



Merrill Lynch

BANKING & INSURANCE

CEO CONFERENCE

THURSDAY 6 OCTOBER, 2005

BBVA: a coherent strategy focussed on growth

Merrill Lynch Banking & Insurance Conference

London, October 6th, 2005

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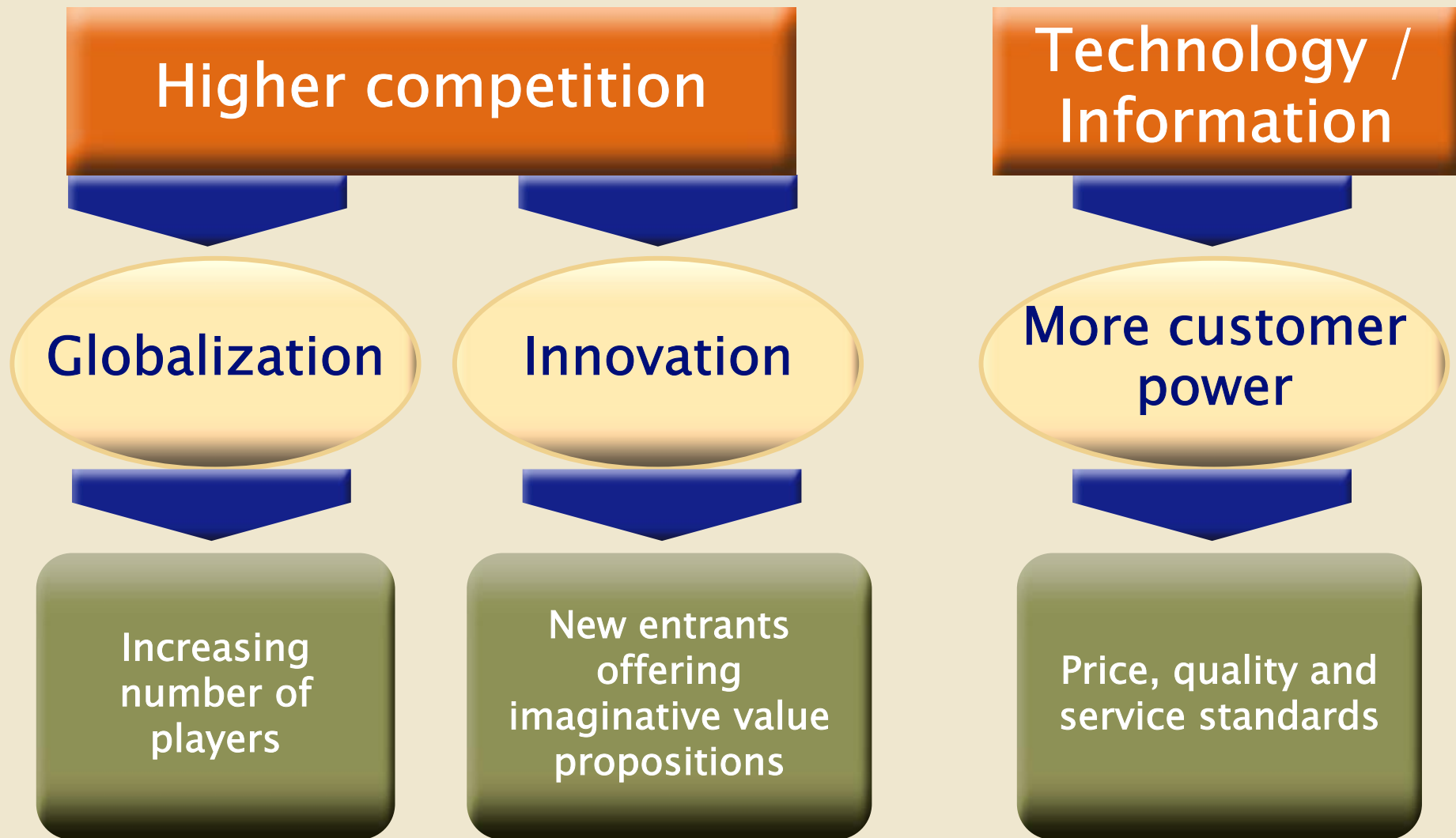
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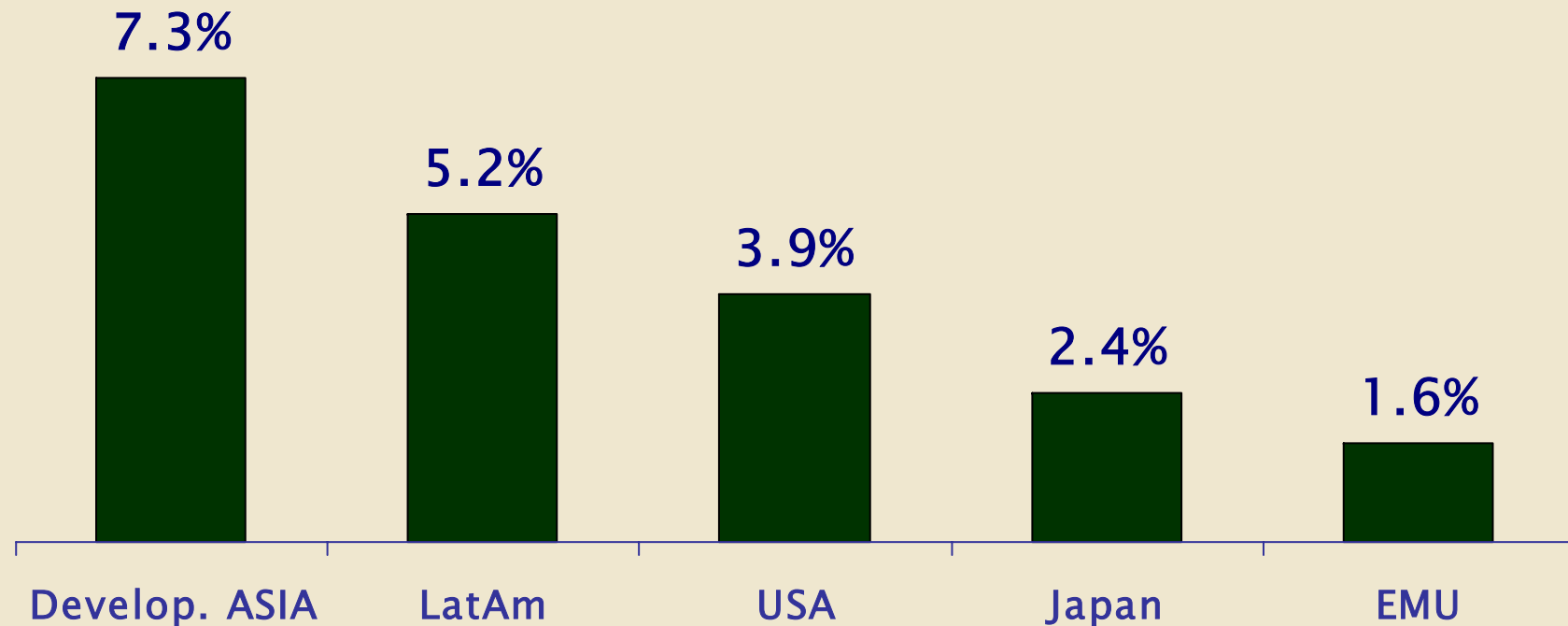
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The world is changing at high speed ...



... and simultaneously, we are witnessing a shift of wealth towards emerging economies

GDP Growth 2004 / 2005



Source: BBVA Research Department

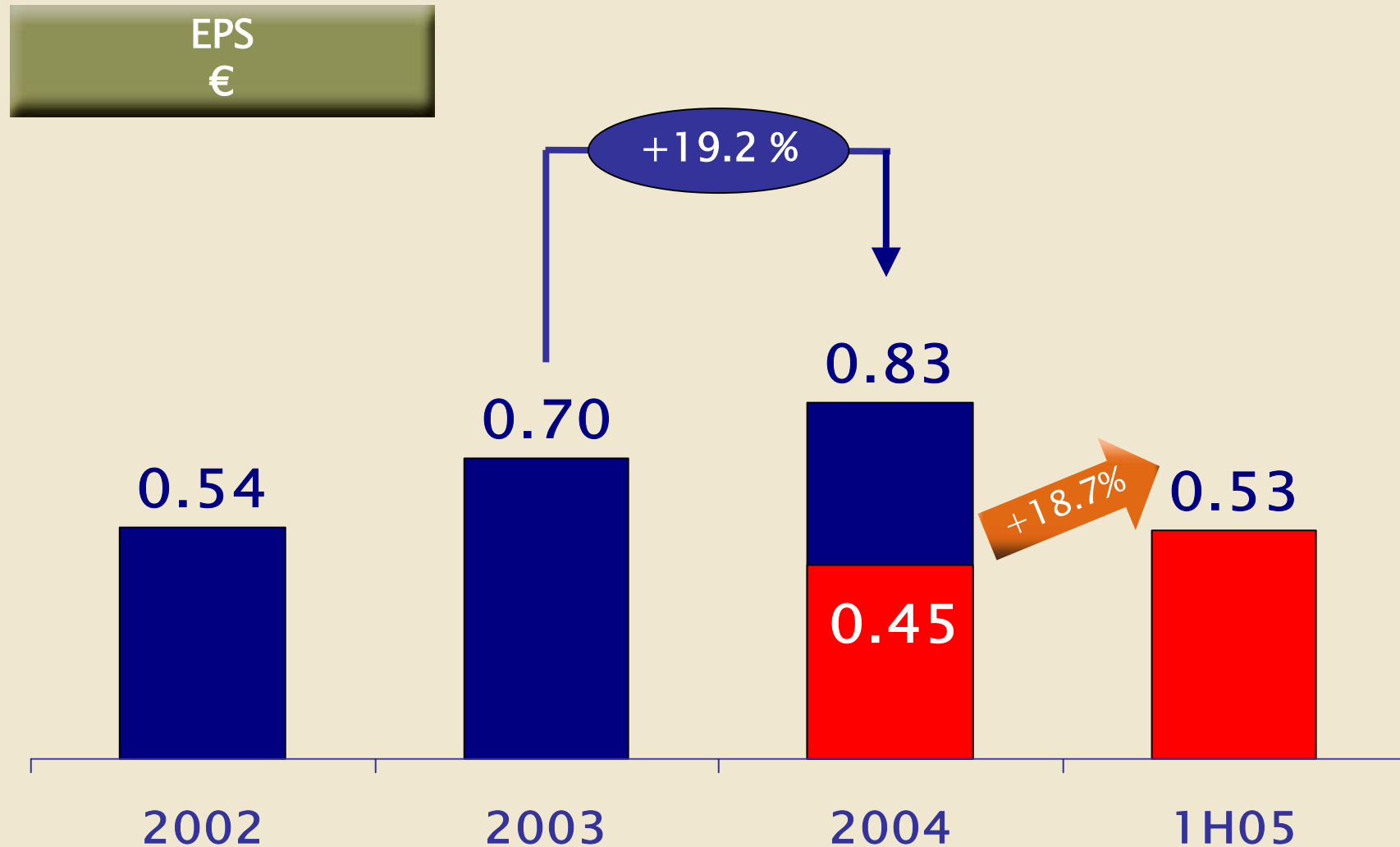
The financial sector is no stranger to these changes

An opportunity for the best prepared

... who will be able to create value for shareholders

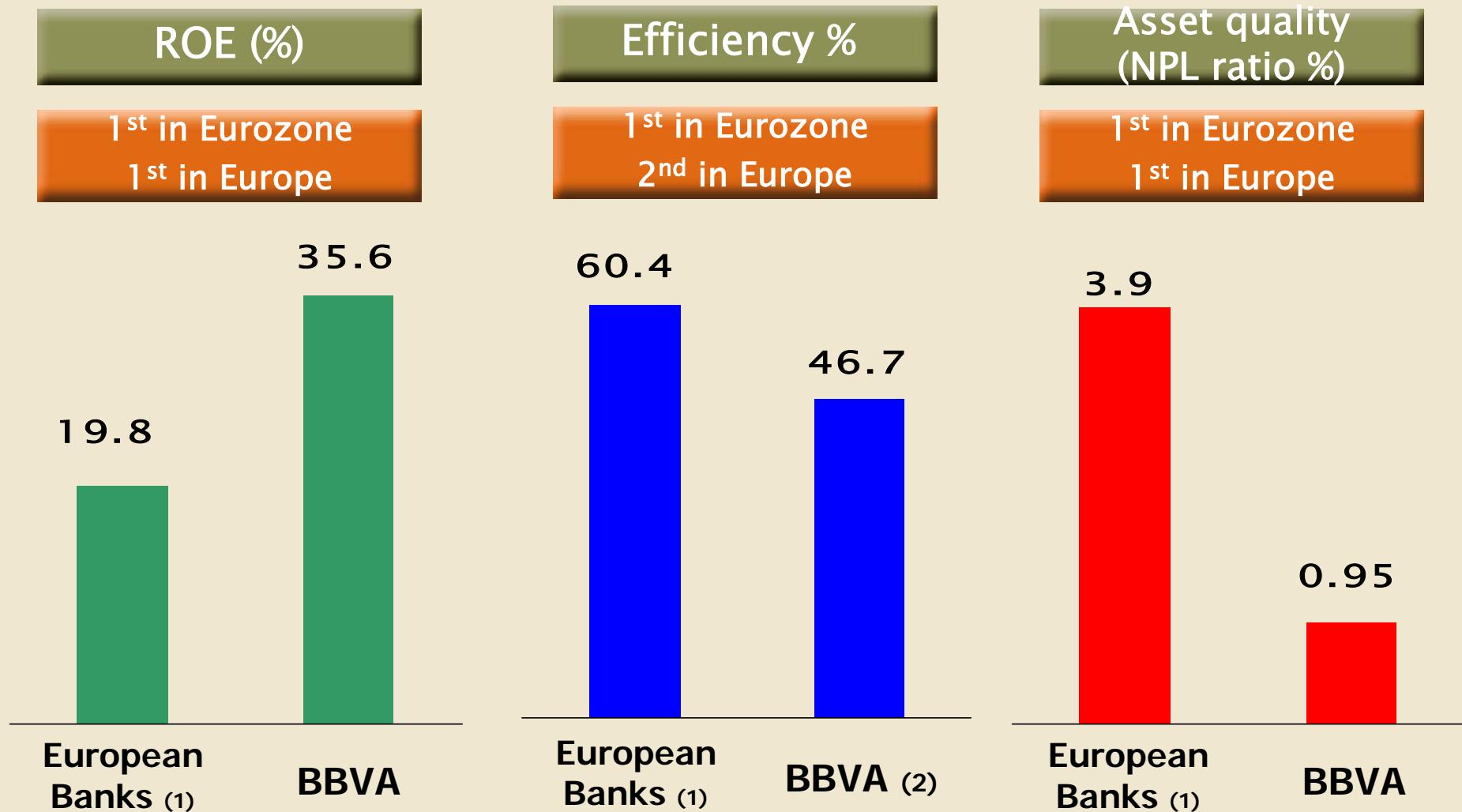
Need for ongoing transformation

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



(*) 1H04 and 1H05 after IAS

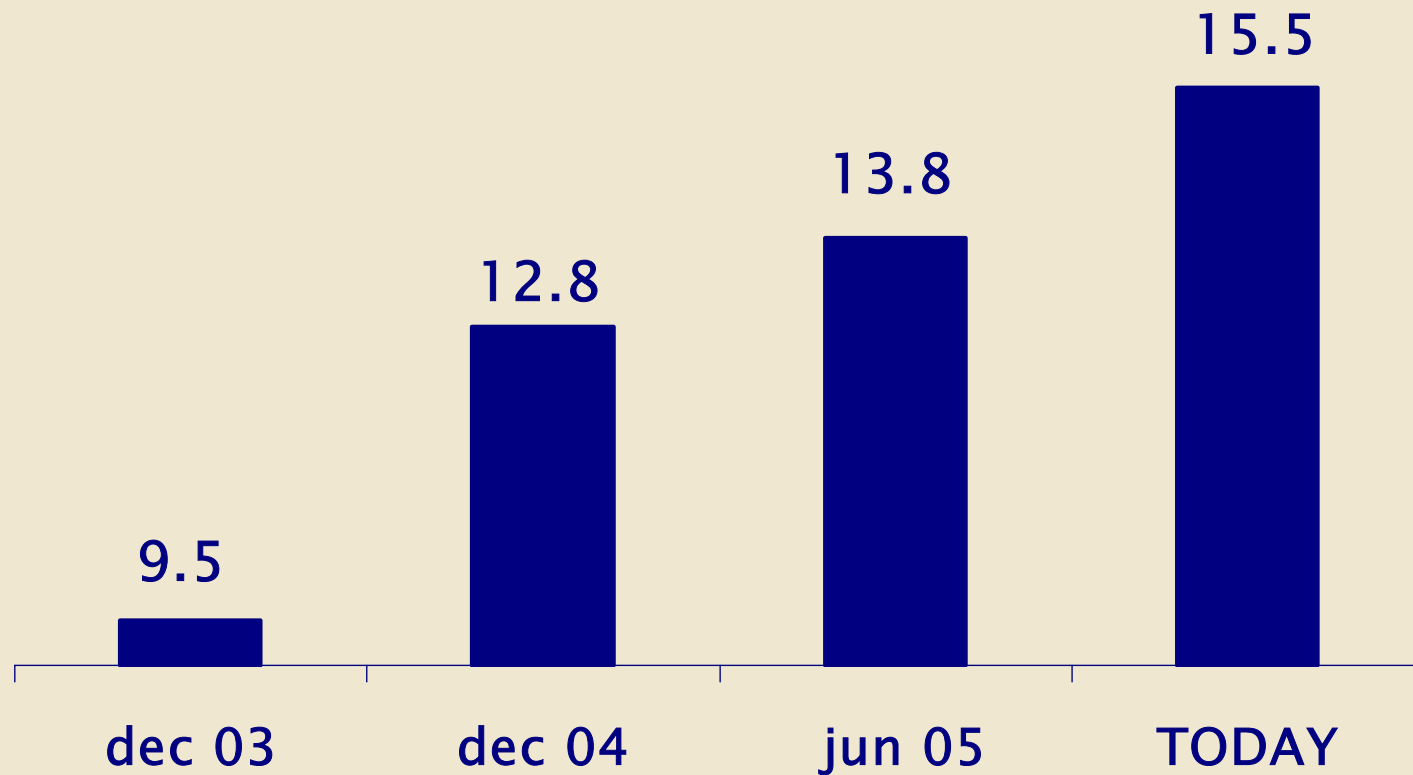
...and today, BBVA is well ranked in Europe in terms of profitability, efficiency and solvency



(1) Average of main European listed Banks , data as of H1 05 (except for NPL´s as of Q4 2004)
g(2) Efficiency includes depreciation

The market recognises the success of our strategy

Target Price by core brokers
(€ per share)



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



The diagram consists of a main title at the top, followed by two blue downward-pointing arrowheads. Below each arrowhead is a yellow oval containing text. The left oval contains the text 'Market potential' and the right oval contains the text 'Position within that market'. At the bottom of the slide is a wide orange bar with white text.

Market potential

Position within that market

Strategic decisions are critical in the profitability and risk profile

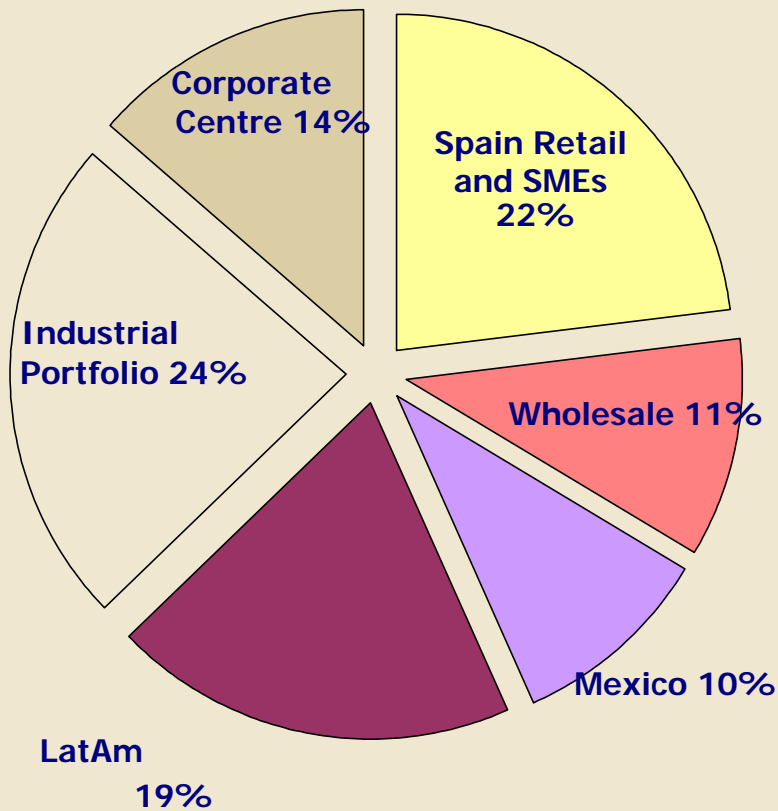
So, in BBVA we take a pro-active approach to the management of the portfolio of businesses



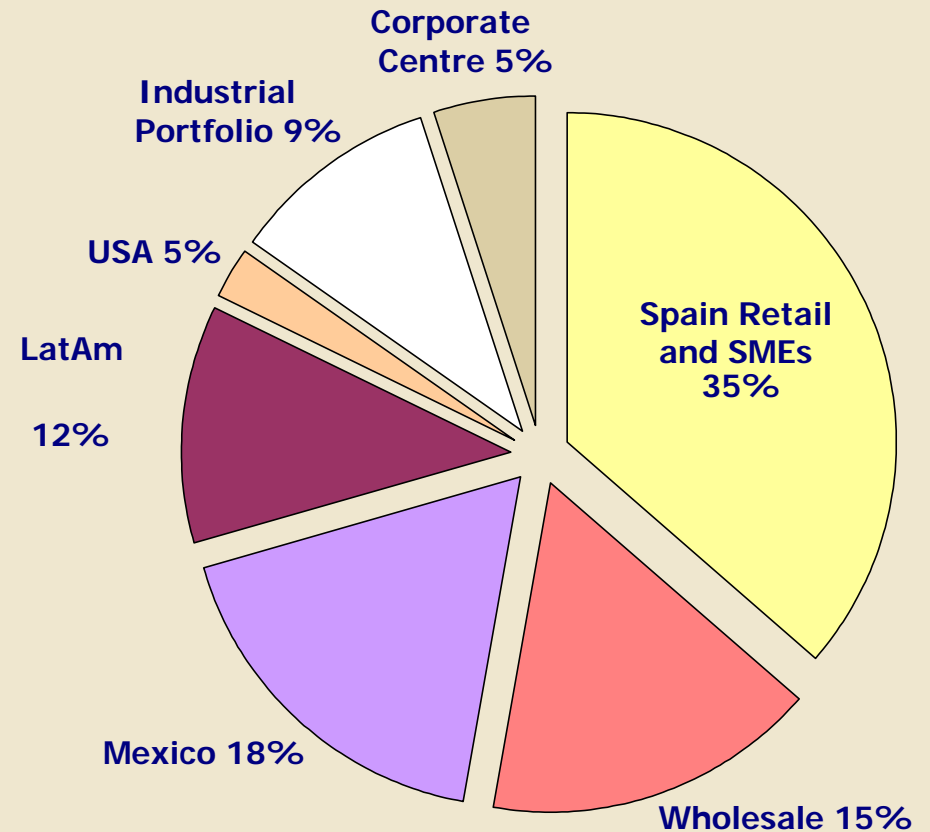
In this framework, the business units establish their growth plans

In the last few years we have “turned around” our portfolio

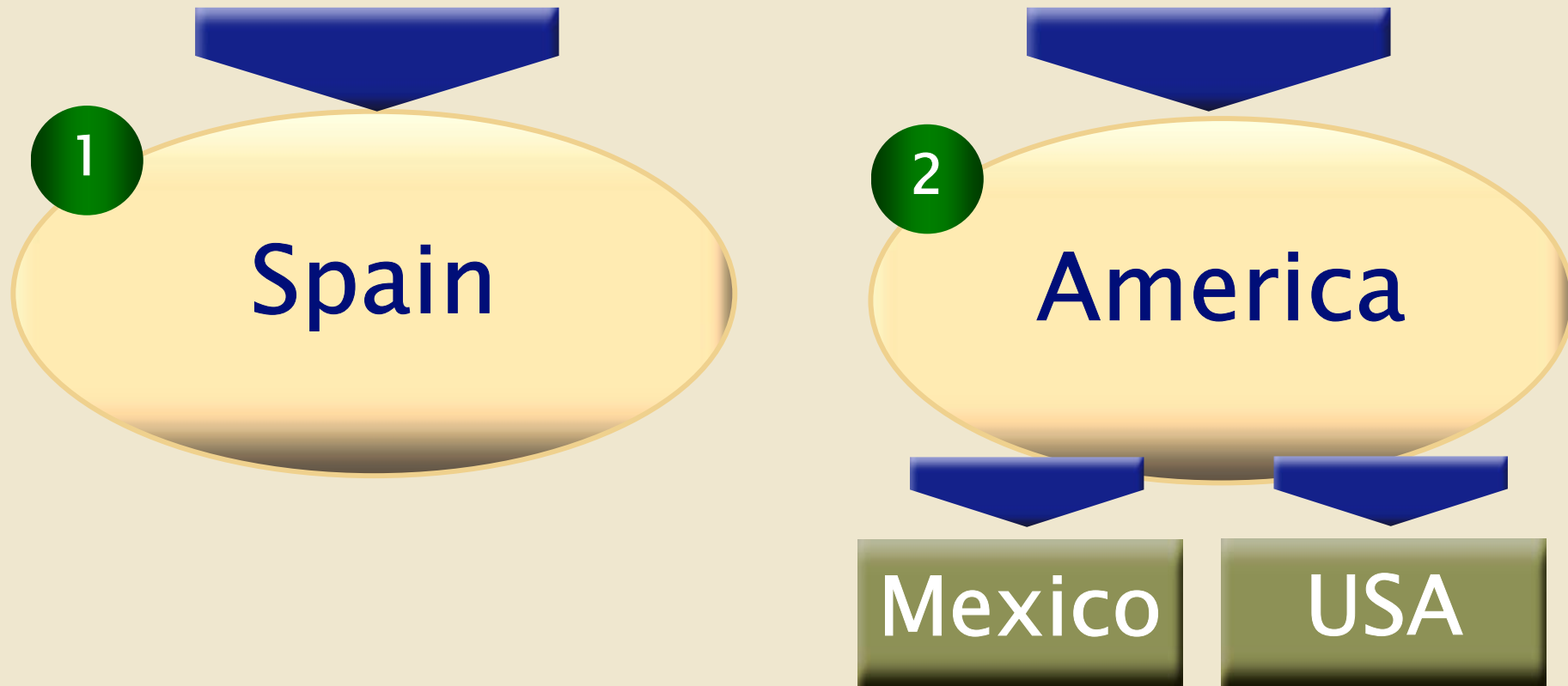
Economic Capital 2002



Economic Capital 2005



Therefore, today we have two regions to leverage on our retail expertise



3 ... and a global franchise for wholesale businesses

1

BBVA has a leadership position in Spain in individuals

BBVA Retail Banking Unit, % of Spanish Market

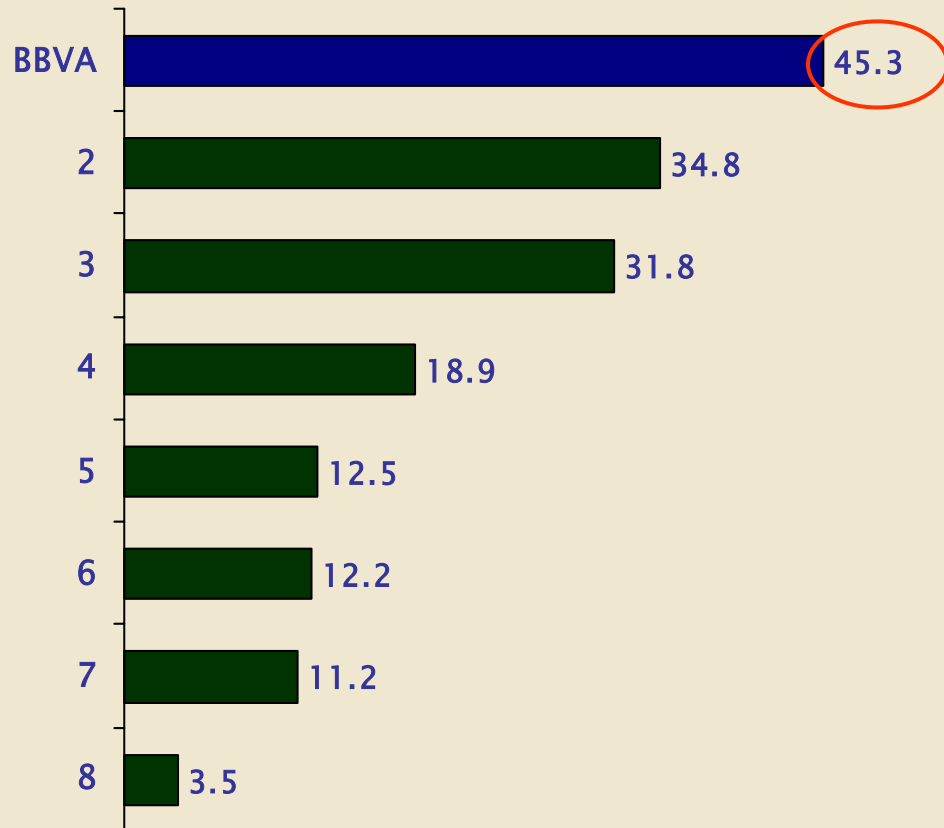
• Branches	8.5
• Total private deposits	10.8
• Total private loans	11.1
• Total mutual & pension funds	18.9
• Life insurance*	20.6
• # Cards	11.0

* Bancassurance Sector

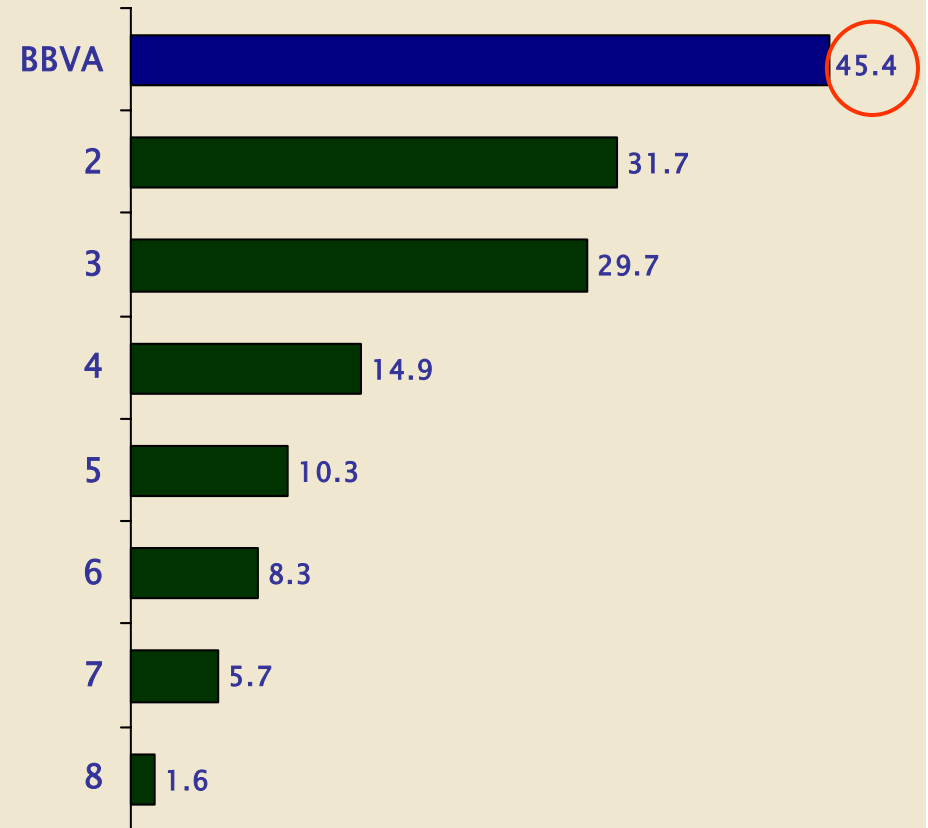
Latest Available Data

...and in SME's

SMEs



Microbusinesses



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

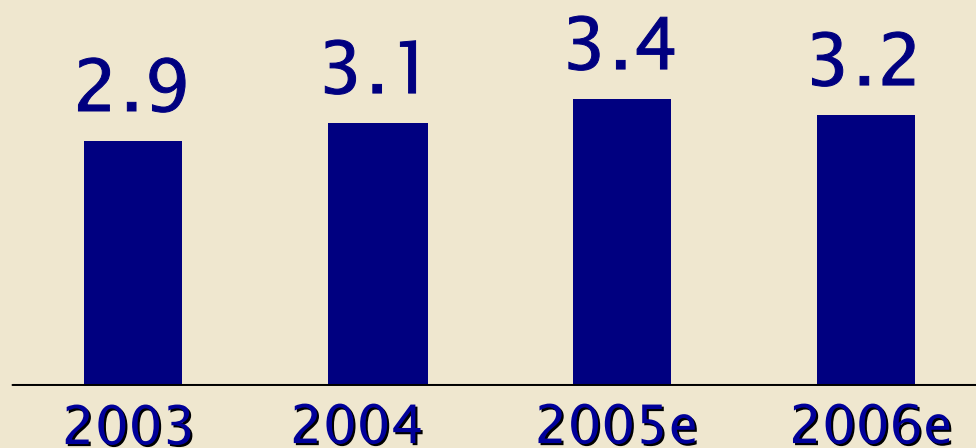


5 million jobs created in the period 1994–2004

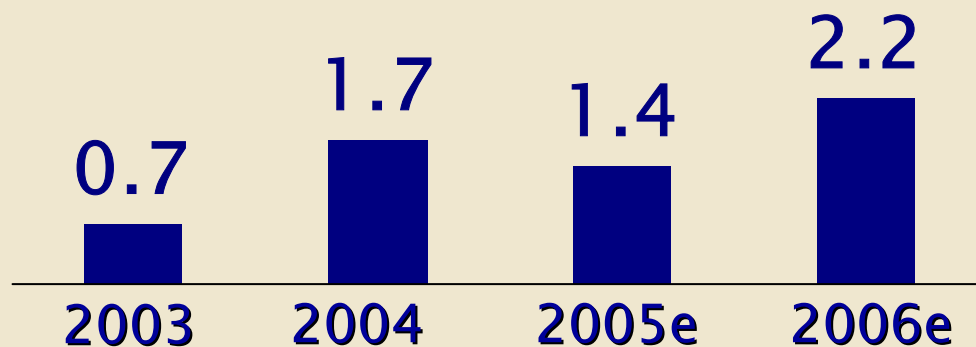
As a result, Spain is the most dynamic economy in Europe

GDP Growth (%)

Spain



EMU



Source: BBVA Economic Research Dep.

BBVA in Latin America

Market Share (Exc. Brazil)

	BBVA	1st competitor	2nd competitor
Loans	13.6 %	13.8 %	8.0 %
Deposits	17.0 %	12.7 %	9.7 %
Inv. Funds	15.0 %	16.3 %	10.8 %
Pen. Funds ^(*)	25.6 %	12.0 %	20.4 %
Asset Man.	18.9 %	12.3 %	12.5 %

Source: Bcos Centrales y Superintendencias.

(*) By AUM

...with leading positions in every market

Deposits

Pension Funds⁽¹⁾

Country	Ranking	Market share	Ranking	Market share
Mexico ⁽²⁾	1st	32.8%	2nd	20.4%
Venezuela	4th	13.5%	–	–
Argentina	1st	10.5%	2nd	19.4%
Peru	2nd	25.8%	3rd	25.5%
Colombia	3rd	7.4%	3rd	17.3%
Chile	4th	7.6%	1st	31.5%

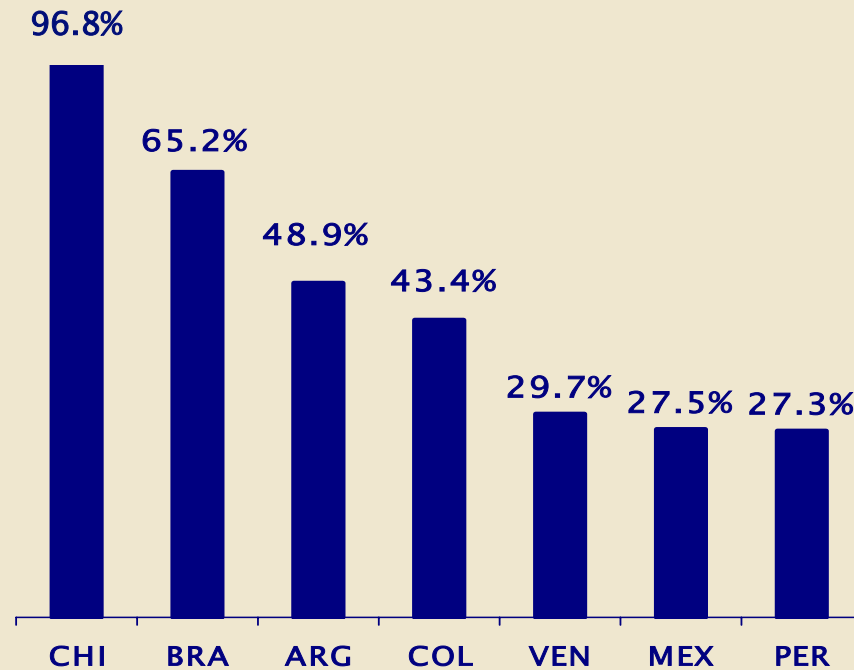
Source: Bcos Centrales y Superintendencias.

(1) By AUM

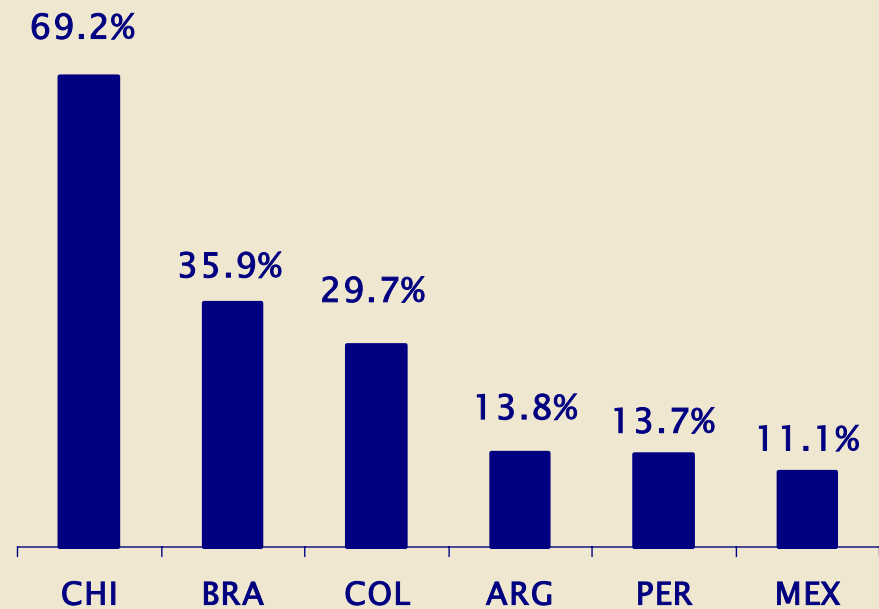
(2) Market share over 6 main banks

Latin America: a region still underbancarised...

Banking assets / GDP

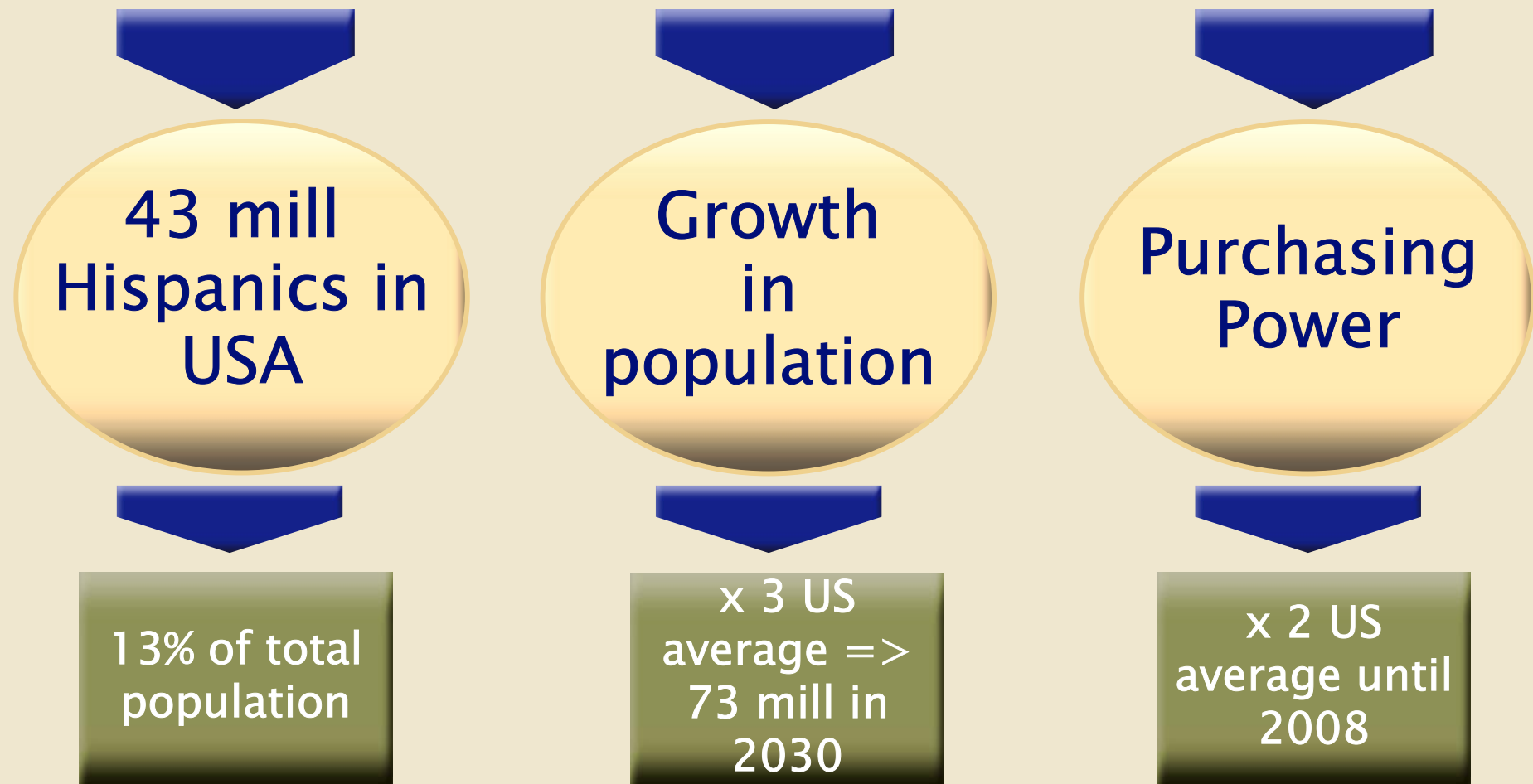


Mutual + Pension Funds / GDP



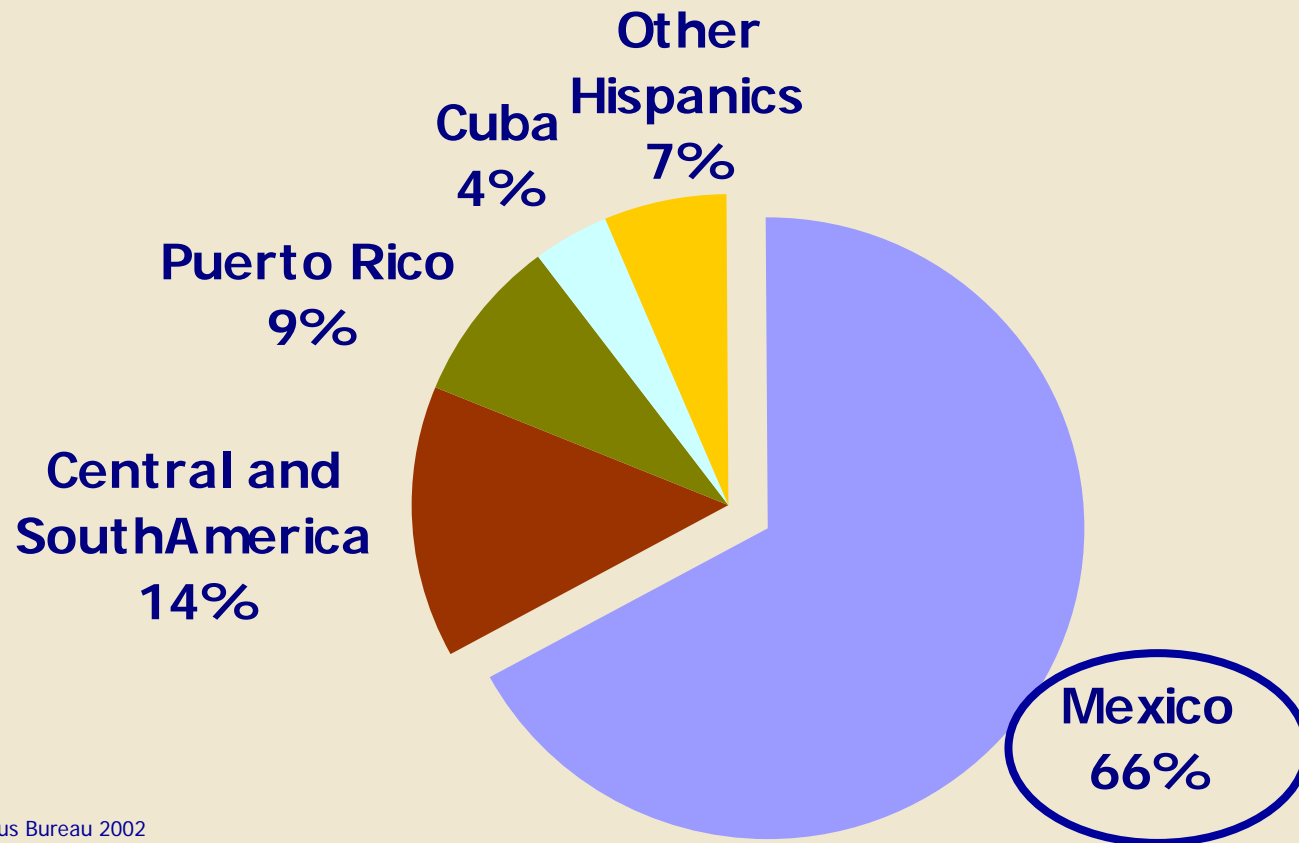
...with GDP growing above 4%

The US Hispanic market: attractive demographics



Mexico as the stepping stone to enter the US market

Origin of hispanics in the USA

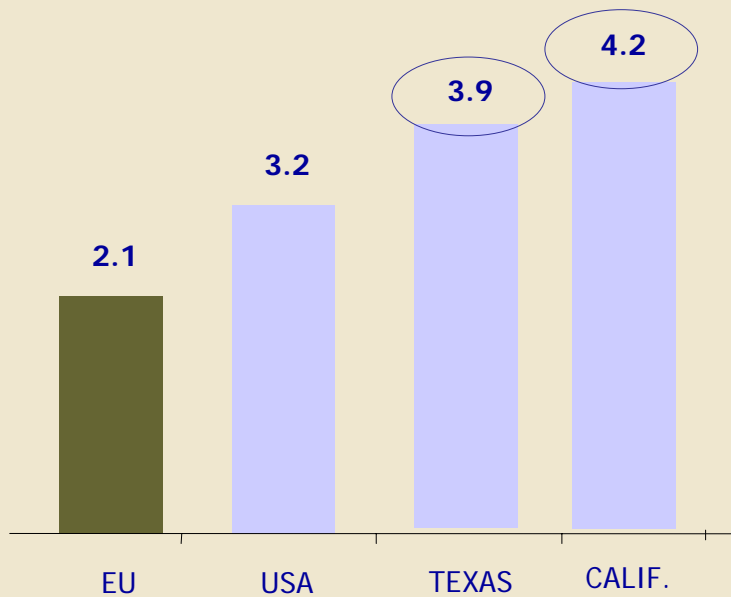


Source: US Census Bureau 2002

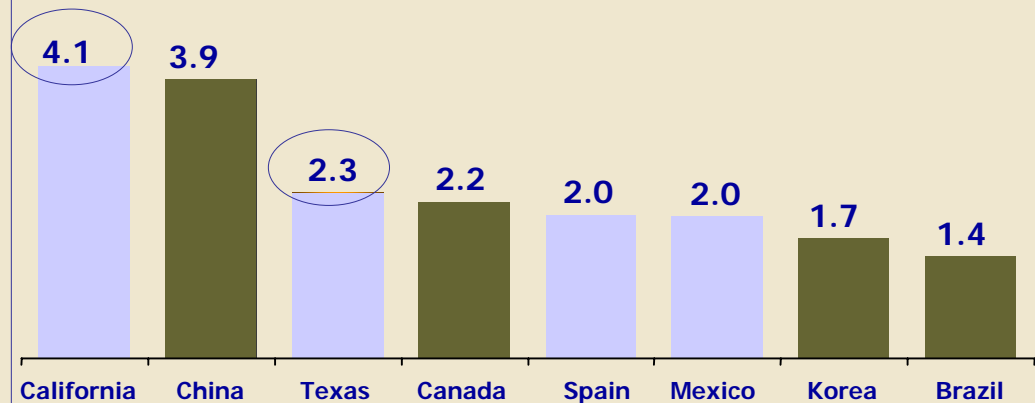
California and Texas account for 50% of total Hispanic population in the US

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

BBVA's Offer



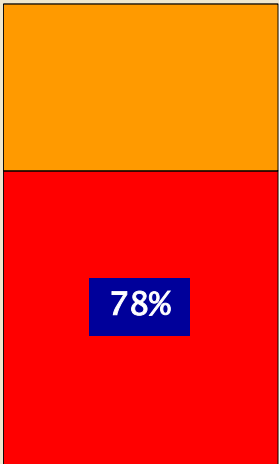
3

BBVA's wholesale business model based on its customer franchise

Corporate Banking

Spain

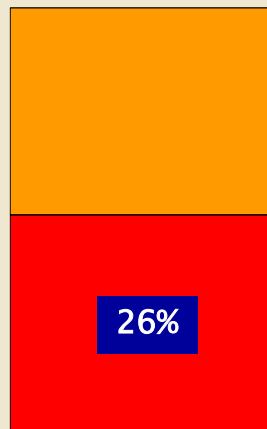
97%



1st player

LatAm

47%



2nd player

1st. ex Brazil

TOTAL

Leadership

Global Markets and Distribution

Benchmark in Spain

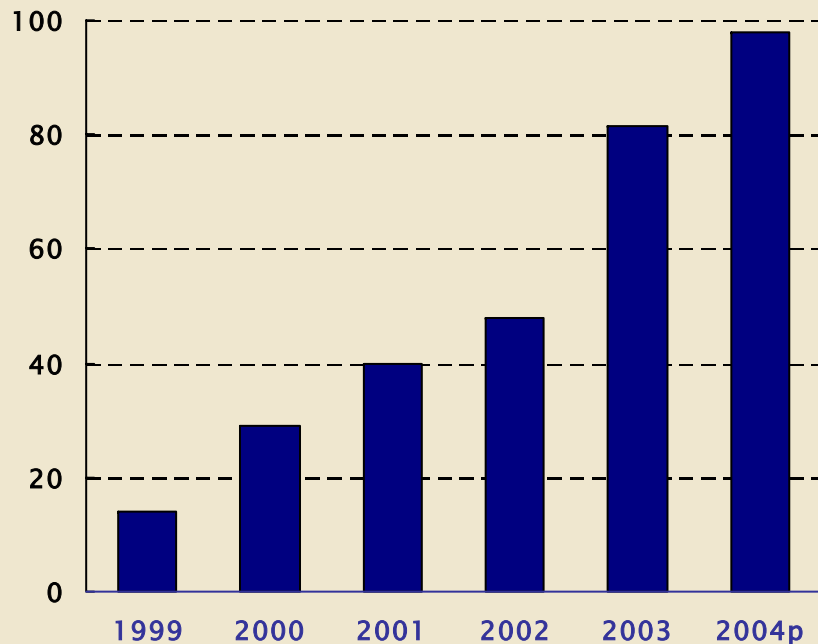
Extension to LatAm

Source: Inmark, S.A. Estudios y Estrategias. June 2004

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

...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

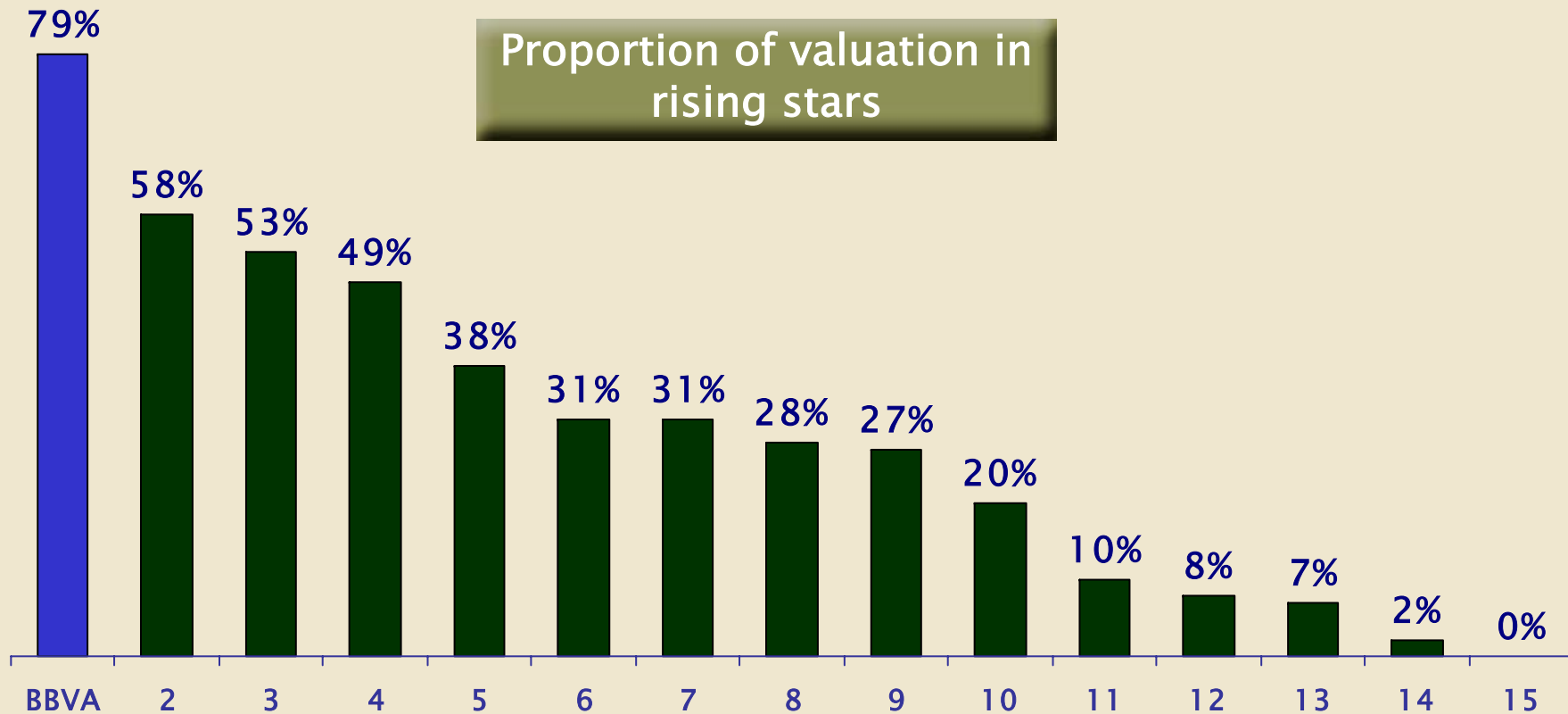
Rank	Institution	# of Deals	Market Share %
1	BBVA	99	21,76
2	Deutsche Bank	74	16,26
3	Citigroup	64	14,07
4	ABN AMRO	61	13,41
5	Société Generale	56	12,31
6	Standard Chartered	45	9,89
7	ING	34	7,47
8	Natexis	31	6,81
9	West LB	28	6,15
10	HSBC	27	5,93
...		455	

Source: Dealogic, January 2005

...and a 45,6% market share in LatAm

BBVA is making a steady progress in its approach to Asia

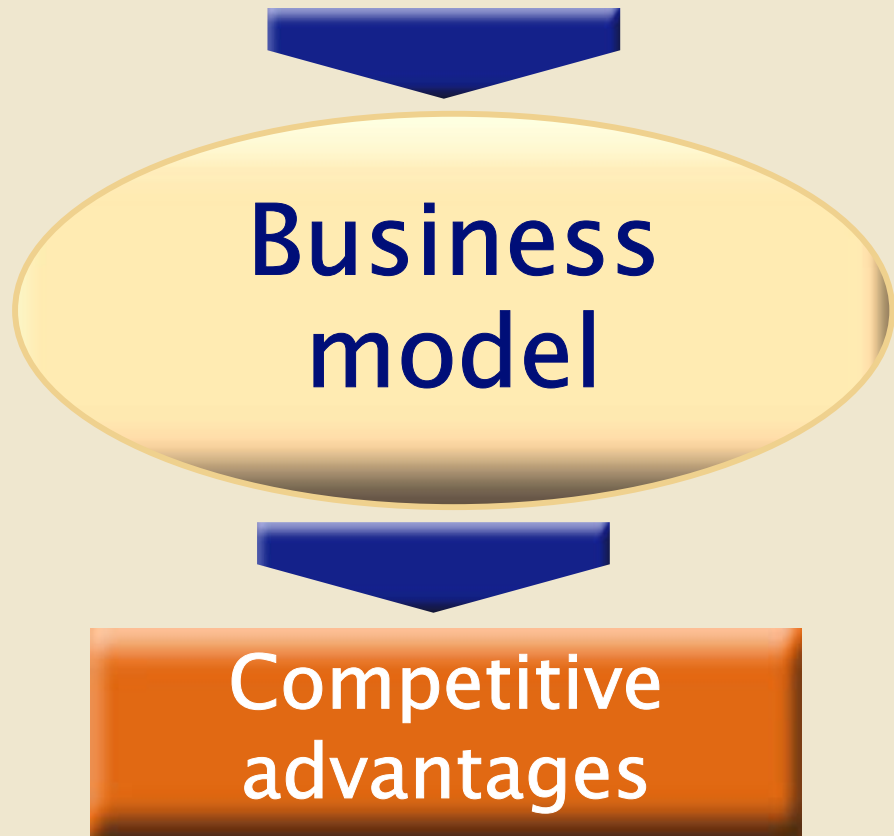
In conclusion, we have built a business portfolio positioned in markets with high growth potential



Source: Merrill Lynch. Sep 2005

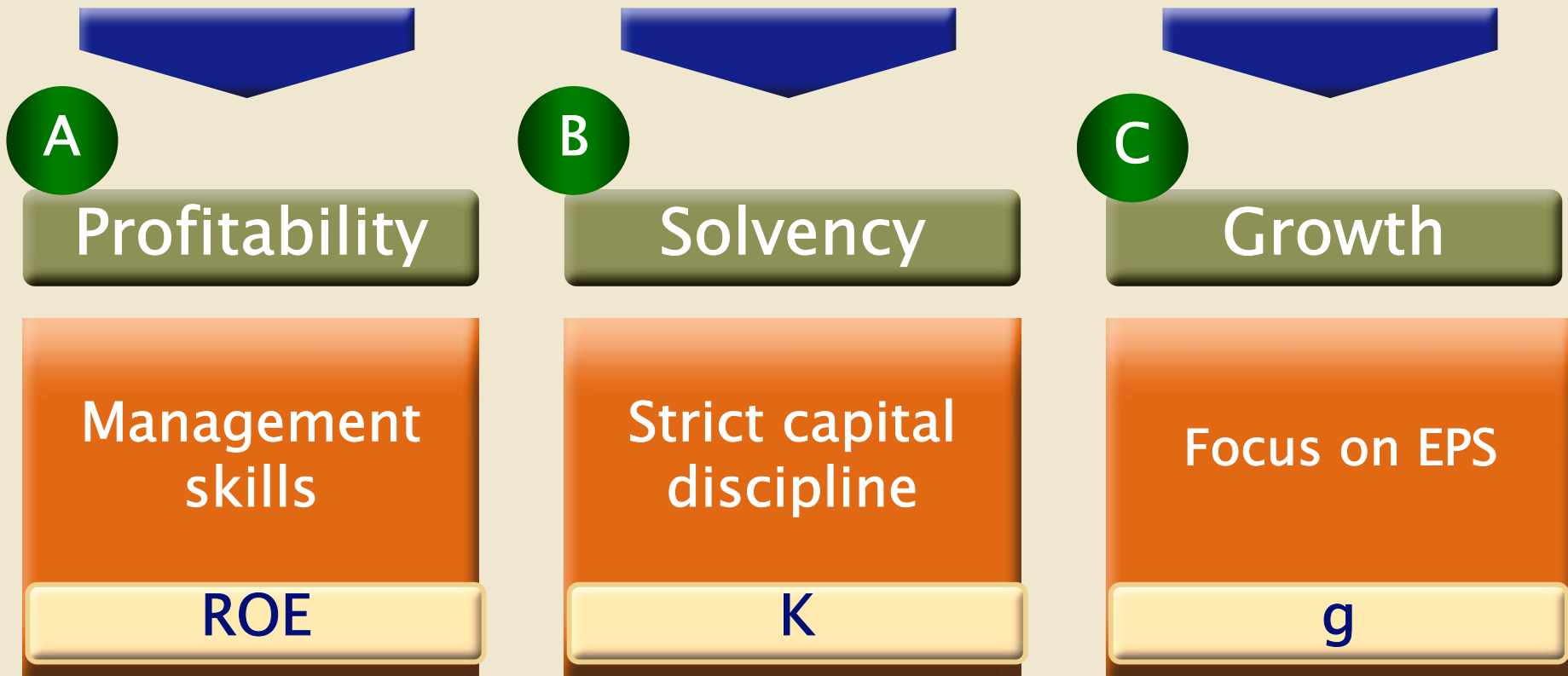
...which is generally recognised

Looking at the future, value creation is determined by two factors



... and in BBVA
we work on both variables

BBVA has a proven business model focussed in the three levers of value creation



A

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

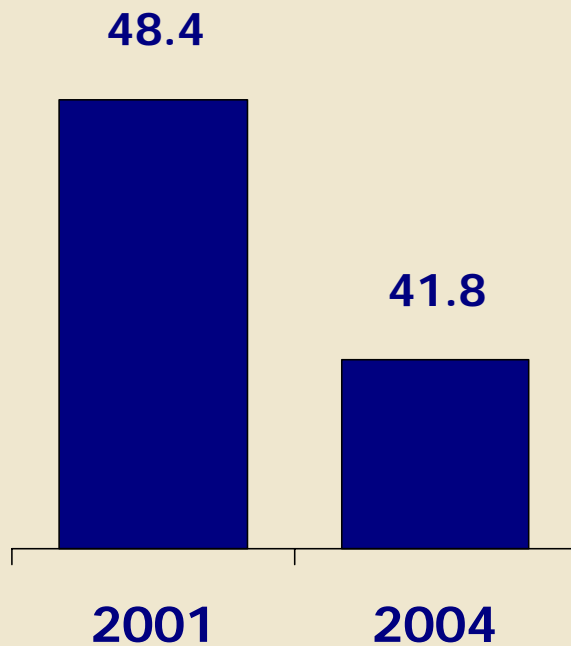
And optimization capacity...

...which is patent in “traditional” markets

Efficiency Ratio (%)

Retail Banking

Wholesale Banking



...and recent ones: Mexico (I)

Efficiency (%)

NPL (%)

Operating Income ⁽¹⁾
(Mill Pesos)

68.1

51.9

7.8

2.1

6,655

17,131

2000

2004

2000

2004

2000

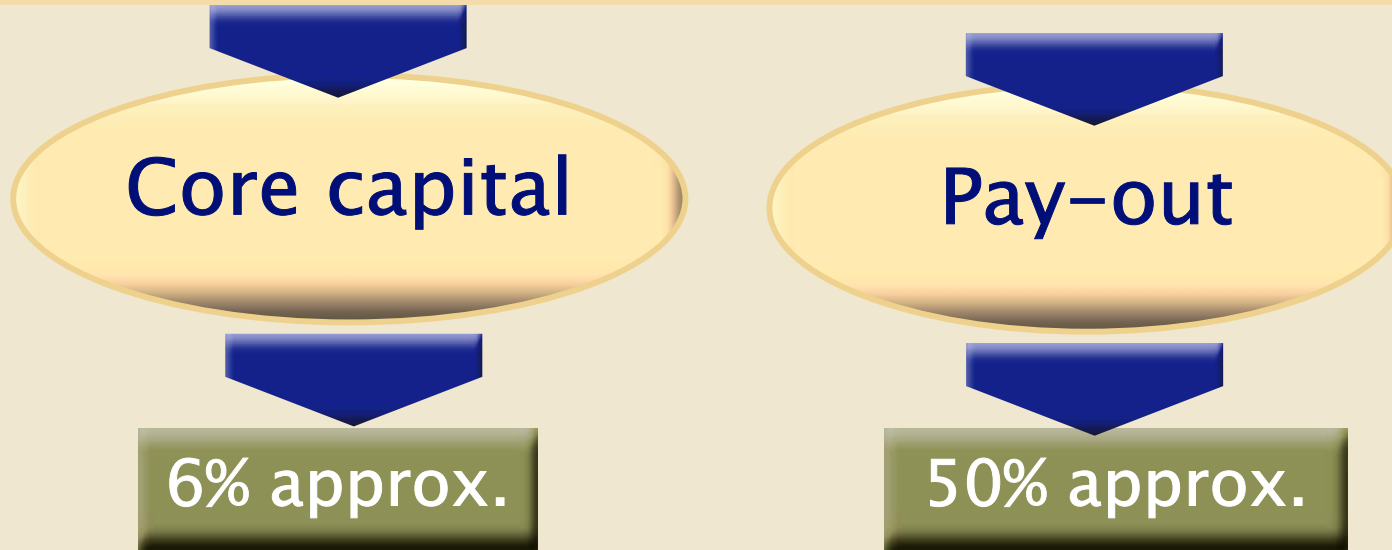
2004

CAGR
+26.7%

(1) Excluding Trading Income

B

Capital management strategy which allows for self-financing and growth



... that meets two objectives

	Core capital (%)	
Self-financing growth	2002	5.9
	2003	6.2
	2004	5.9

	DPS	
Shareholder remuneration	03/02	+10.3%
	04/03	+15.1%
	1st div. 05	+15.0%



BBVA focusses on EPS growth

Track record

Delivery

Outlook

EPS 02/04

yoy EPS 1H05

EPS 04/06

+18.7%

BBVA

European banks

+24.2%

+17.3%⁽¹⁾

Retail

WIB

AME

+12.5%

+29.1%

+62.7%

BBVA

European banks

+19.4%⁽²⁾

+11.4%⁽²⁾

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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