

# Third quarter results 2011

Ángel Cano, BBVA's President & COO

October 26<sup>th</sup> 2011

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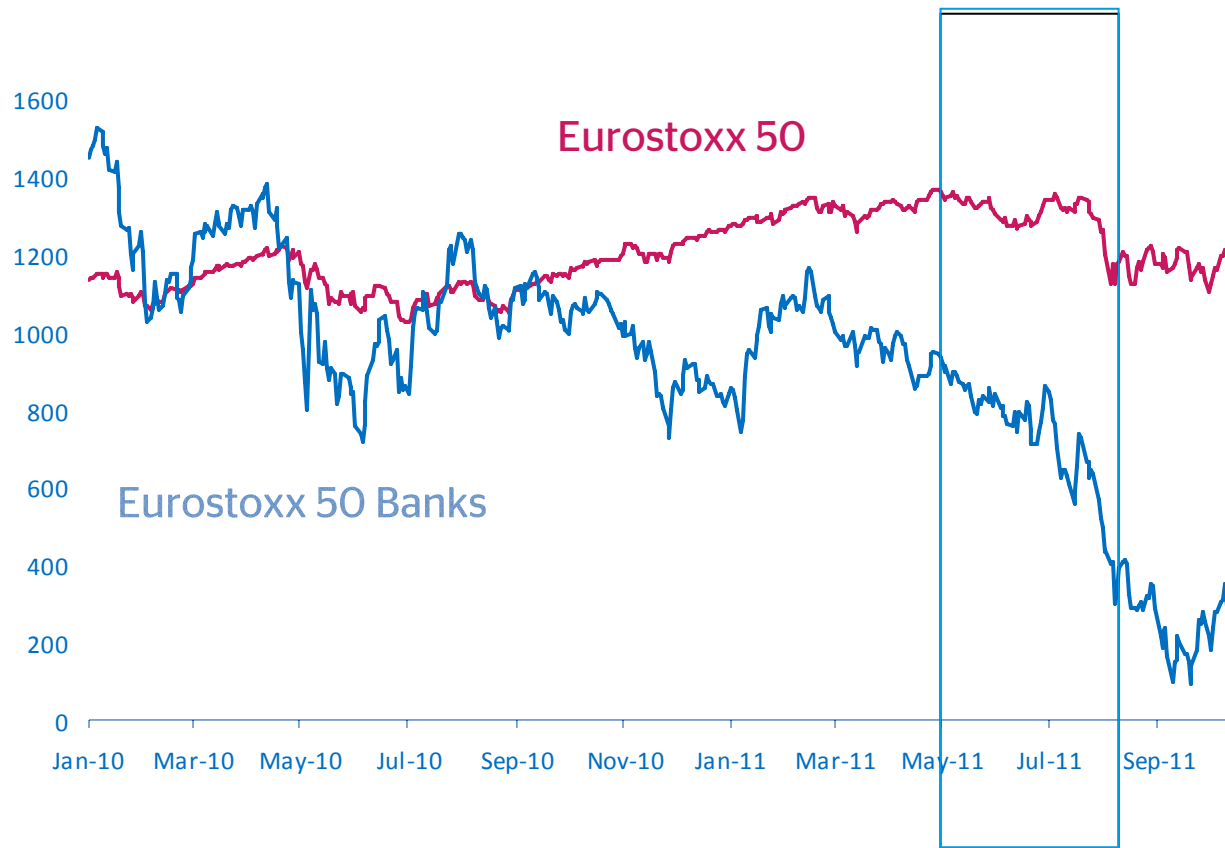
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# A quarter in which volatility and uncertainty have further increased

## Eurostoxx 50 vs Eurostoxx 50 Banks



In the present environment attention centres on three aspects ...

1

**Capital adequacy**

2

**Funding**

3

**Ability to generate earnings**



## BBVA highlights

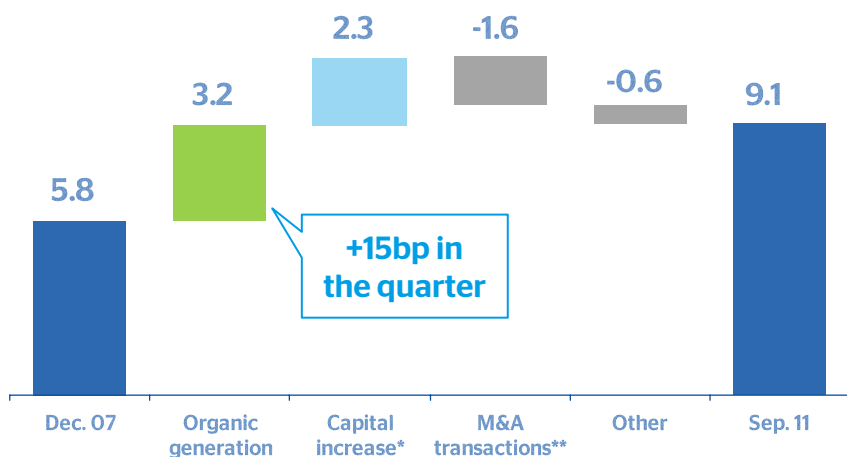
**1**

### Capital adequacy

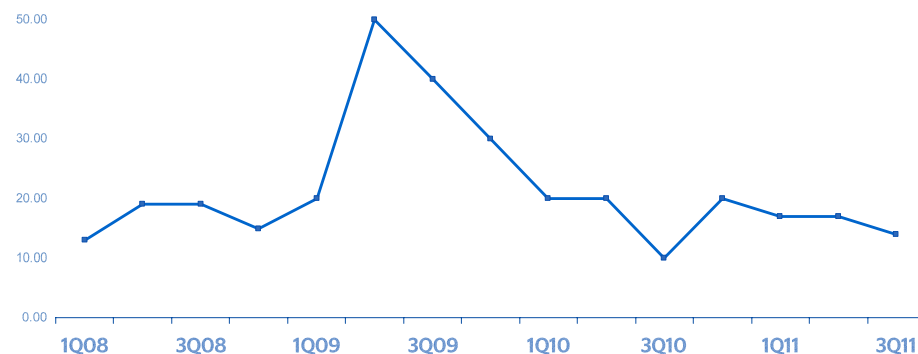
<b>Capital</b>	<b>A) Substantial ability to generate capital organically</b> <b>B) Lower leverage than our peers</b> <b>C) A track record of prudent and anticipatory management</b>
<b>Risks</b>	<b>Stability despite deteriorating context of sector's asset quality</b>

# A) Substantial ability to generate capital organically

Core capital  
BBVA Group  
(%)



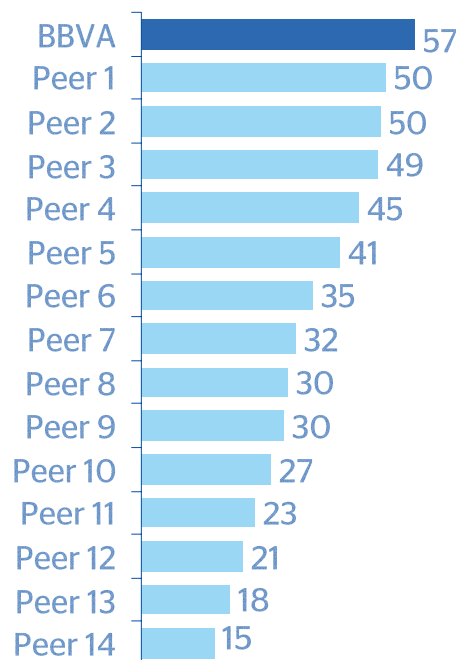
Quarterly organic generation of core capital  
BBVA Group  
(Basis points)



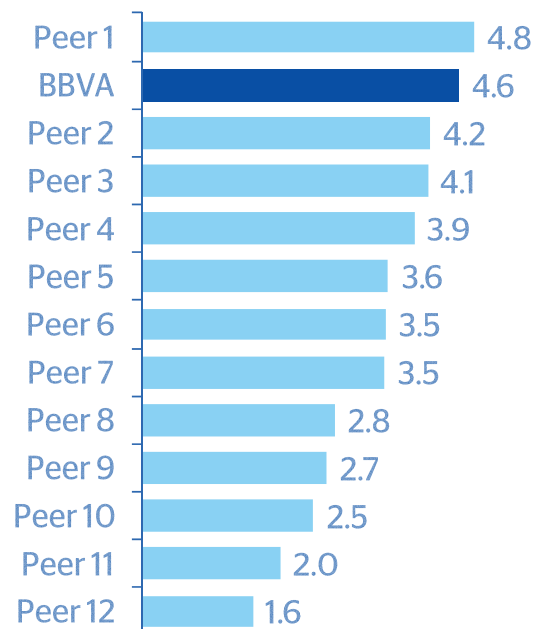
- Organic generation with simultaneous increase in RWAs (+€53bn during the crisis)
- Highly resilient operating income that could absorb sharp increases in provisions

## B) Lower leverage than our peers

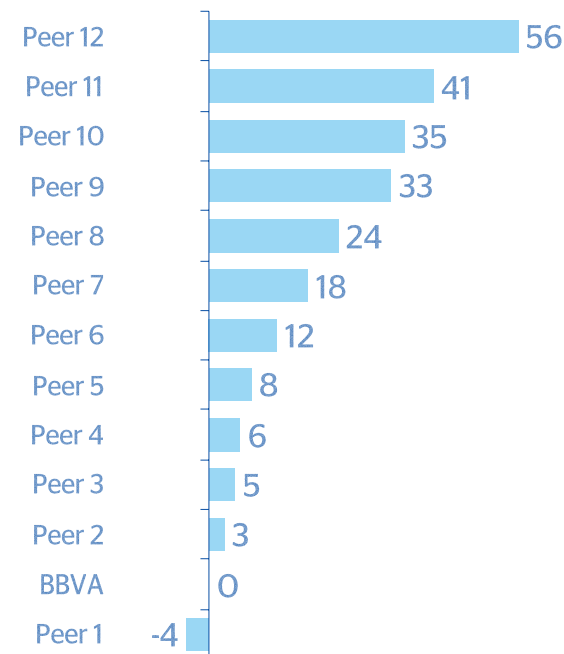
**RWAs / Total assets**  
BBVA Group vs Peer Group  
(Dec.10, %)



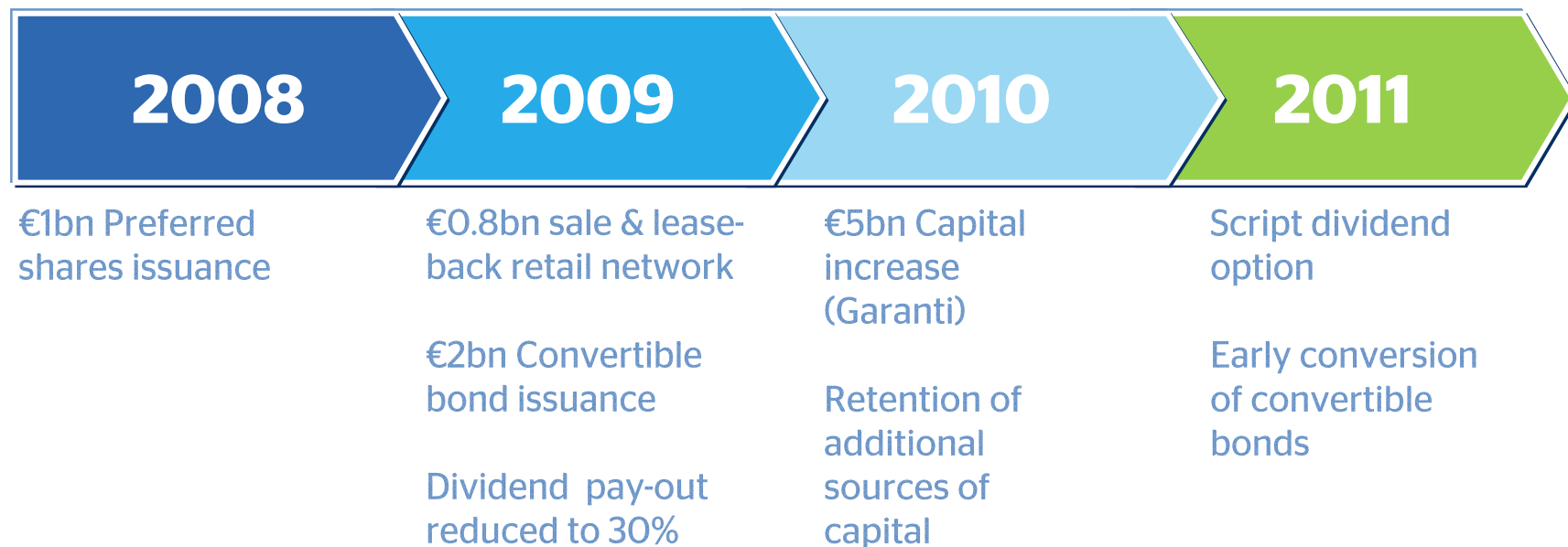
**EBA capital\* / total tangible assets**  
BBVA Group vs Peer Group  
(Dec.10, %)



**Capital needed to match BBVA's ratio**  
BBVA Group vs Peer Group  
(Dec.10, €bn)

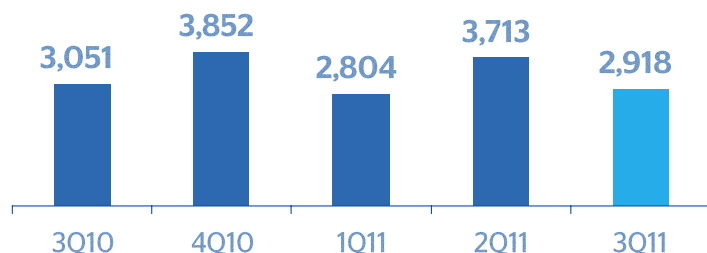


## C) A track record of prudent and anticipatory management

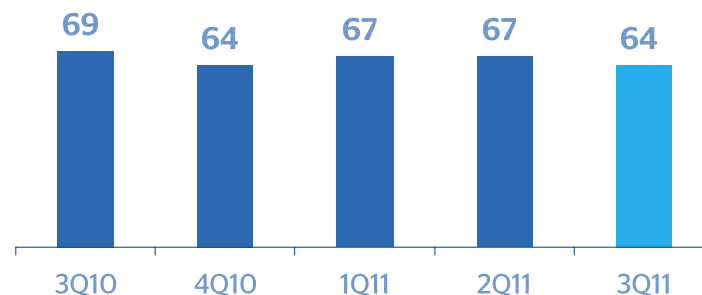


# Risk: stable NPAs despite deteriorating context of sector's asset quality ...

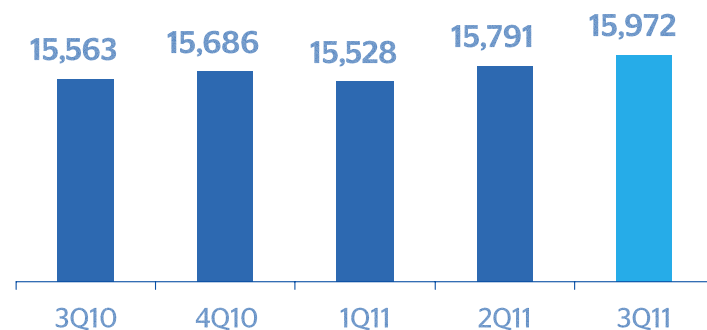
Gross additions to NPA status  
BBVA Group  
(€m)



Recoveries / additions  
BBVA Group  
(%)



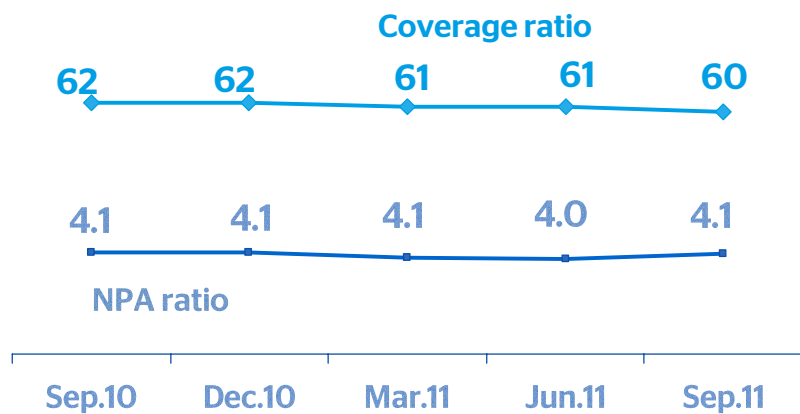
Balance of NPAs  
BBVA Group  
(€m)



... whilst our main risk indicators are also stable

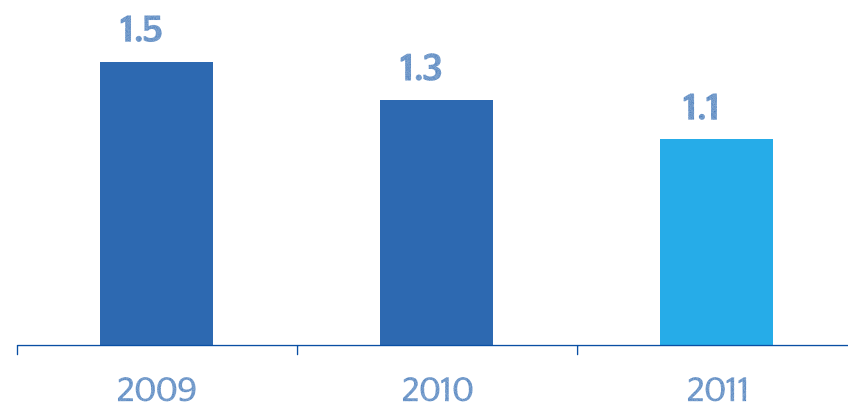
### NPA & coverage ratios

BBVA Group  
(%)



### Cumulative risk premium

BBVA Group  
(%)



## BBVA highlights

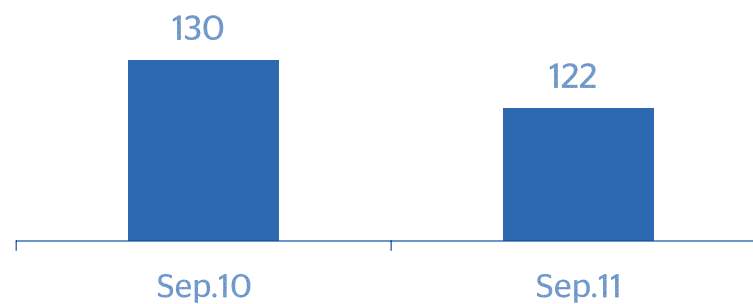
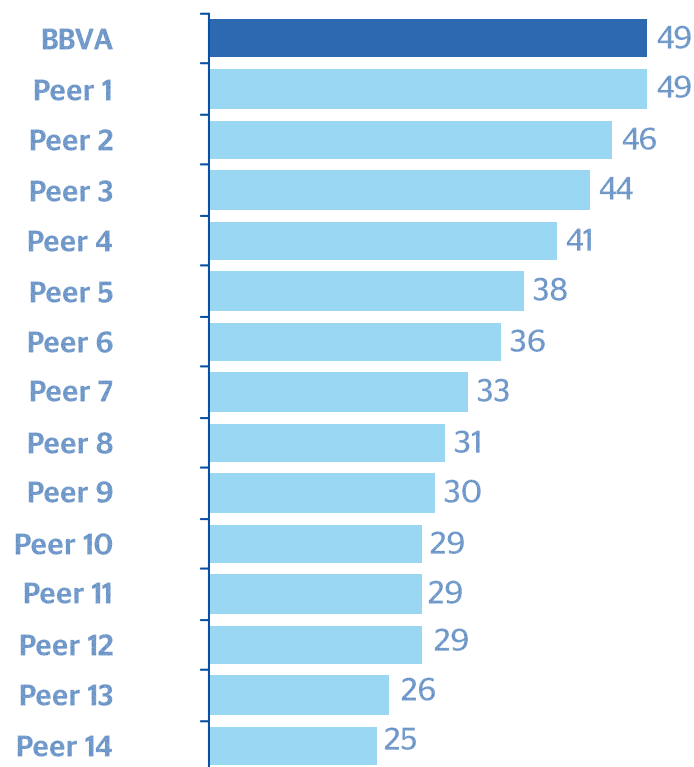
2

### Funding

#### **Solid position to face 2012:**

- The highest ratio of deposits / assets in the peer group with reduced liquidity gap
- Low wholesale redemptions compared to peer group

# Solid Group funding position ...





... and performance and outlook for the euro balance sheet are good

## Positive trends in 2011

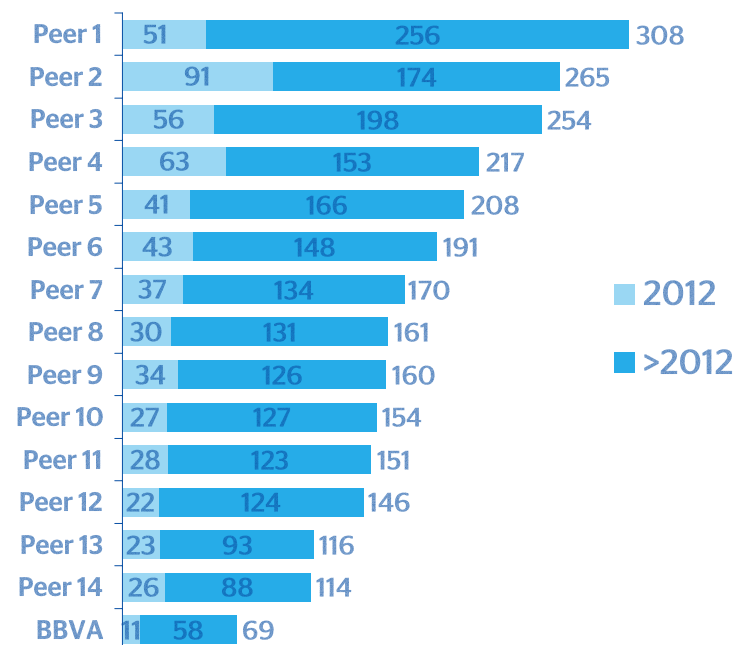
2011 funding needs already covered

Reduction in liquidity gap:  
-€20bn (Sep.11 vs May.10)

Customer funds on balance sheet improve  
+€37bn (Sep.11 vs May.10)

## Good outlook for 2012

Wholesale redemptions  
BBVA Group vs Peer Group  
(€bn)



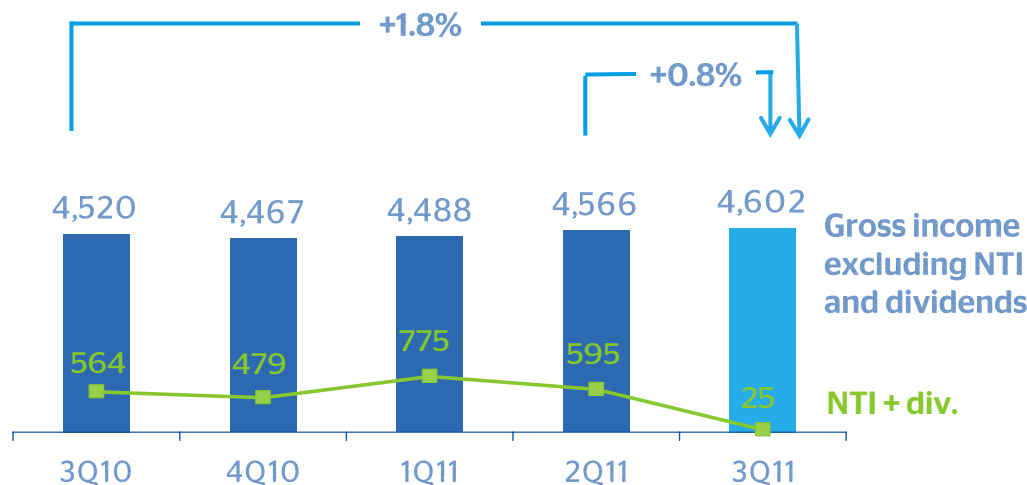
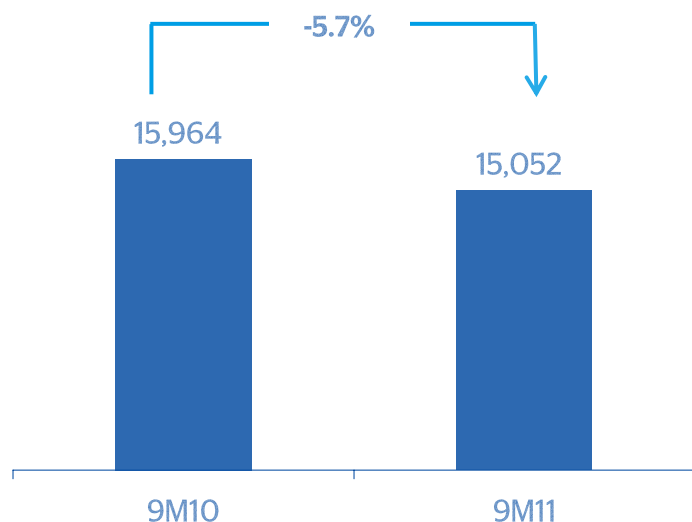
## BBVA highlights

3

### Ability to generate earnings

- **Resilience and quality of net interest income**
- **Net trading income affected by market volatility**
- **Loan loss provisioning in line with recent quarters and stability in risk indicators**

# Positive performance of recurrent revenue

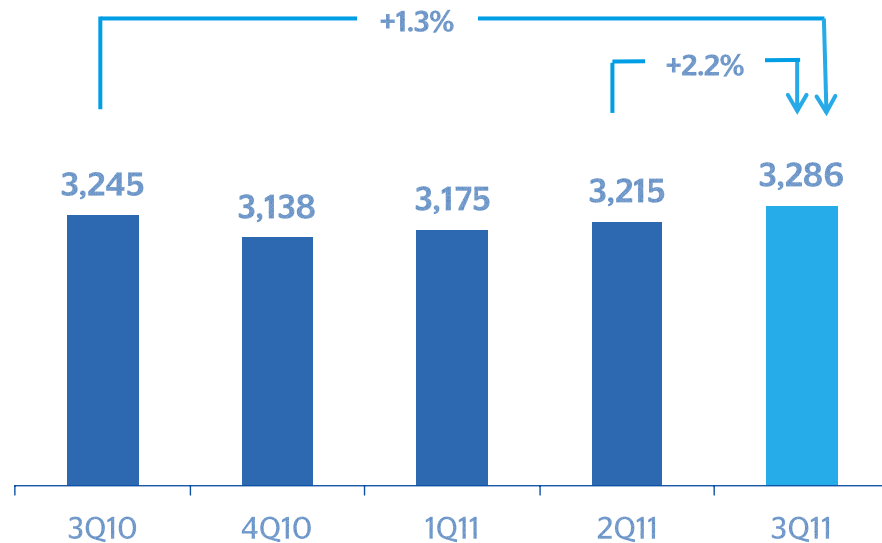


## Highlights

Resilience and quality of net interest income

Net trading income affected by market volatility

# Resilience and quality of net interest income



**Emerging mkts**

+17.0%

**Developed mkts**

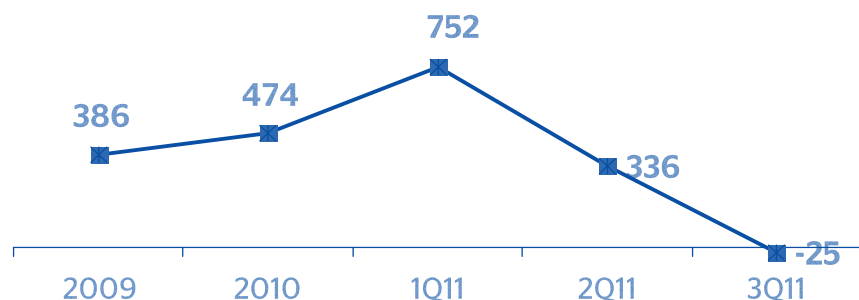
-11.3%

# Net trading income affected by market volatility

## Net trading income (NTI)

BBVA Group

Quarterly average and quarter-on-quarter  
(€m)



## Highlights

Business focused on customers in a context of declining activity

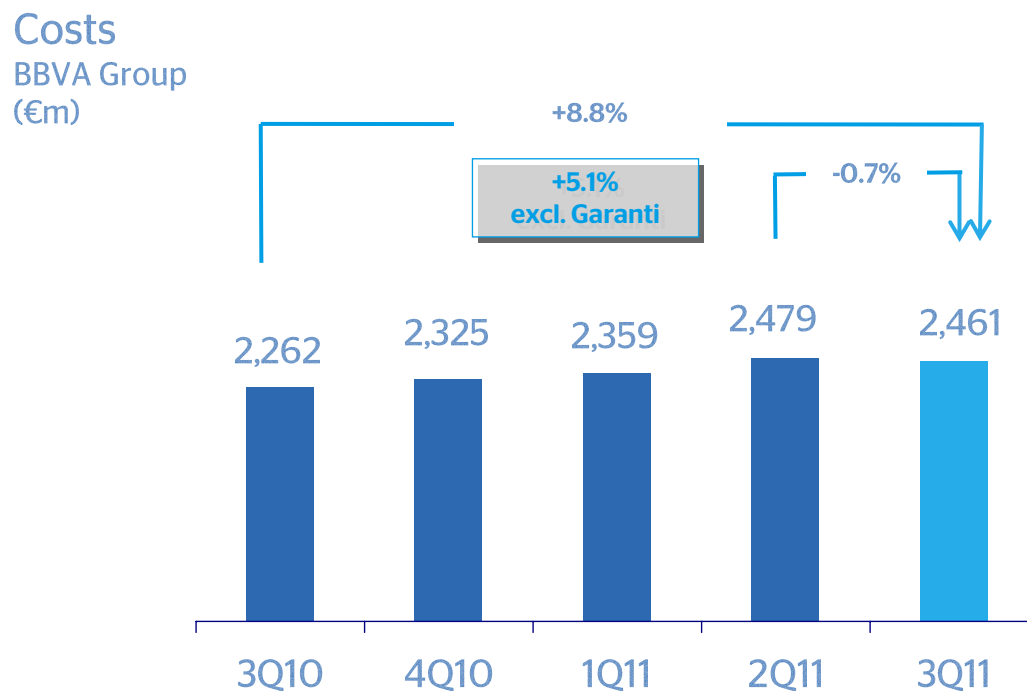
Significant falls in asset prices → impact on mark to market portfolios

No extraordinary contributions

**Absence of NTI in a context of weakening markets**

Negative impact mainly affects euro balance sheet and is less marked in Mexico and South America

## Costs in line with previous quarters

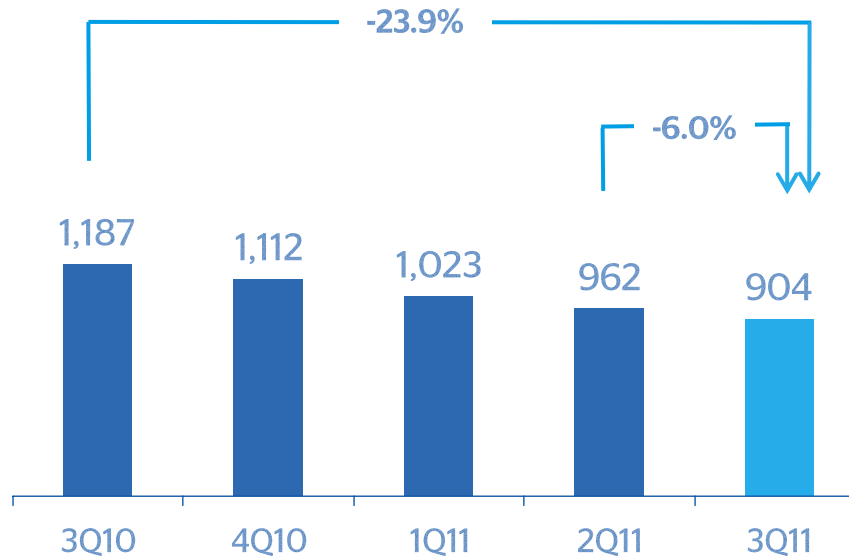


Contained in developed economies and  
matching the growth cycle in emerging ones

# Provisioning in line with recent quarters

## Impairment losses

BBVA Group  
(€m)



Decline is the result of lower provisioning in the USA and unchanged in Spain

# Resilience and solid fundamentals in difficult times

(€m)

BBVA Group	Accum.	Growth 9M11 / 9M10	
	9M11	Abs.	%
Net Interest Income	9,676	- 506	-5.0%
Gross Income	15,052	- 912	-5.7%
Operating Income	7,753	- 1,569	-16.8%
Income Before Tax	4,145	- 1,115	-21.2%
Net Attributable Profit	3,143	- 525	-14.3%

ROE: 11.3%

RORWA: 1.5%

ROA: 0.8%



## Geographic areas: highlights

### Spain

Improved spreads, stable net interest income and risk contained one more quarter

### EurAsia

Dynamism in Asia and Turkey and resilience in WB&AM Europe in line with previous quarters

### Mexico

Dynamism in business and earnings, especially in the retail segment. The risk premium is stable.

### South America

Strong growth of business and revenue, supported by diversification, with the Group's best risk indicators.

### United States

Selective growth of business, good performance of retail net interest income and provisioning is declining

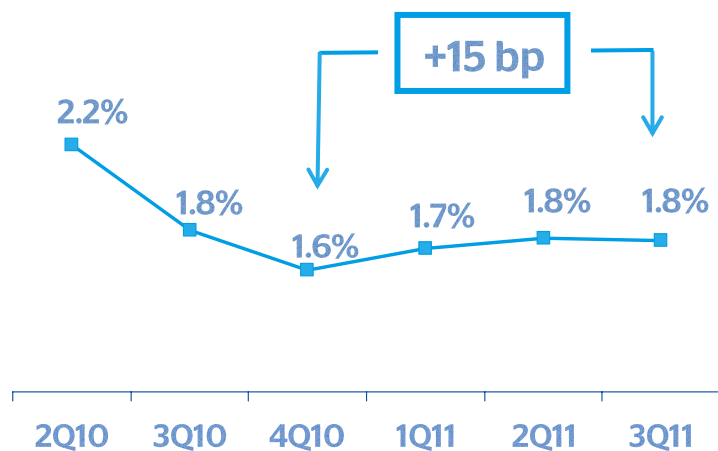
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### Wholesale banking

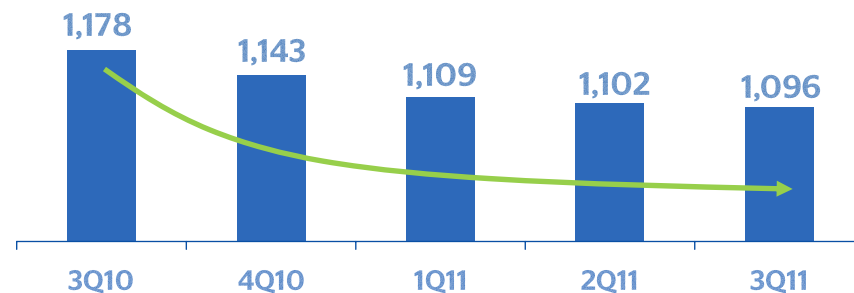
Diversification and resilience of revenue from customers in an especially complicated quarter in the markets

# Spain: stabilisation of net interest income

Customer spread\*  
Quarter-on-quarter  
(%)



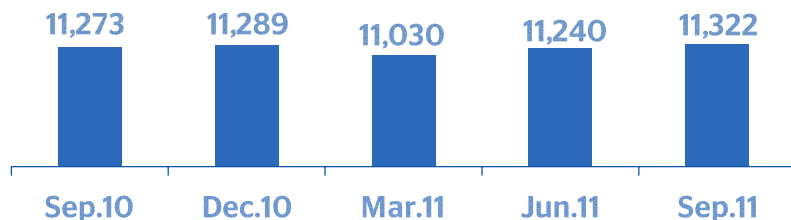
Net interest income  
Quarter-on-quarter  
(€m)



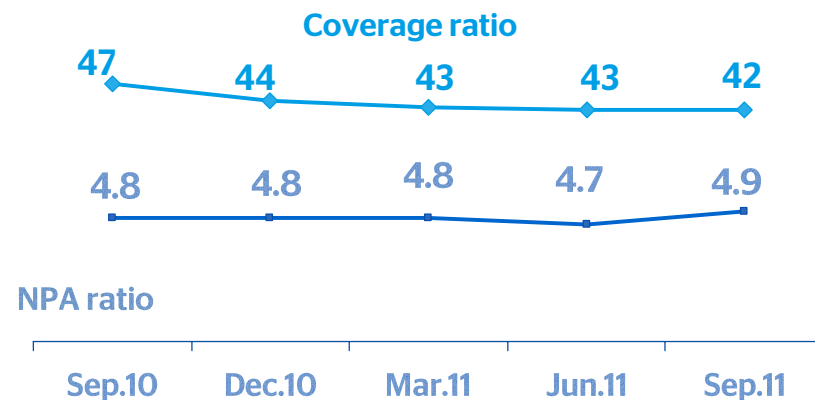
With market share gains in lending and deposits

# Spain: risk indicators under control

Balance of NPAs  
BBVA Spain  
(€m)



NPA & coverage ratios  
(%)



Cum. Spec.  
risk premium



Risks stable while system keeps deteriorating

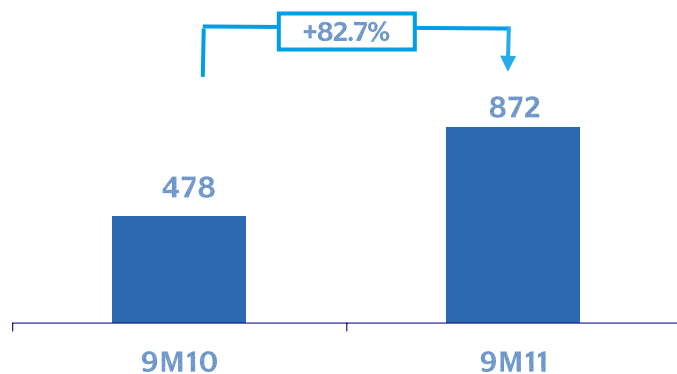
## Spain: income statement

(€m)

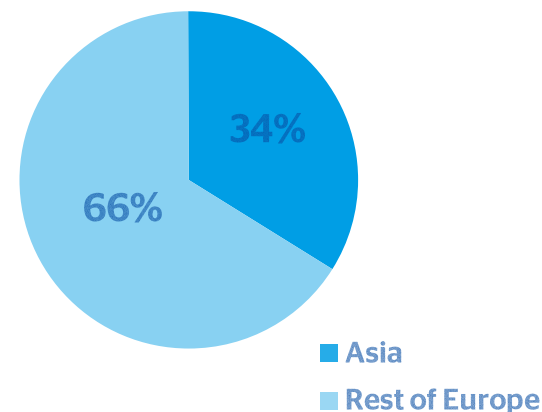
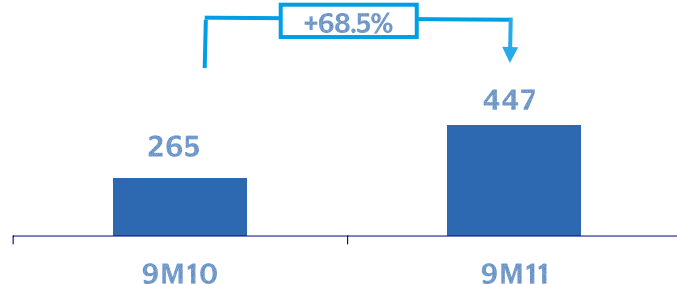
Spain	Accum.	Growth 9M11 / 9M10	
	9M11	Abs.	%
Net Interest Income	3,308	- 426	-11.4%
Gross Income	4,900	- 561	-10.3%
Operating Income	2,806	- 583	-17.2%
Income Before Tax	1,633	-1,019	-38.4%
Net Attributable Profit	1,162	- 719	-38.2%

## EurAsia: growing contribution to the group

Gross income - Rest of Europe  
(€m)



Gross income - Asia  
(€m)



Dynamism in Asia and Turkey and resilience in wholesale banking in Europe, in line with previous quarters

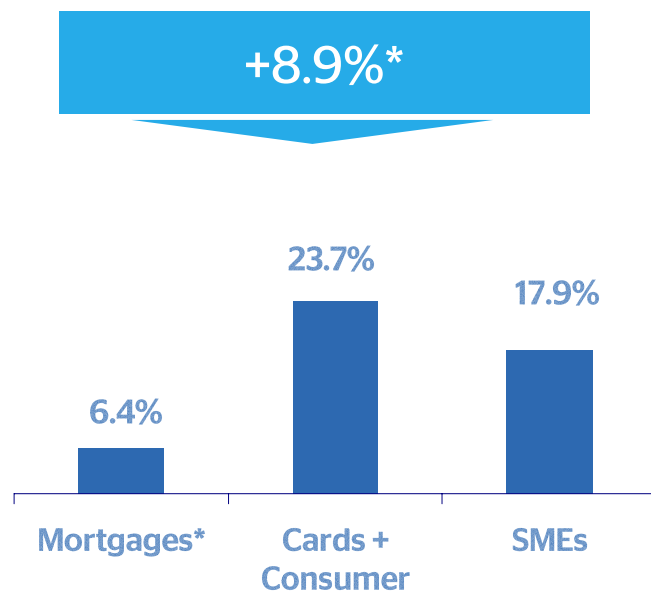
## EurAsia: income statement

(€m)

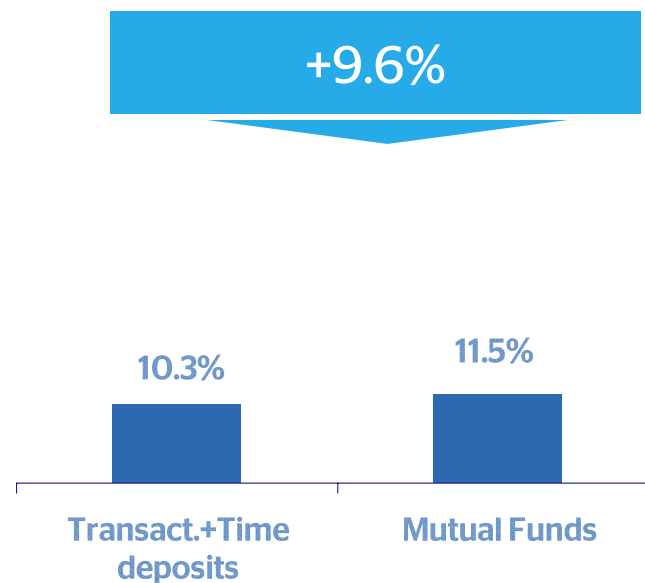
EurAsia	Accum.	Growth 9M11 / 9M10	
	9M11	Abs.	%
Net Interest Income	516	+ 269	n.s.
Gross Income	1,319	+ 576	77.6%
Operating Income	887	+ 359	67.9%
Income Before Tax	837	+ 342	69.1%
Net Attributable Profit	705	+ 287	68.6%

## Mexico: growth in all main items

Lending  
YoY growth  
(Average balances, %)

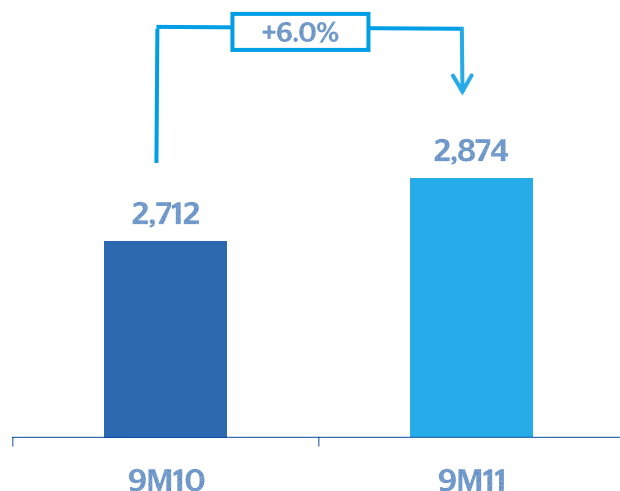


Customer funds  
YoY growth  
(Average balances, %)

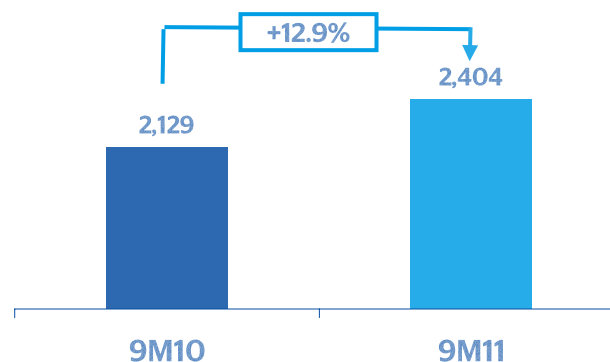


## Mexico: income growing at good pace

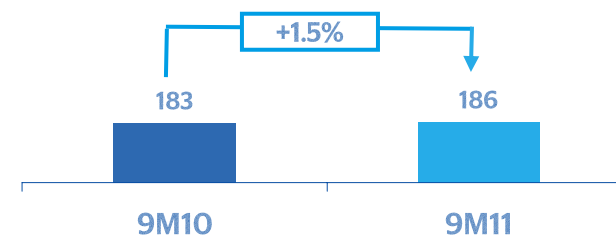
Net interest income  
(Constant €m)



Retail net interest income  
(Constant €m)



Wholesale Bkg. net interest income  
(Constant €m)

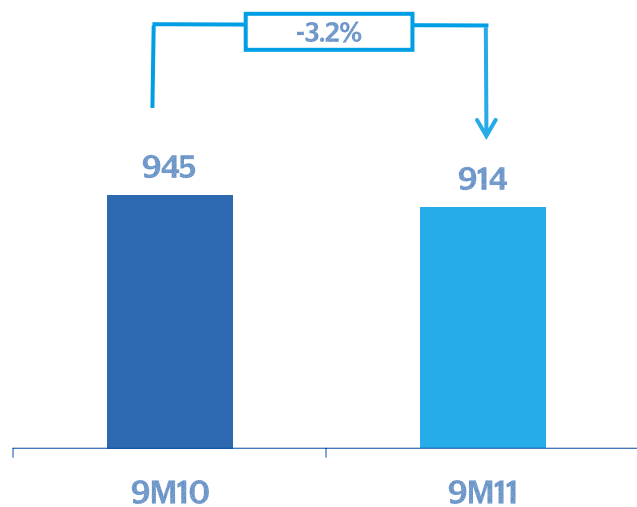


The highest ratio of net interest income to ATAs in its peer group

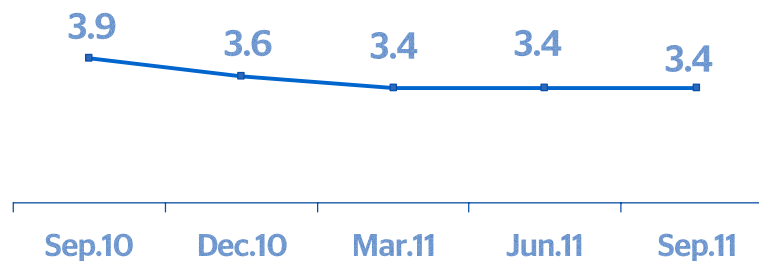


## Mexico: improvement in provisioning

Loan-loss provisions  
(Constant €m)



Cumulative risk premium  
(%)



# Mexico: income statement

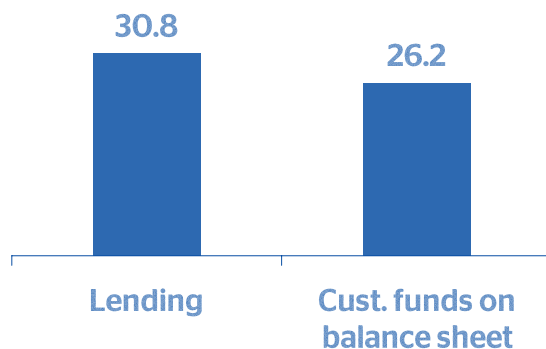
(Constant €m)

Mexico	Accum.	Growth 9M11 / 9M10	
	9M11	Abs.	%
Net Interest Income	2,874	+ 162	6.0%
Gross Income	4,208	+ 136	3.3%
Operating Income	2,686	+ 4	0.1%
Income Before Tax	1,722	+ 28	1.7%
Net Attributable Profit	1,275	+ 37	2.9%

## South America: revenues are growing faster

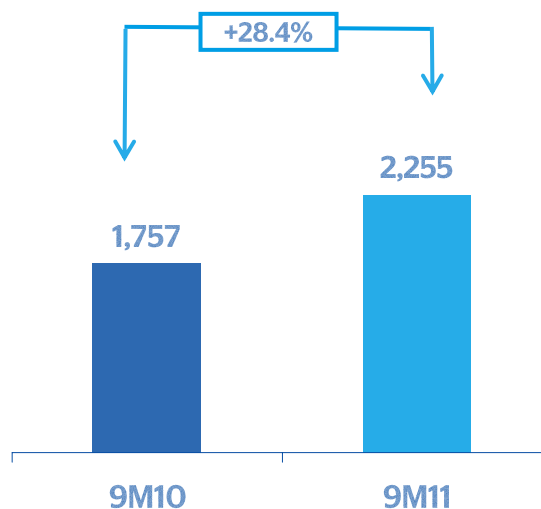
### Lending and customer funds

Change: Sep.11 / Sep.10  
(Average balances, %)



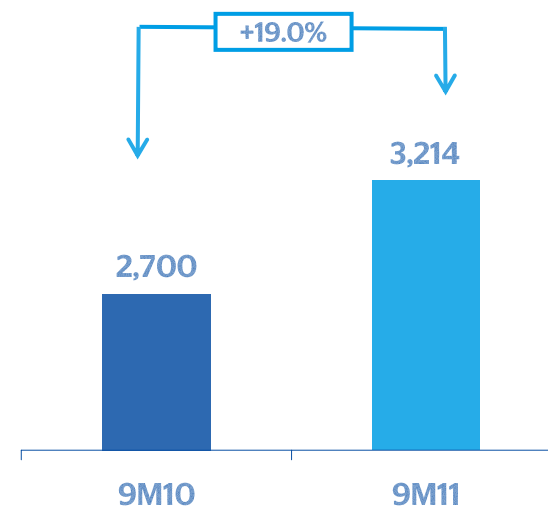
### Net interest income

(Constant €m)



### Gross income

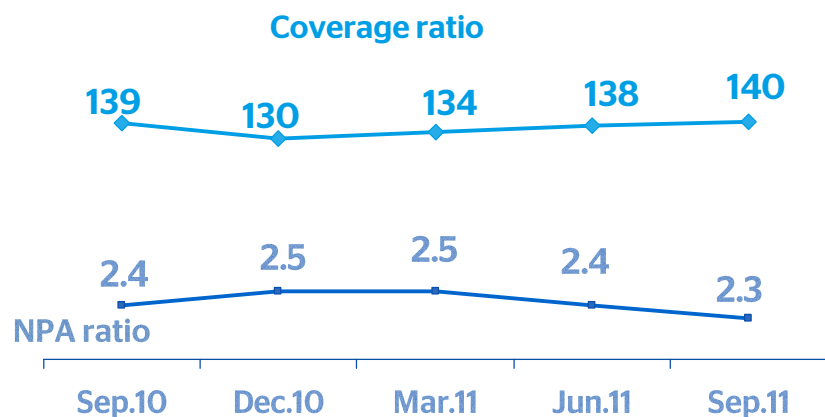
(Constant €m)



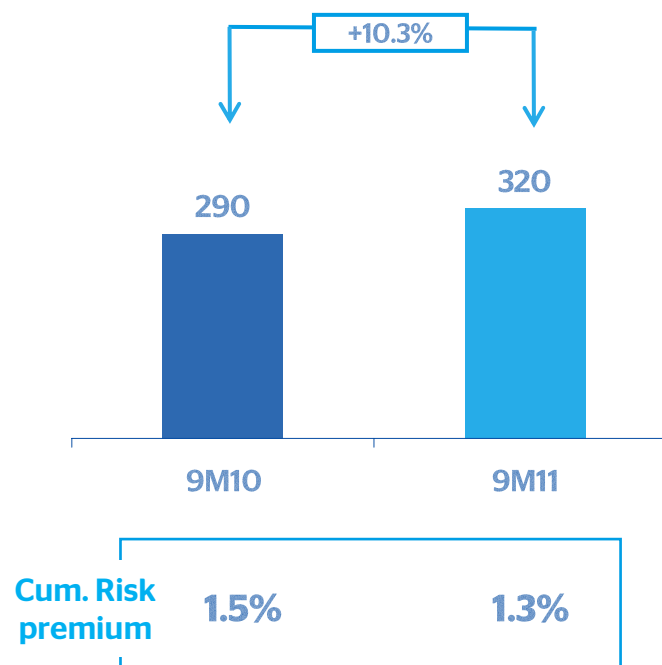
Record net interest income in quarter

# South America: best risk indicators in the BBVA Group

NPA & coverage ratios  
(%)



Loan-loss provisions  
(Constant €m)



## South America: income statement

(Constant €m)

South America	Accum.	Growth 9M11 / 9M10	
	9M11	Abs.	%
Net Interest Income	2,255	+ 498	28.4%
Gross Income	3,214	+ 514	19.0%
Operating Income	1,751	+ 211	13.7%
Income Before Tax	1,385	+ 155	12.6%
Net Attributable Profit	754	+ 76	11.2%

# United States: selective growth of business

## Lending

Individuals and companies\*

**+7%**

YoY change. Average balances

Re Constr.  
- Resid+Commer.

**-37%**

## Customer funds

Unremunerated

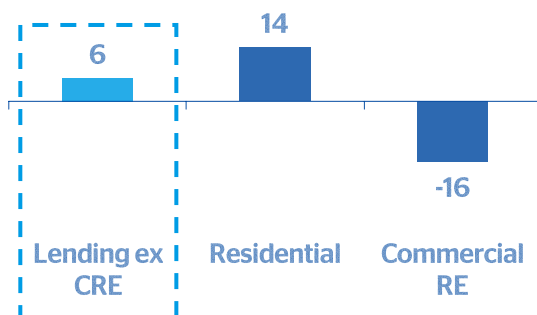
**+6%**

YoY change. Average balances

Remunerated

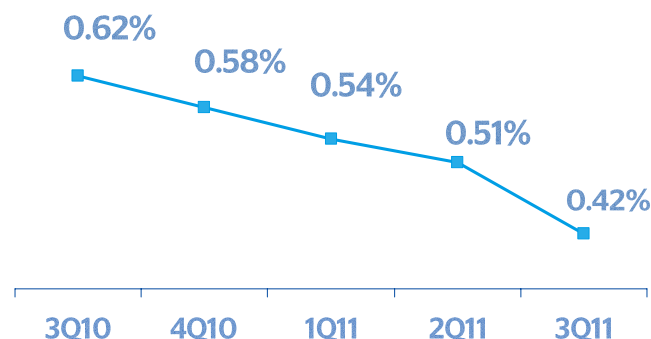
**-21%**

Mkt share of lending  
YoY change  
(Basis points)



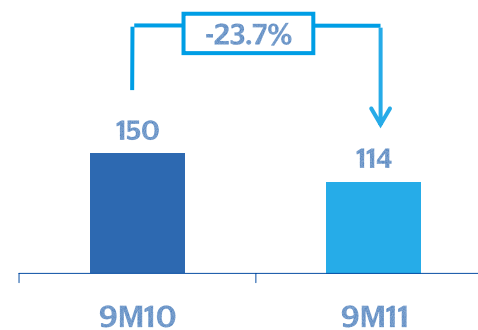
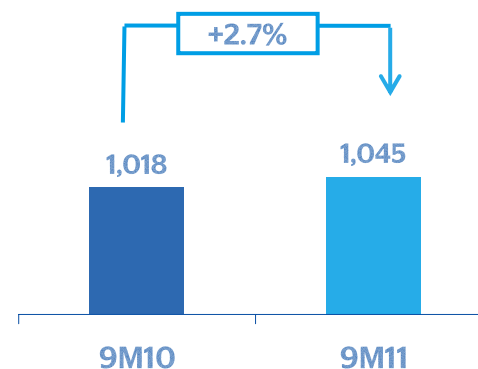
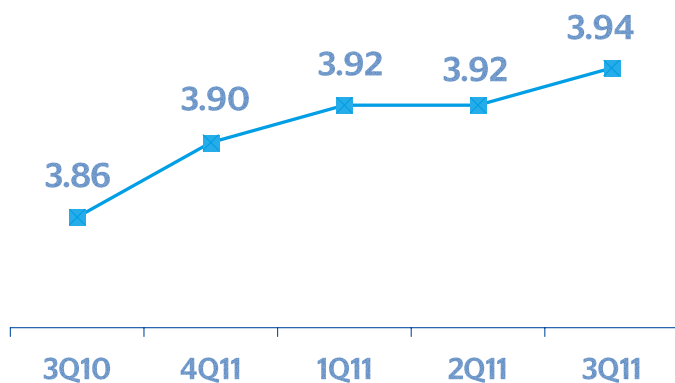
**Market share gains in lending**

Cost of customer deposits  
(%)

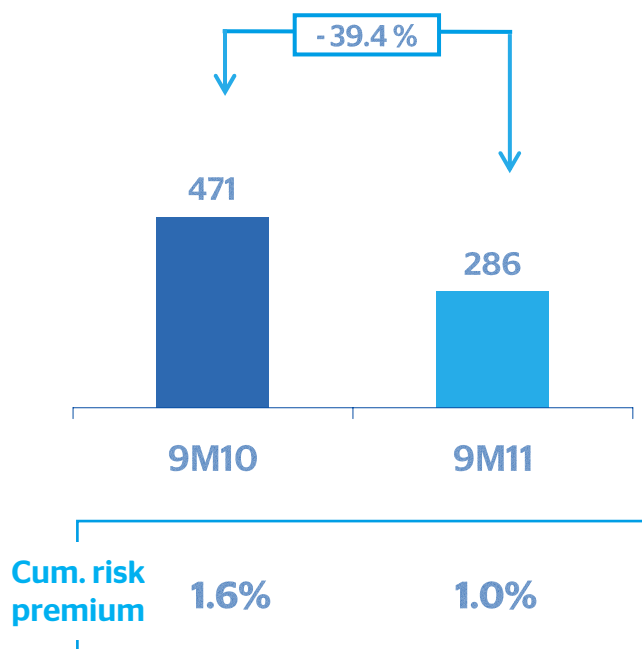


**Lower cost of deposits**

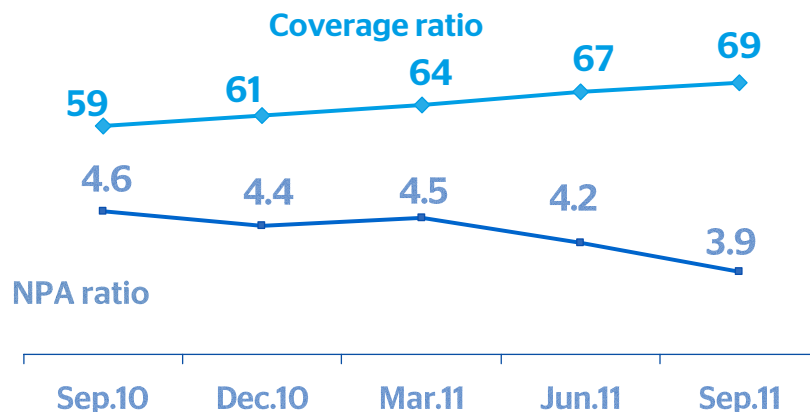
# United States: improvement in customer spread



# United States: risk levels continue to improve



NPA & coverage ratios (%)



In the quarter

**Gross additions: -40%**

**Recoveries / additions: 93%**



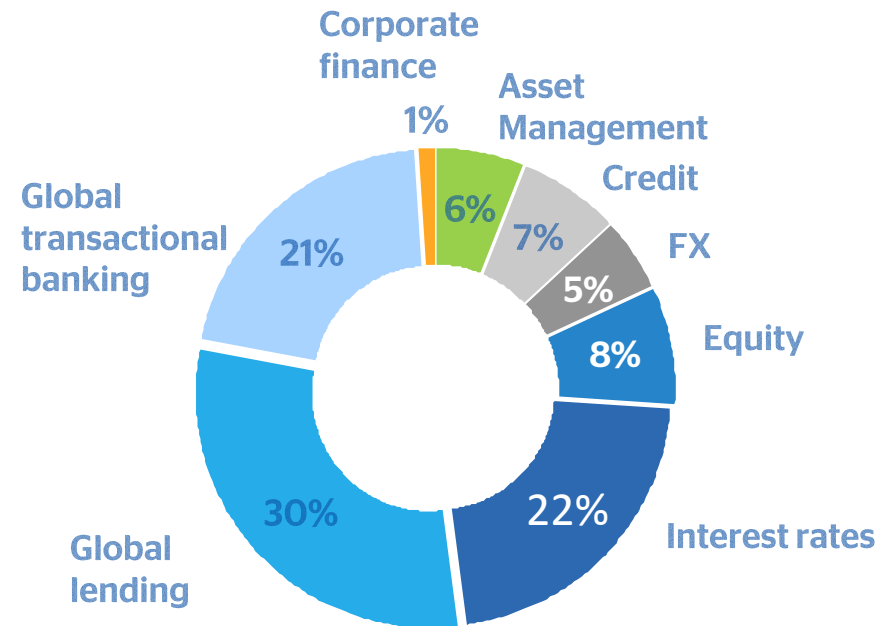
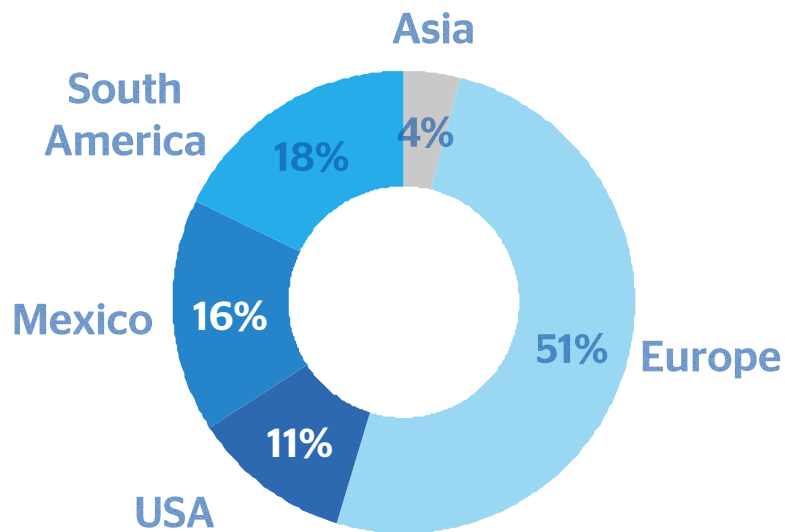
## United States: income statement

(Constant €m)

USA	Accum.	Growth 9M11 / 9M10	
	9M11	Abs.	%
Net Interest Income	1,182	-118	-9.1%
Gross Income	1,711	-136	-7.3%
Operating Income	613	-168	-21.5%
Income Before Tax	305	+9	3.2%
Net Attributable Profit	218	+3	1.5%

Attributable net profit excluding New York: +39.4%

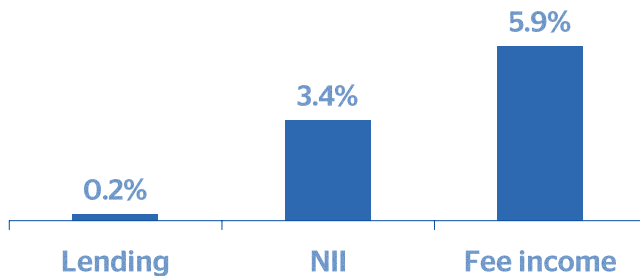
# Wholesale banking: recurrence and diversification of revenue



# Wholesale banking: C&IB and GM

## Corporate & Investment Banking

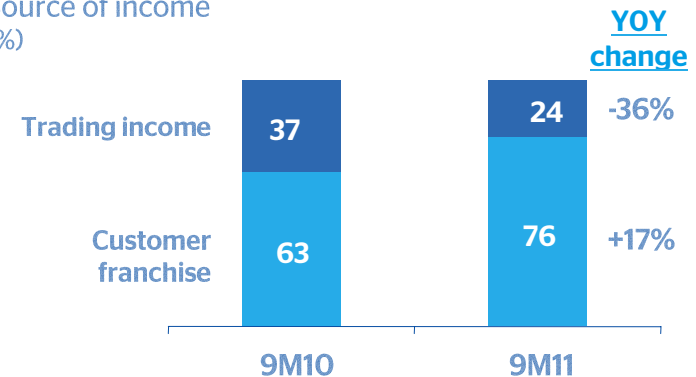
Lending, net interest income and fee income  
(Year-on-year change, %)



**Dynamic revenue**

## Global Markets

Source of income  
(%)



GM, gross income, Sep.11/Sep.10: -5.3%

**Strengthening the customer franchise**

# Wholesale banking: income statement

(Constant €m)

Wholesale Banking	Accum.	Growth 9M11 / 9M10	
	9M11	Abs.	%
Gross Income	2,077	- 44	-2.1%
Operating Income	1,372	- 139	-9.2%
Income Before Tax	1,304	- 155	-10.6%
Net Attributable Profit	862	- 116	-11.8%

# 3Q11 highlights

## Capital adequacy

### A) Capital:

- Substantial ability to generate capital organically
- Much lower leverage than our competitors
- A track record of prudent and anticipatory management of capital

### B) Risks:

- Stability in a scenario of further deterioration of asset quality

## Funding

- Solid foundations to face 2012

## Ability to generate earnings

- Resilience and quality of net interest income
- Net trading income affected by market volatility
- Provisioning and risk indicators under control

# Third quarter results 2011

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October 26th 2011