

BBVA

**Implementing a strategy
to deliver profitable
growth**

Morgan Stanley European Banks Conference

April 8th 2005

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In 2002 we launched an ambitious Strategic Plan



Positioning BBVA among the best banks in Europe



We set a target:
Podium in

Profitability

Efficiency

EPS Growth

Taking into account the Group's situation

Integration processes

Spain

Mexico

Internationalization

Staff out of Spain

1995

3.232

5%

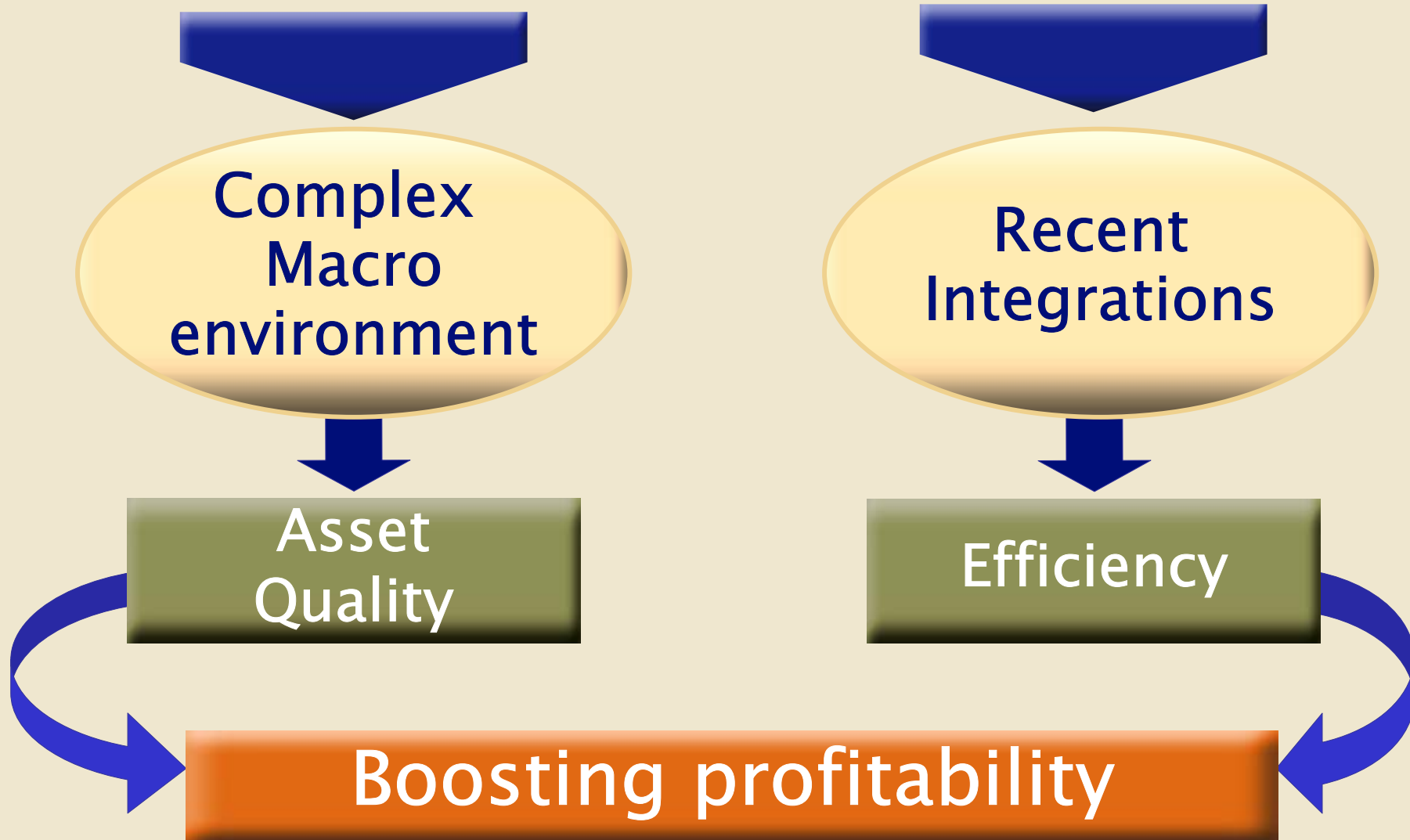
2002

66.902

68%

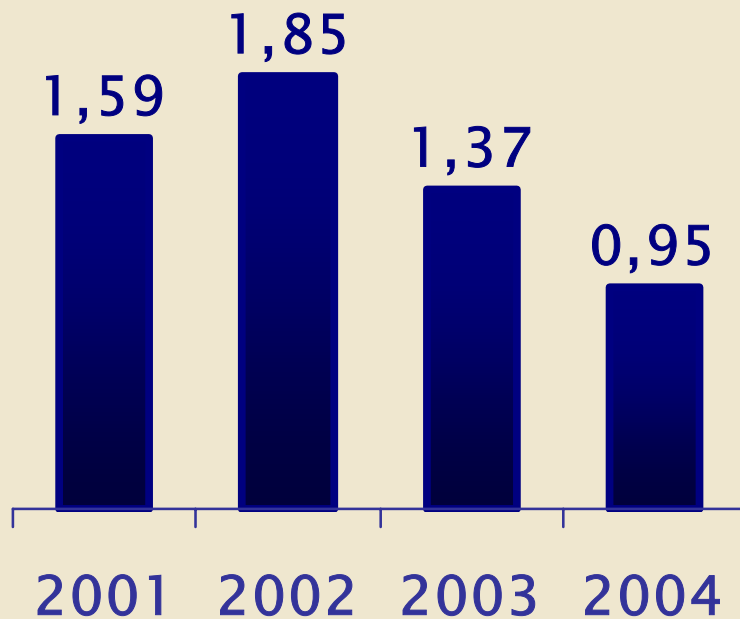
Defining a new culture =>
new way of seeing the Group...

... and we worked on improving fundamentals

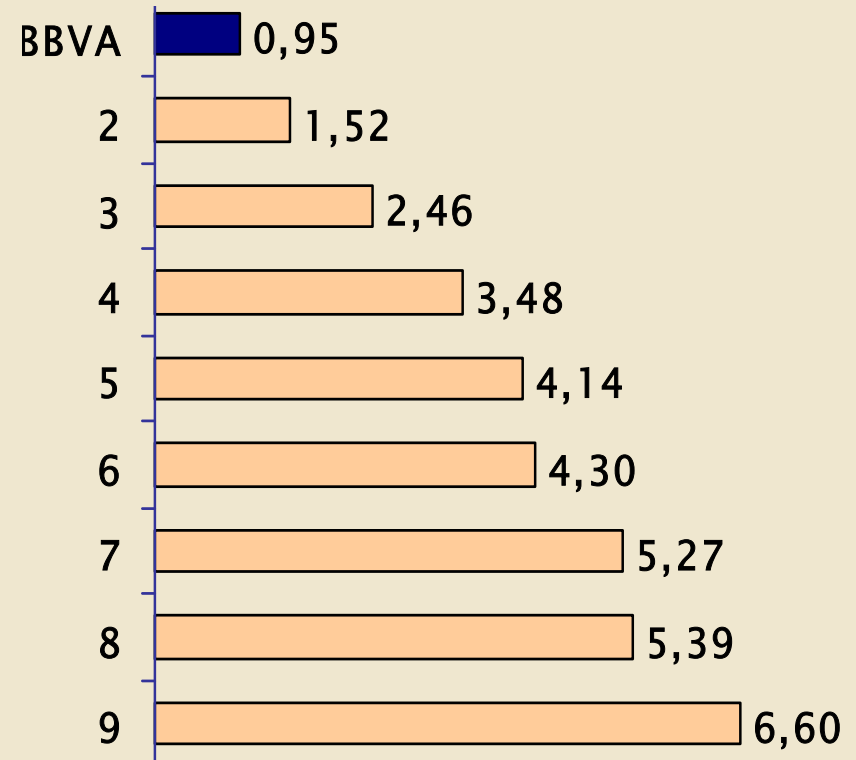


Today BBVA is a very solid Group

NPL Ratio (%)



NPL Ratio (%)
European comparison



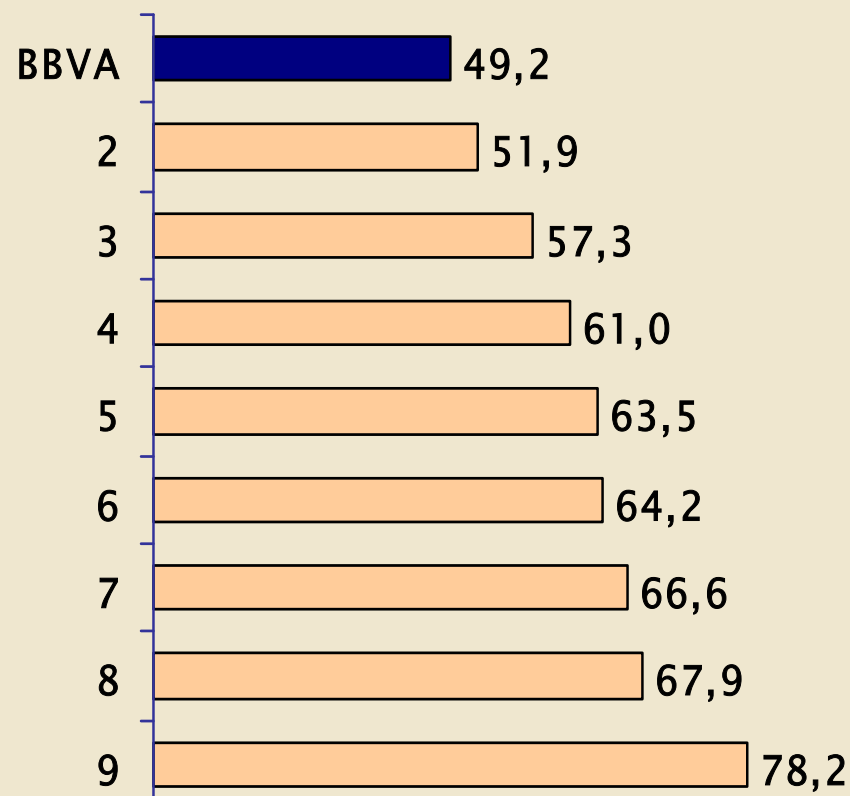
...improving coverage and maintaining high levels of capital adequacy requirements

... efficient

Efficiency ratio (%)



Efficiency ratio (*) (%)
European comparison

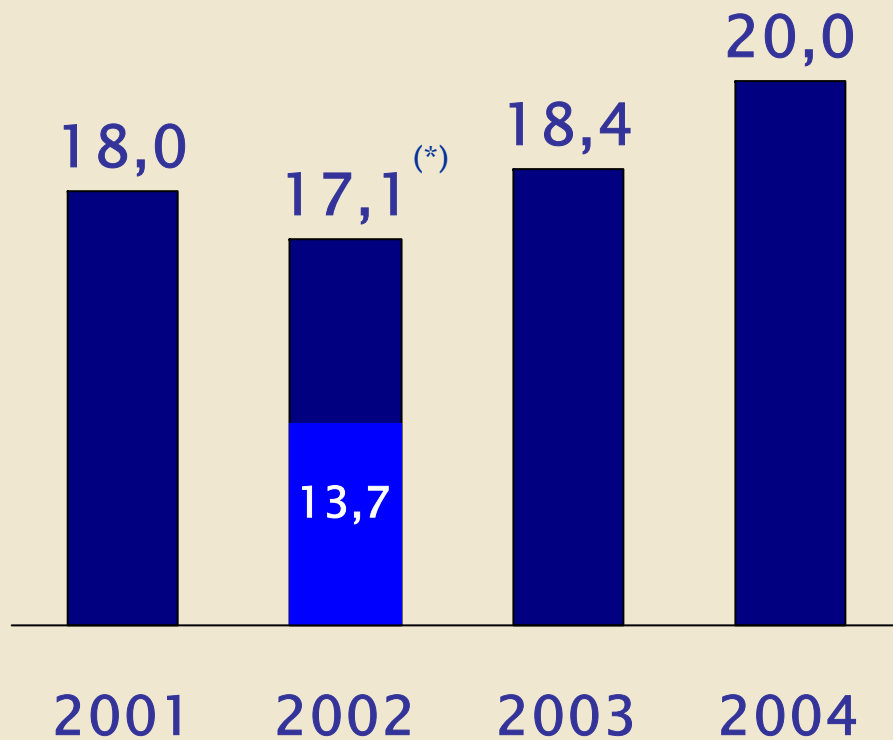


(*) (Administrative expenses + Amort) / (Ordinary Revenues + Net income from companies accounted for by the equity method)

Commercial productivity in 2004: +30%

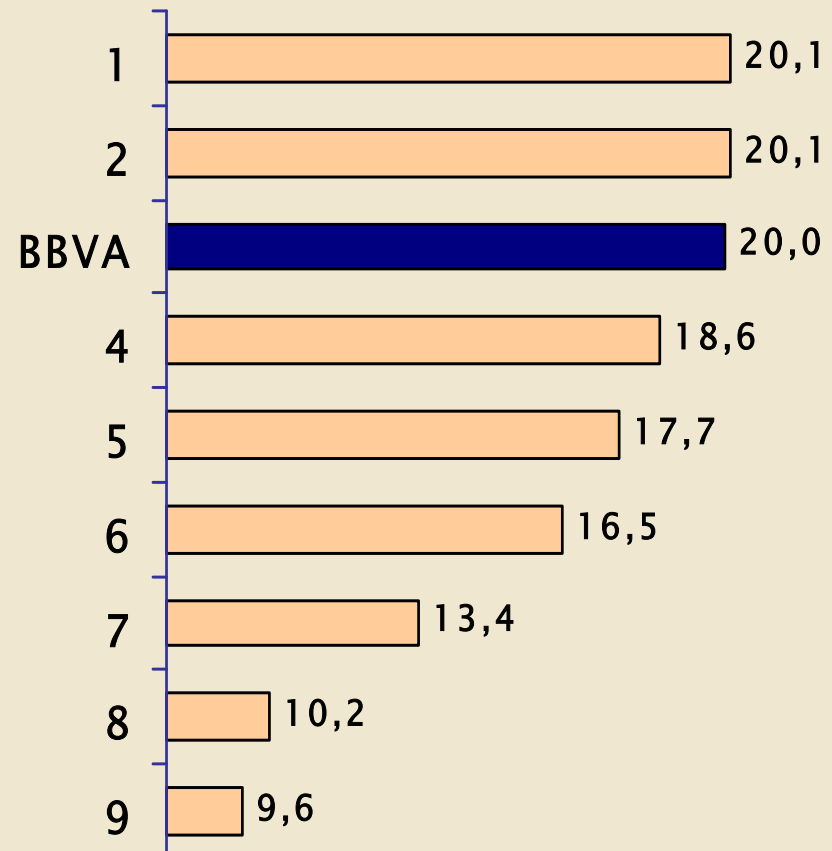
...and profitable

ROE (%)



(*) Before extraordinary writedowns

ROE (%)
European comparison



**This placed BBVA in a sound
competitive position ...**

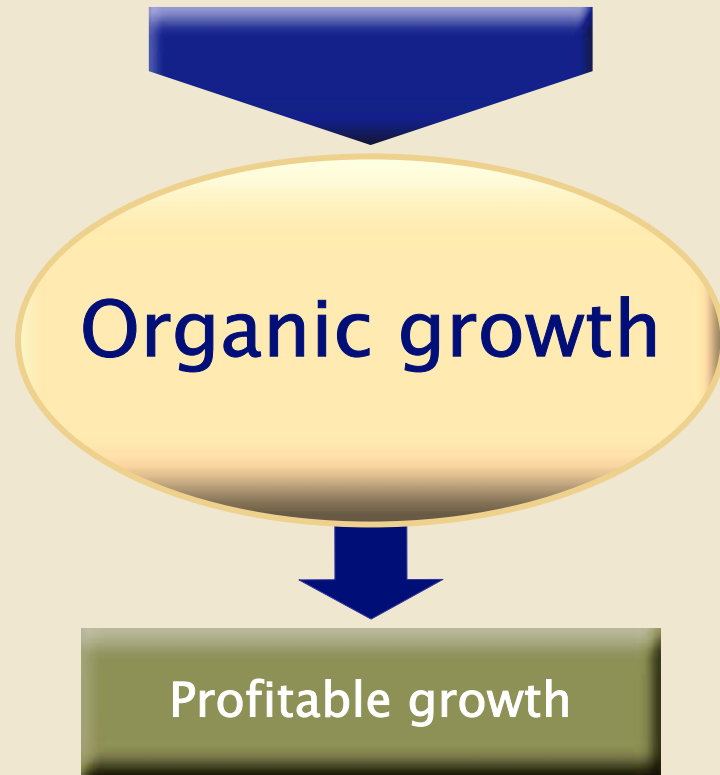


**... allowing the development of
our Strategic Plan**



Growth

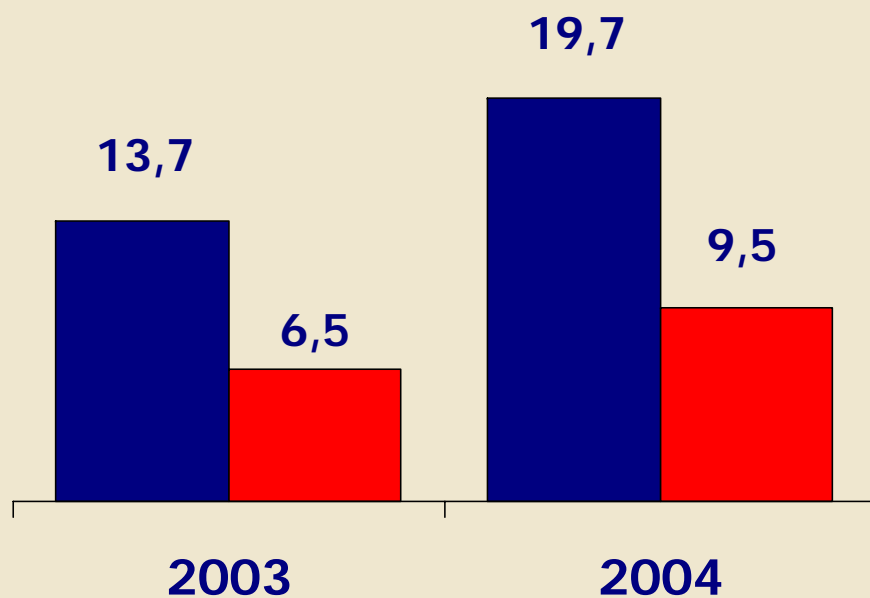
BBVA is pursuing a double approach to deliver growth ...



...as a way of creating value for our shareholders

We have demonstrated that we can grow organically

Retail Banking: YoY change (%)



2003

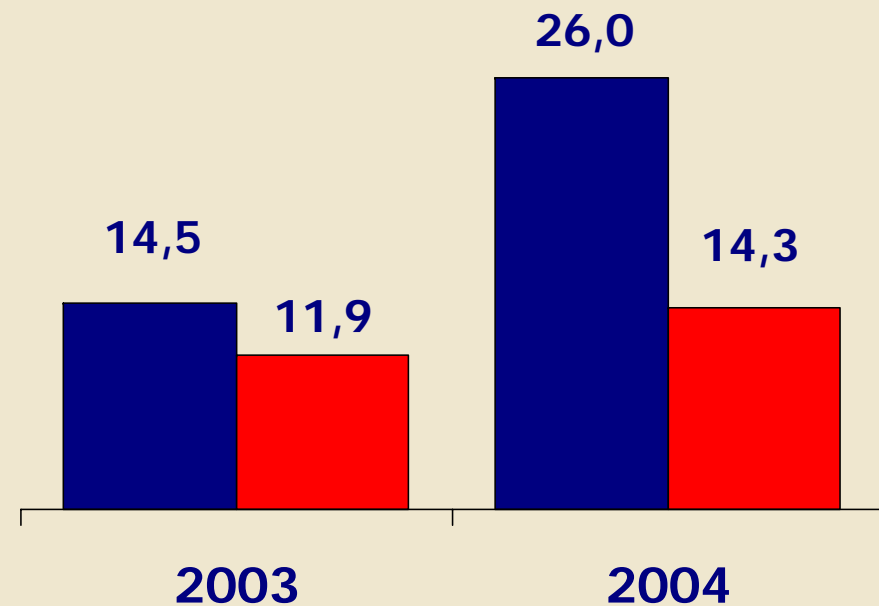
2004

Lending

Customer Funds

Δ Profit:
+13,8%

America: YoY change (%)

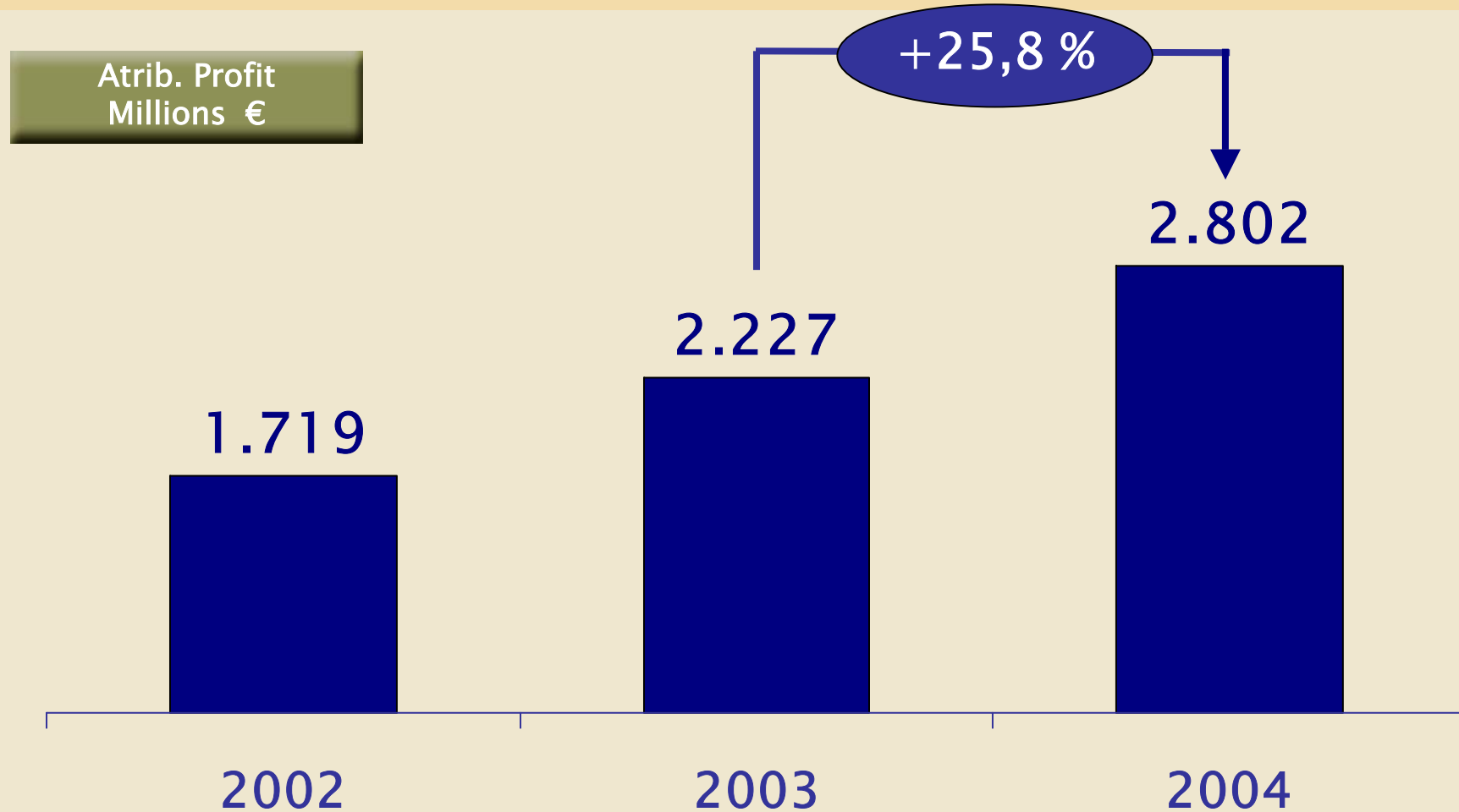


2003

2004

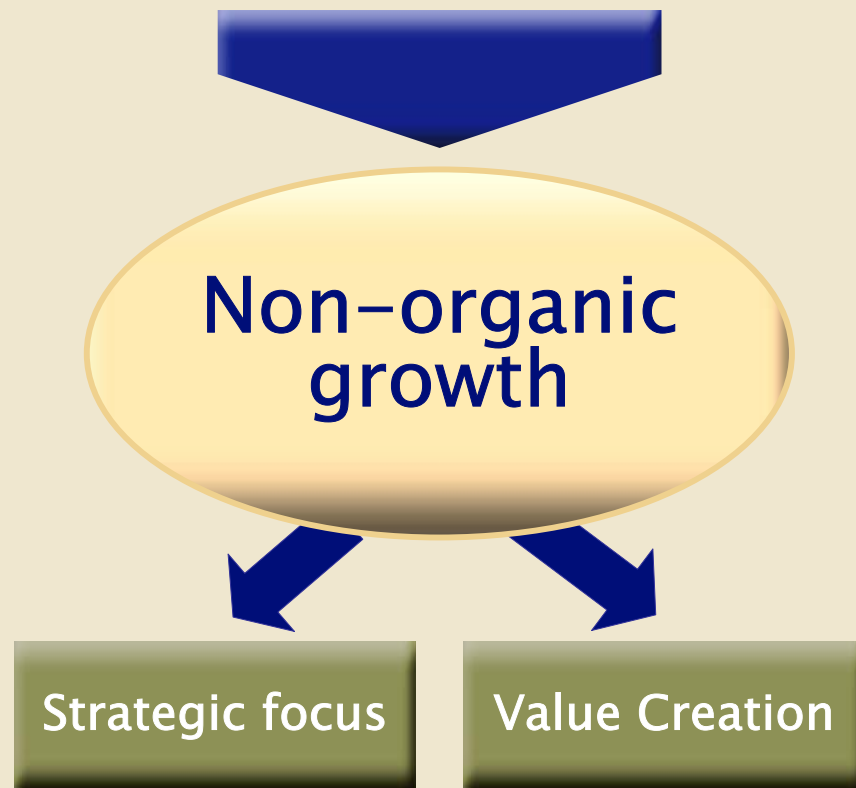
Δ Profit:
+24,6%

In 2004 we reached historical profits



...with an EPS increase of +19,2%

BBVA is pursuing a double approach to deliver growth ...



...as a way of creating value for our shareholders

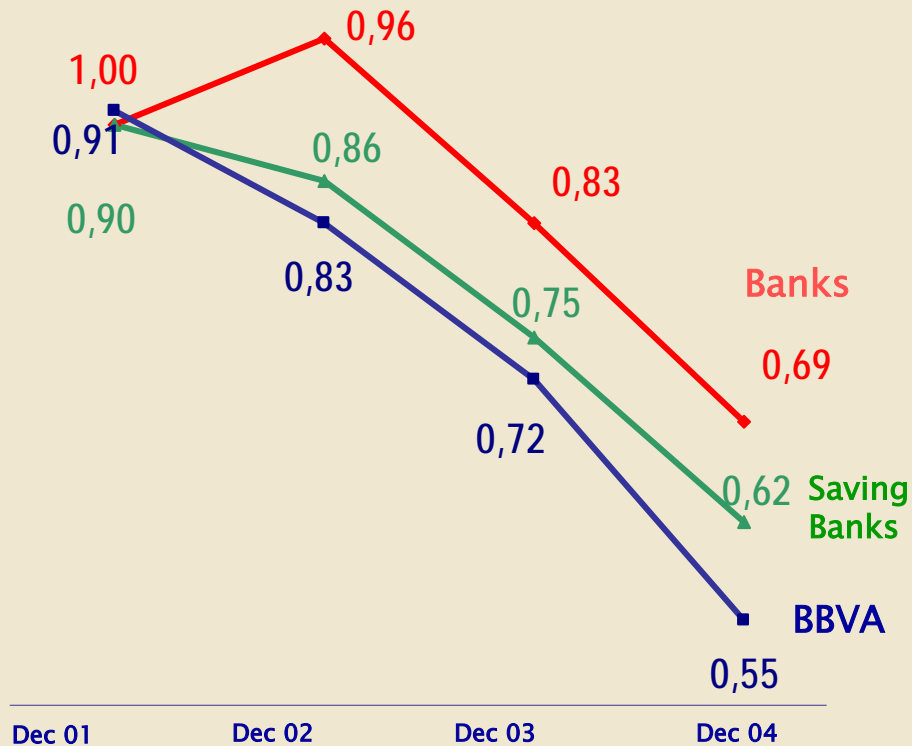
BBVA's non organic growth takes advantage of our management skills



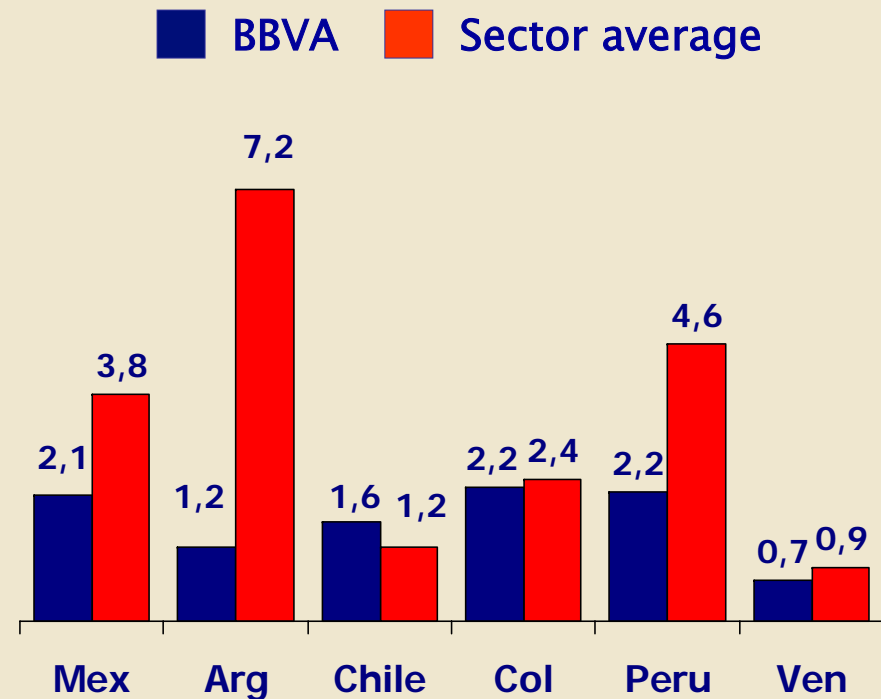
BBVA is a benchmark in managing risks

NPL Ratio (%)

Spain



America (Dec 04)



Structural and operational risk management

Interest rates => € 23 Bn. portfolio

Currency => 47% Book Value coverage

BBVA's non organic growth takes advantage of our management skills



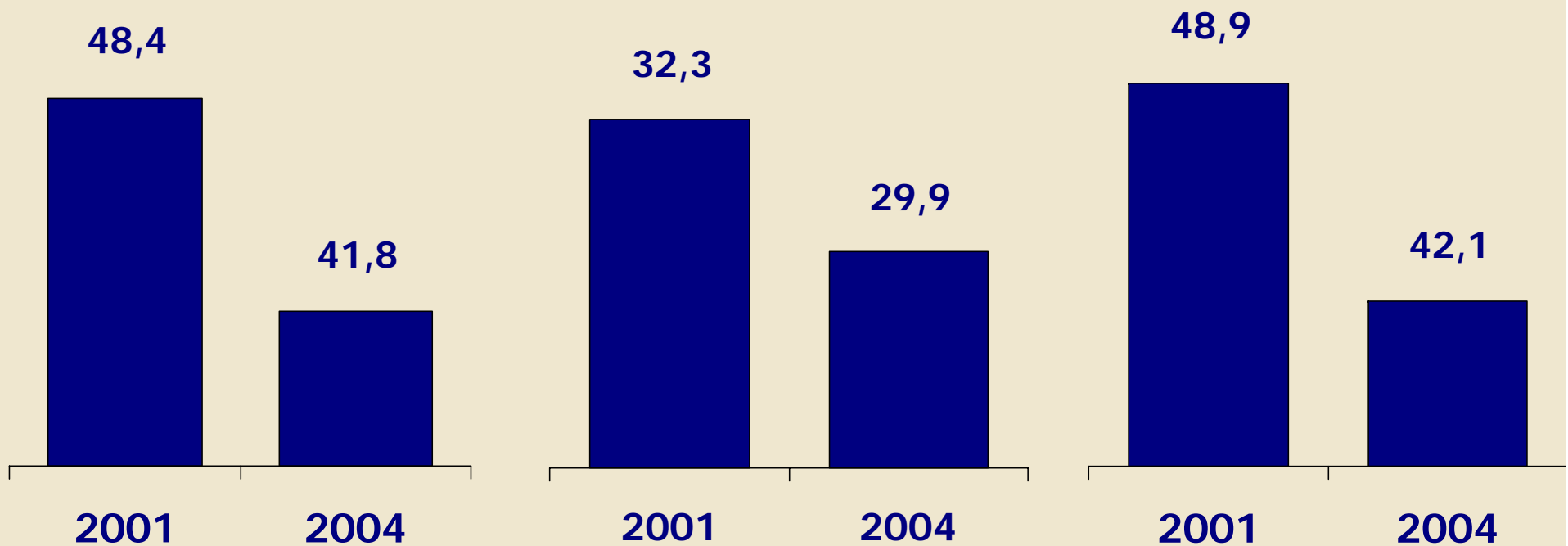
An excellent track record

Costs / Ordinary revenues (%)

Retail Banking

Wholesale Banking

America



BBVA's non organic growth takes advantage of our management skills



3

Ability to
manage
retail networks

Management of commercial networks

SPAIN

Business volume per branch
Mill €

55,46

73,36

2001

2004

Sector Average 04

50,47

MEXICO

Business volume per branch
Mill pesos

271,7

387,3

2001

2004

Sector Average 04

349,4

BBVA's non organic growth takes advantage of our management skills

4

...with a clear focus on implementation

The Group analyses those transactions where our management skills can be implemented

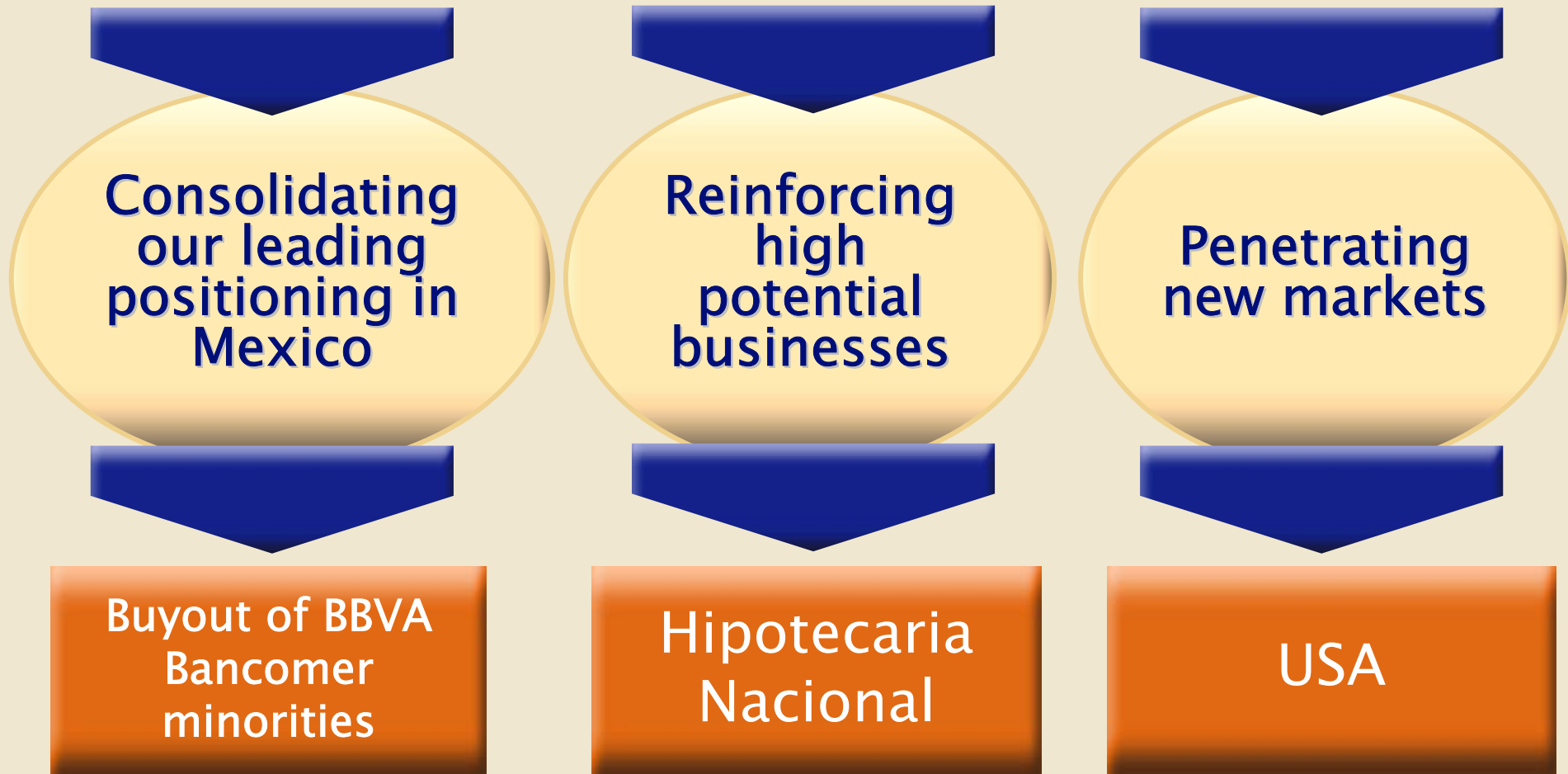
Definition

Active portfolio management
(supported by VBM programme)

Implementation

- ▶ Well structured organization
- ▶ Results oriented
- ▶ Concept of team above individuality

This is not a theory: we did it during 2004

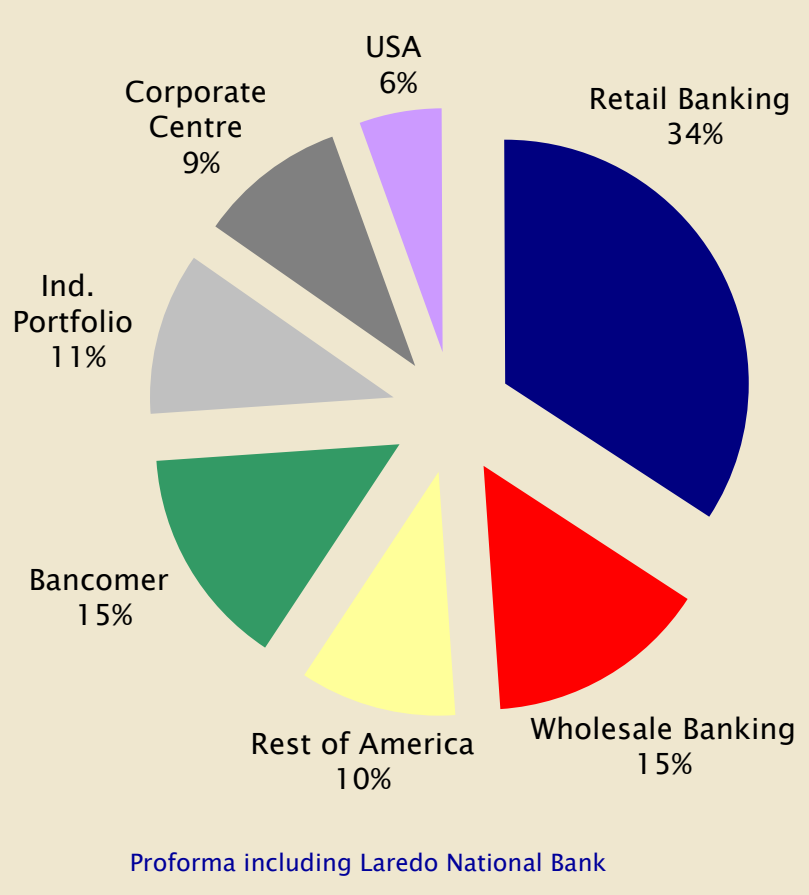
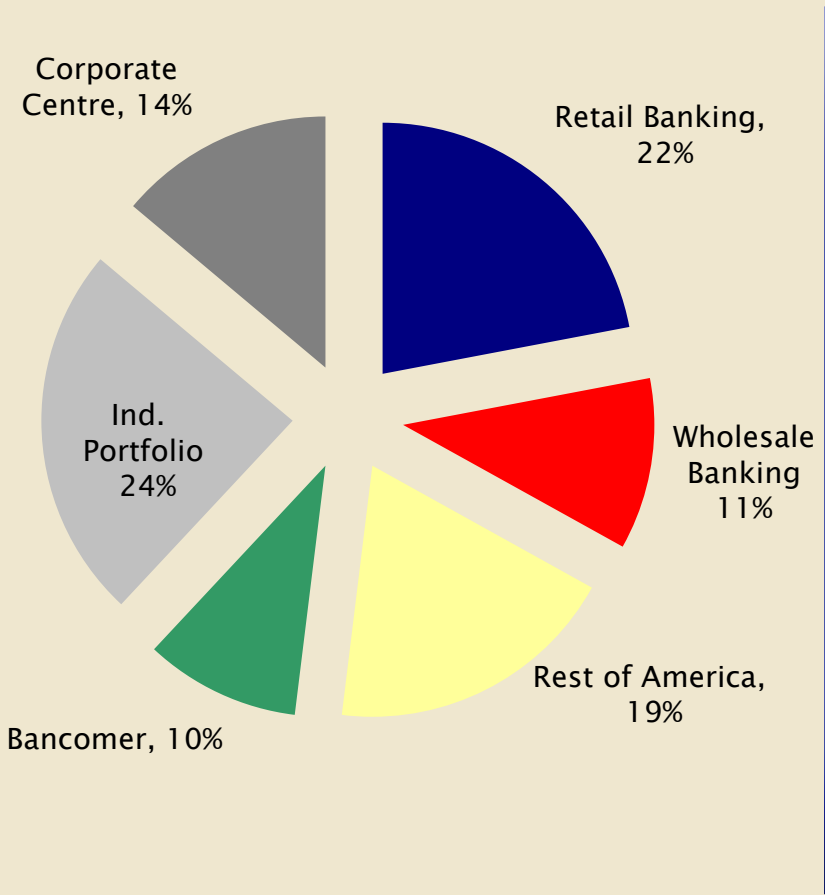


Total Investment 2004: €4,3 Bn

Those movements allowed us to enhance our business mix

Economic Capital 2002

Economic Capital 2004

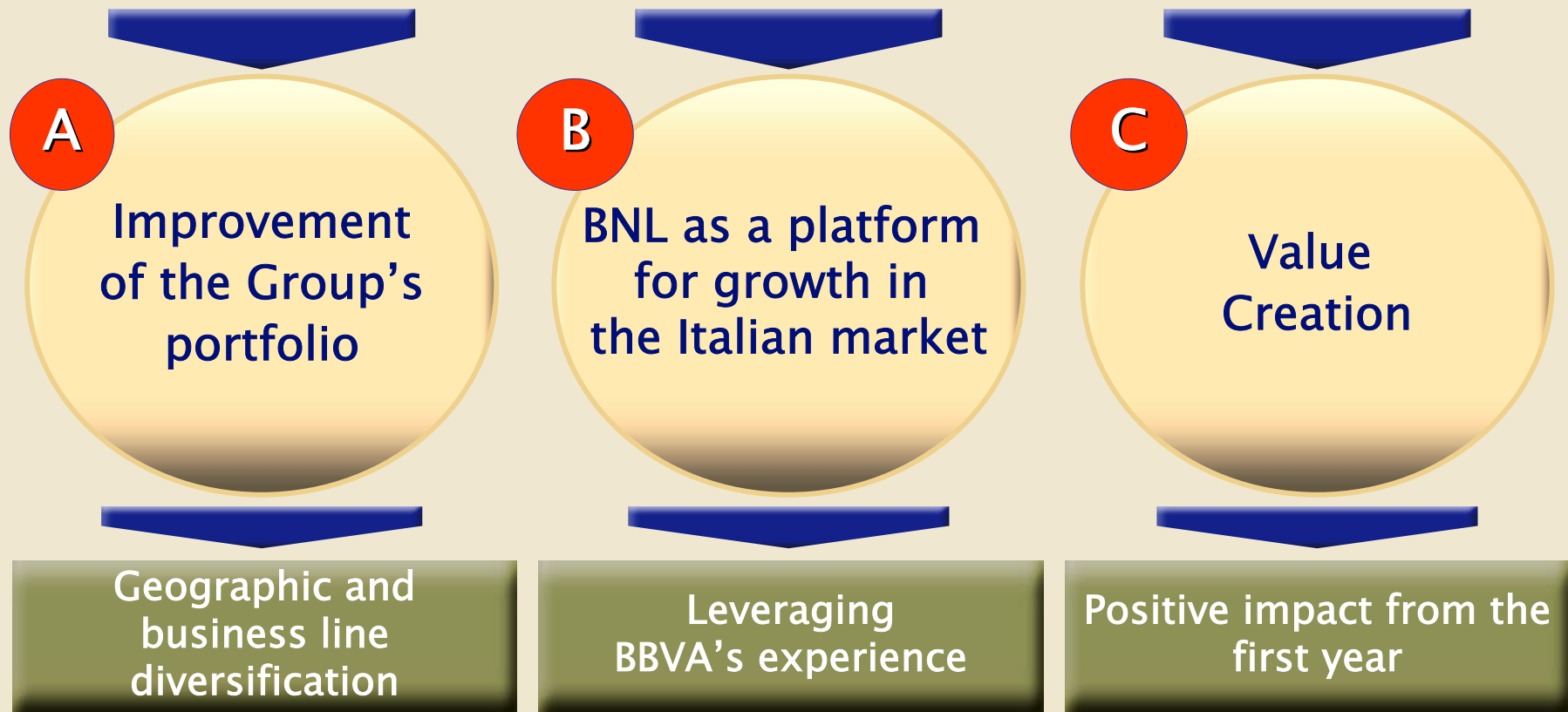


That is the path we are following



...and our offer for BNL
is consistent with this
strategy

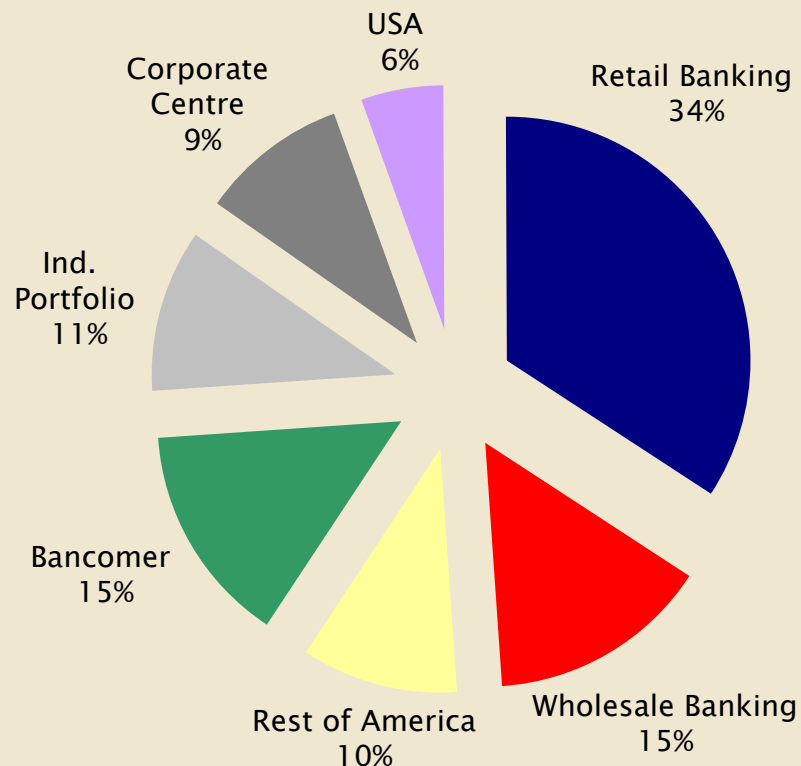
BNL operation fits in BBVA's strategy



...with limited execution risk

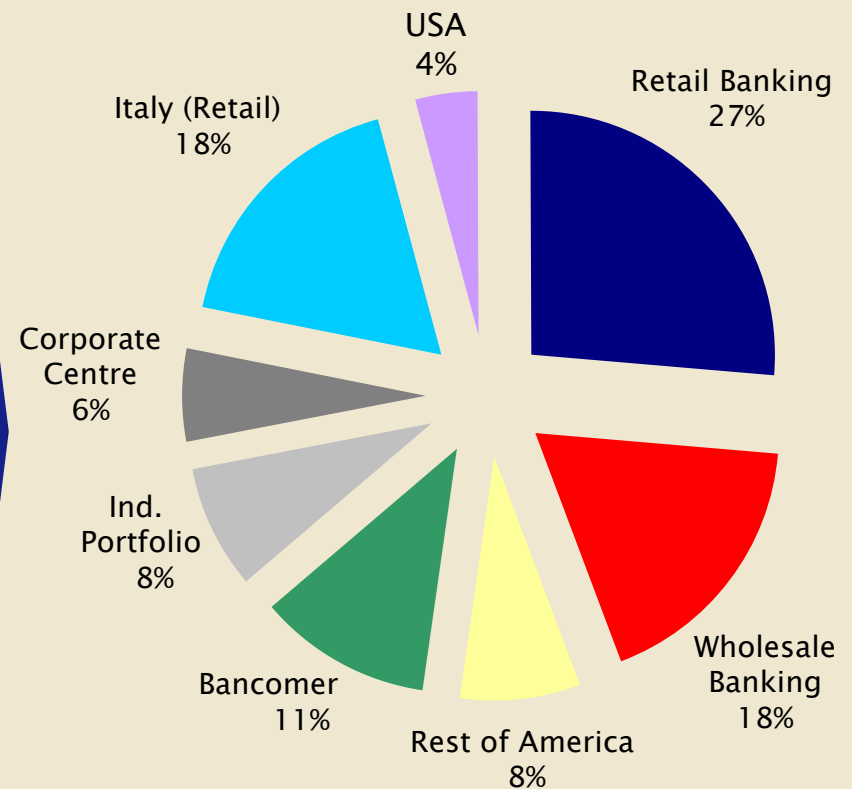
BNL improves our business portfolio by increasing its diversification

Economic Capital BBVA



Proforma including Laredo National Bank

Economic Capital BBVA+BNL



BNL operation fits in BBVA's strategy



A company in which BBVA can apply its
management skills:



Risk and Recoveries Model

A two-fold approach

Old
Portfolio

Focus on recoveries

Coverage: 91%
(pro-forma)

New
Production

Focus on improving
scoring and monitoring
processes

Future risk premium:
0,39%

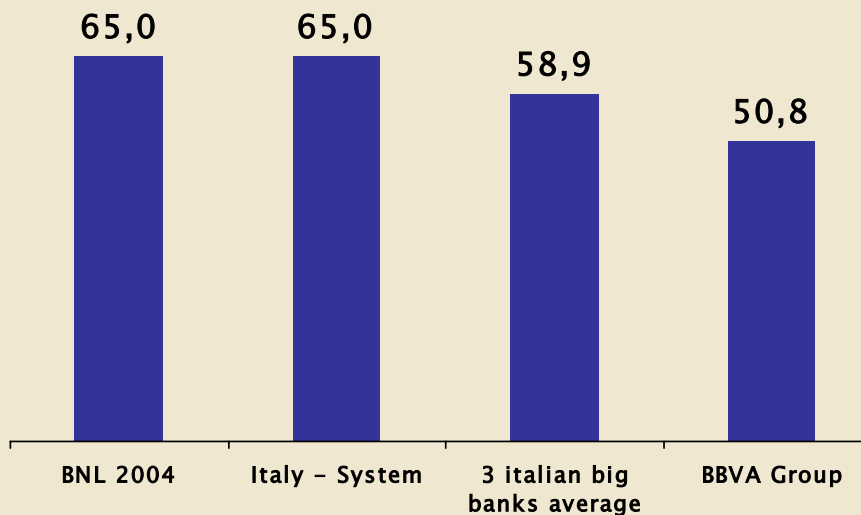
A company in which BBVA can apply its management skills:



**Ability to
improve
efficiency**

Improvement in efficiency levels

Efficiency Ratio comparison (%)⁽¹⁾



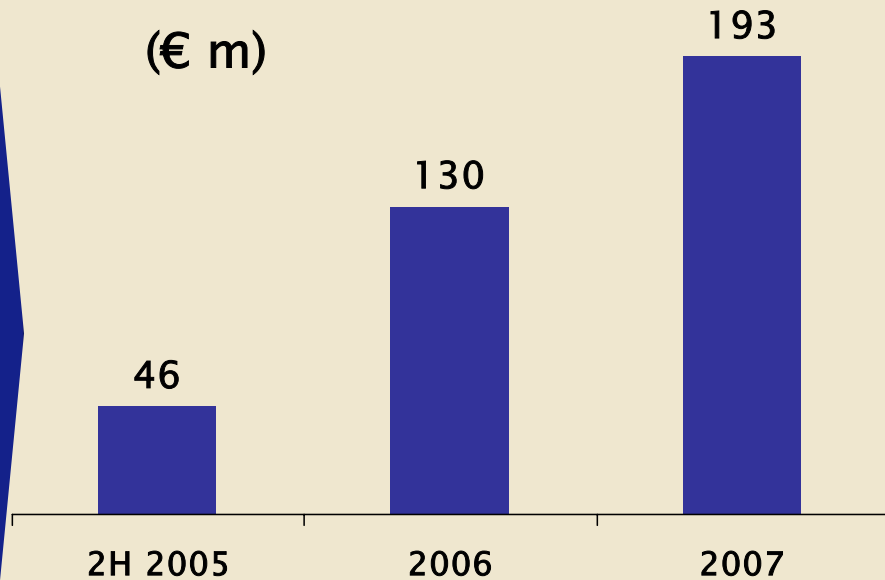
(1) Includes depreciation

Improving systems and processing models

Reducing general and administrative expenses

Sinergies in costs before taxes

(€ m)



10.2% of BNL's cost base,⁽²⁾ which will require a €255 MM restructuring charge

(2) consensus for 2007 cost base

A company in which BBVA can apply its management skills:



**Ability to
manage
retail networks**

Management of commercial networks

Retail & SME's branch network action plan

Branch management

Customer management

Improve management information systems

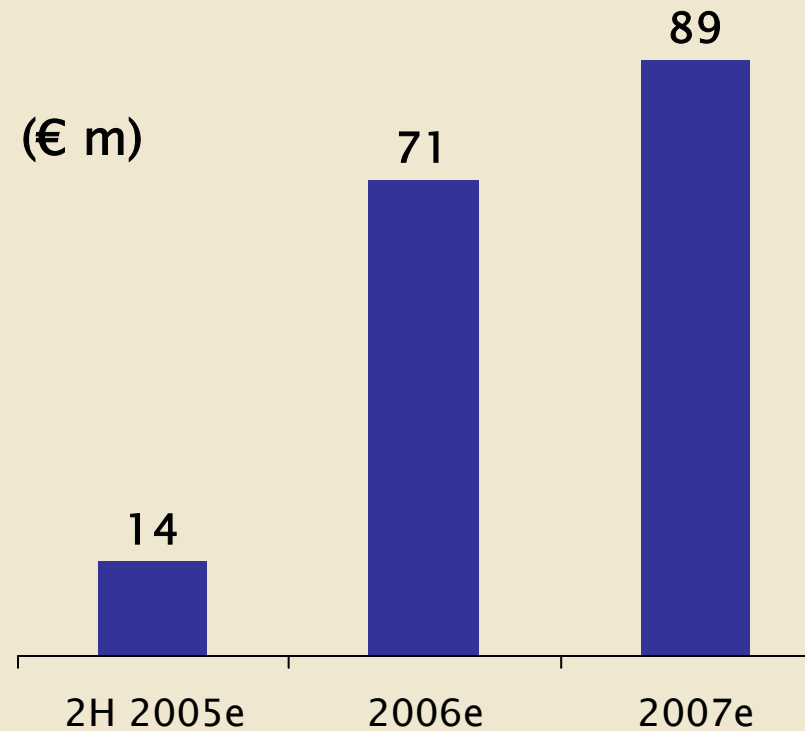
New management procedures

Improve CRM

Enhance brand name and leverage advertising

... That will require investments of €135 M aprox.

Impact on profit before tax⁽¹⁾
(€ MM)

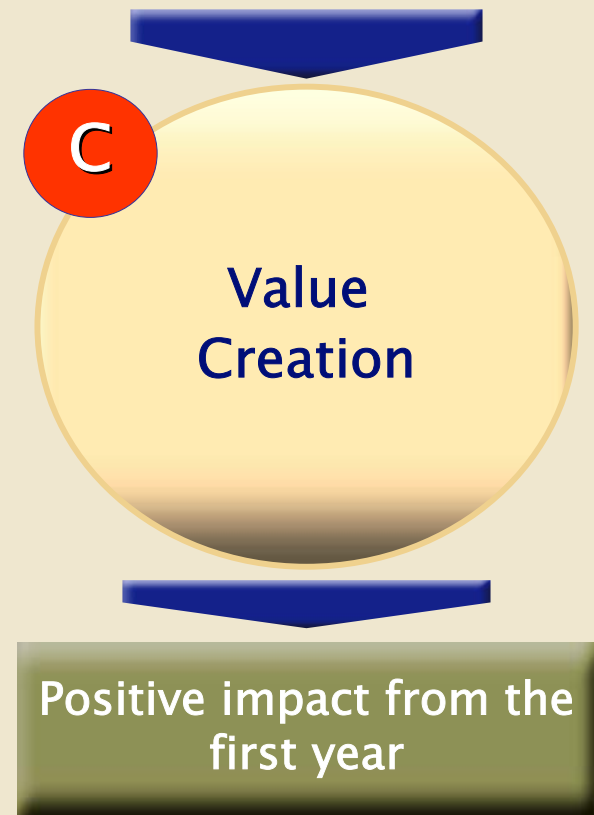


which amount to 2.6% of BNL's revenue base⁽²⁾

Note (1) Net of investment cost and includes improvements in the wholesale operation

(2) consensus for 2007 revenues

BNL operation fits in BBVA's strategy



Effect on capital

Core capital (pro-forma 2004) =
5,72%

Latent capital gains
in industrial portfolio

€1.566 m
(net of taxes)

Buy back share
programme

Up to
3.5% of capital

A value creating transaction for BBVA

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

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

BNL: an acquisition that would allow BBVA to implement its management skills...

... value creation for BBVA shareholders from day one

... high visibility of synergies

... appropriate financing structure of the transaction

With a very limited execution risk

Conclusions

BBVA is consistently following a strategic plan

Target: deliver profitable growth in the future

Organic

Non-organic

Strategic Focus

Value creation

Leverage in
management skills

Customer oriented

Risk & Efficiency skills

Distribution capabilities

Focus on results and
implementation

BBVA

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