

Third Quarter Results 2008



**BBVA**

Group results for 9M08

Results by business area

Spain & Portugal

Wholesale Banking & Asset Management

Mexico

USA

South America

Conclusions

3Q08: one of the most complex quarters for the BBVA financial sector in decades

Banking on Trouble

By Daniel Politi

Posted Tuesday, July 15, 2008, at 6:14 AM ET

The *New York Times* leads, and the *Los Angeles Times* leads, with investors' fears that the federal takeover of IndyMac on Friday was only the beginning and more banks will fail in the near future. As thousands of toddlers

Subprime crisis may not have blown over yet

Several studies have pointed out the subprime problem is on the line of banking crises that affected countries all around the world.

Profit at U.S. regional banks tumbles, evaporate

Tue Jan 22, 2008 9:14am EST

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Learn to Trade with a FREE Guide

By Tim McLaughlin

NEW YORK (Reuters) - Large banks on Tuesday reported disappointing fourth-quarter results, watched for a tumble or even a more money loss than that continued

Economist Predicts Worst is Just Beginning

Posted in Depression 2008 | Tuesday, July 15th, 2008 | Trackback

New York, July 15, 2008 - In a series of recent writings on the

Wall Street Journal - Chairman of RGE Monitor and Professor

NYU Stern School of Business - has argued that the U.S. is experiencing the

Monday, July 14, 2008

Subprime Crisis Again in the Spotlight as the Meltdowns of Fannie Mae and Freddie Mac Fuel Fears of a Deeper Downturn

By William Patalon III
Executive Editor

Failure raises concern for regional banks

By Joanna Chung in New York

Published: July 15 2008 03:00 | Last updated: July 15 2008 03:00

The failure of IndyMac, one of the biggest banks in the mortgage market, sparked fresh fears about the survival of other banks in the mortgage market.

Bank Losses: Are We Just Getting Started?

By Alex Dumortier, CFA | July 15, 2008 | Comments (0)

Bank shares tumble; First Horizon down 25%

Business Journal - by Christopher Sheffield Staff Writer

Monday, July 14, 2008 - 12:54 PM CDT

Shares of First Horizon National Corp. fell 25 percent following reports by analysts that the bank was in trouble.

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Asset quality deteriorates

Impact on earnings and capital

Loss of confidence

Interbank and capital markets dry up

Refinancing difficulties

BBVA emerges as one of the strongest banks at international level

BBVA

Its strength is based on ...

Low leveraging

1 Comfortable liquidity

2 High asset quality

3 Recognized solvency

Quality of earnings

A Recurrent revenues

B Strict cost control

C Special effort in provisioning

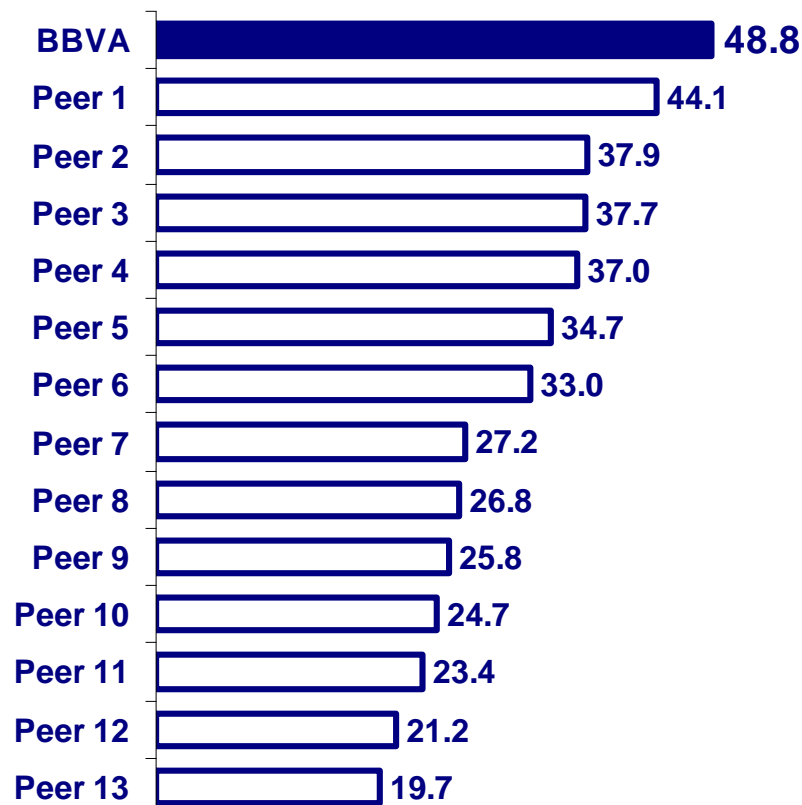
... leading to high profitability

1

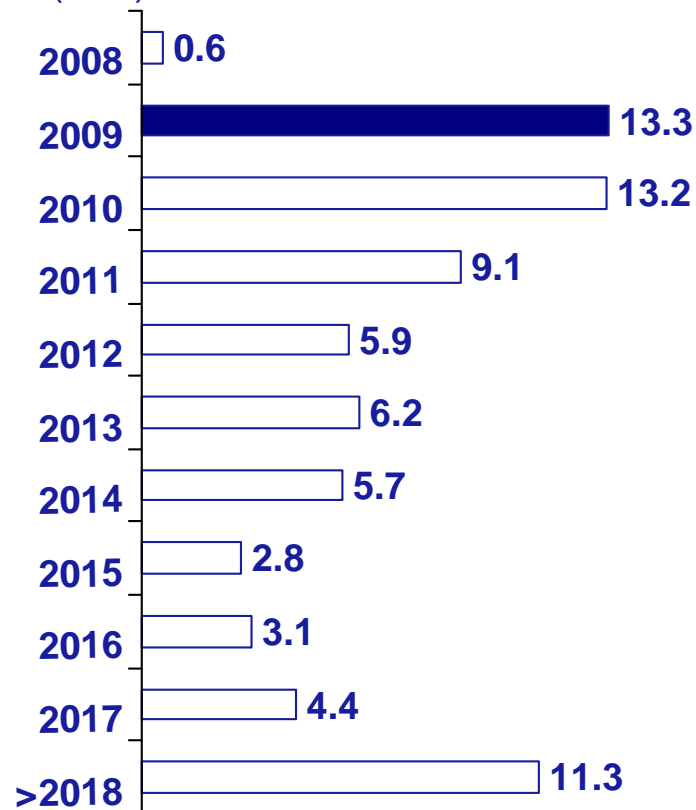
BBVA has ample liquidity thanks to customers' deposits

BBVA

Deposits / assets
(%, Jun.08)



Maturity: wholesale finance
(€bn)



Maturities have little impact
(Average maturity is 5 yrs; 2/3 of debt matures after 2011)

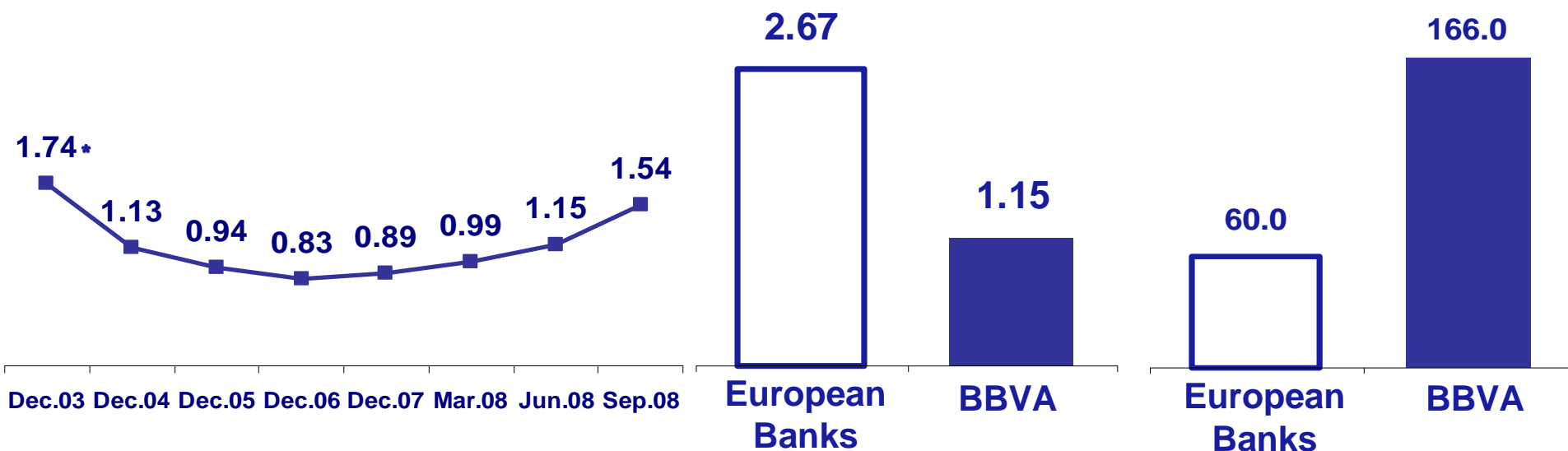
2

NPL ratio rises – but less than our European competitors

NPL ratio
(%)

NPL ratio
(%, Jun.08)

Coverage ratio
(%, Jun.08)



Asset quality is better than our competitors in all core markets

3

BBVA generates important amounts of organic capital

BBVA

Organic creation of core capital (BIS II)

+16 bp in 3Q08

+15 bp in 2Q08

+20 bp in 1Q08

**Core capital
6.4%**

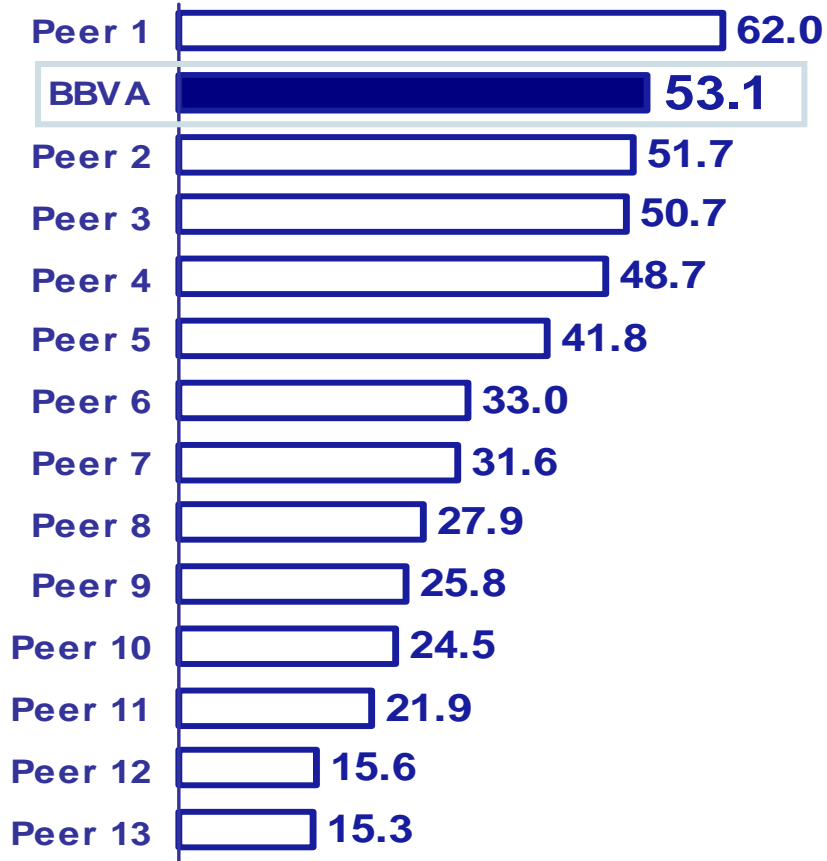
**Tier I
7.8%**

**+60 bp of core capital
and Tier I from excess
provisions**

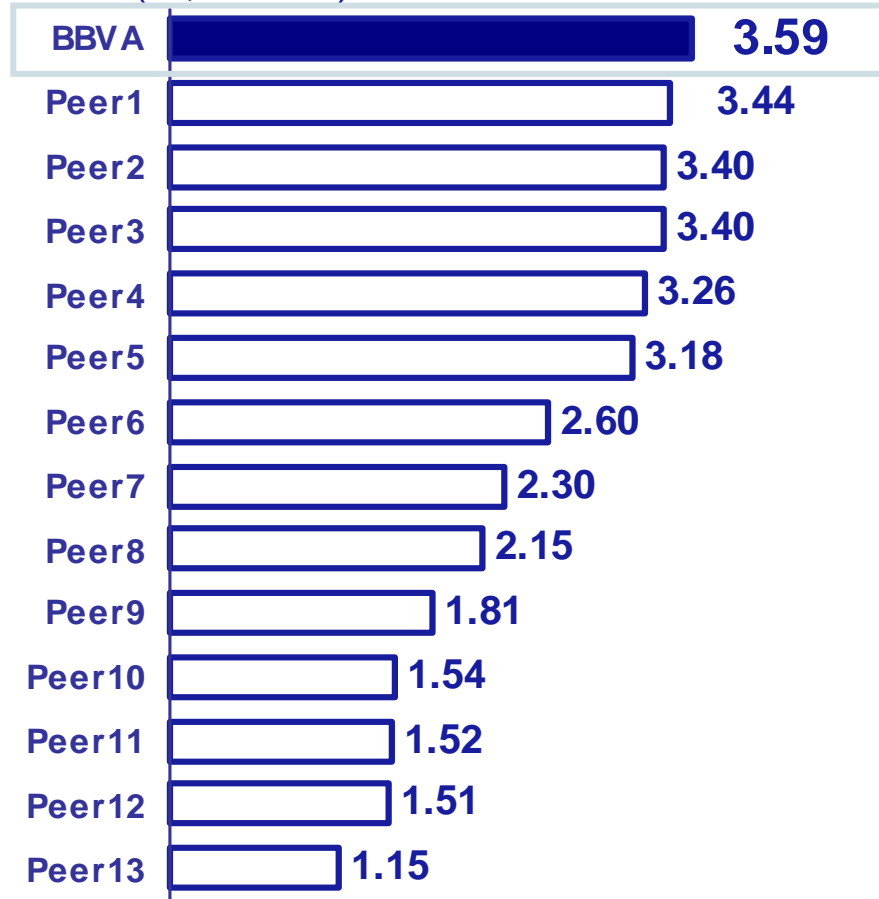
And latent capital gains

The “quality” of our capital is better than our competitors ...

RWAs / total assets
(%, Jun.08)



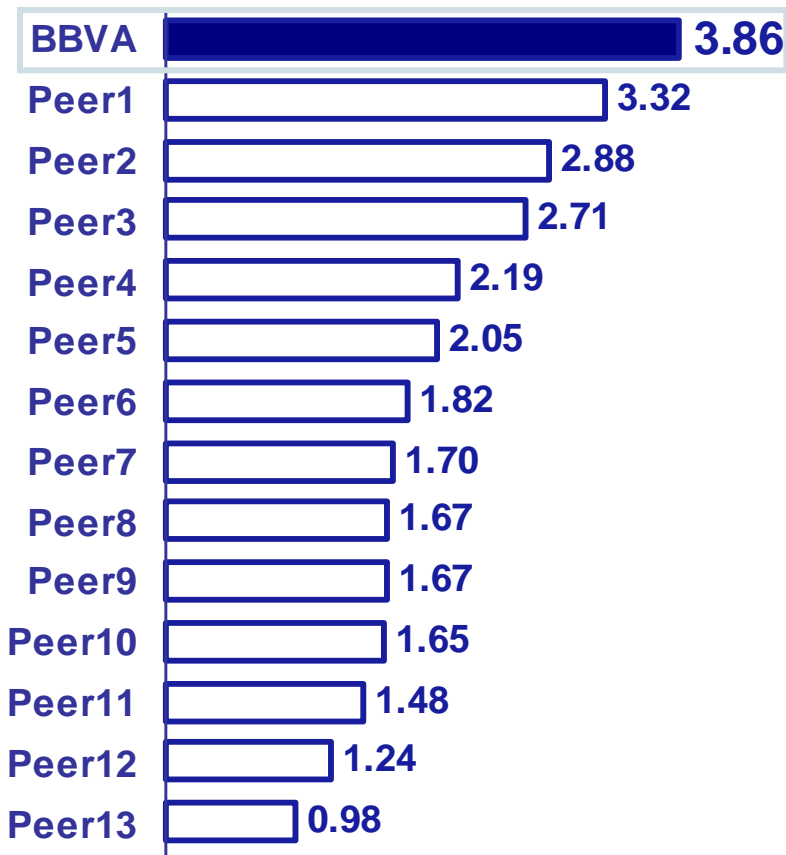
Tangible equity / assets
(%, Jun.08)



... which is acknowledged in our ratings

The “quality” of our capital is better than our competitors ...

(Core equity + excess|deficit provisions) / total assets
(%, Jun.08)



No unexpected consumption of capital

No accounting reclassification of portfolios

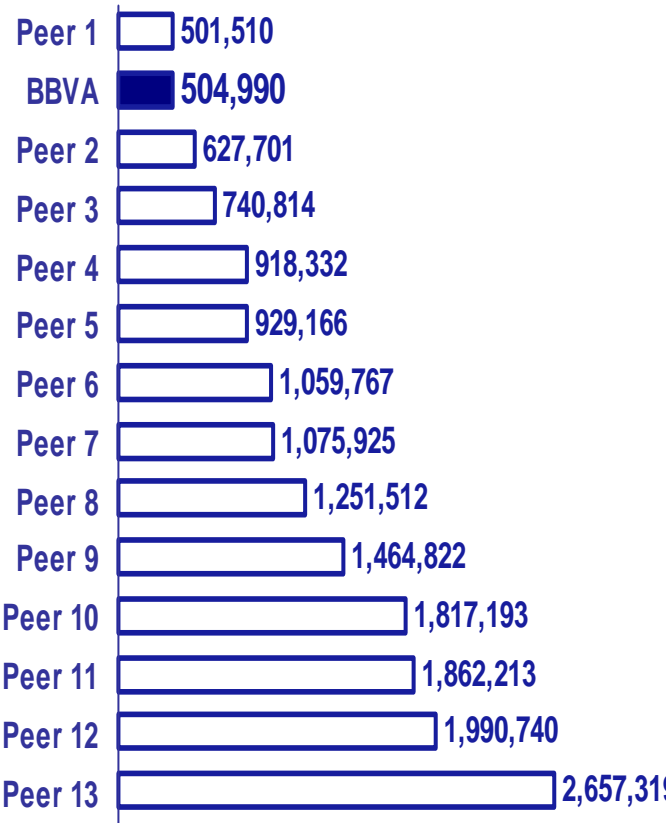
Recurrent earnings

Little exposure to falls in housing prices and economic slowdown
(20% fall in housing prices = 0 bp in core capital)
(30% fall in housing prices = -3 bp in core capital)

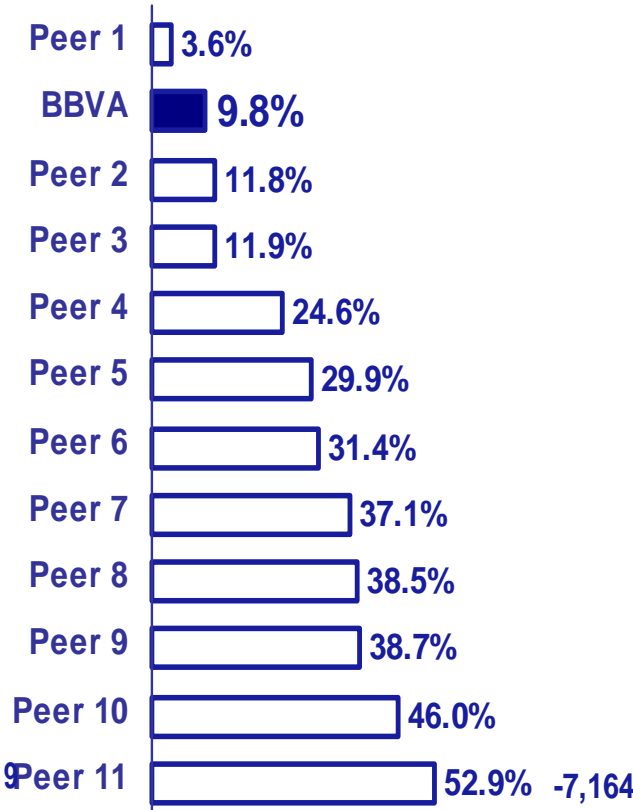
Conclusion: BBVA is one of the safest banks in the present environment

BBVA

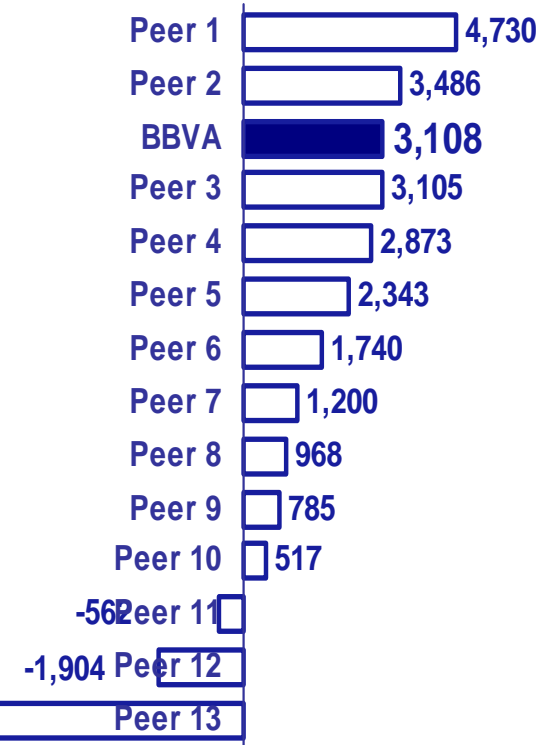
Balance sheet
(€m, Jun.08)



% Income from Inv Bkg
(%, Jun.08)



Net attrib. profit
(€m, 1H08)



Internal sources based on published figures.

BBVA Research

Internal sources based on published figures.

Low leveraging

+

Retail business model

=

Recurrent revenues

Peers: Santander, BNP Paribas, Intesa Sanpaolo, Unicredit, Barclays, Société Générale, HBOS, Crédit Agricole, Lloyds, Deutsche Bank, Credit Suisse, RBS, UBS

BBVA emerges as one of the strongest banks at international level

Its strength is based on ...

Low leveraging

1

Comfortable liquidity

2

High loan quality

3

Recognized solvency

Quality of earnings

A

Recurrent revenues

B

Strict cost control

C

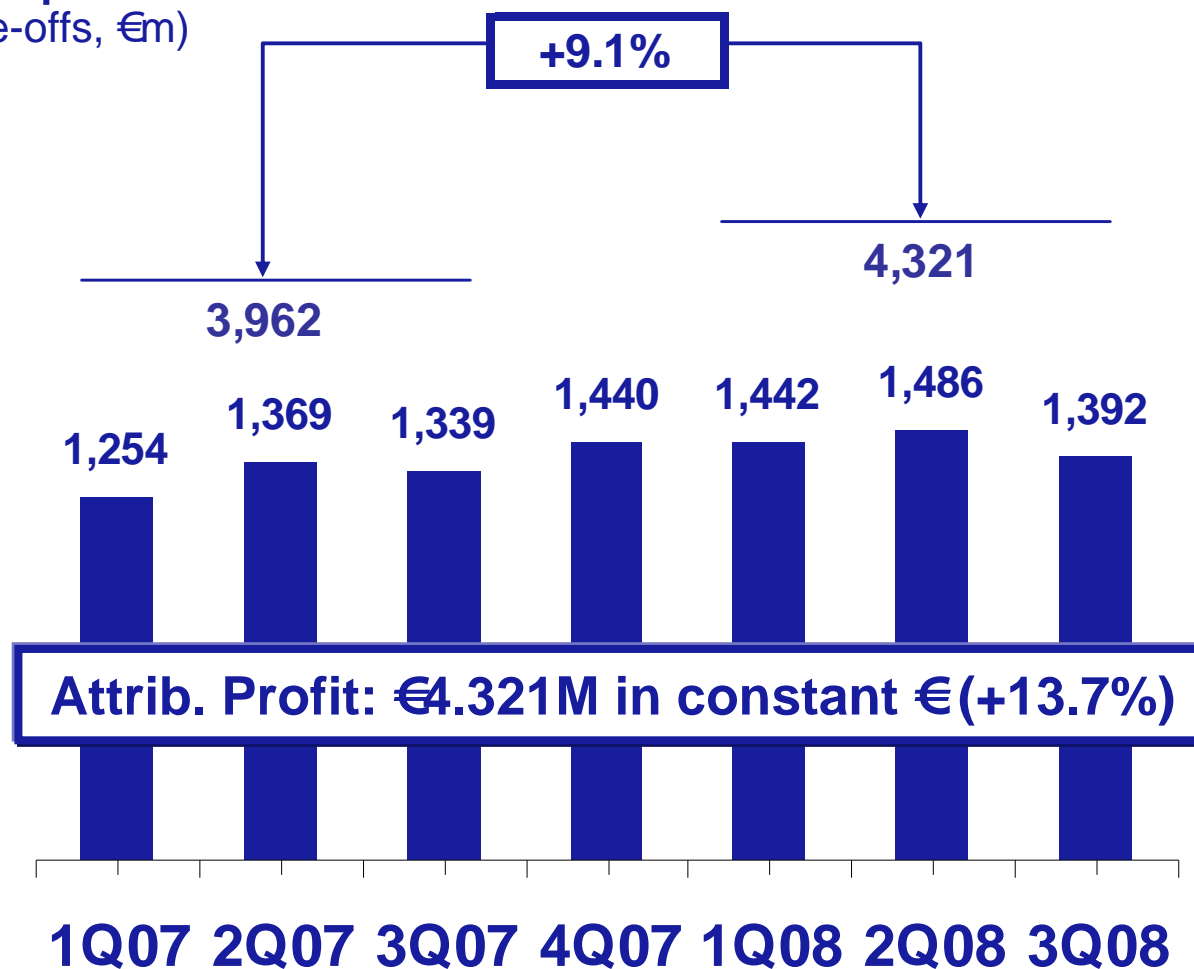
Special effort in provisioning

... resulting in high profitability

Despite complex conditions, BBVA continues to deliver solid profit growth

BBVA

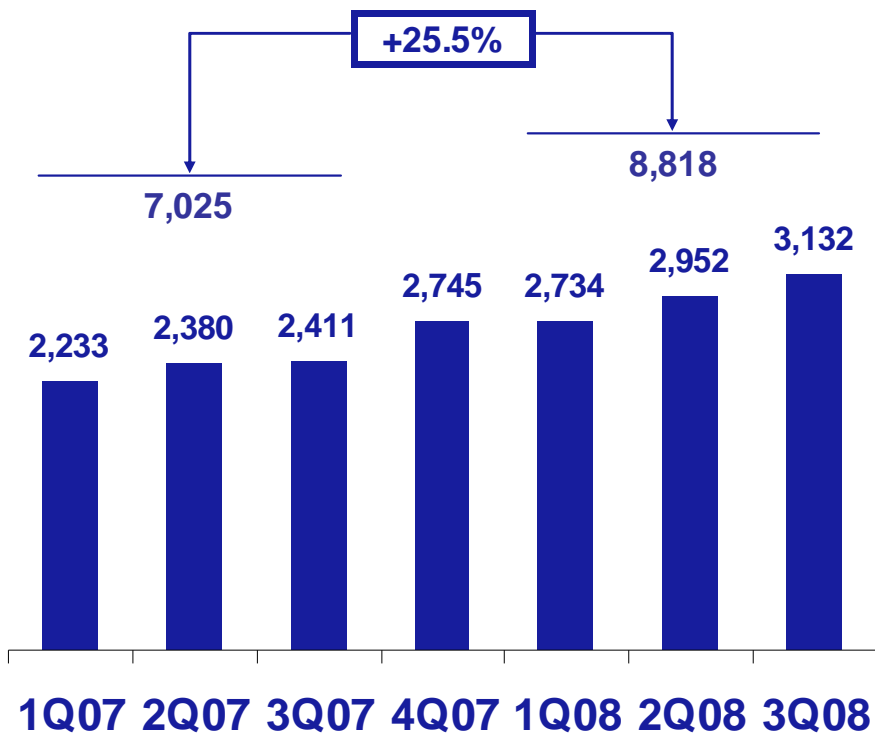
Net attributable profit
(Excluding one-offs, €m)



Quality earnings based on ...

Net interest income

Quarter-by-quarter
(€m)

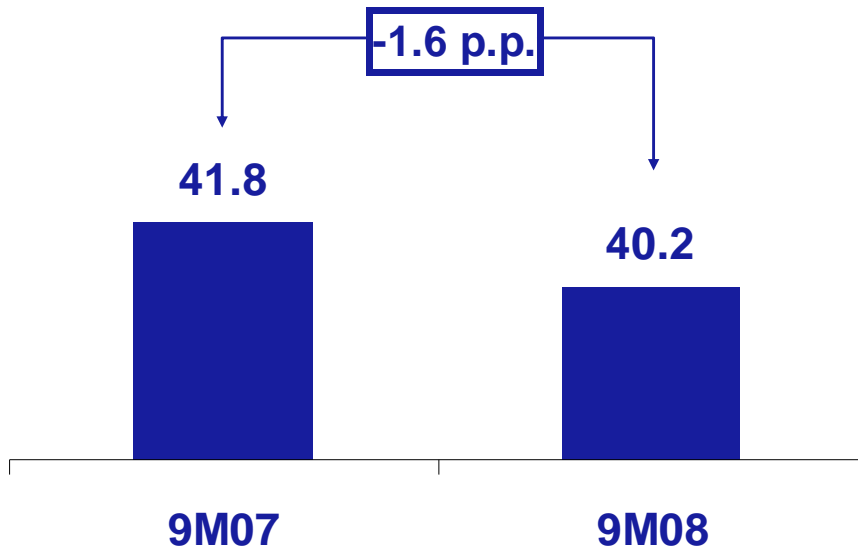


Revenues

Cumulative change
(%)

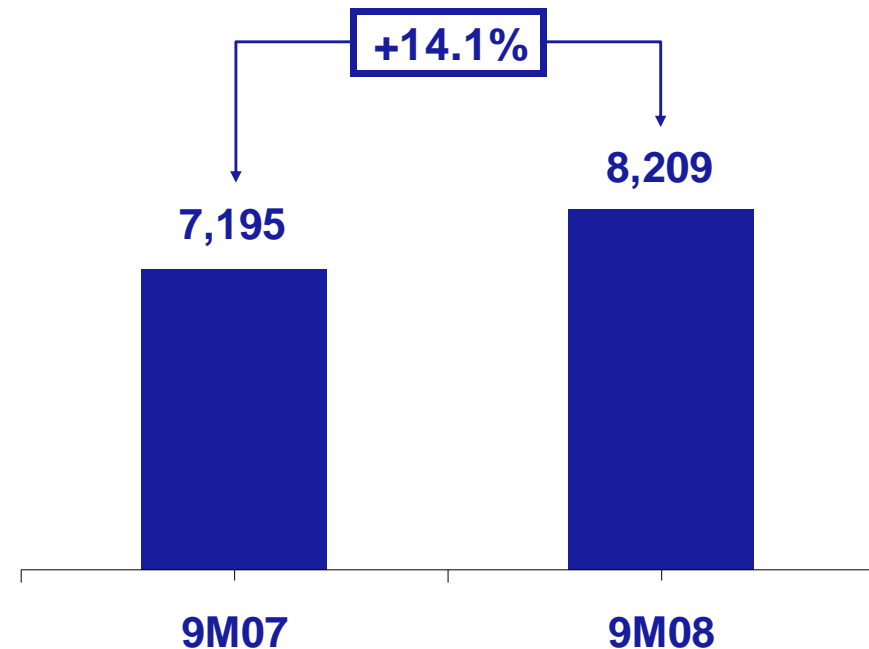
BBVA Group ex-oneoffs	Euros	Constant euros
Net Interest Income	25.5%	31.8%
Core Revenues	18.5%	24.0%
Ordinary Revenues	14.9%	19.9%

Efficiency incl. depreciation
(Excluding one-offs and Compass,
€m)



**Efficiency incl. depreciation,
excl. one-offs: 42.5%**

Operating profit
(Excluding one-offs, €m)

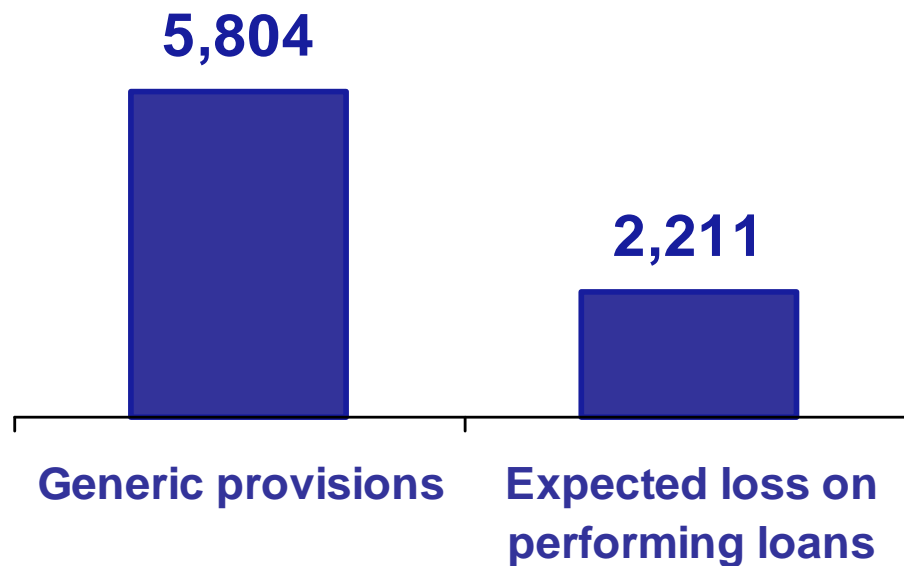
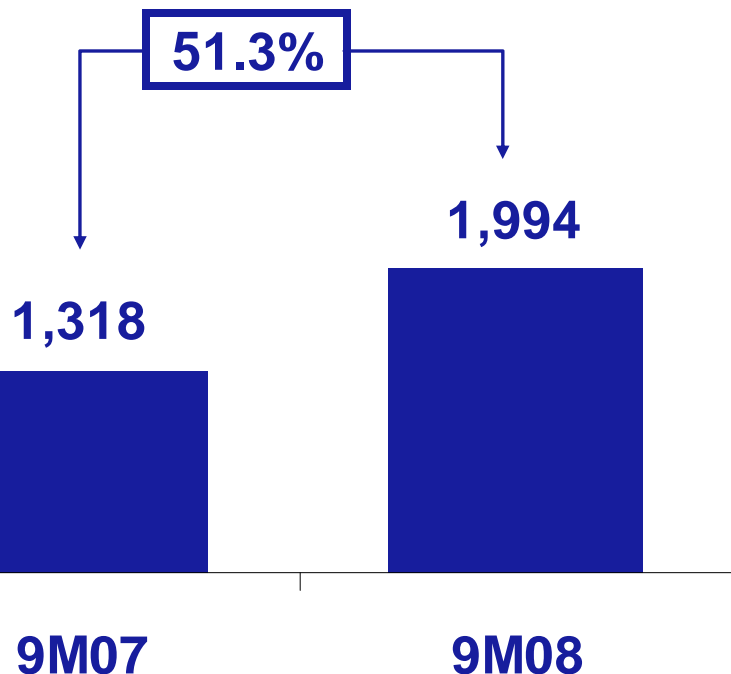


**Oper. profit excl. one-offs:
+ 19.0% (constant €)**

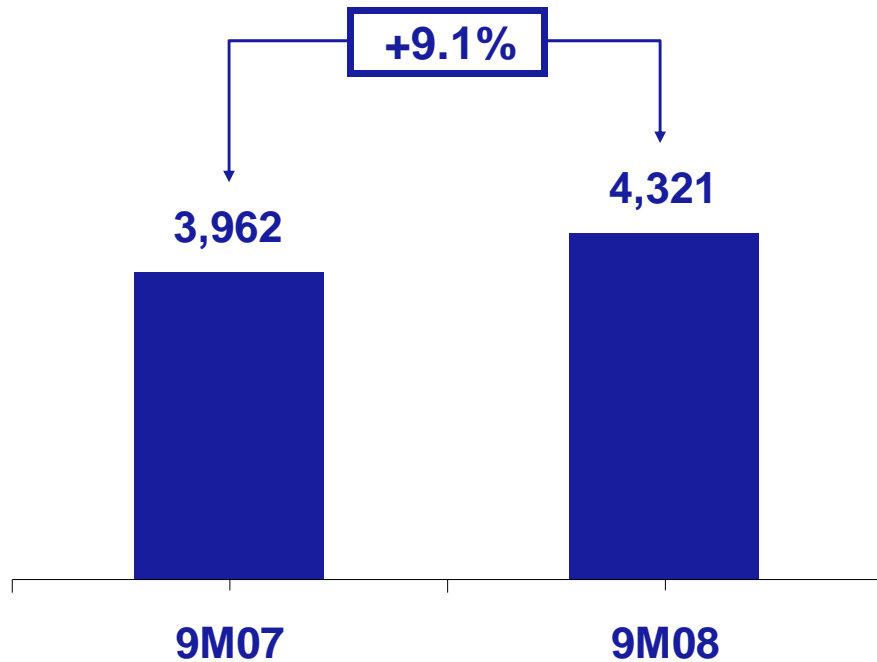
C ... a special effort in provisioning during the quarter

Loan-loss provisions
(€m)

Generic provisions vs expected loss on
performing loans
(€m, Sep.08)



Net attributable profit
(€m)



Recurrent economic profit:
€2.584M

EPS excl. one-offs: €1.16
(+4.2%)

ROE (excl. one-offs): 24.8%

ROA (excl. one-offs): 1.21%

Recurrent RARoC: 30.9%

BBVA Group excluding one-offs: 9M08 results BBVA

(€m)

BBVA Group	Accum	Annual Growth	
	9M08	Abs.	%
Net Interest Income	8,818	+ 1,793	25.5%
Core Revenues	13,224	+ 2,061	18.5%
Ordinary Revenues	14,536	+ 1,889	14.9%
Operating Profit	8,209	+ 1,014	14.1%
Pre-Tax Profit	6,041	+ 353	6.2%
Net Profit	4,589	+ 401	9.6%
Net Attributable Profit	4,321	+ 359	9.1%

One-offs in 9M07 (Before tax)

Iberdrola ~~+~~€47M

Sale of buildings ~~+~~€273M

Microcredits ~~-~~€200M

Net attributable profit
€794M

One-offs in 9M08 (Before tax)

Bradesco ~~+~~€27M

Early retirements ~~-~~€470M

Net attributable profit
€180M

BBVA Group: 9M08 results

(€m)

BBVA Group	Accum	Annual Growth	
	9M08	Abs.	%
Net Interest Income	8,818	+ 1,793	25.5%
Core Revenues	13,224	+ 2,061	18.5%
Ordinary Revenues	15,263	+ 1,769	13.1%
Operating Profit	8,936	+ 894	11.1%
Pre-Tax Profit	6,298	- 310	-4.7%
Net Profit	4,768	- 213	-4.3%
Net Attributable Profit	4,501	- 255	-5.4%

**BBVA**

Group results for 9M08

Results by business area

Spain & Portugal

Wholesale Banking & Asset Management
Mexico

USA

South America

Conclusions

Appropriate control of the liquidity gap

Lending and customer funds

Year-on-year growth
(% average balances)

CBB:	+6.1%
Mortgages:	+5.1%
Total consumer:	+3.4%
Total lending:	+4.9%
<hr/>	
Time deposits:	+27.6%
Total on-balance sheet funds:	+11.0%

Lending and customer funds

Year-on-year growth
(Average balances, €m)

Spain & Portugal	Dec.07	Sep.08
Lending	23,530	9,497
On-balance sheet funds	10,222	9,960
Liquidity gap	-13,309	+464

**Gaining 229bp of market share
in mutual funds in the last year**

Price management: our first priority

Net interest income/ATAs &
NII+Fees ex-mutual funds/ATAs
(%)

NII+Fees ex-mutual funds/ATAs

2.39 2.39 2.41 2.37 2.40 2.39

2.16 2.16 2.19 2.18 2.22 2.23

Net interest income/ATAs

2Q07 3Q07 4Q07 1Q08 2Q08 3Q08

Net interest income
(%)

+11.0%

3,134

3,477

9M07

9M08

And emphasis on cross-selling

Other income
year-on-year
(%)

Fee income -2.7%

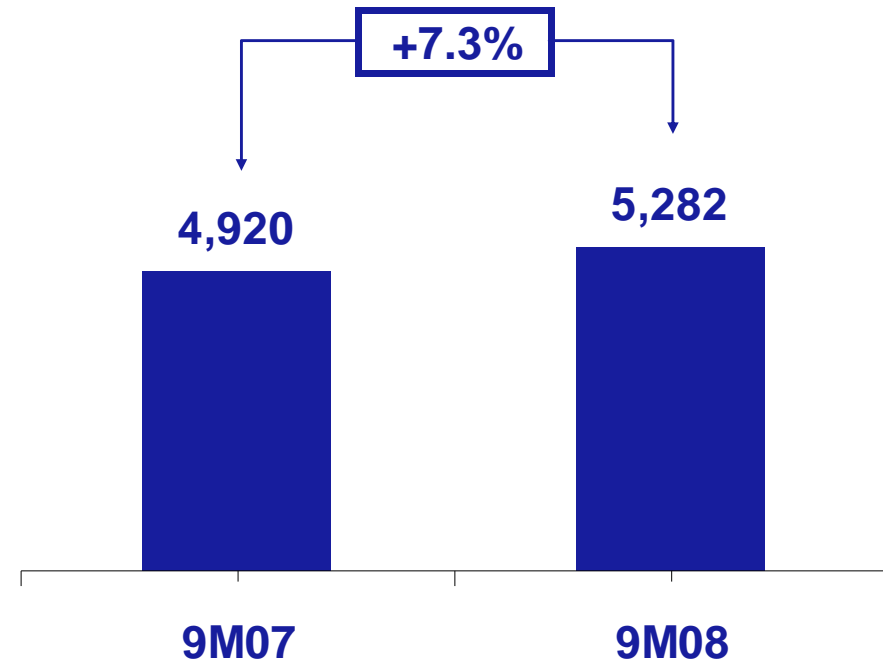
excl. mut. funds +5.2%

Insurance business +7.8%

Net trading income +13.5%

Total other income: +0.9%
(ex –funds: +6.7%)

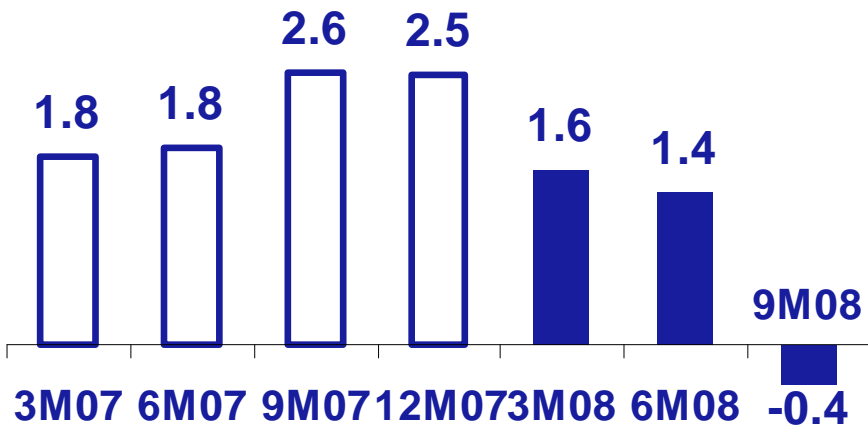
Ordinary revenues
(€m)



Constant attention to transformation leads to new improvements in efficiency

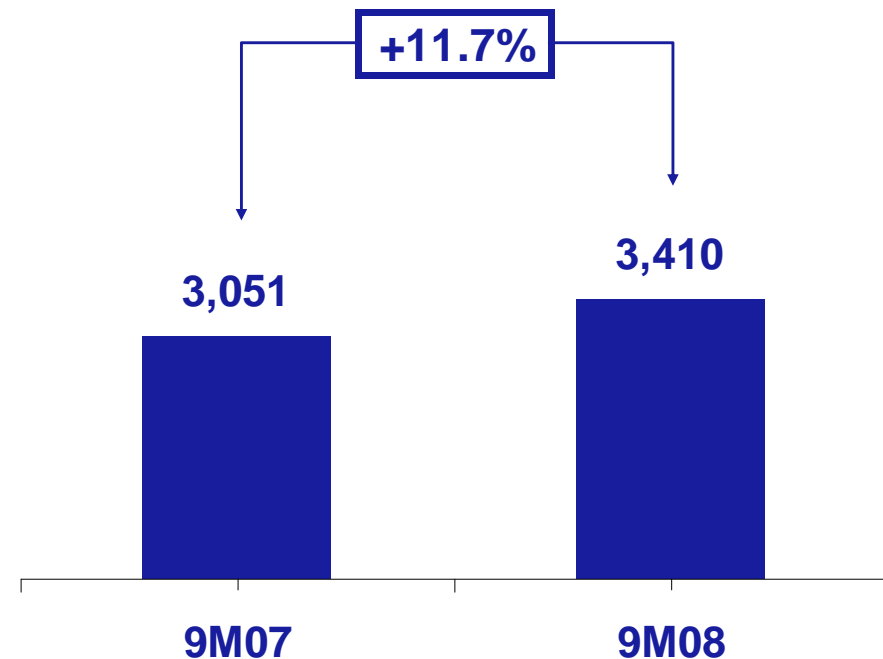
General admin expenses

Cumulative year-on-year growth (%)



Networks in Spain:
-1.4%

Operating profit (€m)



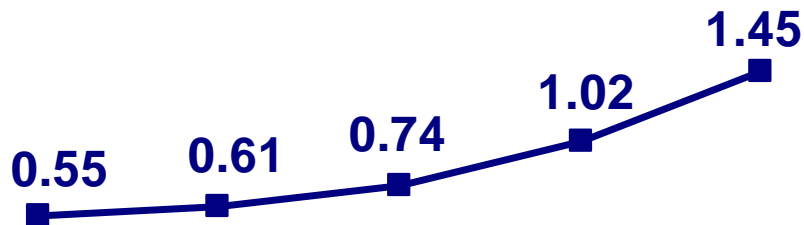
Efficiency incl. deprec:
35.3% (-2.6 points)

NPL ratio rises – but less than Spanish competitors

BBVA

NPL ratio
Businesses in Spain
(%)

Coverage: 106%



Sep.07 Dec.07 Mar.08 Jun.08 Sep.08

Spain & Portugal

NPL ratio: 1.86%

Provisions: +42.6%

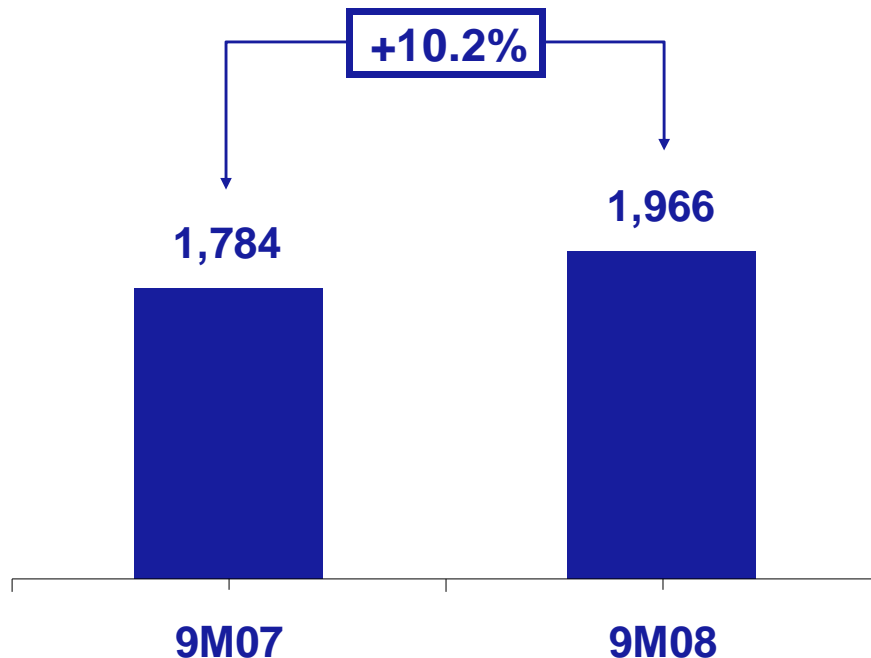
**Maximum risk premium
fenced in**

**Purchase of properties
in 2008 for €340m**

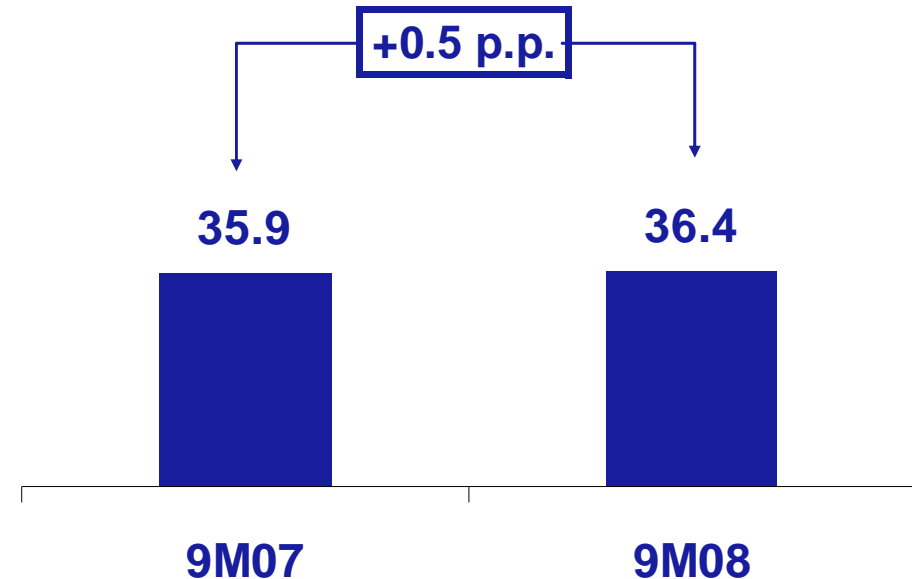
Asset quality advantage over competitors widens

Spain & Portugal: net attributable profit and profitability

Net attributable profit
(€m)



ROE
(%)



Double-digit growth and high returns

Spain & Portugal: 9M08 results

(€m)

Spain & Portugal	Accum	Annual Growth	
	9M08	Abs.	%
Net Interest Income	3,477	+ 343	11.0%
Core Revenues	5,069	+ 336	7.1%
Ordinary Revenues	5,282	+ 361	7.3%
Operating Profit	3,410	+ 358	11.7%
Pre-Tax Profit	2,801	+ 164	6.2%
Net Profit	1,966	+ 182	10.2%
Net Attributable Profit	1,966	+ 182	10.2%

**BBVA**

Group results for 9M08

Results by business area

Spain & Portugal

Wholesale Banking & Asset Management

Mexico

USA

South America

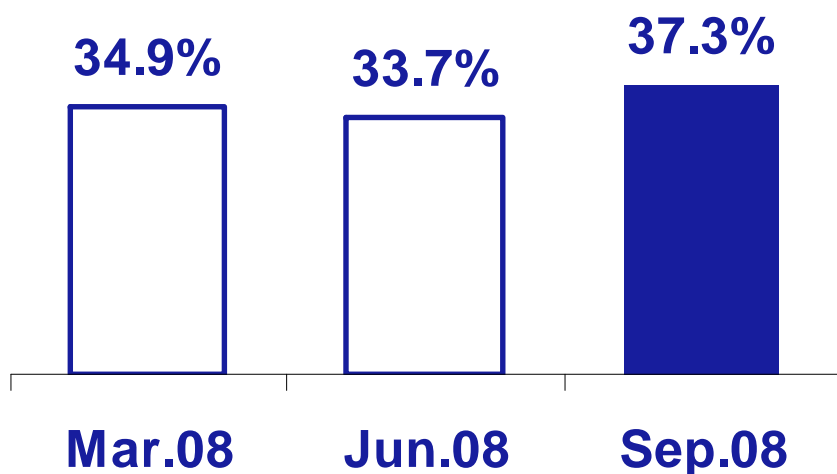
Conclusions

Taking advantage of opportunities in Corporate & Investment Banking

Corp. & Investment Bkg*

Lending

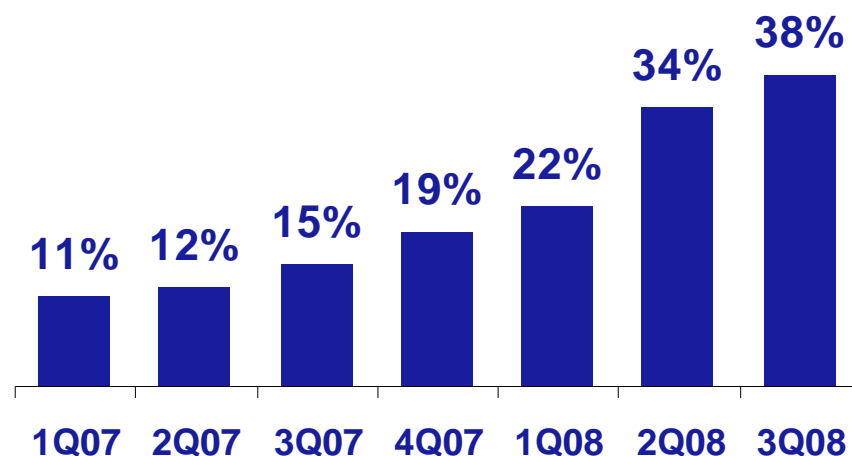
Year-on-year growth
(Average balances)



Corp. & Investment Bkg

RARoC on new business

Quarter by quarter

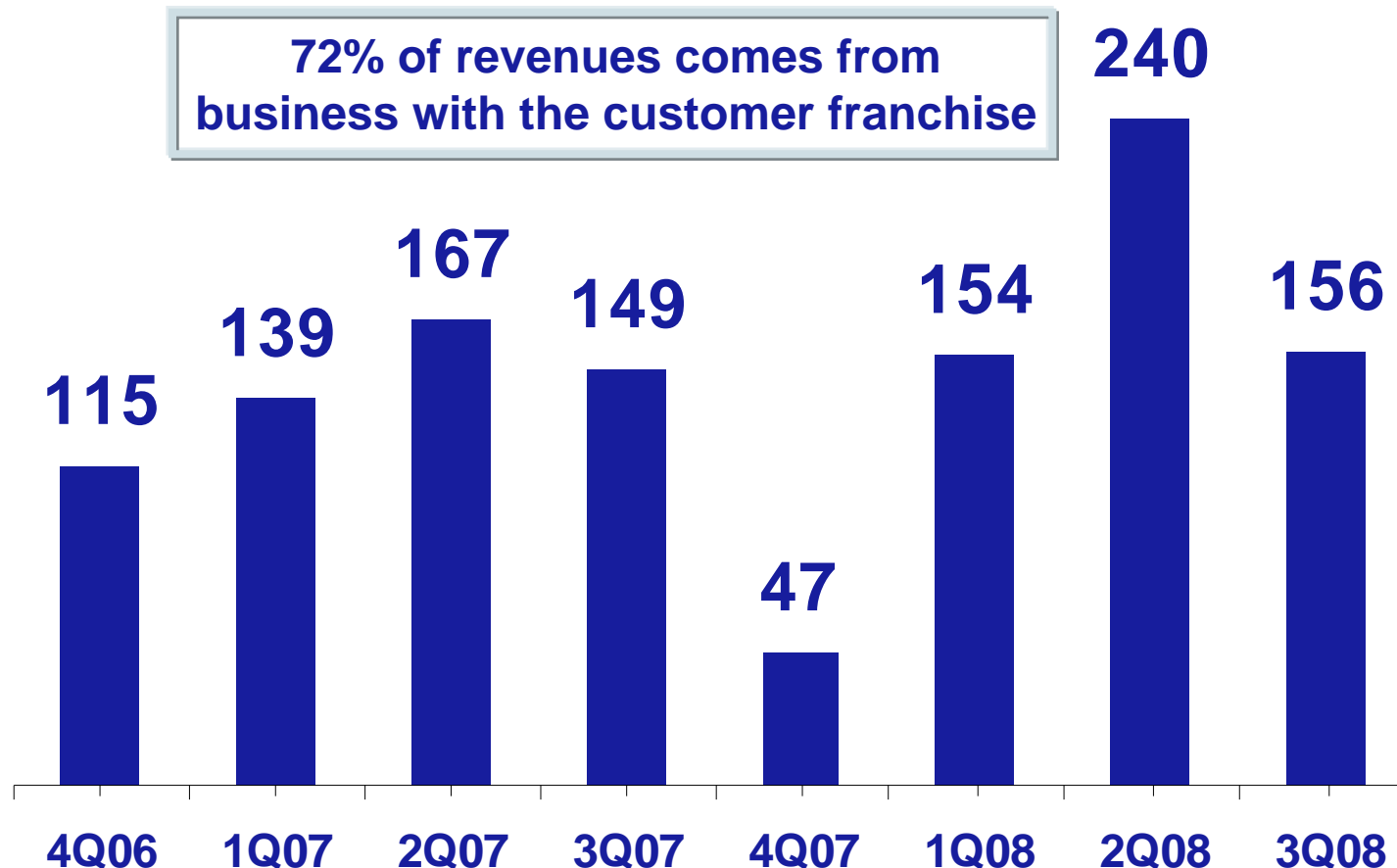


Ordinary revenues: €601M (+33.2%)

With good earnings from Global Markets

BBVA

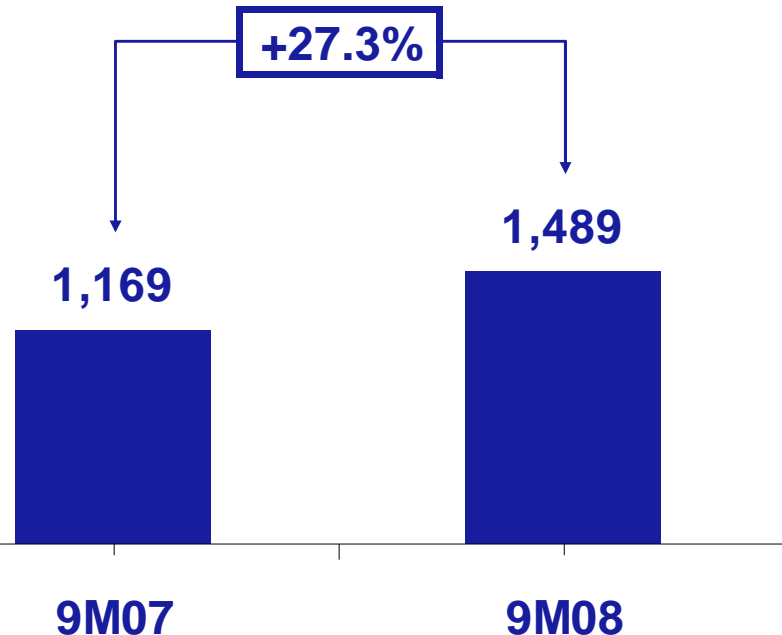
Global Markets
Ordinary revenues
(€m)



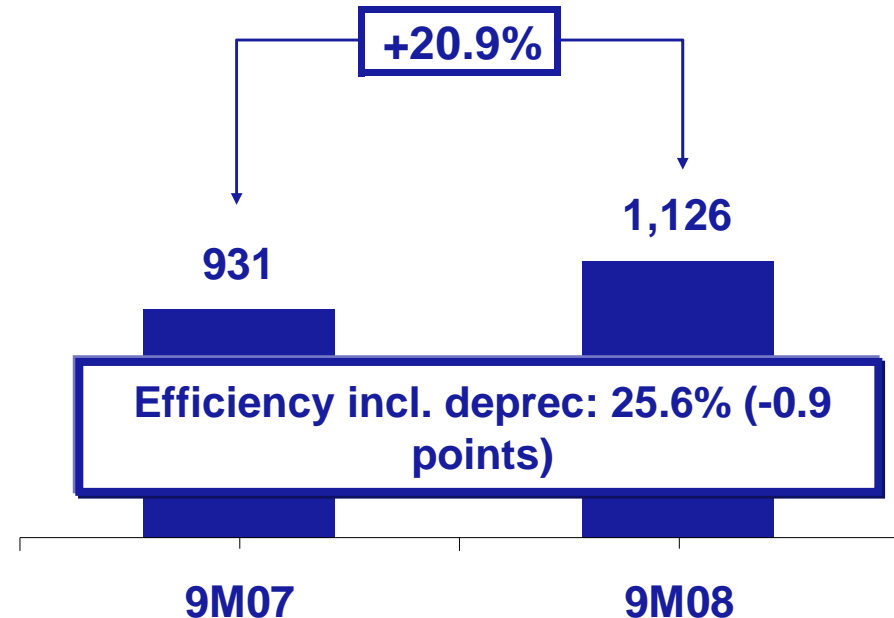
**With a diversified portfolio and less risk than the sector.
Average 9M08 VAR is €18.5M (half the sector)**

Resulting in solid growth of revenue and operating profit in the Area

Ordinary revenues
Wholesale & Inv Bkg
(€m)



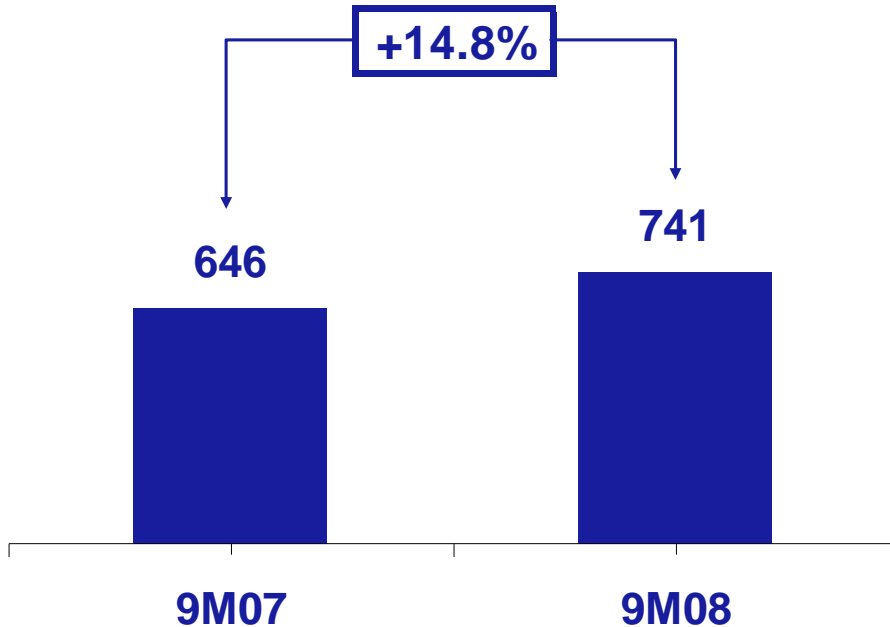
Operating profit
Wholesale & Inv Bkg
(€m)



With efficiency improving

Growth of attributable profit and high profitability

Net attributable profit
(€m)



ROE:
30.4%

Wholesale Banking & Asset Management: 9M08 results

BBVA

(€m)

Wholesale Banking & Asset Management	Accum	Annual Growth	
	9M08	Abs.	%
Ordinary Revenues	1,489	+ 319	27.3%
Operating Profit	1,126	+ 194	20.9%
Pre-Tax Profit	917	+ 60	7.0%
Net Profit	746	+ 93	14.2%
Net Attributable Profit	741	+ 95	14.8%

**BBVA**

Group results for 9M08

Results by business area

Spain & Portugal

Wholesale Banking & Asset Management

Mexico

USA

South America

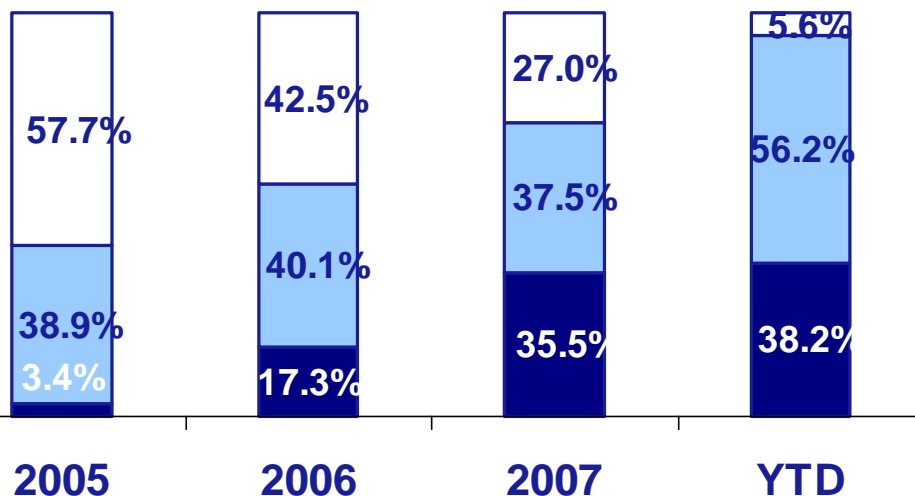
Conclusions

Anticipation is part of Bancomer's business strategy ...

BBVA

New-lending mix (%)

■ SMEs+Corporations ■ Mortgages □ Consumer+Cards



Excl. government

Lending: +17.7%

Customer funds: +11.0%

Lending and customer funds y-o-y growth - average balances (%)

SMEs: +34.6%

Mortgages: +23.5%

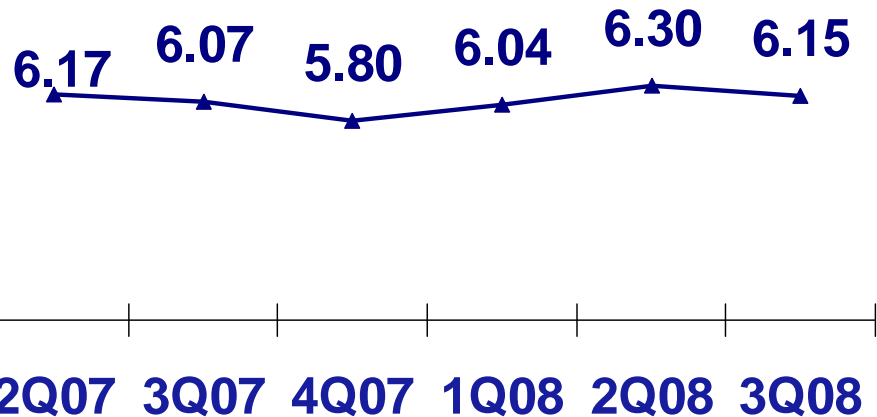
Consumer + cards: + 7.9%

Current + Savings Acts: +14.5%

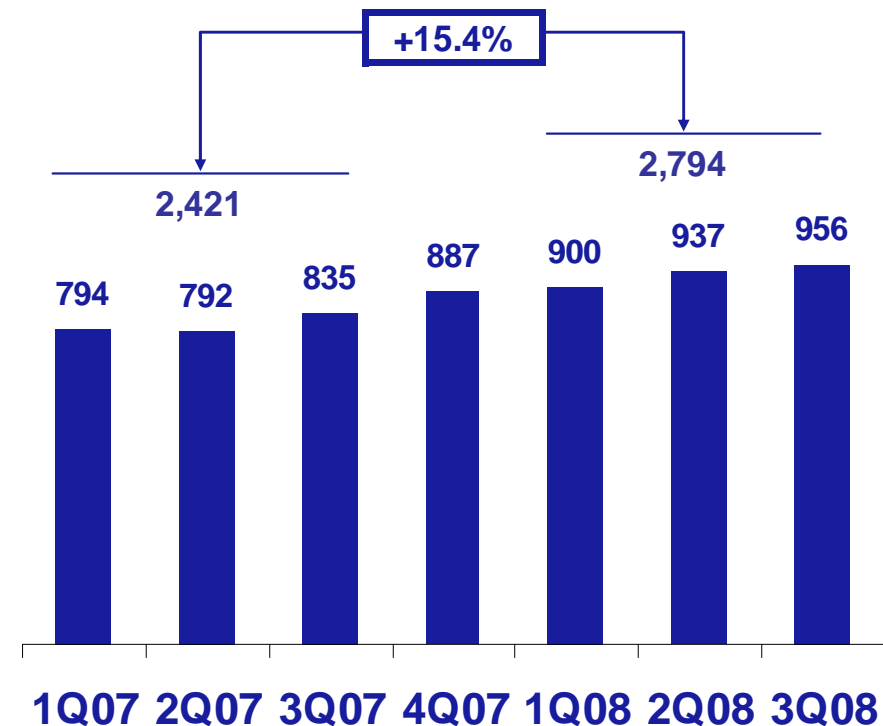
Time+MF+Repo+MDD: +9.1%

... leading to solid growth in net interest income

Net interest income / ATAs
(%)



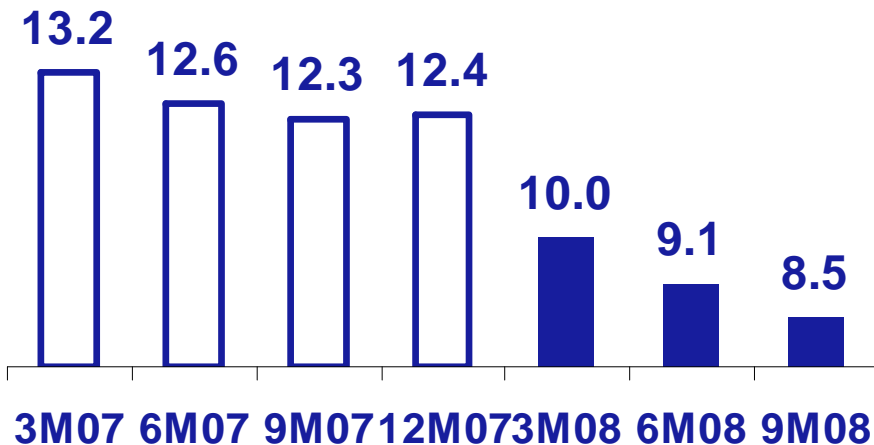
Net interest income
Mexico country
Quarter by quarter
(Constant €m)



General admin expenses

Mexico country

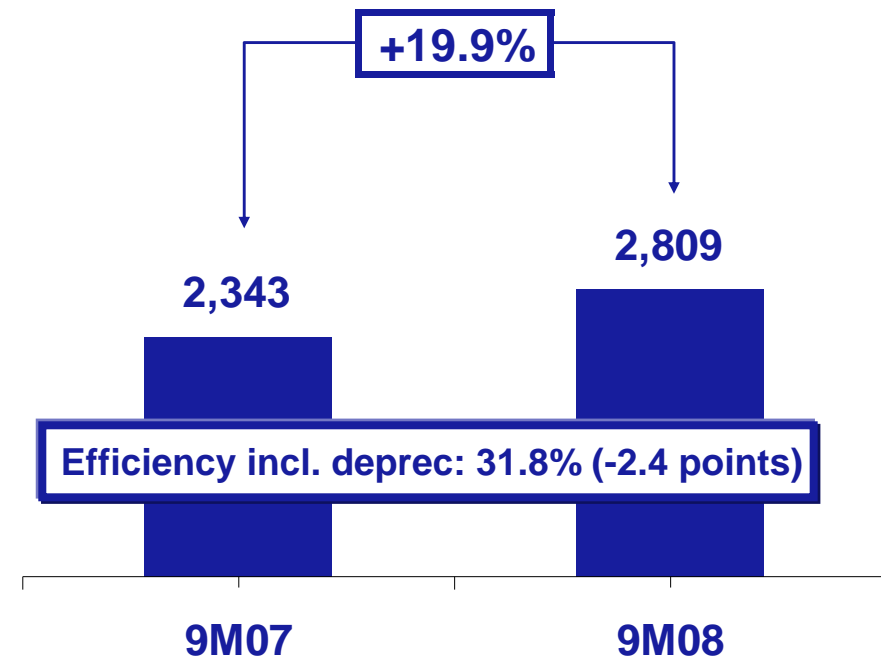
Cumulative year-on-year growth
(%)



Operating profit

Mexico country

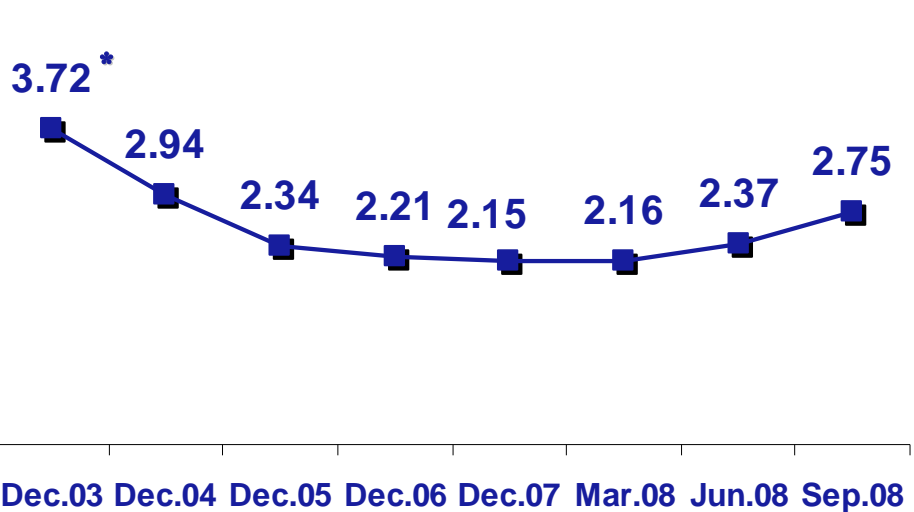
(Constant €m)



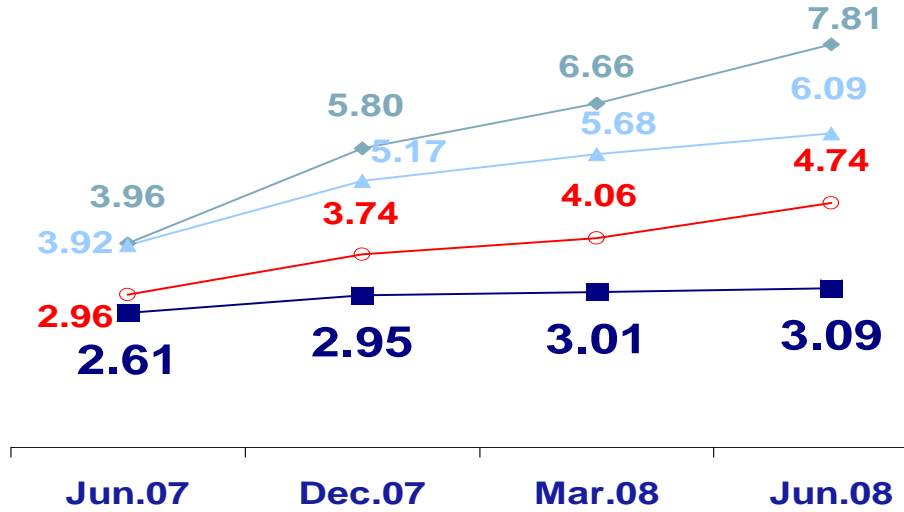
... leading to solid growth of operating profit

Anticipation through provisions based on expected loss

NPL ratio
Mexico country
(%)



Risk premium
Mexico
(%)



■ Bancomer ◆ Peer 1 ○ Peer 2 ▲ Peer 3

Internal sources based on published figures & local criteria

Coverage: 191%

Provisions in constant € +32.6%

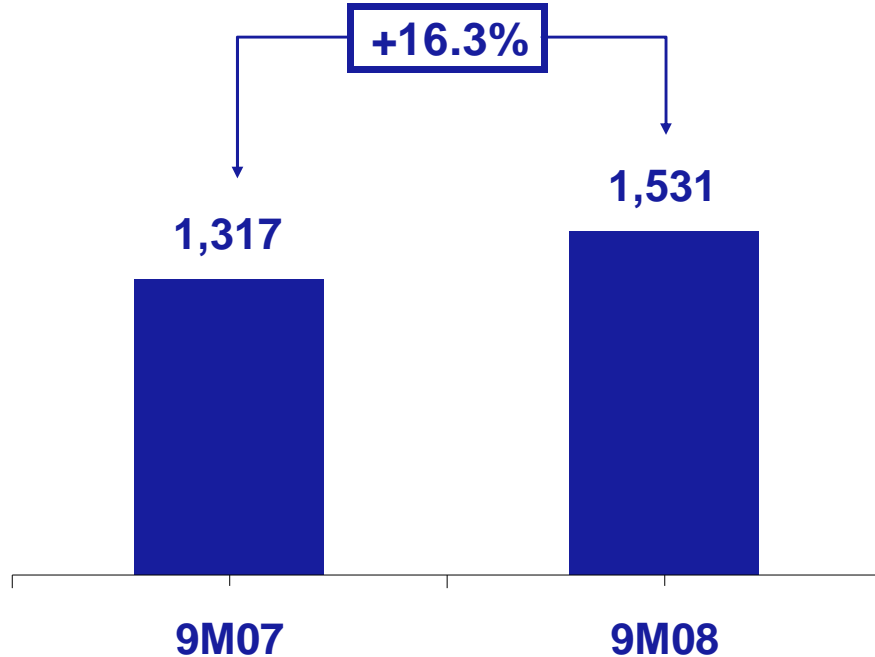
Risk premium is substantially lower than peers

* Pre-NIIF

Mexico: net attributable profit

Net attributable profit

Mexico country
(Constant €m)



Bancomer BG +15.3%

Pensions & Insurance +21.9%

Mexico: 9M08 results

(Constant €m)

Mexico	Accum	Annual Growth	
	9M08	Abs.	%
Net Interest Income	2,794	+ 373	15.4%
Core Revenues	4,004	+ 456	12.8%
Ordinary Revenues	4,240	+ 553	15.0%
Operating Profit	2,809	+ 466	19.9%
Pre-Tax Profit	2,007	+ 195	10.8%
Net Profit	1,532	+ 214	16.3%
Net Attributable Profit	1,531	+ 215	16.3%

**BBVA**

Group results for 9M08

Results by business area

Spain & Portugal

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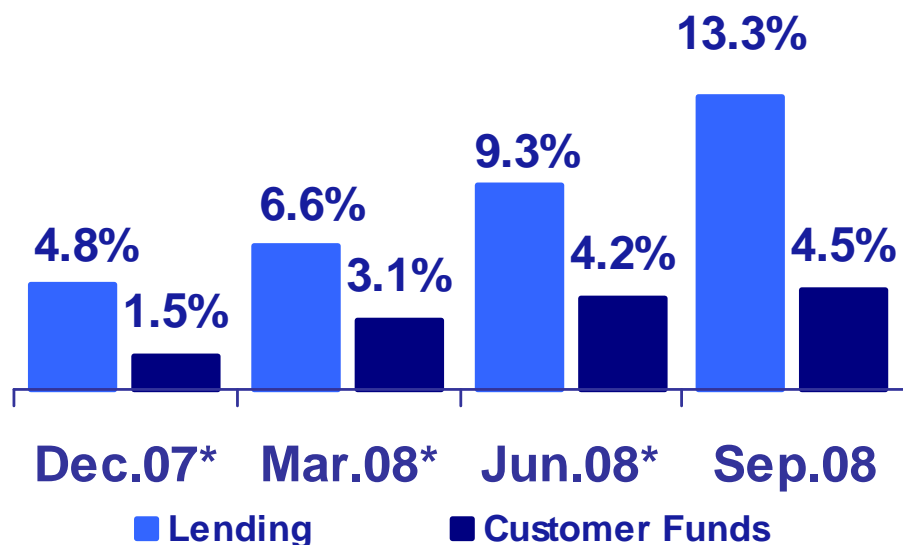
Conclusions

Business continues to grow thanks to Compass BG's vigorous marketing ...

Lending and customer funds

Compass BG

Year-on-year growth
(Average balances)



Lending

Compass BG

Year-on-year growth
(Average balances)

Individuals

APR Sep.08/Sep.07
+19.1%

FICO SCORE: 729
vs 712 at Dec.07

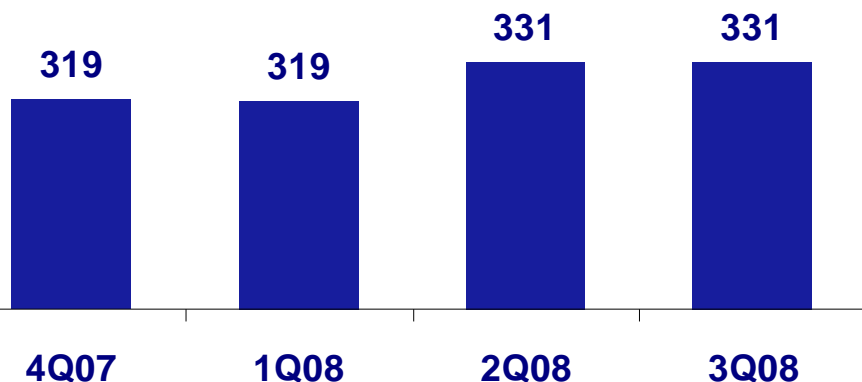
SMEs

APR Sep.08/Sep.07
+10.2%

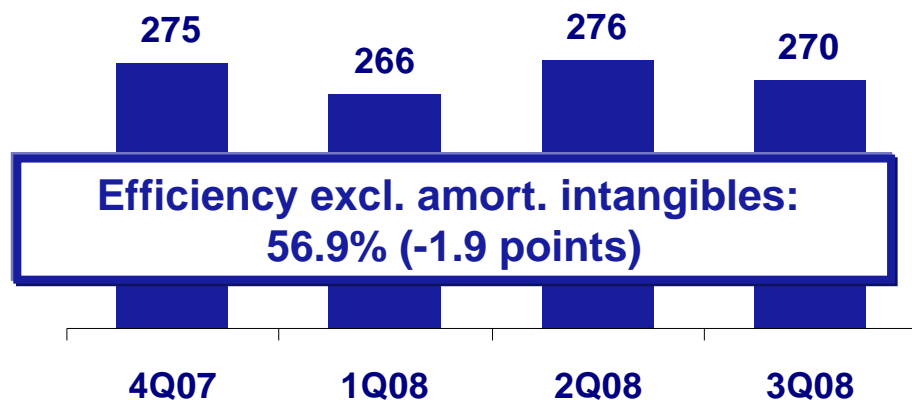
Risk grade: 5.6
vs 6.2 at Dec.07

... reflected by net interest income and stable costs

Net interest income
(Constant €m)



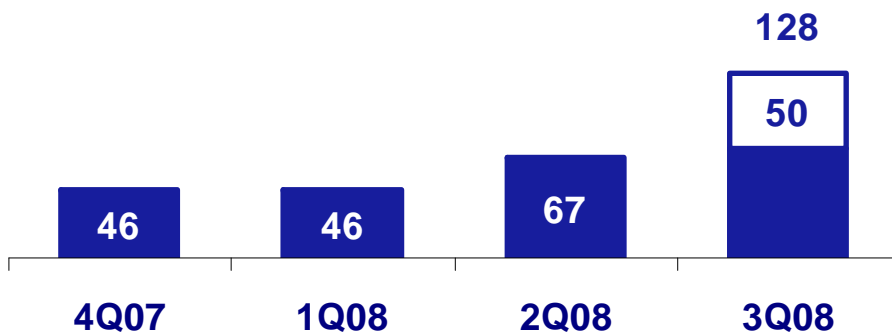
Total expenses excl. amort. of intangibles and excl. merger & integration costs
Quarter by quarter
(Constant €m)



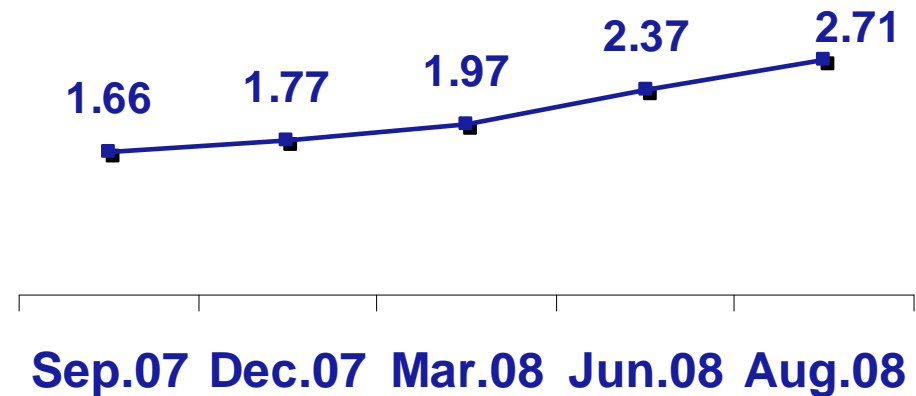
Integration of Texas State Bank under the new brand  Compass in 3Q08

Special effort in provisioning in a very complex scenario

Loan-loss provisioning
(Constant €m)



NPL ratio
(%)



Updating collateral values

Coverage: 73%

USA: 9M08 results

(Constant €m excl. amort. of intangibles)

USA	Accum.	Quarter-by-quarter			
	9M08	3Q08	2Q08	1Q08	4Q07
Net Interest Income	981	331	331	319	319
Core Revenues	1,381	461	467	453	462
Ordinary Revenues	1,481	481	511	489	479
Operating Profit	636	194	223	219	202
Net Attributable Profit	262	45	108	109	103

Net attrib. profit: €184M
(incl. amortisation of intangibles)

ROE: 20.1% (excl. amort intang.)
ROE: 14.2% (incl. amort intang.)

**BBVA**

Group results for 9M08

Results by business area

Spain & Portugal

Wholesale Banking & Asset Management

Mexico

USA

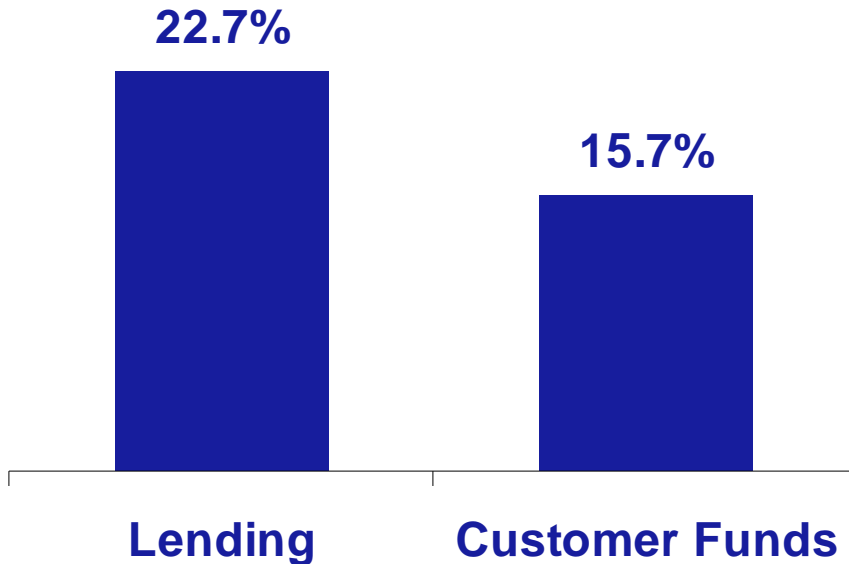
South America

Conclusions

Business continues to be strong in South America ...

BBVA

Lending and customer funds
Year-on-year growth
(Average balances)



Consumer + cards: +32.2%

Mortgages: +22.8%

Companies: + 20.5%

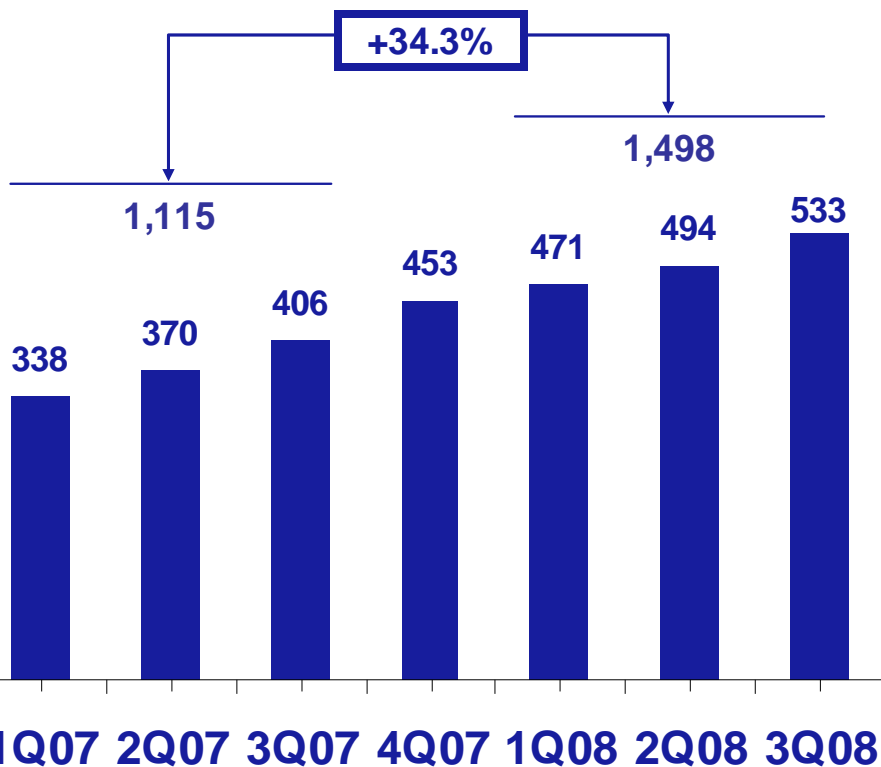
Time deposits: +20.9%

Current + savings: +14.0%

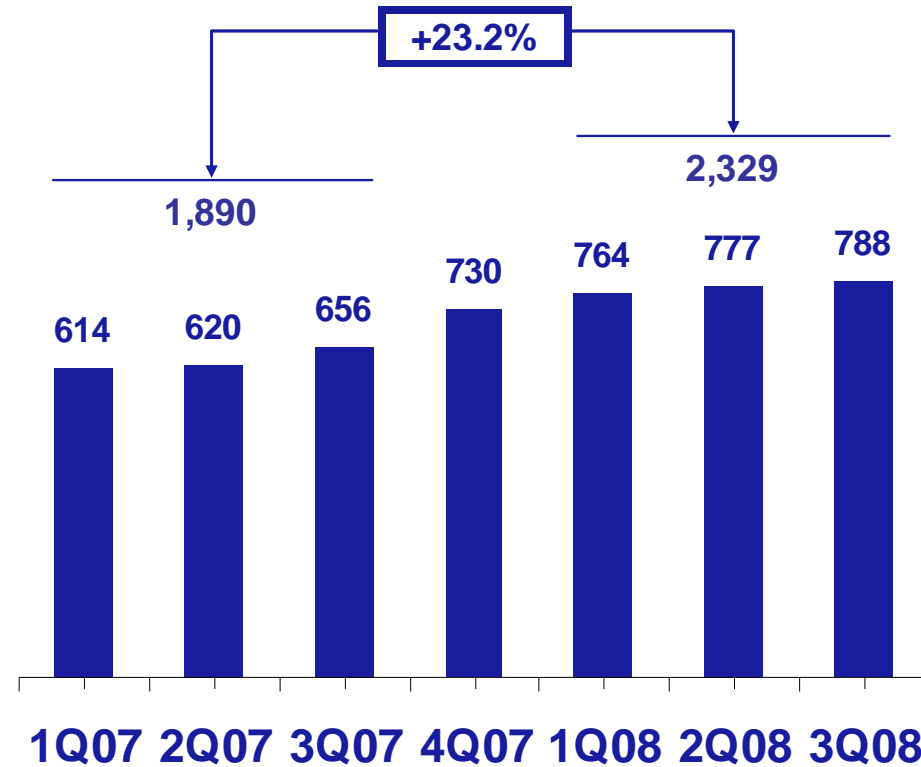
Good performance in lending and customer funds

... resulting in strong growth of recurrent revenues

Net interest income
(Constant €m)

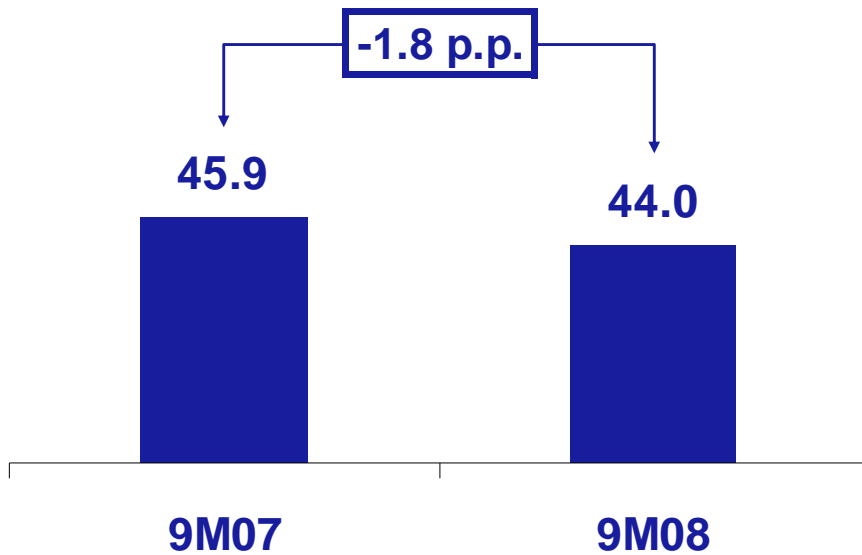


Ordinary revenues
(Constant €m)

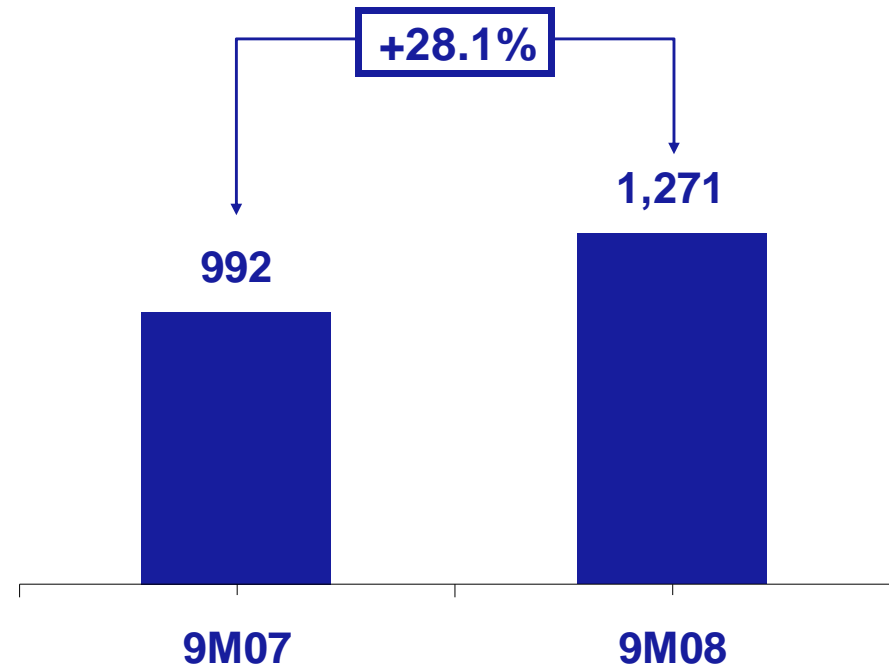


Efficiency continues to improve ...

Efficiency incl. depreciation
(%)

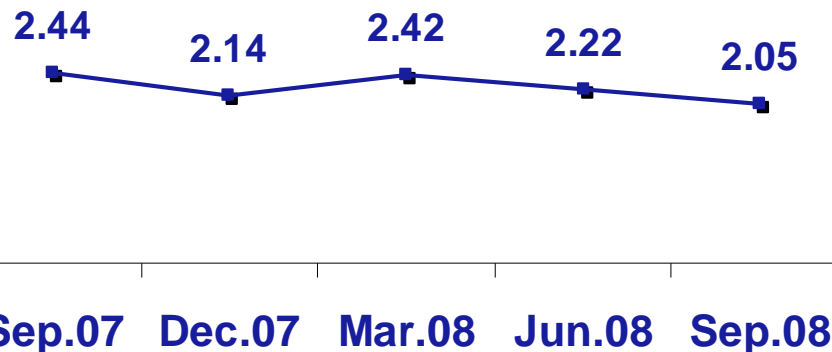


Operating profit
(Constant €m)



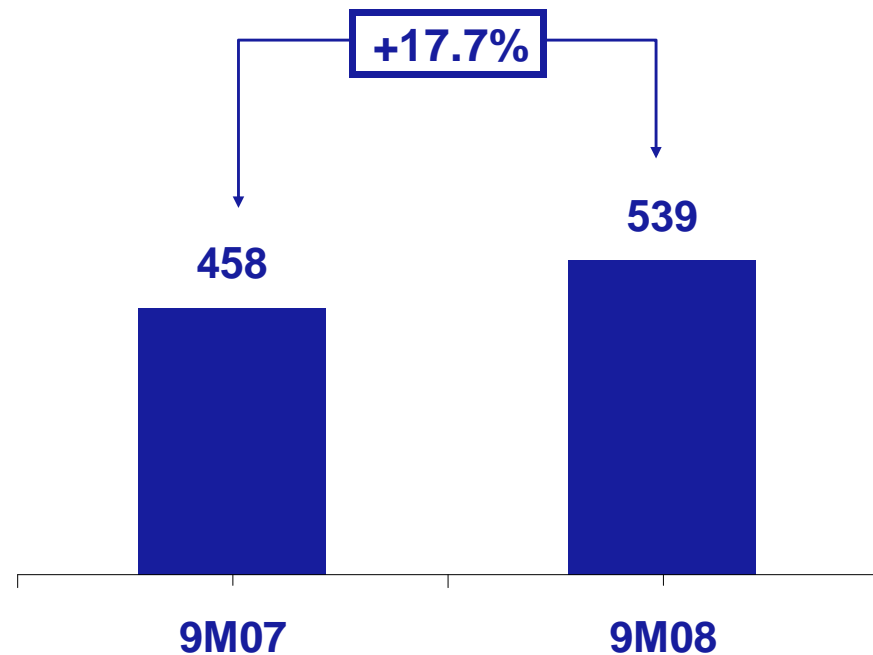
... and with a stable NPL ratio, leading to solid profit growth

NPL ratio
(%)



Coverage: 146%

Net attributable profit
(Constant €m)



ROE: 37.7%

South America: 9M08 results

(Constant €m)

South America	Accum	Annual Growth	
	9M08	Abs.	%
Net Interest Income	1,498	+ 383	34.3%
Core Revenues	2,184	+ 453	26.2%
Ordinary Revenues	2,329	+ 439	23.2%
Operating Profit	1,271	+ 279	28.1%
Pre-Tax Profit	1,040	+ 220	26.8%
Net Profit	794	+ 136	20.6%
Net Attributable Profit	539	+ 81	17.7%

**BBVA**

Group results for 9M08

Results by business area

Spain & Portugal

Wholesale Banking & Asset Management

Mexico

USA

South America

Conclusions

Spain & Portugal

Management has a different approach to the slowdown, with focus on pricing, costs and asset quality

Wholesale & Inv Bkg

Despite the environment, recurrent revenues based on customer activity

Mexico

Good earnings thanks to Bancomer's strategy of anticipation

USA

Integration process continues as planned but focus remains on business

South America

Strong growth in South America

The financial sector crisis highlights BBVA's strengths

Proven model for retail banking business

+

**Long track-record in efficiency and prudent risk
management**

+

A different positioning in capital and liquidity

=

**Sound capital position and steady recurrent
earnings**

Third Quarter Results 2008

