Focusing on Facts

Manuel González Cid, CFO
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1 Europe and Spain: addressing imbalances

2 BBVA: Delivering positive operating trends and strong fundamentals
The Eurozone has room for maneuver...

2011 Public debt (% GDP)
Source: IMF

<table>
<thead>
<tr>
<th>Region</th>
<th>Public Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurozone</td>
<td>88</td>
</tr>
<tr>
<td>UK</td>
<td>82</td>
</tr>
<tr>
<td>USA</td>
<td>103</td>
</tr>
</tbody>
</table>

2011 Public deficit (% GDP)
Source: IMF

<table>
<thead>
<tr>
<th>Region</th>
<th>Public Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurozone</td>
<td>-4.1</td>
</tr>
<tr>
<td>UK</td>
<td>-8.7</td>
</tr>
<tr>
<td>USA</td>
<td>-9.6</td>
</tr>
</tbody>
</table>

Central bank public debt\(^{(1)}\) purchases to GDP (%)
Source: National Central Banks and BBVA Research (Jun'12)

<table>
<thead>
<tr>
<th>Central Bank</th>
<th>Purchases to GDP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BoE</td>
<td>25</td>
</tr>
<tr>
<td>Fed</td>
<td>20</td>
</tr>
<tr>
<td>ECB</td>
<td>10</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Includes only purchases of government bonds, not private securities (e.g. MBS in the US).
...and is progressing towards a stronger monetary union

<table>
<thead>
<tr>
<th>Individual solutions for interconnected problems</th>
<th>Coordinated and global solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Macro Risk</strong></td>
<td><strong>Seeking growth</strong></td>
</tr>
<tr>
<td>Uncoordinated fiscal stimulus</td>
<td></td>
</tr>
<tr>
<td>Austerity measures</td>
<td></td>
</tr>
<tr>
<td>Austerity vs. growth debate</td>
<td></td>
</tr>
<tr>
<td><strong>Sovereign Risk</strong></td>
<td><strong>Eurobonds</strong></td>
</tr>
<tr>
<td>Problem underestimation</td>
<td>Quantitative easing</td>
</tr>
<tr>
<td>Greece, Ireland and Portugal rescue plans</td>
<td>&amp; ECB Subordination</td>
</tr>
<tr>
<td>EFSF</td>
<td></td>
</tr>
<tr>
<td><strong>Banking Risk</strong></td>
<td><strong>European Banking Union</strong></td>
</tr>
<tr>
<td>Heterogeneous and individual approach</td>
<td>• Deposits Insurance</td>
</tr>
<tr>
<td>EBA recapitalization</td>
<td>• Supervision</td>
</tr>
<tr>
<td>LTROs Direct recapitalization of banks</td>
<td>• Resolution</td>
</tr>
</tbody>
</table>
Many measures taken by the Spanish Government in record time

<table>
<thead>
<tr>
<th>Political Stability</th>
<th>• New Government with strong social mandate for the next 4 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Consolidation</td>
<td>• Measures already announced: 4.7% of GDP</td>
</tr>
<tr>
<td></td>
<td>• Mechanism to control Regions’ accounts by Central Government</td>
</tr>
<tr>
<td>Labour Market Reform</td>
<td>• Potential positive effect on GDP: 0.2% in the medium term</td>
</tr>
<tr>
<td></td>
<td>• Estimated effect on employment: +4.4% increase in the medium term</td>
</tr>
<tr>
<td>Financial Sector Reform</td>
<td>• FROB capital injections: €10.1 Bn (first stage) + €5 Bn (second stage)</td>
</tr>
<tr>
<td></td>
<td>• Additional provisions on RE assets (2 new Royal Decrees)</td>
</tr>
<tr>
<td></td>
<td>• System stress test of all portfolios with a €100Bn backstop</td>
</tr>
</tbody>
</table>

Time is needed to see the impact on the economy
Strong adjustment in Spain’s current account balance

Current account balance as a percentage of GDP
Source: BBVA Research and IMF

Strong behaviour of exports
Household debt: significant reduction during the crisis, reaching pre crisis levels

2011 Households debt (loans to GDP)
Source: BBVA Research based on national sources

2011 Households debt (loans to GDP)
Source: BBVA Research based on national sources

Household debt to GDP reduction from peak (Nov-2009) to Mar-2012
Source: ECB

Financial effort (%) (Payments to disposable income)
Source: BBVA Research. Data as of Dec-11

Spanish household debt is mainly represented by mortgages referenced to floating interest rates

USA | Spain | UK | Eurozone
---|---|---|---
87% | 82% | 78% | 56%

Spain | Eurozone
---|---
-8.2 p.p | -1.0 p.p

France | Spain | Germany | Italy
---|---|---|---
28% | 25% | 24% | 24%
Corporate debt: two different realities

**Corporate debt (loans to GDP)**
Data as of Dec 2011. Source: BBVA Research based on national sources

![Diagram showing corporate debt (loans to GDP) comparison between Spain and EMU.]

**Relative size of Spanish construction sector**
Residential investment to GDP
Source: Ministry of Public Works

![Bar chart showing relative size of Spanish construction sector between 1997, 2007, and 2011.]

**Spanish GDP growth with and without investment in housing**
Source: BBVA Research

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP growth (%)</th>
<th>GDP growth (%) (ex. Investment in housing)</th>
<th>Growth difference due to residential investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>-3.7</td>
<td>-1.5</td>
<td>-2.2</td>
</tr>
<tr>
<td>2010</td>
<td>-0.1</td>
<td>0.8</td>
<td>-0.9</td>
</tr>
<tr>
<td>2011</td>
<td>0.7</td>
<td>1.2</td>
<td>-0.5</td>
</tr>
<tr>
<td>2012e</td>
<td>-1.3</td>
<td>-0.9</td>
<td>-0.4</td>
</tr>
</tbody>
</table>

**Residential construction back to pre boom levels**
Negative drag on GDP coming to an end
Addressing financial system exposure to real estate

Real estate exposure and problematic assets as of December, 2011
(1) Real estate exposure includes loans to developers and foreclosures
(2) Includes both RD 02/2012 and RD 18/2012; coverage ratios include the capital buffer required by RD 02/2012 (€16 Bn)
Entering the final stage of the financial sector restructuring

**Phases**

**Saving banks consolidation**
- FROB capital injections: €10.1 Bn (first stage) + €5 Bn (second stage)
- The adjustment is being carried out (from 45 saving banks to 11 as of Mar-12)

**Real Estate**
- First RD: €16 Bn of capital buffer and €38 Bn of additional provisions.
- Second RD: €28 Bn of additional provisions

**Final recapitalization**
- Stress testing
- Backstop of €100Bn standing for the recapitalization

**Reduction of employees and branches in Spain**
Source: BBVA Research based on Bank of Spain
A small banking sector with a retail business model

Banking assets to GDP (1)
Source: BBVA Research based on ECB

High pre-provision profit adds capability to attend potential provision needs

2011 Pre-provision profit to total assets
Source: BBVA Research based on national sources
Data as of Dec-2011 (%)

High pre-provision profit adds capability to attend potential provision needs

(1) Banking assets as of Mar 2012 over 2011 GDP
In summary

New provisioning requirements for RE of €66Bn and an additional capital buffer of €16Bn

EBA recapitalization added €26Bn to the system

Undergoing system stress test of all portfolios with a backstop of €100Bn from EU for the recapitalization

Recent IMF report confirms BBVA’s strength under the stress scenario
1 Europe and Spain: addressing imbalances

2 BBVA: Delivering positive operating trends and strong fundamentals
Delivering positive operating trends and strong fundamentals

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

Core capital ratio
BBVA Group (Basel 2.5) (%)

- Dec.10 incl. Garanti: 8.5%
- Organic generation: 1.1%
- Conversion pref. shares: 1.0%
- Other: 0.1%
- Mar.12: 10.7%

>20bp quarterly average

Early compliance with EBA 9% requirement as of March 2012, maintaining dividend policy and without selling strategic assets.
Liquidity: Proactive management of the Euro Balance Sheet ...

1. Lower funding needs
   - Improving Euro funding gap

2. Strategic use of ECB LTRO to improve funding structure
   - < 5% total assets

3. Lowest redemptions in 2012 amongst peer group (€11 bn) and 2012-2013 redemptions already covered

4. Proven access to wholesale markets

5. Enough additional collateral to absorb any liquidity shocks
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

<table>
<thead>
<tr>
<th>Region</th>
<th>Loan to deposits (Mar-12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBVA Compass</td>
<td>91%</td>
</tr>
<tr>
<td>Mexico</td>
<td>96%</td>
</tr>
<tr>
<td>South America</td>
<td>90%</td>
</tr>
</tbody>
</table>
Rating downgrades are mainly linked to sovereign decisions

Despite the rating downgrades, BBVA continues to strengthen its balance sheet

<table>
<thead>
<tr>
<th></th>
<th>Dec-10</th>
<th>Dec-11</th>
<th>Mar-12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>€553bn</td>
<td>€598bn</td>
<td>€601bn</td>
</tr>
<tr>
<td><strong>Customer Dep.</strong></td>
<td>€276bn</td>
<td>€286bn(2)</td>
<td>€283bn(2)</td>
</tr>
<tr>
<td><strong>Net Att. profit</strong></td>
<td>€4.6bn</td>
<td>€4.0bn(3)</td>
<td>€1.0bn</td>
</tr>
<tr>
<td><strong>NPA ratio</strong></td>
<td>4.1%</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td><strong>NPA Coverage</strong></td>
<td>62%</td>
<td>61%</td>
<td>60%</td>
</tr>
<tr>
<td><strong>ROA</strong></td>
<td>0.9%</td>
<td>0.8% (3)</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Core capital</strong></td>
<td>8.5% (1)</td>
<td>10.3%</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

(1) Pro-forma including Garanti acquisition. (2) Includes Spain’s retail debt certificates. (3) Excluding one-offs (goodwill impairment in the US). (4) Current ratings, data as of June 13, 2012
Lower leverage

Reported debt\(^{(1)}\) to pre-provision profit
(X times)

<table>
<thead>
<tr>
<th>Year</th>
<th>BBVA</th>
<th>Median Peers(^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>12M08</td>
<td>12x</td>
<td>22x</td>
</tr>
<tr>
<td>12M09</td>
<td>10x</td>
<td>22x</td>
</tr>
<tr>
<td>12M10</td>
<td>9x</td>
<td>18x</td>
</tr>
<tr>
<td>12M11</td>
<td>9x</td>
<td>19x</td>
</tr>
</tbody>
</table>

Tangible equity to tangible assets
BBVA group vs. peer group\(^{(2)}\)
(12M11, %)

- Peer 1: 5.6
- BBVA: 5.5
- Peer 2: 4.1
- Peer 3: 4.1
- Peer 4: 4.0
- Peer 5: 3.9
- Peer 6: 3.8
- Peer 7: 3.8
- Peer 8: 3.4
- Peer 9: 3.4
- Peer 10: 3.2
- Peer 11: 2.9
- Peer 12: 1.8
- Peer 13: 1.5
- Peer 14: 1.5

\(^{(1)}\) Includes debt securities in issue and subordinated liabilities.
\(^{(2)}\) Peer Group: BARCL, BNP, CASA, CMZ, CS, DB, HSBC, ISP, LLOYDS, RBS, SAN, SG, UBS and UCI.
Group: Stable risk indicators

NPAs - net balance
BBVA Group
(€bn)

15.5  15.8  16.0  15.9  16.1

NPA & coverage ratios
BBVA Group
(%)  

Coverage ratio
61  61  60  61  60
NPA ratio
4.1  4.0  4.1  4.0  4.0

Good performance in all franchises compensating a weak environment in Spain
Spain: BBVA will absorb new RE provisions while coverage levels will significantly increase

Real Estate Exposure (Spain) | Problematic Assets | Provisions after RDs

- **€21.9 Bn**
- **€13.2 Bn**
- **€9.4 Bn**

- < 4% of Group Assets
- 60% already classified as problematic
- 71% coverage of problematic (43% of total exposure)

- 2012 P&L net Impact of new provisions: ~ €3 Bn
- 60% already classified as problematic
- 71% coverage of problematic (43% of total exposure)

Real estate exposure and problematic assets as of December, 2011.

(1) Includes both RD 02/2012 and RD 18/2012 coverage ratios include the capital buffer required by RD 02/2012 (€1.3 Bn)
Costs growing at a lower pace than core revenues

**Core revenues (1) vs. costs**
BBVA Group
Year-on-year change % (1Q11-1Q12)

- Core revenues: 11.4%
- Costs: 8.6%

**Year-on-year change**
(1Q11-1Q12)
(Constant €)

- Core revenues: -0.2%
- Costs: -2.1%

**Cost-to-income ratio**
BBVA Group vs. Peer Group (2)
December 2011

- Peer 1: 45%
- Peer 2: 55%
- Peer 3: 54%
- Peer 4: 62%
- Peer 5: 62%
- Peer 6: 62%
- Peer 7: 62%
- Peer 8: 65%
- Peer 9: 66%
- Peer 10: 66%
- Peer 11: 69%
- Peer 12: 77%
- Peer 13: 77%
- Peer 14: 86%

Av.: 64%

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

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(1) Core revenues include: Net interest income and fee income.
(2) Peer Group: BARCL, BNP, CASA, CMZ, CS, DB, HSBC, ISP, LLOYDS, RBS, SAN, SG, UBS and UCI.
Group: Recurrent core revenues continues to grow

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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
<th>1Q11</th>
<th>2Q11</th>
<th>3Q11</th>
<th>4Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>4,683</td>
<td>4,559</td>
<td>4,337</td>
<td>4,313</td>
<td>4,321</td>
<td>4,494</td>
<td>4,570</td>
<td>4,795</td>
<td>4,812</td>
</tr>
</tbody>
</table>

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

Core Revenues Dynamism +11.4%
Spain: Net interest income stabilization due to the reduction of the cost of deposits

Core revenues\(^{(1)}\)

(Constant €m)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Core Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q10</td>
<td>1,757</td>
</tr>
<tr>
<td>2Q10</td>
<td>1,686</td>
</tr>
<tr>
<td>3Q10</td>
<td>1,584</td>
</tr>
<tr>
<td>4Q10</td>
<td>1,545</td>
</tr>
<tr>
<td>1Q11</td>
<td>1,500</td>
</tr>
<tr>
<td>2Q11</td>
<td>1,507</td>
</tr>
<tr>
<td>3Q11</td>
<td>1,429</td>
</tr>
<tr>
<td>4Q11</td>
<td>1,416</td>
</tr>
<tr>
<td>1Q12</td>
<td>1,519</td>
</tr>
</tbody>
</table>

Customer spread\(^{(2)}\)

(\%)  

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Customer Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q11</td>
<td>1.71</td>
</tr>
<tr>
<td>2Q11</td>
<td>1.76</td>
</tr>
<tr>
<td>3Q11</td>
<td>1.96</td>
</tr>
<tr>
<td>4Q11</td>
<td>2.02</td>
</tr>
<tr>
<td>1Q12</td>
<td>2.06</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Core revenues include: Net interest income and fee income.  
\(^{(2)}\) Includes Retail and Business banking in Spain and Global Clients division of C&IB in Spain.
USA: Core revenues affected by the run-off from Guaranty portfolios and the new regulatory landscape

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

(1) Core revenues include: Net interest income and fee income.
Eurasia: Buoyant activity in all regions

Citic core revenues \(^{(1)}\)

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Ave.10</th>
<th>Quarterly Ave.11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMB million</td>
<td>13,458</td>
<td>18,486</td>
<td>20,937</td>
</tr>
</tbody>
</table>

\[\text{+13.3\%}\]

Garanti core revenues \(^{(2)}\)

<table>
<thead>
<tr>
<th></th>
<th>Quarterly Ave.10</th>
<th>Quarterly Ave.11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRY million</td>
<td>1,770</td>
<td>1,847</td>
<td>2,039</td>
</tr>
</tbody>
</table>

\[\text{+10.4\%}\]

\(\text{(1) Core revenues include: Net interest income and fee income. (2) Core revenues include: Net interest income, income on Reserve Requirements and CPI linkers and net fees & commissions.}\)
Mexico: Core revenue growth thanks to the business dynamism and mix improvement

Core revenues (1)
(Constant €m)

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.
South America: Diversified leadership in a fast growing region leading to higher revenues and profitability

Core revenues⁽¹⁾ (Constant €m)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q10</th>
<th>2Q10</th>
<th>3Q10</th>
<th>4Q10</th>
<th>1Q11</th>
<th>2Q11</th>
<th>3Q11</th>
<th>4Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>825</td>
<td>885</td>
<td>895</td>
<td>935</td>
<td>993</td>
<td>1,080</td>
<td>1,160</td>
<td>1,266</td>
<td>1,257</td>
</tr>
</tbody>
</table>

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

High growth of core revenues and profits
Europe is entering a new phase of building a real monetary union.

In Spain:
- The Government has taken many strong measures regarding fiscal consolidation.
- The adjustment in the private sector is happening.
- Addressing key reforms: labour market and financial sector.

Despite rating downgrades related to the sovereign, fundamentals have been improving:
- Strong capital and liquidity.
- Delivering positive operating trends.

BBVA
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