BBVA, recurrent and sustainable earnings

Morgan Stanley

European Financials Conference

London, 31st March 2009

Disclaimer

BBVA

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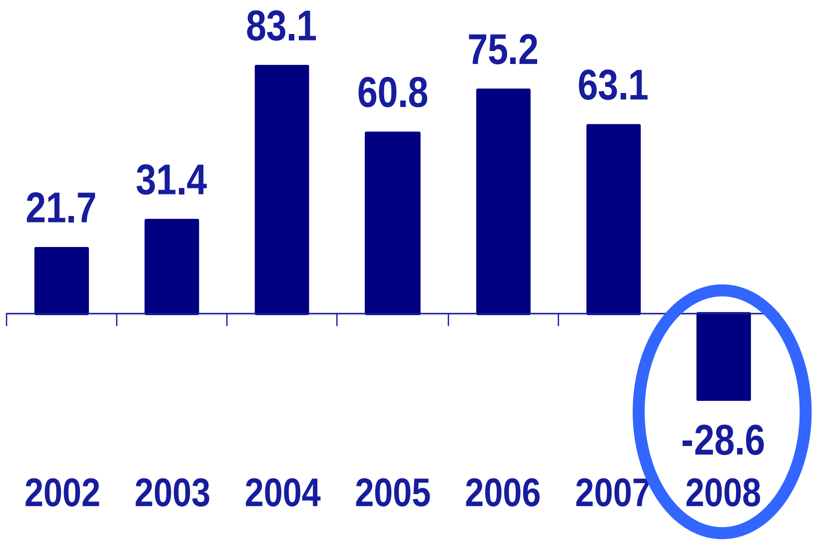
In an environment of great complexity …

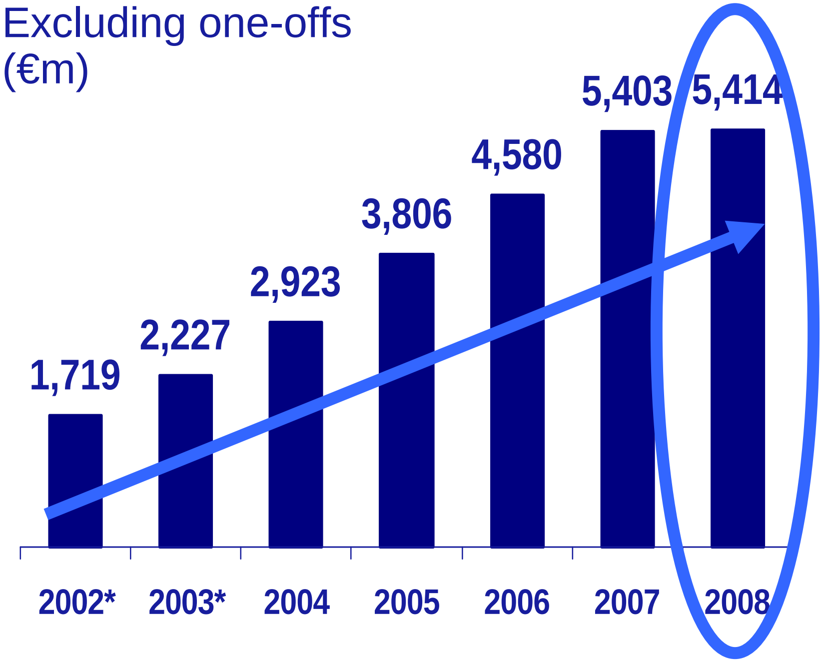
BBVA is an exception …

Peer Group aggregated ex BBVA Group
Net Attributable Profit
(€bn)



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

BBVA Group
Net Attributable Profit
Excluding one-offs
(€m)



Net Attributable Profit 2008 including one-offs: 5,020 M €

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Business model focused on client-based retail banking

Client-based retail banking model …

Our retail franchises generate 88% of earnings

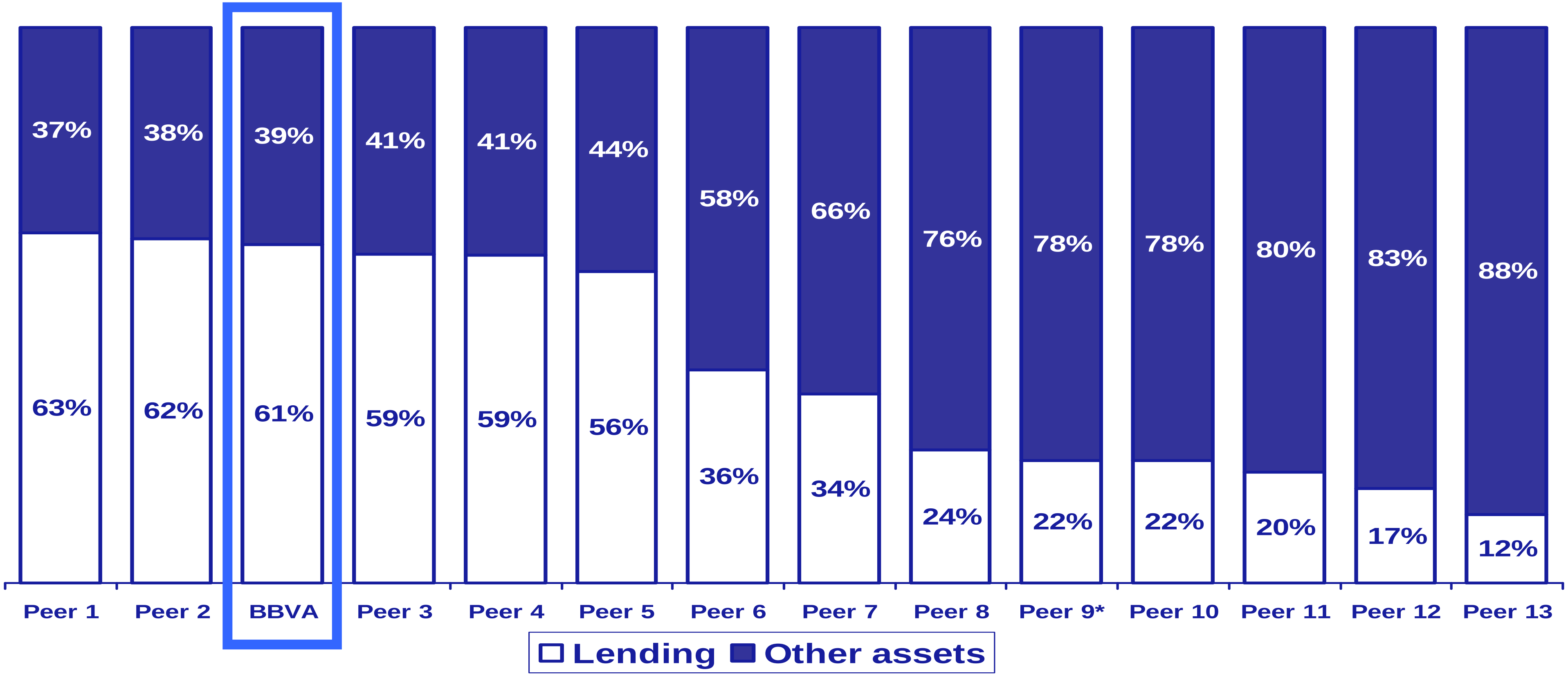
48 million clients

7,787 branches

… with a leading position in our main markets

Client-driven balance sheet structure …

Asset structure
Peer Group
(%, Dec.08)



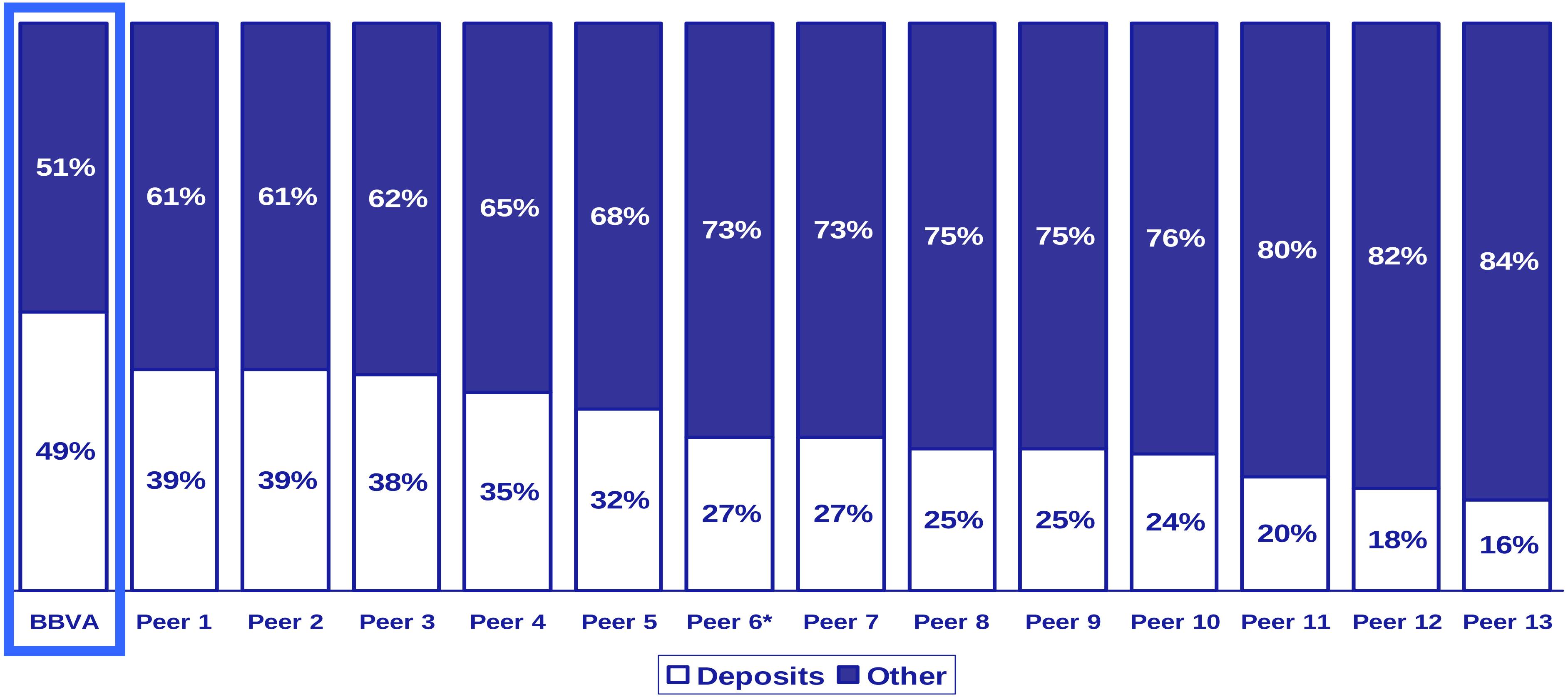
… that ensures low volatility of revenues

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

Client-driven balance sheet structure …

BBVA

Liabilities structure
Peer Group
(%, Dec.08)



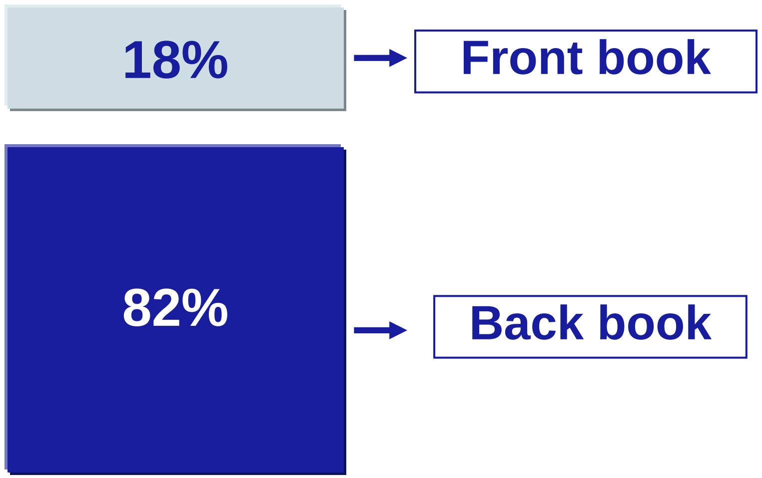
… that ensures funding stability

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

This reduces earnings volatility

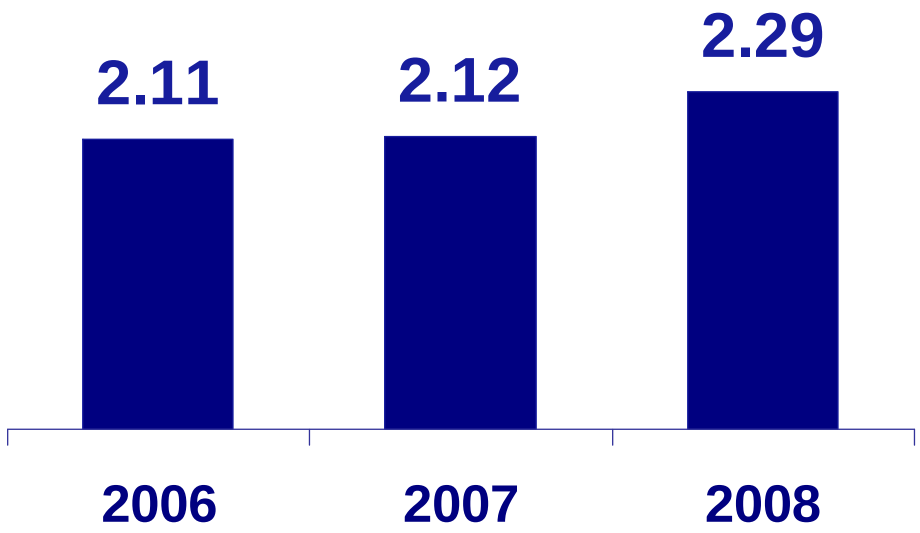
Resilient revenues

Revenues BBVA Spain
(%)



Pricing skills

Net Interest Income/ATAs
BBVA Group
(%)

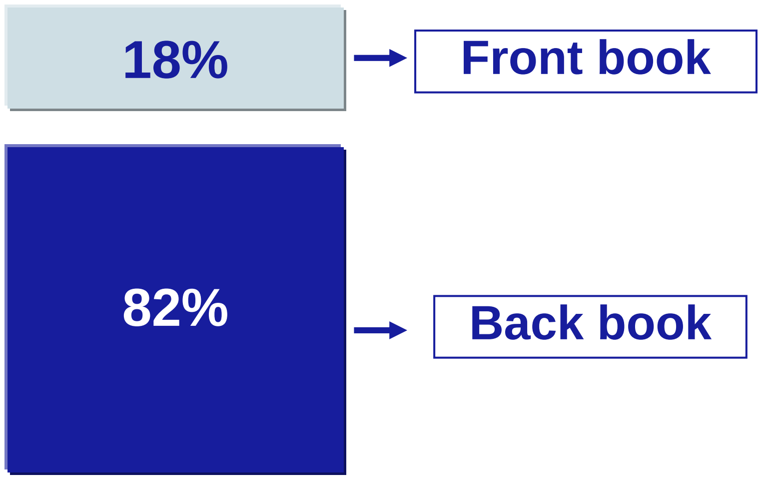


This reduces earnings volatility

BBVA

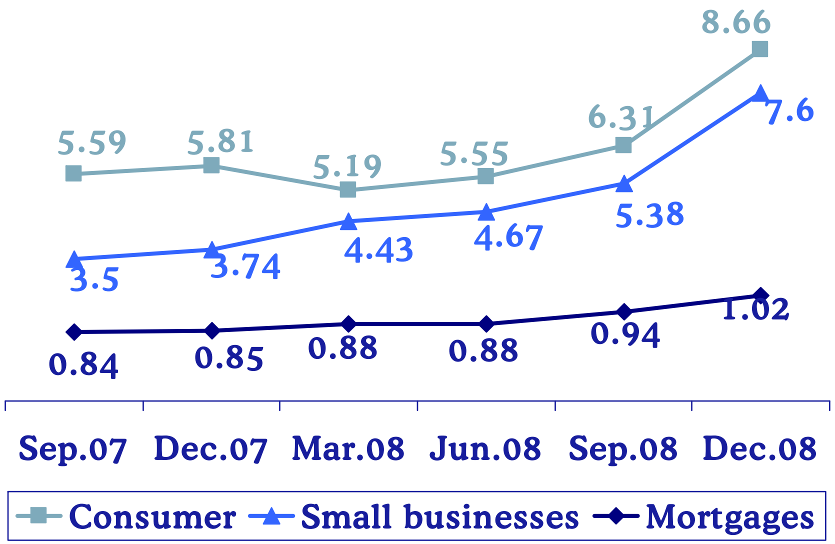
Resilient revenues

Revenues BBVA Spain
(%)



Pricing skills

Front book spreads BBVA Spain
(%)

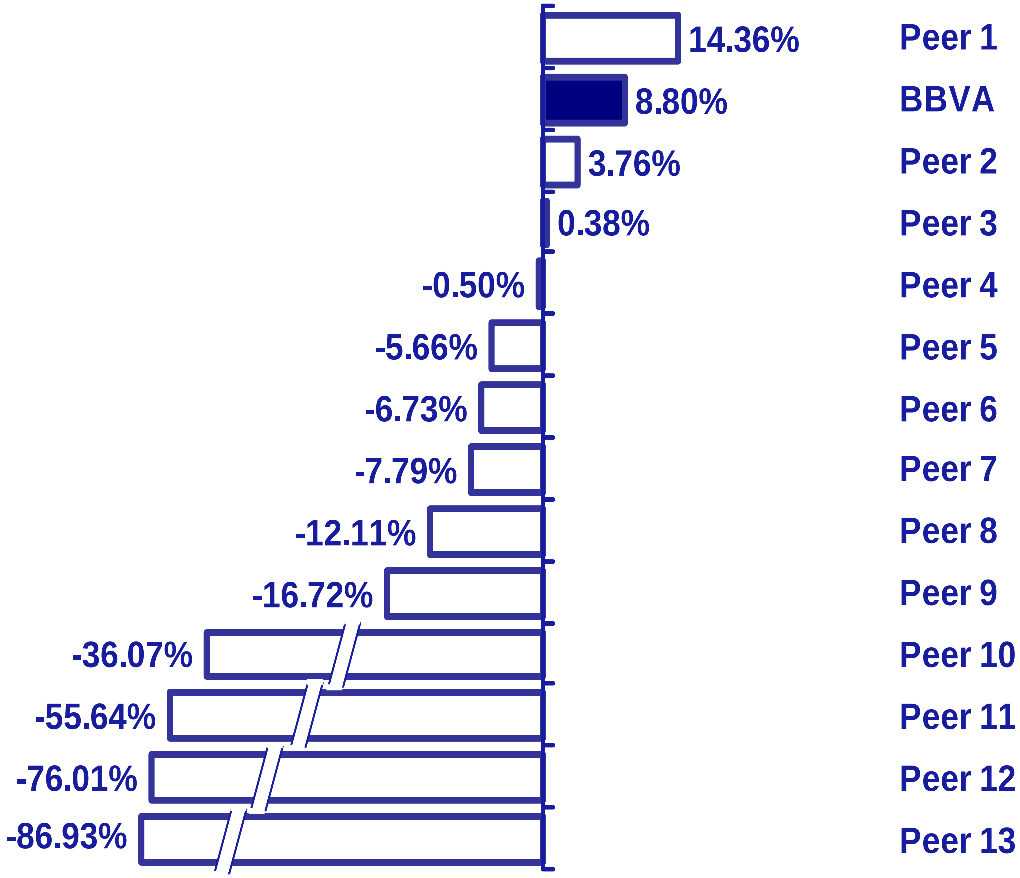


Active and conservative Balance Sheet management through ALCO portfolio

As has been tested in an extraordinarily difficult year …

BBVA

Total revenues
Peer Group
YoY Growth 08/07
(%)



Only four banks with positive growth rate

… and will be tested further in the difficult years to come

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

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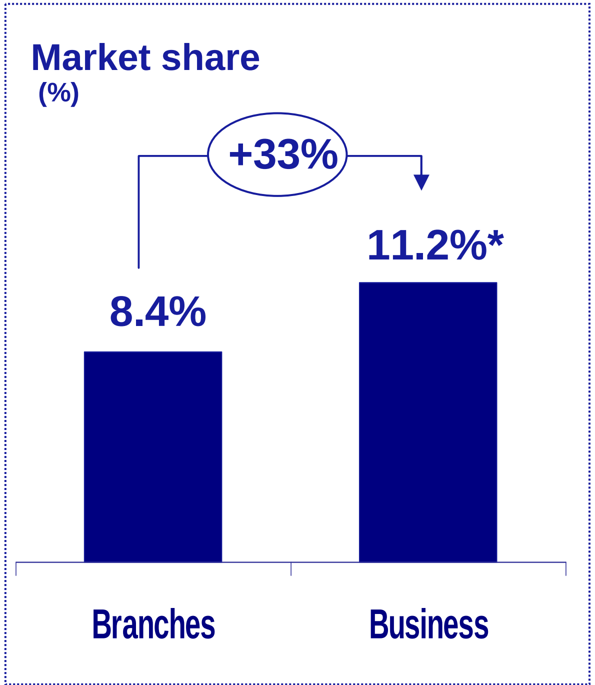
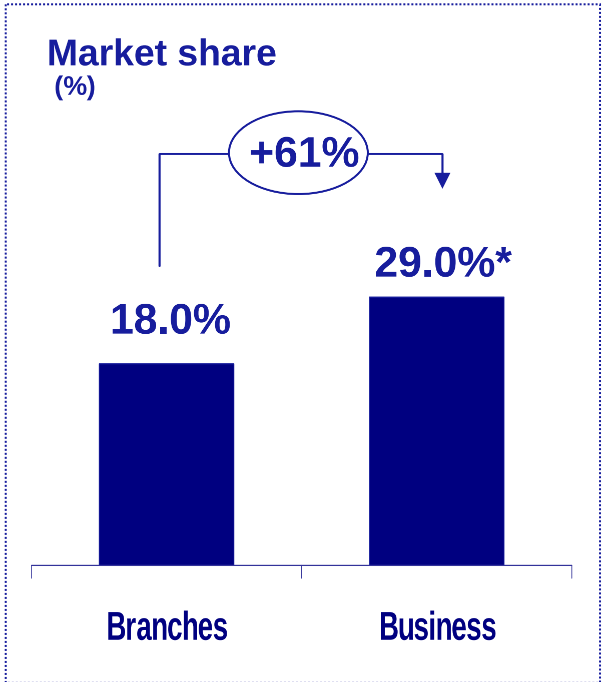
Remarkably efficient distribution network …

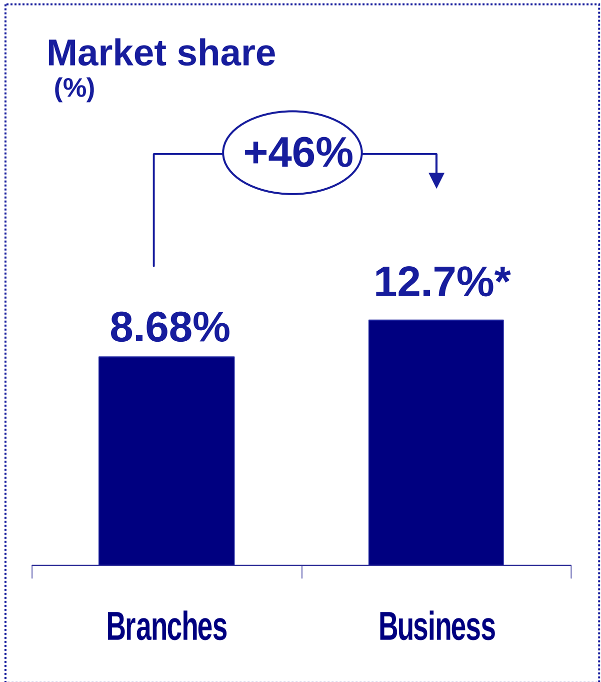
Spain



Mexico



Latam

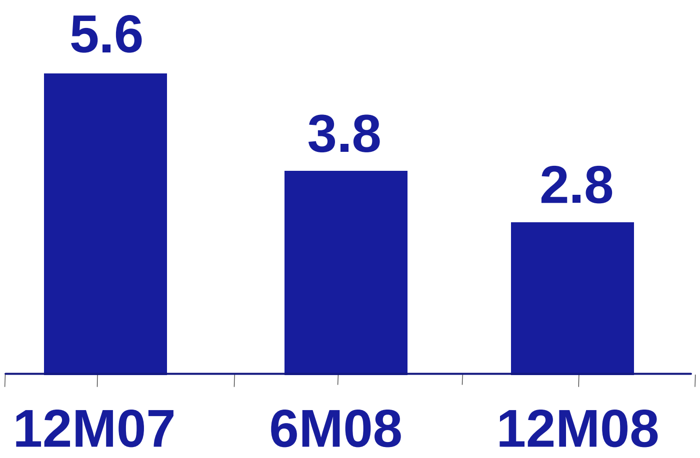


*Lending + Customer funds; last available data

… and ongoing cost-to-income improvement

Cost control

General & Administrative expenses
BBVA Group excluding one-offs and Compass
(%)



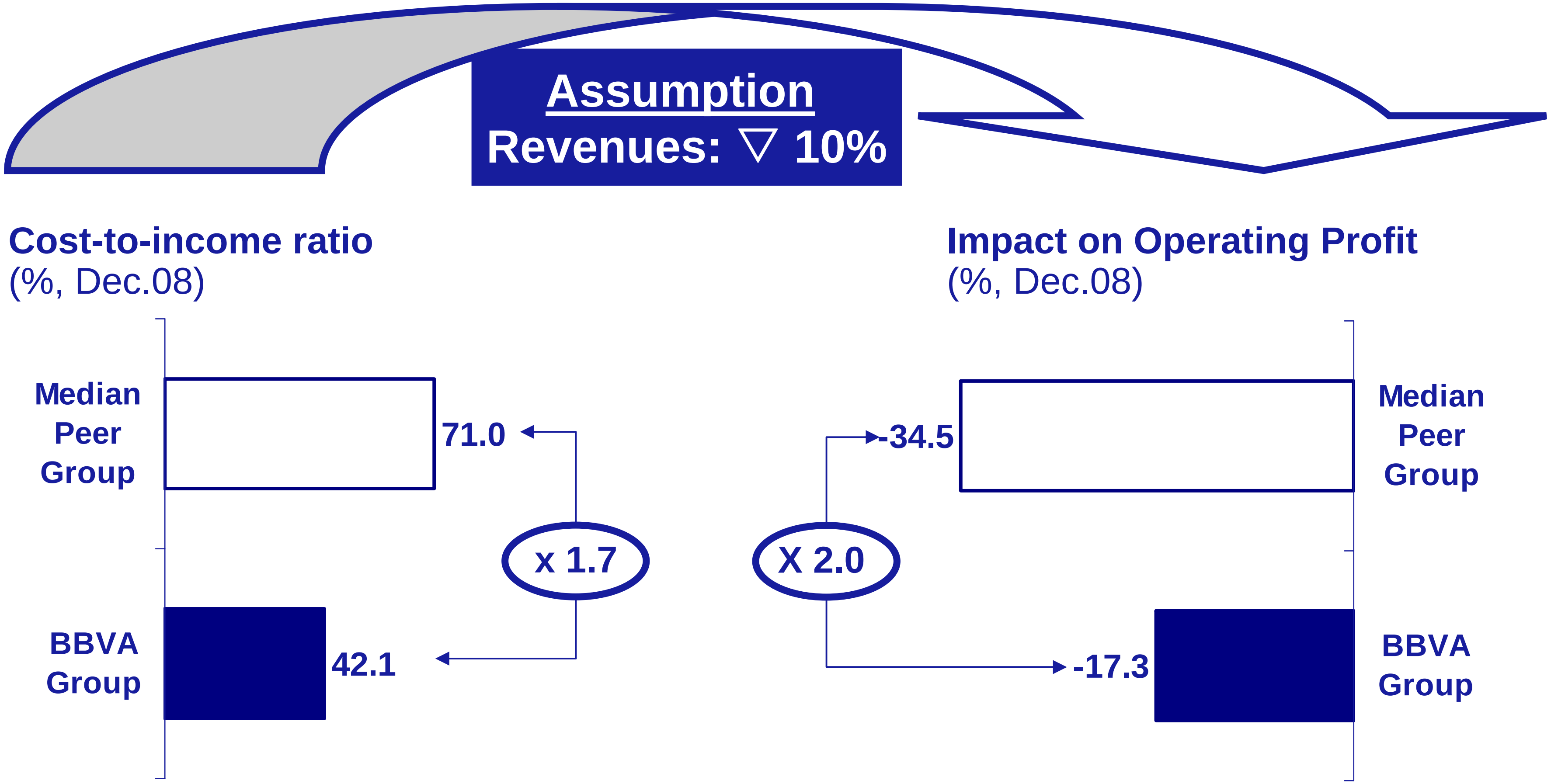
Improvements in cost-to-income ratio

	Efficiency (%)	YoY Growth 08/07
Spain & Portugal	35.3%	-2.6 p.p.
WB&AM	29.8%	+2.5 p.p.
Mexico	32.4%	-1.8 p.p.
USA	65.8%	-0.3 p.p.
South America	43.8%	-2.2 p.p.

Expected growth of general and administrative expenses in 2009: +0%

Operating leverage is a key driver in retail banking

BBVA



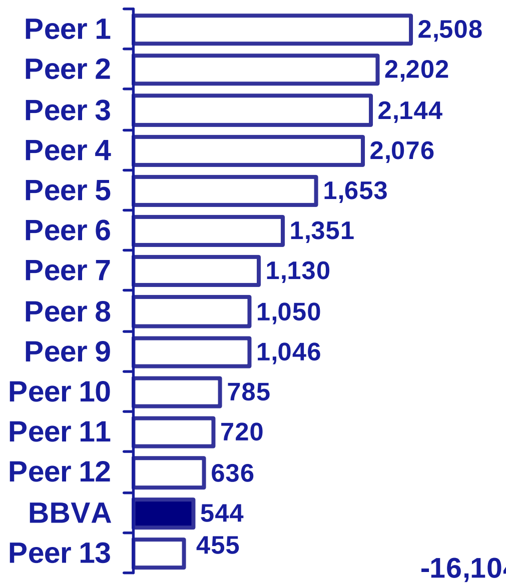
Cost-to-income focus throughout BBVA makes its operating profit even more resilient

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

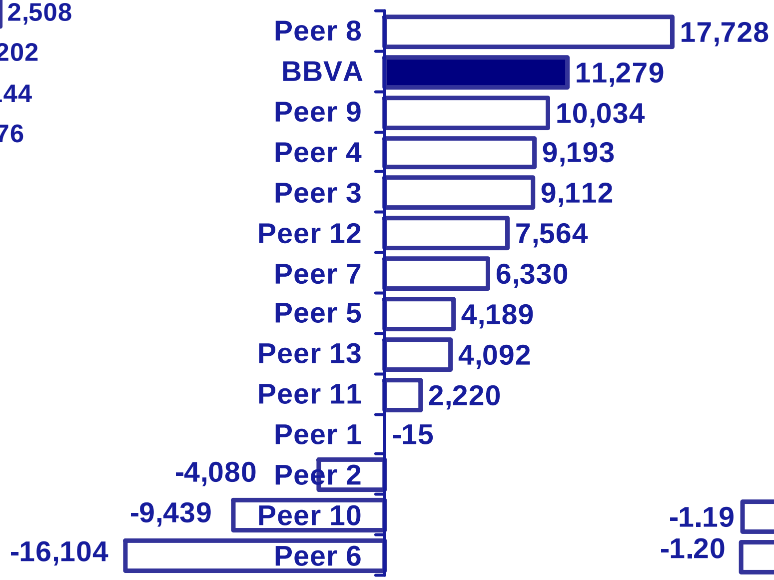
Strong operating profit is a distinct feature of the BBVA Group

BBVA

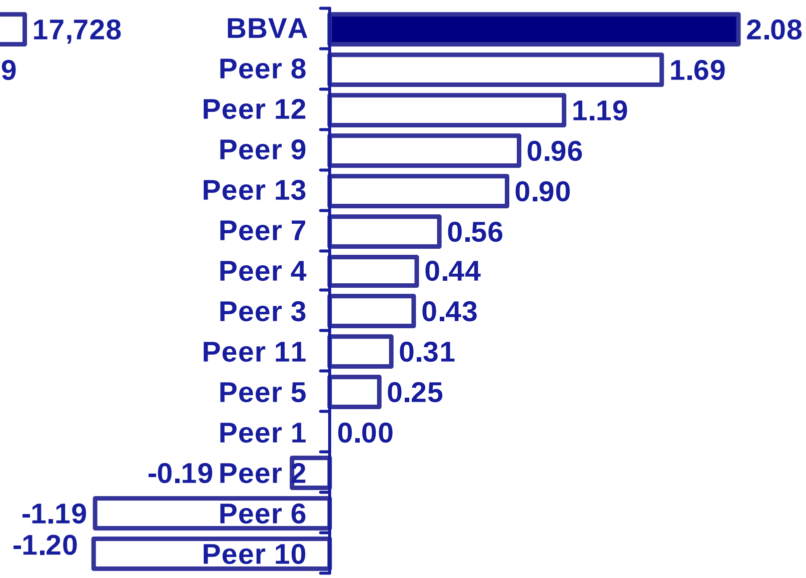
Total assets
Peer Group
(€bn, Dec.08)



Operating Profit
Peer Group
(€m, Dec.08)



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



Operating Profit is the best buffer in the current environment

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

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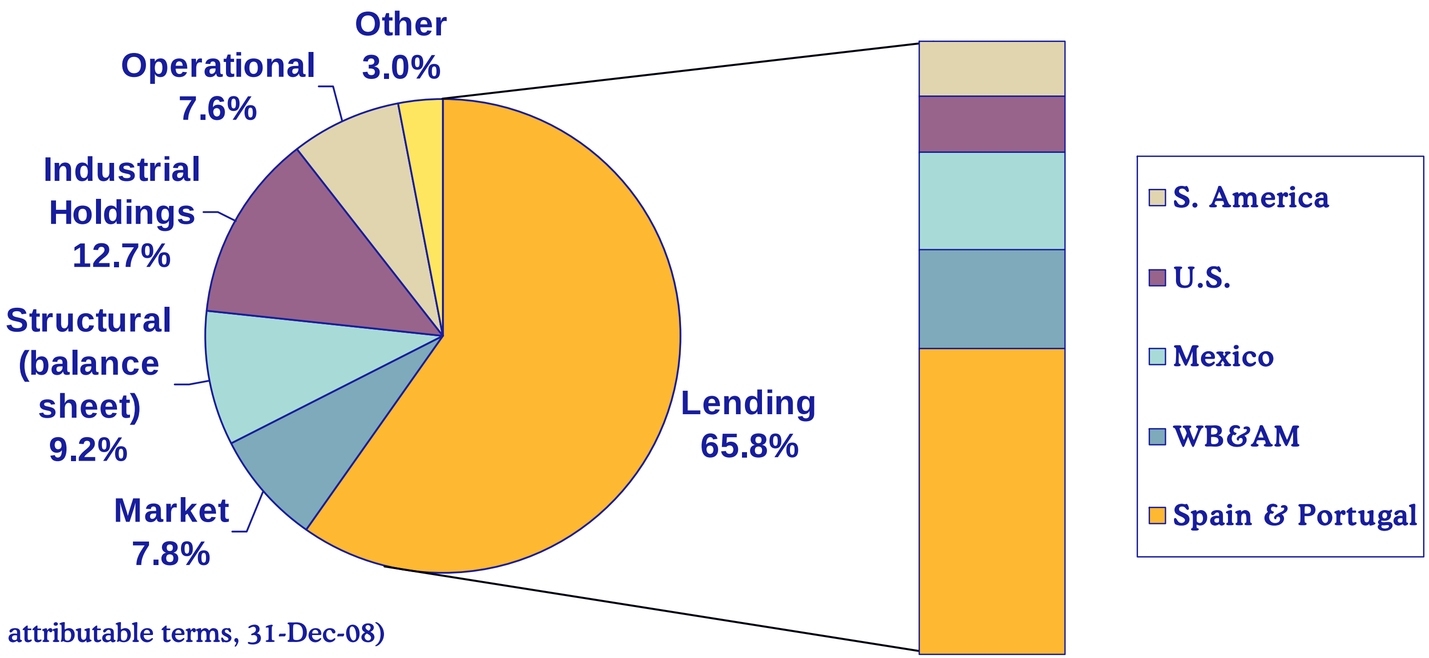
A	Risks are known, monitored, ring-fenced and shared with the market
B	Prudent risk management culture: better performance than competitors
C	Prudent provisions policy
D	Sizeable operating profit provides significant risk-premium buffer

A Risks are known, monitored, ring-fenced and shared with the market

Group economic risk capital
Distribution by risk type
(%)



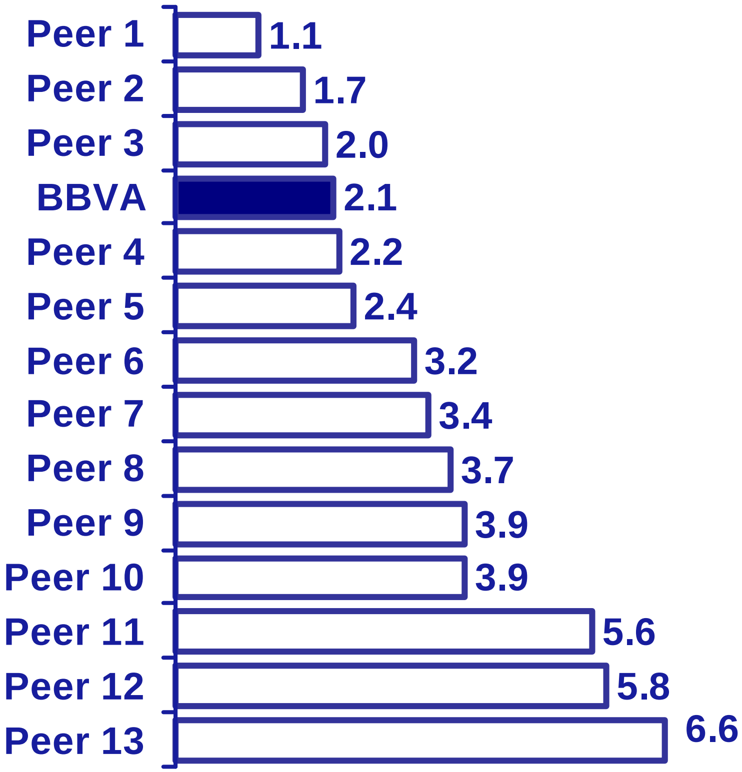
(Data in attributable terms, 31-Dec-08)

Basically focused on lending

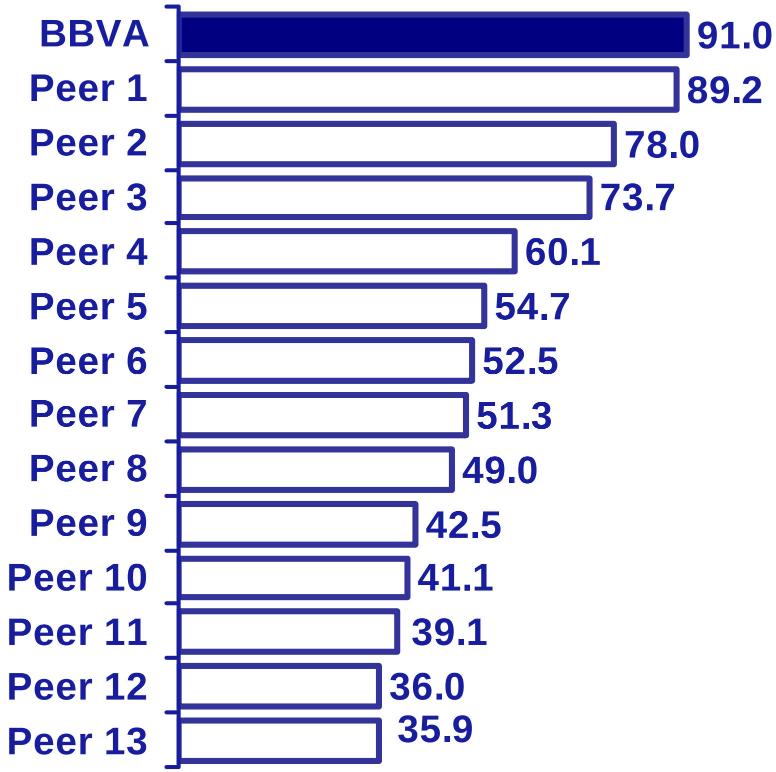
B Prudent risk management culture: better performance than our peers

BBVA

NPL Ratio
(%, Dec.08)



Coverage
(%, Dec.08)



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

Spain: clearly better positioned than our peers

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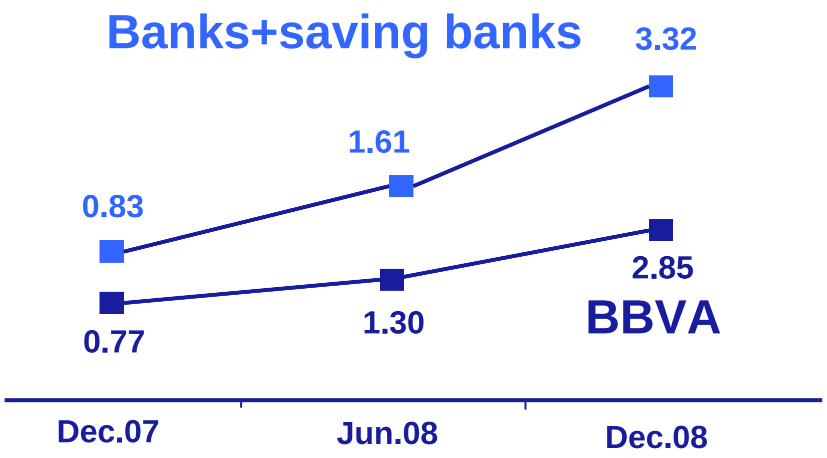
NPL Ratio (Resident sector)
BBVA vs. Banks + Saving banks
(%)



Incremental impact of real estate purchases on published NPL ratio
BBVA* vs Peer Group**
(b.p., Dec.08)

BBVA	+24
Peer 1	+30
Peer 2	+118
Peer 3	+111
Peer 4	+139
Peer 5	+45

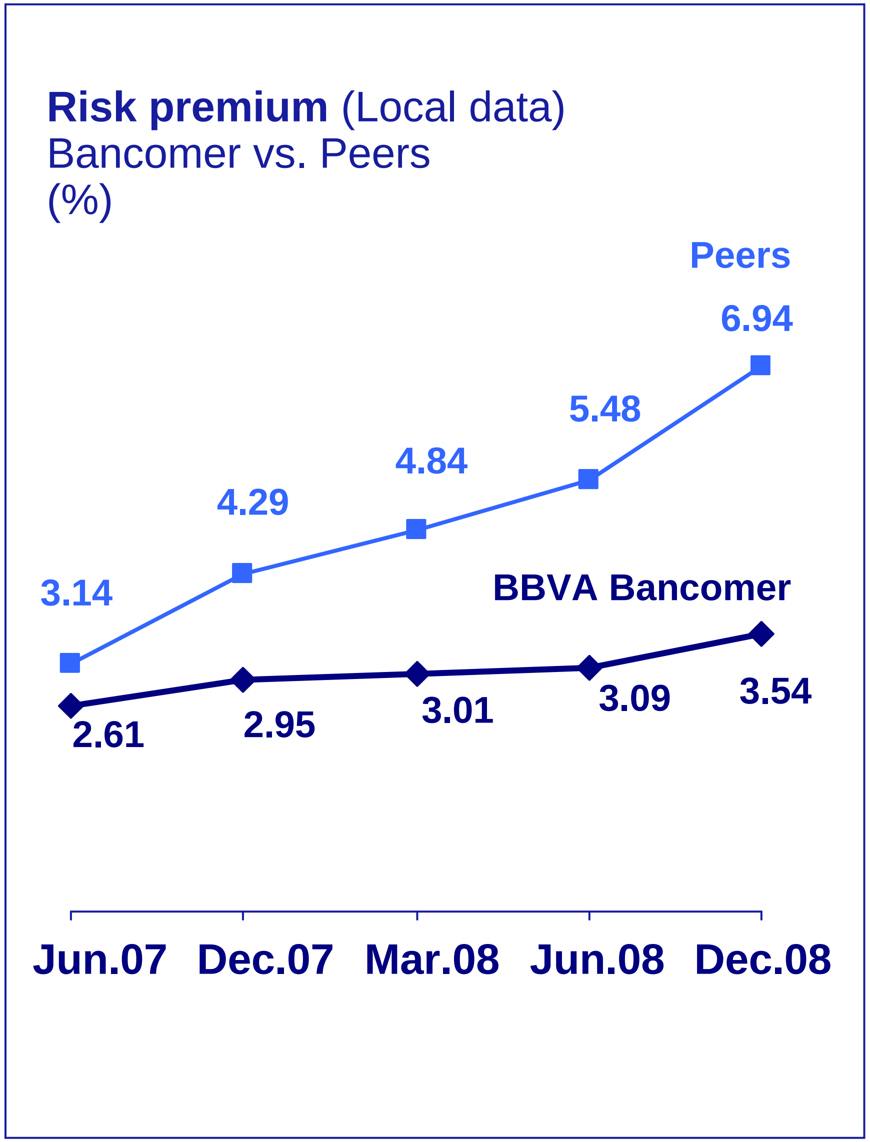
NPL Ratio advantage adjusted w/real estate purchases
BBVA* vs Peer Group**
(%, Dec.08)

BBVA is performing better than the banking system …

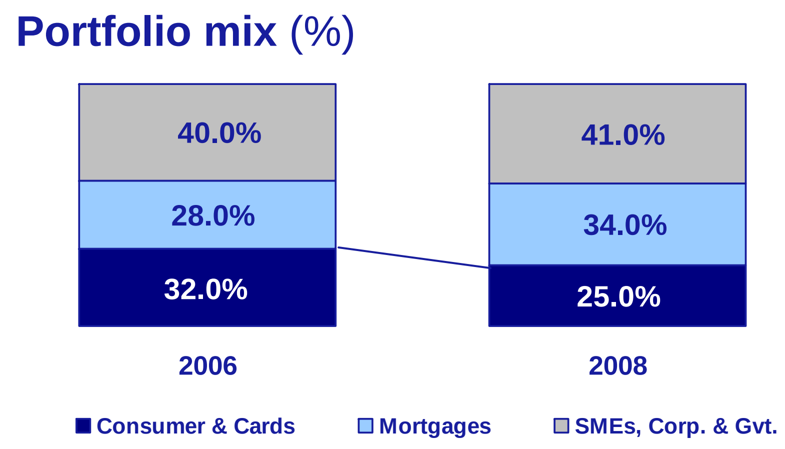
… and is not so badly hit by real estate purchases

*Domestic businesses ** La Caixa, Caja Madrid, Banco Popular, Sabadell, Santander and BBVA

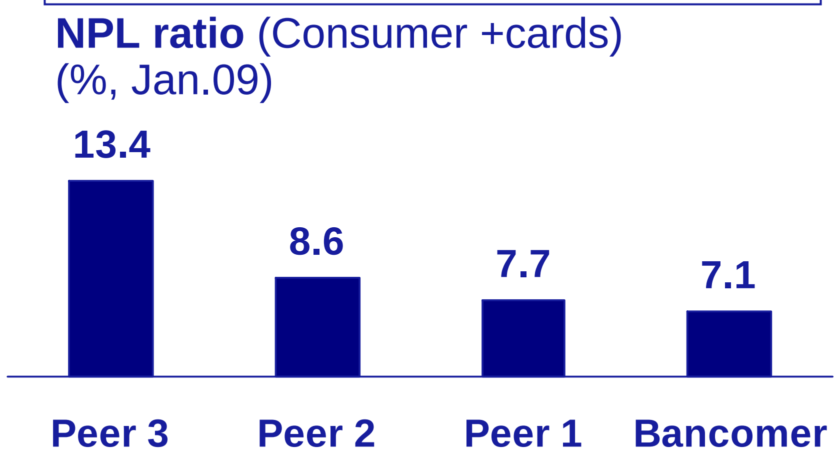
Mexico: clearly better positioned than our peers



Past foresight → better mix now



Better NPL Ratio



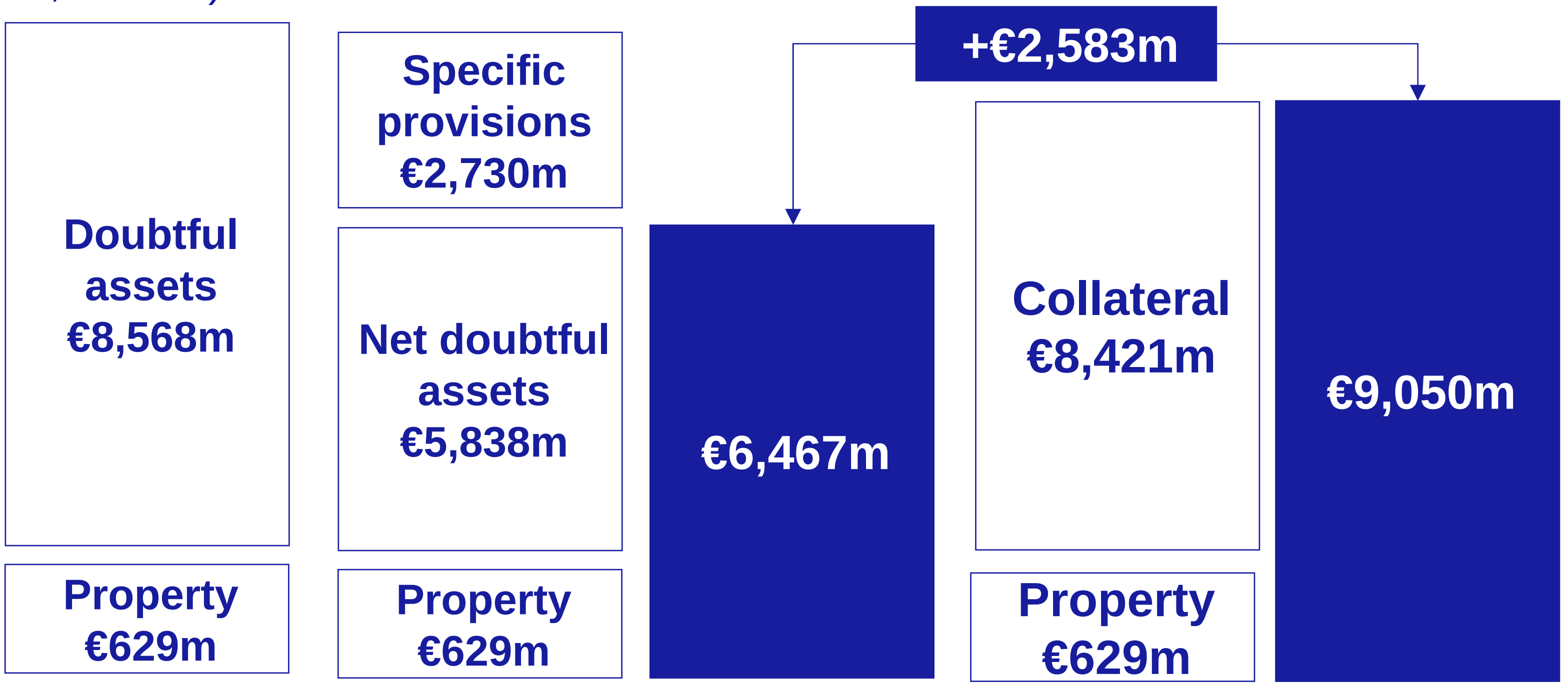
Peers: Banamex, Banorte, HSBC y Santander.

C Prudent provision policy: asset impairment is covered by a strong provisions and collaterals

BBVA

€5,000m of generic and substandard provisions

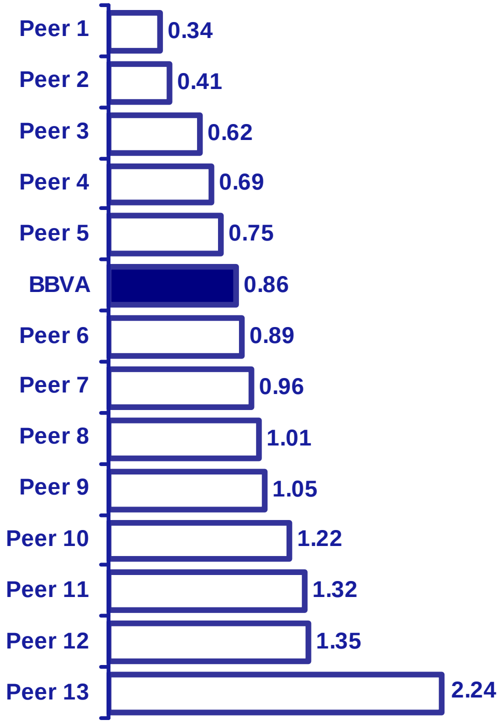
Doubtful assets & property purchases
(€m, Dec.08)



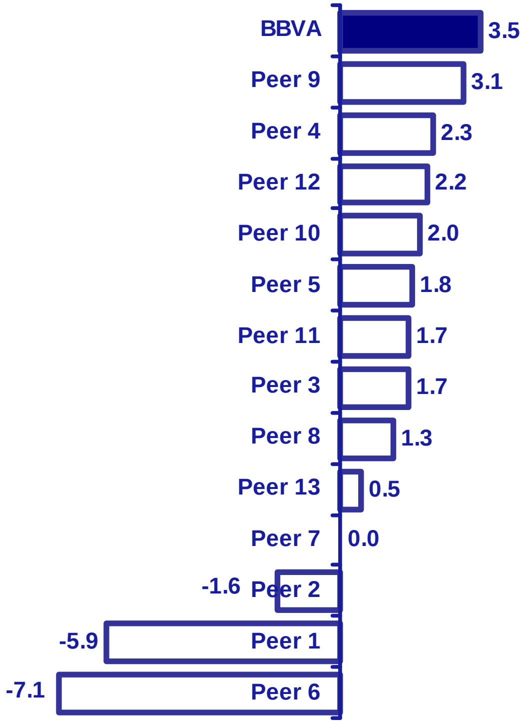
D Recurrent operating profit is the most important lever in the industry today

BBVA

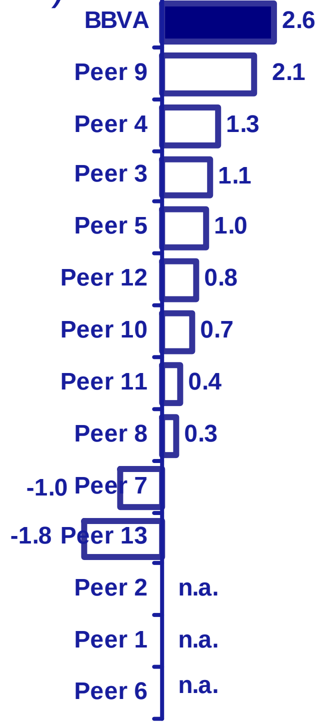
Risk Premium 2008
Peer Group
(%, Dec.08)



Operating Profit buffer as maximum risk premium*
Peer Group
(%, Dec.08)



Additional risk premium supported by operating profit**
Peer Group
(%, Dec.08)



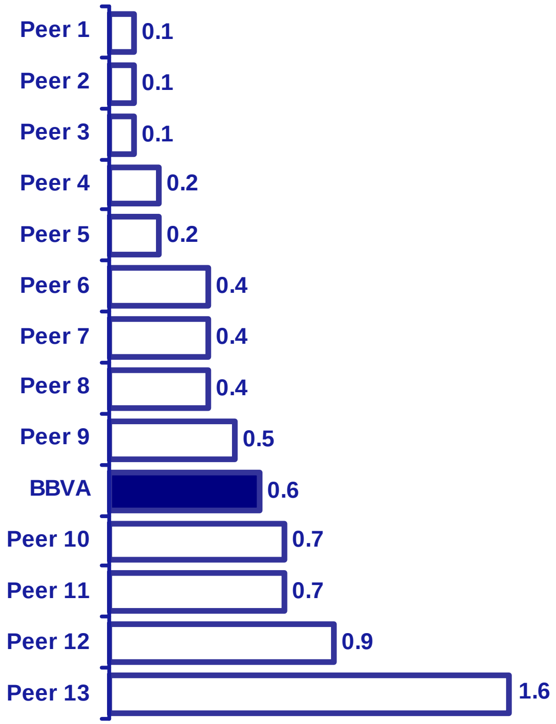
* Maximum risk premium supported by operating profit without generating losses
** Maximum risk premium-Actual Risk Premium

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

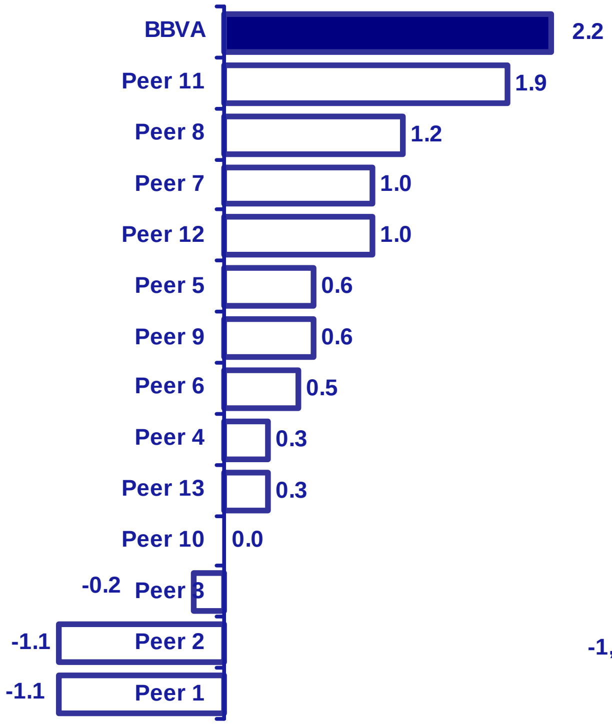
D Recurrency in Operating Profit is the most important lever in the industry today

BBVA

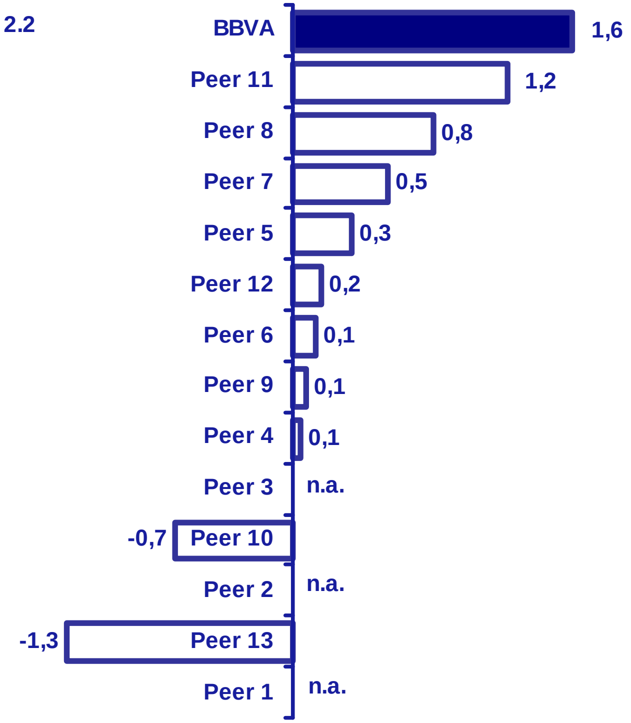
Risk Premium 2008*
Peer Group
(%, Dec.08)



Operating Profit buffer as maximum risk premium**
Peer Group
(%, Dec.08)



Additional risk premium supported by operating profit***
Peer Group
(%, Dec.08)



*** Risk premium calculated over ATAs**
****** Maximum risk premium supported by operating profit without generating losses calculated over ATAs
*** Maximum risk premium-Actual Risk Premium calculated over ATAs

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

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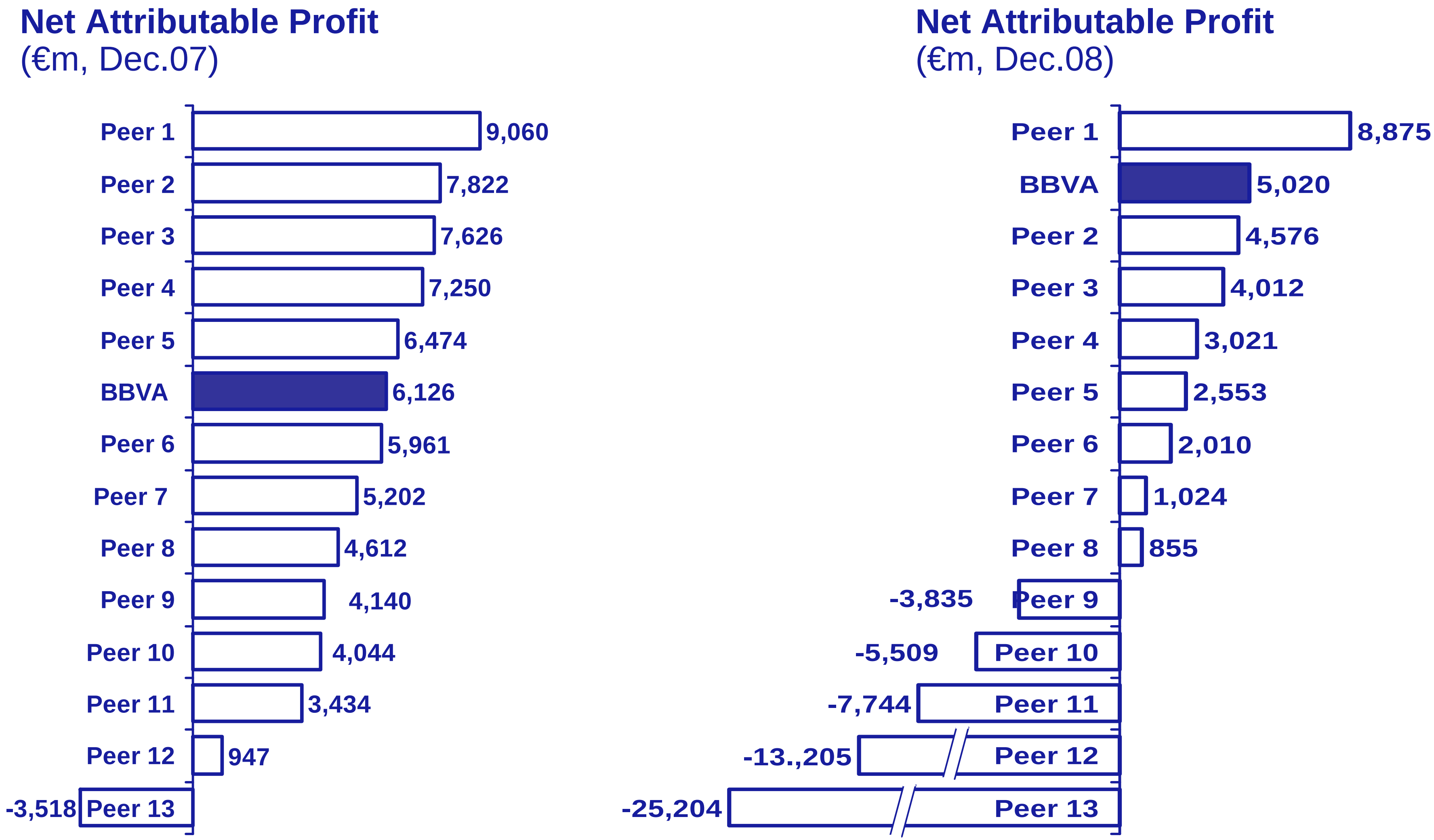
Resilient earnings …



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

… feeding into high returns …

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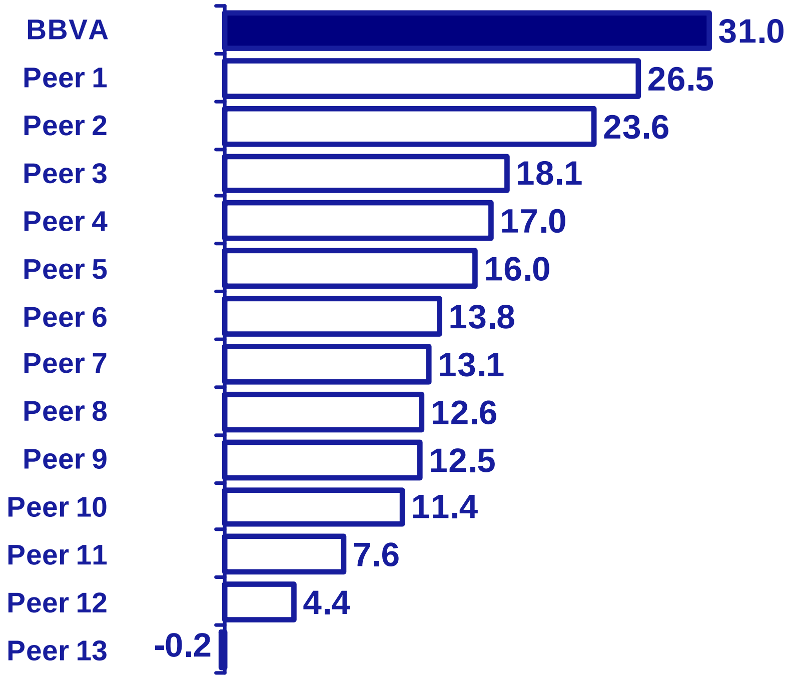
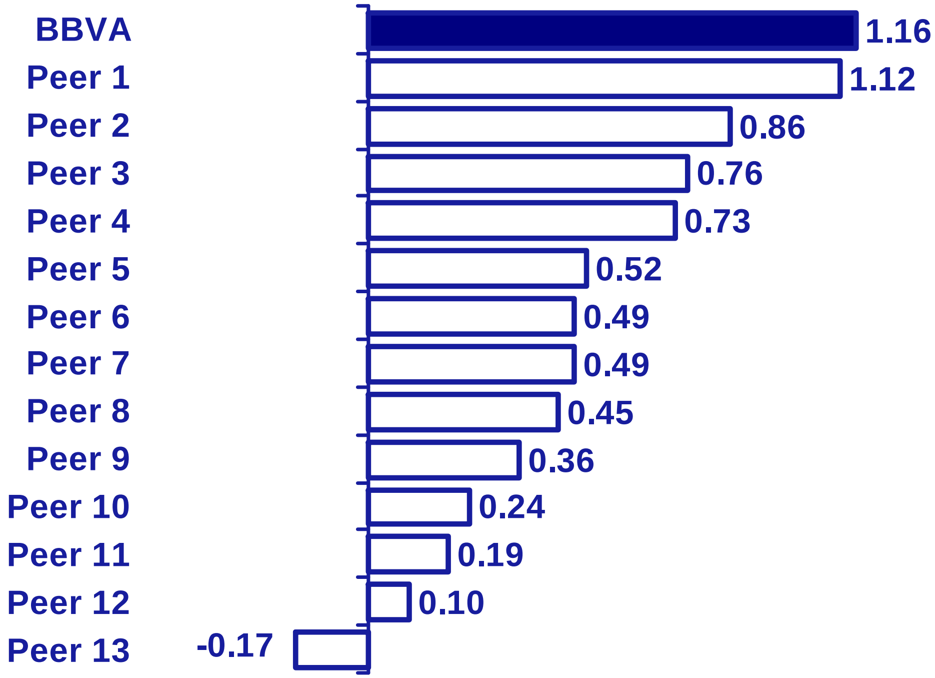
Average ROE 2004-2008
Peer group
(%)



Average ROA 2004-2008
Peer group
(%)



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

… which will allow us to generate capital …

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2008: +40 b.p.

(66 b.p. generated organically)

2009 (e): ≃ +80 b.p.

(generated organically)

… superior capacity to generate capital

BBVA

CORE CAPITAL	31 Dec. 2008	Capital growth ex capital increases
BBVA Group	6.20%	+0.40 p.p.
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

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The BBVA model in a nutshell

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Retail business model focused on customers

Sustainable earnings

Increasing differentiation from competitors

BBVA, recurrent and sustainable earnings

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European Financials Conference

London, 31st March 2009

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