

“Delivering in the Old and in the New Normal”

BBVA Group

Banking & Insurance CEO Conference 2009 – Merrill Lynch
Manuel Gonzalez Cid, CFO

London, 30th September 2009

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***BBVA, delivering in the old and in the new
normal:***

BBVA

1

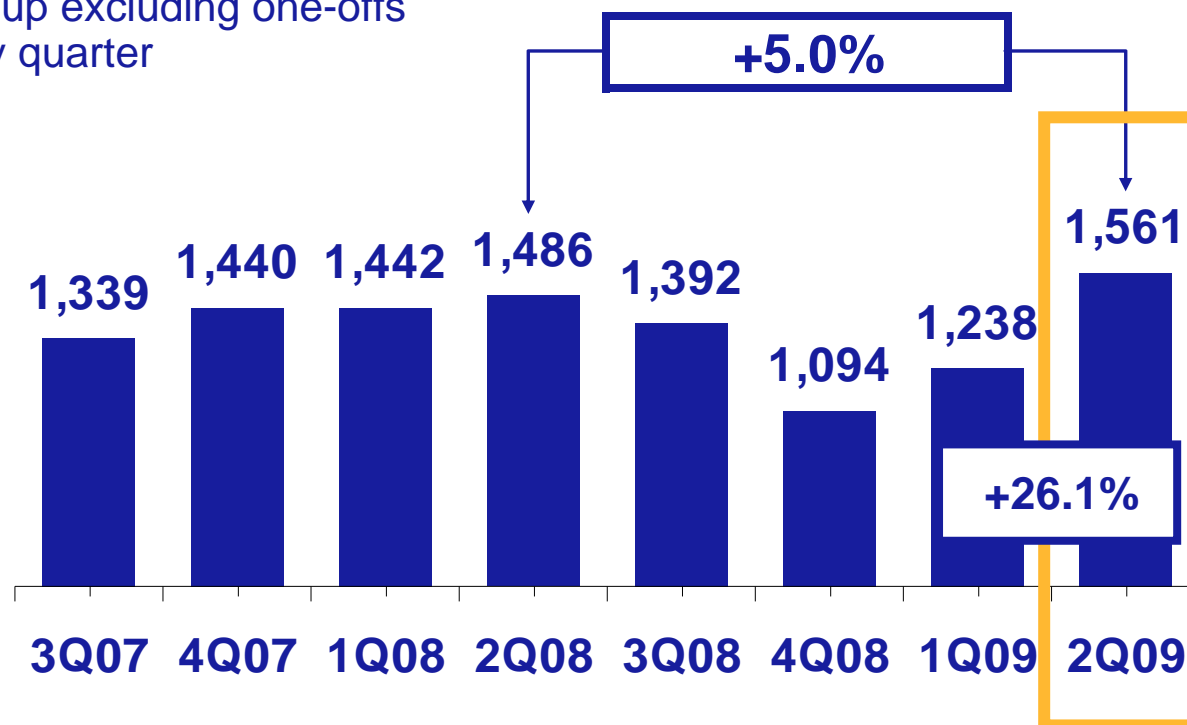
**High structural
profitability:
Earnings to date**

2

**Superior growth
prospects:
Earnings to come**

BBVA's business model generates strong profits even in the most challenging environment

Net attrib. profit
BBVA Group excluding one-offs
Quarter by quarter
(€m)



Looking ahead, a low volume, low interest rate environment is the industry's biggest challenge

**These challenges are effectively managed
through ...**

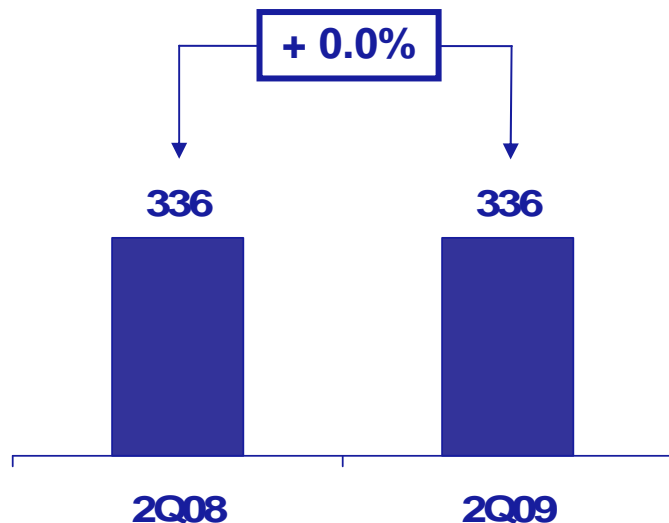
A**Price management****B****Quality revenues****C****Cost control****D****Low provisioning burden**

A

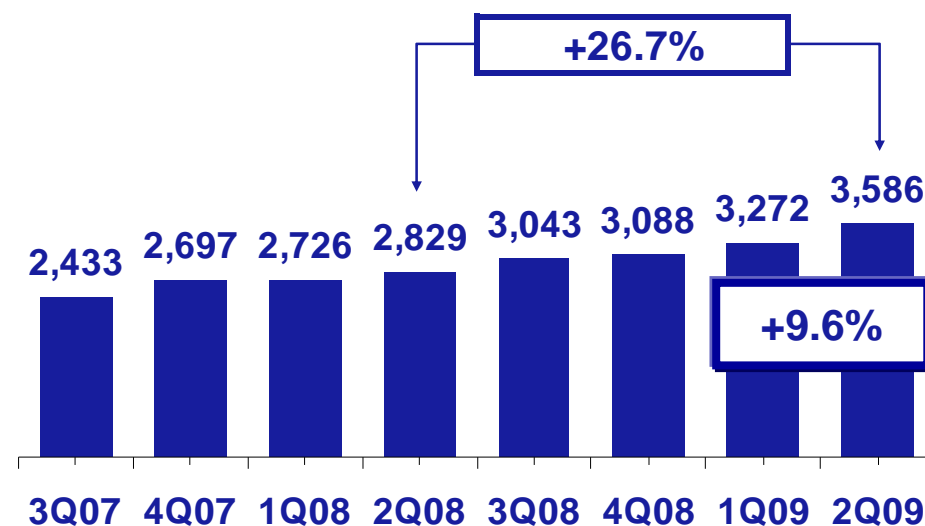
Price management is critical in a low volume environment

BBVA

Total gross lending
BBVA Group
(€Bn)



Net interest income
BBVA Group
Quarter by quarter
(€m)



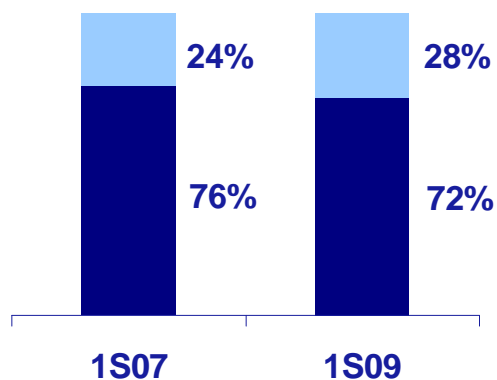
Management has taken several measures to protect NII growth in anticipation of the current environment

B

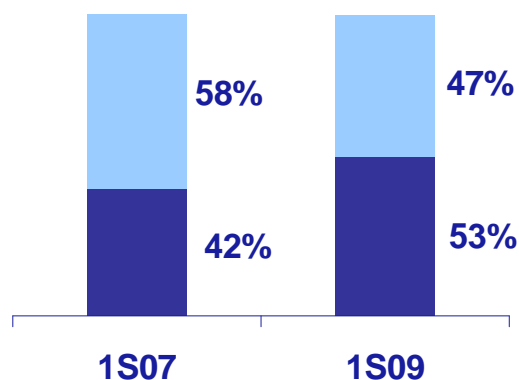
A stable revenue mix

BBVA

BBVA
Net profit mix
(%)

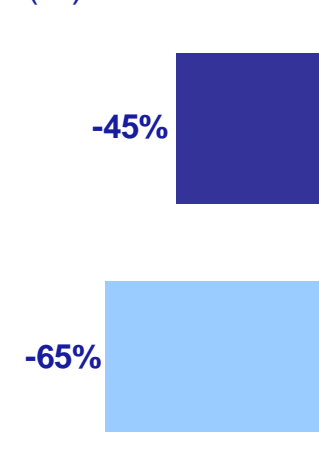


Peer group ex-BBVA
Net profit mix
(%)



Wholesale Retail

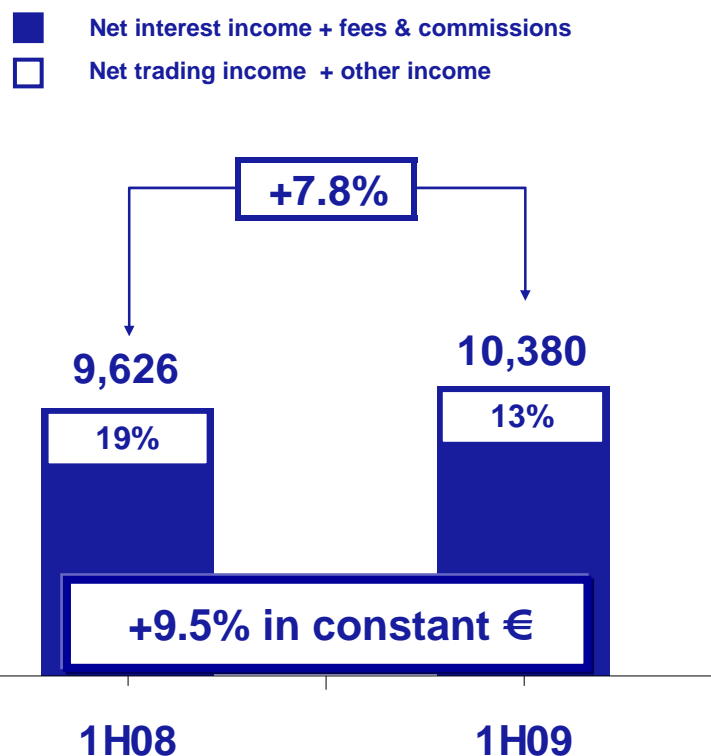
Change in net profit
Peer group ex-BBVA
June 07 / June 09
(%)



A profitable retail client franchise

And higher quality of revenues

Breakdown of gross income
BBVA Group
(€m)

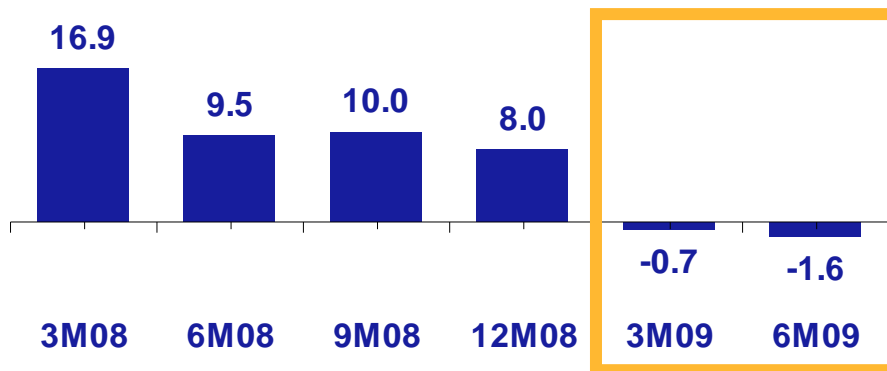


One of the lowest trading income contribution to gross income of the peer group

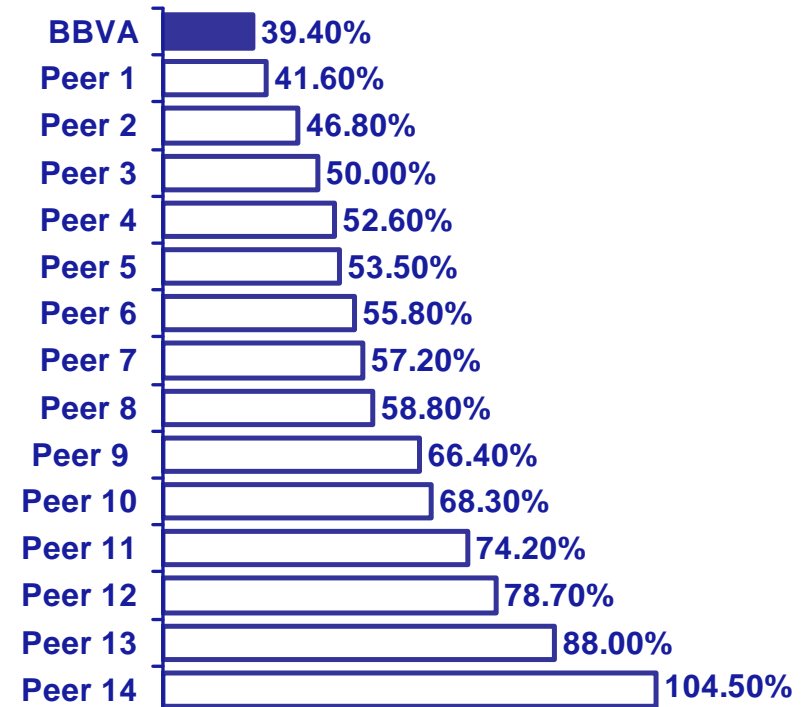
C

Permanent cost control culture

Total costs
BBVA Group
Year-on-year growth
(%)



Cost to income
Peer Group
(€m, Jun.09)



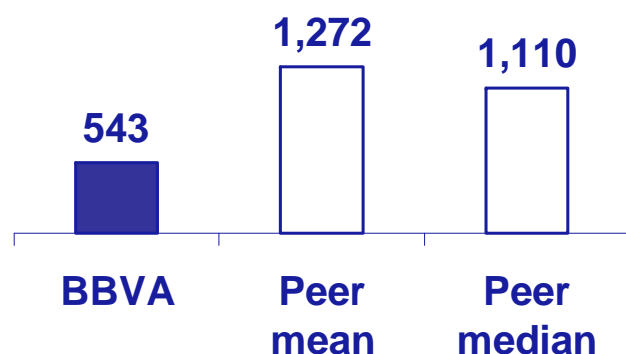
**Cost leadership is a key competitive advantage,
particularly for a high scale - mass market business model**

Which results in the highest relative operating income of our peer group

Total assets

Peer Group

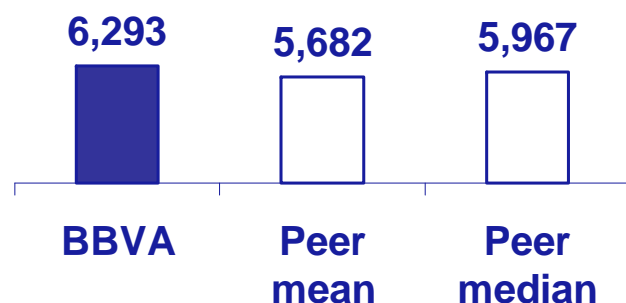
(€bn, Jun.09)



Operating Income

Peer Group

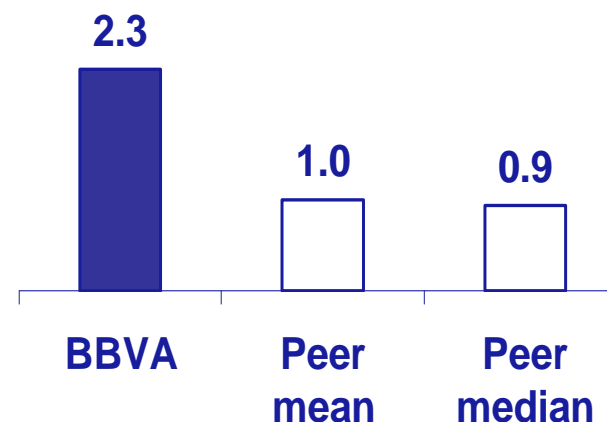
(€m, Jun.09)



Operating income/ Total assets

Peer Group

(%, Jun.09)



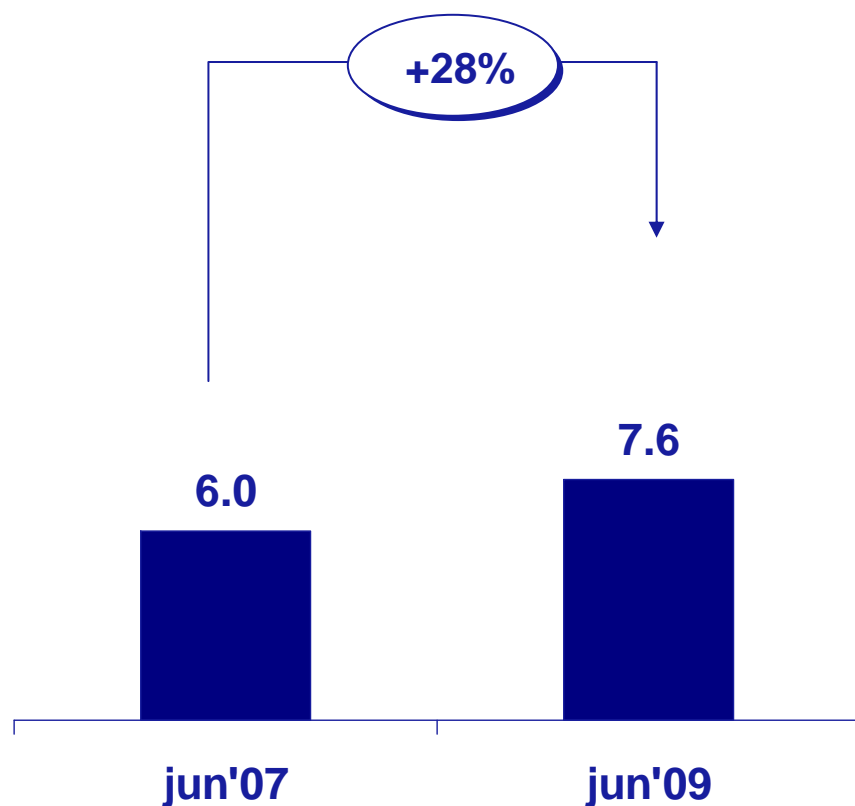
Gaining “profit” share Vs peers

BBVA

Peer group operating income

Gross

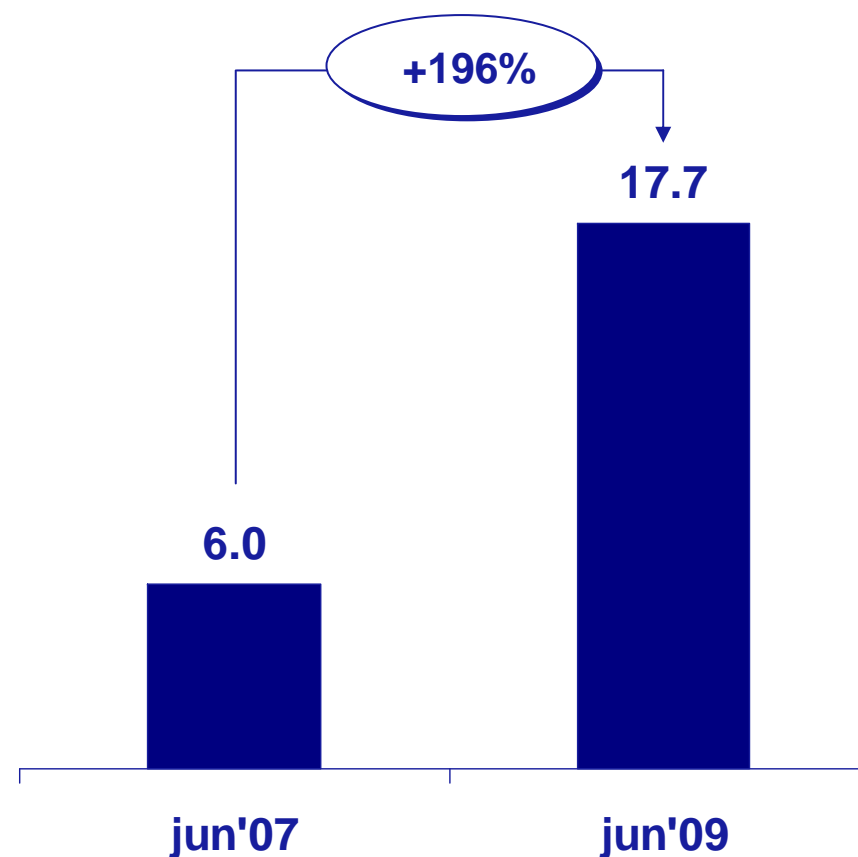
BBVA's share (%)



Peer group operating income

Net of loan loss charges

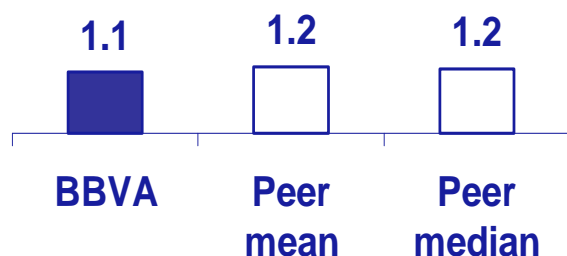
BBVA's share (%)



An operating income that has the highest risk premium absorption capacity

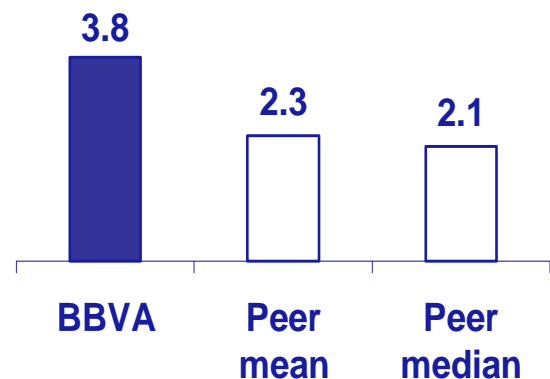
Cost of risk⁽¹⁾

Peer Group
(%, Jun.09)



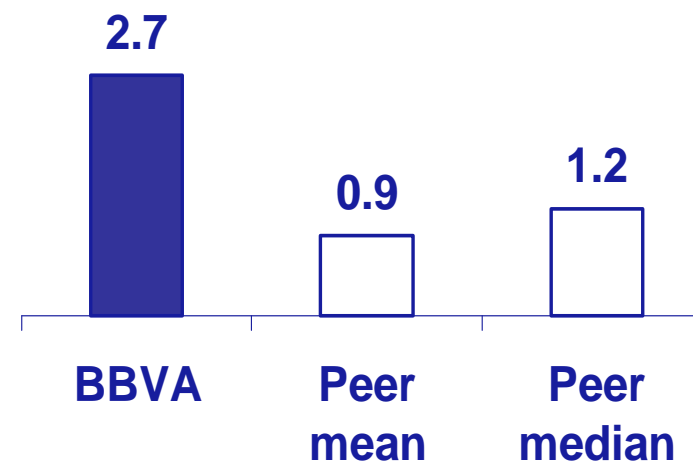
Operating income as a maximum cost of risk⁽²⁾

Peer Group
(%, Jun.09)



Additional cost of risk supported by the operating income⁽³⁾

Peer Group
(%, Jun.09)



Peers: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI.

(1) UK bank figures latest available.

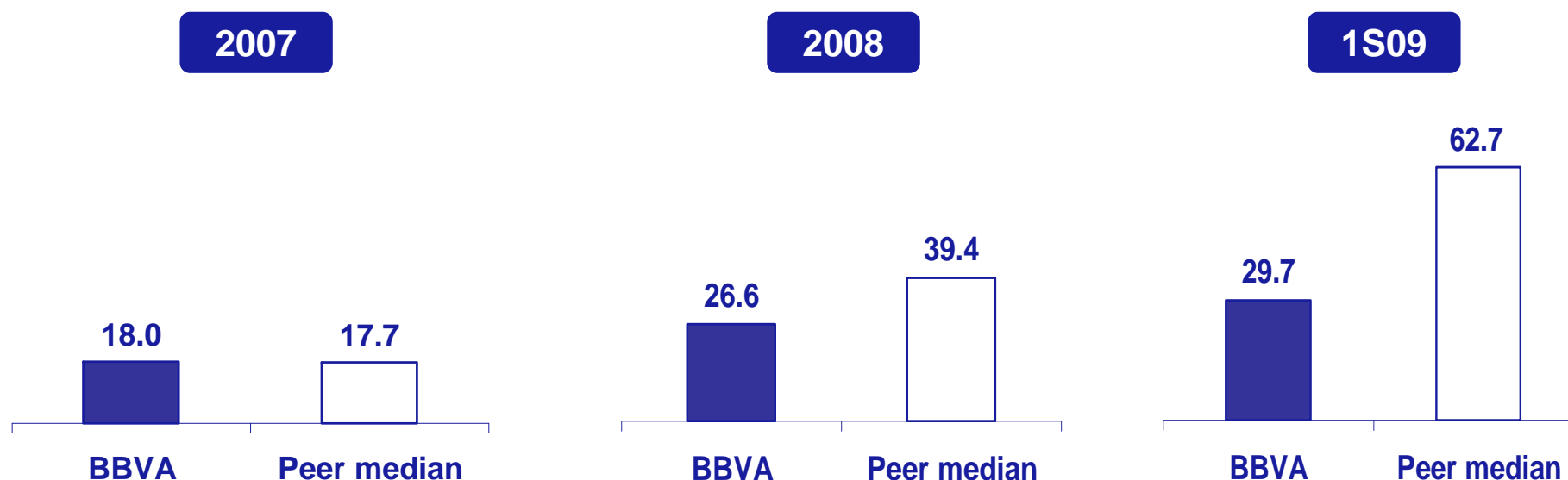
(2) Maximum cost of risk supported by the operating income without generating losses. Operating income linearly annualized. UK bank figures latest available.

(3) Maximum cost of risk – current cost of risk. UK bank figures latest available.

D Low provisioning burden

BBVA

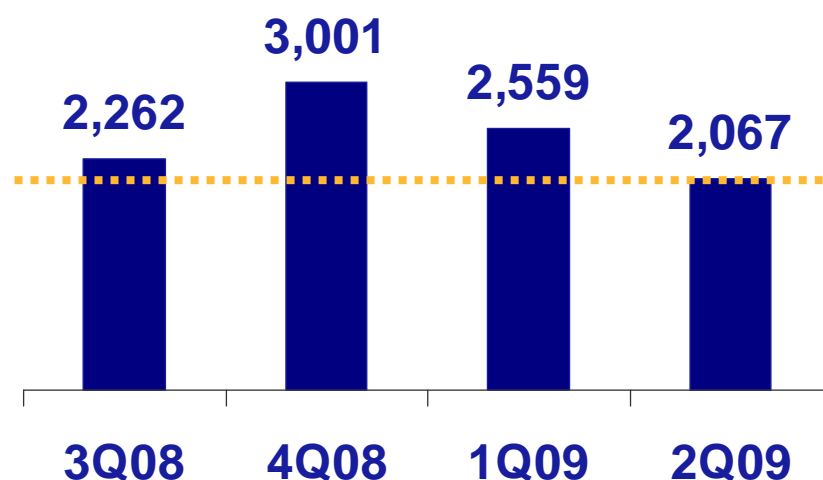
Percentage of operating income applied to provisioning
BBVA Group
(%)



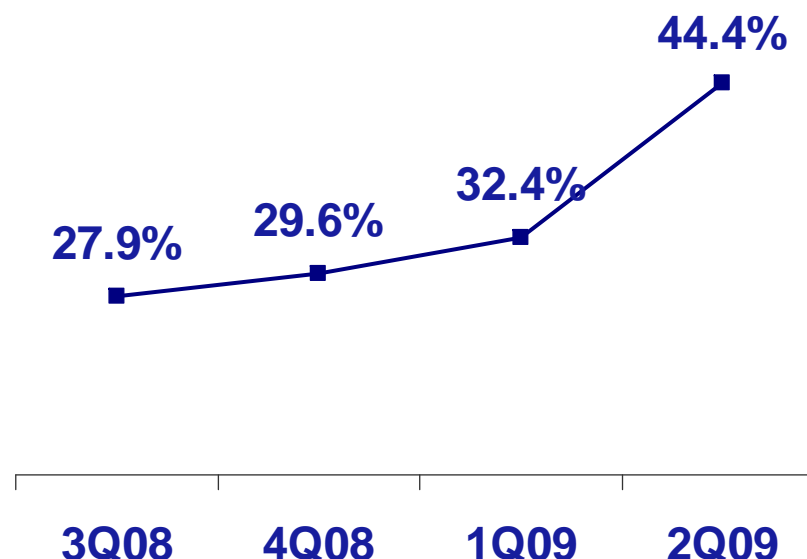
A product of Bank of Spain's anti-cyclical provisioning system, the stabilization of the asset quality deterioration and BBVA's NPL mix

A result of the stabilization of the asset quality deterioration

Net additions to NPA
BBVA Group
Quarter by quarter
(€m)



Recoveries / entries to NPA
BBVA Group
Quarter by quarter
(%)

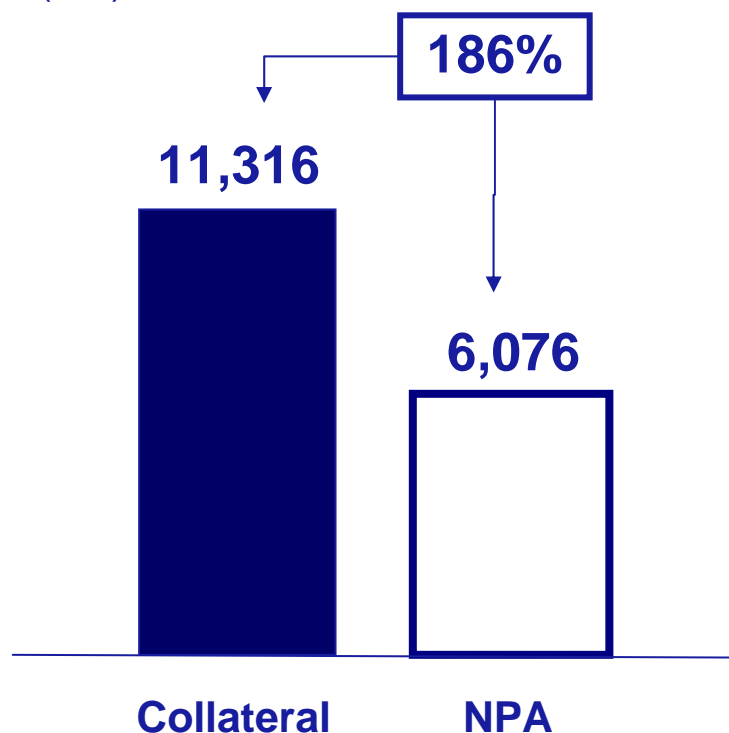


Net entries to NPA down 19% in quarter, gross entries peaked in 4Q08

A highly collateralized non-performing loan mix, which requires lower coverage

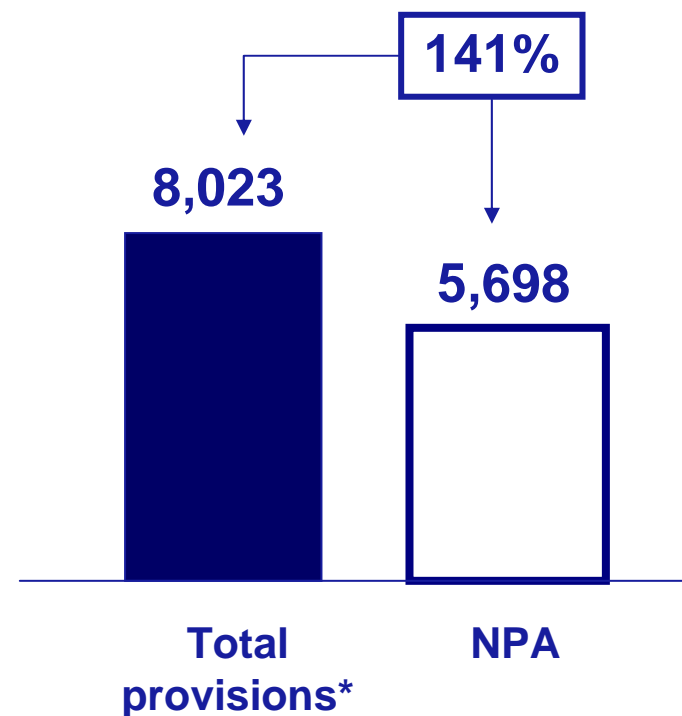
With collateral

BBVA Group
(€m)



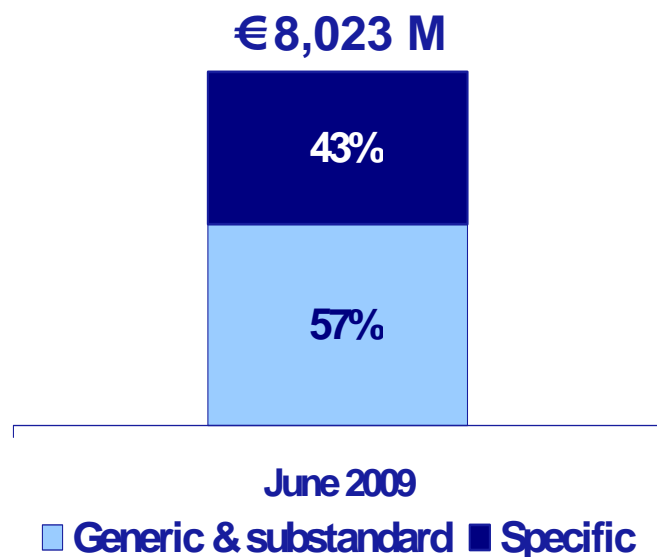
Without collateral

BBVA Group
(€m)

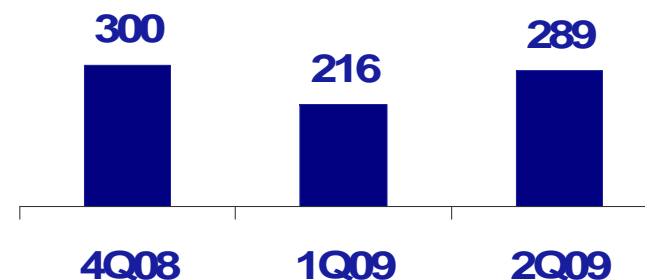


And a generic buffer has been proven to be an effective tool to protect profits in downturns

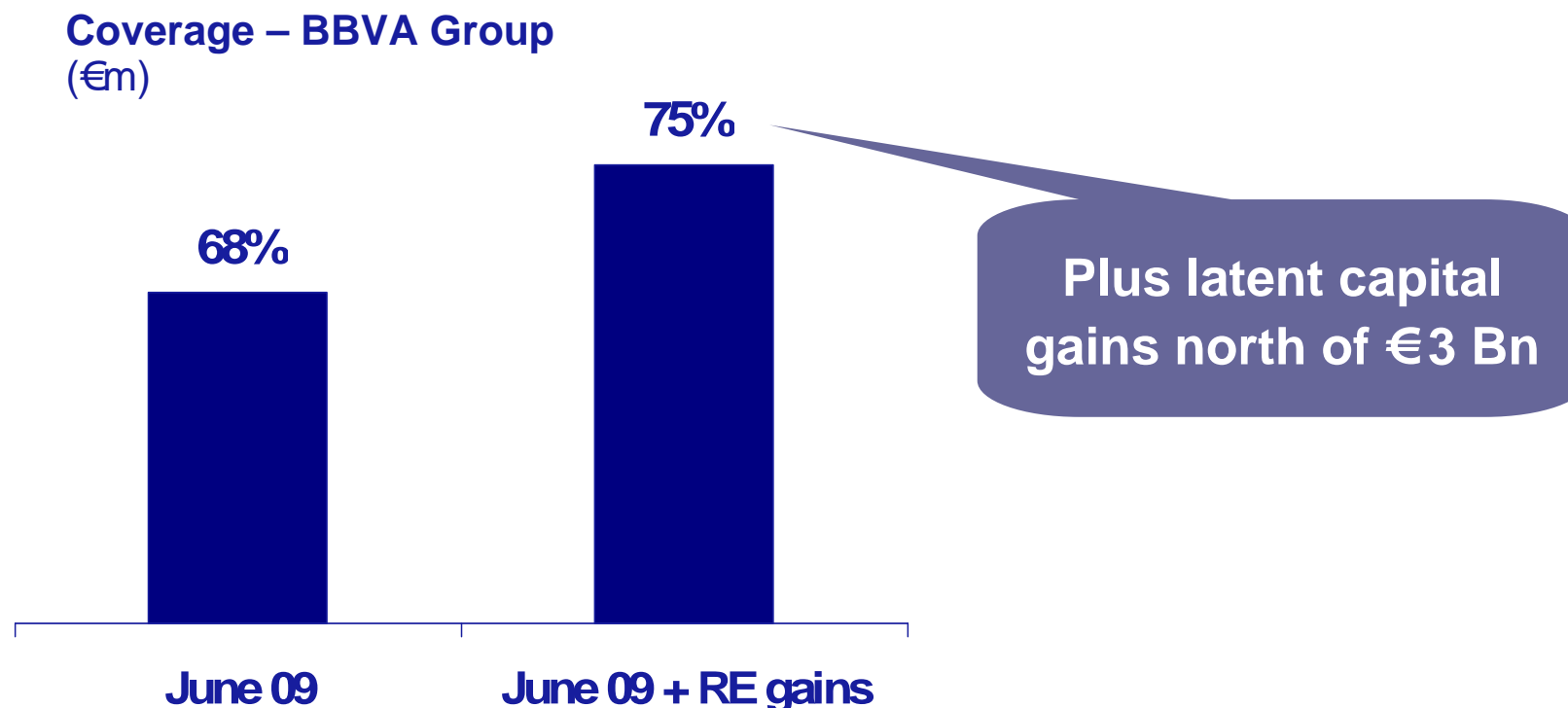
Loan loss reserves – BBVA Group
(€m)



Release of generic provisions
BBVA Group
Quarter by quarter
(€m)

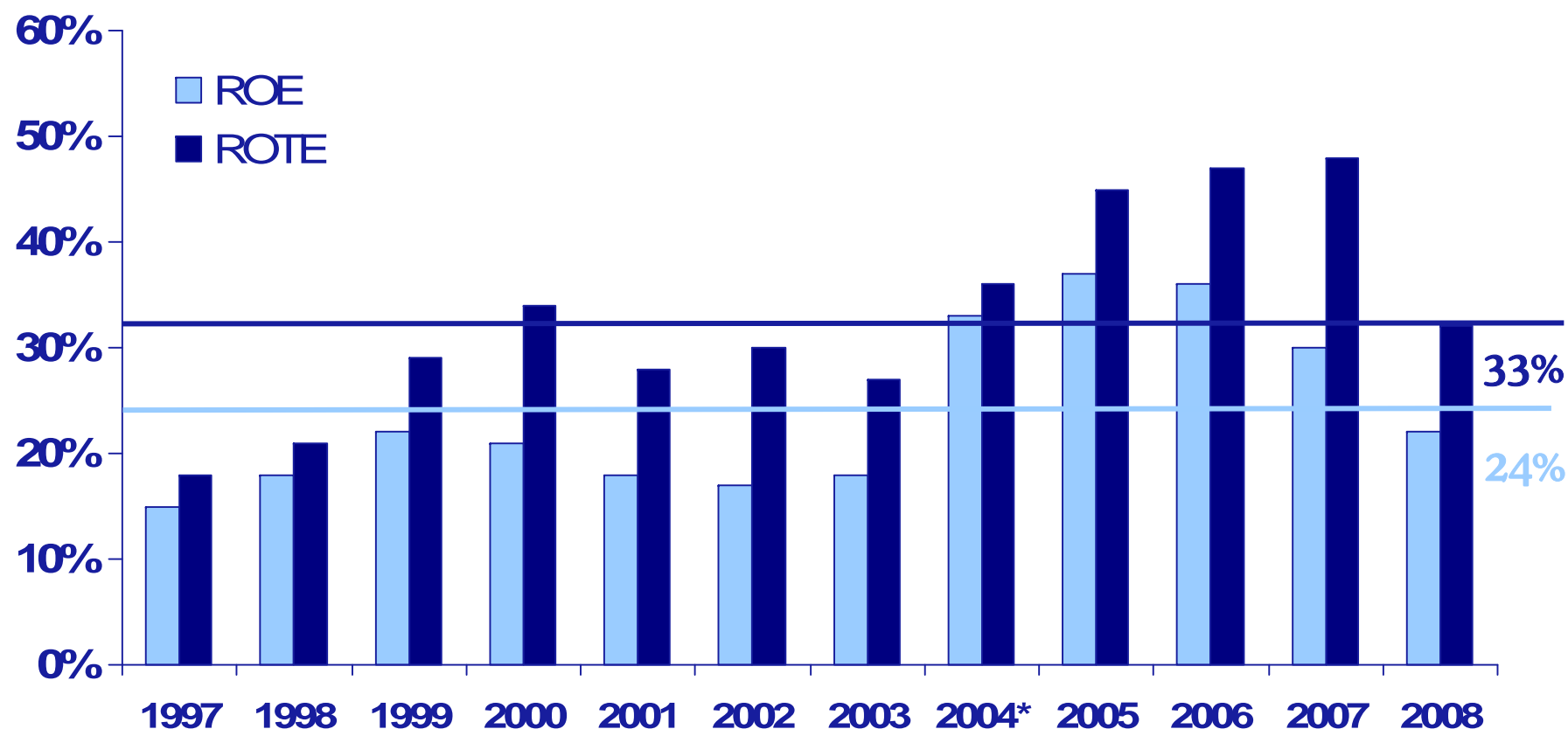


A buffer that has been increased in the current quarter



Proceeds from the sale of part of our retail branch network to increase the generic reserve by €830 M.

BBVA has managed to maintain very strong profitability levels, even in downturns



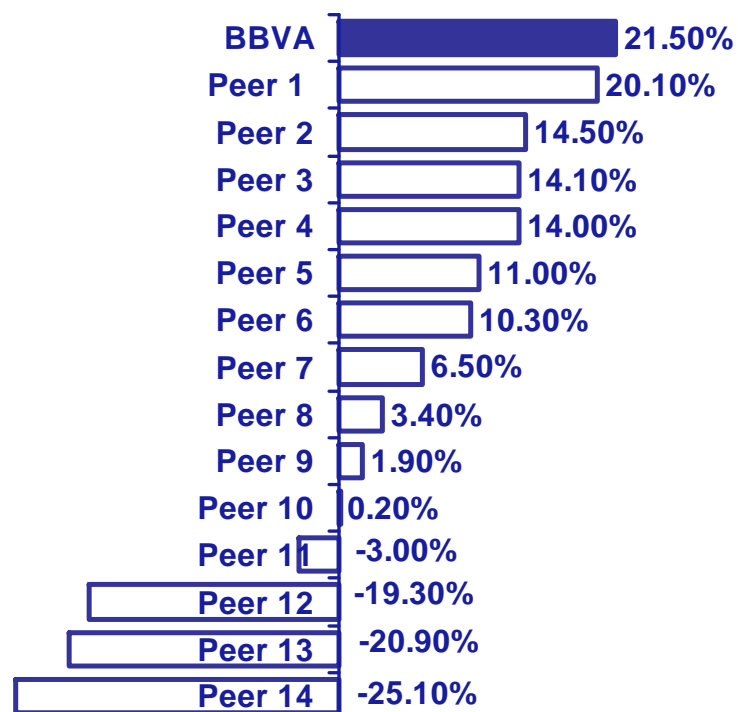
* Implementation of IAS

Clearly, the industry's profitability leader

BBVA

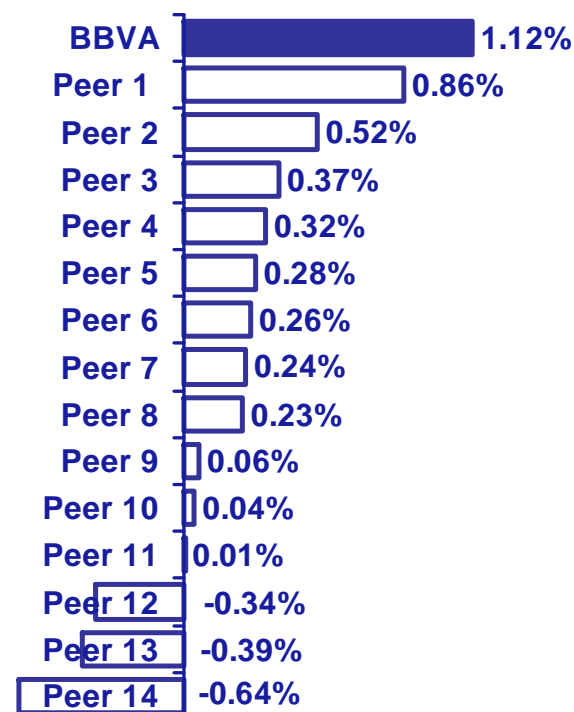
ROE

June 2009
(%)



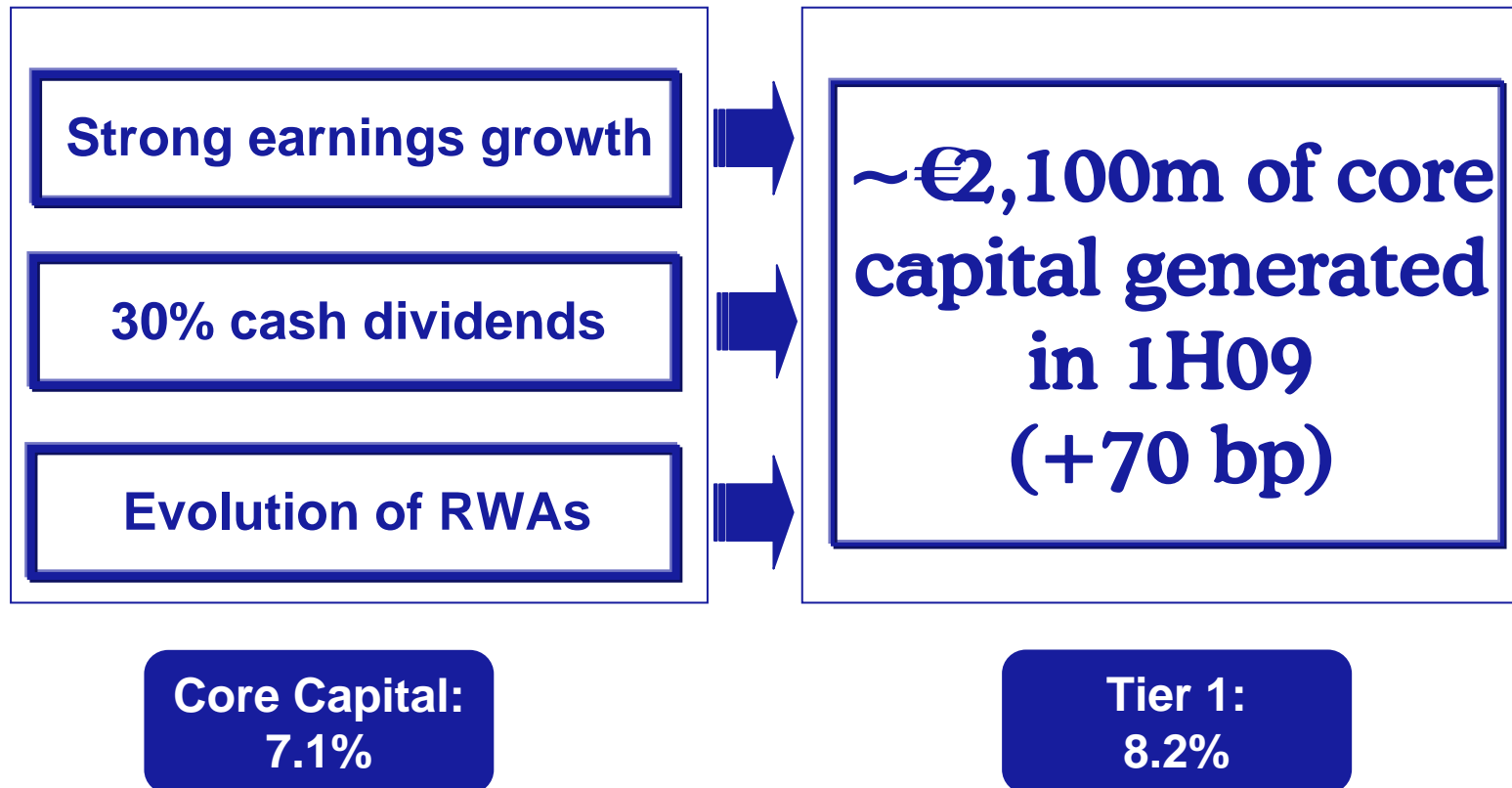
ROA

June 2009
(%)



With strong organic capital generation

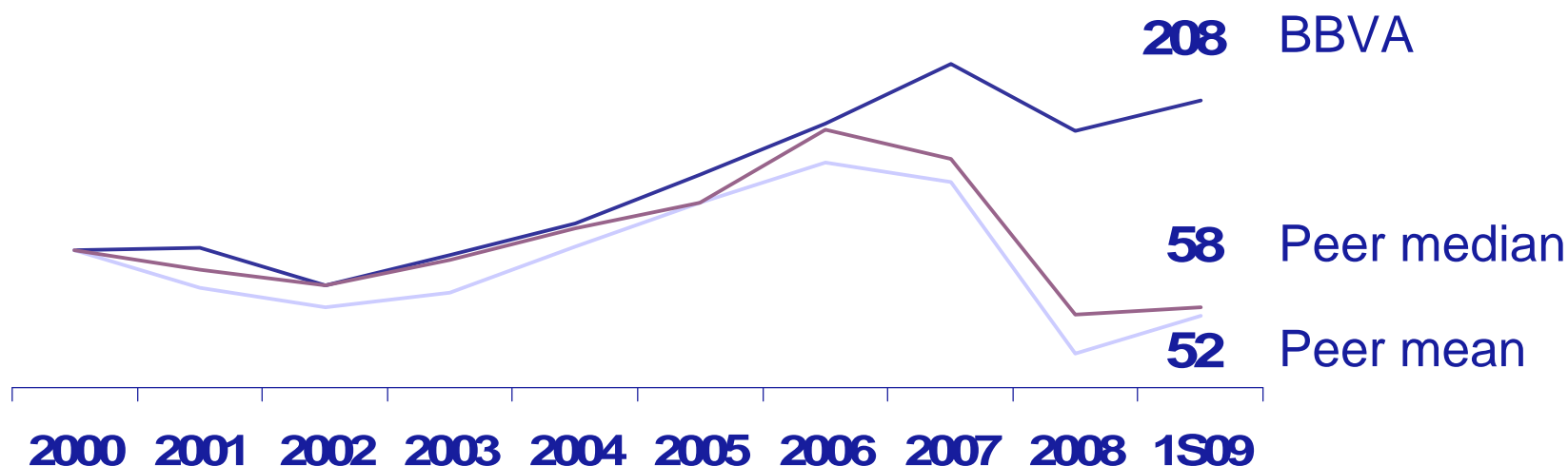
BBVA



Plus an additional €2 Bn of contingent core capital already deployed, exercisable at our discretion in one year and during the following four years.

A high structural profitability that flows all the way down to EPS growth

Earnings per share
Peer Group
(%, 2000-1S09)



***BBVA, delivering in the old and in the new
normal:***

BBVA

1

**High structural
profitability:
Earnings to date**

2

**Superior growth
Prospects:
Earnings to come**

Earnings to come, from:

A

Spain: a strong network ready to benefit from improving competitive landscape

B

Mexico: the clear leader in a sizeable market with huge growth potential

C

USA: building a solid franchise a very attractive region for retail banking

D

South America: An additional Bancomer

E

Alliance with CITIC and a profitable wholesale franchise

A

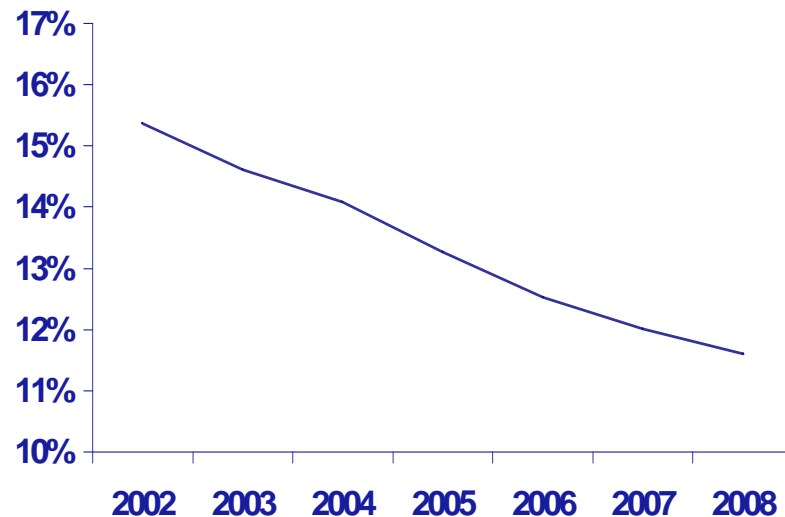
BBVA has grown less during the boom years in Spain, but today it is stronger

BBVA

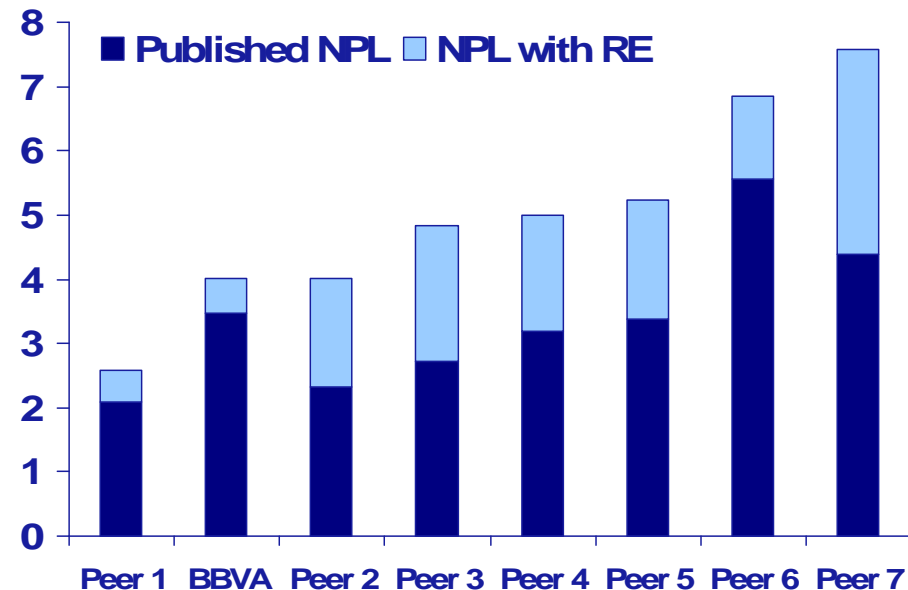
Saving banks and new entrants have grown aggressively during the economic boom years

Differences in commercial practices and business mix are gradually being exposed

BBVA's lending share in Spain (%)



**Asset quality – Quoted banks + largest saving banks
June 2009 (%)**



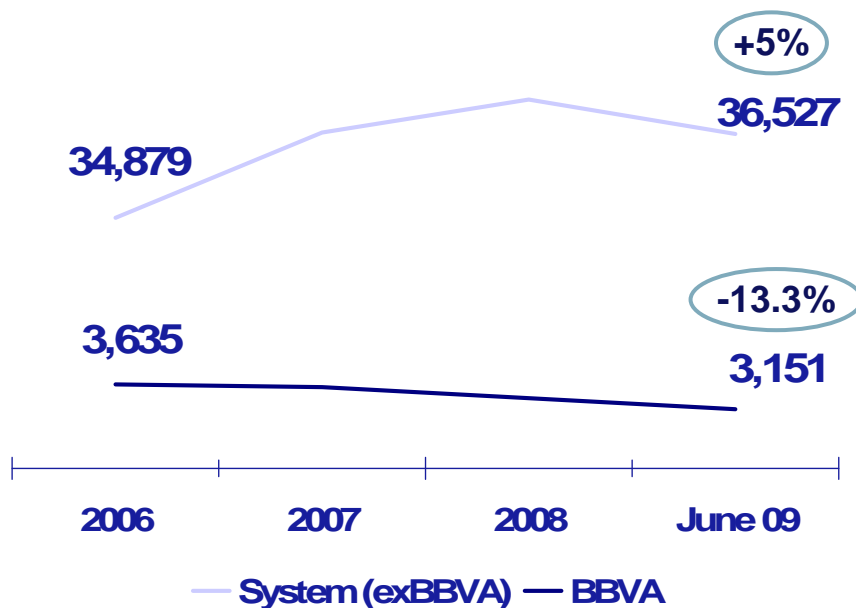
1 – Source: BBVA and Bank of Spain. Prior to 2000, pro-forma adding BBV and Argentaria figures.

2 – Source: CNMV quarterly reporting. Peers: Banesto, Bankinter, Caja Madrid, La Caixa, Popular, Sabadel, and Santander Spain. RE assets include foreclosed asset and asset purchases.

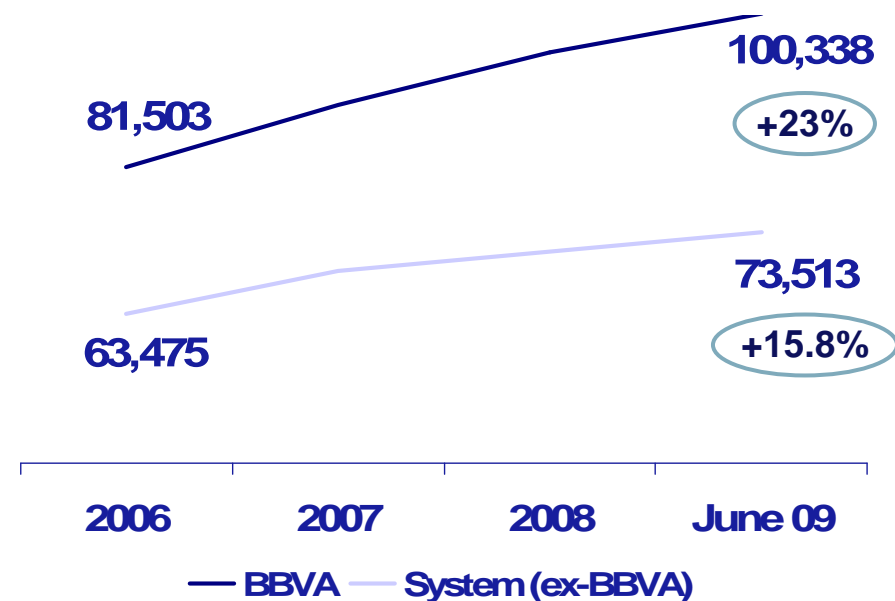
Anticipating the end of the credit boom era, BBVA launched its Transformation plan, resulting in a much leaner distribution network

BBVA

Branch network evolution in Spain



Business volume per branch (€'000)

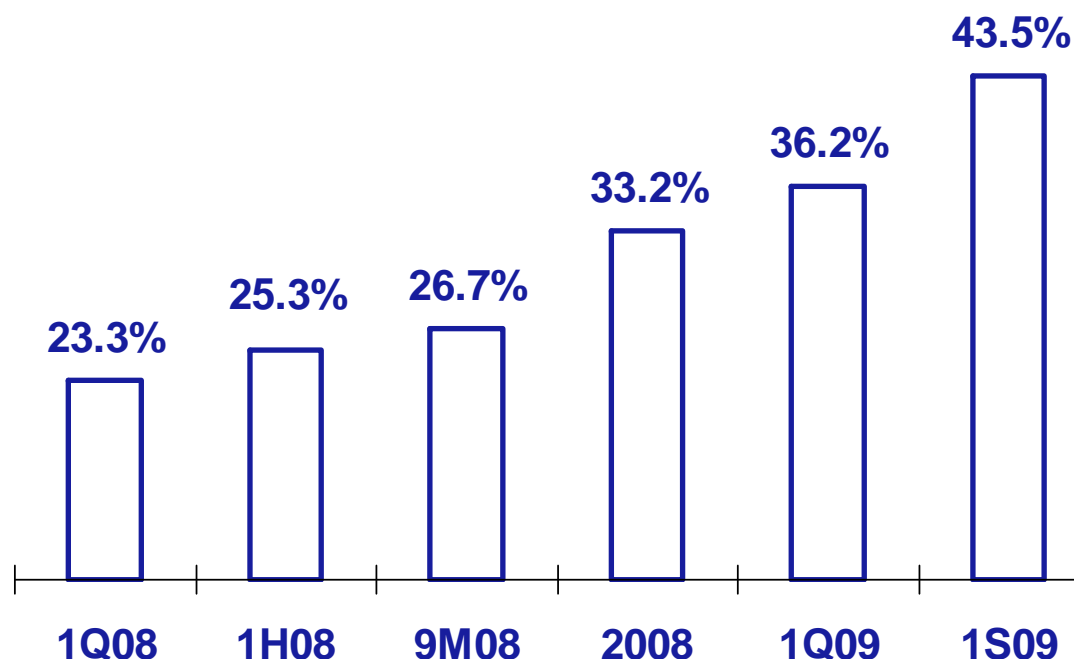


Transforming our operation from a loan originating network, to a network able to provide high value added services.

BBVA is already profiting from its position of relative strength

BBVA

BBVA Spain's mkt share of recurrent operating income net of provisions
Quoted banks + largest saving banks (%)



☐ BBVA Spain's operating income excl. dividends and NTI, and net of provisions

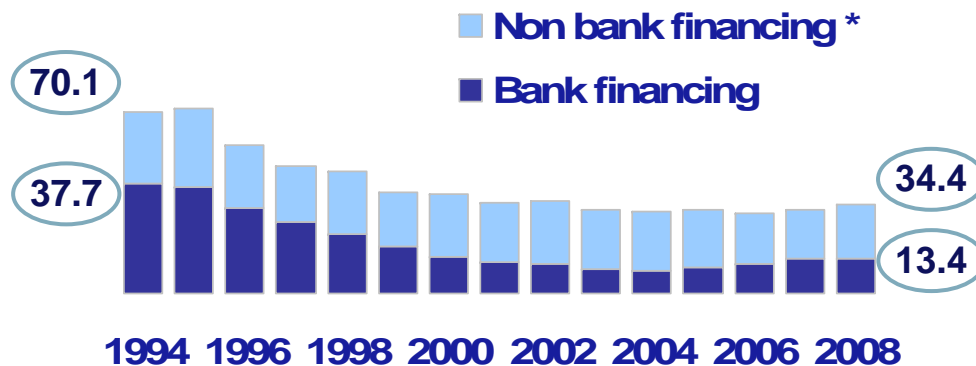
Aggregate: BBVA Spain, SAN Spain (SAN + Banesto network), Popular, Sabadell, Caixa and Caja Madrid; includes Corporate Activities and WB&AM of BBVA Spain and SAN Spain, and excludes Portugal and consumer finance for BBVA Spain.

B

The Mexican financial system continues to have an exceptionally low penetration

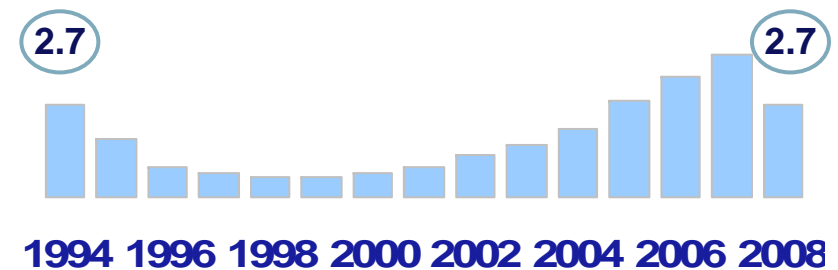
BBVA

**Loans to the private sector
% of GDP**

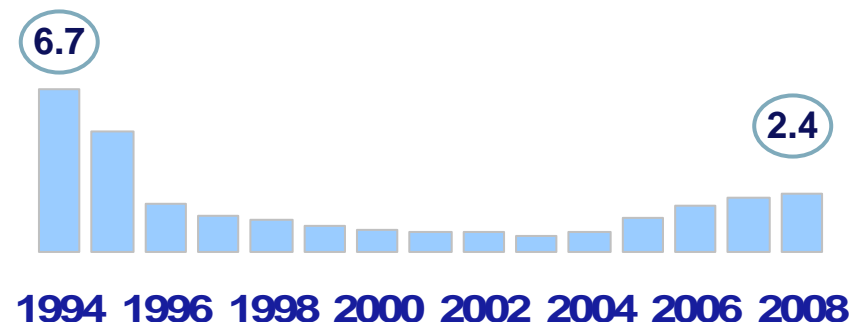


* Includes external financing, Mexican non-bank institutions, suppliers, local debt issuances, and Infonavit

**Total consumer loans
% of GDP**



**Total mortgage loans
% of GDP**

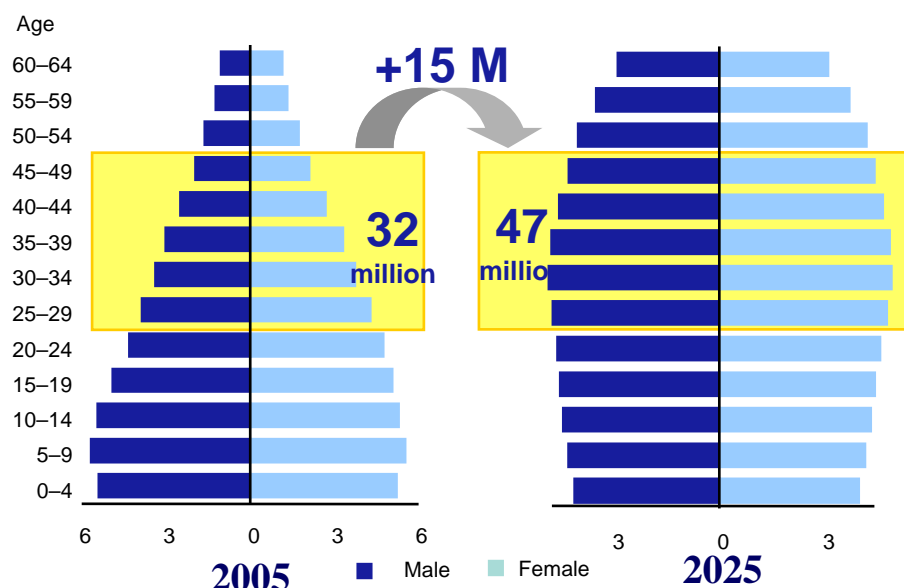


**In an economy as large
as Spain or Texas**

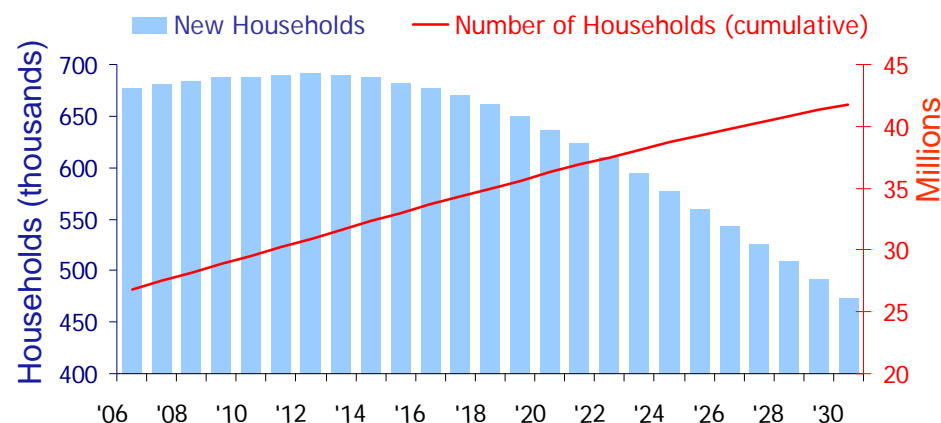
Source Banxico and INEGI

Mexico's demographics are the best for continuous long term retail banking growth

Expected population growth



Household creation (cumulative data and flows)



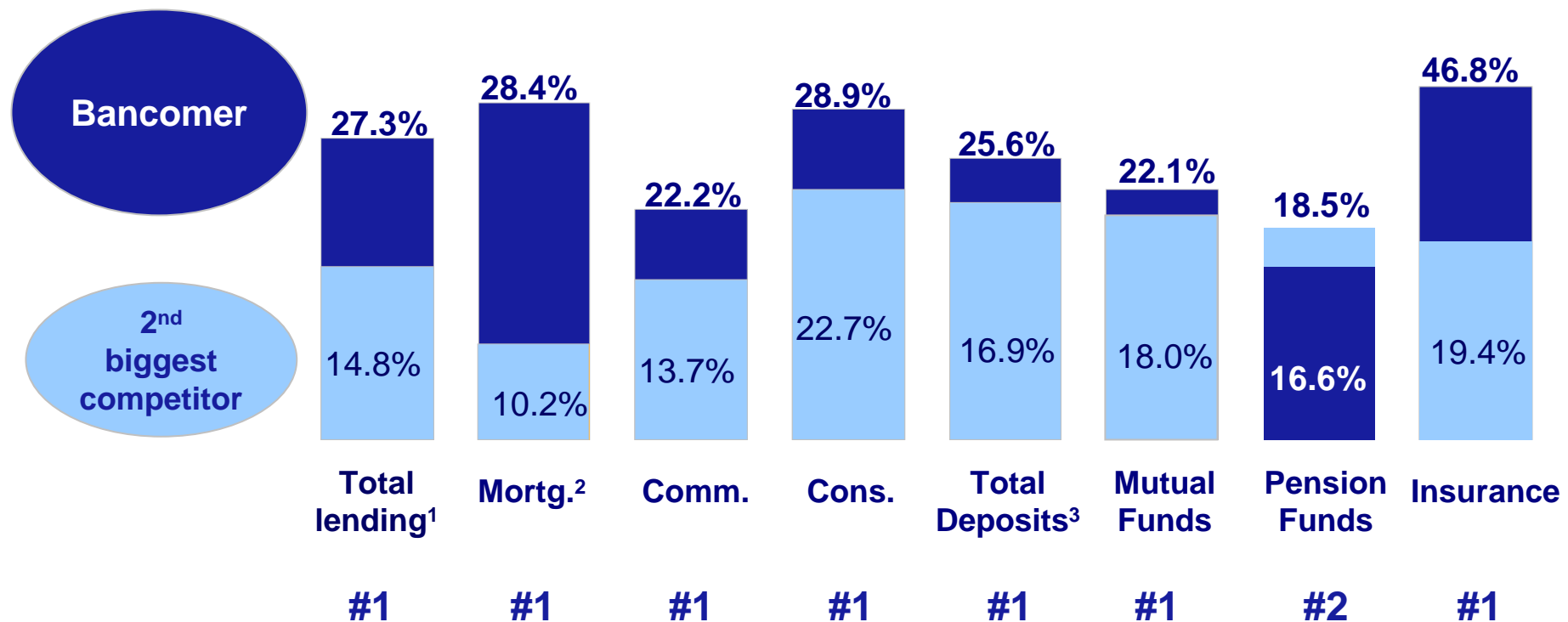
New households = potential demand for mortgages

750,000 people entering the labor market per year
Close to 700,000 households created per year

In a market in which Bancomer is the clear market leader

BBVA

Market Share (%)



Source: CNBV, SHF, CONSAR, AMIS y AMIB. Data as of June 2009

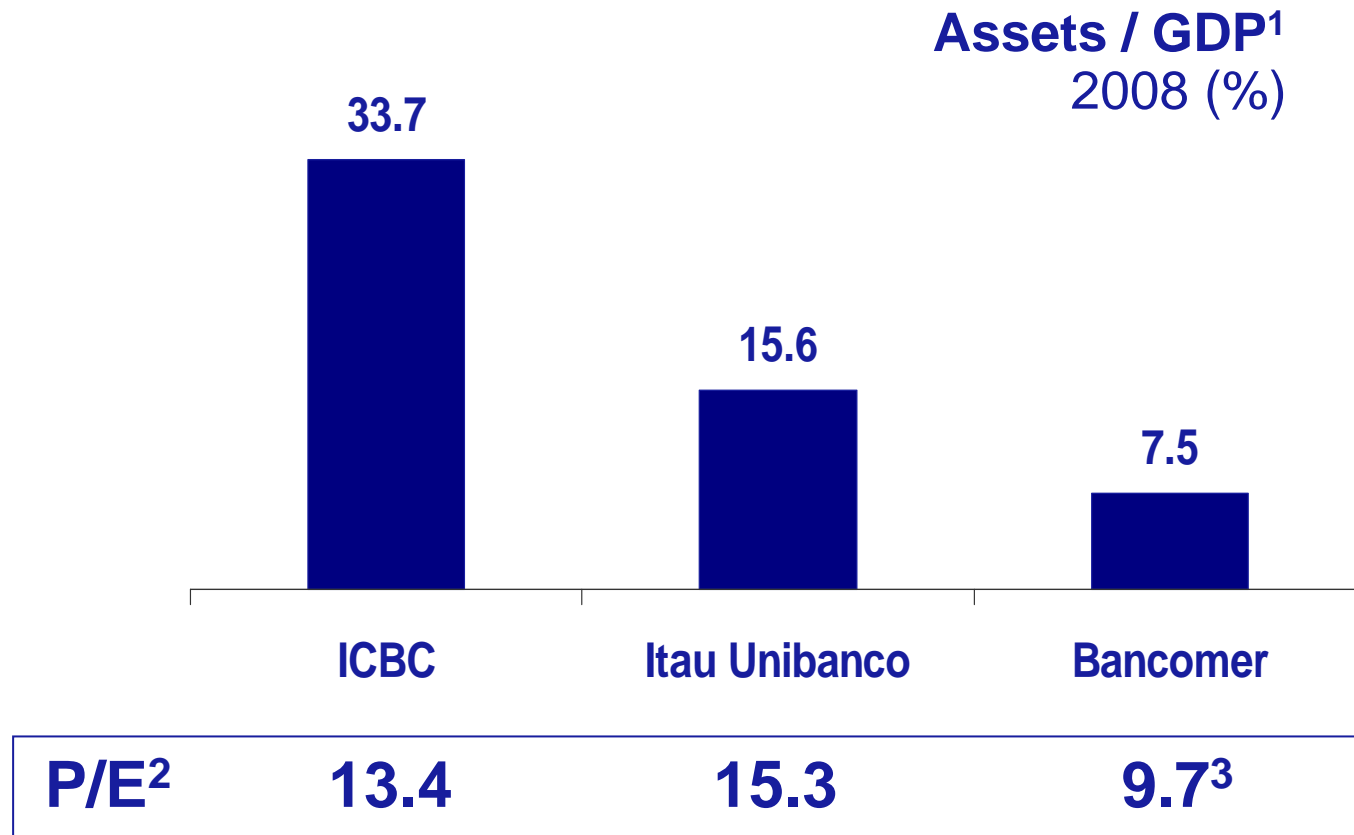
¹ Including government loans and non banking financial entities

² Without UDI Trusts. Includes loans to developers and Sofoles

³ Including repos

Bancomer seems to be low valued given its leadership position in a high-growth market

BBVA



1 – Source: Citi Investment Research & Analysis (8/5/09).

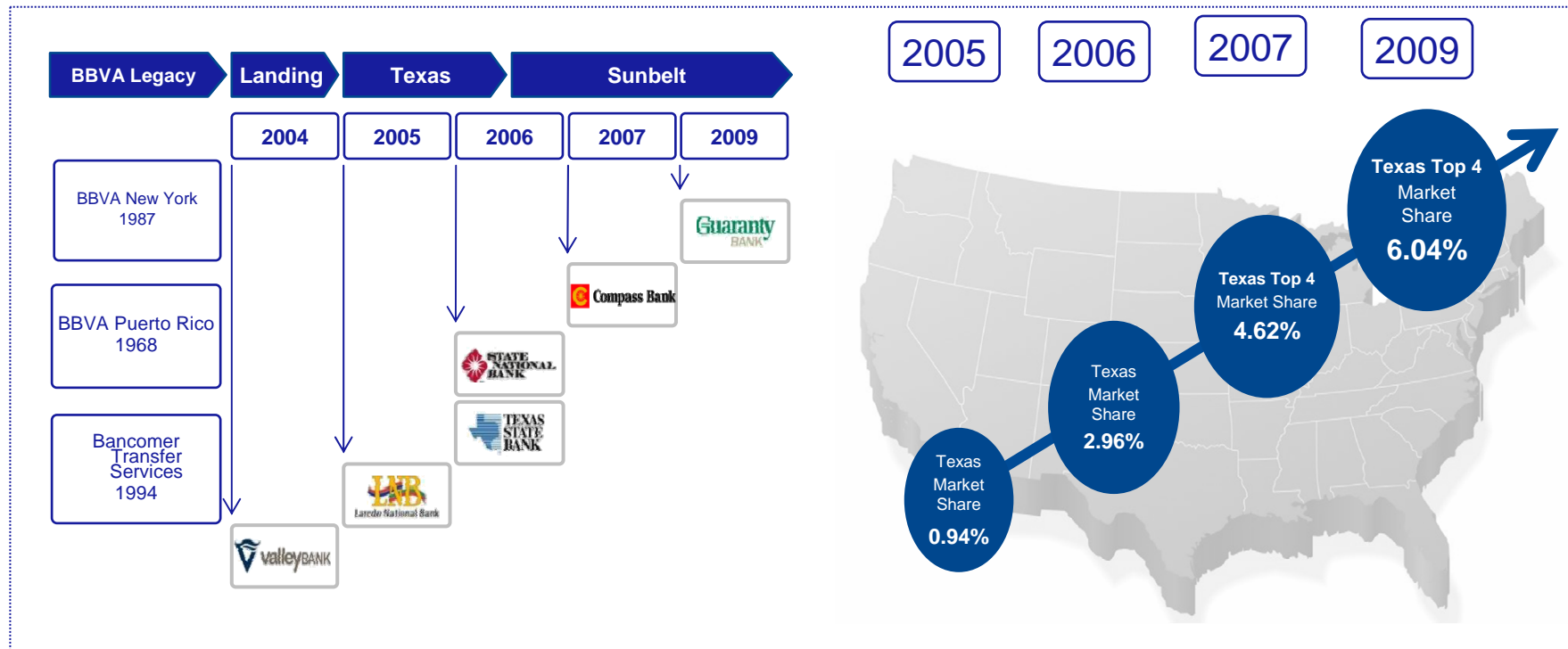
2 – Source: Bloomberg, on 2009 consensus earnings, ICBC HK shares.

3 – Based on analysts' consensus valuation for Bancomer, and 1S09 annualized results.

C

USA, building a solid franchise in a very attractive region for retail banking

BBVA



BBVA is taking firm and focused steps in building its US franchise

BBVA USA has the necessary critical mass to take advantage of opportunities

BBVA

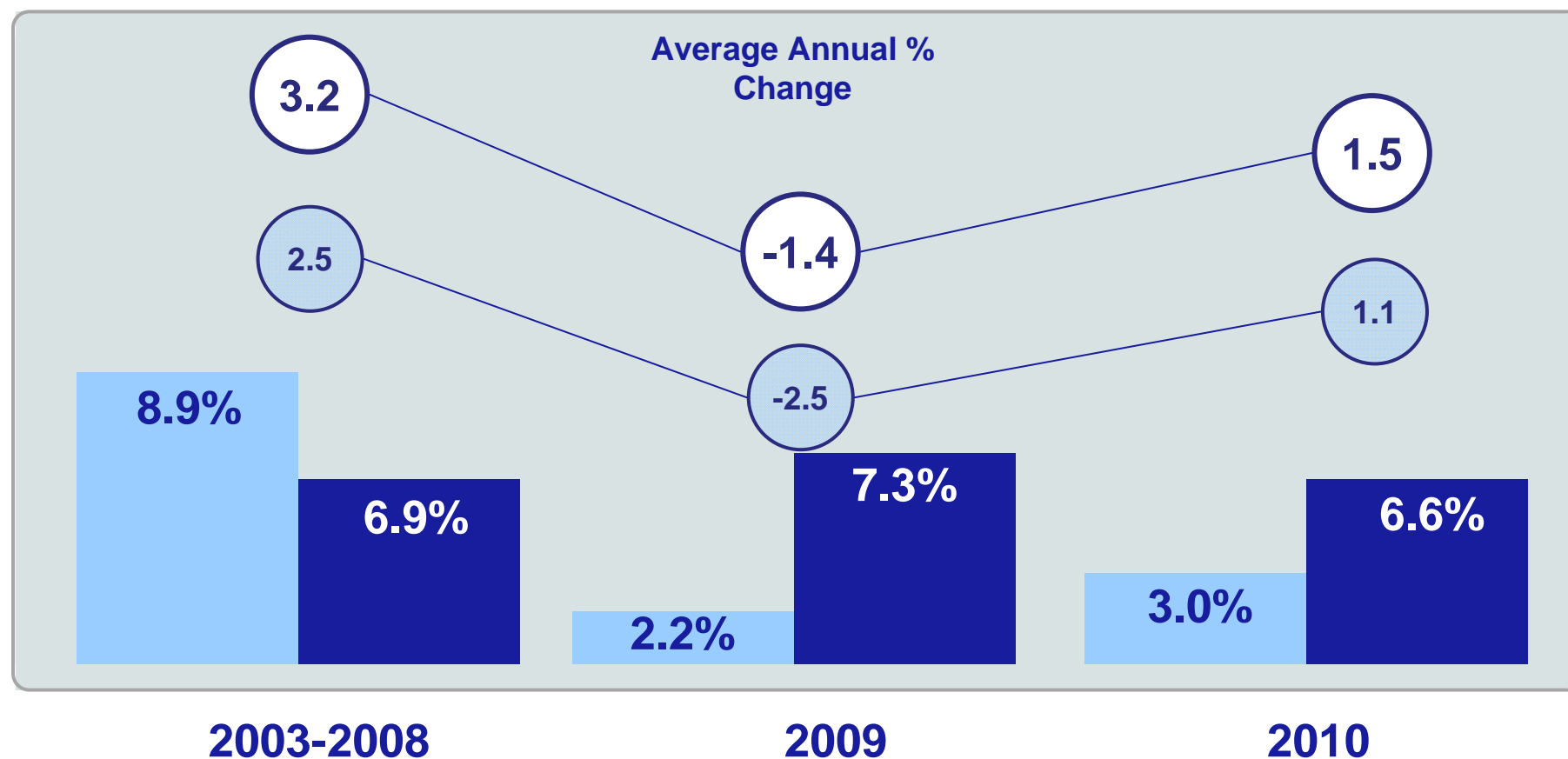
	Hispanic Footprint	Repositioning to General Market		Leadership in the Sunbelt		
	April 2005	November 2006	January 2007	September 2007	August 2009	Today
	 Laredo National Bank	 TEXAS STATE BANK	 STATE NATIONAL BANK	 Compass	 Guaranty BANK	 BBVA Compass ⁽¹⁾
Million Dollars						
Assets	2,838	6,943	1,716	34,863	14,382	72,179
Loans	1,658	4,335	1,178	25,486	10,439	48,049
Deposits	2,362	5,732	1,365	23,955	11,716	47,732
Branches	32	80	44	422	164	743
Employees	1,678	1,975	562	8,329	1,761	12,302

LNB: Mar 2005. TSB: Sep 2006. SNB: Dec 2006. Compass Bank: Sep 2007. Guaranty acquisition terms

(1) Compass= BBVA Compass data as of June 30, 2009 + Guaranty acquisition pro forma data

In the most attractive region of the USA

Sunbelt ⁽¹⁾



○ Change in GDP Sunbelt

● Change in GDP US average



Lending to Private Sector Growth



Deposits Growth

(1) Loans and Deposits only Texas and Alabama

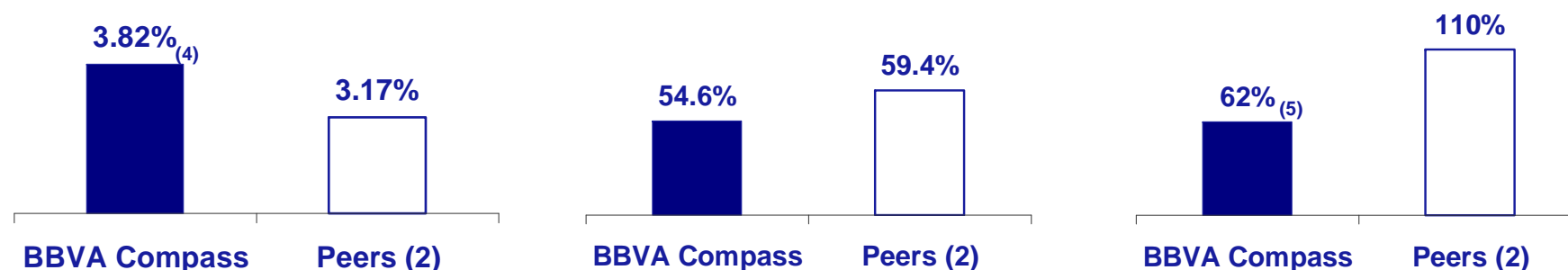
Source: BBVA Economic Research

BBVA USA is already delivering an outstanding performance

NIM (Net interest margin)
BBVA Compass 2Q09 ¹
(%)

Efficiency ³
BBVA Compass 2Q09 ¹
(%)

Provisions / operating income
BBVA Compass 2Q09 ¹
(%)



**The only profitable
European-owned bank**

(1) BBVA Compass figures for 1Q09: NIM: 3.73%; Efficiency: 56%; Provisions/Operating income: 56%

(2) Median 2Q09/2Q08 (VAR) and 2Q09 (Ratios) Peer Group: Suntrust, Regions, BB&T, Associated, Comerica, First Horizon, Huntington, M&T, M&I, Zions, Synovus, Cullen/ Frost. Colonial is not included (not available 2Q)

(3) Excluding FDIC One Time, M&I and IA amortization

(4) % margin with PMAs

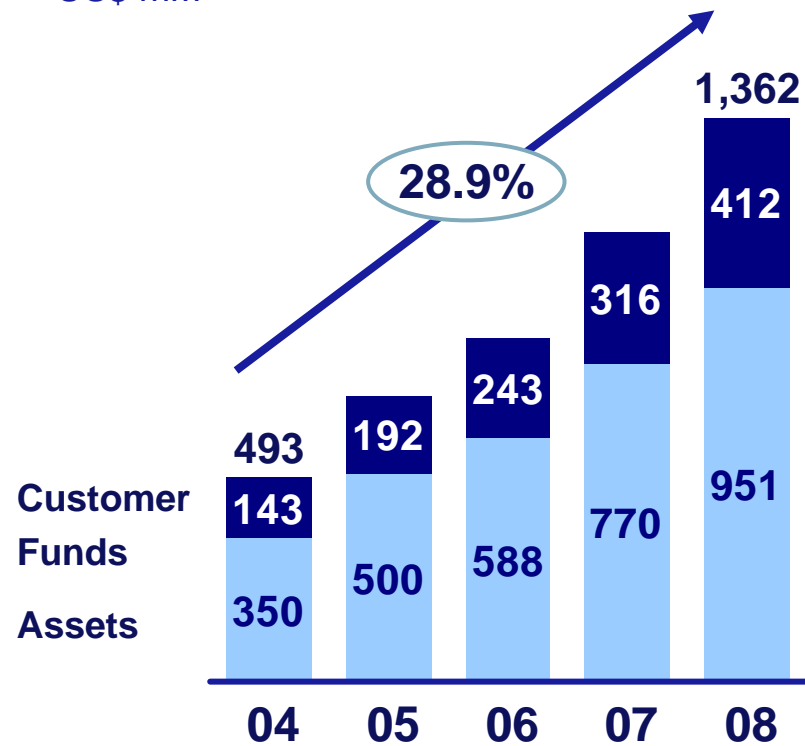
(5) Provisions/ operating profit (excl. amort. Intangibles and M&I)

D

BBVA's South American business has had an outstanding growth in the last 5 years

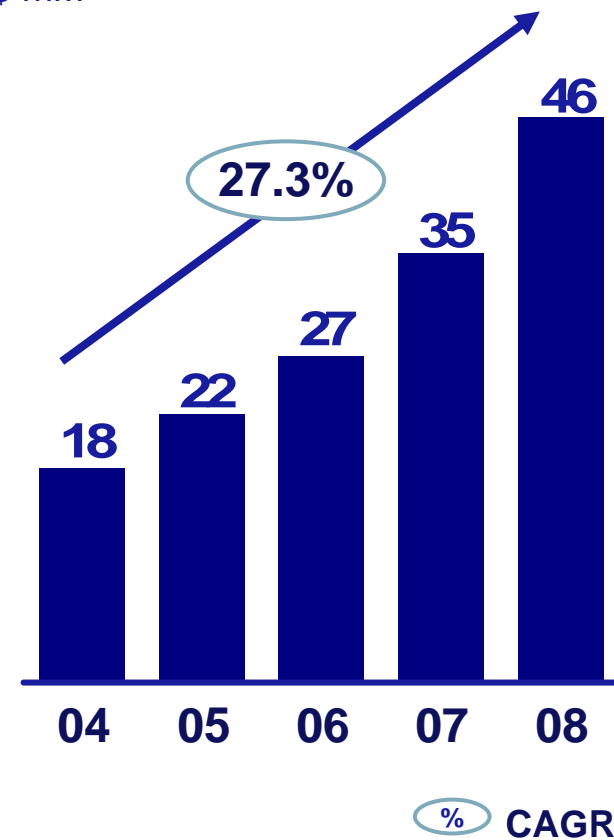
Strong business volume growth...

Assets & customer funds, BBVA South America
US\$ mM



... and revenue

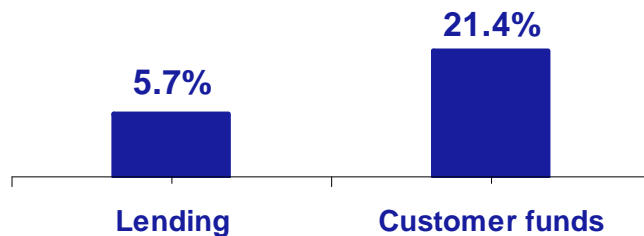
Gross income, BBVA South America
US\$ mM



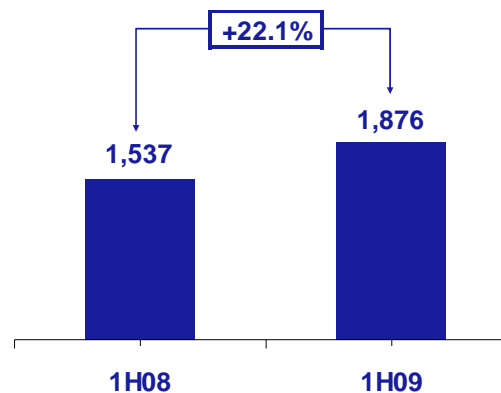
A growth that remains high in the current environment

BBVA

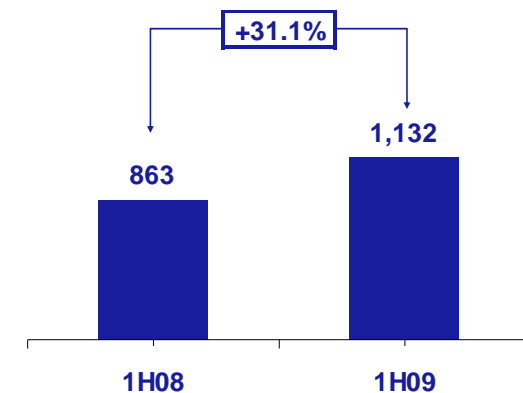
Lending and cust. funds
South America
Year-on-year growth
(Average balances)



Gross income
South America
(Constant €m)



Operating income
South America
(Constant €m)



Efficiency
39.7%

ROE
42.8%

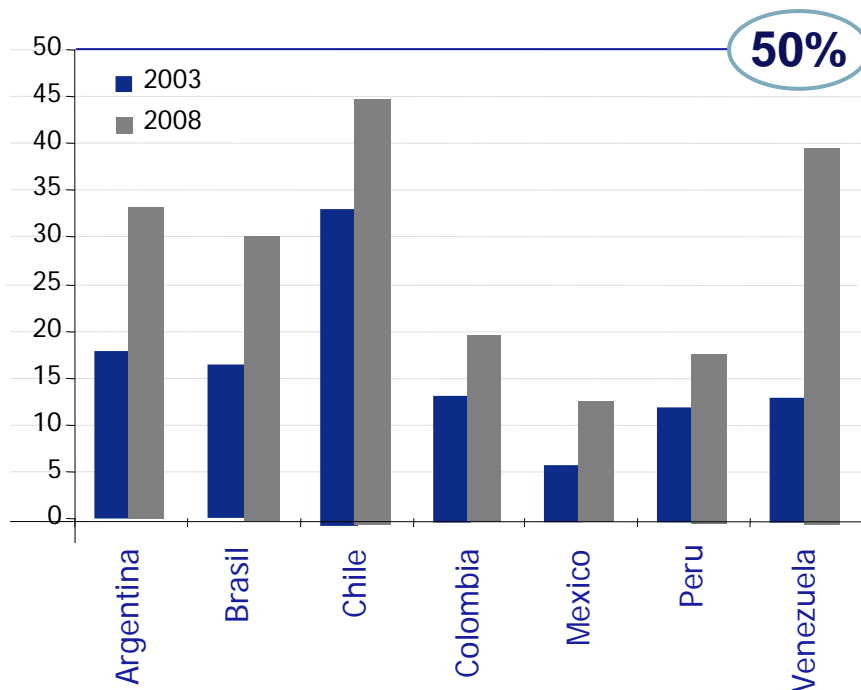
NPA
2.62%

Coverage
129%

Net interest income: €1,210m (+17.8%)

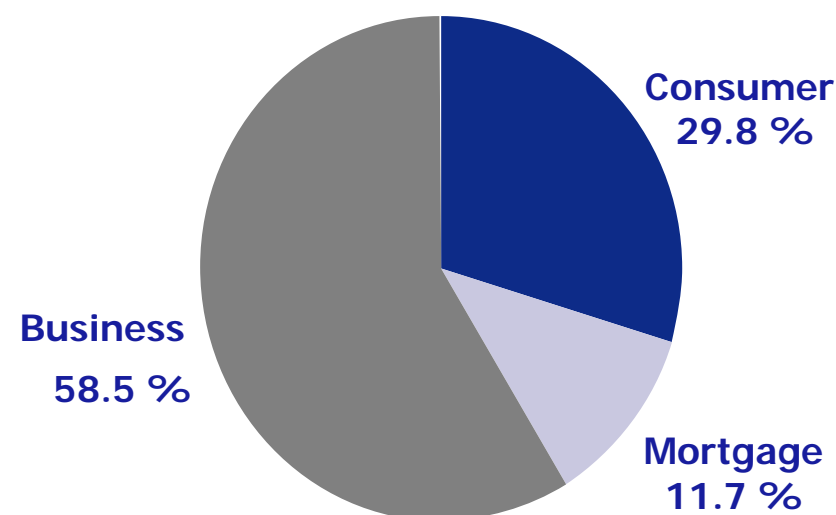
Despite strong credit growth, the region still has a very low penetration

Bank lending as % of GDP



Source: National Statistics

Credit by segment



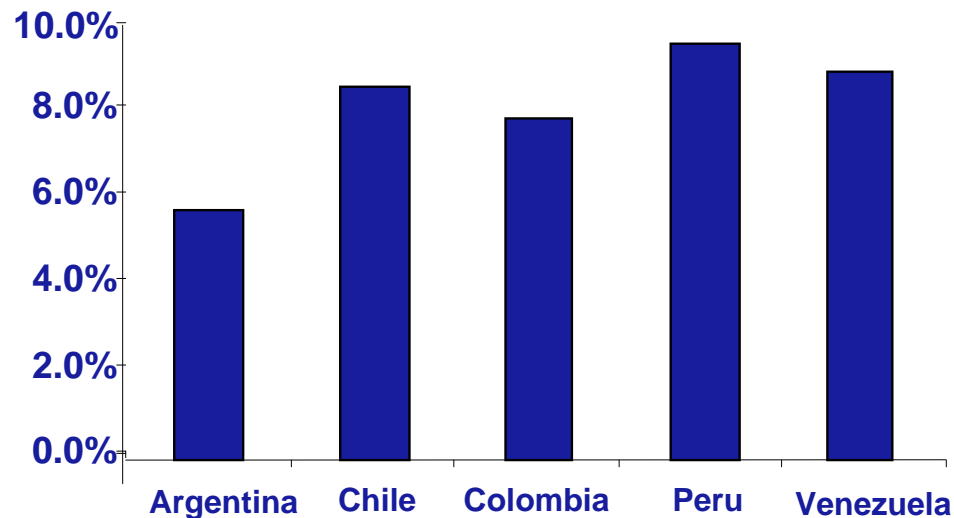
Source: National Statistics

Credit to households share of total remains well below developed economies

Ongoing socio-economic developments boost the potential magnitude of the emerging middle classes

BBVA

Middle class population growth 1999-2006
(%)



Close to 20 million people earn between 9,000 and 30,000 USD annually in the countries in which BBVA operates

With a 3.7% expected population growth from 2008-2010, middle classes are expected to grow by 6%

BBVA South America, an additional Bancomer **BBVA**

€ Bn as of June 2009, clients in millions

Assets

Customer lending (gross)

Customer deposits

Clients

Payroll clients

BBVA Bancomer

63.3

28.7

30.4

15.7

7.1

BBVA South America

42.8

25.3

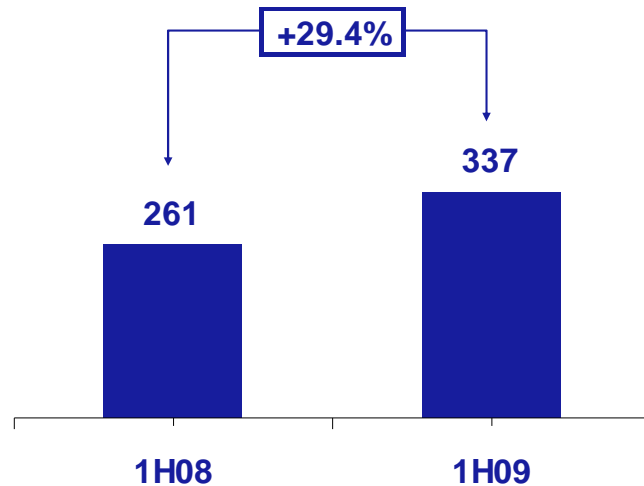
30.9

21.4

6.6

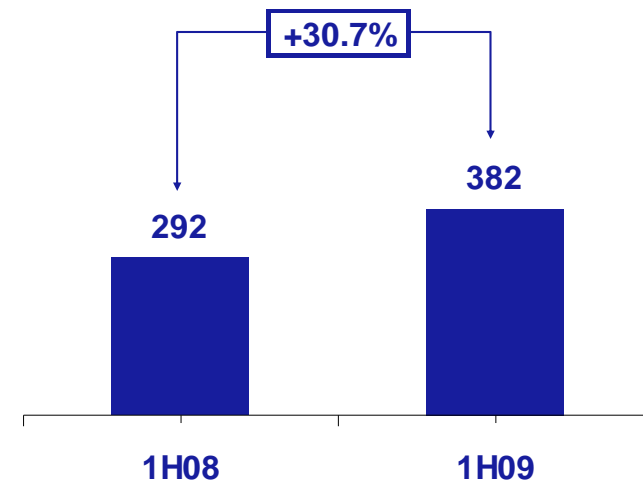
More than 80% of clients in the region do not have credit products, including 5 million payroll clients

Markets
Operating income
(€m)



M. Fund market share in Spain 20.4%

Corporate & Investment Banking
Operating income
(€m)



Non-interest income 42%

Developing our strategic alliance with CITIC Group in high profitable businesses in China

BBVA is *delivering in the old and in the new normal* with ...

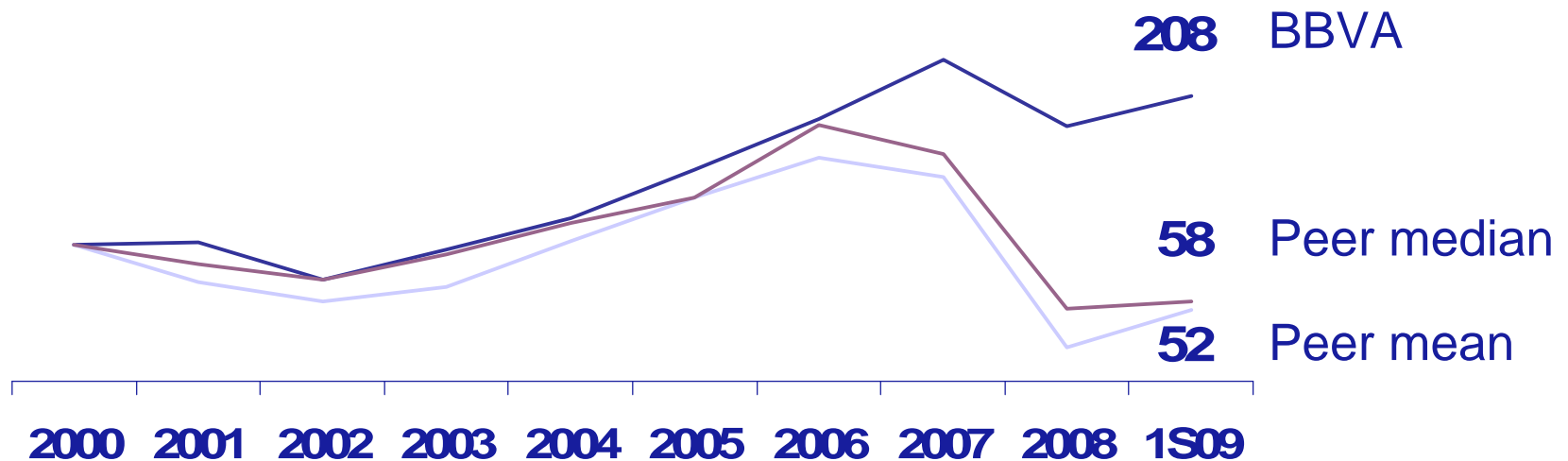
BBVA

**High structural
profitability**

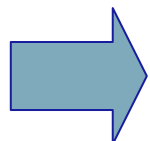
**Superior growth
Prospects**

With high profitability and growth that flows all **BBVA** the way down to EPS growth

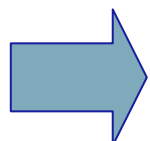
Earnings per share
Peer Group
(%, 2000-1S09)



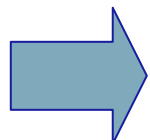
In conclusion, BBVA is delivering



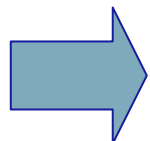
Substantial profitability



Outstanding EPS relative evolution



Growth potential



With a strong balance sheet

**Does BBVA merit a relative
P/E multiple discount?**

“Delivering in the Old and in the New Normal”

BBVA Group

Banking & Insurance CEO Conference 2009 – Merrill Lynch
Manuel Gonzalez Cid, CFO

London, 30th September 2009