

# Third Quarter Results 2010

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Chief Operating Officer – BBVA Group

Madrid, October 27th 2010

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**The uncertainty in recent quarters persists . . .**

**Sluggish credit: private deleveraging**

**Asset quality deterioration**

**Strong competition in customer fund gathering**

**Sovereign risk remains high**

**Higher cost of wholesale finance**

**. . . and new factors emerge . . .**

**Doubts about the sustainability of economic recovery**

**Volatility in currency markets**

**⋮**

# BBVA ... the BBVA Group is announcing solid earnings supported by our franchises ...

## Spain & Portugal

- Superior performance despite the complex environment
  - Market share gains in business, net interest income and operating income
  - Costs under control
  - Superior performance of NPAs

## Mexico

- The trend reverses
  - Vigorous growth of business and gains in market share
  - Upward trend in attributable profit
  - Cost of risk improves

## South America

- Dynamic environment
  - Strong growth of business and gains in market share
  - Earnings growing at a healthy rate
- NPAs decline and coverage rises

## United States

- Progressive consolidation of the franchise and business model
  - New business written has recovered traction
  - Earnings grow
  - Risk indicators are stable

## Wholesale Banking & Asset Management

- Strong revenues on business with customers
- Attributable profit is rising
- Asia's contribution improves

# ... characterized by ...

- 1 The resilience of earnings
- 2 Improvement in risk indicators
- 3 Organic generation of capital
- 4 Stronger balance sheet structure

**BBVA: a better business model,  
strengthened by the crisis**

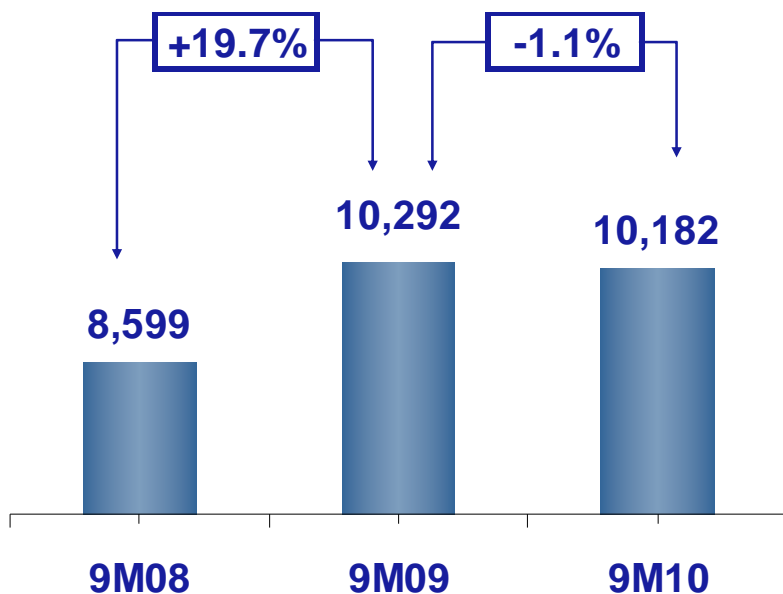
- Retail / customers
- Resilience
- Diversification

**BBVA**

# Resilience of net interest income, net fee income recovery ...

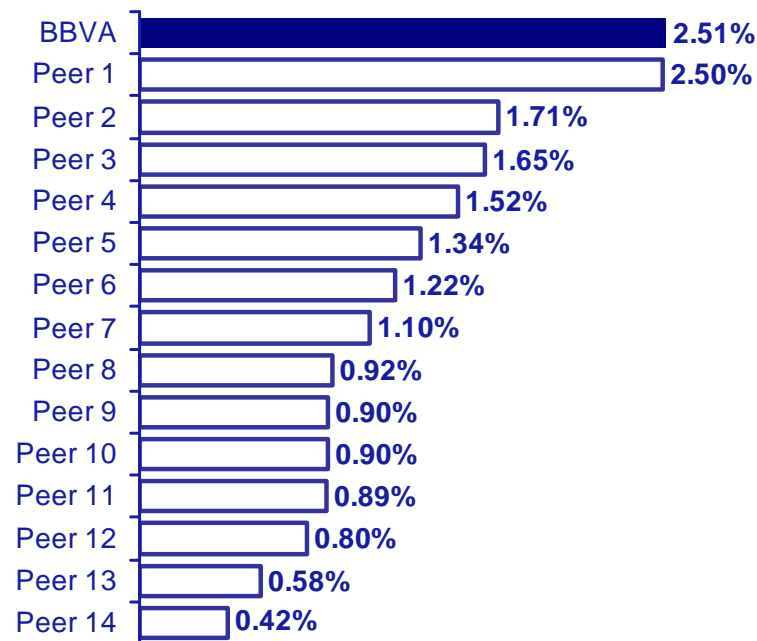
## Net interest income

BBVA Group  
Year to date  
(€m)



## Net interest income / ATAs

BBVA Group and peer group\*  
(1H10, %)



**Appropriate management of asset portfolio  
and of finance structure**

\* Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI. BBVA at 9M10=2.44%

# ... which we are actively managing

## Diversification: Spain declines vs other franchises

### Cause of decline

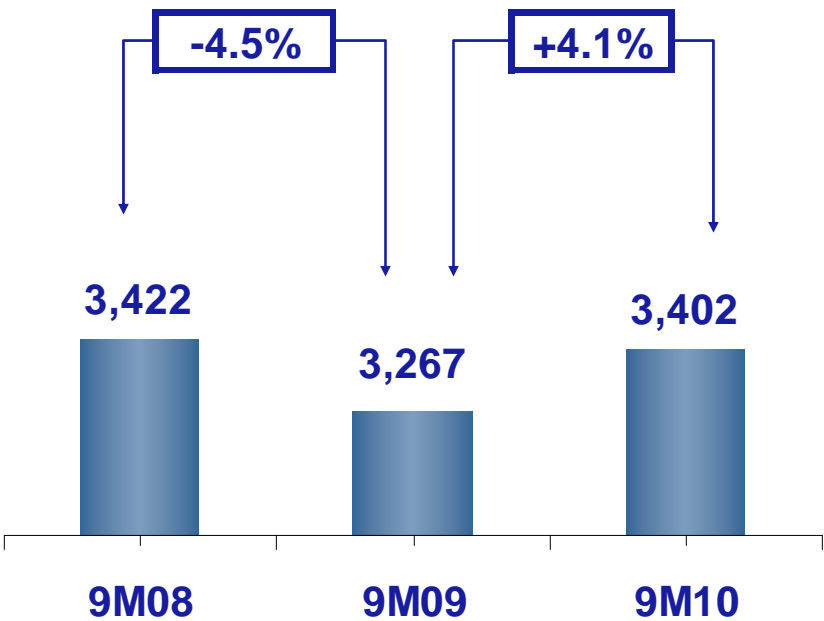
- Increase in the cost of wholesale finance
- Competitive environment in deposits in Spain

### Steps being taken

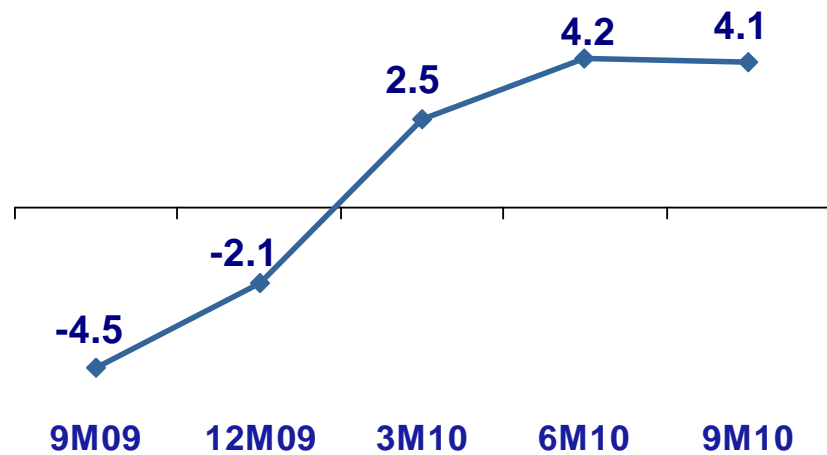
- Protect zero-cost deposits
- Contain costs on interest-bearing deposits
- Reprice front and back books
- Market share gains in lending
- Positive spread on new business written

# Recovery of net fee income ...

**Net fee income**  
BBVA Group  
Year to date  
(€m)



**Net fee income**  
BBVA Group  
Year-on-year change  
(%)



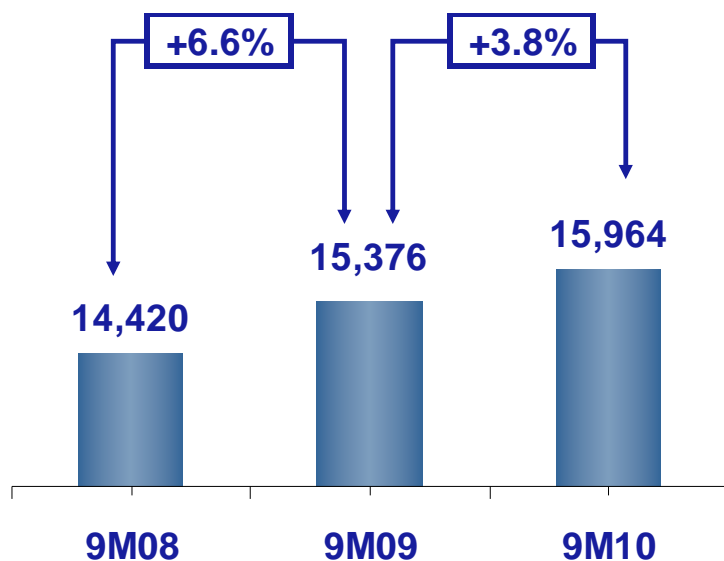
**Net fee income from services: +4.4%**  
**Net fee income from funds: +3.4%**



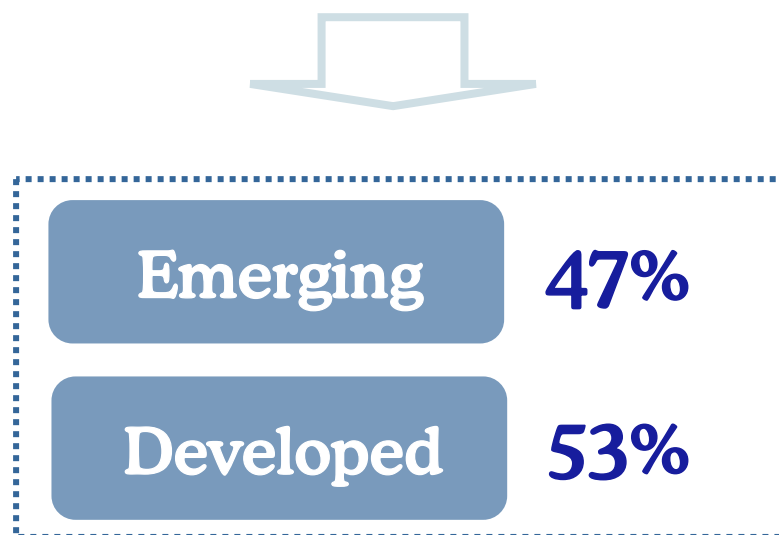
BBVA

# ... and recurrency of gross income

Gross income  
BBVA Group  
Year to date  
(€m)



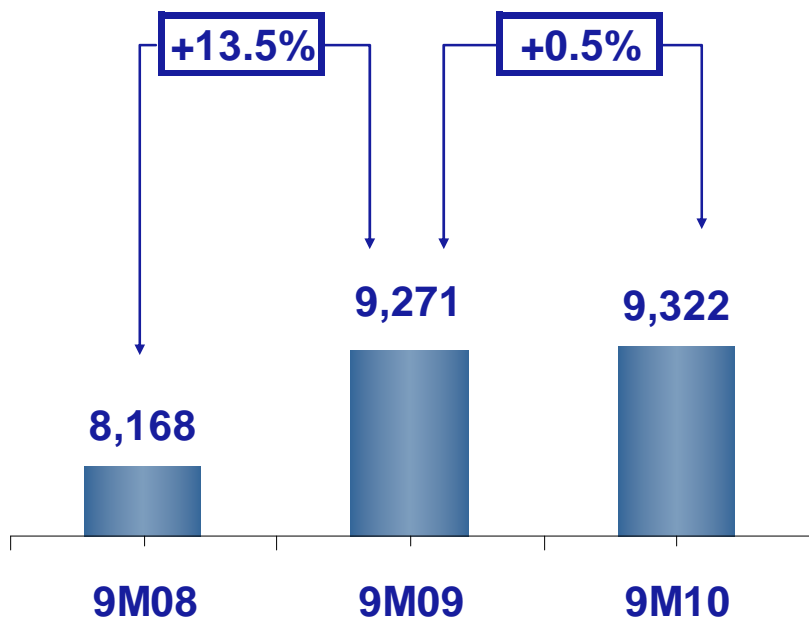
## Well-balanced revenue mix





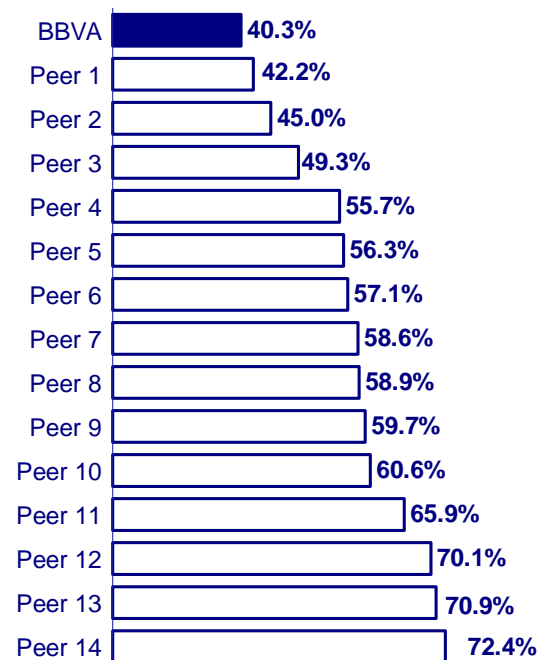
# As a result, operating income is stronger ...

**Operating income**  
BBVA Group  
Year to date  
(€m)



**Efficiency**

BBVA Group vs peer group\*  
(1H10, %)



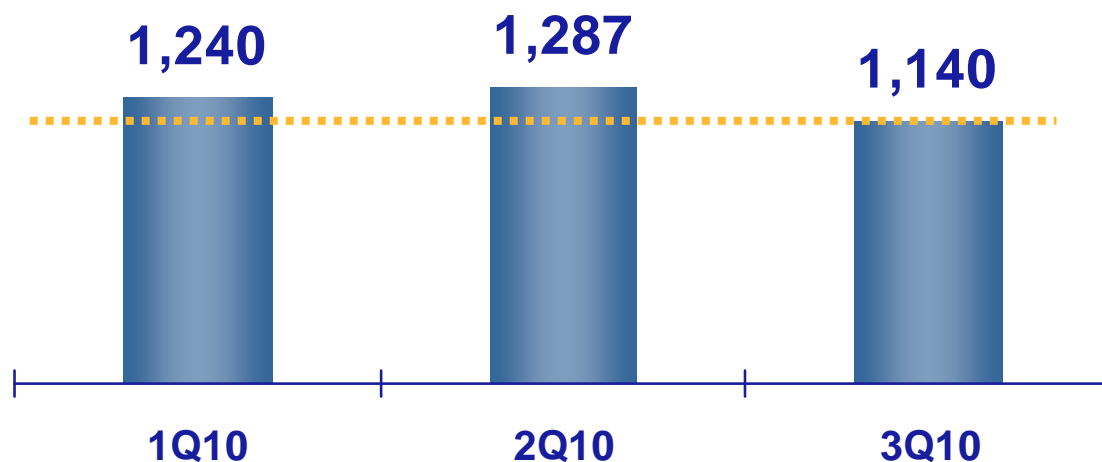
**Efficiency in 9m10: 41.6%**

\* Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI.

BBVA

# ... and resilience of earnings

Net attributable profit  
BBVA Group  
Quarter-by-quarter  
(€m)



Second interim  
dividend in cash:  
€0.09 per share

ROE: 17.2%

ROA: 0.95%

# BBVA In summary, solid earnings and high profitability

Income statement  
BBVA Group  
(€m)

BBVA Group	Accum.	Annual Growth	
	9M10	Abs.	%
Net Interest Income	10,182	- 110	-1.1%
Gross Income	15,964	+ 588	3.8%
Operating Income	9,322	+ 50	0.5%
Income Before Tax	5,260	- 690	-11.6%
Net Attributable Profit	3,668	- 511	-12.2%

# Risk indicators improve

**A**

**NPAs stabilise**

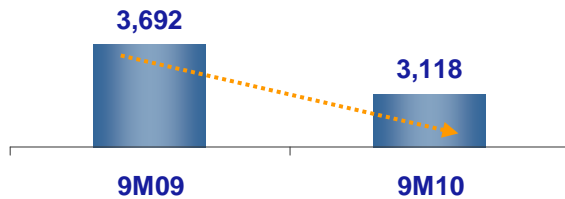
**B**

**Improvements in NPA ratio,  
cost of risk and coverage**

# A. NPAs stabilise

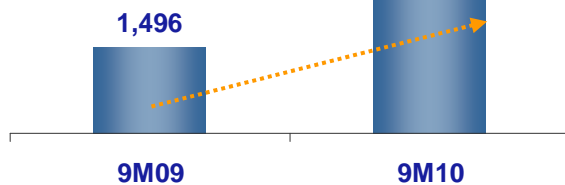
## 1 Gross additions to NPA

BBVA Group  
Quarterly average  
(€m)



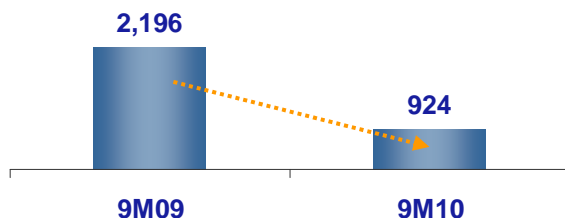
## 2 Recoveries

BBVA Group  
Quarterly average  
(€m)



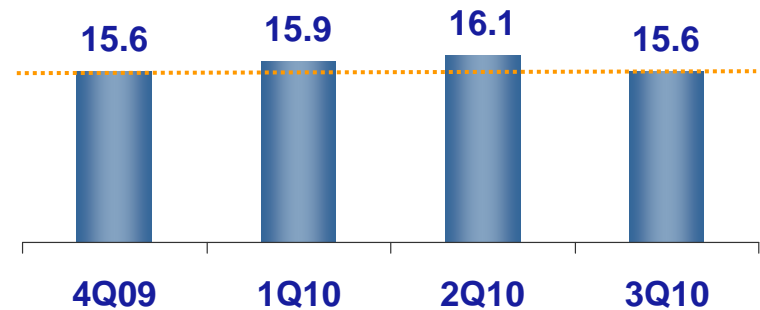
## 3 Net additions to NPA

BBVA Group  
Quarterly average  
(€m)



## NPAs

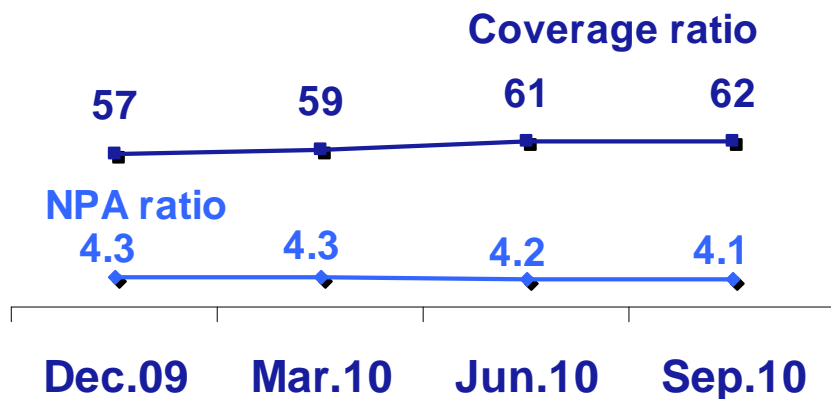
BBVA Group  
(€billion)



# BBVA B. Improvements in NPA ratio, cost of risk and coverage

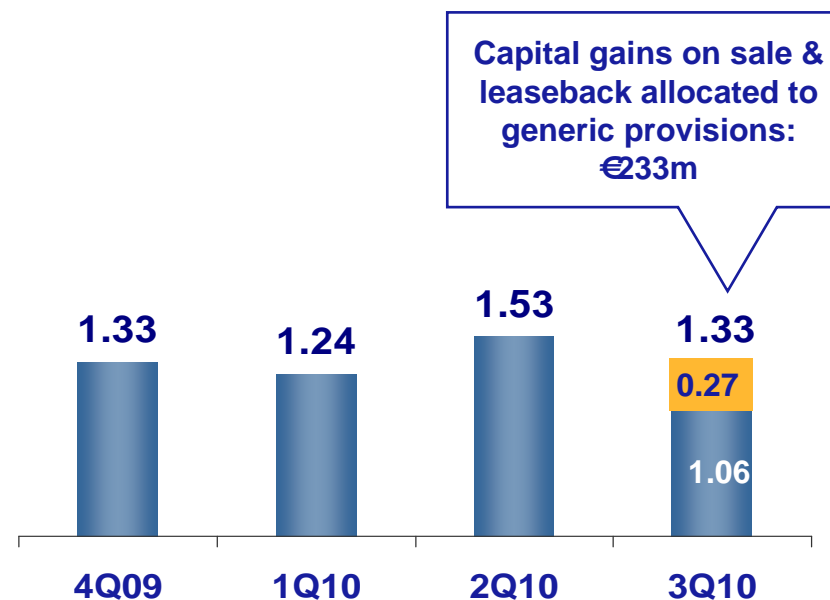
## NPA ratio and coverage ratio

BBVA Group  
(%)



## Cost of risk excl. one-offs

BBVA Group  
Quarter-by-quarter  
(%)



# One-off items during the quarter

**Bank of Spain  
Circular**



**Additional provisions  
of €198m** (no economic impact:  
calendar effect)

**Sale & Leaseback**



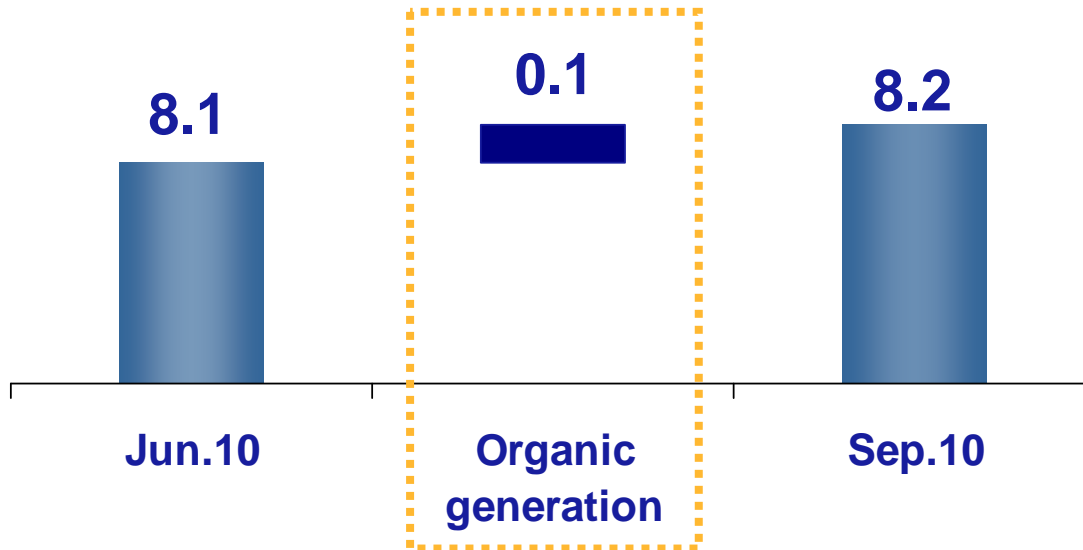
**Higher provisions for  
€233m**

**Allocation to provisions was contained**

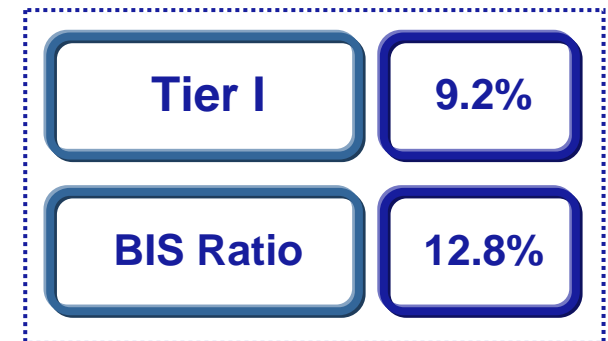


# Stronger capital adequacy ...

Core capital  
BIS II rules  
(%)



Tier I and BIS ratio  
BIS II rules  
(%)



**Organic generation of capital, in spite of the negative exchange-rate effect in the quarter**

# ... and improvement of the balance sheet structure

- **Retail deposits added in 3Q10 BBVA Group: > €16,000m**  
(Quarterly average balance)
- **Increased weighting of retail financing**
- **Amounts issued for the medium and long term 3Q10: €6,522m**  
(over total issues up to Sep.10: €16,115m)
- **Average annual maturities for next three years: €10,000m**
- **Available collateral: €75 billion**

# Solid earnings supported by our franchises ...

**Spain & Portugal**

**Superior performance despite the complex environment**

**Mexico**

**Upturn in activity and from less to more throughout the year**

**South America**

**Business prospers and income rises**

**United States**

**Progressive consolidation of the franchise and business model**

**Wholesale Banking  
& Asset  
Management**

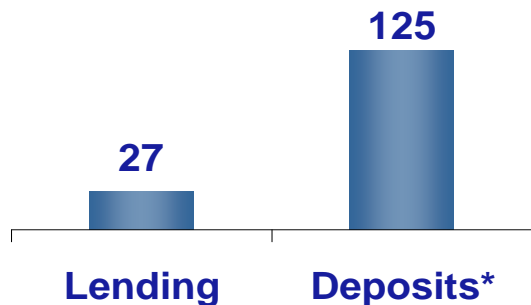
**Quality of revenues and advances in Asia**

# Spain & Portugal: superior performance despite conditions

## Gain in market share

### Business

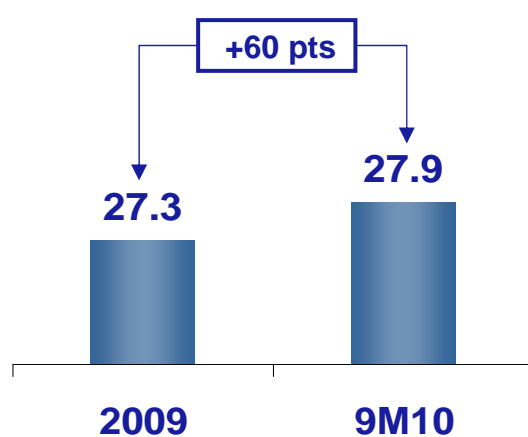
Market share - Spain  
Change Aug.10 vs Dec.09  
(Basis points)



\* ODS

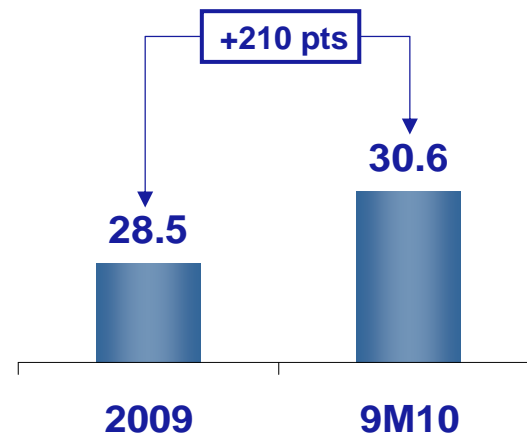
### Net interest income

Market share of net interest income\*  
(%)



### Operating income

Market share of operating income\*  
(%)



## Whilst customer spread deteriorate in the industry

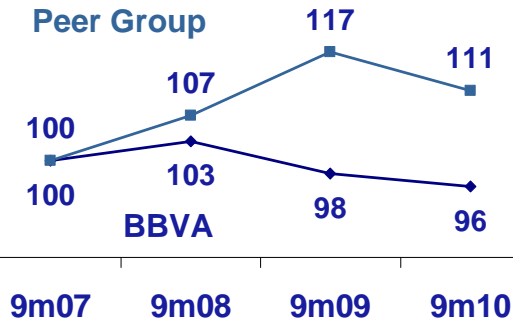
\*Peer Group: Banesto, Bankinter, Caixa, Caja Madrid, Popular, Sabadell and SAN Group. Latest available figures. In the case of peers whose figures for 9m10 are not available, net interest income and operating income are lineally extrapolated.

# Spain & Portugal: superior performance despite conditions

## Costs under control and superior performance of NPAs

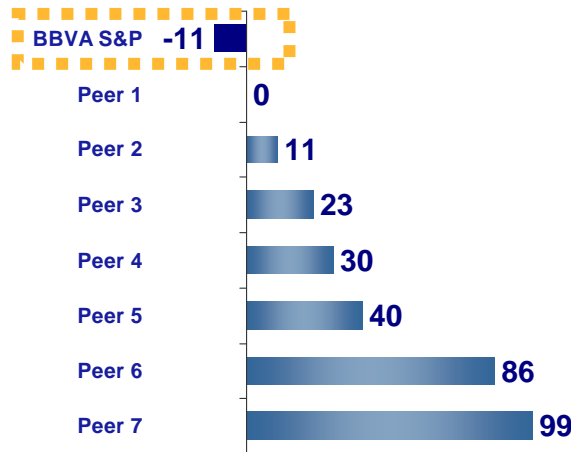
### Costs

**Costs**  
BBVA S&P and local peer group\*  
Performance since 2007  
(Base 100: 2007)

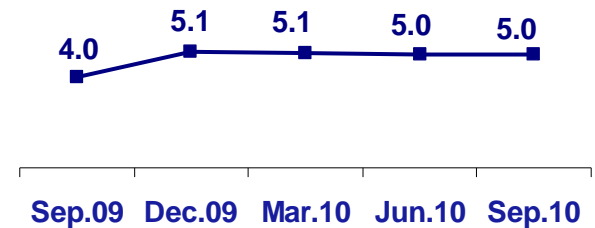


### NPA Ratio

**NPA ratio**  
BBVA S&P and local peer group\*  
Variation Sep10 / Dec09  
(Basis points)



**NPA ratio**  
BBVA Spain & Portugal  
(%)



\*Peer Group: Banesto, Bankinter, Caixa, Caja Madrid, Popular, Sabadell and SAN Group. Latest available figures. In the case of peers whose figures for 9m10 are not available, costs are lineally extrapolated.

# Spain & Portugal: 9m10 results

(€m)

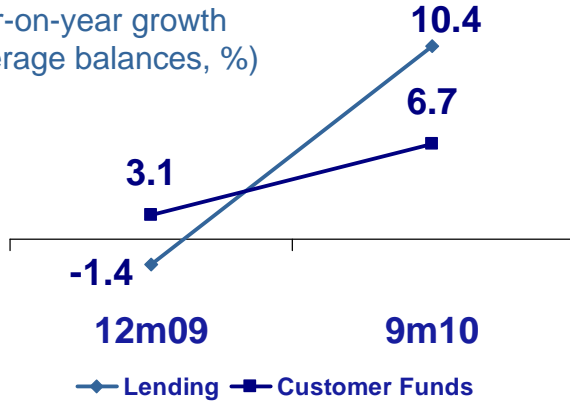
Spain & Portugal	Accum.	Annual Growth	
	9M10	Abs.	%
Net Interest Income	3,576	- 92	-2.5%
Gross Income	5,060	- 209	-4.0%
Operating Income	3,173	- 180	-5.4%
Income Before Tax	2,411	- 149	-5.8%
Net Attributable Profit	1,687	- 112	-6.2%

# Mexico: upturn in activity from less to more throughout the year

## Surge in business

### Business

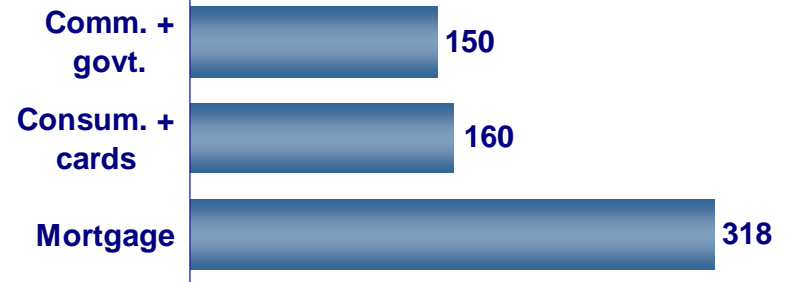
Year-on-year growth  
(Average balances, %)



## Gain in market share

### Market share

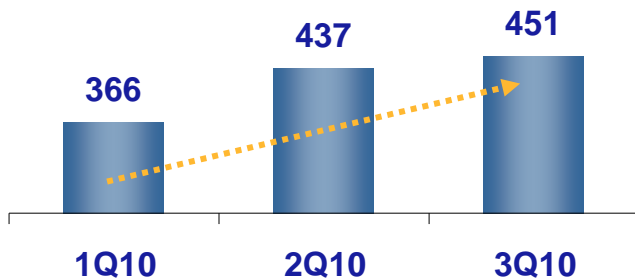
Change Sep10 vs Dec09  
(Basis points)



## Growing income

### Net attributable profit

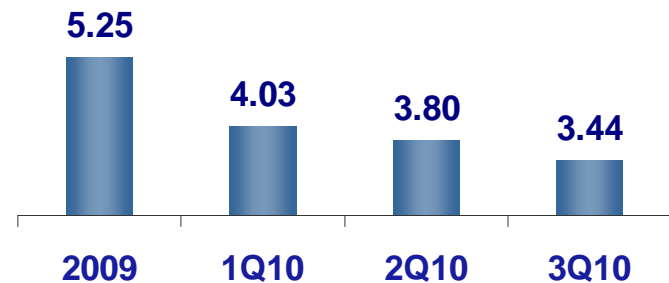
Quarter-by-quarter  
(Constant €m)



## Improvement in cost of risk

### Cost of risk

Quarter-by-quarter  
(%)



# BBVA Mexico: 9m10 results

(Constant €m)

Mexico	Accum.	Annual Growth	
	9M10	Abs.	%
Net Interest Income	2,747	- 51	-1.8%
Gross Income	4,126	- 27	-0.6%
Operating Income	2,717	- 142	-5.0%
Income Before Tax	1,716	+ 104	6.4%
Net Attributable Profit	1,254	+ 24	2.0%

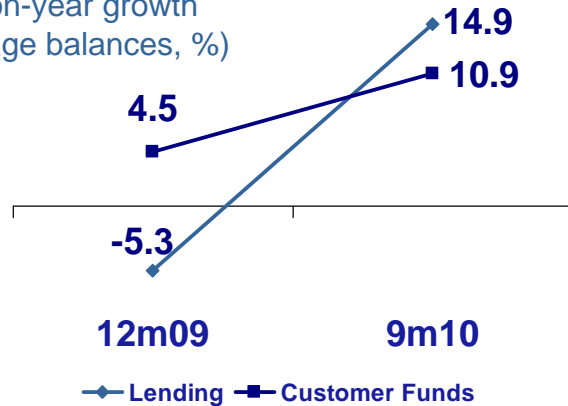


# South America: business prospers and income rises

## Surge in business

### Business

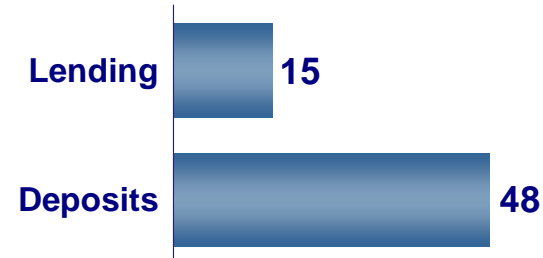
Year-on-year growth  
(Average balances, %)



## Gain in market share

### Market share

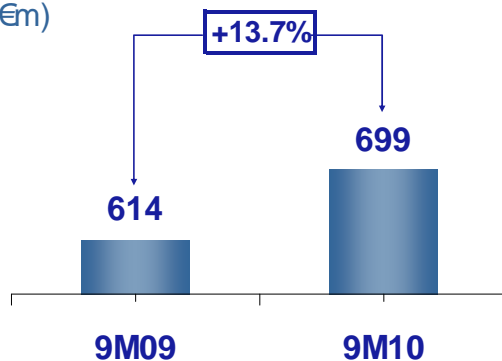
Change Jul10 vs Dec09  
(Basis points)



## Good rate of growth

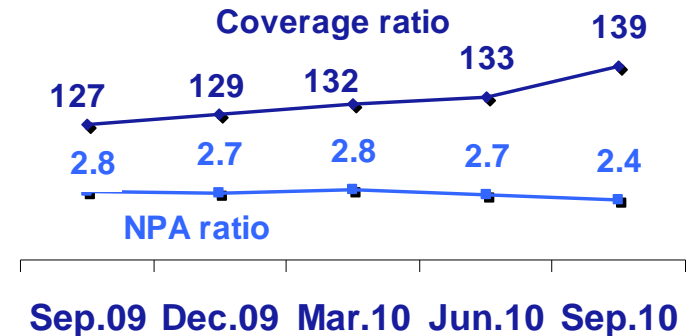
### Attributable profit

Year to date  
(Constant €m)



## Lower NPAs and higher coverage

### NPA & Coverage ratio (%)



# South America: 9m10 results

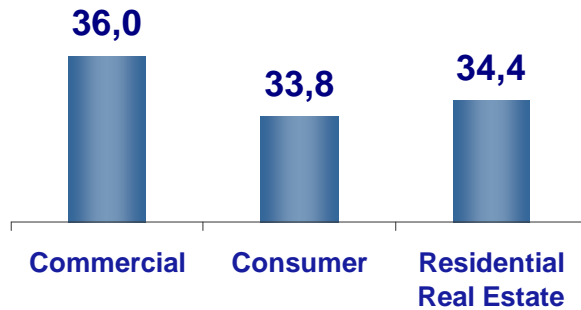
(Constant €m)

South America	Accum.	Annual Growth	
	9M10	Abs.	%
Net Interest Income	1,843	+ 190	11.5%
Gross Income	2,814	+ 197	7.5%
Operating Income	1,599	+ 60	3.9%
Income Before Tax	1,277	+ 76	6.3%
Net Income	994	+ 104	11.7%
Net Attributable Profit	699	+ 84	13.7%

# United States: progressive consolidation of the franchise and the business model

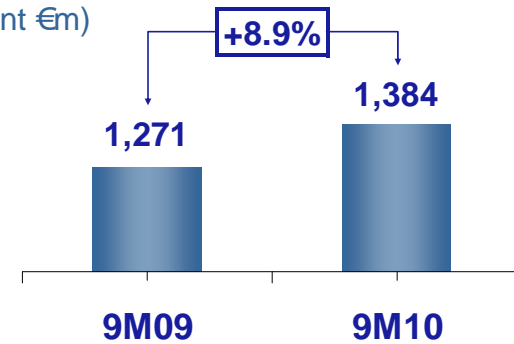
## Traction regained: production

New business written BBVA Compass  
Change 3Q10 vs 3Q09 (%)



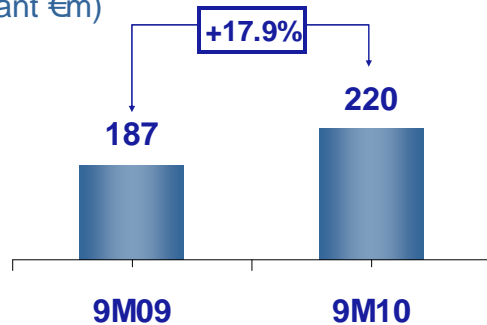
## Revenue growth

Net interest income  
Year to date  
(Constant €m)



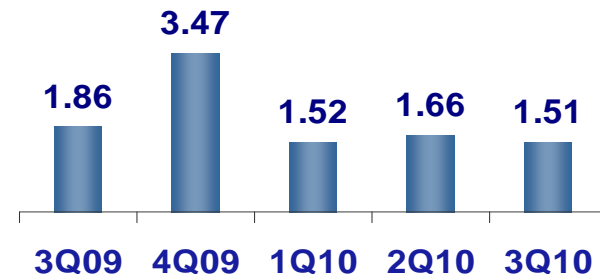
## Positive development of bottom line

Attributable profit  
Year to date  
(Constant €m)



## Risk indicators are stable

Cost of risk (%)



# United States: 9m10 results

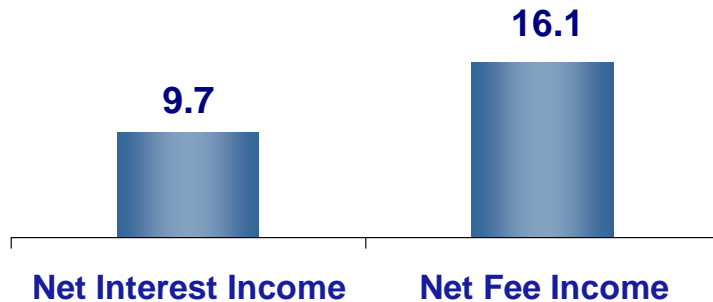
(Constant €m)

USA	Accum.	Annual Growth	
	9M10	Abs.	%
Net Interest Income	1,384	+ 113	8.9%
Gross Income	1,959	+ 102	5.5%
Operating Income	824	+ 11	1.3%
Income Before Tax	304	+ 35	13.0%
Net Attributable Profit	220	+ 34	17.9%

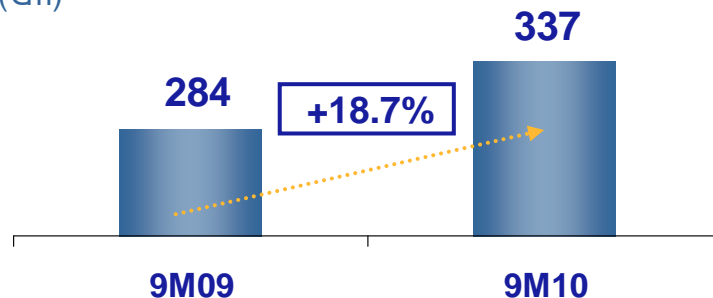
# WB&AM: quality of revenues and advances in Asia

## High quality revenues

C&IB  
Year-on-year growth (%)

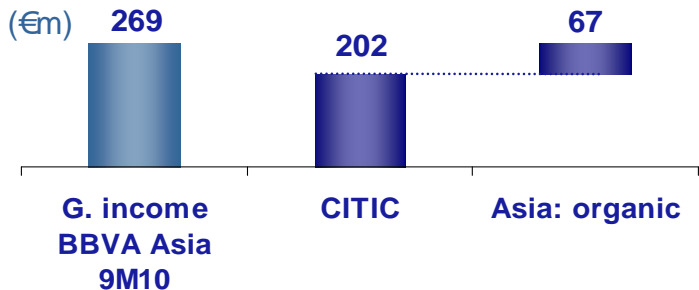


Global Markets  
Income from customer franchise (€m)



## Significant advances in Asia

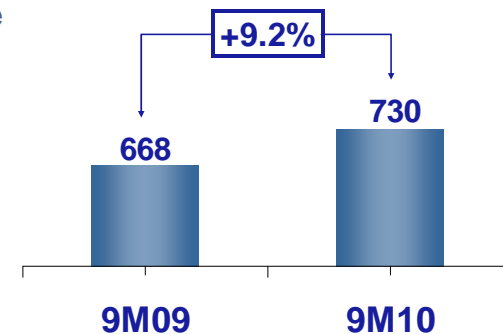
Asia  
Gross income  
Year to date  
(€m)



Asia is 20% of WB&AM

## Positive evolution of bottom line

Attributable profit  
Year to date  
(€m)



(€m)

Wholesale Banking & Asset Management	Accum.	Annual Growth	
	9M10	Abs.	%
Gross Income	1,318	+ 76	6.1%
Operating Income	936	+ 42	4.6%
Income Before Tax	906	- 17	-1.8%
Net Attributable Profit	730	+ 61	9.2%

# BBVA In summary, a positive quarter for the BBVA Group

**1** The resilience of earnings

**2** Improvement in risk indicators

**3** Organic generation of capital

**4** Stronger balance sheet structure

**BBVA: a better business model, strengthened by the crisis**

- Retail / customers
- Resilience
- Diversification

# Third Quarter Results 2010

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Ángel Cano  
Chief Operating Officer – BBVA Group

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