BBVA

Focusing on Facts

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Goldman Sachs - 16th Annual European Financials

June 14th, 2012

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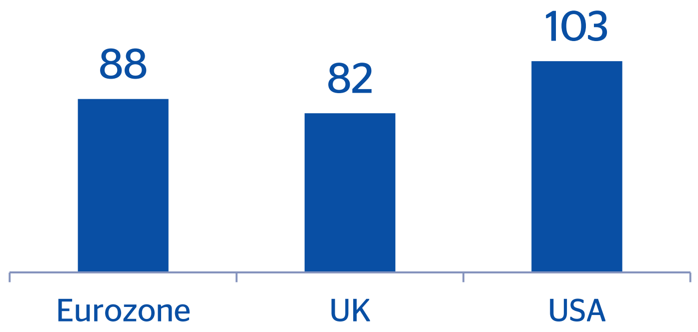
The Eurozone has room for maneuver…

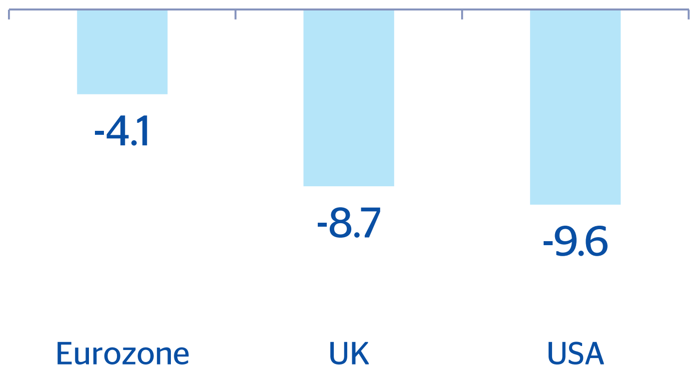
2011 Public debt (% GDP)

Source: IMF



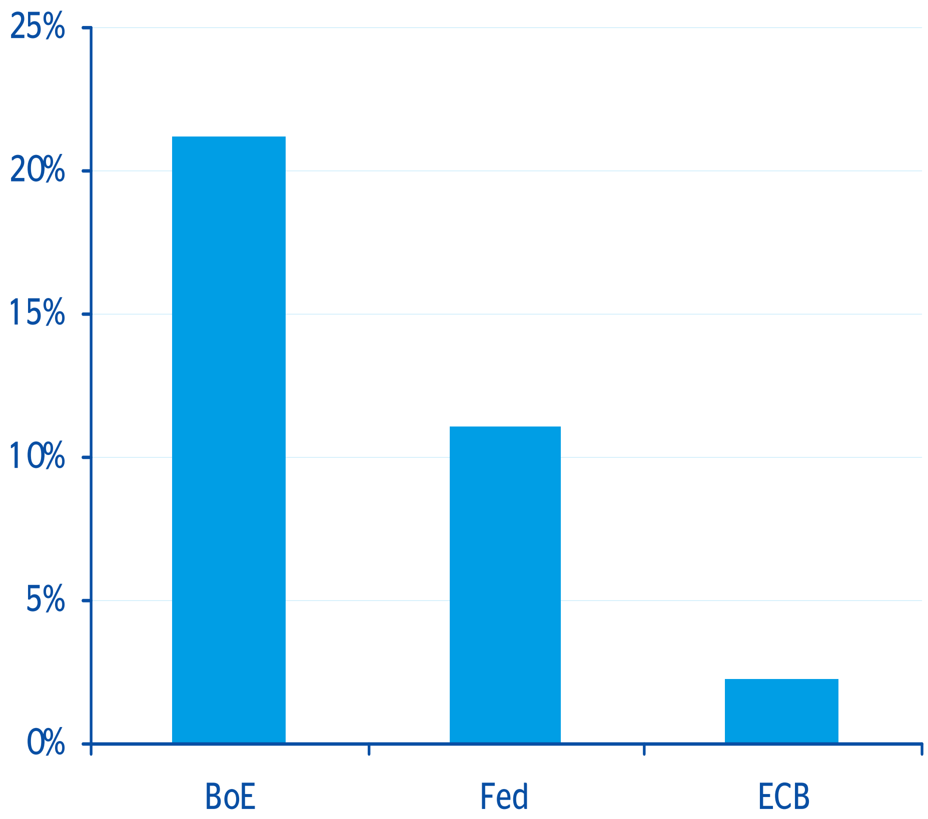
2011 Public deficit (% GDP)

Source: IMF



Central bank public debt[1] purchases to GDP (%)

Source: National Central Banks and BBVA Research (Jun'12)



(1) Includes only purchases of government bonds, not private securities (e.g. MBS in the US).

…and is progressing towards a stronger monetary union

Individual solutions for interconnected problems → **Coordinated and global solutions**

				Pending
Macro Risk	Uncoordinated fiscal stimulus	Austerity measures	Austerity vs. growth debate	Seeking growth
Sovereign Risk	Problem underestimation	Greece, Ireland and Portugal rescue plans EFSF	Fiscal compact ESM	Eurobonds Quantitative easing & ECB Subordination
Banking Risk	Heterogeneous and individual approach	EBA recapitalization	LTROs Direct recapitalization of banks	European Banking Union: •Deposits Insurance •Supervision •Resolution

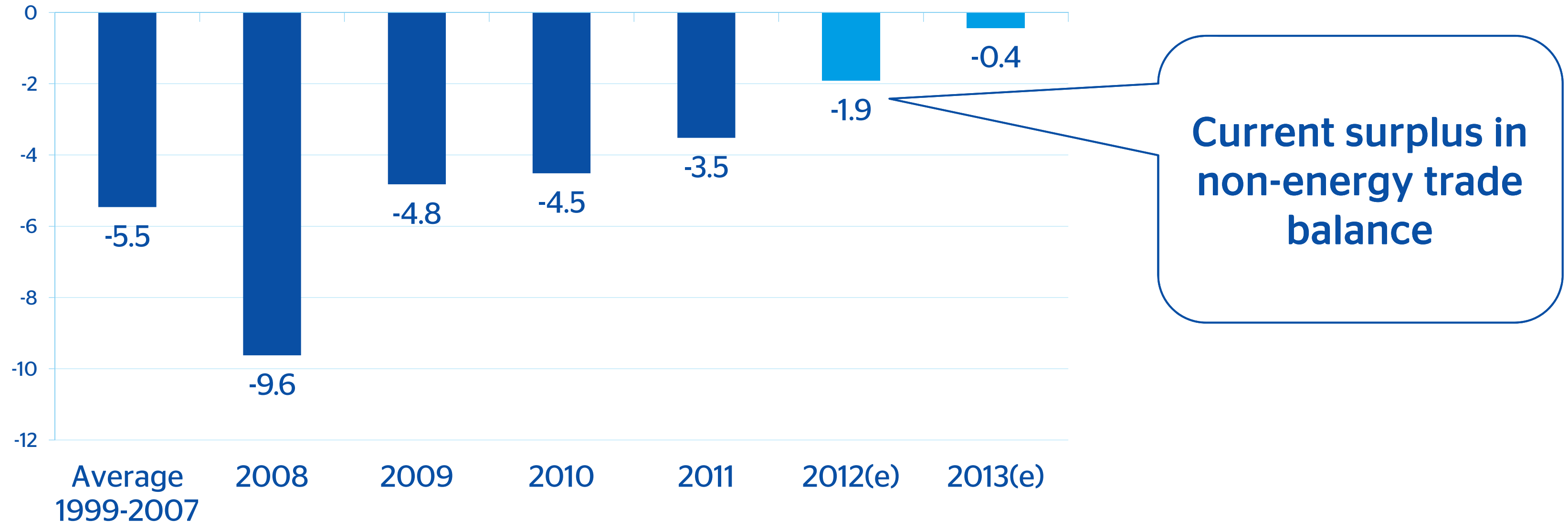
Many measures taken by the Spanish Government in record time

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

Time is needed to see the impact on the economy

Strong adjustment in Spain's current account balance

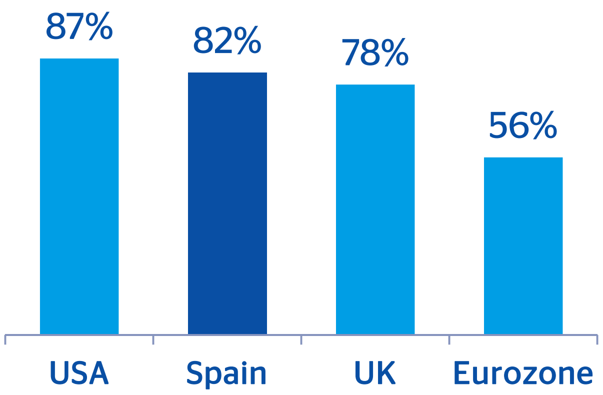
Current account balance as a percentage of GDP
Source: BBVA Research and IMF



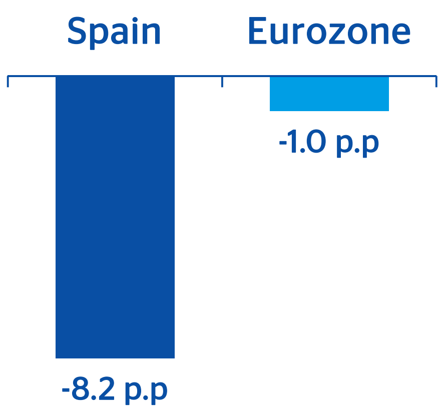
Strong behaviour of exports

Household debt: significant reduction during the crisis, reaching pre crisis levels

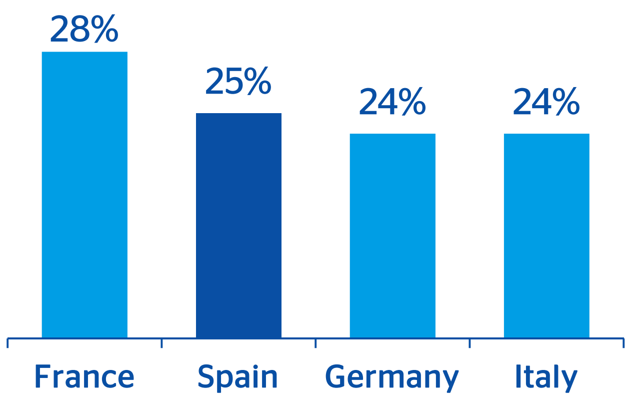
2011 Households debt (loans to GDP)
Source: BBVA Research based on national sources



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

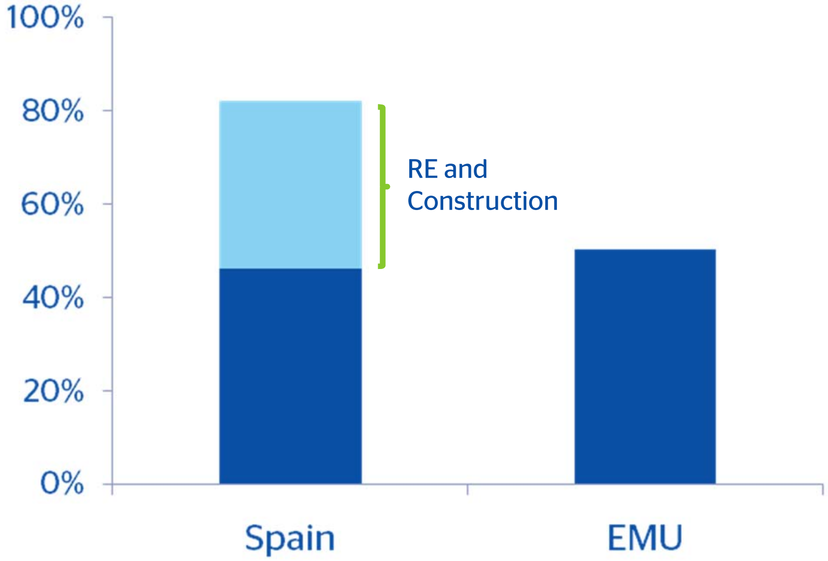


Spanish household debt is mainly represented by mortgages referenced to floating interest rates

Corporate debt: two different realities

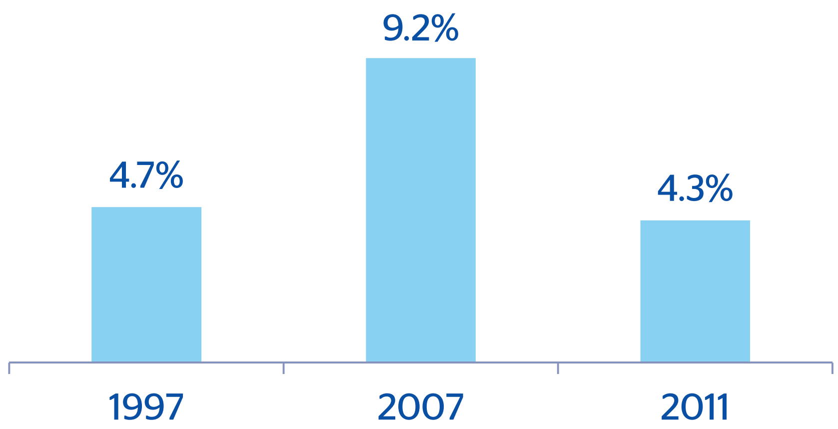
Corporate debt (loans to GDP)

Data as of Dec2011. Source: BBVA Research based on national sources



Relative size of Spanish construction sector

Residential investment to GDP
Source: Ministry of Public Works



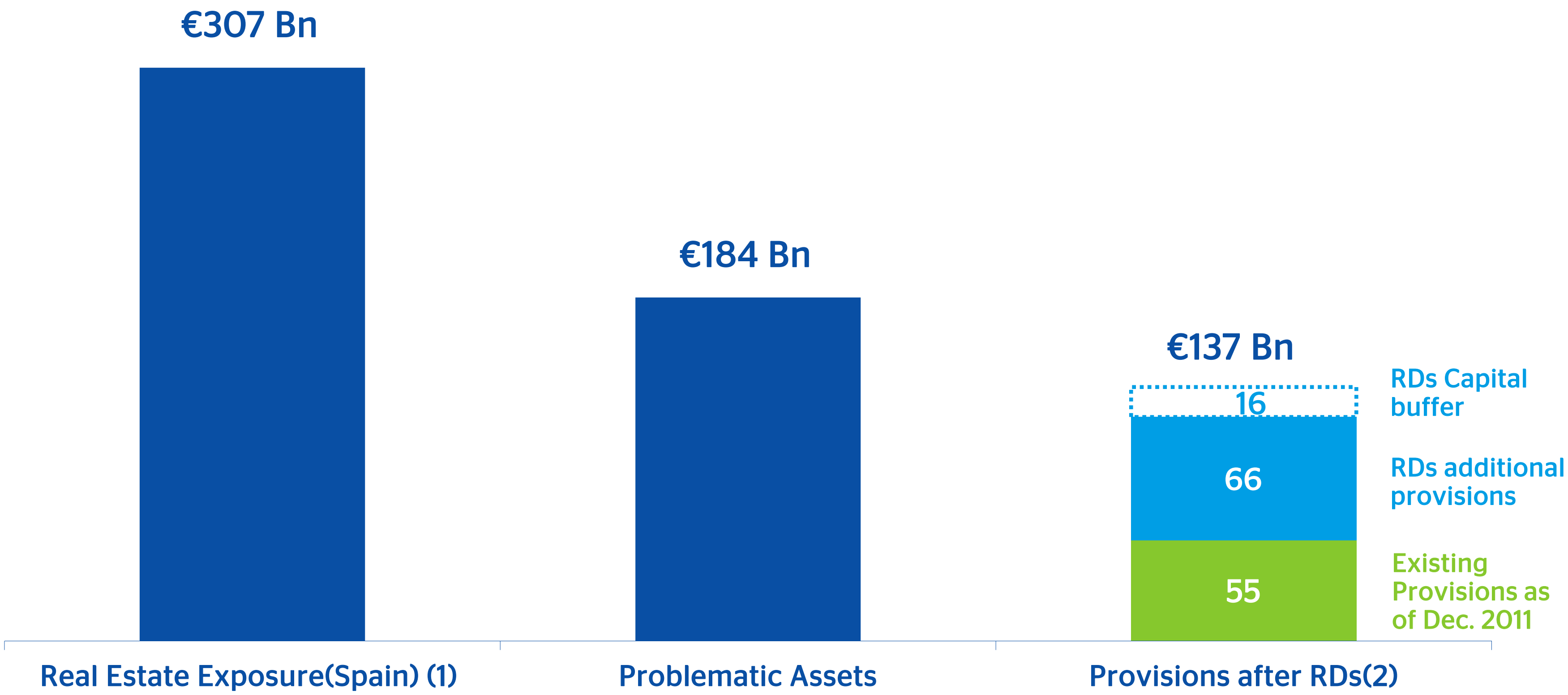
Spanish GDP growth with and without investment in housing

Source: BBVA Research

	2009	2010	2011	2012e
GDP growth (%)	-3.7	-0.1	0.7	-1.3
GDP growth (%) (ex. Investment in housing)	-1.5	0.8	1.2	-0.9
Growth difference due to residential investment	-2.2	-0.9	-0.5	-0.4

Residential construction back to pre boom levels
Negative drag on GDP coming to an end

Addressing financial system exposure to real estate



9% of system assets

60% already classified as problematic

74% coverage of problematic (45% of total exposure)

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

Finished

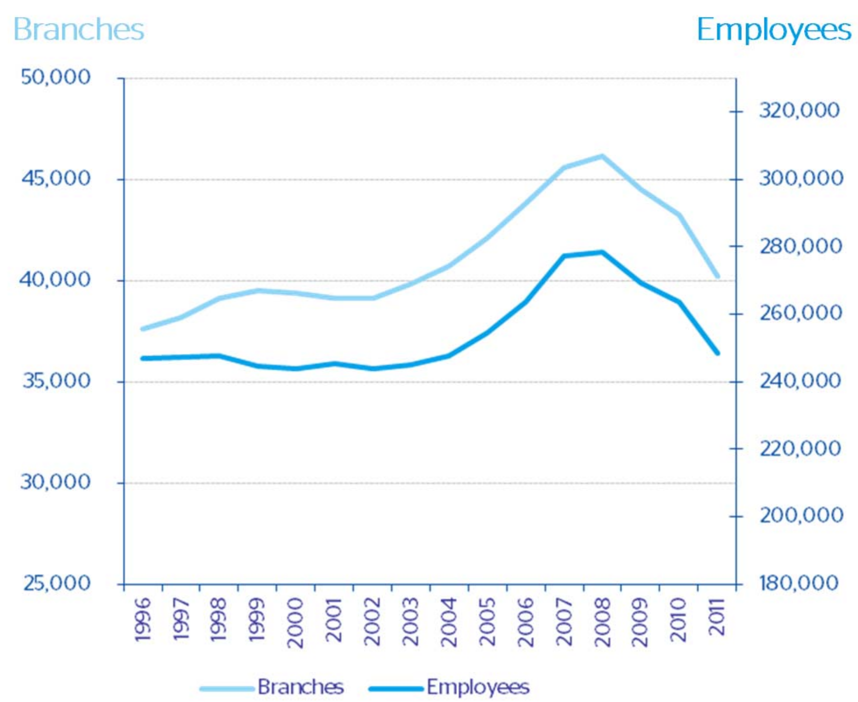
Saving banks consolidation	• **FROB capital injections: €10.1 Bn** (first stage) **+ €5 Bn** (second stage) • The adjustment is being carried out (from 45 saving banks to 11 as of Mar-12)
Real Estate	• **First RD: €16 Bn of capital buffer and €38 Bn of additional provisions.** • **Second RD: €28 Bn of additional provisions**

In progress

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

Reduction of employees and branches in Spain

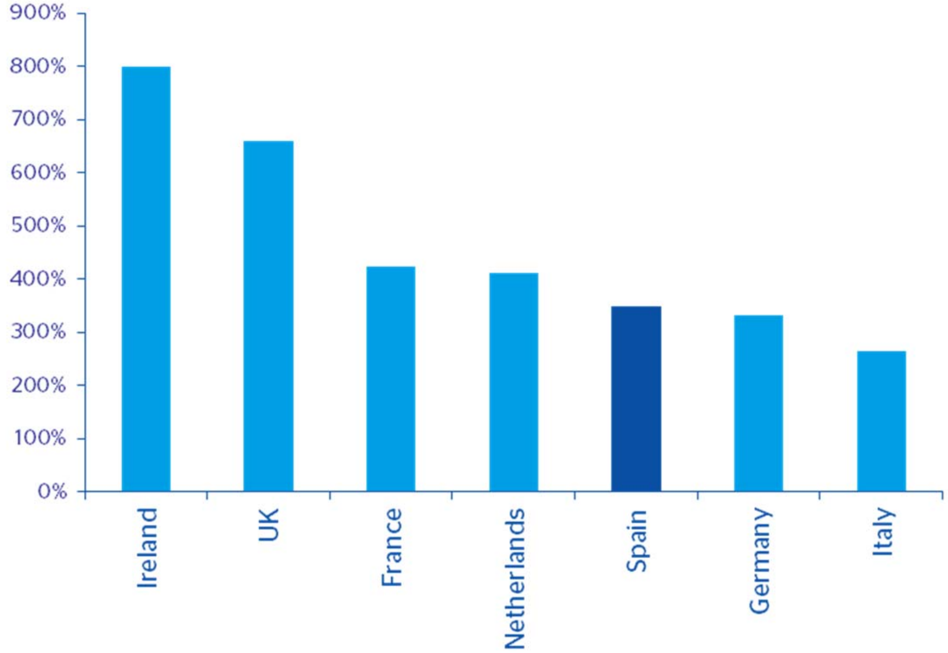
Source: BBVA Research based on Bank of Spain



A small banking sector with a retail business model

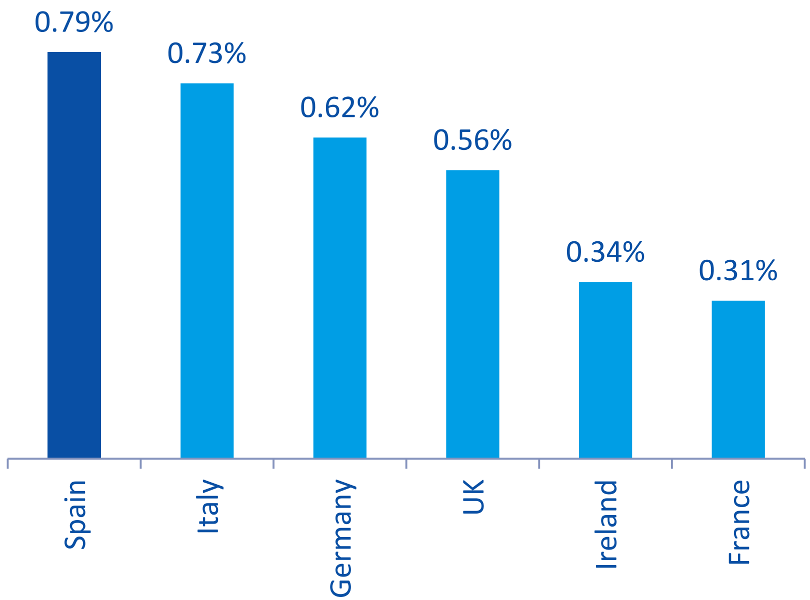
Banking assets to GDP [1]

Source: BBVA Research based on ECB



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

Contents

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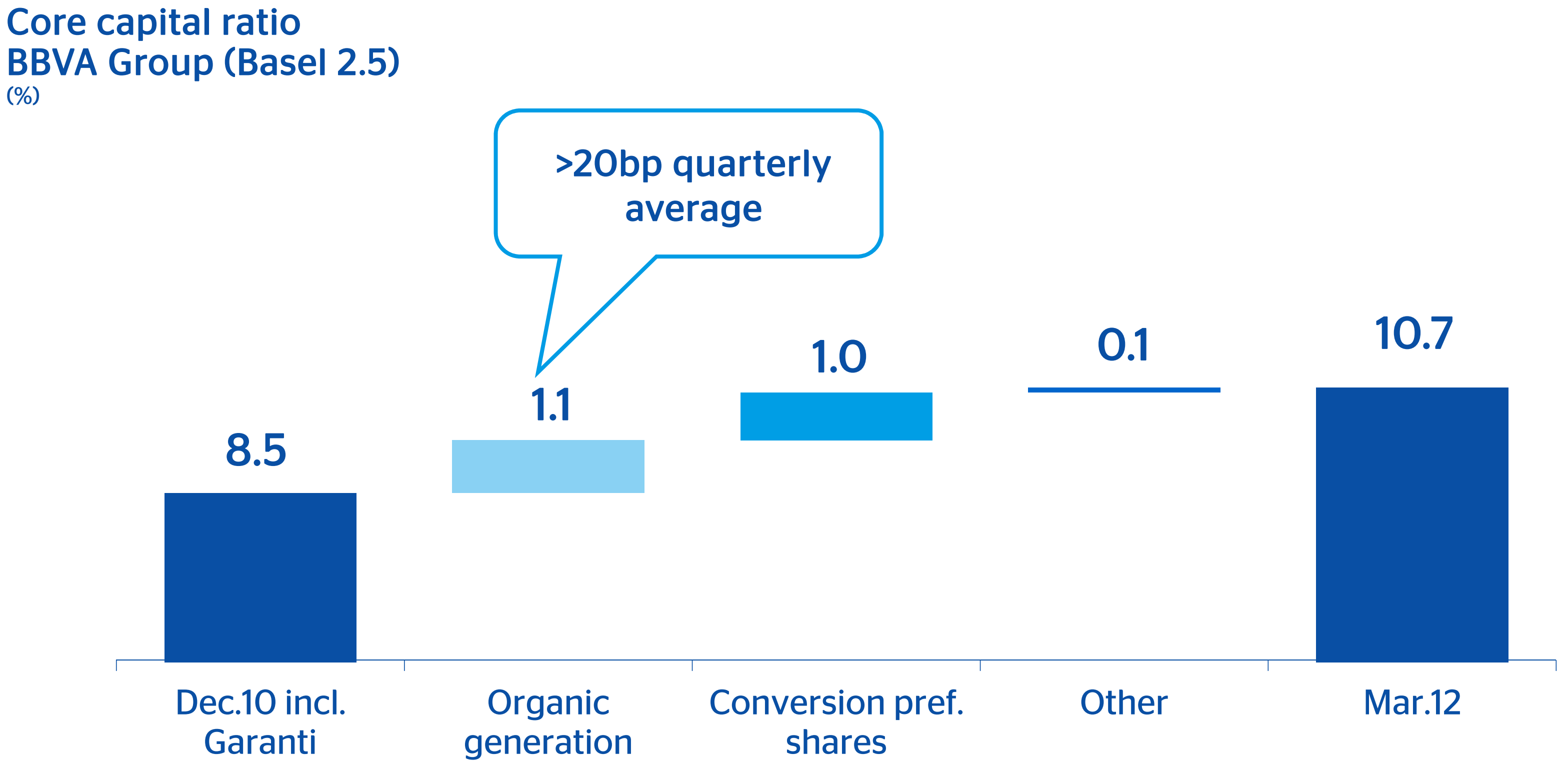
Delivering positive operating trends and strong fundamentals

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



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

BBVA Compass

Loan to deposits (Mar-12)
91%

Mexico

Loan to deposits (Mar-12)
96%

South America

Loan to deposits (Mar-12)
90%

Rating downgrades are mainly linked to sovereign decisions

	Dec-10 Fitch: AA- / Moody's: Aa2 S&P: AA+	Dec-11 Fitch: A+ / Moody's: Aa3 S&P: A+	Mar-12[4] Fitch: BBB+ / Moody's: A3 S&P: BBB+
	Dec-10	Dec-11	Mar-12
Total Assets	€553bn	€598bn	€601bn
Customer Dep.	€276bn	€286bn[2]	€283bn[2]
Net Att. profit	€4.6bn	€4.0bn [3]	€1.0bn
NPA ratio	4.1%	4.0%	4.0%
NPA Coverage	62%	61%	60%
ROA	0.9%	0.8% [3]	0.8%
Core capital	8.5% [1]	10.3%	10.7%

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

(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

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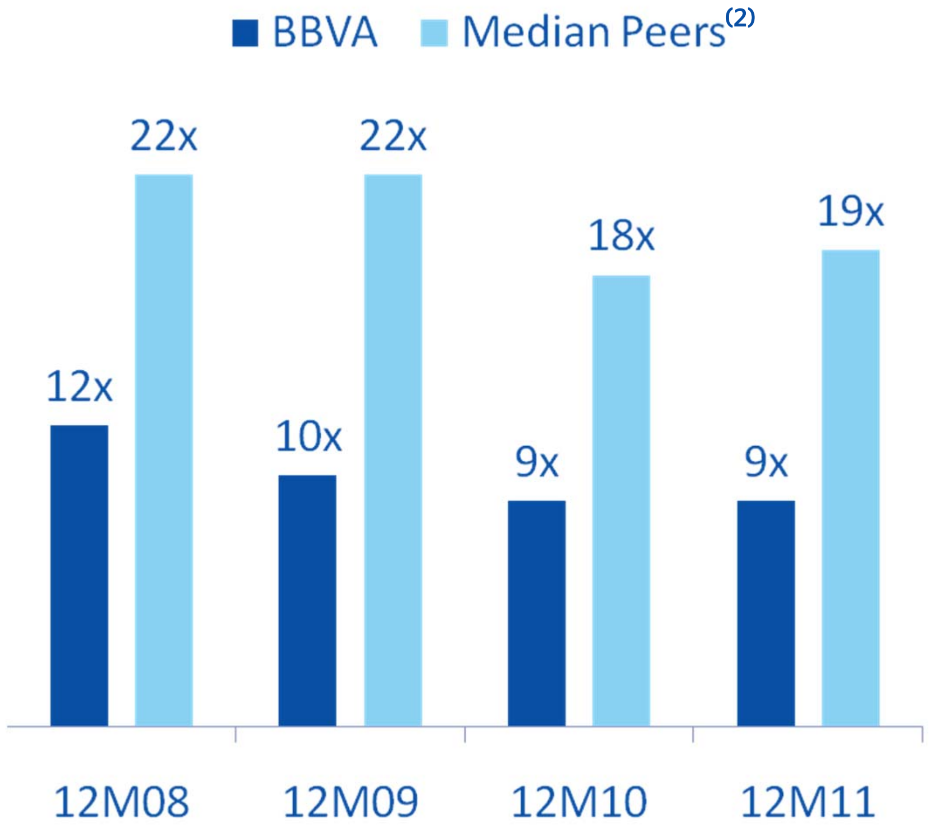
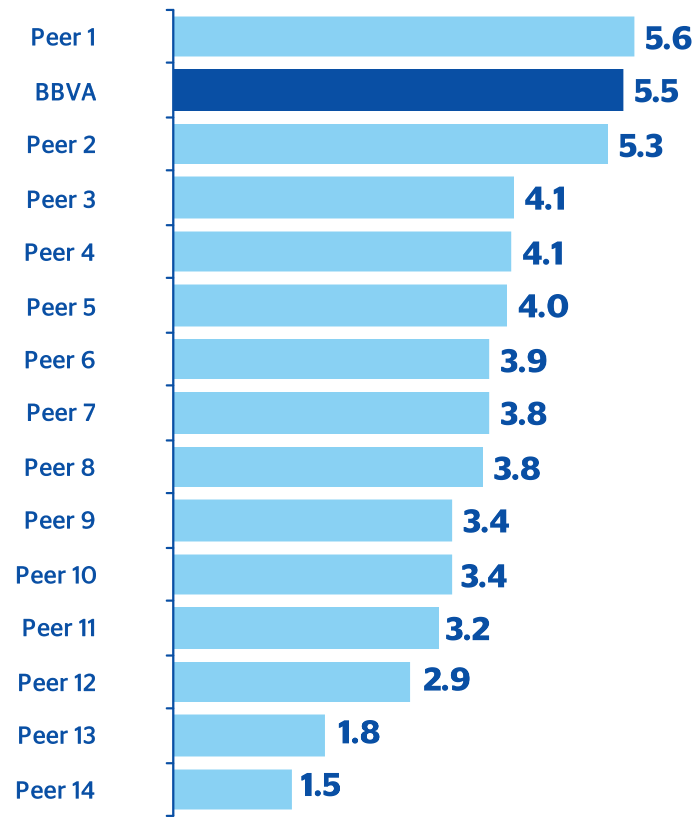
Lower leverage

Reported debt[1] to pre-provision profit
(X times)



Tangible equity to tangible assets BBVA group vs. peer group[2]
(12M11, %)



(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.

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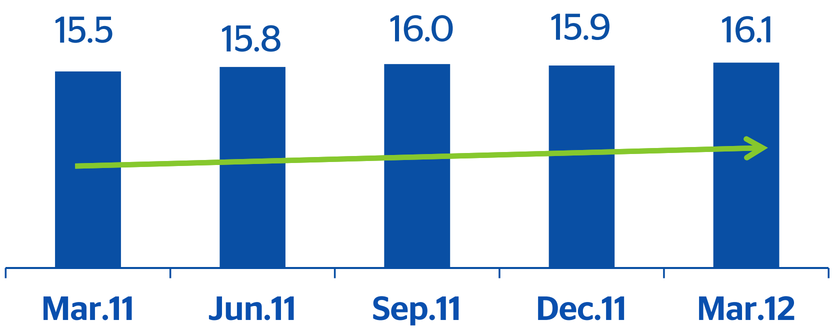
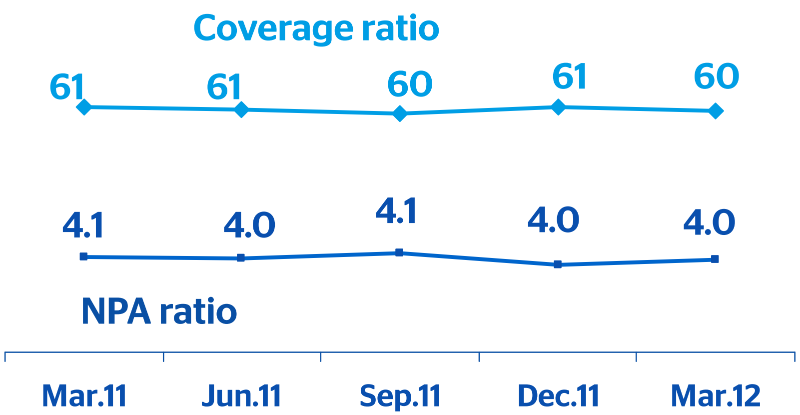
Group: Stable risk indicators

NPAs - net balance
BBVA Group
(€bn)

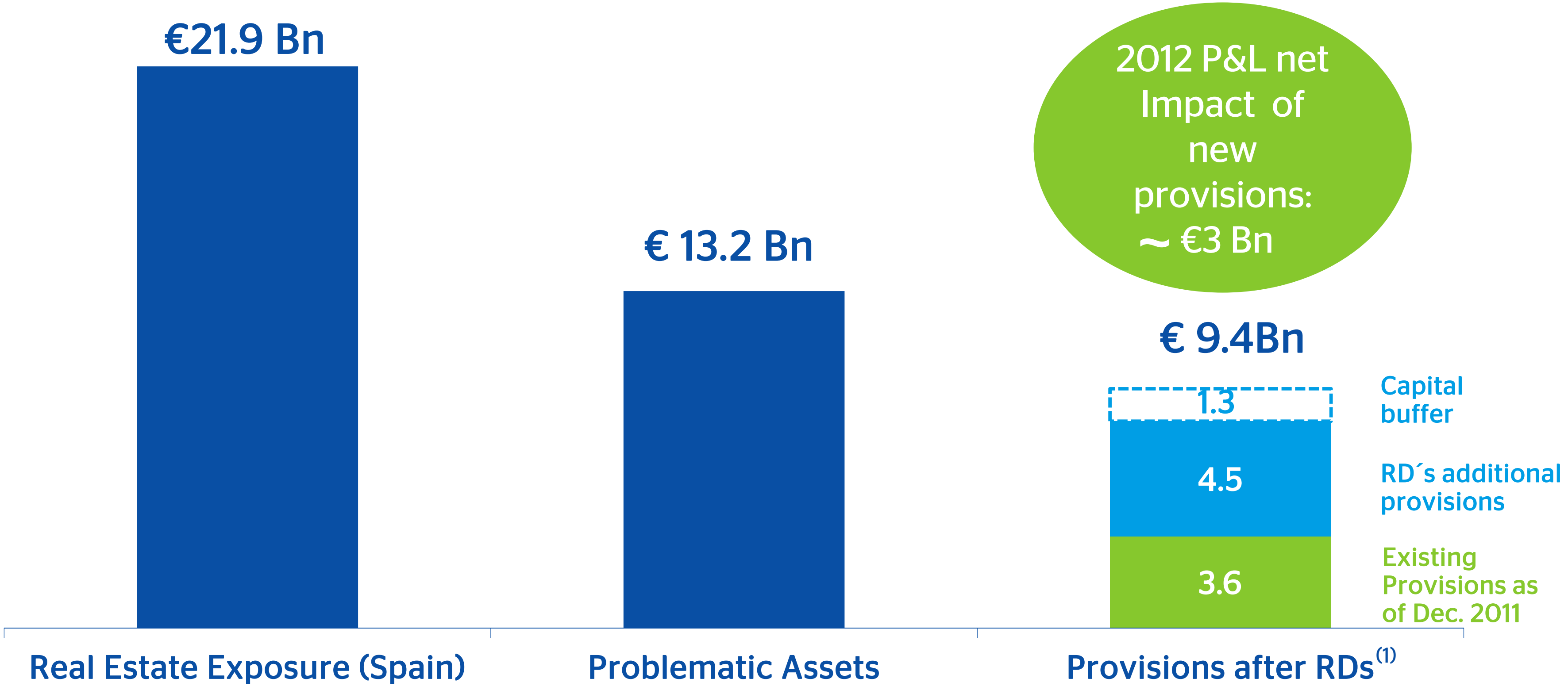


NPA & coverage ratios
BBVA Group
(%)



Good performance in all franchises compensating a weak environment in Spain

Spain: BBVA will absorb new RE provisions while coverage levels will significantly increase



< 4% of Group Assets

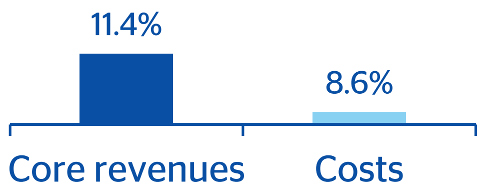
60% already classified as problematic

71% coverage of problematic (43% of total exposure)

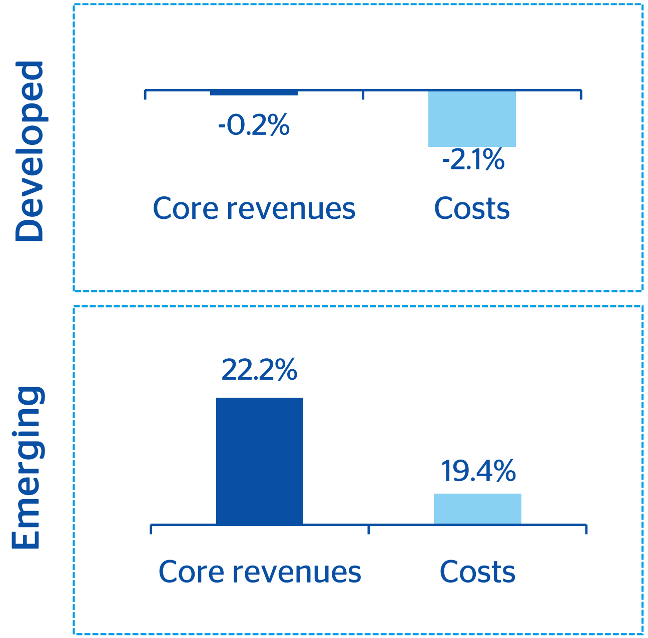
Real estate exposure and problematic assets as of December, 2011.
(1) Includes both RD 02/2012 and RD 18/2012 coverage ratios include the capital buffer required by RD 02/2012 (€1.3 Bn)

Group: Costs growing at a lower pace than core revenues

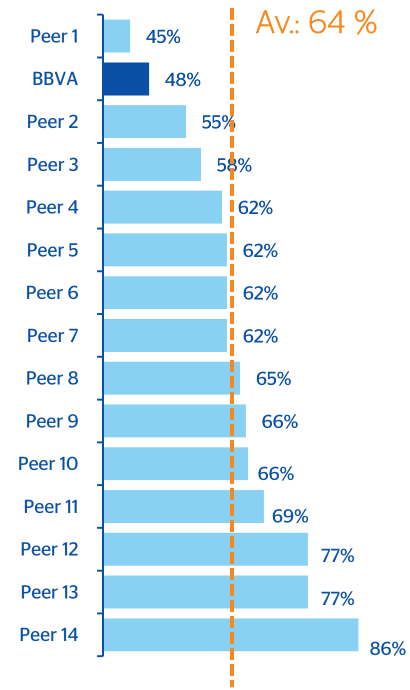
Core revenues [1] vs. costs
BBVA Group
Year-on-year change % (1Q11-1Q12)



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



Cost-to-income ratio
BBVA Group vs. Peer Group [2]
December 2011



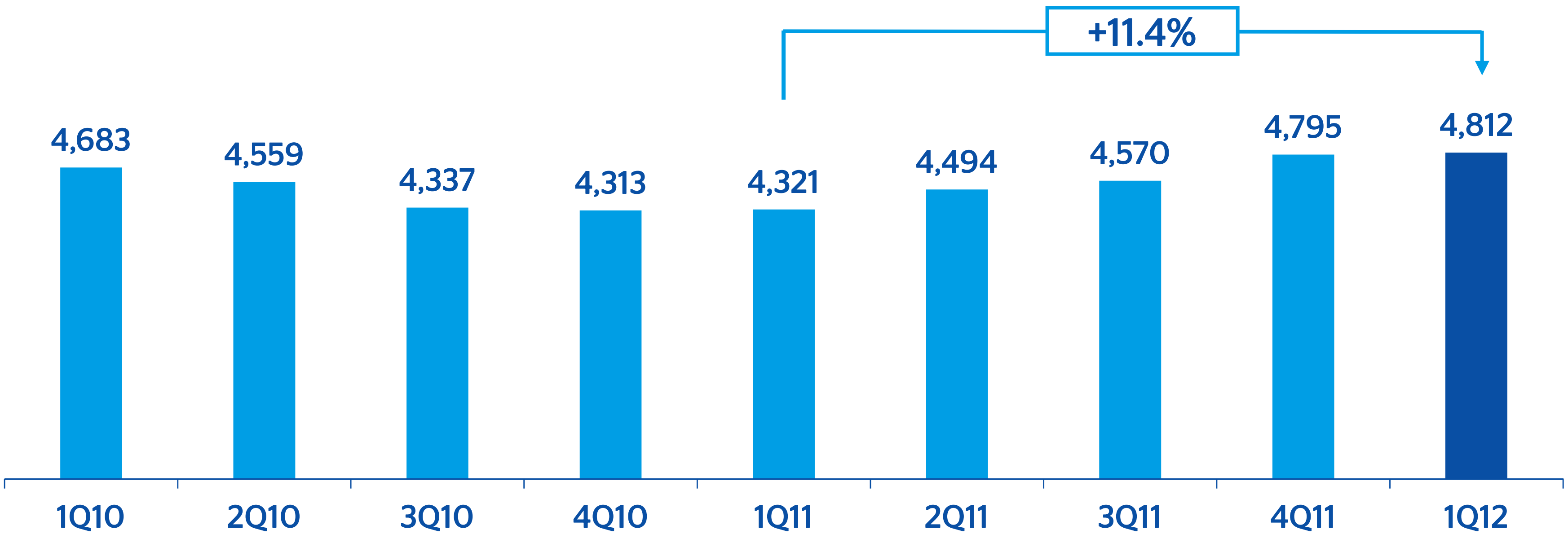
Costs to remain flat in developed economies and progressively stabilize in emerging economies

(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]

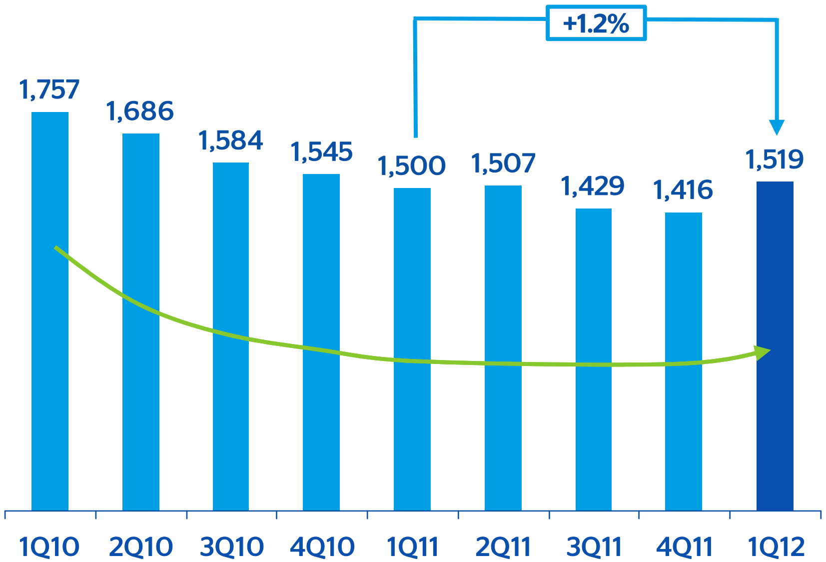
BBVA Group
(Constant €m)



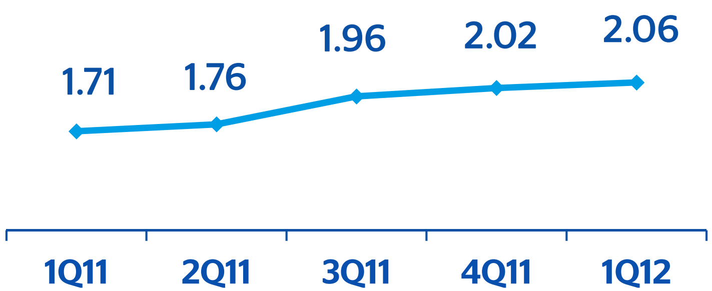
(1) Core revenues include: Net interest income and fee income.

Spain: Net interest income stabilization due to the reduction of the cost of deposits

Core revenues(1)
(Constant €m)



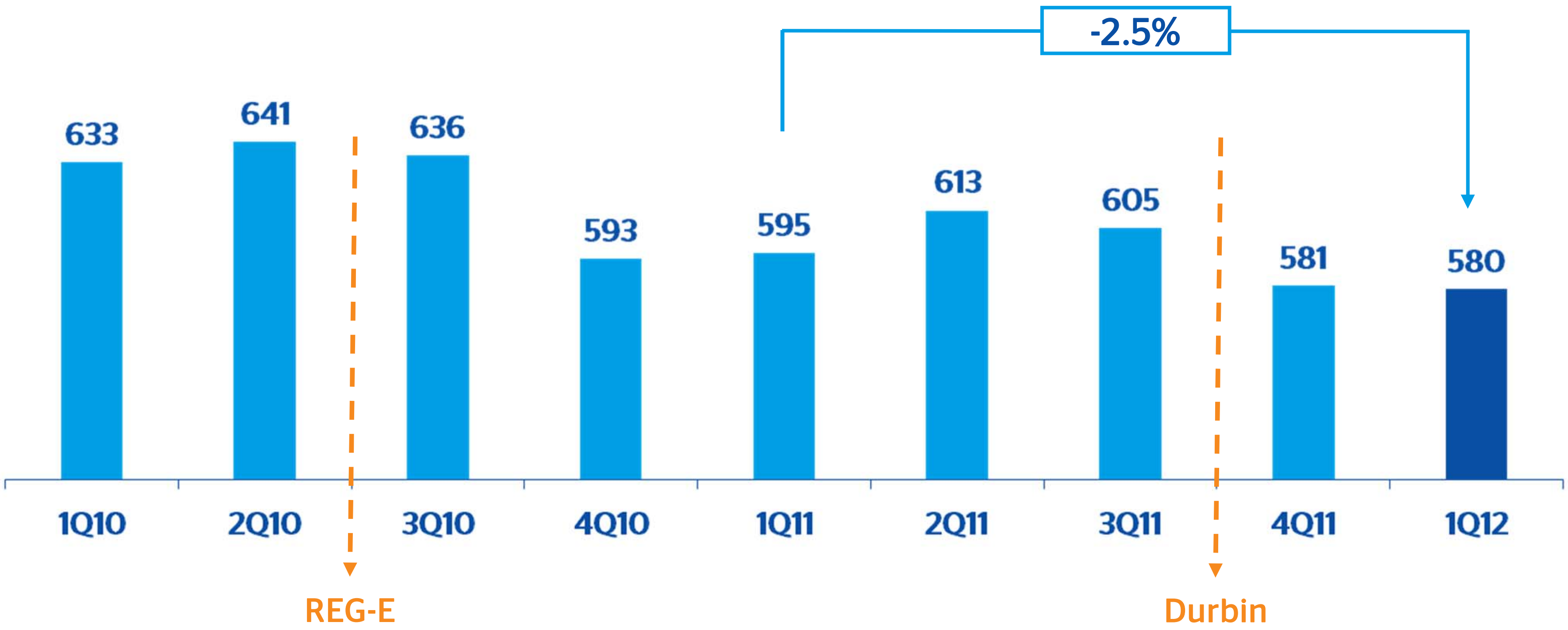
Customer spread(2)
(%)



(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

Core revenues[1]
(Constant €m)

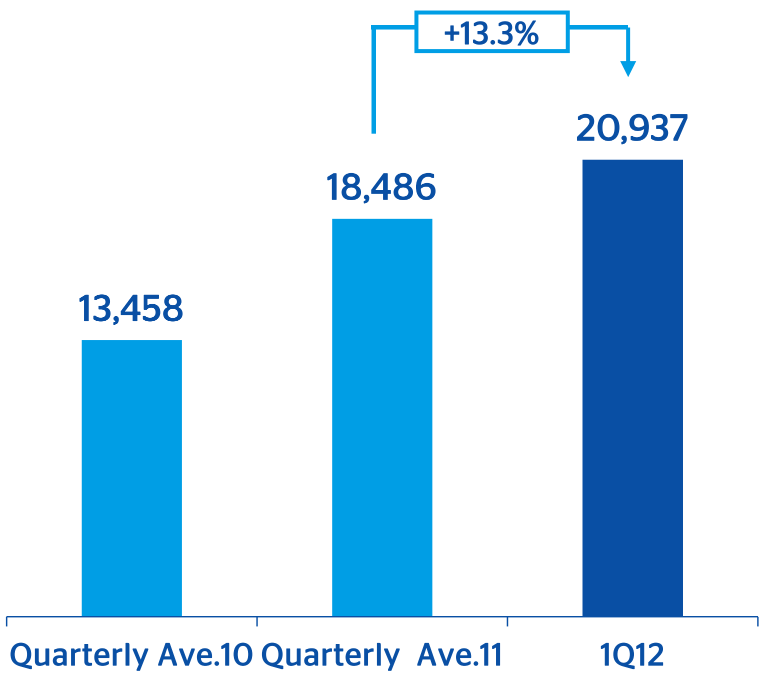


Profitability will improve reflecting the transformation of the business mix / model and the economic recovery

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

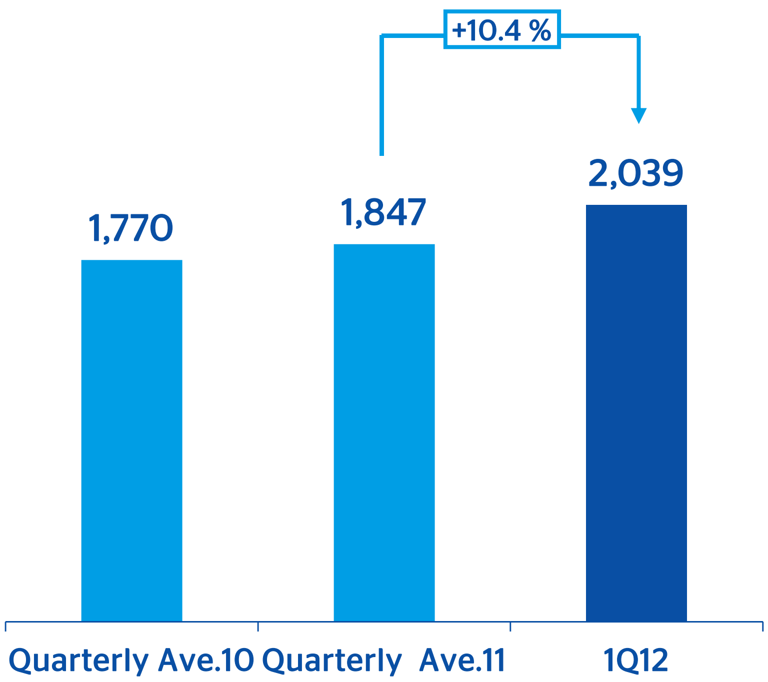
Eurasia: Buoyant activity in all regions

Citic core revenues[1]
(RMB million)



Source: CNBC public reporting

Garanti core revenues[2]
(TRY million)



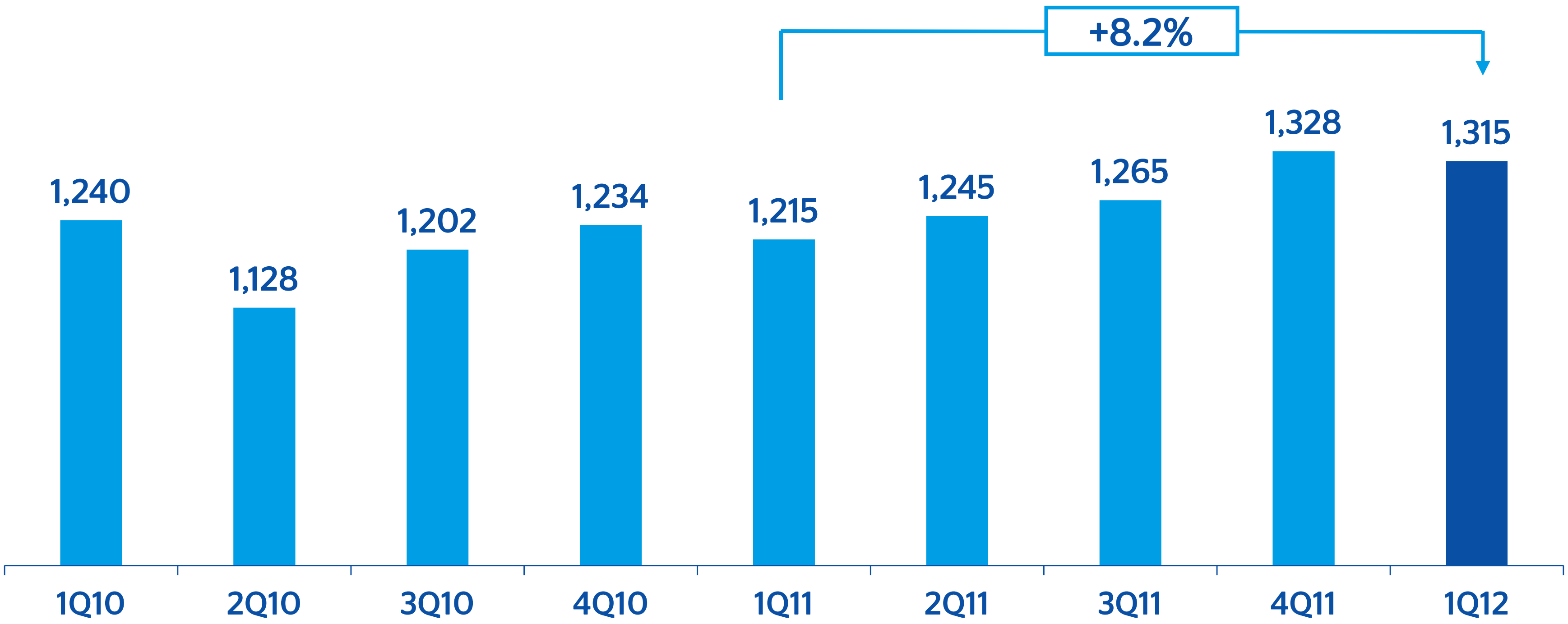
Source: BRSA Consolidated Garanti public reporting.

Activity dynamism and growing core banking revenues

(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)

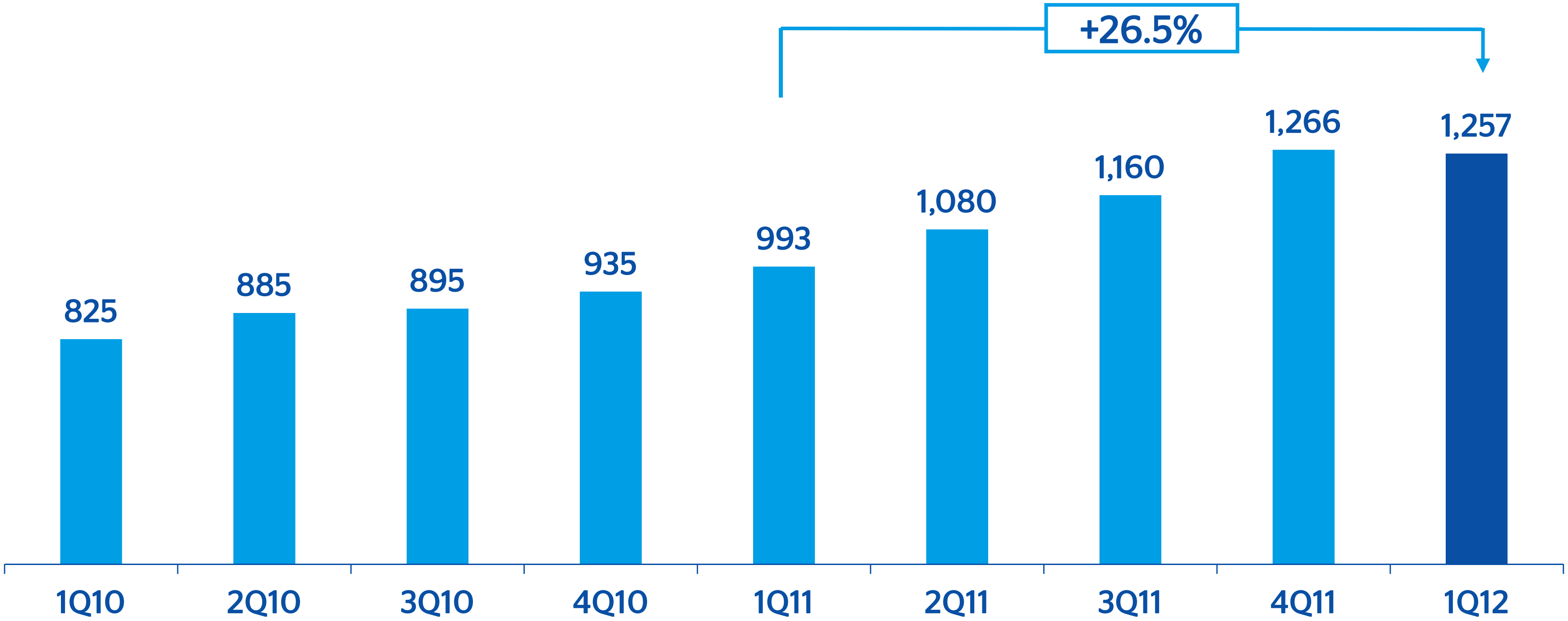


High net interest income growth
Impact of new regulation on fees and commissions absorbed in 2011

(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)



High growth of core revenues and profits

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

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Conclusions

Europe & Spain	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
BBVA	Despite rating downgrades related to the sovereign, fundamentals have been improving: • Strong capital and liquidity • Delivering positive operating trends

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