

# BBVA

## *Growth, Strategy and Execution*

Goldman Sachs  
European Financials Conference

Marbella, 10<sup>th</sup> June 2005

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**Today BBVA enjoys a strong  
competitive position ...**



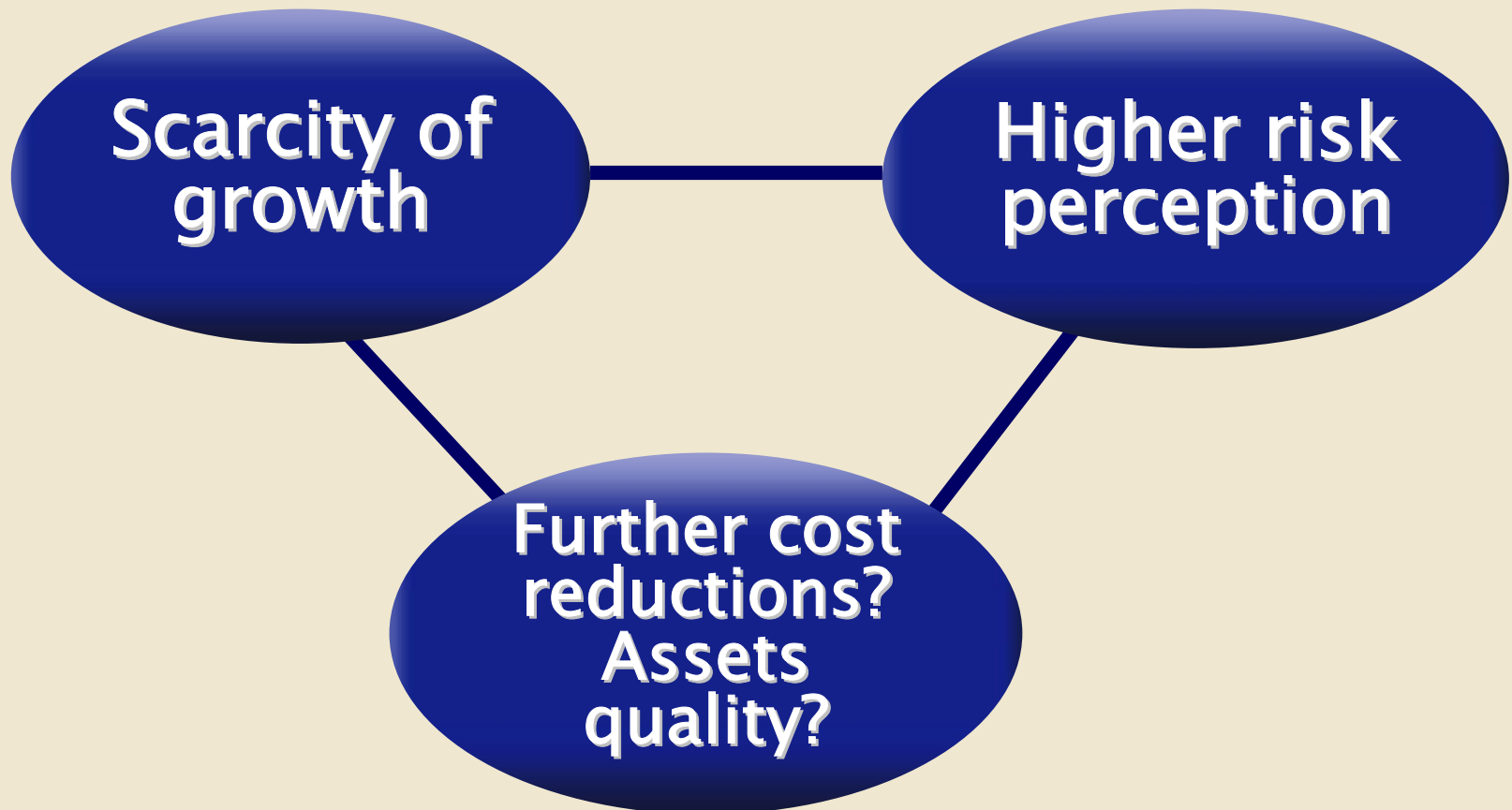
**... allowing for the successful  
development of our Strategic Plan**



**Profitable  
Growth**

# ... and to perform well in an increasingly complex environment

## Environment concerns



# BBVA: reinforcing its strengths to deliver growth



**A**

**Well placed to grow over peers**



1. Exposed to high growth markets with positive economic prospects
2. Strong activity and results
3. Developing new growth engines



**B**

**Efficiency and low risk profile**



1. Tested model to drive efficiency
2. Excellent asset quality
3. Diversified geographic and business presence



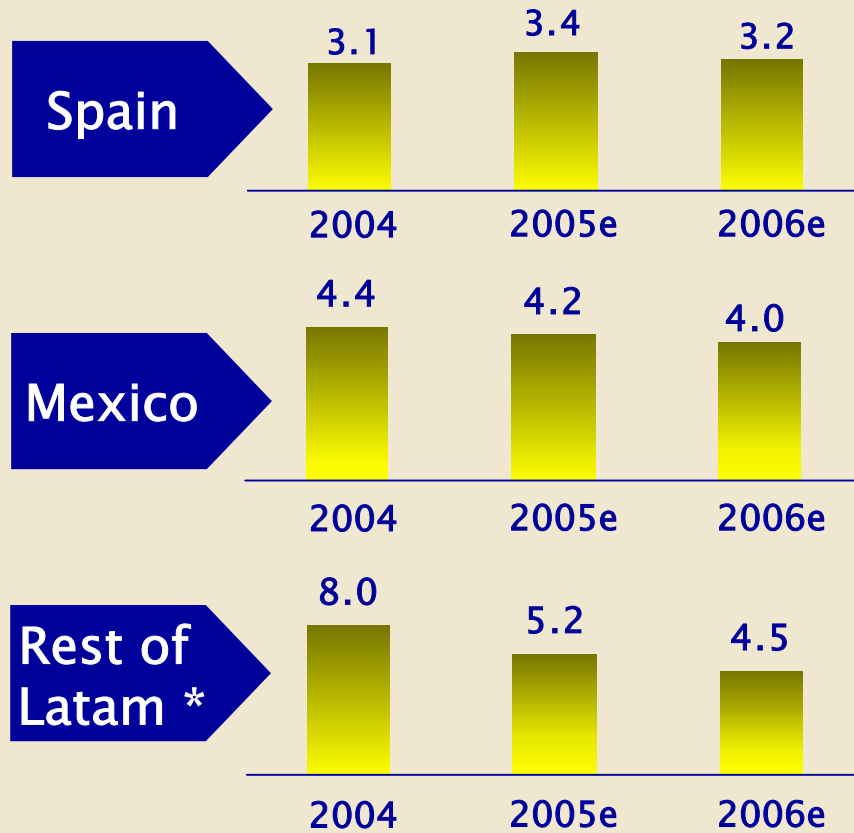
**A**

**Well placed  
to grow over peers**

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# 1 Good and stable economic prospects in core markets

## GDP growth (%)



### Spain:

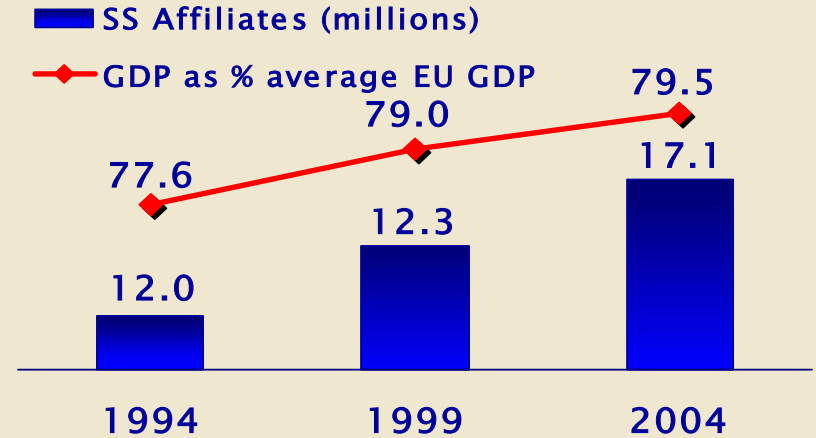
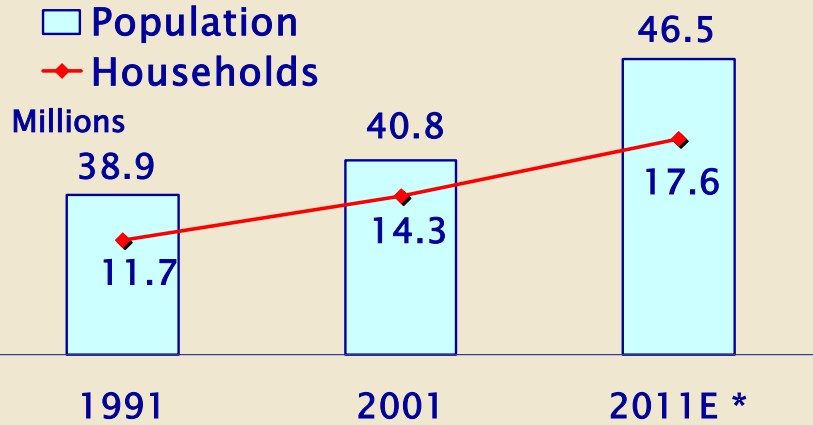
- Household consumption to grow @ 4.5% in 05e vs. 1% in EMU
- Gross capital formation: +6.9% 05E
- Growth in population and job creation

### Latam: best performance in 10 years

- Contained inflation rates (6%/7%)
- Currency stability
- Improving country ratings



# Spain: growth in population and household formation

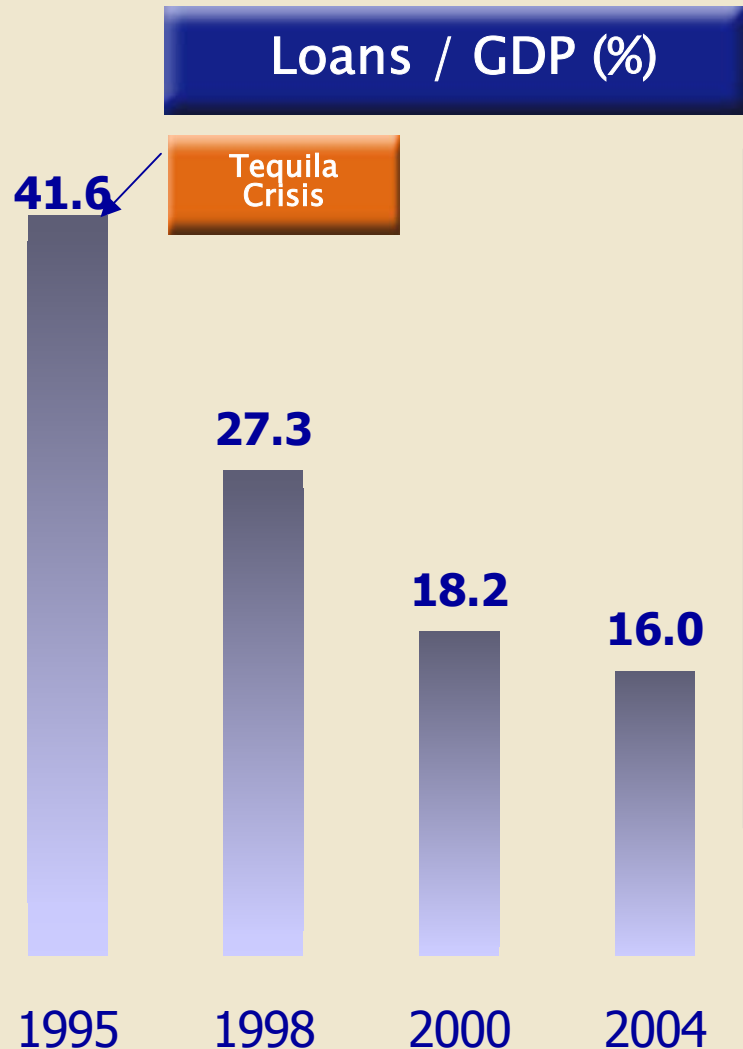


2.6 million households created in 10 years (1991–2001) and 3.3 million more expected in the next ten period years

5 million jobs created in the period 1994–2004

... and a strong increase in employment and GDP per capita

# In Mexico penetration of financial products and services remains very low

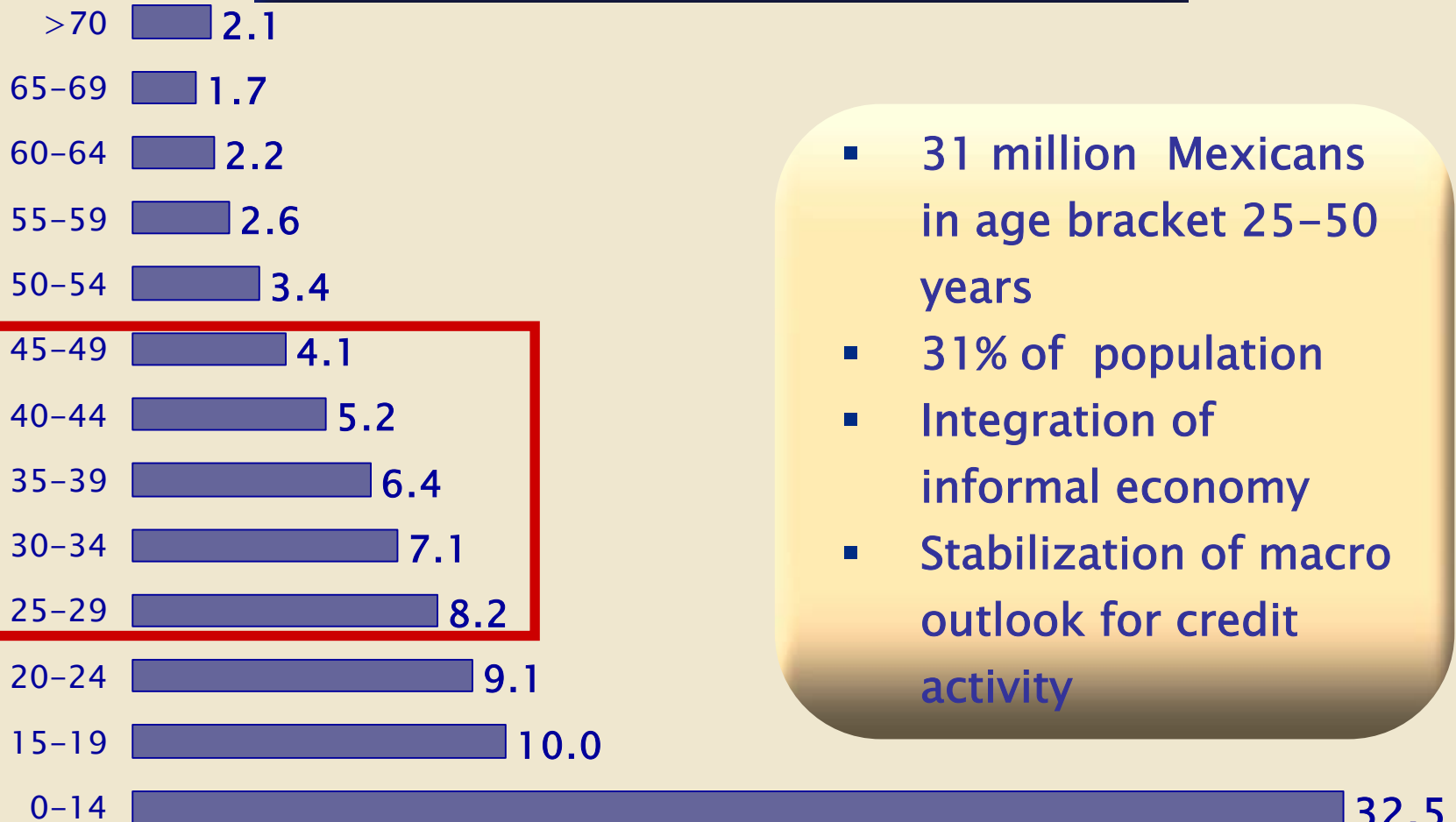


	Mexico	Spain
Loans / GDP	16%	119%
Deposits /GDP	19%	91%
Mortgages /GDP	5%	42%
Mutual Funds/GDP	5%	28%
Accounts(Banking System)	43 M	45 M
Accounts per inhabitant	0.4	1.1

**High growth potential**

# ... with a positive demographic profile

## Population by age group in millions

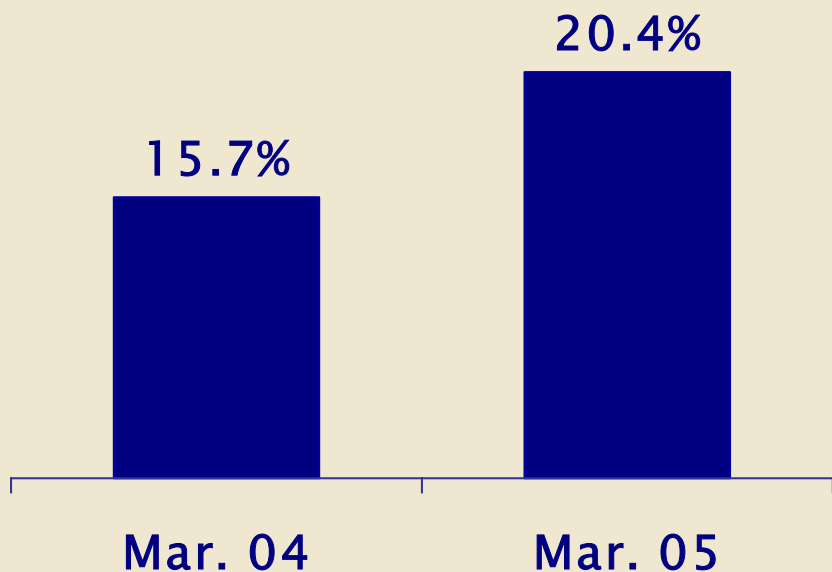


- 31 million Mexicans in age bracket 25-50 years
- 31% of population
- Integration of informal economy
- Stabilization of macro outlook for credit activity

# 2 BBVA: Higher business activity has been achieved in Spain ...

## Retail banking in Spain y-o-y growth (%) average balances

### Lending



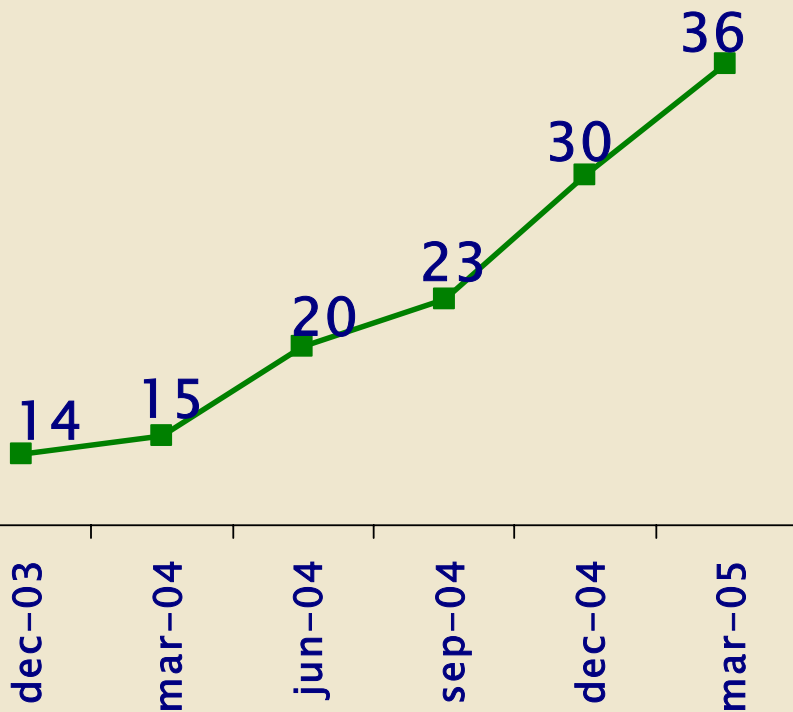
### % growth by business unit

	Dec. 04	Mar. 05
Commercial B.	+20.0	+20.1
Mortgages	+25.1	+25.2
Consumer & cards	+11.3	+9.1
Micro businesses	+21.4	+21.4
SME s	+18.9	+22.6
<b>TOTAL</b>	<b>+19.4</b>	<b>+20.4</b>

# ... and in Mexico where loan growth remains a strategic priority ...

## Managed loan portfolio (\*) y-o-y growth (%)

+60.9% with  
Hipot. Nacional



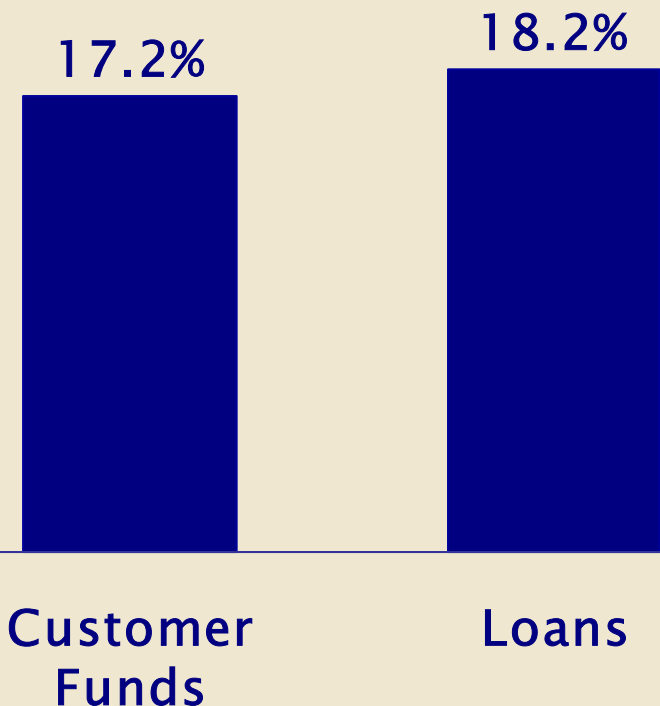
## % growth by business unit Mar05-Mar04

- Consumer (1) +68.6%
- SMES +34.4%
- Mortgages +185.3%
- Mortgage portfolio (with HN) is already 19% of total lending

(1) Consumer finance + credit cards

# ... with creditable performances in the rest of Latin America

Year-on-year growth  
Average balances



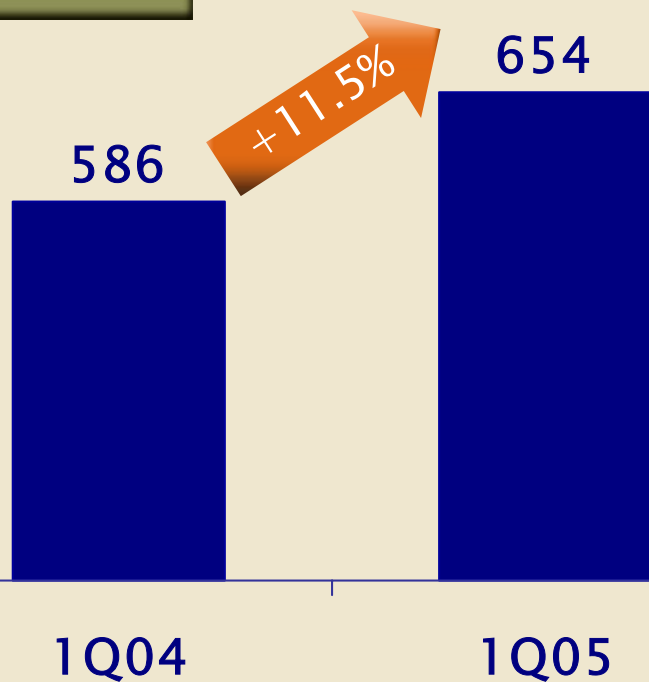
Breakdown by countries  
y-o-y change (%)

	Loans	Cust. Fu.
Argentina	+6.8	+15.3
Colombia	+26.8	+25.3
Chile	+16.9	+12.1
Peru	+17.3	+10.8
Puerto Rico	+13.4	+3.2
Venezuela	+85.7	+50.9

# Thus, higher activity and efficiency management results in earnings growth in Retail Banking in Spain

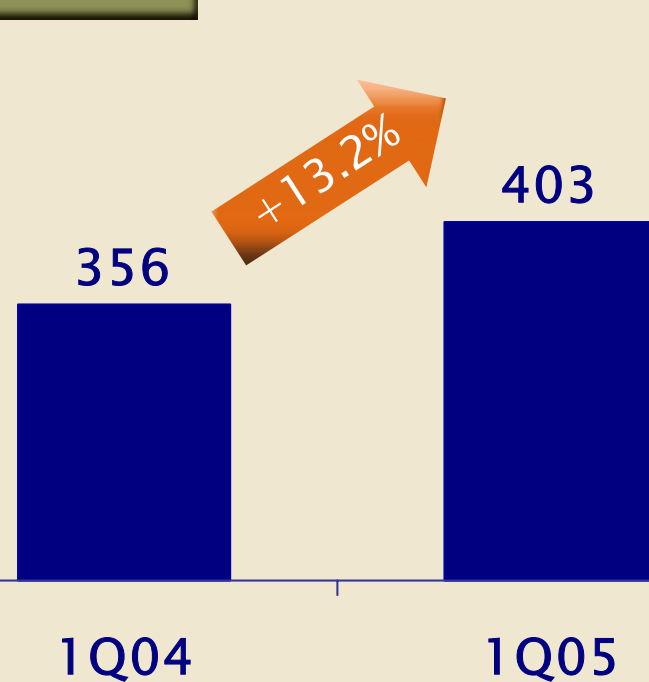
## Retail Banking Operating Profit

€ million



## Retail Banking Attrib. Profit

€ million



# ... in Wholesale and Investment Banking

## Wholesale Banking Operating Profit

€ million

156

+12.0%

174

1Q04

1Q05

## Wholesale Banking Attrib. Profit

€ million

92

+22.7%

112

1Q04

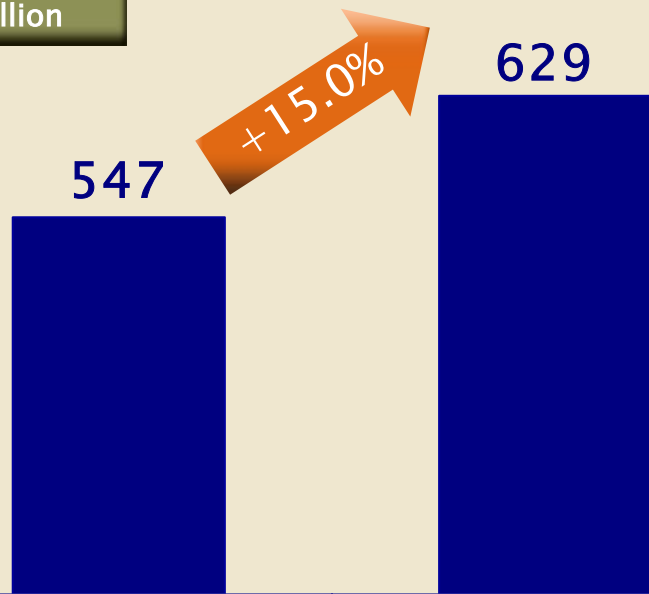
1Q05



# ... and in America ...

## The Americas Operating Profit

Current € million



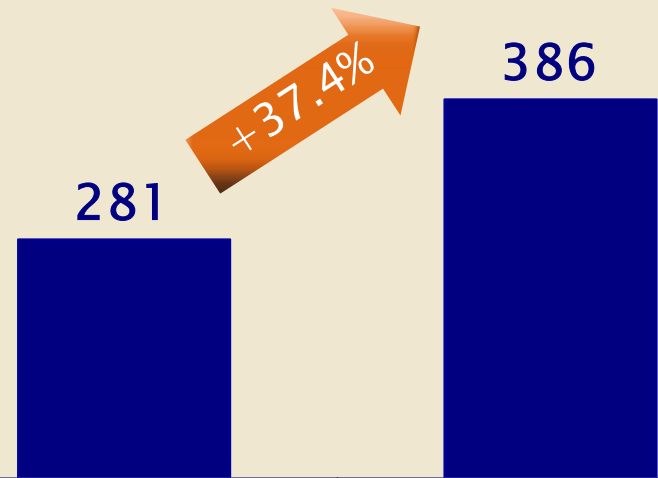
1Q04

1Q05

+21.8% in local currencies

## The Americas Net profit

Current € million



1Q04

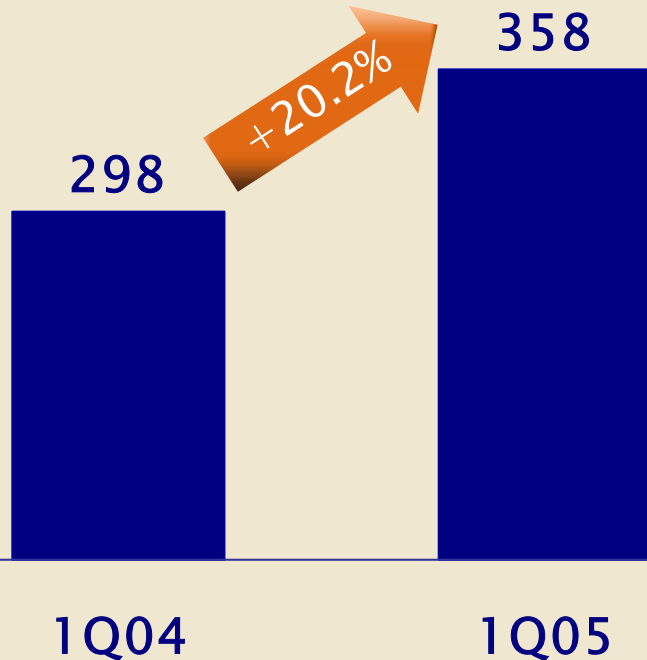
1Q05

+46.2% in local currencies

# ... boosted by an excellent contribution from Mexico

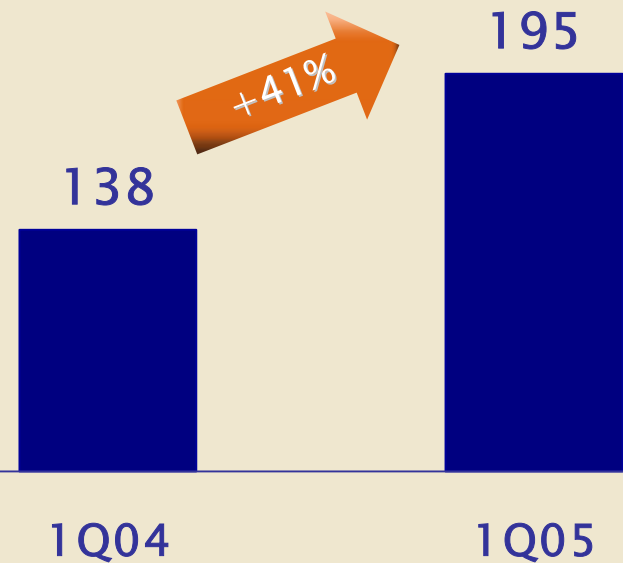
## Operating Profit

Current € million



## Net Income

Current € million



# Looking at the future: new “waves of growth”



Mexican  
mortgage  
market



Hipotecaria  
Nacional



Southern USA



Focus in the  
Hispanic population



Latin America  
Asia – flows



Taking advantage of  
our leading position in  
Latin America

# In 2004, growth from core businesses was enhanced by non-organic expansion

Consolidating  
our  
positioning  
in Mexico

Reinforcing  
high potential  
businesses

Penetrating  
new  
markets

Buyout of BBVA  
Bancomer  
minorities

Hipotecaria  
Nacional

USA

Total investment in 2004: €4,300 mill

Hipotecaria Nacional: the leading Sofol  
in market share and profitability

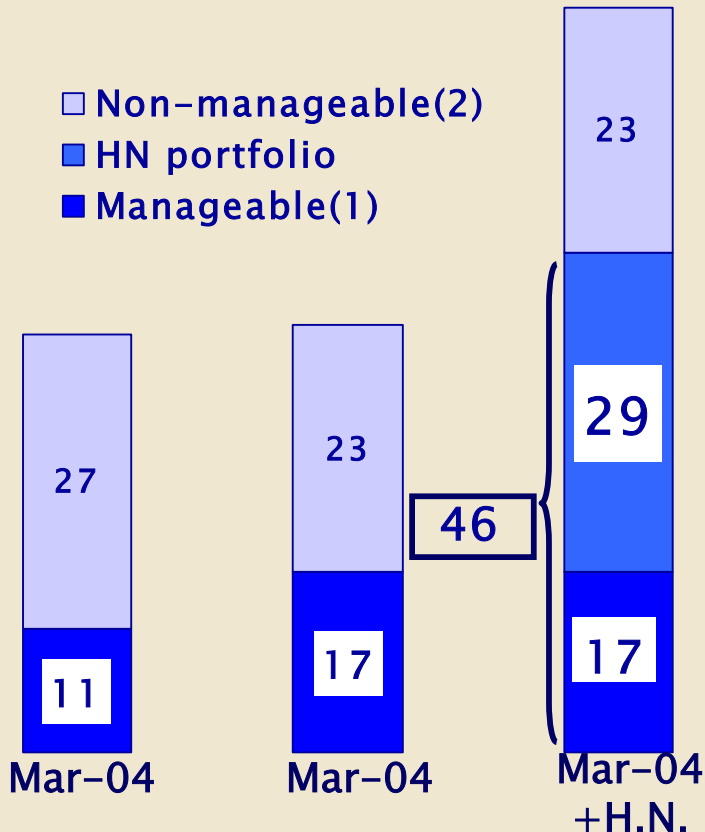
The biggest *Sofol* in Mexico: 29% market share

Achieving a leading position in all  
segments of the mortgage market

Hipotecaria Nacional will support  
growth in Mexico

# The acquisition of Hipotecaria Nacional is a decisive step in the expansion of BBVA Bancomer mortgage business

## BBVA Bancomer mortgage portfolio (Bn Pesos)



- HN almost doubles the current stock of market mortgages of BBVA Bancomer
- The combined market share stands at approximately 26% of the private market (3)
- Presence in all key mortgage segments

(1) Portfolio in pesos mainly residential mortgages  
 (2) Udis portfolio (includes "Punto Final scheme")  
 (3) Banks +Sofoles

# BBVA's growth opportunities in the US Hispanic market

Hispanic population: evolving financial needs

BBVA's proposal

1 Money transfers

Product focus on remittances and telephony

BTS

2 Basic products

Immigrants Bank:  
Cross selling

- BFS
- Valley Bank

3 Better lifestyle

General Market:  
2<sup>nd</sup> generation and SMEs

Laredo National Bancshares

Lower income segment strategy

+ more sophisticated products

# ... an attractive demographic

High density of  
the population

- 13% Hispanics in the USA
- High concentration in California and Texas (31% of total)
- 77% of total Hispanics are Mexicans
- Population growth x3 vs US average

Income  
improvement

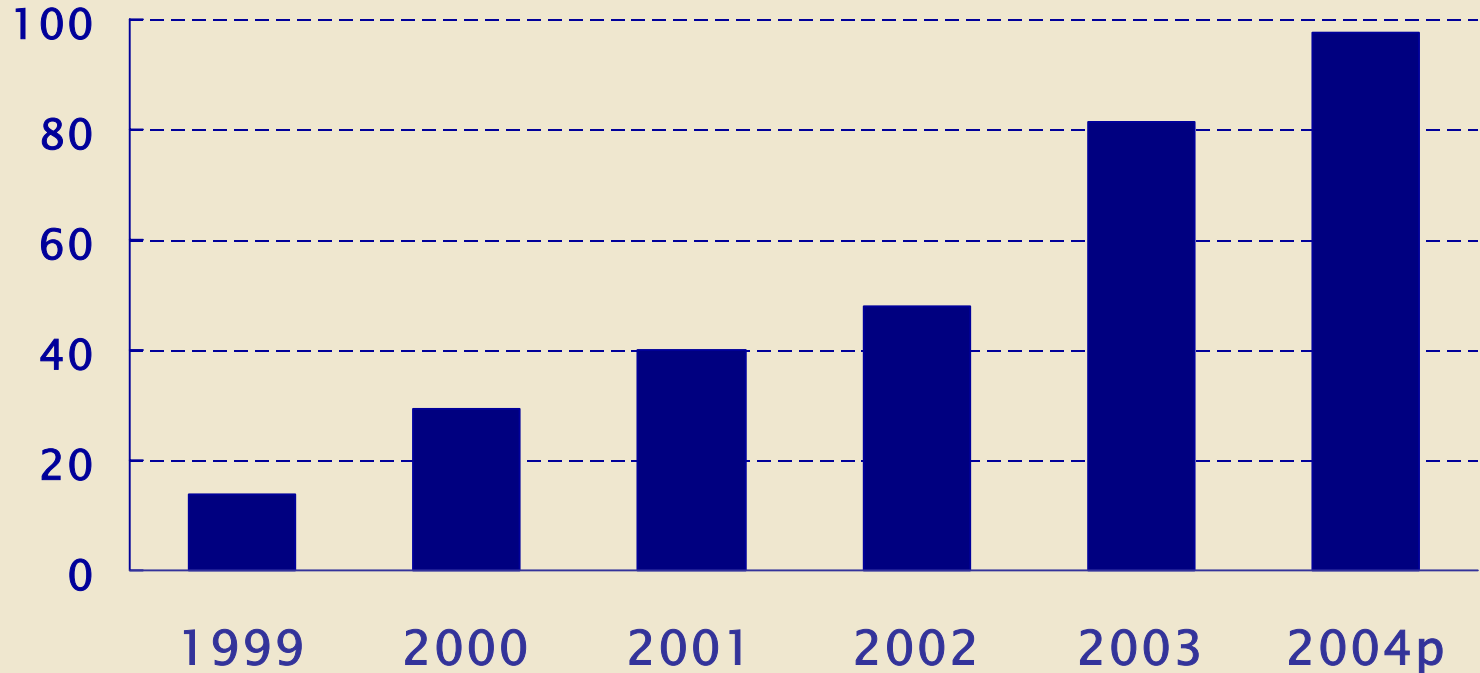
- Accessing better jobs
- Income per capita growth x3 vs US average
- Higher purchasing power
- More than 2 million SMEs owned by Hispanics in USA



# For Wholesale Banking, globalisation offers an opportunity to leverage our Latin America franchise

## Latin America Exports to China

(rebased to 100, constant US\$)



Reinforcing BBVA wholesale presence in Asia: Tokyo, Hong Kong, Shanghai and Beijing

# Worldwide activity of BBVA



Wholesale Banking presence in 23 countries

# An additional opportunity: Offer for 100% of Banca Nazionale de Lavoro

**BNL operation fits in BBVA's strategy**

**Improvement  
of the Group's  
portfolio**

**Geographic and  
business line  
diversification**

**BNL as a platform  
for growth in  
the Italian market**

**Leveraging  
BBVA's experience**

**Value  
Creation**

**Positive impact from the  
first year**

# A value creating transaction for BBVA

(€ MM)	2005e (Second Half)	2006e	2007e
Total synergies	60	201	282
Expected contribution to BBVA Net Attr. Income <sup>(1)</sup> by BNL	250	617	713
EPS Impact	+ 0.0%	+ 1.2%	+2.1%

**Core capital from 6.0% to  
5.7%**

Latent capital gains in industrial  
portfolio => €1.566 m (net of taxes)

Buy back share programme => 3.5%  
of capital

Note: (1) Includes synergies. Based on consensus earnings

**BNL: an acquisition that would allow BBVA to leverage on its management skills...**

**... value creation for BBVA shareholders from day one**


**... high visibility of synergies**

**... appropriate financing structure of the transaction**

**... in a bank that we know for a years**

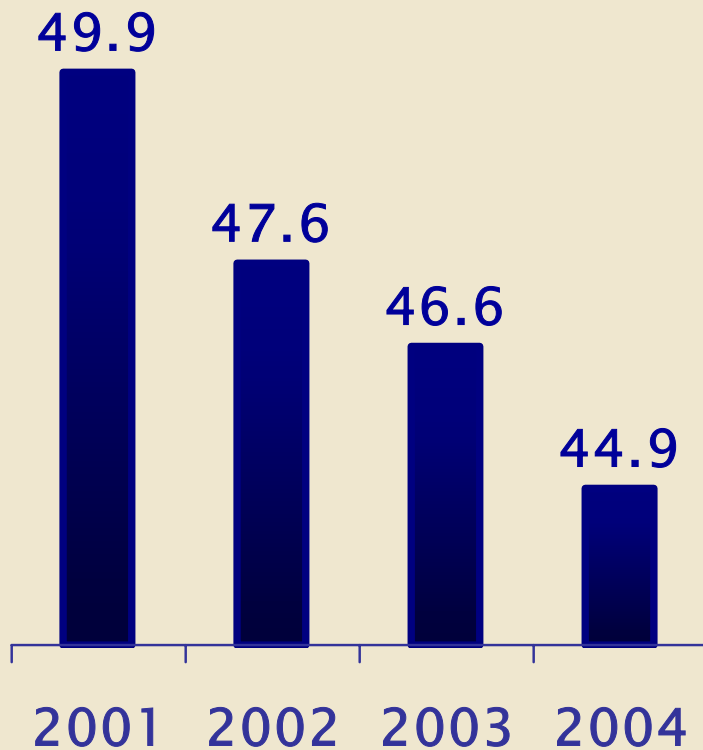


**B** Efficiency and  
low risk profile

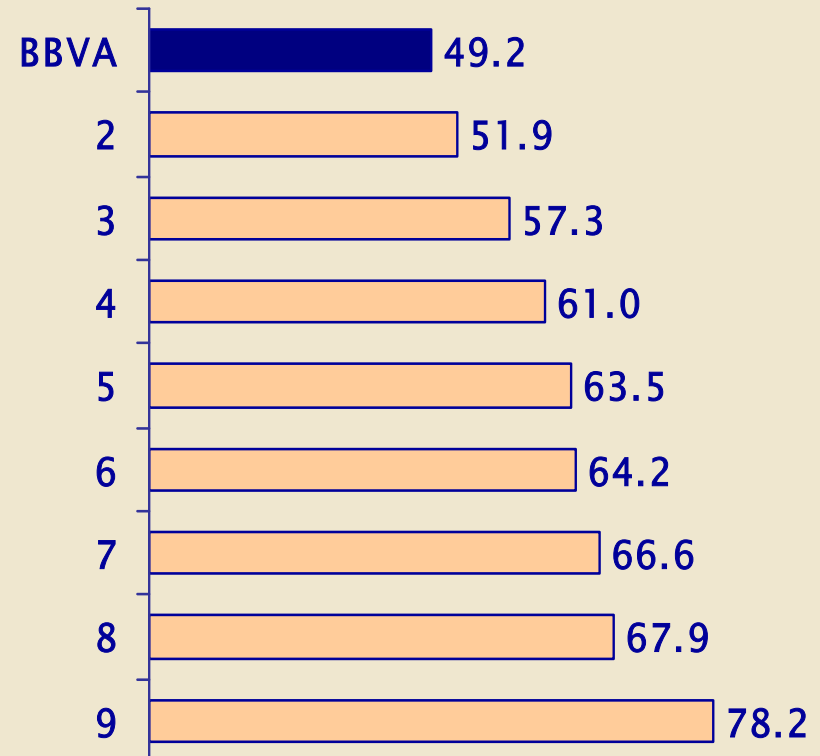
- 
1. Tested model to drive efficiency
  2. Excellent asset quality
  3. Diversified geographic and business presence

# BBVA: Proven track record in driving efficiency

Efficiency ratio (%)



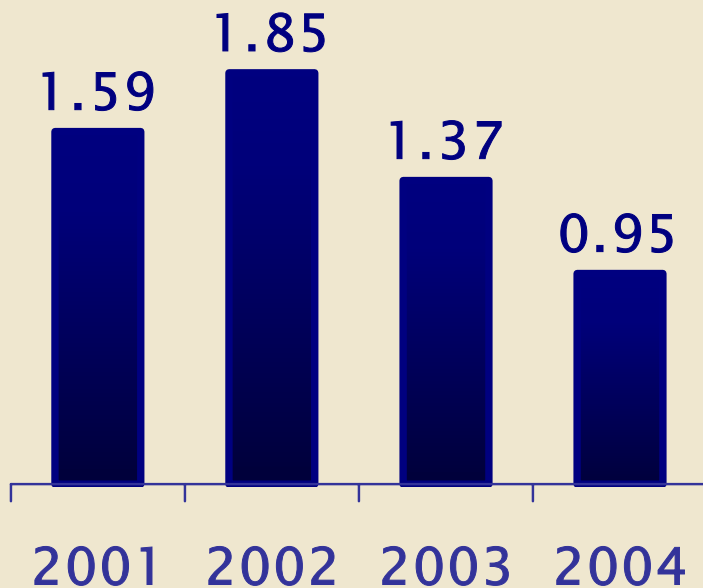
Efficiency ratio (\*) (%)  
European comparison



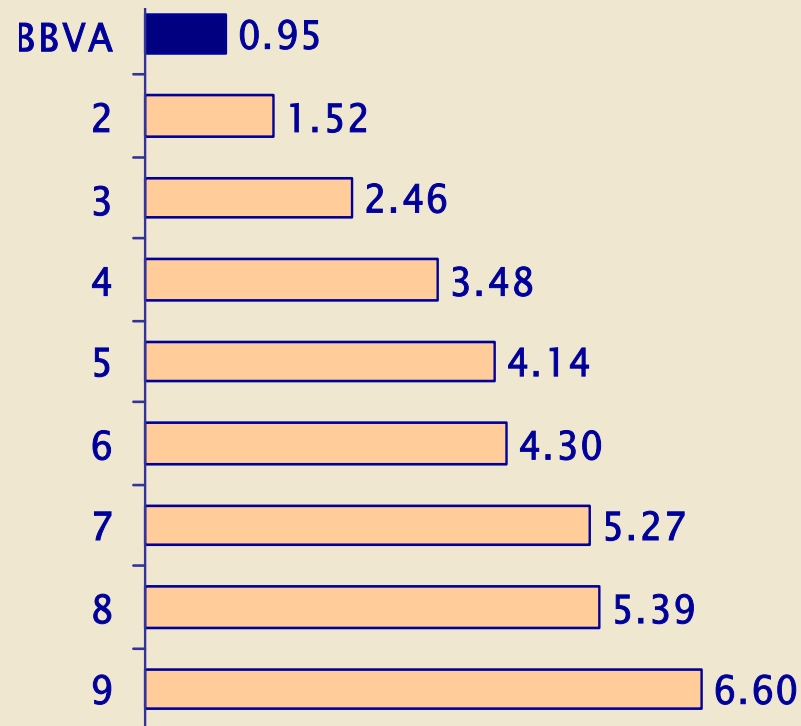
(\*)  $(\text{Administrative expenses} + \text{Amort}) / (\text{Ordinary Revenues} + \text{Net income from companies accounted for by the equity method})$

# ... and in asset quality

NPL Ratio (%) (1)



NPL Ratio (%)  
European comparison



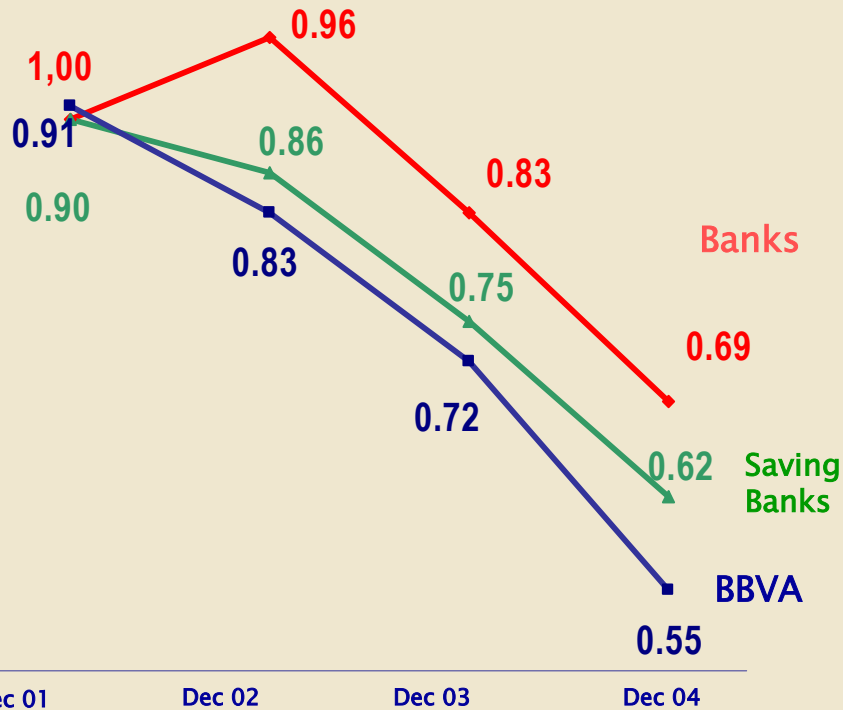
(1) *Pre-dating IFRS*



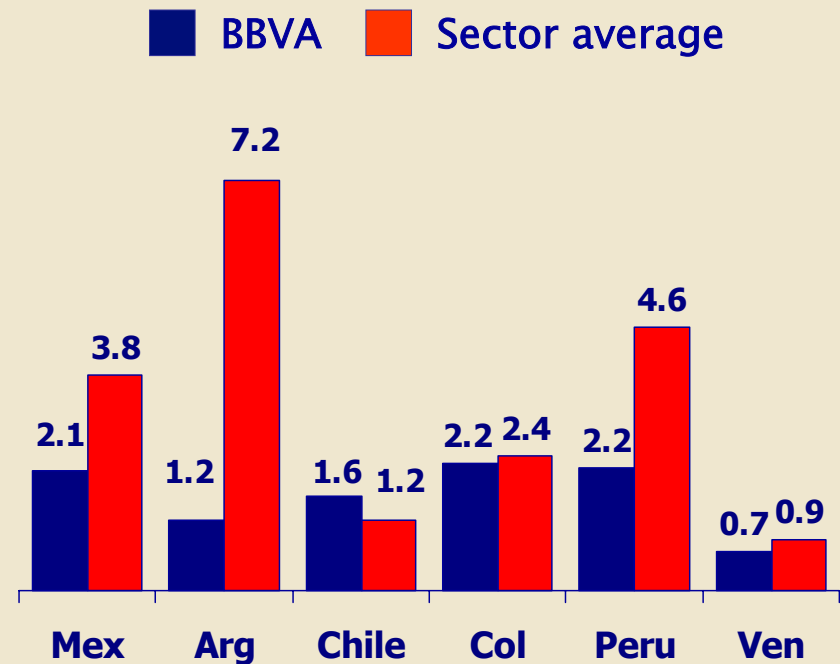
# BBVA is a benchmark in managing risks

## NPL Ratio (%) (1)

### Spain



### America (Dec 04)



Dec 01 Dec 02 Dec 03 Dec 04  
(1) (Pre-dating IFRS)

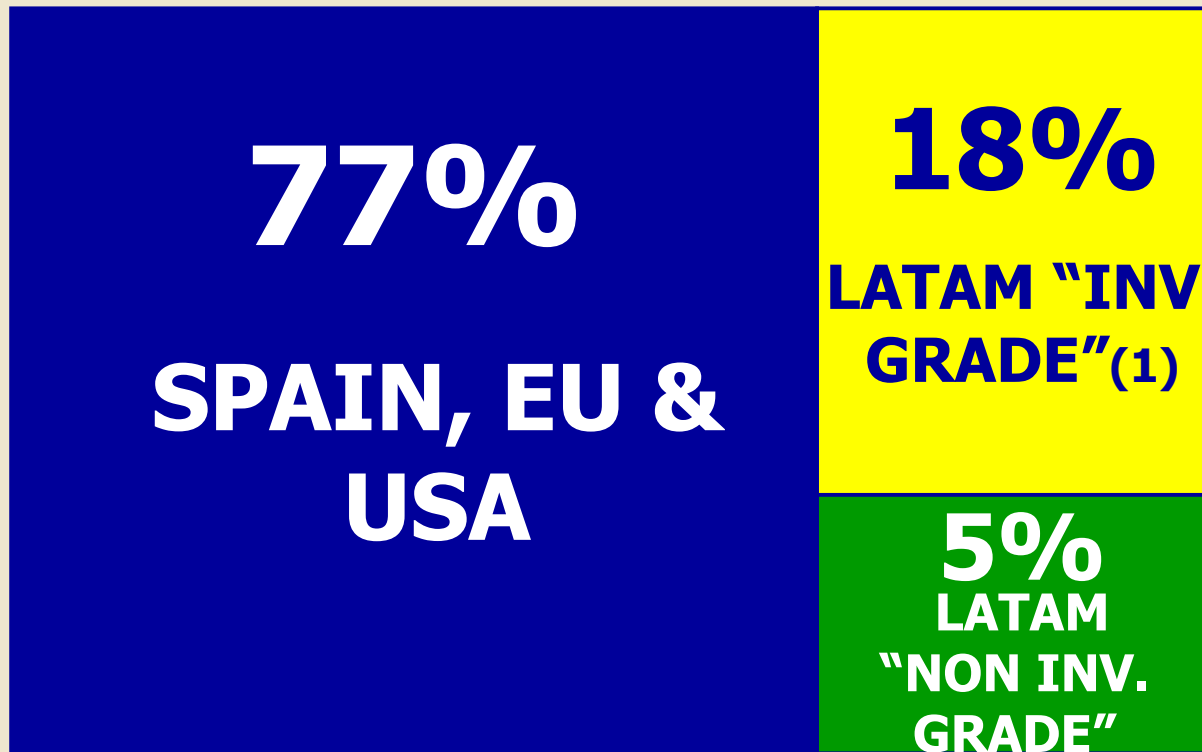
# High NPLs coverage ratio

## Loan loss provisions breakdown (Mill. € 31/03/05)

Non performing loans	2,219
Loan loss specific provision	2,278
<i>“Loan loss generic provision”</i>	<i>2,366</i>
Country risk and other	418
Total loan loss provisions	5,062
NPL coverage ratio	228%

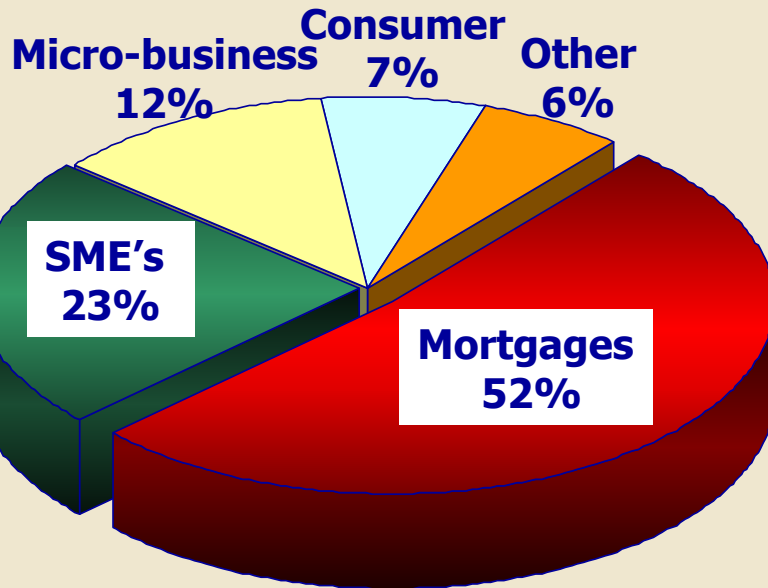
# 3 BBVA enjoys a balanced distribution of assets

## GROUP ASSETS BREAKDOWN (%)

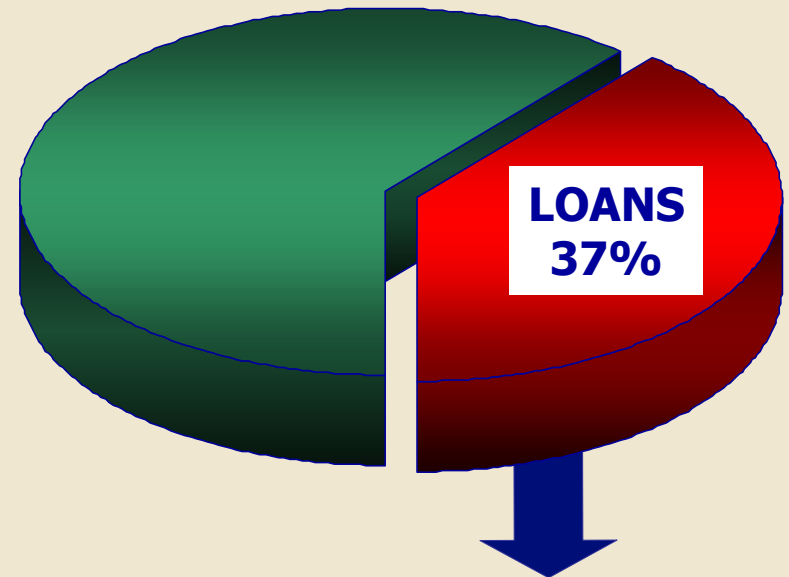


# ... and a low risk profile in Spain and Latin America

Retail Banking in Spain  
Loan portfolio breakdown



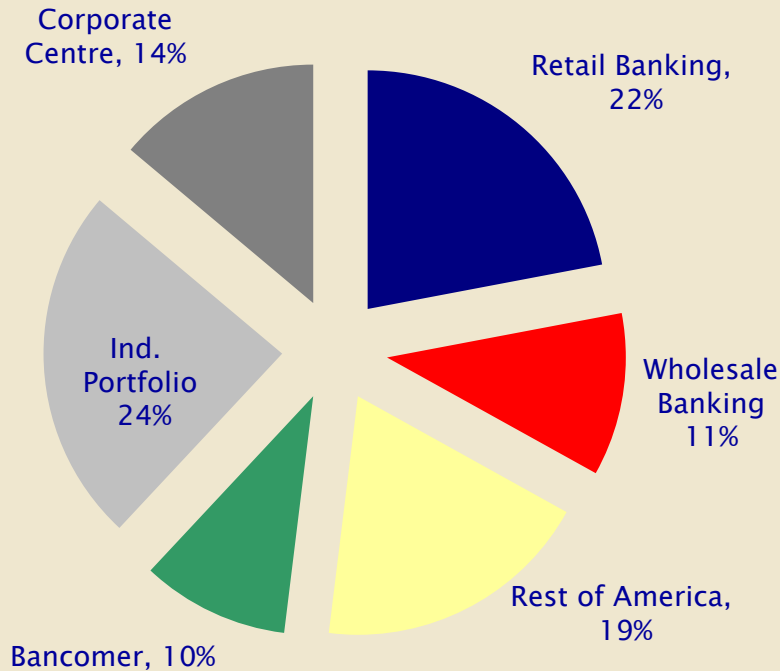
Latin America  
Loans weight over total assets



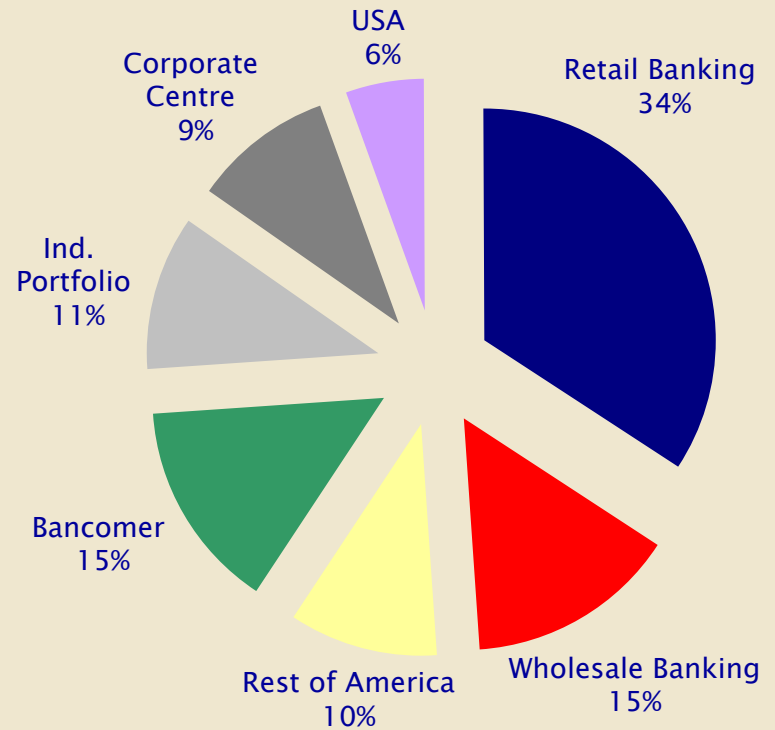
- 37% loans to individuals (18% mortgages)
- 16% Public Sector
- 39% Corporates

# Improving our business mix

## Economic Capital 2002



## Economic Capital 2004



Proforma including Laredo National Bank

... With high solvency and profitability levels



**Core  
Capital**



**6.0%**



**ROE**



**30.8%**

# Conclusions

**In 1 Q05 we have worked on ...**

- **Accelerating revenue momentum from existing footprint:**
  - ✓ Sustained growth in retail banking business
  - ✓ Recovery of activity and results in wholesale banking
  - ✓ Faster earnings growth in the Americas, with growing contribution from Mexico
  - ✓ Stronger fundamentals
- **Non-organic expansion:**
  - ✓ USA: closure of acquisition of Laredo
  - ✓ Italy: Offer for 100% of BNL

# BBVA enjoys an excellent positioning against the environment concerns

## Environment concerns

Scarcity of growth

Cost reductions and asset quality

Risk perception

## BBVA strengths

Positive economic prospects

Exposed to high growth markets

Growing above the market

Tested model to drive efficiency

Better asset quality indicators

Low exposure to market risk

Diversified geographic and business presence

Latin American risks overstated



# BBVA

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