BANKING & INSURANCE
CEO CONFERENCE
THURSDAY 6 OCTOBER, 2005
BBVA: a coherent strategy focused on growth

Merrill Lynch Banking & Insurance Conference

London, October 6th, 2005
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The world is changing at high speed ...

- Higher competition
  - Globalization
    - Increasing number of players
  - Innovation
    - New entrants offering imaginative value propositions
  - Technology / Information
    - More customer power
      - Price, quality and service standards
... and simultaneously, we are witnessing a shift of wealth towards emerging economies.

GDP Growth 2004 / 2005

- Develop. ASIA: 7.3%
- LatAm: 5.2%
- USA: 3.9%
- Japan: 2.4%
- EMU: 1.6%

Source: BBVA Research Department
The financial sector is no stranger to these changes

An opportunity for the best prepared

... who will able to create value for shareholders

Need for ongoing transformation
BBVA undertook a sharp transformation since the launch of the new strategic plan

EPS €

+19.2%

2002 2003 2004 1H05

0.54 0.70 0.83 0.53

+18.7%

(*) 1H04 and 1H05 after IAS
...and today, BBVA is well ranked in Europe in terms of profitability, efficiency and solvency

<table>
<thead>
<tr>
<th></th>
<th>European Banks (1)</th>
<th>BBVA (1)</th>
<th>European Banks (1)</th>
<th>BBVA (2)</th>
<th>European Banks (1)</th>
<th>BBVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE (%)</td>
<td>19.8</td>
<td>35.6</td>
<td>60.4</td>
<td>46.7</td>
<td>3.9</td>
<td>0.95</td>
</tr>
<tr>
<td>Efficiency %</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset quality (NPL ratio %)</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

1st in Eurozone
1st in Europe

(1) Average of main European listed Banks, data as of H1 05 (except for NPL’s as of Q4 2004)
(2) Efficiency includes depreciation
The market recognises the success of our strategy

Target Price by core brokers (€ per share)

- **dec 03**: 9.5
- **dec 04**: 12.8
- **jun 05**: 13.8
- **TODAY**: 15.5
Looking at the future, value creation is determined by two factors:

- Corporate positioning
  - Management of the business portfolio
- Business model
  - Competitive advantages

... and in BBVA we work on both variables.
Corporate positioning is determined by

- Market potential
- Position within that market

Strategic decisions are critical in the profitability and risk profile
So, in BBVA we take a pro-active approach to the management of the portfolio of businesses.

In this framework, the business units establish their growth plans.
In the last few years we have “turned around” our portfolio.
Therefore, today we have two regions to leverage on our retail expertise:

1. Spain
2. America
   - Mexico
   - USA

... and a global franchise for wholesale businesses.
BBVA has a leadership position in Spain in individuals

<table>
<thead>
<tr>
<th>BBVA Retail Banking Unit, % of Spanish Market</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>· Branches</td>
<td>8.5</td>
</tr>
<tr>
<td>· Total private deposits</td>
<td>10.8</td>
</tr>
<tr>
<td>· Total private loans</td>
<td>11.1</td>
</tr>
<tr>
<td>· Total mutual &amp; pension funds</td>
<td>18.9</td>
</tr>
<tr>
<td>· Life insurance*</td>
<td>20.6</td>
</tr>
<tr>
<td>· # Cards</td>
<td>11.0</td>
</tr>
</tbody>
</table>

* Bancassurance Sector

Latest Available Data
…and in SME’s

Source: FRS 2003 & 2004
Spain has showed a strong increase in employment and GDP per capita.

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

As a result, Spain is the most dynamic economy in Europe.

Source: BBVA Economic Research Dep.
# BBVA in Latin America

<table>
<thead>
<tr>
<th></th>
<th>BBVA</th>
<th>1st competitor</th>
<th>2nd competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>13.6%</td>
<td>13.8%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Deposits</td>
<td>17.0%</td>
<td>12.7%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Inv. Funds</td>
<td>15.0%</td>
<td>16.3%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Pen. Funds (*)</td>
<td>25.6%</td>
<td>12.0%</td>
<td>20.4%</td>
</tr>
<tr>
<td>Asset Man.</td>
<td>18.9%</td>
<td>12.3%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

*Source: Bcos Centrales y Superintendencias.*

(*) By AUM
...with leading positions in every market

<table>
<thead>
<tr>
<th>Country</th>
<th>Deposits</th>
<th>Pension Funds&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>1st</td>
<td>32.8%</td>
</tr>
<tr>
<td>Venezuela</td>
<td>4th</td>
<td>13.5%</td>
</tr>
<tr>
<td>Argentina</td>
<td>1st</td>
<td>10.5%</td>
</tr>
<tr>
<td>Peru</td>
<td>2nd</td>
<td>25.8%</td>
</tr>
<tr>
<td>Colombia</td>
<td>3rd</td>
<td>7.4%</td>
</tr>
<tr>
<td>Chile</td>
<td>4th</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

Source: Bcos Centrales y Superintendencias.

<sup>(1)</sup> By AUM
<sup>(2)</sup> Market share over 6 main banks
Latin America: a region still underbancarised…

...with GDP growing above 4%
The US Hispanic market: attractive demographics

- **43 mill Hispanics in USA**
  - 13% of total population

- **Growth in population**
  - $x \times 3$ US average $\Rightarrow 73$ mill in 2030

- **Purchasing Power**
  - $x \times 2$ US average until 2008
Mexico as the stepping stone to enter the US market

Origin of Hispanics in the USA

- **Mexico**: 66%
- **Central and South America**: 14%
- **Puerto Rico**: 9%
- **Cuba**: 4%
- **Other Hispanics**: 7%
- **Other**: 7%

California and Texas account for 50% of total Hispanic population in the US

Source: US Census Bureau 2002
Texas and California: very dynamic regions in the USA

Economic growth potential

% Share in worldwide economy

Source: BBVA Research Department
New Business unit, BBVA USA: three principal business lines

Hispanic population: evolving financial needs

- Money transfers
- Basic products
- Better lifestyle

Product focus on remittances and telephonic services

Immigrants Bank: Cross selling

General Market: 2nd generation and SMEs

BBVA’s Offer

- BTS
- BFS
- Valley Bank
- Laredo National Bancshares

Better lifestyle + more sophisticated products
BBVA’s wholesale business model based on its customer franchise

Corporate Banking

Spain
- 97%
- 78% Leadership
- 1st player

LatAm
- 47%
- 26% Leadership
- 2nd player

Global Markets and Distribution

Benchmark in Spain

Extension to LatAm

And leadership in Trade Finance and Project Finance open emerging markets to BBVA

Source: Inmark, S.A. Estudios y Estrategias. June 2004
...and Asia is an opportunity to leverage our Latin America franchise

Latin America Exports to China (rebased to 100, constant US$)

Trade Finance League Tables 2004: Worldwide
Mandated Arranger Level: Activity

<table>
<thead>
<tr>
<th>Rank</th>
<th>Institution</th>
<th># of Deals</th>
<th>Market Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BBVA</td>
<td>99</td>
<td>21,76</td>
</tr>
<tr>
<td>2</td>
<td>Deutsche Bank</td>
<td>74</td>
<td>16,26</td>
</tr>
<tr>
<td>3</td>
<td>Citigroup</td>
<td>64</td>
<td>14,07</td>
</tr>
<tr>
<td>4</td>
<td>ABN AMRO</td>
<td>61</td>
<td>13,41</td>
</tr>
<tr>
<td>5</td>
<td>Société Generale</td>
<td>56</td>
<td>12,31</td>
</tr>
<tr>
<td>6</td>
<td>Standard Chartered</td>
<td>45</td>
<td>9,89</td>
</tr>
<tr>
<td>7</td>
<td>ING</td>
<td>34</td>
<td>7,47</td>
</tr>
<tr>
<td>8</td>
<td>Natexis</td>
<td>31</td>
<td>6,81</td>
</tr>
<tr>
<td>9</td>
<td>West LB</td>
<td>28</td>
<td>6,15</td>
</tr>
<tr>
<td>10</td>
<td>HSBC</td>
<td>27</td>
<td>5,93</td>
</tr>
<tr>
<td>...</td>
<td></td>
<td>455</td>
<td></td>
</tr>
</tbody>
</table>

Source: Dealogic, January 2005

...and a 45.6% market share in LatAm

BBVA is making a steady progress in its approach to Asia
In conclusion, we have built a business portfolio positioned in markets with high growth potential...

...which is generally recognised.

Source: Merrill Lynch. Sep 2005
Looking at the future, value creation is determined by two factors:

- **Business model**
- **Competitive advantages**

... and in BBVA we work on both variables.
BBVA has a proven business model focused in the three levers of value creation.

A) Profitability
   - Management skills
   - ROE

B) Solvency
   - Strict capital discipline
   - K

C) Growth
   - Focus on EPS
   - g
BBVA shows the highest level of profitability among European banks... leveraging its core management skills.

Management of distrib. networks
Average sales by salesforce
Retail: +32.5%
Mexico: +43.7%

Management of efficiency
Cost/Income: 46.7%
Retail: 44.4%
Wh. & Inv: 30.9%
AME: 46.9%

Management of risk
Lending
NPL ratio: 1.01%
Coverage: 240.5%

Structural
Revenues
Costs
Risks

And optimization capacity...
...which is patent in “traditional” markets

**Efficiency Ratio (%)**

**Retail Banking**
- 2001: 48.4%
- 2004: 41.8%

**Wholesale Banking**
- 2001: 32.3%
- 2004: 29.9%
...and recent ones: Mexico (I)

- **Efficiency (%):**
  - 2000: 68.1%
  - 2004: 51.9%

- **NPL (%):**
  - 2000: 7.8%
  - 2004: 2.1%

- **Operating Income (Mill Pesos):**
  - 2000: 6,655
  - 2004: 17,131

CAGR: +26.7%

(1) Excluding Trading Income
Capital management strategy which allows for self-financing and growth

Core capital

- 6% approx.

Pay-out

- 50% approx.

... that meets two objectives

Self-financing growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Core capital (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>5.9</td>
</tr>
<tr>
<td>2003</td>
<td>6.2</td>
</tr>
<tr>
<td>2004</td>
<td>5.9</td>
</tr>
</tbody>
</table>

Shareholder remuneration

<table>
<thead>
<tr>
<th>Year</th>
<th>DPS</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>03/02</td>
<td>+10.3%</td>
<td></td>
</tr>
<tr>
<td>04/03</td>
<td>+15.1%</td>
<td></td>
</tr>
<tr>
<td>1st div. 05</td>
<td>+15.0%</td>
<td></td>
</tr>
</tbody>
</table>
BBVA focusses on EPS growth

<table>
<thead>
<tr>
<th>Track record</th>
<th>Delivery</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS 02/04</td>
<td>yoy EPS 1H05</td>
<td>EPS 04/06</td>
</tr>
<tr>
<td>BBVA</td>
<td></td>
<td>BBVA</td>
</tr>
<tr>
<td>+24.2%</td>
<td>+18.7%</td>
<td>+19.4%</td>
</tr>
<tr>
<td>European banks</td>
<td></td>
<td>European banks</td>
</tr>
<tr>
<td>+17.3%&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td></td>
<td>+11.4% &lt;sup&gt;(2)&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

1. Adjusted EPS  
2. Analysts’ estimates
...and execution is key:

- Very structured organization
- Teamwork before individualities
- Strategically focussed
- Focus on results
**CONCLUSIONS**

Corporate positioning and Business model are key in value creation

BBVA decided to focus on businesses and markets with high growth potential

...with leadership positions in them

**Strong growth potential in the long term**
BBVA follows a sound management model

...that delivers excellent levels of profitability

High cash flow generation

Sustainability of Growth

Dividends

All of this configure an excellent equity story
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