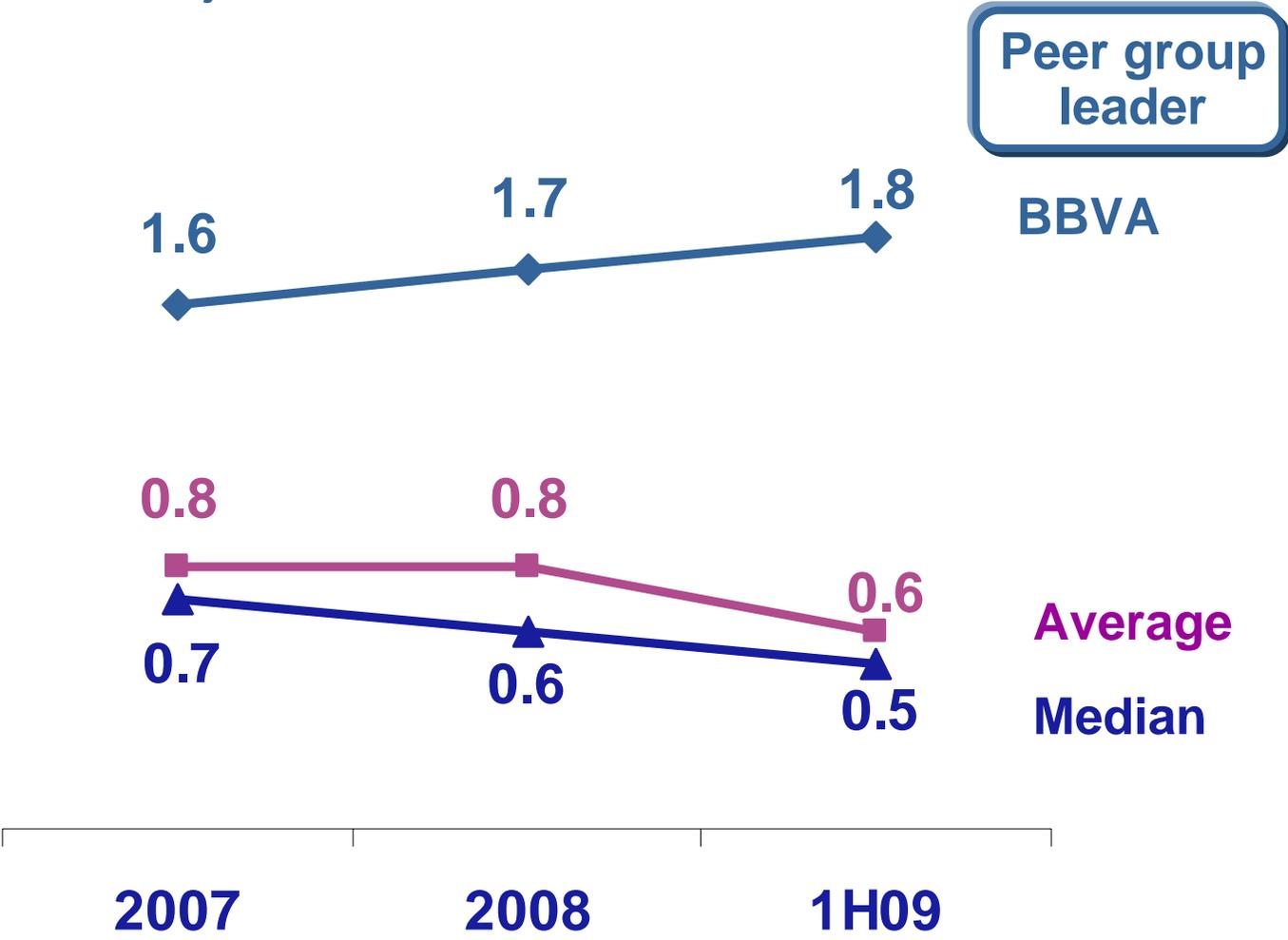
Property purchases  
BBVA Group  
(€m)



**Total stock of properties (net): €1,094m  
23% of coverage**

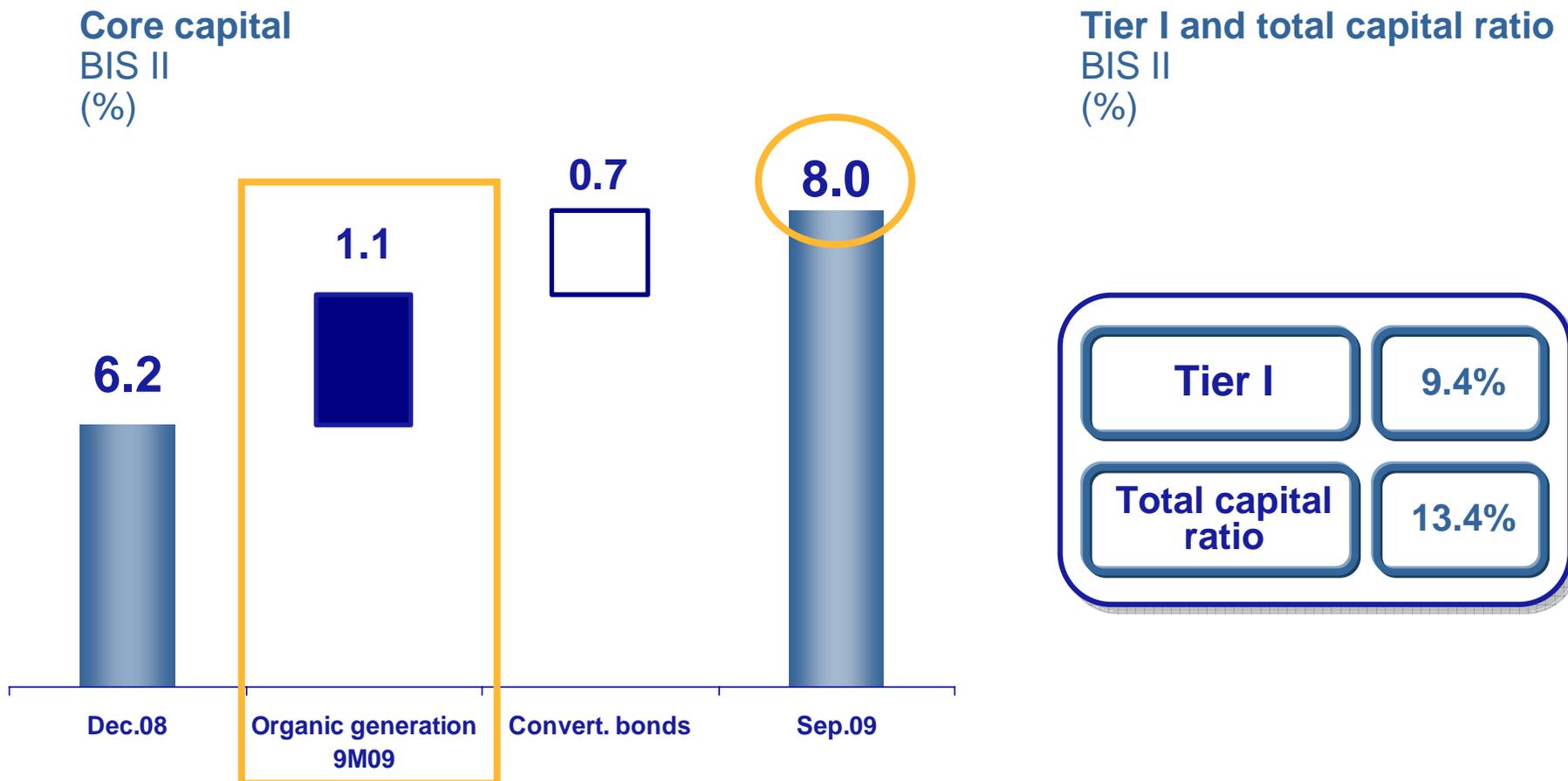
# **E** Leader in return/risk ratio.

Net interest income adjusted for credit risk\*  
Peer Group  
(%)



\* [NII – provisions] / ATA  
Peers: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, RBS, SAN, SG, UBS, LBG & UCI.  
For periods prior to 2009: HBOS and LLOYDS instead of LBG.

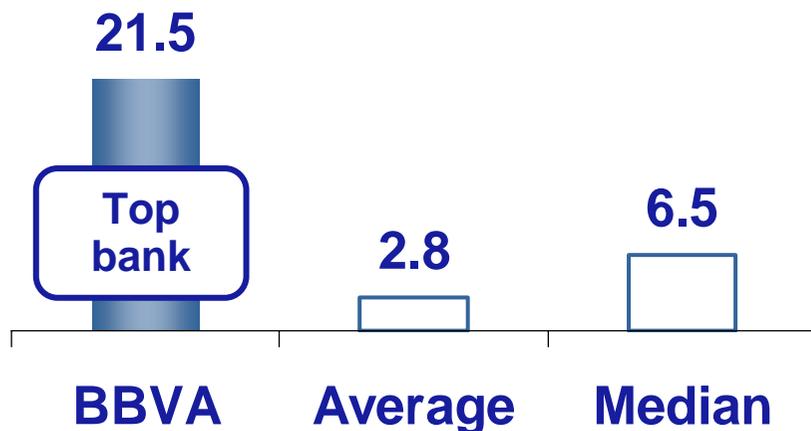
# Unparalleled core capital generation



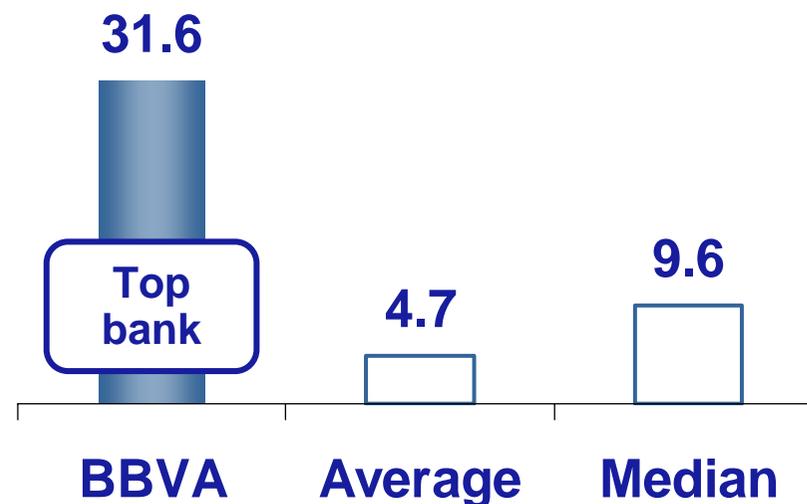
**Organic capital generated in the third quarter of the year 2009: about €1,000m**

# Remarkably high levels of profitability . . .

**ROE**  
Peer Group 1H09  
(%)



**ROTE**  
Peer Group 1H09  
(%)



**ROE 9M09:  
21.2%**

**ROTE 9M09:  
29.8%**

***BBVA, strength of earnings and fundamentals:***

**1**

**Earnings to date**

**2**

**Earnings to come**

## Earnings to come, from:

**A**

**Spain: a strong network ready to benefit from improving competitive landscape**

**B**

**Mexico: the clear leader in a sizeable market with huge growth potential**

**C**

**USA: building a solid franchise in a very attractive region for retail banking**

**D**

**South America: An additional Bancomer**

**A**

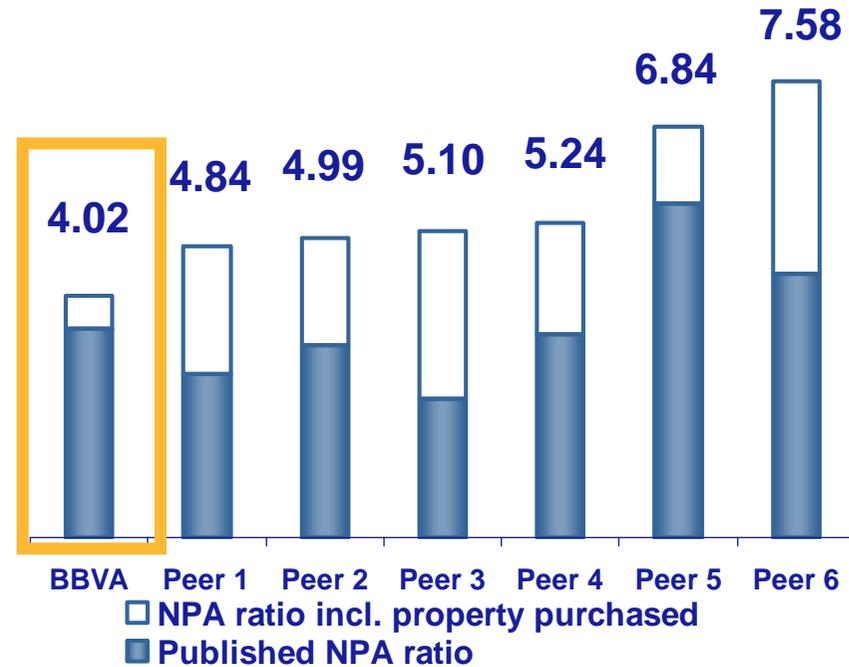
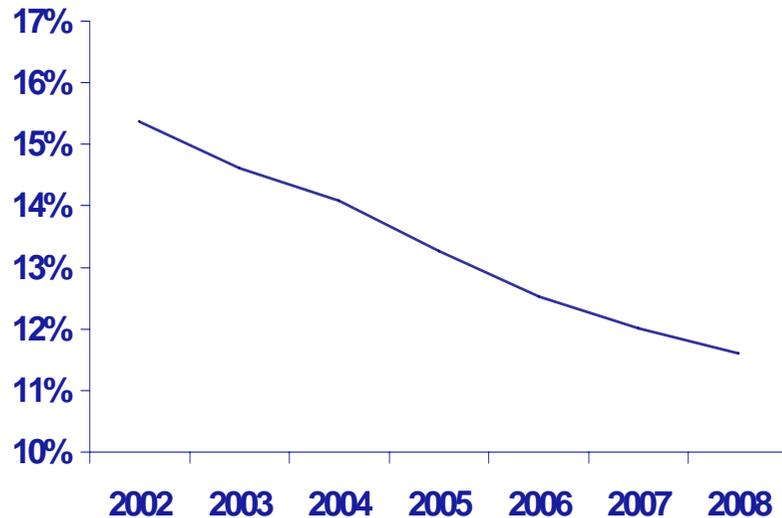
# BBVA has grown less during the boom years in Spain, but today it is stronger

**BBVA**

Saving banks and new entrants have grown aggressively during the economic boom years

NPA ratio  
Local Peer Group  
(%, June 2009)

BBVA's lending share in Spain  
(%)

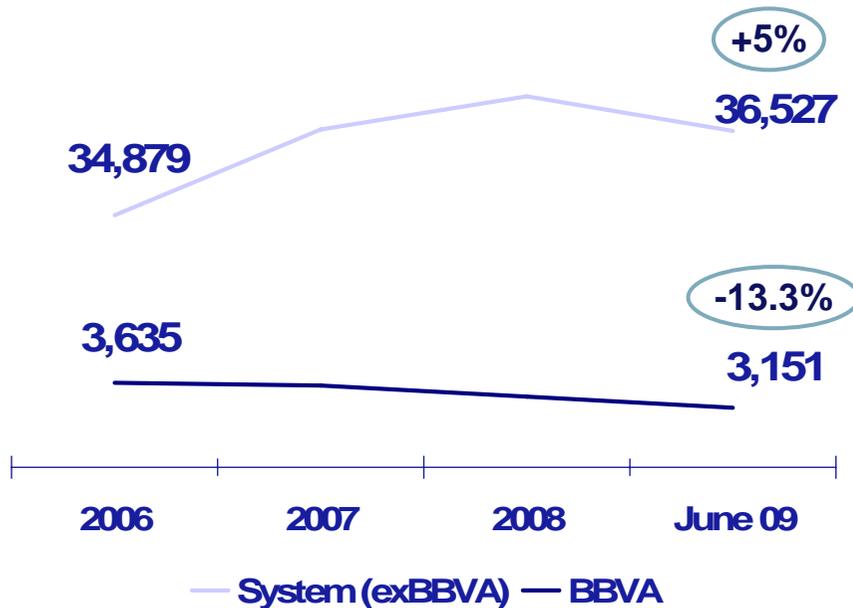


1 – Source: BBVA and Bank of Spain. Prior to 2000, pro-forma adding BBV and Argentaria figures.  
2 – Source: CNMV quarterly reporting. Peers: Banesto, Caja Madrid, La Caixa, Popular, Sabadell, and Santander.

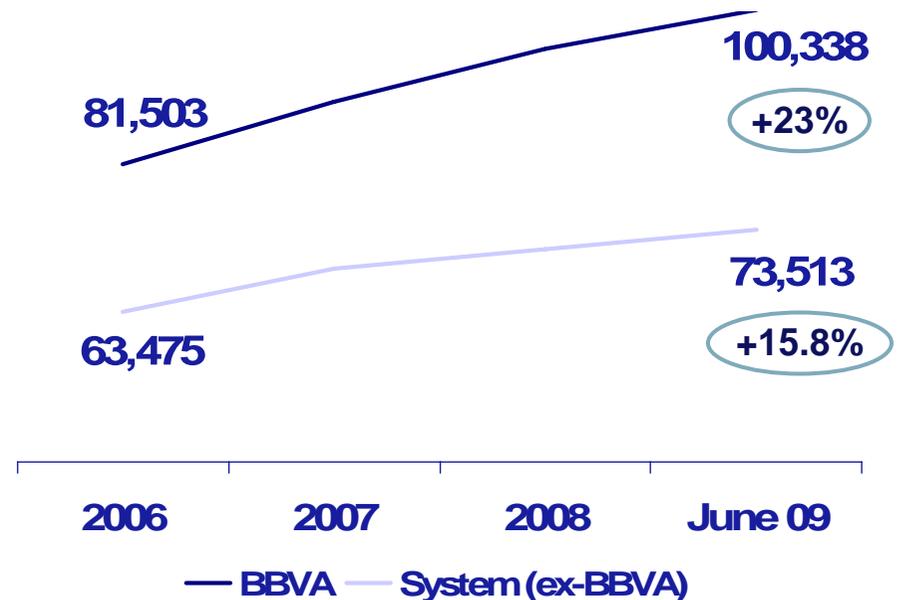
# Anticipating the end of the credit boom era, BBVA launched its Transformation plan, resulting in a much leaner distribution network



Branch network evolution in Spain



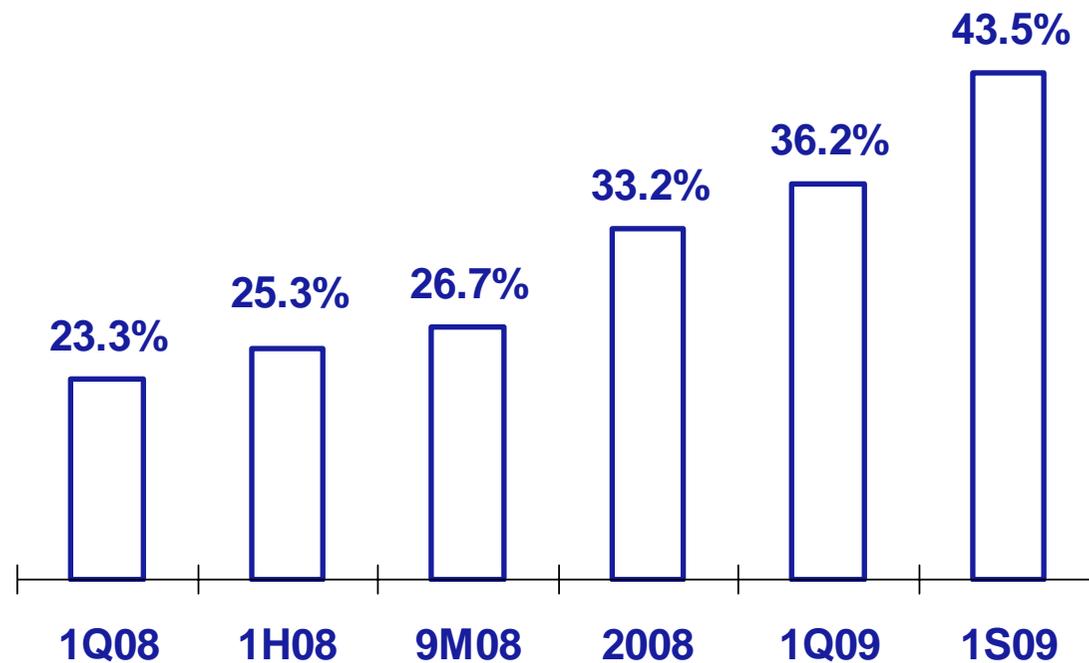
Business volume per branch (€'000)



**Transforming our operation from a loan originating network, to a network able to provide high value added services.**

# BBVA is already profiting from its position of relative strength

**BBVA Spain's mkt share of recurrent operating income net of provisions**  
Quoted banks + largest saving banks (%)



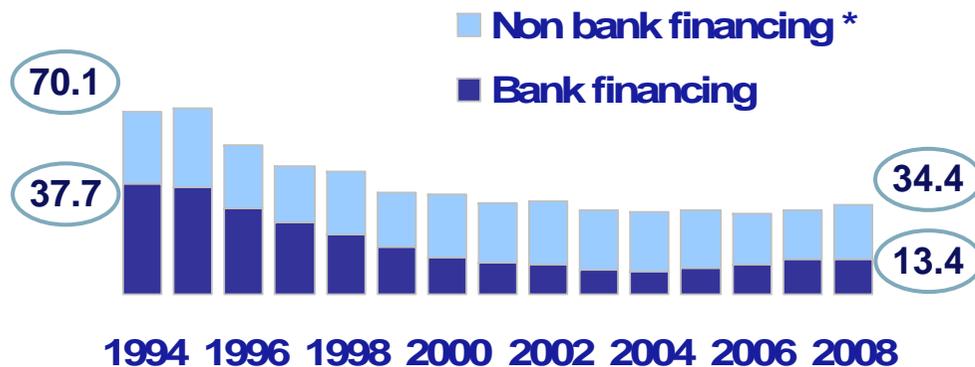
**BBVA Spain's operating income excl. dividends and NTI, and net of provisions**

**B**

# The Mexican financial system continues to have an exceptionally low penetration

**BBVA**

Loans to the private sector  
% of GDP

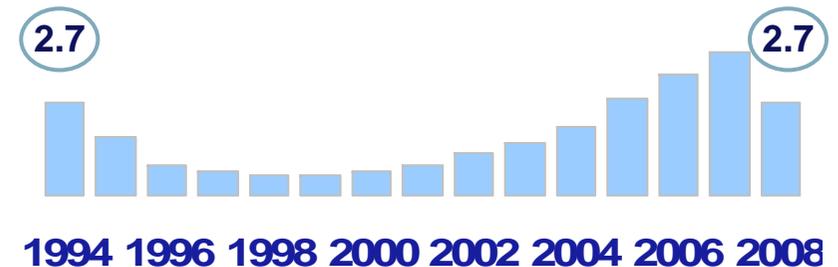


\* Includes external financing, Mexican non-bank institutions, suppliers, local debt issuances, and Infonavit

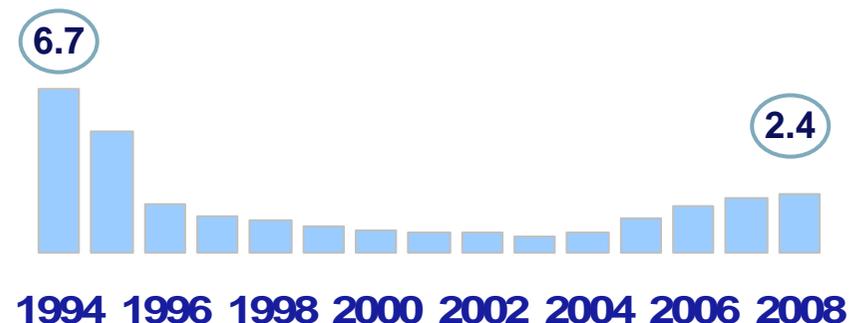
**In an economy as large as Spain or Texas**

Source Banxico and INEGI

Total consumer loans  
% of GDP

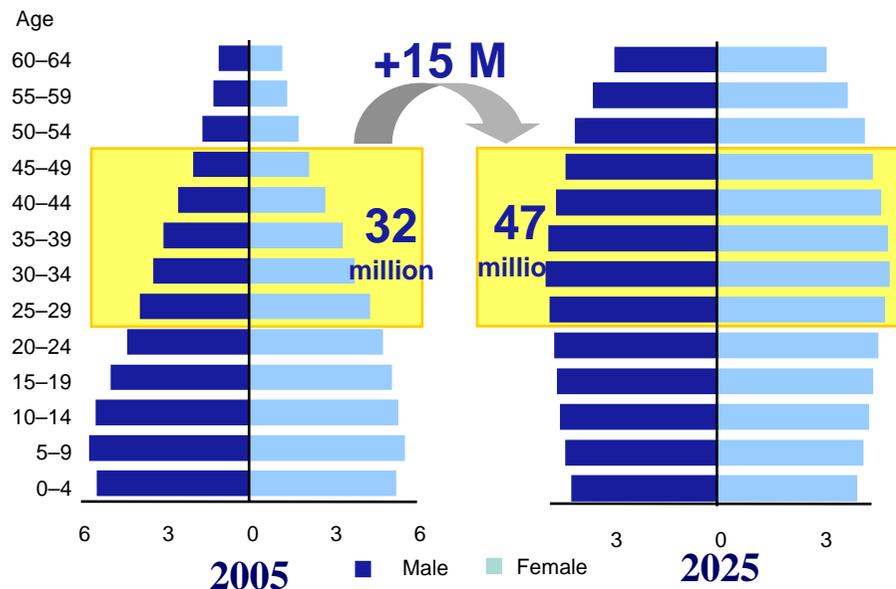


Total mortgage loans  
% of GDP

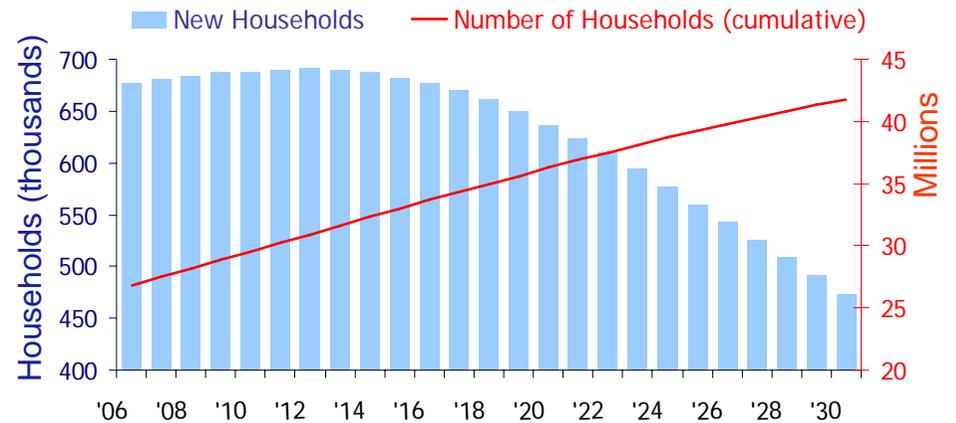


# Mexico's demographics are the best for continuous long term retail banking growth

## Expected population growth



## Household creation (cumulative data and flows)

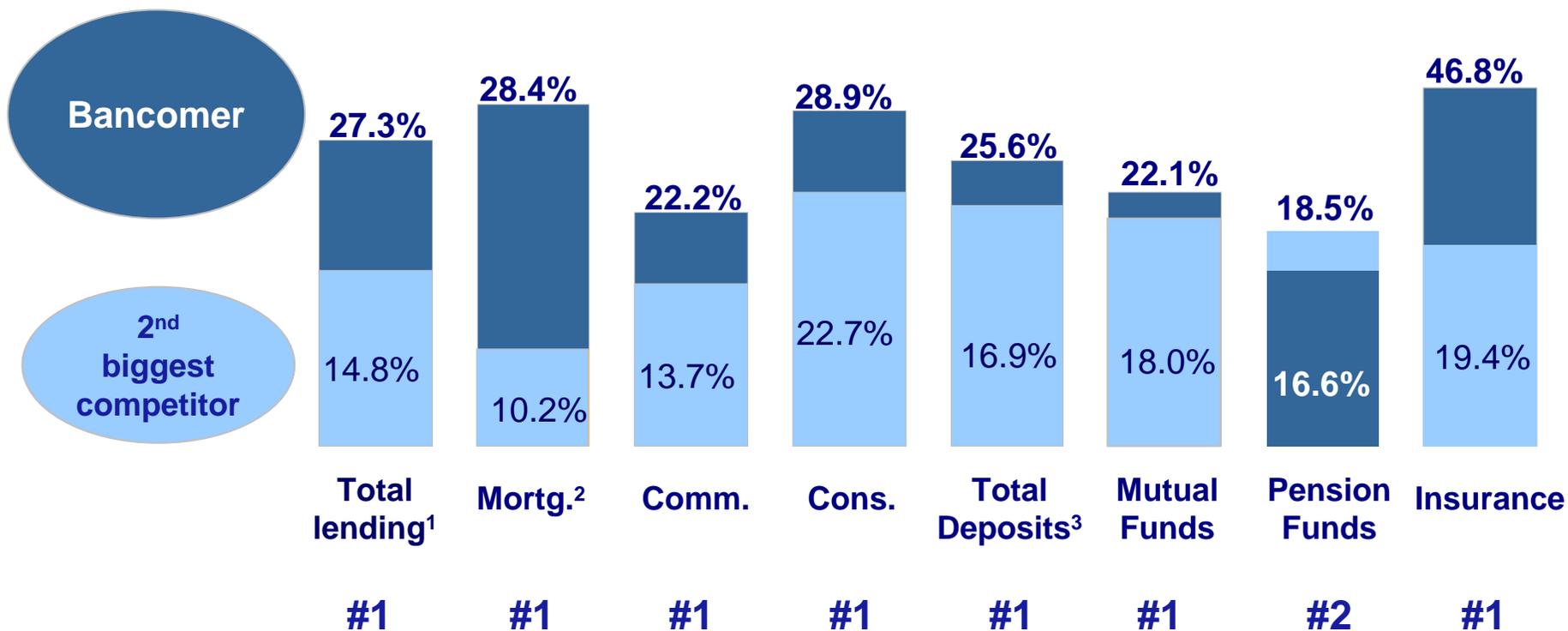


**New households = potential demand for mortgages**

**750,000 people entering the labor market per year**  
**Close to 700,000 households created per year**

# In a market in which Bancomer is the clear market leader

## Market Share (%)



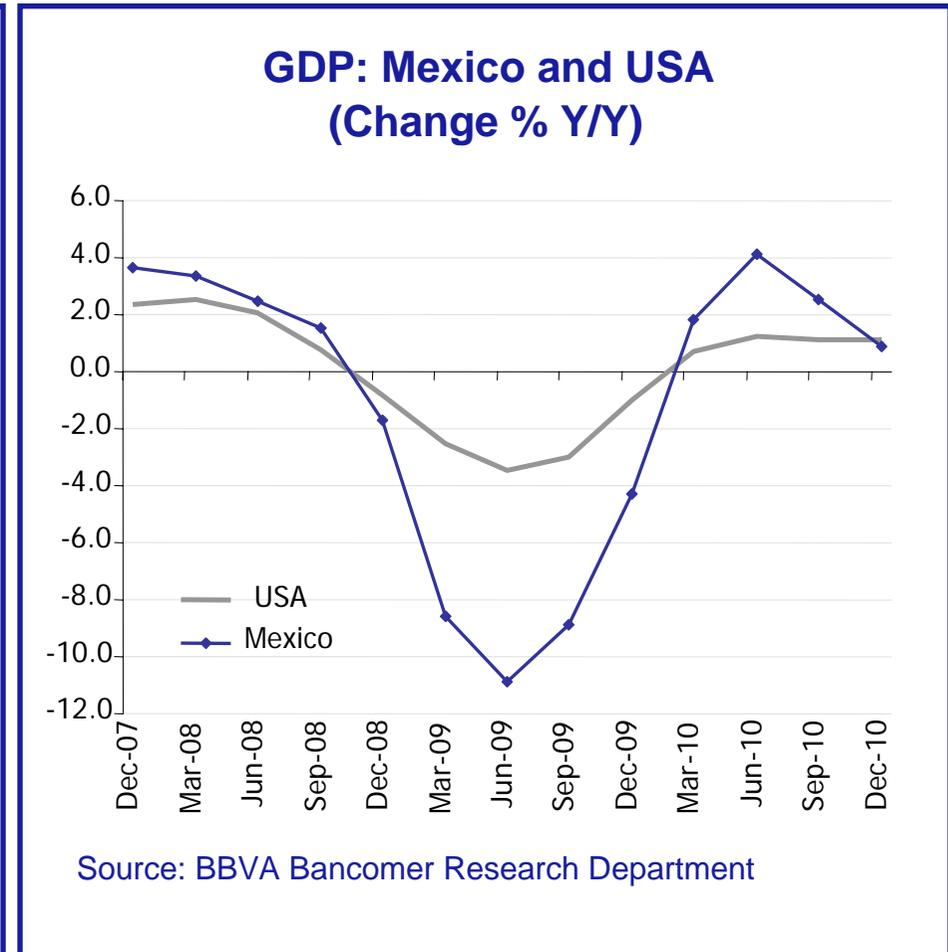
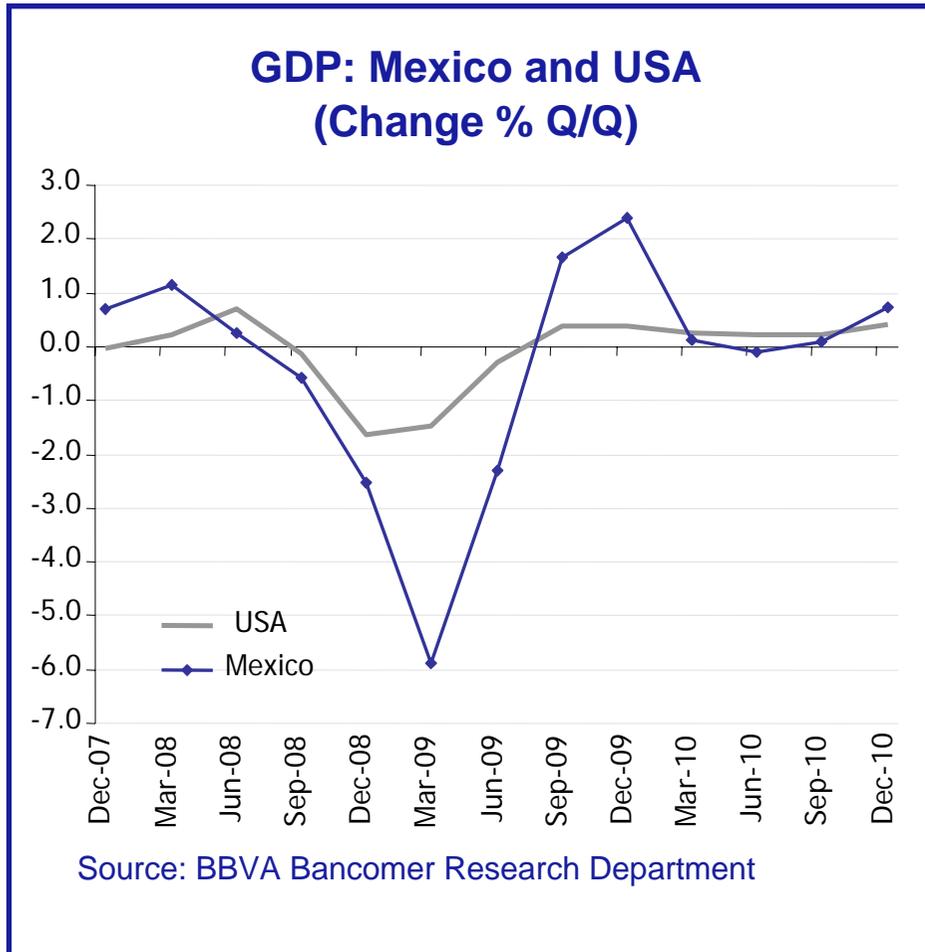
Source: CNBV, SHF, CONSAR, AMIS y AMIB. Data as of June 2009

<sup>1</sup> Including government loans and non banking financial entities

<sup>2</sup> Without UDI Trusts. Includes loans to developers and Sofoles

<sup>3</sup> Including repos

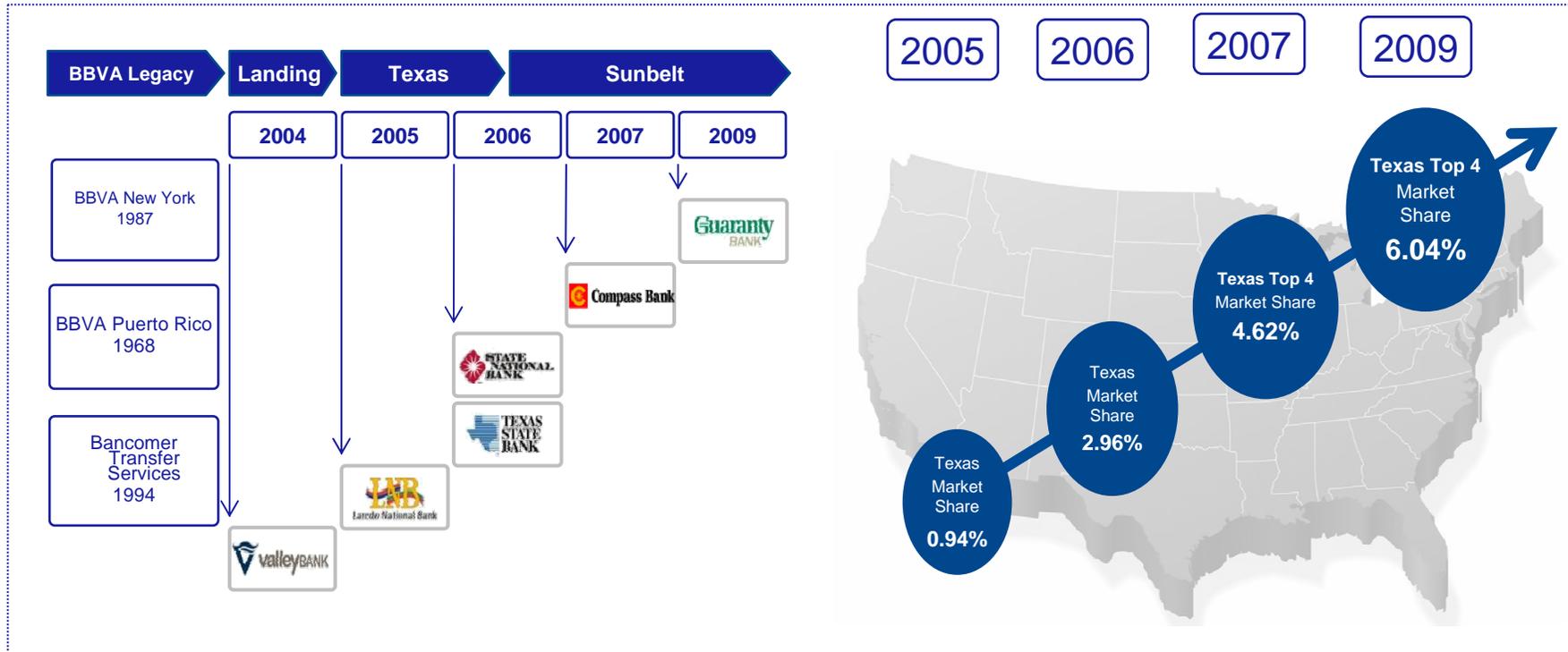
# In 2010 Mexico will come back to growth, supported by the recovery of the US economy



C

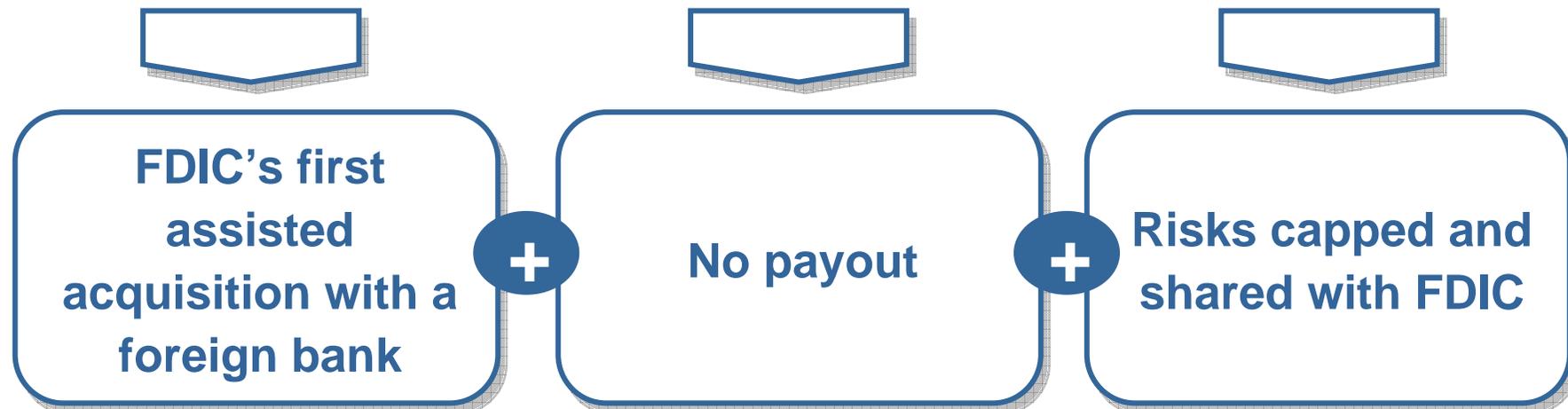
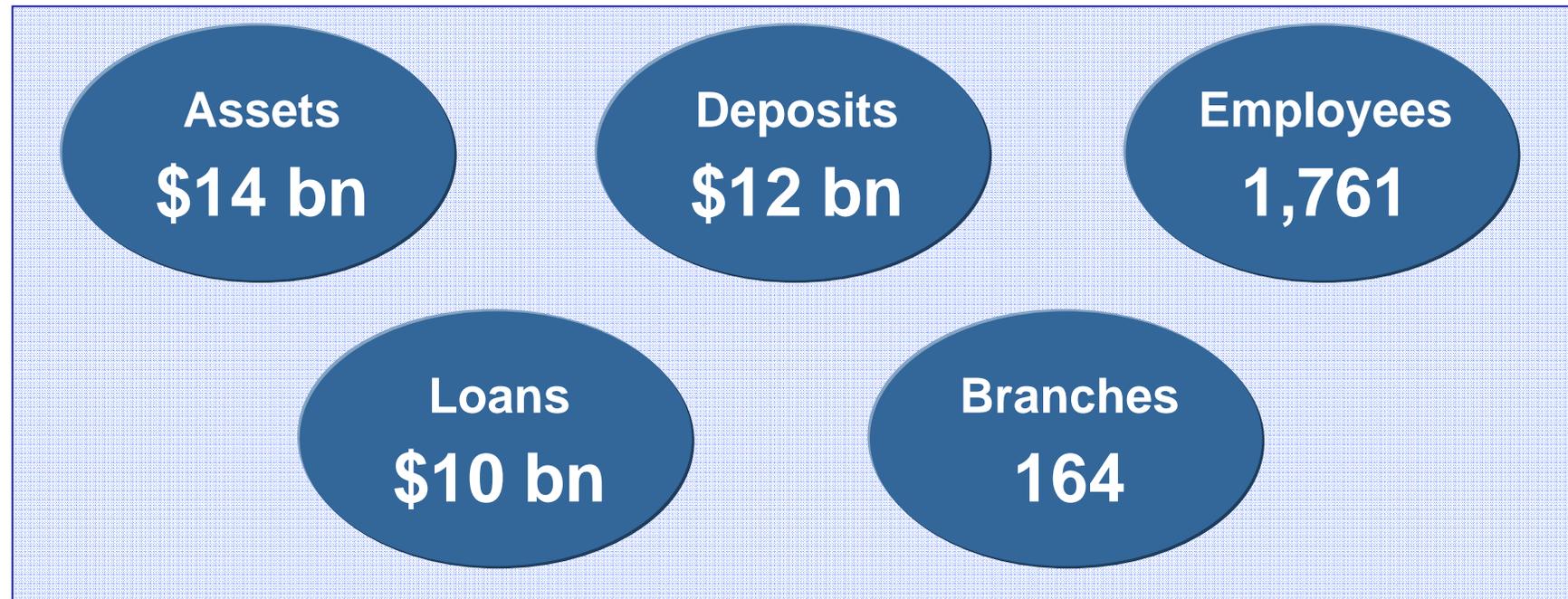
# USA, building a solid franchise in a very attractive region for retail banking

**BBVA**



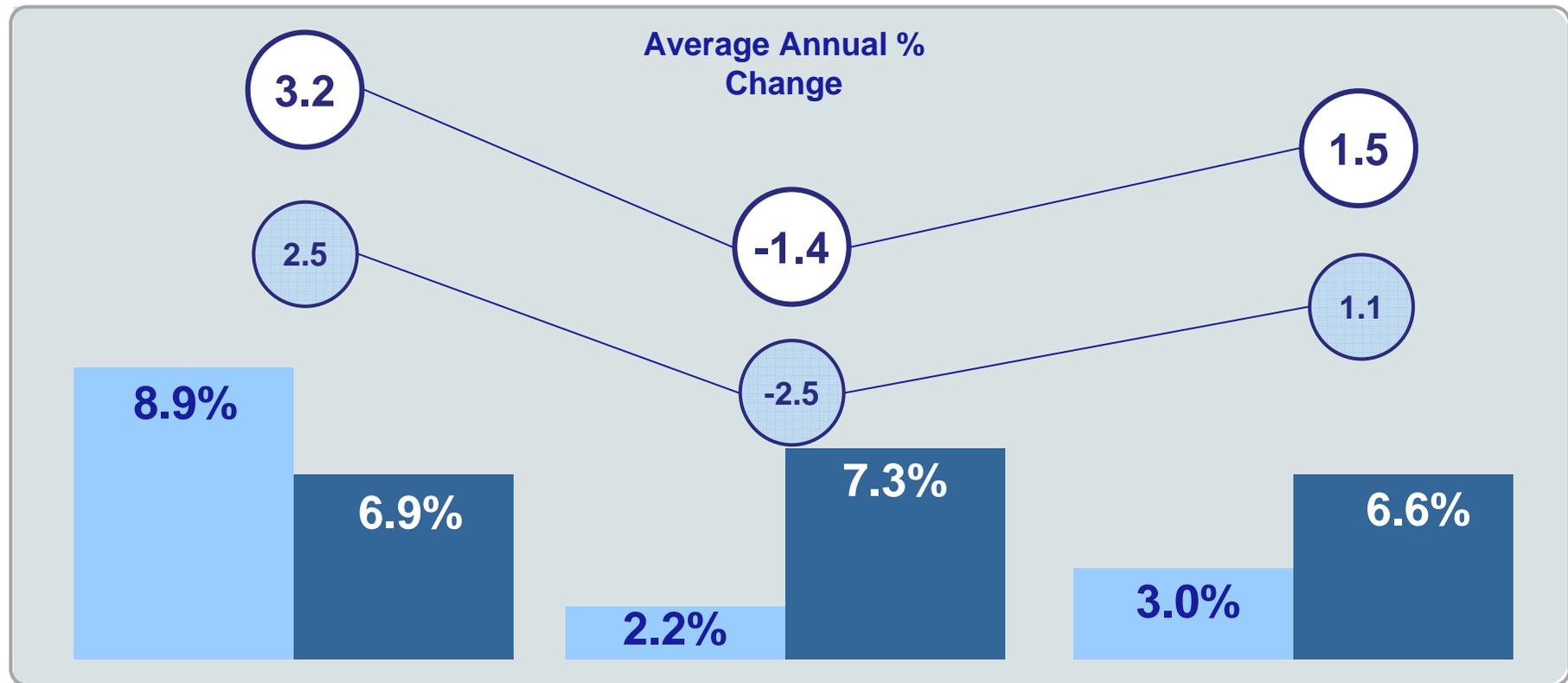
**BBVA is taking firm and focused steps in building its US franchise**

# United States: absorption of Guaranty Bank



# In the most attractive region of the USA

## Sunbelt (1)



**2003-2008**

**2009**

**2010**

○ Change in GDP Sunbelt
⊘ Change in GDP US average
■ Lending to Private Sector Growth
■ Deposits Growth

(1) Loans and Deposits only Texas and Alabama

Source: BBVA Economic Research

**D** **BBVA South America, an additional Bancomer**

(€bn and €m) 30-Sep-2009

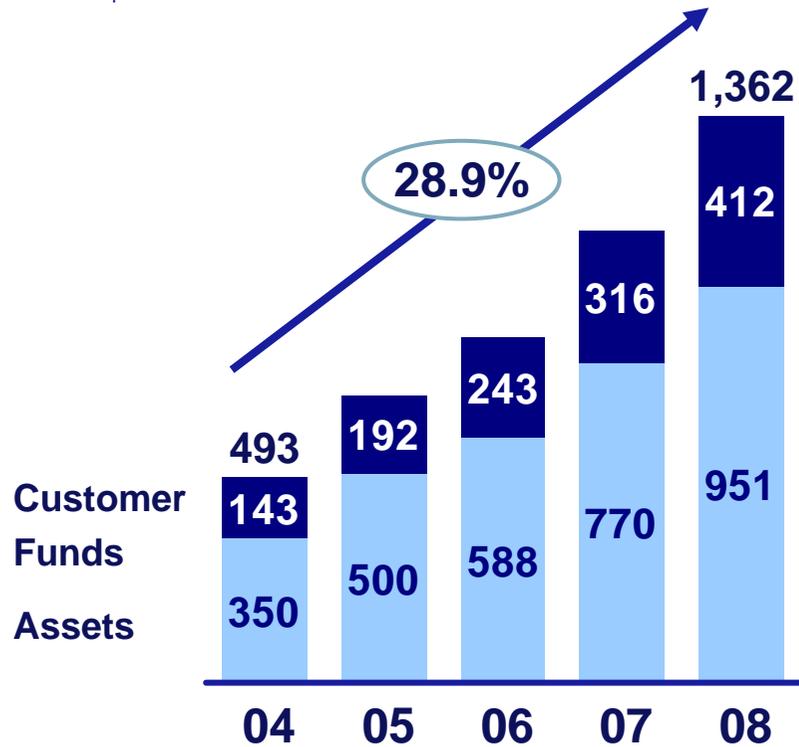
	<b>BBVA Mexico</b>	<b>BBVA South America</b>
<b>Assets</b>	<b>60.2</b>	<b>42.0</b>
<b>Customer loans (gross)</b>	<b>26.6</b>	<b>24.5</b>
<b>Deposits</b>	<b>27.8</b>	<b>29.9</b>
<b>Profit before minorities</b>	<b>1,103</b>	<b>1,049</b>

**More than 80% of clients in the region do not have credit products, including 5 million payroll clients**

# BBVA's South American business has had an outstanding growth in the last 5 years

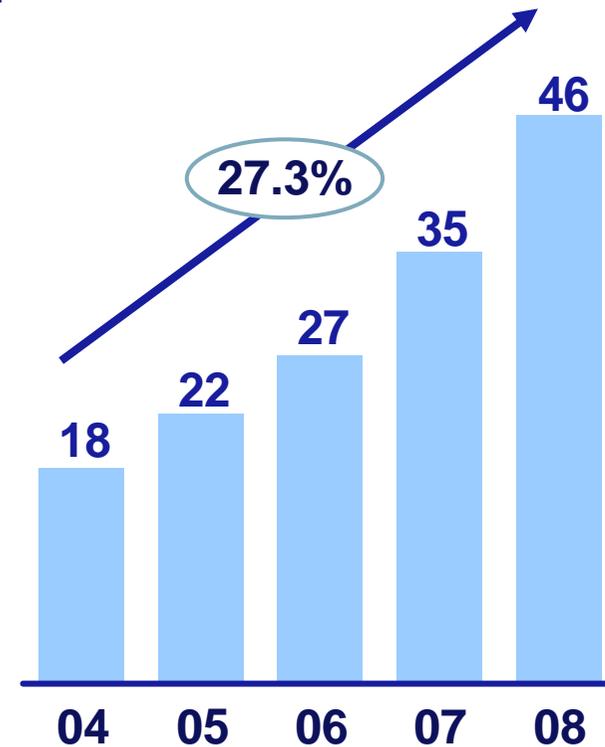
## Strong business volume growth...

Assets & customer funds, BBVA South America  
US\$ mM



## ... and revenue

Gross income, BBVA South America  
US\$ mM



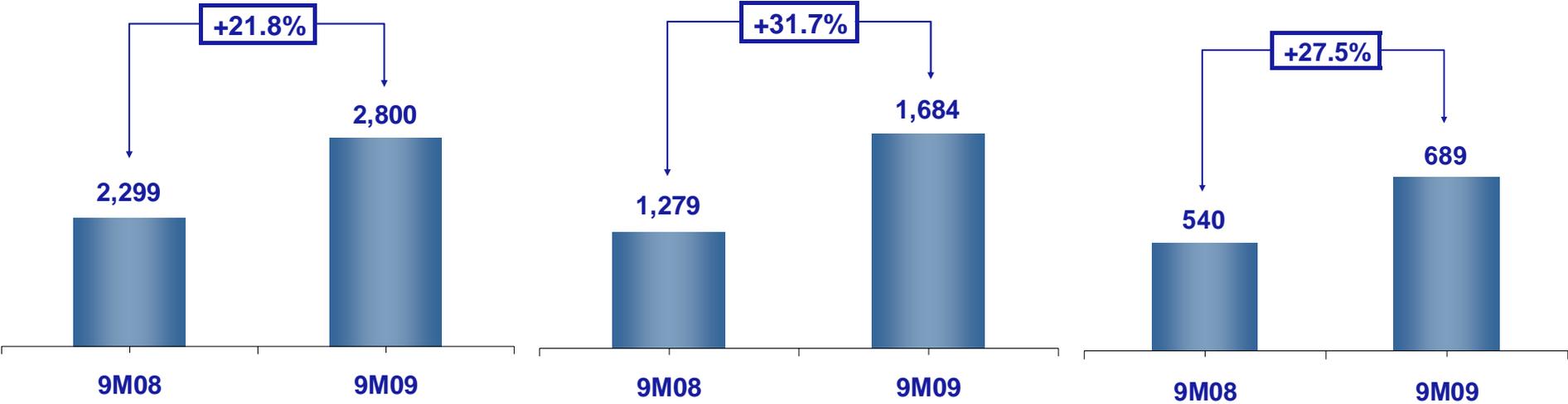
**% CAGR**

# A growth that remains high in the current environment

Gross income  
South America  
YTD  
(Constant €m)

Operating income  
South America  
YTD  
(Constant €m)

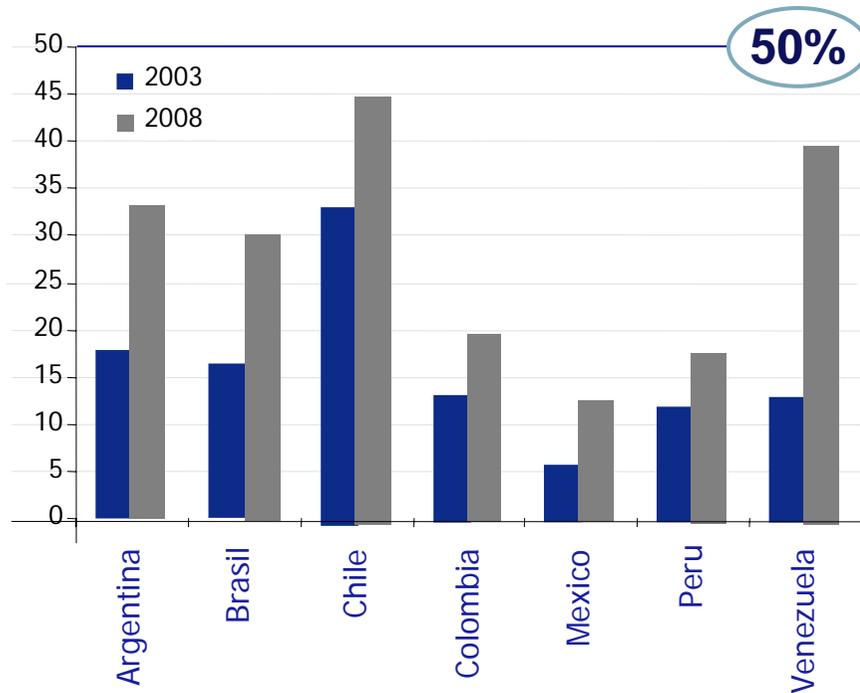
Net attributable profit  
South America  
YTD  
(Constant €m)



**Growth nearing record levels**

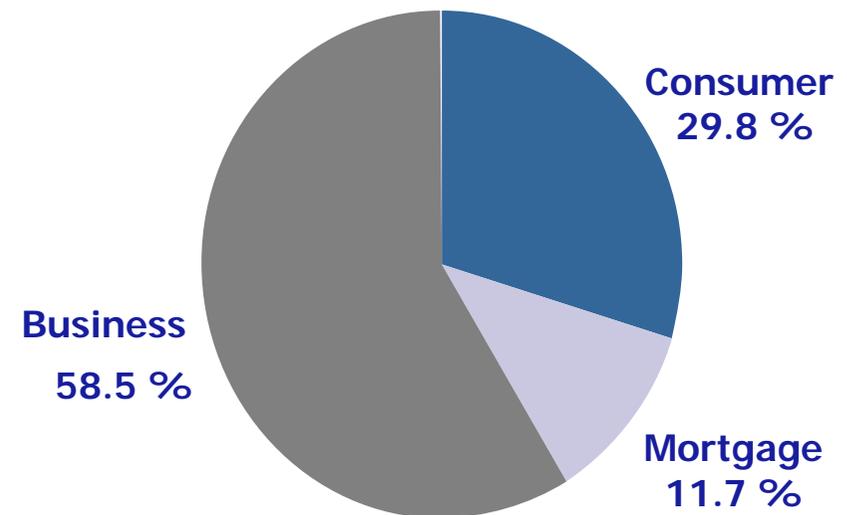
# Despite strong credit growth, the region still has a very low penetration

**Bank lending as % of GDP**



Source: National Statistics

**Credit by segment**



Source: National Statistics

**Credit to households share of total remains well below developed economies**

# In conclusion, BBVA is delivering

## Strength of earnings

Net attrib. profit 9m: €4,179m

Sustained EPS at 2008 levels

Operating income is solid and growing (+13.5%)

Stable cost of risk (1.05%)

Superior performance in all franchises

## Strength of fundamentals

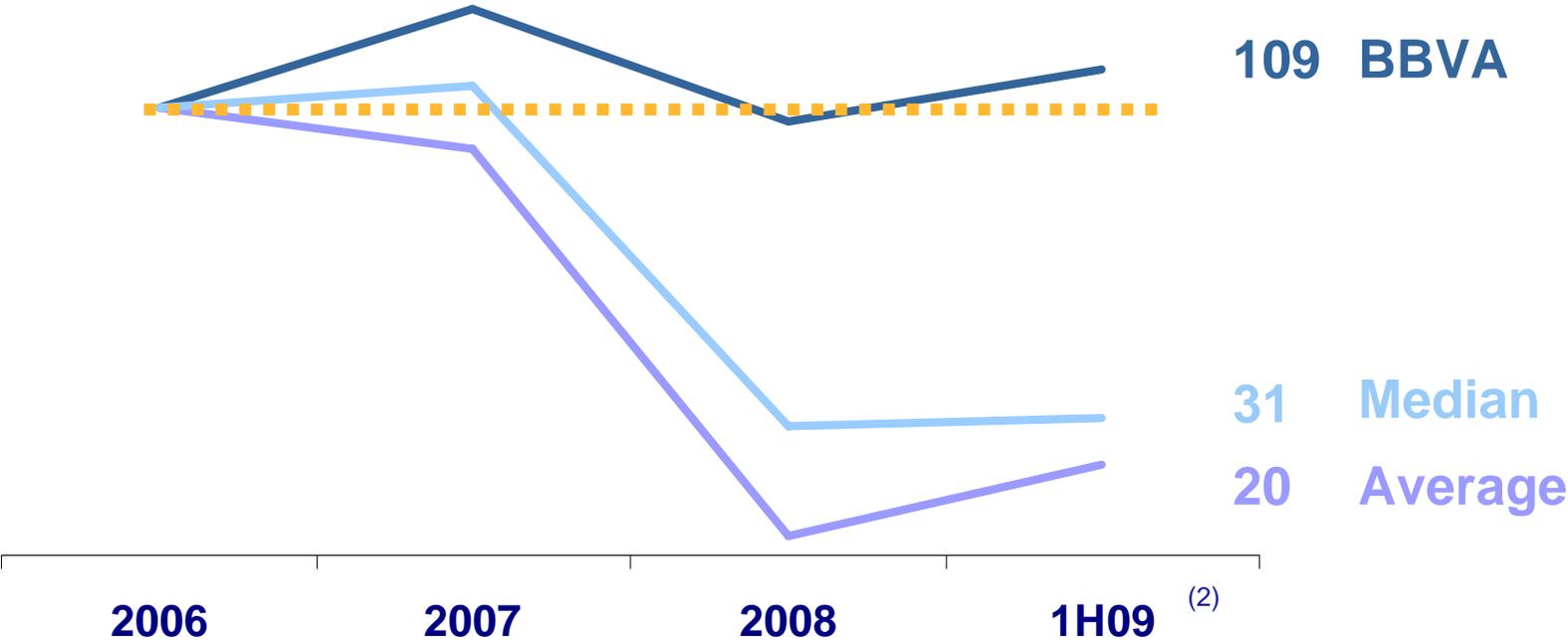
Core capital: 8.0%  
(110bp generated organically in last nine months)

Strengthening generic provisions with capital gains

Leader in efficiency (<40%) and profitability (ROE >21%)

# With high profitability and growth that flows all the way down to EPS growth **BBVA**

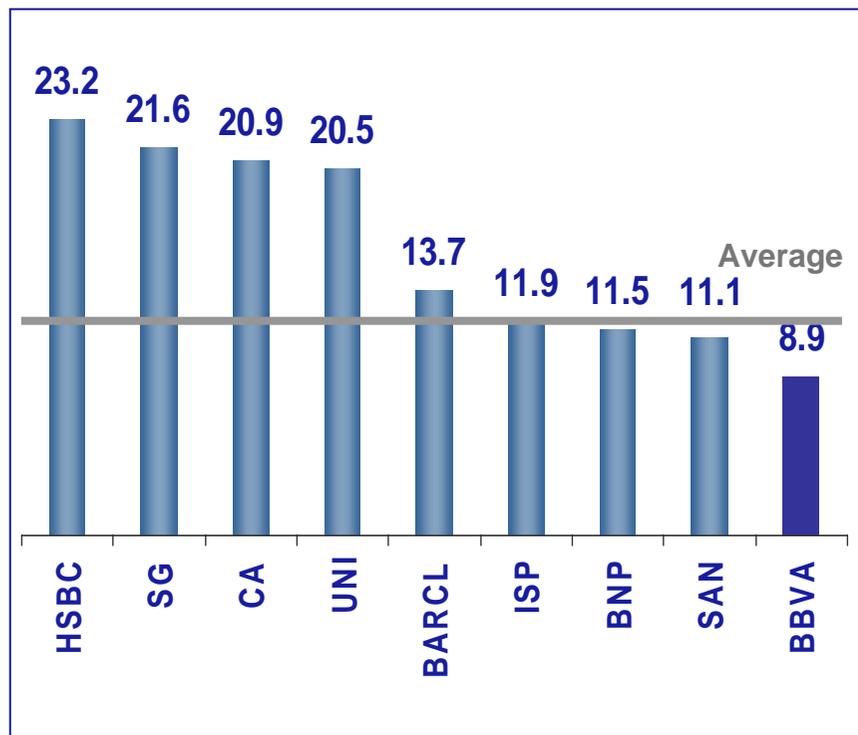
Earnings per share  
Peer Group <sup>1</sup>  
(Base 100 in 2006)



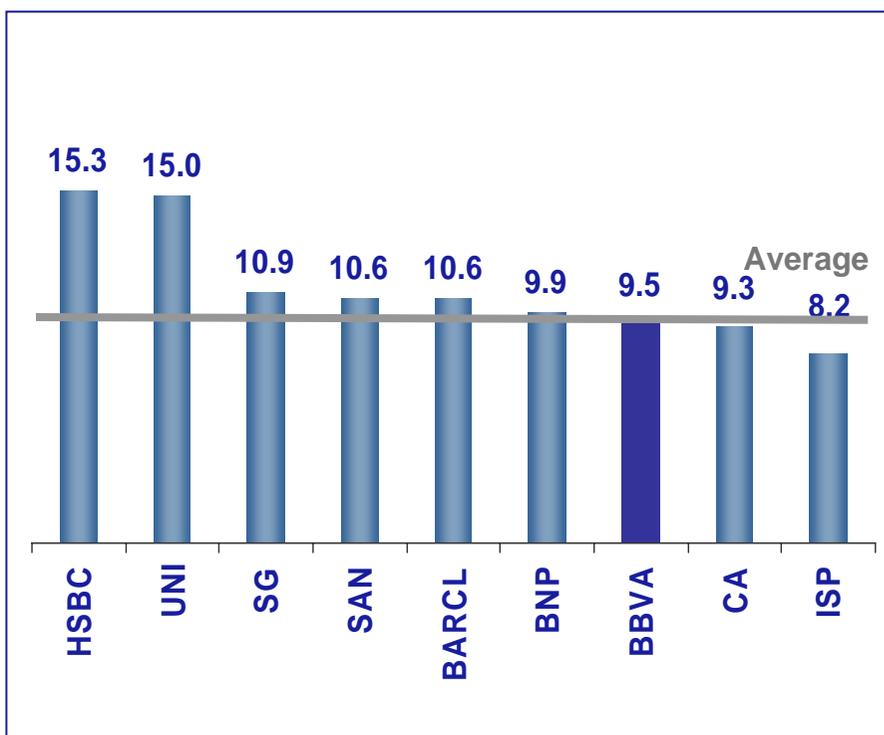
(1) Peers: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UCI, ISP & UBS.  
(2) Annualised linearly.

# BBVA's P/E vs peers

Adjusted P/E 09



Adjusted P/E 10



**Valuation does not reflect BBVA's earnings delivery and growth prospects**

Source: Bloomberg for Price and "core brokers" for Adjusted EPS (Citigroup, C. Suisse, DB, Goldman Sachs, Cheuvreux, JPMorgan, Keefe B.W., Morgan Stanley, Merrill Lynch y UBS).  
Data as of 26 Nov 09

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London, 1<sup>st</sup> December 2009

