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# **First Half Results 2006**

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Madrid, 26th July 2006

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## **Group results for 1H 06**

Results by business area

Retail Banking in Spain and Portugal

Wholesale Businesses

South America

Mexico & USA

Conclusions

## 1 Growth

Expansion in USA

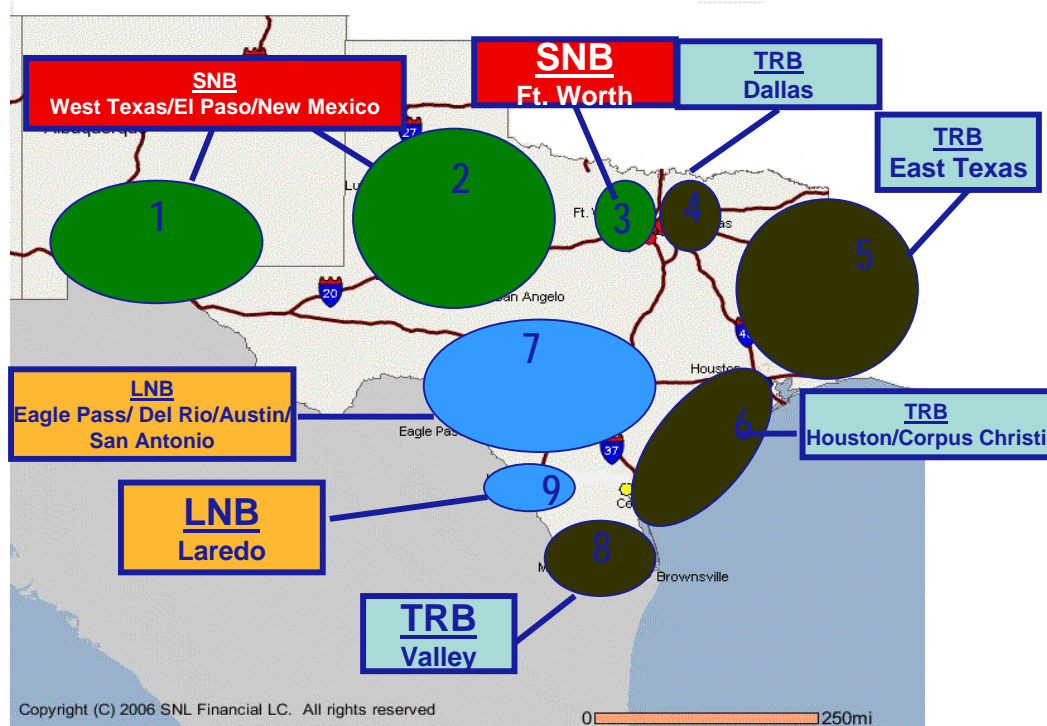
## 2 Transformation

New strategy for  
distribution networks

## 3 Recurrency

Record quarter in core  
revenues and operating profit

# BBVA takes a big step in its US expansion strategy



(\$m)

## Key figures

Assets

12,583

Loans

7,252

Deposits

10,134

Employees

3,814

Two acquisitions for €2.1 bn ...

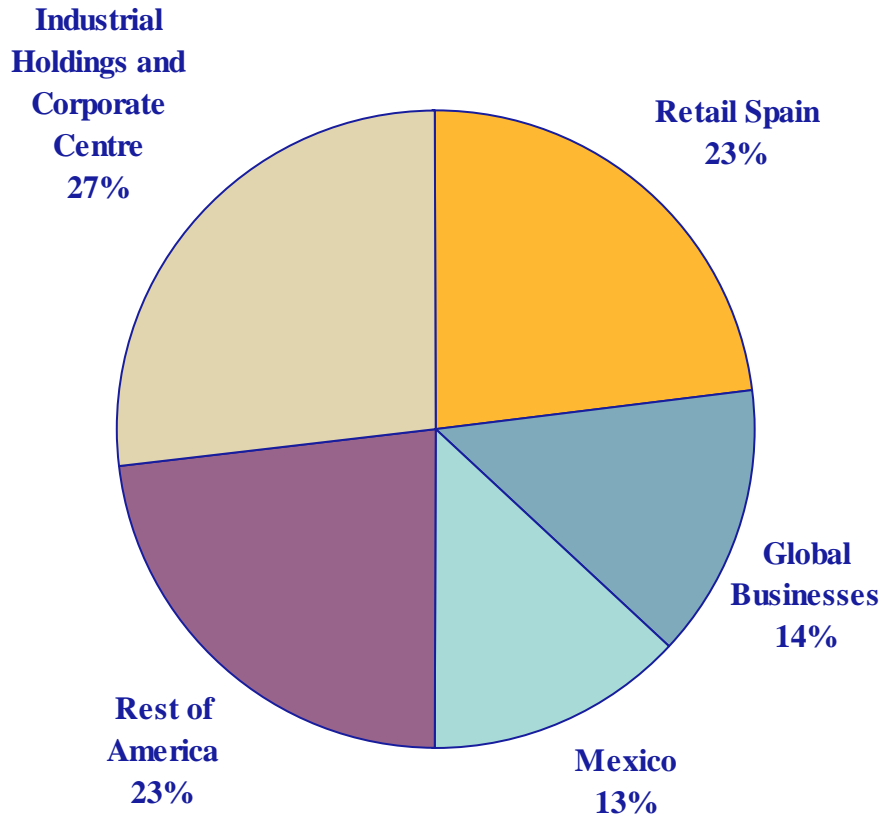
... making BBVA the top regional bank in Texas

Top banks in Texas		
Institution	Branches	Market share %
1. JP Morgan	419	21.6
2. Bank of America	490	13.1
3. Wells Fargo	554	8.0
<b>BBVA USA</b>	<b>156</b>	<b>3.0</b>
4. Cullent/Frost	108	2.9
5. Compass	167	2.7

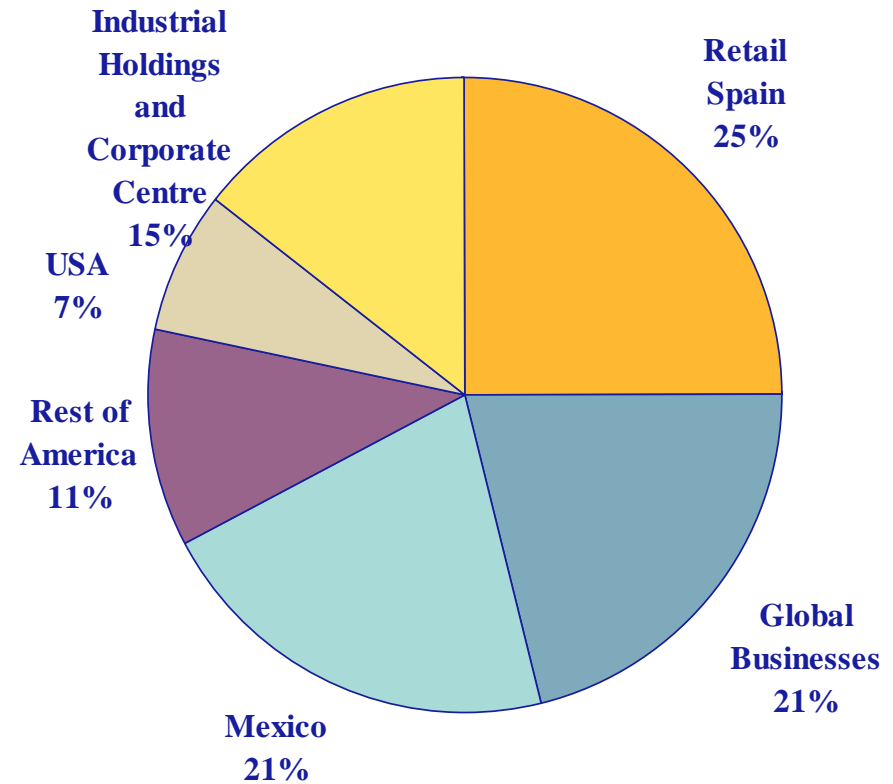
... financed by the sale of Repsol and BNL

# BBVA continues allocating more capital to core businesses

## Economic Capital 2002



## Economic Capital 2006



N.B.: Proforma economic capital

## New distribution strategy for domestic networks with clear goals

Ensure BBVA leadership in Spain

Pursuing efficiency and elimination of stagnant areas

Focusing the organisation on customers



## Segmentation

Up to the 90s

During the 90s

Today



Little or no  
segmentation

Branch /  
Networks

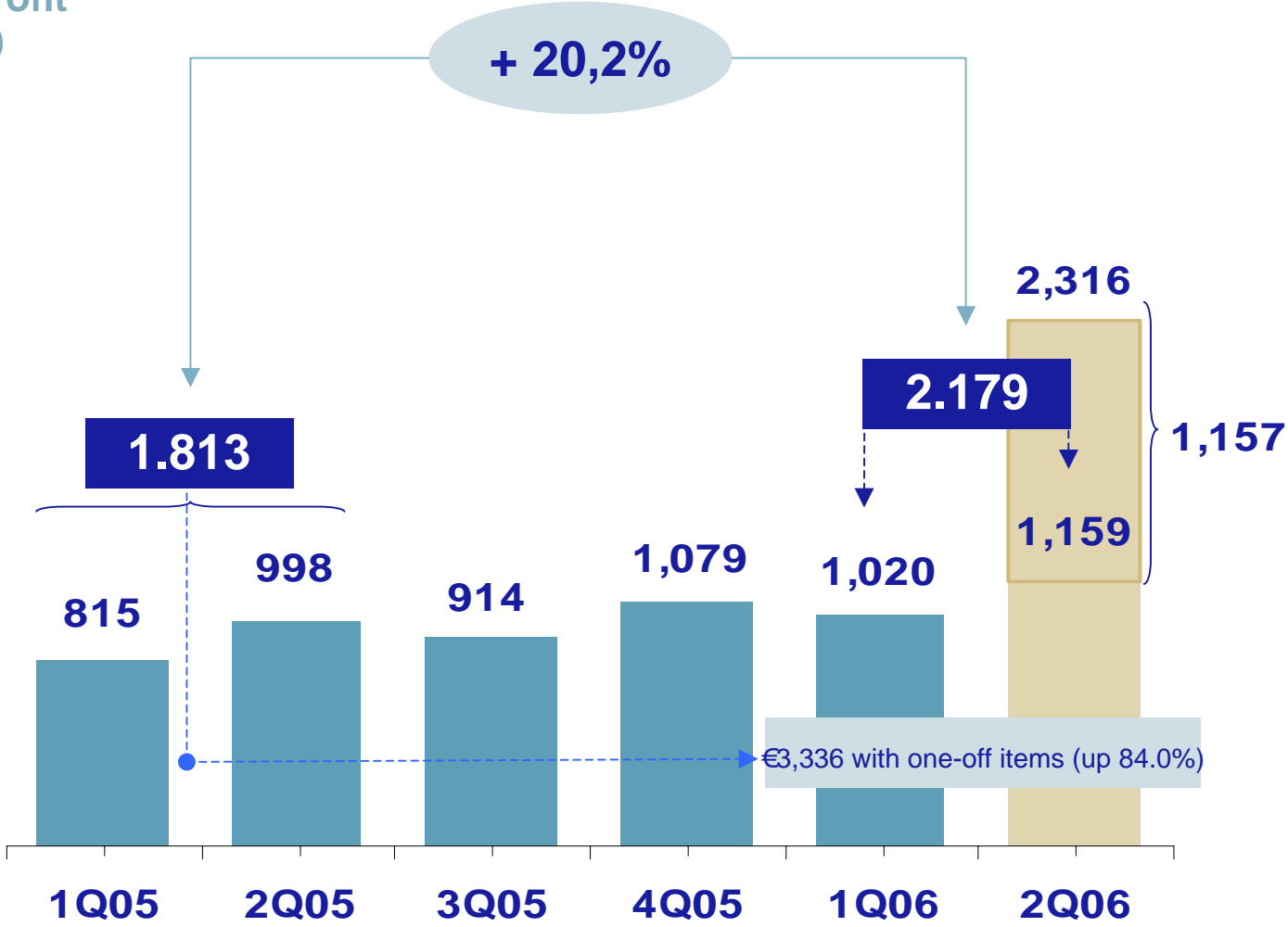
Customer /  
Account  
Manager

Reduction of 750 jobs and increasing the empowerment  
of the account managers and the network

- **Record quarter for profits, excluding the impact of one-off items**
- **Based on strong generation of recurrent revenues**
- **New improvements in efficiency and asset quality, with high profitability**

# Strong profit growth

Net attrib. profit  
(Current €m)



EPS: 0.64 (+20.2%)

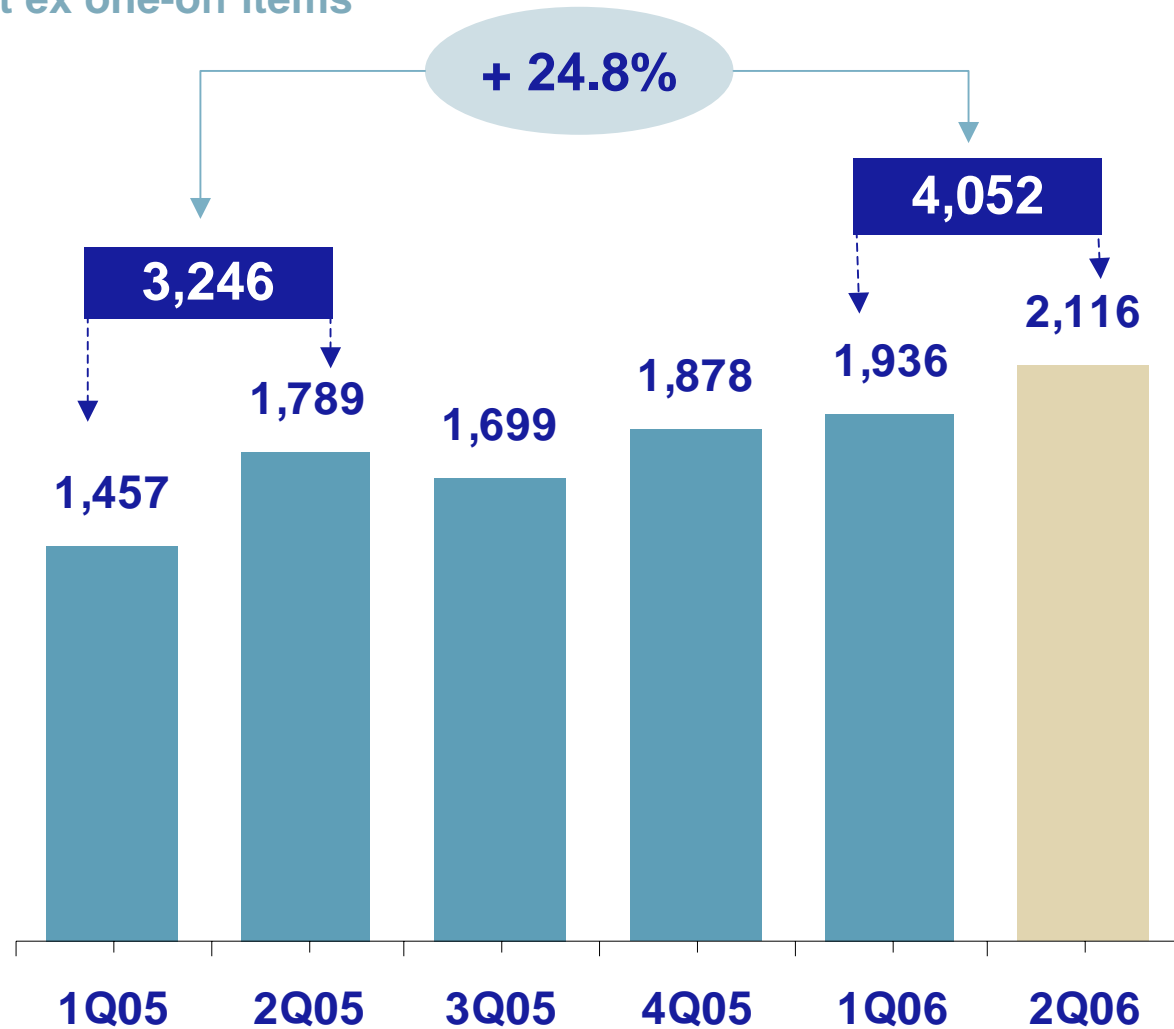
# Detail of one-off items

(€m)

<b>Operations</b>	<b>Capital gains</b>
<b>Repsol</b>	<b>523</b>
<b>Operating profit</b>	<b>523</b>
<b>BNL+Andorra</b>	<b>751</b>
<b>Profit before tax</b>	<b>1,274</b>
<b>Net attrib. profit</b>	<b>1,157</b>

# Substantial growth of recurrent business

Operating profit ex one-off items  
(Current €m)



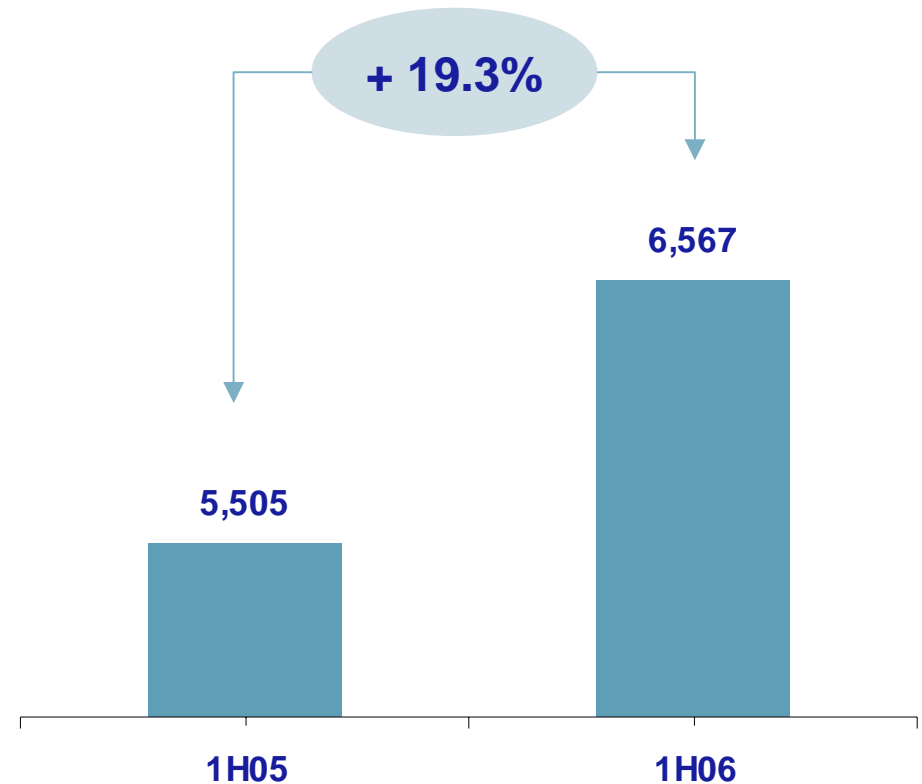
Exceeding €2 billion per quarter for the first time

# ... With revenues as the main driver

<b>Net interest income</b>	<b>19.7%</b>
<b>Net fee income</b>	<b>16.0%</b>
<b>Insurance</b>	<b>35.6%</b>



Core revenues  
(Current €m)



Ordinary revenues ex one-off items: +20.4%

# Growth continues at a high “cruising speed”

(Current €m ex one-off items)

BBVA Group	1H06		2005	1H05
<b>Net interest income</b>	<b>4,050</b>	<b>19.7%</b>	<b>17.0%</b>	<b>11.0%</b>
<b>Core revenues</b>	<b>6,567</b>	<b>19.3%</b>	<b>16.9%</b>	<b>10.8%</b>
<b>Ordinary revenues</b>	<b>7,401</b>	<b>20.4%</b>	<b>17.1%</b>	<b>11.5%</b>
<b>Operating profit</b>	<b>4,052</b>	<b>24.8%</b>	<b>22.0%</b>	<b>17.1%</b>
<b>Pre-tax profit</b>	<b>3,201</b>	<b>17.5%</b>	<b>35.2%</b>	<b>26.9%</b>
<b>Net attributable profit</b>	<b>2,179</b>	<b>20.2%</b>	<b>30.2%</b>	<b>20.1%</b>

# Growth continues at high “cruising speed”

(Constant €m ex one-off items)

BBVA Group	1H06		2005	1H05
<b>Net interest income</b>	4,050	16.6%	15.8%	13.3%
<b>Core revenues</b>	6,567	16.2%	15.4%	12.8%
<b>Ordinary revenues</b>	7,401	17.5%	15.7%	13.4%
<b>Operating profit</b>	4,052	21.9%	20.7%	19.1%
<b>Pre-tax profit</b>	3,201	14.8%	33.9%	29.6%
<b>Net attributable profit</b>	2,179	17.5%	29.1%	22.4%



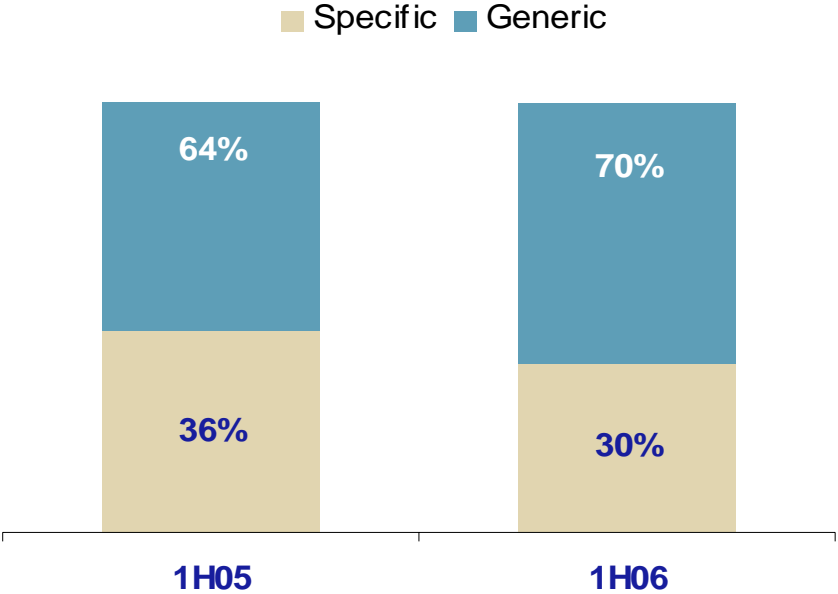
# ... With good performance of all business areas

(Current €m)

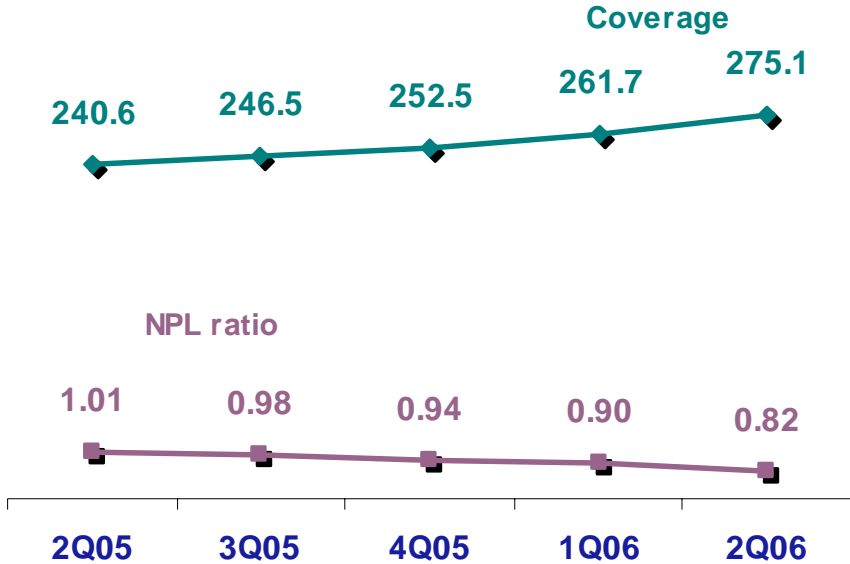
Group BBVA	Operating profit			Net attributable profit		
	1H06	2005	1H05	1H06	2005	1H05
Iberian Retail	13.2%	11.0%	10.0%	11.0%	10.3%	9.6%
Wholesale Business	29.6%	24.1%	14.9%	47.9%	32.6%	22.1%
Mexico & USA	54.9%	39.7%	33.1%	43.4%	53.7%	62.9%
South America	51.1%	32.3%	18.6%	37.5%	65.3%	74.5%

# Strict management of asset quality

### NPL provisions (€m)



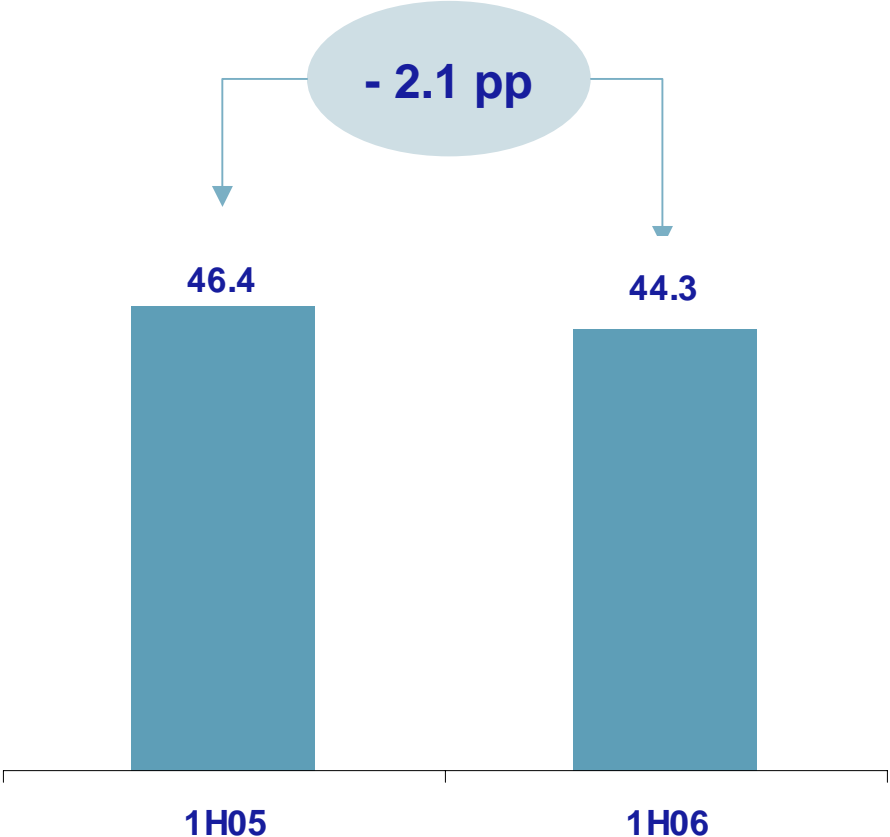
### NPL ratio & coverage (%)



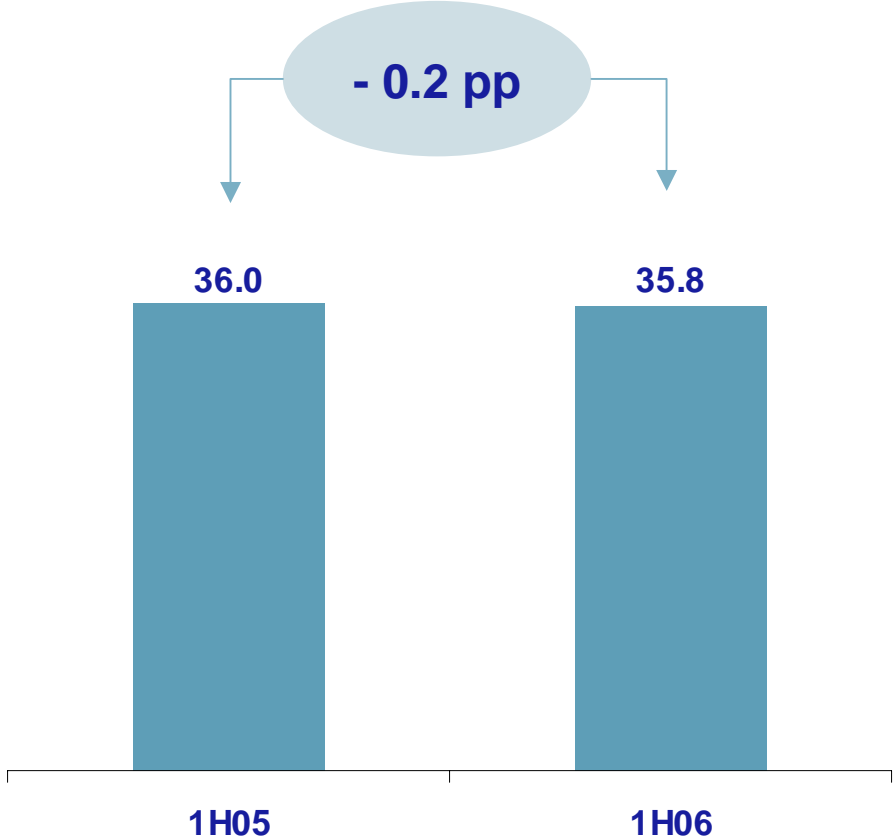
... whilst managing other structural risks

# Strength of Group fundamentals

Cost/income ratio incl. depreciation,  
ex one-off items  
(%)

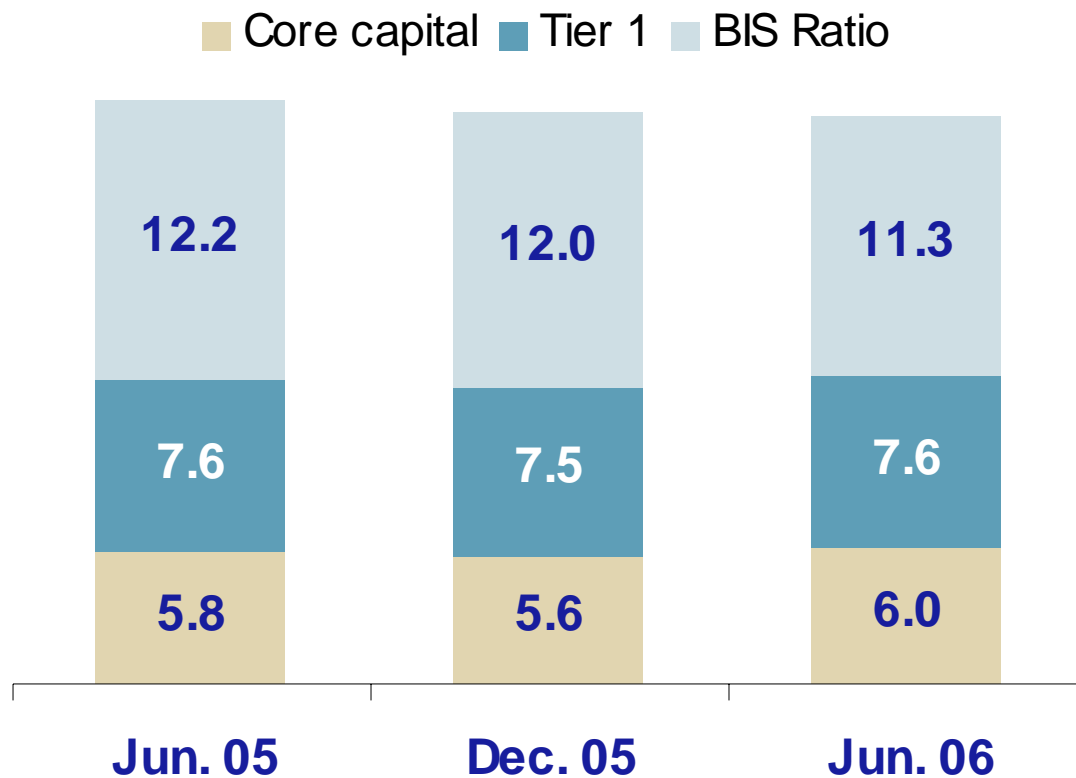


ROE ex one-off items  
(%)



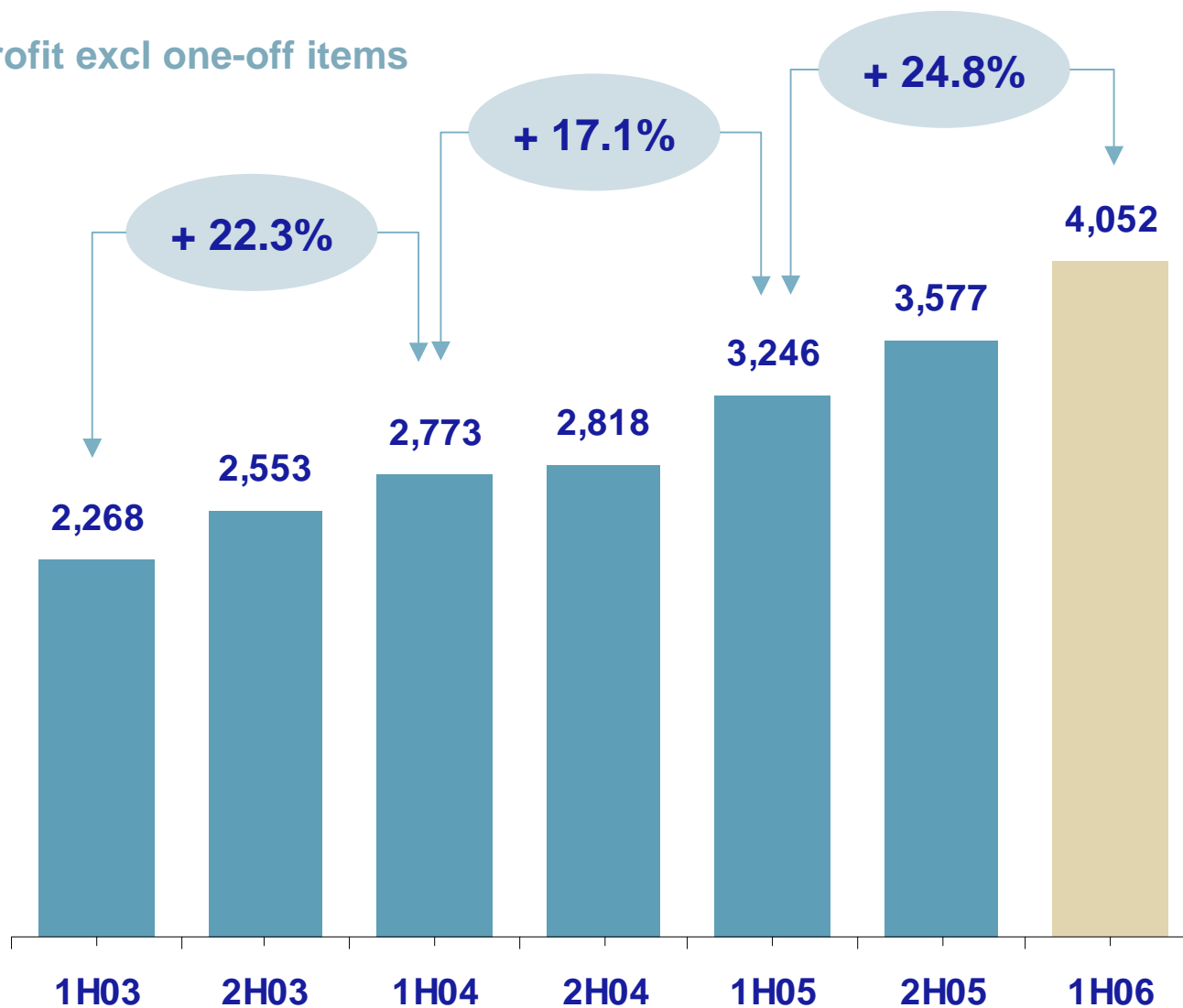
# And appropriate levels of solvency

Capital base  
(%)



# BBVA: a story of consistent high quality growth

Operating Profit excl one-off items  
(Current €m)



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Group results for 1H06

Results by business area

**Retail Banking in Spain and Portugal**

Wholesale Businesses

South America

Mexico & USA

Conclusions

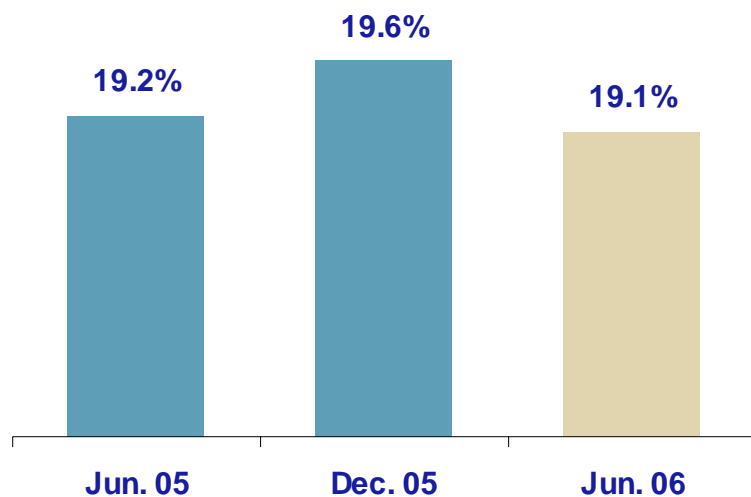
# Retail Banking in Spain and Portugal: 1H 06 results

(Current €m)

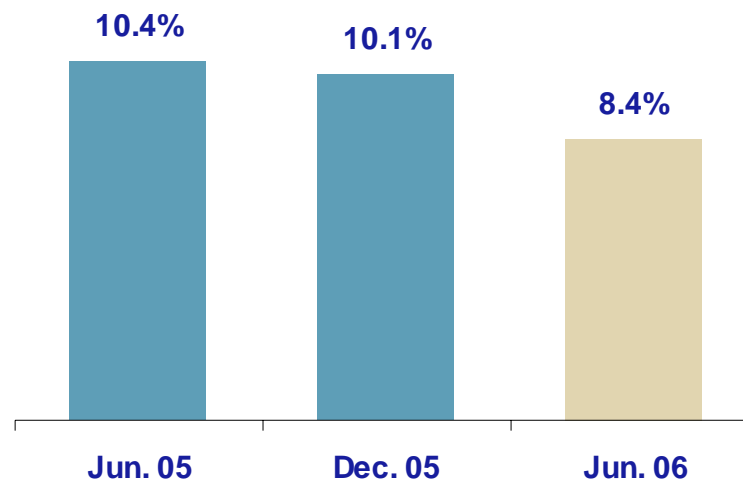
Iberian Retail	1H06		2005	1H05
<b>Net interest income</b>	<b>1,385</b>	<b>7.2%</b>	<b>4.5%</b>	<b>3.6%</b>
<b>Core revenues</b>	<b>2,343</b>	<b>9.4%</b>	<b>6.8%</b>	<b>5.5%</b>
<b>Ordinary revenues</b>	<b>2,375</b>	<b>9.6%</b>	<b>7.3%</b>	<b>5.9%</b>
<b>Operating profit</b>	<b>1,271</b>	<b>13.2%</b>	<b>11.0%</b>	<b>10.0%</b>
<b>Pre-tax profit</b>	<b>1,104</b>	<b>12.0%</b>	<b>10.4%</b>	<b>9.7%</b>
<b>Net attributable profit</b>	<b>717</b>	<b>11.0%</b>	<b>10.3%</b>	<b>9.6%</b>

# Strong growth in lending and customer funds

## Lending (growth of average balances)



## Customer funds (growth of average balances)



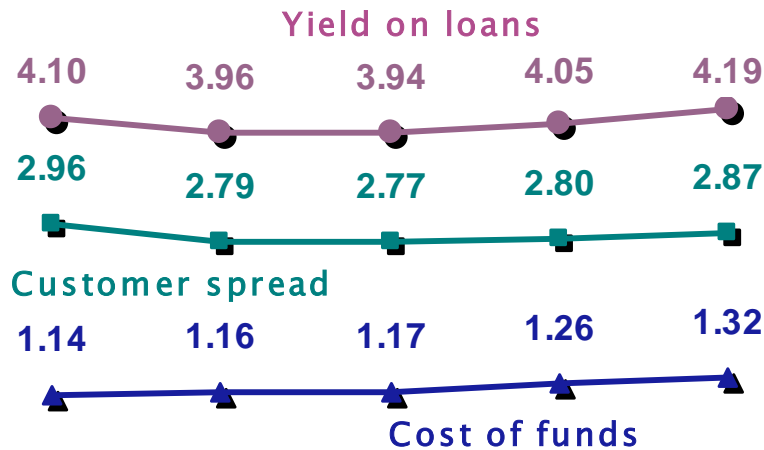
Product	Jun. 05	Dec. 05	Jun. 06
Mortgages	24.5%	22.7%	19.9%
Consumer + Cards	13.0%	13.9%	18.6%
Small businesses	20.7%	23.1%	23.7%

Product	Jun. 05	Dec. 05	Jun. 06
Liquid funds	4.8%	3.5%	13.6%
Stable funds	11.8%	11.3%	7.3%
Term deposits	23.0%	17.0%	20.7%
Mutual & Pension F.	9.1%	10.2%	4.5%
Mg'd portfolios	20.4%	26.9%	24.8%

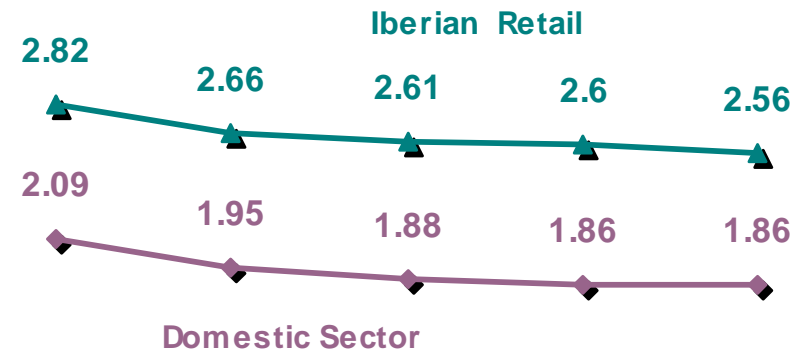


# Net interest income improves thanks to skilful price management

Customer spread (%)



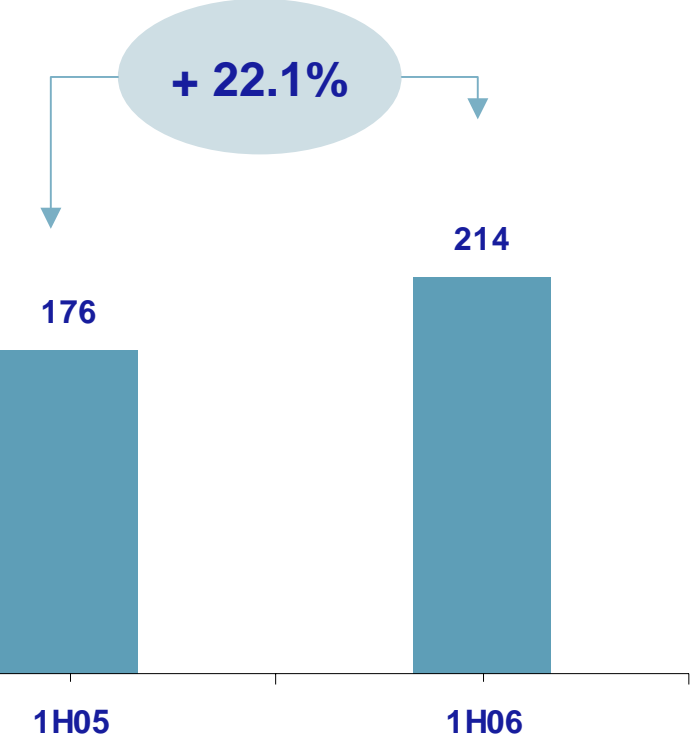
Net interest income / ATAs (%)



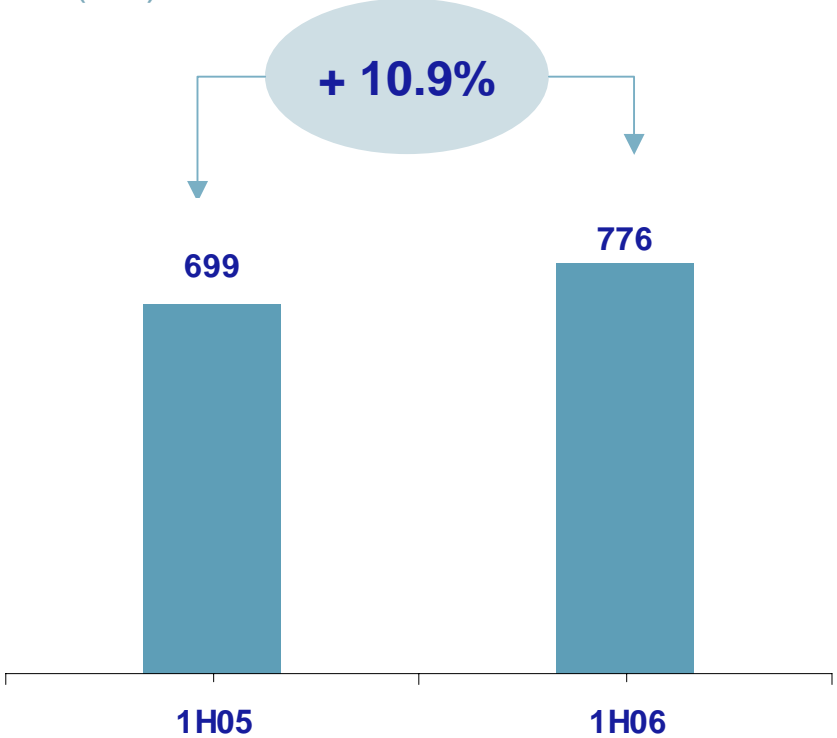
**Net interest income + 7.2%**

# Other revenues continue to perform well

Net trading income + insurance (€m)



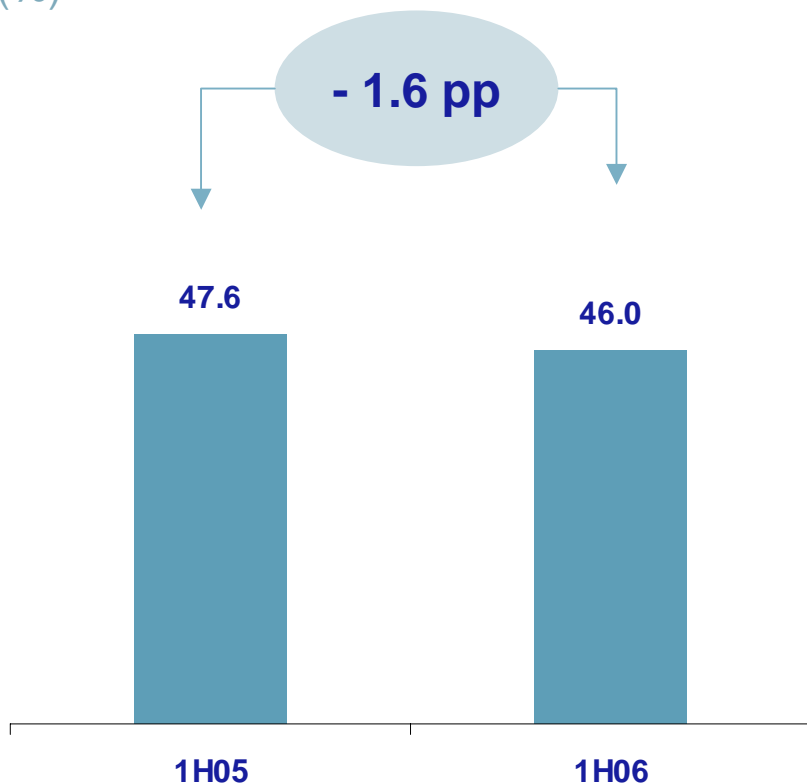
Net fee income (€m)



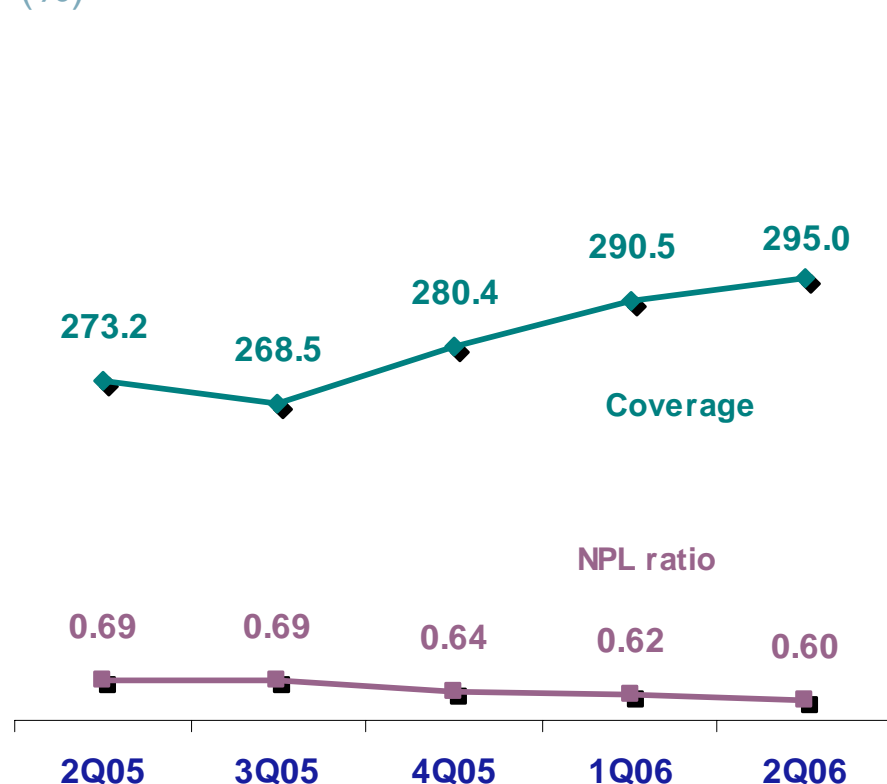
**Total revenues from services +13.2%**

# Improving fundamentals

### Cost/income ratio incl. depreciation (%)



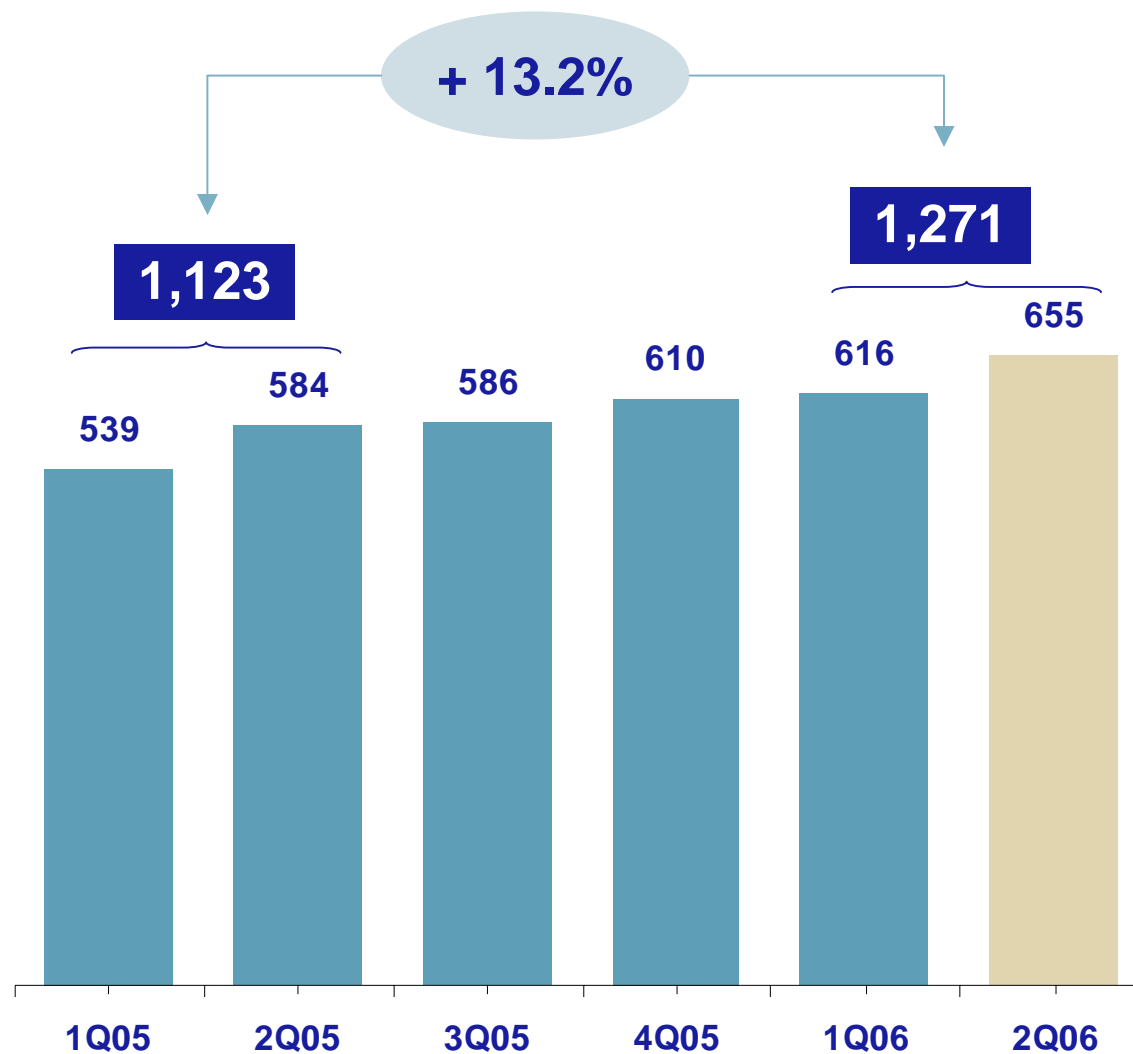
### NPL ratio & coverage (%)



**Generic provisions: 81% of provisions and 82% of total stock**

# Strong profit growth

Operating profit  
(€m)



**Net attributable profit +11%**

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# Wholesale Businesses: 1H 06 results

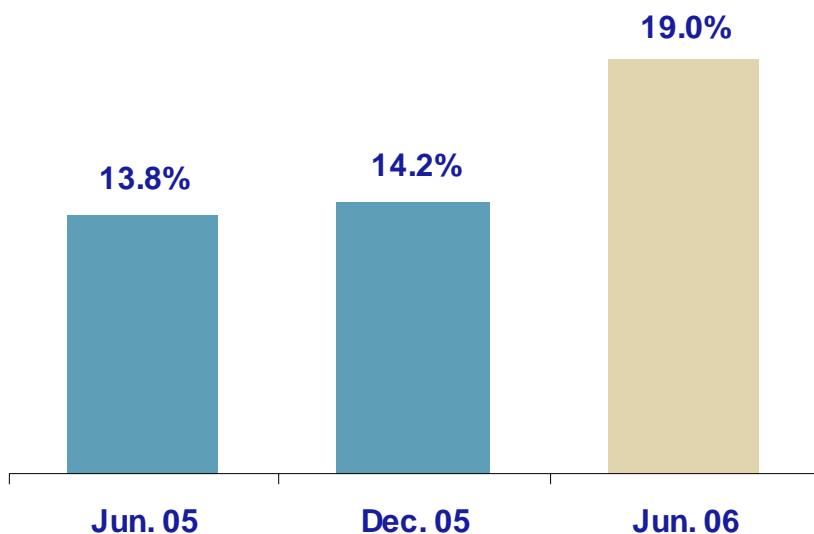
(Current €m)

Wholesale Business	1H06		2005	1H05
<b>Net interest income</b>	<b>526</b>	<b>6.2%</b>	<b>7.5%</b>	<b>4.6%</b>
<b>Core revenues</b>	<b>813</b>	<b>12.2%</b>	<b>4.4%</b>	<b>4.6%</b>
<b>Ordinary revenues</b>	<b>1,152</b>	<b>25.5%</b>	<b>17.2%</b>	<b>8.9%</b>
<b>Operating profit</b>	<b>907</b>	<b>29.6%</b>	<b>24.1%</b>	<b>14.9%</b>
<b>Pre-tax profit</b>	<b>860</b>	<b>41.2%</b>	<b>40.1%</b>	<b>23.8%</b>
<b>Net attributable profit</b>	<b>623</b>	<b>47.9%</b>	<b>32.6%</b>	<b>22.1%</b>

# Strong growth in lending and customer funds of Wholesale Businesses

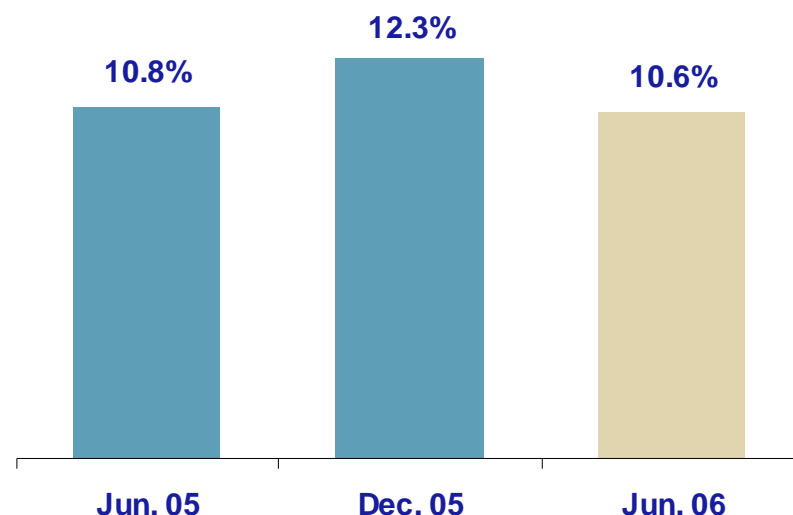
## Lending

(growth of average balances)



## Customer funds

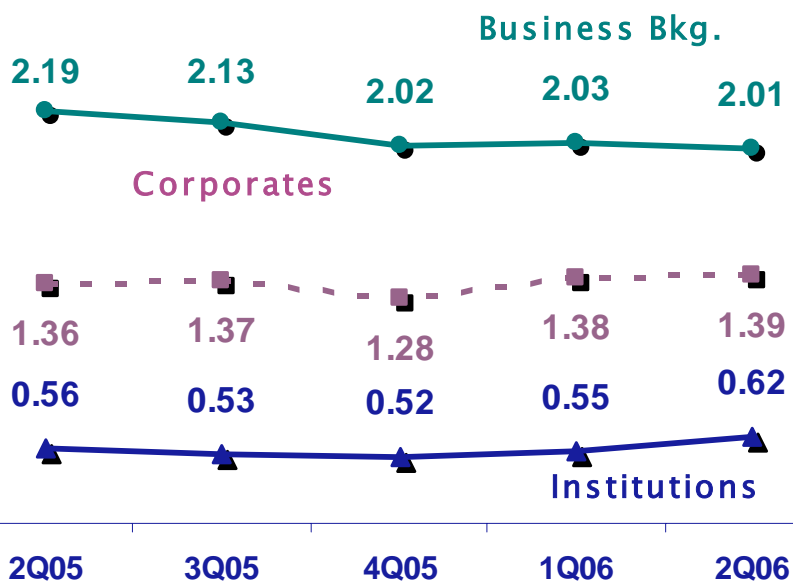
(growth of average balances)



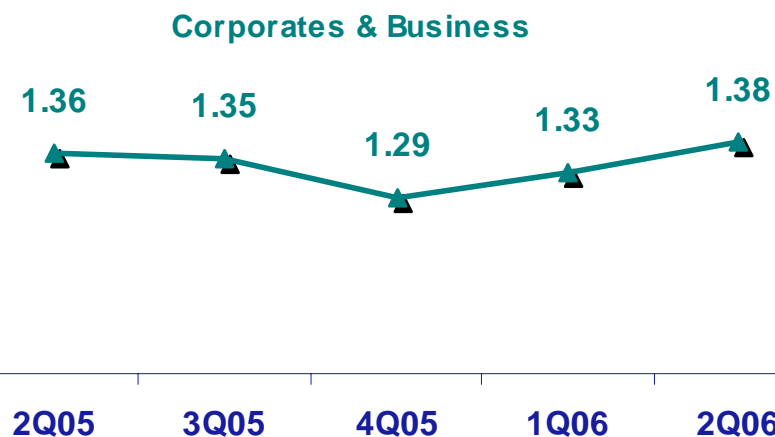
**Excellent performance from SMEs:  
lending +19% and customer funds +17%**

# With strict pricing policy in Corporate and Business Banking that is reflected in revenues

Net interest income / ATAs (%)



Net interest income / ATAs (%)

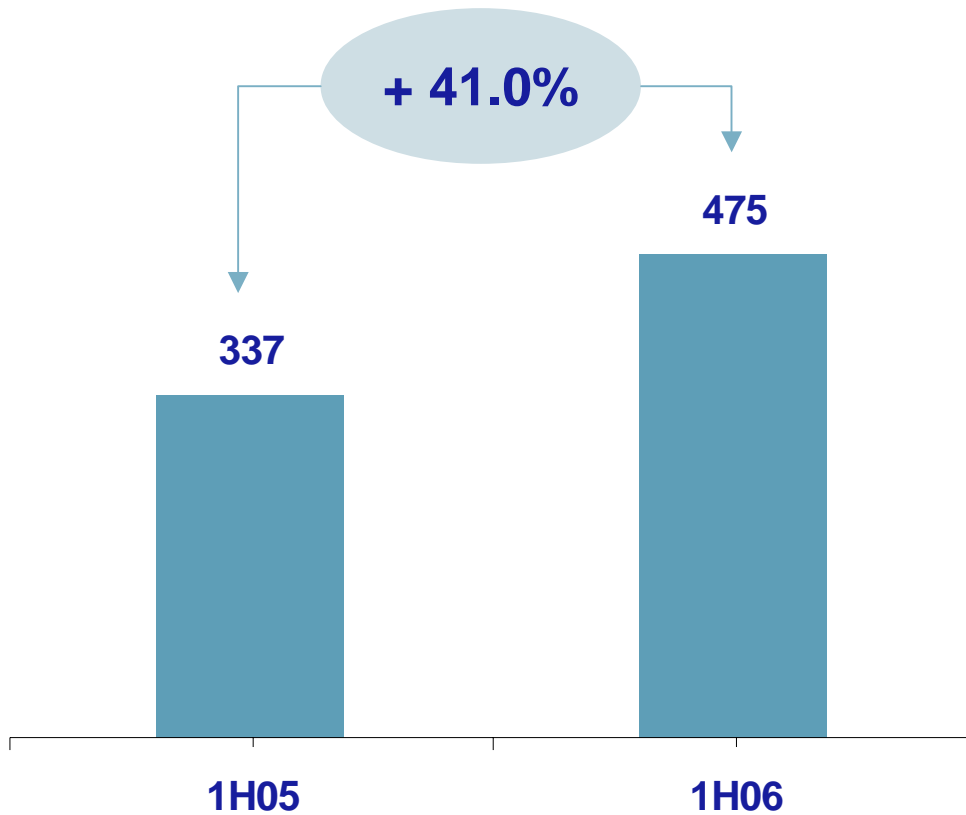


**Other revenues (fees + net trading income) +19%**



# Good performance from Global Businesses

Ordinary revenues in Global Businesses (€m)



## Recurrency

High cross-selling pace

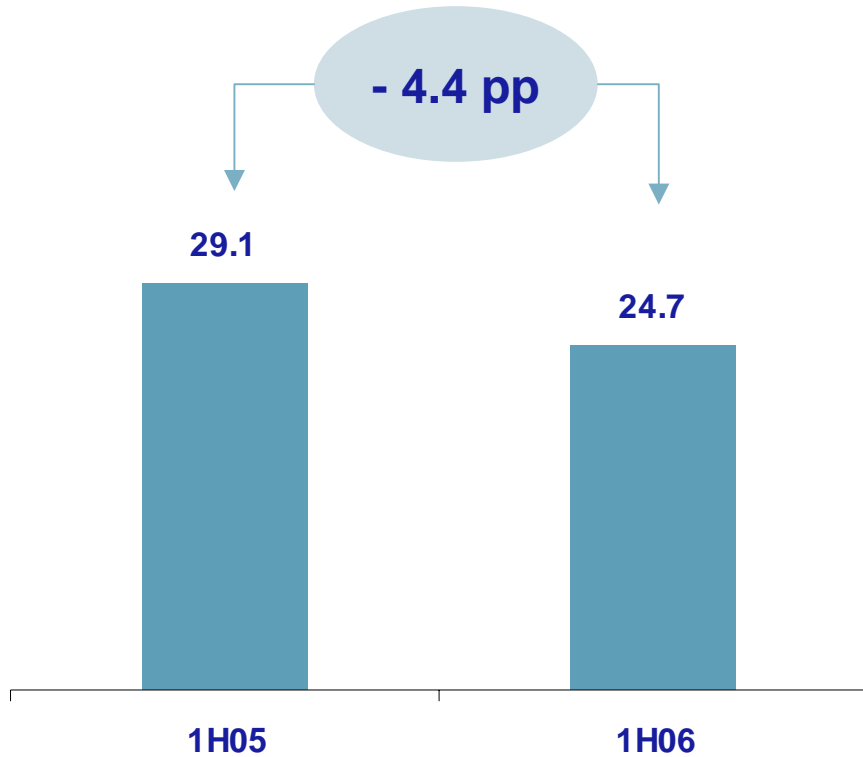
Franchise business is 75.3% of Markets revenues

Leadership in structured finance

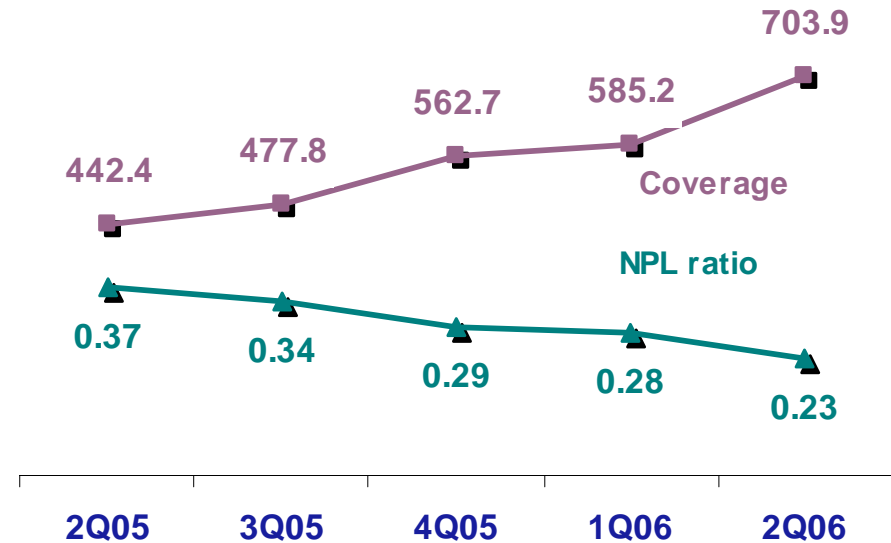
Widening customer base and geographic exposure (Asia)

# With improved fundamentals

Cost/income ratio incl. depreciation (%)



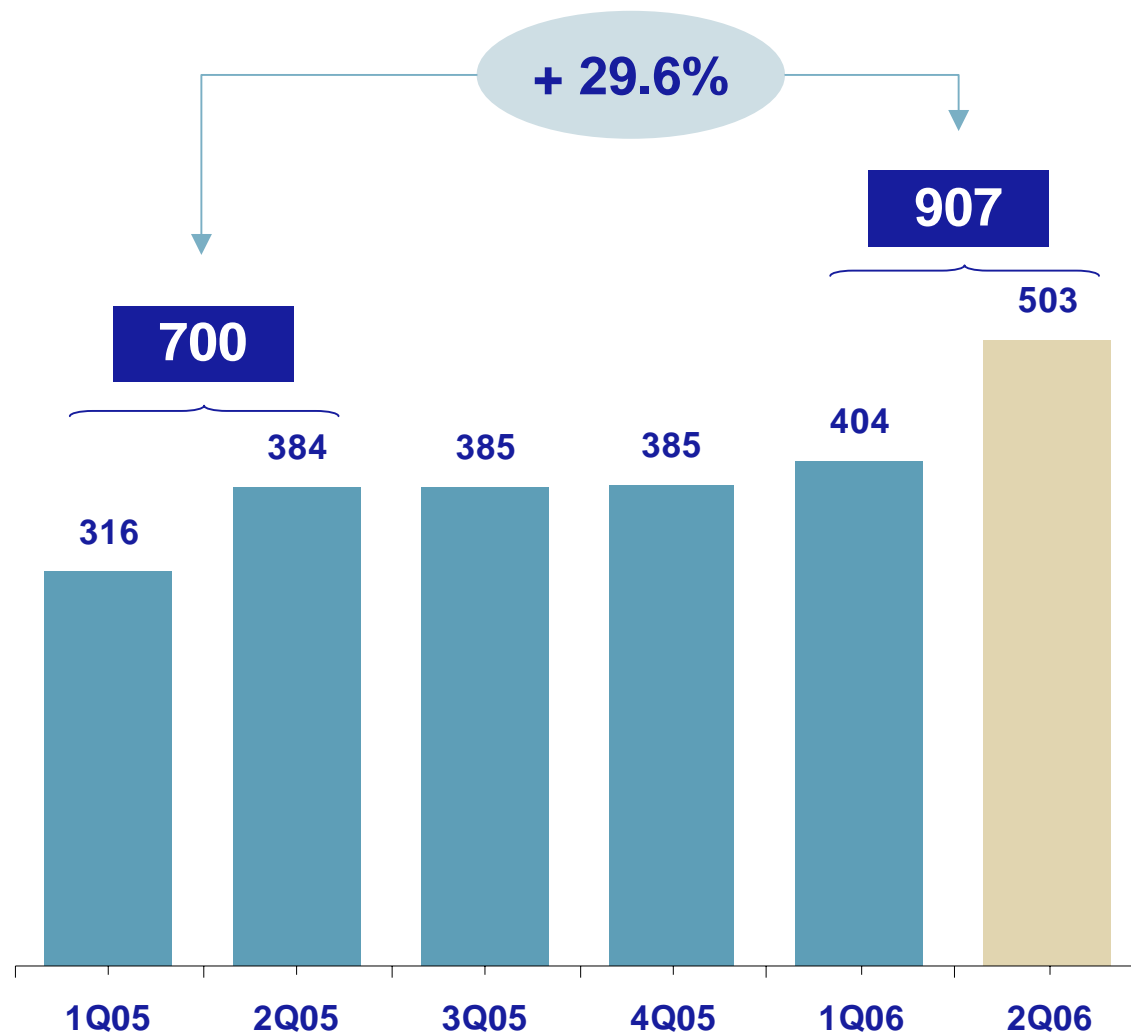
NPL ratio & coverage (%)



Generic provisions: 93% of provisions and 89% of total stock

... that is reflected in results

Operating profit  
(€m)



Net attributable profit +47.9%

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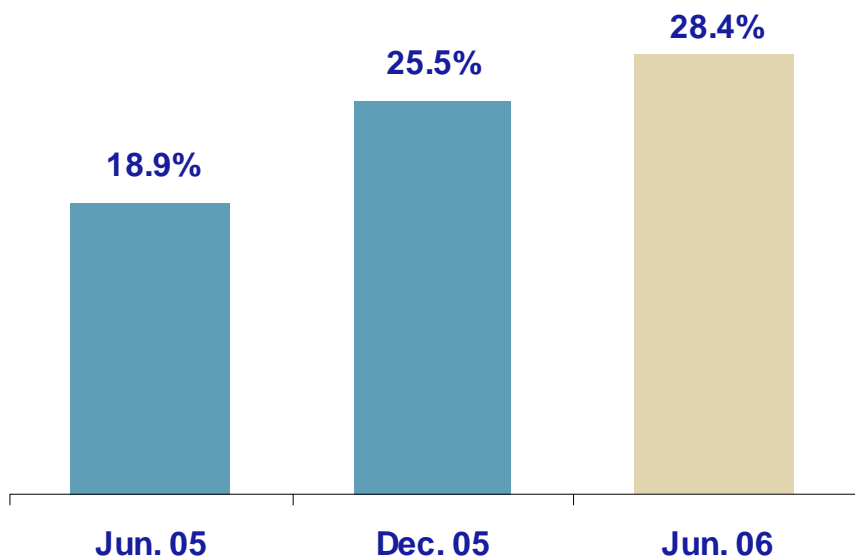
# South America: 1H 06 results

(Constant €m)

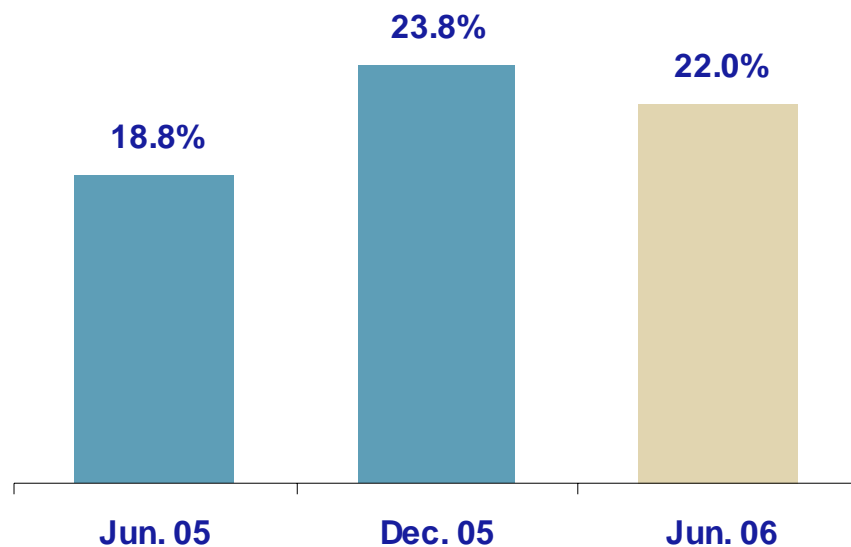
South America	1H06		2005	1H05
<b>Net interest income</b>	<b>627</b>	<b>25.9%</b>	<b>13.3%</b>	<b>10.0%</b>
<b>Core revenues</b>	<b>1,023</b>	<b>22.0%</b>	<b>14.8%</b>	<b>12.4%</b>
<b>Ordinary revenues</b>	<b>1,191</b>	<b>33.2%</b>	<b>17.6%</b>	<b>12.7%</b>
<b>Operating profit</b>	<b>592</b>	<b>45.1%</b>	<b>30.4%</b>	<b>23.3%</b>
<b>Pre-tax profit</b>	<b>505</b>	<b>29.2%</b>	<b>45.7%</b>	<b>41.9%</b>
<b>Net attributable profit</b>	<b>281</b>	<b>33.4%</b>	<b>66.9%</b>	<b>83.4%</b>

# Sharp growth in lending and customer funds

**Lending**  
(year-on-year growth of average balance)

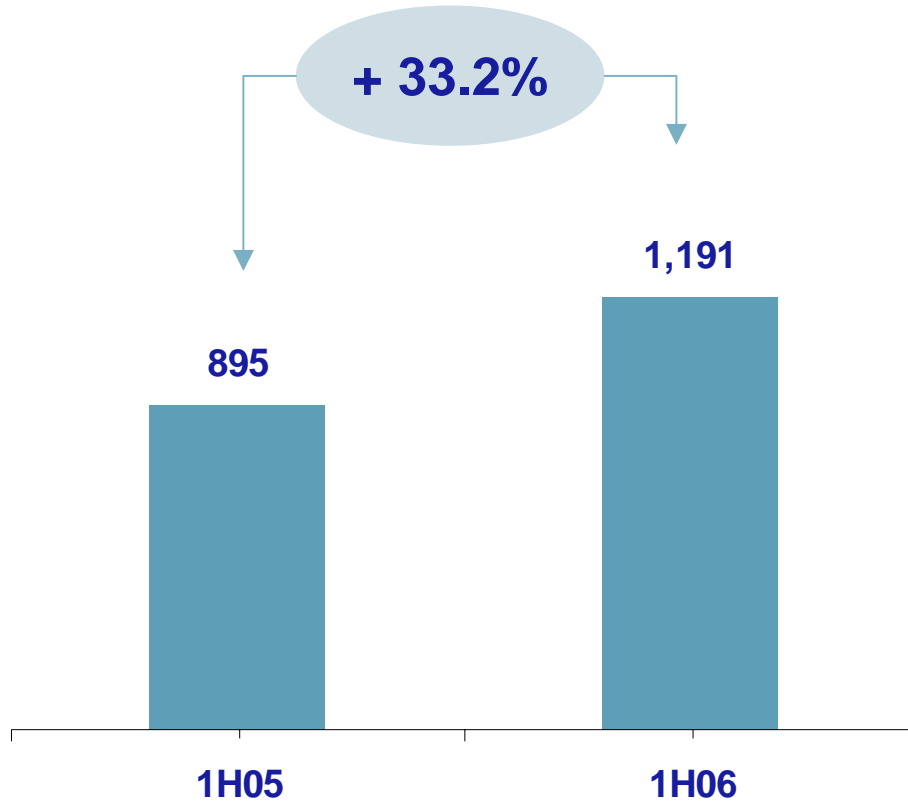


**Customer funds**  
(year-on-year growth of average balance)

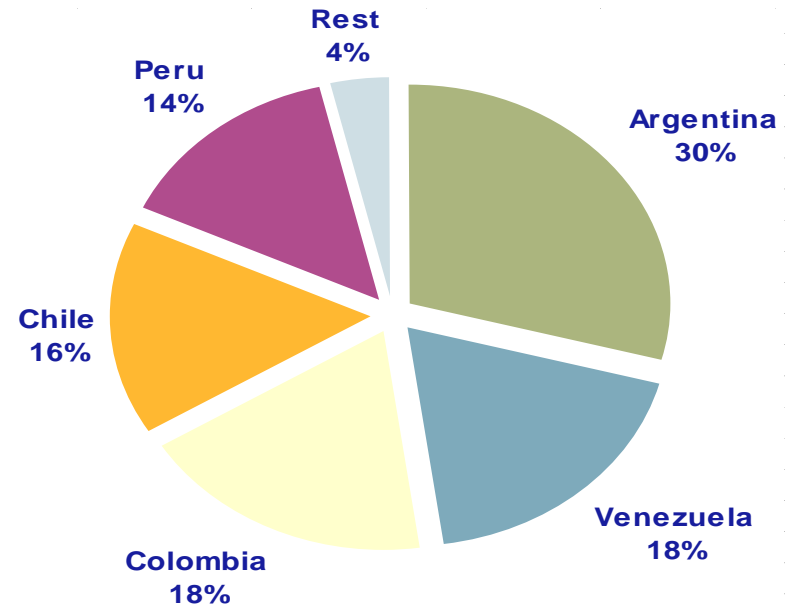


# ... that is reflected in results

Ordinary revenues  
(Constant €m)

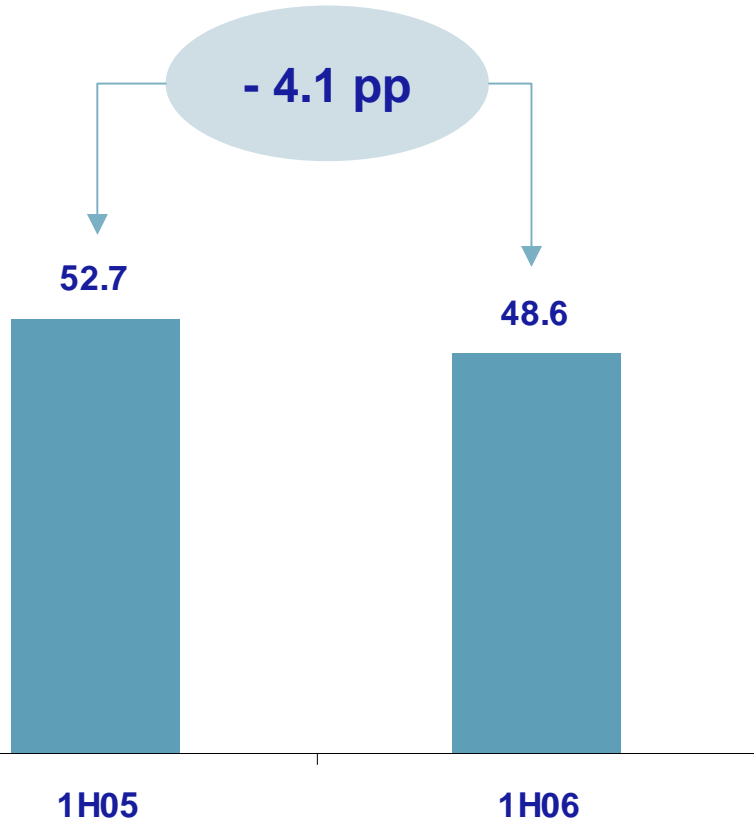


Ordinary revenues by country  
(%)

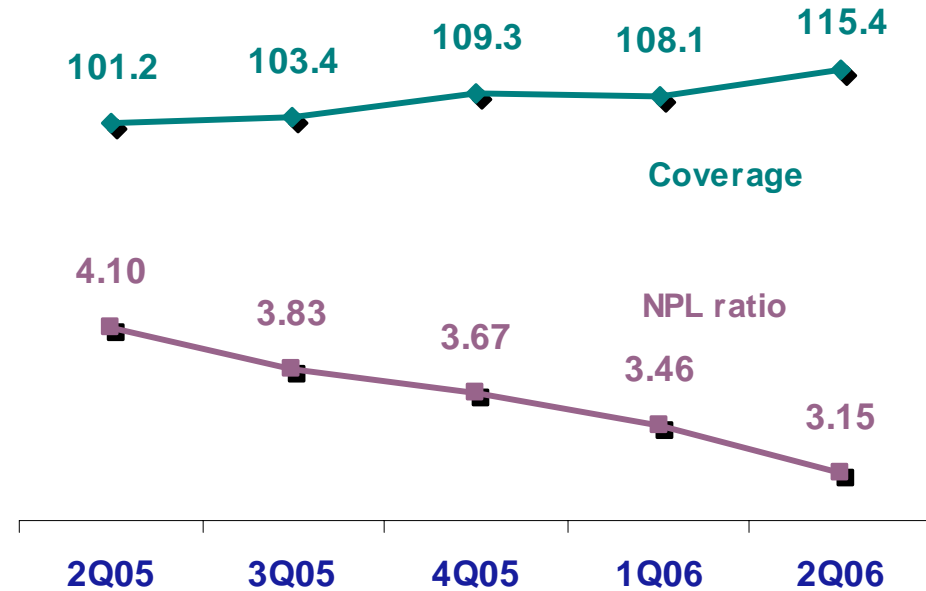


# Improvements in cost/income ratio and asset quality **BBVA**

## Cost/income ratio incl. depreciation (%)



## NPL ratio & coverage (%)

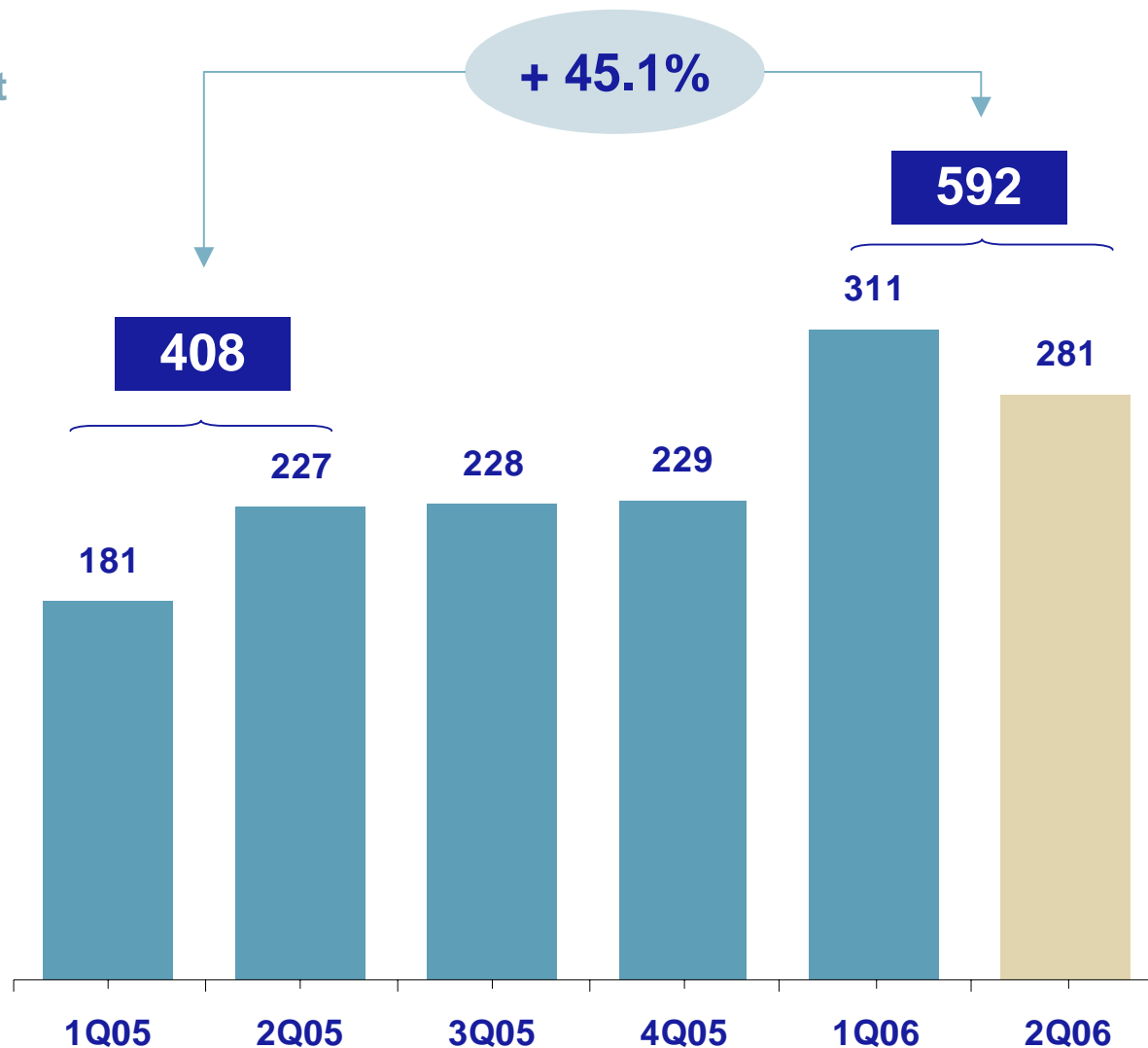


48% of NPL provisions are generic



# Profit growth continues at a high pace

Operating profit  
(Constant €m)



**Net attributable profit +33.4%**

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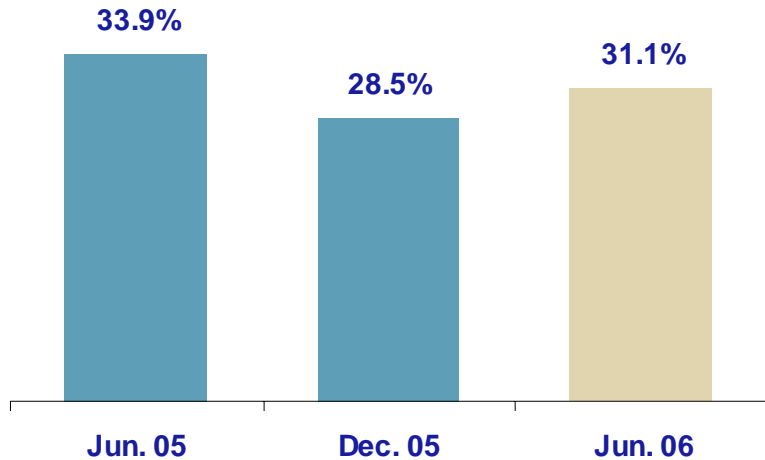
# Mexico & USA: 1H 06 results

(Constant €m)

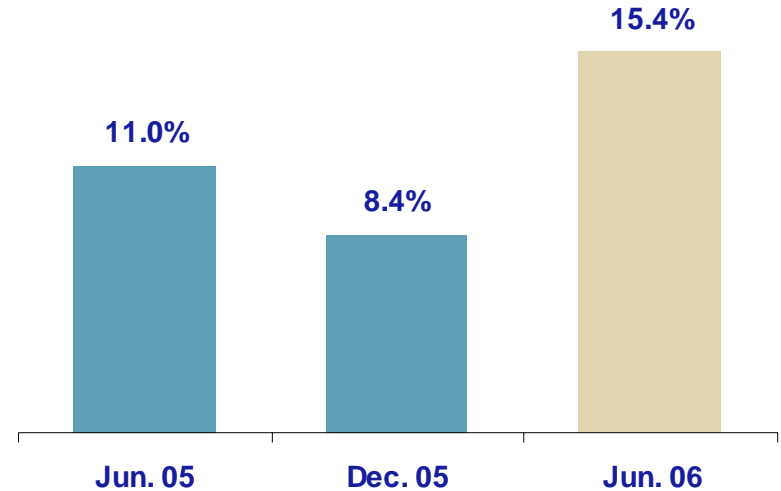
Mexico & USA	1H06		2005	1H05
<b>Net interest income</b>	<b>1,664</b>	<b>29.6%</b>	<b>36.6%</b>	<b>41.6%</b>
<b>Core revenues</b>	<b>2,504</b>	<b>27.2%</b>	<b>29.4%</b>	<b>31.1%</b>
<b>Ordinary revenues</b>	<b>2,609</b>	<b>30.2%</b>	<b>28.8%</b>	<b>29.5%</b>
<b>Operating profit</b>	<b>1,531</b>	<b>45.8%</b>	<b>35.1%</b>	<b>38.2%</b>
<b>Pre-tax profit</b>	<b>1,183</b>	<b>33.8%</b>	<b>41.7%</b>	<b>58.9%</b>
<b>Net attributable profit</b>	<b>825</b>	<b>35.0%</b>	<b>48.7%</b>	<b>69.0%</b>

# The strong growth of Mexican business continues

**Lending in Bancomer**  
(growth of average balance – constant €)



**Customer funds in Bancomer**  
(growth of average balance – constant €)

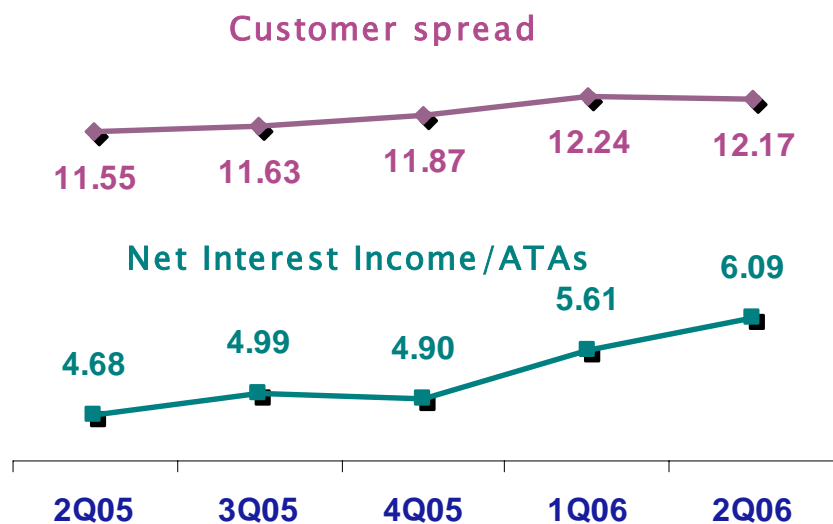


<b>SMEs</b>	<b>29.7%</b>
<b>Mortgages</b>	<b>53.5%</b>
<b>Consumer + Cards</b>	<b>70.8%</b>

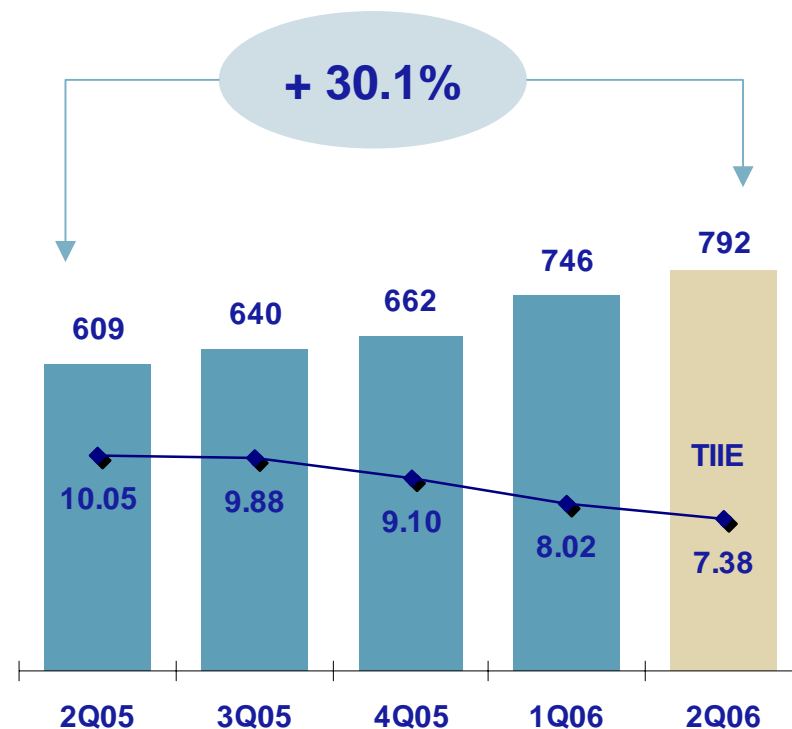
<b>Current and saving acc.</b>	<b>15.0%</b>
<b>Term + Repos + Mutual F.</b>	<b>15.9%</b>

# Excellent net interest income

Customer spread and Net interest income / ATAs Bancomer (%)

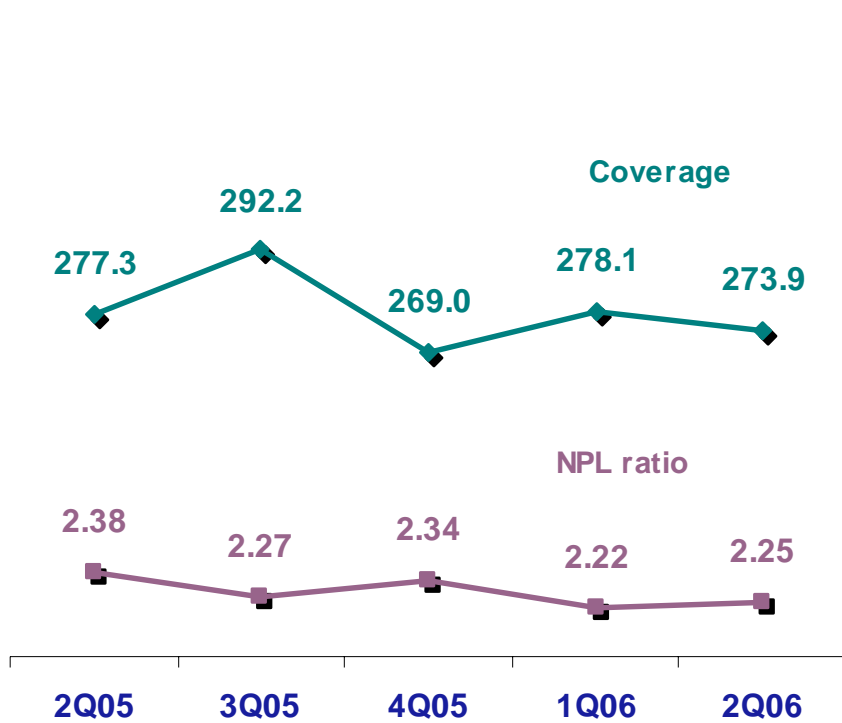


Net interest income Bancomer (Constant €m)

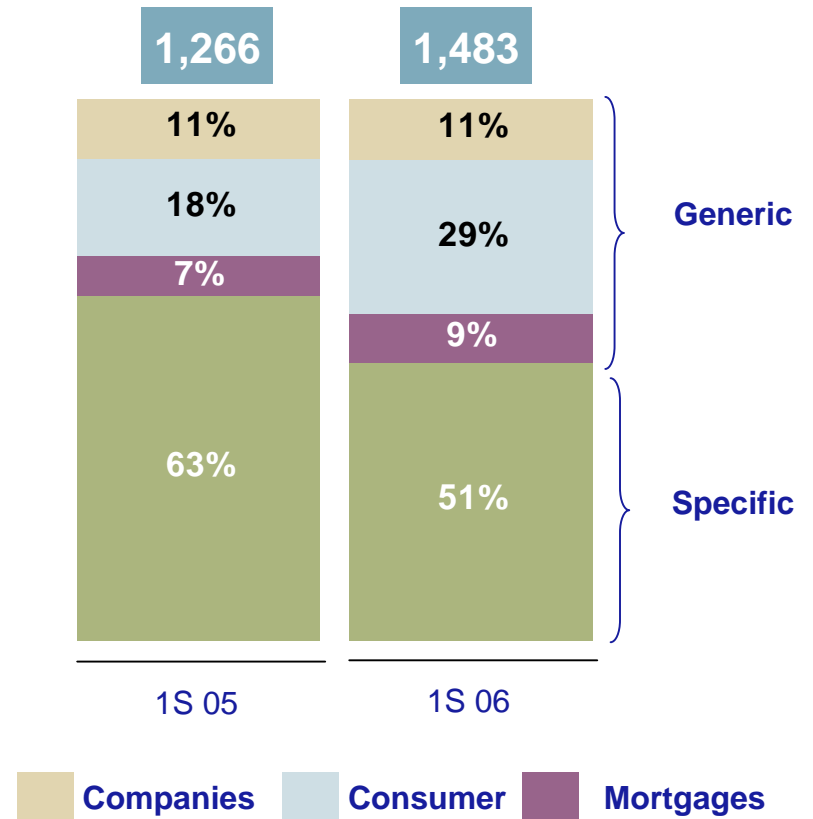


With a new 7.1 pp improvement in cost/income ratio, to 37.1%

## NPL ratio and coverage, Bancomer (%)

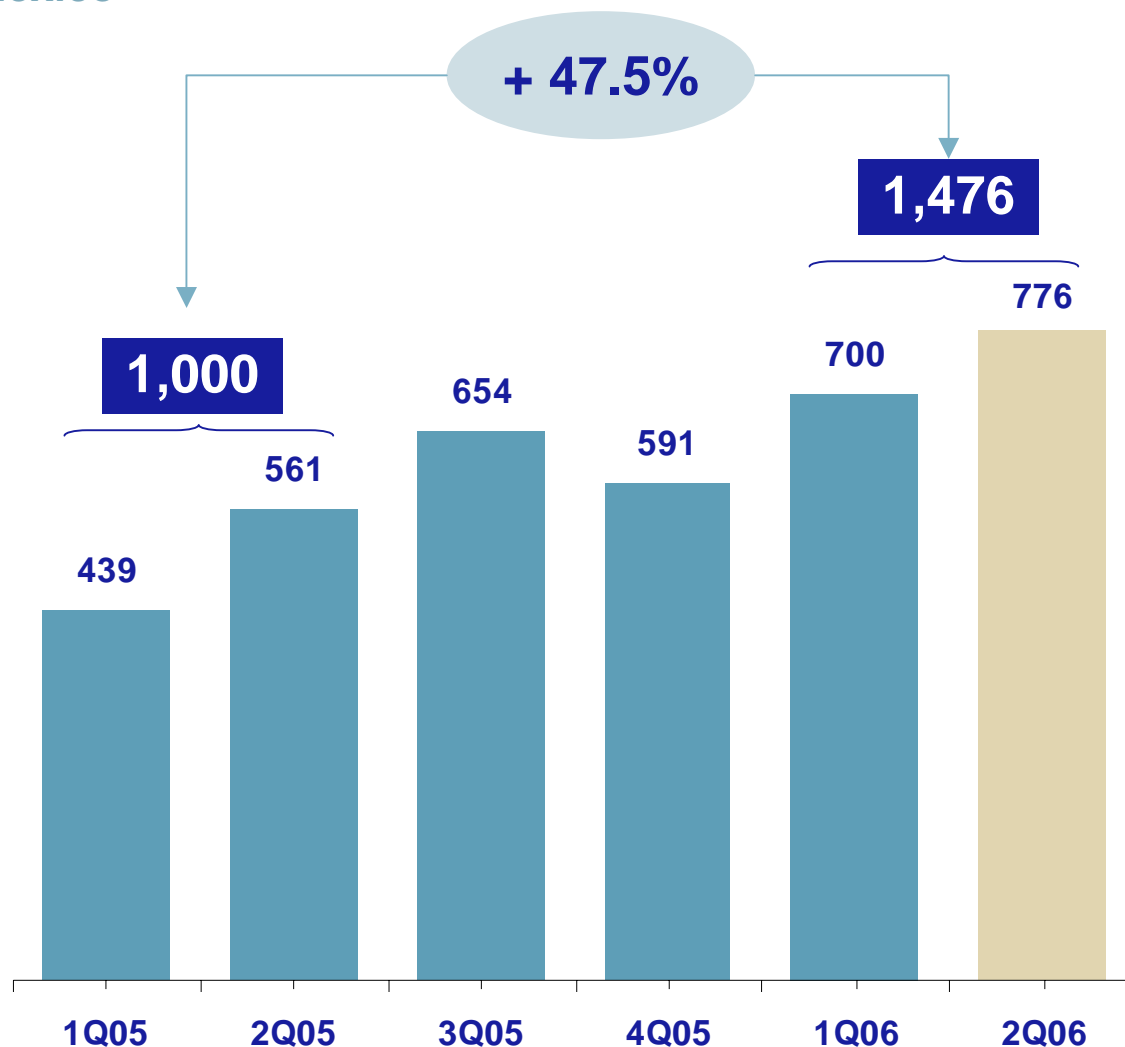


## NPL provisions, Bancomer (Constant €m and %)



# ... that are reflected in results

Operating profit, Mexico  
(Constant €m)



**Net attributable profit +35.9%**

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**Conclusions**





**Profit at record levels on strength of recurrent earnings**



**Important progress in US expansion and active management of portfolio**



**Transformation process: new strategy for commercial networks**

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# **First Half Results 2006**

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Madrid, 26th July 2006

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