Profitable growth and financial discipline

Capital increase

27th November, 2006
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BBVA, strong case of value creation: delivering growth with strategic and financial discipline

The future: tangible growth

Conclusions
Equity offering summary

**Size**
- Up to € 3bn
- Approximately 4.6% BBVA market capitalization
- 7 trading days

**Terms**
- Accelerated book building, without pre-emptive rights
- New shares fully fungible with existing shares
- Directed solely to institutional investors

**Timetable**
- Subscription period: starting at 9.00 a.m., 27th Nov 2006

**Use of proceeds**
- General corporate purposes: to strengthen the company’s capital base and finance future development

**Global Coordinators**
- BBVA, Merrill Lynch, Morgan Stanley
BBVA has presented a consistent record of focused profitable growth, delivering strong value creation.

**Organic:** tangible opportunities in our home markets

**And non organic:** looking for superior sources of growth

**Capital increase:** to finance the development of the Group and maintain an appropriate solvency level.
Capital increase to finance growth ahead and maintain an appropriate solvency level

Core capital evolution (e)

- Extraordinary charges include: early retirements and impact of new corporate tax law (4Q06e)
- CITIC and State National Bank

(1) Extraordinary charges include: early retirements and impact of new corporate tax law (4Q06e)
(2) CITIC and State National Bank
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BBVA’s retained earnings have self-financed the organic growth opportunities, despite...

1. … acceleration of growth in RWAs …

2. … increased weight of more profitable and capital consuming assets …

3. … strong dividend growth and high pay-out ratio
BBVA’s retained earnings have self-financed the organic growth opportunities, despite …

1. RWAs (YoY %)

2. Loans breakdown (%)

3. Dividend (YoY %)

Among the fastest growth rates in the industry

Higher weight of Mexico and SMEs in Spain

Pay-out policy 45-50% of attributable profits
Active management of the business portfolio...

**Assets disposals 2003-YTD**

- **Businesses**: €2,736 m
- **Financial stakes**: €4,215 m

**Acquisitions 2003–YTD**

<table>
<thead>
<tr>
<th>Business</th>
<th>€ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bancomer minorities</td>
<td>3,300</td>
</tr>
<tr>
<td>LNB + Valley Bank</td>
<td>699</td>
</tr>
<tr>
<td>Hipotecaria Nacional</td>
<td>302</td>
</tr>
<tr>
<td>Granahorror</td>
<td>348</td>
</tr>
<tr>
<td>Forum</td>
<td>84</td>
</tr>
<tr>
<td>TRBI + SNBI</td>
<td>2,082</td>
</tr>
<tr>
<td>Maggiore Fleet</td>
<td>67</td>
</tr>
<tr>
<td>CNCB / CIFH</td>
<td>989</td>
</tr>
</tbody>
</table>

*most relevant transactions*
... has resulted in a shift in the composition of BBVA business mix and economic capital allocation

BBVA 2002 Economic Capital

- Industrial Portfolio: 24%
- Retail Spain: 22%
- W.I.B: 11%
- México: 10%
- South America: 19%
- Corporate Center: 14%

BBVA 2006e Economic Capital

- Industrial Portfolio: 24%
- Retail Spain: 25%
- South America: 10%
- México: 21%
- W.I.B: 4%
- USA: 9%
- Corporate Center: 7%

Industrial & Financial stakes represent today less than 1% of Group assets
Investing in important initiatives to improve the efficiency of the Group

Unified IT platform in Latam

Transformation: procedures, distribution channels

Streamlining Retail and Wholesale network in Spain and corporate center

Increases in network productivity

Retail Spain: +34%
Mexico: +42%

Improving efficiency of domestic networks in Spain *

Cost/income ratio:
06e: 39.8%
08e: 35.1%

* Retail Spain + Corporate and Business Banking (CBB)
As a result of this strategy, the Group has delivered profitable growth.
BBVA has offered a consistent and attractive return for shareholders

YTD 2006 (%)

BBVA: 36.30%
SG: 30.60%
BBVA: 29.80%
SAN: 29.00%
BBVA: 26.70%
SG: 25.60%
BBVA: 23.30%
CA: 22.40%
BBVA: 22.00%
Lloyds: 18.70%
BBVA: 18.30%
SPIMI: 11.40%
BBVA: 11.20%
RBOS: 8.80%

Last 3 years (%)
Equivalent annual return

BBVA: 30.05%
SG: 28.20%
BBVA: 25.98%
BBVA: 25.55%
BBVA: 25.35%
BBVA: 24.97%
BBVA: 24.47%
BBVA: 22.79%
BBVA: 21.93%
BBVA: 21.47%
BBVA: 20.31%
BBVA: 19.91%
BBVA: 17.01%
BBVA: 13.69%
BBVA: 9.83%

Source: Bloomberg, Date: 24/11/06
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Favourable economic environment in BBVA’s key geographies

### GDP growth (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>2005</th>
<th>2006e</th>
<th>2007e</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spain</strong></td>
<td>3.5</td>
<td>3.7</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
<td>3.0</td>
<td>4.6</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Rest of LatAm</strong></td>
<td>7.4</td>
<td>6.5</td>
<td>5.4</td>
</tr>
</tbody>
</table>

* Excluding Brazil

Source: BBVA Economic Research Department

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**Spain**
- GDP growth above average of EU (2.7%)

**Latam**
- Sound public policies, institutional stability
- Inflation under control
- Stable FX
- Improvement of sovereign ratings

**Overall positive and stable economic forecasts:** BBVA, well placed to continue delivering profitable growth
In Spain, we have identified new opportunities in SMEs …

<table>
<thead>
<tr>
<th>Position</th>
<th>Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBVA</td>
<td>33.3%</td>
</tr>
<tr>
<td>2nd</td>
<td>27.7%</td>
</tr>
<tr>
<td>3rd</td>
<td>24.4%</td>
</tr>
<tr>
<td>4th</td>
<td>19.7%</td>
</tr>
<tr>
<td>5th</td>
<td>13.1%</td>
</tr>
<tr>
<td>6th</td>
<td>10.4%</td>
</tr>
<tr>
<td>7th</td>
<td>10.1%</td>
</tr>
<tr>
<td>8th</td>
<td>7.2%</td>
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</tbody>
</table>

Increase in marketing productivity (since Dec 2004)

- +22%

Riskpyme

- +59% in new business
- +144% no. operations
- +28% new customers

Source: Inmark, 2005
...in Consumer Finance...

Consumer loans per capita still low in Spain

Consumer loans per capita ($)

<table>
<thead>
<tr>
<th>Country</th>
<th>Loans per Capita ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>6.230</td>
</tr>
<tr>
<td>UK</td>
<td>4.136</td>
</tr>
<tr>
<td>Germany</td>
<td>2.633</td>
</tr>
<tr>
<td>France</td>
<td>2.073</td>
</tr>
<tr>
<td>Spain</td>
<td>1.051</td>
</tr>
</tbody>
</table>

Source: ECRI & Eurostat

... however, with a high propensity to consume

BBVA Initiatives

- Préstamo Nacimiento
- Préstamo Nómina 0%
- Crédito Fácil
- Préstamo PIDE

Consumer & C.Cards loan growth 9m06: 18.8%
... and new customer segments: immigrants

Foreign nationals/Spain’s population

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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>0.0%</td>
<td>2.0%</td>
<td>4.0%</td>
<td>6.0%</td>
<td>8.0%</td>
<td>10.0%</td>
<td>12.0%</td>
<td></td>
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Source: INE

Foreign nationals to grow +26% 2005-2008

Two complementary approaches

BBVA ranked 1st among banks with 16.5% market share

Basic Banking

More developed products

More than 400,000 clients
In Latin America, we see opportunities in Consumer Finance ...

**Bancarised**
- Mid-High income segments
- 28% of population
- Bancomer’s market share
  - Auto: 33.5%
  - Credit cards: 35.5%
  - Total consumer finance: 33.4%

**Non-bancarised**
- Low income segments
- 72% of population
- Alliances with retailers:
  - 5 million credit cards

+ 2.2 m new customers in 2006
...a high potential for mortgage development ...
… and great prospects in SMEs

Bancomer
SMEs and Corporates

Target Market

45,000
SMEs and Corporates

25,000
SMEs

(56%)

Bancomer Actual Market

3,387
Credit products users

(13%)

Bancomer
Actual Market

Loan Penetration
(€m)

<table>
<thead>
<tr>
<th></th>
<th>Spain</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Funds</td>
<td>10,660</td>
<td>4,239</td>
</tr>
<tr>
<td>Lending</td>
<td>30,251</td>
<td>2,839</td>
</tr>
<tr>
<td>Lending/Customer Funds</td>
<td>284%</td>
<td>70%</td>
</tr>
</tbody>
</table>
BBVA´s non-organic expansion has showed strategic fit

Consolidating our position in Mexico

Reinforcing high potential businesses

Creating a franchise in USA

Building presence in new high growth markets

Buyout of BBVA Bancomer minorities

• Hipot. Nacional
• Granahorrar (Col)
• Forum (Chile)

• Laredo
• Texas Regional
• State National

• Asia Plan
• Citic Group

2003 to date investments: €8 Bn
Track record in acquisitions, best in class among European financial institutions

Investments to 2006 (M US$) | ROI (%)
--- | ---
BBVA Bancomer (1) | 8.370 | 23.8
Rest of Latin America (2) | 5.202 | 16.8
Total Latin America | 13.573 | 21.1

(1) Banking Group
(2) Rest of Banks, Pension and Insurance business

- Full payback of investment in 24 months
- Financial discipline
- Maximising shareholder return
- Strong fit with BBVA strategy
- Franchises with leading positions in their core markets
- Limited financial exposure with real options to develop meaningful businesses
BBVA Texas: A big step in our expansion strategy

BBVA USA, a leading regional bank in Texas, with 3% market share
China & Hong Kong: a great opportunity for BBVA

First Stage

- 5% stake in CNCB¹
- 15% stake in CIFH²
- Exclusivity agreements
- €989m investment

Second Stage

- Option to increase to 9.9% (2007-2010)
- Defining final business plan for wholesale banking in the region (2007-08)
- Defining profit-sharing schemes in auto finance, trade finance, etc (2007)
- Additional investments required over time

(1) China CITIC Bank
(2) CITIC International Financial Holdings
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BBVA continues to be very disciplined in its use of capital

BIS ratio (%)

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<th>BBVA (proforma after capital increase + announced investments)</th>
<th>European banks average(1)</th>
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<td>BIS ratio</td>
<td>11.7</td>
<td>11.4</td>
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<td>Tier I</td>
<td>7.8</td>
<td>8.2</td>
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<tr>
<td>Core capital</td>
<td>6.2</td>
<td>6.7</td>
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(1) Data as of June 06 refers to largest European groups.
Conclusions

1. BBVA continues to be very disciplined in its use of capital

2. The capital increase reflects the higher visibility of growth prospects we have today. High growth will remain for longer

3. BBVA reinforces its commitment to focus on profitable growth and shareholder return

Tangible opportunities require capital to deliver, maintaining appropriate solvency levels
## Equity offering summary

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