

**BBVA**

# Results First Quarter 2008



**BBVA**

Madrid, 28<sup>th</sup> April 2008

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## **Group results for 1Q08**

Results by business area

Spain & Portugal

Wholesale Banking & Asset Management

Mexico

USA

South America

Conclusions

**1**

- ❑ BBVA maintains solid growth despite tougher business environment
- ❑ Growth is based on recurrent revenues from business with customers

**2**

- ❑ In the current environment our are priorities are:
  1. Efficiency
  2. Asset quality
  3. Capital
  4. Liquidity

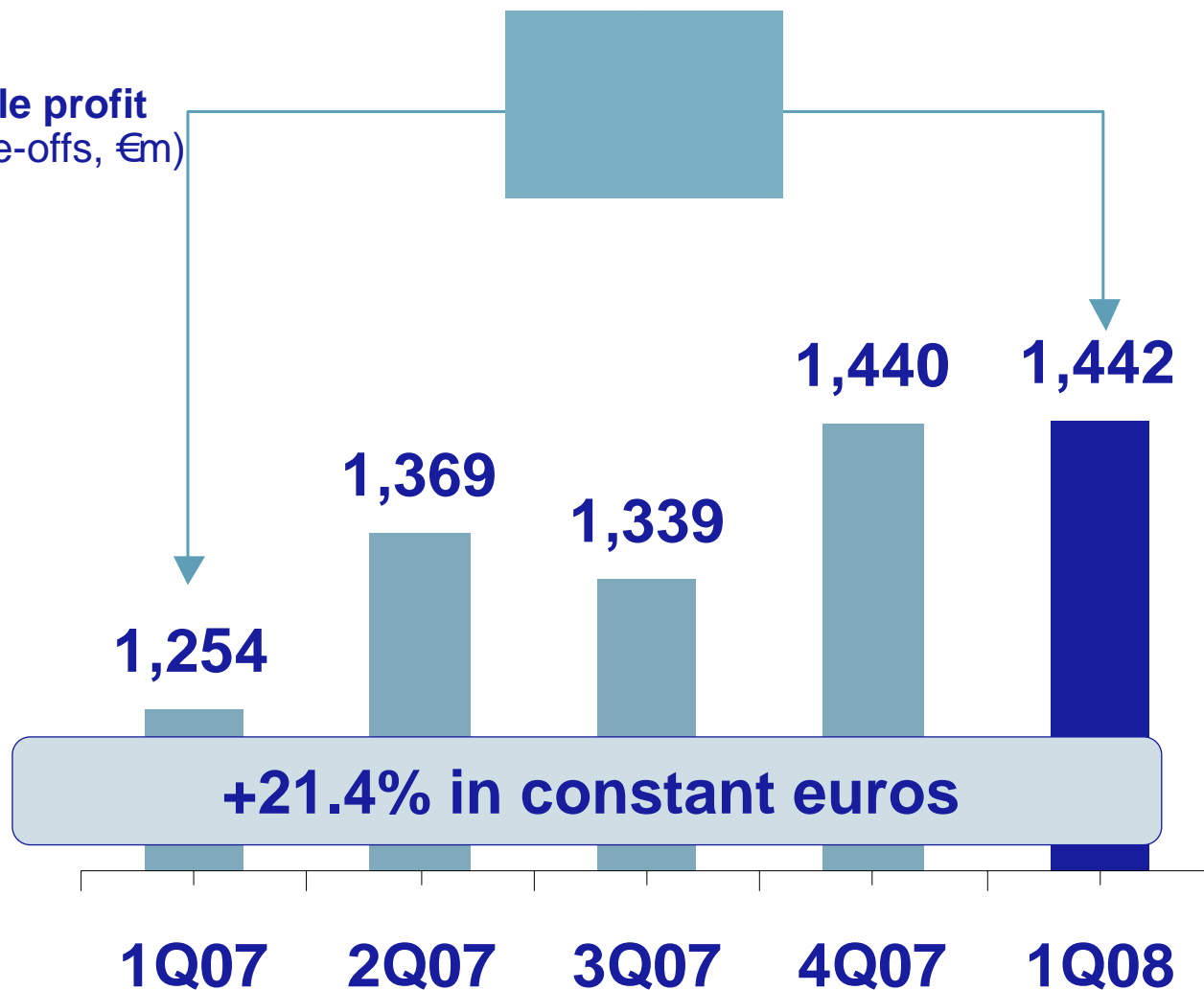
**3**

**A profitable group that generates recurrent value**

**1**

**Solid profit growth despite complex scenario faced by banks globally**

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

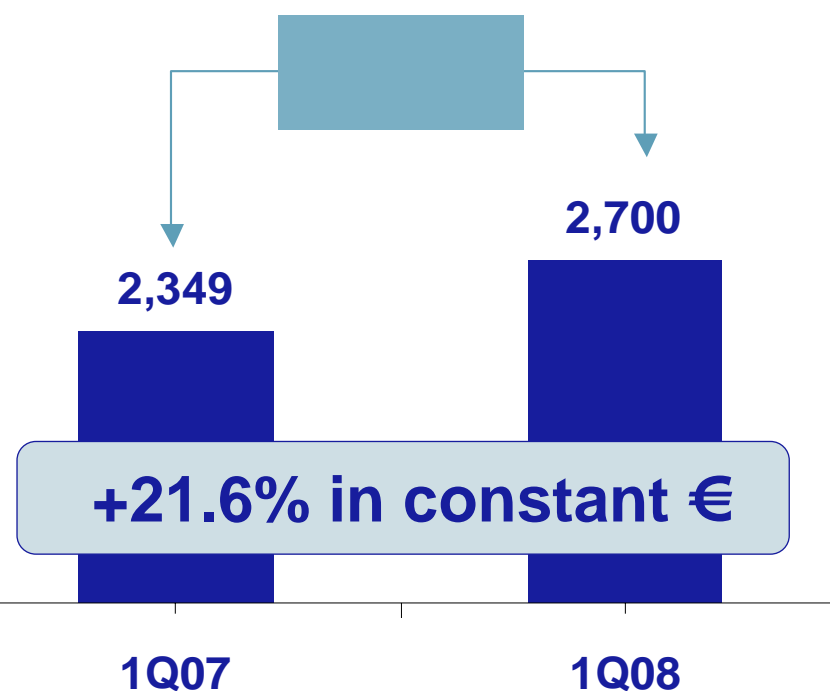


**EPS excl. one-offs: €0.39 (+9.6%)**

# Supported by recurrent revenues

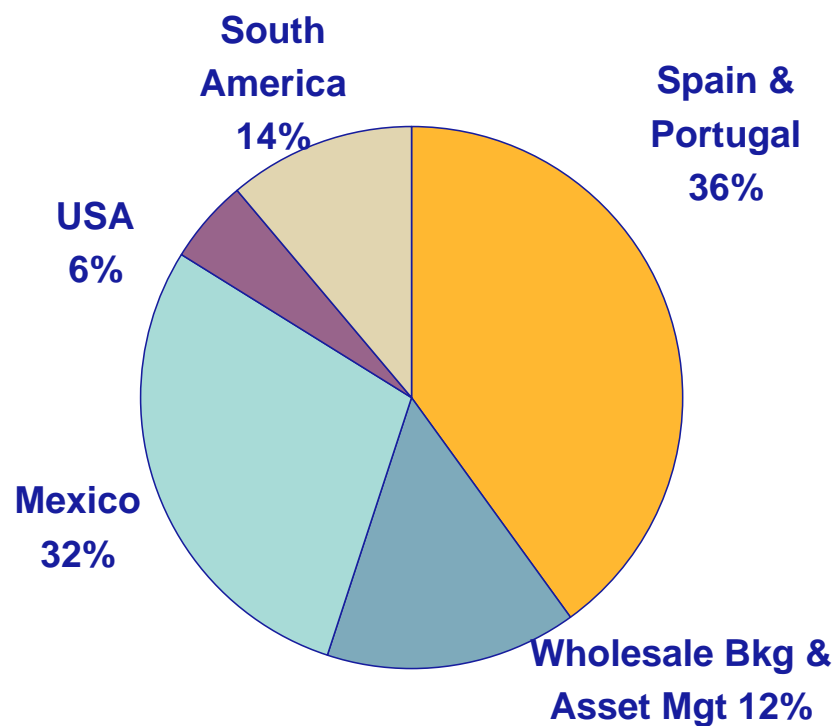
08/07 growth (%)	Current euros	Constant euros
<b>Net Int. Income</b>	+22.4%	+30.3%
<b>Core Revenues</b>	+19.2%	+26.1%
<b>Ord. Revenues</b>	+16.8%	+23.1%

Operating profit (€m)



# Extending to all business areas

**Contribution to operating profit of BBVA Group (%)**



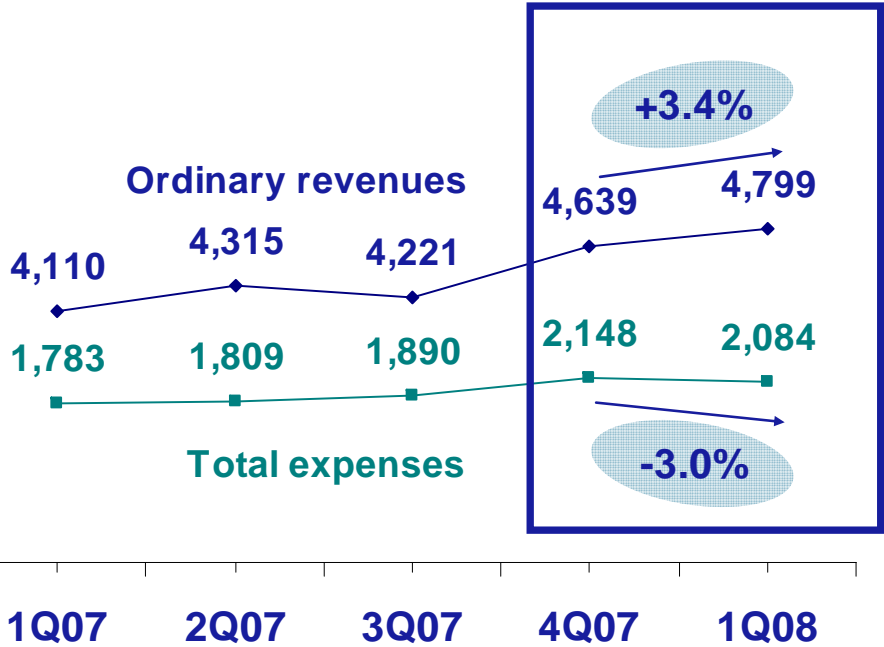
**Operating profit (Constant €m)**

Operating Profit	Acum	Annual Growth	
	1Q08	Abs.	%
Spain & Portugal	1,102	+ 135	14.0%
Wholesale Banking & Asset Management	354	+ 85	31.4%
Mexico	960	+ 204	27.0%
USA	181	+ 125	n.s.
South America	431	+ 103	31.3%

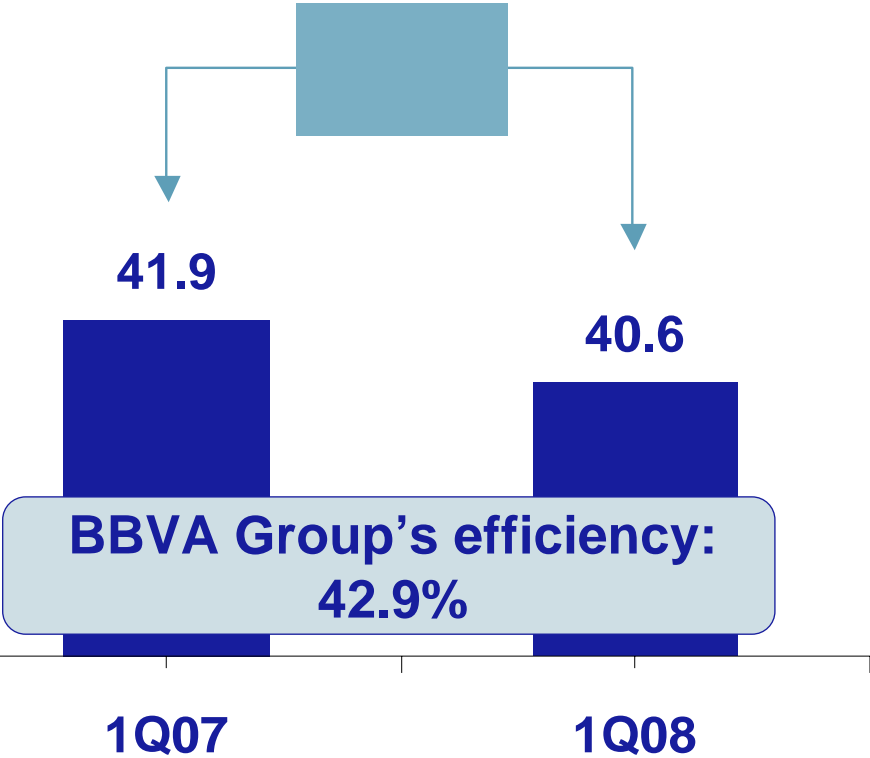
# 2

## Management focus on efficiency

Ordinary Revenues excl. one-offs and Costs (€m)



Cost/income ratio incl. depr. BBVA Group excl. Compass (%)

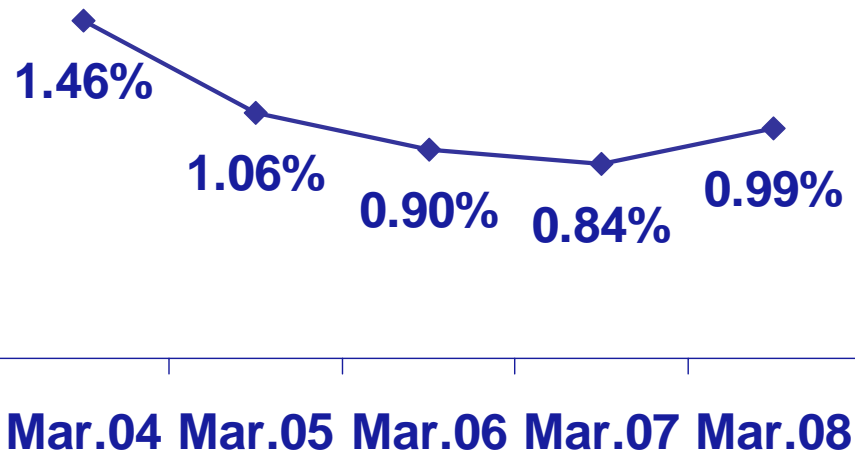


Target: 35% in 2010

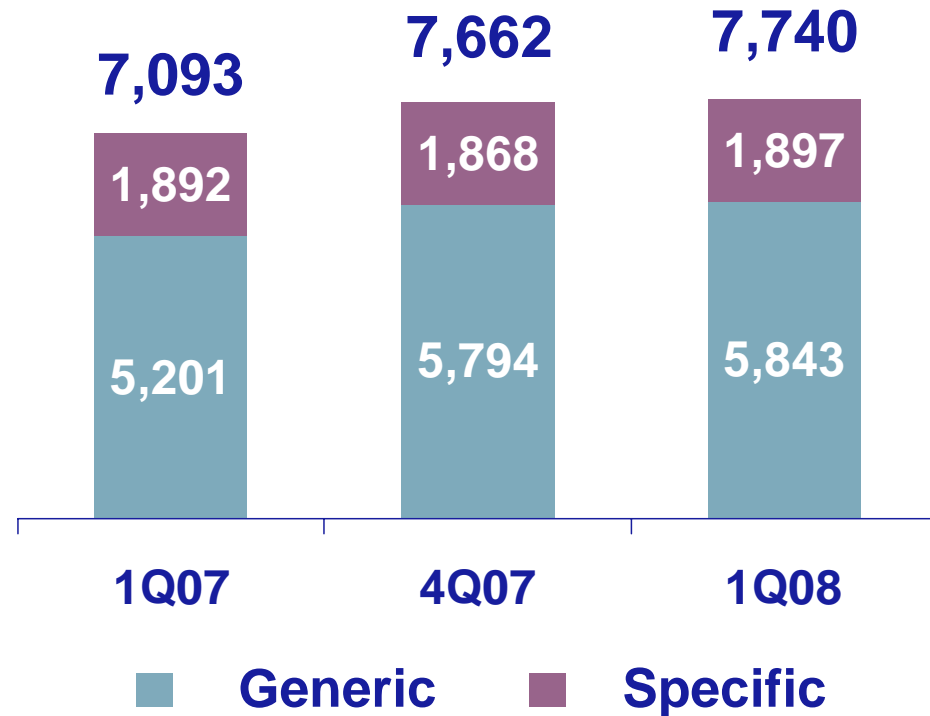


# Management focus on asset quality

**NPL ratio**  
BBVA Group  
(%)



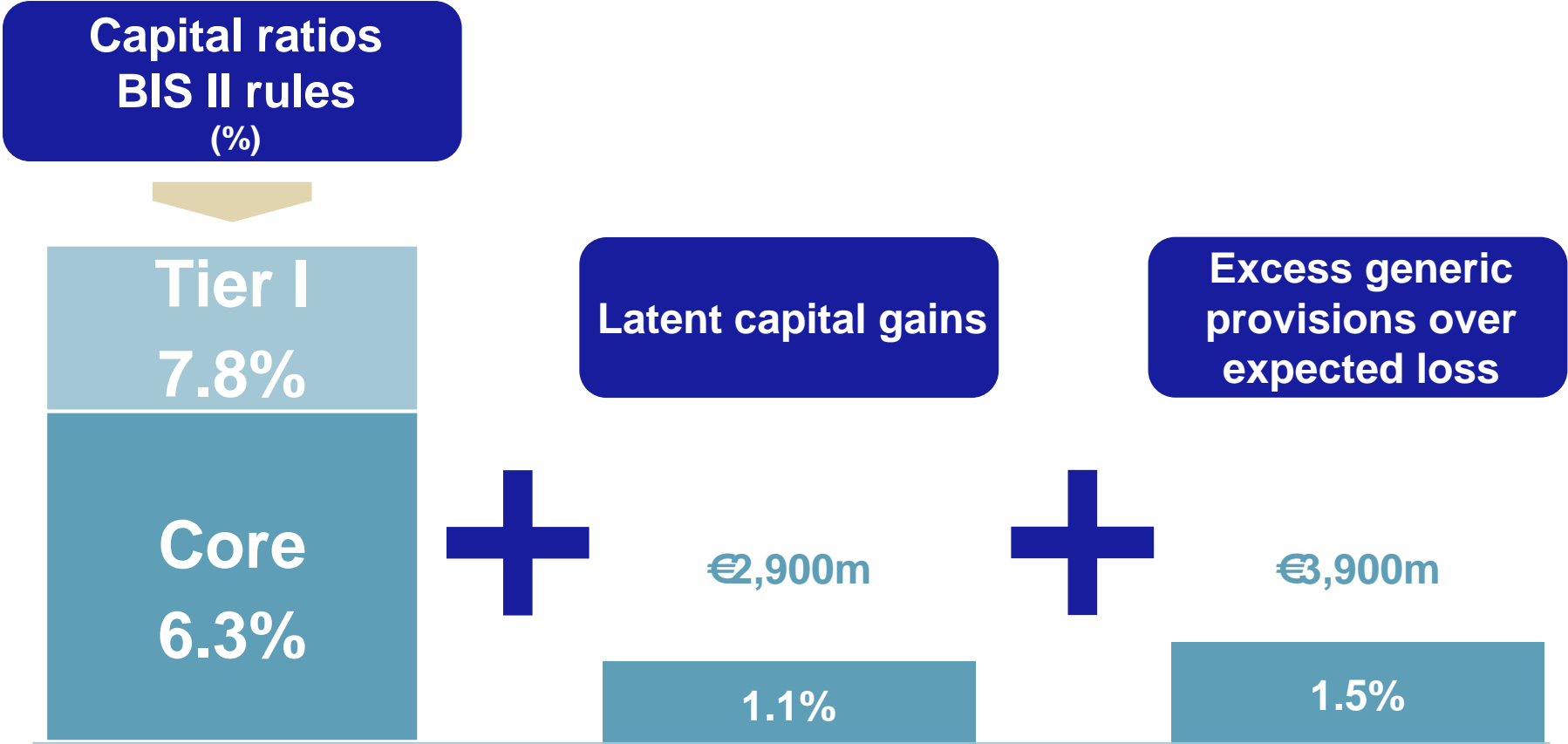
**NPL provisions**  
(€m)



**200% coverage**

**1Q08 provisions: -€545m  
(vs. 4Q07: -€584m)**

# Management focus on capital



March 2008

**Ordinary activities add 13 bp to core capital in the quarter**

## Active management of liquidity risk

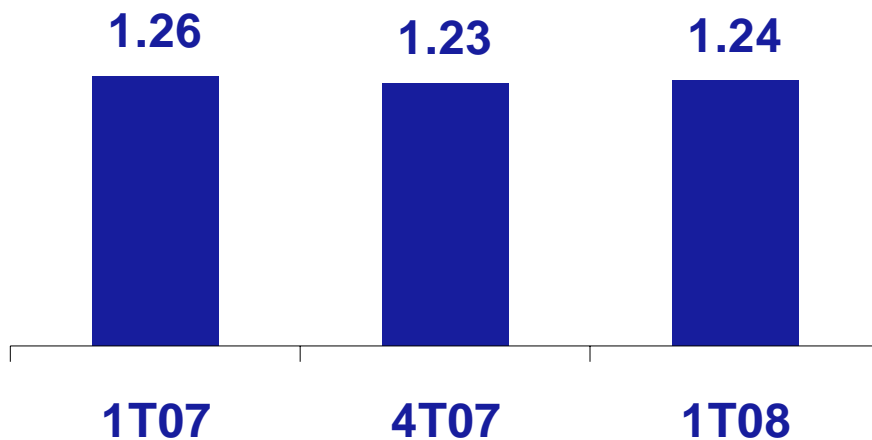
- No subprime, conduits, SIVs, etc.
- Low concentration of future maturities
- With > €50 bn additional sources of liquidity already in place (covered bonds, programmes, etc)
- Strict management of the liquidity gap

Excellent position in a tense liquidity environment

# 3

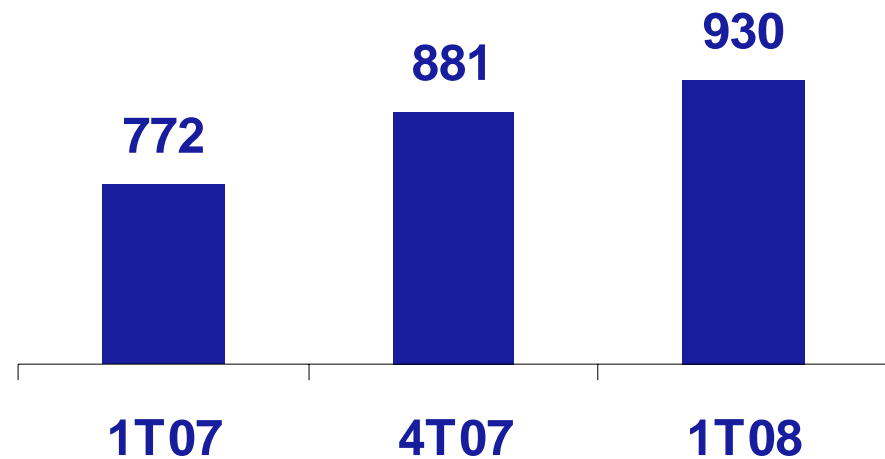
## A profitable group that generates recurrent value

ROA  
(%)



**ROE excl. one-offs:  
25.2%**

Recurrent Economic Profit  
(€m)



**Recurrent RARoC:  
33.0%**

# BBVA Group excluding one-offs: 1Q08 results

**BBVA**

(€m)

BBVA Group	Acum	Annual Growth	
	1Q08	Abs.	%
Net Interest Income	2,734	+ 500	22.4%
Core Revenues	4,247	+ 683	19.2%
Ordinary Revenues	4,799	+ 688	16.8%
Operating Profit	2,700	+ 350	14.9%
Pre-Tax Profit	2,056	+ 188	10.1%
Net Profit	1,536	+ 209	15.8%
Net Attributable Profit	1,442	+ 187	14.9%

**Operating Profit:  
+21.6% in constant €**

**Net Attrib. Profit:  
+21.4% in constant €**

# BBVA Group: 1Q08 results

**BBVA**

(€m)

BBVA Group	Acum	Annual Growth	
	1Q08	Abs.	%
Net Interest Income	2,734	+ 500	22.4%
Core Revenues	4,247	+ 683	19.2%
Ordinary Revenues	5,526	+ 568	11.5%
Operating Profit	3,427	+ 230	7.2%
Pre-Tax Profit	2,783	+ 68	2.5%
Net Profit	2,045	+ 22	1.1%
Net Attributable Profit	1,951	+ 0.3	0.0%

**One-off operations**

**Bradesco (1Q08)**  
Attrib. Profit: €509m

**Iberdrola (1Q07)**  
Attrib. Profit: €696m

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## **Spain & Portugal**

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## Spain &amp; Portugal: 1Q08

Operating profit

**+14.0%**

Net attributable profit

**+18.0%**

ROE

**39.1%**

Cost/income ratio

**36.1%**

NPL ratio

**0.93%**

Coverage ratio

**185%**



- ❑ **Responding to the slowdown in business:**
  1. **Widespread growth of assets**
  2. **Focusing on balance sheet funds but also caring for mutual funds**
  3. **Effective pricing policy**
  
- ❑ **New distribution network strategy: strict control of costs and advances in efficiency**
  
- ❑ **Asset quality based on selective growth and strict risk control**

**Distinguishing feature:  
anticipation**

# Managing the slowdown

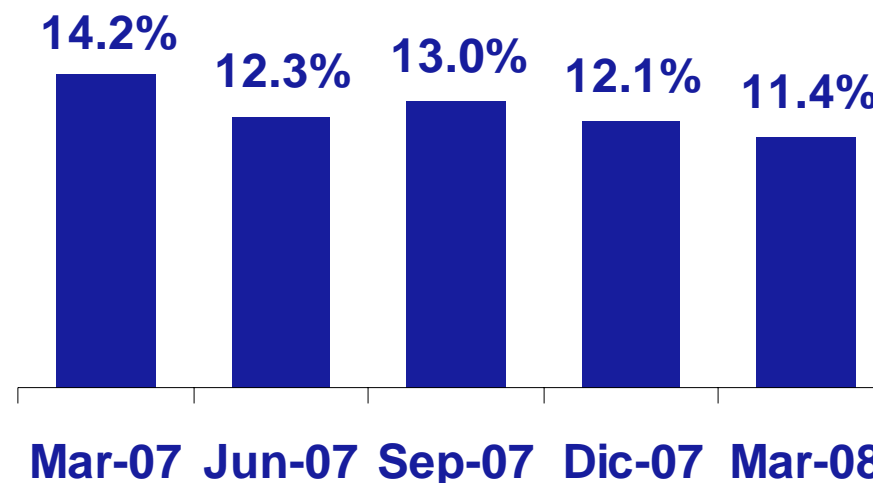
## Lending

Year-on-year growth  
(Average balances)

Spain & portugal	Dec.07	Mar.08
Mortgages	11.9%	9.7%
Consumer + Cards	16.1%	12.8%
SMEs & Corporates	15.6%	11.0%
<b>TOTAL LENDING</b>	<b>13.1%</b>	<b>9.5%</b>

## Customer funds on balance sheet

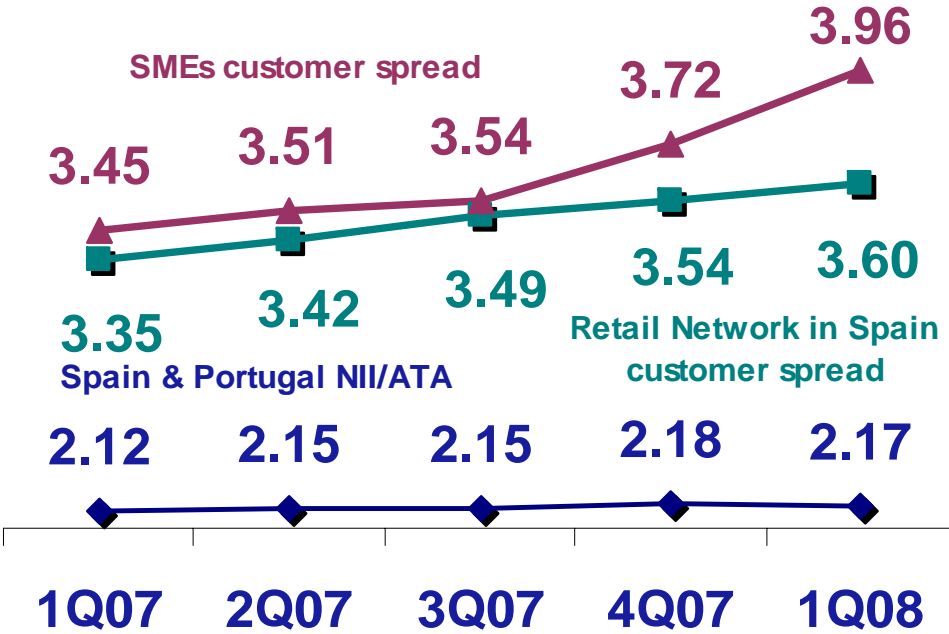
Year-on-year growth  
(average balances)



**Market share of mutual funds up 159 bp in last 12 months**

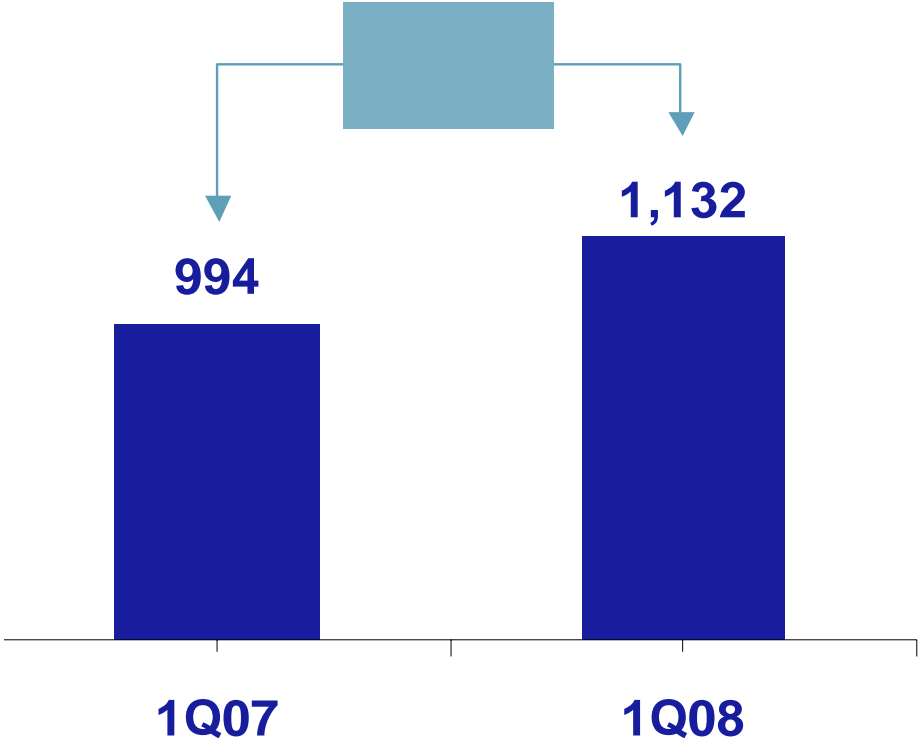
# Effective price management leads to higher Net Interest Income

**Customer spread and NII/ATA (%)**



**Other revenues: +2.6%**

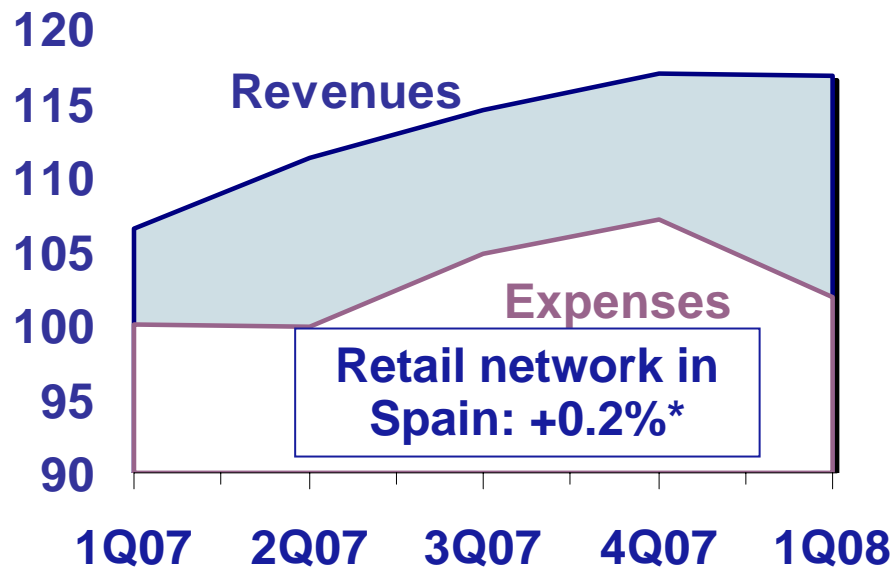
**Net Interest Income (€m)**



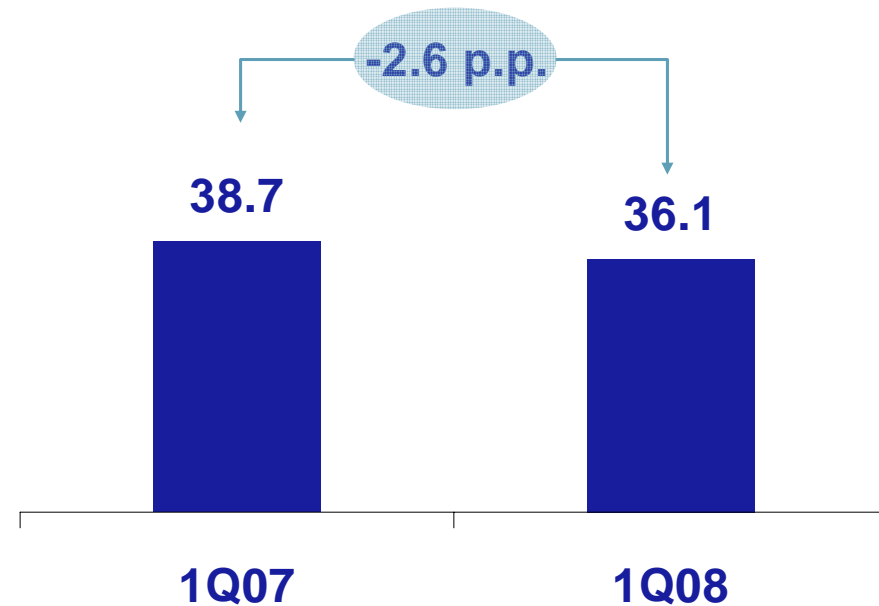
**Ord. Revenues: +9.6%**

# Significant improvement in efficiency due to Transformation Plan

**Revenues and Costs (%)**



**Cost/income ratio incl. deprec. (%)**

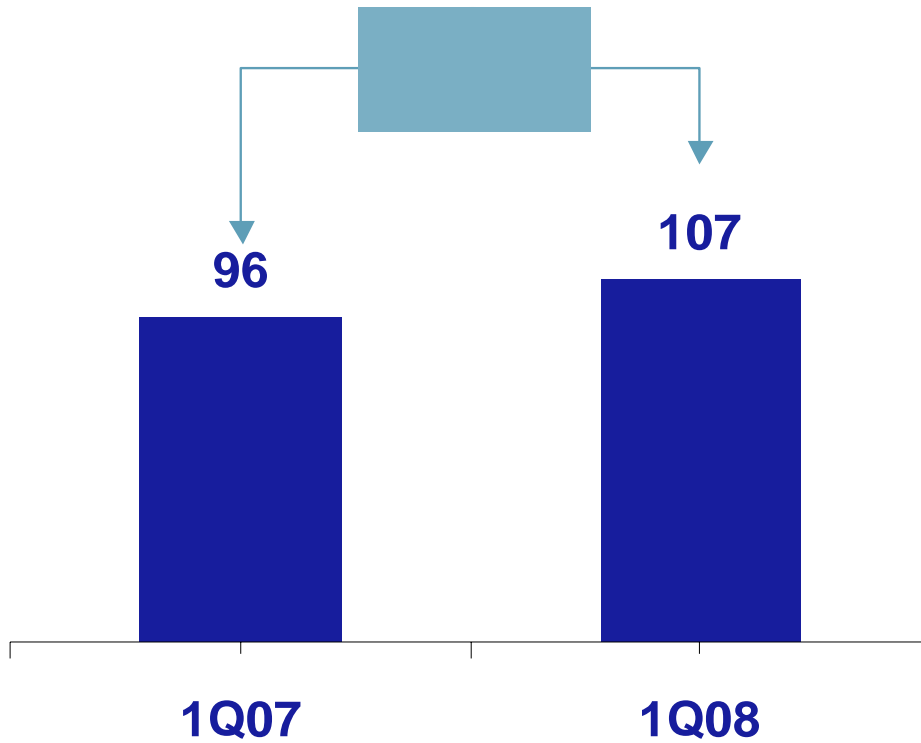


**Operating Profit: €1,102m (+14.0%)**

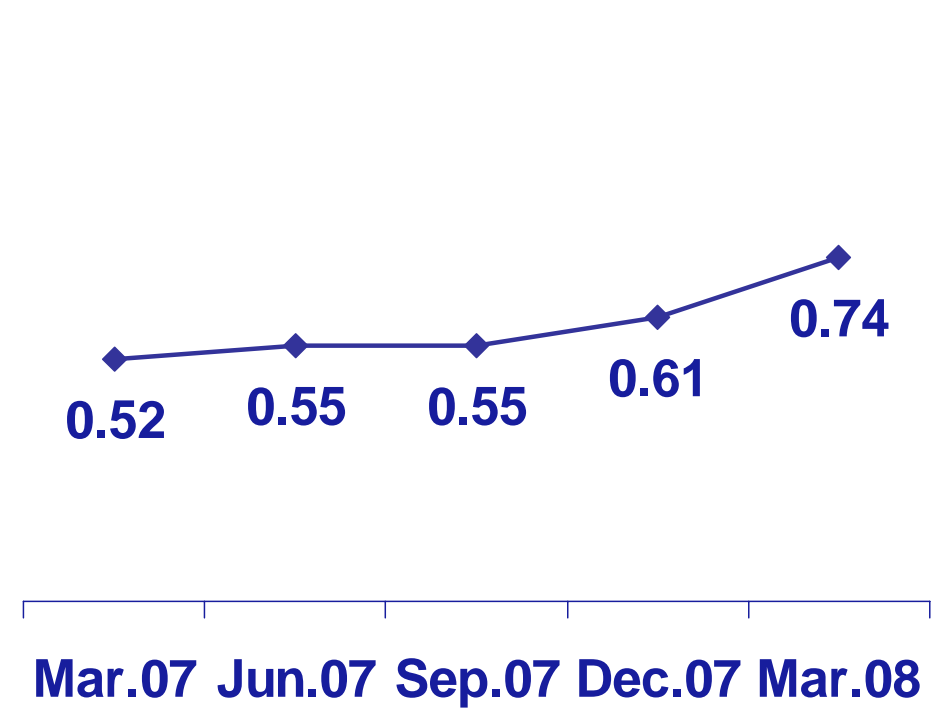
\* Excluding depreciation

# Solid asset quality thanks to selective growth and strict risk controls

**Impairment losses**  
(€m)



**NPL ratio**  
Domestic Businesses  
(%)



**Stock of generic provisions:**  
€3,037m = 81.3% of total

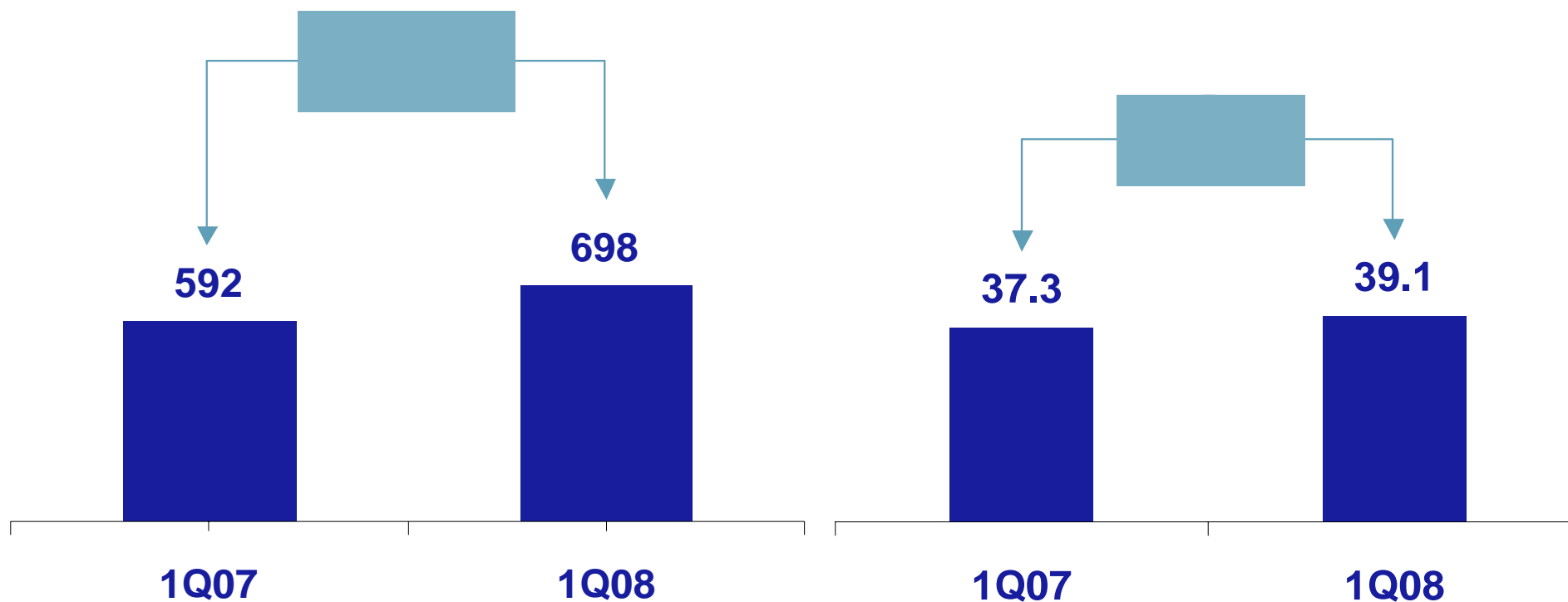
**Coverage ratio**  
Spain & Portugal  
185%

**NPL ratio**  
Spain & Portugal  
0.93%

# Spain & Portugal: net attributable profit and profitability

Net attributable profit  
(€m)

ROE  
(%)



# Spain & Portugal: 1Q08 results

(€m)

Spain & Portugal	Acum	Annual Growth	
	1Q08	Abs.	%
<b>Net Interest Income</b>	<b>1,132</b>	<b>+ 138</b>	<b>13.9%</b>
<b>Core Revenues</b>	<b>1,670</b>	<b>+ 149</b>	<b>9.8%</b>
<b>Ordinary Revenues</b>	<b>1,733</b>	<b>+ 152</b>	<b>9.6%</b>
<b>Operating Profit</b>	<b>1,102</b>	<b>+ 135</b>	<b>14.0%</b>
<b>Pre-Tax Profit</b>	<b>996</b>	<b>+ 121</b>	<b>13.8%</b>
<b>Net Profit</b>	<b>698</b>	<b>+ 107</b>	<b>18.0%</b>
<b>Net Attributable Profit</b>	<b>698</b>	<b>+ 107</b>	<b>18.0%</b>

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# Wholesale Banking & Asset Management: 1Q08

**BBVA**

Operating profit

**+31.4%**

Net attributable profit

**+44.6%**

ROE

**33.5%**

Cost/income ratio

**26.4%**

NPL ratio

**0.02%**

Coverage ratio

**6,674%**

# Wholesale Banking & Asset Management: 1Q08 highlights

**BBVA**

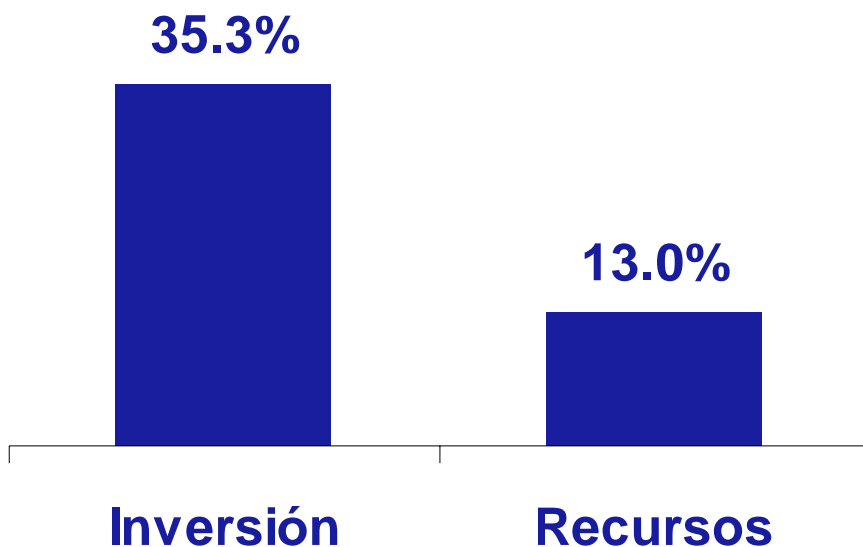
- ❑ We are boosting profitable growth in Corporate & Investment Banking: combining strong business growth with higher profitability on operations
- ❑ In Global Markets: new advance in business with customers (up 77%) despite difficult conditions in financial markets

**Distinguishing feature:  
recurrent business with customers**

# Corporate & Investment Banking: solid business activity and price management

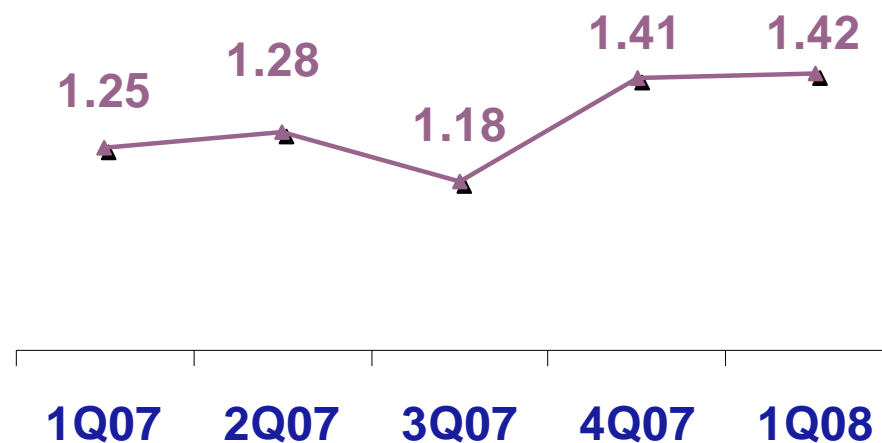
## Lending and Customer Funds

Year-on-year growth  
(Average balances)



## Net Interest Income / Average Total Assets

(%)



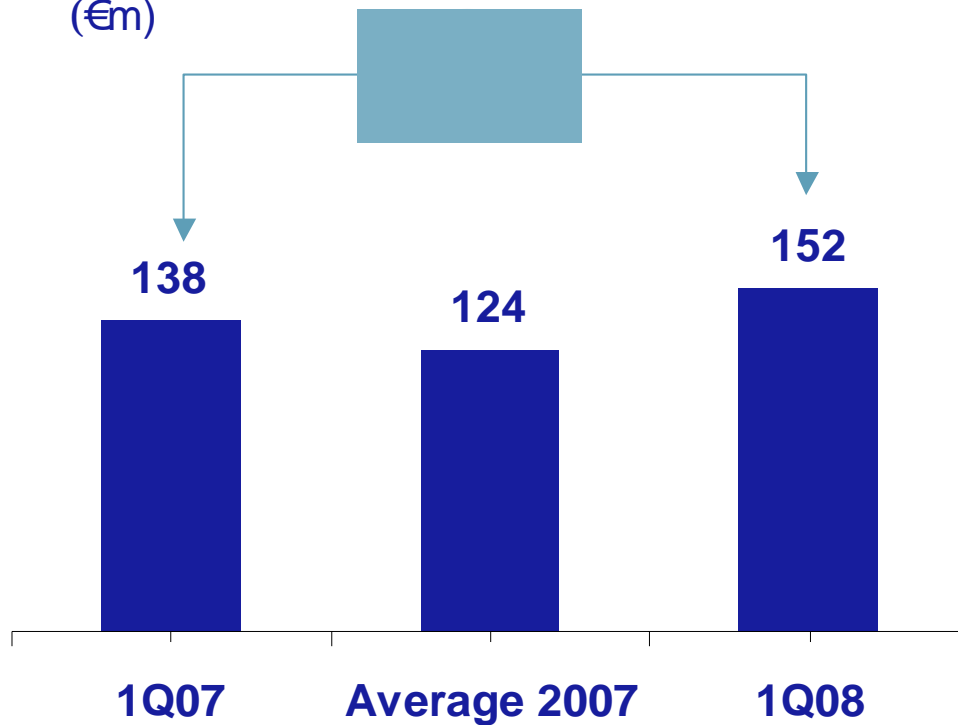
**Net interest income: €120m (+40.1%)**

# Global Markets: double digit growth – outperforming in complex conditions

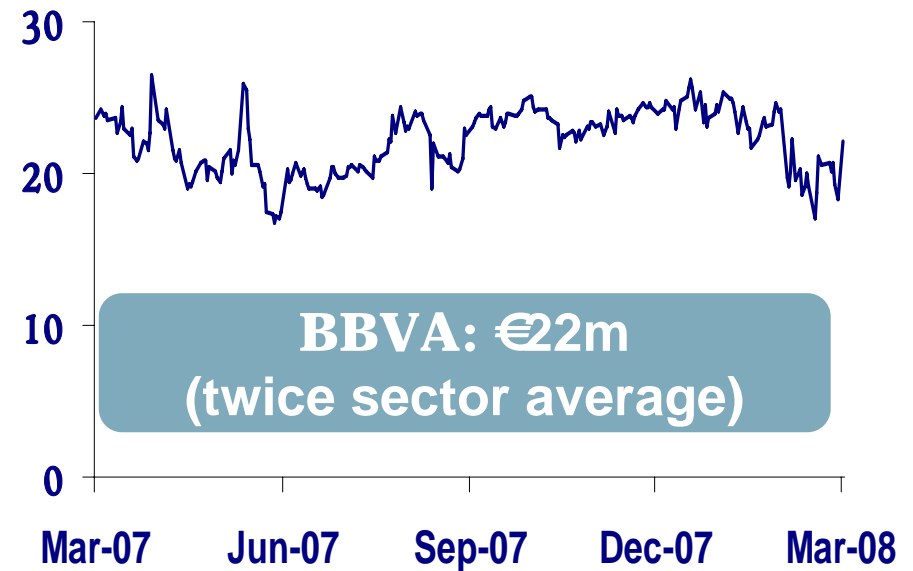
77% of revenue stems from business with customers

Excellent earnings with lower risk than competition

Ordinary revenues  
Global Markets  
(€m)

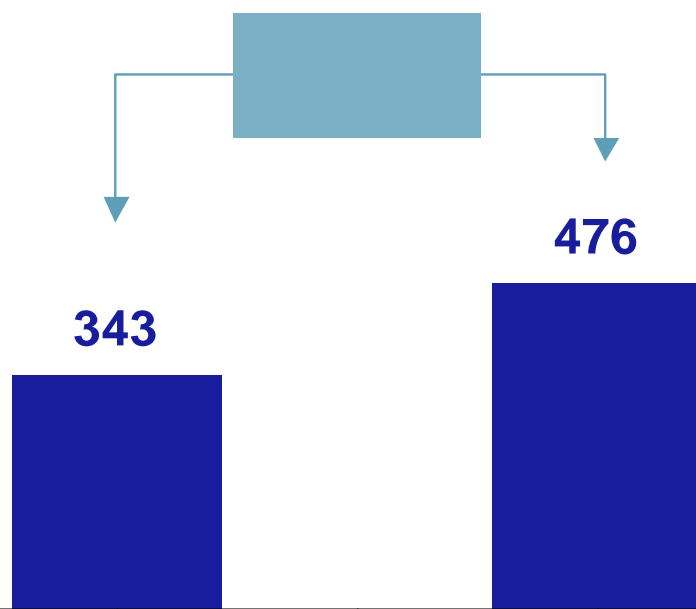


Var (average)  
(€m)



# Wholesale Banking & Asset Management: solid revenue growth boosts operating profit

Ordinary revenues  
(€m)

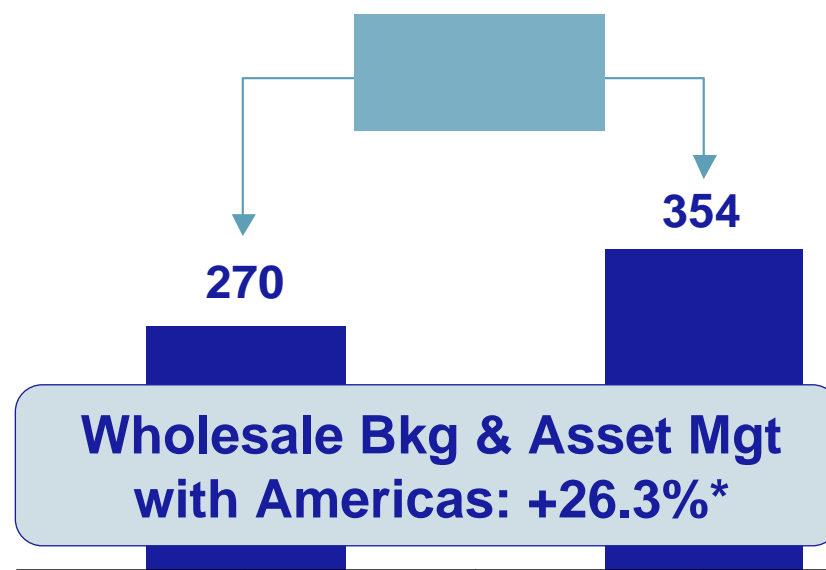


1Q07

1Q08

**Cost/income: 26.4%**  
**(-3.2 points)**

Operating profit  
(€m)



1Q07

1Q08

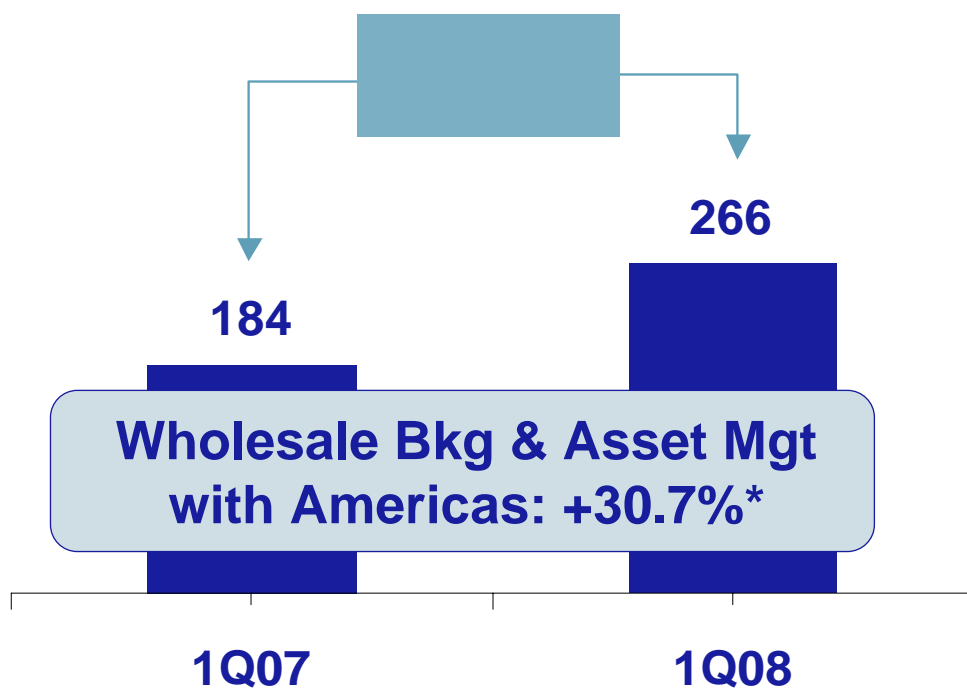
**Wholesale Bkg & Asset Mgt  
with Americas: +26.3%\***

**Equity acc. + NTI<sub>(ex-Markets)</sub> +  
sales non-fin. services 1Q08=  
€129m (€78m in 1Q07)**

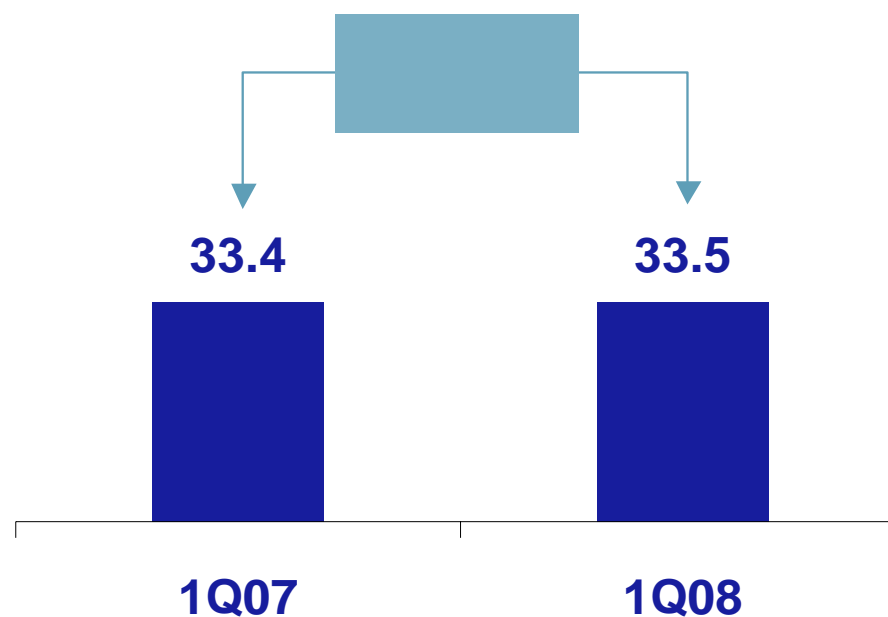
\*Constant €

# In summary: a great quarter in the Wholesale Banking & Asset Management Area

Net attributable profit  
(€m)



ROE  
(%)



**NPL ratio: 0.02%**

**Stock of generic provisions:  
€993m = 99% of total**

\*Constant €

# Wholesale Banking & Asset Management: 1Q08 results

**BBVA**

(€m)

Wholesale Banking & Asset Management	Acum	Annual Growth	
	1Q08	Abs.	%
Net Interest Income	127	+ 110	n.s.
Core Revenues	366	+ 210	n.s.
Ordinary Revenues	476	+ 133	38.8%
Operating Profit	354	+ 85	31.4%
Pre-Tax Profit	316	+ 66	26.6%
Net Profit	267	+ 82	44.5%
Net Attributable Profit	266	+ 82	44.6%

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Operating profit

**+27.0%\***

Net attributable profit

**+25.9%\***

ROE

**68.7%**

Cost/income ratio

**31.2%**

NPL ratio

**2.16%**

Coverage ratio

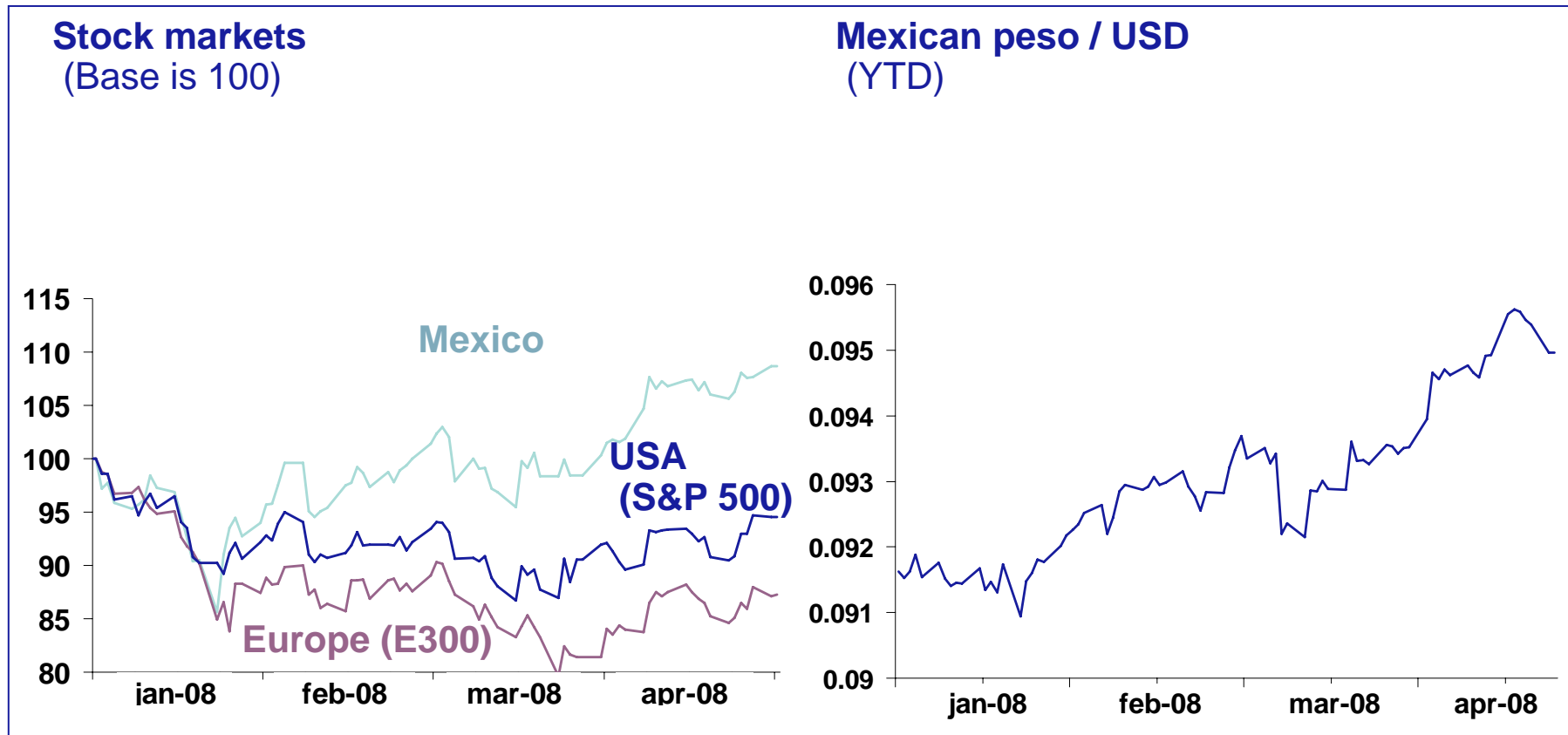
**249%**

\*Constant €

- ❑ **Strength of Mexican economy**
- ❑ **Managing the mix of business growth:**
  1. **Boosting mortgage and SME business plus selective growth in consumer finance**
  2. **Margins already reflect the change in mix**
  3. **Afore measures prove successful**
- ❑ **Transformation plan launched in 2007, focused on improving efficiency**
- ❑ **Advance risk management with model based on expected losses (EL)**

**Distinguishing feature: Bancomer - the top banking franchise in Mexico**

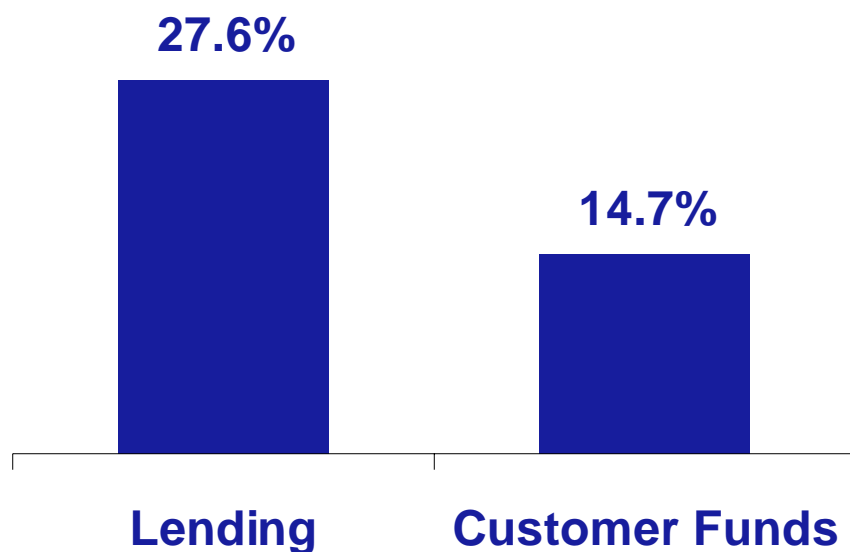
# Strength of Mexican economy



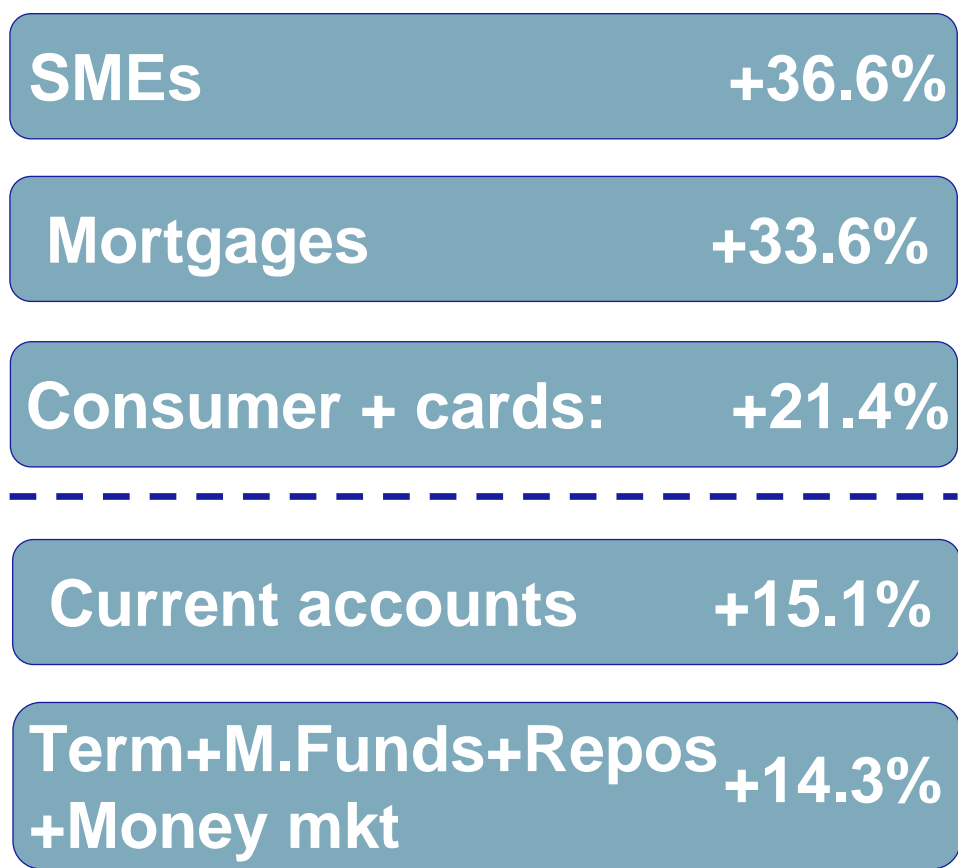
**Good start to the year: economy growing 4.2% (IGAE index) with solid service sector and industry rising**

# Solid growth of Bancomer's business

**Lending and Customer Funds**  
(%)



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



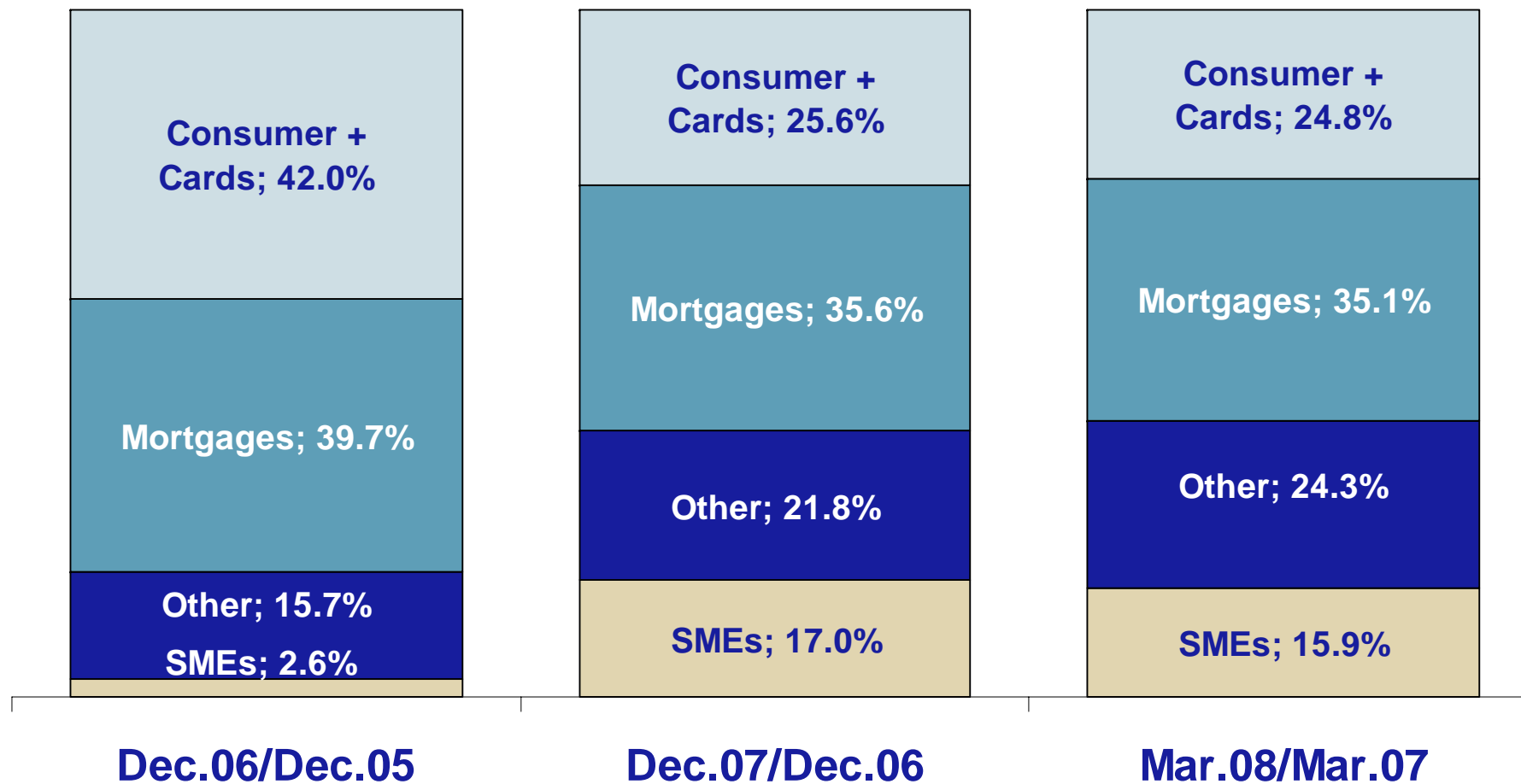
# Changes in the investment portfolio mix ...

## Investment Portfolio (cash flow)

Contributions by product

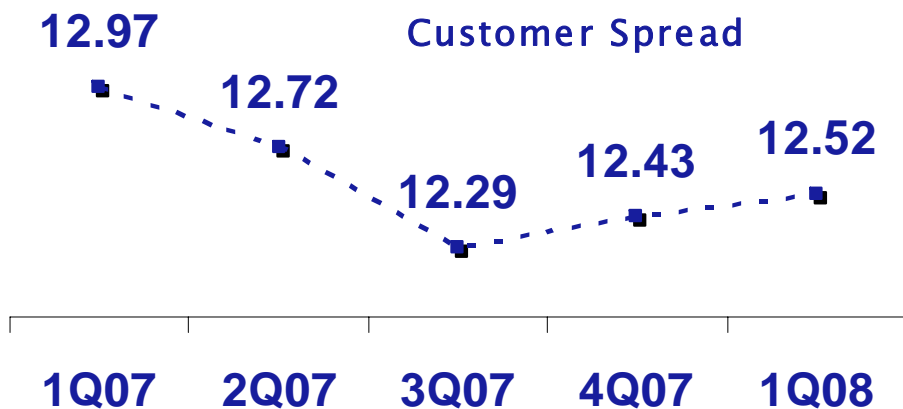
Average balances

(%)

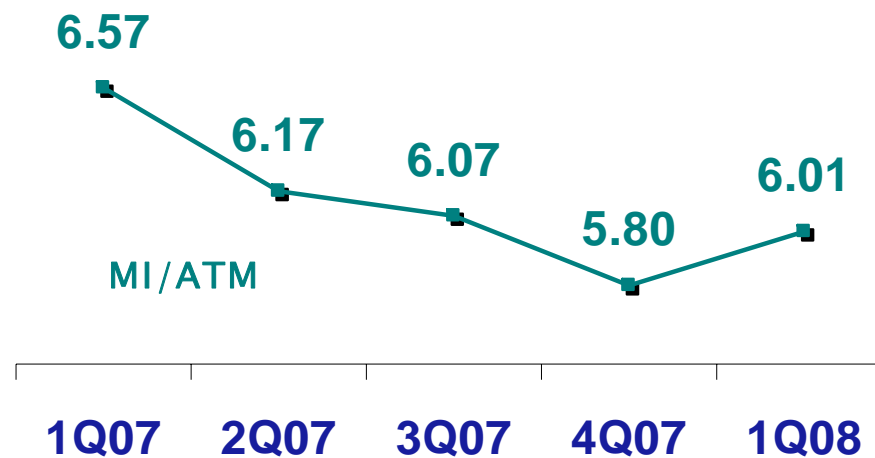


# ... that are already reflected in margins

Customer spread  
(%)

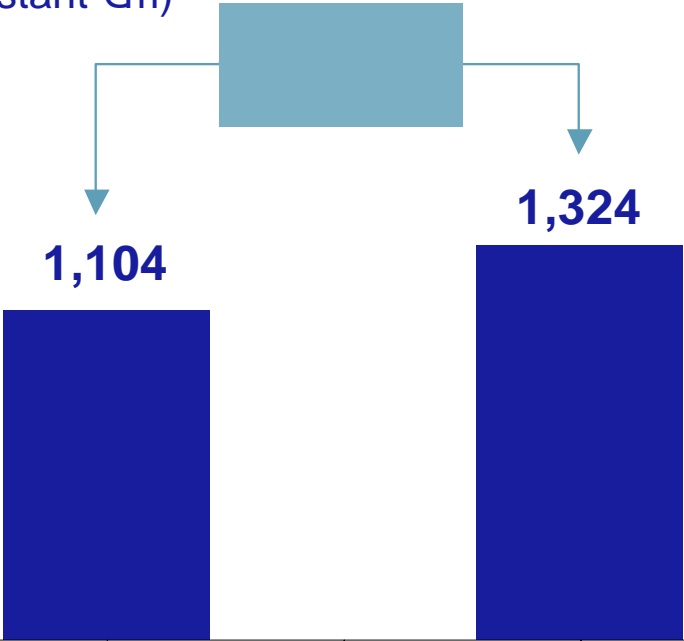


NII / ATA  
(%)

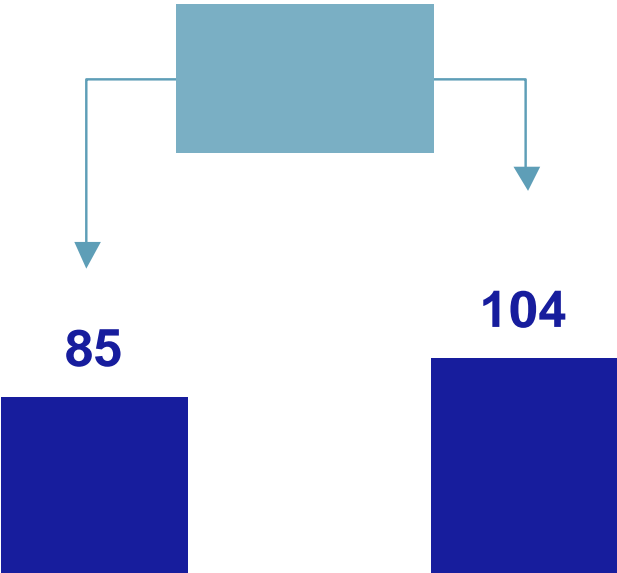


# Strong growth of ordinary revenues with important contributions from all businesses

Ordinary revenues  
Bancomer  
(Constant €m)



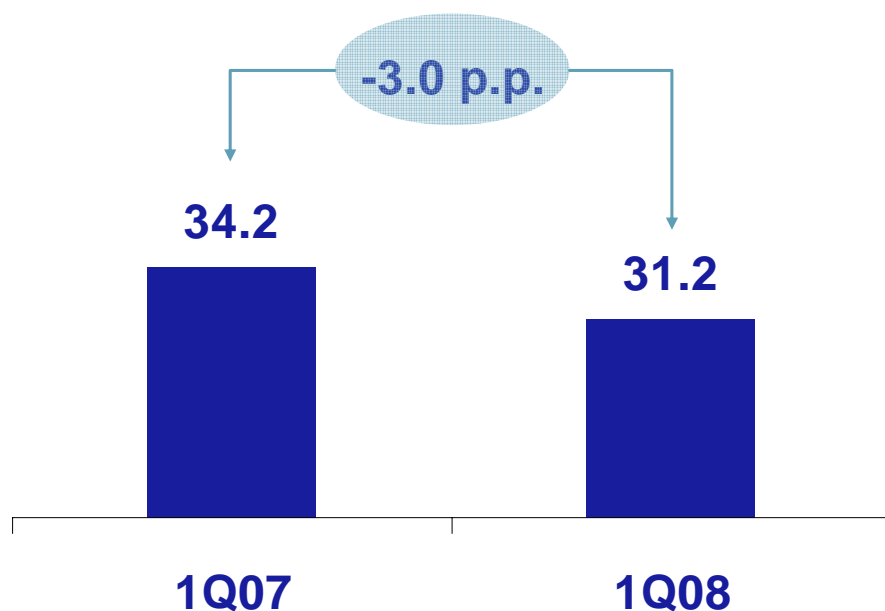
Ordinary revenues  
Mexican pensions & insurance  
(Constant €m)



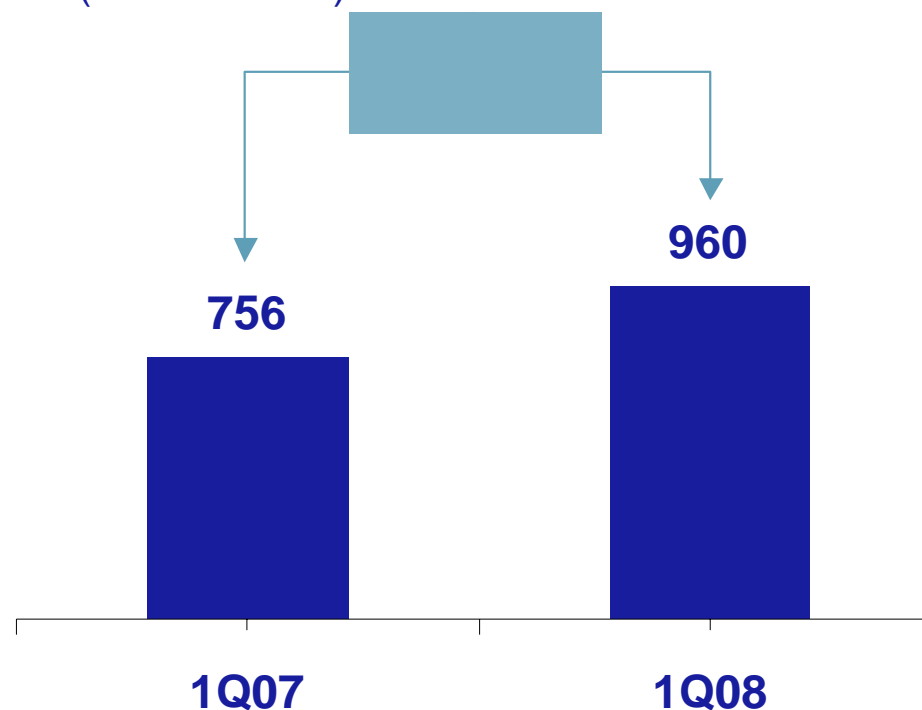
**Ordinary revenues – Mexico: +20.9%**

# With strong gains in efficiency and operating profit

**Cost/income ratio incl. deprec.  
Mexico  
(%)**



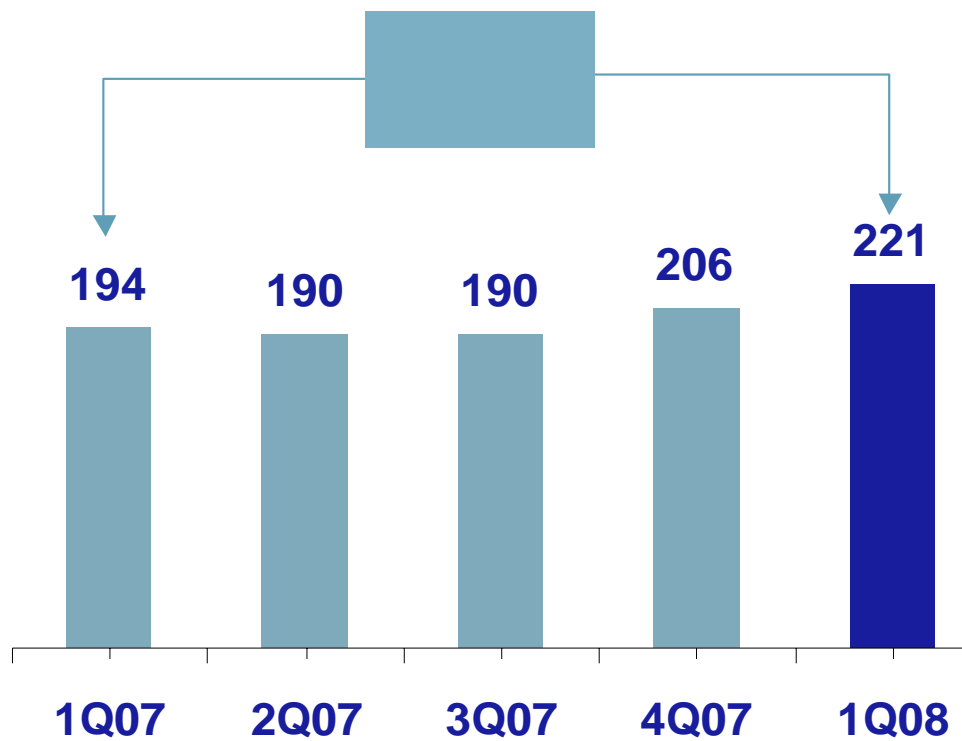
**Operating profit  
Mexico  
(Constant €m)**



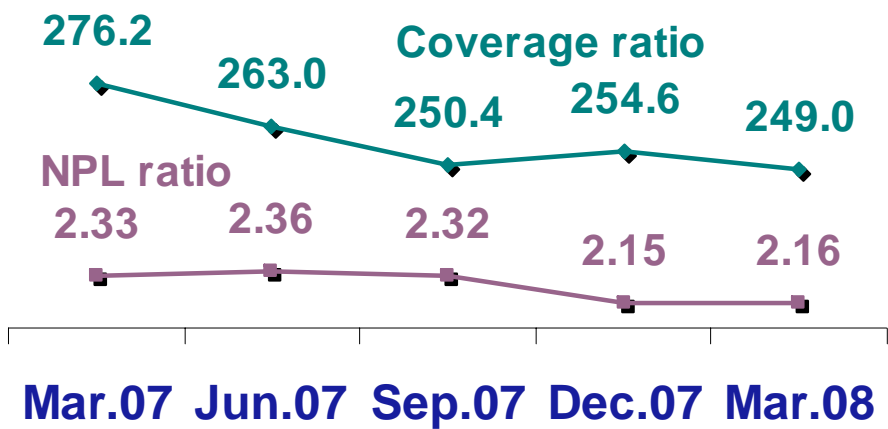


# NPL levels holding - thanks to high asset quality

**Impairment losses**  
Mexico  
(Constant €m)

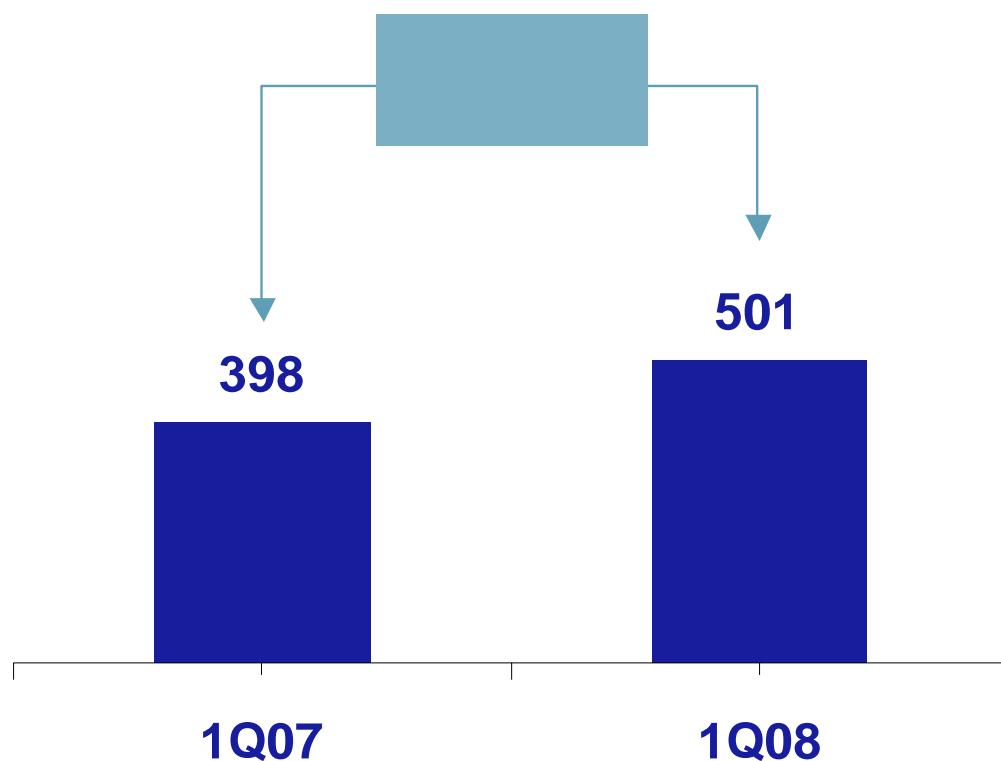


**NPL and Coverage Ratios**  
Mexico  
(%)



# Net attributable profit growing strongly

Net attributable profit  
Mexico  
(Constant €m)



Bancomer BG	26.4%
Pensions & Insurance	14.5%

# Mexico: 1Q08 results

(Constant €m)

MEXICO	Acum	Annual Growth	
	1Q08	Abs.	%
<b>Net Interest Income</b>	<b>890</b>	<b>+ 105</b>	<b>13.4%</b>
<b>Core Revenues</b>	<b>1,278</b>	<b>+ 135</b>	<b>11.8%</b>
<b>Ordinary Revenues</b>	<b>1,432</b>	<b>+ 247</b>	<b>20.9%</b>
<b>Operating Profit</b>	<b>960</b>	<b>+ 204</b>	<b>27.0%</b>
<b>Pre-Tax Profit</b>	<b>695</b>	<b>+ 153</b>	<b>28.1%</b>
<b>Net Profit</b>	<b>501</b>	<b>+ 103</b>	<b>25.9%</b>
<b>Net Attributable Profit</b>	<b>501</b>	<b>+ 103</b>	<b>25.9%</b>

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Operating profit

**n.a.**

Net attributable profit

**n.a.**

ROE

**19.6%**

Cost/income ratio

**63.7%**

NPL ratio

**1.97%**

Coverage ratio

**92%**

- ❑ **Privileged geographic positioning**
- ❑ **Integration plan is on track**
- ❑ **Business is growing despite complex economic environment, leading to higher revenues**
- ❑ **With very solid fundamentals**

**Distinguishing feature:  
creation of synergies**

# BBVA pursues distinctive positioning in the USA

**Great economy**  
*20% of US GDP and 4% of world's GDP*

**Economic growth**  
*Potential GDP growth is 0.9% above USA average*

**Employment**  
*Potential job growth is 0.9% above USA average*

**Population**  
*Potential population growth is 0.9% above USA*

**Texas banks vs US  
banking index**

**+ 29%**  
(since Jan 2007)

**Texas index vs S&P  
500**

**+ 15%**  
(since Jan 2007)

**Texas (65%) and Alabama (15%) represent 80% of exposure: thus limited impact of real estate slowdown**

## Integration is on track

Merger of 4 banks	March 12th	✓
Migration SNB platform	March 20th	✓
Integration BBVA USA Inc.	April 1st	✓
Migration TSB platform	3Q08	
Migration LNB platform	4Q08	



# Business growth . . .

Average balances <sup>(1)</sup> (Constant €m)	Lending	Customer Funds
<b>Puerto Rico</b>	<b>+10.6%</b> 2,732	<b>+2.92%</b> 1,186
<b>Compass BG</b>	<b>+9.0%</b> 21,992	<b>+8.6%</b> 21,199
<b>BBVA USA</b>	<b>+9.2%</b> 24,747	<b>+8.4%</b> 22,452

(1) 1Q08/4Q07 annualised

## ... and earnings growth

Excluding amortisation of intangibles  
(€m constant)

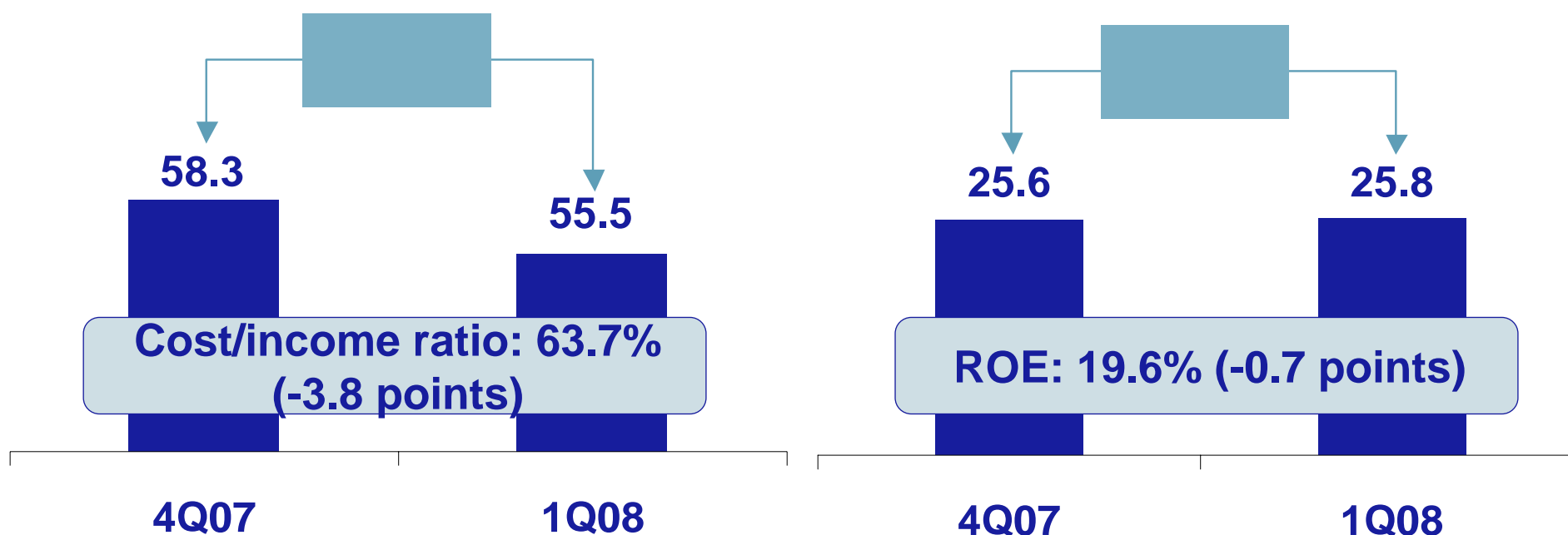
USA	Acum	Acum	Annual Growth	Annual Growth
	1Q08	4Q07	Acum	%
Ordinary Revenues	497	487	10	2.1%
Total expenses	-276	-282	7	-2.4%
Operating Profit	222	206	17	8.1%
Loan-loss provisions	-47	-47	0	-0.1%
Net Attributable Profit	110	104	6	5.8%

**Net attrib. profit incl. amortisation of intangibles: €84m**

# Fundamentals are sound

Cost/income ratio excluding  
amort. of intangibles  
(%)

ROE excluding amort. of  
intangibles  
(%)



**NPL ratio: 1.97% (+0.2 points)**

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Group results for 1Q08

Results by business area

Spain & Portugal

Wholesale Banking & Asset Management

Mexico

USA

**South America**

Conclusions

Operating profit

**+31.3%\***

Net attributable profit

**+19.4%\***

ROE

**39.9%**

Cost/income ratio

**42.8%**

NPL ratio

**2.42%**

Coverage ratio

**131%**

\*Constant €

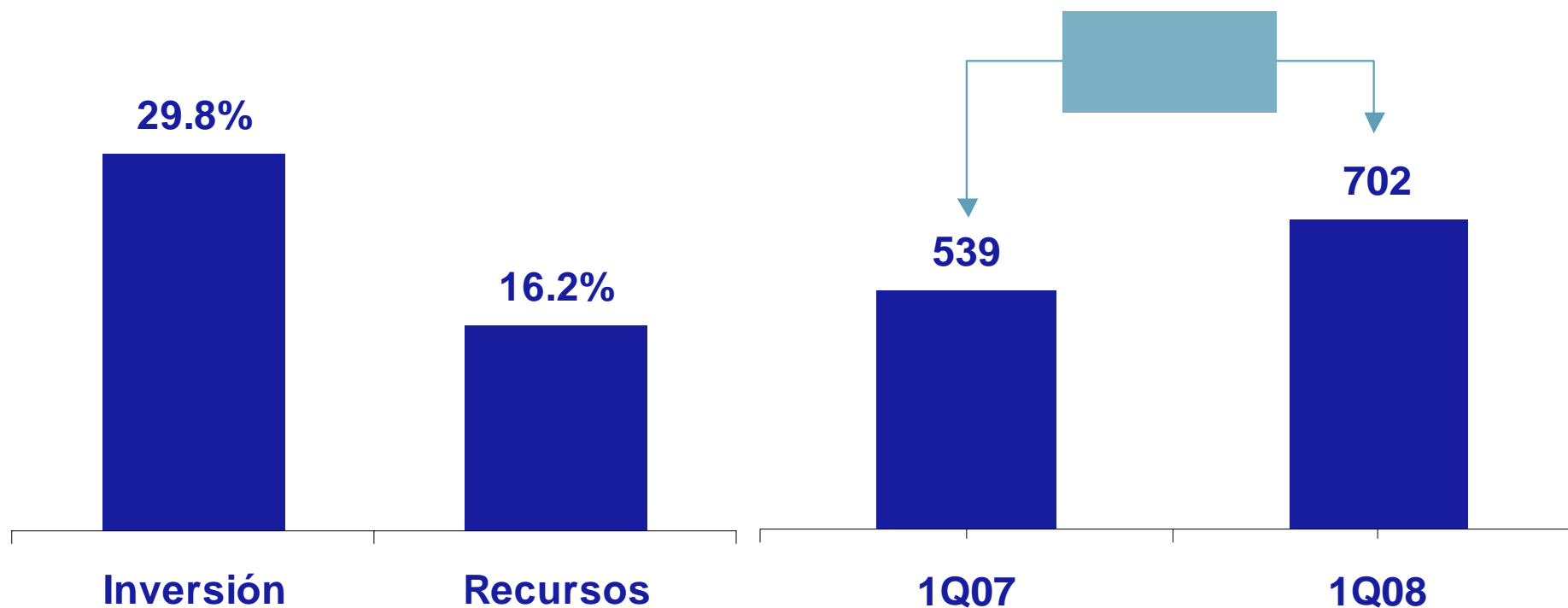
- ❑ Favourable economic climate and excellent performance of business volume and revenues
- ❑ Significant improvement in efficiency with direct impact on operating profit
- ❑ Solid asset quality
- ❑ Highly positive and diversified contributions by all countries

**Distinguishing feature:  
high potential of under-banked segment**

# Sharp growth in lending and customer funds

**Lending and Customer Funds**  
year-on-year growth  
(average balances)

**Core revenues**  
(€m constant)

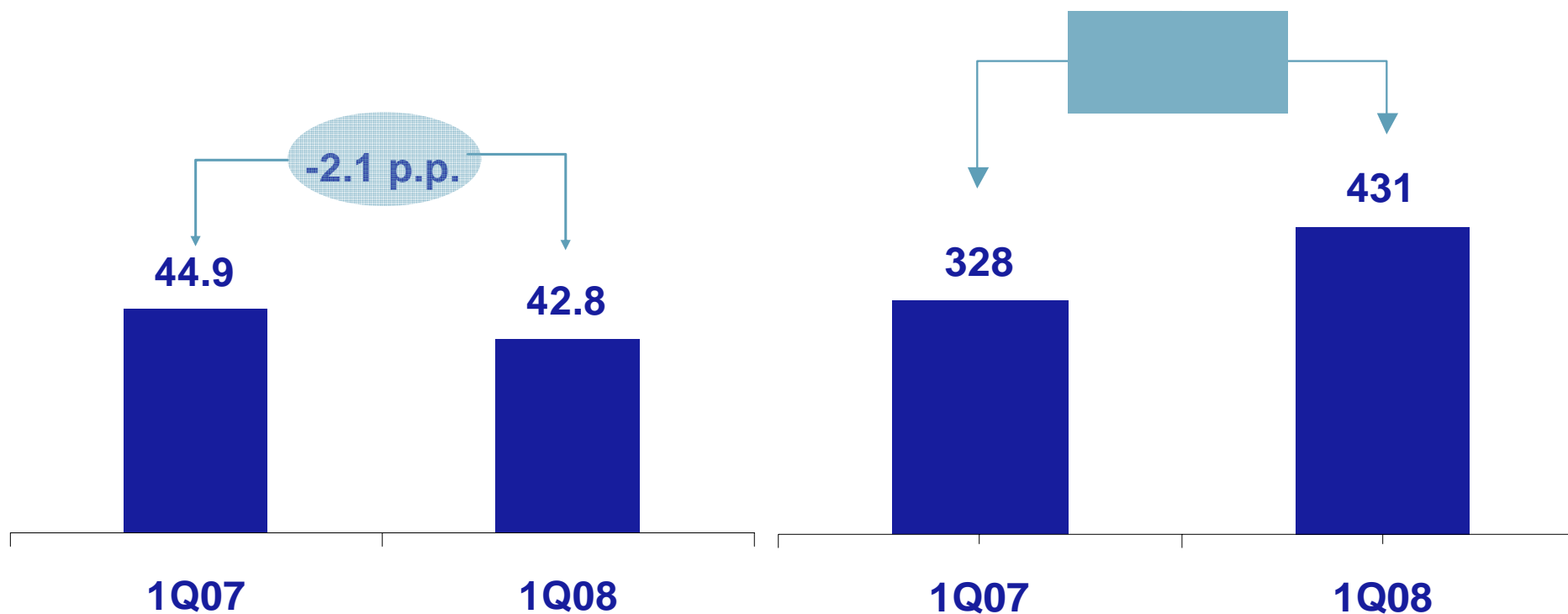


**Good performance in all countries**

# Improvement in efficiency boosts operating profit

Cost/income ratio incl. deprec.  
(%)

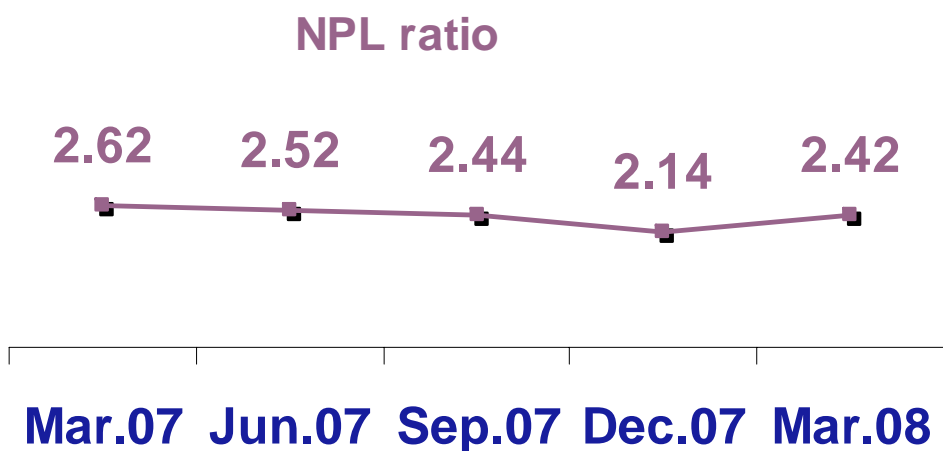
Operating profit  
(Constant €m)



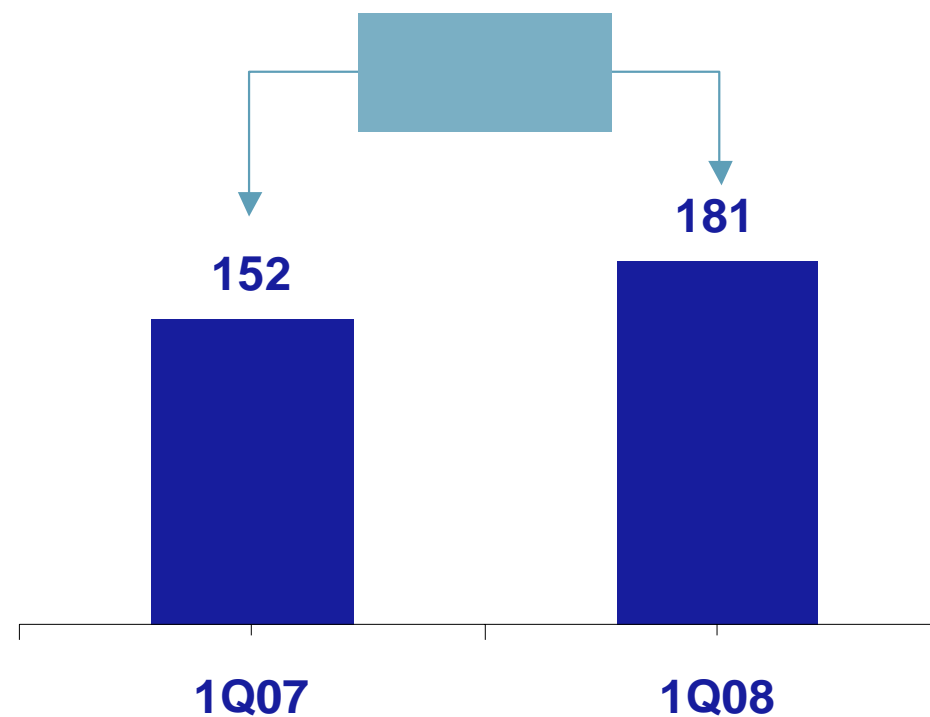


# Asset quality and net attributable profit

**NPL ratio**  
(%)



**Net attributable profit**  
(Constant €m)



**Coverage ratio**  
**131%**

**ROE: 39.9%**  
**(+1.7 points)**

# South America: 1Q08 results

(Constant €m)

SOUTH AMERICA	Acum	Annual Growth	
	1Q08	Abs.	%
<b>Net Interest Income</b>	<b>476</b>	<b>+ 134</b>	<b>39.2%</b>
<b>Core Revenues</b>	<b>702</b>	<b>+ 162</b>	<b>30.1%</b>
<b>Ordinary Revenues</b>	<b>772</b>	<b>+ 151</b>	<b>24.4%</b>
<b>Operating Profit</b>	<b>431</b>	<b>+ 103</b>	<b>31.3%</b>
<b>Pre-Tax Profit</b>	<b>356</b>	<b>+ 63</b>	<b>21.6%</b>
<b>Net Profit</b>	<b>273</b>	<b>+ 55</b>	<b>25.0%</b>
<b>Net Attributable Profit</b>	<b>181</b>	<b>+ 29</b>	<b>19.4%</b>

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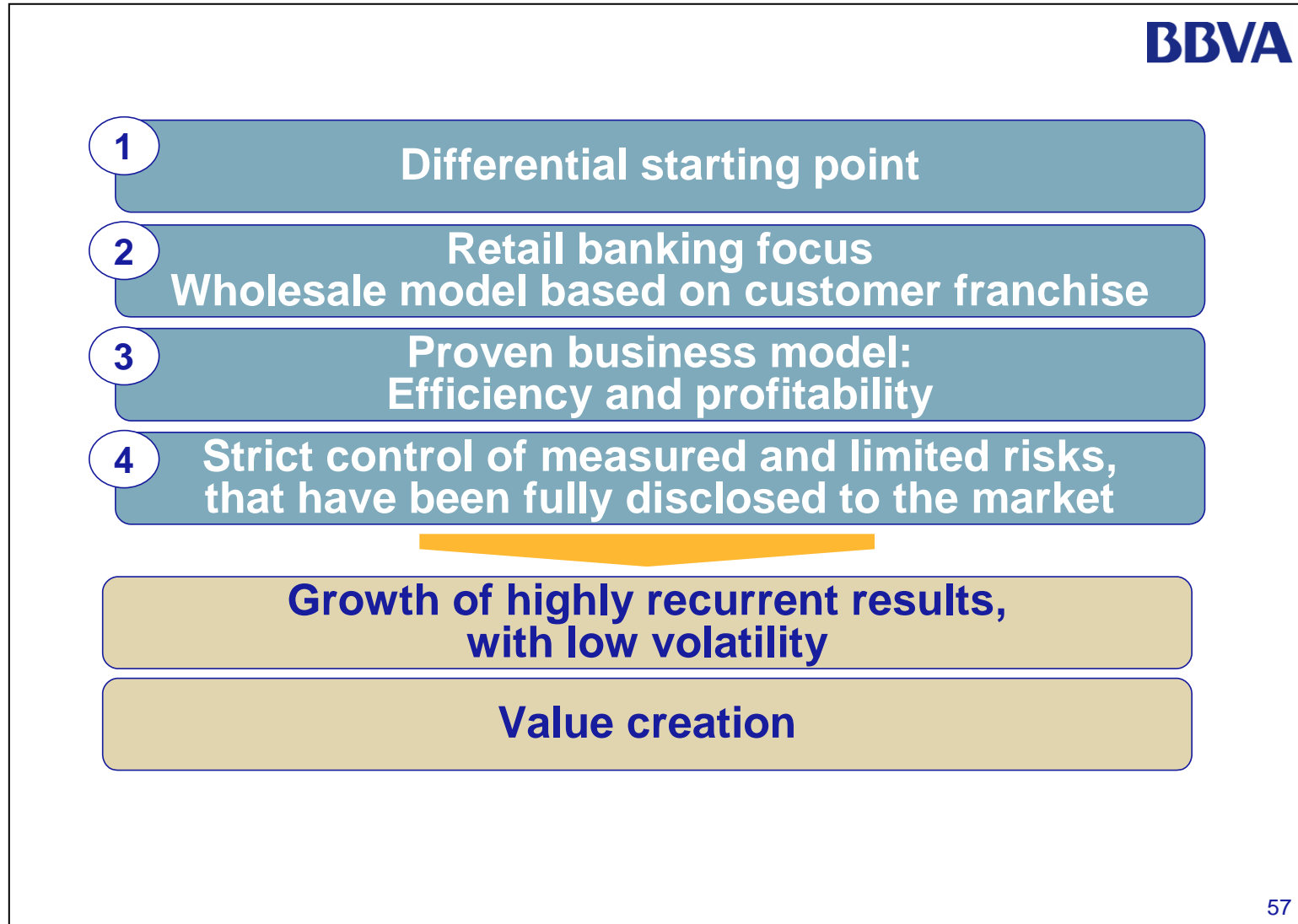
USA

South America

**Conclusions**

### **Another quarter making the difference despite deteriorating conditions**

- Moving ahead to manage slowdown in Spain**
- With excellent results at our global wholesale franchise, based on business with customers**
- With solid results at Bancomer, Mexico's top banking franchise**
- In the USA, moving-on with the integration plan and delivering results**
- With strong growth in South America, all countries contributing**



# 1Q08 results

**BBVA**

Ordinary Revenues growth

**+16.8%**

Excl. one-offs

Operating Profit growth

**+14.9%**

Excl. one-offs

Net Attributable Profit growth

**+14.9%**

Excl. one-offs

Cost/income ratio

**42.9%**

Excl. one-offs

NPL ratio

**0.99%**

Coverage ratio

**200%**

EPS excl. one-offs

**+9.6%**

€0.39

ROE

**25.2%**

Excl. one-offs

Tier I

**7.8%**

BISI II

**BBVA**

# Results for First Quarter 2008



**BBVA**

Madrid, 28th April 2008