

**BBVA**

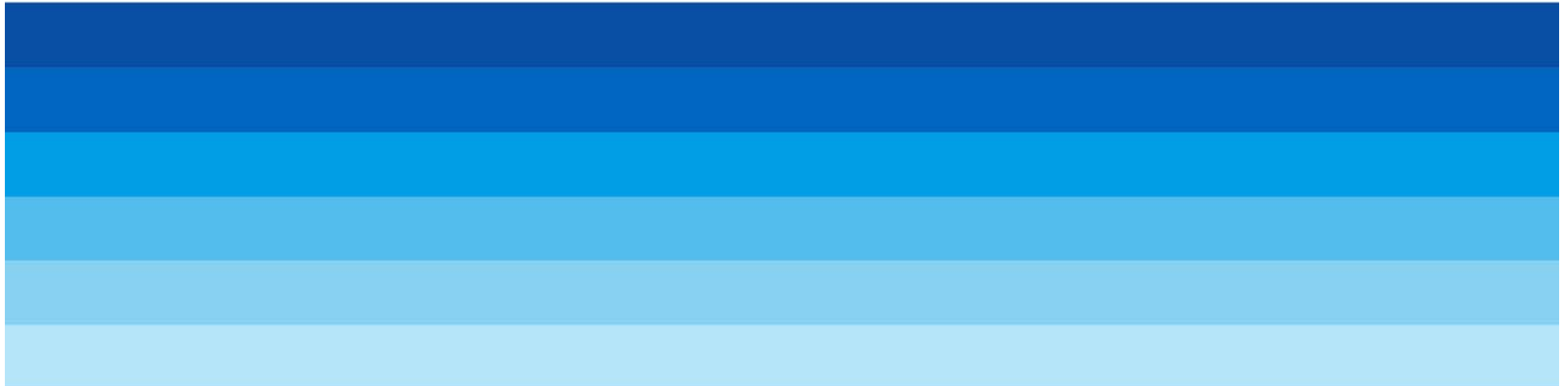
# ***A Unique Value Proposition***

Goldman Sachs

European Financials Conference

Manuel Gonzalez Cid, BBVA's CFO

Paris, June 8<sup>th</sup> 2011



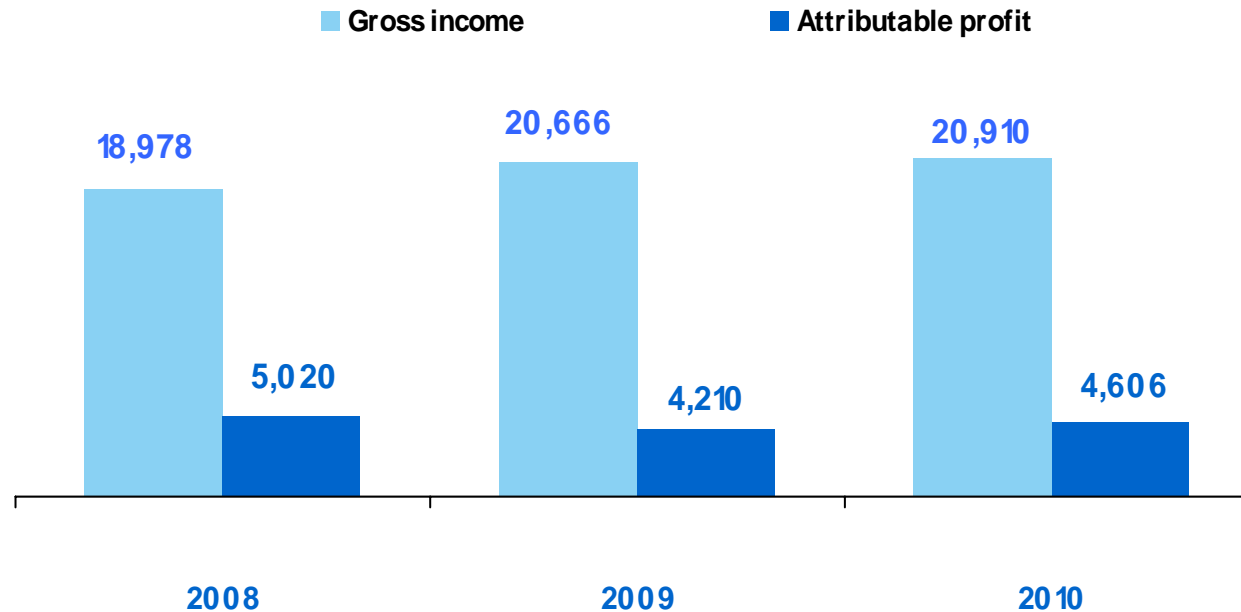
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- 1 High and recurrent profitability**
- 2 Strong balance sheet and capital
- 3 Rising opportunities
- 4 Concluding remarks

## High and recurrent profitability

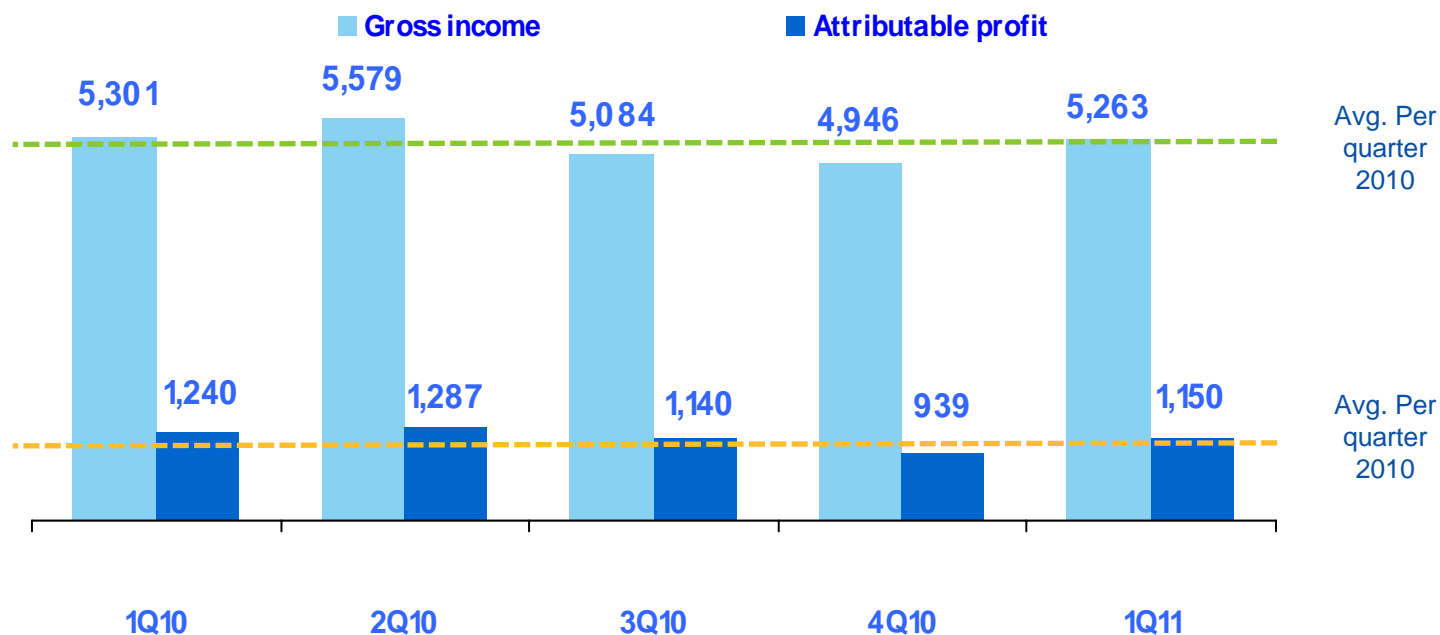
Gross income and attributable profit  
BBVA Group  
(€m)



Despite significant headwinds, earnings delivery has been a trademark of BBVA during the crisis

# Showing resilient results in 1Q11

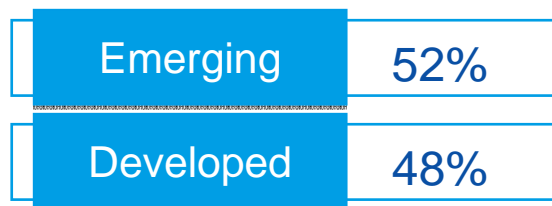
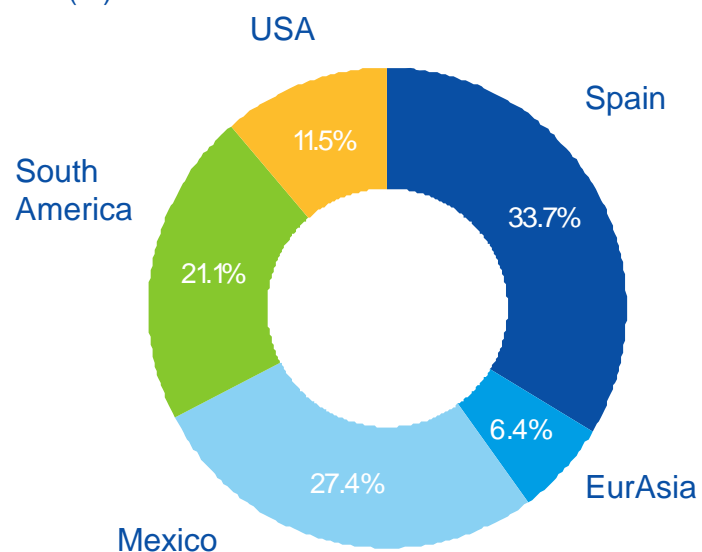
Gross income and attributable profit  
BBVA Group  
(€m)



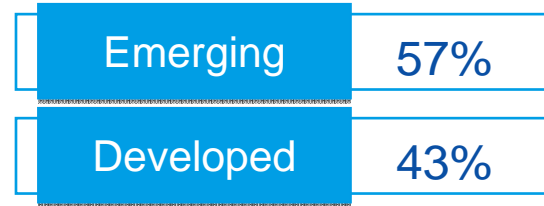
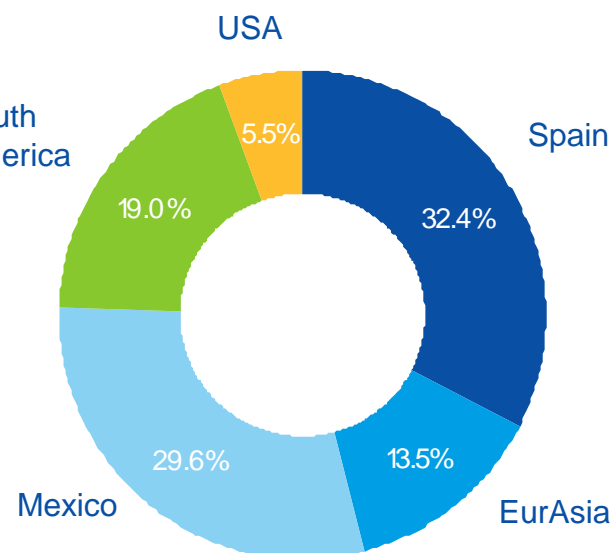
Good performance in emerging economies  
offsets decline in developed markets

# Well diversified by geography

Gross Income by geography\*  
BBVA Group  
(%)



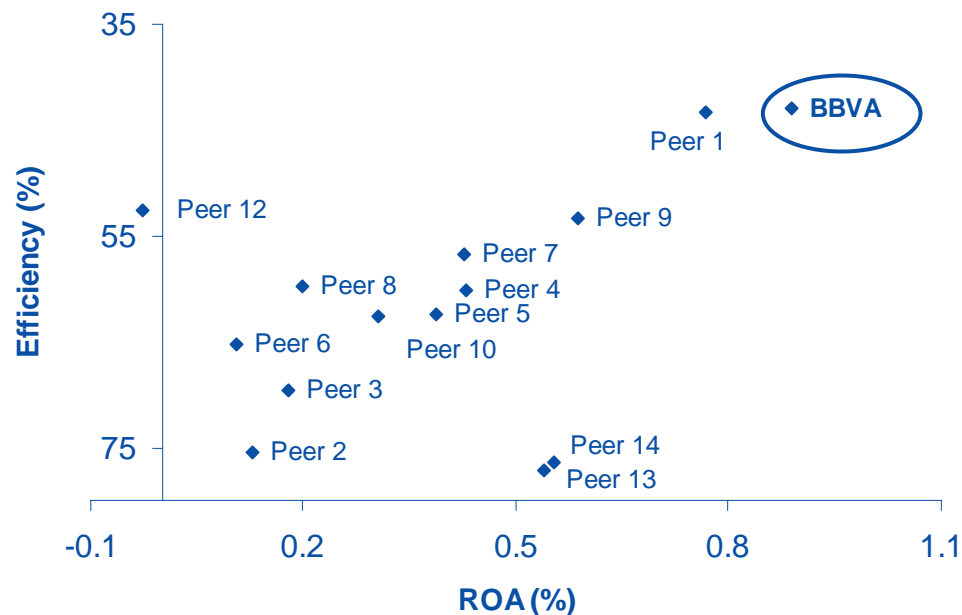
Attributable Profit by geography\*  
BBVA Group  
(%)



# Highly profitable business, attractive business mix and superior growth prospects

## ROA vs Efficiency

BBVA Group vs Peer Group  
(12M10, %)

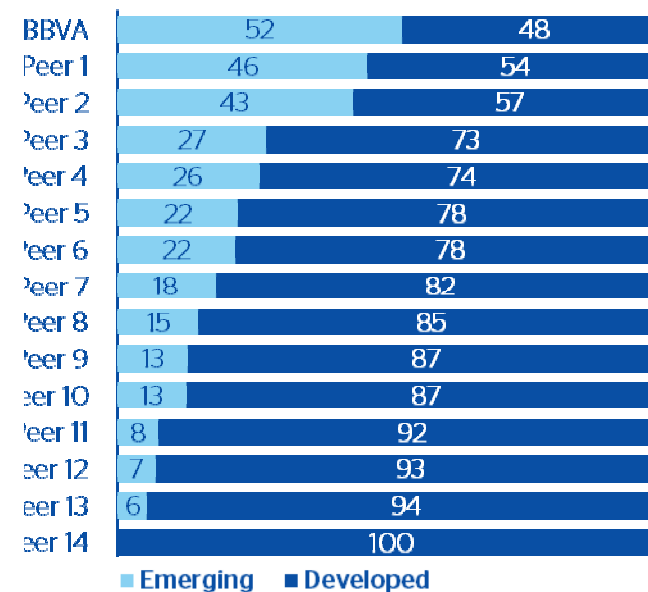


ROA: 0.9%

ROE: 15.8%

## Geographic diversification of revenue\*

BBVA Group vs Peer Group (%)



1 High and recurrent profitability

## 2 **Strong balance sheet and capital**

3 Rising opportunities

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## Strong balance sheet and capital

### Comfortable funding position

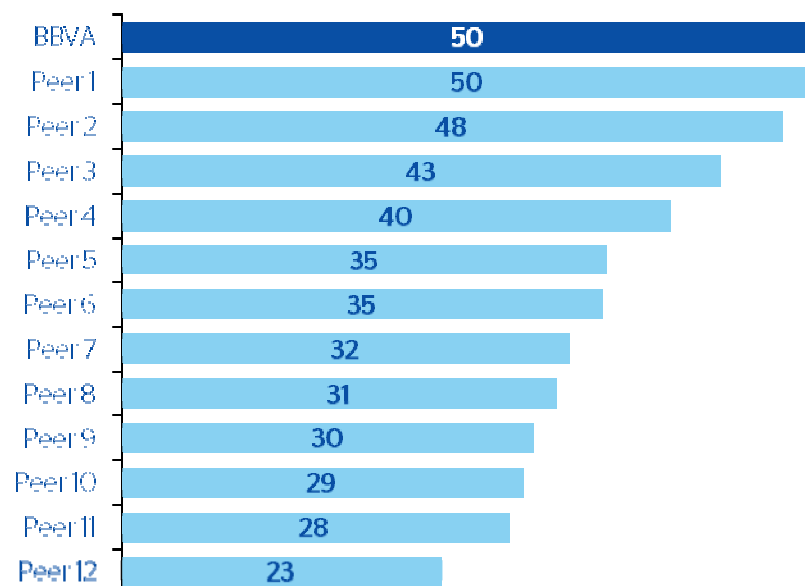
- **Large deposit base**
- **Lowest wholesale funding needs among peers**

### Strong capital base

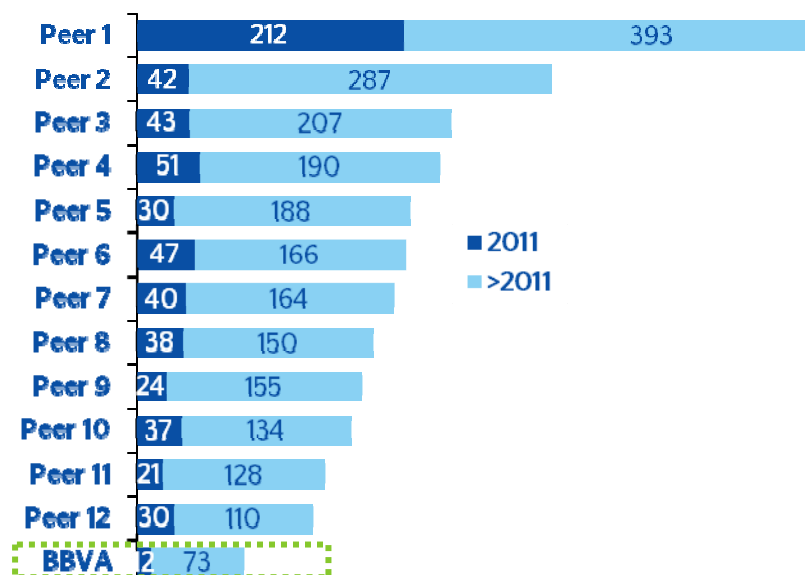
- **Strong organic capital generation**
- **High quality capital**
- **Lowest leverage among peers**

# Large deposit base with low wholesale funding needs

Customer deposits / Total Assets  
BBVA Group vs. Peers\*  
(2010, %)



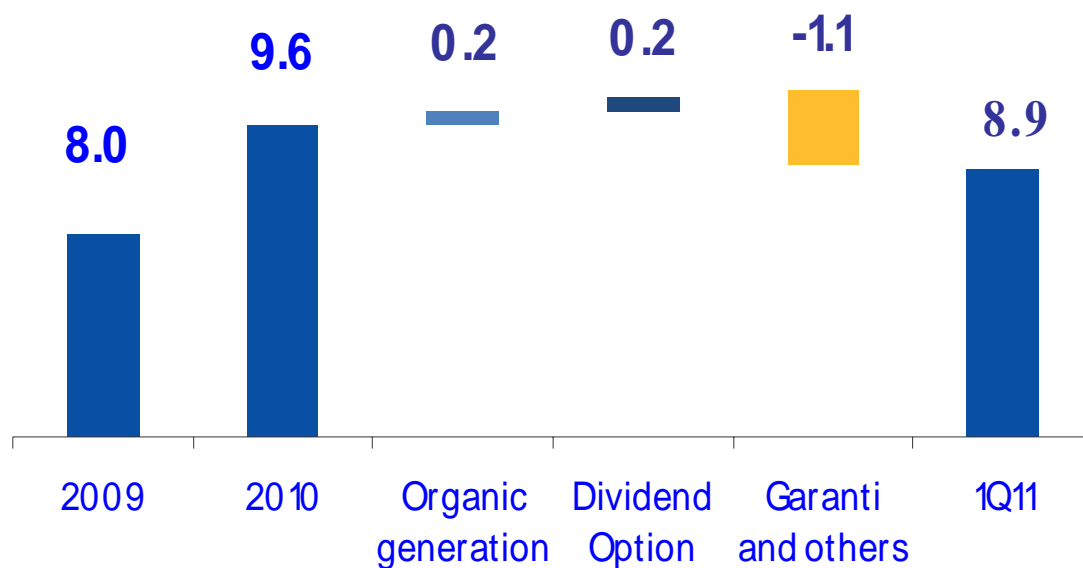
Maturities of wholesale funding  
BBVA Group vs. Peers\*  
(€bn)



\*Peers: BARCL, BNPP, CASA, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, & UCI. Source: Bloomberg 21-Feb-2011,

# Sound and consistent capital management policy with strong organic generation

Core capital  
BBVA Group  
(%)

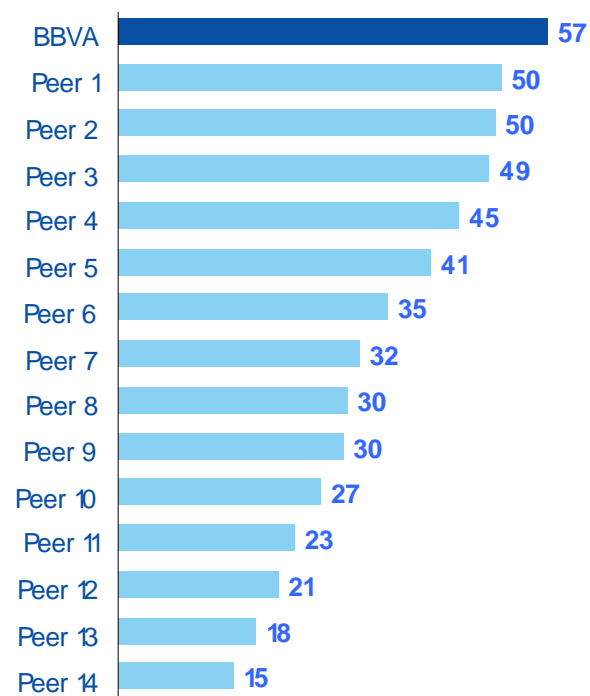


Core Capital	8.9%
Tier 1	9.8 %
BIS Ratio	13.0%

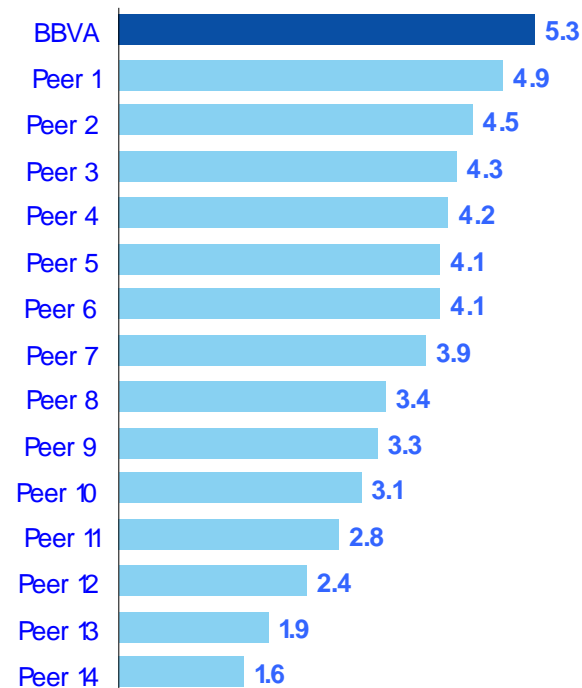
## Moody's confirms Aa2 rating

# High quality capital with the lowest leverage

RWAs / Total Assets  
(%, 2010)



Tangible equity / Tangible Assets  
(%, 2010)



- 1 High and recurrent profitability
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**BBVA**

## Rising opportunities

### Mature markets

Improving asset quality

Market share gains

Pricing getting better

### Growing markets

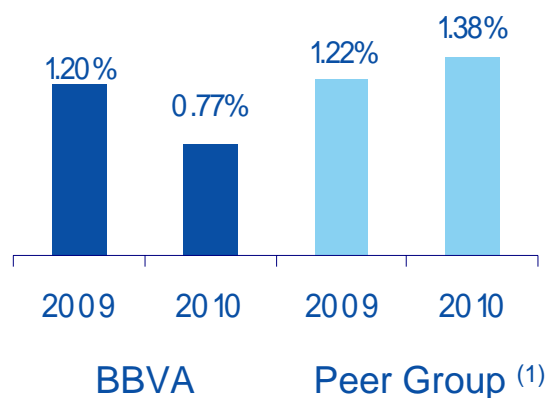
Excellent asset quality

Accelerating business

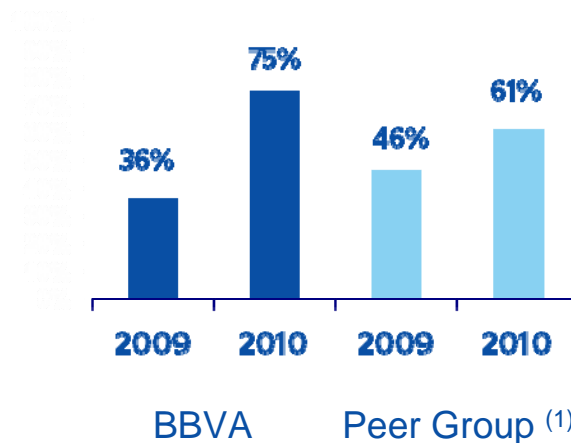
Favourable mix trends

# Spain: Better asset quality due to anticipation

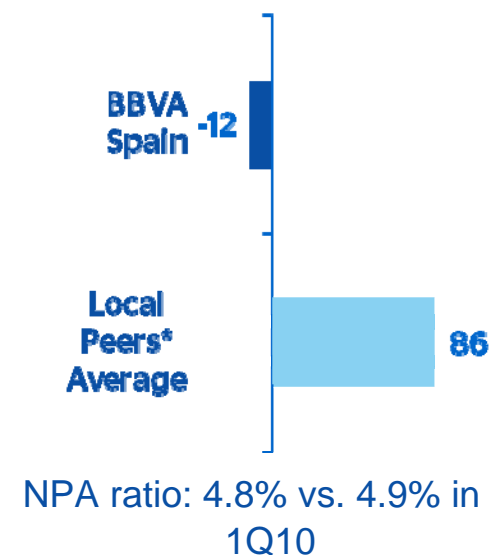
Gross additions to NPA  
over total gross loans



Recoveries over gross  
additions to NPA



NPA ratio  
(1Q11 YoY change in b.p.)

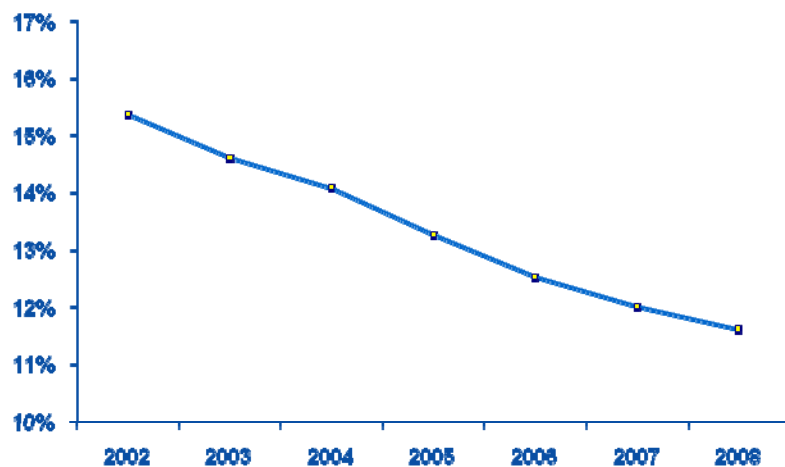


Gross additions continue to decline while recoveries are up

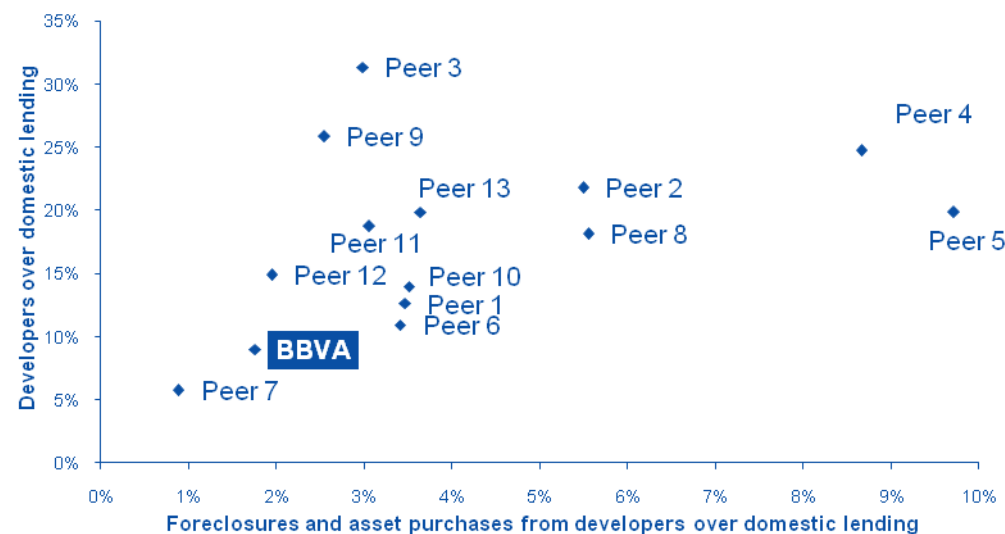
(1) Santander network, Popular, Caixa, Caja Madrid, Sabadell, Banesto, Bankinter and Pastor

# Spain: In asset quality, BBVA has a differential performance

Domestic lending market share



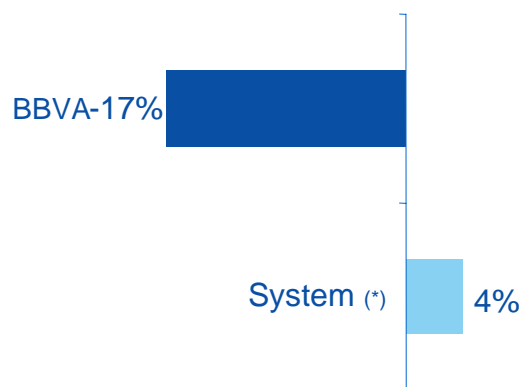
Very limited exposure to developers



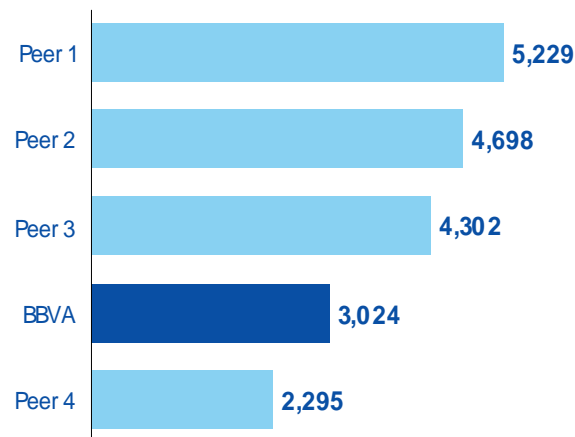
Lower risk appetite during the credit boom years, particularly in RE developers.

# Spain: highly productive network with no pending restructuring needs

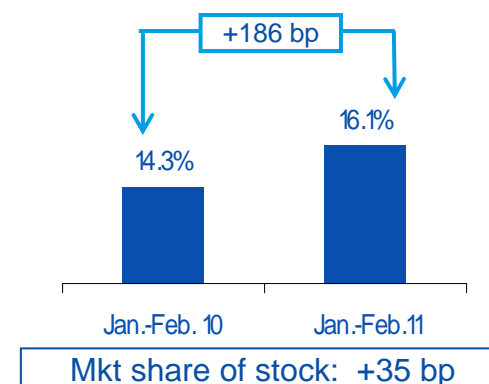
Branch evolution  
2006-Sep 2010



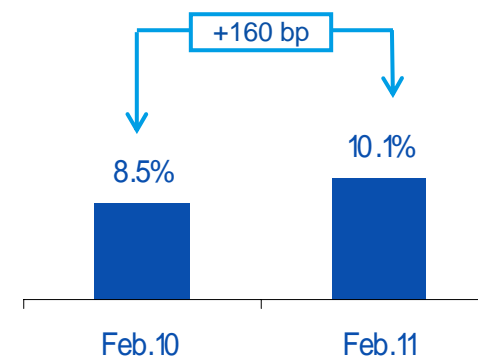
Number of branches



Mkt share of new residential mortgages  
(%)



Mkt share private sector deposits  
(%)



## Best positioned to take advantage of the restructuring of financial sector

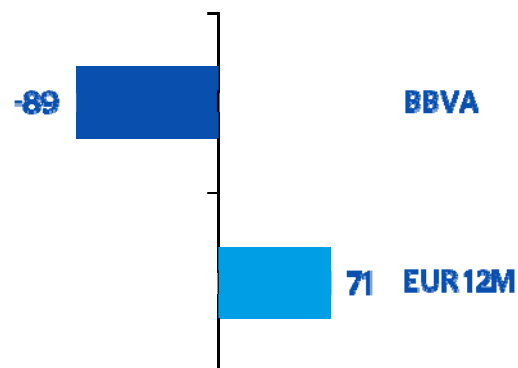
(\*) Excluding BBVA

Source: Bank of Spain. Branch data as of September 2010

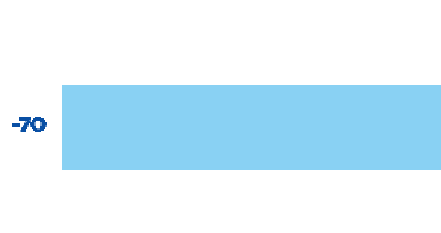
Peers: Caixa, Santander (including Banesto), Bankia and Popular

# Spain: 2011 will continue to be challenging for NII, although front book dynamics are improving

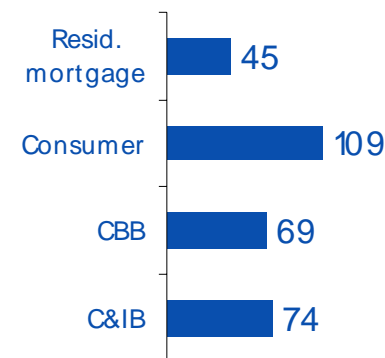
Time deposit pricing improving  
(Current levels vs. 2010 max. in b.p.)



Covered Bonds  
Spread difference  
(latest issue vs. max. in b.p.)



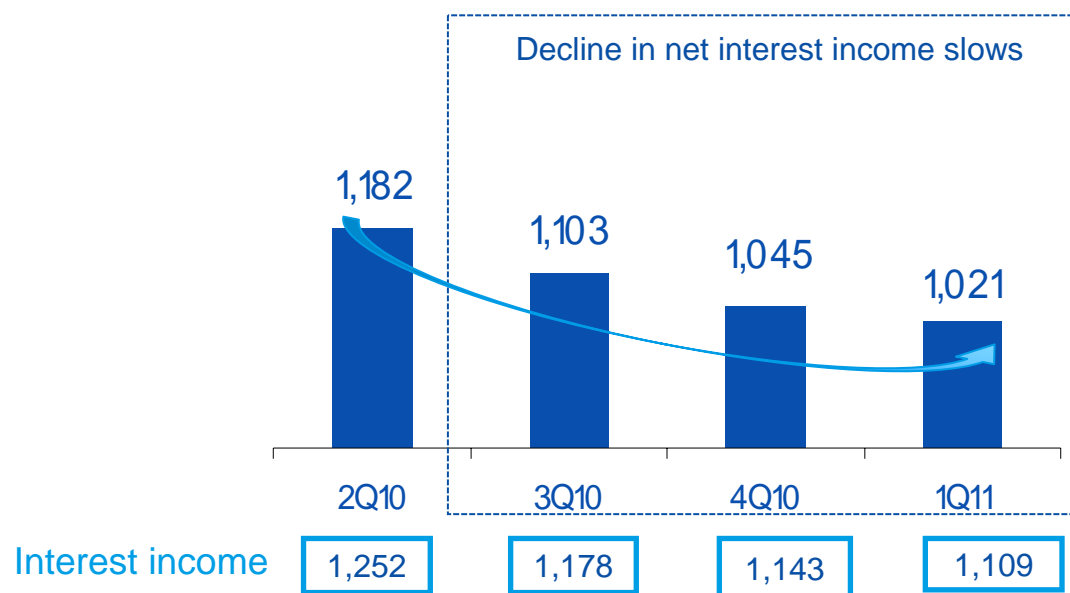
Front book spreads improving  
(Current levels vs. 2010 min. in b.p.)



## Price normalization represents a significant opportunity

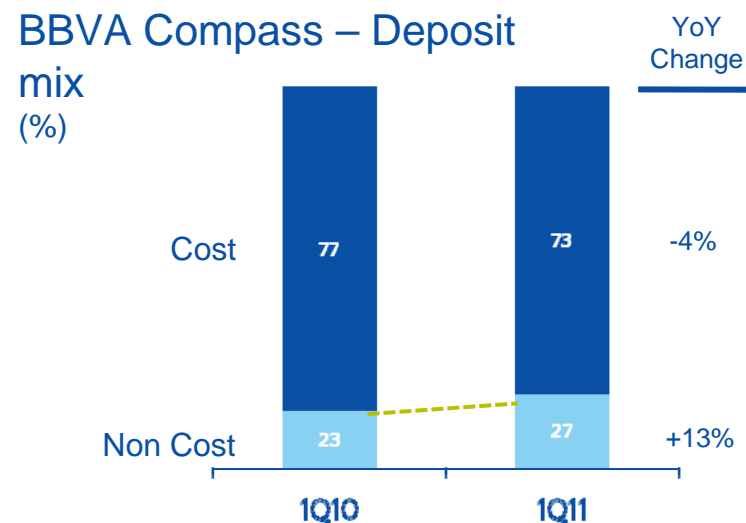
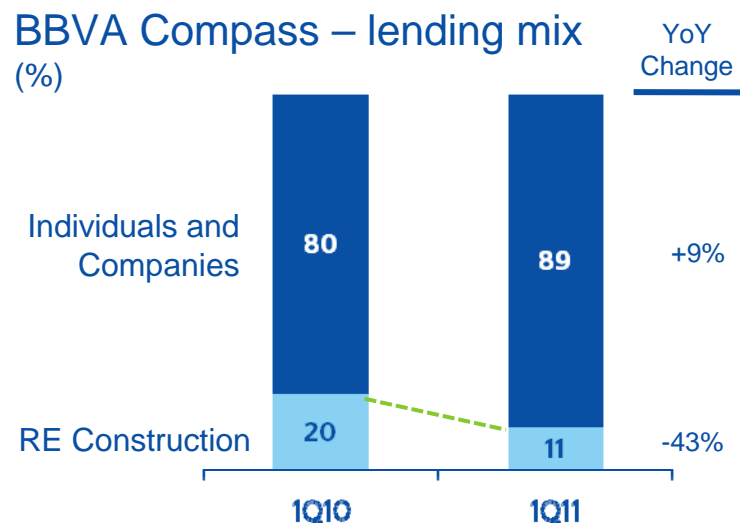
# Spain: Slower decline in NII in 1Q11

Net interest income excluding Markets  
Quarter-by-quarter  
(€m)

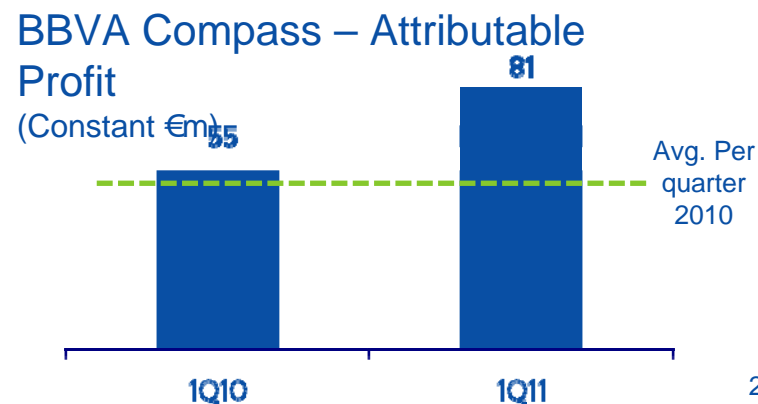
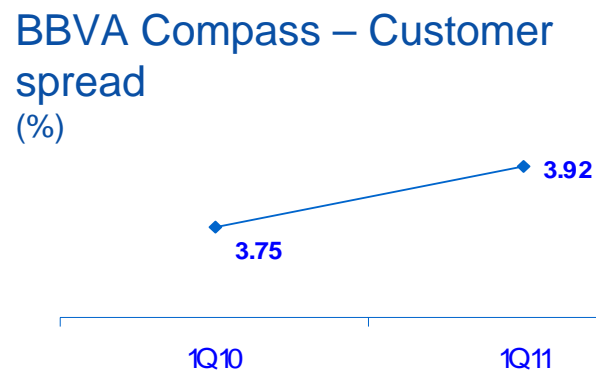


Customer spread:  
+14bp in the quarter

## United States: improvement of mix ...



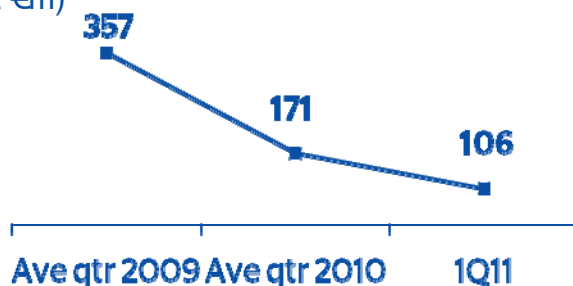
... and increase in the customer spread leading to strong rebound in bottom line



\* Excluding Guaranty Loss Sharing Agreement

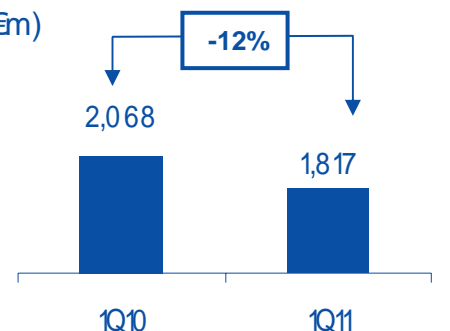
# United States: risk indicators continue to improve

**BBVA USA Provisions**  
(Constant €m)



Cum. risk premium	3.3%	1.7%	1.1%
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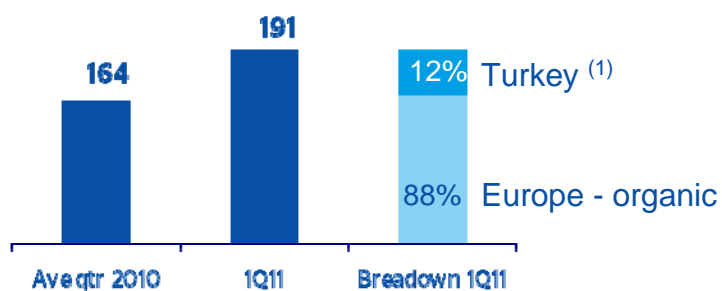
**BBVA USA NPAs balance**  
(Constant €m)



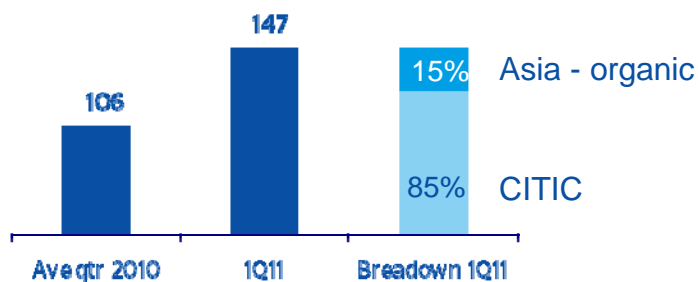
NPA ratio	4.4%	4.5%
Coverage	56%	64%

# EurAsia: buoyant business in both areas

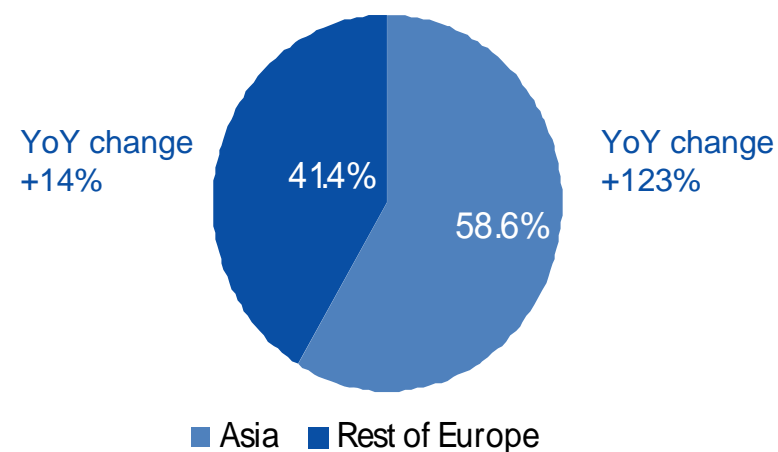
Rest of Europe - Gross Income  
(€m)



Asia - Gross Income  
(€m)



EurAsia - breakdown of net attrib. profit  
(%)

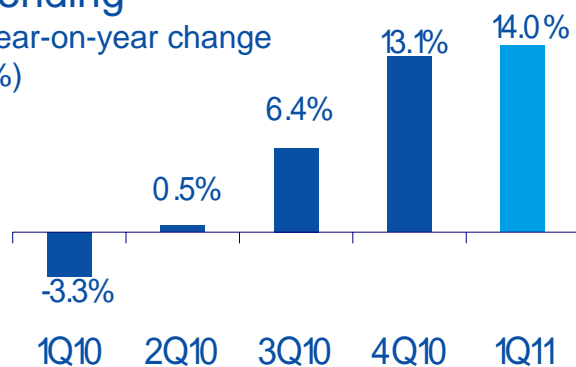


(1) Only €24m from Garanti in 1Q11

# Mexico: recovery of business traction and improvement in mix...

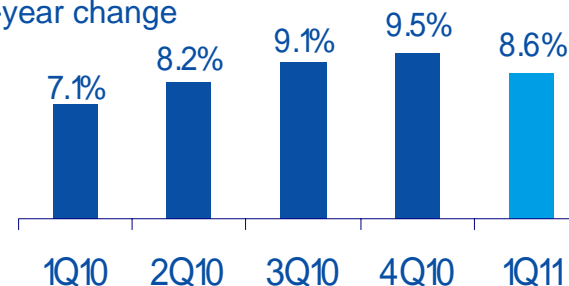
## Lending

Year-on-year change (%)



## Customer Funds

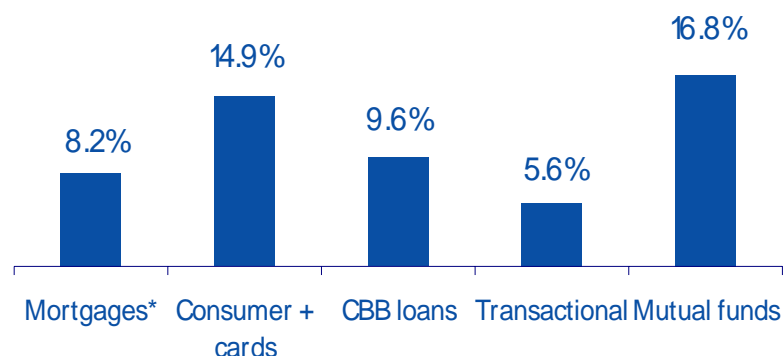
Year-on-year change (%)



...consumer lending starting to improve in 2H10, thanks to internal demand recovery after sharp drop in 2009.

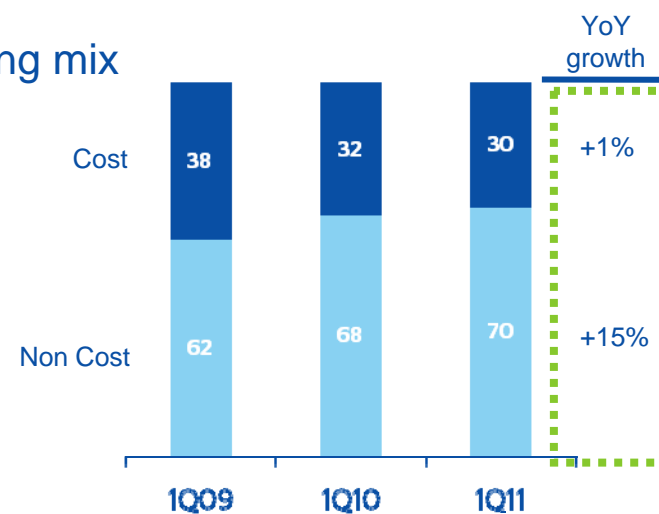
## New business by product/segment

(Year-on-year change.%)



## Funding mix

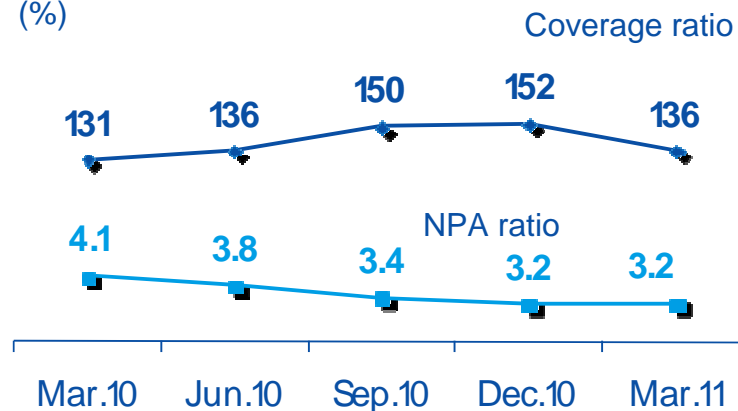
(%)



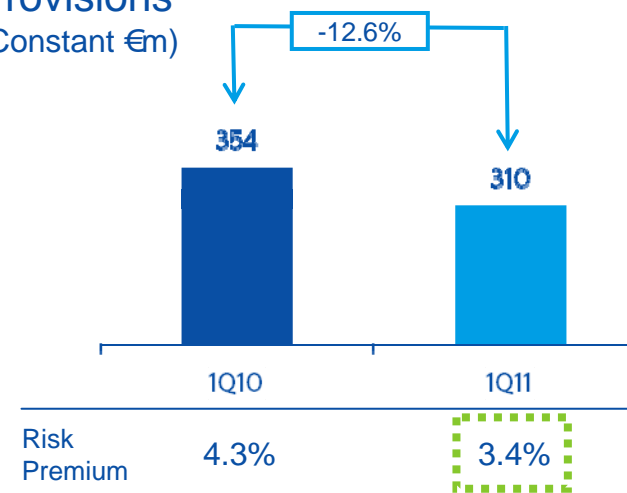
\* Excluding old residential

## Mexico: sharp drop in the cost of risk . . .

NPA & coverage ratios  
(%)

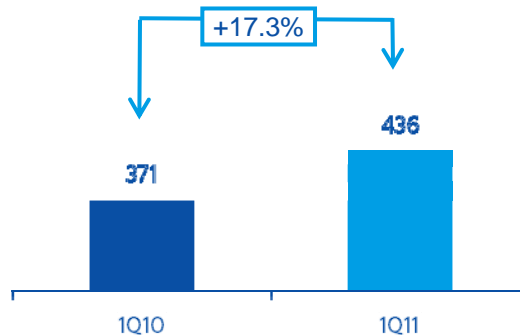


Provisions  
(Constant €m)



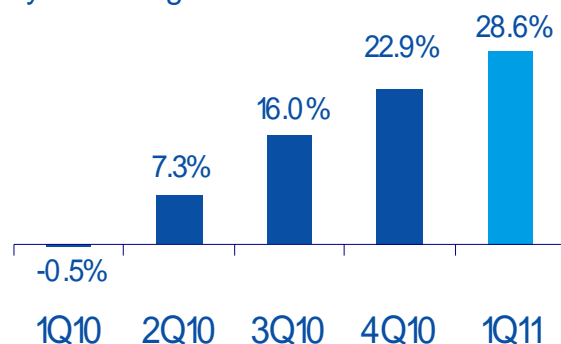
. . . altogether leading to an acceleration of earnings growth

Attributable profit  
(Constant €m)

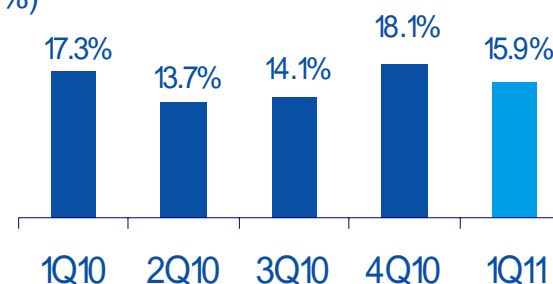


# South America: high level of business . . .

**Lending**  
Year-on-year change  
(%)

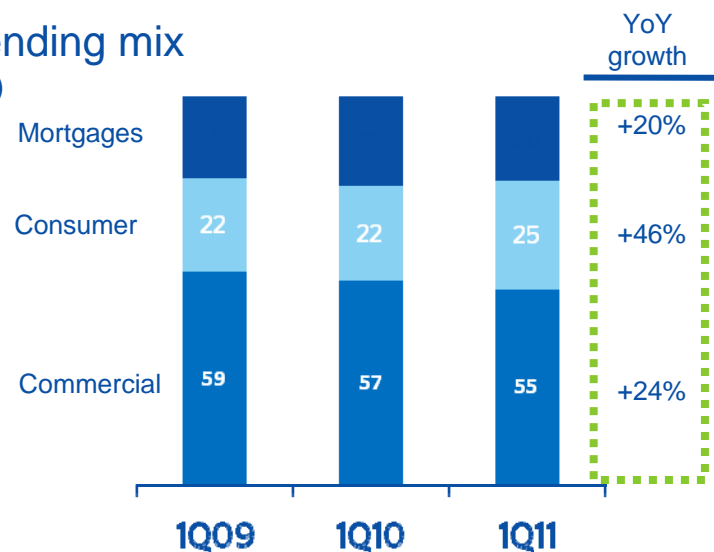


**Customer funds**  
Year-on-year change  
(%)

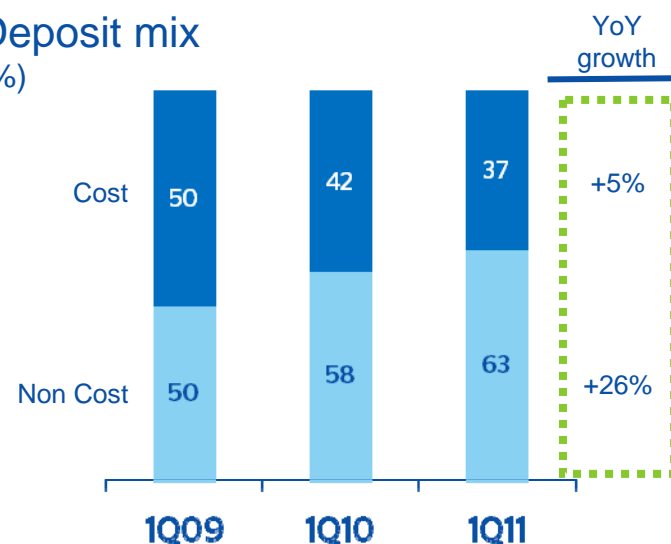


. . . with an improvement in the mix

**Lending mix**  
(%)

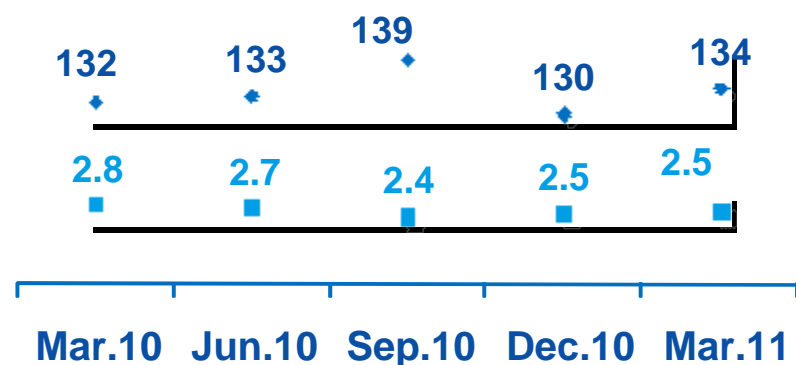


**Deposit mix**  
(%)

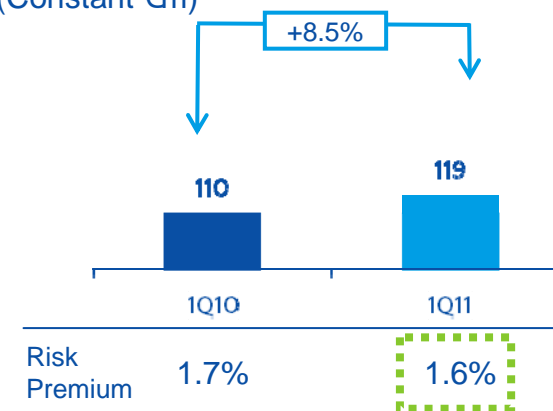


## South America: ... with the best risk indicators in the Group

NPA & coverage ratios  
(%)

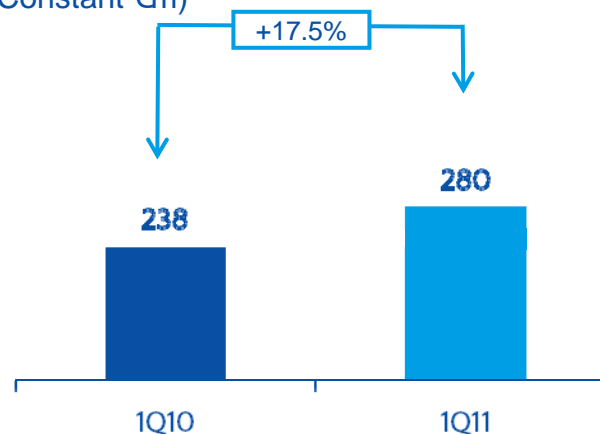


Provisions  
(Constant €m)



... altogether leading to buoyant earnings

Attributable profit  
(Constant €m)

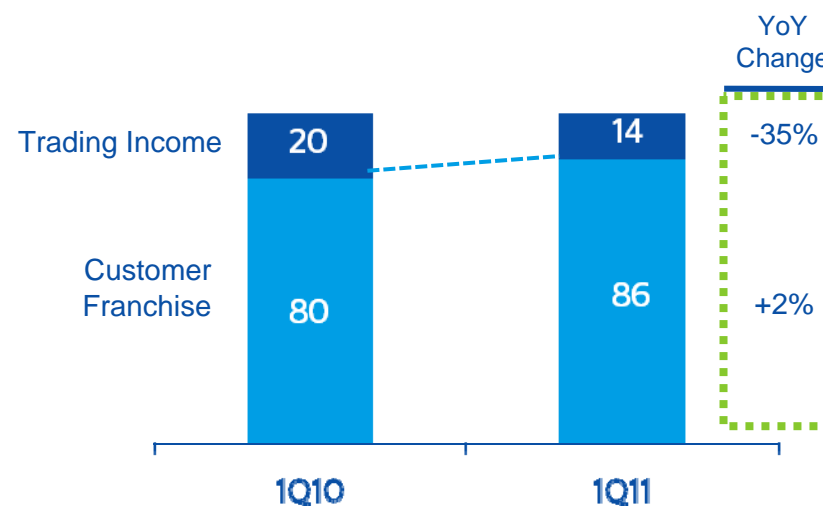


# WB&AM: a customer franchise with a resilient business model

BBVA WB&AM vs. Peers <sup>(1)</sup> – Operating Income  
(€m constant)  
(Index 100=Q1'07)

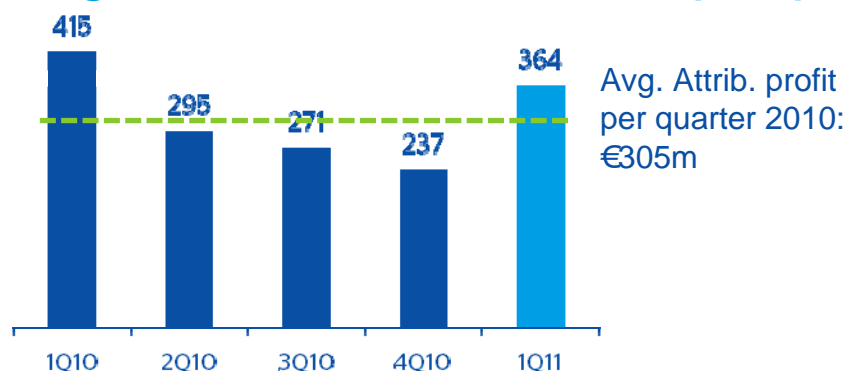


Split and evolution of revenues  
(%)



... leading to a growing contribution to Group's profits

Attributable profit  
(Constant €m)



(1) Synthetic index created out of public information of the following peers: BNP, Citi, CMZ, CS, GS, ISP, JPM, MS, NOM, SAN, SG, UCI

## Business Areas: key aspects

### Spain

Slower rate of decline in net interest income, market share gains and superior risk indicators

### United States

Positive signs of business activity with a better mix and a jump in attributable profit

### EurAsia

Growing contributions from strategic investments in China and Turkey, and from wholesale business in Europe

### Mexico

Strong business activity results in record revenues and risk stabilises

### South America

Dynamic activity, main margins at record levels and the best risk indicators in the Group

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### WB&AM

Recurrent and more diversified revenues, reflecting a stronger customer franchise

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- 3 Rising opportunities

## **4 Concluding remarks**

## Conclusions

### High and recurrent profitability

Highly profitable business model

Attractive business mix with superior growth prospects

### Strong balance sheet and capital

Comfortable funding position

Strong and high quality capital

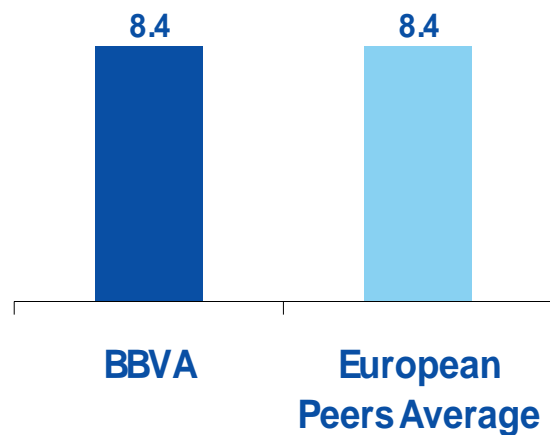
### Rising opportunities

In mature markets

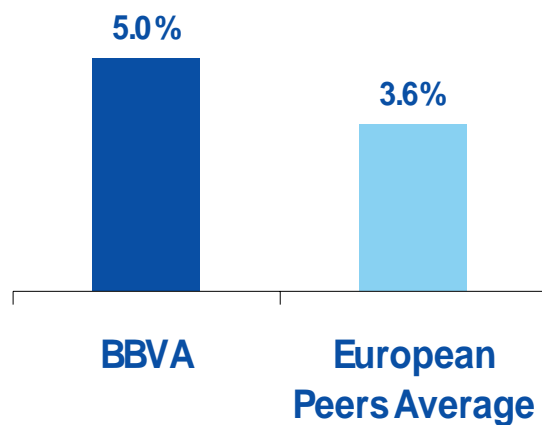
In high growth markets

## BBVA: a unique value proposition

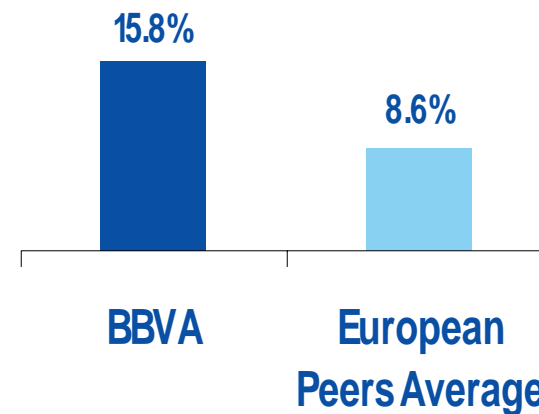
PE 2011  
BBVA vs Peer Group  
(Consensus estimates)



Dividend yield 2011  
BBVA vs Peer Group  
(Consensus estimates)



ROE 2010  
BBVA vs Peer Group



Stable dividend policy: € 0.42 per share remains floor

**BBVA**

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Paris, June 8<sup>th</sup> 2011

