



## **UBS Global Financial Services Conference**

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### **BBVA: Recurrent and sustainable earnings**

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NY, May 13th 2009



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**1****Outstanding earnings performance  
through the crisis****2****Recurrent and high quality  
operating income****3****Strong profitability and  
organic capital generation****4****Improving asset quality trends****5****Conclusions**

**1****Outstanding earnings performance  
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# Outstanding earnings performance in 2008

	2007	2008
<b>Net attributable profit ranking</b>	11 <sup>th</sup>	2 <sup>nd</sup> 
<b>Market capitalization ranking</b>	17 <sup>th</sup>	7 <sup>th</sup> 
<b>Total relative shareholder return *</b>	3 <sup>rd</sup>	1 <sup>st</sup> 
<b>S&amp;P rating</b>	AA-	AA 

**... as a consequence of a prudent management and corporate positioning in retail banking**

# Confirming the recurrent nature and sustainability of our business model **BBVA**

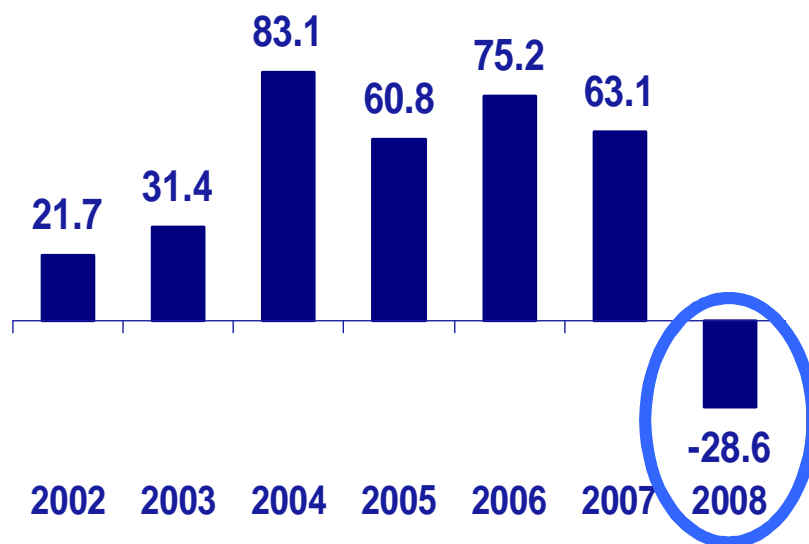
**Superior performance**

**+**

**Sustainable profit**

## Net attributable profit

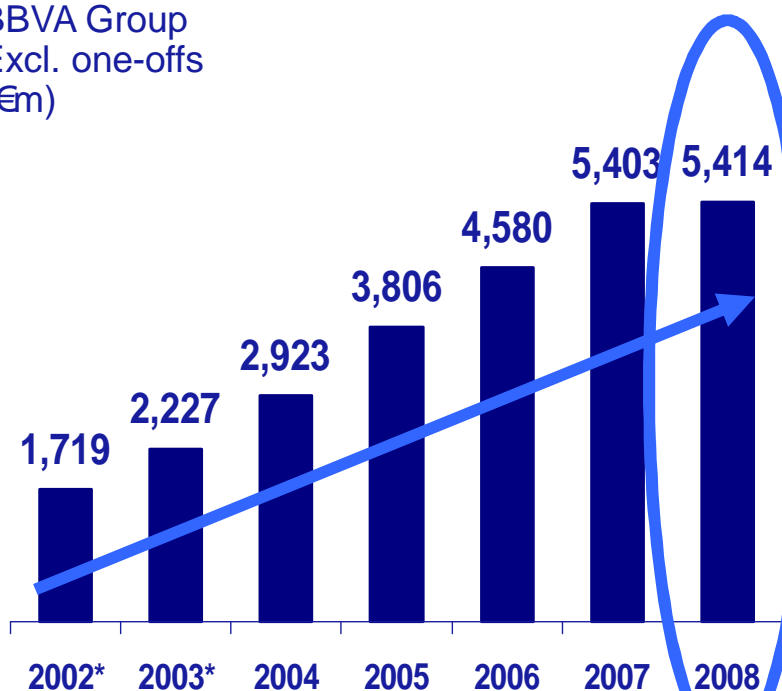
Peer group aggregate excluding BBVA Group  
(€bn)



Peers: Barclays, BNPP, Crédit Agricole S.A., Credit Suisse, Deutsche Bank, HBOS, Intesa Sanpaolo, Lloyds, RBS, Santander, Société Générale, UBS and Unicredit

## Net attributable profit

BBVA Group  
Excl. one-offs  
(€m)

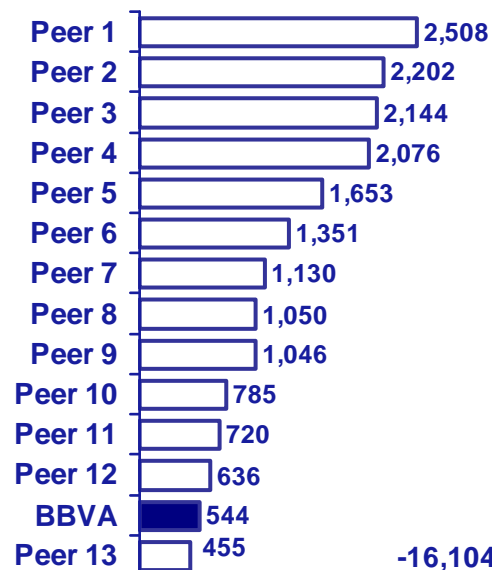


Net attributable profit 2008 including one-offs is €5,020m

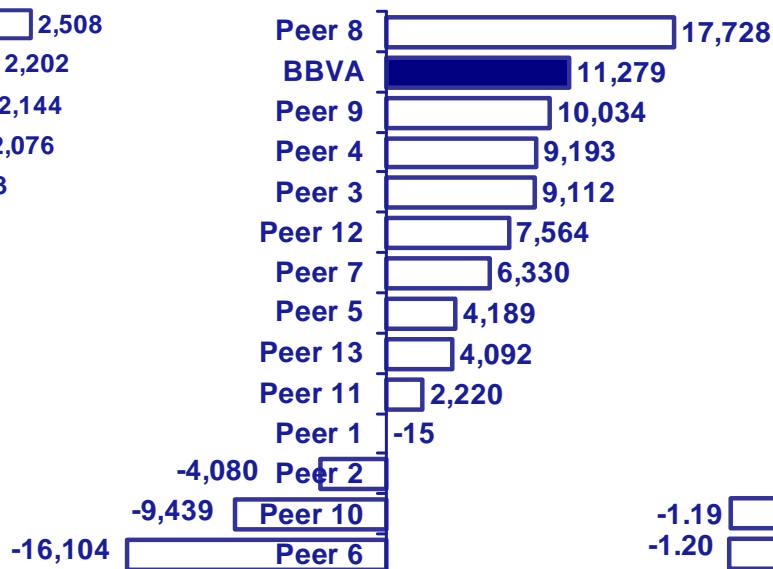
# 2008, a year in which the crisis has clearly taken a toll on the financial industry

**BBVA**

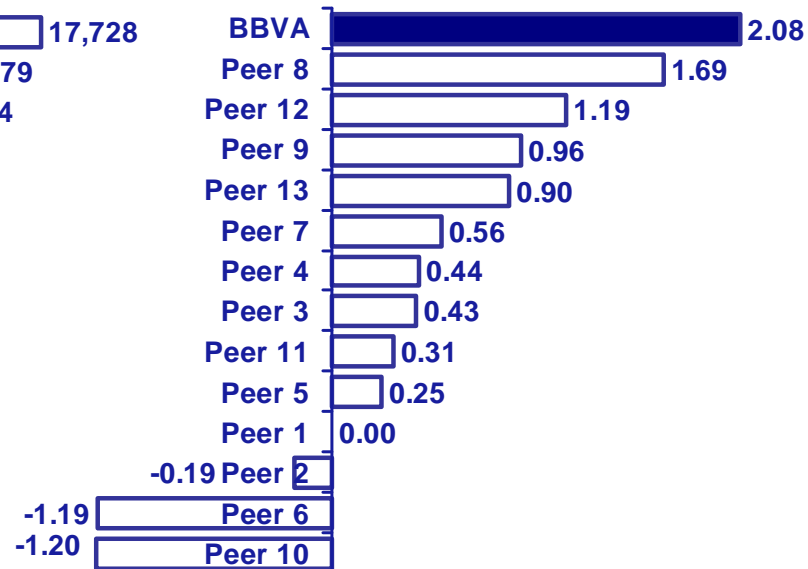
**Total assets**  
Peer Group  
(€bn, Dec.08)



**Operating Income**  
Peer Group  
(€m, Dec.08)



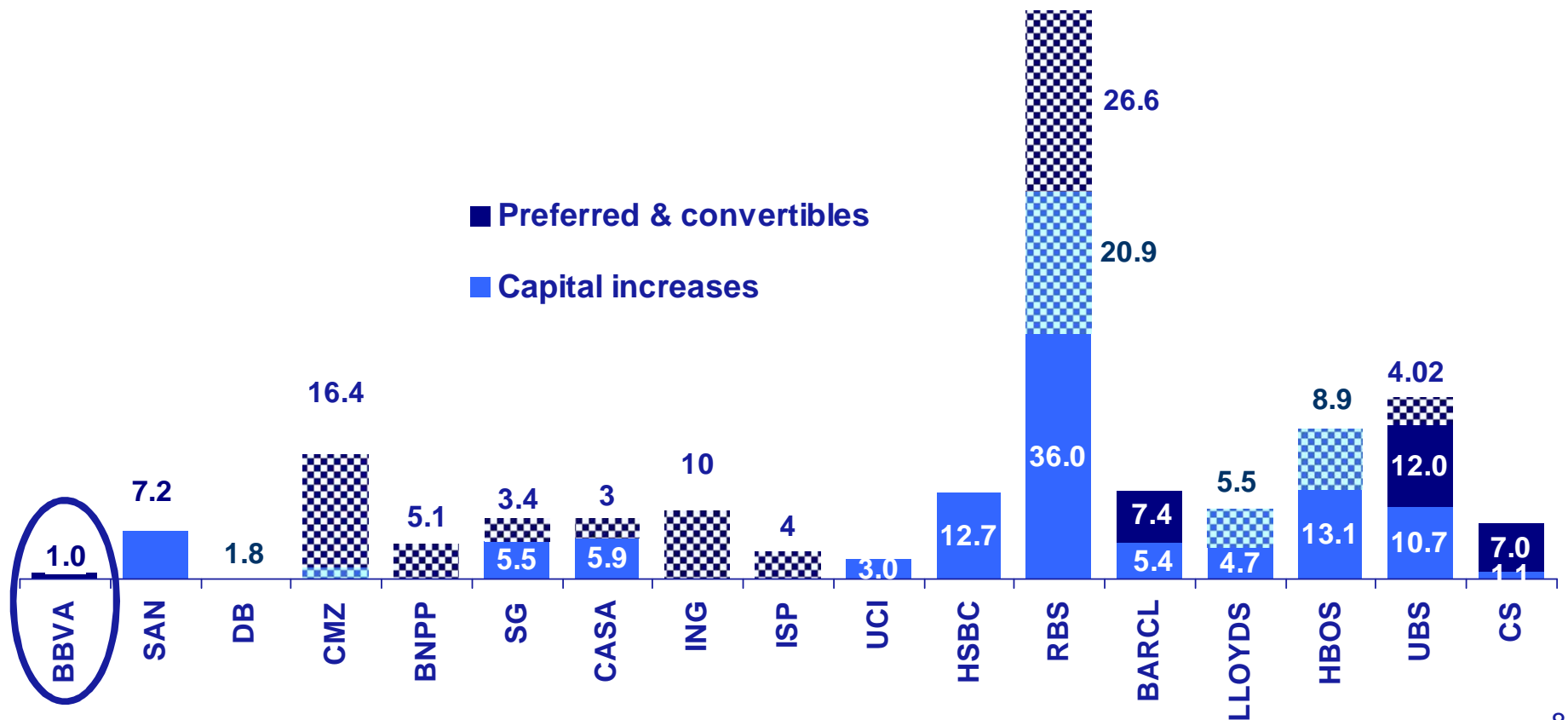
**Operating Income/Total assets**  
Peer Group  
(%, Dec.08)



**Strong operating income is a distinct feature of the BBVA Group**

# Capital actions have been diverse in 2008, mirroring the differences in business models and strategies

**Capital actions executed or announced since January 2008 (€Bn)  
Excludes M&A driven capital increases  
(Checked = government sponsored)**





# Organic capital generation in 2008 is also an evidence of such differences

CORE CAPITAL	31 Dec. 2008	Capital growth ex capital increases
<b>BBVA Group</b>	<b>6.20%</b>	<b>+0.40 p.p.</b>
Peer 1*	6.30%	+0.30 p.p.
Peer 2*	8.57%	-0.11 p.p.
Peer 3*	5.87%	-0.21 p.p.
Peer 4	5.42%	-0.28 p.p.
Peer 5**	7.00%	-0.41 p.p.
Peer 6*	6.39%	-0.41 p.p.
Peer 7	5.80%	-0.50 p.p.
Peer 8*	7.23%	-0.69 p.p.
Peer 9	6.84%	-1.35p.p.
Peer 10**	7.60%	-1.37 p.p.
Peer 11*	8.59%	-3.25 p.p.
Peer 12	5.60%	-4.84 p.p.
Peer 13	4.12%	-5.49 p.p.

\*Estimated Core capital Dec.07 calculated as (Core capital BISII/Core capital BISI)

\*\* Core capital according to BIS I

Peers: Barclays, BNPP, Crédit Agricole S.A., Credit Suisse, Deutsche Bank, HBOS, Intesa Sanpaolo, Lloyds, RBS, Santander, Société Générale, UBS y Unicredit

**1**

Outstanding earnings performance  
through the crisis

**2**

**Recurrent and high quality  
operating income**

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Strong profitability and  
organic capital generation

**4**

Improving asset quality trends

**5**

Conclusions

**First quarter 2009: encouraging signs and reassuring 2008 strengths**

**BBVA**

**BBVA's operating income is based on ...**



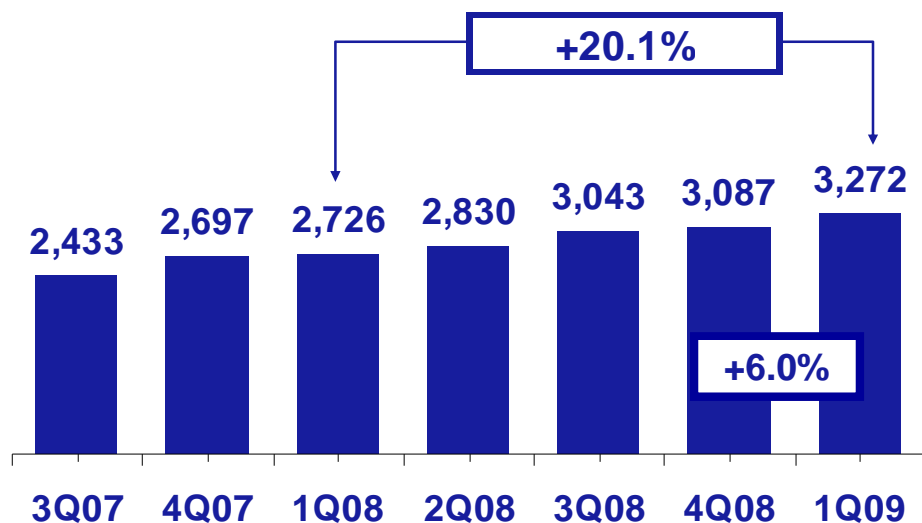
**High quality of gross income**

**Focus on pricing and mix management**

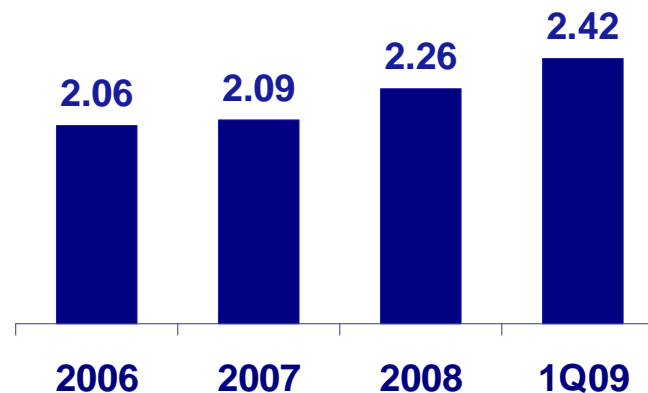
**Strict cost control**

# Strong growth of net interest income

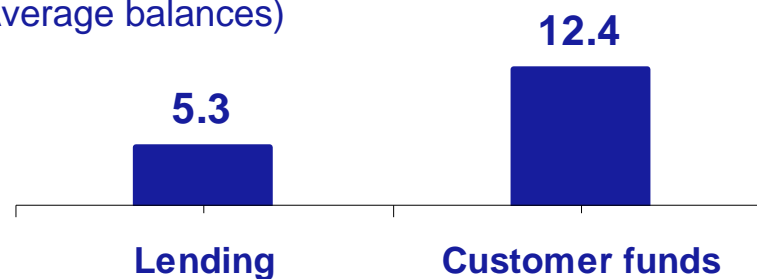
**Net interest income**  
BBVA Group  
(€m)



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



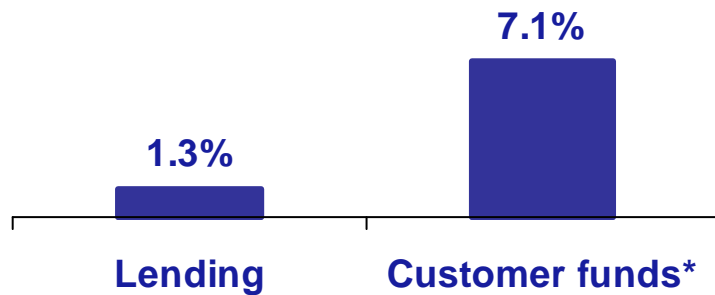
**Lending and customer funds**  
BBVA Group  
Year-on-year growth  
(Average balances)



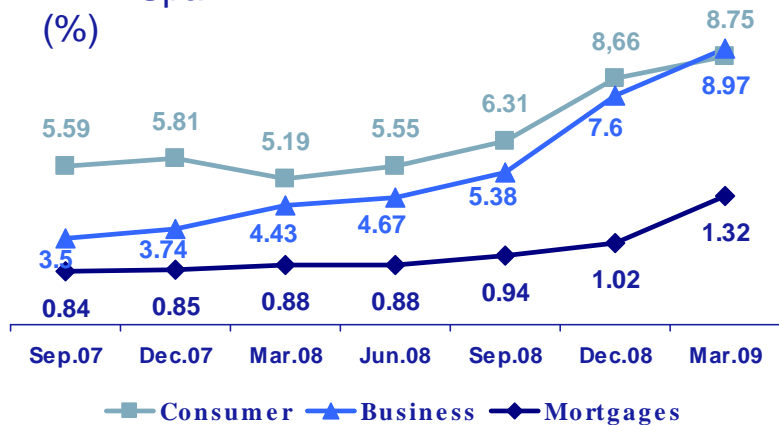
**Appropriate management of the slowdown  
and focus on pricing**

# Focus on pricing, a clear management commitment

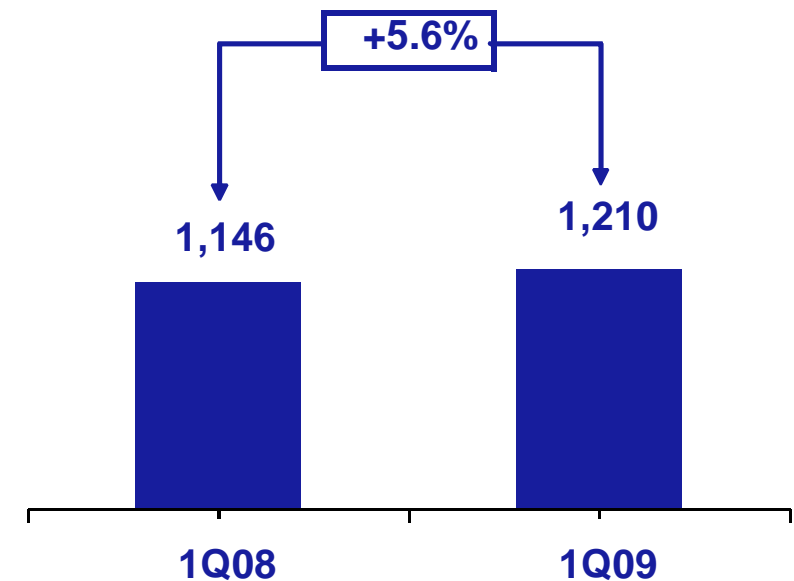
**Lending and customer funds  
Spain & Portugal**  
Year-on-year growth  
(Average balances)



**Front book spreads  
BBVA Spain**  
(%)



**Net interest income  
Spain & Portugal**  
(€m)

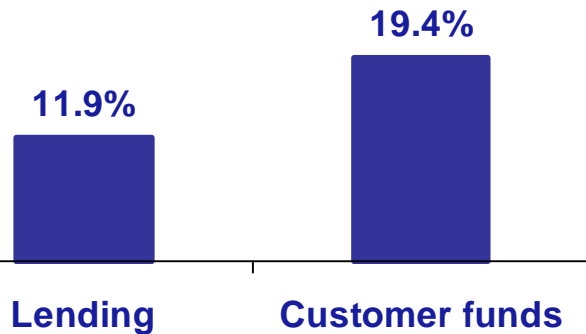


**+31.9% on €balance sheet**

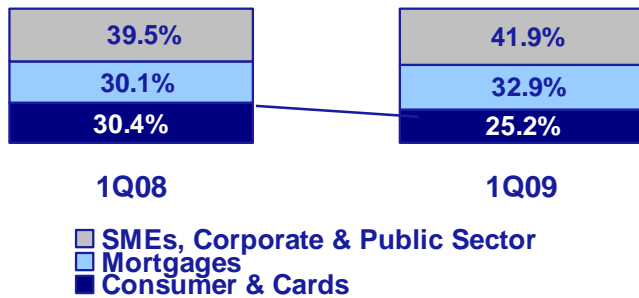
\* Liquid funds + time deposits

# In Mexico: good levels of business activity and prices maintained with lower-risk mix

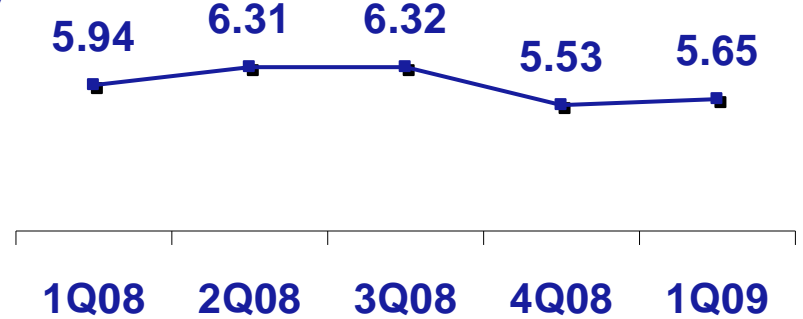
**Lending and cust. funds**  
Year-on-year growth  
(Average balances)



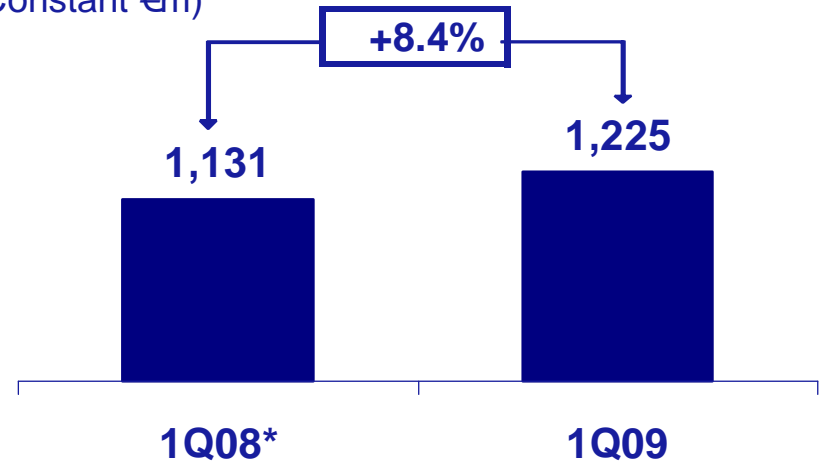
**Lending mix (%)**



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



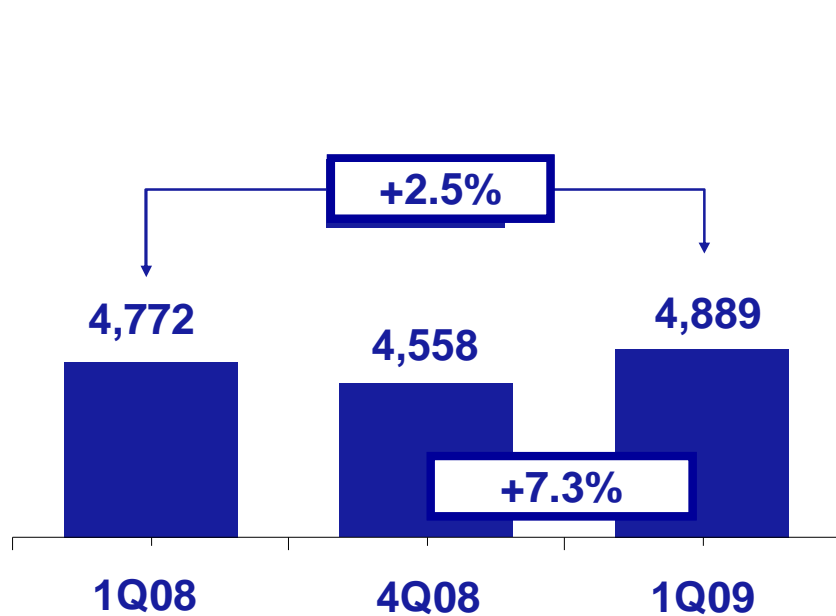
**Gross income (Constant €m)**



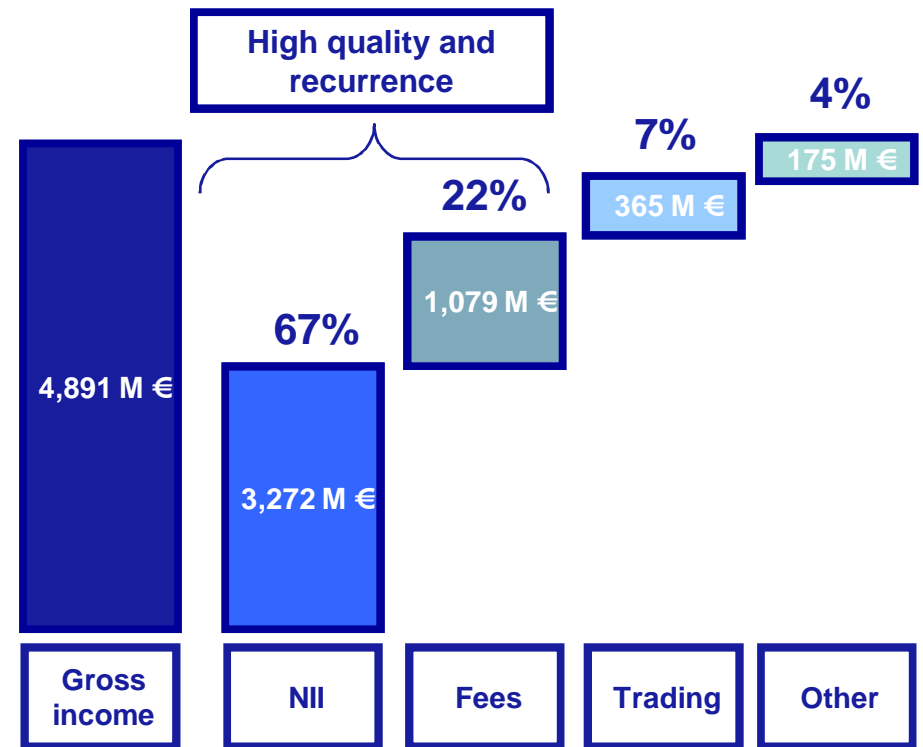
\* Ex- Visa IPO (96 M€ one-off)

# Delivering high quality gross income, with marginal **BBVA** contribution of trading income

Gross income  
BBVA Group  
(€m)

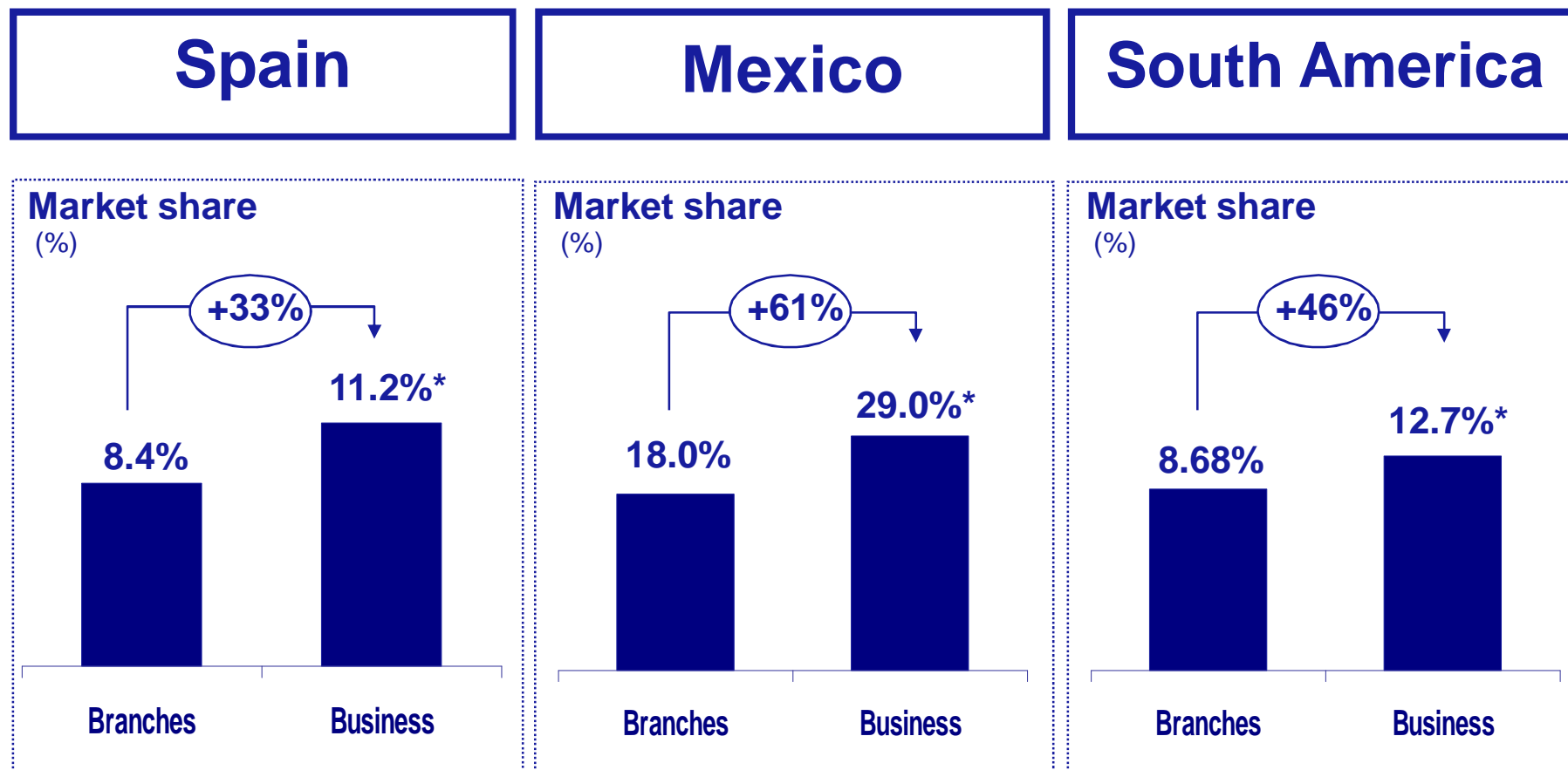


Breakdown of gross income  
BBVA Group  
(€m)



**NII and fees = 89%**  
**Retail networks = 84%**

# Firmly controlling costs, aiming to be the least cost producer in the industry



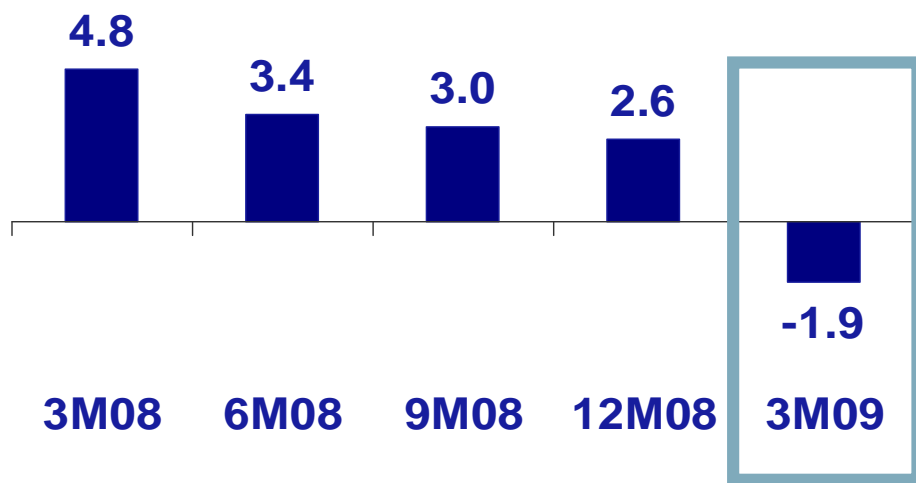
**Operating efficient networks is key given their weight in the Group's cost structure**

\* Lending + cust. funds; Dec 08 figures

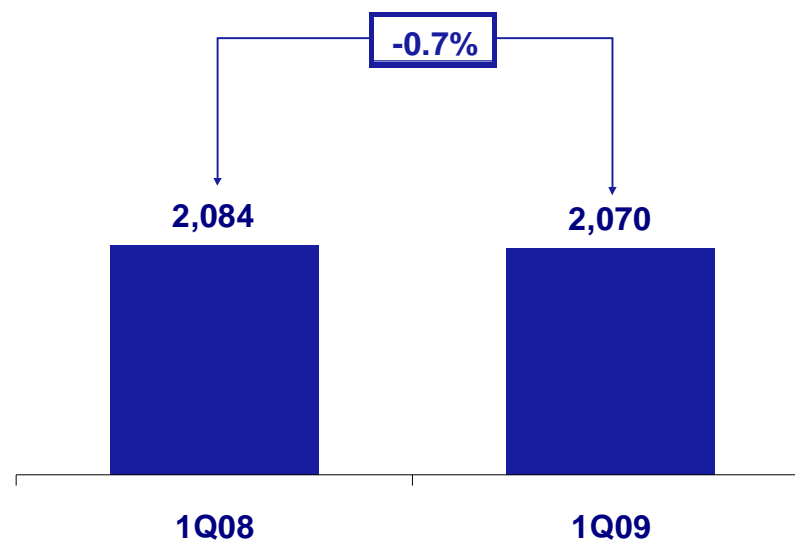


# To do so the Group has been working on its Transformation plan for years ...

**Total expenses**  
BBVA Group Excl. Compass and one-offs  
Year-on-year growth  
(%)



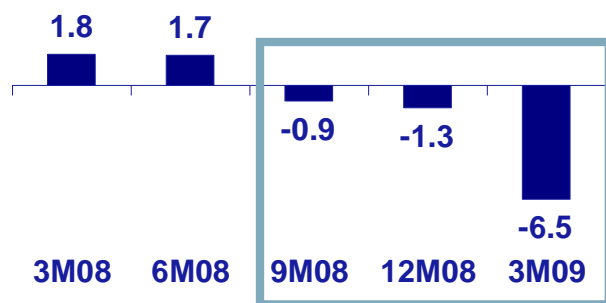
**Total expenses**  
BBVA Group  
(€m)



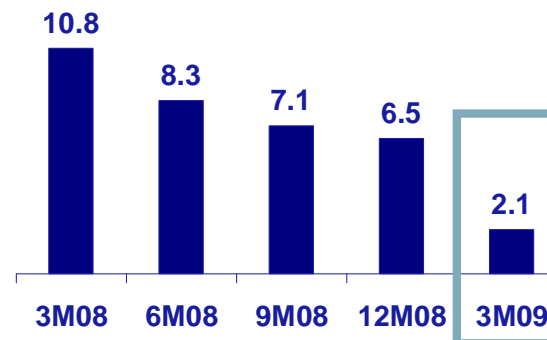
**Estimated growth of expenses in 2009: +0%**

# ... starting its implementation in Spain & Portugal and soon after in all other units

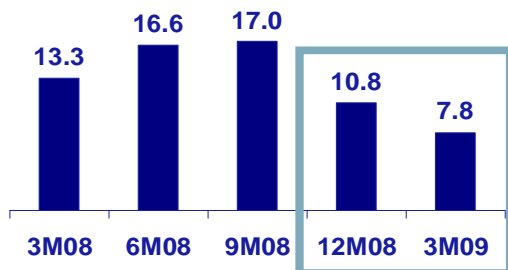
**Total expenses Spain & Portugal**  
Year-on-year growth (%)



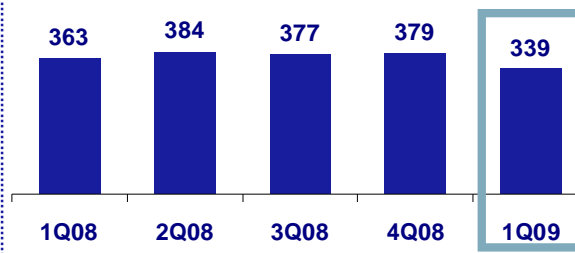
**Total expenses Mexico**  
Year-on-year growth (%)



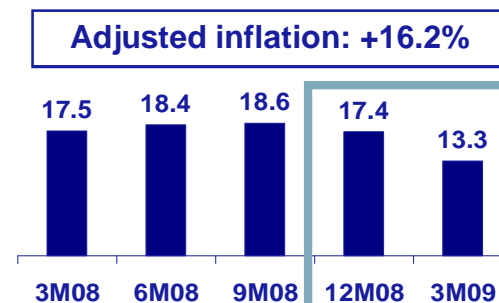
**Total expenses WB&AM**  
Year-on-year growth (%)



**Total expenses USA**  
Quarter by quarter (Constant €m)

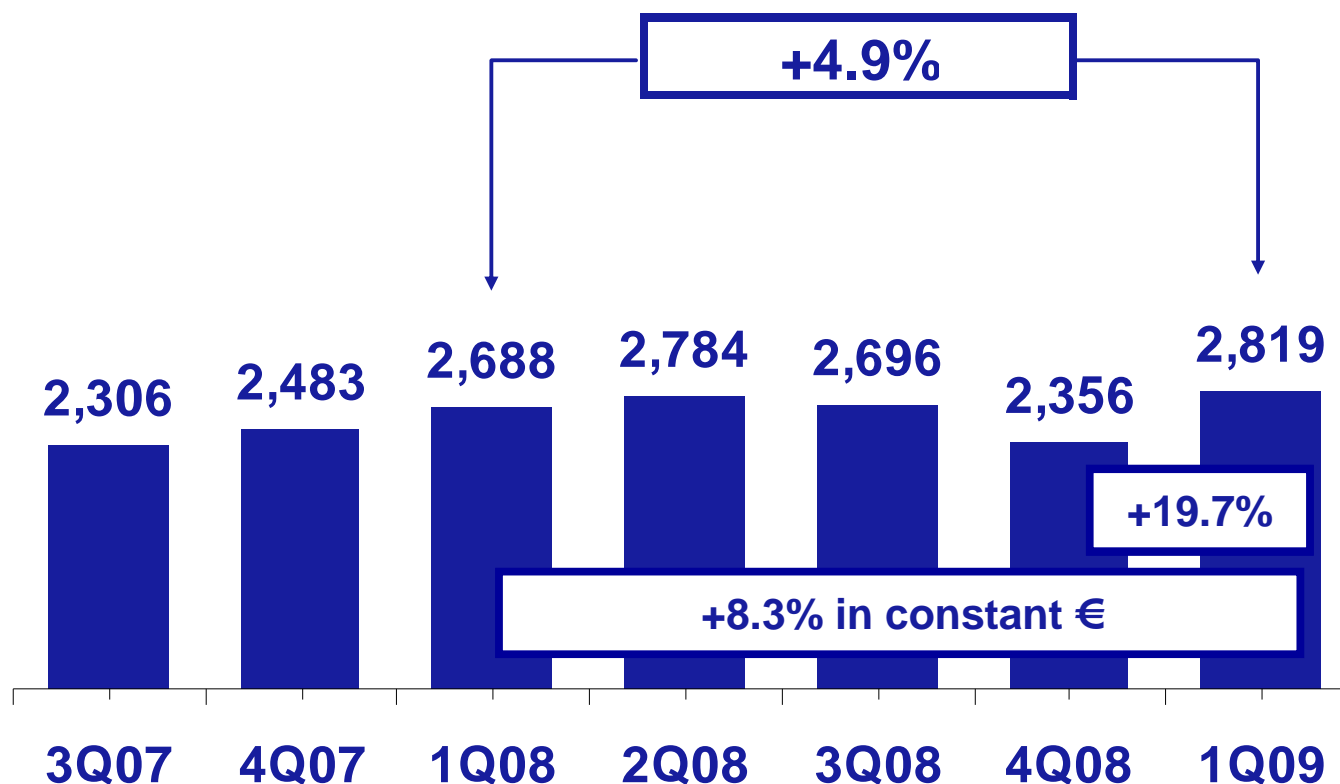


**Total expenses South America**  
Year-on-year growth (%)



# In summary, recurrent operating income

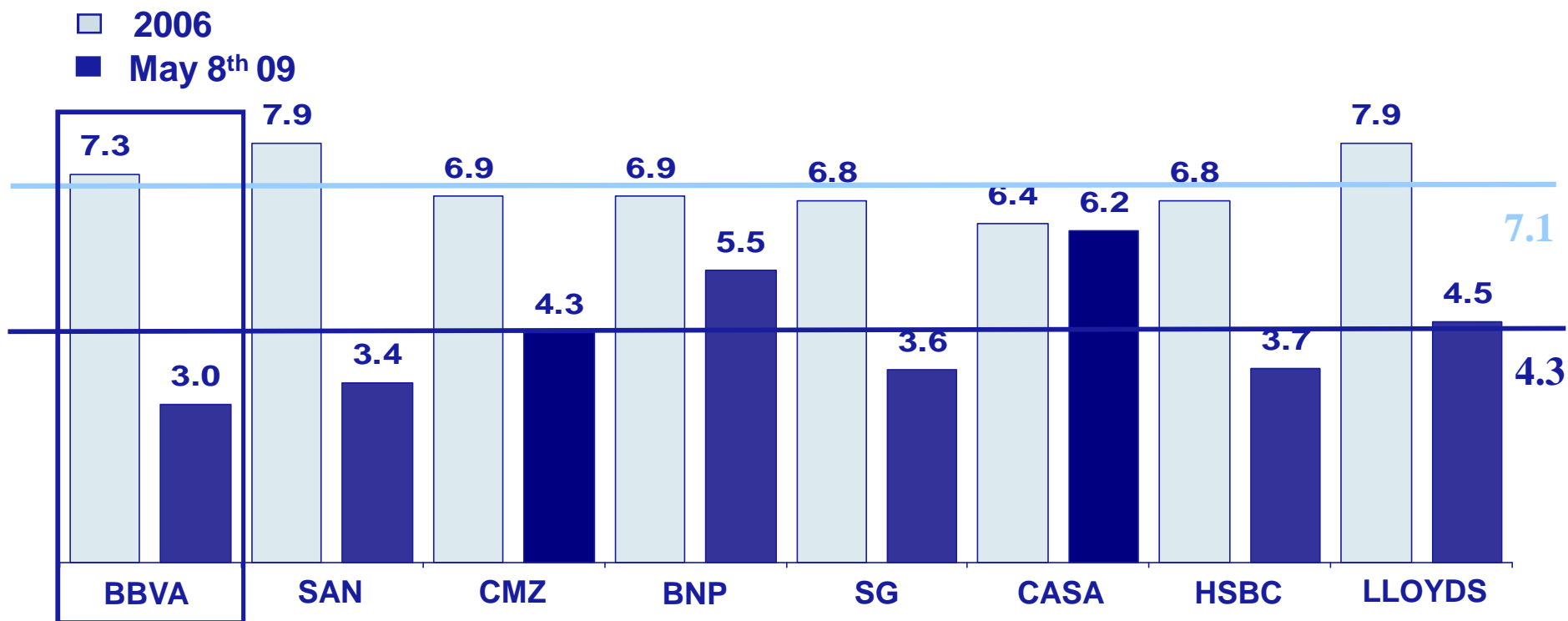
Operating income  
BBVA Group  
(€m)



**BBVA's operating income: Low beta + high alpha**

# Is the market pricing operating income strength?

## Evolution of market Cap. to operating income



**The market will eventually return to earnings metrics**

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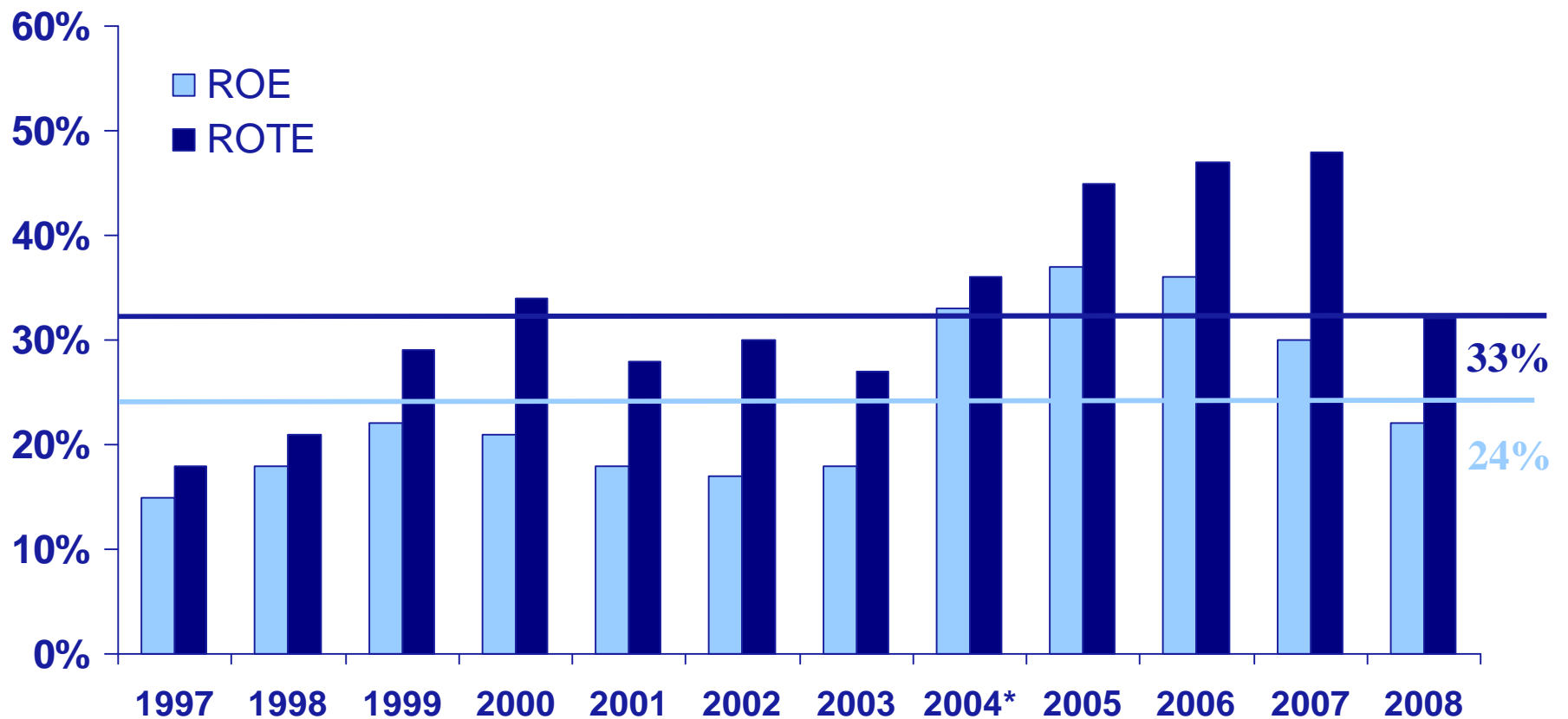
**4**

Improving asset quality trends

**5**

Conclusions

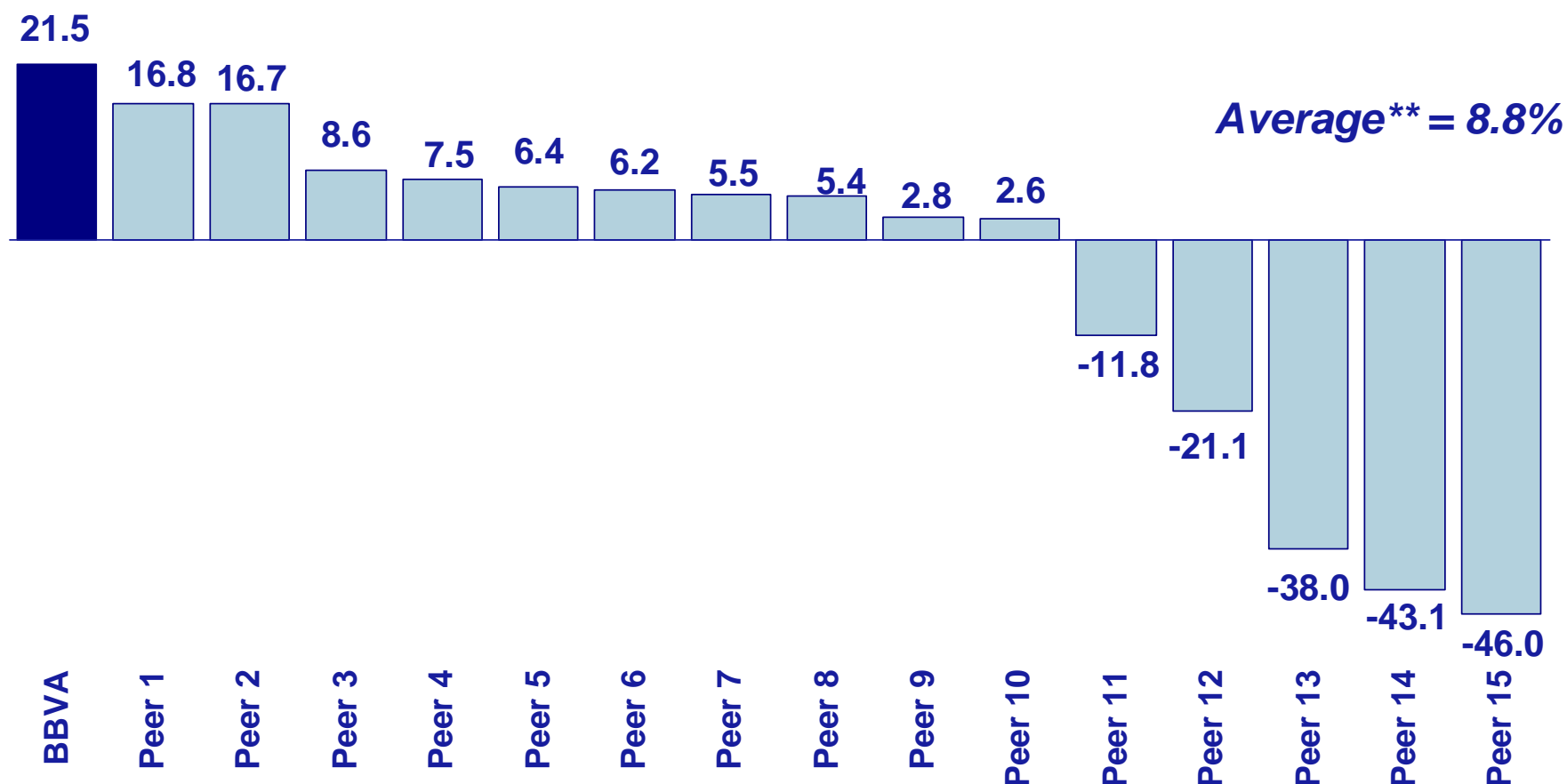
# BBVA has managed to maintain very strong profitability levels, even in downturns



\* Implementation of IAS

# A feature that stands out in the current context

## ROE\* 2008 (%)



\* Calculated as Reported Net Income / Average Reported Equity

\*\* Excludes DB, RBS, HBOS, UBS y CS, that reported losses in 2008

PEERS: BARC, BNPP, CASA, CMZ, CS, DB, HBOS, HSBC, ISP, LLOY, RBOS, SAN, SG, UBS and UCI

**And we continue to do so in 1Q09**

**1Q09 profitability ratios (%)**

**ROA: 1.00%**

**RoRWA: 1.88%**

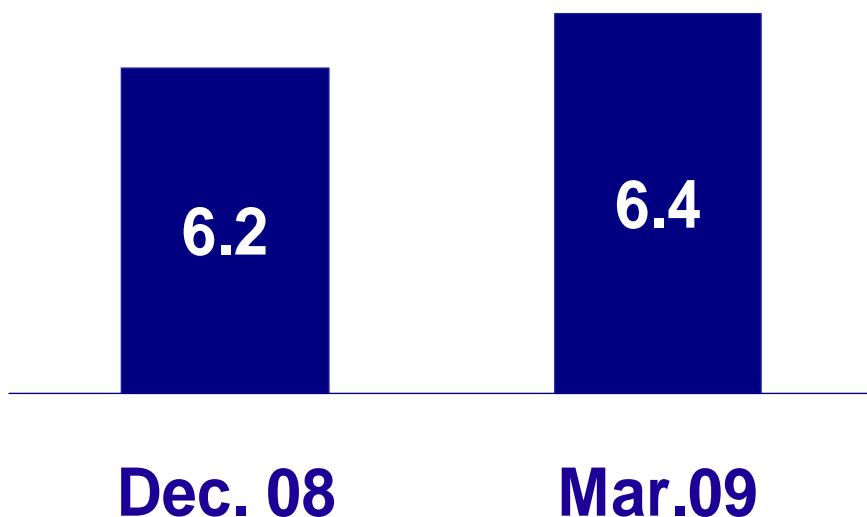
**ROE: 19.4%**

**ROTE: 26.7%**



# Which allow us to continue generating capital organically

**Core capital  
BIS II  
(%)**



**Tier I and Capital ratio  
BIS II  
(%)**

<b>Tier I</b>	<b>7.7%</b>
<b>Capital ratio</b>	<b>11.5%</b>

**Organic generation of capital: +20 b.p.**

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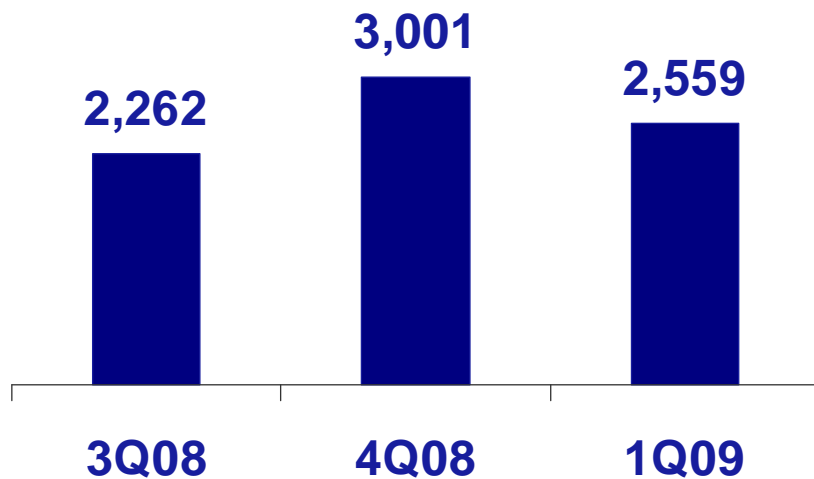
**5**

**Conclusions**

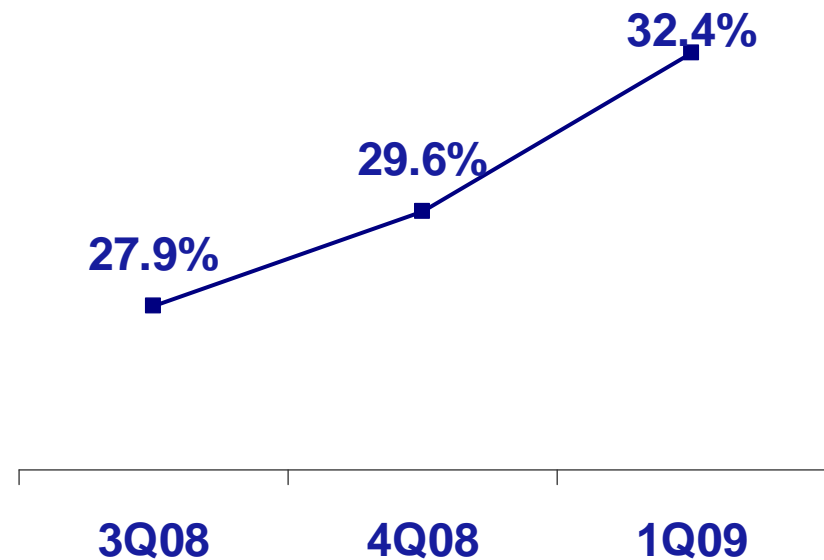
- A** Lower entries to NPLs
- B** Provisioning in line with 2H08
- C** Preservation of generic provisions
- D** Ample coverage by provisions and collateral

**A** Lower entries to NPL and higher success with recoveries...

**Net entries to NPL**  
BBVA Group  
(€m)



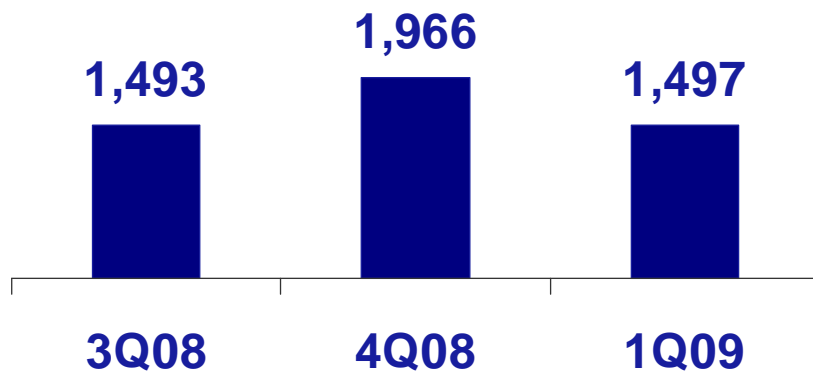
**Recoveries / NPL entries**  
BBVA Group  
(%)



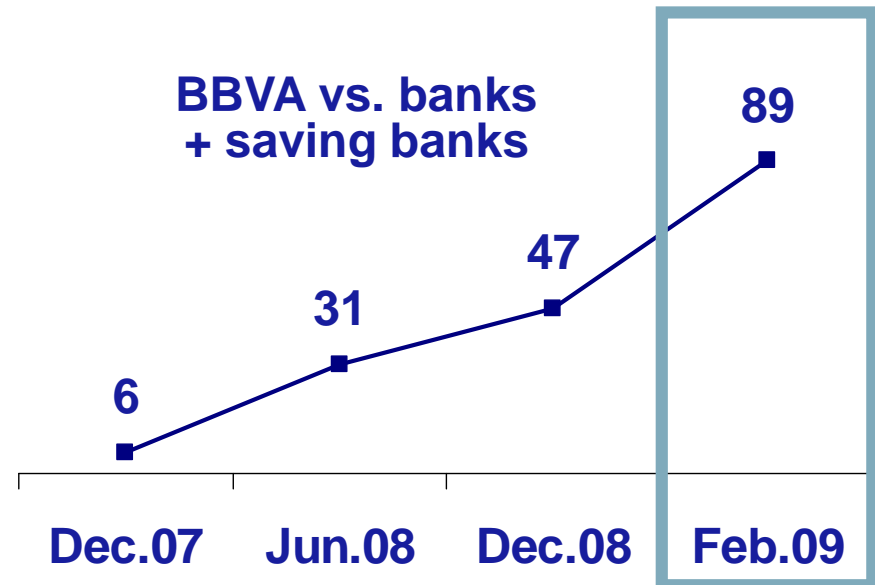
**Net entries to NPLs down 15% in the quarter**

# ... with special relevance in the case of Spain & Portugal ...

**Net entries to NPL**  
Spain & Portugal  
(€m)



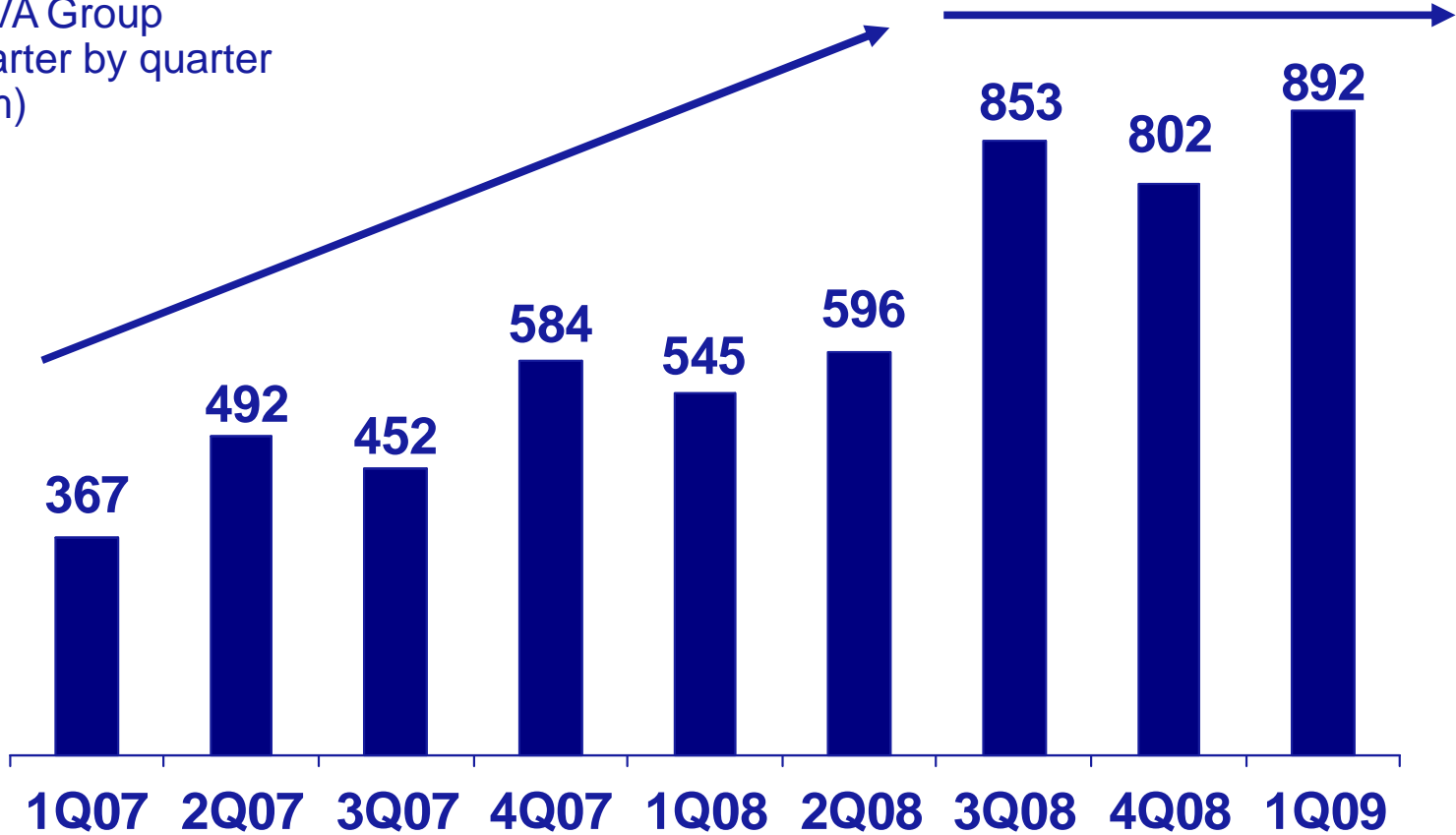
**NPA ratio differential vs. the system**  
BBVA Spain vs. banks and saving banks



... which enables us to continue improving our relative position

**B** Provisioning starts to stabilise ...

**Loan-loss provisioning**  
 BBVA Group  
 Quarter by quarter  
 (€m)



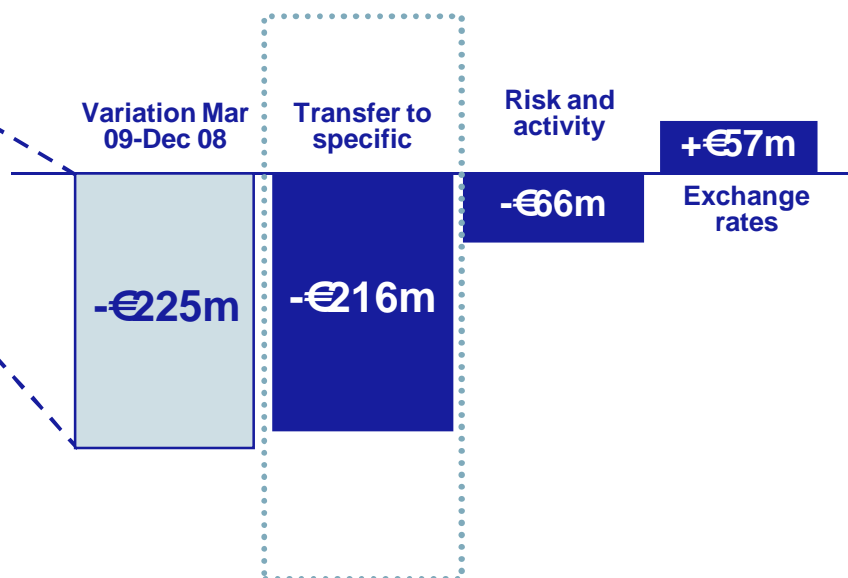
**Risk premium stabilizing at all units**

**C Limited release of generic provisions to preserve a balance for future quarters ...**

**Generic provisions (€m)**



**Breakdown of variations in generic provisions Mar 09 vs. Dec 08 (€m)**

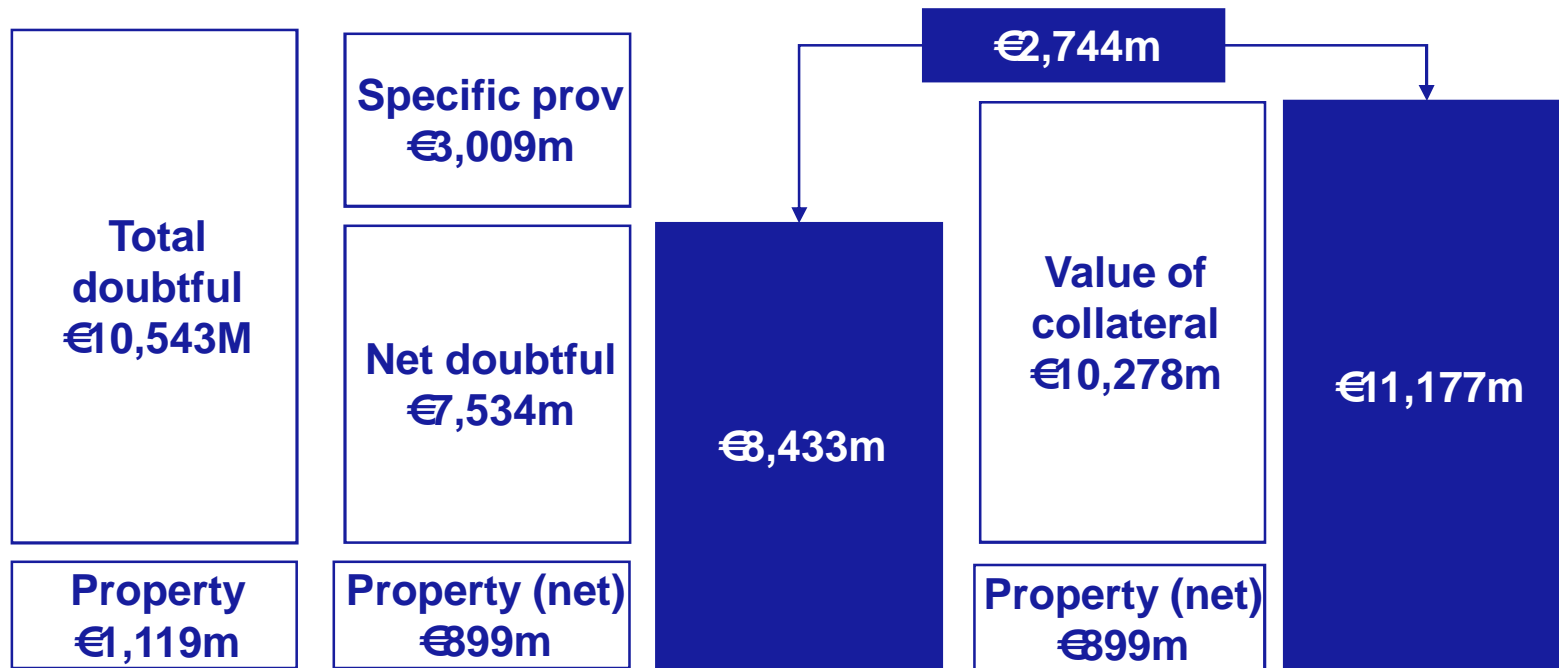


**Release of €216m in 1Q09 (vs. €300m in 4Q08) to offset the charge for specific provisions**

# D

## Ample coverage by provisions and collateral

Doubtful assets and property acquired (€m)



Collateral exceeds net value of doubtful assets by €2,744m  
In addition, about €4,991m of generic and substandard provisions



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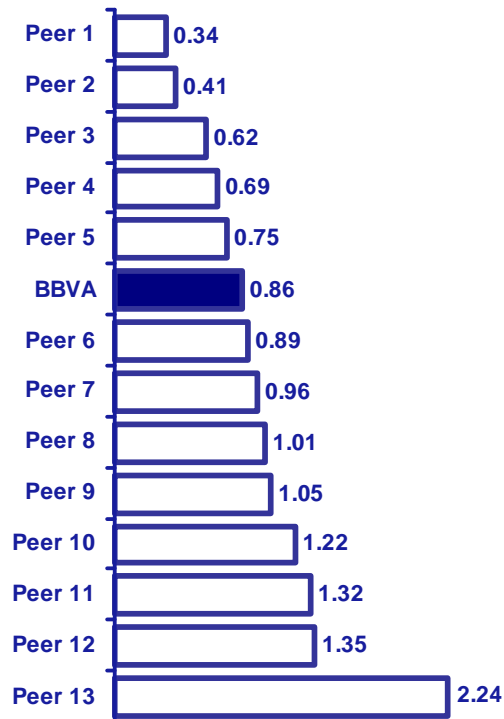
**Improving asset quality trends**

**5**

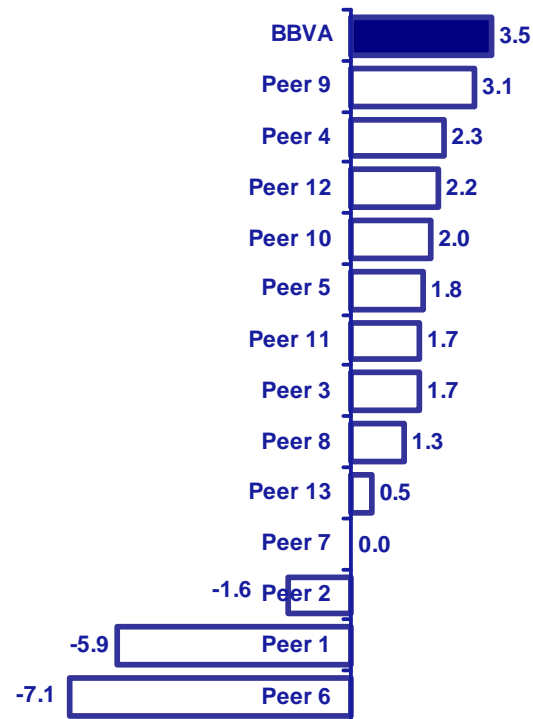
**Conclusions**

# Sizeable and recurrent operating profit, a key buffer for asset quality deterioration

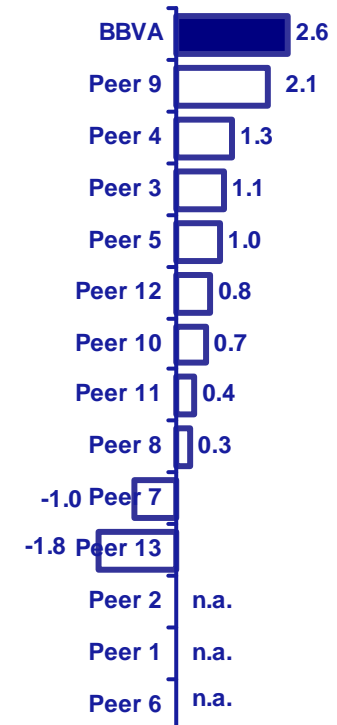
**Cost of risk**  
Peer Group  
(%, Dec 08)



**Operating profit<sup>1</sup> as maximum cost of risk<sup>2</sup>**  
Peer Group  
(%, Dec 08)



**Additional cost of risk supported by operating profit<sup>3</sup>**  
Peer Group  
(%, Dec 08)



1. Operating profit as old account  
2. Maximum cost of risk supported by operating profit without generating losses  
3. Maximum cost of risk – Current cost of risk

Peers: Barclays, BNPP, Crédit Agricole S.A., Credit Suisse, Deutsche Bank, HBOS, Intesa Sanpaolo, Lloyds, RBS, Santander, Société Générale, UBS and Unicredit

**BBVA's management is committed to  
maintain this outstanding performance**

**Management priorities**



**Price management**

**Cost control**

**Proactive management of asset quality**

**Widen relative advantage Vs Peers**

**Preserving the attractiveness of our investment case**



**Strong profitability advantage**



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NY, May 13th 2009

