

# Second quarter results 2012



Ángel Cano, BBVA's President & Chief Operating Officer

Madrid, July 31st 2012

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## Quarter highlights

1

**Recurring revenues are growing**

2

**Strong operating income: a major factor in absorbing negative impacts**

3

**Organic generation of capital and EBA compliance**

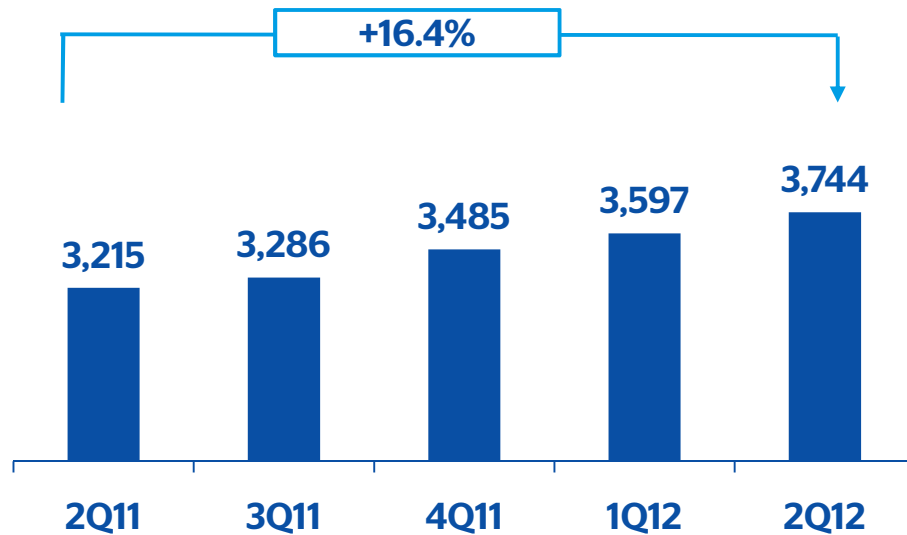
4

**Risk indicators are stable**

**Solid fundamentals that shine in the present  
European banking context**

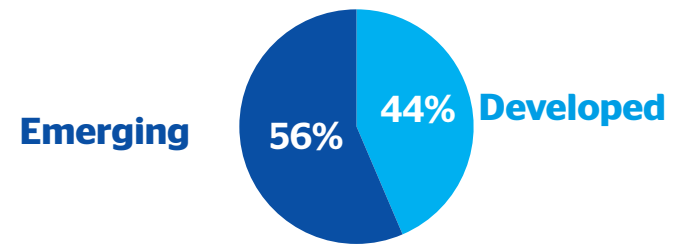
# Strong net interest income ...

**Net interest income**  
BBVA Group  
€m



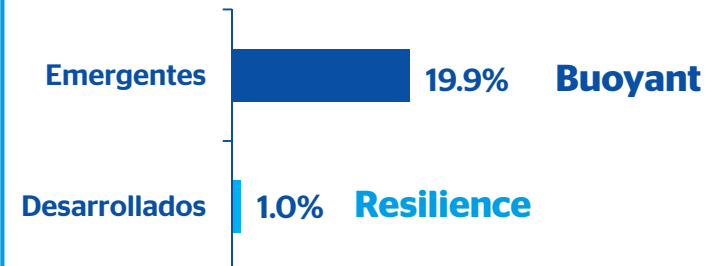
## Balanced diversification

**Net interest income**  
BBVA Group  
1H12 by market type



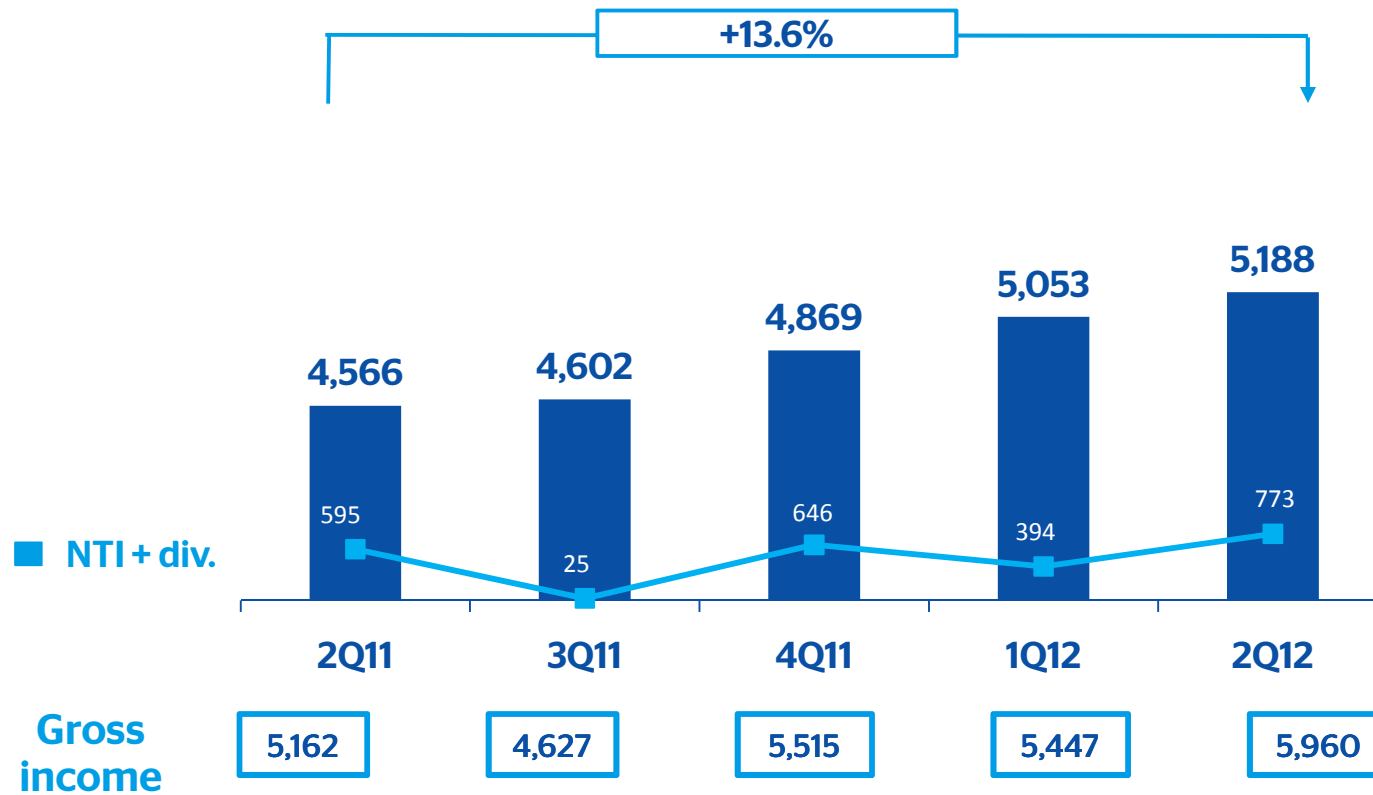
## Cycle management

**Net interest income**  
BBVA Group  
Yr-on-yr change. Constant €



... and strong recurring gross income ...

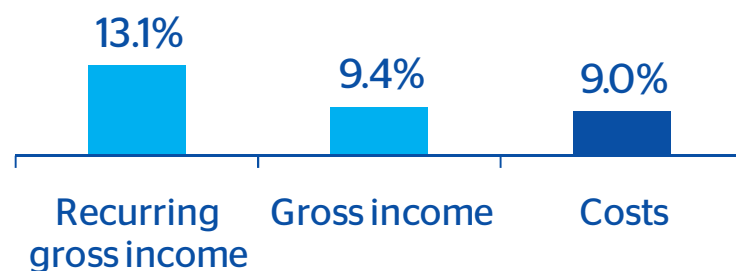
Recurring gross income  
BBVA Group  
€m



... growing faster than costs

### Gross income vs costs

BBVA Group  
Yr-on-yr change



- Efficiency improves - and leadership positions maintained vs. peer group
- Capitalizing on the investment plans of earlier quarters

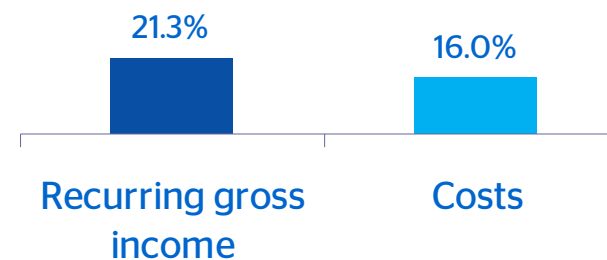
### Developed mkts

Yr-on-yr change  
Constant €



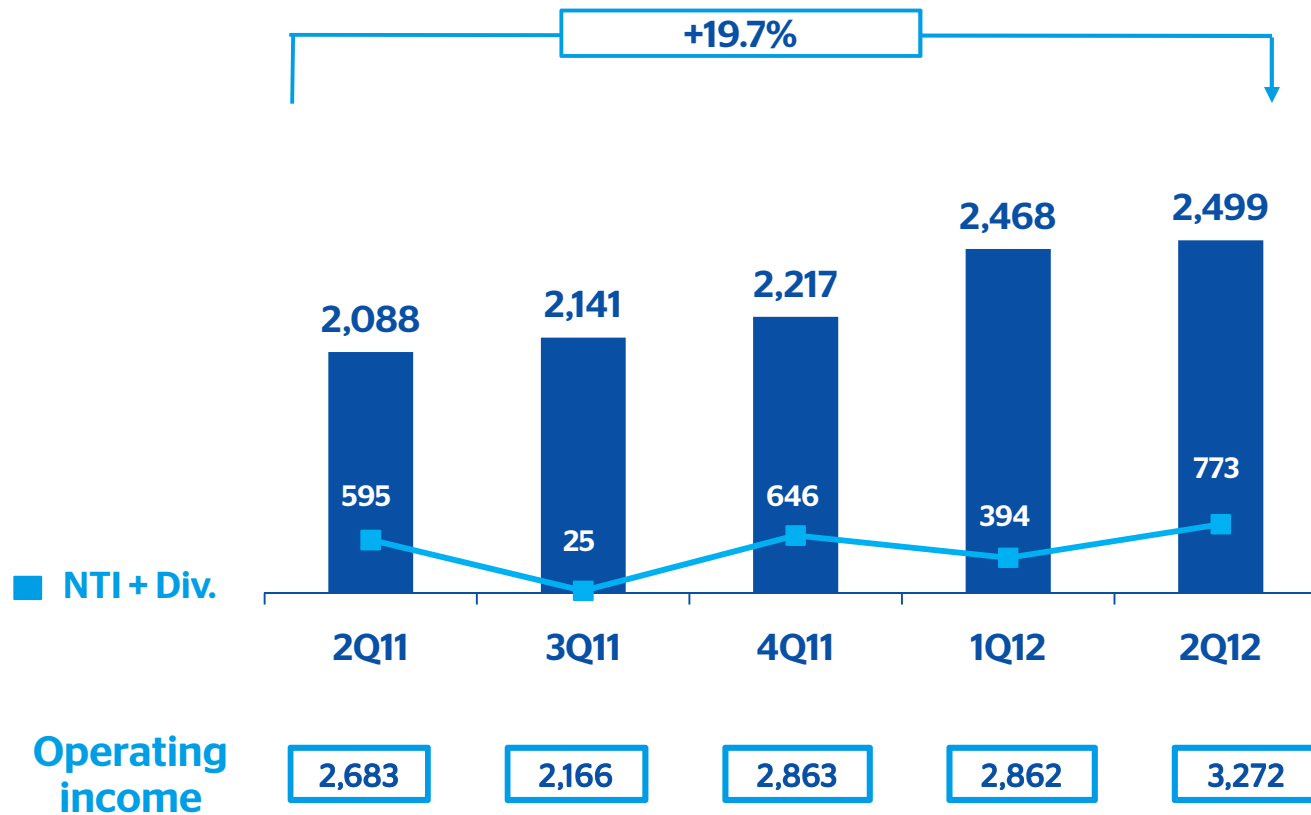
### Emerging mkts

Yr-on-yr change  
Constant €



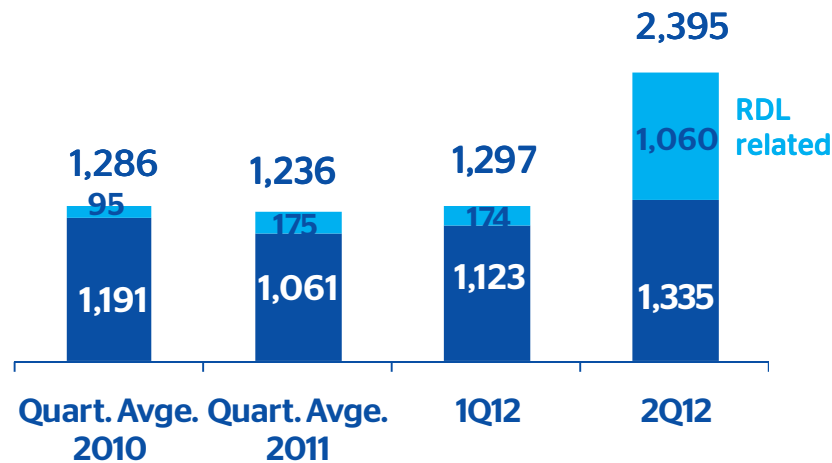
# Solid operating income, maintaining a higher level ...

Recurring operating income  
BBVA Group  
€m

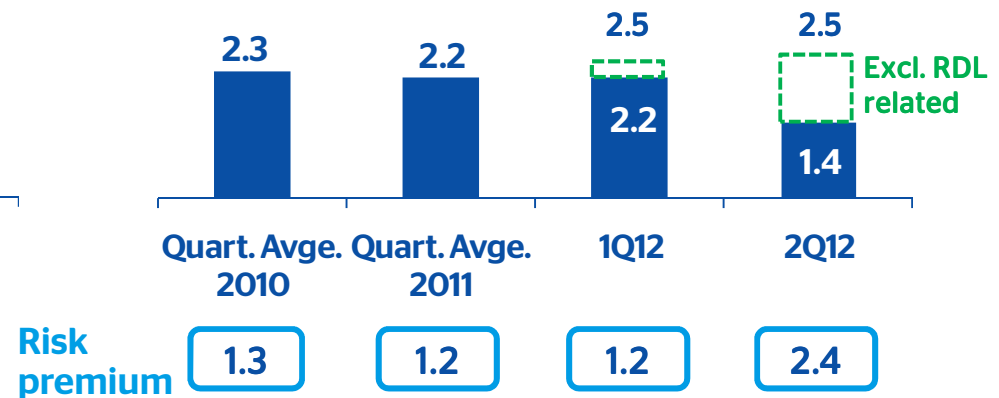


... the key factor to enable a greater provisioning effort ...

Loan-loss and real-estate provisioning  
BBVA Group  
€m



Operating income / loan-loss and real-estate provisioning  
BBVA Group  
no. of times





... mainly in regard to royal decrees

	Impact	
RDL 2/12	€2,869m	} Total €4,637m
RDL 18/12	€1,768m	
<hr/>		
Provisioned	€1,434m	
Pending	€3,203m	

## In summary: a solid income statement

€m

BBVA Group	Accum.	Growth	
		1H12 / 1H11	
	1H12	Abs.	%
Net interest income	7,340	+ 951	14.9
Gross income	11,407	+ 982	9.4
Operating income	6,134	+ 547	9.8
Provisions RDL related	-1,234	-1,003	433.5
Rest of provisions	-2,796	-583	26.4
Income before tax	2,104	-1,039	-33.1
Net attributable profit	1,510	-829	-35.4

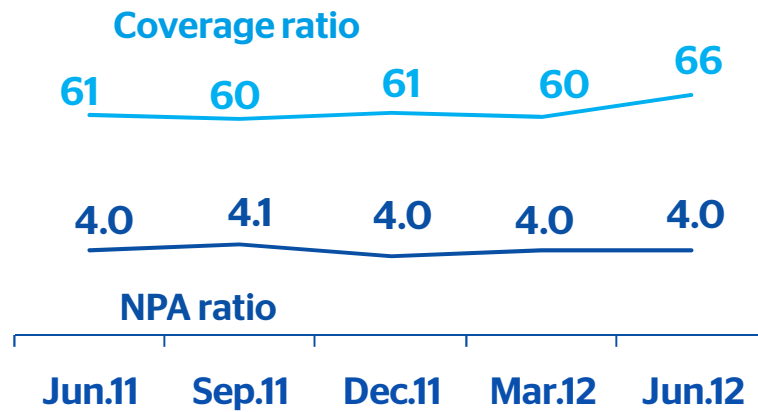
**Net attributable profit excluding effect of RDLs**

**€2,374m (-5.1%)**

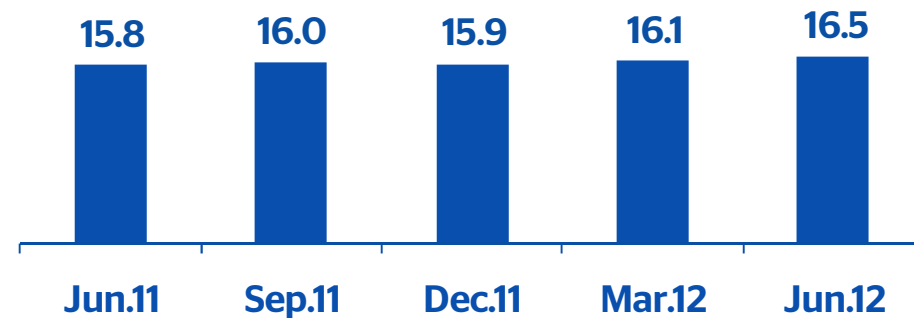
**Impact in 2012 of provisioning required by royal decrees is manageable**

# Good risk performance

NPA & coverage ratios  
BBVA Group  
%

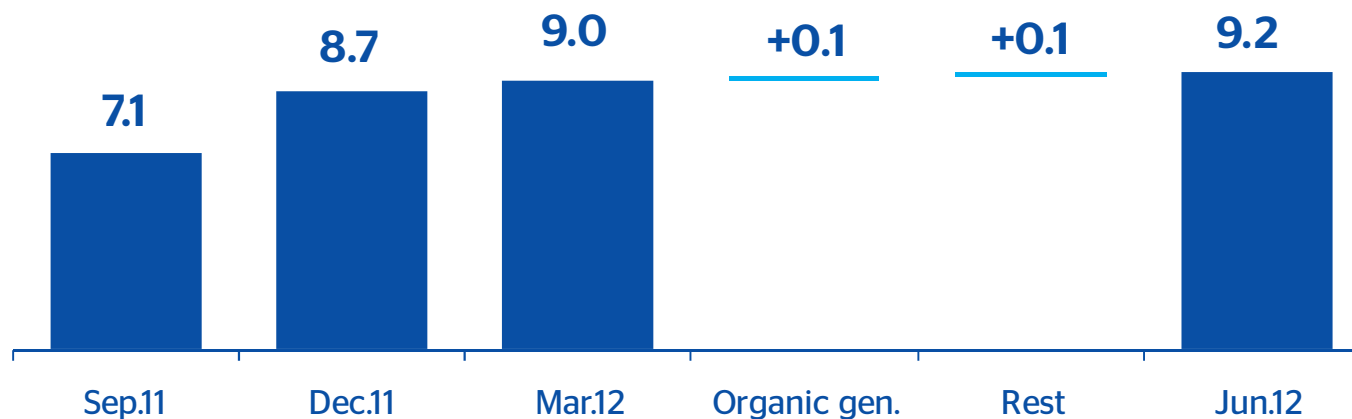


NPAs - net balance  
BBVA Group  
€Bn



# Organic generation of capital and compliance with EBA requirements

Core capital ratio (EBA)  
BBVA Group  
%



Based on Basel 2.5 the core capital ratio is 10.8% after a 50bp increase in the first half

## Sound liquidity position

### **Euro balance sheet**

- 1 Debt redemptions in 2012/13 already covered**
- 2 Internal liquidity ratios improve**
- 3 Ample collateral available to absorb liquidity shocks**

### **Non-euro regions**

- 1 Financially independent subsidiaries: no transfers of liquidity**
- 2 No wholesale structural finance needs**
- 3 Market access**

## Summary: solid fundamentals ...

### Resilient earnings

**Recurring gross income**

**+13.1%**  
Year-on-year

**Recurring operating income**

**+17.8%**  
Year-on-year

**Operating income / provisioning**

**1.4**  
Times (2Q12)

**Diversified revenues**

**56%**  
Emerging mkts

### Solid foundations

#### Capital

EBA ratio	EBA since Sep.11	△ Capital 1H12
<b>9.2%</b>	<b>+€6.9bn</b>	<b>+50 bp</b>

#### Liquidity

**Internal ratios improve**

#### Risk (%)

NPA ratio	Coverage ratio improves
<b>Stable</b>	<b>+ 5 pts</b>

**1 Highlights**

**2 Business areas**

### **Lack of confidence ...**

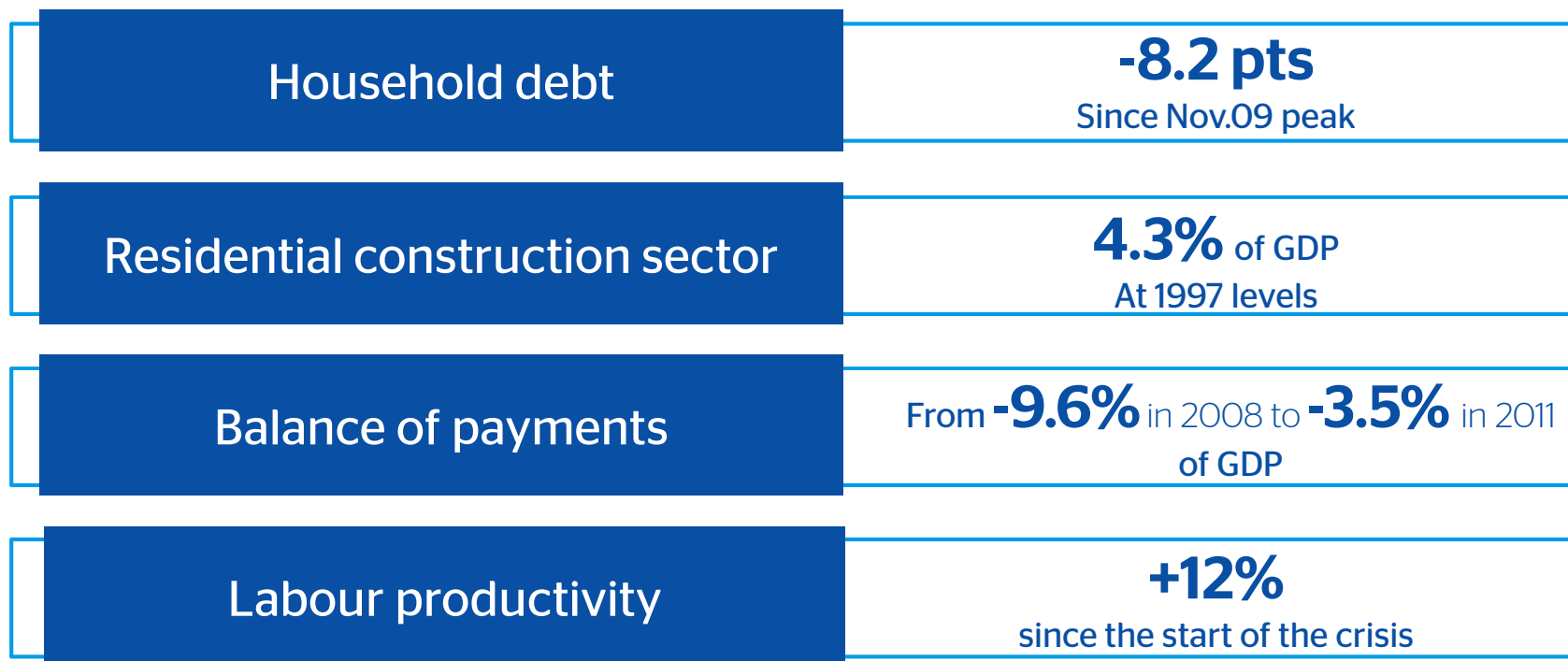
- **Risk premium at record high**
- **IBEX35 at 2003 levels**
- **Rating review**

### **... but progress is made**

- **Adjustment plans**
- **Target deficit window widens**
- **Structural reforms**
- **Restructuring of financial system**



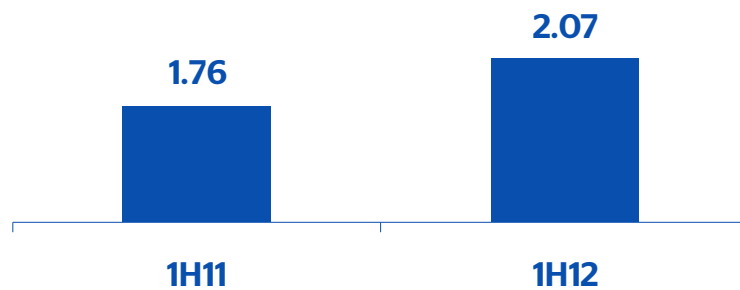
## **Spain:** progressive correction of the imbalances that led to the crisis



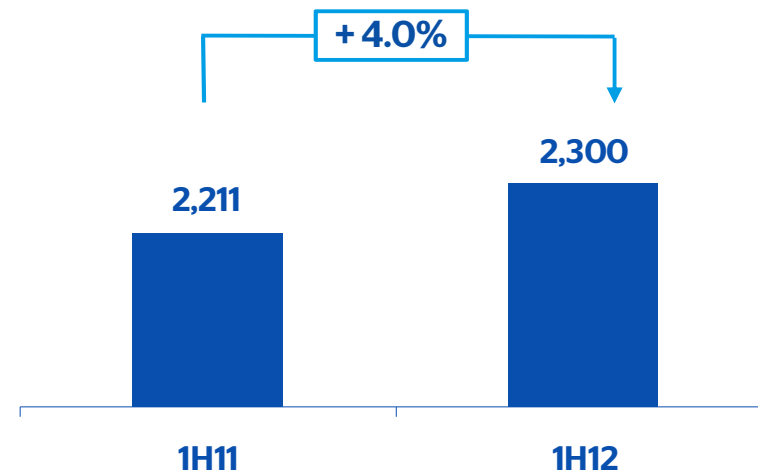
It will take time for the market to recognize these improvements

# Spain: positive trend of net interest income

Customer spread (excluding markets)  
%



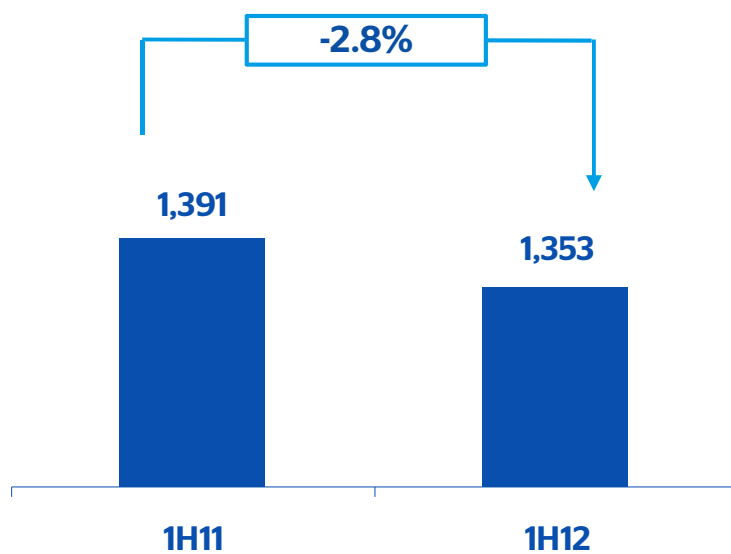
Net interest income  
€m



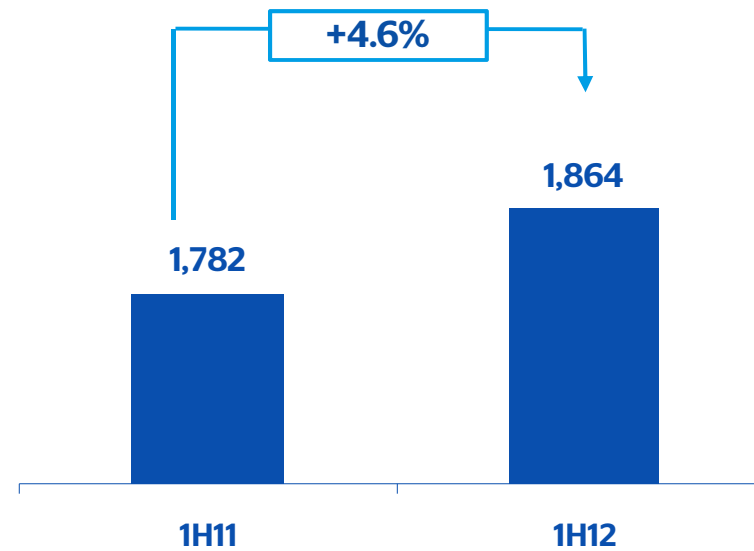
Appropriate price management offsets business weakness  
in an adverse environment

# Spain: strict cost controls and strong operating income

Costs  
€m

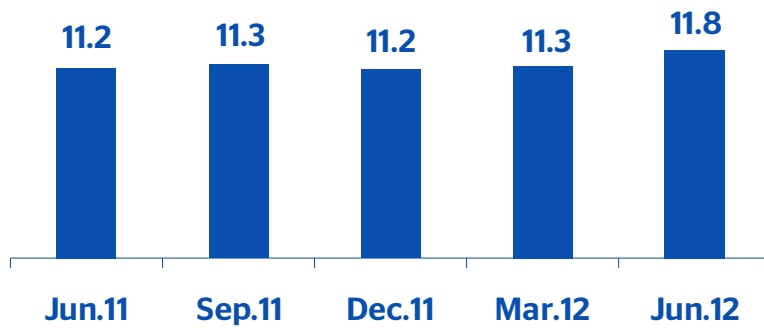


Recurring operating income  
€m

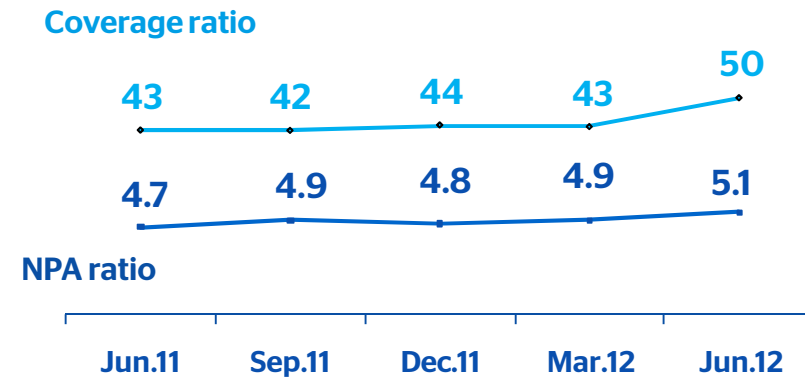


# Spain: slight uptick in NPAs and NPA ratio ...

NPAs - net balance  
€Bn



NPA & coverage ratios  
%



## Spain: ... with focus in developer and SMEs

Jun. 12 Change Jun.12 vs. Dec.11	Exposure	NPA ratio	Coverage ratio
<b>Developer</b>	<b>13,874</b> (-7%)	<b>34.2%</b> (+613 bp)	<b>46%</b> (+17 pp)
<b>SMEs</b>	<b>24,781</b> (-5%)	<b>6.9%</b> (+123 bp)	<b>38%</b> (-6 pp)

NPA ratio of other headings is stable

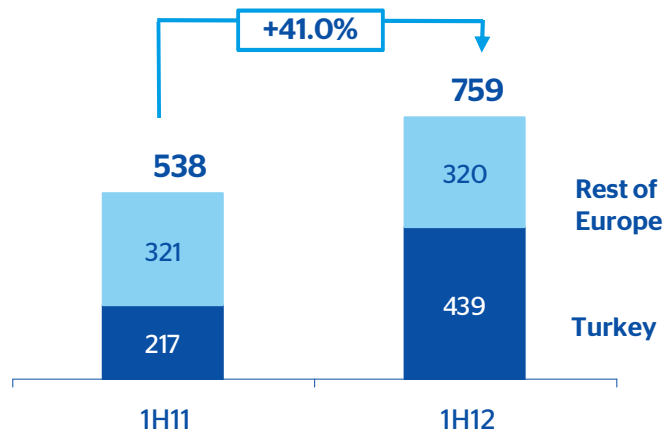
## Spain: income statement

€m

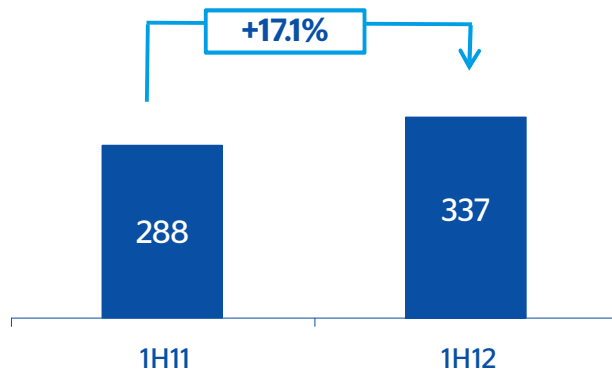
Spain	Accum.	Growth	
		1H12 / 1H11	
	1H12	Abs.	%
Net interest income	2,300	+ 89	4.0
Gross income	3,316	- 118	-3.4
Operating income	1,964	- 79	-3.9
Income before tax ex provisions RDL related	809	- 539	-40.0
Net attributable profit ex provisions RDL related	567	- 382	-40.2
Net attributable profit includ. provisions RDL related	-221	- 1,116	n.s.

## EurAsia: revenue is balanced and growing

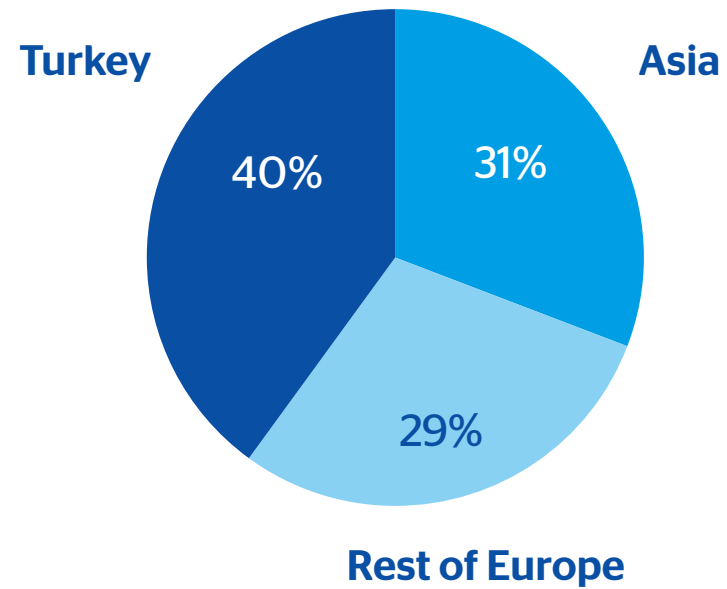
Gross income - rest of Europe  
€m



Gross income - Asia  
€m



Breakdown of gross income - EurAsia  
%



## EurAsia: income statement

€m

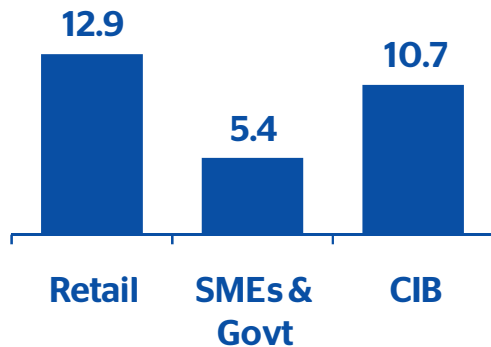
EurAsia	Accum.	Growth	
		1H12 / 1H11	
	1H12	Abs.	%
Net interest income	382	+ 77	25.3
Gross income	1,096	+ 270	32.7
Operating income	727	+ 165	29.2
Income before tax	630	+ 116	22.6
Net attributable profit	576	+ 129	28.9



# Mexico: buoyant activity with wider spreads

**Lending: +10.7%**

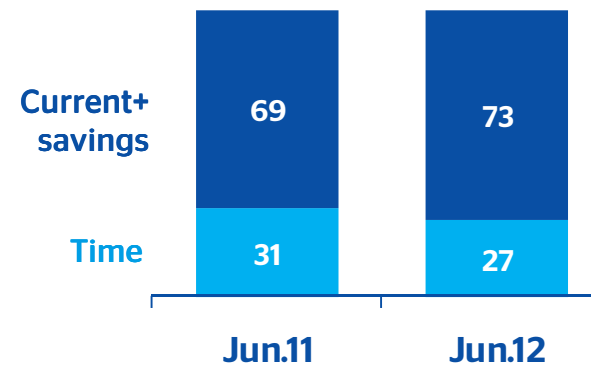
Year-on-year change  
Average balances



Balanced growth of lending ...

**Cust. funds: +8.8%**

Balance sheet customer deposit mix  
%

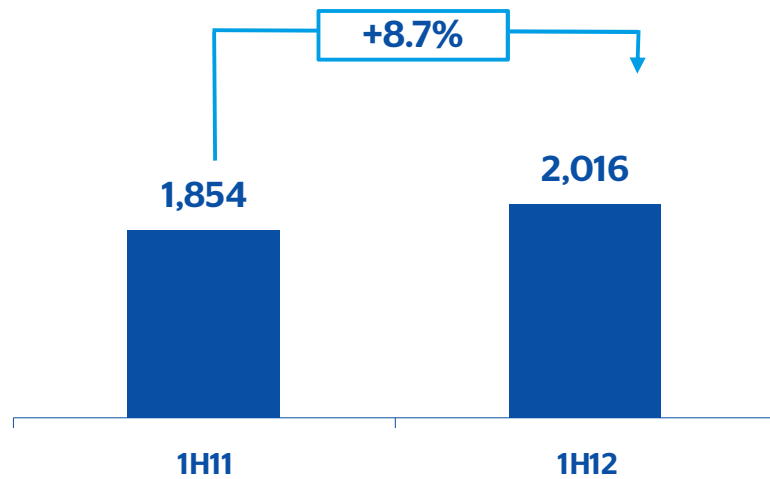


... with improvements in structure of retail deposits ...

**2 million new customers in the last year**

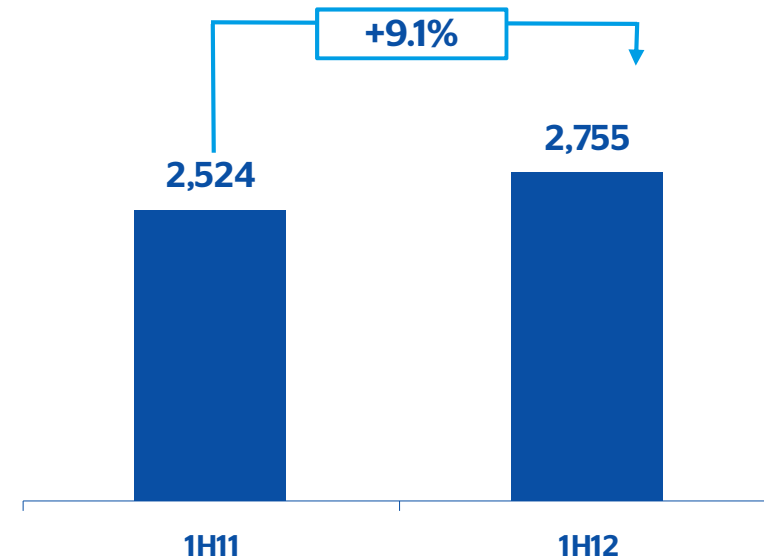
# Mexico: new record for quarterly revenue

Net interest income  
Constant €m



Net fee income: +5.1%

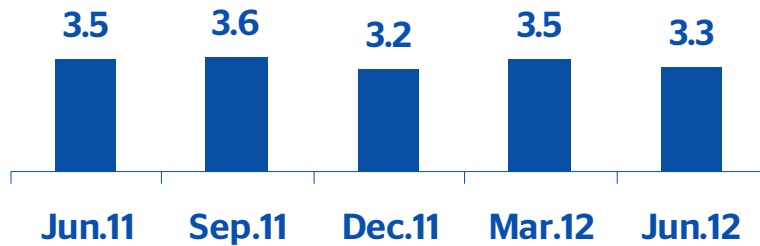
Recurring gross income  
Constant €m



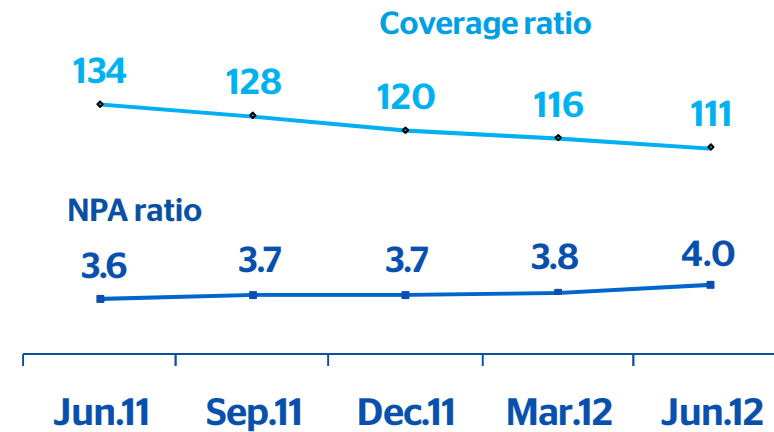
Gross income: +4.3%

# Mexico: risk indicators are stable

Risk premium  
Quarter-by-quarter  
(%)



NPA ratio  
(%)



## Mexico: income statement

Constant €m

Mexico	Accum.	Growth	
		1H12 / 1H11	
	1H12	Abs.	%
Net interest income	2,016	+ 162	8.7
Gross income	2,877	+ 120	4.3
Operating income	1,786	+ 24	1.4
Income before tax	1,144	+ 5	0.4
Net attributable profit	865	+ 20	2.4

**Net profit excluding NTI: +15.3%**

# South America: buoyant business and excellent net interest income ...

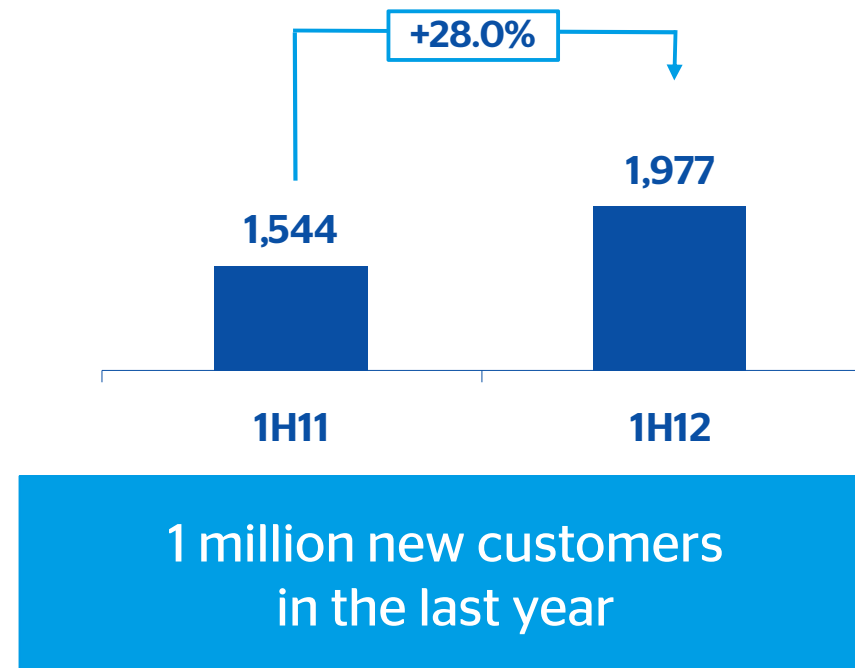
**Business activity**  
yr-on-yr growth of average balances



**Market share**  
Year-on-year change

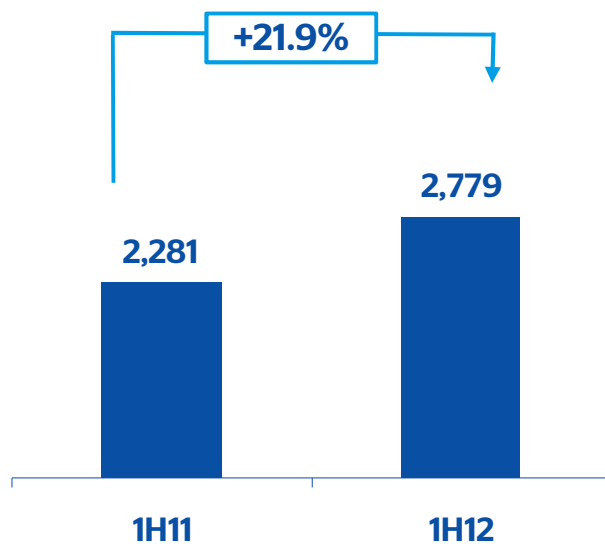


**Net interest income**  
Quarter-by-quarter  
Constant €m

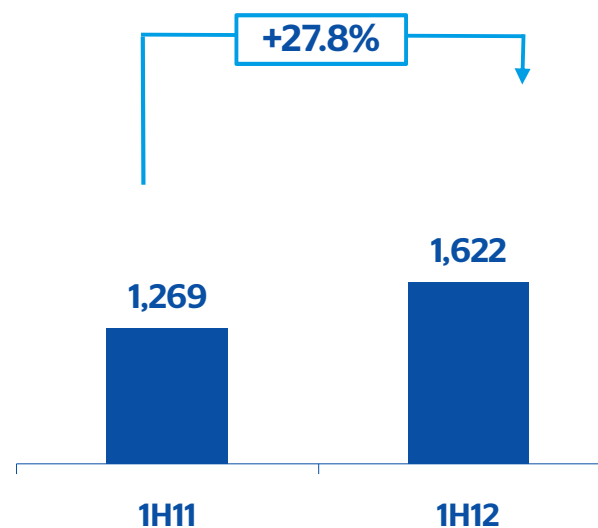


South America: ... reflected in other items on the  
income statement

Gross income  
Constant €m



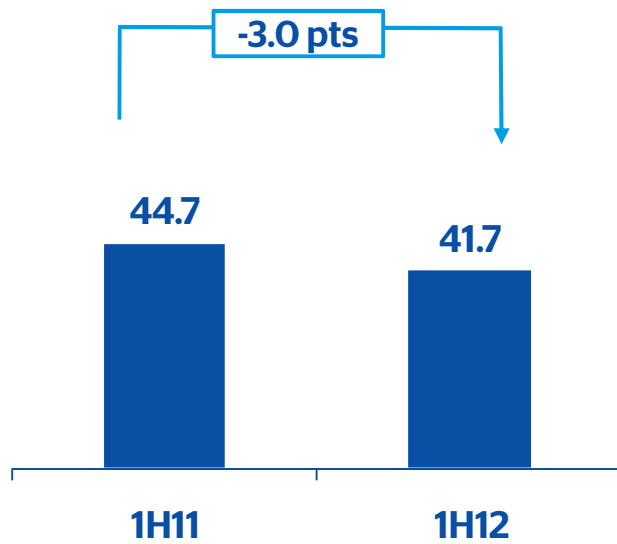
Operating income  
Constant €m



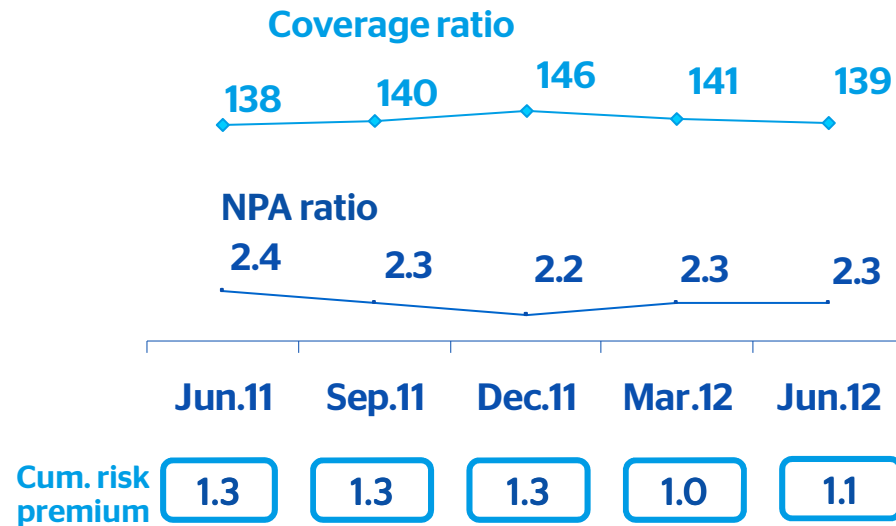
**New record for quarterly gross income**

# South America: improvement in efficiency and the best risk indicators in the Group

Cost / Income (%)



NPA & coverage ratios (%)



## South America: income statement

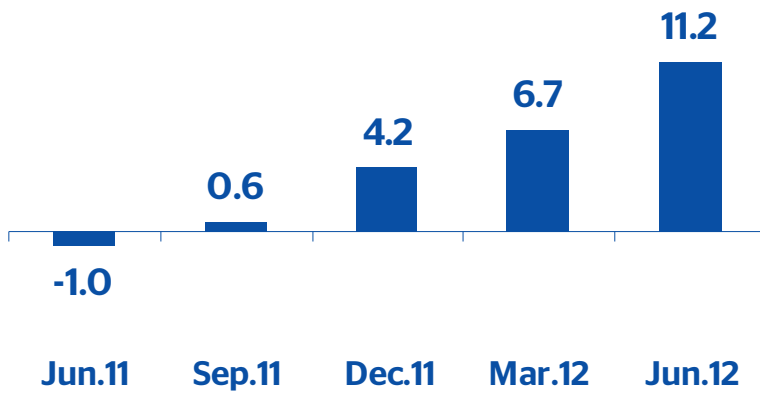
Constant €m

South America	Accum.	Growth	
		1H12 / 1H11	
	1H12	Abs.	%
Net interest income	1,977	+ 433	28.0
Gross income	2,779	+ 499	21.9
Operating income	1,622	+ 353	27.8
Income before tax	1,312	+ 295	29.0
Net attributable profit	703	+ 140	24.8

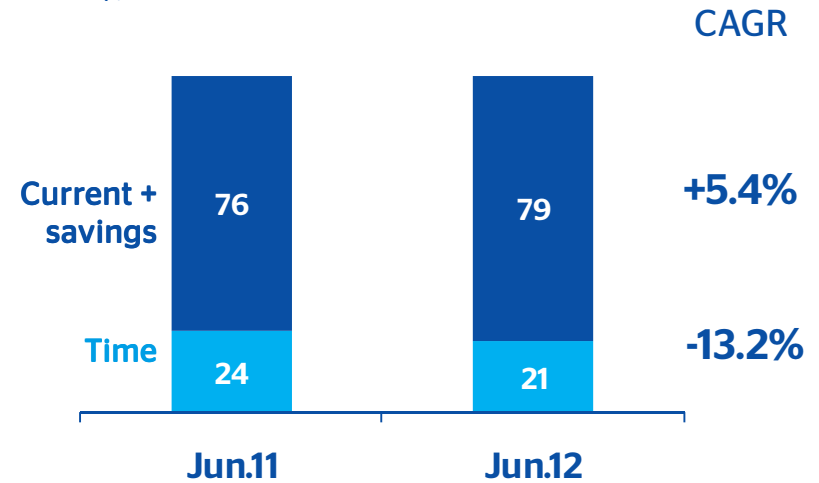


# United States: lending extends upward trend and improvements in funding mix

Lending (BBVA Compass)  
Year-on-year change  
% average balances

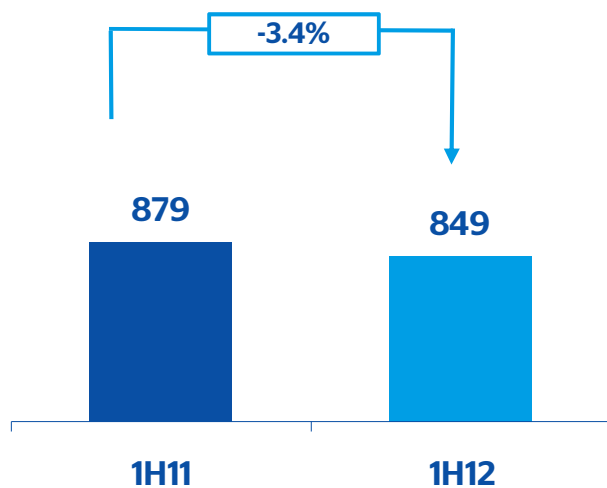


Balance sheet customer deposit mix (BBVA Compass)  
%



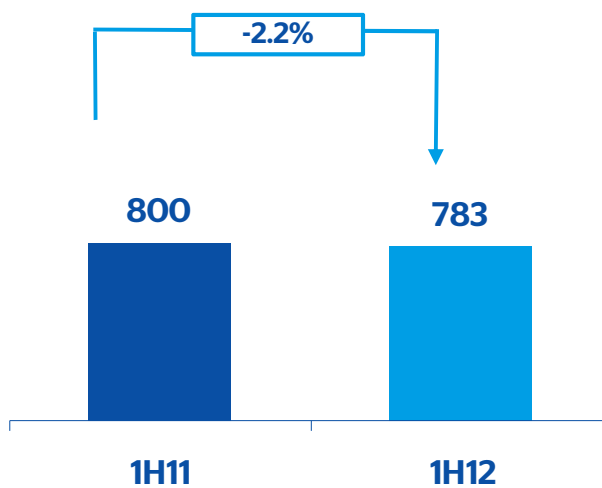
**United States:** the retail sector is buoyant and business, excluding one-offs, is strong ...

Net interest income  
Constant €m



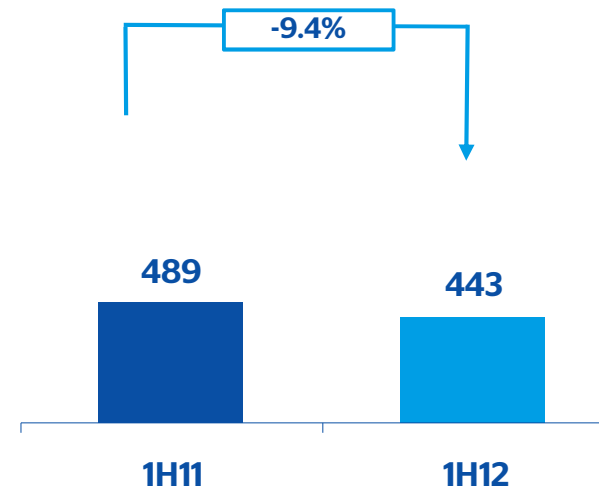
Local business: +6.4%

Costs  
Constant €m



Cost control

Operating income  
Constant €m

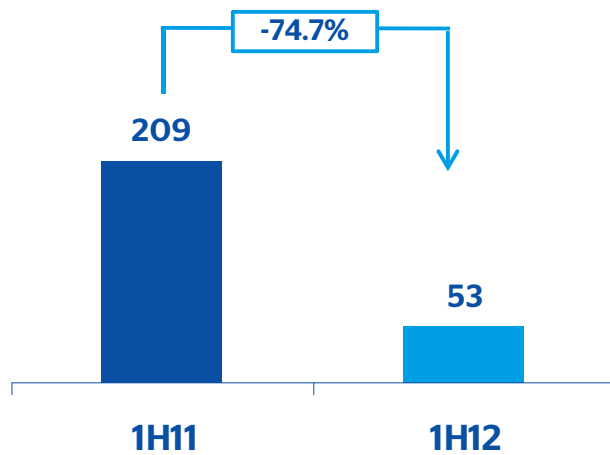


Excluding one-offs\*: +8.7%

\* Excludes regulatory impact and Guaranty loan portfolio attrition

# United States: provisioning continues to fall

Loan-loss provisions  
(Constant €m)

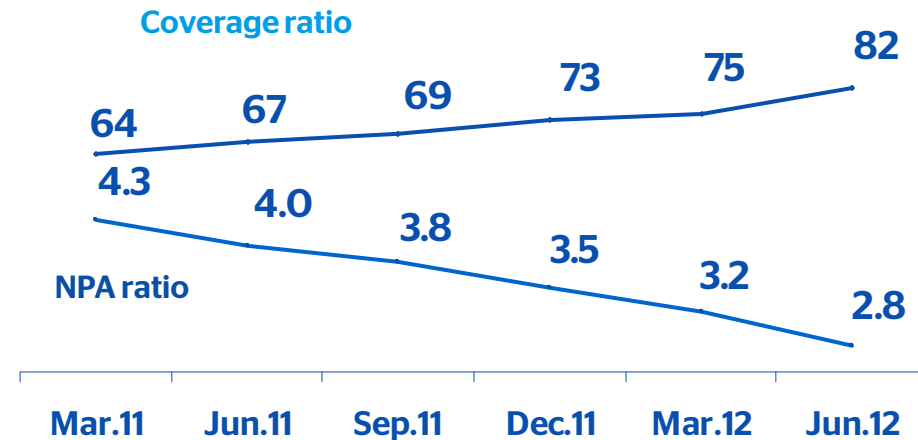


Cum. risk premium

1.0

0.3

NPA & coverage ratios  
(%)



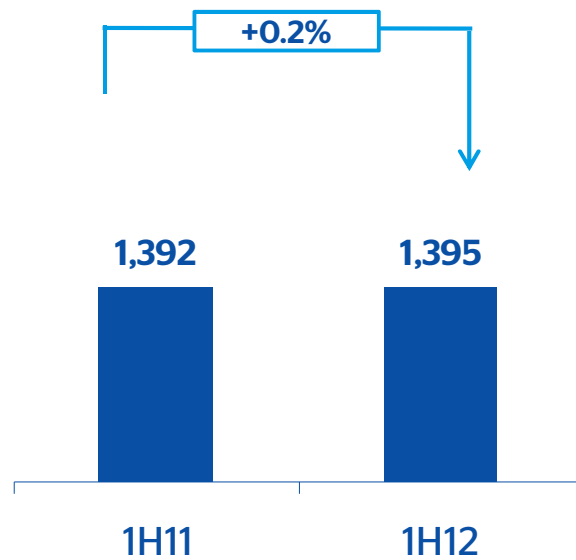
## United States: income statement

Constant €m

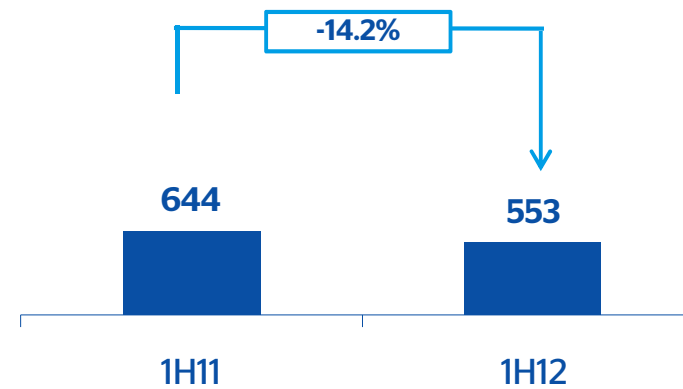
U.S.A.	Accum.	Growth	
		1H12 / 1H11	
	1H12	Abs.	%
Net interest income	849	- 30	-3.4
Gross income	1,226	- 63	-4.9
Operating income	443	- 46	-9.4
Income before tax	358	+ 85	31.2
Net attributable profit	245	+ 48	24.2

**CIB:** despite a highly complex quarter wholesale banking displays great resilience ...

Gross income  
Constant €m

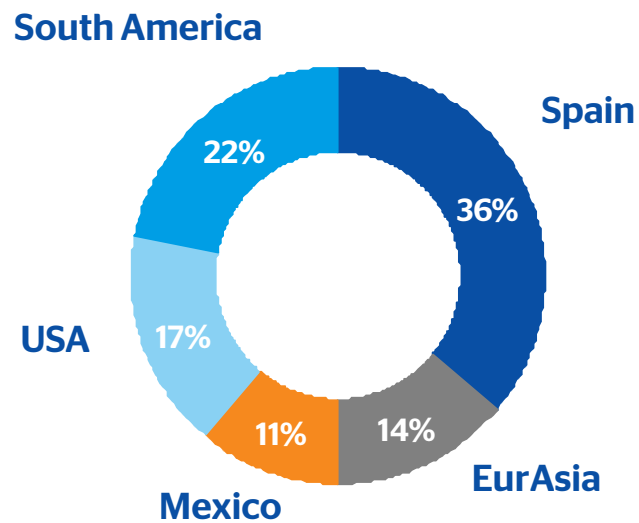


Net attributable profit  
Constant €m

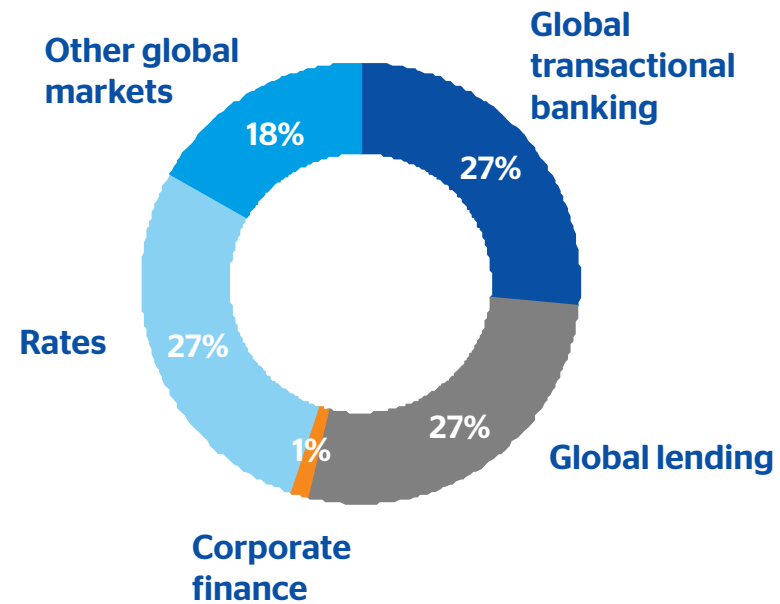


# CIB: ... by leveraging revenue diversification ...

Gross income by region  
1H12, %



Gross income by product  
1H12, %



**85% of income is generated by our customer franchise**

## Quarter highlights

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3

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4

**Risk indicators are stable**

**Solid fundamentals that shine in the present  
European banking context**



S e c o n d q u a r t e r r e s u l t s 2 0 1 2



Ángel Cano, BBVA's President & Chief Operating Officer

Madrid, July 31st 2012