

***And now... it's about earnings***

**Spring European and Middle East  
Large Cap Conference**



**Paris, May 21th, 2008**

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## And now... it's about earnings

**1**

**A unique case in the current environment**

**2**

**Outperforming peers in each market**

# BBVA had a clear assessment of the situation affecting the financial sector

**BBVA**



**But the world out there has changed**

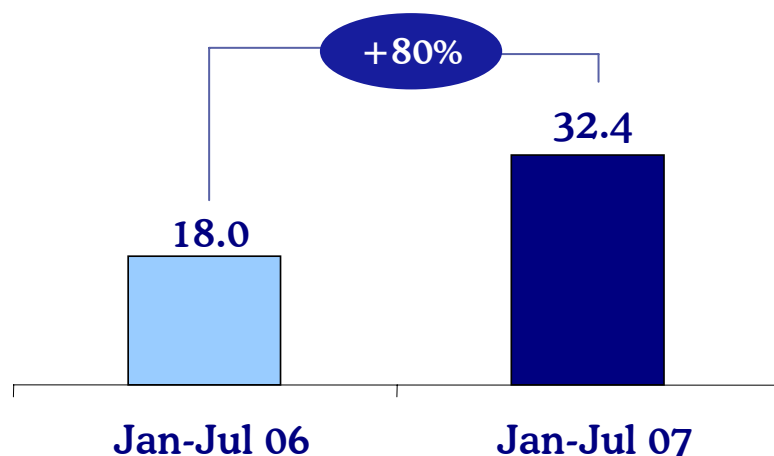
**BBVA Investor Day,  
November 15th 2007**

- Current situation points towards a lower growth environment
- Monetary policy should be adapted, despite short term inflation risks
- Emerging markets, decoupling from developed economies
- New environment challenging Capital, Liquidity and Balance Sheet management in the financial sector

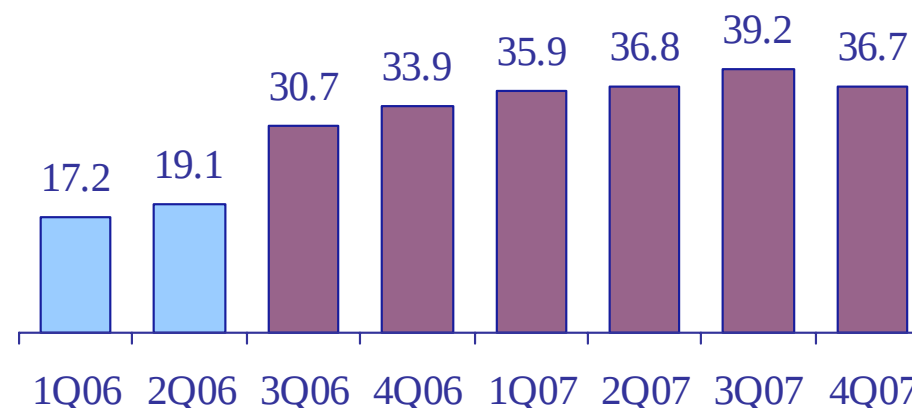
# BBVA managed liquidity risk ahead of the crisis

- 32.4 Bn of medium and long term funding from January to July 2007
- Strong deposit gathering in Spain since 2Q06

Wholesale funding (€ Bn)



Spain: Retail Term deposits – YoY Growth (%)



Our retail profile and prudent risk management have kept us out of the write-downs

**BBVA management continues to be focused on liquidity, as tensions are likely to persist**

### **Active management of liquidity risk**

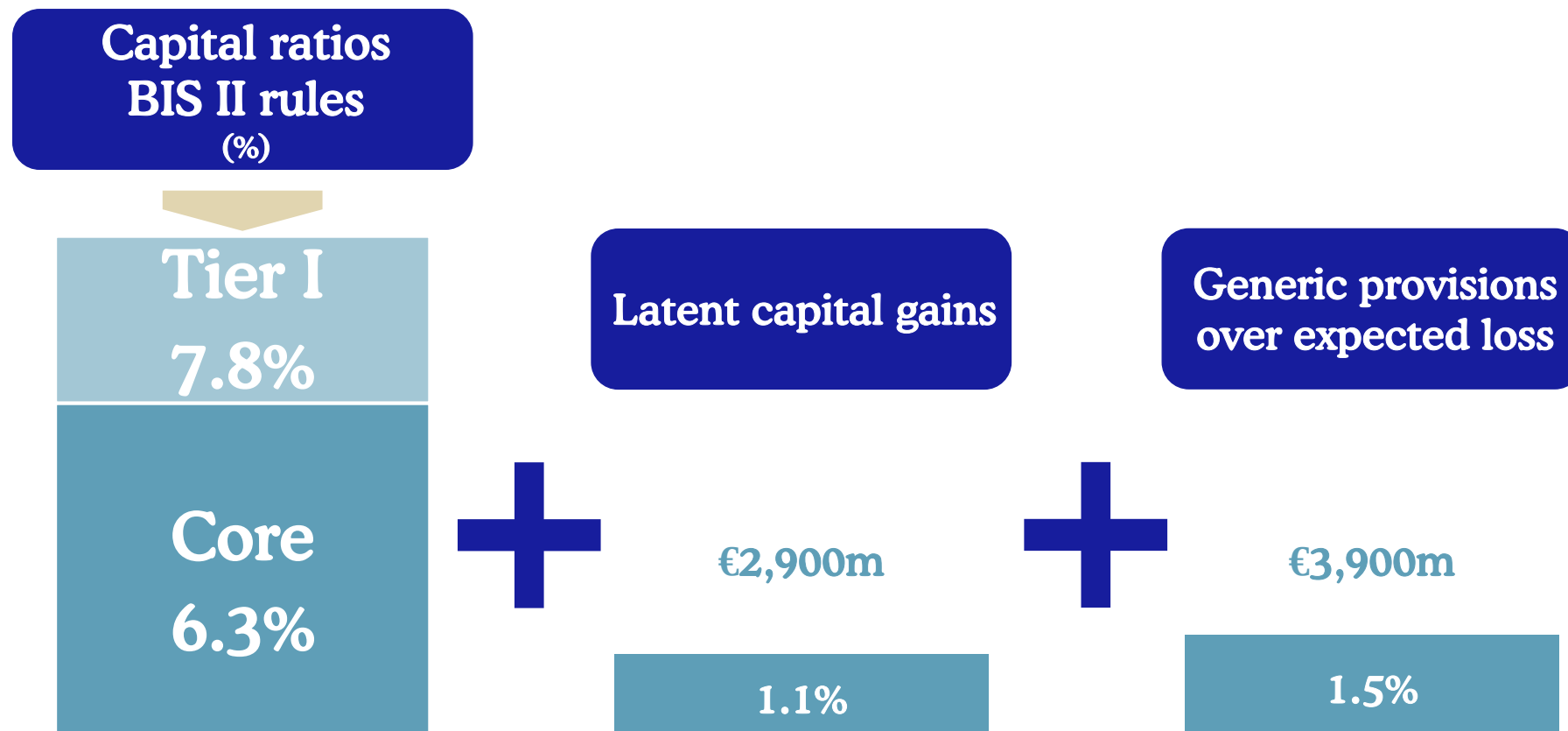
- ☐ Low concentration of future maturities
- ☐ With > €50 bn additional sources of liquidity ready to be used (covered bonds, CP programs and more)
- ☐ Strict management of the liquidity gap
- ☐ Reducing contingent liquidity lines to minimize risk
- ☐ Strict control of loan origination, favoring margins Vs. volume



**Competitive advantage in liquidity to be incrementally differential**

# Strong capital base with organic generation and sizeable capital “cushions”

**BBVA**

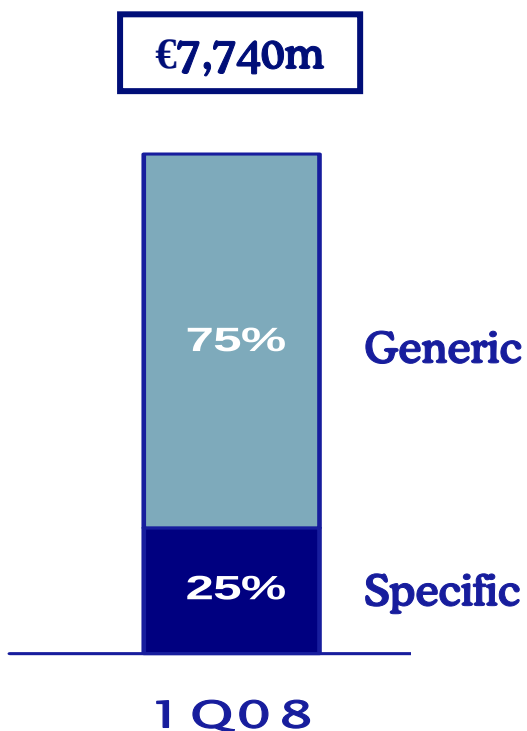


**March 2008**

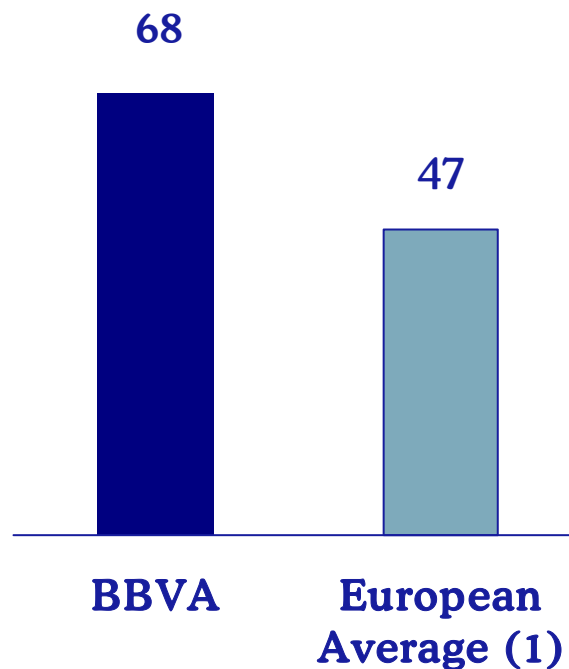
**Ordinary activities added 13 bp  
to core capital in 1Q08**

# Asset quality under control, risk premium to remain stable

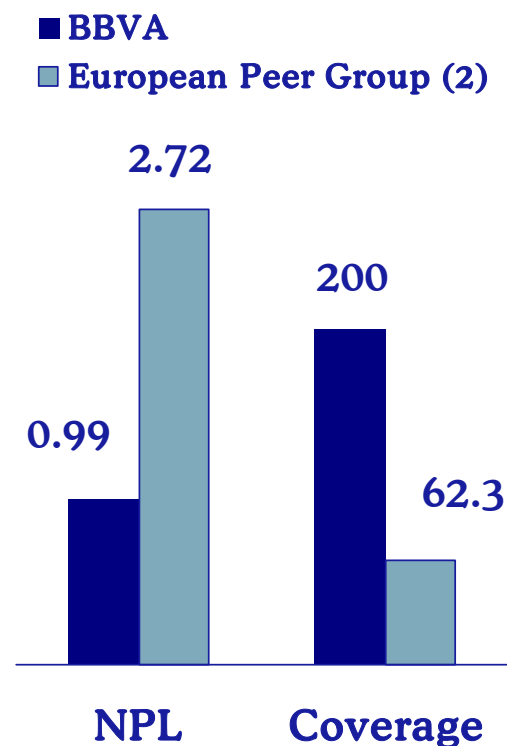
## NPL Provisions



## Risk premium (bp)



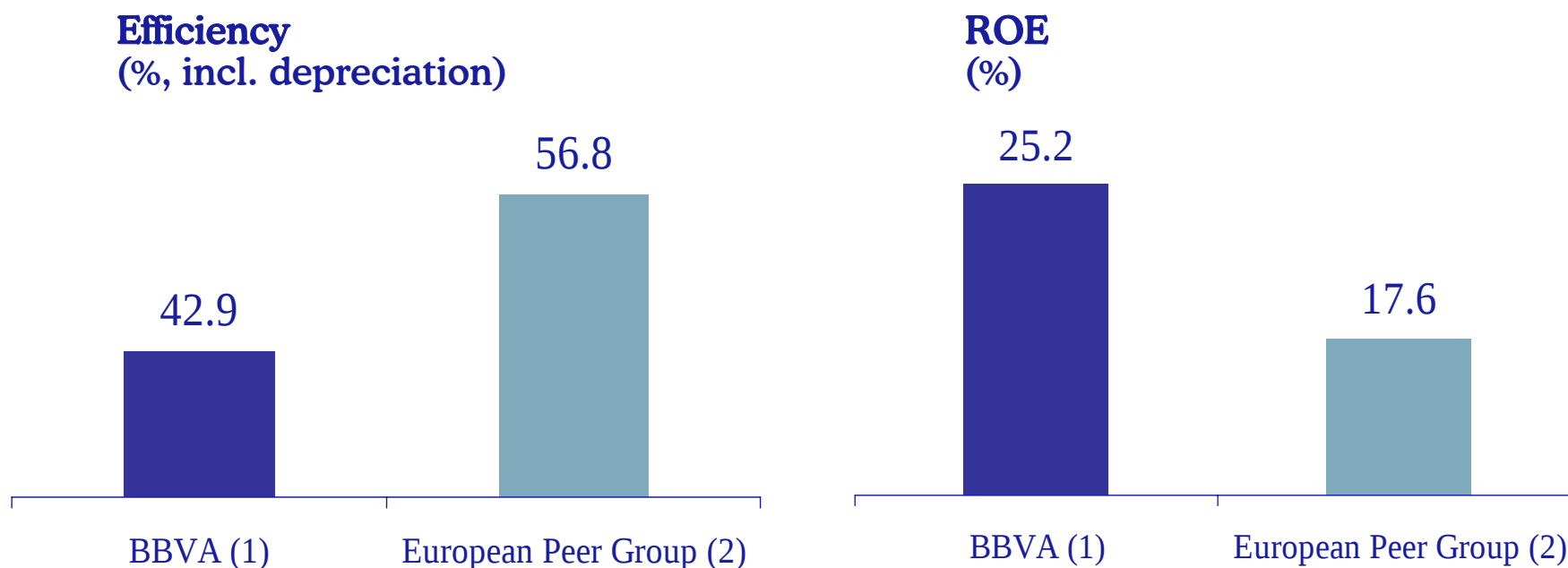
## Asset quality (%)



(1) Largest European Banks as at Dec 2007

(2) Average of the following 13 banks: Santander, Deutsche Bank, BNPP, SG, CASA, UCI, ISP, RBS, Barclays, HBOS, Lloyds, CS, UBS. Last available data

# Efficiency management credentials and sustained profitability



(1) Ex-One Offs

(2) Average of the following 13 banks: Santander, Deutsche Bank, BNPP, SG, CASA, UCI, ISP, RBS, Barclays, HBOS, Lloyds, CS, UBS.  
Last available data

# Rating agencies acknowledge BBVA´s differential situation

| BBVA Group long term ratings |            |
|------------------------------|------------|
| <b>S&amp;P</b>               | <b>AA</b>  |
| <b>Moody's</b>               | <b>Aa1</b> |
| <b>Fitch IBCA</b>            | <b>AA-</b> |

*“The upgrade is based on BBVA's more robust performance than that of its European peers, strong local franchises, increased diversification, resilient asset quality, prudent management, and reduced exposure to equity holdings.”*  
*S&P February 2008*

**BBVA, the only major bank in the world with 2 rating upgrades in the last 12 months**

# Business model matters for earnings growth potential

**BBVA**

## Banking sector

- Material write-downs
- High volatility of earnings
- Large weight of wholesale
- Unsustainable business models
- Third party origination
- Consumer finance bias
- Deep-discount capital raisings
- Material dilutions, uncertainty
- Shareholder remuneration programs reviewed or halted

High beta & high headline risk

## BBVA

- Stable emerging economies
- Low deviation of revenues
- Diversification of earnings
- Multinational retail banking
- Strength of balance sheet
- Smooth evolution of NPLs
- Low cost producer
- Sustainable business model
- Solid capital position
- Growing cash dividend

Low beta with higher alpha generation. Low headline risk

## How is the market reacting?

- Underweight of financials in the second half of 2007... with no discrimination
- Currently the focus is being placed on damage recognition and capital restoration
- Macro concerns seem to dominate market sentiment

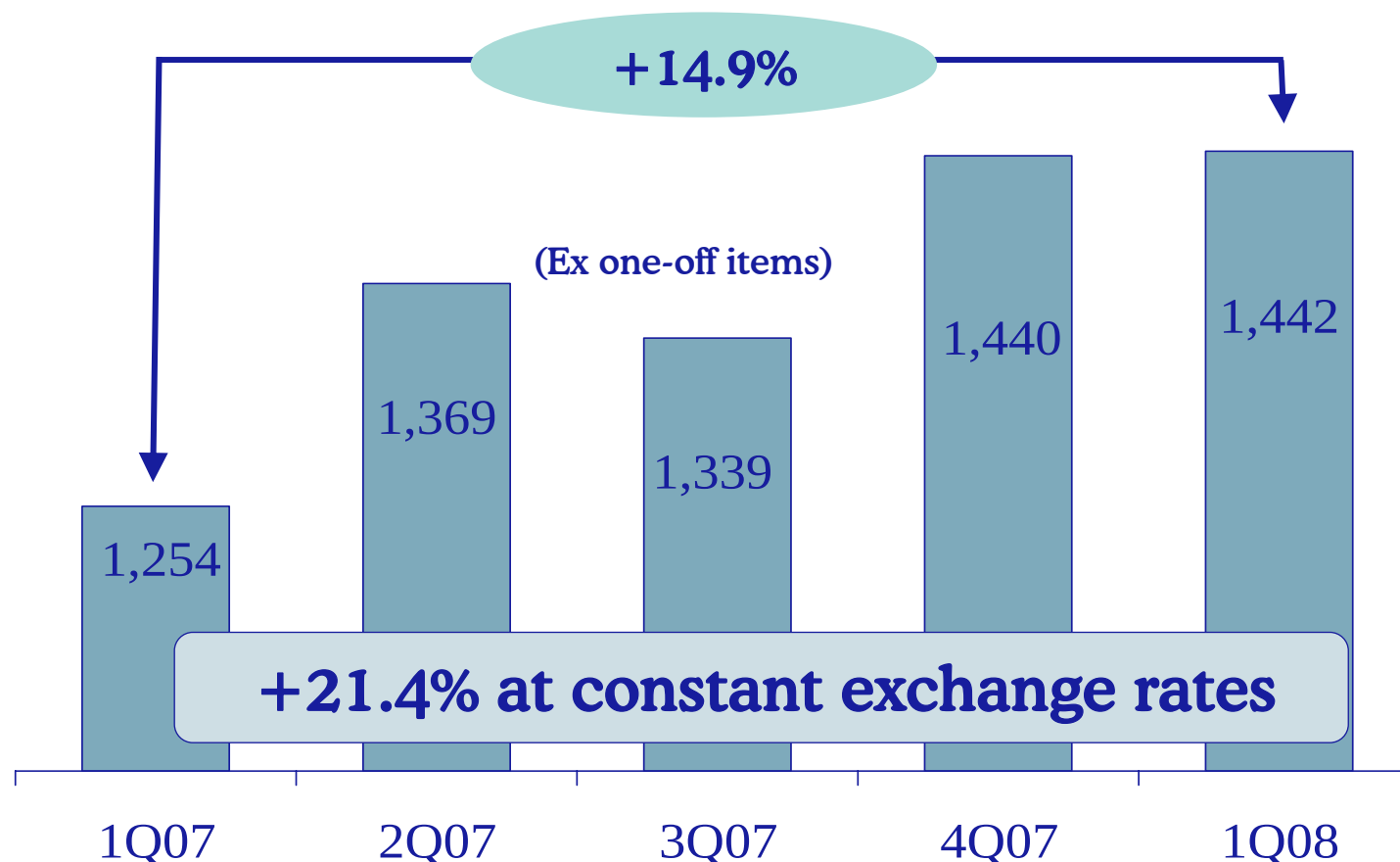
But after short term drivers are over, what will be the focus?



Earnings

# 1Q08 confirms the excellent performance of BBVA's results in a complex environment for international banks

Net Attrib. Profit  
(Ex one-off items, Mill €)



**EPS exclud. one-off items: 0.39 € (+9.6%)**

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**A unique case in the current environment**

**2**

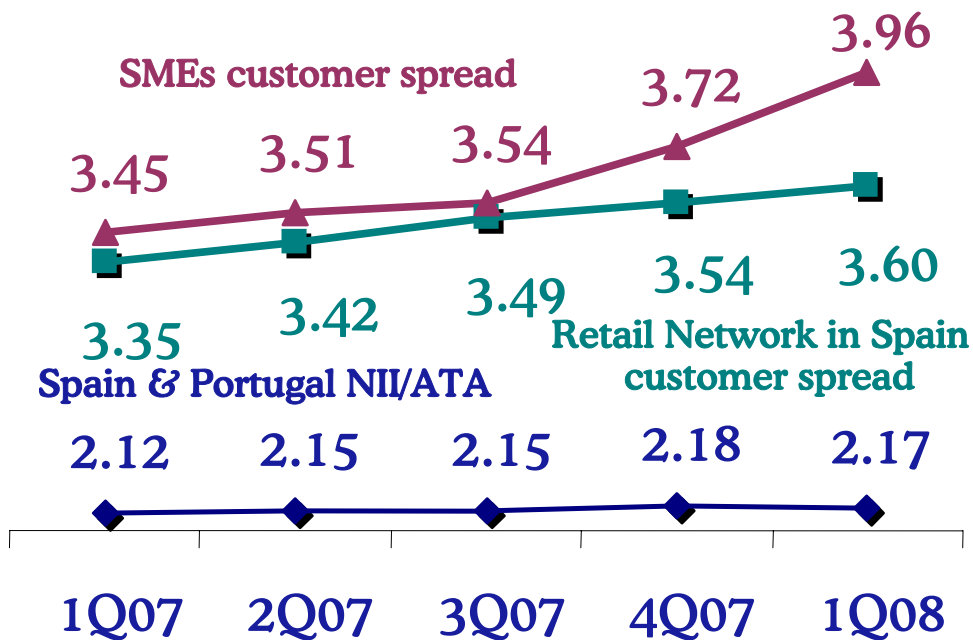
**Outperforming peers in each market**

1

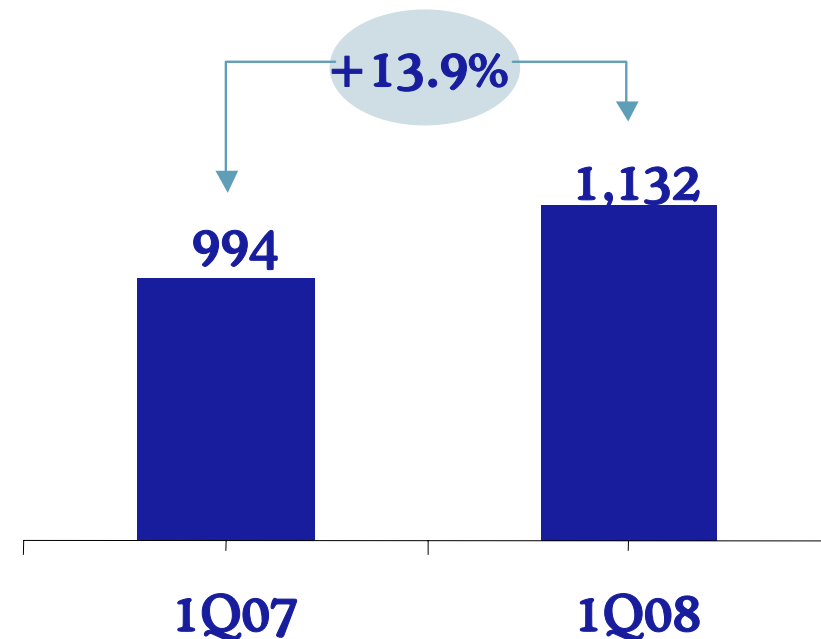
# Spain: Effective price management leads to higher Net Interest Income

BBVA

Customer spread and NII/ATA  
(%)



Net Interest Income  
(€m)

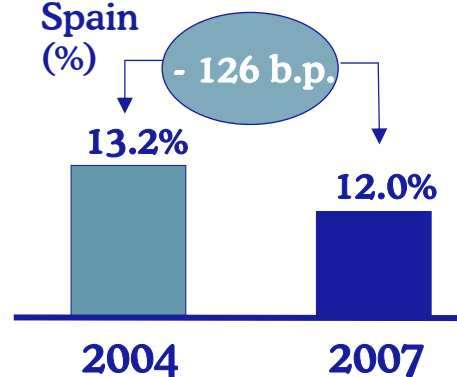


**The only bank in Spain that has widened spreads!**

# Spain: Controlled growth with low risk

## Individuals

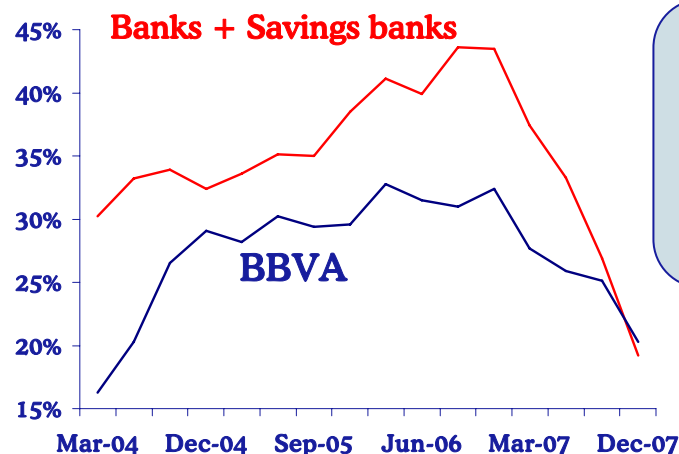
BBVA individual mortgage market share Spain (%)



NPL = 0.66%

## Developers

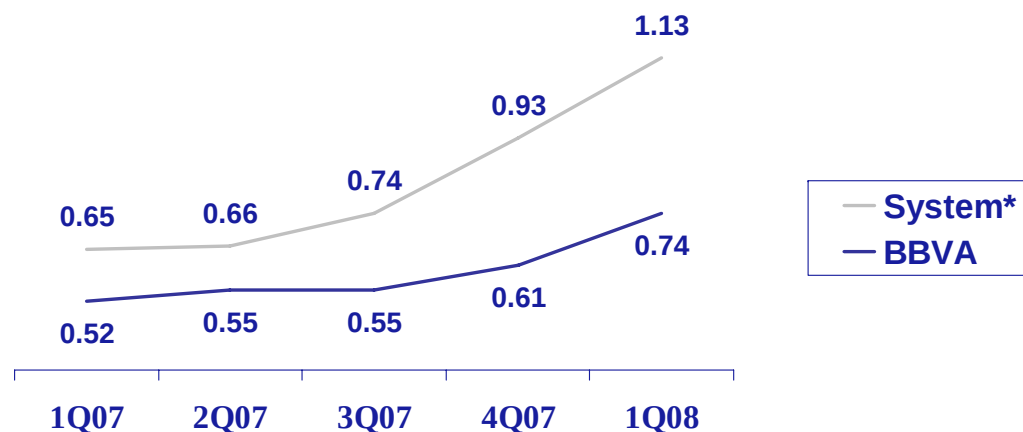
Lending growth (YoY %)



BBVA Developer market share

- 5.6% (-184 b.p. in the last 3 years)
- Selective commercial policy: 95% 1st home residential properties

BBVA NPL ratio (total Spanish loan book) Vs System NPL (%)

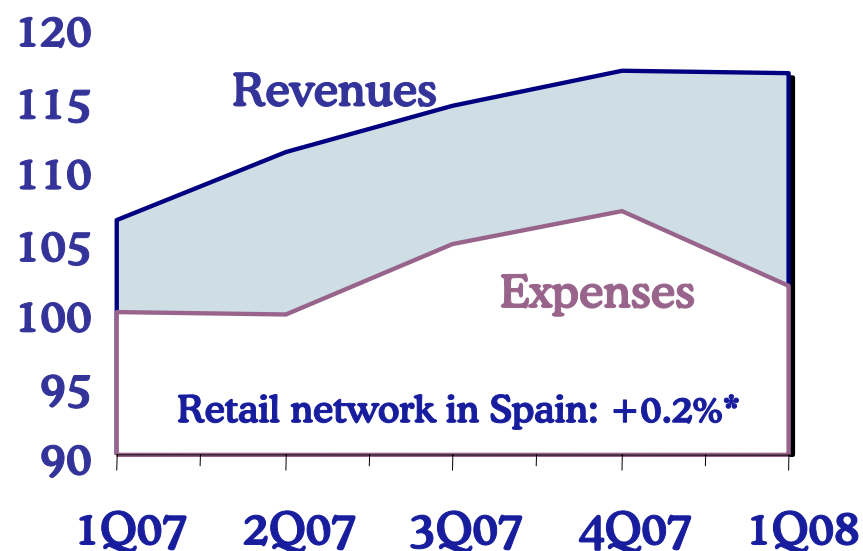


\* Last available data as of February, March system NPL estimated

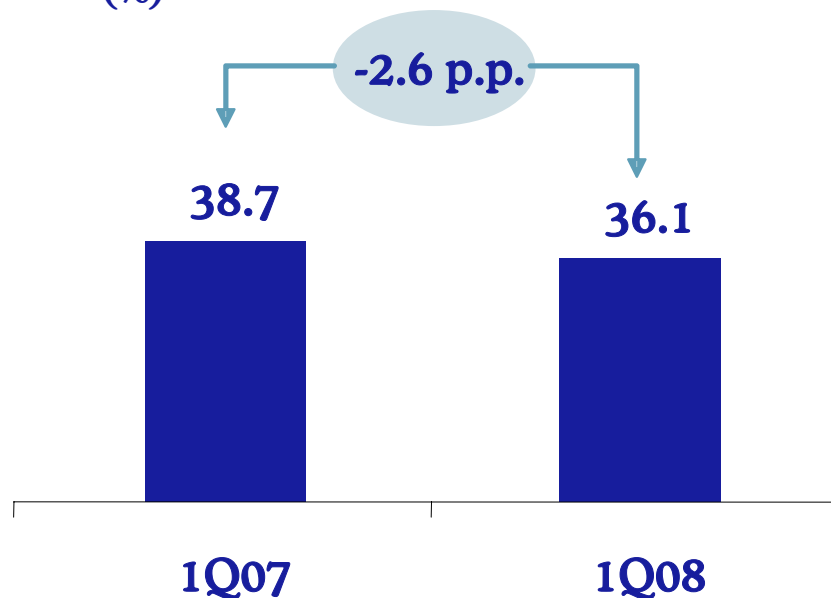
# Continuous improvement in efficiency due to Transformation Plan

In December 2006 we finalized the branch expansion and launched the first stage of a new distribution network strategy

Revenues and Costs (%)



Cost/income ratio incl. deprec. (%)



In 2007 Transformation Plan Objectives 2010

2<sup>nd</sup> stage of new distribution network strategy

\* Excluding depreciation

# BBVA is well prepared to cope with macroeconomic headwinds in Spain

## 1. Strong liquidity = ability to lend with normality

Not paying marginal rates to capture deposits + prioritizing margins Vs. volume = better spreads

## 2. Transformation Plan = flat cost growth

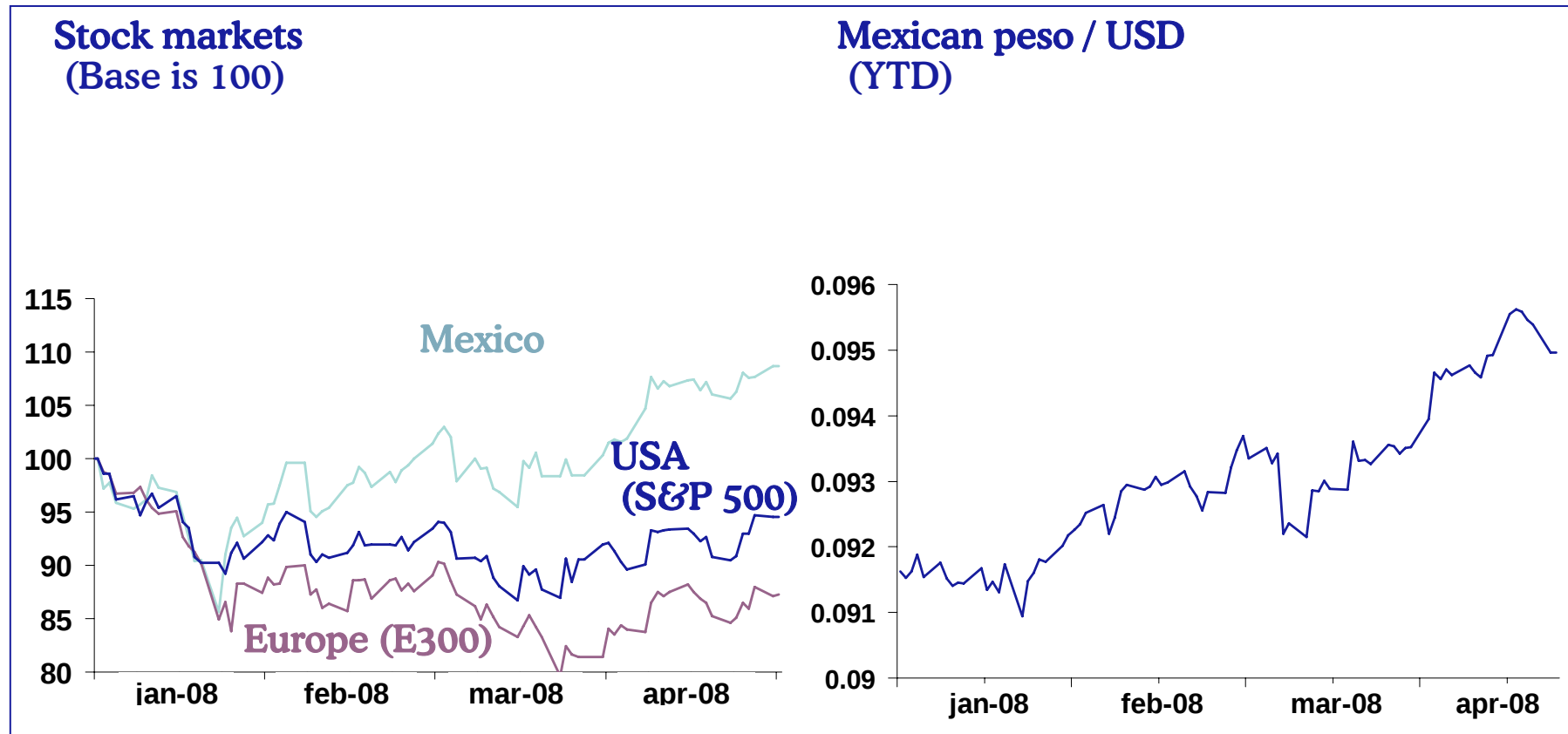
## 3. Distinctive asset quality

€3 Bn generic provisions in Spain & Portugal = stable risk premium



**High alpha bottom line performance**  
**1Q08 Spain & Portugal +18%**

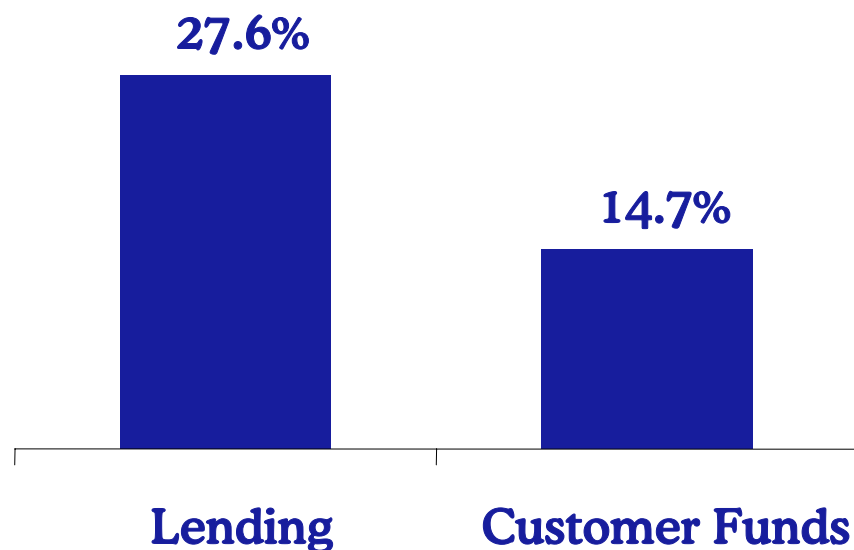
## The Mexican economy is surprising on the upside



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

# Which is clearly reflected on Bancomer's strong growth in 1Q08

Lending and Customer Funds  
(%)



Lending  
Year-on-year growth  
(Average balances)

SMEs +36.6%

Mortgages +33.6%

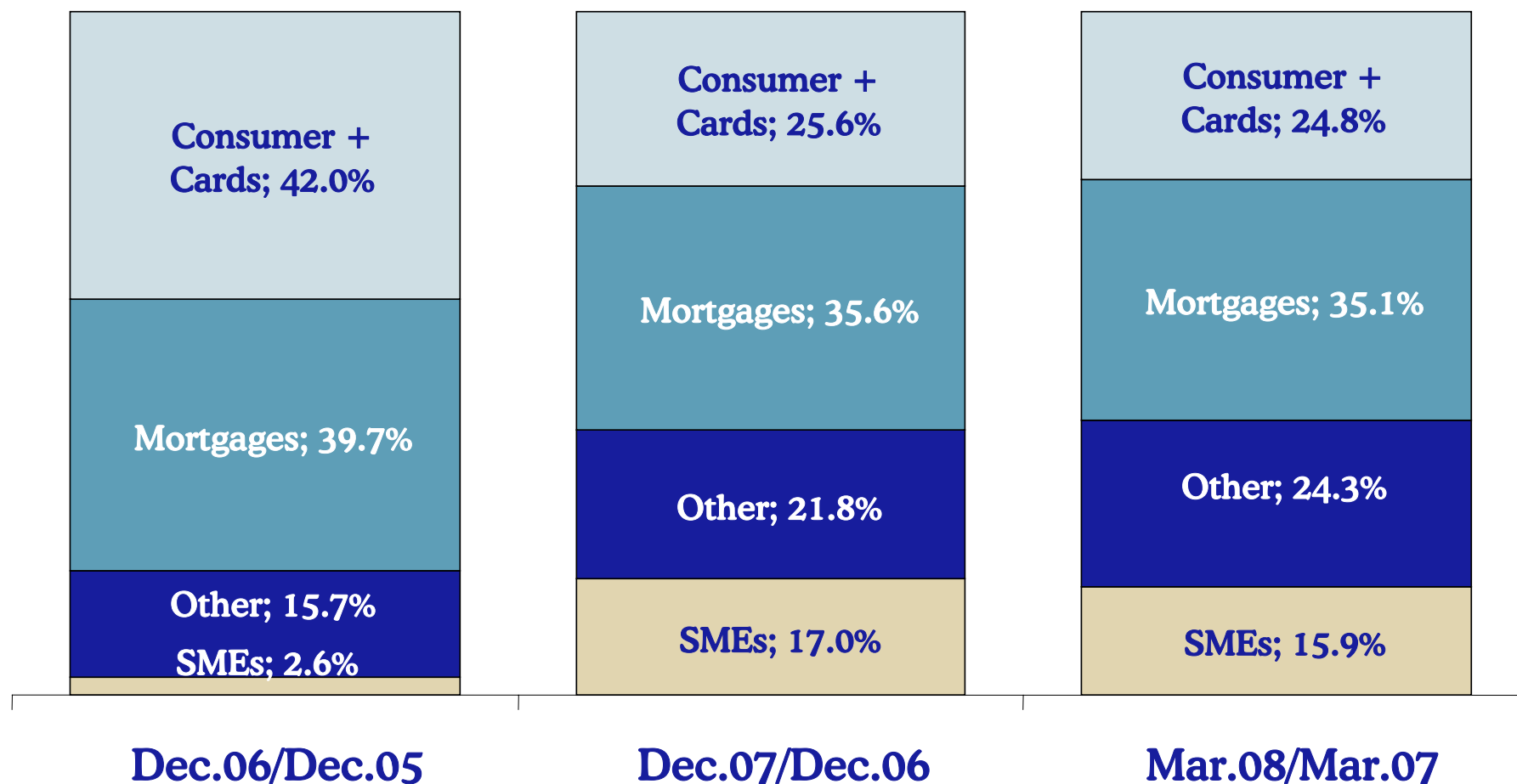
Consumer + cards: +21.4%

Current accounts +15.1%

Term + M.Funds +  
Repos + Money mkt +14.3%

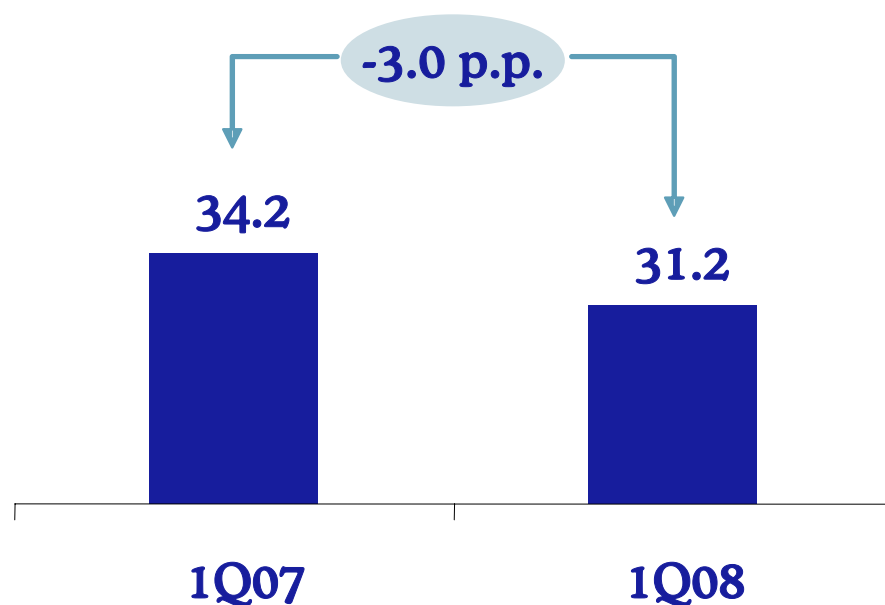
# Bancomer is ahead of the competition, actively promoting a more balanced asset mix...

Loan Portfolio (flow)  
Contributions by product  
Average balances  
(%)

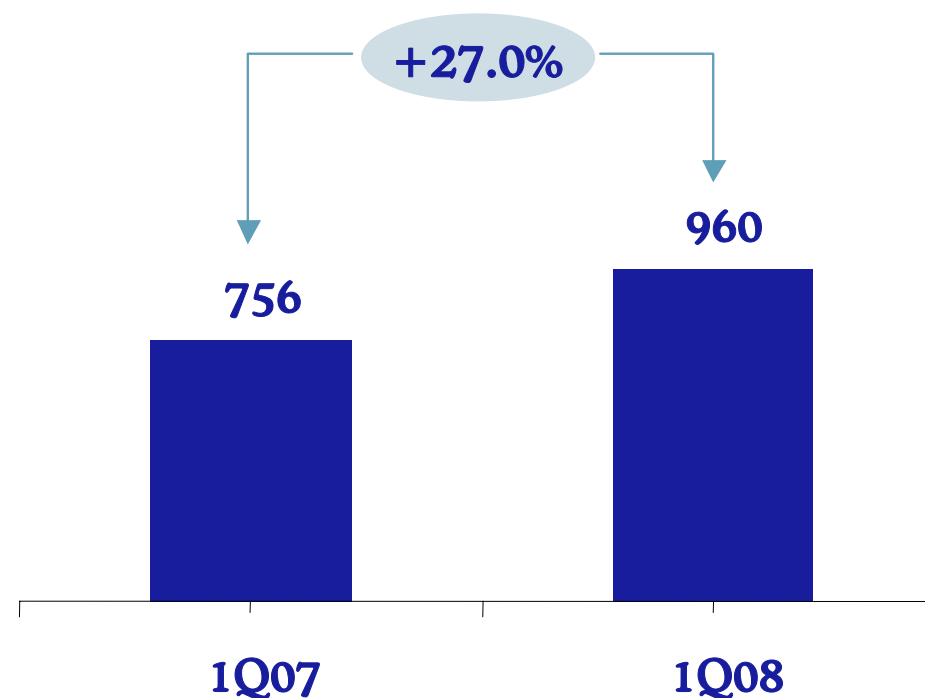


# With strong gains in efficiency and operating profit

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



Operating profit  
Mexico  
(Constant €m)

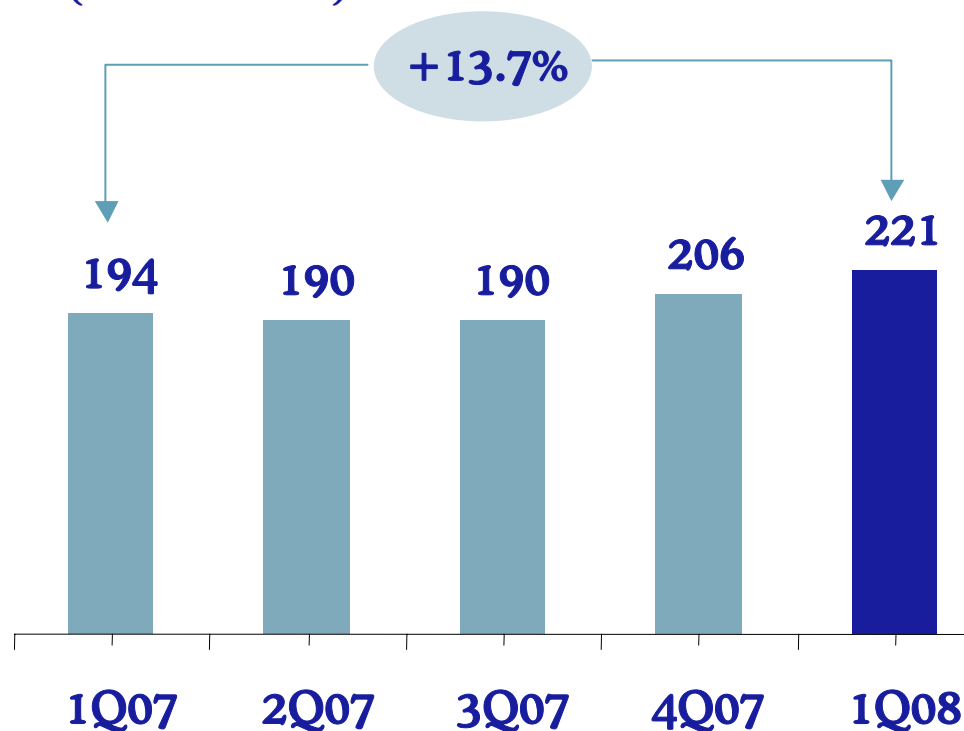


Improvements despite heavy investments in infrastructure:  
106 branches, 483 ATMs, 20,000 PoS increase in 2007

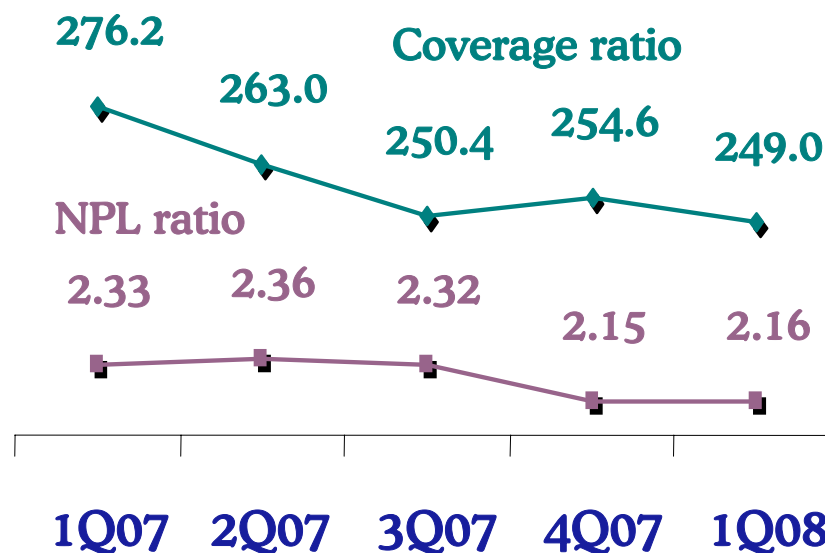
# NPL levels flat - thanks to high asset quality

**BBVA**

Impairment losses  
Mexico  
(Constant €m)



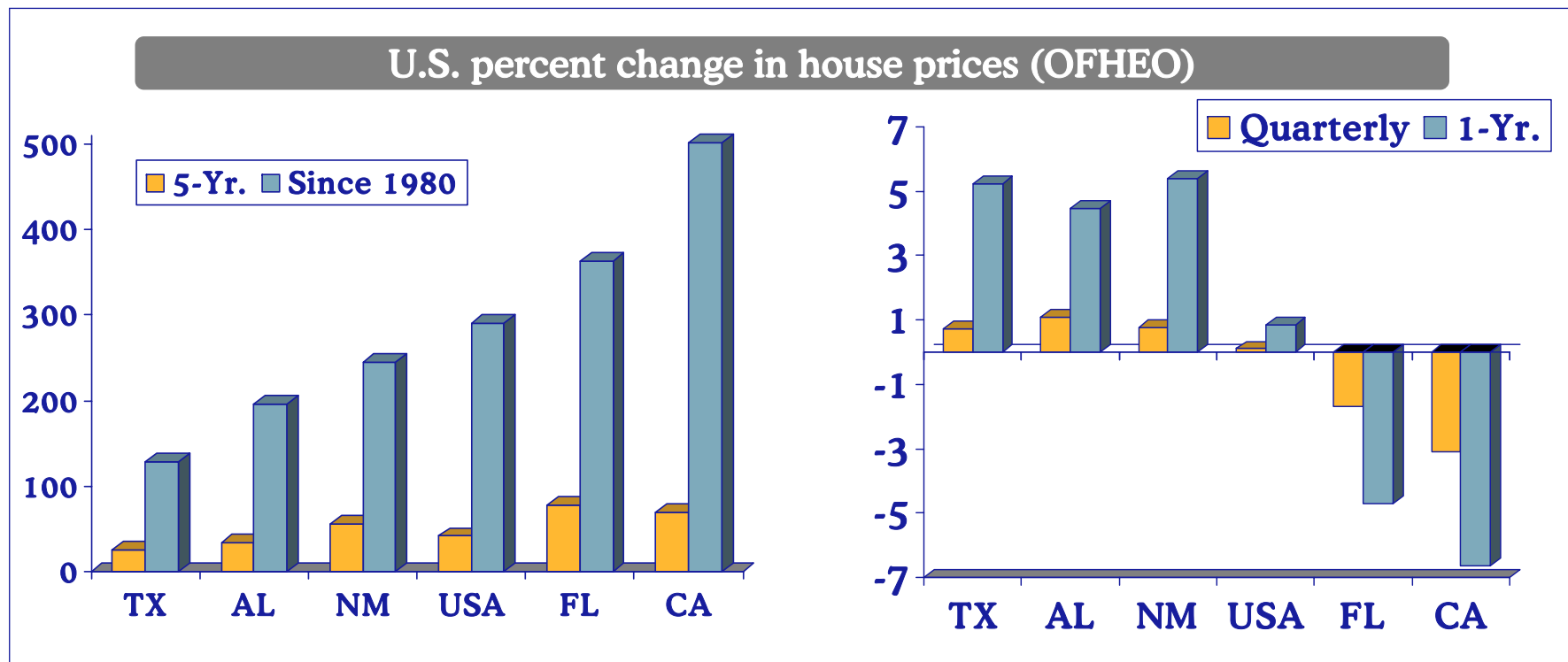
NPL and Coverage Ratios  
Mexico  
(%)



Provisions and NPL's have stabilized as a result of strict risk management and expected loss provisioning

## BBVA has a distinctive position in the USA

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



**Business growing despite complex economic environment**  
**Compass BG 1Q08\*: Cust. funds + 8.6%, Lending +9%**

# ...while integration plans progress well

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%          |

## Global Businesses



Outstanding performance of Corporate & IB in 1Q08, combining strong lending activity (+35.3%) with margin improvements (NII +40.1%)

Customer activity is the main driver of market revenues (77%)

Excellent management of lending and market risk (NPL 0.02% & very stable average daily VAR of €22 M)

A comprehensive relationship model for our global customers

## South America



**Favorable macroeconomic environment and strong evolution of activity and revenues in 1Q08**

**Significant improvements in efficiency and credit quality, positively reflected on P&L**

**Well diversified and strong franchise by business and country with a different business model**

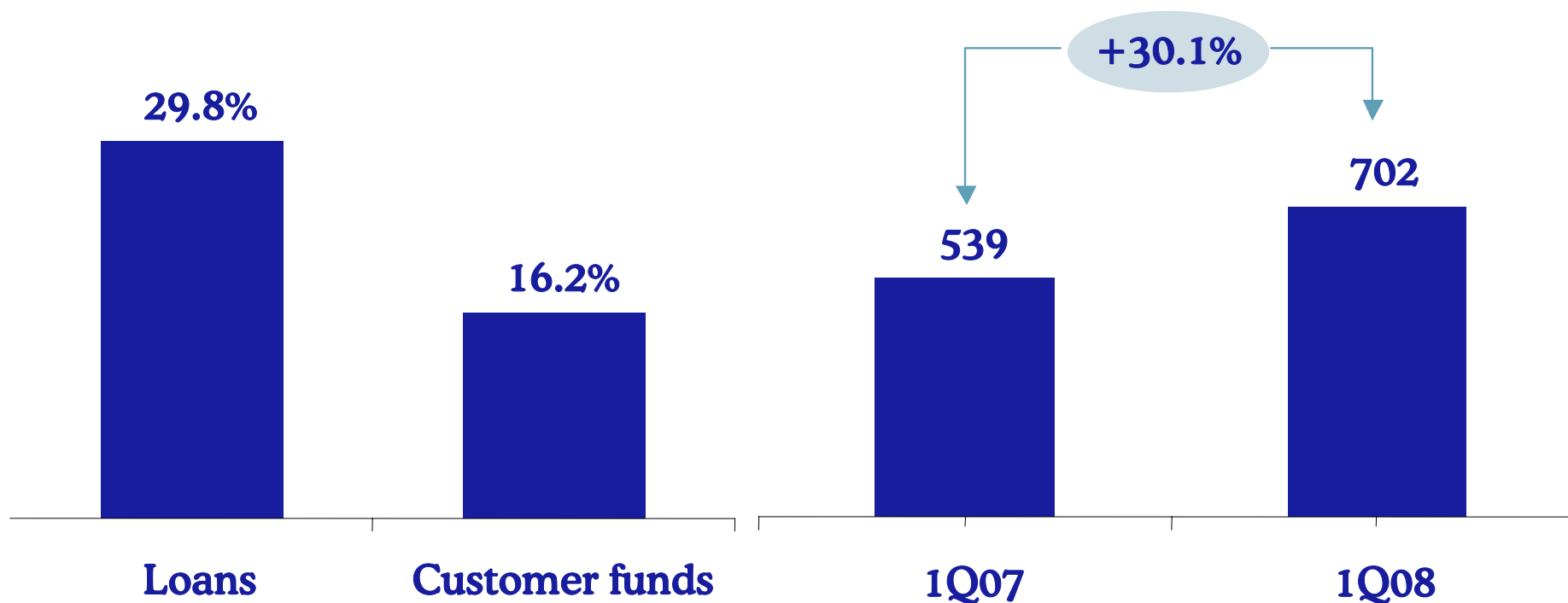
**Long term bancarization and asset management opportunities remain**

# Sharp growth in lending and customer funds

**BBVA**

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

Core revenues  
(€m constant)

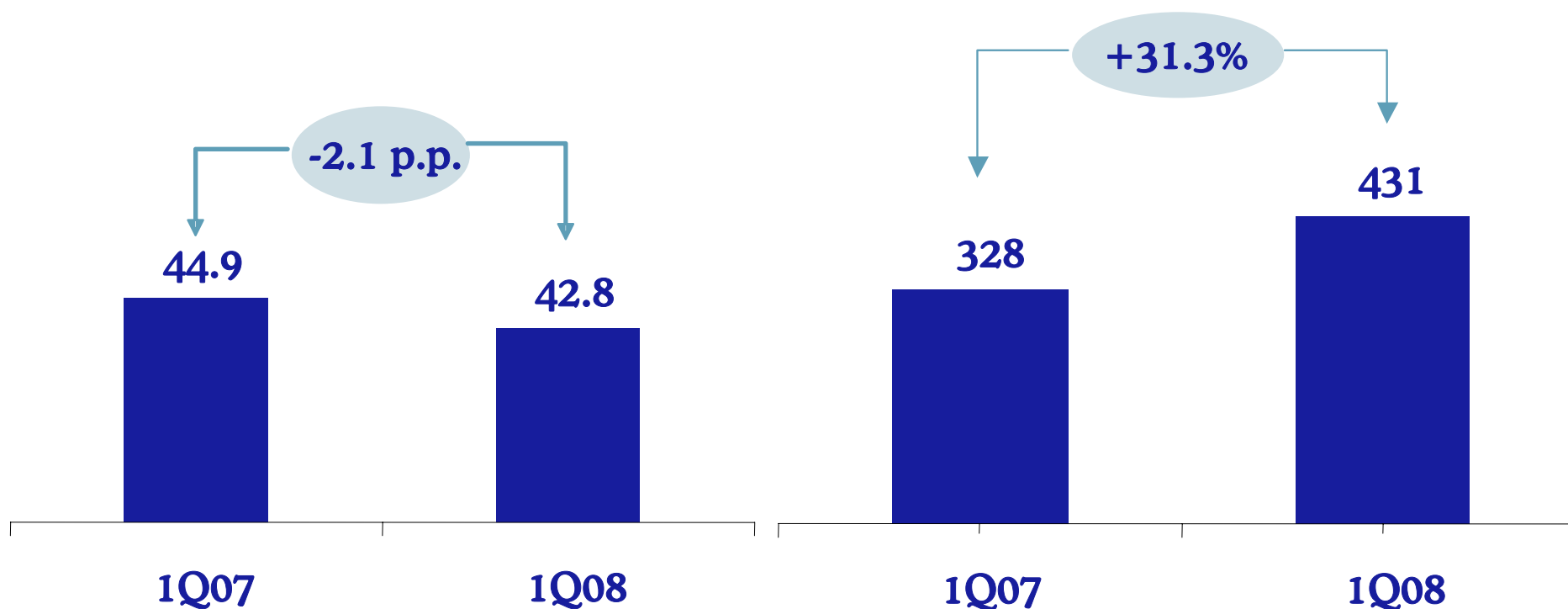


**Good performance in all countries**

# Improvement in efficiency boosts operating profit

Cost/income ratio incl. deprec.  
(%)

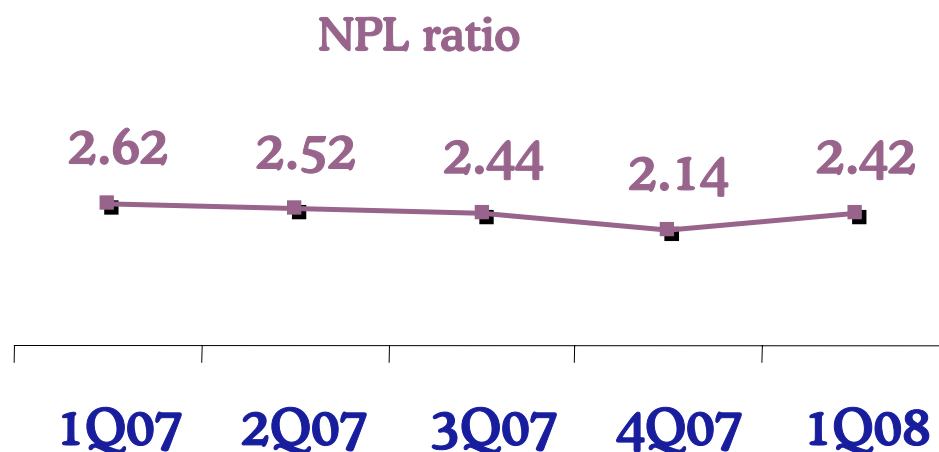
Operating profit  
(Constant €m)



Bottom line growing at 19.4%

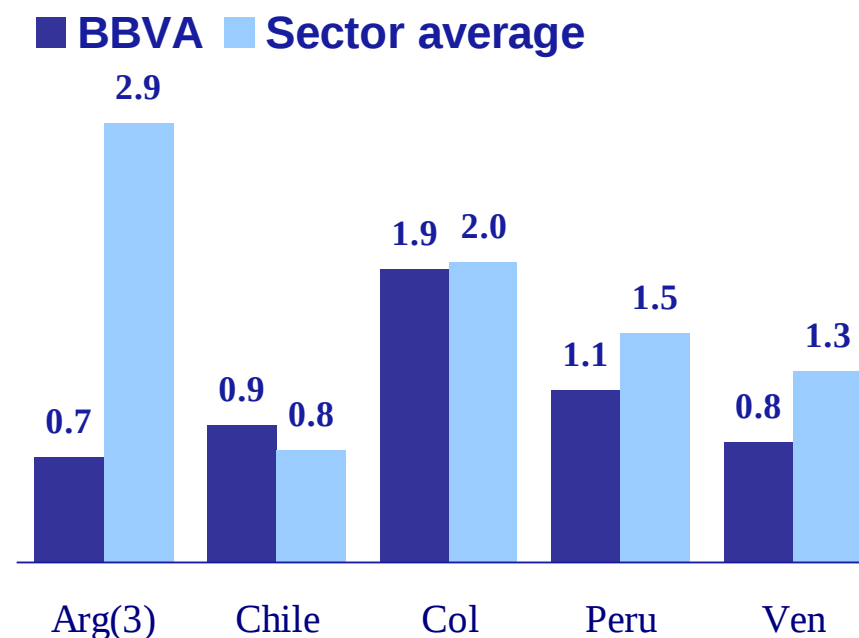
# Stable asset quality control despite strong growth

**BBVA South America NPL ratio (%)**



**Coverage ratio**  
131%

**BBVA South America Vs. Sector (4Q07) (%)**



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

## In short:

**It is and will be about earnings**

**Key drivers to deliver earnings cannot be improvised**

**1**

**Portfolio mix and business model**

**2**

**Capability and track record of efficiency management**

**3**

**Superior asset quality**



**BBVA, an earnings play**

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