

# 2010 Results

Ángel Cano, BBVA's President & COO

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# 1 **Key points**

## 2 Business units

# 2010, an unequal macro environment

## Developed markets



Some uncertainty persists but new opportunities arise

(1) G-7

## Emerging markets



Growth potential

(2) Asia (ex Japan), LatAm, Rusia, Turkey & Egipt

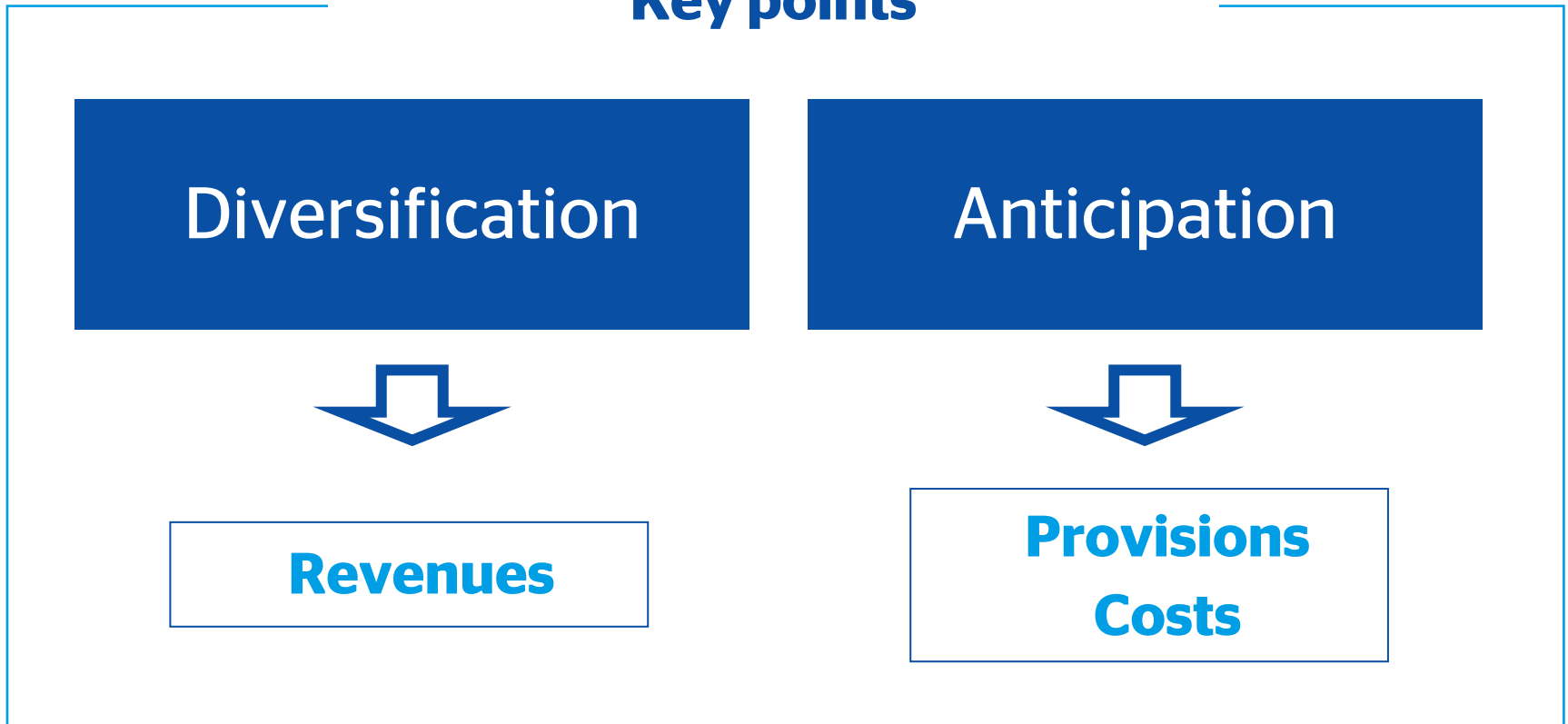
# 2010: a good year for the BBVA Group

<h2>1. Earnings</h2>	<p><b>€4,606m (+9.4%)</b></p>
<h2>2. Risk</h2>	<p>NPA ratio: -19 bp Net additions to NPA: -61%</p>
<h2>3. Capital adequacy</h2>	<p>Core capital: 9.6%</p>
<h2>4. Funding</h2>	<p>Not dependent on ECB Adequate financing structure</p>
<h2>5. Growth</h2>	<p>Further Group construction Dynamic management of our franchises</p>

# 1. Earnings strength:

<b>Net attr. profit</b>	<b>€4,606m (+9.4%)</b>
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## Key points

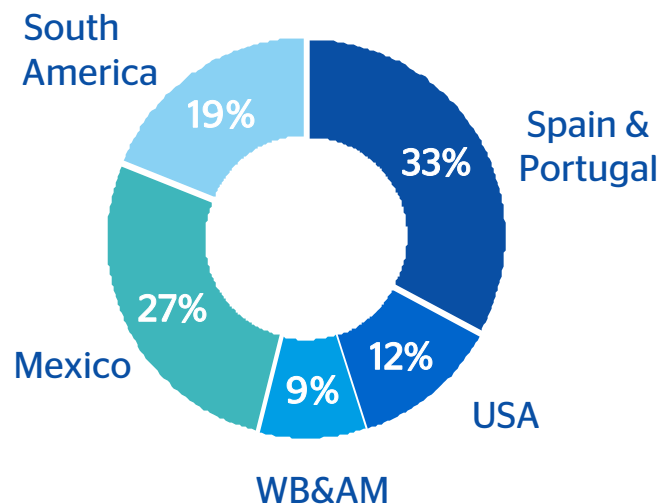


# Diversification: balanced business portfolio with potential ...



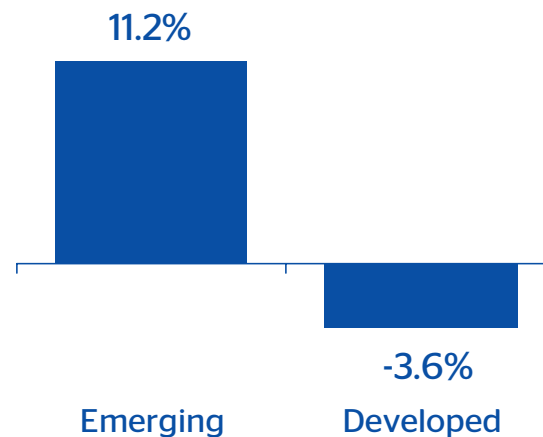
Gross income breakdown\*

BBVA Group (%)



Gross income\*

BBVA Group  
Year-on-year change (%)



**Emerging mkts: higher revenues. Developed mkts: mkt share gains**

\* Excl. corporate activities

# Anticipated provisioning in 2009



## Anticipation in 4Q09

- Anticipated NPAs
- One-off provisions
- U.S. Goodwill



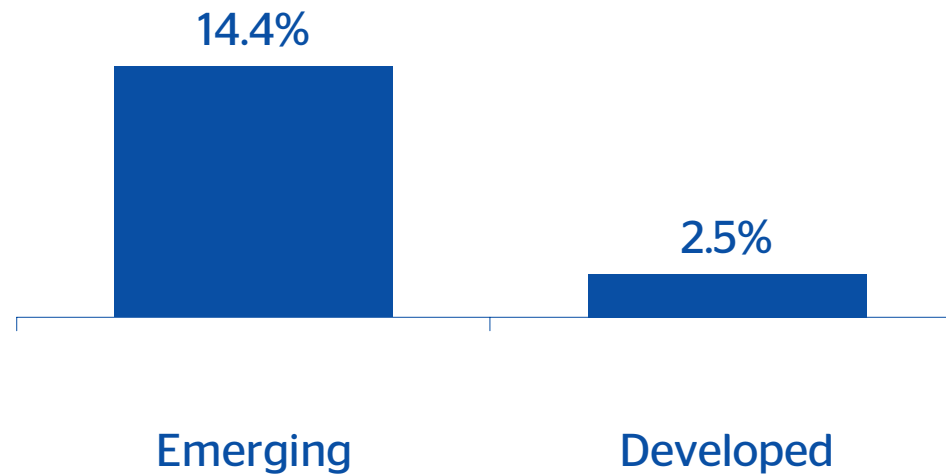
**38%** of the anticipated additions actually have become NPAs



# Costs: anticipation for new growth cycle ...



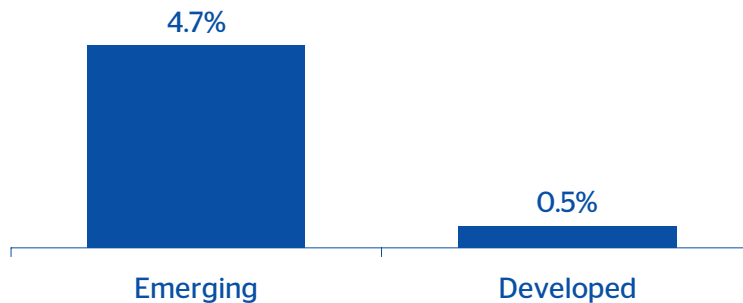
**Total costs\***  
 BBVA Group  
 Year-on-year change  
 (%)



... investing on people and technology ...

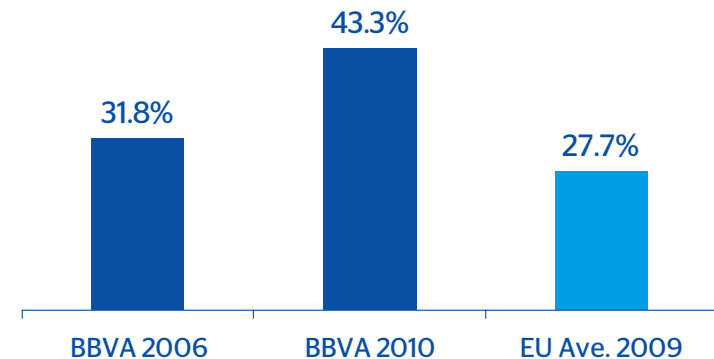
## People

Headcount\*  
BBVA Group  
Year-on-year change  
(%)



## Technology

Investment in “change-the-bank”  
BBVA Group vs EU average  
(% of total investment)

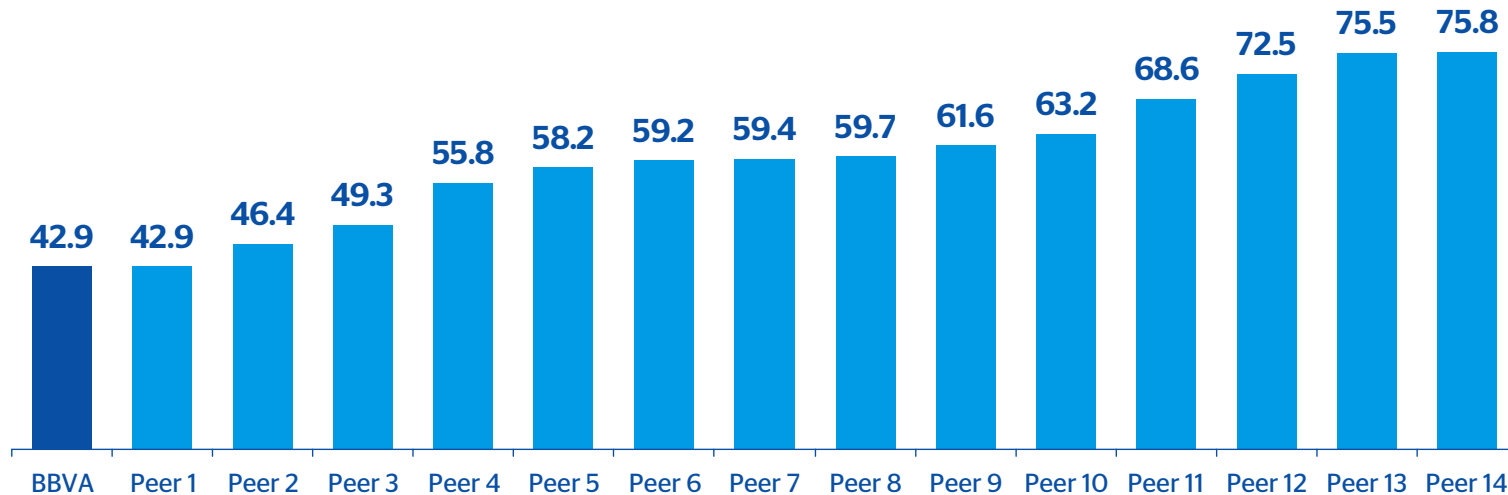


Wider distribution networks in expanding franchises

... and at the forefront of the industry in efficiency



**Efficiency**  
BBVA Group & Peers\*  
(%)



# In summary, very resilient earnings

## Income statement

BBVA Group  
(€m)

BBVA Group	Accum.	Annual Growth	
	12M10	Abs.	%
Net Interest Income	13,320	- 561	-4.0%
Gross Income	20,910	+ 244	1.2%
Operating Income	11,942	- 365	-3.0%
Income Before Tax	6,422	+ 686	12.0%
Net Attributable Profit	4,606	+ 396	9.4%

**ROE: 15.8%**

**ROA: 0.9%**

## Proposed dividend option

### Shareholder remuneration proposal for the AGM

- Remuneration framework: **4 annual payments**
- **Optional payment in April and October** between cash or shares: “dividend option”
- **Total remuneration: € 0.42/share**

# 2010: a good year for the BBVA Group in

1. Earnings	€4,606m (+9.4%)
<b>2. Risk</b>	<b>NPA ratio: -19 bp</b> <b>Net additions to NPA: -61%</b>
3. Capital adequacy	Core capital: 9.6%
4. Funding	Not dependent on ECB Adequate financing structure
5. Growth	Further Group construction Dynamic management of our franchises

## 2. Improvement in risk indicators

### **Key points**

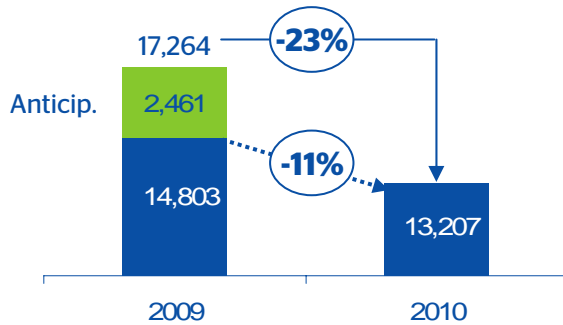
**Improvements in  
NPA and coverage  
ratios**

**Lower cost of risk**

# Balance of NPAs stabilises ...

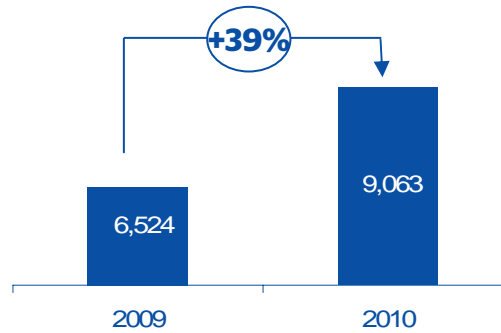
## Gross additions to NPA

BBVA Group  
Year to date  
(€m)



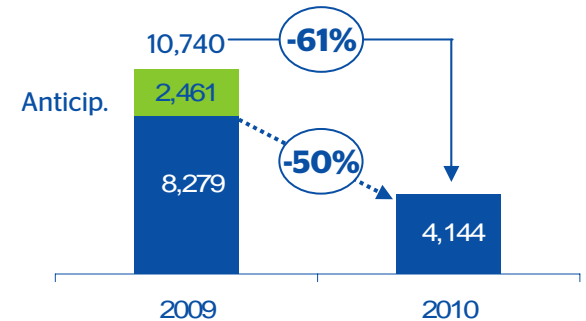
## Recoveries

BBVA Group  
Year to date  
(€m)



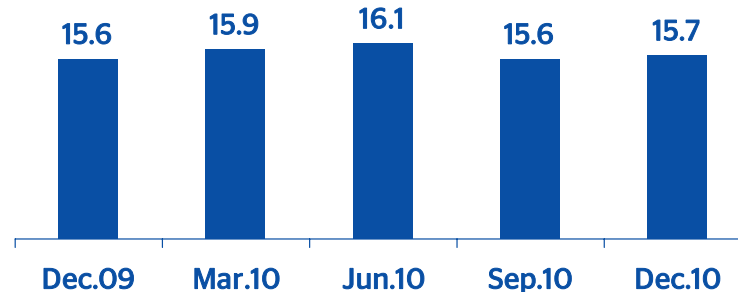
## Net additions to NPA

BBVA Group  
Year to date  
(€m)



## Balance of NPAs

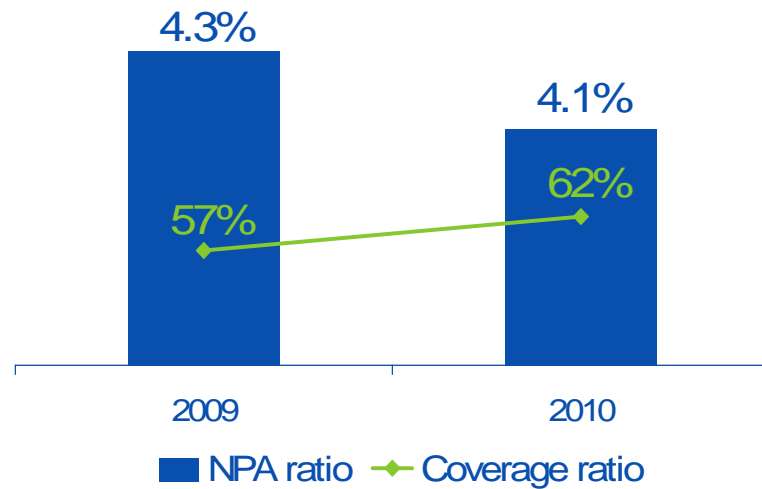
BBVA Group  
(€bn)



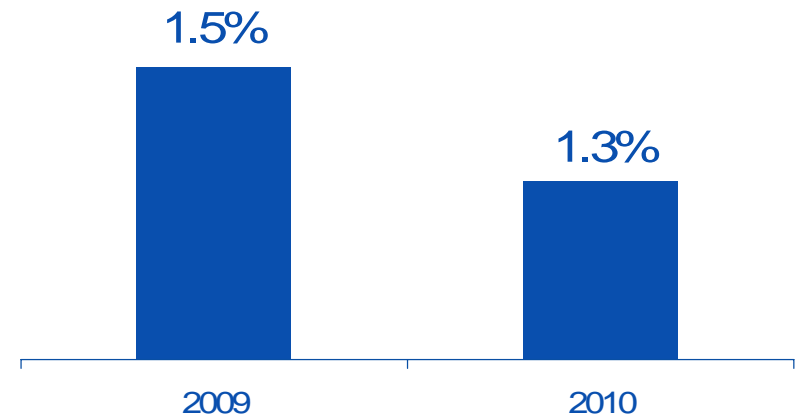


# ... and all risk indicators are improving

**NPA & coverage ratios**  
BBVA Group  
(%)



**Overall risk premium**  
BBVA Group  
(%)

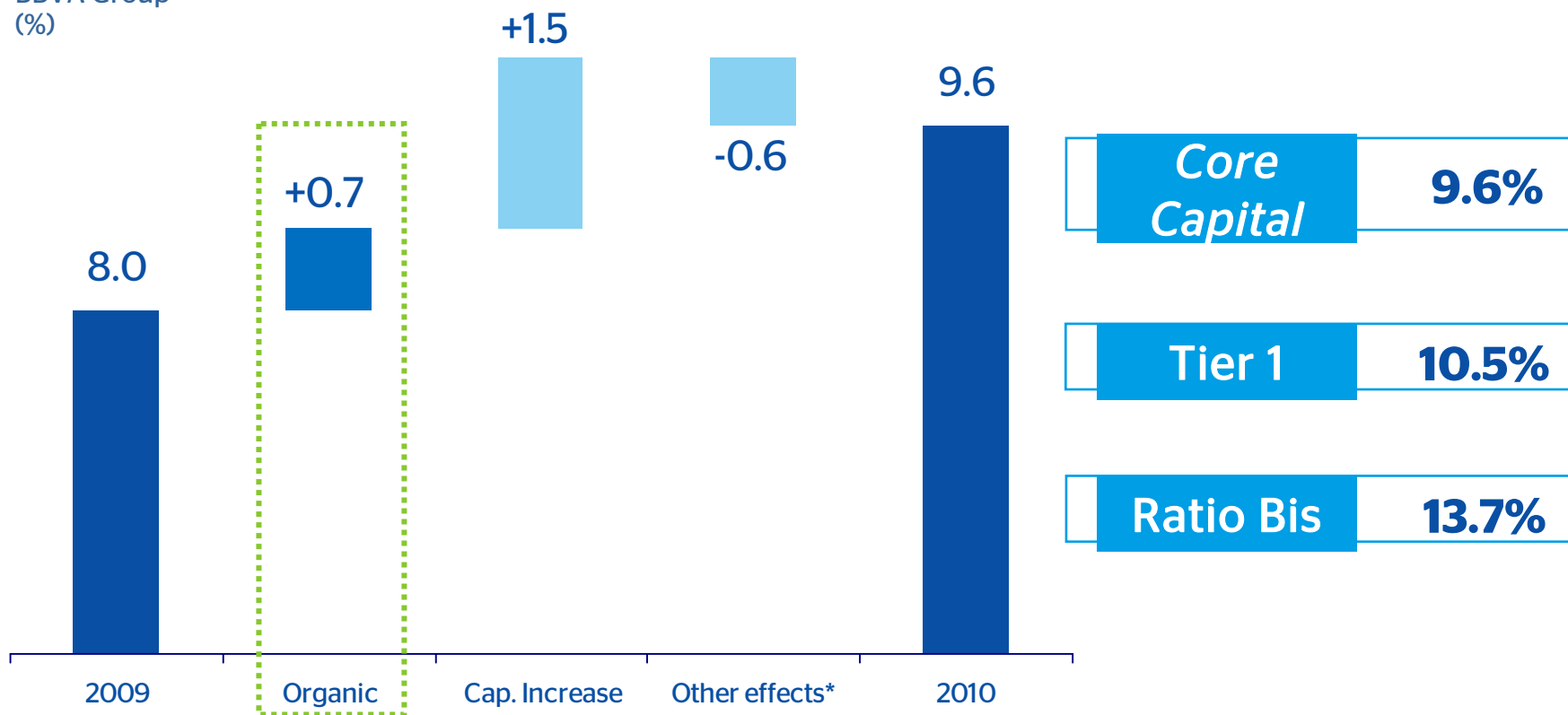


# 2010: a good year for the BBVA Group in

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<b>3. Capital adequacy</b>	<b>Core capital: 9.6%</b>
4. Funding	Not dependent on ECB Adequate financing structure
5. Growth	Further Group construction Dynamic management of our franchises

### 3. Stronger capital

**Core capital**  
BBVA Group  
(%)



\* Venezuela+CNCB & others

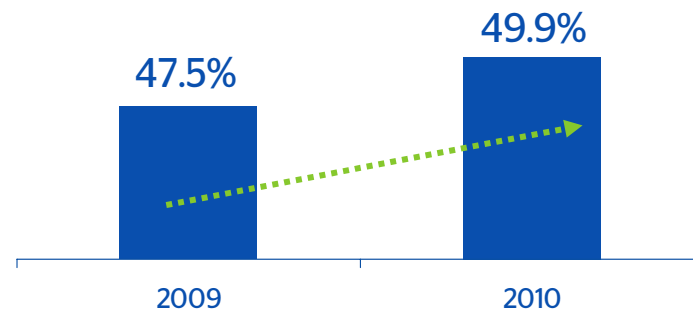
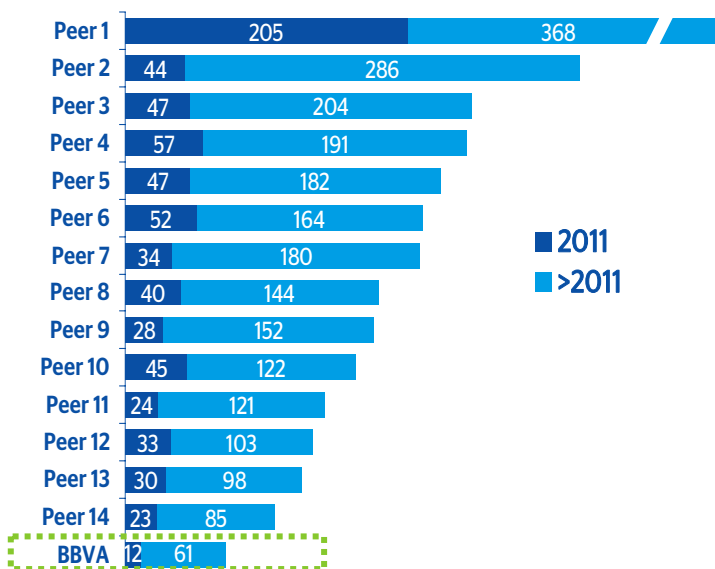
# 2010: a good year for the BBVA Group in

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2. Risk	NPA ratio: -19 bp Net additions to NPA: -61%
3. Capital adequacy	Core capital: 9.6%
<b>4. Funding</b>	<b>Not dependent on ECB</b> <b>Adequate financing structure</b>
5. Growth	Further Group construction Dynamic management of our franchises

# 4. Adequate structure of finance

Long-term maturities of wholesale finance\*  
BBVA Group vs Peer Group  
(€bn)

Customer deposits / total assets  
BBVA Group  
(%)



And an additional €70 billion in collateral

\*Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI. Source: Bloomberg 13-Jan-2011, except BBVA (in-house figures)

# 2010: a good year for the BBVA Group

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<b>5. Growth</b>	<b>Further Group construction</b> <b>Dynamic management of our franchises</b>

## 5. Driving Group Construction

### Further Group Construction

#### Garanti (Turkey)

1. An attractive **market**
2. Excellent **franchise and mgt. team**
3. **Innovative approach** to banking business
4. Combined **expertise** will boost joint growth potential
5. Optimum **transaction structure** and attractive financial impacts

#### Franchise strengthening

Asia

LatAm

### Dynamic Franchise management

#### Business dynamics

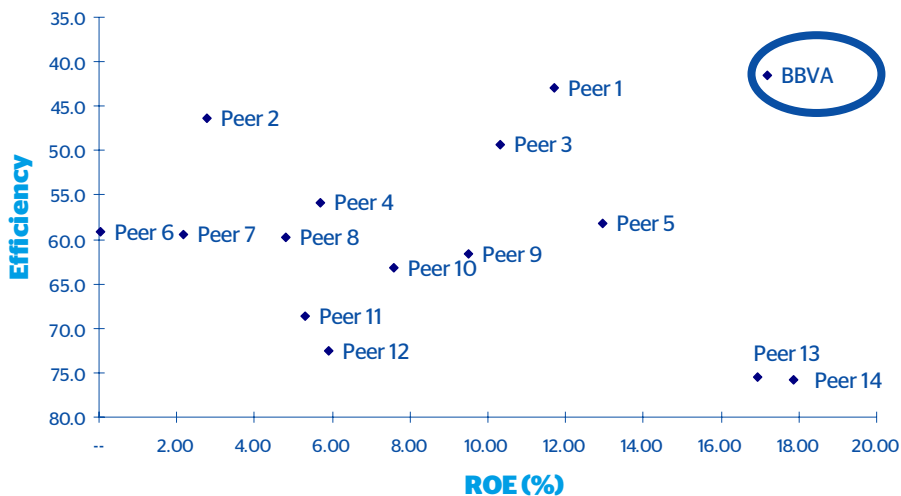
Vigorous activity in emerging economies

Increased mkt. share in developed economies

# In summary, a very sound Group

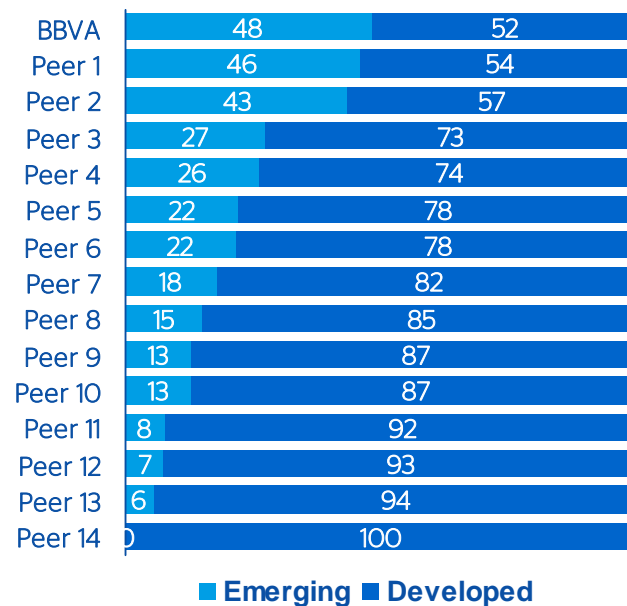
## ROE vs Efficiency

BBVA Group & Peers  
(9M10, %)



## Geographic diversification of revenue\*

BBVA Group vs Peer Group  
(%)



Efficiency & profitability



Superior growth potential



# 2010: a good year for the BBVA Group

## Earnings

Diversification & anticipation

Efficiency

Asset quality

Solvency

Finance structure

## Positioned for the future

Market share gains in developed countries

Growth in EAGLE<sup>©</sup> countries

Increasing our advantage in technology

1 Key points

**2 Business units**

## Business Areas: key aspects

### Spain & Portugal

Gains in market share and superior performance at all levels of the income statement

### Mexico

Upward trend of earnings. Business and risk indicators are improving.

### South America

Excellent earnings and risk performance throughout the crisis.

### United States

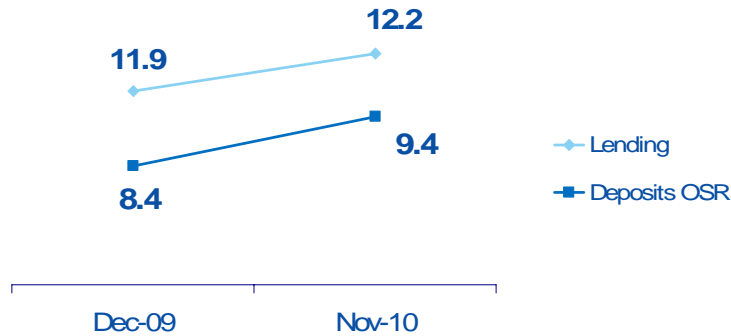
Implementation of the BBVA business model: widespread improvement of all indicators

### WB&AM

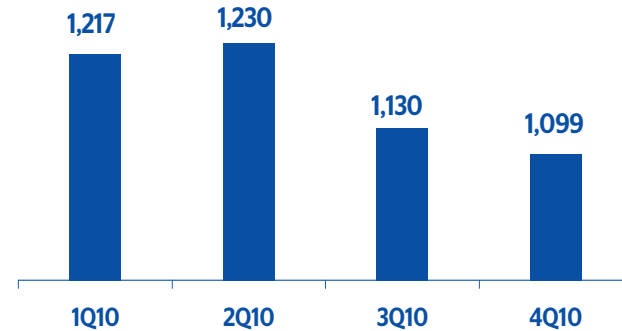
Quality of revenue, strength of customer franchise and growing contribution from Asia

# Spain & Portugal: increased market share of business and earnings . . .

Market share in lending and deposits (%)



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

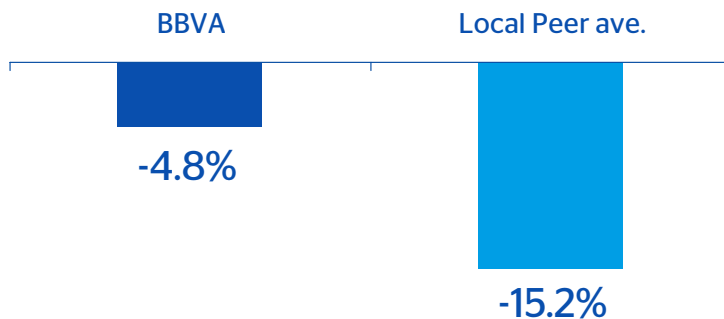


# . . . and effective management of operational parameters

Net interest income

BBVA S&P vs local Peers\*

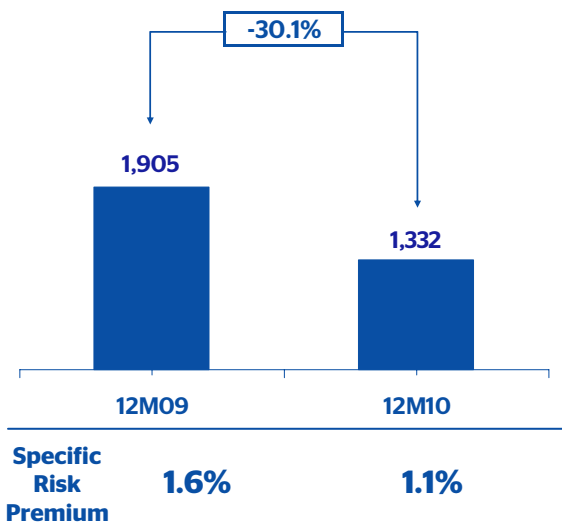
Change: Dec.10/ Dec.09 (percentage points)



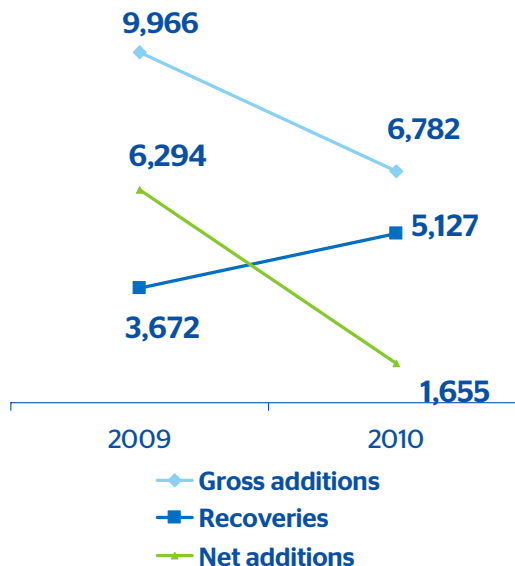
\*Local Peer Group: BTO, BKT, CAIXA, CM, POP, SAB & SAN. Latest available data used where there is no figure for Dec.10

# Spain & Portugal: superior risk position due to anticipation in 4Q09

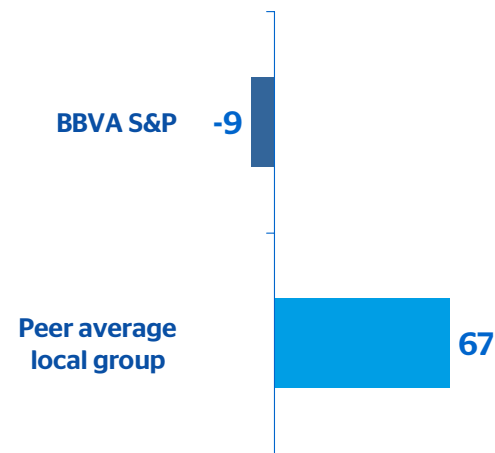
Loan-loss provisions (€m)



NPA figures (€m)



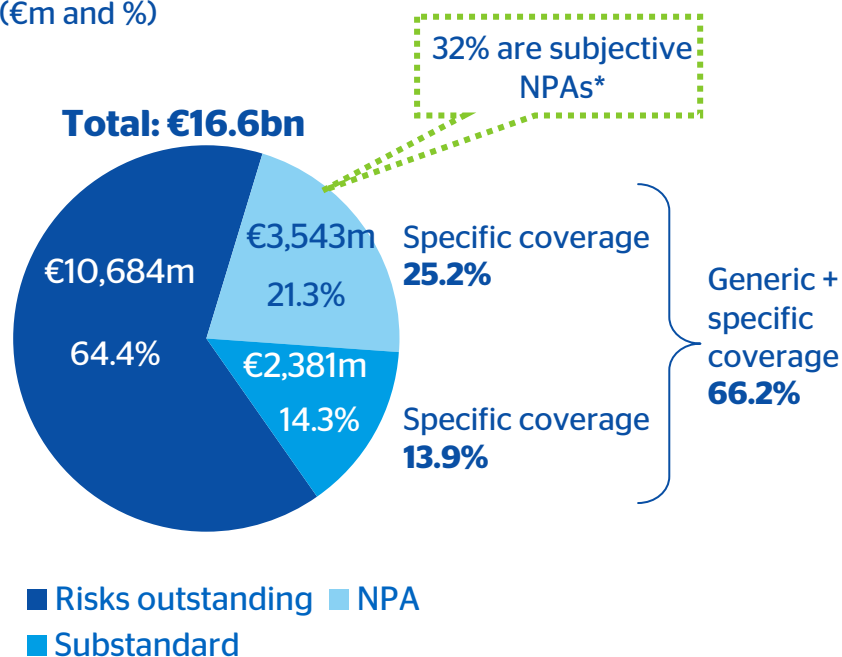
NPA ratio BBVA S&P vs local Peers (1) Year-on-year change (basis points)



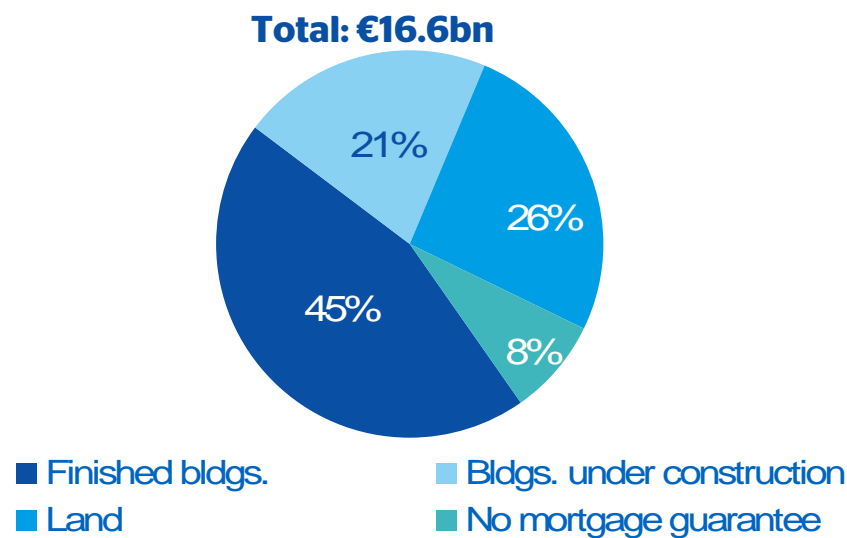
NPA ratio: 5.0% (vs 5.1% in 2009)

# Spain: exposure to developers

Exposure to developers  
(€m and %)



Exposure to developers  
(%)



Developer exposure accounts for:

- 3% of the Group's assets
- 8% of customer loans in Spain

- 66% of developer exposure is guaranteed with buildings
- 68% of the land is zoned for development

# Spain: housing loans to families and foreclosed assets

## Residential mortgages

- NPA ratio: 2.9%
- Average LTV: 51%
- First residence: 95%

## Foreclosures and asset purchases

(€m)	G.B.V.	Coverage
Construction and real estate development	3,259	32.1%
Dwellings	875	22.1%
Other	204	37.7%
Capital instruments	455	63.1%
<b>Total</b>	<b>4,793</b>	<b>33.4%</b>

# Spain & Portugal: income statement

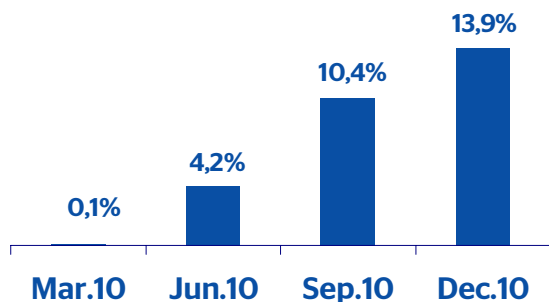
(€m)

Spain & Portugal	Accum.	Annual Growth	
	12M10	Abs.	%
Net Interest Income	4,675	- 235	-4.8%
Gross Income	6,629	- 386	-5.5%
Operating Income	4,045	- 350	-8.0%
Income Before Tax	2,948	- 292	-9.0%
Net Attributable Profit	2,070	- 205	-9.0%

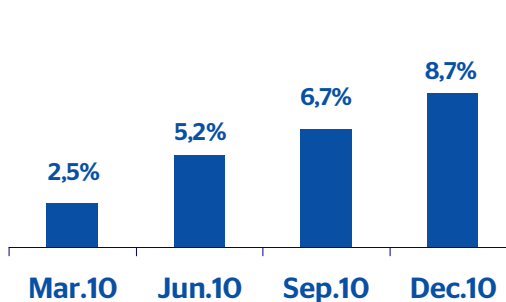


# Mexico: recovery of traction with market share gains in business volume ...

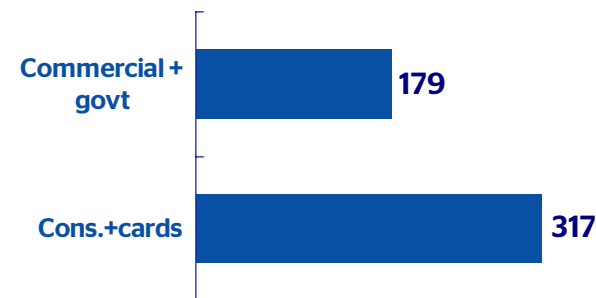
**Lending**  
Year-on-year change (%)



**Customer Funds**  
Year-on-year change (%)

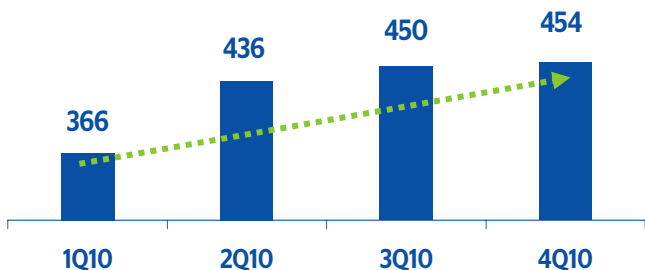


**Mkt. share of business**  
Change: Dec.10 vs Dec.09 (basis points)

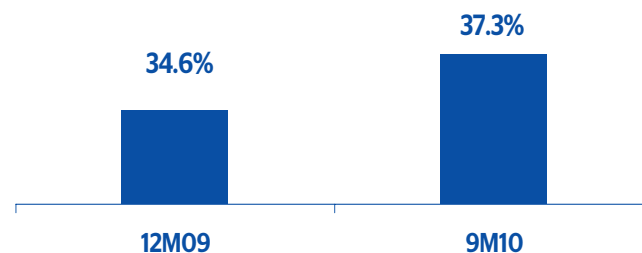


## ... and in earnings

**Attributable profit**  
Quarter-by-quarter (Constant €m)

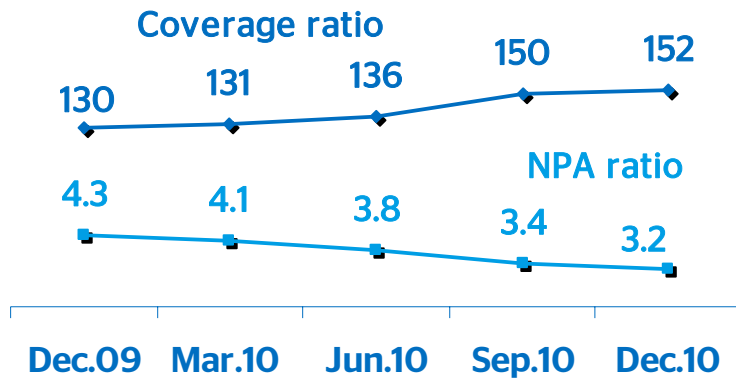


**Mkt. share of recurrent operating income\***  
(%)

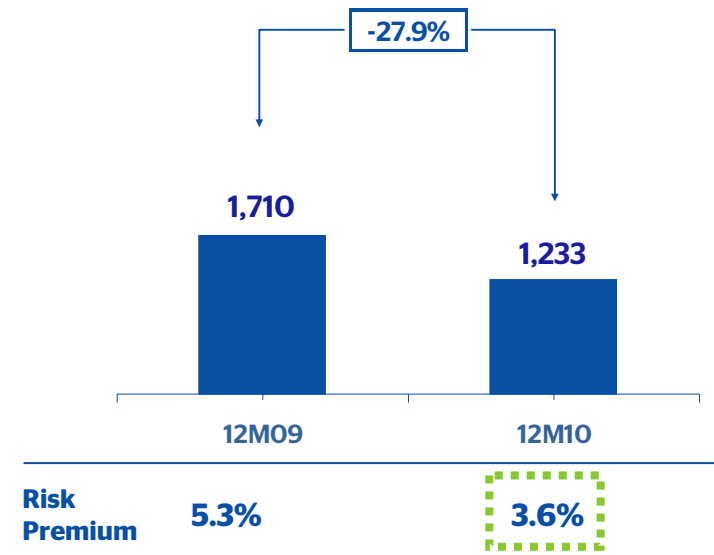


# Mexico: sharp drop in cost of risk

NPA & coverage ratios (%)



Provisions (Constant €m)



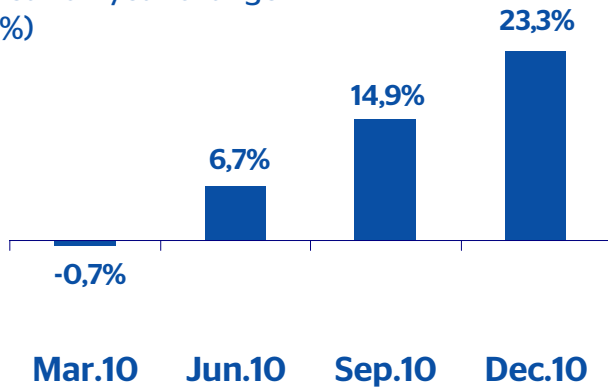
# Mexico: income statement

(Constant €m)

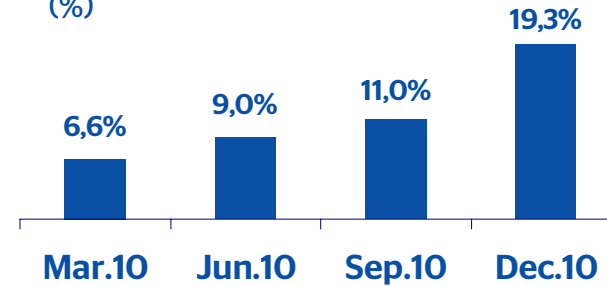
Mexico	Accum.	Annual Growth	
	12M10	Abs.	%
Net Interest Income	3,688	- 26	-0.7%
Gross Income	5,496	+ 26	0.5%
Operating Income	3,597	- 128	-3.4%
Income Before Tax	2,281	+ 293	14.7%
Net Attributable Profit	1,707	+ 182	11.9%

# South America: high level of business ...

**Lending**  
Year-on-year change  
(%)

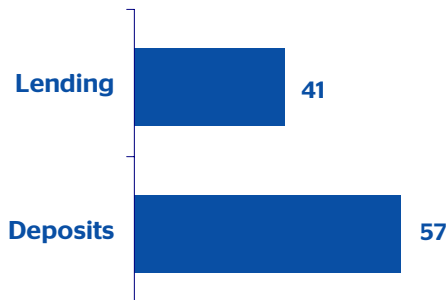


**Customer funds**  
Year-on-year change  
(%)

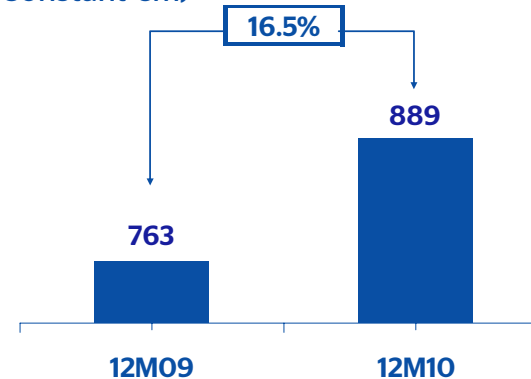


... leading to market share gains and buoyant earnings

**Market share**  
Change: Nov.10 / Dec.09  
(Basis points)



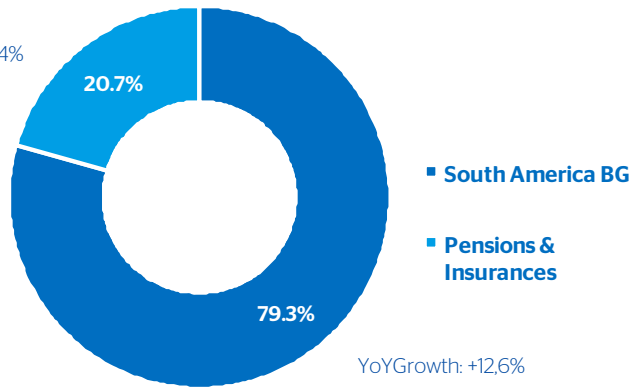
**Attributable profit**  
Year to date  
(Constant €m)



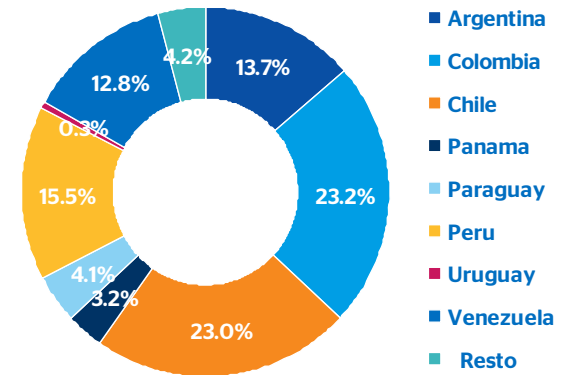
# South America: diversification by sector and region ...

Net attributable profit by sector (%)

YoYGrowth: +28,4%

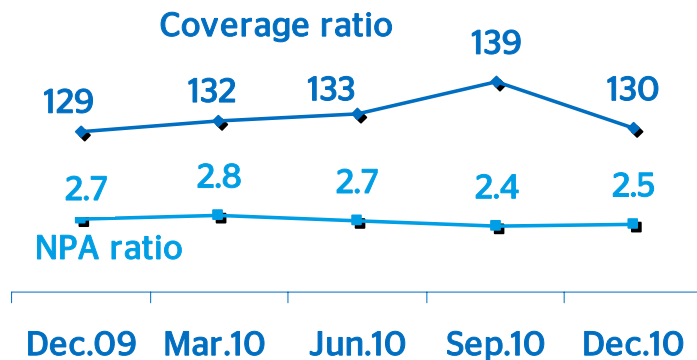


Net attributable profit by region (%)

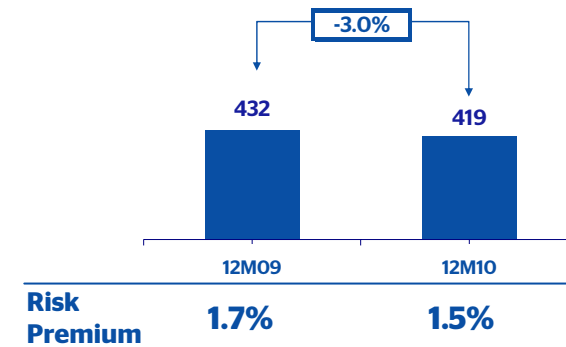


## ... and the best risk indicators in the BBVA Group

NPA & coverage ratios (%)



Provisions (Constant €m)



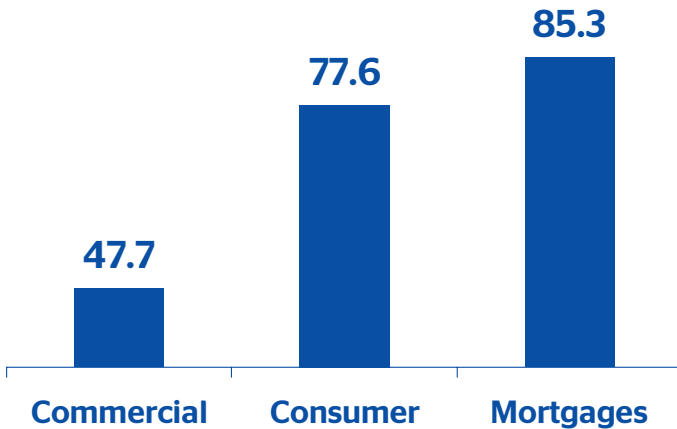
# South America: income statement

(Constant €m)

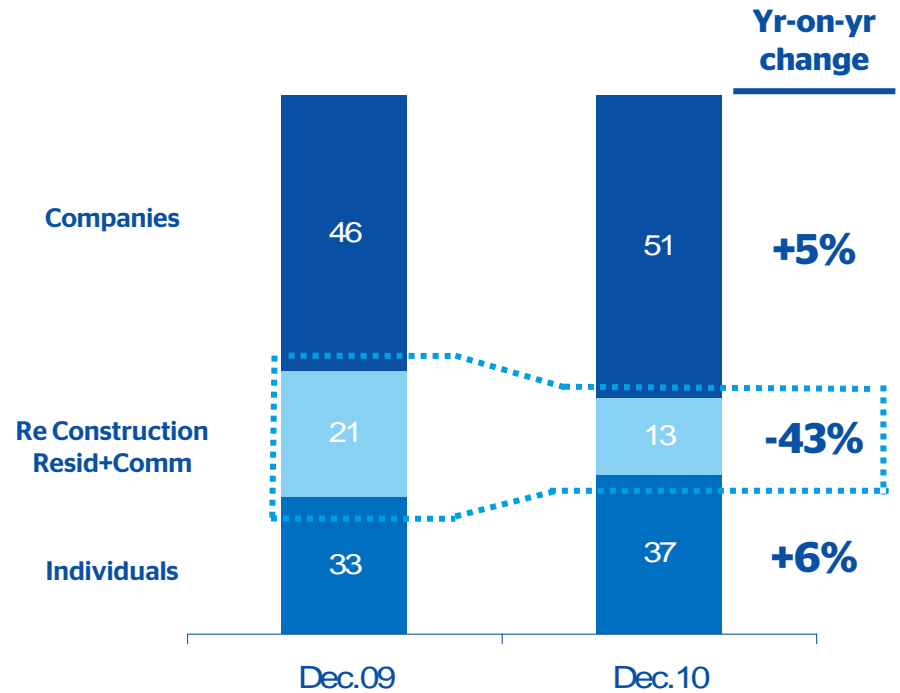
South America	Accum.	Annual Growth	
	12M10	Abs.	%
Net Interest Income	2,495	+ 249	11.1%
Gross Income	3,797	+ 336	9.7%
Operating Income	2,129	+ 129	6.4%
Income Before Tax	1,670	+ 169	11.3%
Net Income	1,273	+ 161	14.5%
Net Attributable Profit	889	+ 126	16.5%

# United States: growth in new production and improvement in asset portfolio

BBVA Compass - new business written  
Change: 4Q10 / 4Q09  
(%)

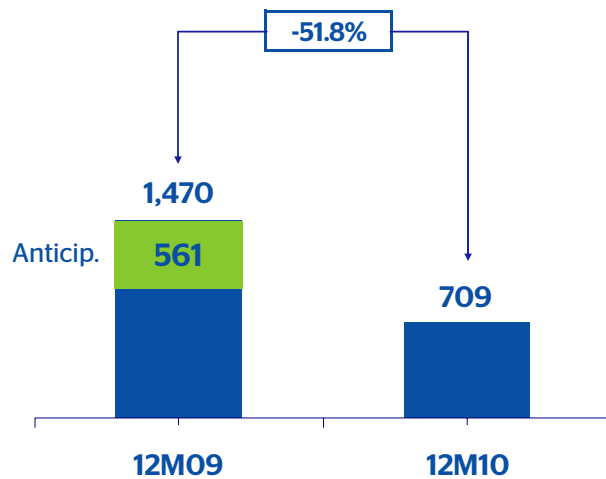


BBVA Compass - lending mix  
(%)



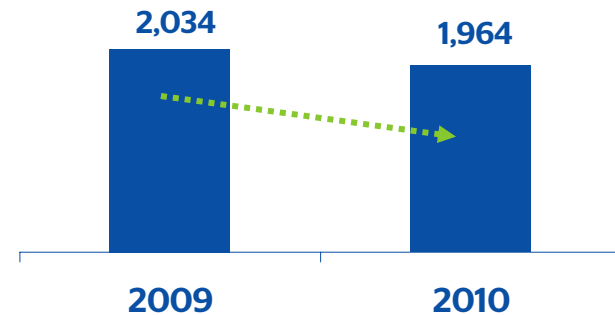
# United States: risk indicators improve

Provisions  
(Constant €m)



<b>Risk premium</b>	<b>3.3%</b>	<b>1.7%</b>
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NPAs - balance  
(Constant €m)



<b>NPA ratio</b>	<b>4.2%</b>	<b>4.4%</b>
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<b>Coverage</b>	<b>58%</b>	<b>61%</b>
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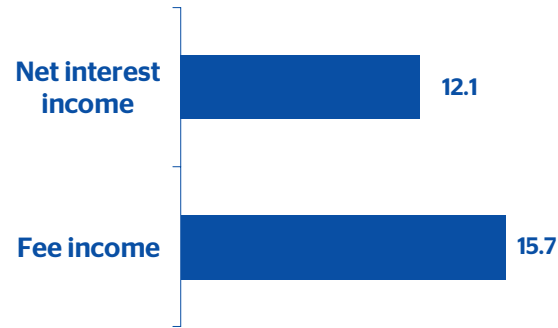
# United States: income statement

(Constant €m)

USA	Accum.	Annual Growth	
	12M10	Abs.	%
Net Interest Income	1,794	+ 22	1.3%
Gross Income	2,546	+ 2	0.1%
Operating Income	1,029	- 78	-7.0%
Income Before Tax	304	+ 1,802	n.s.
Net Attributable Profit	236	+ 1,232	n.s.

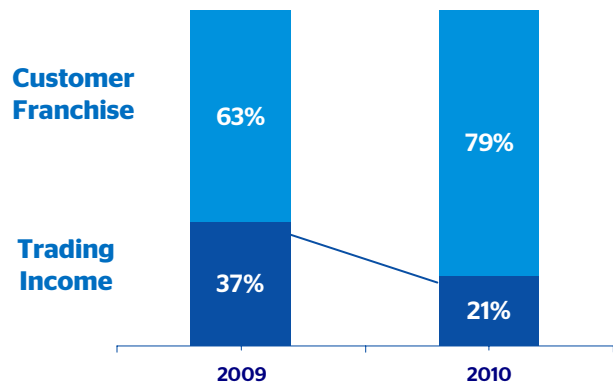
# WB&AM: buoyant income in C&IB ...

Corporate & Investment Banking  
Change: 2010 / 2009  
(%)

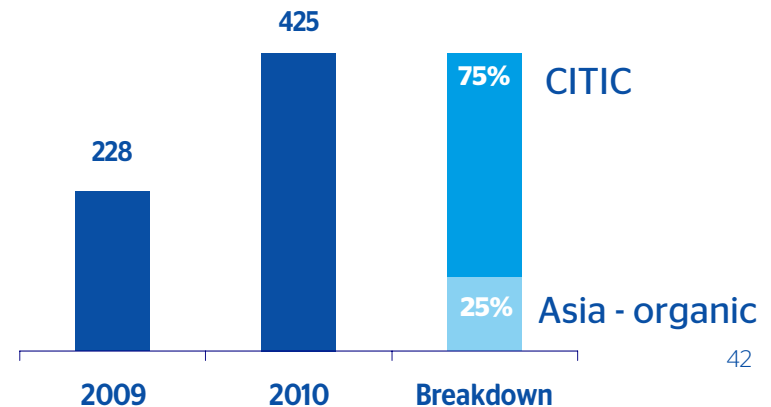


... stronger customer franchise in GM and growing contribution from Asia

Global Markets  
Source of revenue  
(%)



Asia  
Gross income  
(€m)



# WB&AM: income statement

(€m)

Wholesale Banking & Asset Management	Accum.	Annual Growth	
	12M10	Abs.	%
Gross Income	1,758	+ 58	3.4%
Operating Income	1,257	+ 43	3.5%
Income Before Tax	1,143	- 7	-0.6%
Net Attributable Profit	950	+ 97	11.4%

# Management priorities in 2011

## A dualistic environment with a different approach for each market type:

### Developed markets

- Take advantage of consolidation movements
- Mkt share gains, management of spreads, costs and asset quality

### Emerging markets

- Macro growth, vigorous business and gains in market share
- Ambitious organic growth plans

- Development of global areas: value added
- Technology: a key enabler

## Business Areas: outlook for 2011

### Spain & Portugal

Margins under pressure, superior performance in risk and market share gains. Taking advantage of opportunities

### Mexico

Consolidating leadership, earnings trending upwards and lower cost of risk.

### South America

Buoyant business and earnings with low NPAs.

### United States

Confirmation of recovery albeit slow in terms of business. Improvement in the bottom line.

### WB&AM

Growth in all business lines and regions, leveraging the customer model.

# 2010 Results

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