
South America

February 2007

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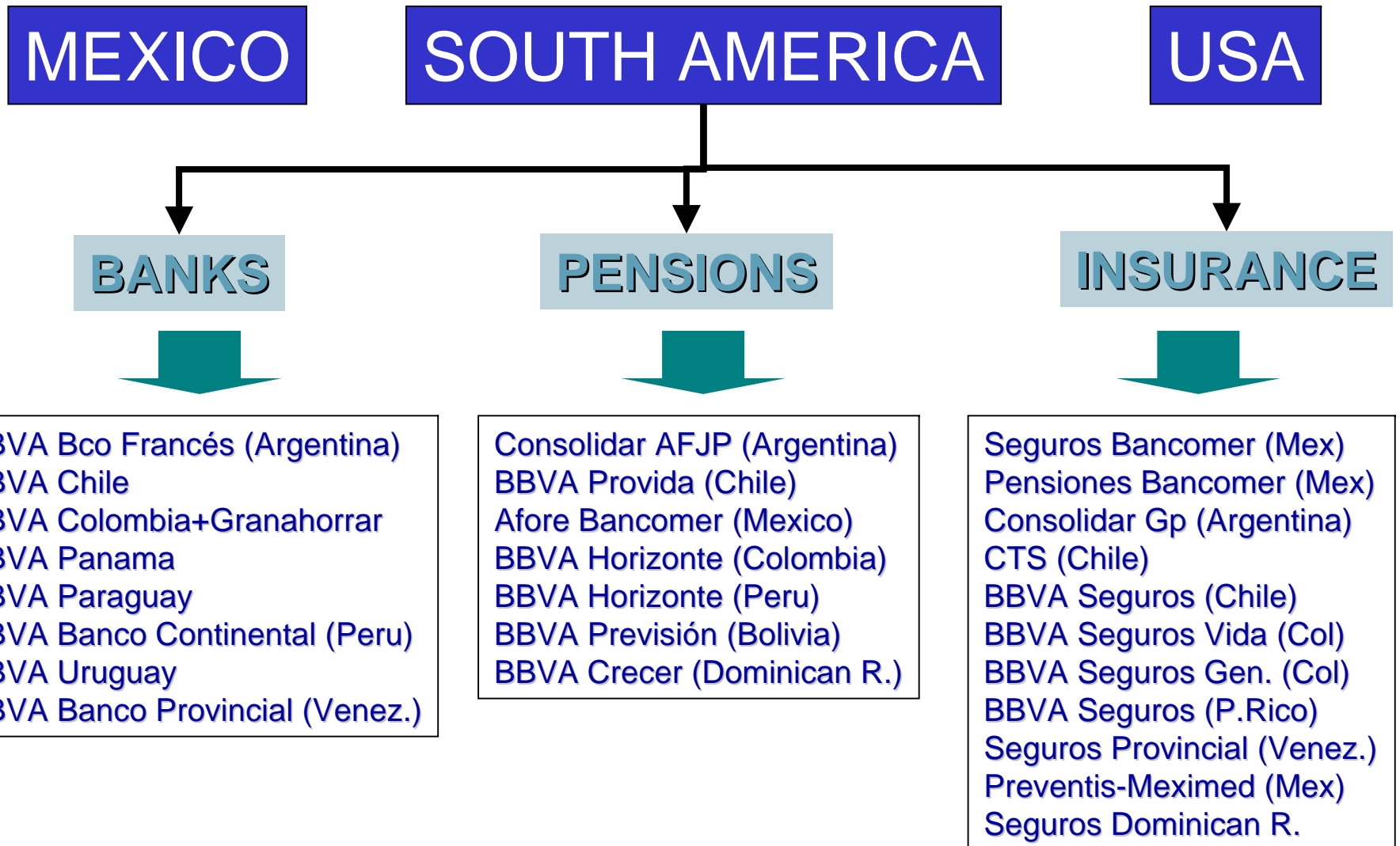
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02 Results for 2006

03 Outlook for 2007

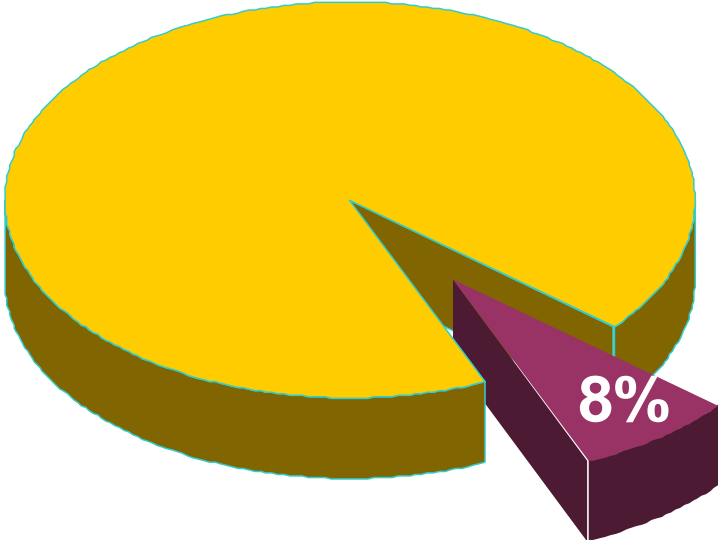
04 Conclusions

The Americas Division was split in three in 2006



South America Division accounts for 8% of the Group's total assets and 15% of customer funds

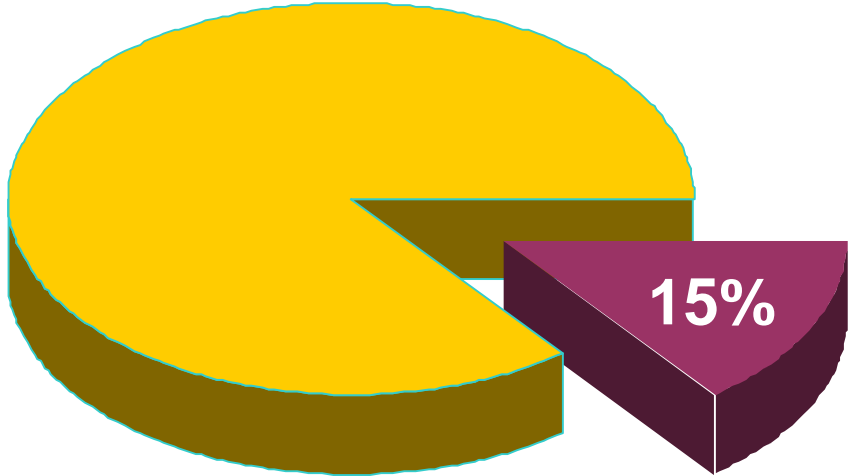
Assets at Dec 06 (%)



BBVA GROUP:
€412 bn

SOUTH AMERICA:
€33.2 bn

Customer funds at Dec 06 (%)

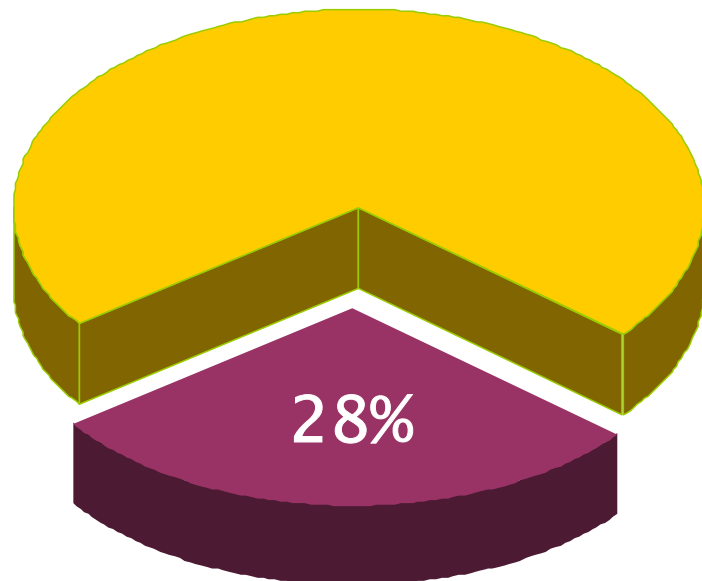


BBVA GROUP:
€426 bn

SOUTH AMERICA:
€64.9 bn

.. 28% of employees and 22% of branches

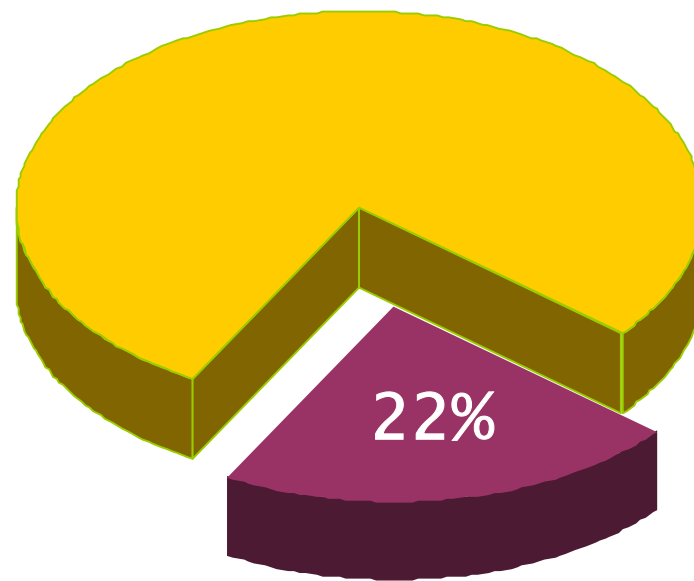
Number of employees
at Dec 06 (%)



BBVA GROUP:
98,553 employees

SOUTH AMERICA:
27,374 employees

Number of branches
at Dec 06 (%)

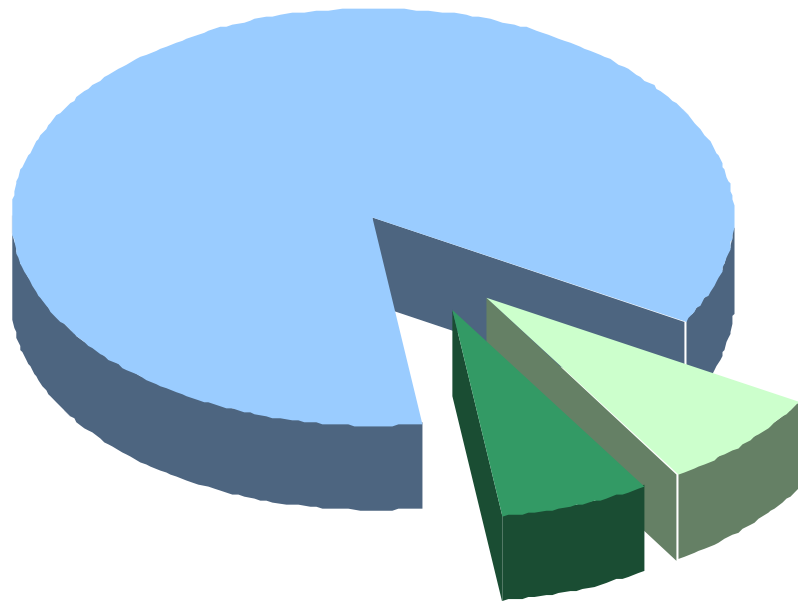


BBVA GROUP:
7,585 branches

SOUTH AMERICA:
1,635 branches

It generates one-seventh of BBVA's net attributable profit

Net Attrib. Profit in 2006 (%)



**BBVA GROUP:
€4,736m**

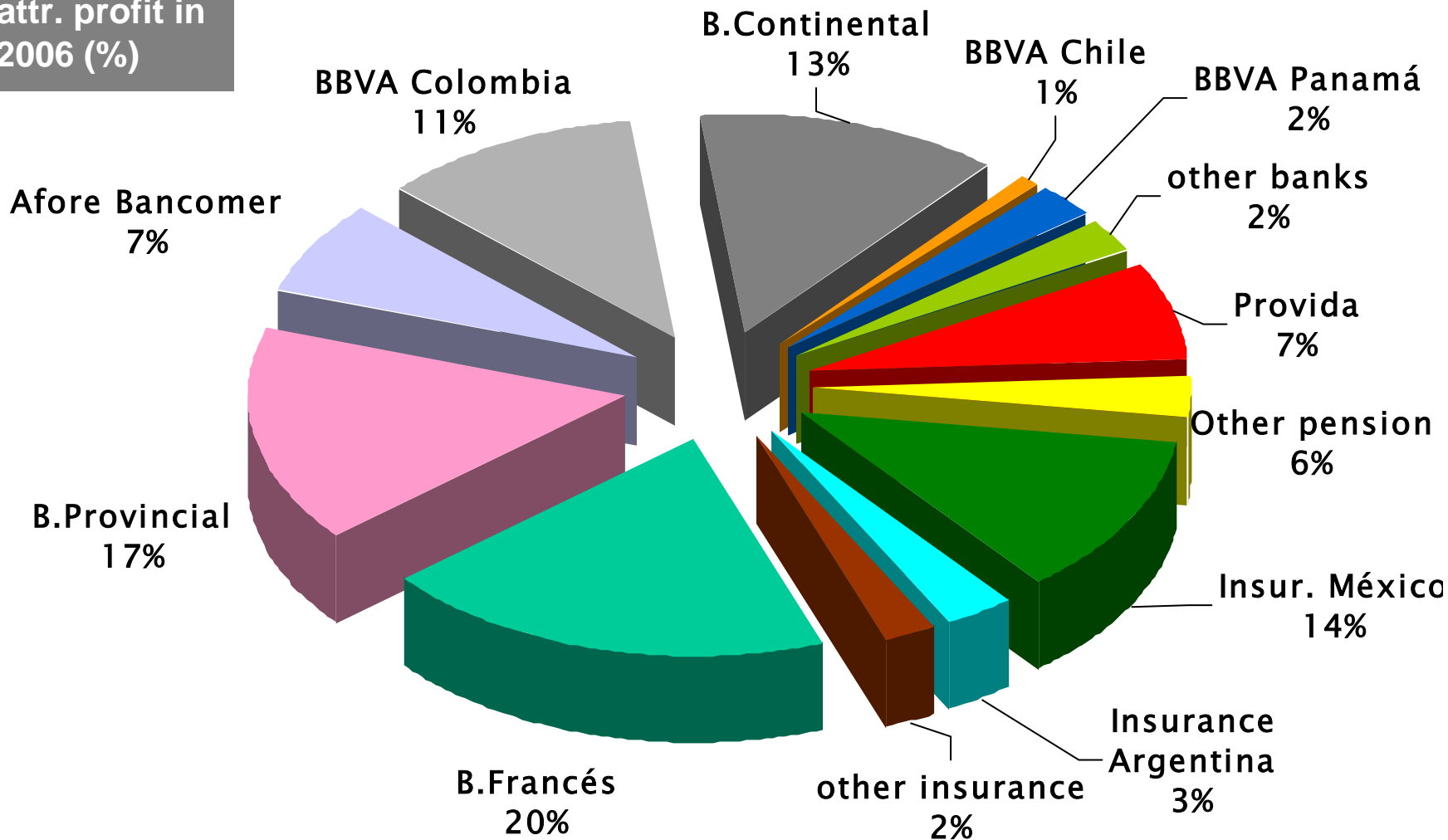
**SOUTH AMERICA:
€683m
(14%)**

BANKS: 8%

**PENSIONS AND
INSURANCE: 6%**

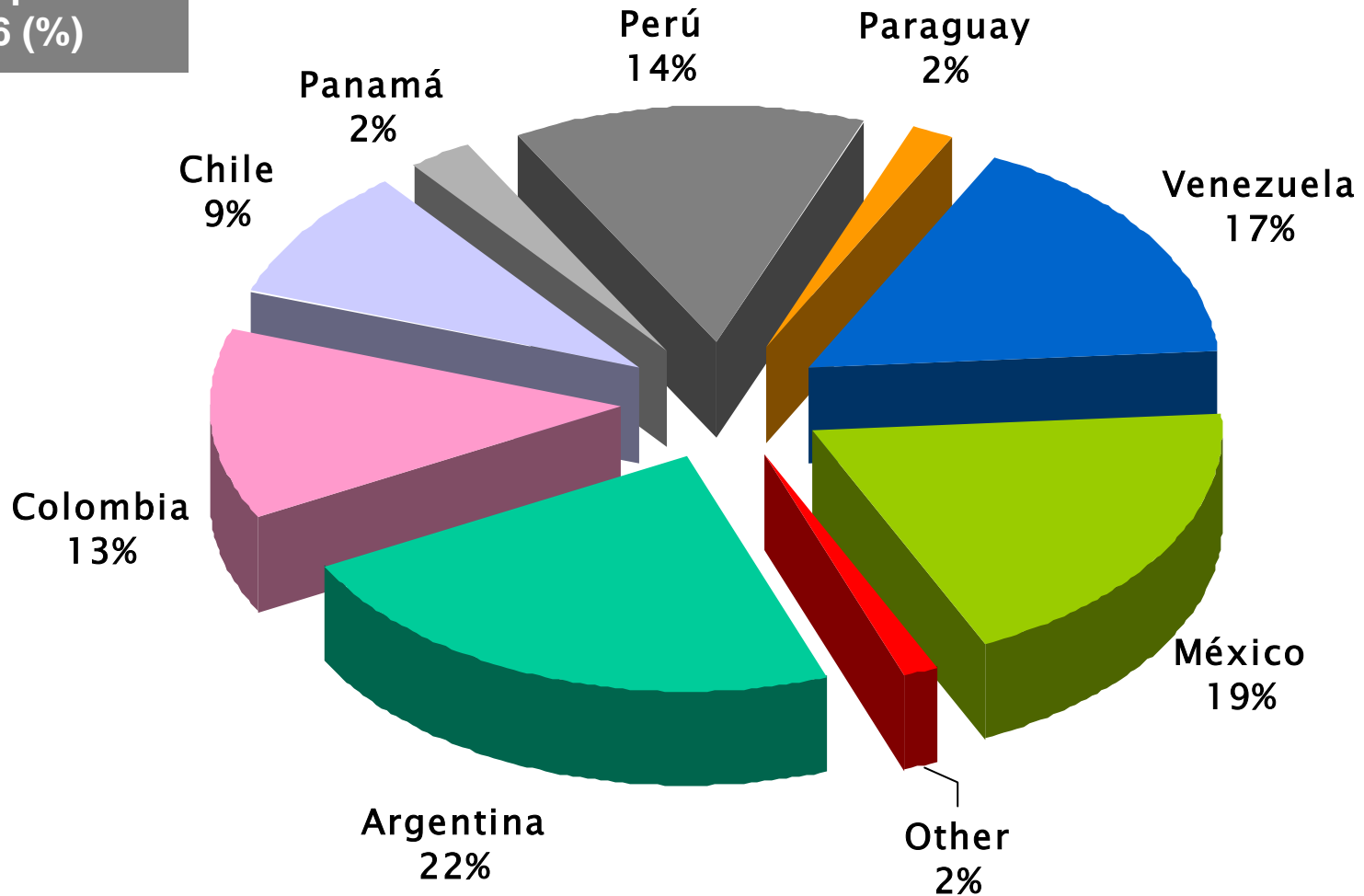
High diversification in businesses and countries

Net attr. profit in 2006 (%)



Distribution by country also reveals considerable diversification

Net attr. profit in 2006 (%)



With prominent positions in the main markets

COUNTRY	DEPOSITS		LOANS		PENSIONS (*)	
	RANKING	MKT. SH (%)	RANKING	MKT SH (%)	RANKING	MKT SH (%)
ARGENTINA	1 st	10.00	3 rd	7.67	2 nd	18.67
CHILE	4 th	8.05	4 th	8.11	1 st	31.07
COLOMBIA	3 rd	11.51	3 rd	10.80	3 rd	16.43
PANAMA	5 th	4.64	5 th	7.22	-	-
PARAGUAY	2 nd	15.11	1 st	20.02	-	-
PERU	2 nd	24.57	2 nd	27.19	3 rd	26.17
URUGUAY	5 th	9.08	5 th	9.93	-	-
VENEZUELA	4 th	10.33	4 th	11.72	-	-

Share of assets under management

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South America: 2006 results

(Constant €m)

SOUTH AMERICA	2006		05/04
Net Interest Income	1,310	28.4%	13.3%
Core Revenues	2,122	24.1%	14.8%
Ordinary Revenues	2,405	29.1%	17.6%
Operating Profit	1,163	37.4%	30.5%
Net Attributable Profit	509	37.0%	65.6%

Macroeconomic environment marked by stability and continuation of economic policies

Banking penetration: sharp growth in lending and customer funds

Growth in bancassurance

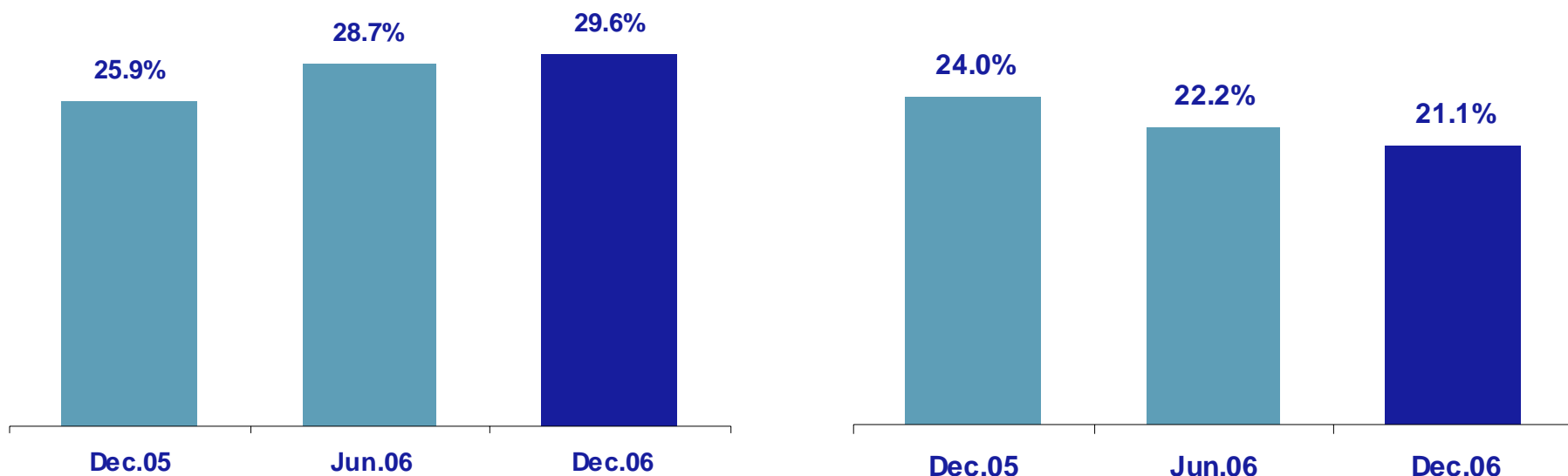
Excellent integration of Granahorrar

Balanced structure of attributable profit

High growth in lending and customer funds maintained . . .

Lending
Year-on-year growth
(Average balances)

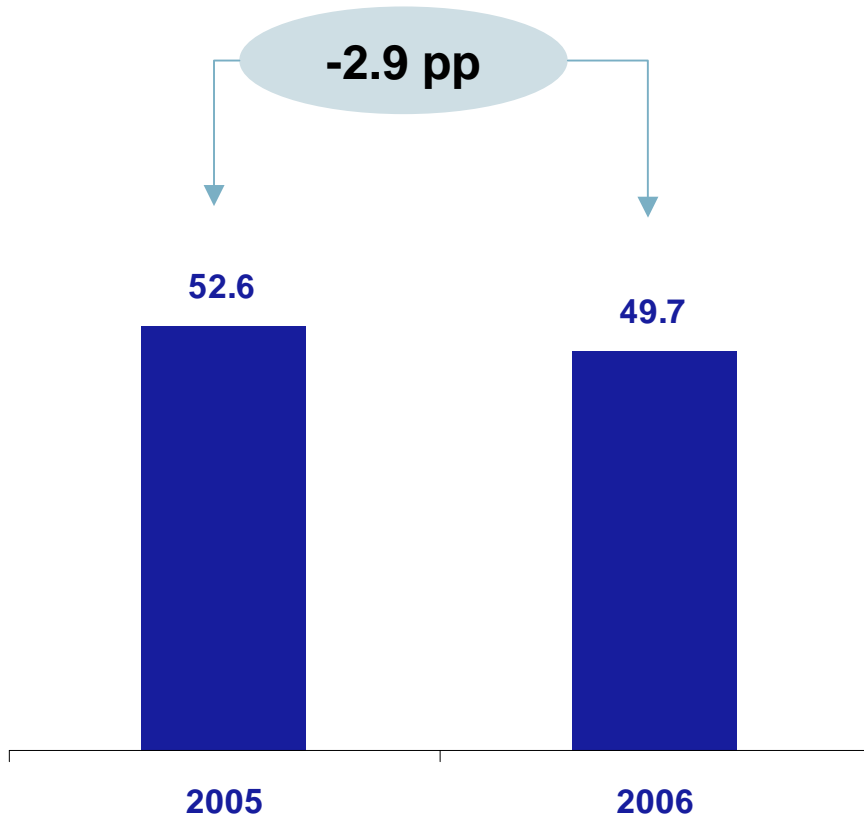
Customer funds
Year-on-year growth
(Average balances)



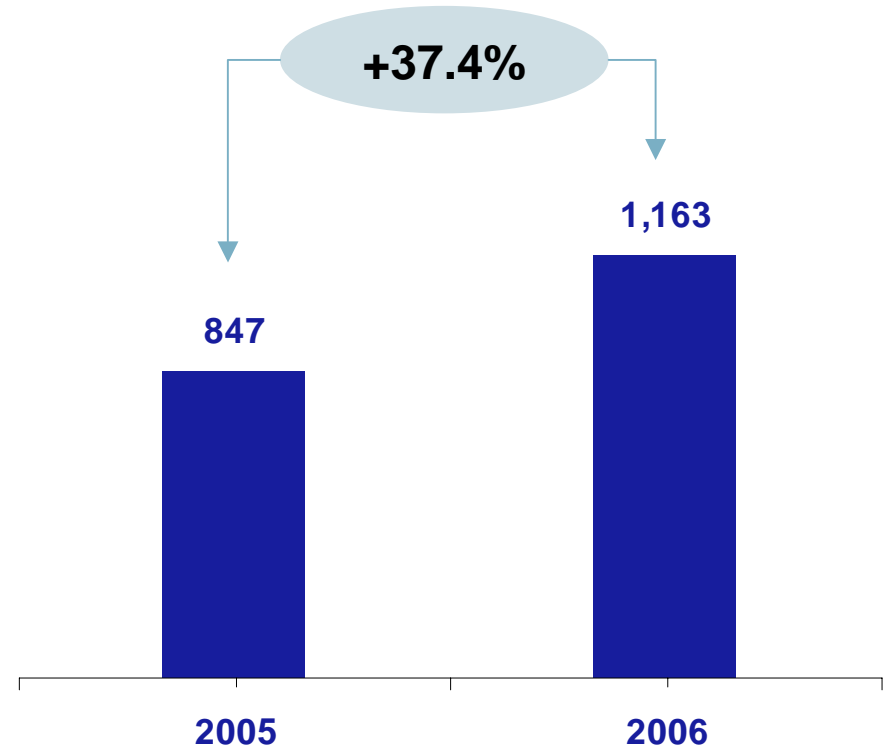
Ordinary revenues +29.1% at constant exchange rates

With improvements in efficiency boosting operating profit

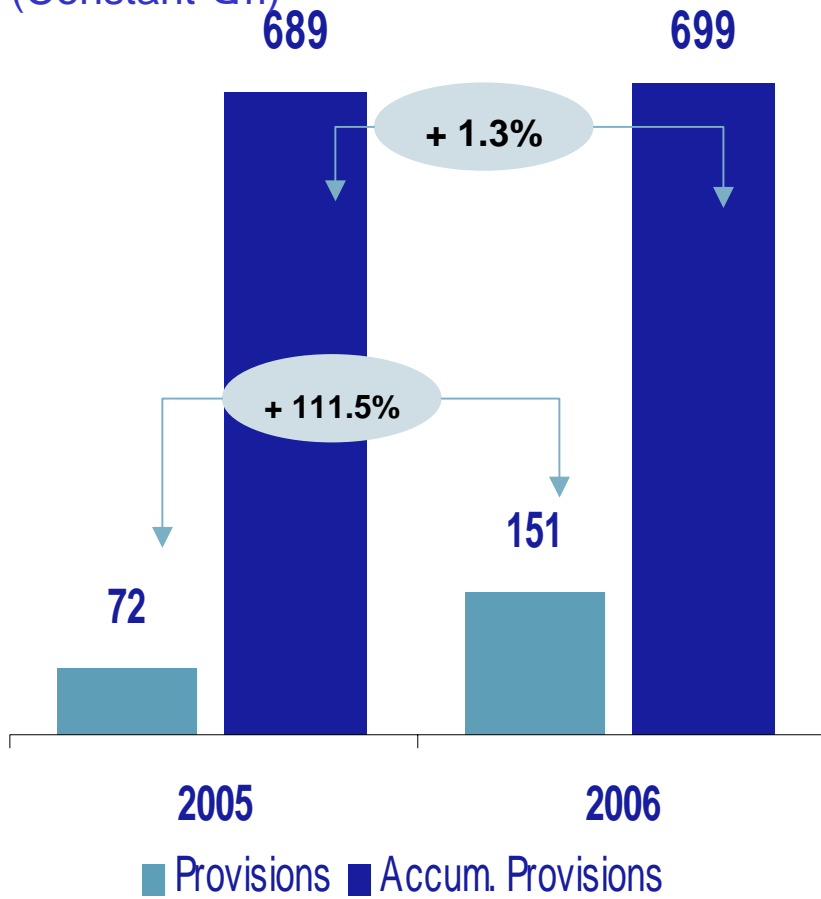
Cost/income ratio incl. depreciation (%)



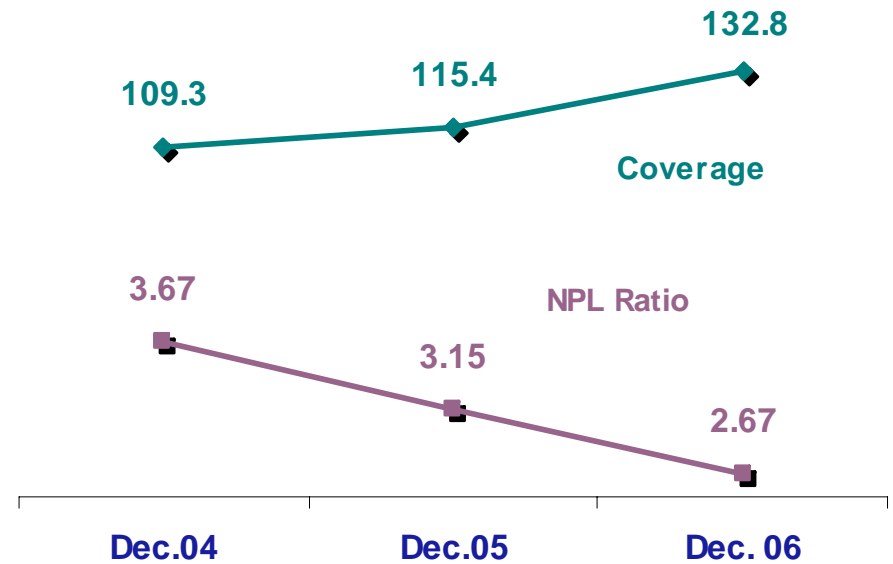
Operating profit (Constant €m)



Loan loss provisions and funds (Constant €m)



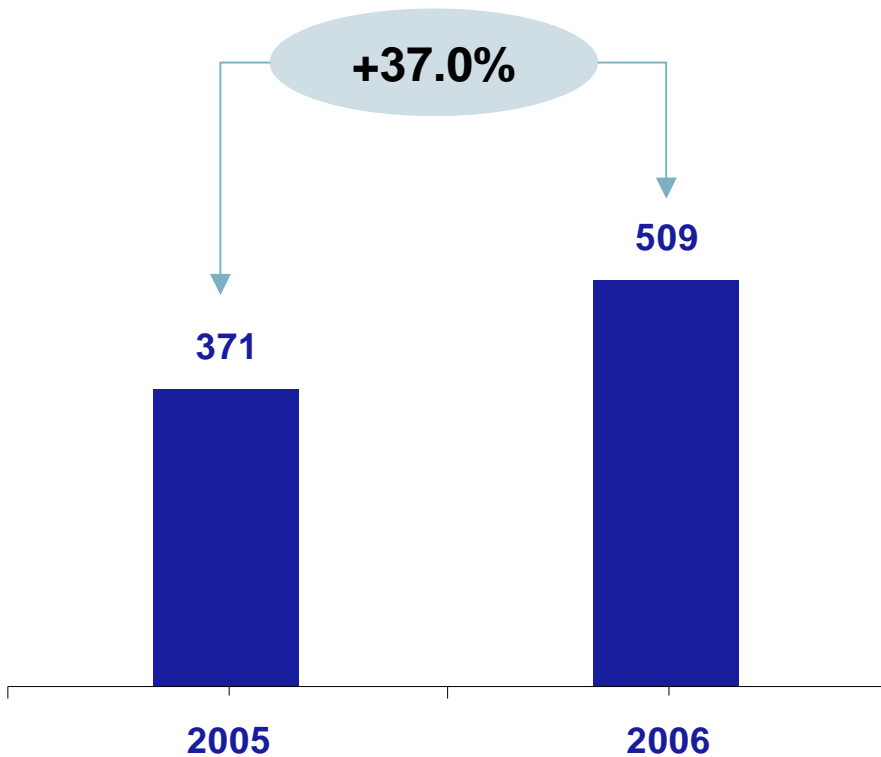
NPL ratio and coverage (%)



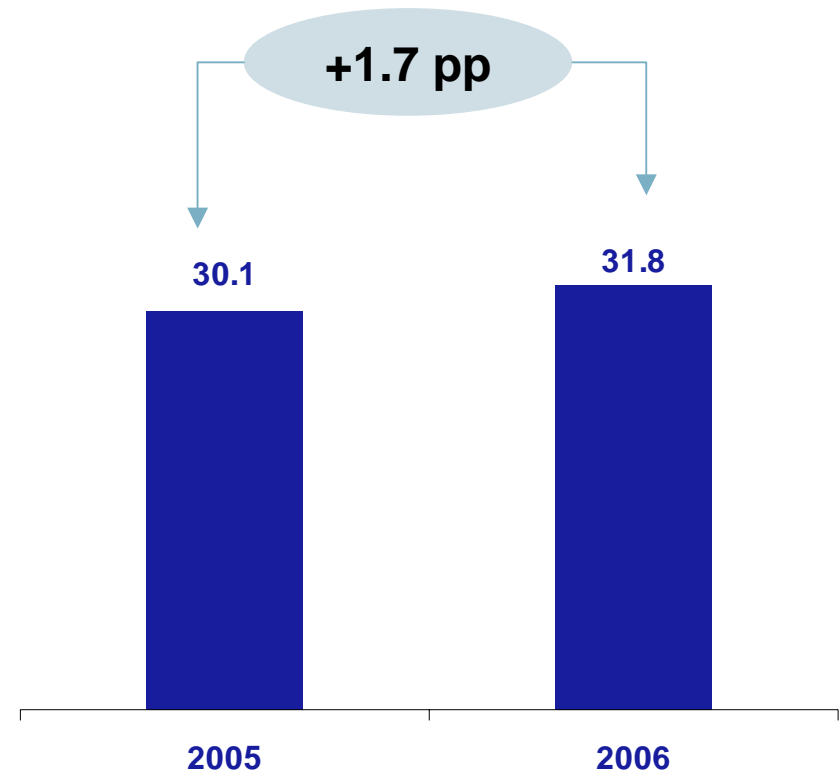
55% of total funds and 62% of provisions are generic

South America: Attributable profit and profitability

Attributable profit
(Constant €m)



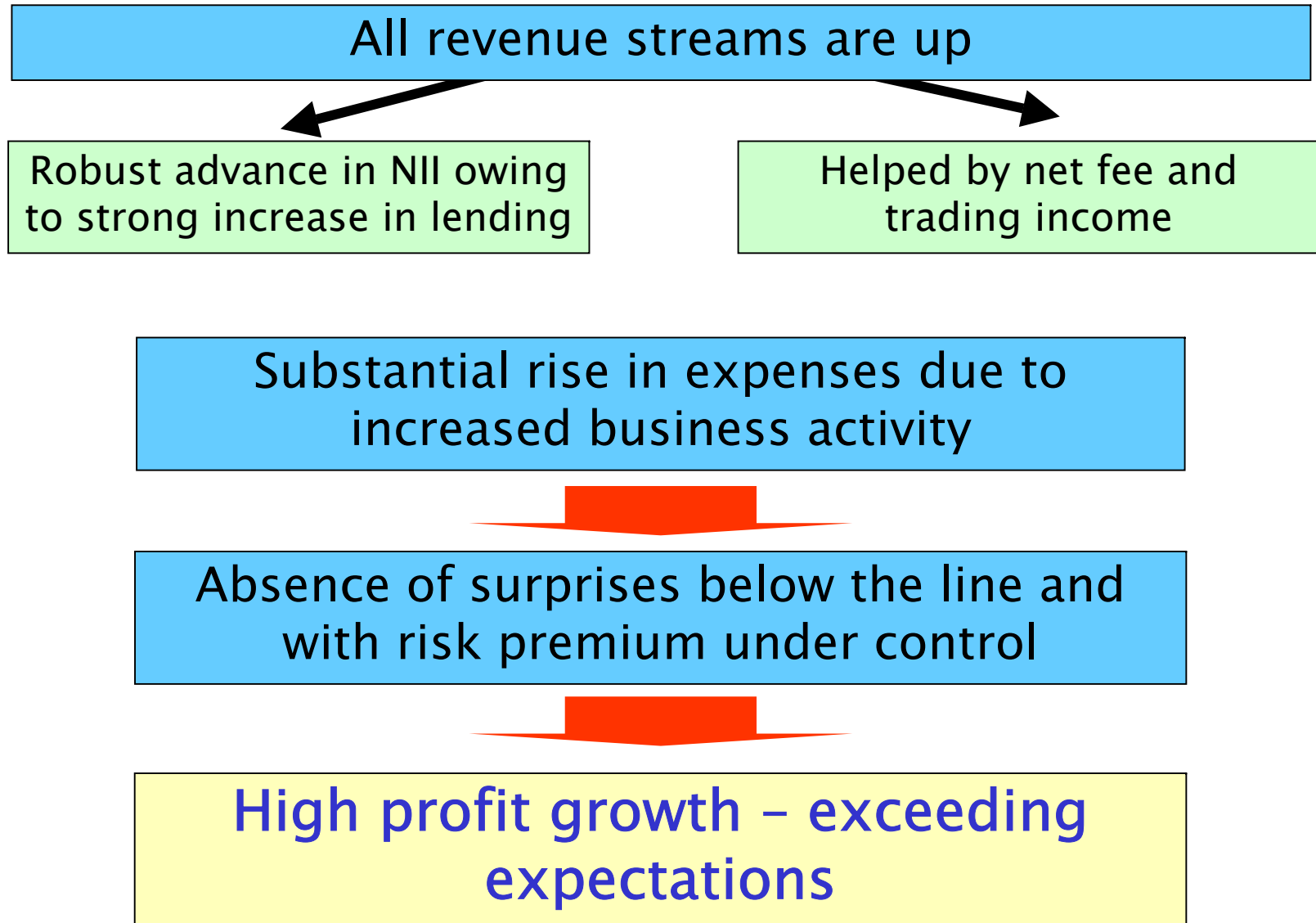
ROE
(%)



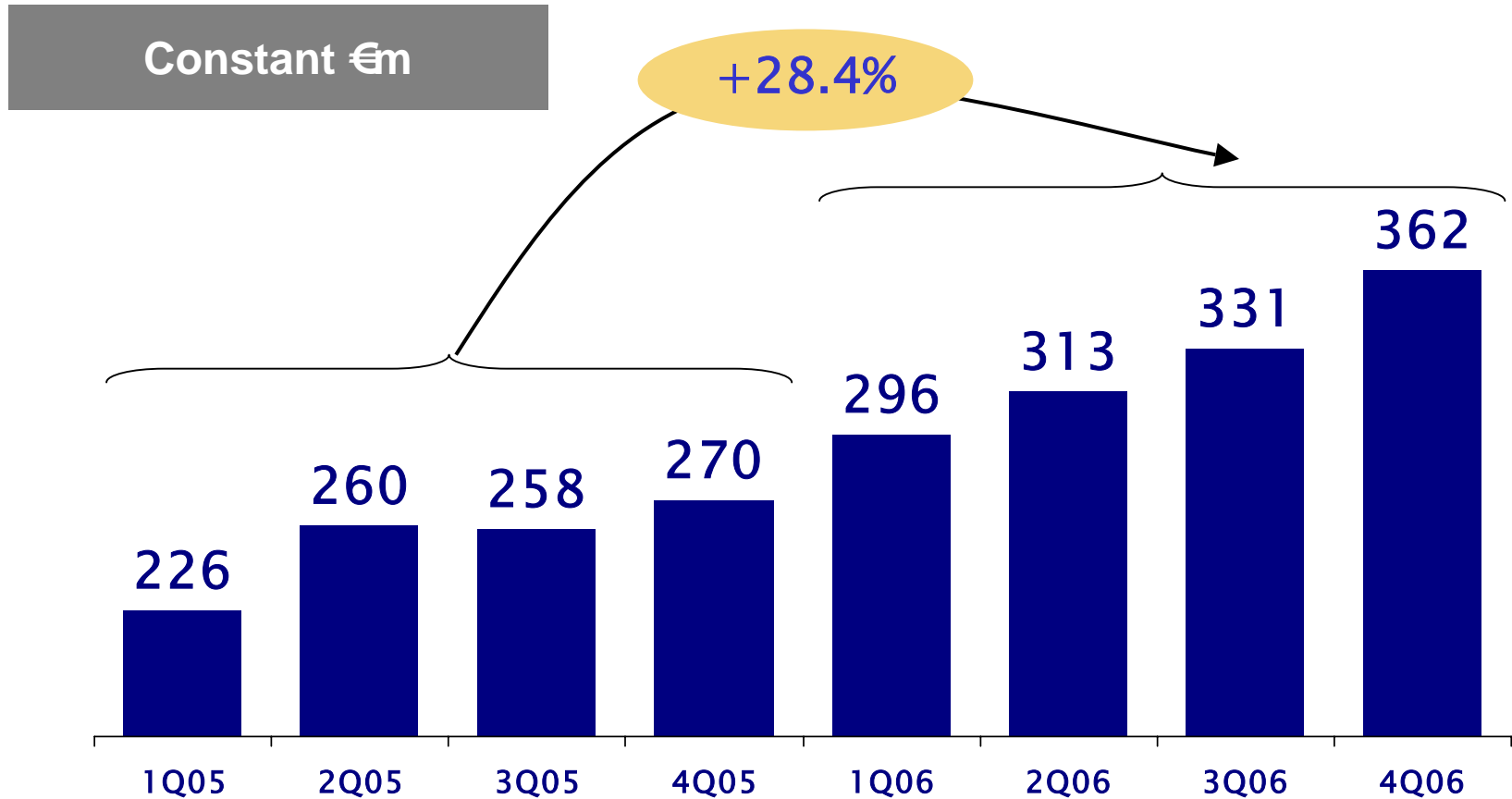
With balanced contributions to profit

Banks

Highly positive year for banks



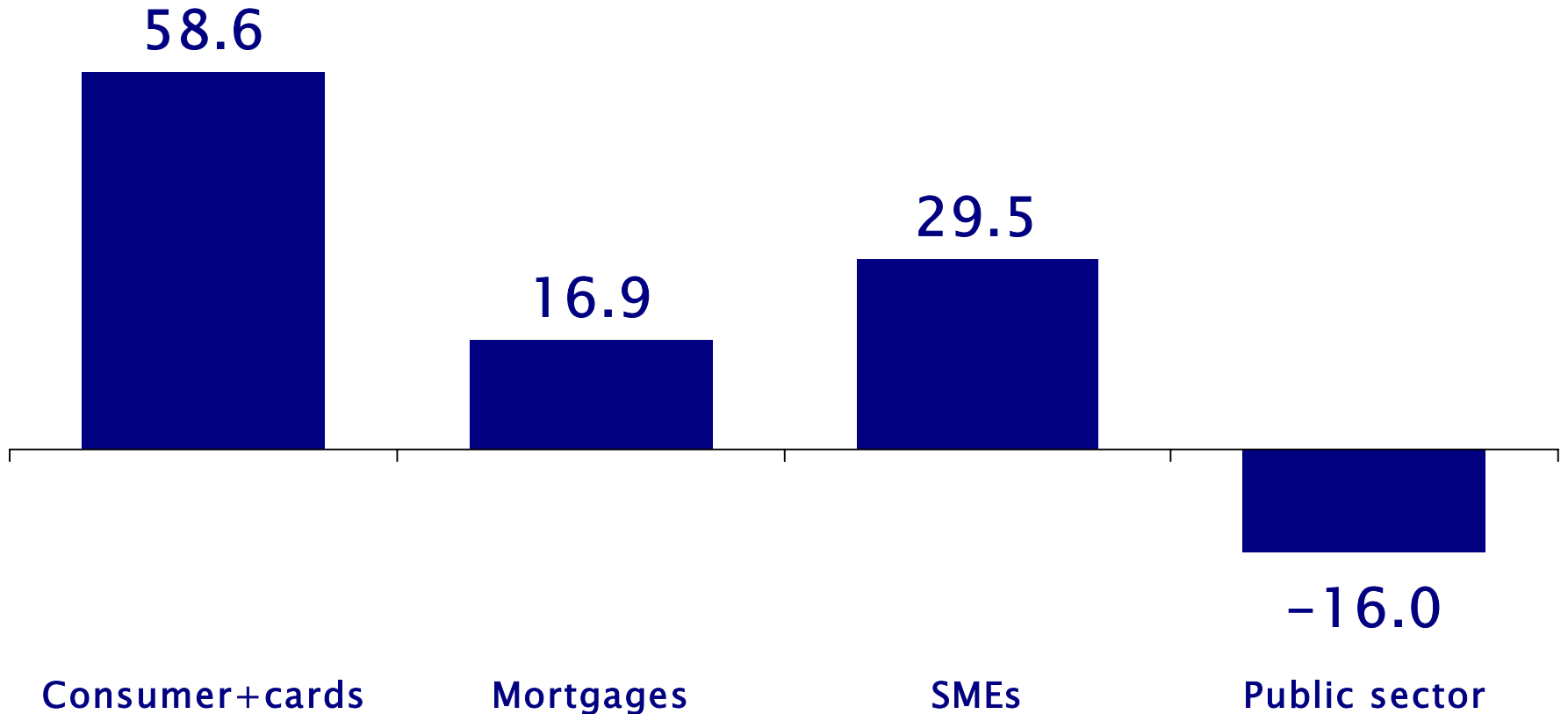
Net interest income was the biggest contributor ...



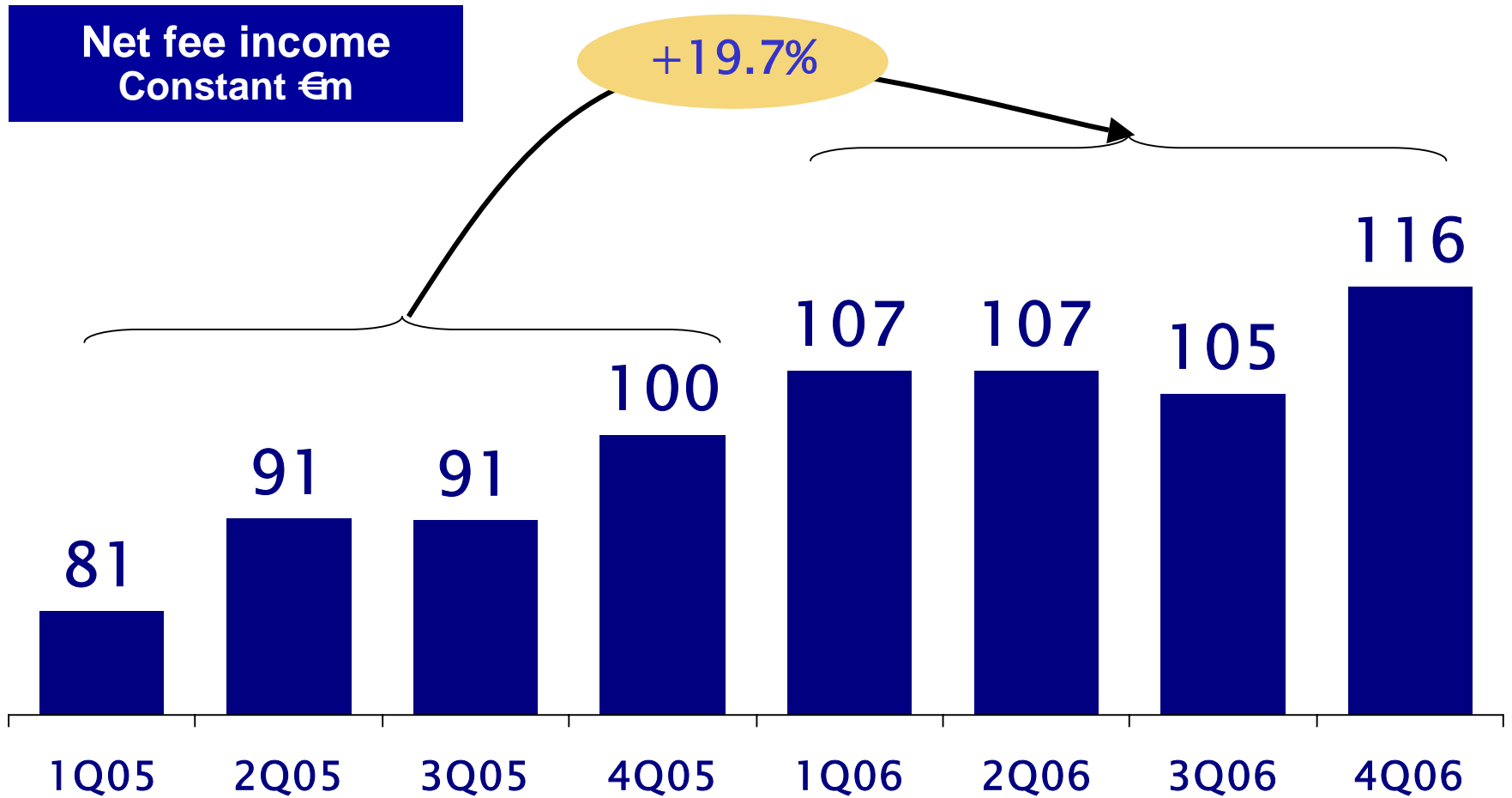
... supported by a sharp increase in business volumes. Lending was up 29.6% and customer funds were up 21.1%

Consumer finance and cards (the most profitable segments) recorded the highest growth

**% y-o-y growth –
total banks**

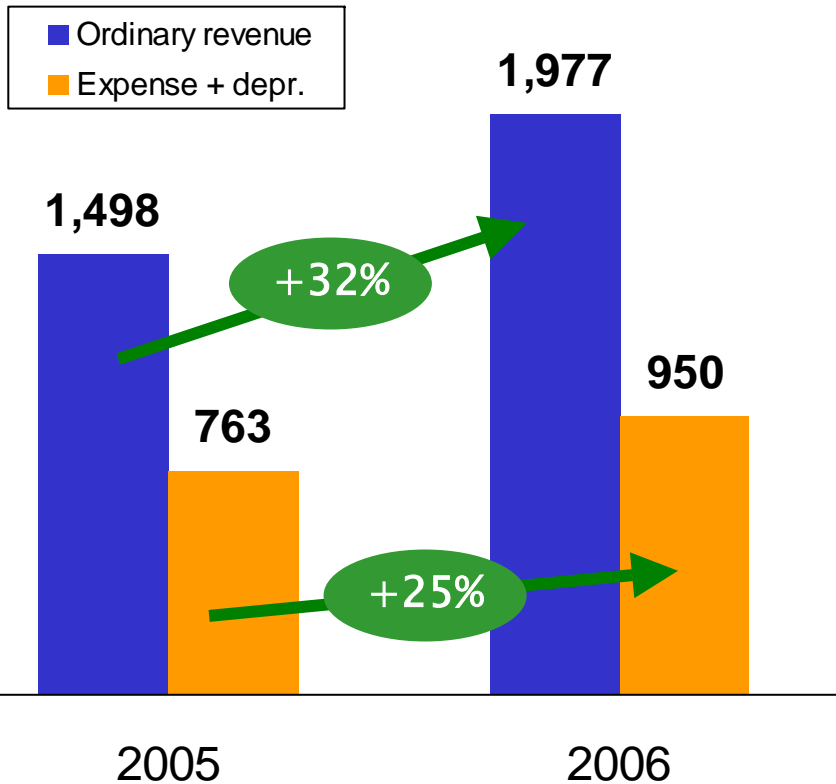


Net fee income also performed well despite government measures and competition

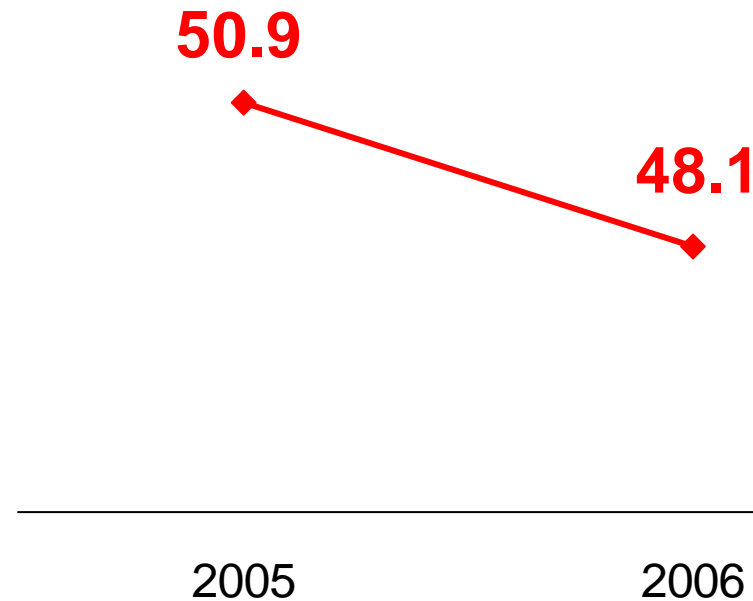


Revenues grew faster than expenses and thus the cost/income ratio continues to improve

Revenues and expenses – total banks



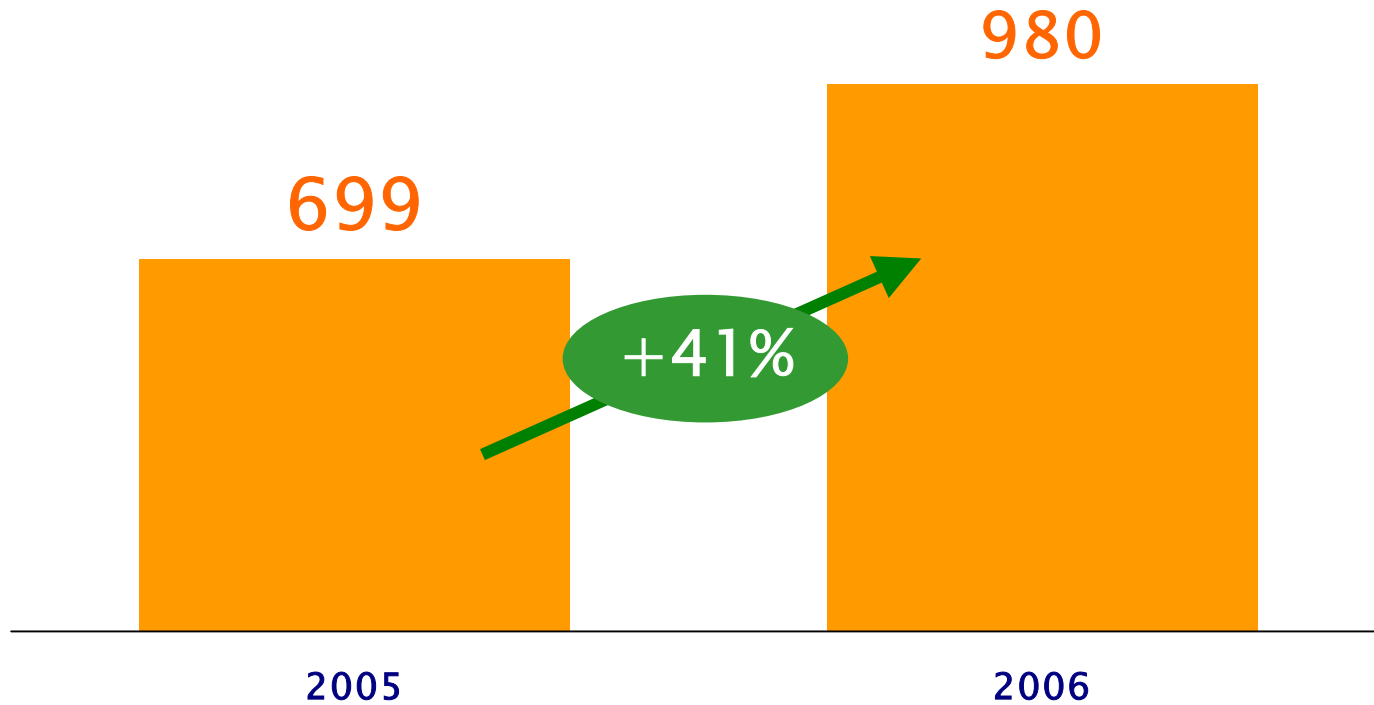
Cost/income ratio (%)



Constant €m
Consolidated

... and operating profit is growing strongly

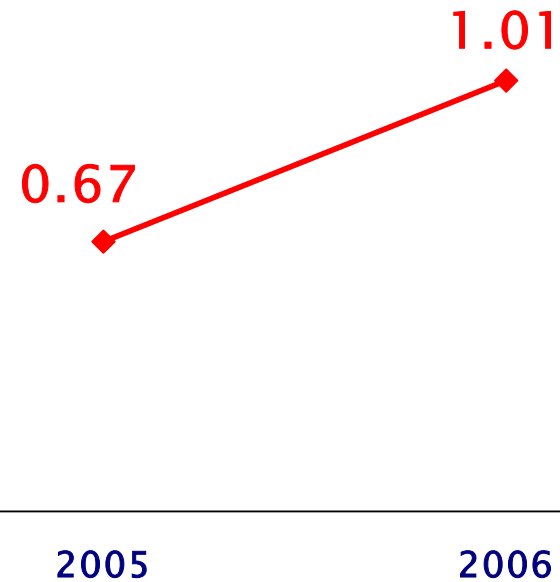
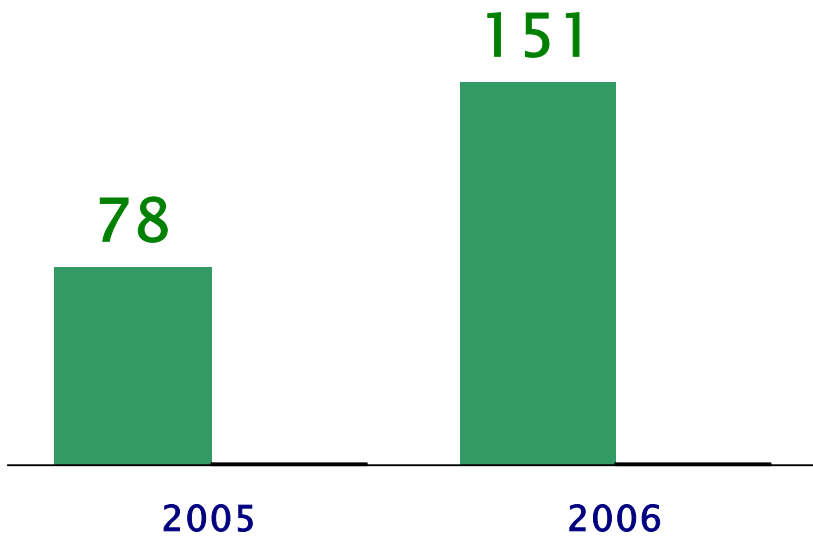
Operating profit
Constant €m



Provisions returned to normal, apart from higher generic provisions on the increase in lending and the change of mix (consumer finance and cards gain ground) ...

**Loan-loss provisions
Constant €m**

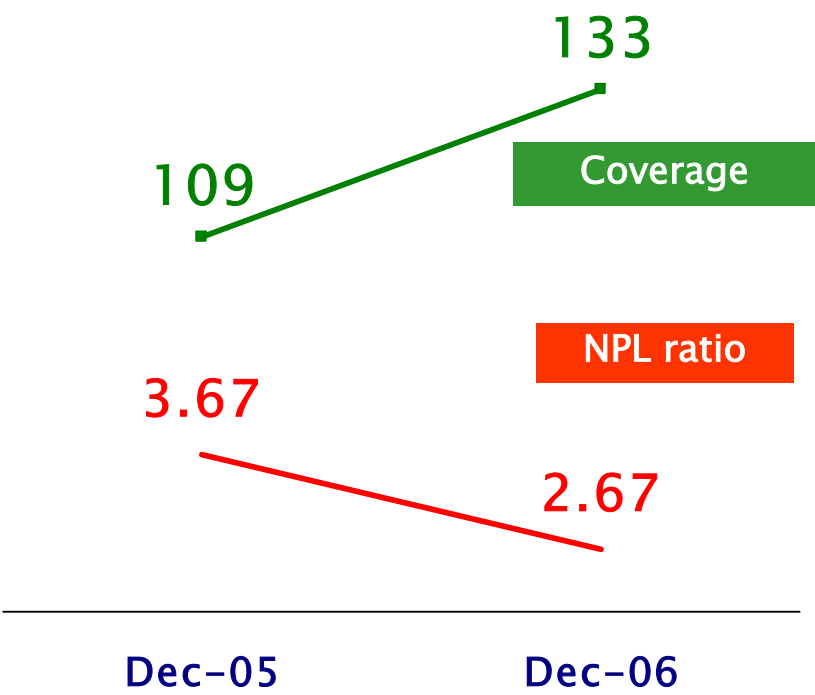
**Risk premium
(%)**



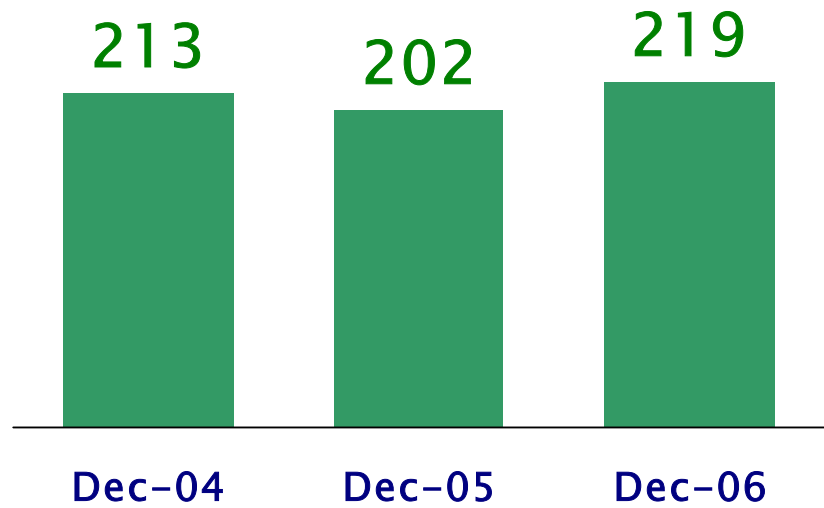
55% of funds and 62% of the provisions are generic

... because the NPL ratio and coverage have improved during the year and bad loans are under control

**NPL ratio & coverage
S. American banks (%)**

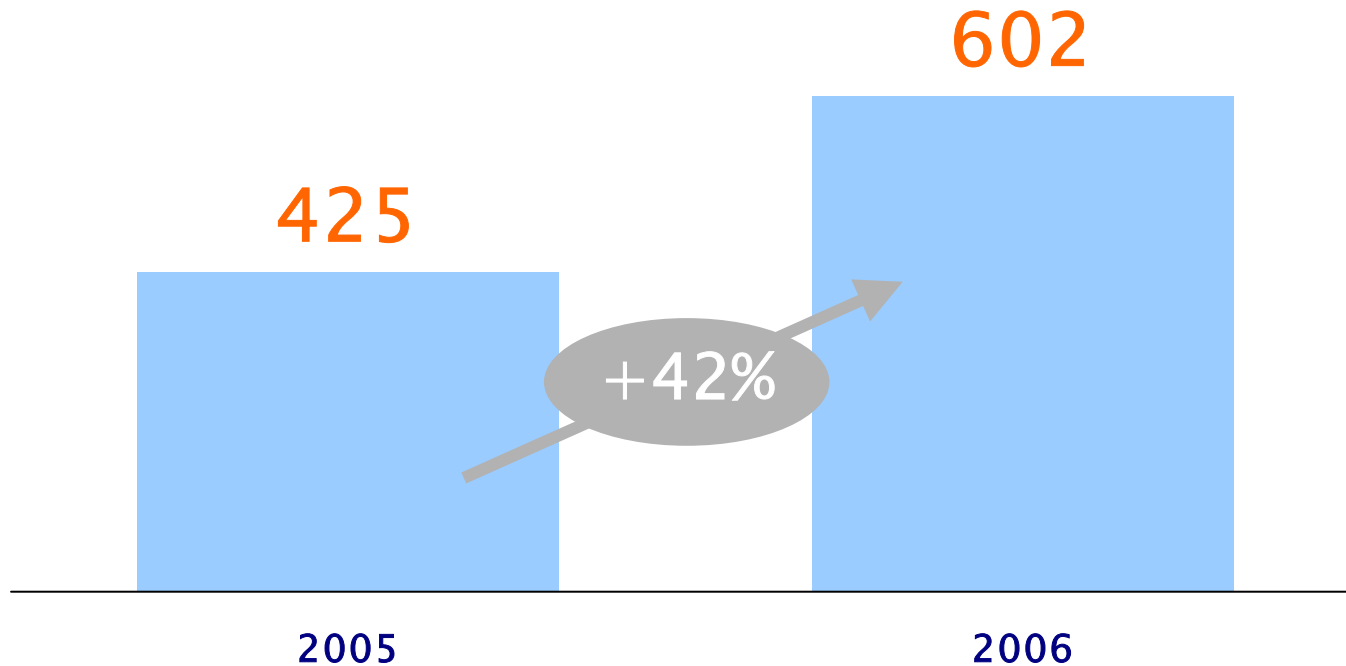


**Non performing assets
€m**



As a result: high profit growth and considerable budget surplus

Net profit
Constant €m



... with all countries contributing

Banks in South America: 2006 results

(Constant €m)

	2006		05/04
Net interest income	1,301	+28.4%	+21.2%
Core revenues	1,739	+26.4%	+24.3%
Ordinary revenues	1,977	+31.9%	+17.0%
Operating profit	980	+40.4%	+21.1%
Net attributable profit	422	+46.7%	+44.1%

Pensions and Insurance

A complex year for pension business

Considerable competition in most countries, especially Mexico and Peru

Need for adjustment of fees in Afore (Mexico) and Horizonte (Peru)

Expenses higher due to larger sales force

Although partially offset by positive earnings from “encaje” and trading income

A difficult year for this unit

Competition forced us to lower fees in Afore and Horizonte Peru

Net fee income
Total pensions

Total pensions

Ex-Afore Bancomer

422

414

236

252

-2%

+7%

2005

2006

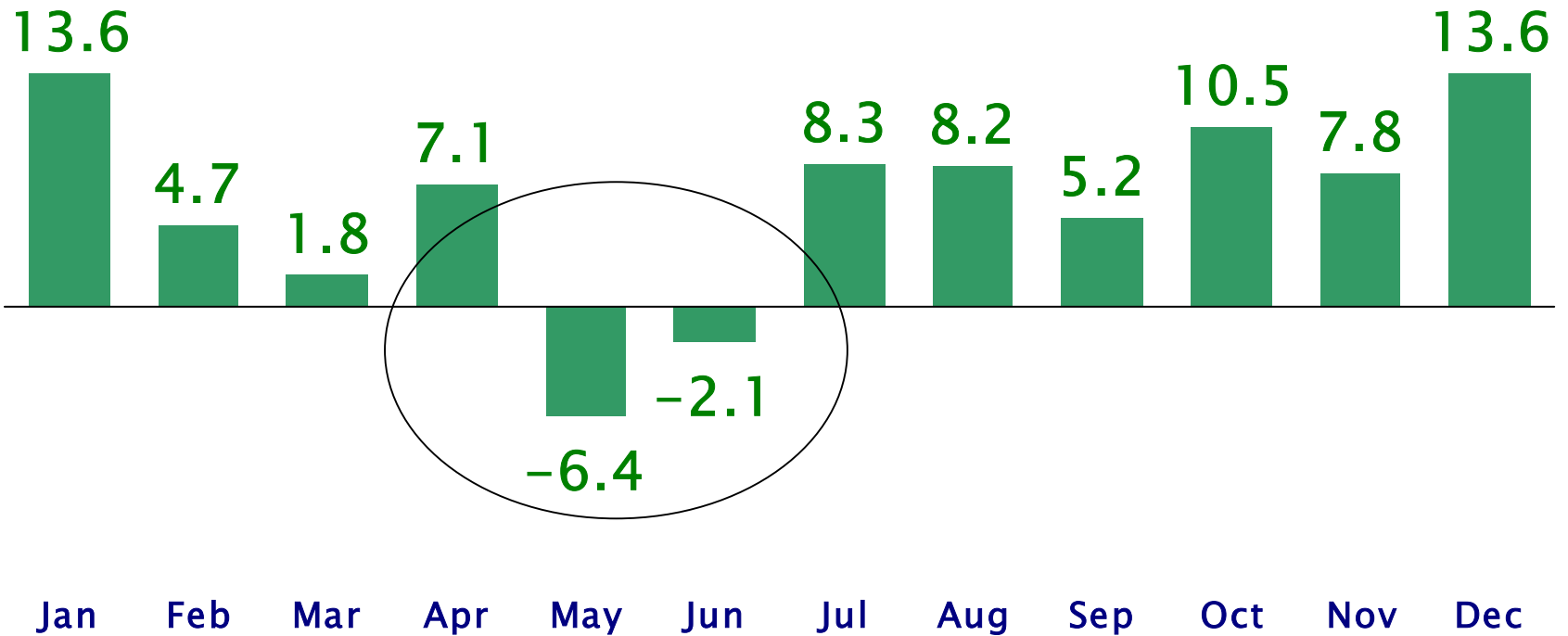
2005

2006

Constant €m
Consolidated

Nonetheless, the year was generally very positive for financial revenues despite significant market volatility in 2Q06

**Encaje + trading income
Total pensions**

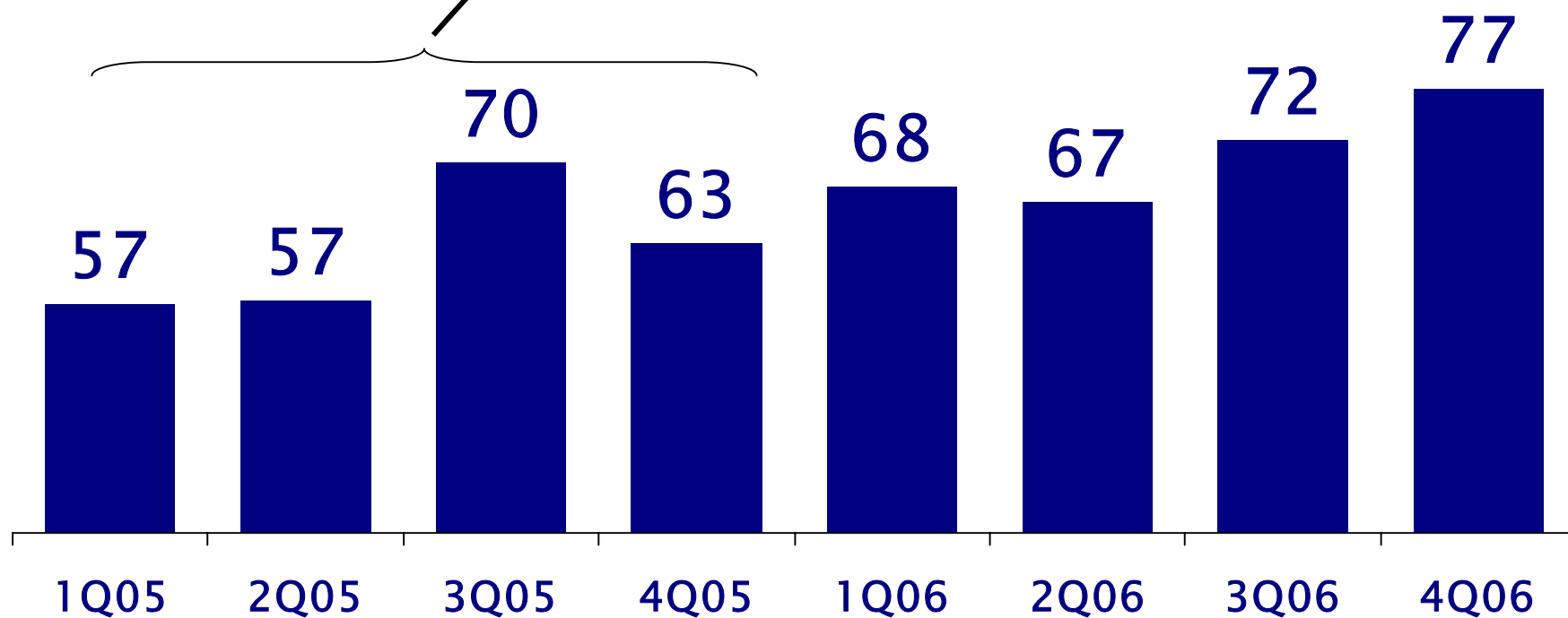


**Constant €m
Consolidated**

Rebound in expenses in last quarter due to larger sales forces for Afore Bancomer and Horizonte

Expenses + deprec.
Total pensions

+15.3%



Constant €m
Consolidated

2006 was very positive for insurance business

Sales up in most product lines

Resulting in a sharp rise in premiums

With a moderate rise in claims

Bancassurance continues to be the biggest contributor and develops faster



Significant increase in profit

Pensions and insurance America: 2006 results

(Constant €m)

	2006		05/04
Net interest income	11	+21.3%	-30.8%
Core revenues	389	+14.9%	+11.6%
Ordinary revenues	434	+17.7%	+11.9%
Operating profit	216	+20.4%	+18.7%
Net attributable profit	109	+10.1%	+24.9%

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What does 2007 look like?

- The international context will remain benign for Latin America (US growth will be revised upward, some commodity prices will stay high), with some market turbulence

- The various elections in 2006 had no negative impact on the economies



2007 will be a good year for Latin America

The expected environment is positive – similar to last year

Δ% real GDP	2005	2006(e)	2007(f)
Argentina	9.2	8.5	7.9
Brazil	2.3	3.0	3.3
Chile	6.3	4.1	5.2
Colombia	5.2	7.1	6.2
Mexico	3.0	4.7	3.6
Peru	6.4	7.4	6.3
Uruguay	6.6	6.9	4.9
Venezuela	10.3	10.3	4.3
LATAM¹	4.4	5.2	4.5

Source: BBVA's research service

(1) Average of the eight countries in the sample.

With similar inflation indices

Inflation at year-end	2004	2005	2006	2007
Argentina	6.1	12.3	9.8	10.0
Chile	2.4	3.7	2.6	3.3
Colombia	5.5	4.9	4.5	4.2
Mexico	5.2	3.3	4.1	3.5
Peru	3.5	1.5	1.1	1.9
Venezuela	19.2	14.4	17.0	17.3
Average	6.8	6.0	5.1	5.4

Source: BBVA's research service

No big changes in interest rates

Rates at year-end	2004	2005	2006	2007
Argentina	3.1	5.0	8.9	12.6
Chile	2.3	4.5	5.3	5.3
Colombia	7.8	6.3	6.8	8.3
Mexico	8.7	8.0	7.0	6.5
Peru	3.0	3.3	5.0	5.0
Venezuela	12.4	10.9	10.3	10.4

Source: BBVA's research service

We are in a solid and competitive position to handle the challenges ahead

- A Latin-American conglomerate of financial groups, leaders in their respective markets
- Efficient and financially sound
- With a tested and uniform management model
- With a distinctive approach to global business
- With the support of a multi-domestic group
- With the freedom to define our future in terms of each market

A new vision of business lines, which is reflected in our goals

FROM ...

... TO

Mkt share –
deposits



Mkt share –
lending



Mkt share –
pensions



Mkt share of
total
financial-
sector
revenues



Emphasis on new
business lines

Analysis of other
competitors:
retailers, consumer
finance companies

Strong growth

In banking, the strategic lines in 2007 will be ...

1

New focus

- Banking penetration
- Payment methods / consumer finance
- New segments / channels
- Greater efforts in SME banking

2

Infrastructure

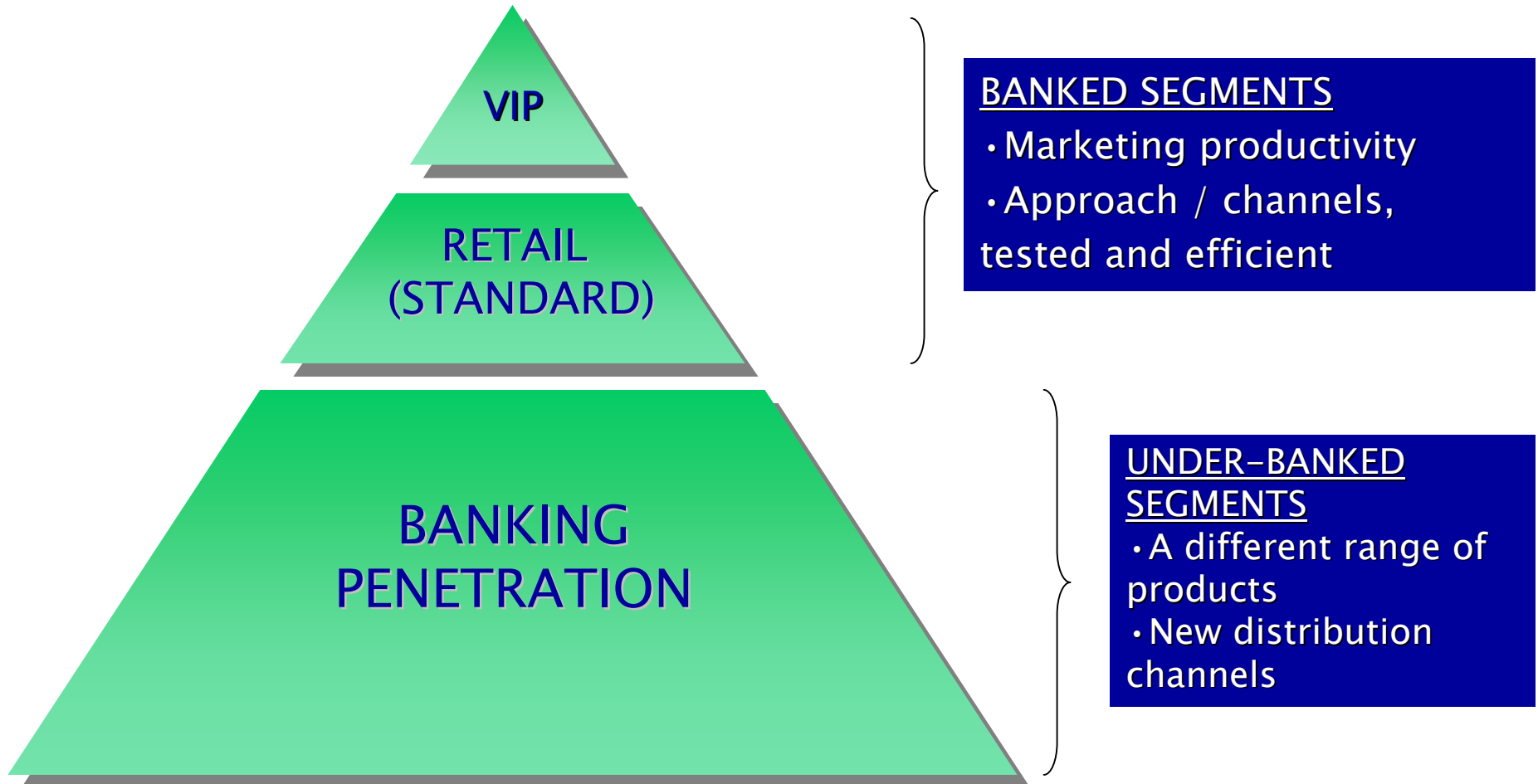
- Tools / marketing intelligence / risk
- Cost structure
- Banking penetration: new models

3

Leveraging capacity

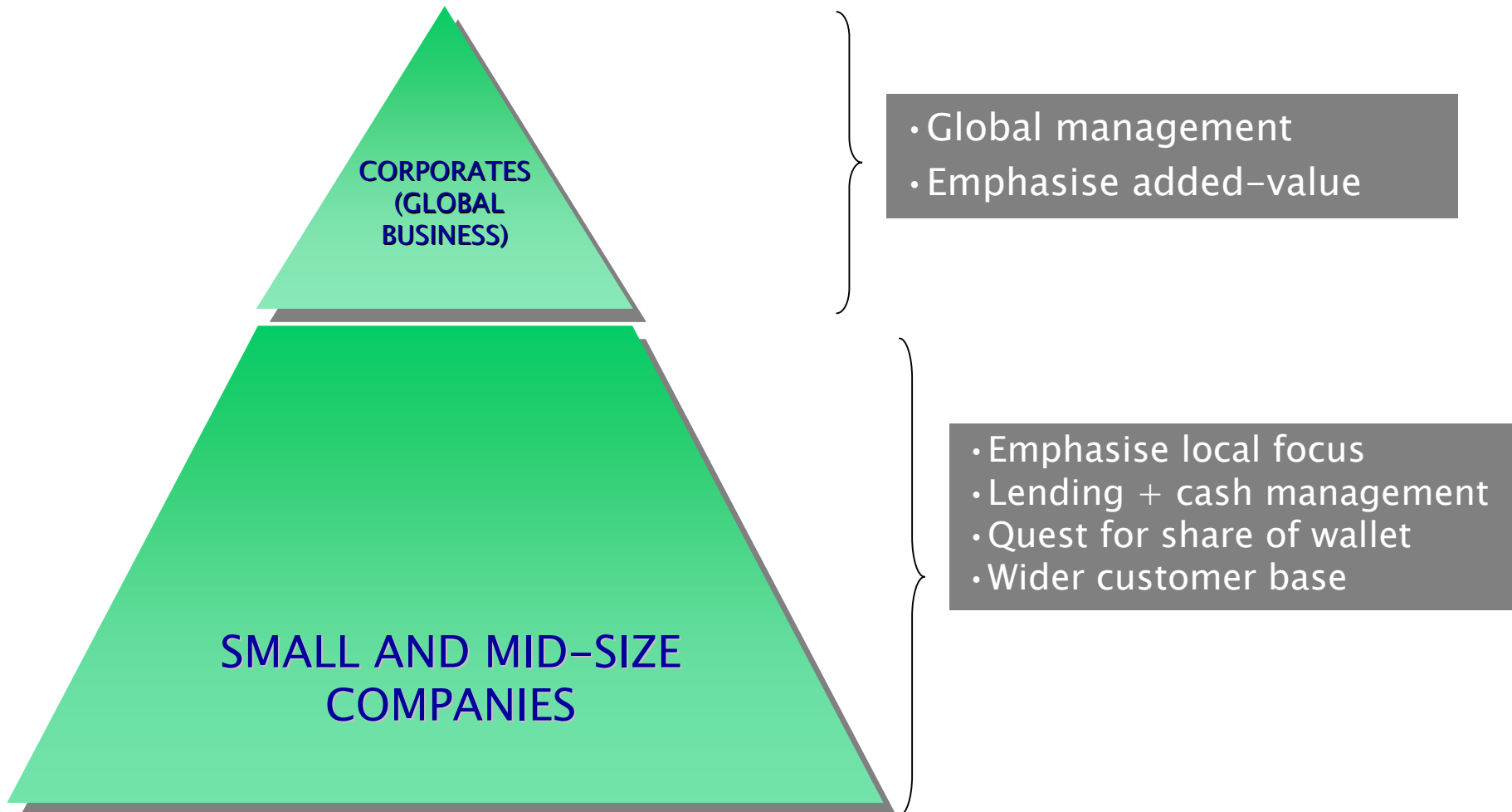
- Global Businesses
- Financial group
- Synergies

We must widen the customer spectrum beyond the better-known segments and relationships

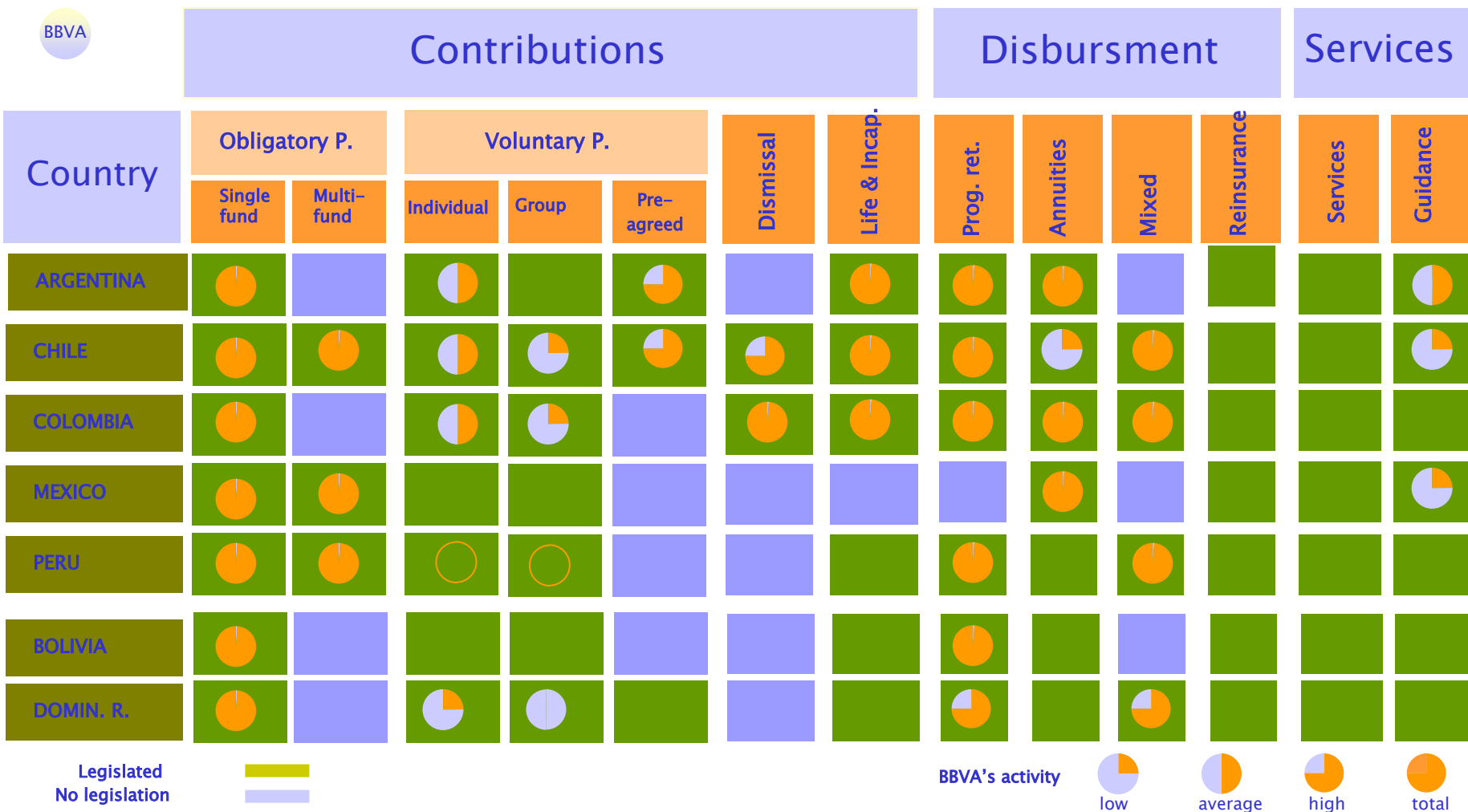


With SMEs, we have to reinforce our leadership

Vision of market segments



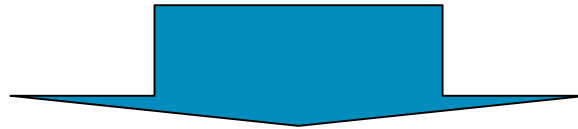
Pension business: we must pull out all stops to complete the cycle



Insurance business: we must . . .

- 1 Increase the product range to cover more of customers' insurance needs
- 2 Make products more distinctive, adapting them to each segment
- 3 Develop the bancassurance model:
 - Sophisticated ability to assume risk
 - Increased post-sales service capacity

But the strategy must
be specific for each
country



In each country we are a
leading financial group

- ▶ Vigorous marketing: the quest for leadership
- ▶ Priority in recovering mkt share and encouraging private investment
 - consumer finance, cards & mortgages
 - Strengthen corporate & business leadership
 - Boost bancassurance
- ▶ Reduce public–sector risk and mismatching
- ▶ Emphasis on efficiency and productivity

Strategy in Chile

- ▶ Greater work on revenue growth projects



Partnerships / new segments

Cards, consumer finance, insurance,
SMEs and trading income

- ▶ Boost distribution capacity and revenue synergies with the financial group

- ▶ Goal: operating profit

Strategy in Colombia

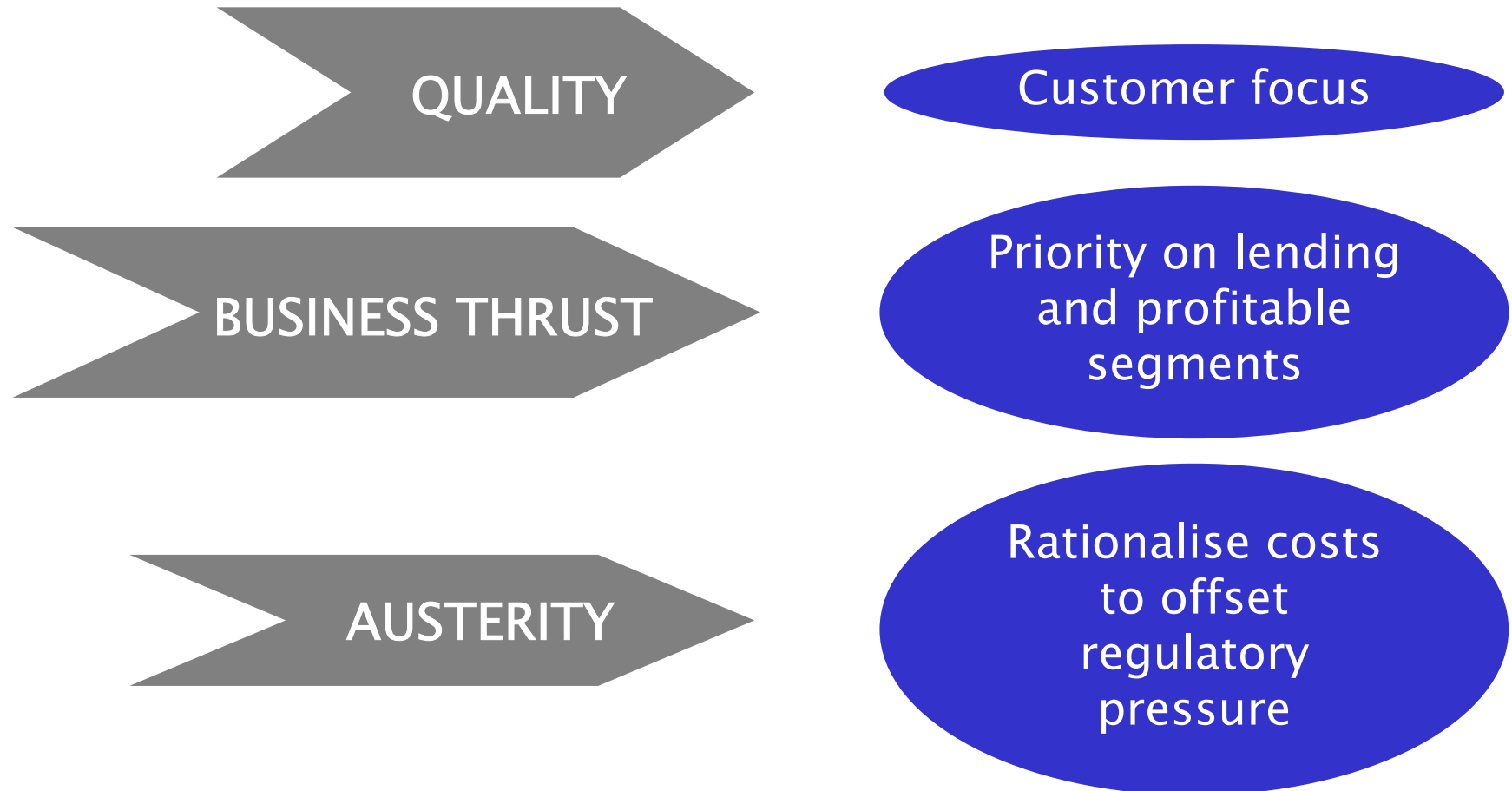
- ▶ Merger:
achieve the operational goal: cost synergies
- ▶ Emphasis on mortgages, although priority is also on consumer finance, SMEs and bancassurance
- ▶ Group synergies

Strategy in Peru

- ▶ Expansion of customer base through lending
- ▶ Boost co-operation between areas
 - AFP, wholesale, SMEs and institutions banking
- ▶ Increase deposits
- ▶ Stand fast in the AFP marketing war
- ▶ New growth sectors
 - New business lines, new channels

Strategy in Venezuela

- ▶ We have three basic lines of action in an unfavourable environment



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2006 has been an extremely positive year for the South America Area

- Surge in business activity in all units.
- Significant revenue growth.
- Lack of pressure on loan-loss provisions and extraordinary items.
- Favourable year for insurance.
- Costs up due to marketing but efficiency improves.
- Difficulties in AFP business.

In 2007, we expect:

- Strong support for banking penetration: the region's strategic project
- High growth of business, especially lending
- Sharp improvement in revenues, except trading income
- Recovery of pension business
- Good performance of insurance

2007: a good year for South America



South America

