Getting out of the Storm

Manuel González Cid, CFO

Barclays Global Financials Conference
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3 BBVA: challenges and opportunities

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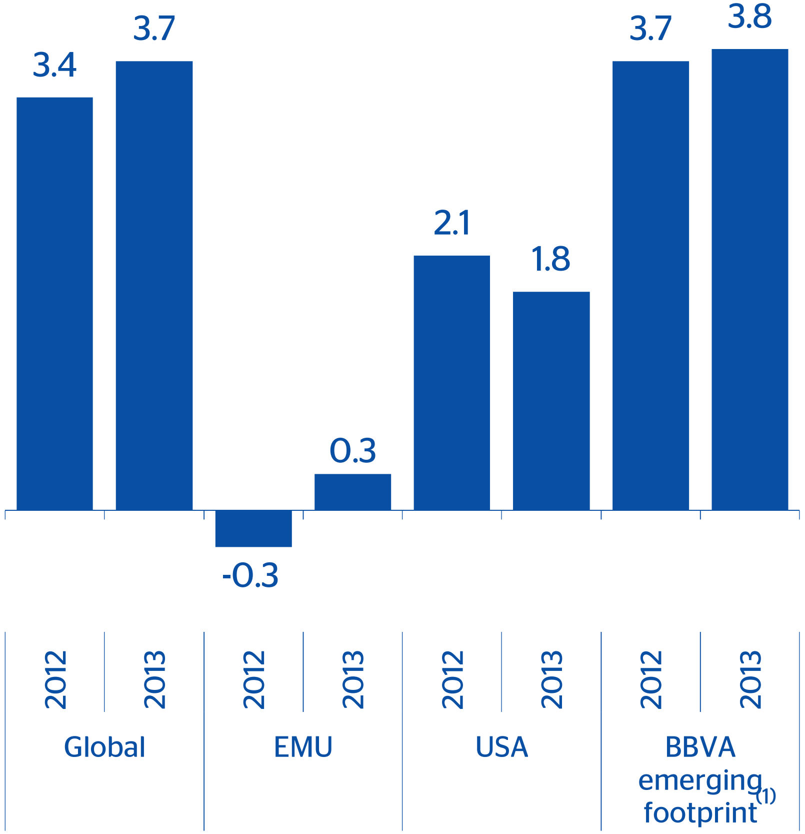
Global uncertainties with Eurozone as the main focus of the market

Real GDP growth
(% yoy)



Improvements in the European integration, but enough to settle debt crisis?

High financial stress in Europe, with credit restrictions' risk

Expansionary monetary policy but heterogeneous among Fed, BoE and ECB

Slow, heterogeneous and vulnerable recovery

Source: BBVA Research.
(1) Mexico, South America, China and Turkey weighted average real GDP growth, based on their contribution to BBVA Group's operating income.

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Recent progress in the architecture of Eurozone

New ECB Focus on financial stability

Banking union

Key elements to restore investors' confidence and strengthen the European financial sector

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New ECB focus on financial stability

September 6th announcements

1. Unlimited purchases of sovereign debt (OMT*)
2. No seniority over other debt holders
3. Focus on shorter part of the curve
4. Widening of the accepted collateral

- Anchoring risk premium expectations
- Tail risks diminishing
- Now it is time for countries to make a decision

Will Spain or Italy make a formal request?

(*) OMT: Outright Monetary Transactions

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The Banking Union is a fundamental step to build a stronger and genuine EMU

Four pillars

1. Capital and Liquidity single rule book
2. European Supervisor
3. A common resolution framework
4. A common deposit guarantee scheme

State-of-the-play

Pending final approval (pillar 1)
Likely in October/November
(Effective from January 1, 2013)

Under discussion (pillar 2)
Draft proposal in mid-September

Under discussion (pillars 3 and 4)
Draft proposal presented in June 2012
(Expected Implementation 2015-2018)

The banking union will provide ...

... more transparency and homogeneity

... a level-playing field

... reducing systemic risk

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Spain is addressing the fiscal consolidation and the final stage of the financial sector restructuring

Fiscal Consolidation	• **Spanish debt** is **sustainable** and deficit is being corrected • **Measures** already announced > **6% of GDP** • **Focus on fiscal consolidation effort** (structural deficit) vs a specific target • **Mechanism to control Regions' accounts** by Central Government

Financial Sector Reform	• **Stage 1 - Consolidation:** reduction in the number of savings banks (from 45 to 11)
	• **Stage 2 – RE clean-up:** 74% system coverage of problematic assets and 45% of total exposure
	• **Final stage – Recapitalization & restructuring:**
	    • **€100Bn available** from EU
	    • **Final recapitalization needs** to be known by the 2nd half of September
	    • **A clear regulatory framework** for intervention and resolution of financial institutions
	    • Creation of a **"Bad Bank"**

- Spain is doing its homework and time is needed to see its impact
- Financial sector reform to be completed within 2012

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A busy Fall to achieve a definitive Eurozone framework

	Sep-12	Oct-12
EUROPE	• **Sep 11:** EC unique supervisor proposal • **Sep 12:** German Court decision on ESM • **Sep 12:** Elections in the Netherlands • **Sep 14-15:** Ecofin	• **Oct 4:** ECB • **Oct 9:** Ecofin • **Oct 15:** Portugal program revision • **Oct 18-19:** European Council meeting
SPAIN – Recapitalisation process	Bottom-up analysis results	First capital injections
SPAIN – "Bad Bank"	Regulation approval	
SPAIN – ECB OMT request	?	

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BBVA: key positives

1	Top line growth
2	RE clean-up
3	Active balance sheet management
4	Capital strength

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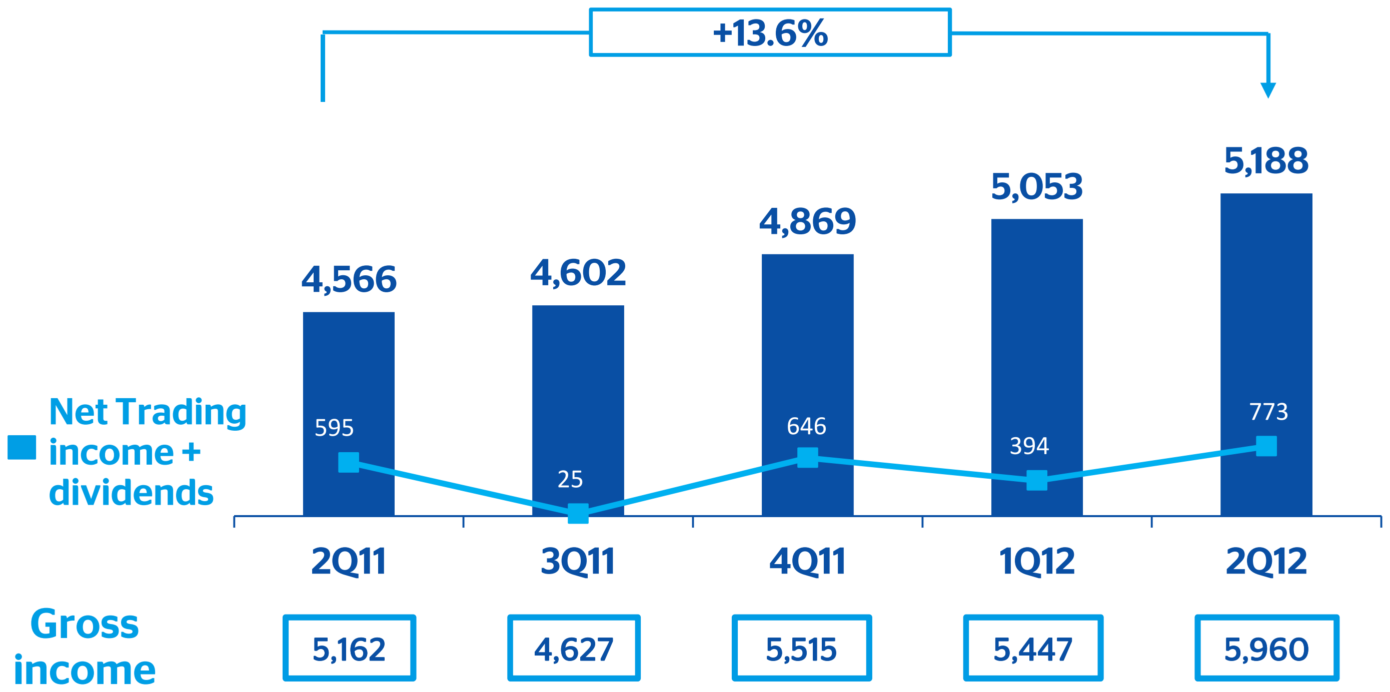
Strong recurring gross income ...

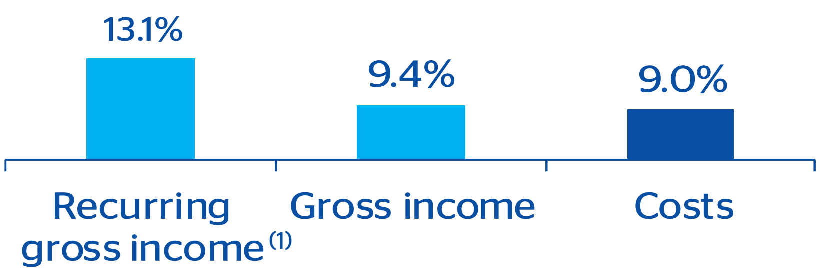
Recurring gross income [(1)]
BBVA Group
(€ Mn)



(1) Recurring gross income includes gross income net of net trading income and dividends.

… growing faster than costs

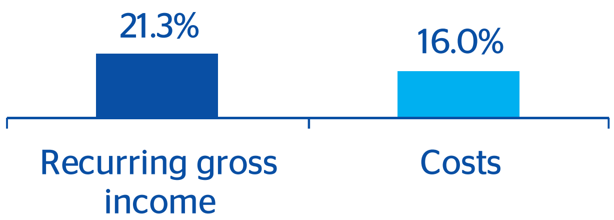
Gross income vs costs
BBVA Group
(Y-o-y change)



- Efficiency improves – and leadership positions maintained vs. peer group
- Capitalizing on the investment plans of earlier quarters

Developed mkts

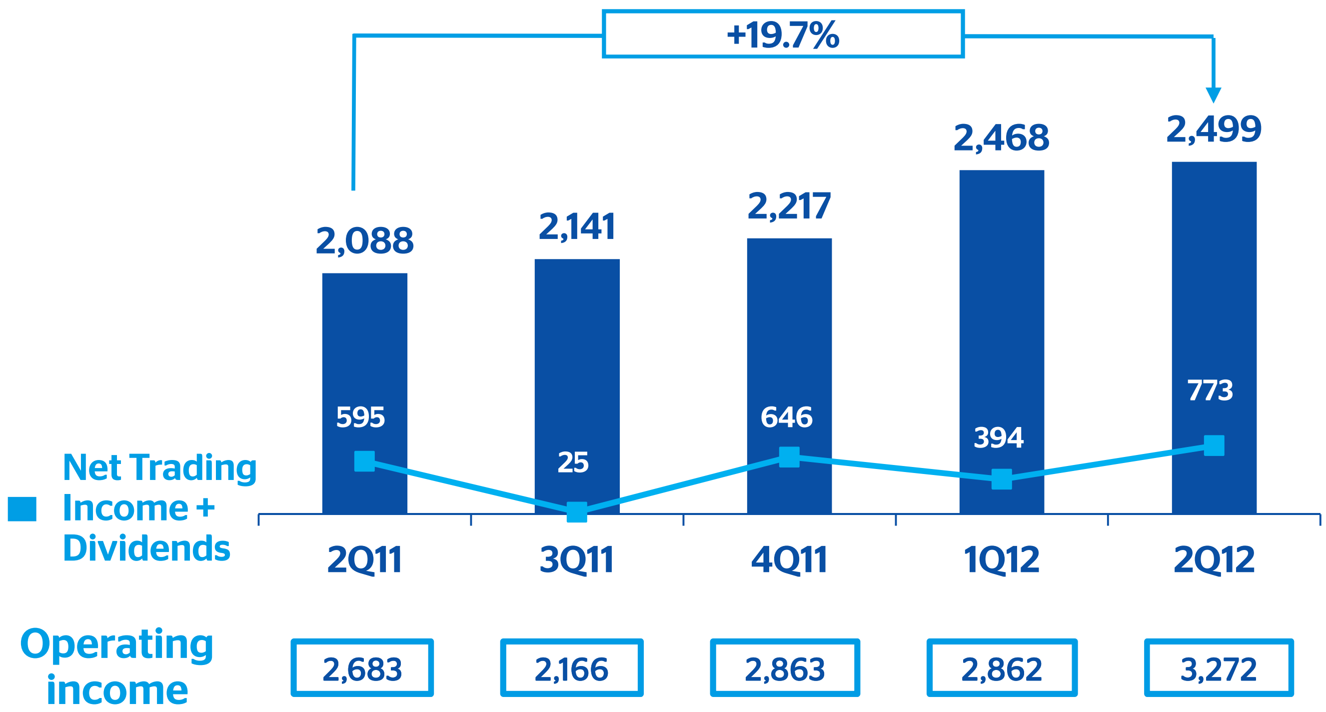
Emerging mkts



(1) Recurring gross income includes gross income net of net trading income and dividends.

Solid operating income, remaining at high levels ...

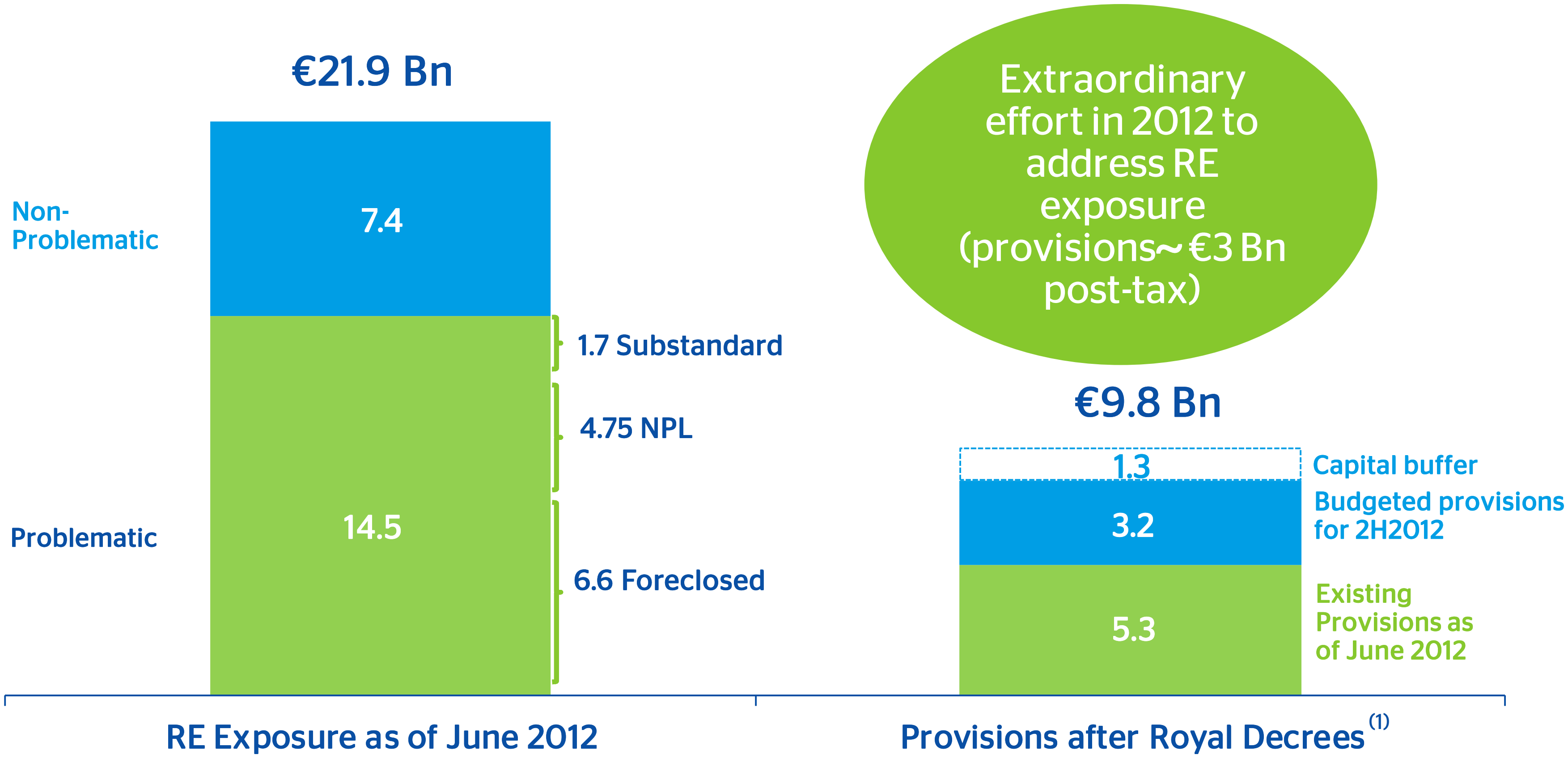
Recurring operating income (1)
BBVA Group
(€ Mn)



... the best buffer to absorb unexpected losses

(1) Recurring operating income includes operating income net of net trading income and dividends.

Complete Spanish Real Estate clean-up in 2012 …

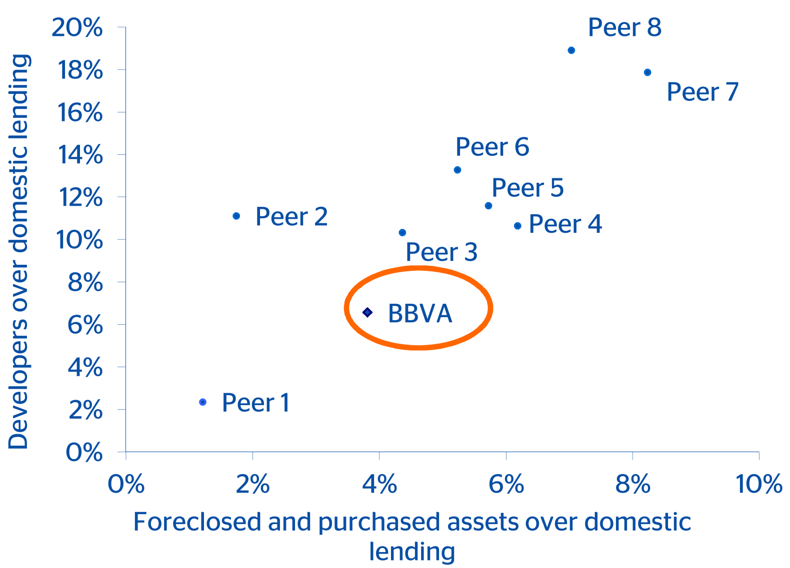


By year end 2012, coverage will reach 68% of RE problematic assets (45% of total exposure) (2)

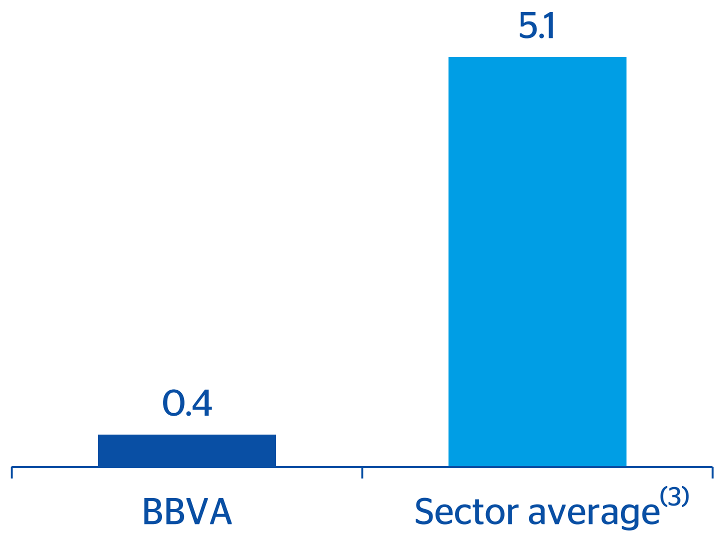
(1) Includes both RD 02/2012 and RD 18/2012.
(2) Coverage ratios include the capital buffer required by RD 02/2012 (€1.3 Bn).

… without making use of extraordinary measures

Low relative RE exposure
BBVA vs peer group (1)
Data as of June 2012



Number of years needed to absorb Royal Decrees provisions (2)



Other financial institutions needed to receive public aid, merge or sell strategic assets

(1) Peer Group: Santander, Banesto, Bankinter, Caixabank, Unicaja, Sabadell, Popular+Pastor and BFA (Bankia).
(2) Considering RD 02/2012 and RD 18/2012 and total operating profit 2011.
(3) Sector includes: Banco de Valencia, Bankinter, BFA, BMN, Caixa+Banca Cívica, Cajamar, CatalunyaCaixa, Ibercaja+Caja3, Kutxabank, Liberbank, Nova Caixa Galicia, Popular+Pastor, Sabadell+CAM, Santander+Banesto and Unicaja+Caja España+Caja Duero.

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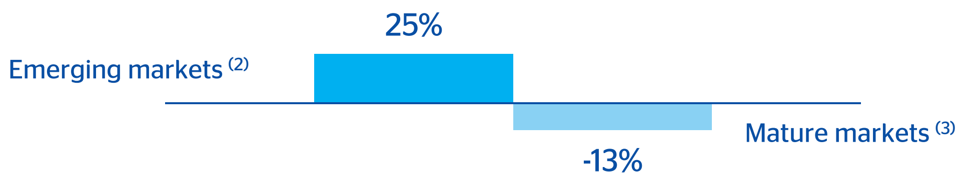
Proactive balance sheet management

ABS tender offer	• Repurchase of **€638 Mn for €388 Mn** (39% average discount) • **Maximization of capital gains (€250 Mn),** minimizing cash outflows

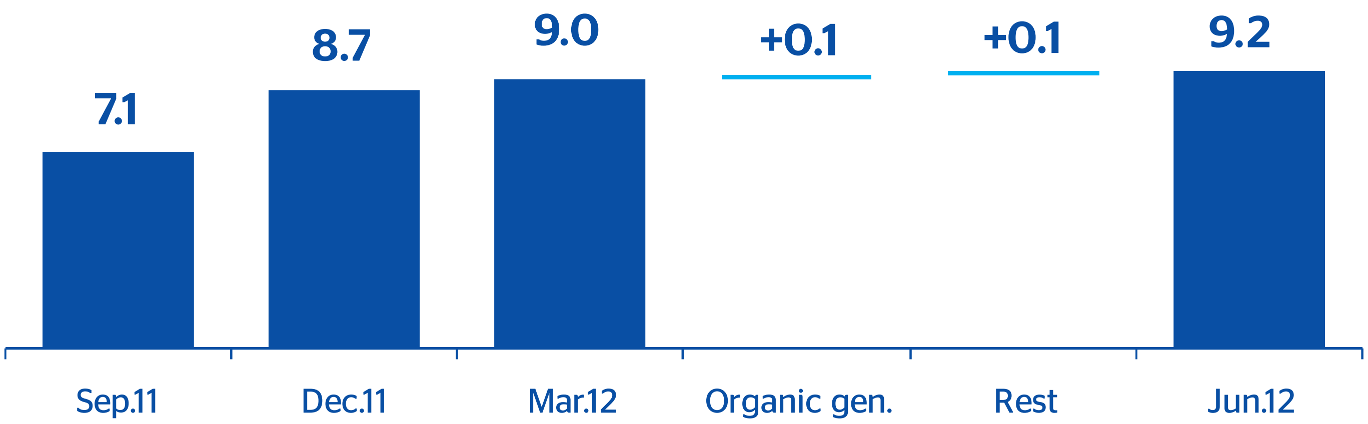
Portfolio Management	• **Puerto Rico sale: lack of critical mass** to develop BBVA's business model
	• **Strategic review of LatAm pension business:**
	    • **Lack of synergies with BBVA´s core business** in the region
	    • **Interest** from potential buyers
	• **Unnim acquisition:**
	    • Improving balance sheet structure in Spain, doubling market share in Catalonia
	    • **Limited risks** and **marginal impact on capital**

CIB selective deleverage [1]	

(1) CIB excluding Markets Division – Gross loans evolution June 2010 – June 2012
(2) Emerging markets include Asia, Mexico and South America.
(3) Mature markets include Spain, rest of Europe and USA.

Organic generation of capital and compliance with EBA requirements

Core capital ratio (EBA)
BBVA Group
%



Deficit / surplus	**-€6.3 Bn**	→	**+€0.6 Bn**

- Limited pending dilution from convertible bond (2/3 already converted)
- Maintaining the dividend policy, including cash and scrip dividends

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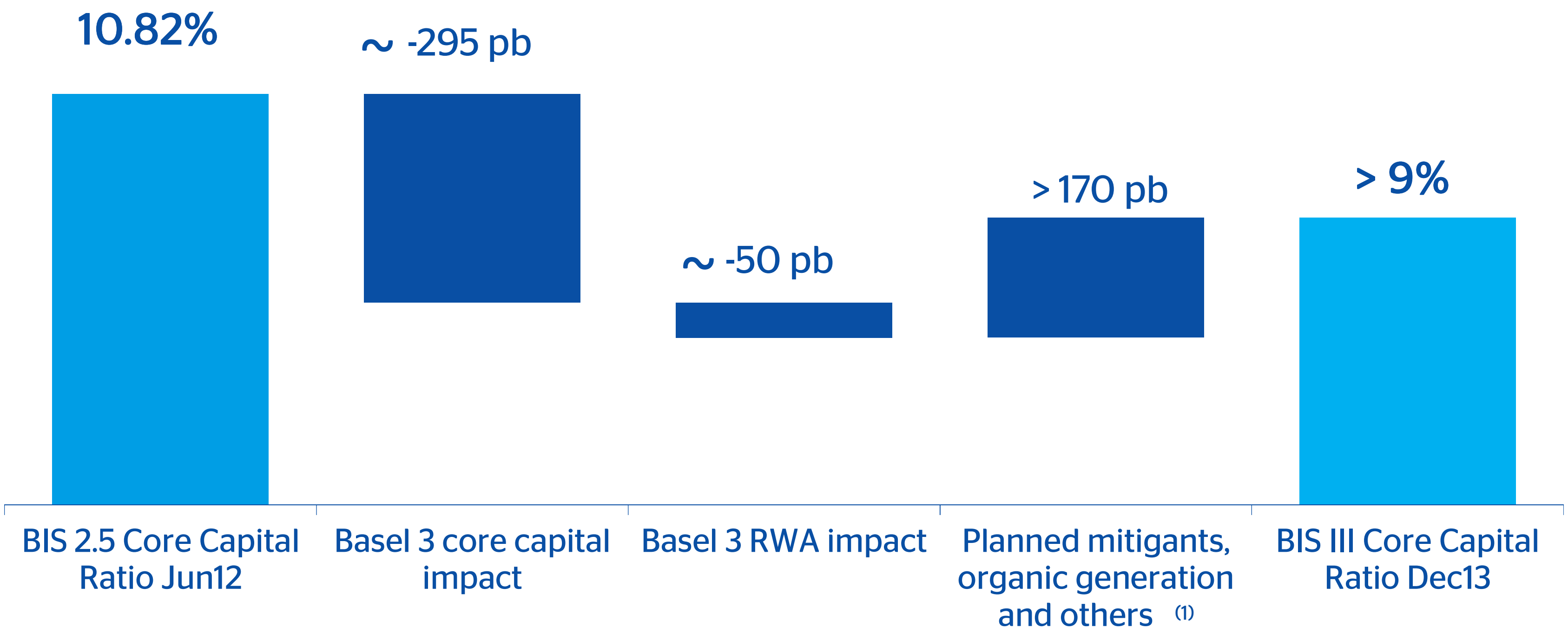
Fully-loaded Basel 3 impact pro-forma



(1) Others include the impact from Unnim acquisition.

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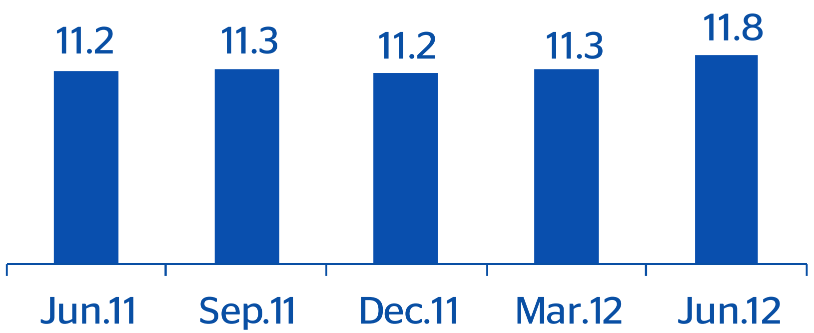
BBVA's challenges and opportunities

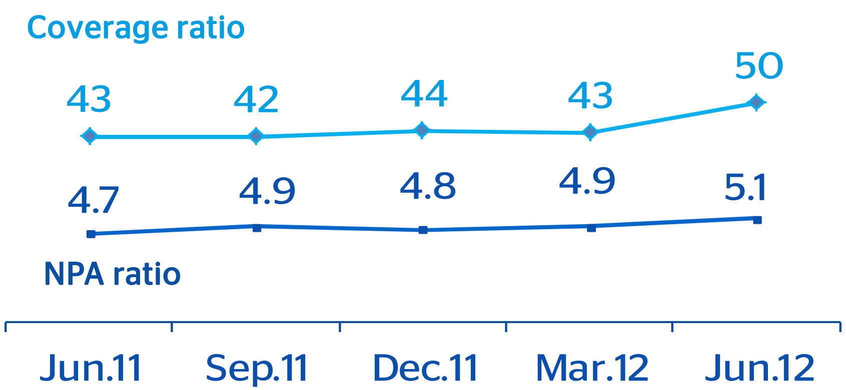
1. Asset quality in Spain
2. Balance sheet management
3. USA: improving profitability
4. Eurasia: growing revenues
5. South America: outstanding performance
6. Mexico: leadership in an increasingly attractive market

Slight uptick in NPAs and NPA ratio in Spain ...

NPAs – net balance
(€ Bn)



NPA & coverage ratios
(%)



… explained by developers and SMEs

Jun. 12 Change Jun.12 vs. Dec.11	Exposure (€ Mn)	NPA ratio	YTD NPA Flows (€ Mn)
Developers	13,874 (-7%)	34.2% (+613 bp)	+561 (+13%)
SMEs	24,781 (-5%)	6.9% (+123 bp)	+233 (+16%)
Retail (1)	95,814 (-3%)	3.8% (-10 bp)	-211 (-5%)
Other (2)	95,216 (+2%)	1.8% (+10 bp)	+48 (+3%)

RE developers well covered after extraordinary provisioning effort in 2012

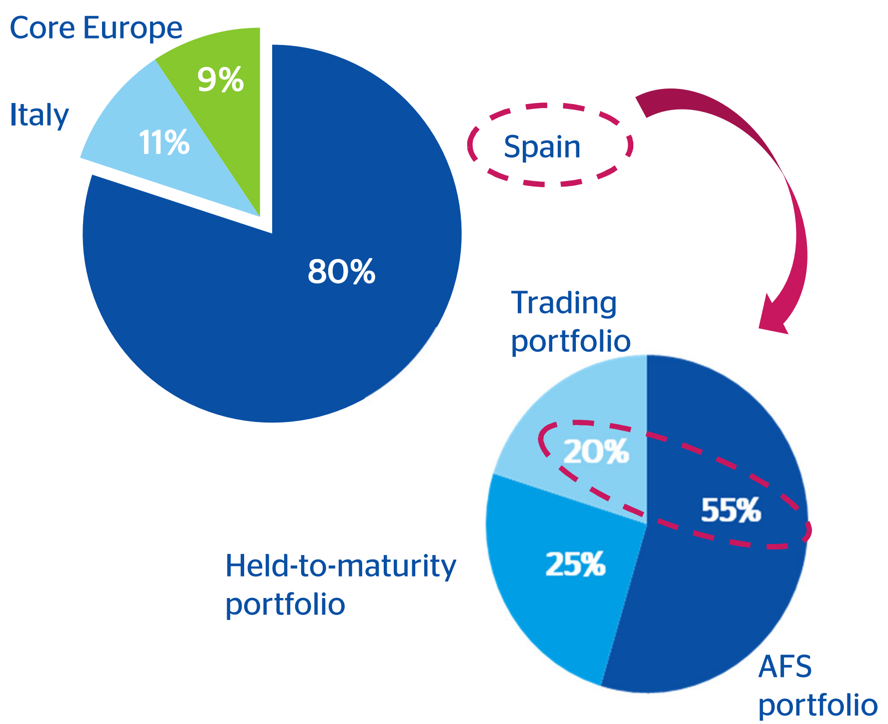
Manageable deterioration in mid-sized enterprises

NPLs in the rest of segments remain stable

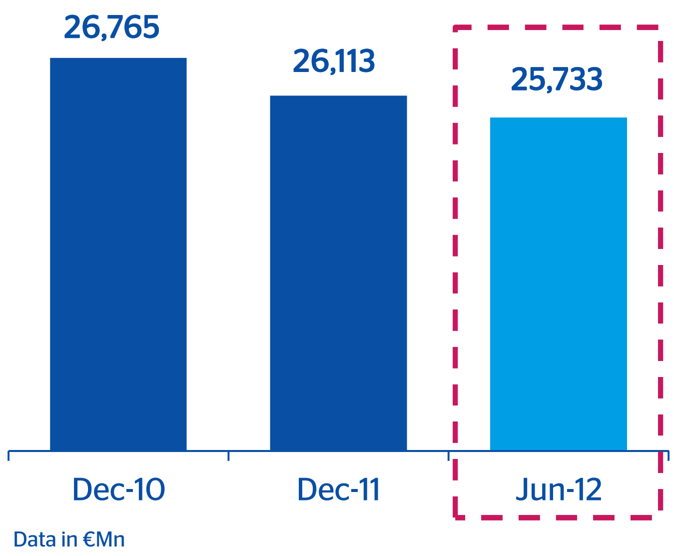
(1) Retail includes residential mortgages, very small businesses managed through the retail network and consumer loans.
(2) Other includes loans to Corporates and Public Sector and CIB.

Exposure to European sovereign bonds

75% of BBVA exposure to Spanish sovereign bonds[1] already at market value (June 2012)



Stability in BBVA's exposure to Spanish sovereign bonds[1]



Progress in Spain and increasing support from EU partners lower tail risk of Spanish sovereign debt

(1) EBA criteria, excluding the Group's insurance companies' exposure to sovereign bonds.

BBVA maintains a sound liquidity position despite rating downgrades linked to the sovereign

Euro balance sheet

1. **2012/13 debt redemptions already covered**
2. **Funding gap improving at €2.5 Bn quarterly av. since Dec.2010**
3. **Ample collateral available: 1.9x liquidity buffer (1)**
4. **Opportunistic market access**

Non-euro regions

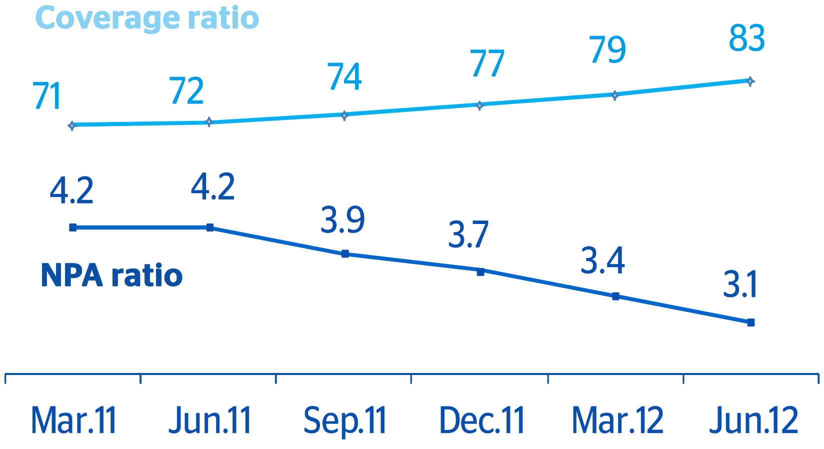
1. **Financially independent subsidiaries: no liquidity transfers**
2. **No structural wholesale funding needs**
3. **Increasingly active in capital markets:**
   - Bancomer: 10Y, $1,000 Mn subordinated debt issuance (Jun-12)
   - BBVA Continental: 10Y, $ 500 Mn senior debt issuance (Aug-12)
   - Garanti: 2 tranches senior debt issuance: 1st 10Y, $750 Mn and 2nd 5Y, $ 600 Mn (Sep-12)

Thanks to BBVA's retail business model and its prudent and anticipatory wholesale funding strategy

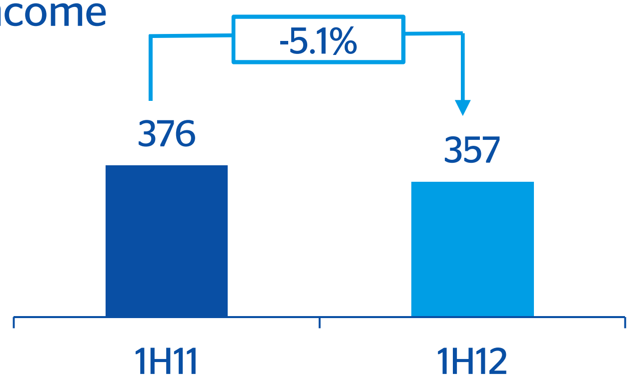
(1) Liquidity buffer: defined as the number of times that next 3 months' unsecured funding maturities are covered by available collateral.

BBVA Compass: entering a new provisioning cycle and increasing the contribution of the unit...

NPA & coverage ratios
(%)

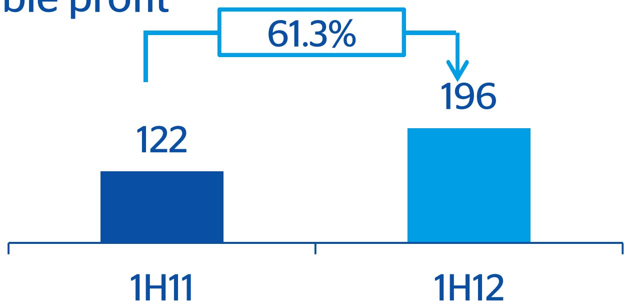


Operating income
(Constant € Mn)



Excluding one-offs [(1)]: +18,4%

Net attributable profit
(Constant € Mn)



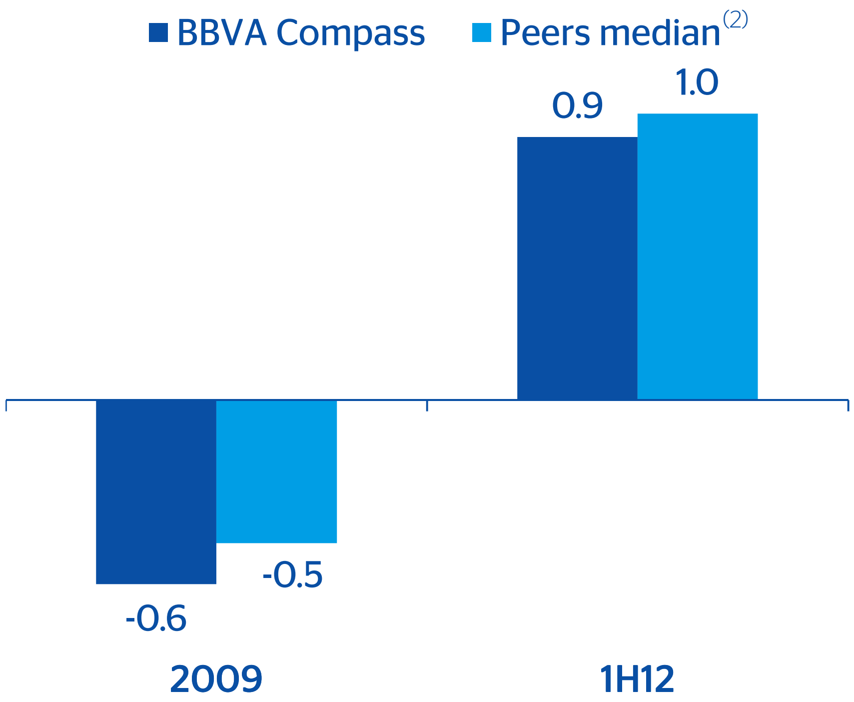
BBVA Compass: 80% of BBVA USA

Improving underlying operating income despite the challenging environment

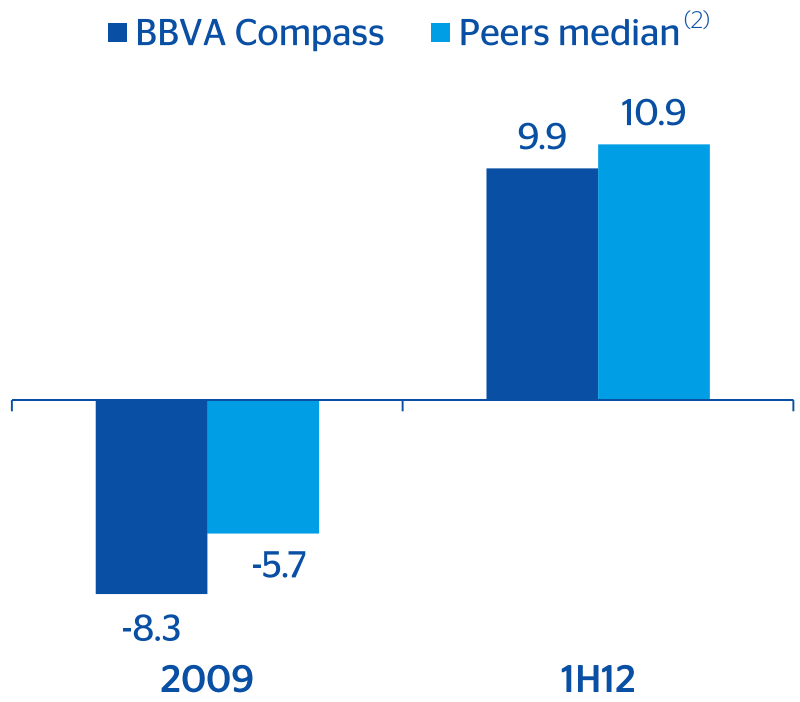
(1) Excluding regulatory impact and Guaranty loan portfolio attrition.

... while profitability is reaching our peers average despite the strong investment in transformation and IT

Return on average tangible assets(1)
(%)

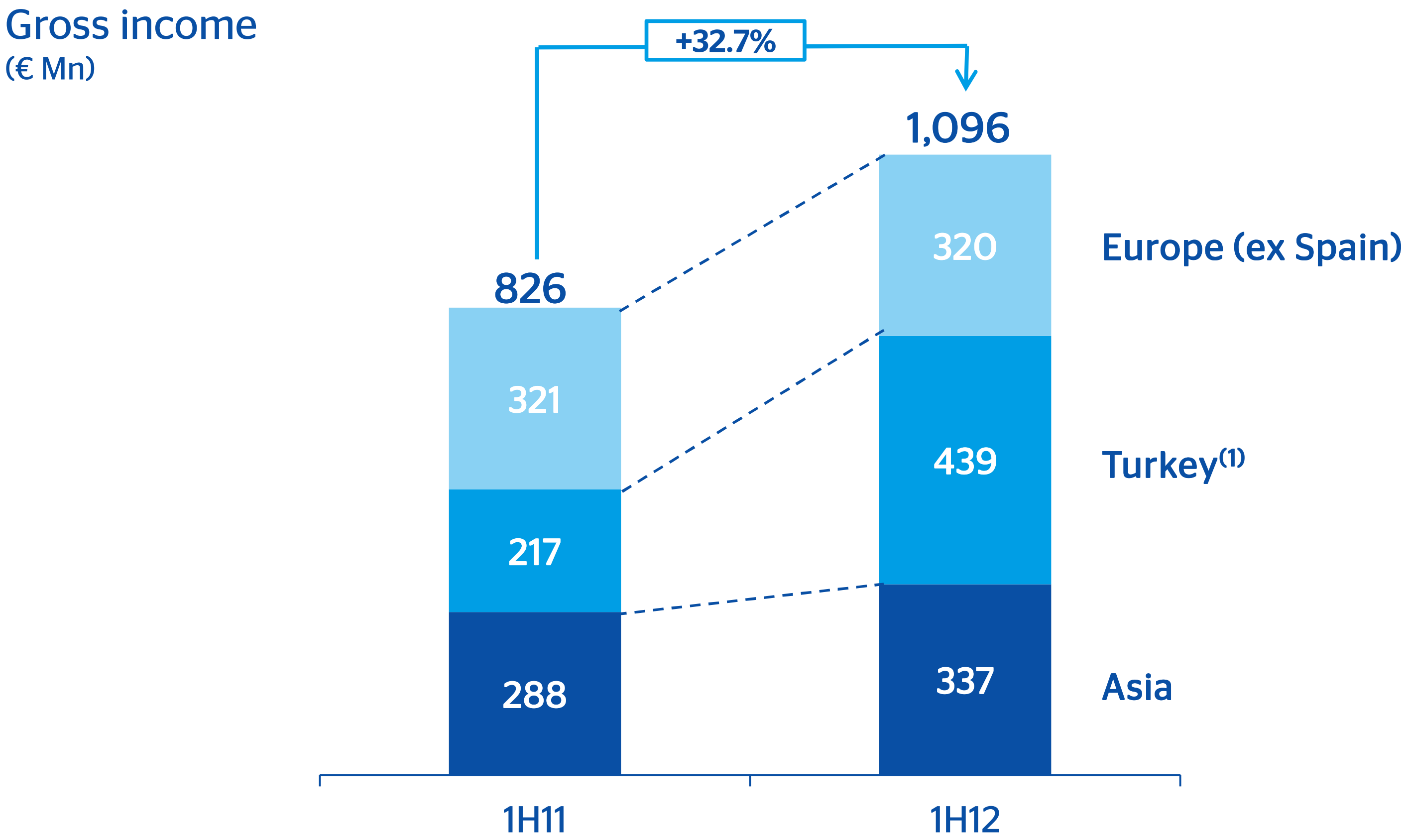


Return on average tangible equity(1)
(%)



Source: Internal calculations using public information.
(1) Excluding goodwill impairments.
(2) BBVA Compass peers: CRF, ASBC, KEY, FHN, CMA, HBAN, RF, ZION, FITB, BBT, STI, PNC, SNV, USB, MTB.

Eurasia: growing revenues and already a significant contributor to the Group

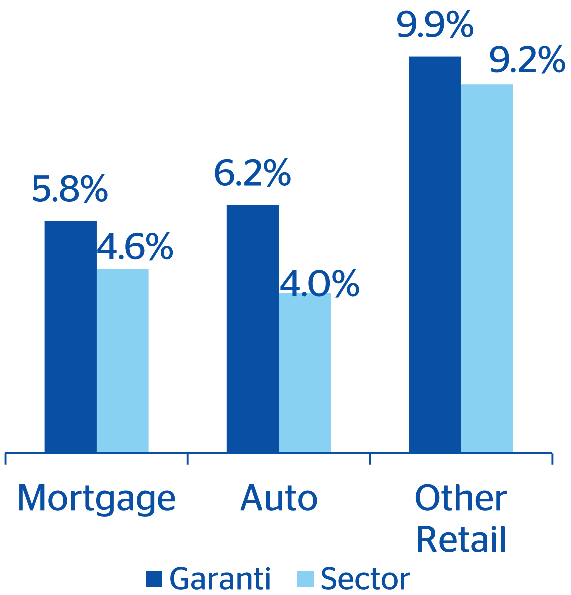


- 10% of BBVA Group's gross income as of June 2012 (2)
- € 576 Mn net attributable profit YTD

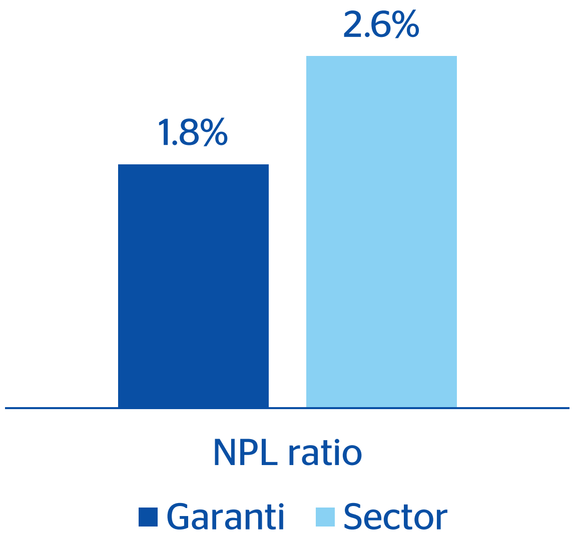
(1) Garanti: proportional consolidation from March 22nd, 2011.
(2) Excluding Corporate Activities.

Garanti: BBVA's strategic commitment with the best franchise in Turkey

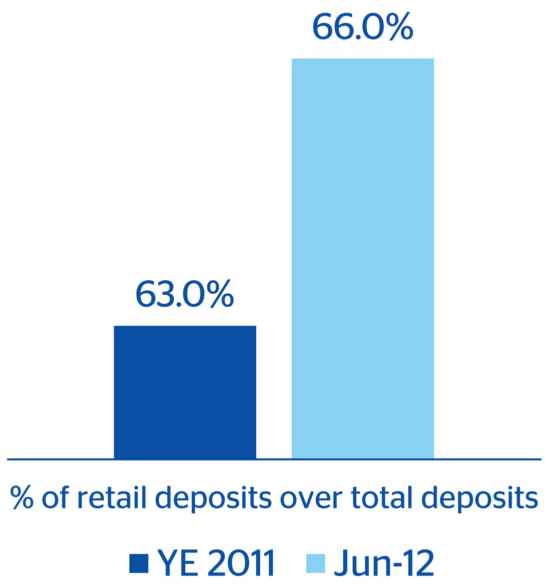
Lending growth
(2012 YTD)



Asset quality
(June 2012)



Deposit mix



Selective lending growth focused on most profitable segments

Keeping good asset quality

Improving funding mix focusing on lower cost deposits

A differentiated business model leading to outstanding profitability: ROE 19%

Source: Garanti 1H2012 BRSA Financials (bank-only figures) and sector BRSA weekly data for commercial banks only.

South America: High growth, with strict risk control

Business activity
(Y-o-y growth of average balances)

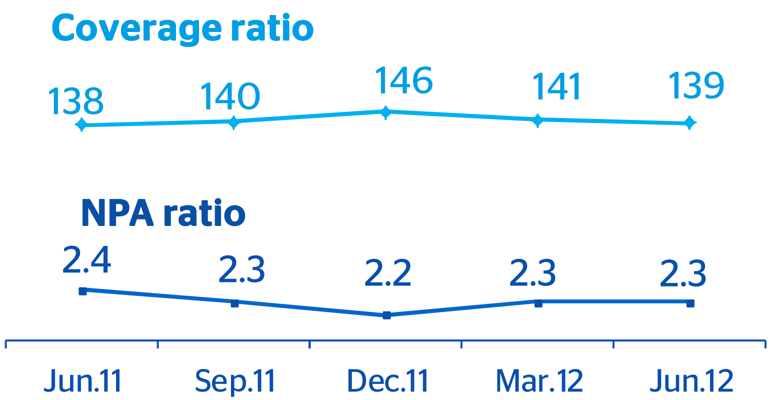
Lending	+23.7%
Balance sheet funds	+23.7%

1 million clients added last year

Market share
(Y-o-y change)

Loans to individuals	+28 bp
Total deposits	+33 bp

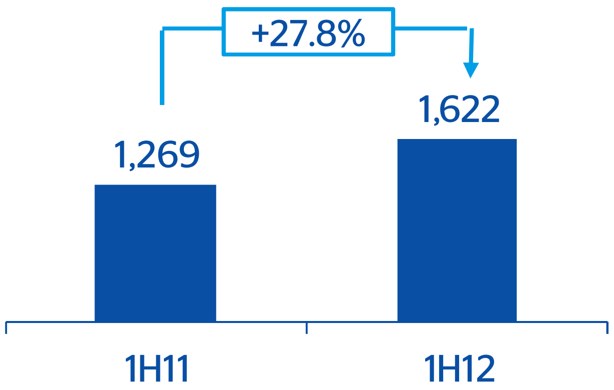
NPA & coverage ratios
(%)



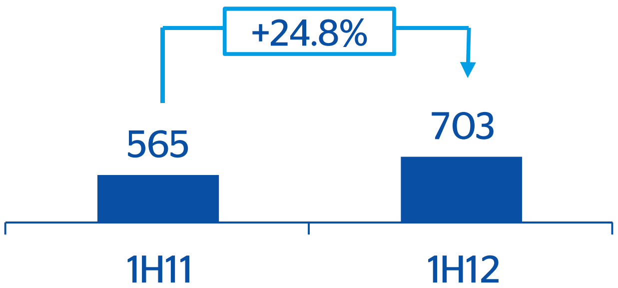
BBVA aims to maintain better risk indicators than the local peer average in each market it operates

... that translates into high earnings growth

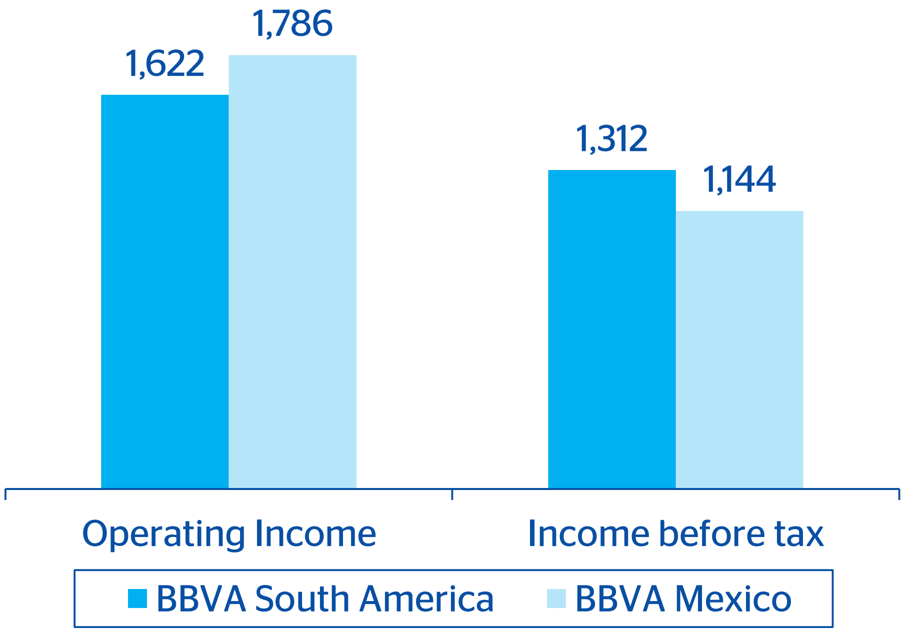
Operating income
(Constant € Mn)



Net attributable profit
(Constant € Mn)



BBVA South America already reached BBVA Mexico's scale



(€Mn, 1H2012)

A very profitable and critical mass franchise

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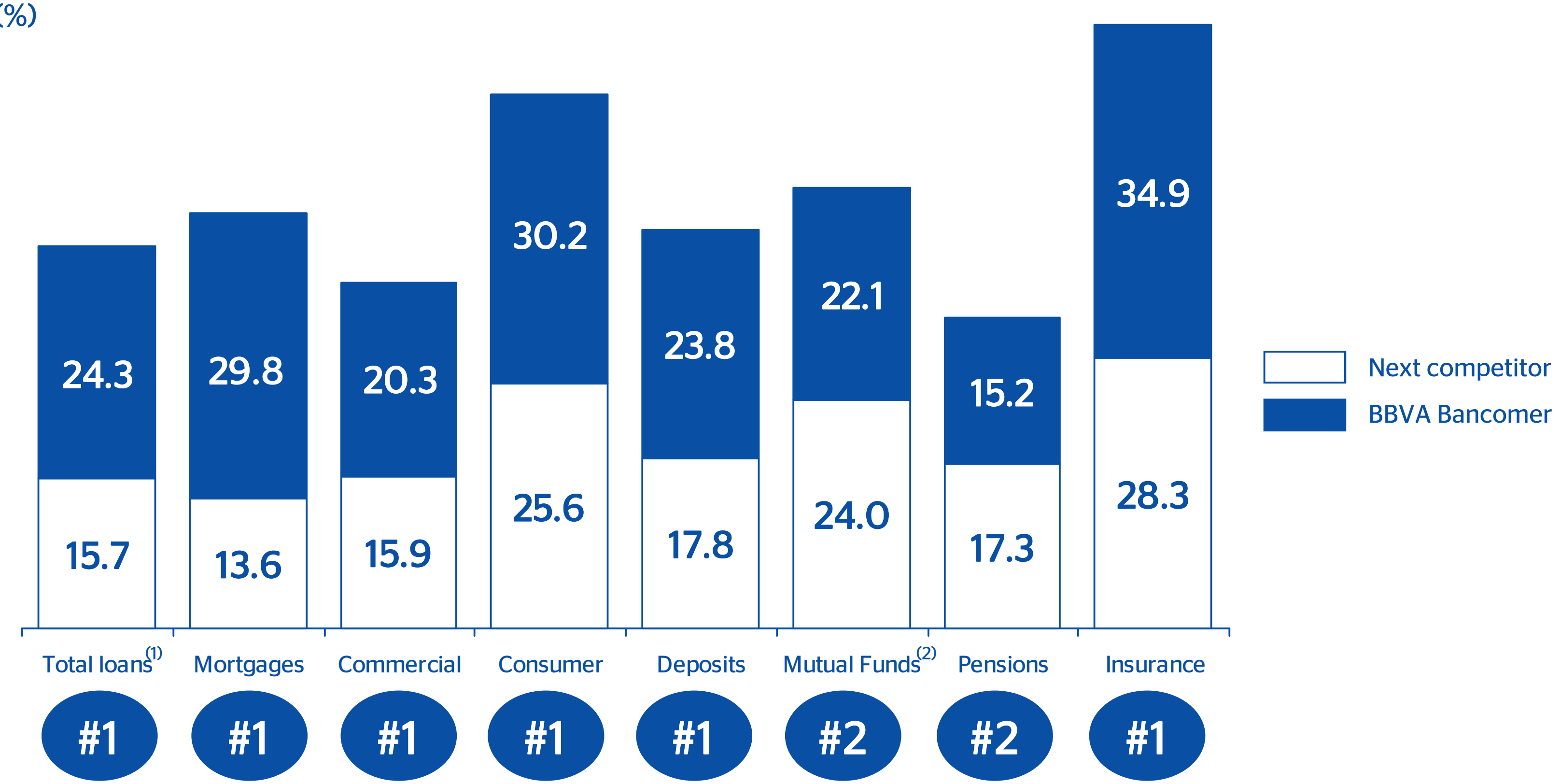
Bancomer: leader of an increasignly attractive market ...

Market shares

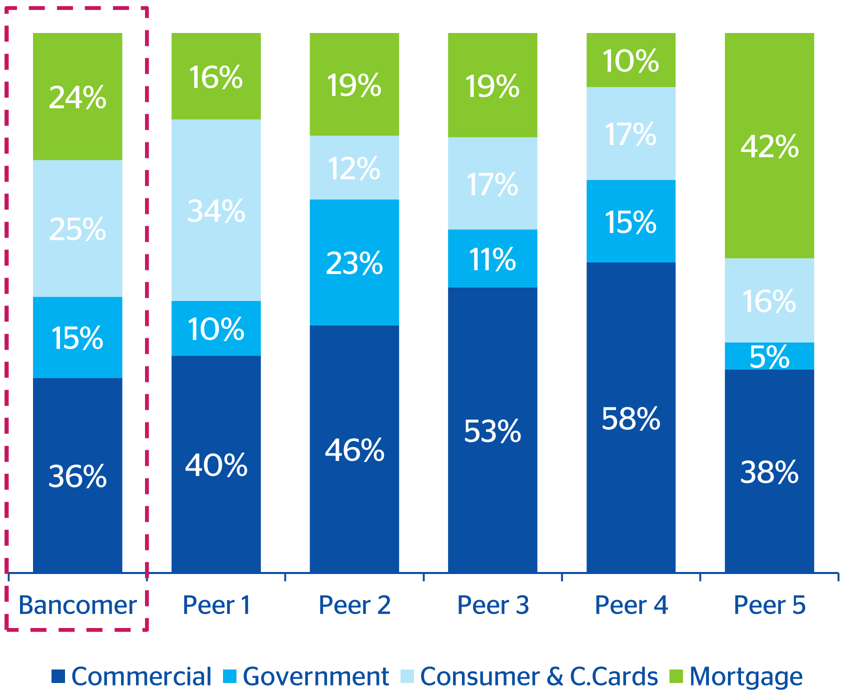
Bancomer vs. next competitor in each segment
(%)



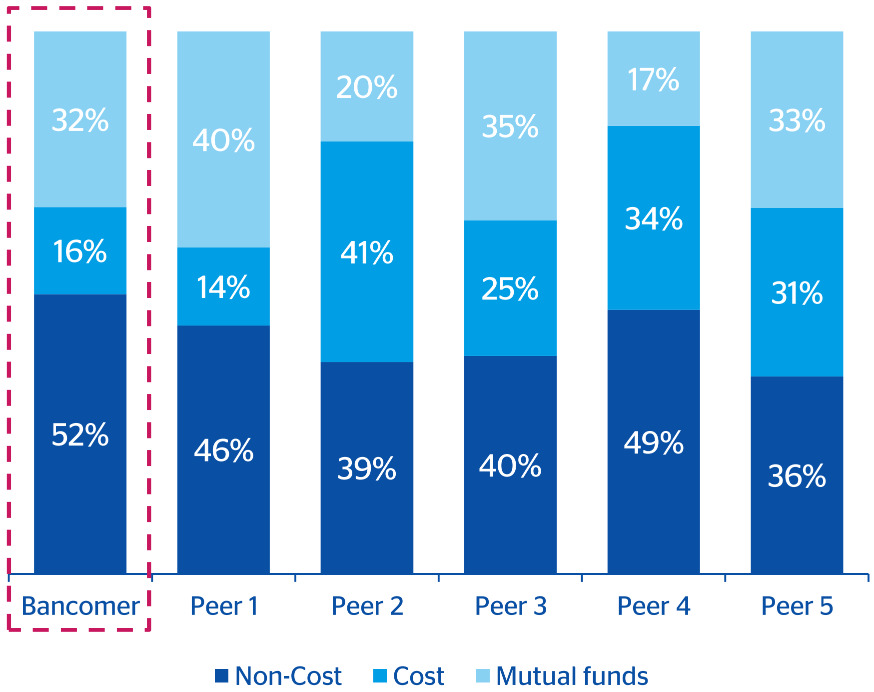
Note: Data as of June 2012, excep for Insurance, as of March 2012. Source: CNBV, SHF (local accounting standards). Pensions: measured by assets under management. Insurance: measured by number of insurance premiums. Figures excluding subsidiaries.
(1) Including Sofoles.
(2) Excluding duplicated funds.

… and strategically positioned in the most profitable segments

Lending mix
Bancomer vs peer group
(%, June 2012)



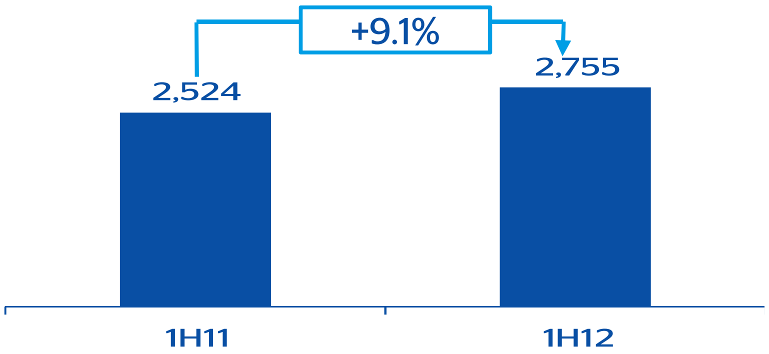
Deposit mix
Bancomer vs peer group
(%, June 2012)



Local accounting standards
Peer group: Banamex, Banorte+IXE, HSBC, Santander and Scotiabank.

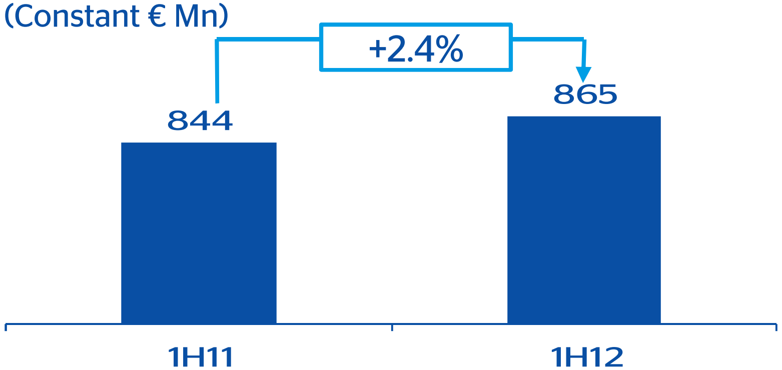
Sustained leadership, also in profitability

Recurring gross income
BBVA Mexico
(Constant € Mn)



Gross income: +4.3%

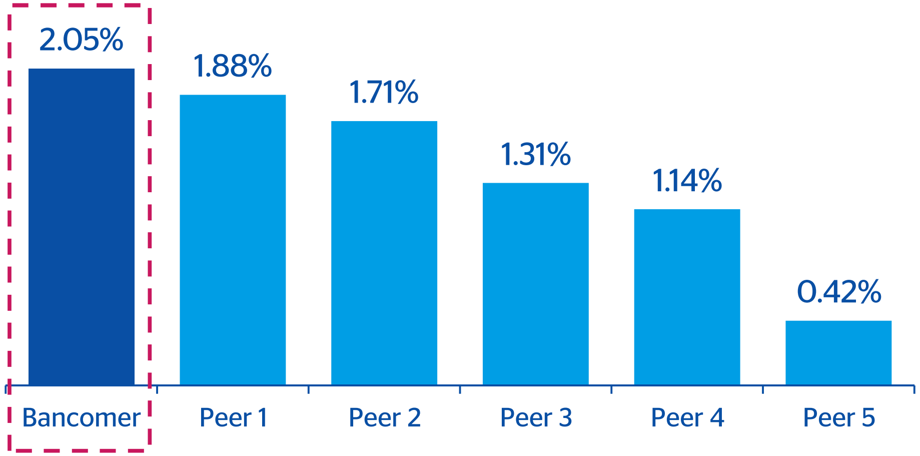
Net attributable profit
BBVA Mexico
(Constant € Mn)



Excluding trading income: +15.3%

(1) Recurring gross income includes gross income net of net trading income.

5Y Average ROA
Bancomer vs peer group[(1)]
(%)



(1) Local accounting standards
Peer group: Banamex, Banorte+IXE, HSBC, Santander and Scotiabank.

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Conclusions

1 The **Eurozone is progressing towards a genuine and stronger EMU**.

2 **Spain is addressing its problems** and new ECB focus on financial stability will be key to anchor risk premium expectations.

3 BBVA continues to deliver **top line growth** while actively managing its balance sheet, having **generated €7.1 Bn of capital** in the last year.

4 **Manageable deterioration of asset quality in Spain** and extraordinary provisioning effort in 2012 to address RE exposure.

5 **Solid performance of the rest of franchises**:

- **BBVA Compass** is completing its turnaround, increasing its contribution to the Group;
- **EurAsia**: growing relevance within BBVA thanks to Garanti ;
- **South America:** high growth and significant scale;
- **Mexico**: the leading bank in an increasingly attractive market.

Getting out of the Storm

Manuel González Cid, CFO

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