

BBVA

Merrill Lynch Banking & Insurance CEO Conference

London, 9th October 2008



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1

BBVA: standing out in the current environment

2

Addressing current market concerns:

- Liquidity
- Asset quality
- Solvency

3

Delivering strategic initiatives:

- Structural client growth
- US franchise integration
- Technology based efficiency

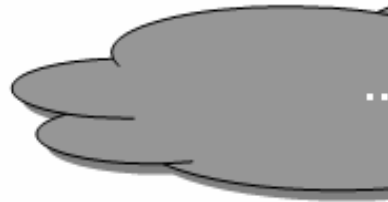
1

One year ago ...

BBVA

The environment has changed for the banking sector

From...strong growth and revenues, sound



How is BBVA going?

Merrill Lynch Banking & Insurance
London, 2007

Since then, the crisis has had serious consequences ...

Banking on Trouble
By Daniel Pollitt
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 will follow in the wake of the subprime crisis.

Subprime crisis may not have blown over yet
Several studies have pointed out the subprime problem is a line of banking crises that affected countries all around the world.

Regional bank shares under pressure as worries mount
By William Potalon III
Executive Editor

Failure raises concern for regional banks
By Joanne 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, sparked fresh fears about the survival of other banks in the mortgage market.

Bank Losses: Are We Just Getting Started?
By Alan Dauterive, CFA | July 15, 2008 | [Commentary](#)

Large U.S. regional banks in "capitulation mode," Merrill
June 20, 2008 8:57 AM ET

Profit at U.S. regional banks tumble, evaporate
Tue Jan 22, 2009 9:14am EST

Economist Predicts Worst is Just Ahead
Protect & Depress (2008), Sunday, Jan 19th, 2009 (TheWeek)

Subprime Crisis Again in the Spotlight as the Meltdowns of Fannie Mae and Freddie Mac Fuel Fears of a Deeper Downturn
Monday, July 14, 2008

Bank shares tumble; First Horizon down 25%
Monday, July 14, 2008 - 12:04 PM CDT



... impacting on those entities with weaker business models

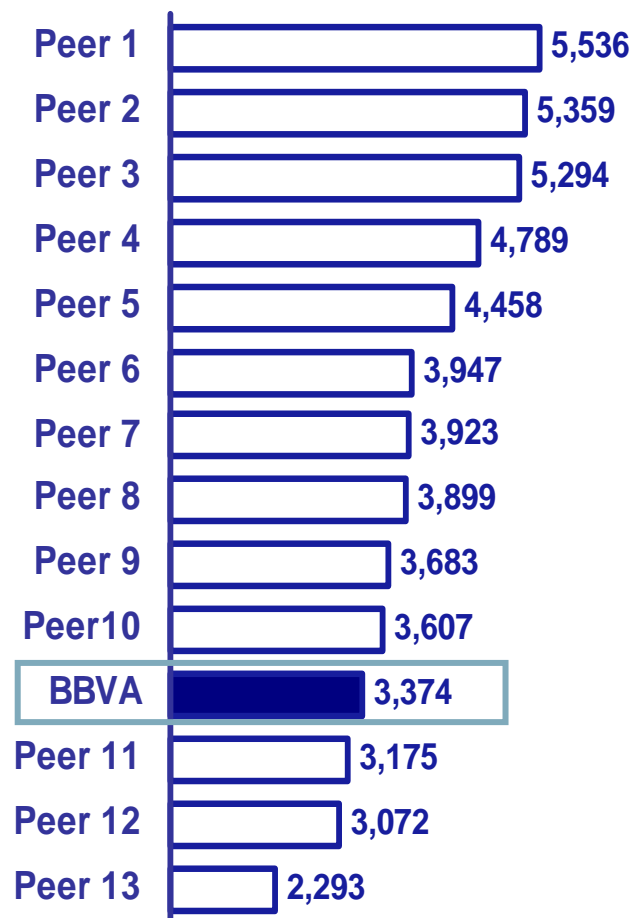
A new banking world ...

In which, BBVA's results are outstanding

BBVA

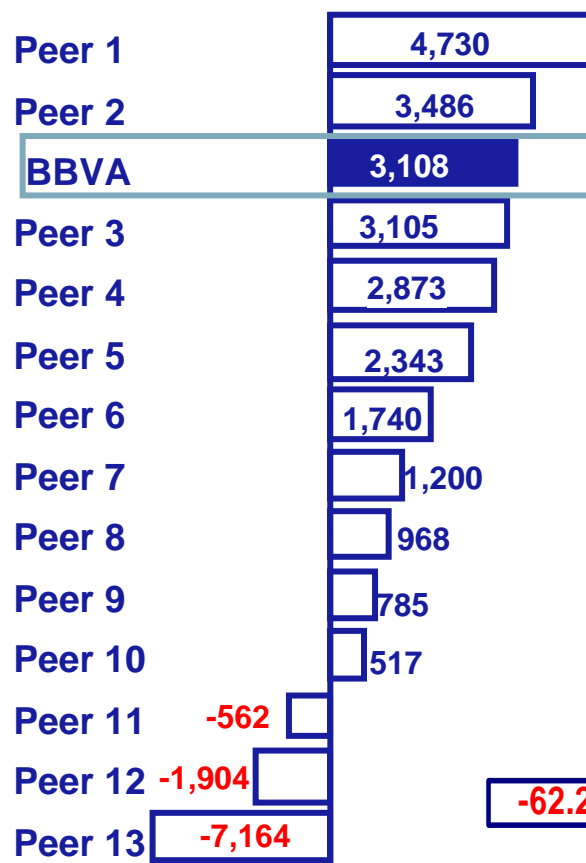
1H07 Results

€m



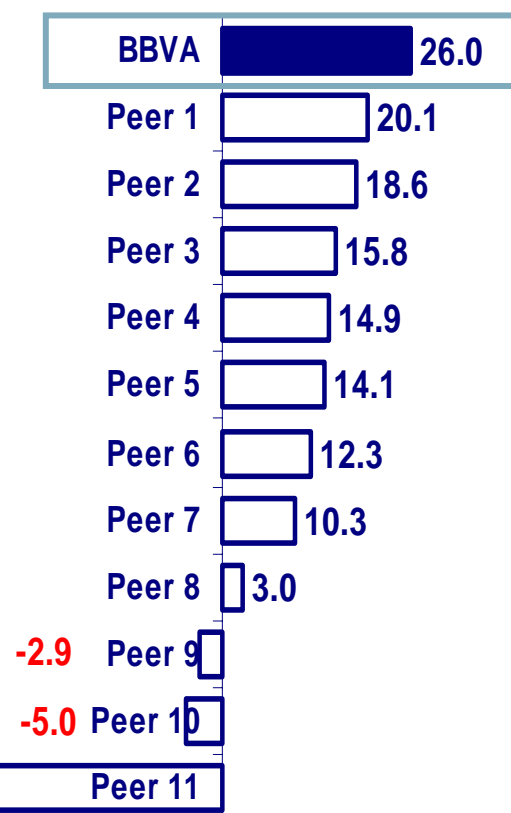
1H08 Results

€m



ROE

1H08 (%)



Internal sources based on public information
BBVA ex. one offs: 2,624 m €

Internal sources based on public information
BBVA ex. one-offs: 2,928 m €

Internal sources based on public information

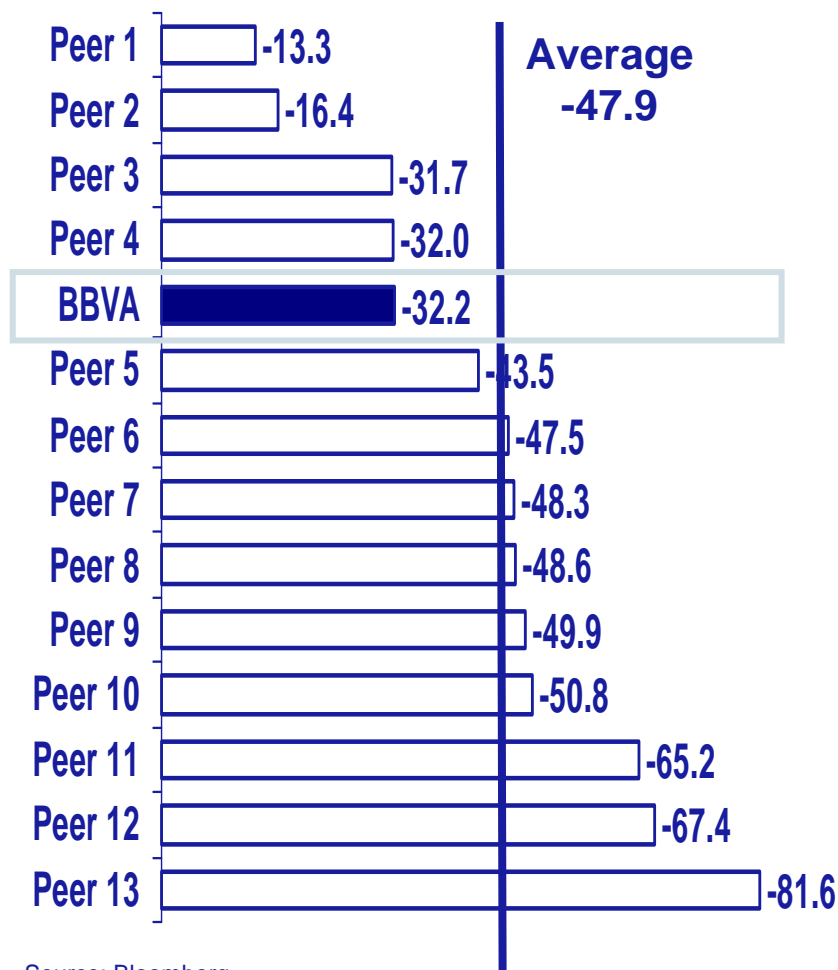
Peers: Santander, BNP Paribas, Intesa Sanpaolo, Unicredit, Barclays, Société Générale, HBOS, Crédit Agricole, Lloyds, Deutsche Bank, Credit Suisse, RBS, UBS

Are the markets differentiating enough?

BBVA

TSR

Aug.07 to 06/oct/08
(%)

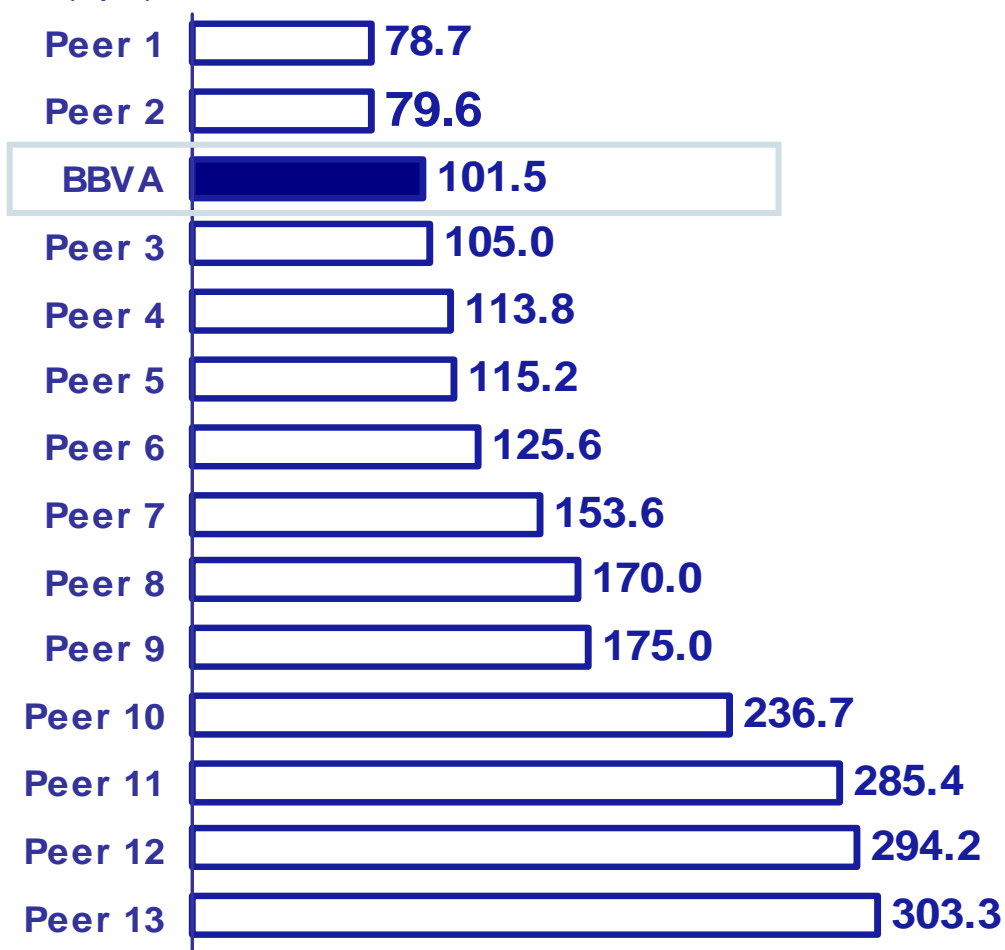


Source: Bloomberg

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

5Y Senior Debt CDS Spread

Figures as of 06/oct/08
(bps)



Source: Bloomberg

Market concerns**Liquidity**

- Higher funding costs
- Still significant issuance needs for 2008 and 2009
- Shortage of liquidity sources

Asset quality

- Credit market deteriorating
- Asset quality worsening
- High provisioning needs to rebuild coverage

Solvency

- Further pressure to deleverage
- NAV's at risk
- Capital deficits

BBVA**Liquidity**

- Large client deposit base
- Well spread wholesale funding maturities
- 50 bn € liquidity sources

Asset quality

- Traditional asset quality deteriorating but much less than our peers
- Among best NPL & coverage ratio in Europe
- Excess provisions

Solvency

- Recurrent organic capital generation
- Additional capital sources
- Strong capital base
- Small but profitable balance sheet

2.1

Liquidity

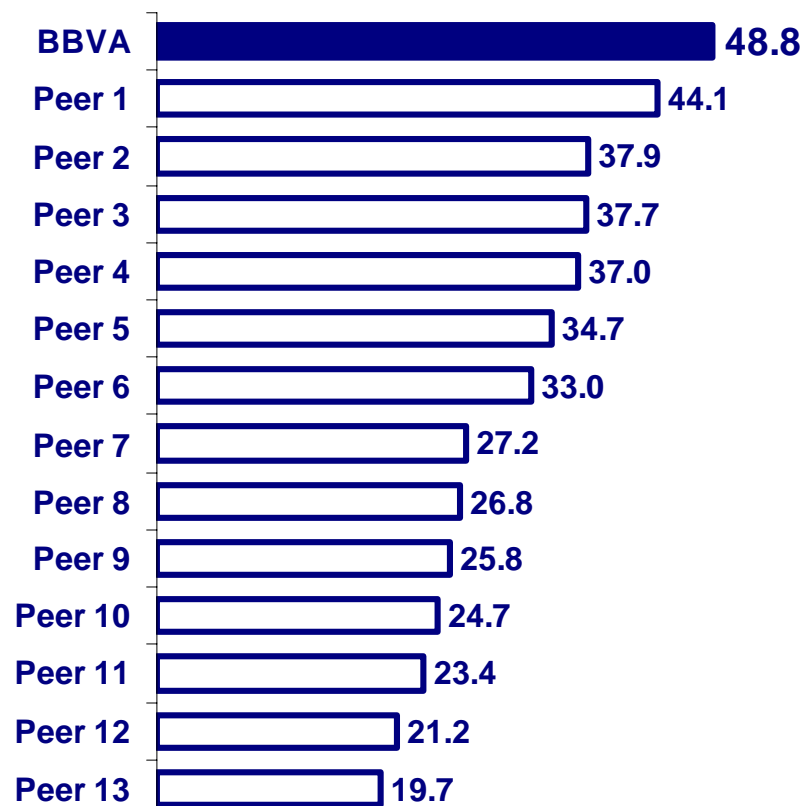
2.2

**Asset
quality**

2.3

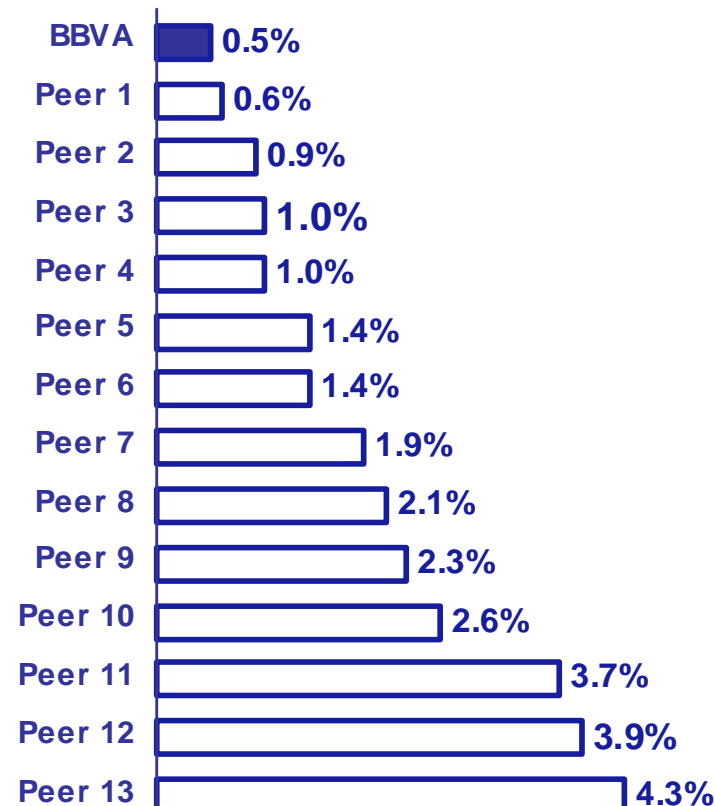
Solvency

Deposits to total assets
(%, Jun.08)



Internal sources based on public information

Commercial gap as % of balance sheet
(%, Jun.08)



1H08 lending growth - deposit growth / Total assets
Source: BBVA Research

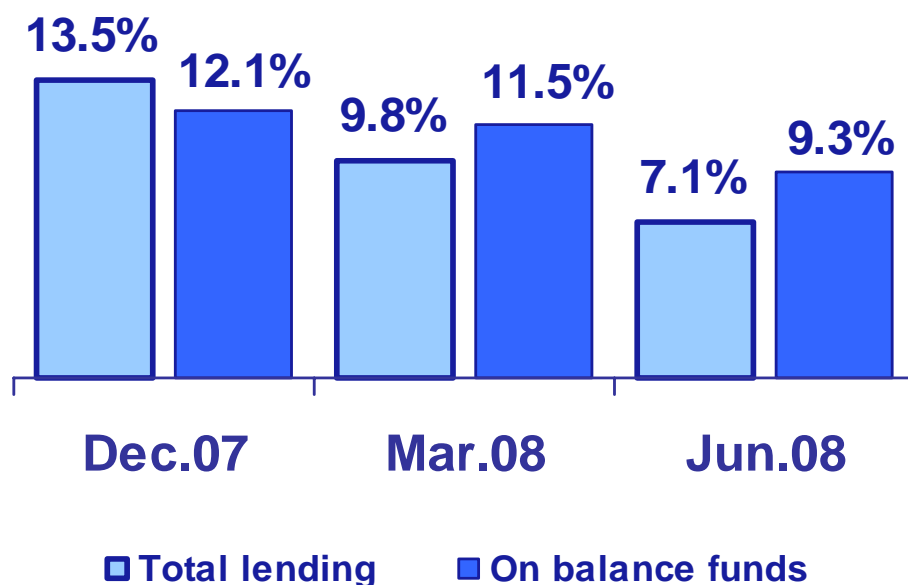
Large deposit franchise

Proper management of liquidity resources

BBVA

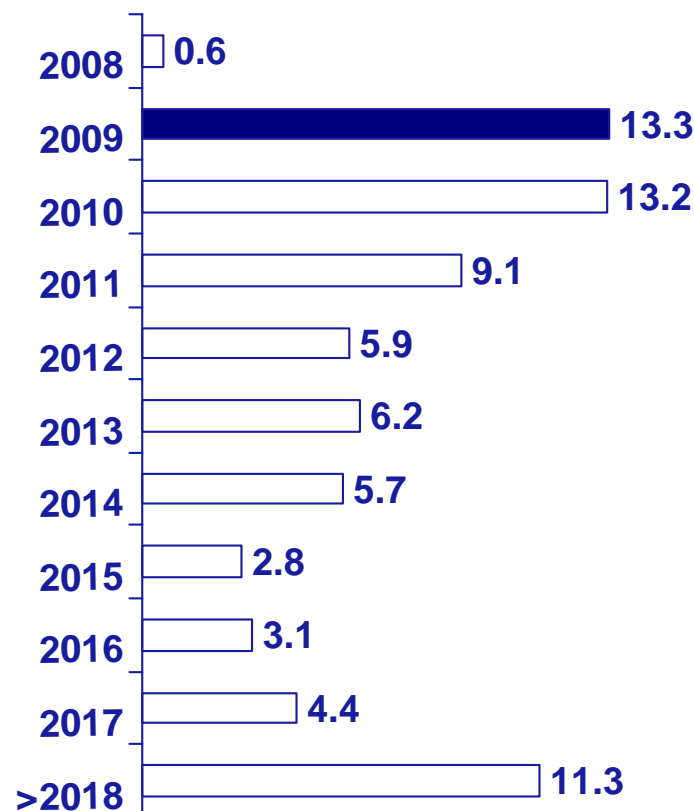
Lending & on balance funds
Y-o-Y growth, BBVA Spain (%)

Change in trend eases to manage the liquidity gap



Market share gains in mutual funds

BBVA's wholesale funding maturities
(€bn)



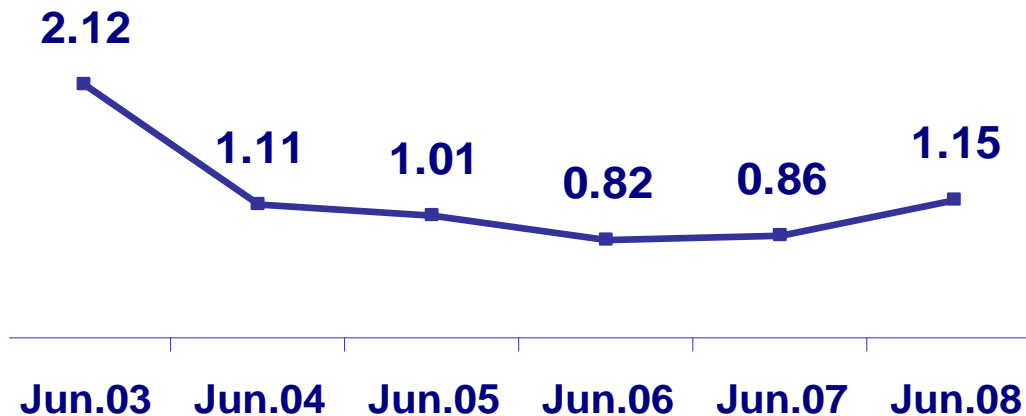
No concentration of maturities

2.2

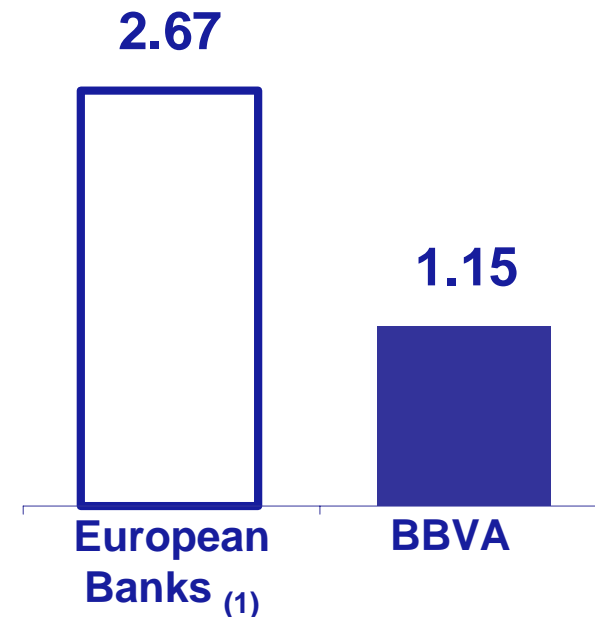
NPLs ratio deteriorating, but close to historic lows and much less than our European peers

BBVA

NPL ratio
BBVA Group
(%)



NPL ratio
(%, Jun.08)

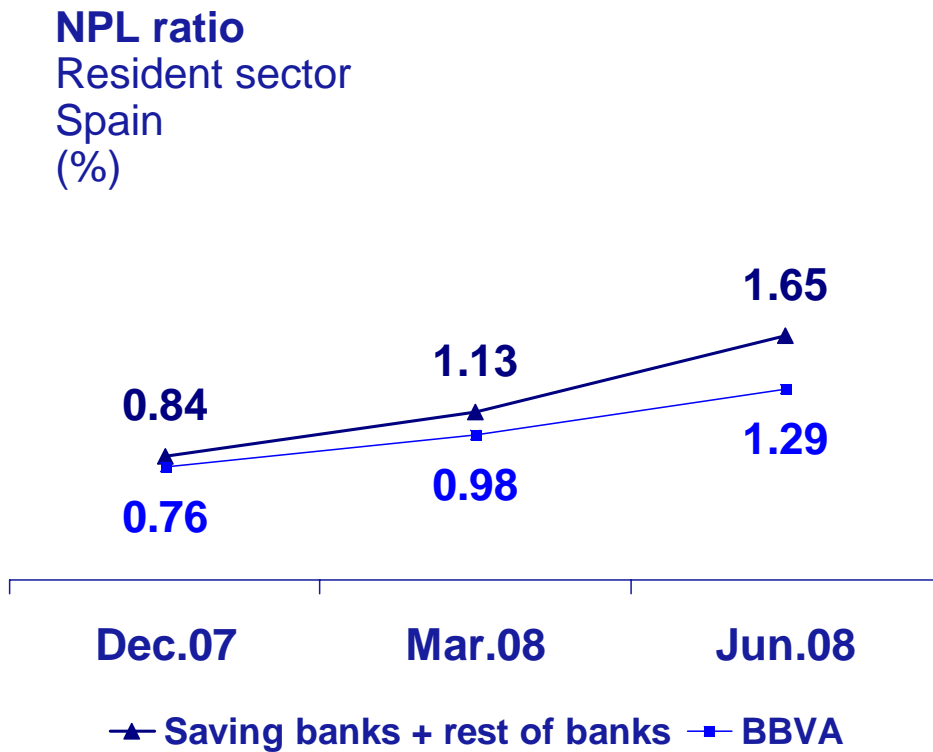


Internal sources based on public information

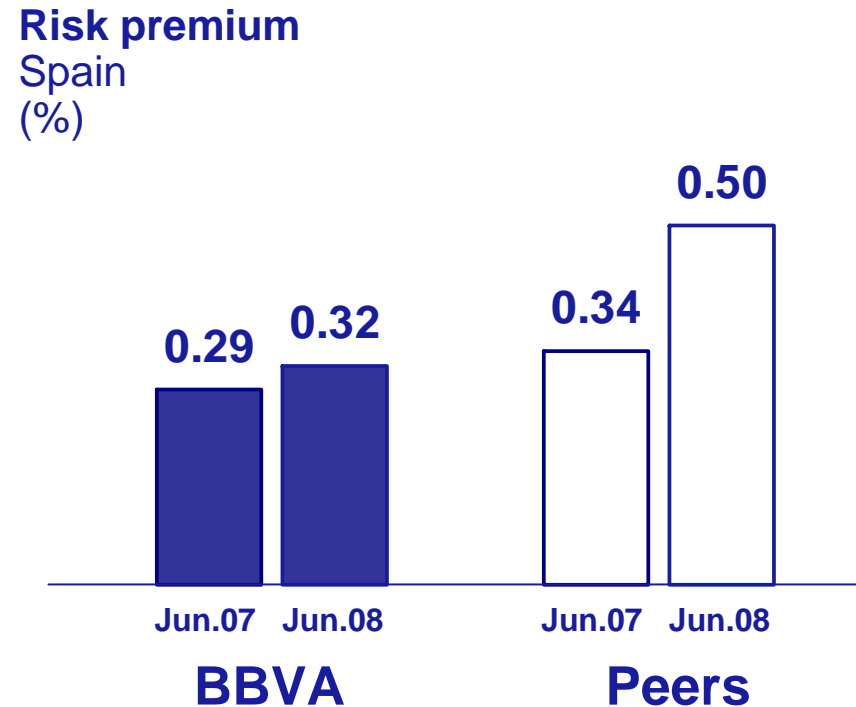
**BBVA has superior credit quality
than its peers in all core markets**

(1) Average principal listed European banks. Last available data.

In Spain, BBVA has a better asset quality than competitors



Source: BdE



Internal sources based on public information

Peers: Santander, Popular, Banesto, Bankinter, Sabadell, Caja Madrid, La Caixa

This is the result of a more conservative approach during the upcycle

Individuals

Average LTV: 52.9%

1st home: 96%

NPL Ratio
(Figures as of Jun.08)

BBVA

0.96%

**Banks +
Savings**

1.28%

Developers

**BBVA Market share
Developers**

7.47%

5.61%

Dec.04

Jun.08

**Limited exposure to developers €17,161m
(8% of lending Spain & Portugal)**

**6,000 clients, of which the 50 largest
account only for 21% of the portfolio**

NPL Ratio
(Figures as of Jun.08)

BBVA

1.00%

**Banks +
Savings**

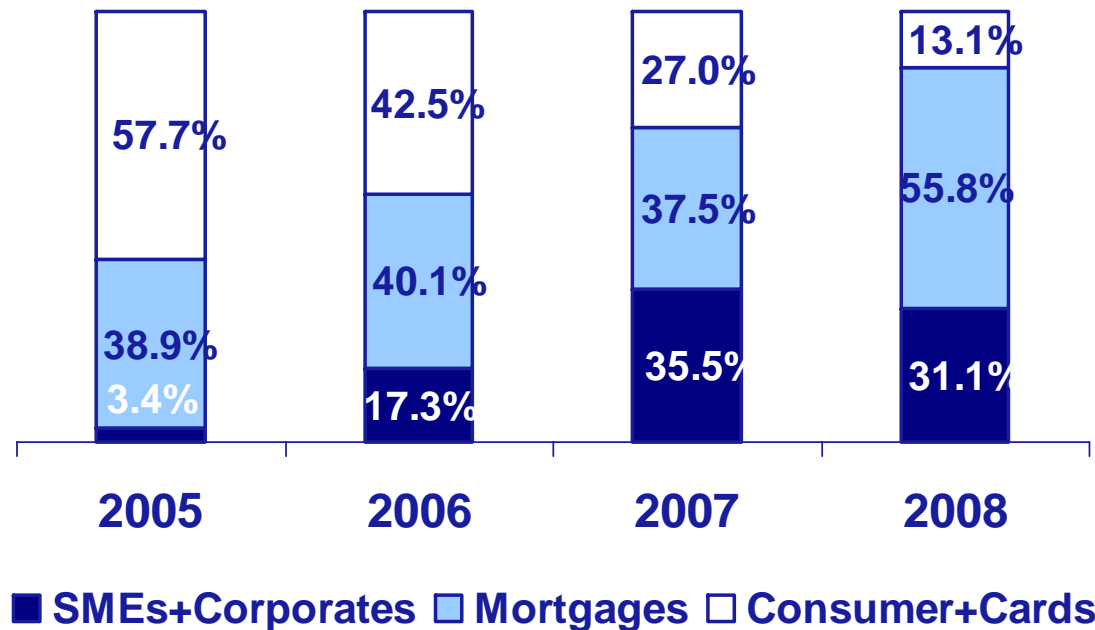
2.01%

**Construction
& Real Estate**

Bancomer's anticipation in commercial strategy ...

BBVA

Lending origination mix (%)



BBVA Bancomer

**1st to grow in
Consumer+Cards (2003)**

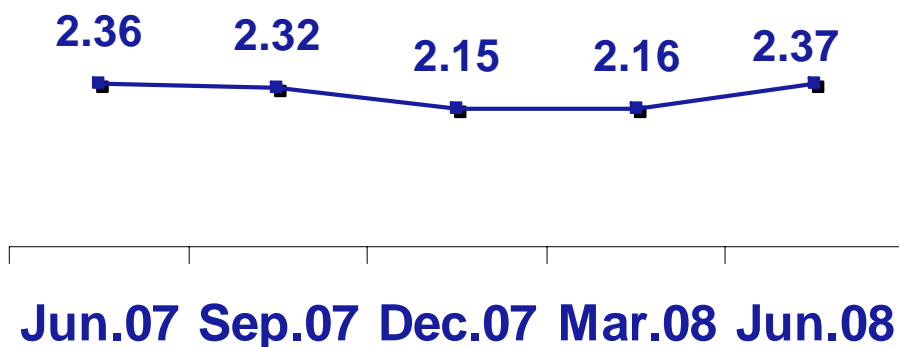
1st to grow in mortgages (2004)

1st to push SMEs (2005)

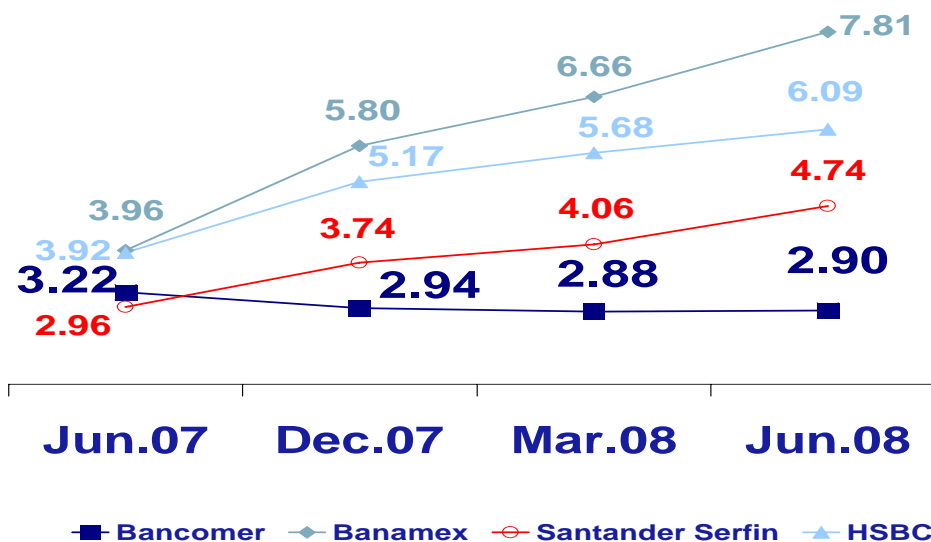
And in the implementation of provision methodology based on expected loss ...

BBVA

NPL ratio
BBVA Bancomer
(%)



Risk premium
Mexico
(%)

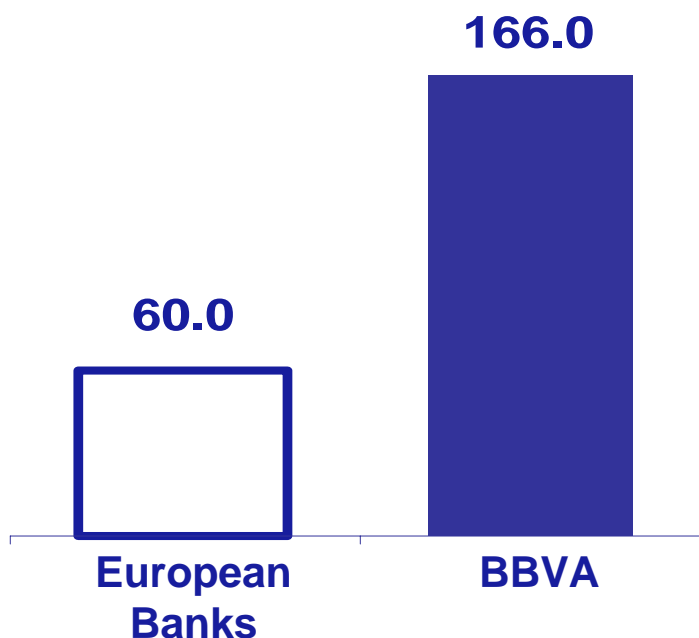


Internal sources based on public information

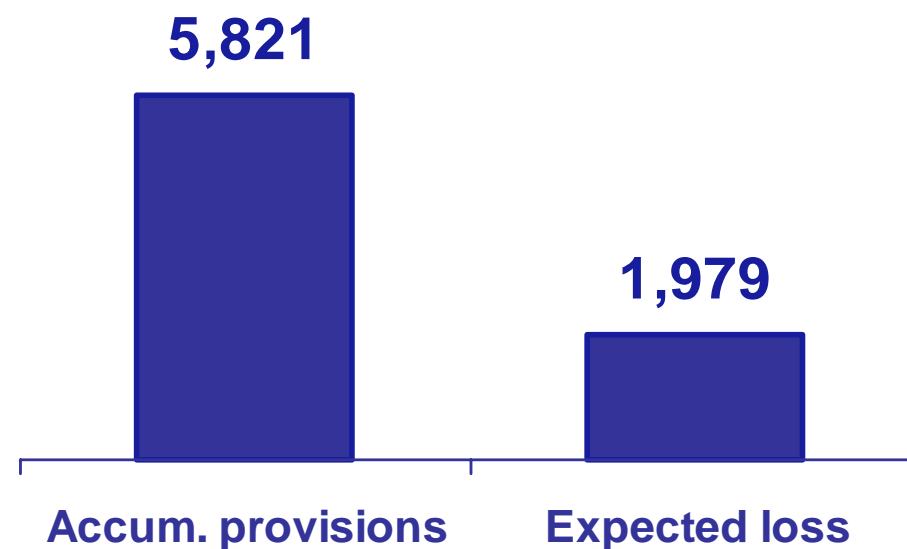
As a result, Bancomer's NPL and risk premiums are stable

BBVA is well covered against any potential worsening in the environment

Coverage ratio
(%, Jun.08)



Accum. generic provision vs expected loss
(€m, Jun.08)



Internal sources based on public information

NPL Ratio

BBVA: 1.15% vs European banks: 2.67%

2.3

We are large organic capital accumulators BBVA

**Organic capital
generation (BIS II)**

+15 bps in 2Q08

+20 bps in 1Q08

+

In addition

**Latent capital gains of
€2.7 bn (Jun.08)**

**€3.8 bn excess
provisions (Jun.08)**

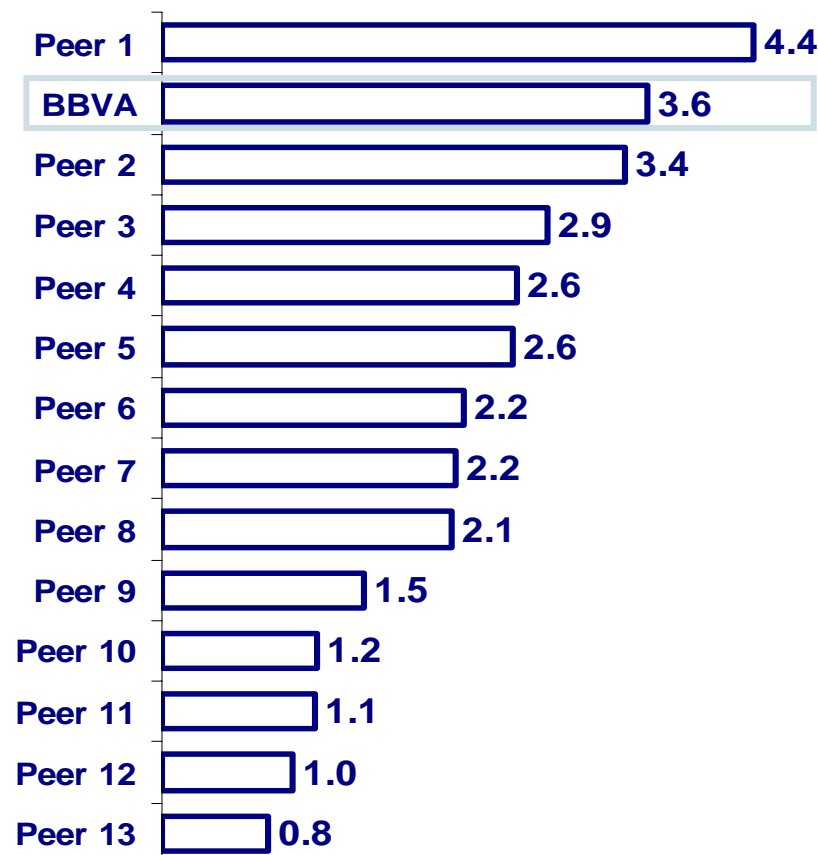
**No unexpected
consumption of capital**

**BIS II capital barely vulnerable to
declining house prices and to
cycle deterioration**

**(-20% in house prices => 0 b.p in core capital)
(-30% in house prices => -3 b.p in core capital)**

BBVA is one of the safest bets in this environment

Tangible equity/Asset
(%, Jun.08)



Internal sources based on public information

*Analyst consensus estimate

Core capital
6.3%

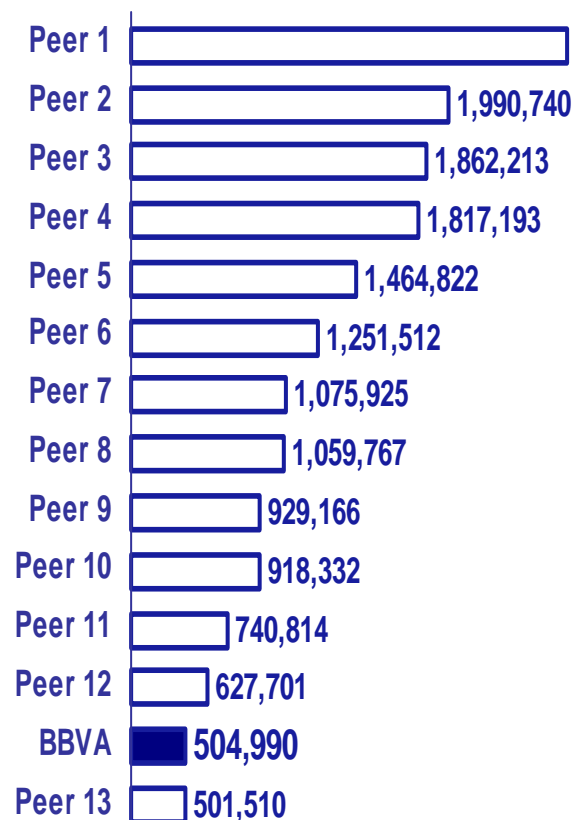
Tier I
7.7%

6.8% cash dividend yield*

BBVA emerges from this crisis as one of the strongest banks worldwide

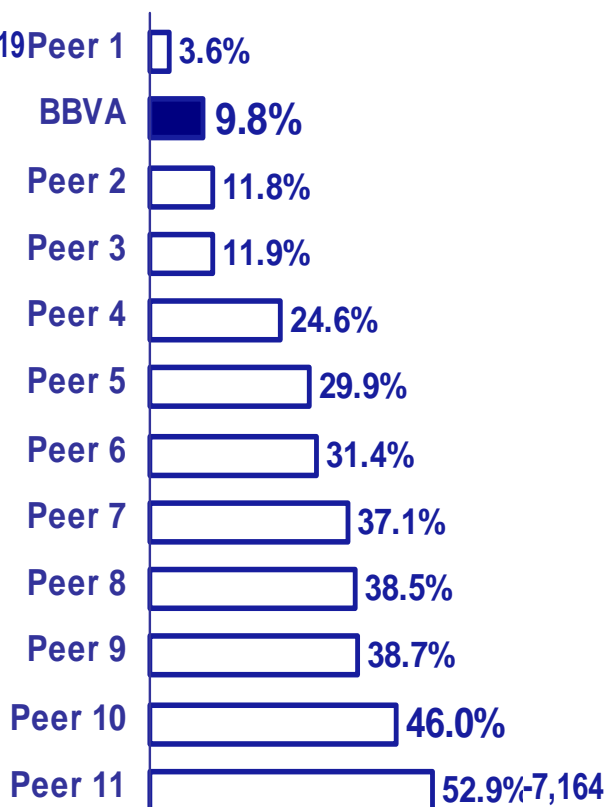
BBVA

Balance sheet
(€ million, Jun.08)



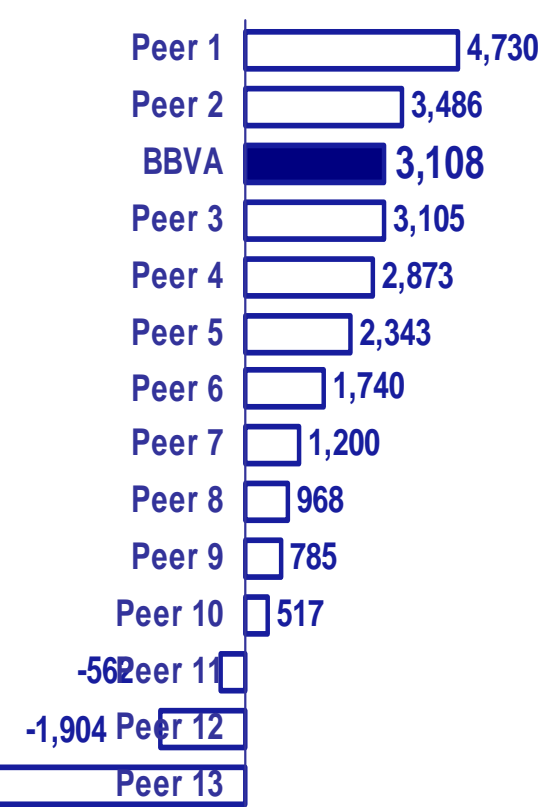
Internal sources based on public information

% Income from Investment banking
(%. Jun.08)



BBVA research

Attributable profit
(€ million, 1H08)



Internal sources based on public information

Low leverage

+

Retail business model

=

Recurrent earnings

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

3

Delivering strategic initiatives

3.1

**Structural
client
growth**

3.2

**US
franchise
integration**

3.3

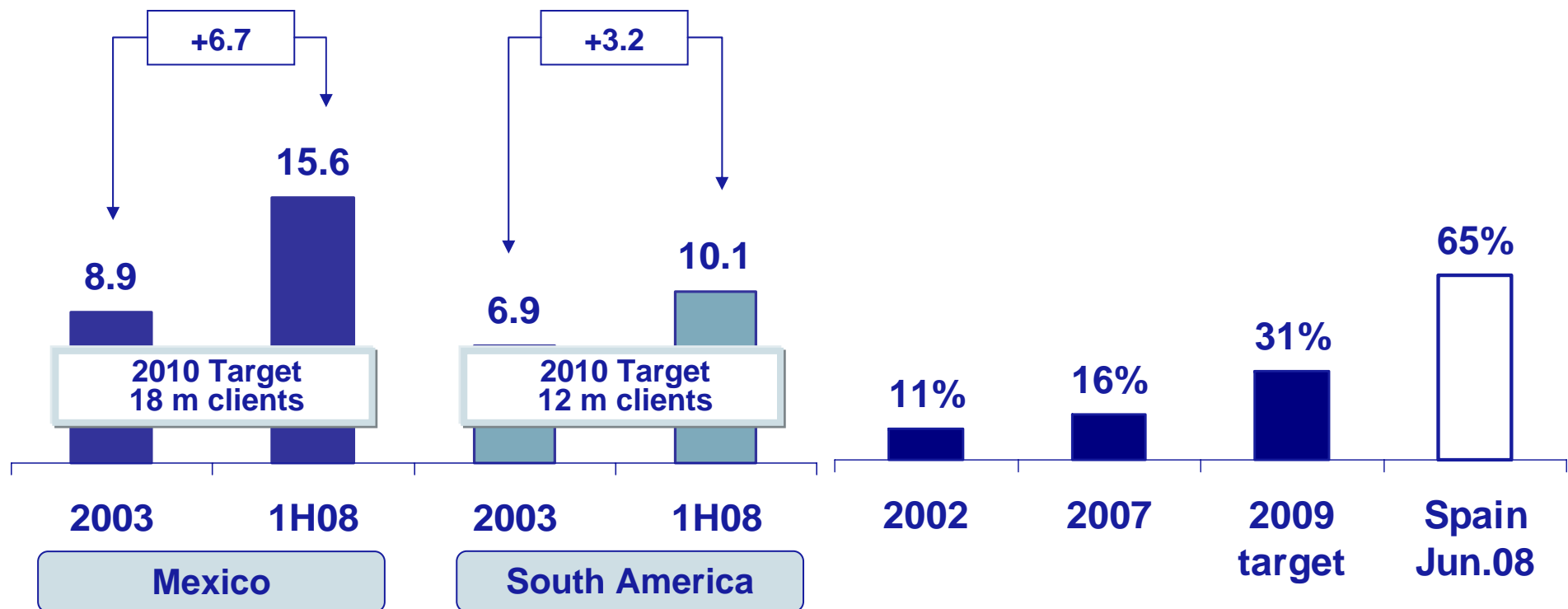
**Technology-
based
efficiency**

3.1

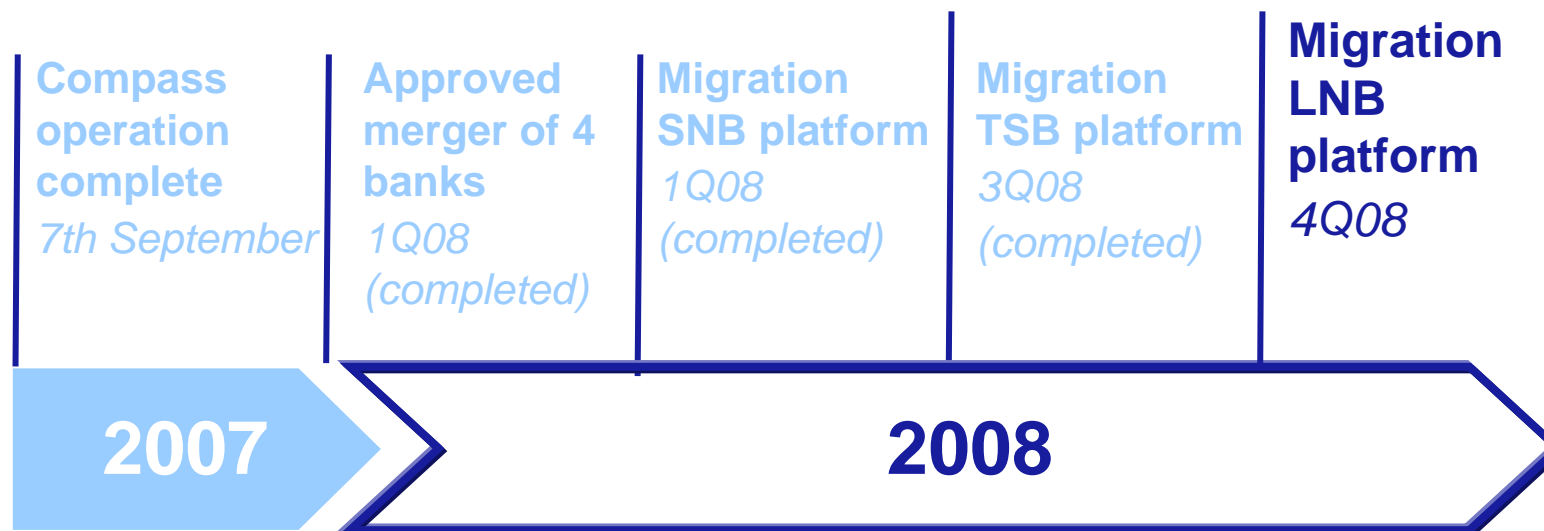
We are focused on bolstering client-driven BBVA growth in all our franchises

Individuals
BBVA Customer Base
(Million people)

SME's
Bancomer's customers with credit
(%)



Customer growth based on low-cost strategies



Synergies according to expectations

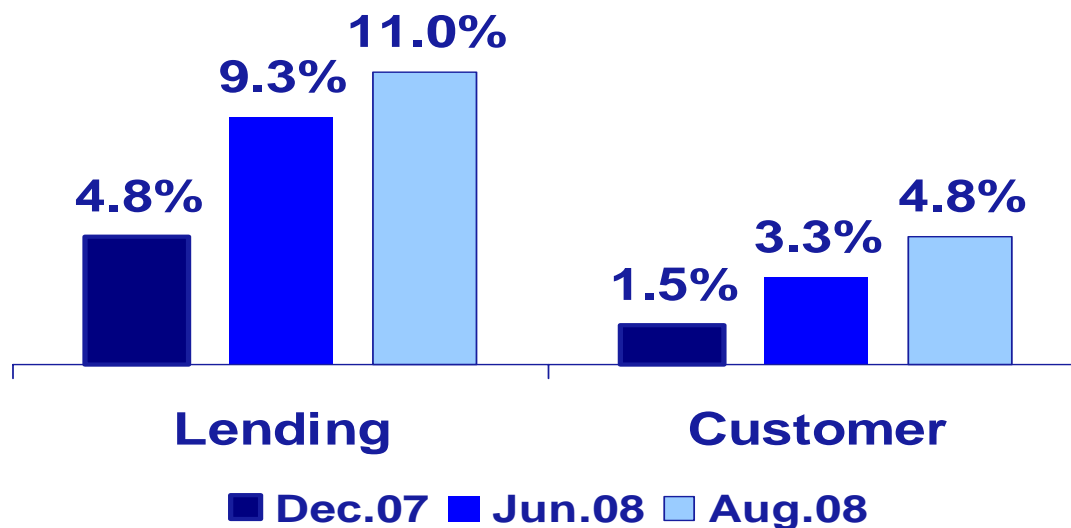
**Cost: income*: 55.9%
(-2.9 p.p. since Dec.07)**

Establishing the BBVA Compass brand

Growth in activity since Compass acquisition

BBVA

Lending & Customer funds
Compass Bank
Year-on-year growth
(Average balances)



**Taking advantage of
market situation to
grow in higher
quality corporates**

Improving credit quality:

FICO Score: 738 (Jun.08) vs 712 (Dec.07)

Risk grade: 5.2 (Jun.08) vs 6.2 (Dec.07)

Moving forward in our strategic plan

BBVA

2008

**TRISTAR
Integration Plan**



**Obtaining cost
and revenue
synergies**

2009

**Integrate Compass
into BBVA**



**Capturing
Group's
synergies and
sharing a
corporate
culture**

2010

**"Upgrade"
Strategic Plan**

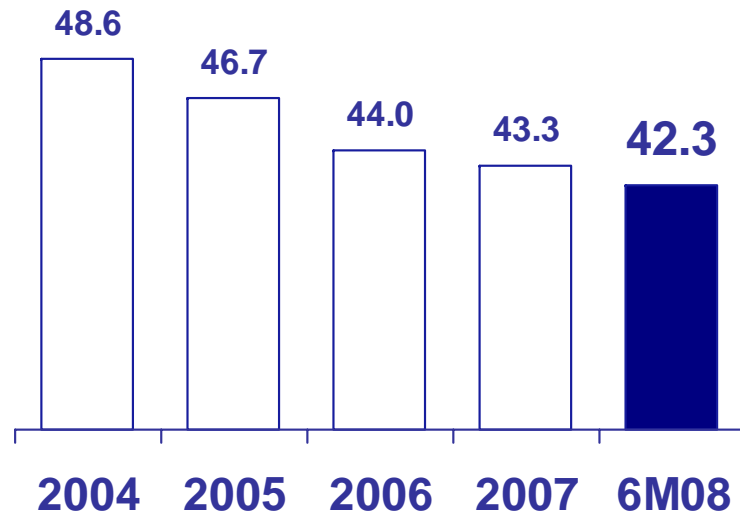


**Achieving our
vision: Building
a leading
franchise in the
Sunbelt**

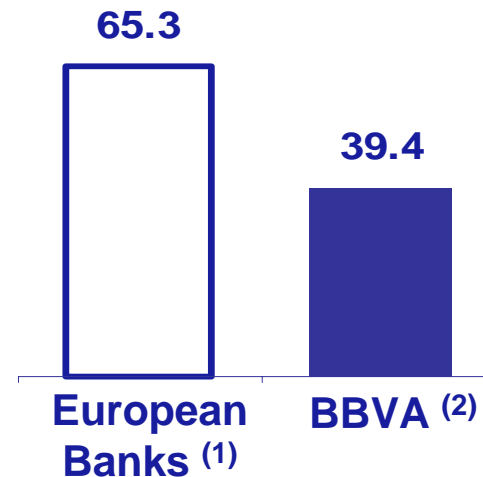
3.3

BBVA Group is already the most efficient bank among European peers

Cost/income ratio excluding one-offs
(Depreciation included, %)



Cost/income ratio including one-offs
(Depreciation included, %)



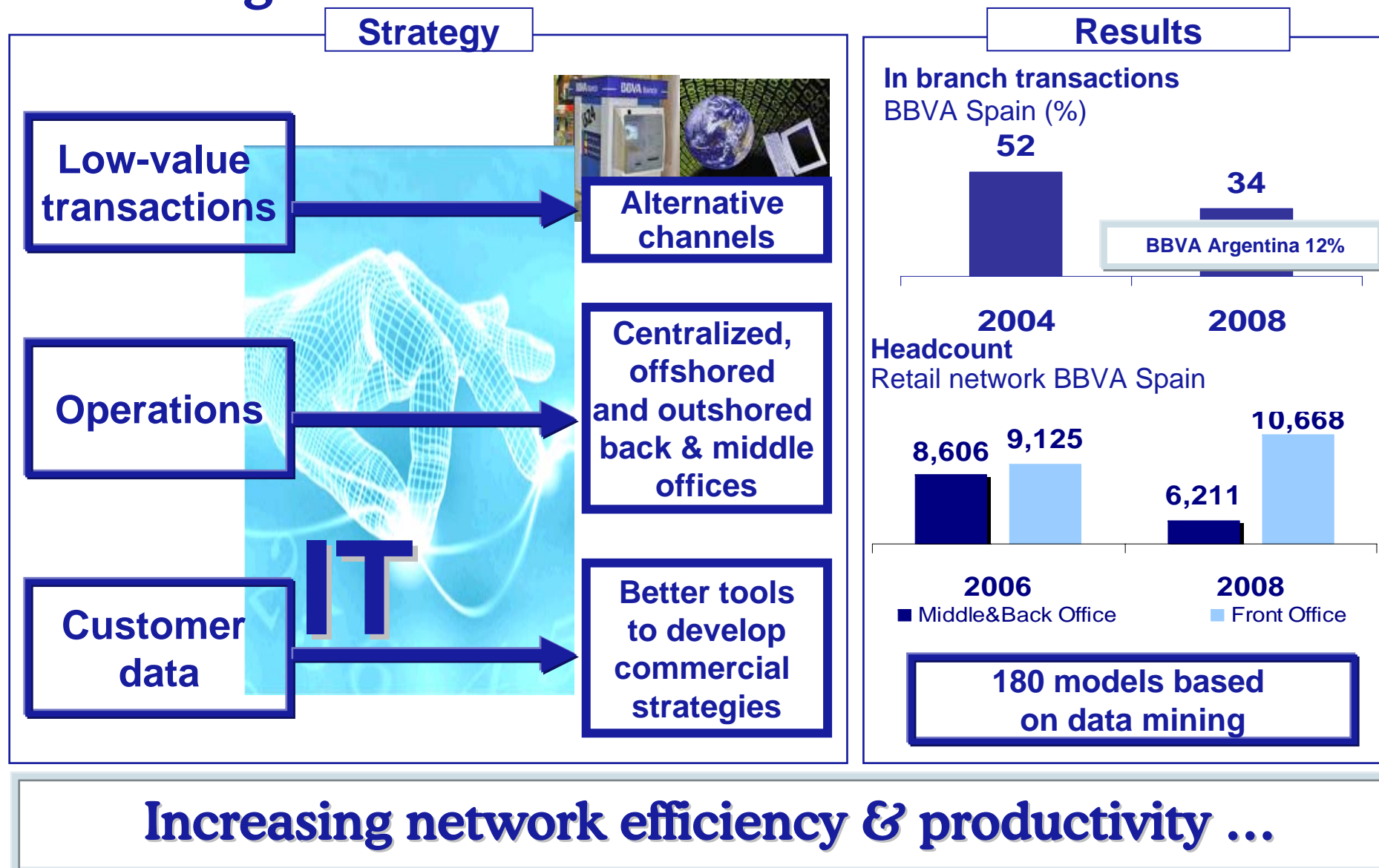
(1) Average major listed European banks. Latest available data.

(2) Depreciation included

Internal sources based on public information

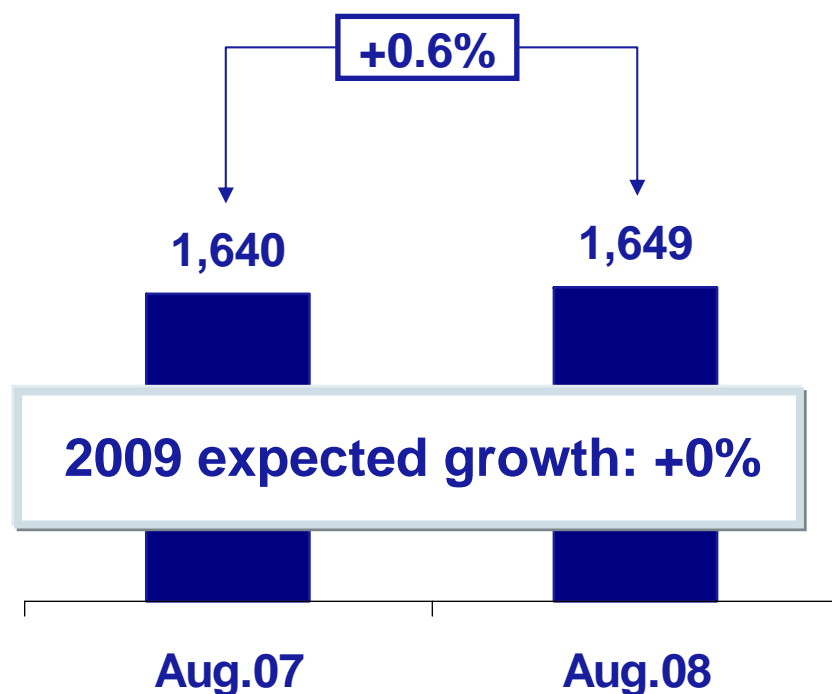
But we continuously work to improve....

... making intensive use of information technologies

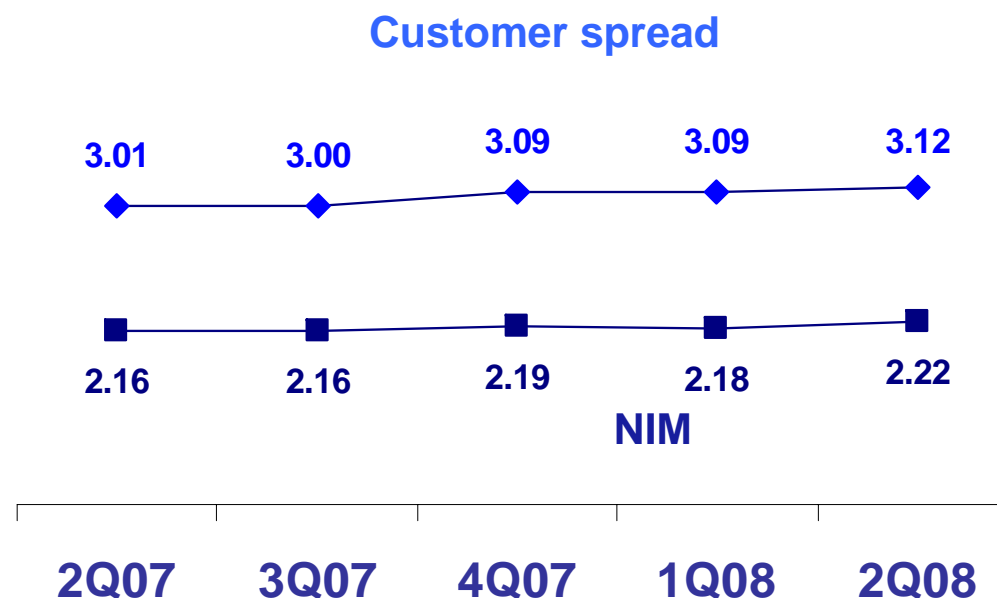


This is the case of Spain, where costs are close to zero growth

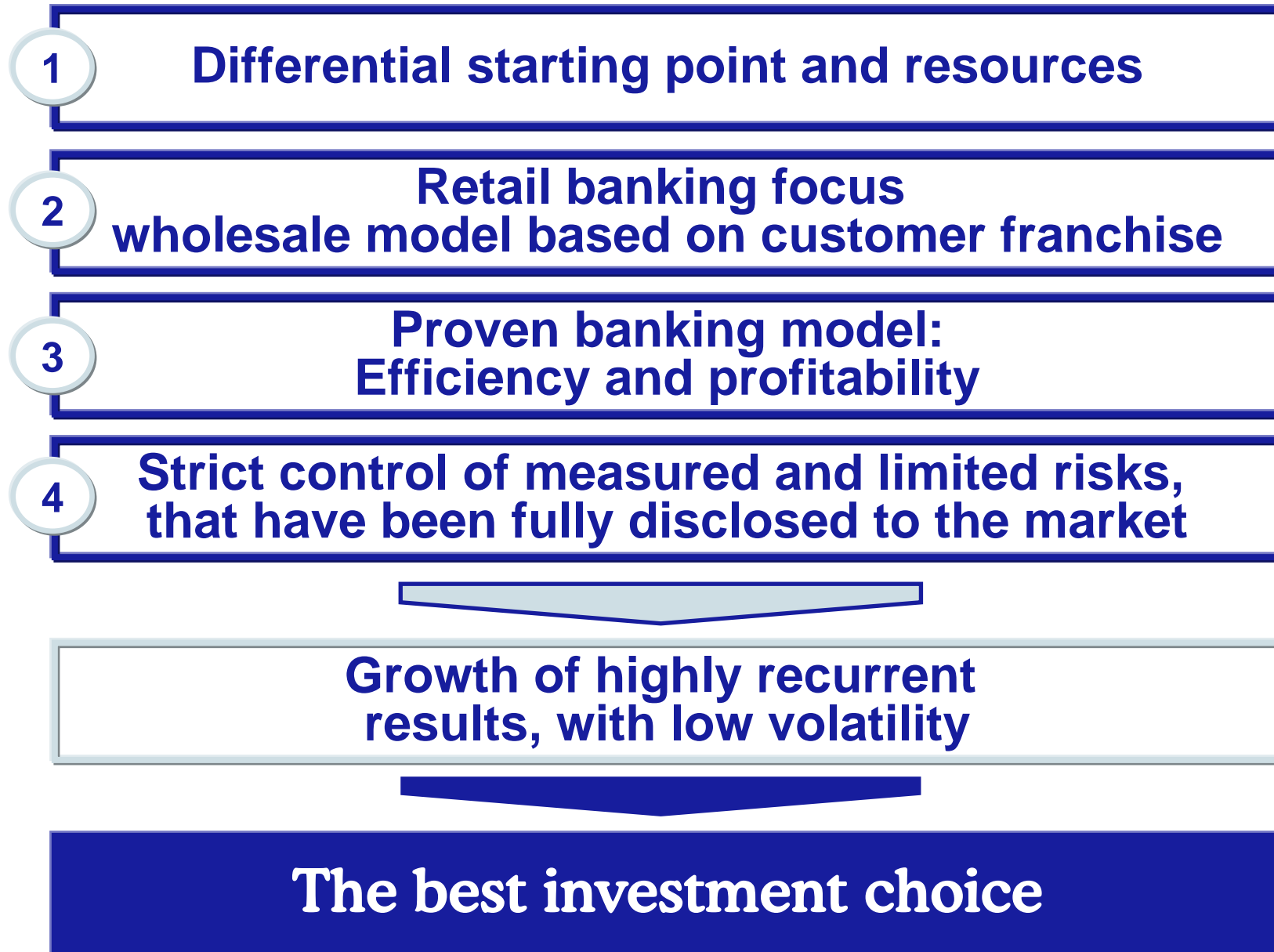
General administrative expenses
BBVA Spain & Portugal
YoY growth

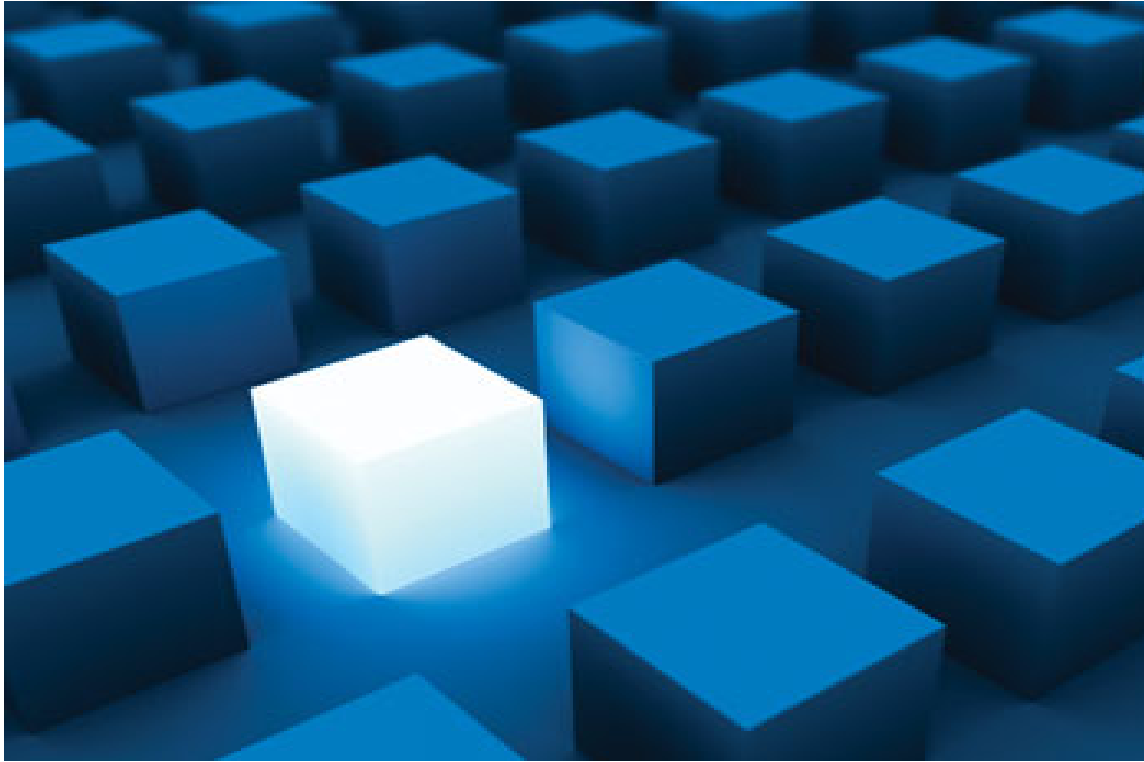


Customer spread and NIM
BBVA Spain & Portugal
(%)



With a focus on pricing policy





Are the markets differentiating enough?

BBVA

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London, 9th October 2008

