First quarter results 2012

Ángel Cano, BBVA President & Chief Operating Officer

Madrid, April 25th 2012

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Diverse macroeconomic environment ...

Uncertainty in Europe ...

- Greece
- Contagion
- Governance
- Growth

... special focus on Spain ...

- Fiscal consolidation
- Debt level
- Financial sector
- Growth

... good growth at world level

- Asia and Latam: strong growth
- USA: recovery in progress

... four main concerns in Spain ...

1. Fiscal consolidation

Ambitious and determined approach to austerity measures

- **Steps taken:**
  - National Budget
  - Budgetary Stability Act
  - Plans for rebalancing regional government budgets and a supplier payments programme
  - Margin for other action

2. Debt level

Sustainable

- **Public**
  - Debt level is below EMU average: 69% vs 88% to GDP
- **Private**
  - Households: switching to net financing capacity
  - Developers: sharp deleveraging
  - Companies (excl. developers): debt below EMU ave. (50% vs 53% to GDP)

… which are being addressed

3. Financial sector

Restructuring nearly complete but still uneven

- **Installed capacity**
  - Savings banks: down from 45 in 2007 to 11 today
  - Branches: 4,700 less since 2007
- **Provisioning**
  - 15% GDP including RDL 2/12*
  - RDL 2/12: coverage for decline in value of collateral up to …
    - 87% of land
    - 82% of projects in construction
    - 61% of finished dwellings

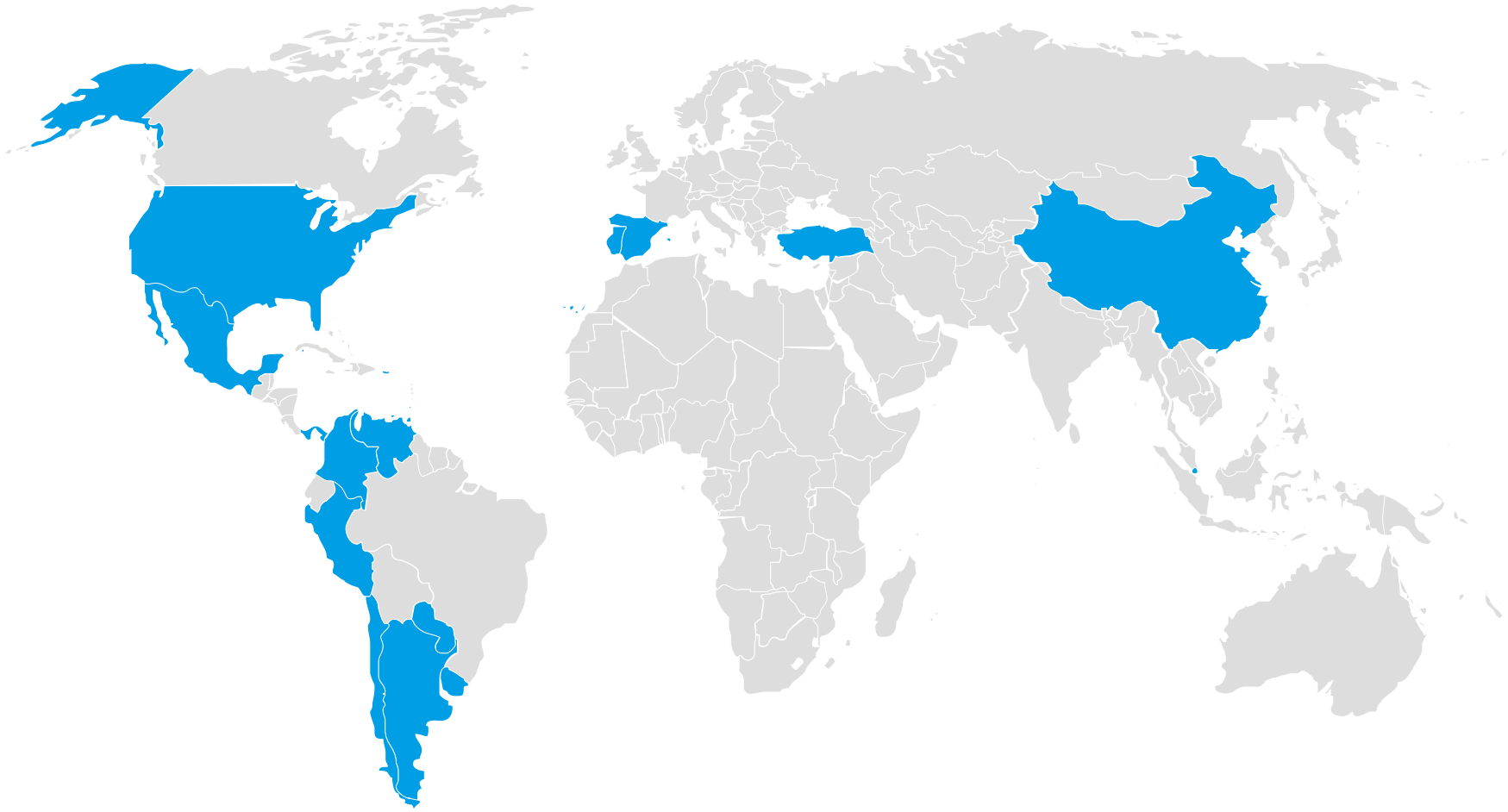
4. Growth

Positive evaluation of reforms but room for more

- **Important progress**
  - Labour sector reform
  - Export sector→ trade deficit: ▼ 64% in 3 years
  - Productivity→ +2% on average in the last 3 years (vs +0.2% euro area)
- **Moving ahead**
  - Spirit of reform
  - Determination

* Since Jan. 2008

BBVA: a global bank that has demonstrated its ability to adapt



The quarter's highlights

1 **Growth of recurring revenues . . .**

. . . in all regions . . .

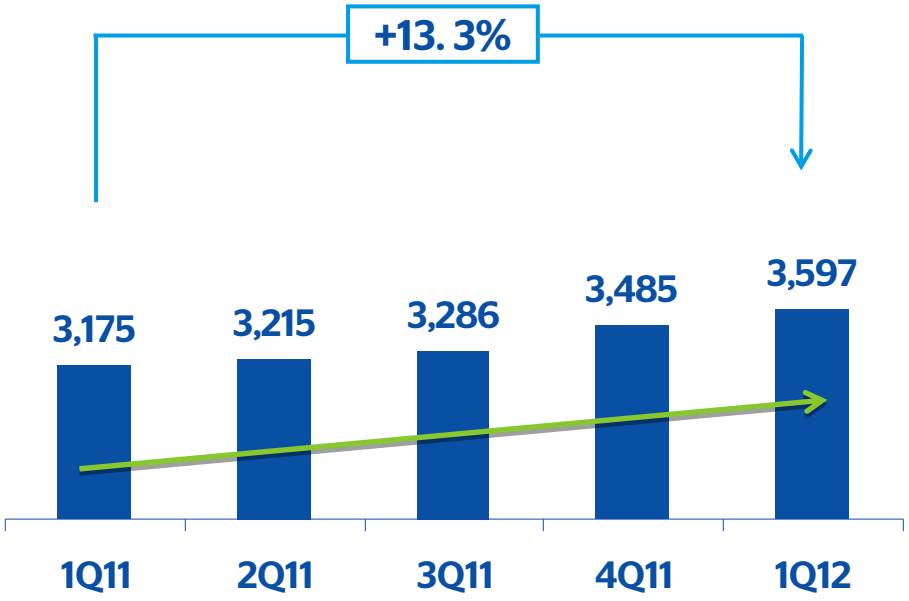
. . . outpacing cost increases

2 **Net attributable profit tops €1,000m**

3 **Early compliance with EBA**

Strong net interest income in all regions ...

Net interest income
BBVA Group
(€m)



Spain

Stability, despite weak activity

USA

Resilience that absorbs changes in mix and regulatory impacts

Mexico

Growing faster than lending

South America

Vigorous activity: engine of Group growth

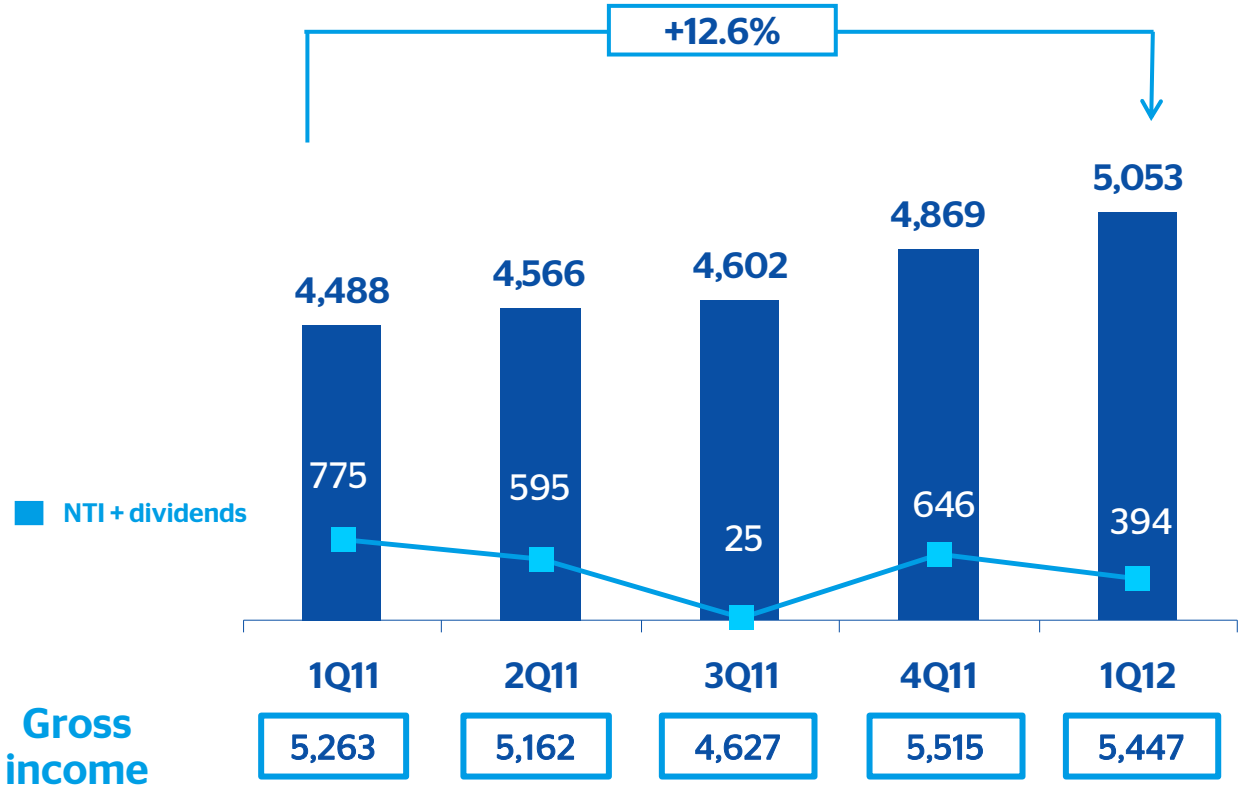
Eurasia

Solid growth

Note: South America, USA and Mexico in constant euros. Turkey: like-for-like basis.

... upward trend in gross income ...

Recurring gross income
BBVA Group
(€m)



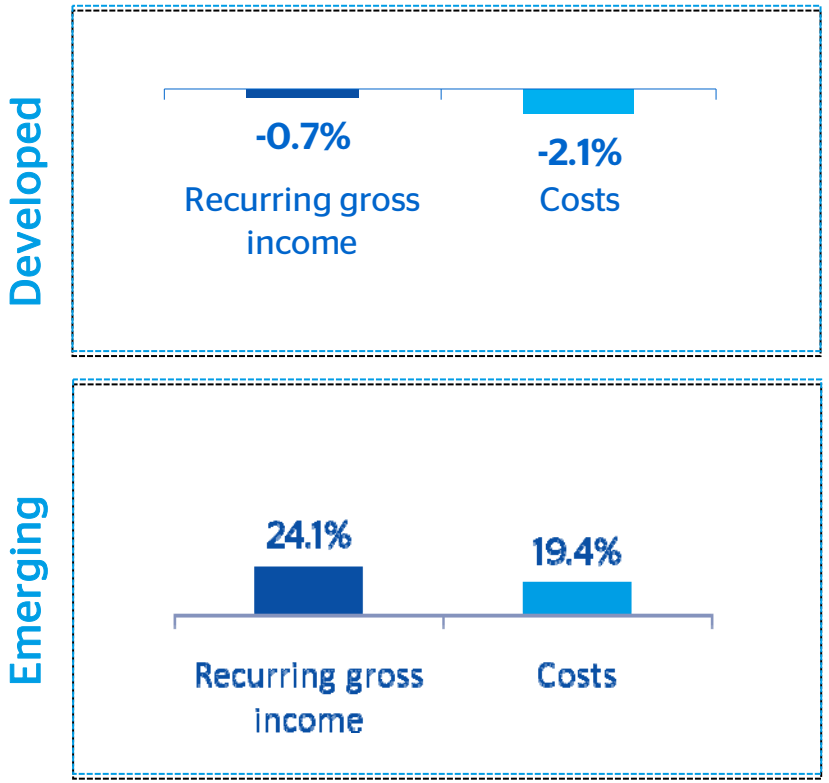
Note: Recurring gross income excludes NTI & dividends

... and costs growing slower than recurring revenues

Recurring gross income vs costs

BBVA Group
(Year-on-year change, %)

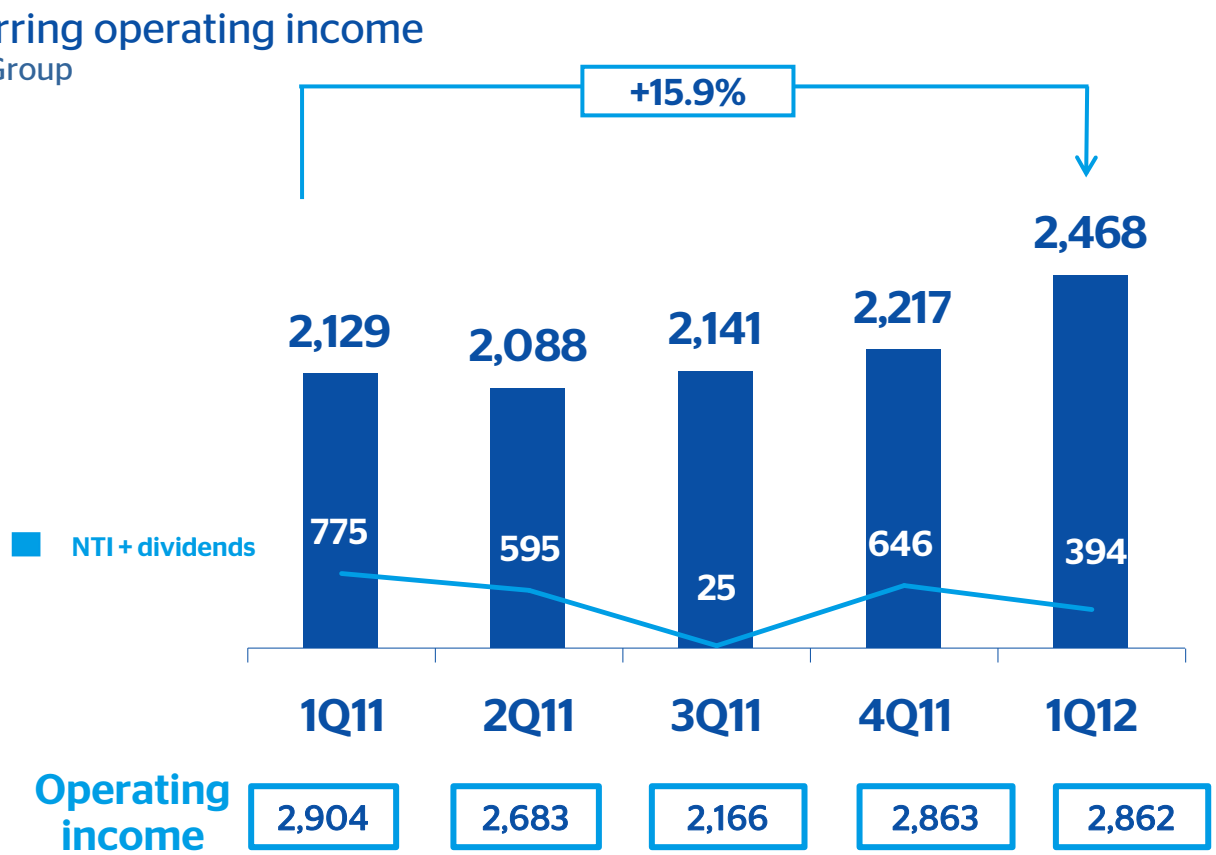
Year-on-year change
(Constant €)



- Heavy investment in emerging mkts continues, rewards are materialising
- Leadership positions in cost-to-income ratio and improving quarterly

Note: Recurring gross income excludes NTI & dividends

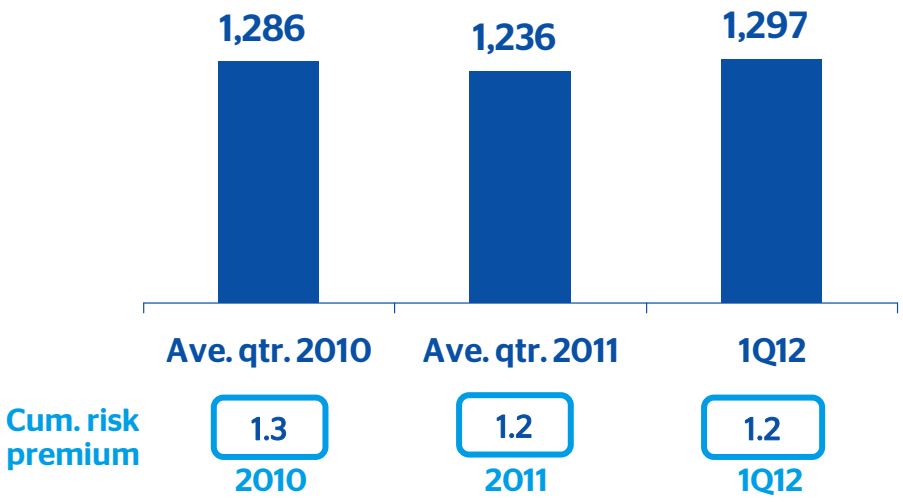
Highly resilient operating income ...



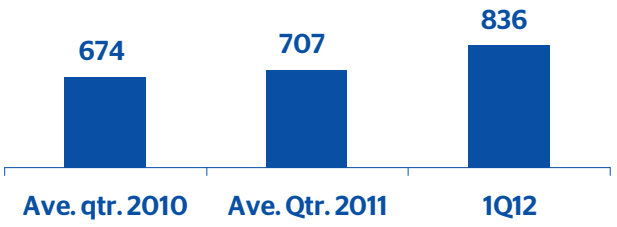
Note: Recurring operating income excluding NTI & dividends

... and stable provisioning

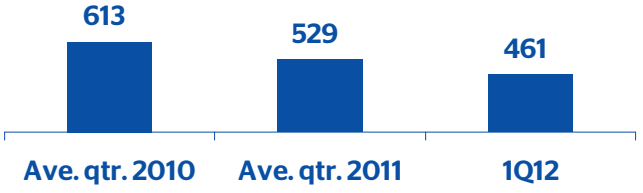
Loan-loss and real-estate provisioning
BBVA Group
Quarterly average
(€m)



Spain
BBVA Group
(€m)



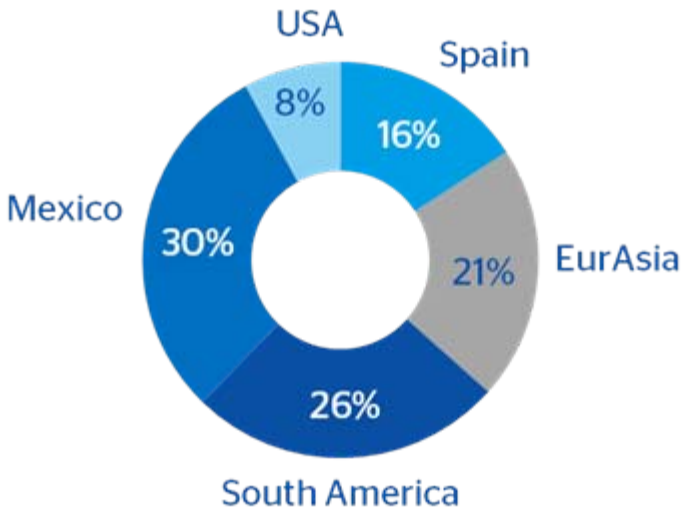
Remainder of Group
BBVA Group
(€m)



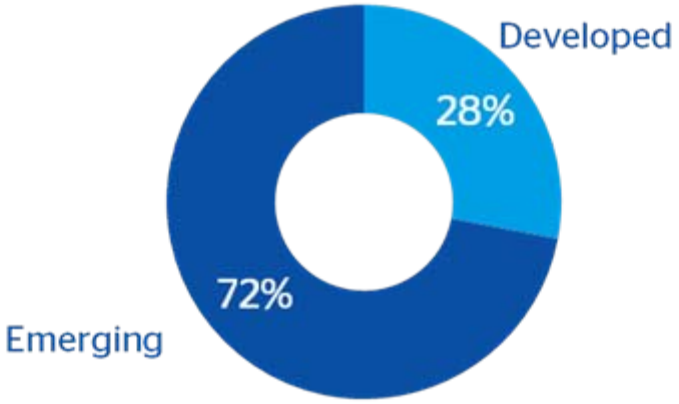
Up €174m in Spain on assets subject to RDL 2/12, while maintaining same level of generic provisioning

Strong net attributable profit supported by diversification

Net attributable profit by region
BBVA Group
(%)



Net attributable profit by economies
BBVA Group
(%)



Net attributable profit for 1Q12 tops €1,000m

Note: breakdown excludes Corporate Activities

Summary: a good quarter

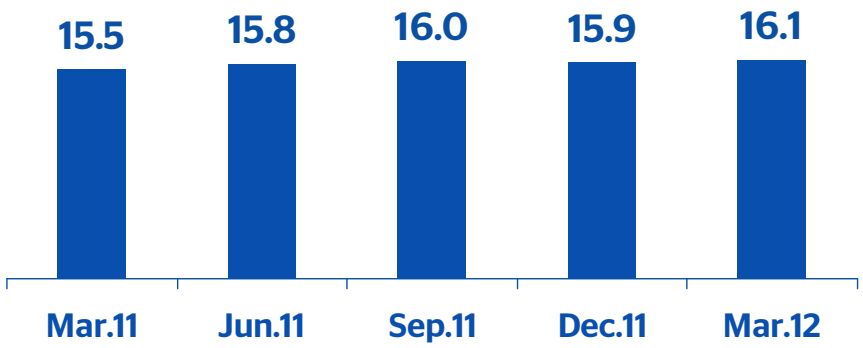
(€m)

BBVA Group	Accum.	Growth 1Q12 / 1Q11	
	1Q12	Abs.	%
Net interest Income	3,597	+ 422	13.3
Gross Income	5,447	+ 183	3.5
Operating Income	2,862	- 42	-1.5
Income Before tax	1,423	- 236	-14.2
Net Attributable Profit	1,005	- 145	-12.6

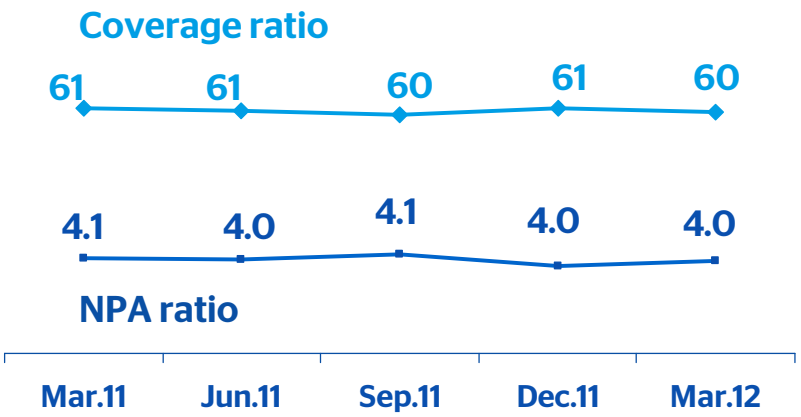
NTI returns to normal while maintaining the level of provisions

Risk indicators are stable ...

NPAs – net balance
BBVA Group
(€bn)



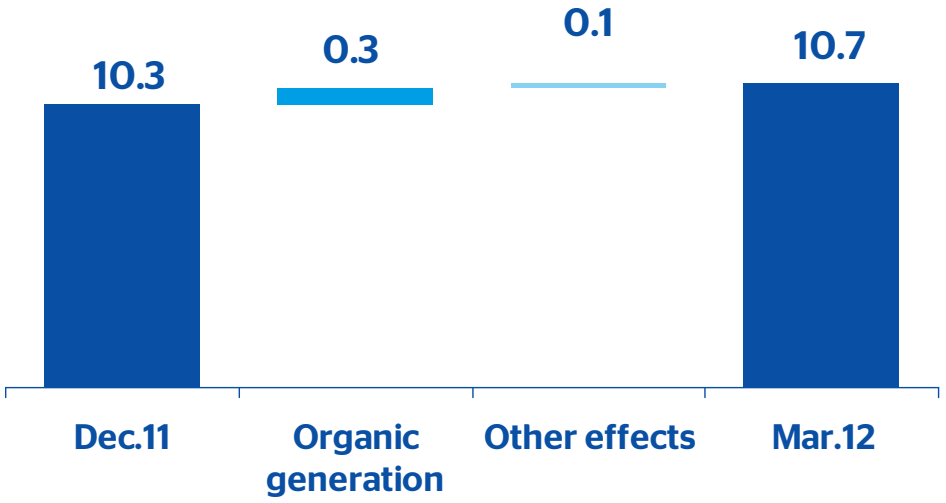
NPA & coverage ratios
BBVA Group
(%)



Marked ability to generate capital organically

Core capital ratio (Basel 2.5)

BBVA Group
(%)



Stable dividend policy

With two cash dividends

Without selling strategic assets

Early compliance with EBA: 9%

Proactive management of euro balance sheet liquidity

Solid liquidity position ...

- LTRO I + II: mainly designed to improve liquidity structures
- Debt redemptions in 2012-2013 already covered
- Ample available collateral

... that continues to be managed proactively

- Reduction in credit gap: - €4bn
- Senior debt issues: €2bn

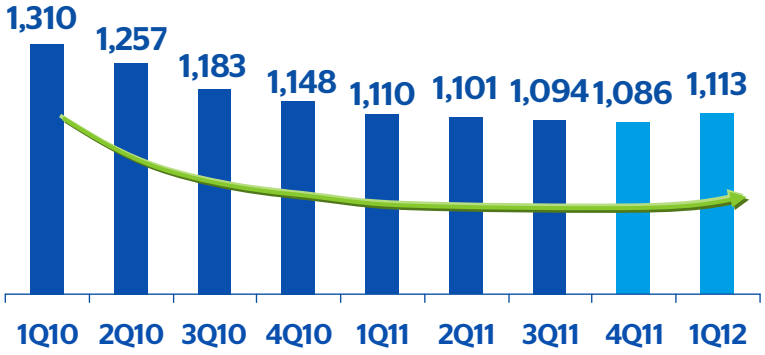
Powerful liquidity buffers on other balance sheets

1 Highlights

2 Business areas

Spain: slight improvement in net interest income ...

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



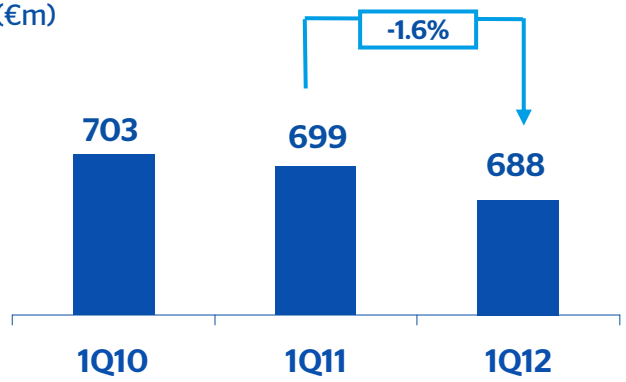
Customer spread
(%)

+35 bp
(1Q12 vs 1Q11)

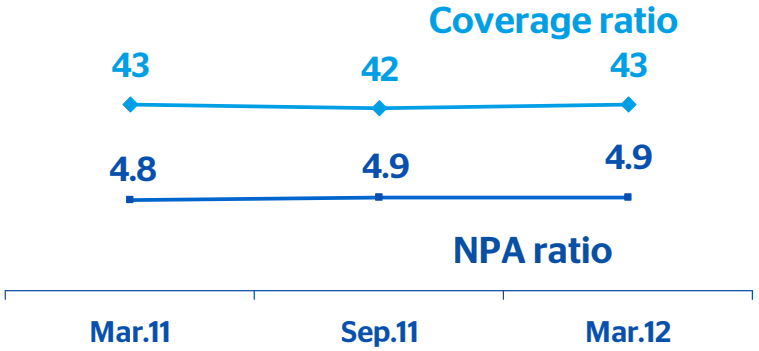
Lower cost of stable customer funds

... along with contained costs and risk indicators

Costs
Quarter-by-quarter
(€m)



NPA & coverage ratios
(%)



Note: customer spreads excluding markets

Spain: income statement

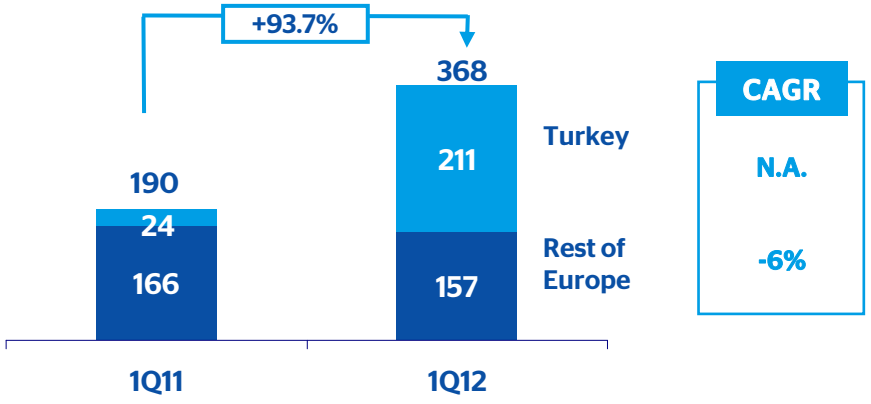
(€m)

Spain	Accum.	Growth 1Q12 / 1Q11	
	1Q12	Abs.	%
Net interest Income	1,113	+ 2	0.2
Gross Income	1,633	- 130	-7.4
Operating Income	946	- 119	-11.2
Income Before tax	324	- 350	-51.9
Net Attributable Profit	229	- 250	-52.2

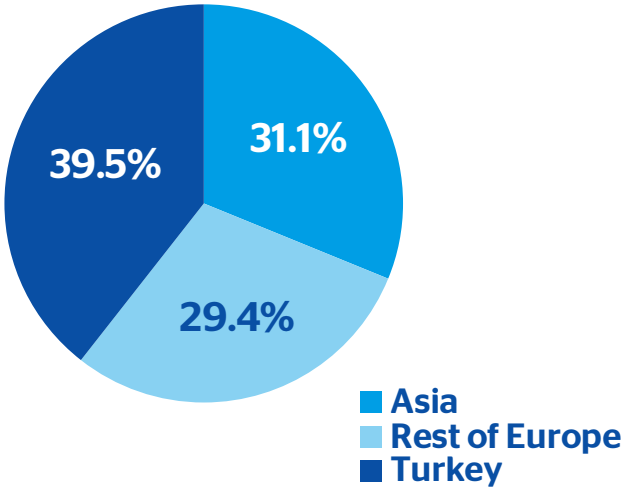
Special provisioning effort in the quarter

EurAsia: vigorous business and growing earnings

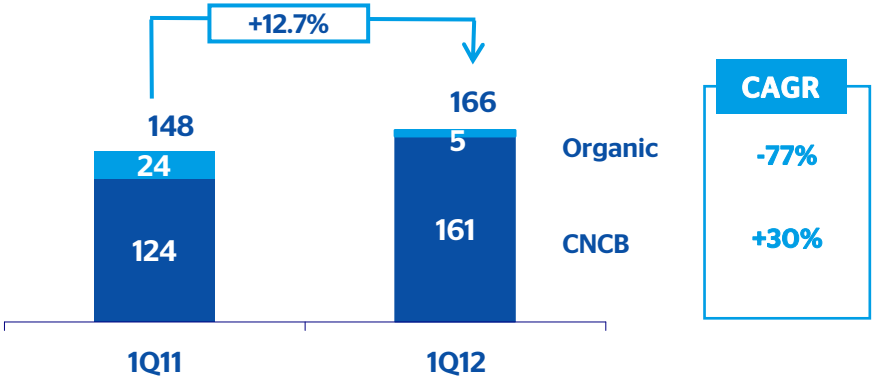
Gross income – Rest of Europe
(€m)



Breakdown of gross income - EurAsia
(%)



Gross income - Asia
(€m)



EurAsia: income statement

(€m)

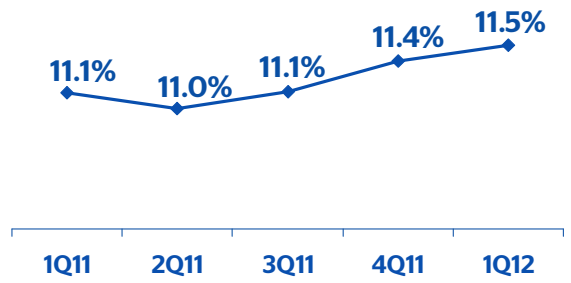
EurAsia	Accum.	Growth 1Q12 / 1Q11	
	1Q12	Abs.	%
Net interest Income	182	+ 79	76.3
Gross Income	534	+ 197	58.3
Operating Income	362	+ 116	47.5
Income Before tax	330	+ 108	48.7
Net Attributable Profit	299	+ 102	51.7

Mexico: growth in activity with special focus in price ...

Lending • Local Business	+6.6% +13.4%
Cust. funds	+10.4%

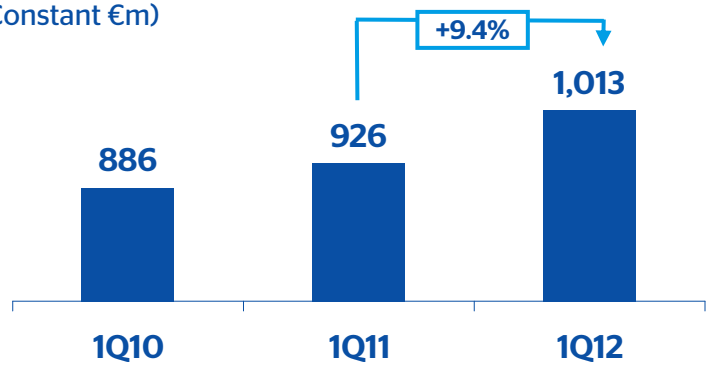
Yr/yr change in average balances

Customer spread
(%)

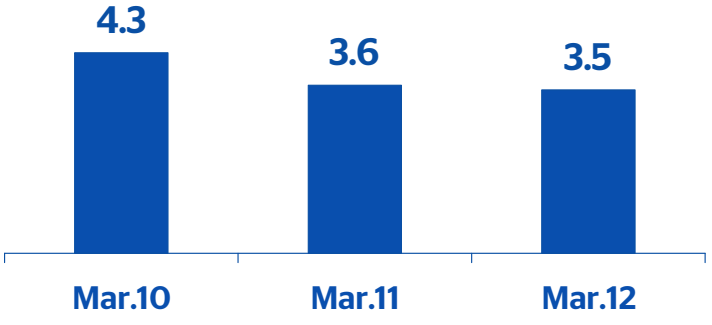


... buoyant earnings and stable risk premium

Operating income
Quarter-by-quarter
(Constant €m)



Cumulative risk premium
(%)



Operating income market share: 37.6%** to Dec.2011 (+3.2 p.p. in 2 years)

Local Business: mortgages, cards, SMEs and consumer loans. **Banamex, Banorte + IXE, HSBC, Santander y ScotiaBank

Mexico: income statement

(Constant €m)

Mexico	Accum.	Growth 1Q12 / 1Q11	
	1Q12	Abs.	%
Net interest Income	1,013	+ 87	9.4
Gross Income	1,450	+ 68	4.9
Operating Income	897	+ 20	2.3
Income Before tax	568	+ 2	0.4
Net Attributable Profit	430	+ 15	3.6

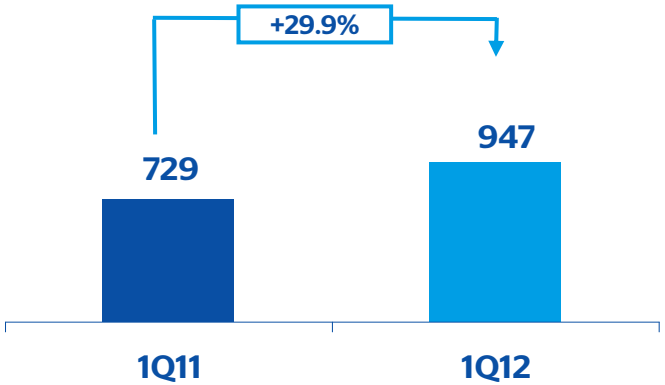
- Recurring gross income growing in line with costs
- Net attributable profit ex NTI growing at 13.7%

South America: accelerating growth in earnings ...

Lending	+23.6%
Balance sheet funds	+25.4%

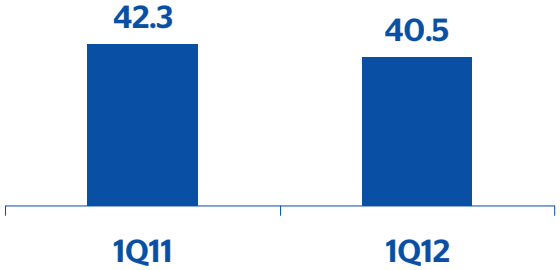
Yr/yr change in average balances

Net interest income
Quarter-by-quarter
(Constant €m)



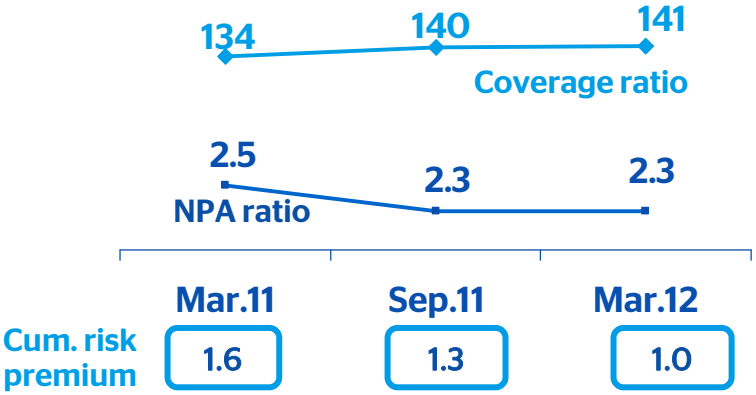
... improving efficiency, and the best risk indicators in the Group

Efficiency
(%)



Cost increases (+13%) in line with inflation (+12%)

NPA & coverage ratios
(%)



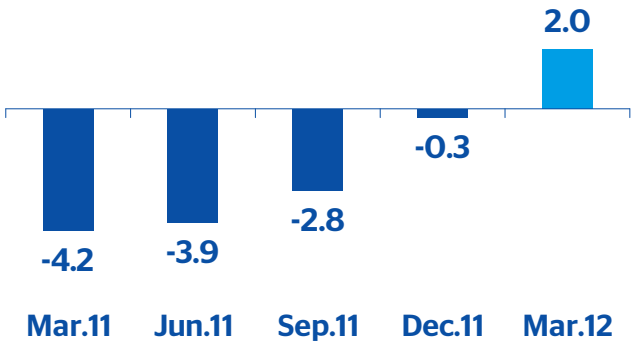
South America: income statement

(Constant €m)

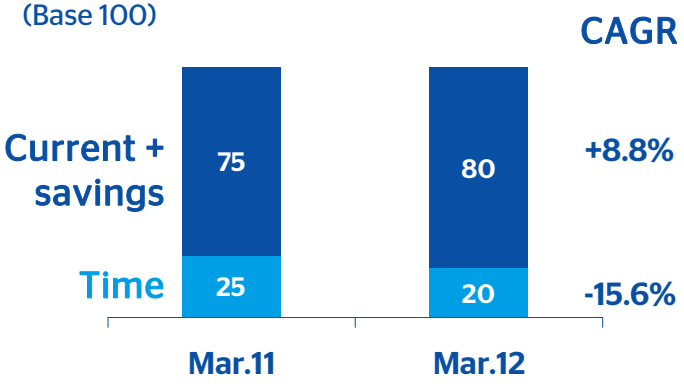
South America	Accum.	Growth 1Q12 / 1Q11	
	1Q12	Abs.	%
Net interest Income	947	+ 218	29.9
Gross Income	1,366	+ 210	18.1
Operating Income	813	+ 146	21.8
Income Before tax	690	+ 165	31.3
Net Attributable Profit	370	+ 79	27.1

United States: selective growth of lending and improvement in the liability mix ...

Lending
Year-on-year change
(% average balances)



Balance sheet funding mix
(Base 100)



... positive trend in NII of local business and in risks

NII local business	+5.9%
Costs	-2.3%

Yr/yr change
(%. Constant €)

	1Q11	1Q12	Yr/yr change
Loan loss provision	€104m	€35m	-66%
NPA ratio	4.3%	3.2%	-1.1 p.p.
Coverage ratio	64%	75%	+11 p.p.

United States: income statement

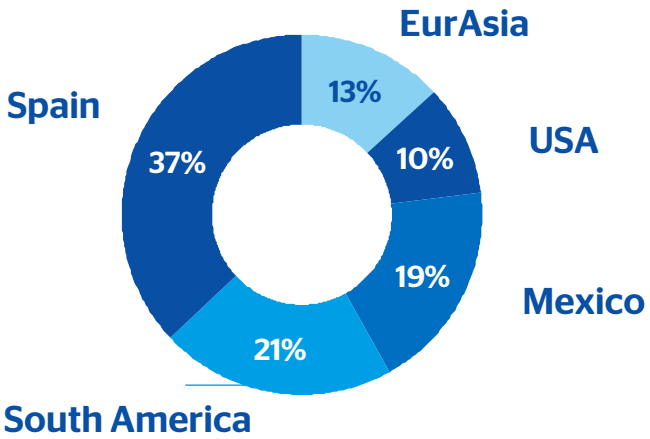
(Constant €m)

United States of America	Accum.	Growth 1Q12 / 1Q11	
	1Q12	Abs.	%
Net interest Income	420	- 13	-3.0
Gross Income	599	- 45	-7.1
Operating Income	216	- 36	-14.5
Income Before tax	168	+ 29	20.7
Net Attributable Profit	115	+ 15	15.6

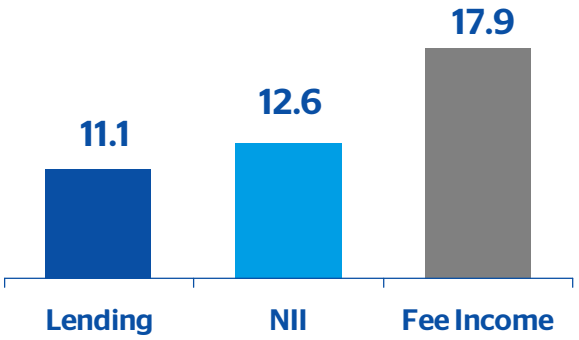
Absorbing NTI return to normal and regulatory impacts, with strong earnings from local business

C&IB: diversification and high quality of earnings ...

Gross income by region
(1Q12, %)

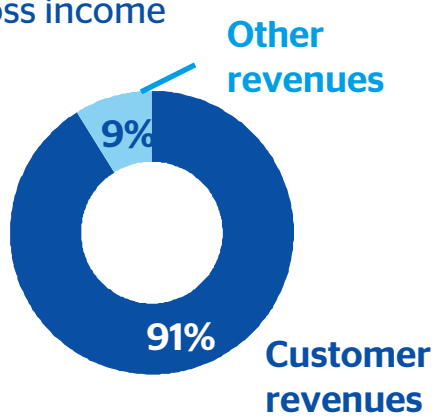


C&IB
(Year-on-year change, %. Constant €)

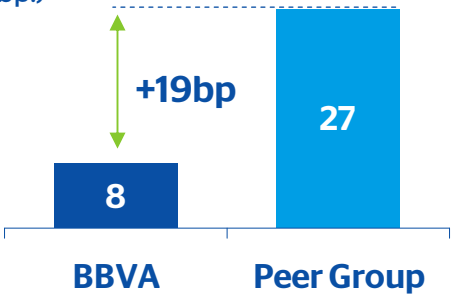


... resulting from a client-centric and low risk model

Sources of gross income
(1Q12, %)



Average cost of risk
BBVA vs peer group average[1]
(Average 1Q09 - 4Q11, bp.)



[1] Synthetic index: BoA, BARC, Citi, CS, ISP, JPM, LLO,YDS RBS, SAN, UCI, WF

C&IB: income statement

(Constant €m)

Corporate & Investment Banking	Accum.	Growth 1Q12 / 1Q11	
	1Q12	Abs.	%
Gross Income	717	- 33	-4.4
Operating Income	502	- 40	-7.5
Income Before tax	438	- 75	-14.7
Net Attributable Profit	279	- 64	-18.7

Quarter highlights

1 Growth of recurring revenues . . .

. . . in all regions . . .

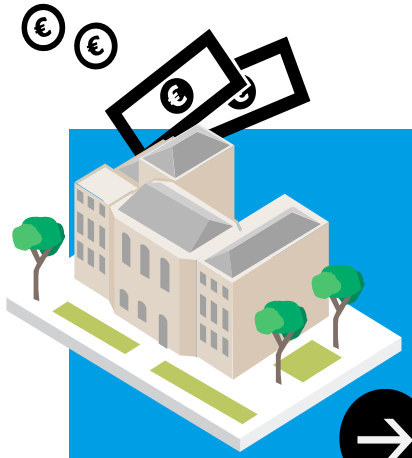
. . . outpacing cost increases

2 Net attributable profit tops €1,000m

3 Early compliance with EBA

At the end of 2011

4.7 million people in the world lives in **housing financed** by BBVA



- **2.3 million people** in Spain
- **1.6 million people** in Mexico

BBVA helped in Spain **100,000 families** that have difficulties servicing their loans

BBVA

At the end of 2011

More than **500,000 SMEs** worldwide were supported and financed **by BBVA**

BBVA supports and finances more than **136,000 SMEs in Spain**

At the end of 2011

BBVA outsourced services to more than **6,500 companies** in the world

For a total in 2011 of **€5,500m**, equivalent to almost **3% Chilean GDP**

66% local businesses

BBVA

At the end of 2011

BBVA employed more than **3,800 people** worldwide

- **58%** are less than **30 years old**

- In Spain alone BBVA employed **1,165 more people**

In 2011

BBVA's activities generated **€8,012m** in **taxes**

- Equivalent to more than **6%** of the **GDP of Peru**

- **€2,420m** in Spain

Furthermore:

BBVA's **Microcredit Foundation** finances about **950,000 micro businesses** (60% women) in Latin America

First quarter results 2012

Ángel Cano, BBVA President & Chief Operating Officer

Madrid, April 25th 2012