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Turbulent times for financial markets

Current situation

- High risk aversion
- Maximum volatility
- High cost of risk
- CDS at a maximum level
- Stock markets drop

At some point, there will be a return to normal, but normal does not mean things will be the same again.
Which are the main drivers to return to normal?

A. Macro  
B. Regulation  
C. Micro

Europe and Euro

• Fiscal measures
• Structural reforms
• Economic policies coordination
• Preventive regulation
• Communication
• …
Which are the main drivers to return to normal?

A. Macro  
B. Regulation  
C. Micro

Regulatory coordination efforts

• Many issues on the agenda: global coordination, systemic risks, regulatory arbitrage, level playing field, moral hazard …

• Heterogeneous progress.

• BIS III “under calibration”.
Which are the main drivers to return to normal?

A. Macro  B. Regulation  C. Micro

Need for differentiation among entities

- Recurrent results generation capacity
- Good asset quality and foresight capacity
- Solvency and balance sheet strength

Three key questions for future differentiation
1. Results generation capacity?
   • Diversification
   • Operating excellence
2. Good asset quality and foresight capacity?
3. Solvency and balance sheet strength?
Gross income*
BBVA Group by business unit (1Q10, %)

- Mexico: 26%
- Spain & Portugal: 34%
- USA: 12%
- South America: 18%
- WB&AM: 10%

Roughly, 45% of revenues come from high growth emerging economies

* Not including corporate activities
Excellent outlook for emerging economies...

... and moreover, sustainable growth

Mexico
GDP growth (%)

South America*
GDP growth (%)

China
GDP growth (%)

GDP growth will turn into higher results for BBVA Bancomer very soon

South America, will remain as an important lever for the group

Asia, and China in particular, will keep a high potential growth

*Argentina, Brazil, Chile, Colombia, Peru and Venezuela
Source: BBVA Research
... and superior positioning of BBVA in Mexico, ...

**Market share (1Q10, %)**

- **Total Lending**
  - 1st: 33.6%
  - 1st: 22.4%

- **Deposits**
  - 1st: 29.8%
  - 24.7%

- **Mutual & pension funds**
  - 1st: 21.8%
  - 20.8%

**Share of recurrent operating income (%)**

- **1Q08**
  - 33.6%

- **1Q10**
  - 36.6%

**Recurrent operating profit = Operating profit ex net trading income**

Peer group: Banamex, Bancomer, Banorte, HSBC and Santander.

- +139 bp
- +36 bp
- +73 bp
- +294 bp

*+500,000 customers in the last two years*

Widening the gap with our competitors during the crisis
Excellent performance of the top lines of the income statement (YoY growth -1Q10 vs 1Q09, %)

- Gross income: 16.0%
- Operating income: 20.7%
- Net attributable profit: 26.1%

Leading positions in every market:
- Loans: 10.2%
- Deposits: 10.3%
- Mutual funds: 7.2%

Market share South America (1Q10, %)
- Loans: 10.2%
- Deposits: 10.3%
- Mutual funds: 7.2%

Furthermore, excellent position to take advantage of the increasing commercial trade between Asia and Latam thanks to our position in Asia.

+420,000 customers in the last two years in South America
On-going recovery in mature markets

USA
GDP growth (%)

Spain and EMU
GDP growth (%)

Spain: impact of the crisis similar to EMU

Leading the recovery, with higher growth in Texas

Source: BBVA Research
In the US, BBVA Compass speeding up ...

Business indicators

• Cross-selling to new customers: +25%
• Productivity: +7%
• Customer spread: +72 bps
• New IT platform

Results generation

Good performance of the top lines of the income statement (YoY growth -1Q10 vs 1Q09, %)

<table>
<thead>
<tr>
<th>Income Source</th>
<th>1Q10 YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>9.7%</td>
</tr>
<tr>
<td>Net fees &amp; commissions</td>
<td>5.4%</td>
</tr>
<tr>
<td>Gross income</td>
<td>6.4%</td>
</tr>
<tr>
<td>Operating income</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

In a complex macro and regulatory environment, BBVA model implementation on track and delivering results
B. Business model opportunities

- Relationship banking
- Customer-centric

Highly efficient and productive model
In Spain: rigorous analysis, realistic conclusions

Usual headlines

1. GDP growth
   Protracted recession

   Similar adjustment to EMU

   

2. External sector
   Loss of external competitiveness

   No loss of exports quota.
   Current acc. balance: -4.7%

3. Public debt sector
   Critical government debt levels

   Clearly lower than EMU

Growth GDP Mar.08=base 100

Share in world total exports.
Rate of change 1999-2009 (%)

Public debt as percentage of GDP (%)
4. Household leverage
Not sustainable

Higher savings rate and better evolution

5. Corporates indebtedness
High leverage of corporates

Problem concentrated on RE

6. Banking sector
Solvency problems

• Problem concentrated on a few entities: ¼ of the assets of the system

7. Unemployment
Headwinds for Bank’s asset quality

• Concentrated on temporary, young and immigrants
• At the peak of the cycle: 8.3% (Spain’s frictional unemployment rate); Temporary workers: 35%
• Structural problem

Source: BBVA Research
Potential GDP Spain and EMU (YoY % var.)

Spain will converge at a 2% growth rate, higher than EMU (1.4%)

A favorable combination of structural reforms could take the economy back to growth rates of around 3%
BBVA is better prepared for the cycle change ...

Leanner + More productive

Branch network evolution in Spain

BBVA share (1)
(1Q10, %)

Transformation plan

Efficient distribution network

(1) Loans + Deposits + Mutual Funds + Pension Funds
All market shares last available data: Branches as of December 2009, loans and deposits as of February 2010, Pension Funds and Mutual Funds as of March 2010.
Net interest income (NII)
BBVA vs domestic peers*
(yoy - 1Q10 / 1Q09, %)

Customer spread*
BBVA vs domestic peers
(yoy change – 1Q10 / 4Q09, basis points)

1Q10 / 1Q09 in € balance sheet: +7.2%

Customer spread 1Q10:
275 bp (~40 bp > peer avg)

Better price management

Peer group: Banesto, Bankinter, Popular, Sabadell and Santander
BBVA has been able to gain share in results and core products among top players

* Recurrent operating income = operating profit ex net trading income

Peers: Bankinter, BBVA, Caixa, Caja Madrid, Popular, Sabadell & Santander
Furthermore, it is time of real opportunities

**OPPORTUNITIES**

- 80% of Saving Banks likely to merge
- 79% are in talks or have agreed to merge
- ~ 20% of branches expected to close
- Narrowing customer spreads are not sustainable
- Capacity reduction
- High customer churn
- Flight to quality
- Less competition in loan origination

~ 15-25% of business / customers are lost with branch integration or closure processes
In summary, diversification?

**BBVA ...**

- Presence in markets with excellent growth prospects
- Significant earnings contribution from emerging markets
- Leading franchises and superior positioning in every market

**Spain:**

1. Challenging macro outlook, but adjustment concentrated on certain sectors
2. BBVA, better performance than local competitors
3. Significant opportunities for strong and independent players
BBVA, addressing these three key questions

1. **Results generation capacity?**
   - Diversification
   - Operating excellence

2. **Good asset quality and foresight capacity?**

3. **Solvency and balance sheet strength?**
Gross income
BBVA Group
(€m)

1Q08 1Q09 1Q10
4,772 4,889 5,301

+2.4% +8.4%

Gross income
BBVA Group & peer group ex BBVA
(Base 100: 2006)

2006 2007 2008 2009
100 106 120 131
112 116 88

Thanks to a solid customer based franchise

Peer group: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI.
... and strict cost control

Income and expenses
BBVA Group
(Base 100: 1Q08)

Efficiency
BBVA Group & peers
(1Q10, %)

BBVA Group, leader in efficiency

Peer group: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI. HSBC & LBG as of Dec.09
As a consequence, recurrent operating income

Operating income
BBVA Group
(€m)

Share of operating income vs. share of total assets
BBVA Group vs. peer group (%)

Improvement of operating income share, while keeping the share of total assets stable

Peer group: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI.
BBVA …

- Demonstrated capacity to deal with the current environment: high growth throughout the crisis
- 1Q10, record revenues
- Outstanding cost control and cost to income leadership
- High and stable operating profit
- Recurrence and sustainability
1. Results generation capacity?
   - Diversification
   - Operating excellence

2. Good asset quality and foresight capacity?

3. Solvency and balance sheet strength?
Sharp drop in net additions to NPA and positive trend of recoveries

Net additions to NPA
BBVA Group
Quarter-by-quarter (€m)

Recoveries
BBVA Group
Quarter-by-quarter (€m)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>4Q08</th>
<th>1Q09</th>
<th>2Q09</th>
<th>3Q09</th>
<th>4Q09*</th>
<th>1Q10</th>
</tr>
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<tbody>
<tr>
<td>4Q08</td>
<td>3,001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1Q09</td>
<td>2,559</td>
<td></td>
<td></td>
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<tr>
<td>2Q09</td>
<td>2,067</td>
<td></td>
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<tr>
<td>3Q09</td>
<td>1,962</td>
<td></td>
<td></td>
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<td>4Q09*</td>
<td>1,691</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>1Q10</td>
<td>874</td>
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<table>
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<tr>
<th>Quarter</th>
<th>4Q08</th>
<th>1Q09</th>
<th>2Q09</th>
<th>3Q09</th>
<th>4Q09</th>
<th>1Q10</th>
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<tr>
<td>4Q08</td>
<td>1,264</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1Q09</td>
<td>1,228</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2Q09</td>
<td>1,650</td>
<td></td>
<td></td>
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<tr>
<td>3Q09</td>
<td>1,611</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>4Q09</td>
<td>2,035</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1Q10</td>
<td>2,388</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

* Excl. anticipation
NPA ratio stabilizes throughout the organization ... specially in markets that suffered most during the crisis.
Cost of risk also improves …

Cost of risk
BBVA Group (%)

1Q09 2Q09 3Q09* 4Q09* 1Q10
1.05 1.16 1.04 1.33 1.24

Spain & Portugal

1Q09 2Q09 3Q09* 4Q09 1Q10
0.37 0.57 0.51 0.65 0.47

Mexico

1Q09 2Q09 3Q09 4Q09 1Q10
4.84 5.32 5.35 5.88 4.03

USA

1Q09 2Q09 3Q09 4Q09* 1Q10
1.24 1.73 1.86 3.47 1.52

… in franchises where it rose most in recent quarters

* Excl. one-off items
BBVA

In summary, good asset quality and foresight capacity?

- Additions to NPA coming down and recoveries coming up
- Risk premium gradually coming down
- Stabilization of asset quality deterioration
BBVA, addressing these three key questions

1. Results generation capacity?
   - Diversification
   - Operating excellence

2. Good asset quality and foresight capacity?

3. Solvency and balance sheet strength?
1. Small balance sheet and high customer deposit base

2. Lowest wholesale debt maturities among peers

3. Additional sources of liquidity

4. Well positioned regarding BIS III

A highly profitable retail business model with attractive diversification
## 1. Small balance sheet and high customer deposit base

### Total assets

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Peer 1</th>
<th>Peer 2</th>
<th>Peer 3</th>
<th>Peer 4</th>
<th>Peer 5</th>
<th>Peer 6</th>
<th>Peer 7</th>
<th>Peer 8</th>
<th>Peer 9</th>
<th>Peer 10</th>
<th>Peer 11</th>
<th>Peer 12</th>
<th>Peer 13</th>
<th>Peer 14</th>
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</thead>
<tbody>
<tr>
<td>BBVA</td>
<td>554</td>
<td>644</td>
<td>724</td>
<td>846</td>
<td>915</td>
<td>949</td>
<td>1,099</td>
<td>1,142</td>
<td>1,158</td>
<td>1,554</td>
<td>1,649</td>
<td>1,670</td>
<td>1,674</td>
<td>1,784</td>
</tr>
</tbody>
</table>

### Deposits to total assets

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Peer 1</th>
<th>Peer 2</th>
<th>Peer 3</th>
<th>Peer 4</th>
<th>Peer 5</th>
<th>Peer 6</th>
<th>Peer 7</th>
<th>Peer 8</th>
<th>Peer 9</th>
<th>Peer 10</th>
<th>Peer 11</th>
<th>Peer 12</th>
<th>Peer 13</th>
<th>Peer 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBVA</td>
<td>46.1%</td>
<td>45.1%</td>
<td>40.5%</td>
<td>39.6%</td>
<td>33.7%</td>
<td>32.0%</td>
<td>30.8%</td>
<td>30.3%</td>
<td>29.4%</td>
<td>27.7%</td>
<td>27.7%</td>
<td>25.6%</td>
<td>23.4%</td>
<td>21.9%</td>
</tr>
</tbody>
</table>

Peer group: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI. BARCL, HSBC & LBG as of Dec.09.
2. Lowest wholesale debt maturities among peers

Wholesale maturities
(€bn)

<table>
<thead>
<tr>
<th>Peer</th>
<th>2010</th>
<th>&gt;2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peer 1</td>
<td>171</td>
<td>380</td>
</tr>
<tr>
<td>Peer 2</td>
<td>137</td>
<td>340</td>
</tr>
<tr>
<td>Peer 3</td>
<td>30</td>
<td>213</td>
</tr>
<tr>
<td>Peer 4</td>
<td>30</td>
<td>208</td>
</tr>
<tr>
<td>Peer 5</td>
<td>16</td>
<td>221</td>
</tr>
<tr>
<td>Peer 6</td>
<td>20</td>
<td>192</td>
</tr>
<tr>
<td>Peer 7</td>
<td>28</td>
<td>180</td>
</tr>
<tr>
<td>Peer 8</td>
<td>21</td>
<td>172</td>
</tr>
<tr>
<td>Peer 9</td>
<td>22</td>
<td>155</td>
</tr>
<tr>
<td>Peer 10</td>
<td>24</td>
<td>122</td>
</tr>
<tr>
<td>Peer 11</td>
<td>12</td>
<td>118</td>
</tr>
<tr>
<td>Peer 12</td>
<td>14</td>
<td>108</td>
</tr>
<tr>
<td>Peer 13</td>
<td>18</td>
<td>100</td>
</tr>
<tr>
<td>Peer 14</td>
<td>17</td>
<td>90</td>
</tr>
<tr>
<td>BBVA</td>
<td>7</td>
<td>76</td>
</tr>
</tbody>
</table>

Peer group: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI.

3. Ample base of collaterals: €66bn

Source: Bloomberg 8th June 2010
4. Well positioned regarding BIS III

LCR (Liquidity Coverage Ratio) and NSFR (Net stable funding ratio) (% Dec.09)

- LCR: 174%
- NSFR: 100%

NSFR* (Net Stable Funding Ratio)
BBVA vs. European banks (%)

- BBVA: 102%
- Average European banks: 87%

*Source: Morgan Stanley 27th of January, 2010
B. Capital

1. Significant organic capital generation track record

2. High quality and low leverage

3. Analysts agree that BBVA is among the least impacted regarding BIS III
1. Significant organic capital generation track record

Core capital (%)

15-20 bps of capital generated organically every quarter

No capital increase or any type of public support throughout the crisis

- 6.2% (12M08)
- 8.1% (1Q10)
2. High quality and low leverage

**RWAs/ Assets**
(Mar.10, %)

- Peer 1: 56.1%
- BBVA: 53.1%
- Peer 2: 49.7%
- Peer 3: 48.1%
- Peer 4: 48.0%
- Peer 5: 47.9%
- Peer 6: 33.0%
- Peer 7: 30.1%
- Peer 8: 30.0%
- Peer 9: 29.7%
- Peer 10: 29.1%
- Peer 11: 21.3%
- Peer 12: 20.0%
- Peer 13: 17.5%
- Peer 14: 15.4%

**Tangible Equity/Tangible assets**
(Mar.10, %)

- Peer 1: 4.5%
- Peer 2: 4.2%
- Peer 3: 4.1%
- BBVA: 4.0%
- Peer 4: 3.9%
- Peer 5: 3.6%
- Peer 6: 3.3%
- Peer 7: 2.8%
- Peer 8: 2.7%
- Peer 9: 2.5%
- Peer 10: 2.5%
- Peer 11: 2.4%
- Peer 12: 1.7%
- Peer 13: 1.5%
- Peer 14: 1.2%

Peer group: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI. BARCL, HSBC & LBG as of Dec.09
3. Analysts agree that BBVA is among the least impacted regarding BIS III

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DTA Treatment</td>
<td>Low DTAS from tax loss carry forward</td>
</tr>
<tr>
<td>Minorities</td>
<td>Small: To be compensated by proportional RWA reduction?</td>
</tr>
<tr>
<td>Pension liability deficit</td>
<td>Pension obligations fully funded</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>Among the least leveraged of Europe</td>
</tr>
<tr>
<td>Quality of Capital</td>
<td>High quality – low weight of hybrids</td>
</tr>
<tr>
<td>Capital gains/loss treatment</td>
<td>More favourable than current treatment by Bank of Spain</td>
</tr>
</tbody>
</table>

Still, the new regulation is under review
Less impact of the new regulation

Core Tier I (e) 2012
BIS III* (%)

<table>
<thead>
<tr>
<th>Peer 1</th>
<th>BBVA</th>
<th>Peer 2</th>
<th>Peer 3</th>
<th>Peer 4</th>
<th>Peer 5</th>
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<tr>
<td>10.2</td>
<td>7.7</td>
<td>7.4</td>
<td>7.2</td>
<td>7.2</td>
<td>7.1</td>
<td>6.8</td>
<td>6.6</td>
<td>6.6</td>
<td>6.0</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Average: 6.76

*Credit Suisse, Deutsche Bank, Keefe, B&W & Merrill Lynch estimates (T1 level 1Q2010: 9.5%)

Peer group: BARCL, BBVA, BNPP, CASA, CS, DB, HSBC, ISP, SAN, SG & UCI.
In summary, solvency and balance sheet strength?

BBVA …

- Balance sheet strength in a very complex environment
- One of the strongest entities in terms of capital and liquidity
- One of the least impacted by regulatory changes
Conclusions

BBVA outstands in the key factors for future differentiation

- Recurrent results generation capacity
- Good asset quality and foresight capacity
- Solvency and balance sheet strength

Unstable financial markets that do not differentiate enough

Main drivers to return to normal

- Macro
- Regulation
- Micro
European Financials Conference

Strength in turbulent times

Ángel Cano
President & COO

Madrid, June 11th 2010