



# BBVA

## Société Générale Premium Review

Paris, 3<sup>rd</sup> December 2008



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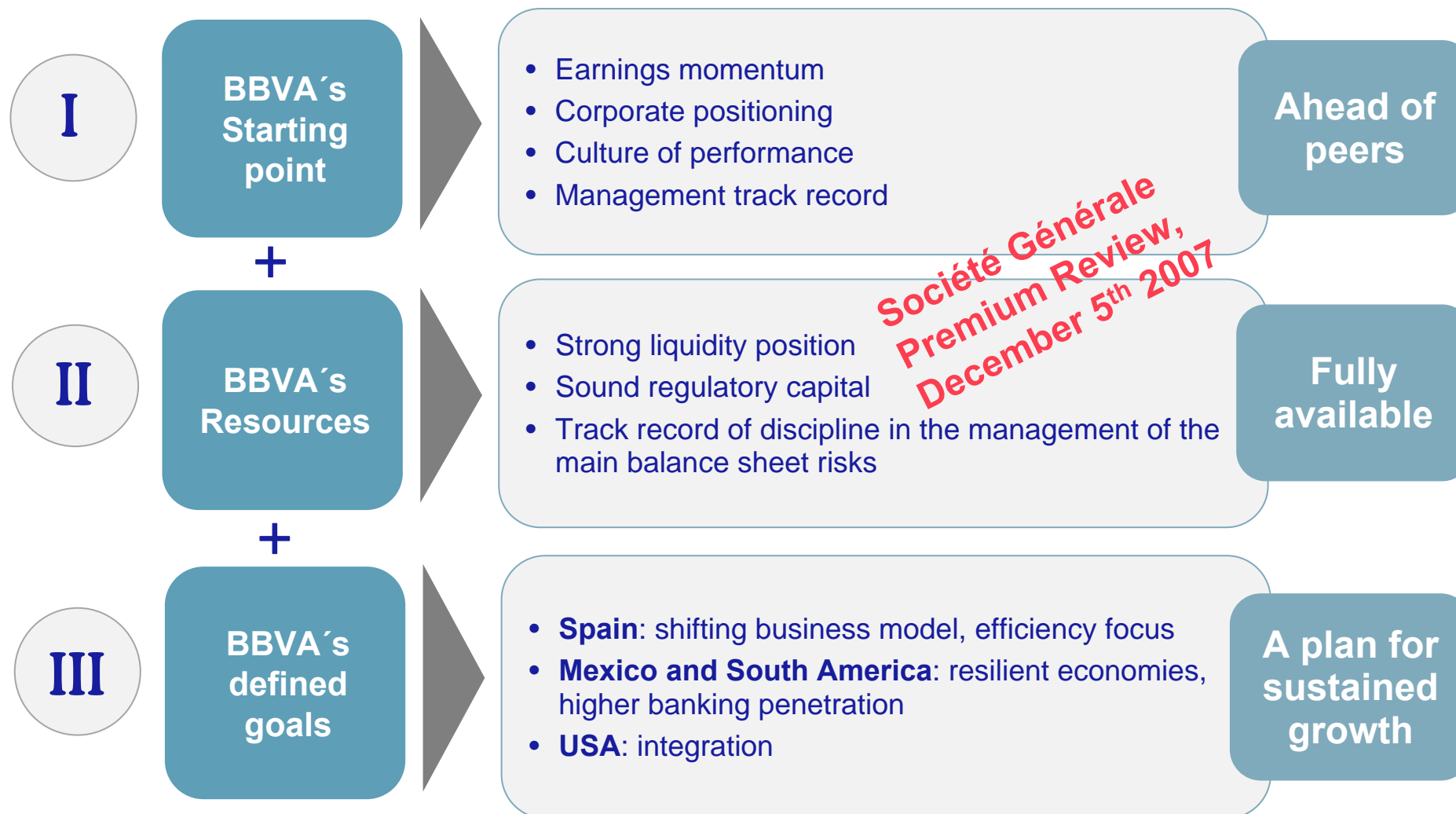
# The new environment: Time for balance sheet strength

|                        | Before  | After   |
|------------------------|---|---|
| <b>Liquidity</b>       | <ul style="list-style-type: none"> <li>• Market provided</li> <li>• No limitation in amount available</li> <li>• Low cost</li> </ul>                                  | <ul style="list-style-type: none"> <li>• Own customer deposits strategic</li> <li>• Only available for best credits</li> <li>• High cost</li> </ul>   |
| <b>Capital</b>         | <ul style="list-style-type: none"> <li>• Market provided</li> <li>• Outsourcing of Balance Sheets</li> <li>• High dividend growth</li> </ul>                          | <ul style="list-style-type: none"> <li>• Pressure on regulatory capital</li> <li>• Unexpected capital consumption: writedowns</li> <li>• Tighter regulatory environment?</li> <li>• Dividend policy reconsidered</li> </ul> |
| <b>Risk Management</b> | <ul style="list-style-type: none"> <li>• Credit risk pass-trough to the market</li> <li>• Focus on origination</li> </ul>   | <ul style="list-style-type: none"> <li>• Stronger credit requirements</li> <li>• Credit risk monitoring and control on origination</li> <li>• Balance sheet risk management as a key competitive advantage</li> </ul>       |
| <b>Competition</b>     | <ul style="list-style-type: none"> <li>• High number of competitors: wholesale institutions, monoliners, retailers, and others with a distribution network</li> </ul> | <ul style="list-style-type: none"> <li>• "Too big to fail" banks prevail</li> <li>• Lower balance sheet availability</li> <li>• Small an medium size institutions, subject to liquidity and capital constraints</li> </ul>  |

Société Générale  
Premium Review,  
December 5<sup>th</sup> 2007

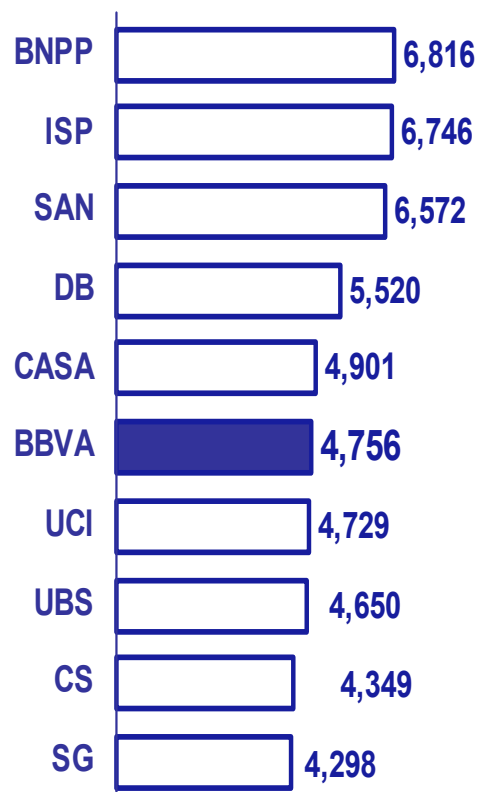
Higher barriers to access retail banking operations  
STRONG OPPORTUNITY FOR BBVA

## Best among Peers: top investment choice

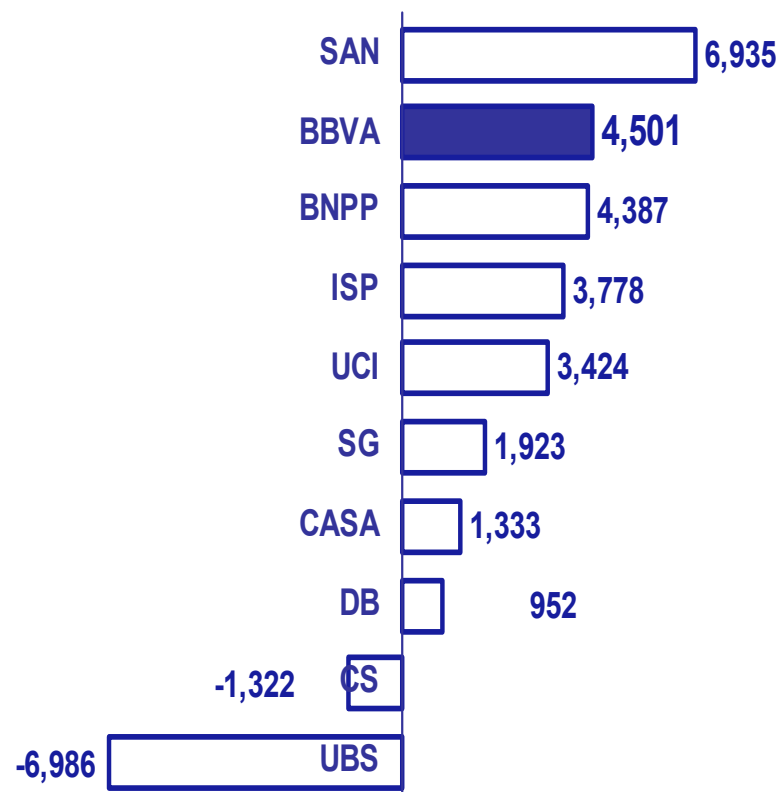


# Net attributable profit of peer group year to date

**Net attrib. profit**  
(€m, Sep.07)

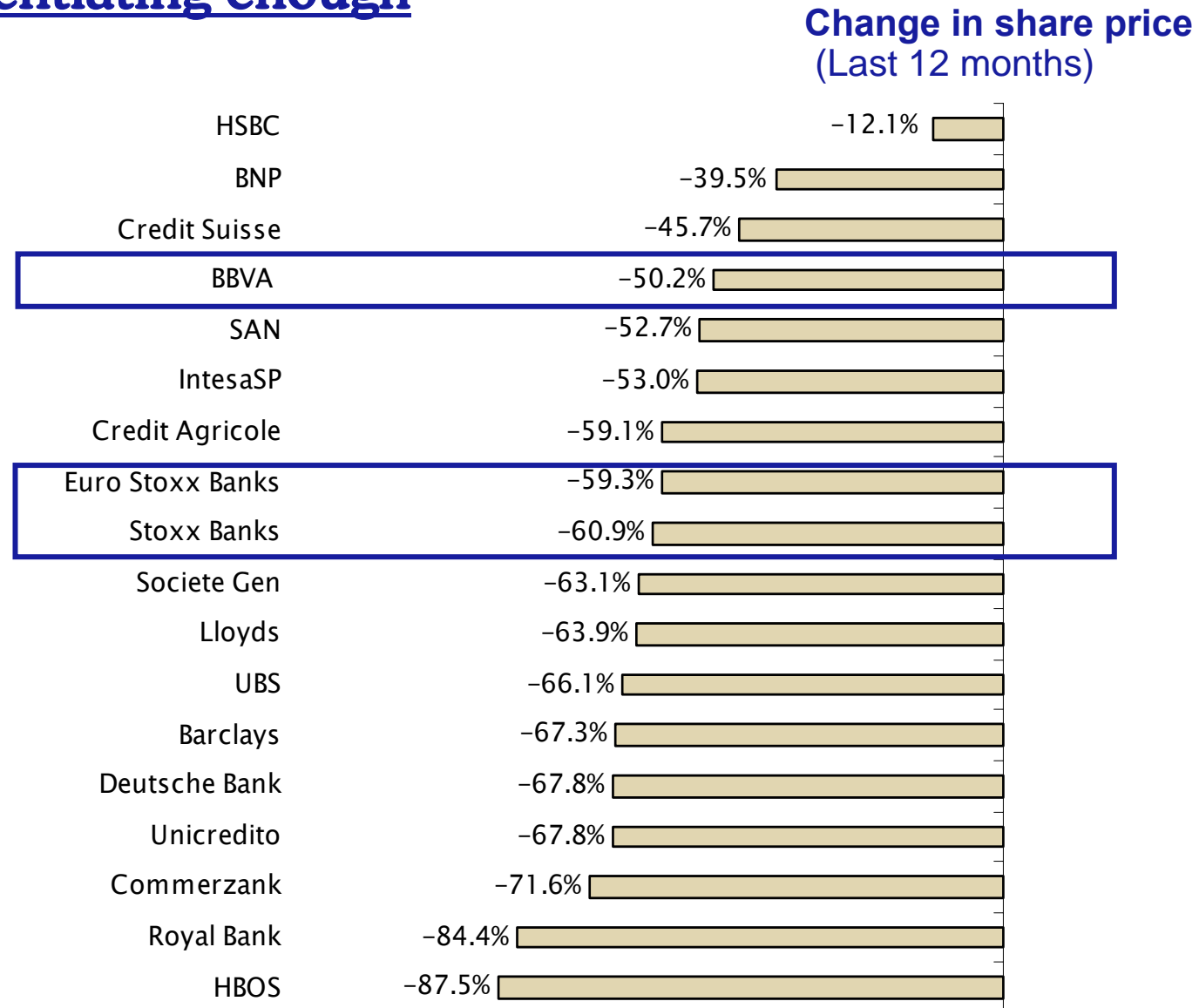


**Net attrib. profit**  
(€m, Sep.08)



Internal sources based on published figures.

**BBVA is a retail bank with a proven business model that generates recurrent earnings BUT the market is not differentiating enough**



**1**

**BBVA: a business model focused on retail banking**

**2**

**Balance Sheet**

**3**

**Generating recurrent earnings**

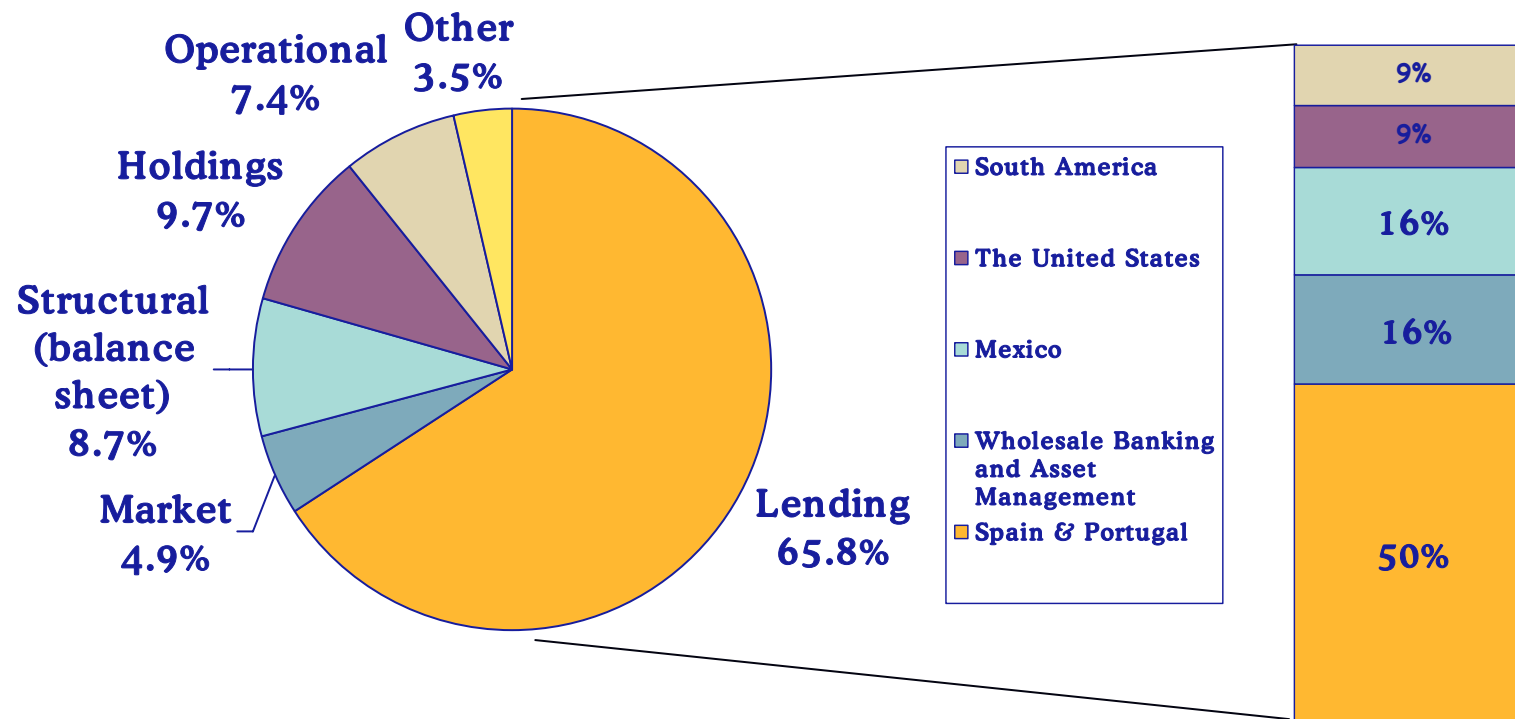
**4**

**Strategy**

# BBVA business model focused on retail banking

## Group economic risk capital: distribution by risk type

(Data in attributable terms, 30-9-08)



- Branches: 7,909
- Customers worldwide: over 36 million
- More than 800,000 mortgages to individuals in Spain (47% of loan book)
- Number 1 in mutual funds in Spain
- Number 1 bank in Mexico: 26.89% mkt share in deposits

**Retail banking = low volatility in earnings**



**1**

**BBVA: a business model focused on retail banking**

**2**

**Balance Sheet**

- Size
- Liquidity
- Solvency
- Asset quality

**3**

**Generating recurrent earnings**

**4**

**Strategy**

**2**

**BBVA's balance sheet position is solid**

**BBVA**

**BBVA's strength is based on ...**



**A**

**Low leverage: size matters**

**B**

**Comfortable liquidity**

**C**

**Recognized solvency**

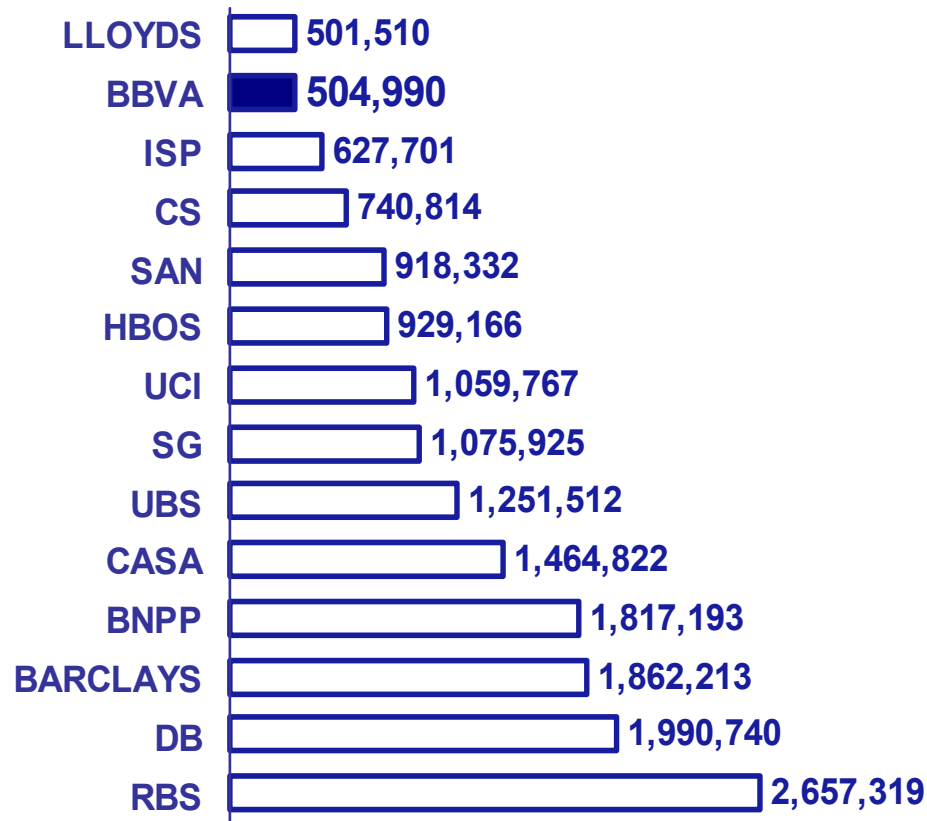
**D**

**High asset quality**



# BBVA is one of the safest banks in the present environment: size matters!...

Balance sheet  
(€m, Jun.08)



- No acquisitions in 2008
- No off-balance sheet exposure: no SIVs nor Conduits
- No major exposure to corporate banking withdrawals

Internal sources based on published figures.

# ... acknowledged by the rating agencies



## RATINGS: BBVA VS. EUROPEAN BANKS (jul 07)

| STANDARD & POOR'S |                    |  |   |                    |        |    |      |     |      |
|-------------------|--------------------|--|---|--------------------|--------|----|------|-----|------|
| AAA               | AA+                | AA   | AA-   | A+                 | A      | A- | BBB+ | BBB | BBB- |
|                   | BNP<br>Wells Fargo | Lloyds<br>Barclays<br>Santander<br>HSBC (+)<br>RBS<br>UBS<br>Citi<br>BOA<br>Wachovia<br>US Bancorp | <b>BBVA</b><br>C Agricole<br>Credit Sui (+)<br>SOCGEN (-)<br>ISP<br>DB<br>JPM<br>Morgan S<br>Merrill Lynch<br>Goldman Sachs | Unicredito<br>BONY | Commer |    |      |     |      |

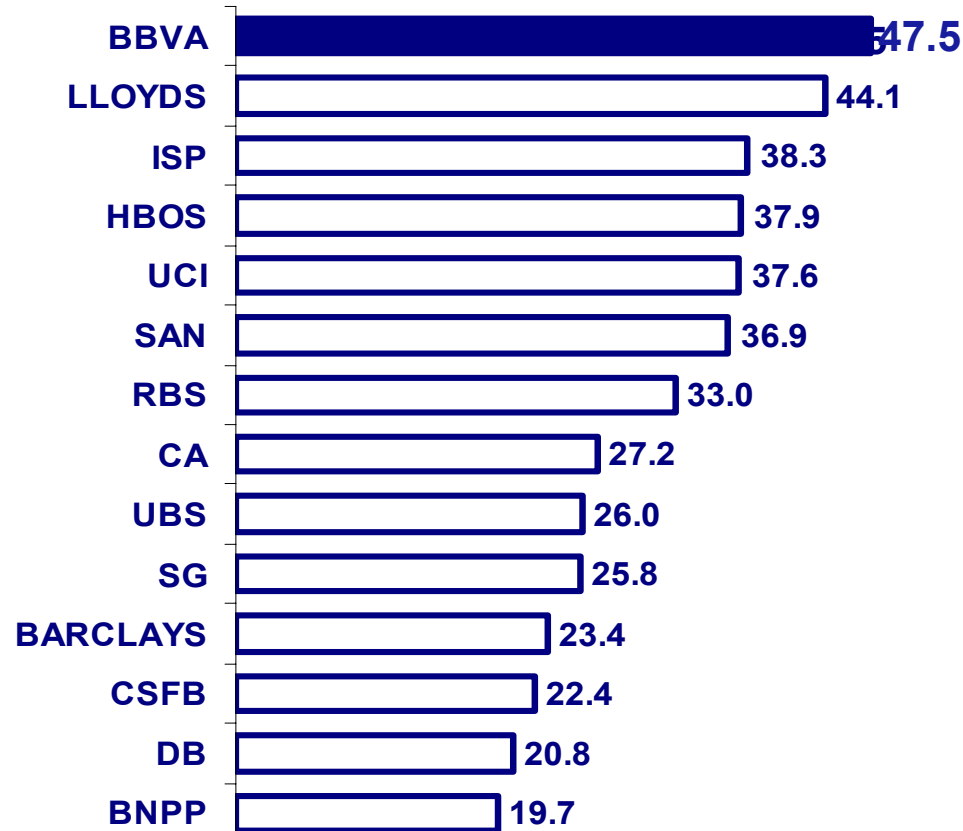
## RATINGS: BBVA VS. EUROPEAN BANKS (dic 08)

| STANDARD & POOR'S |                             |  |   |                                |                                   |    |      |     |      |
|-------------------|-----------------------------|--|---|--------------------------------|-----------------------------------|----|------|-----|------|
| AAA               | AA+                         | AA   | AA-   | A+                             | A                                 | A- | BBB+ | BBB | BBB- |
|                   | BNP(-)<br>Wells Fargo (**-) | <b>BBVA</b><br>Barclays (**-)<br>Santander<br>Lloyds (**-)<br>HSBC<br>US Bancorp | ISP<br>C Agricole<br>Credit Sui (-)<br>SOCGEN (-)<br>UBS (**-)<br>DB(-)<br>RBS<br>Citi (**-)<br>Wachovia (**+)<br>BONY<br>JPM (-)<br>Goldman (-)<br>BOA (**-) | Unicredito (-)<br>Morgan S (-) | Commerz.(-)<br>Merrill Lynch (**) |    |      |     |      |

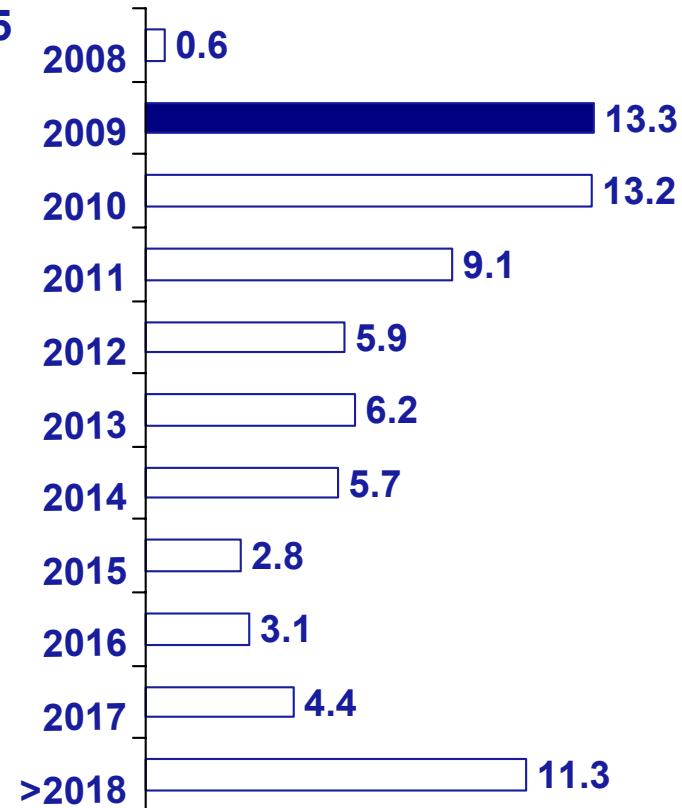


# BBVA has ample liquidity thanks to customers' deposits

**Deposits / assets**  
(%, Sep.08)<sup>(1)</sup>



**Maturities: wholesale financing**  
(€bn)



**Maturities have little impact**  
(Average maturity is more than 5 yrs; 2/3 of debt matures after 2011)

(1) British Banks' data at 30th-Jun-08  
Internal sources based on published figures.

**C** **BBVA enjoys a comfortable capital position BBVA**  
**related to its size and business model**

**Organic creation of core  
capital (BIS II)**

**+16 bp in 3Q08**

**+15 bp in 2Q08**

**+20 bp in 1Q08**

**Core capital  
6.4%**

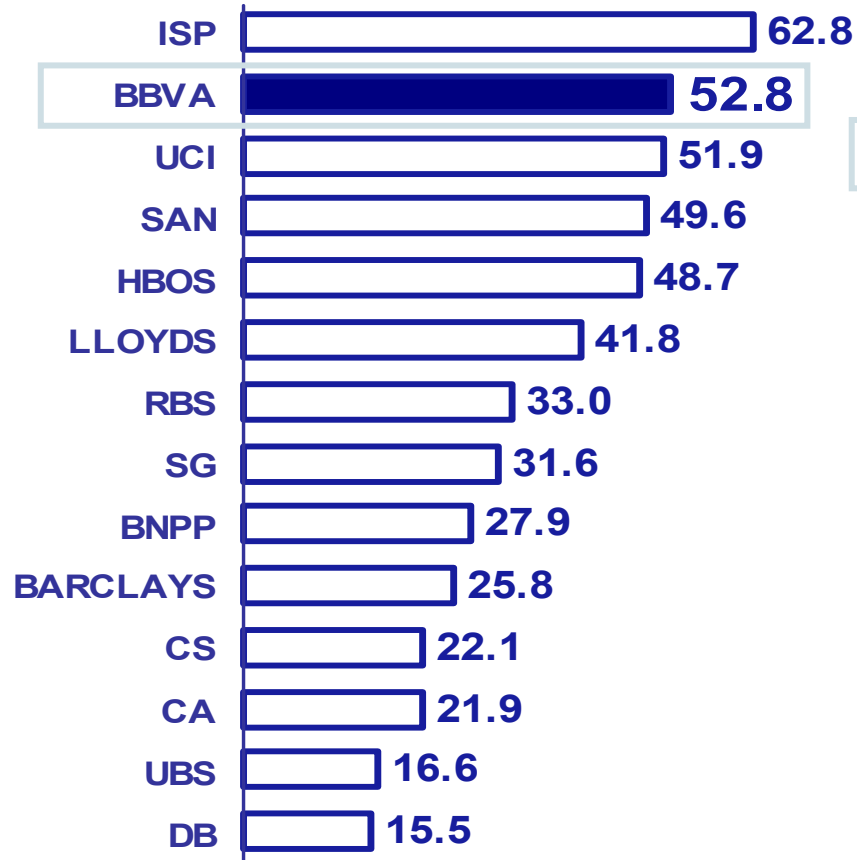
**Tier I  
7.8%**

**+60 bp of core capital  
and Tier I from excess  
provisions**

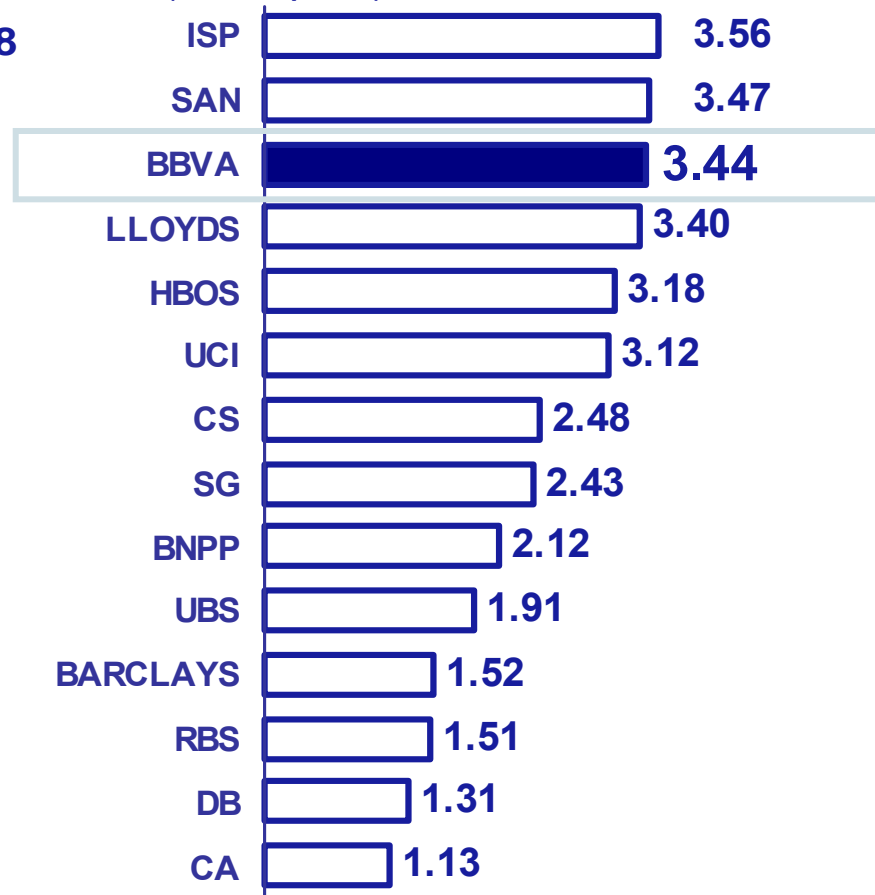
**And latent capital gains**

# The “quality” of our capital is better than our competitors ...

**RWAs / total assets**  
(%, Sep.08)<sup>(1)</sup>



**Tangible equity / assets**  
(%, Sep.08)<sup>(1)</sup>

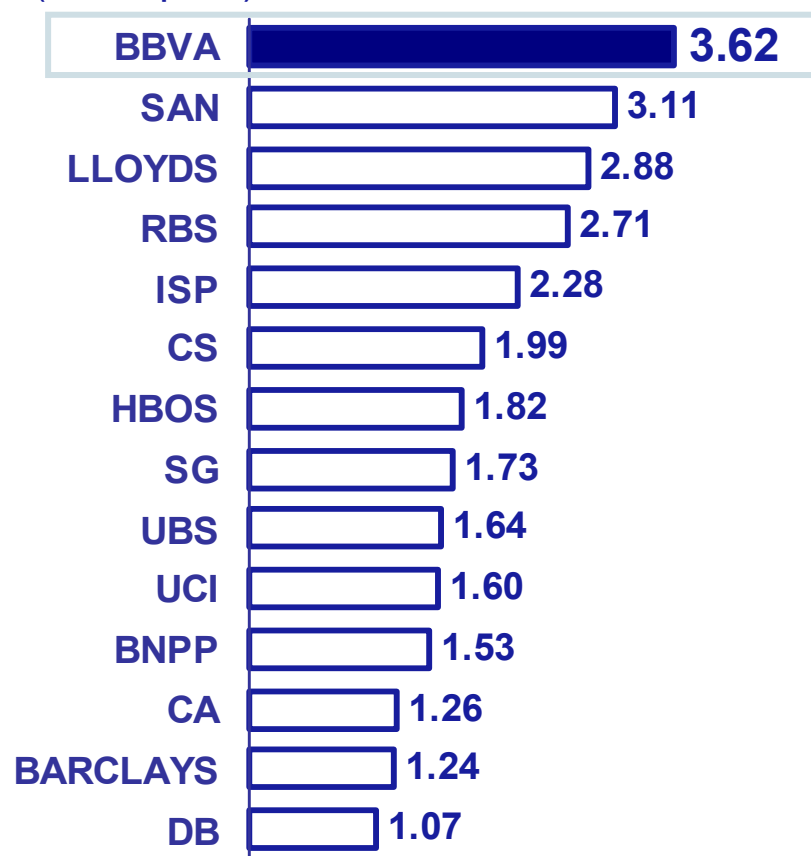


**... which is acknowledged in our ratings**

(1) British Banks' data at 30-Jun-08  
Internal sources based on published figures.

# The “quality” of our capital is better than our competitors ...

(Core equity + excess|deficit provisions) / total assets  
 (% , Sep.08) <sup>(1)</sup>



**No unexpected consumption of capital**

**No accounting reclassification of portfolios**

**Recurrent earnings**

**Little exposure to falls in housing prices and economic slowdown**  
 (20% fall in housing prices = 0 bp in core capital)  
 (30% fall in housing prices = -3 bp in core capital)

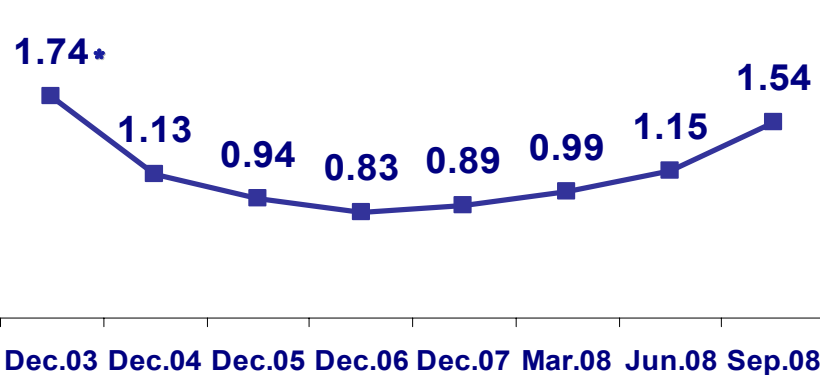
(1) British Banks' data at 30-Jun-08

Internal sources based on published figures.

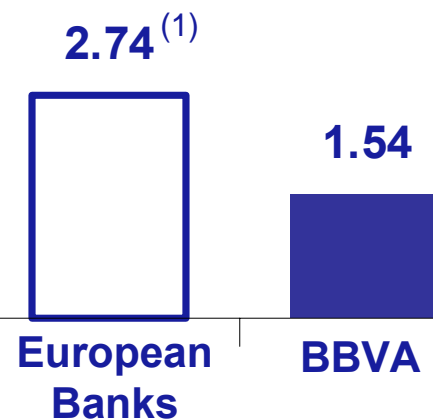


**D NPL ratio rises – but less than our European competitors...**

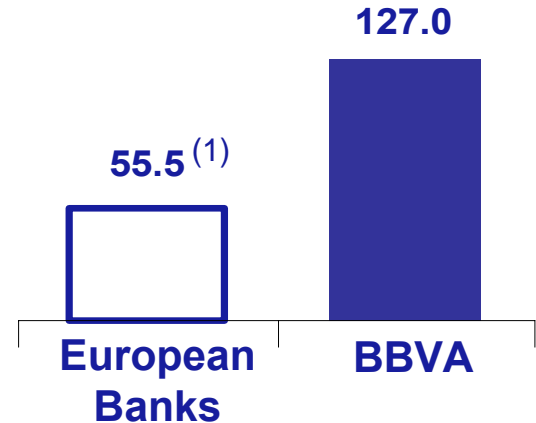
**NPL ratio (%)**



**NPL ratio (% , Sep.08)**



**Coverage ratio (% , Sep.08)**



**Asset quality is better than our competitors in all core markets**

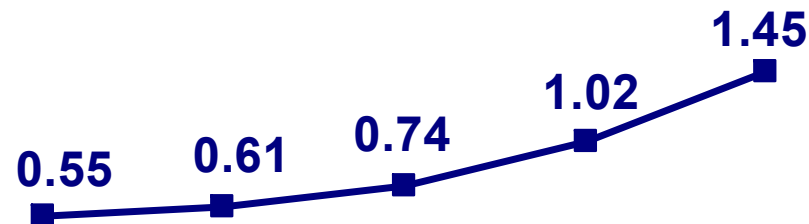
\* Pre-NIIF  
Internal sources based on published figures.

(1) British Banks' data at 30-Jun-08

# In Spain NPL ratio rises but also less than Spanish competitors...

NPL ratio  
Businesses in Spain  
(%)

**Coverage: 106%**



Sep.07 Dec.07 Mar.08 Jun.08 Sep.08

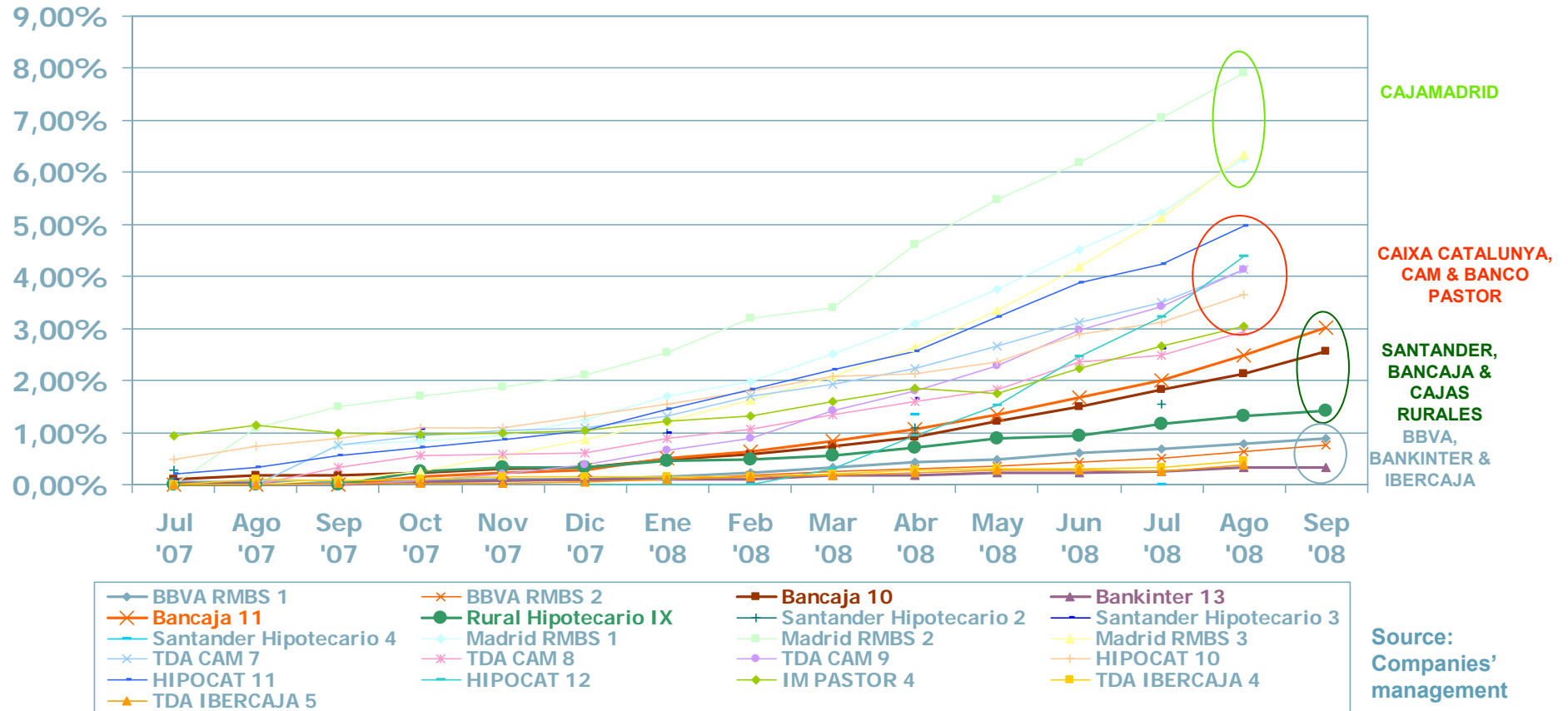
**Maximum risk premium capped**

**Purchase of real estate assets in 2008 for €340m**

**Asset quality advantage over competitors widens**

# Securitizations: Spanish RMBS performance

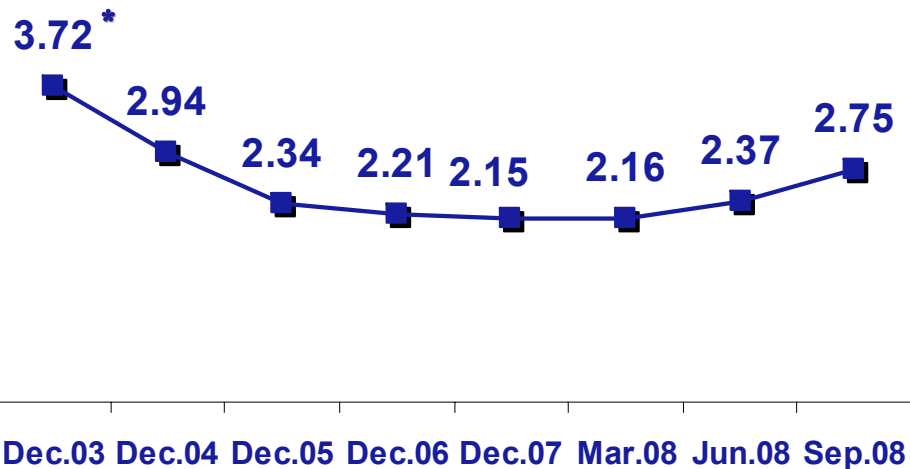
PUBLISHED DEFAULT RATE (+90 days in arrears)



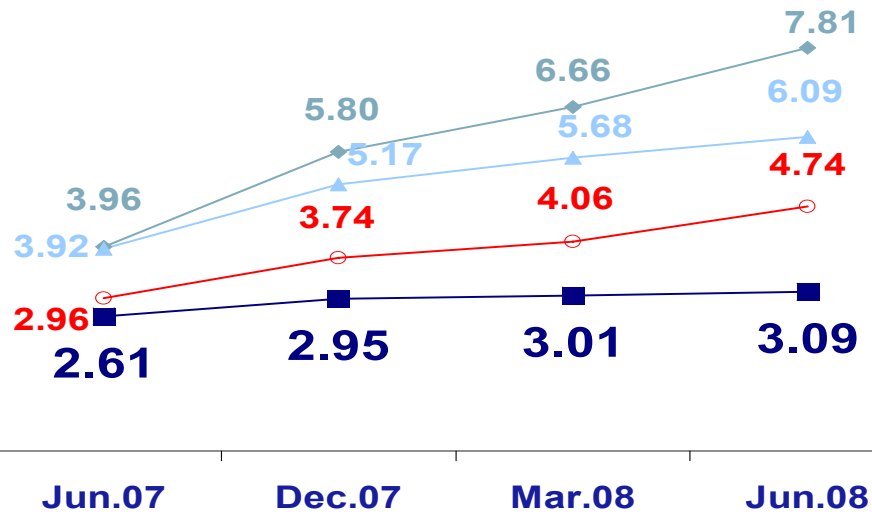
Source:  
Companies' management

# ... as its also the case in Mexico

**NPL ratio**  
Mexico country  
(%)



**Risk premium**  
Mexico  
(%)



■ Bancomer   
 ◆ Peer 1   
 ○ Peer 2   
 ▲ Peer 3  
 Internal sources based on published figures & local criteria

**Coverage: 191%**

**Provisions in constant €: +32.6%**

**Risk premium is substantially lower than peers due to anticipation: provisions based on expected loss**

\* Pre-NIIF

**1**

**BBVA: a business model focused on retail banking**

**2**

**Balance Sheet**

**3**

**Generating recurrent earnings**

- Pricing
- Costs
- Provisions

**4**

**Strategy**

**3 BBVA is delivering recurrent earnings**

**BBVA's profits are based on ...**



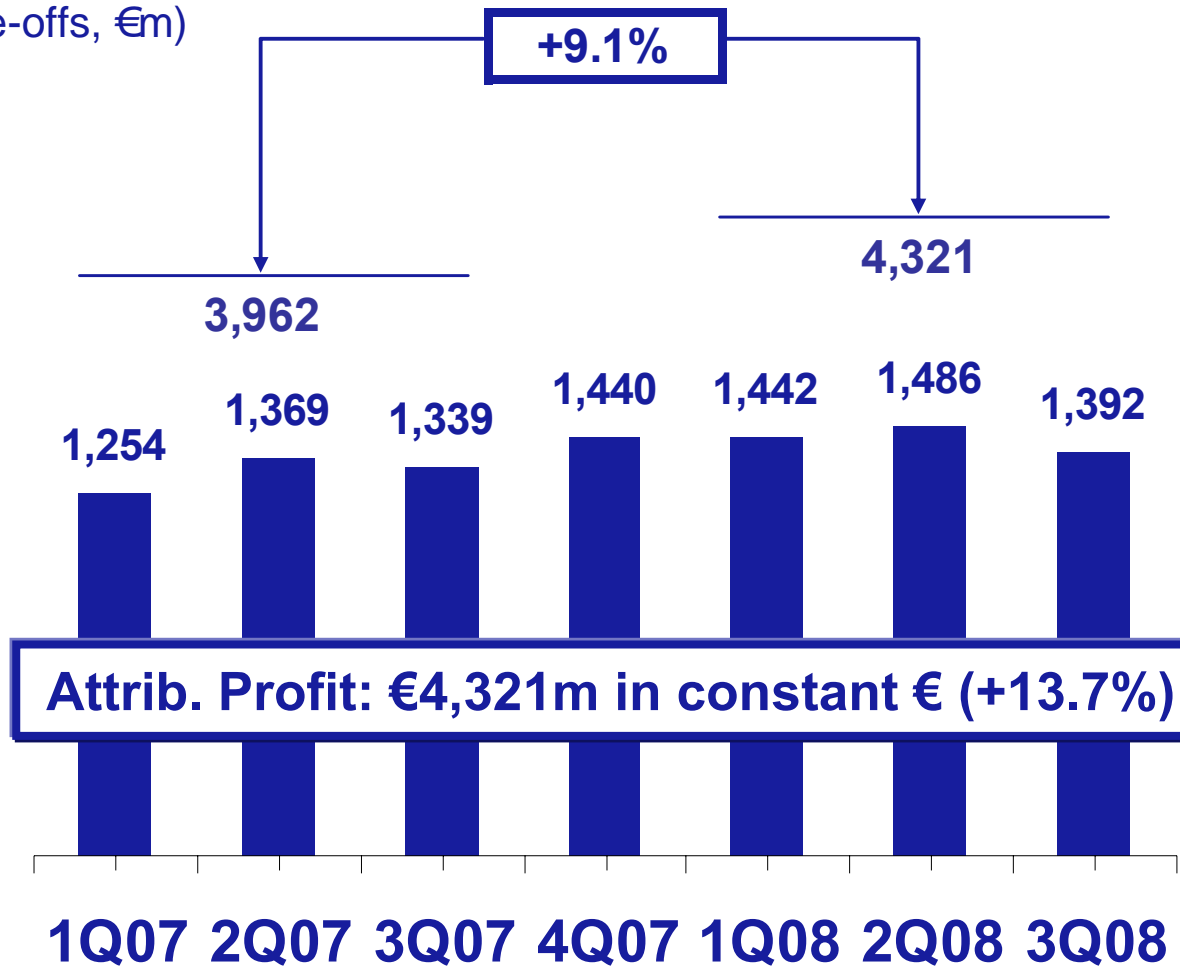
- A** **Quality of earnings**
- B** **Strong focus on pricing**
- C** **Strict cost control**
- D** **Special effort in provisioning**

**... resulting in high profitability**



# Despite complex conditions, BBVA continues to deliver solid profit growth

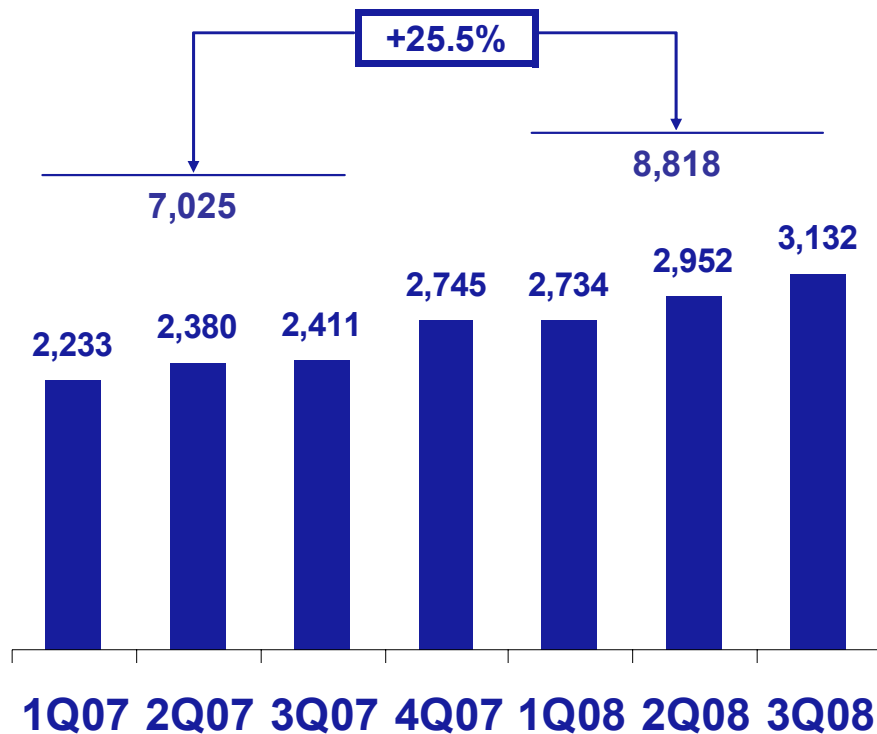
**Net attributable profit**  
(Excluding one-offs, €m)



**Quality earnings based on ...**

# Recurrent revenues ...

**Net interest income**  
Quarter-by-quarter  
(€m)



**Revenues**  
Cumulative change  
(%)

| BBVA Group ex-oneoffs | Euros | Constant euros |
|-----------------------|-------|----------------|
| Net Interest Income   | 25.5% | 31.8%          |
| Core Revenues         | 18.5% | 24.0%          |
| Ordinary Revenues     | 14.9% | 19.9%          |

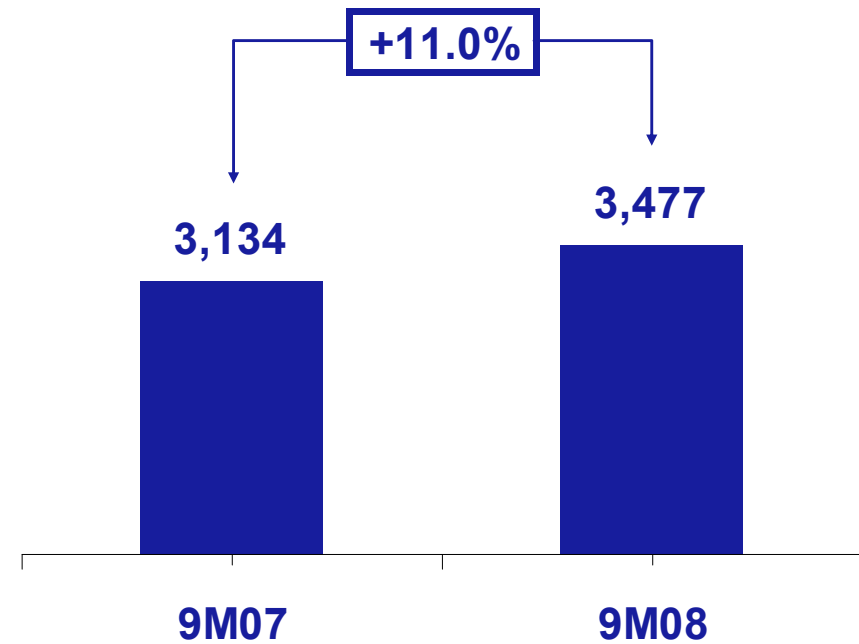
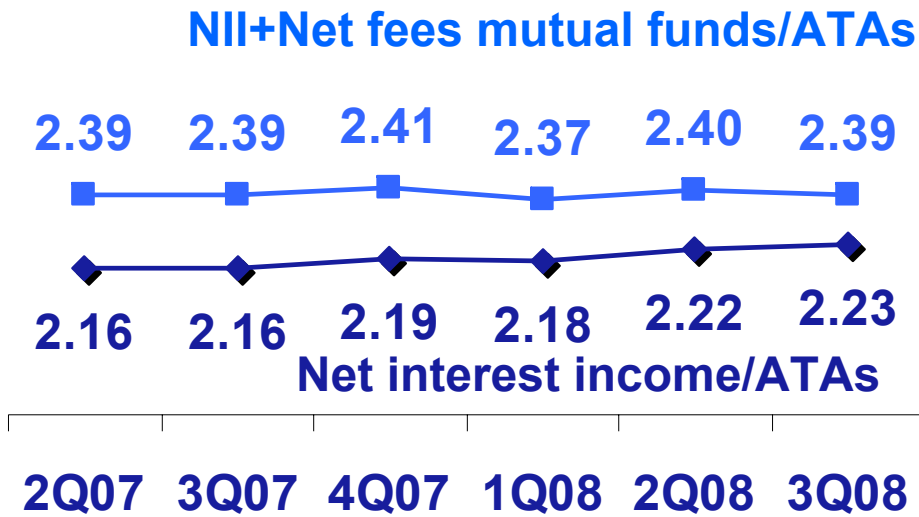




# Price management: our first priority in Spain...

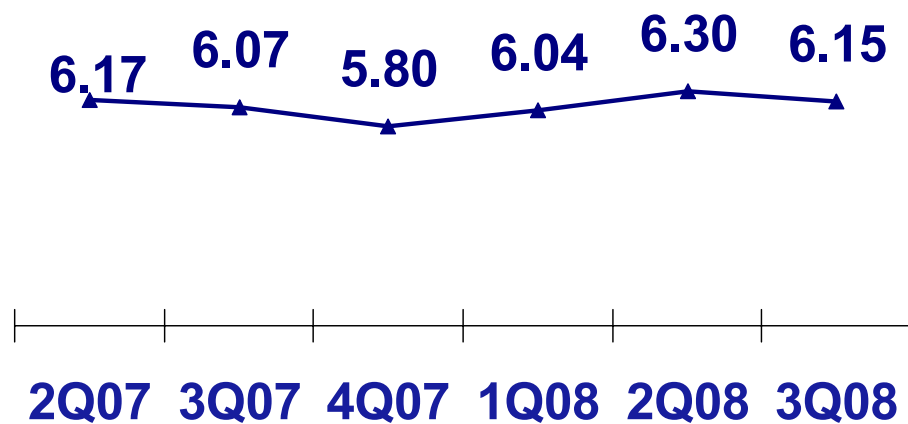
**Net interest income/ATAs & NII+Net fees mutual funds/ATAs (%)**

**Net interest income (%)**

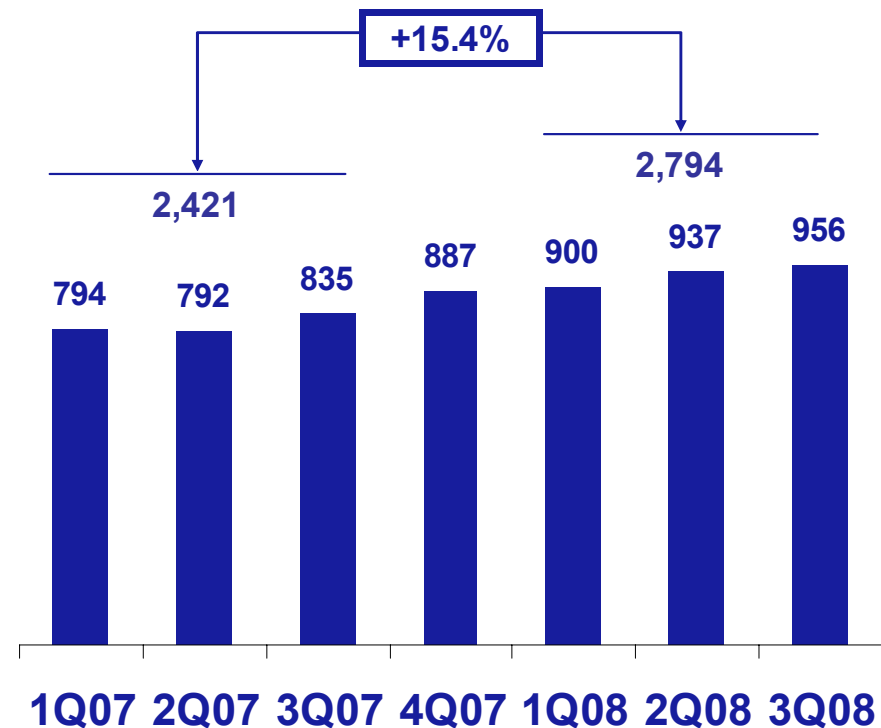


# ... and also in Mexico: stable net interest margin despite changes in lending mix

**Net interest income / ATAs  
(%)**

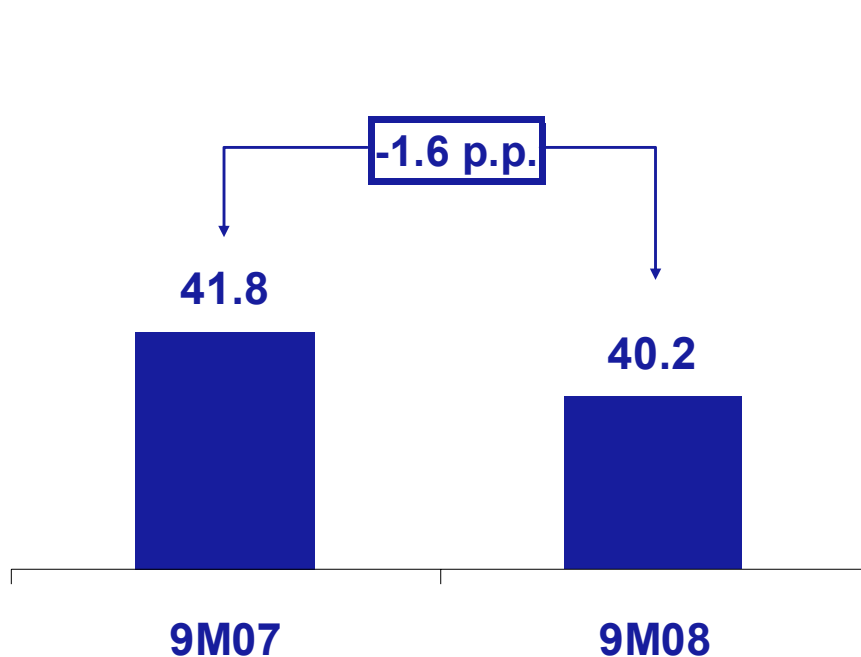


**Net interest income  
Mexico country  
Quarter by quarter  
(Constant €m)**



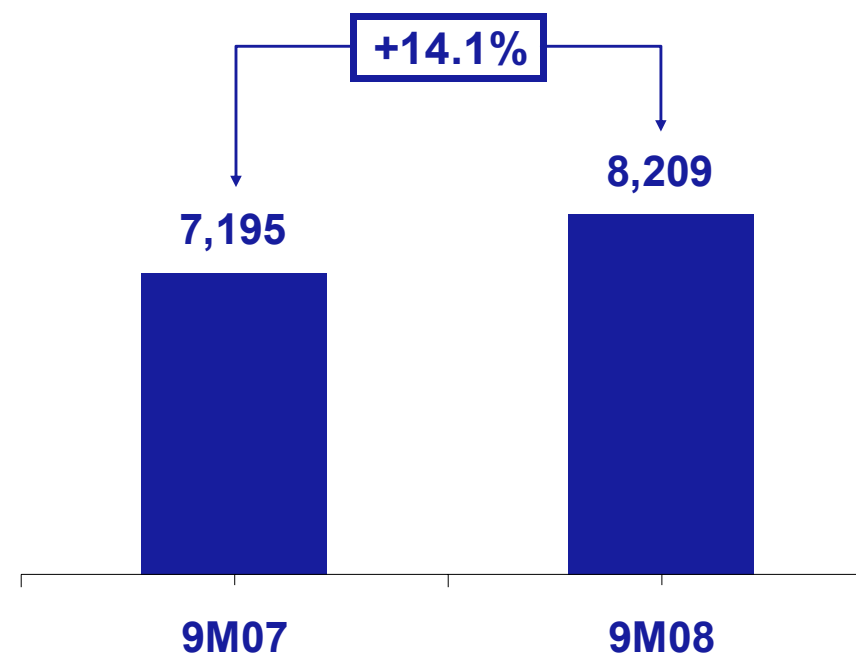
**C** **strict cost controls ...**

**BBVA Group**  
**Efficiency incl. depreciation**  
 (Excluding one-offs and Compass,  
 €m)



**Efficiency incl. depreciation,  
 excl. one-offs: 42.5%**

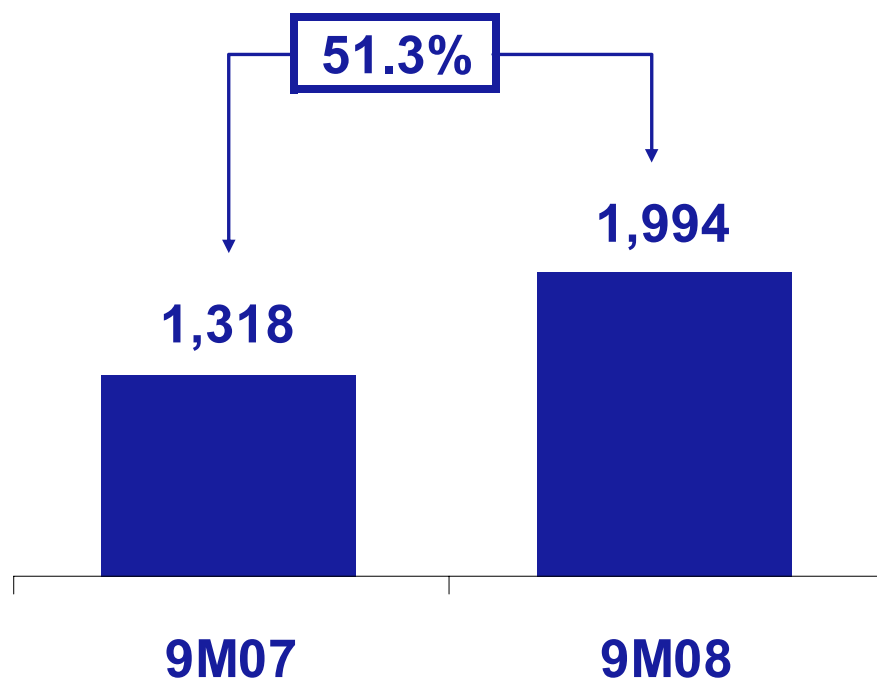
**BBVA Group**  
**Operating profit**  
 (Excluding one-offs, €m)



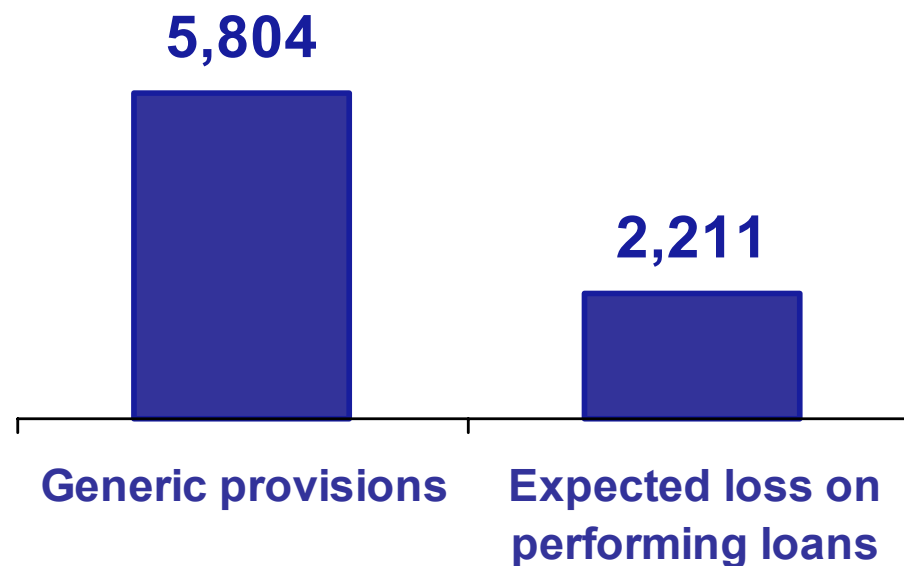
**Oper. profit excl. one-offs:  
 + 19.0% (constant €)**

**D** a special effort in provisioning

**BBVA Group**  
**Loan-loss provisions**  
 (€m)



**BBVA Group**  
**Generic provisions vs expected loss on performing loans**  
 (€m, Sep.08)



**1**

**BBVA: a business model focused on retail banking**

**2**

**Balance Sheet**

**3**

**Generating recurrent earnings**

**4**

**Strategy**

**4** **Strategy**

**4.1**

**Structural  
client  
growth**

**4.2**

**Low cost  
producer**

**4.3**

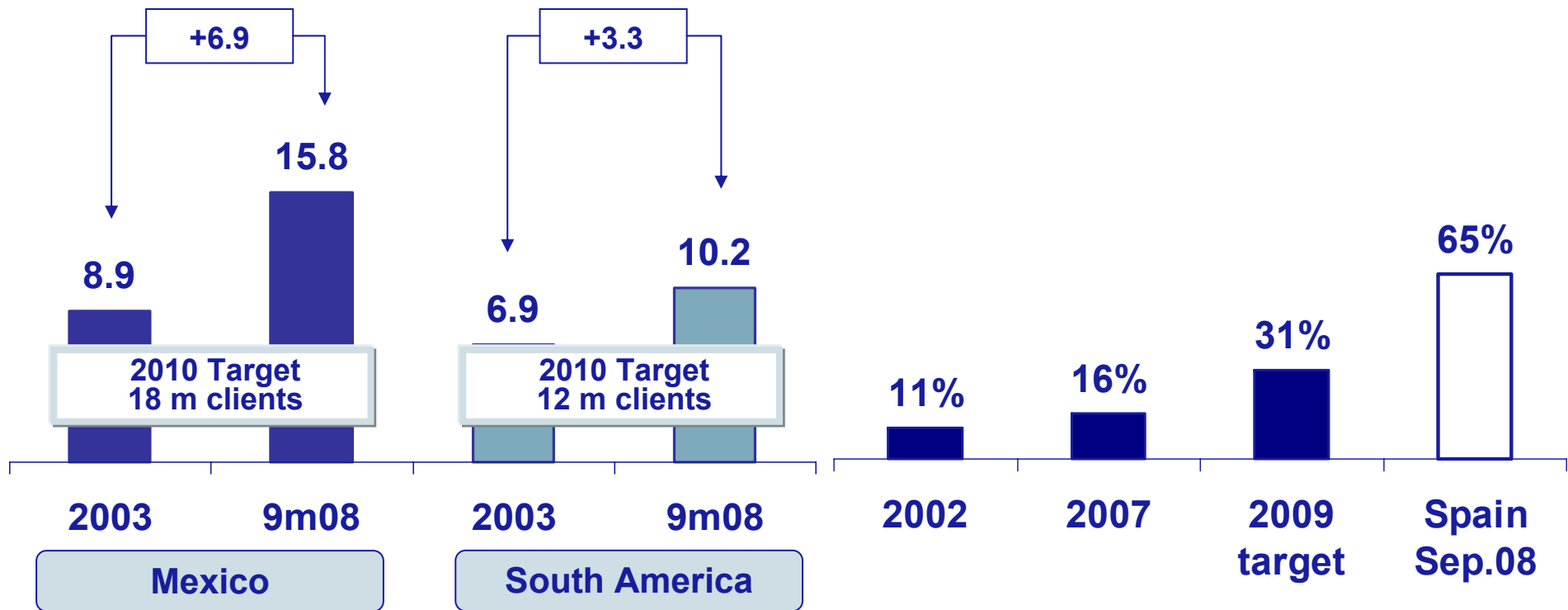
**Non-organic  
growth: US  
franchise  
integration**

4.1

# We are focused on bolstering client-driven BBVA growth in all our franchises

Individuals  
BBVA Customer Base  
(Million people)

SME's  
Bancomer's customers with a loan  
(%)



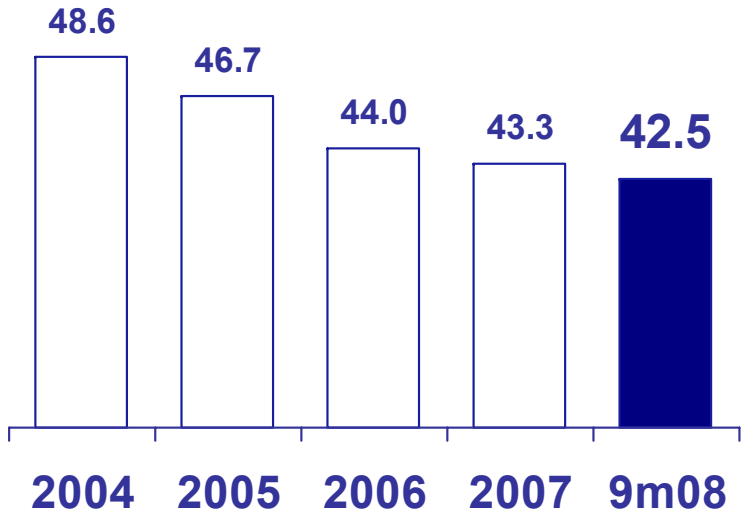
**Customer growth based on low-cost strategies**

4.2

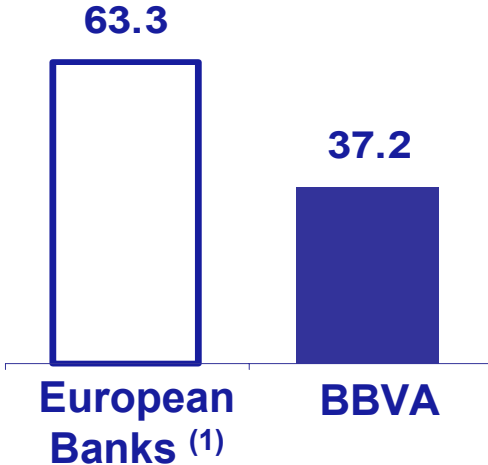
# BBVA Group is already the most efficient bank among European peers

**BBVA**

**Cost/income ratio excluding one-offs**  
(Depreciation included, %)



**Cost/income ratio including one-offs**  
(Depreciation included, %)



(1) Average major listed European banks. British bank's data for Jun-08.

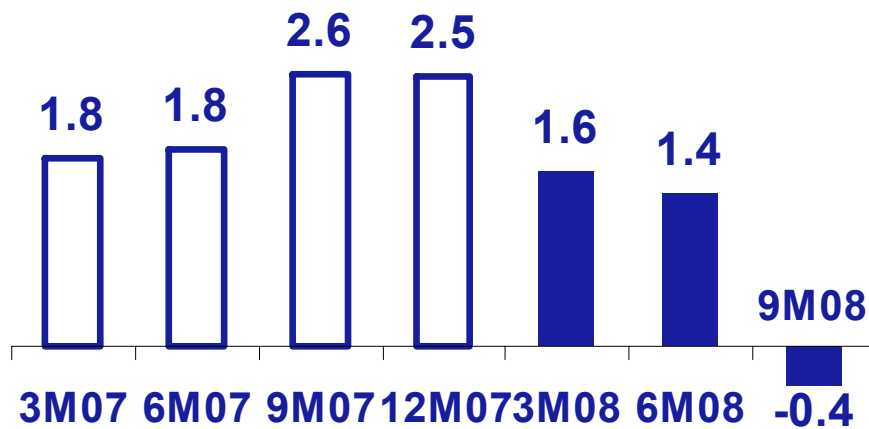
Internal sources based on public information

**But we continuously work to improve....**



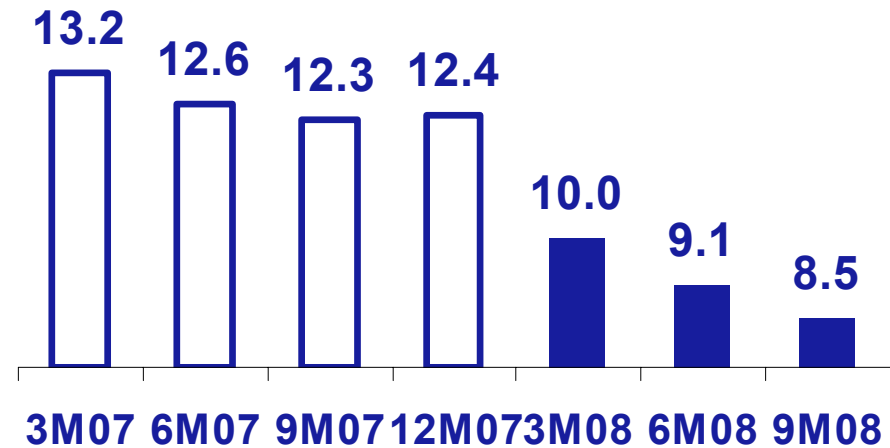
# Constant attention to transformation leads to new improvements in efficiency

**Spain & Portugal: General admin expenses**  
Cumulative year-on-year growth (%)



**Efficiency incl. deprec:  
35.3% (-2.6 points)**

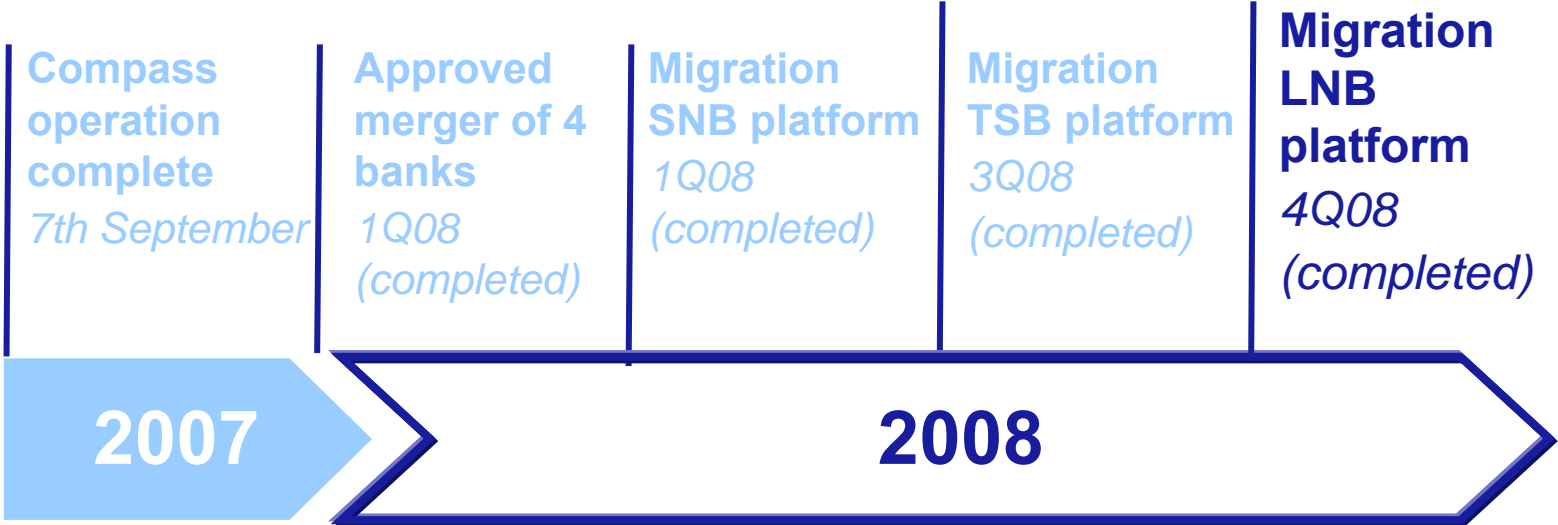
**Mexico: General admin expenses**  
Cumulative year-on-year growth (%)



**Efficiency incl. deprec:  
31.8% (-2.4 points)**

4.3

# US integration process is on track



**Synergies according to expectations**

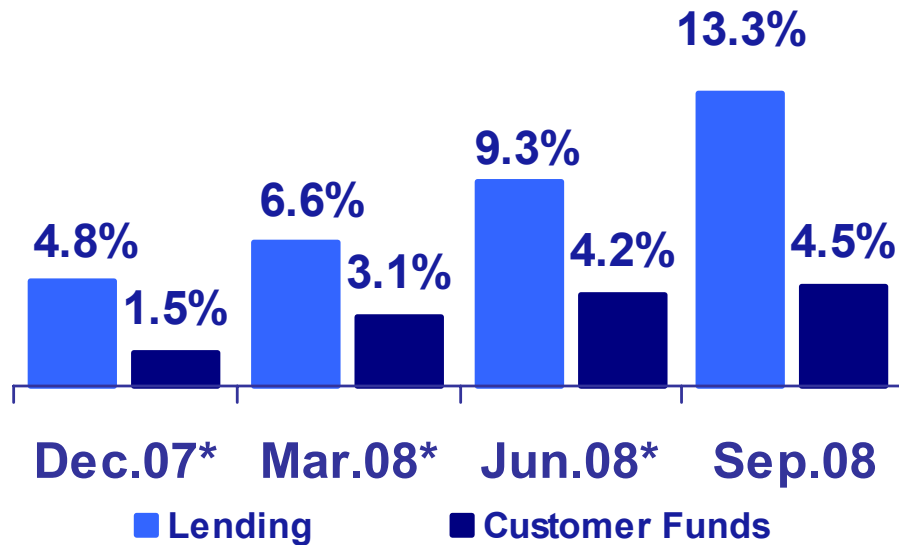
**Cost: income\*: 56.9% (-1.9 p.p. since Dec.07)**

**Establishing the  Compass brand**

\*Cost/income ratio before amortisation of intangibles

# Growth in activity since Compass acquisition

**Lending and customer funds**  
Compass BG  
Year-on-year growth  
(Average balances)

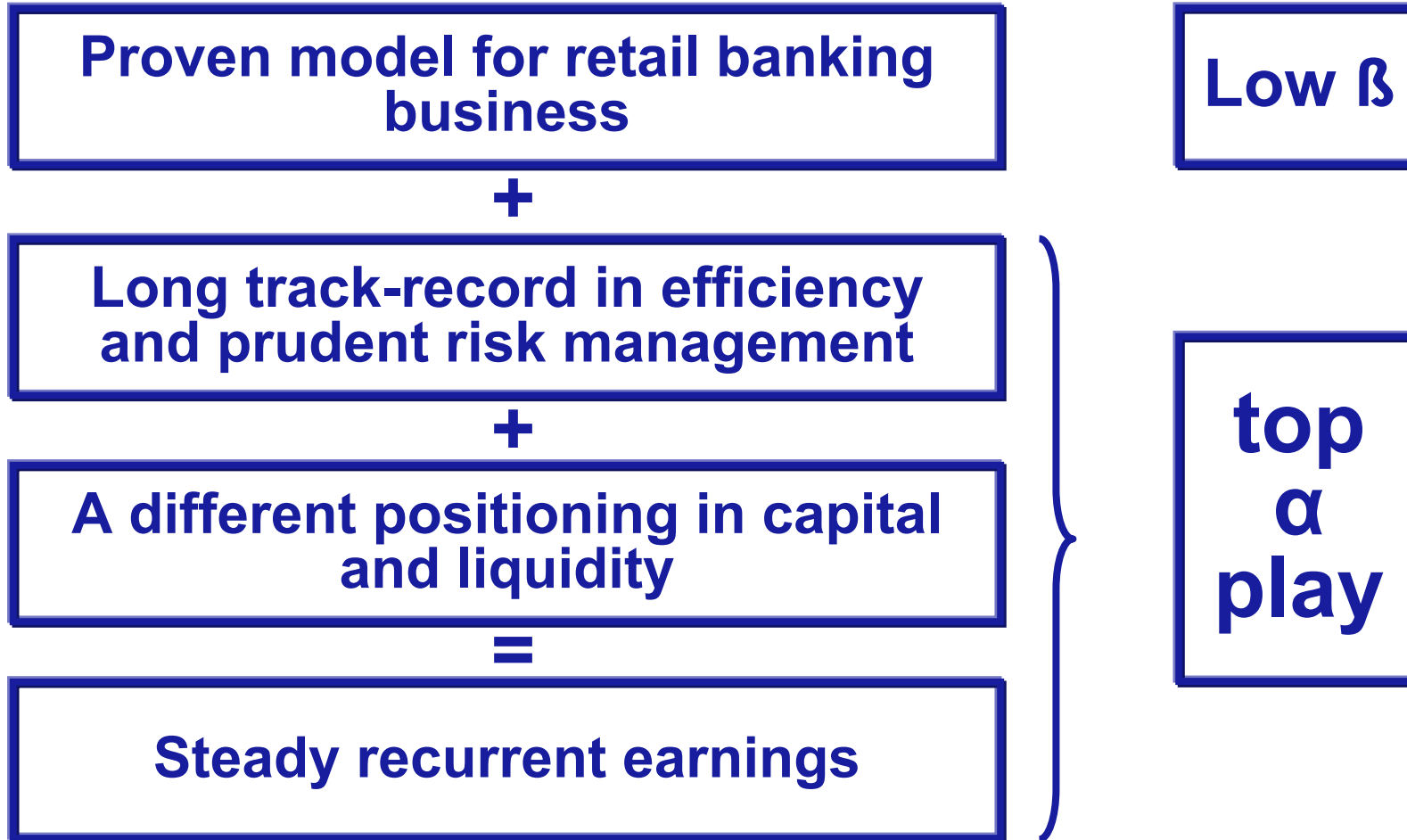


**Lending**  
Compass BG  
Year-on-year growth  
(Average balances)

| Individuals                 |                                     |
|-----------------------------|-------------------------------------|
| APR Sep.08/Sep.07<br>+19.1% | FICO SCORE: 729<br>vs 712 at Dec.07 |
| SMEs                        |                                     |
| APR Sep.08/Sep.07<br>+10.2% | Risk grade: 5.6<br>vs 6.2 at Dec.07 |

\* Includes Compass in continuity

# The financial sector crisis highlights BBVA's strengths



**BBVA: top investment choice again in 2009**



# BBVA

## Société Générale Premium Review

Paris, 3<sup>rd</sup> December 2008

