

BBVA

BBVA AMERICA

*“ Looking to the future with
optimism ”*

Morgan Stanley Latin American
Banks Video Tour

March 4, 2005

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Contents

- Favourable macro economic environment
- 2004: an excellent year for BBVA America
- Individual country review
- Positive outlook: enhancing growth potential
- Conclusions

Latin American economies will continue to grow in coming years

| ▲% Real GDP | 2004 | 2005E | 2006E |
|-------------------|------|-------|-------|
| Argentina | 8.8 | 6.3 | 4.0 |
| Chile | 5.6 | 5.7 | 5.5 |
| Colombia | 4.0 | 4.0 | 3.0 |
| Mexico | 4.4 | 3.8 | 4.4 |
| Peru | 5.1 | 4.4 | 2.7 |
| Venezuela | 17.4 | 3.9 | 2.3 |
| Latin America (1) | 6,4 | 4,5 | 3,9 |

Inflation to remain under control, with a similar evolution to 2004

Source: BBVA Research
(1) Average of the countries in the chart

Slight rise in interest rates and more stable exchange rates

| | Exchange rates (1) Local currency/US\$ | | Interest rates (1) | |
|-----------|---|-------|--------------------|-------|
| | 2004 | 2005E | 2004 | 2005E |
| Argentina | 2.96 | 3.03 | 10.8 | 4.1 |
| Chile | 609 | 575 | 1.9 | 3.0 |
| Colombia | 2.631 | 2.465 | 7.8 | 7.9 |
| Mexico | 11.29 | 11.67 | 7.2 | 9.3 |
| Peru | 3.41 | 3.26 | 2.7 | 3.7 |
| Venezuela | 1.882 | 2.268 | 12.5 | 12.8 |

(1) Average rates
Source: BBVA Research

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BBVA America: A strong franchise with a significant position ...

DEPOSITS

PENSION FUNDS(*)

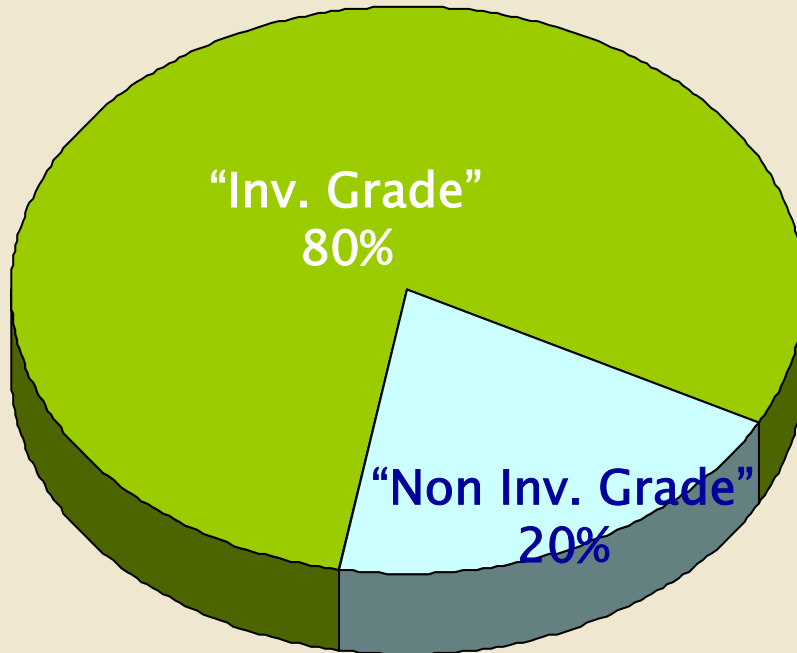
| COUNTRY | RANKING | (%) Market Share | RANKING | (%) Market Share |
|-------------|---------|------------------|---------|------------------|
| MEXICO | 1° | 33.0% | 2° | 20.5% |
| VENEZUELA | 3° | 13.9% | – | – |
| ARGENTINA | 1° | 10.7% | 2° | 19.6% |
| PERU | 2° | 25.9% | 3° | 25,5% |
| COLOMBIA | 3° | 8.1% | 3° | 18.7% |
| CHILE | 4° | 8.9% | 1° | 31.5% |
| PUERTO RICO | 5° | 5.8% | – | – |

Source: CENTRAL BANKS.

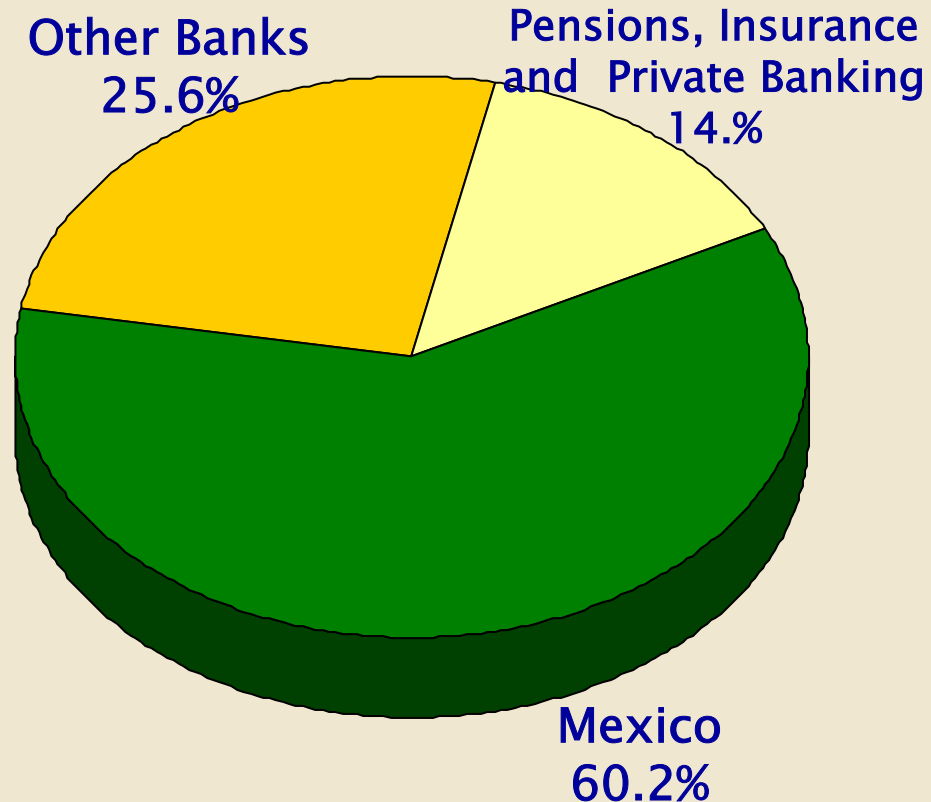
(*) According to managed portfolios

...and an important presence in the more stable countries ...

BBVA Americas
Assets distribution



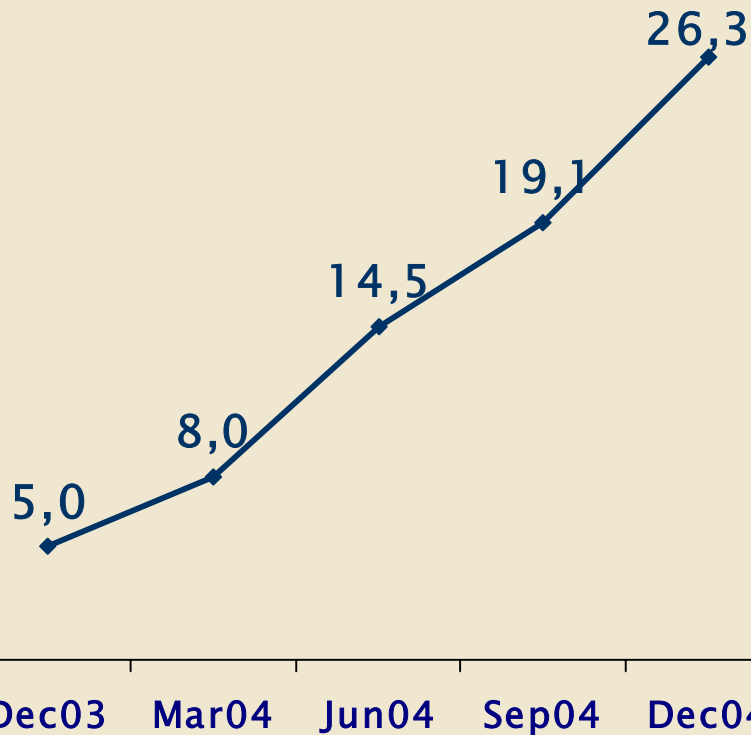
BBVA Americas
Net Profit Distribution



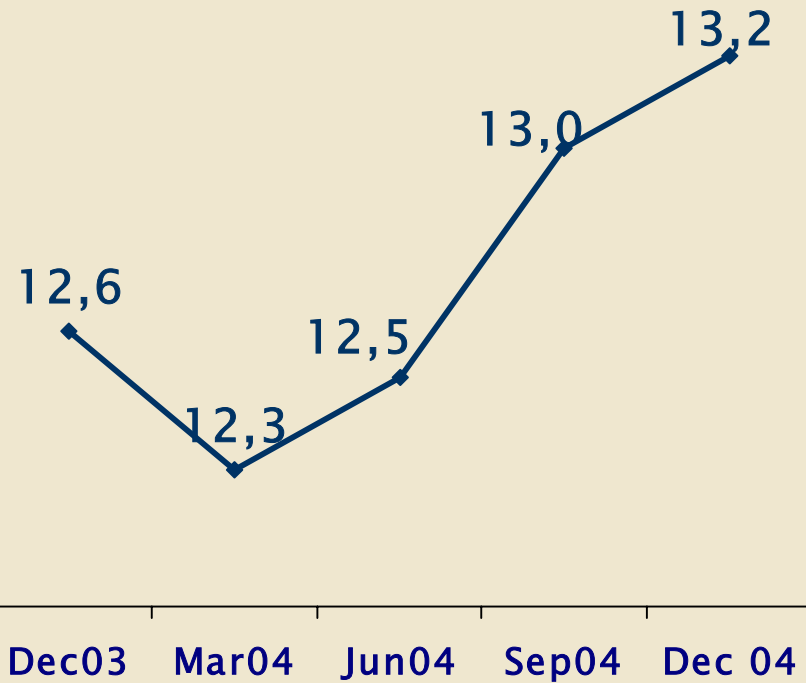
...with an adequate diversification according to businesses and countries

Loan growth was the strategic priority for 2004 ...

BBVA América - Loans (*)
y-o-y growth (%)



BBVA América -
Loans market share (%)



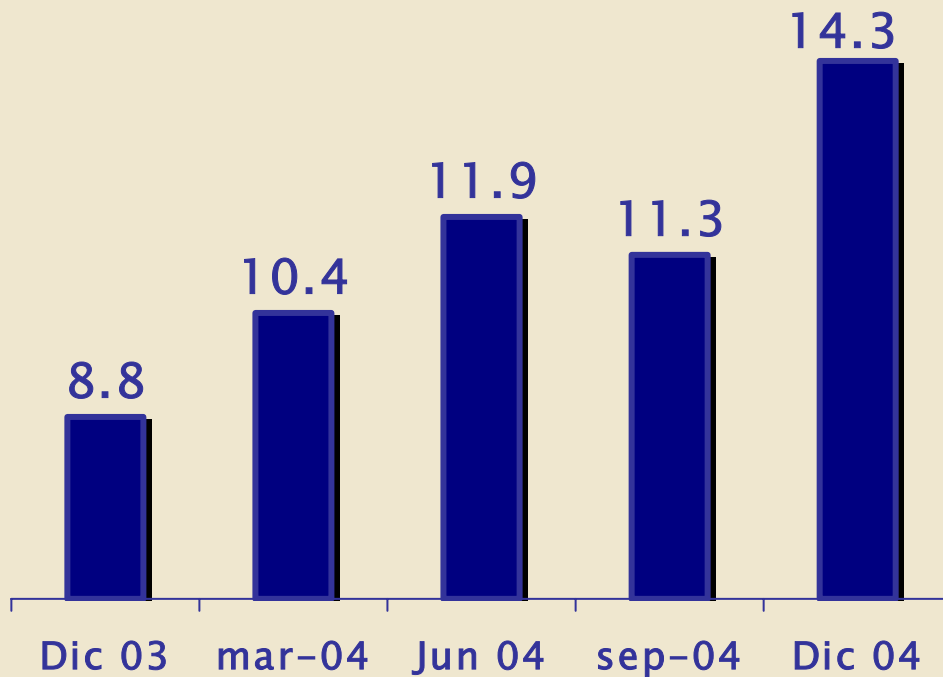
...and have delivered accelerating lending growth, resulting in higher market share

(*) Excluding "fideicomisos" (Bancomer) and NPLs.

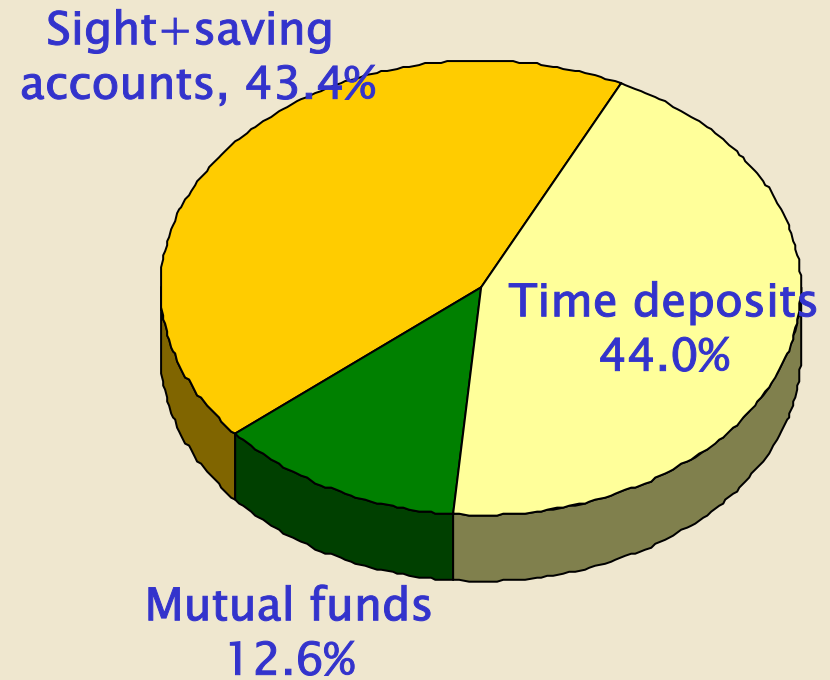
In customer funds, BBVA's traditional strength, the evolution has also been positive

Average balances
Constant €

Customer funds
& chg y-o-y



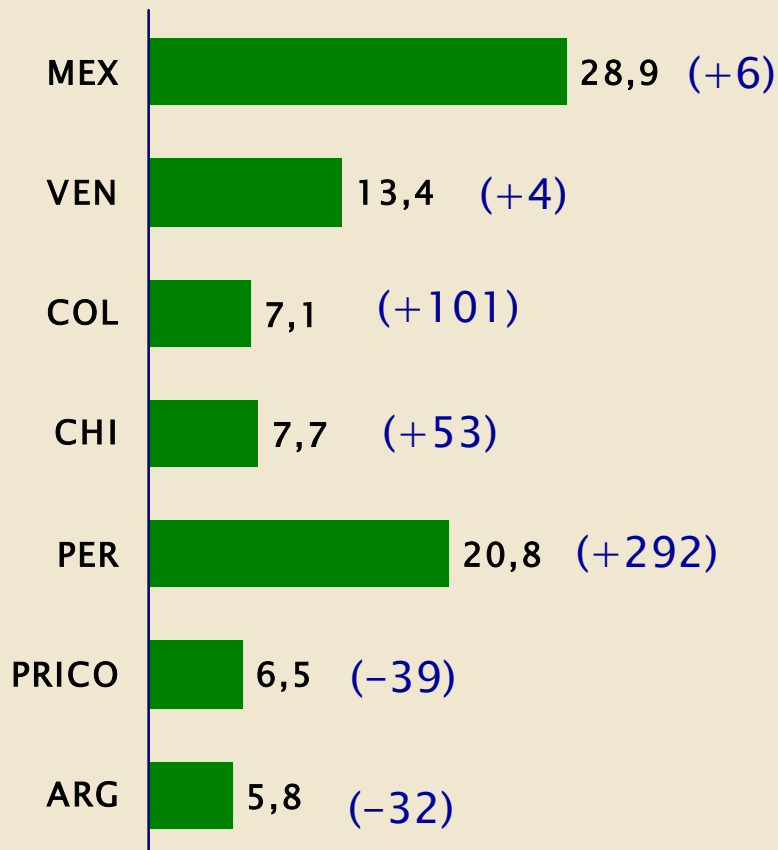
Customer funds
Structure (%)



Strong focus in low cost deposits

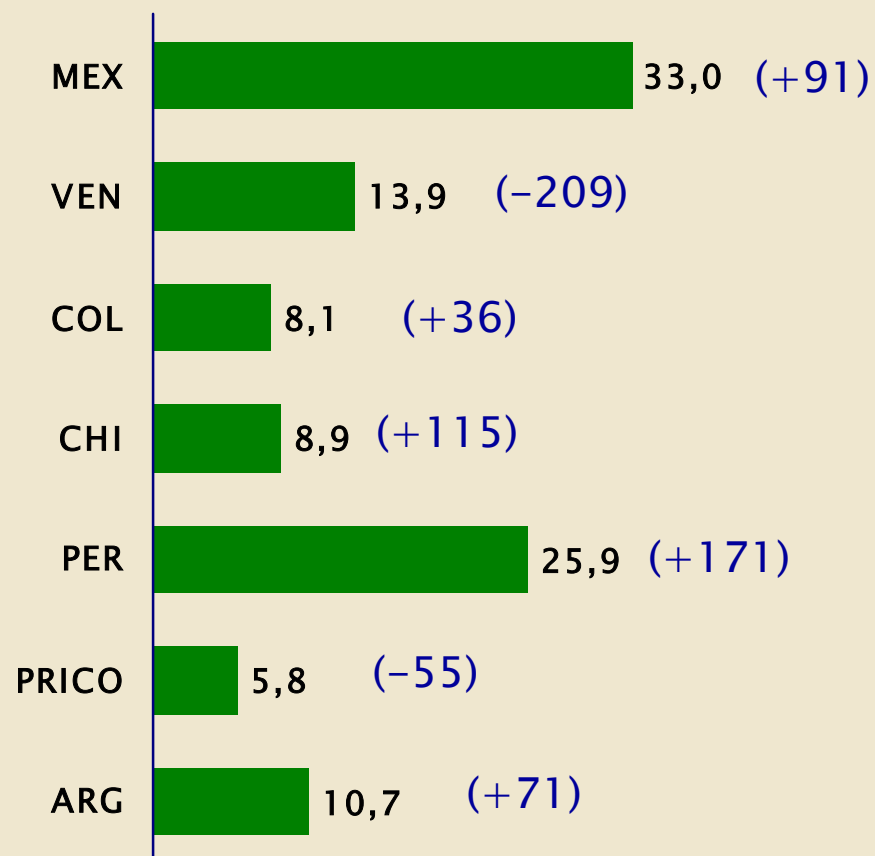
As a result, BBVA America has shows generalised increase in market shares

Lending % mkt share and chg. in bp



TOTAL 13.0 +71

Customer Funds % mkt share and chg. in bp

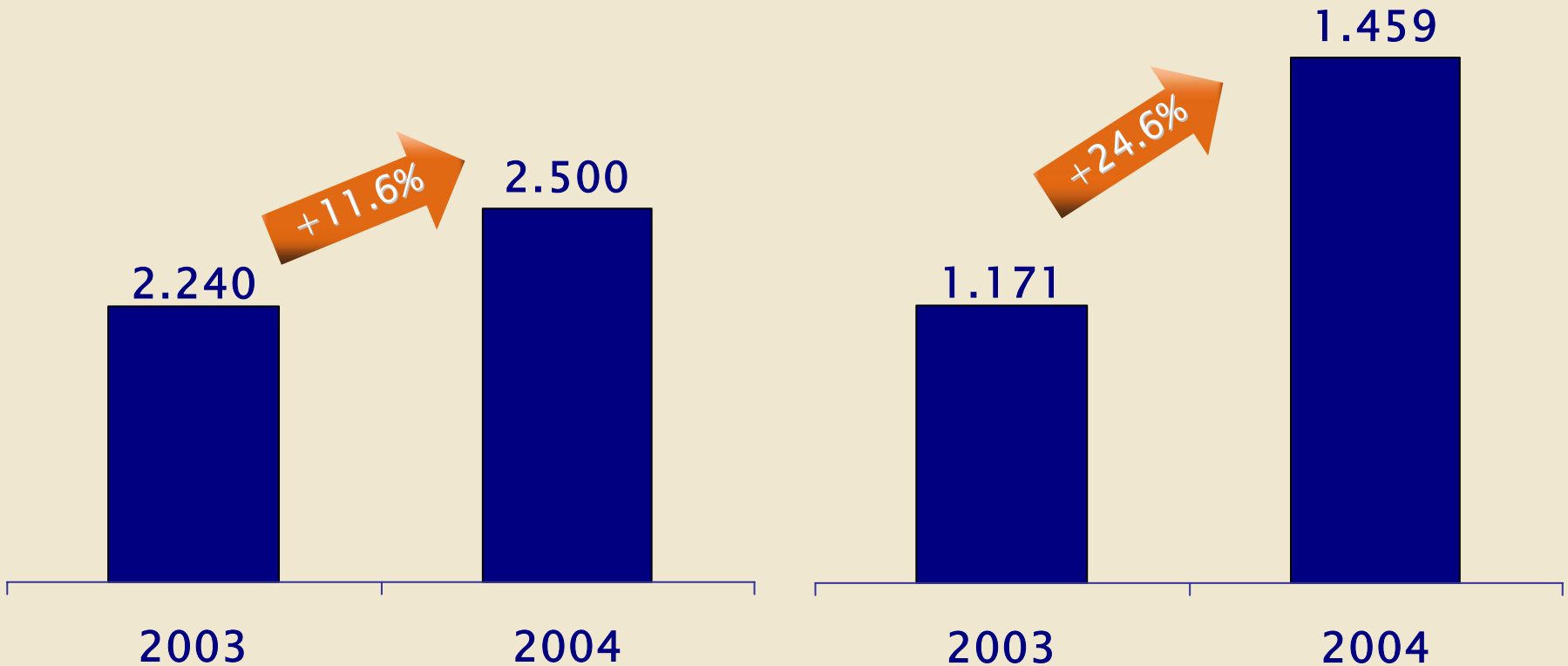


TOTAL 17.3 +47

Strong growth in activity carries through to results

Operating profit
€ million

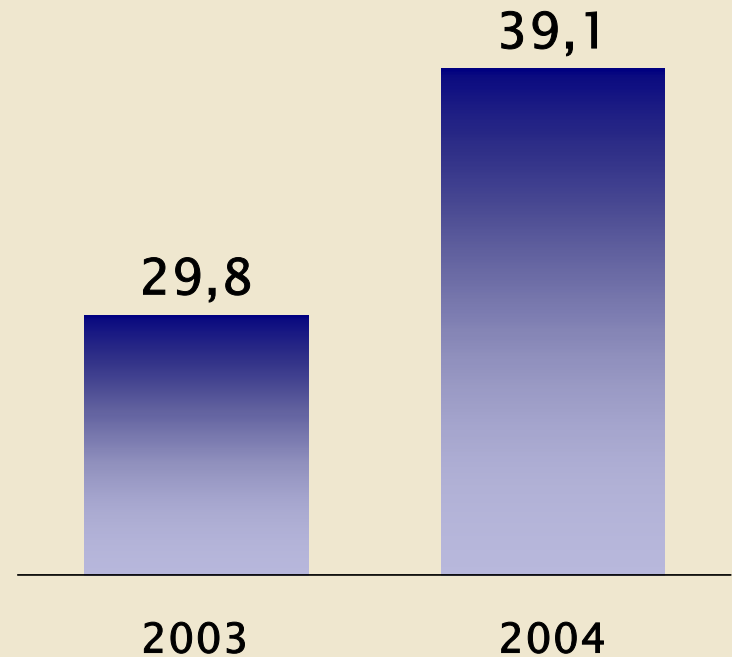
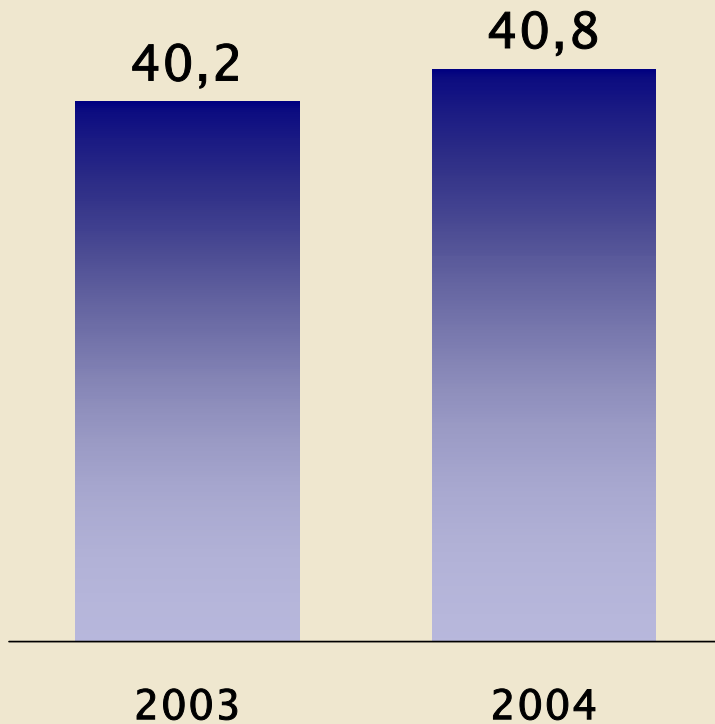
Net income
€ million



Increasing contribution from BBVA America to Group results

% Recurrent results (*)
BBVA America / Group

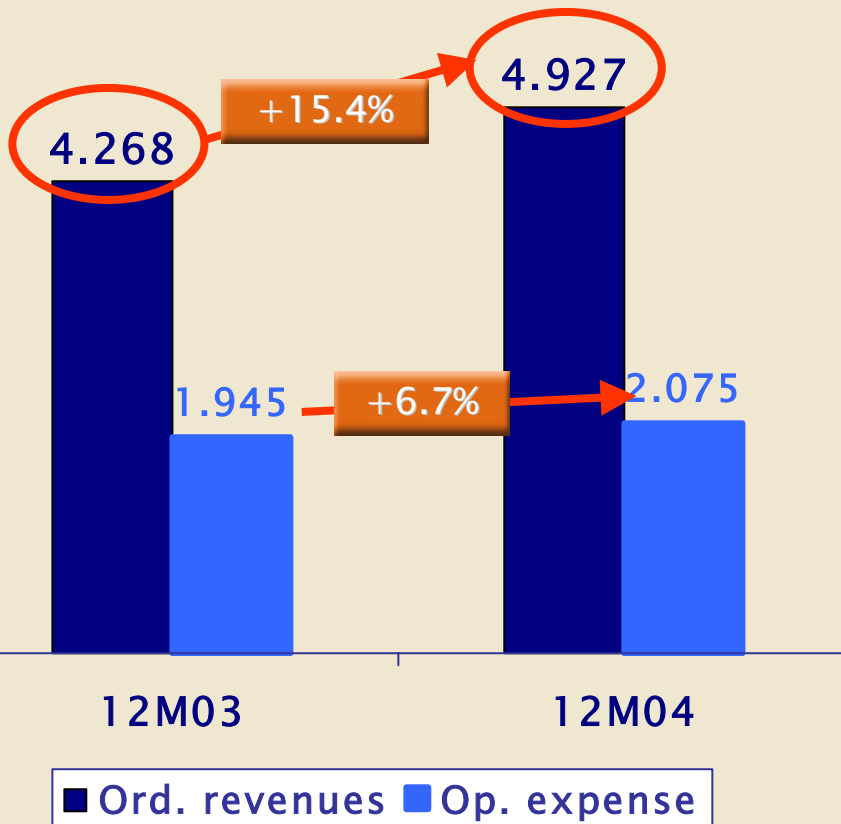
% Net Attributable profit
BBVA America / Group



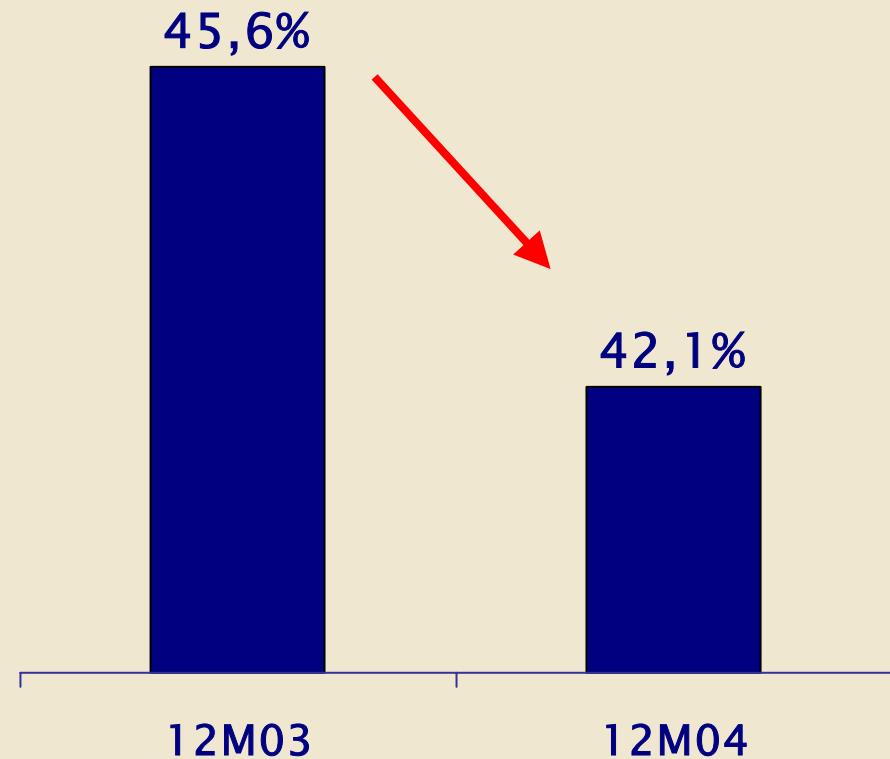
(*) Operating profit without ROF

Stronger fundamentals: lower cost/income ratio . .

Constant
€ million

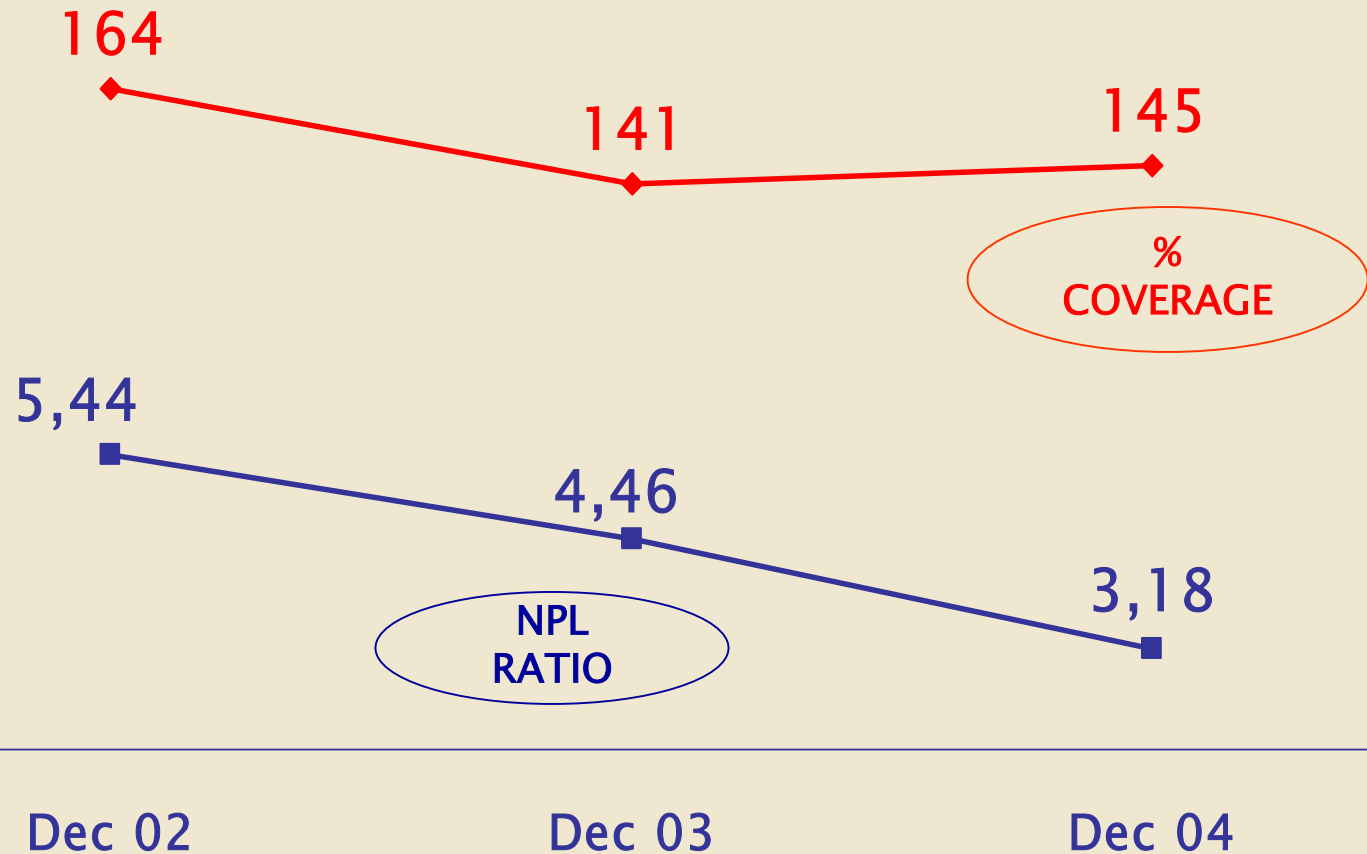


COST/INCOME (%)



... and better asset quality

NPL ratio and coverage (%)

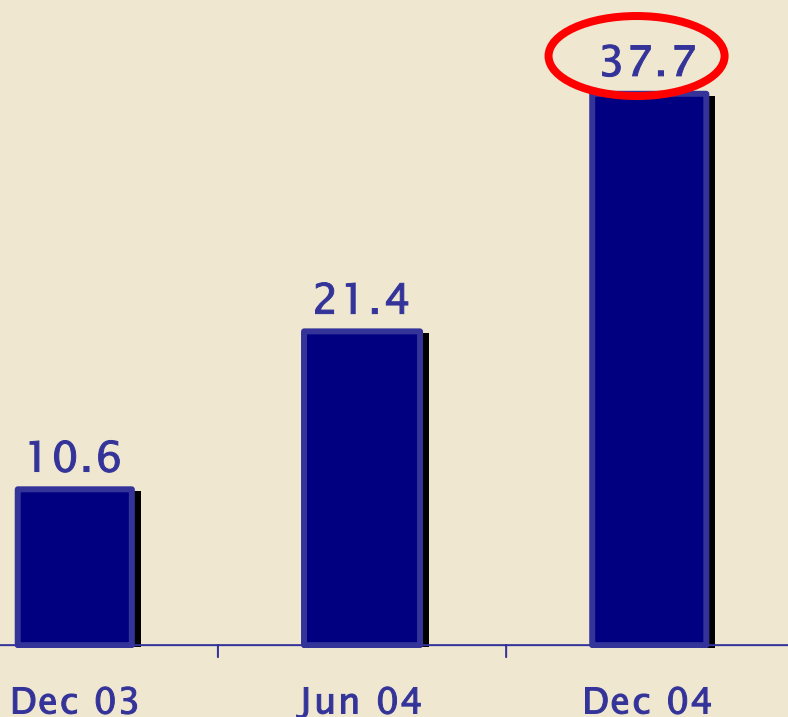


Contents

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A) In 2004, BBVA Bancomer has been able to show an acceleration of loan growth...

Loans (avg. balances)
%chg y-o-y

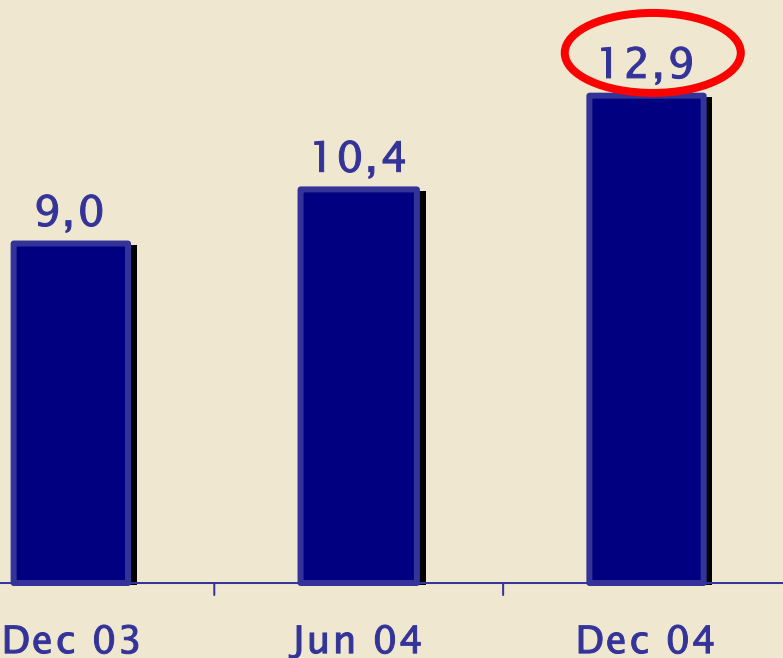


Loans growth breakdown
%chg y-o-y

| | Dec 03 | Dec 04 |
|------------------|--------------|--------------|
| SMEs | +19.1 | +49.2 |
| Mortgages | -1.1 | +35.9 |
| Consumer & Cards | +24.2 | +60.9 |
| TOTAL | +10.6 | +37.7 |

... and also in customer funds

Customer funds (ave. balances)
% chg. y-o-y

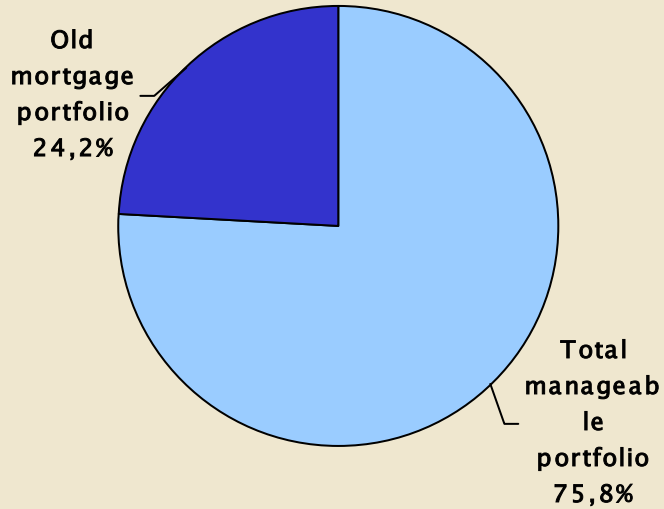


Breakdown of growth in cust. funds
% chg. y-o-y

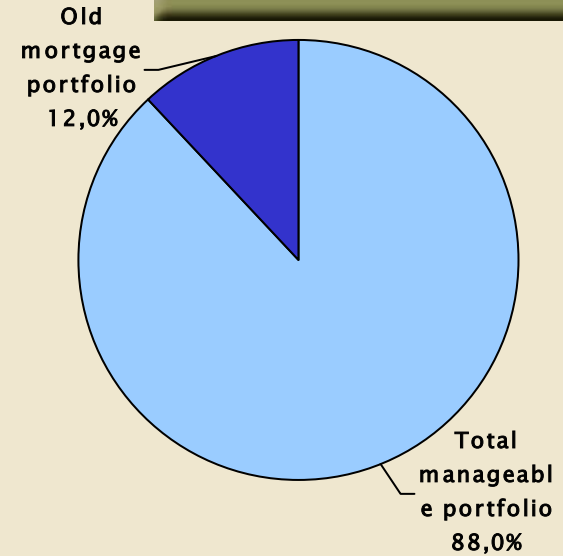
| | Dec 03 | Dec 04 |
|-----------------------|-------------|--------------|
| Curr. & Sav. Accounts | +18.1 | +9.9 |
| Time deposits | +9.6 | +14.6 |
| Mutual funds | +5.8 | +6.7 |
| TOTAL | +9.0 | +12.9 |

Improved structure of loan portfolio: Retail segments today represent 51% of total loans

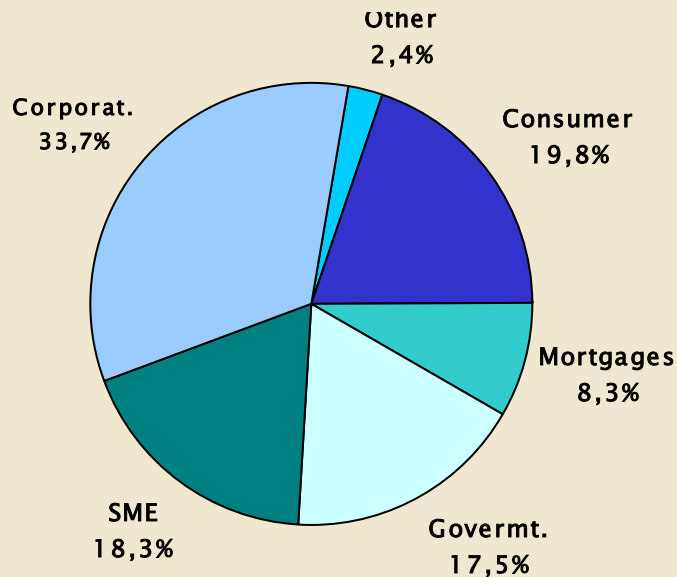
December 2003



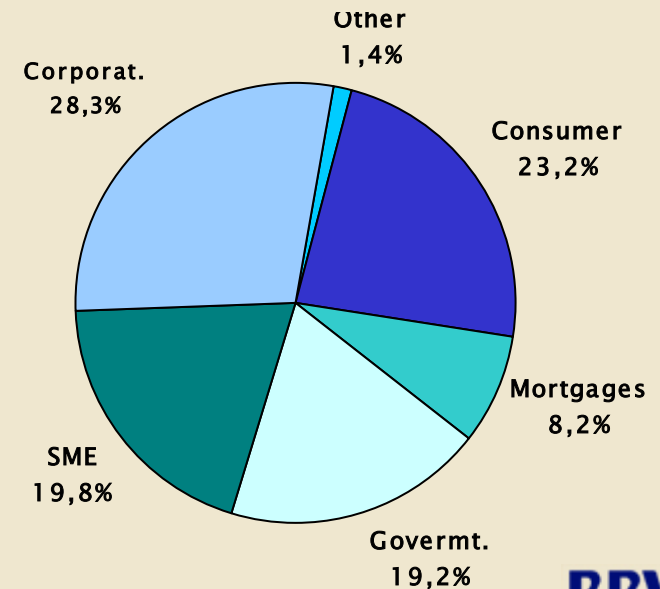
December 2004



TOTAL LENDING PORTFOLIO



MANAGED PORTFOLIO



2004, another year of innovation in products and services

- Banking products for lower income segments
 - *“Tarjeta congelada”* (“Frozen Card”)
117,826 cards in 2004
- Increase in third-party business through Finanzia
 - More than 5,000 car financings per month
- Financing solutions for small businesses
 - 9,700 new clients (28% individuals with business activity)
- Guaranteed mutual funds to attract new clients
 - 67,700 clients, leader in client number
- More versatile insurance products
 - 12,700 policies issued

Significant increase in new production in 2004

| | <u>2003</u> | <u>2004</u> | <u>Change</u> |
|---------------------------------------|-------------|-------------|---------------|
| Credit Cards (millions, new) | 0.9 | 1.5 | +0.6 |
| Credit Cards (millions, stock) | 3.9 | 5.0 | +1.1 |
| Payroll loans (new) | 315,909 | 455,971 | +140,062 |
| Car loans (network, new) | 6,444 | 7,184 | +740 |
| Finanzia Car loans (new) | 15,158 | 31,842 | +16,684 |

Credit cards as an essential “bancarisation” instrument

Credit Card Project

It's not just a product but the foundation for lending to individuals in Latin America

Review of risk procedures

New distribution channels & third-party alliances

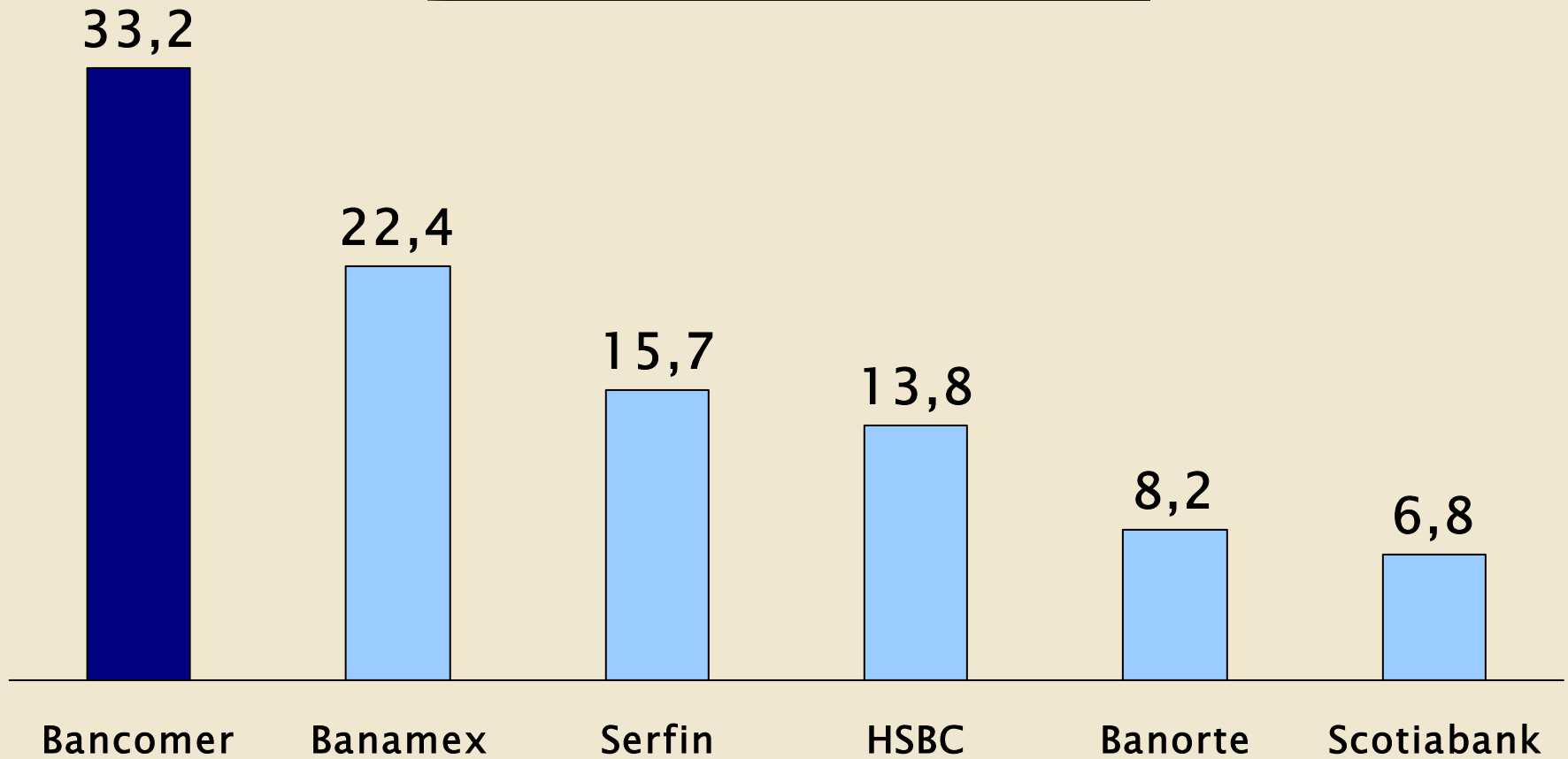
Strong transfer of the best practices :
– Bancomer
– VISA

Improvements in process, technology and information systems

A new approach to lending to individuals

Thus BBVA Bancomer has maintained commercial leadership in Mexico

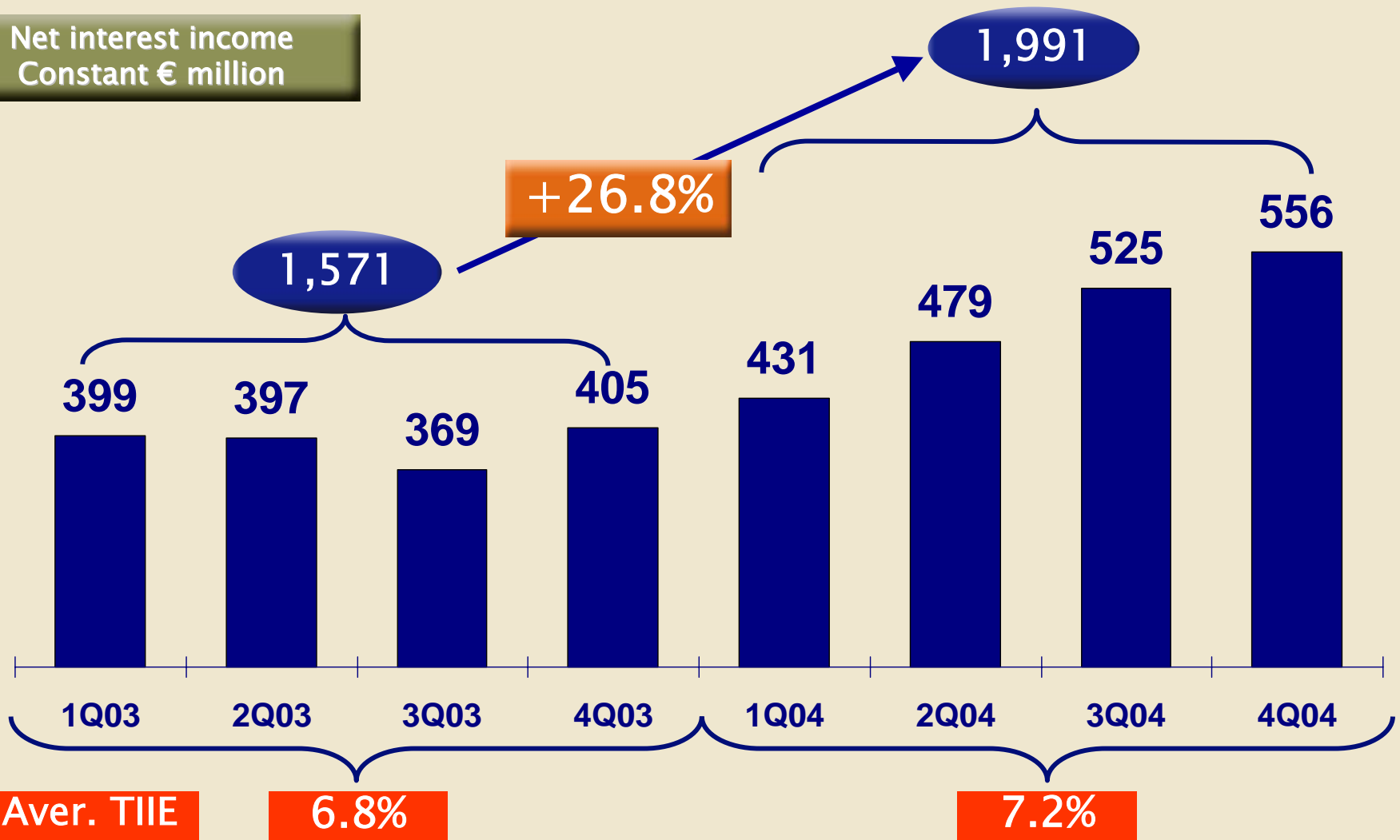
Customer funds (1):
Market share (%)



(1) Deposits + mutual funds

Greater activity results in a notable rise in net interest income . . .

Net interest income
Constant € million

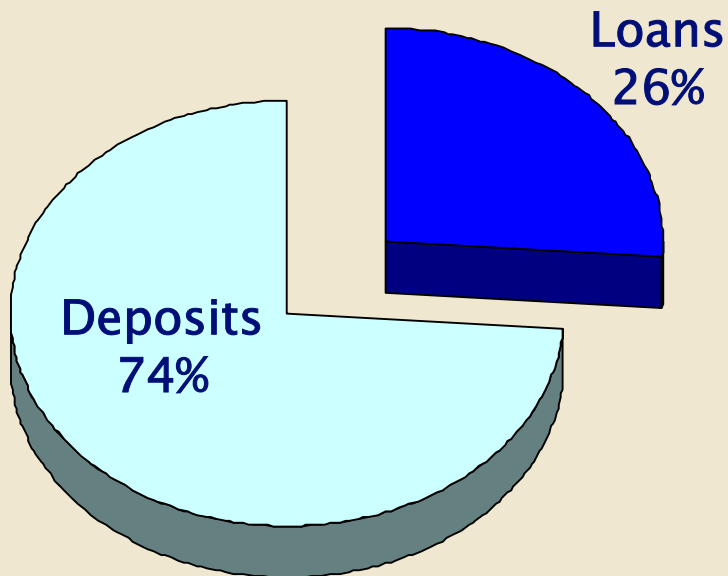


... also helped by higher interest rates

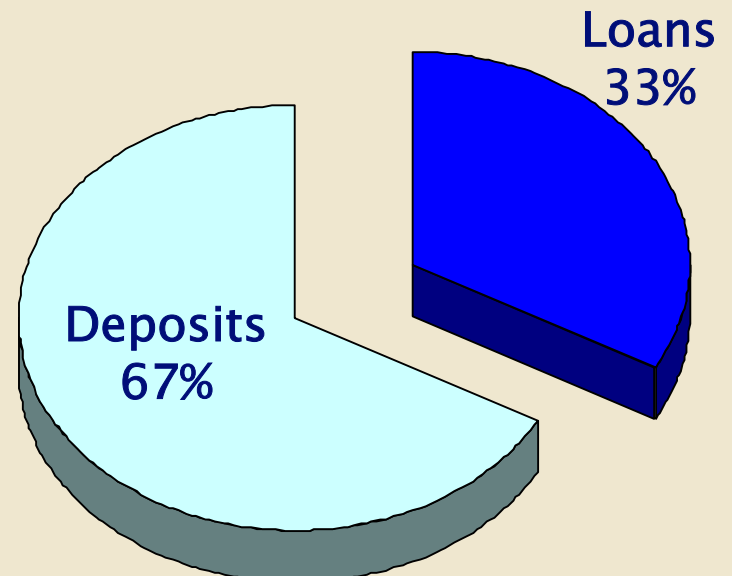
Increasing contribution to interest income from loans

Contribution to the Net Interest Income from client business

2002



2004



(1) In pesos

Higher volumes have been the key driver behind the increased revenue contribution from loans & deposits

Millions iMXW

Source of the change in the contribution 2004-2003

Loans

1.773



-330

Mix/Price

1.443 +28%



Total

Deposits

1.294



708

Mix/Price

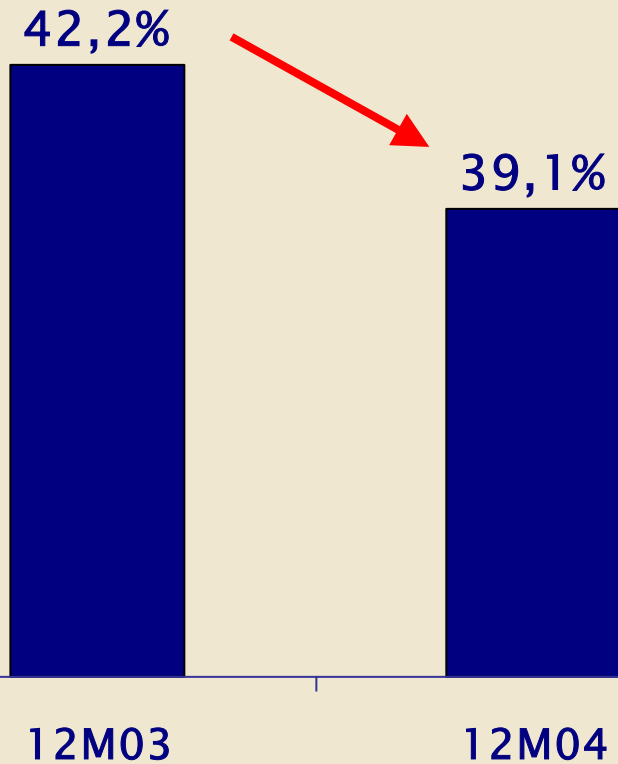
2.202 +13%



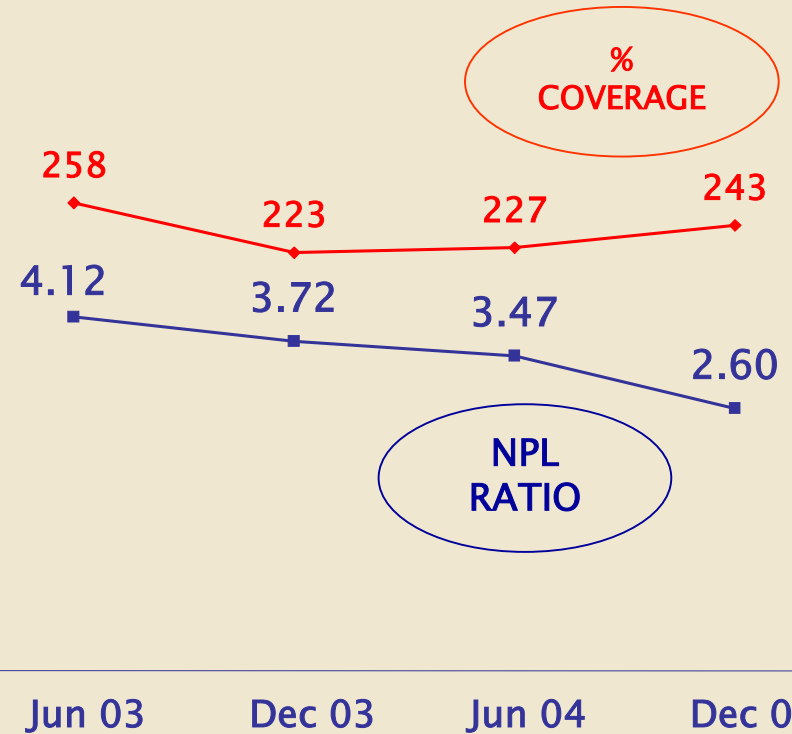
Total

Significant improvements in efficiency and asset quality

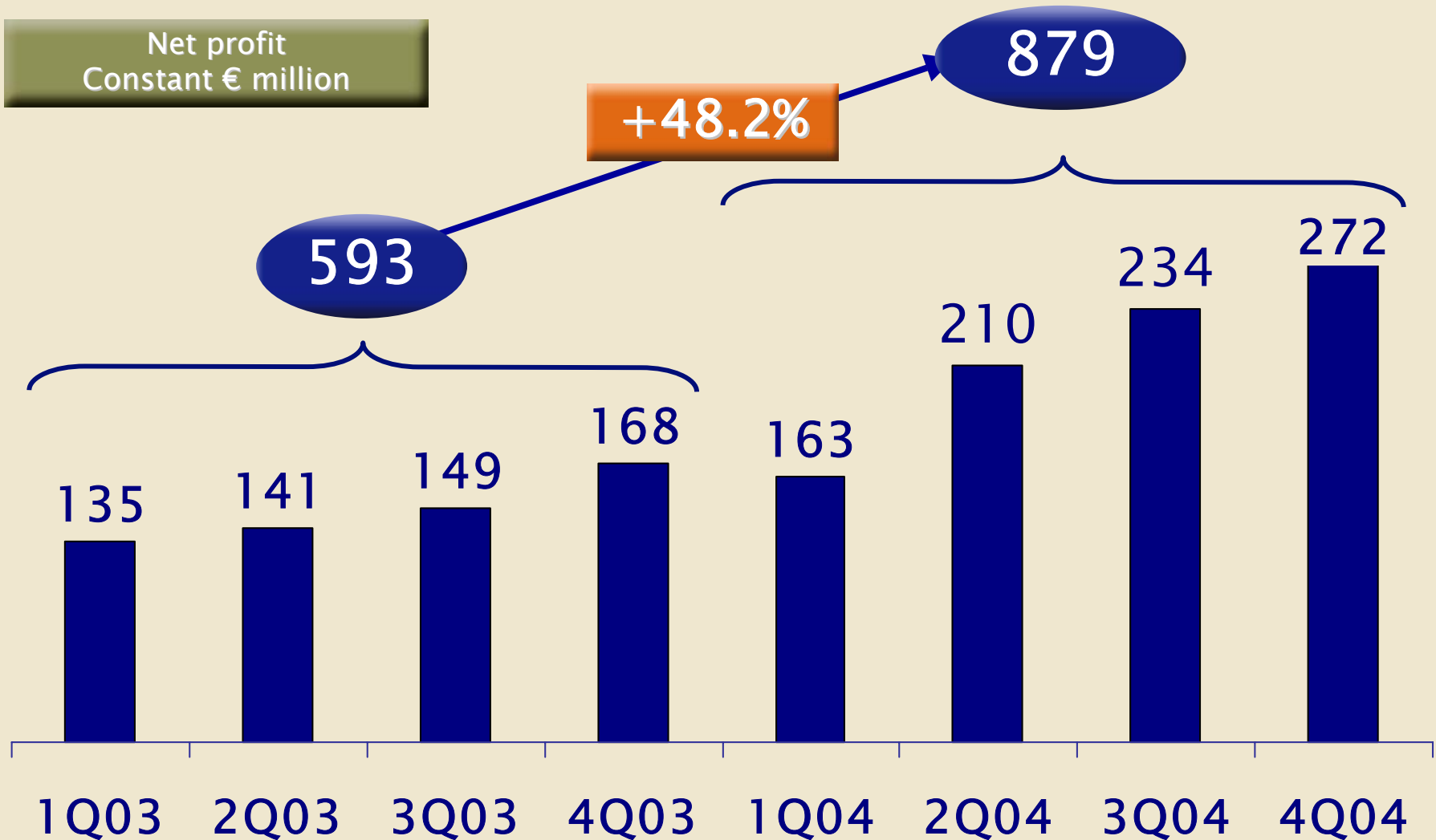
COST/INCOME (%)



NPL ratio and coverage (%)



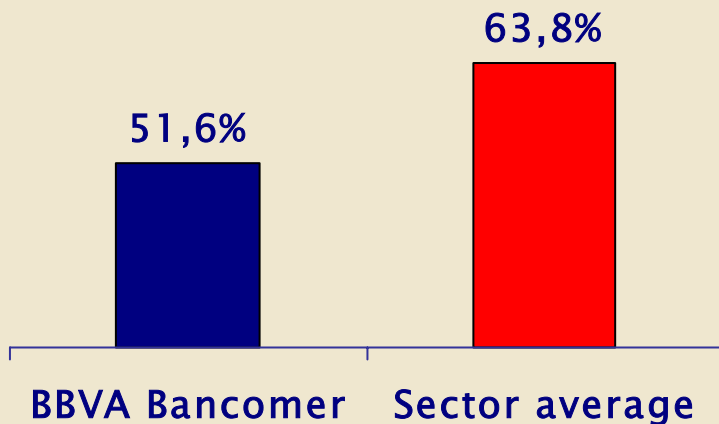
Thus BBVA Bancomer has shown sharply higher net profits in 2004



... with year-on-year growth in current euros of 28.9%

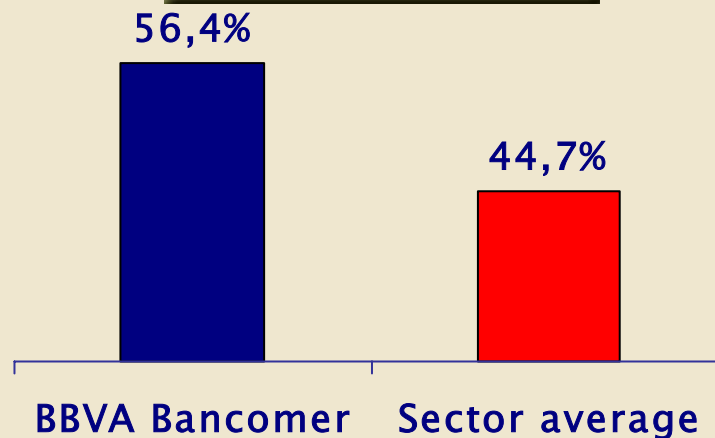
BBVA Bancomer is ahead of its competitors in Mexico ⁽¹⁾ ...

Cost/income ⁽²⁾



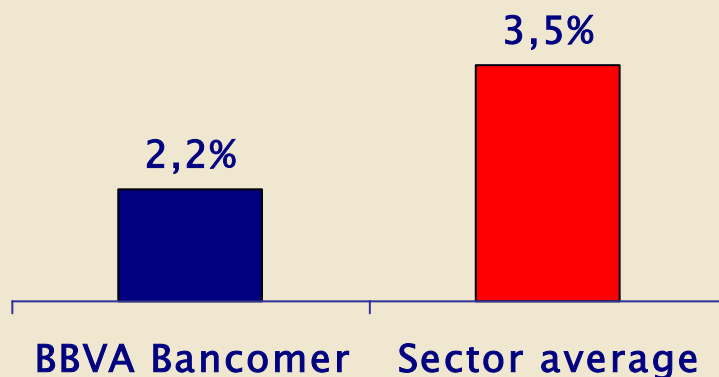
(2) Costs include depreciation and IPAB charges

Recurrence ⁽³⁾

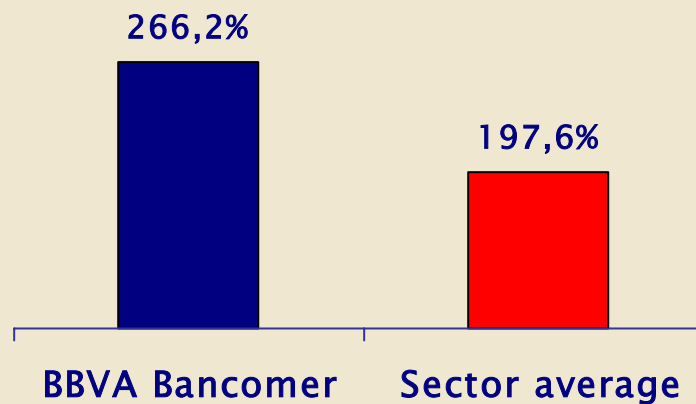


(3) Fees / Costs

NPL ratio



Coverage

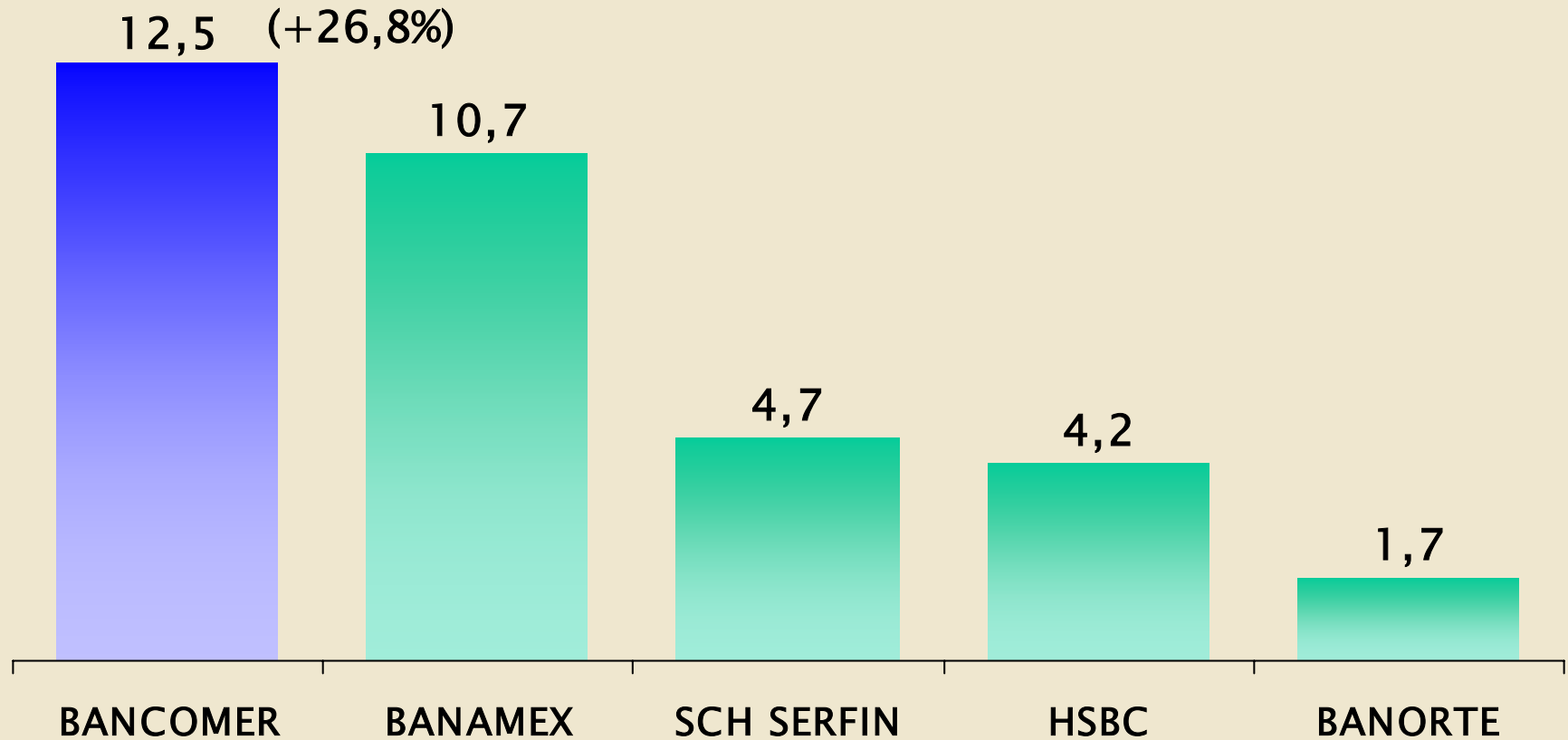


(1) Bank data in local currency.

29 BBVA Bancomer (Dec 04); other banks (Sep 04)

... also showing capacity to generate recurrent results

Operating profit ex ROF – Jan–Sep 04
(billion in Ps)

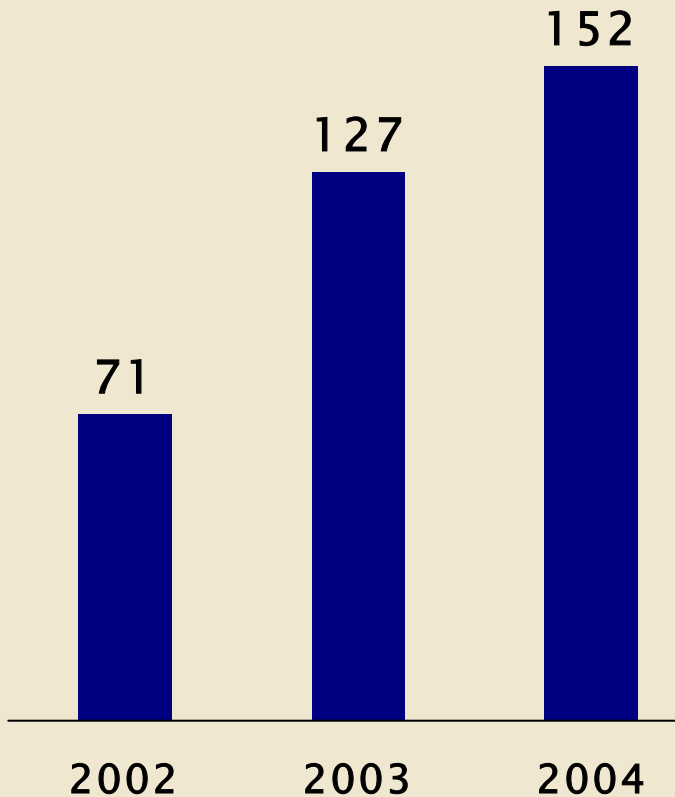


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Venezuela: Good performance in a difficult environment

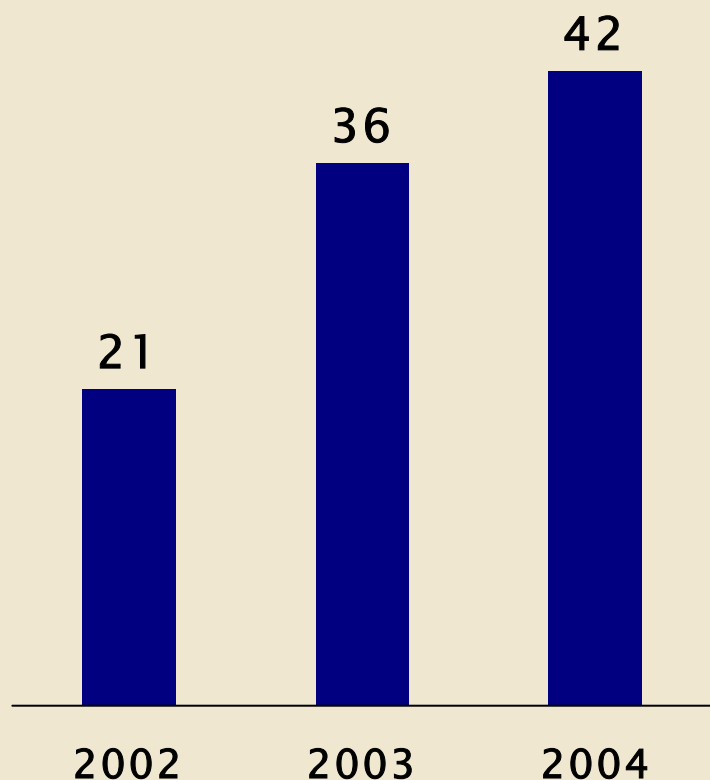
Net Profit
(Constant mill. €)



- Difficult environment, lower rates with negative impact on N.I.I. (price effect)
- High loan growth (+89%)
- Strong commissions (+45%)
- Good asset quality and risk coverage
- ROE at 53%

Chile: Continues its strong drive in activity

Net profit(1)
(Constant mill. €)



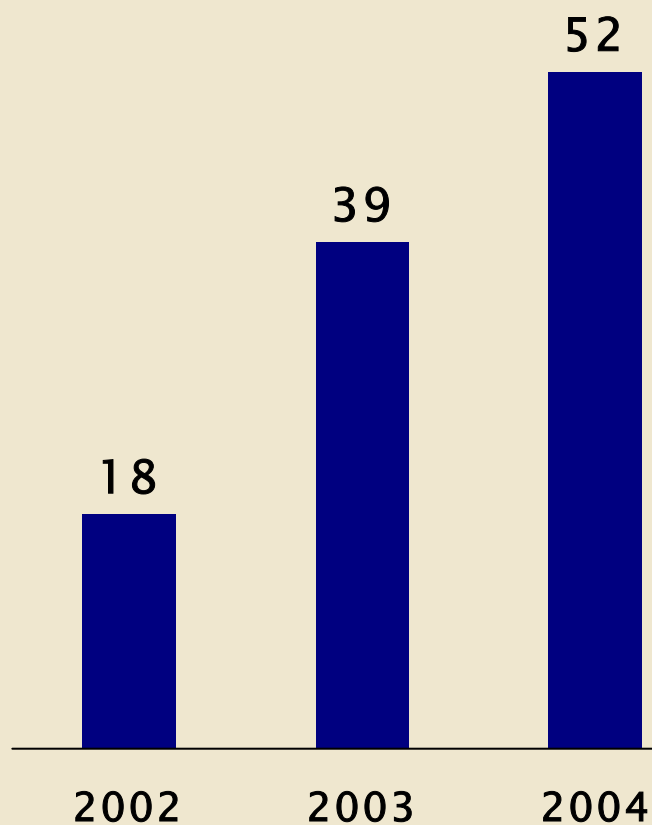
- Advances in “Group Project”
- 74% in referenced clients Banco–AFP
- New market share gains in 2004 (+53 bp in loans and + 115bp in deposits)
- Additionally, € 44 mill. net profit (2) for Provida in 2004 (+6%)

(1) BBVA Chile

(2) Adjusted due to negative extraordinary results from 2004

Peru: Excellent evolution in activity and results

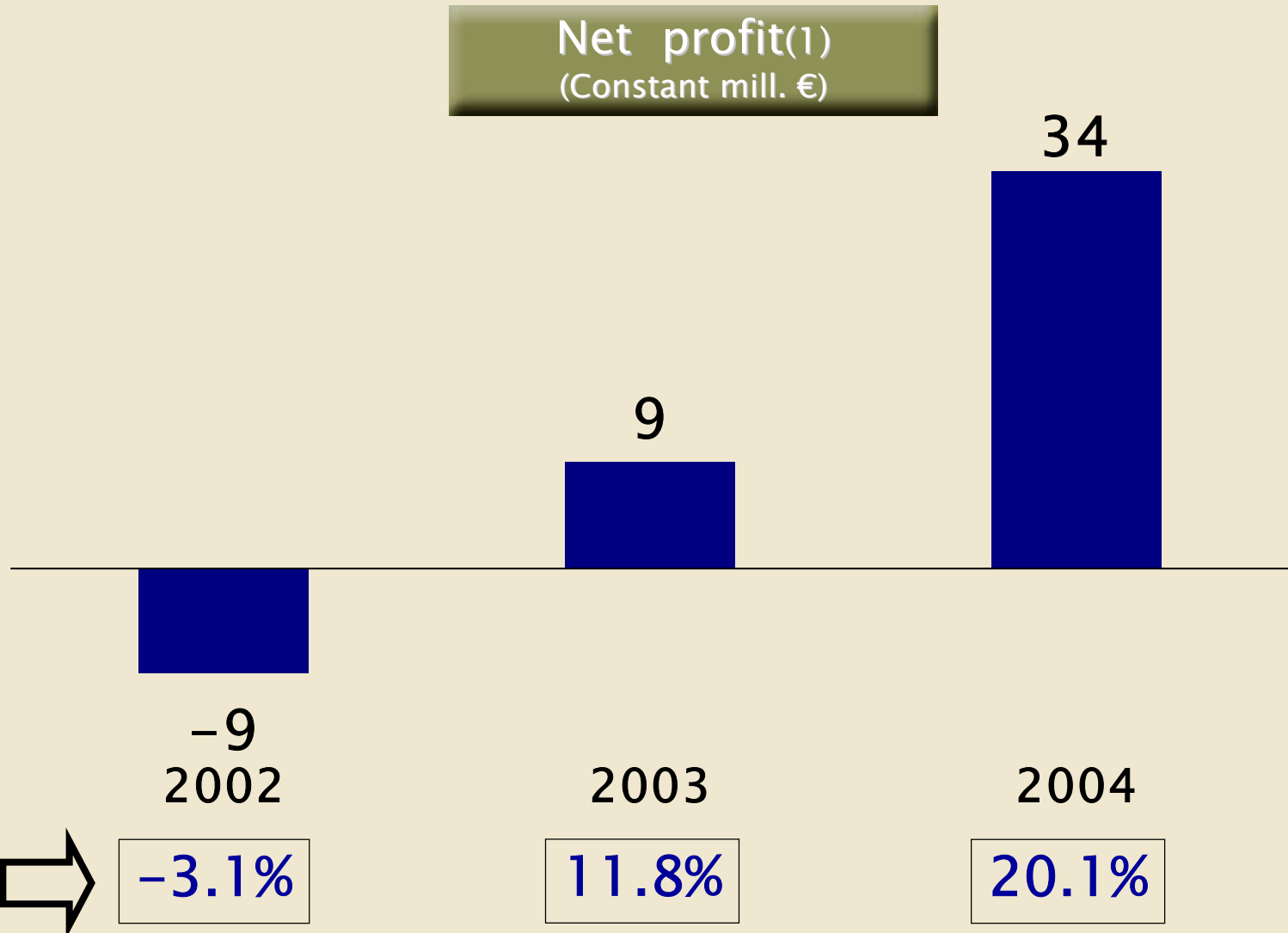
Net profit(1)
(Constant mill. €)



The best Bank in the country that reduces the distance with the largest bank (B.Crédito)

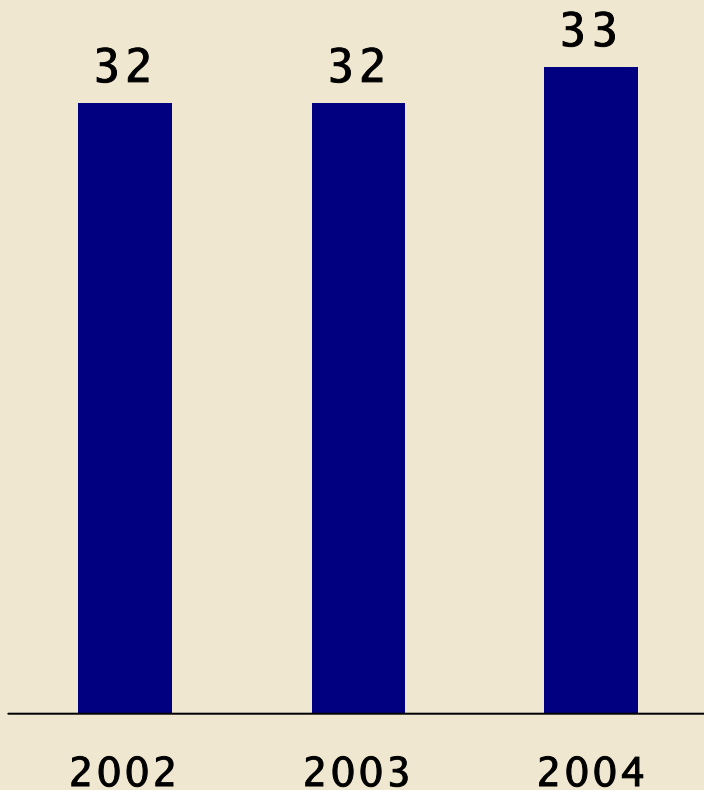
| | Market share | Loans | Deposits | Net Profit |
|------------------------------------|--------------|--------|----------|------------|
| Δ Y-O-Y quota (p.p) | | + 3% | + 1,8% | + 8.6% |
| Gap reduction with B.Crédito (p.p) | | + 6,6% | + 4% | + 12.8% |

Colombia: Drastic improvement in performance over the last two years



Puerto Rico: Bank reorganization and refocussed strategy

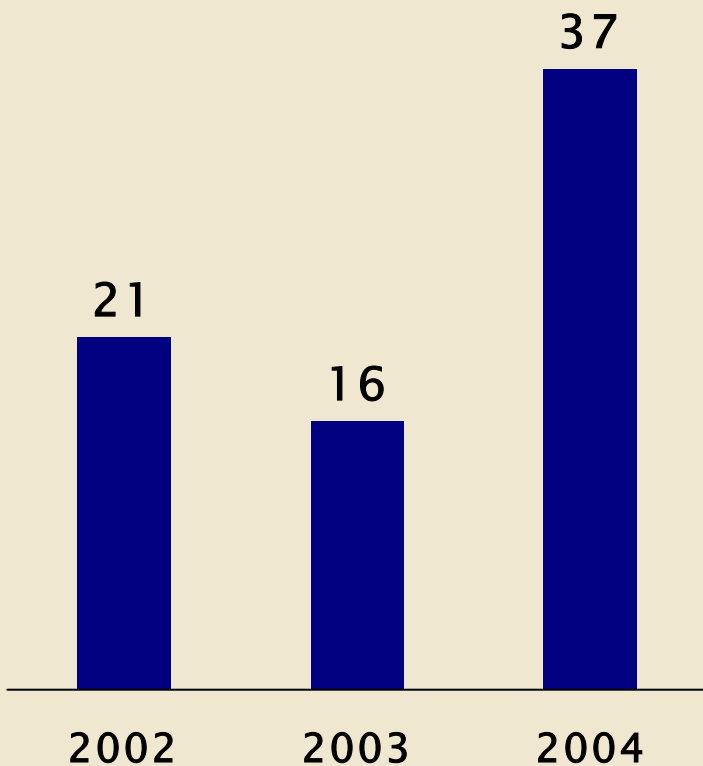
Net profit(1)
(Constant mill. €)



- Bank reorganization in 2004
- Strategy adjustment:
 - ✓ Emphasis on mortgage business
 - ✓ Refocussing on consumer and credit cards
 - ✓ New structure and expansion in Wholesale and SMEs Banking
- In spite of a difficult environment (low interest rates, low activity ...) there is progress in results

Argentina: The situation and the activity have experienced an important advance

Net profit(1)
(Constant mill. €)



- The country grows, debt restructuring is completed and the environment improves
- B. Francés' activity continues forward and loans grow, increasing 74 pb in market share (1)
- Strong improvement in operating margin in 2004: increase in commissions and normalization of the financial margin

(1) In homogeneous terms, excluding portfolio issue of the Public Sector in 2004

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We are encompassing a double focus on growth



1

Organic

2

Non-organic

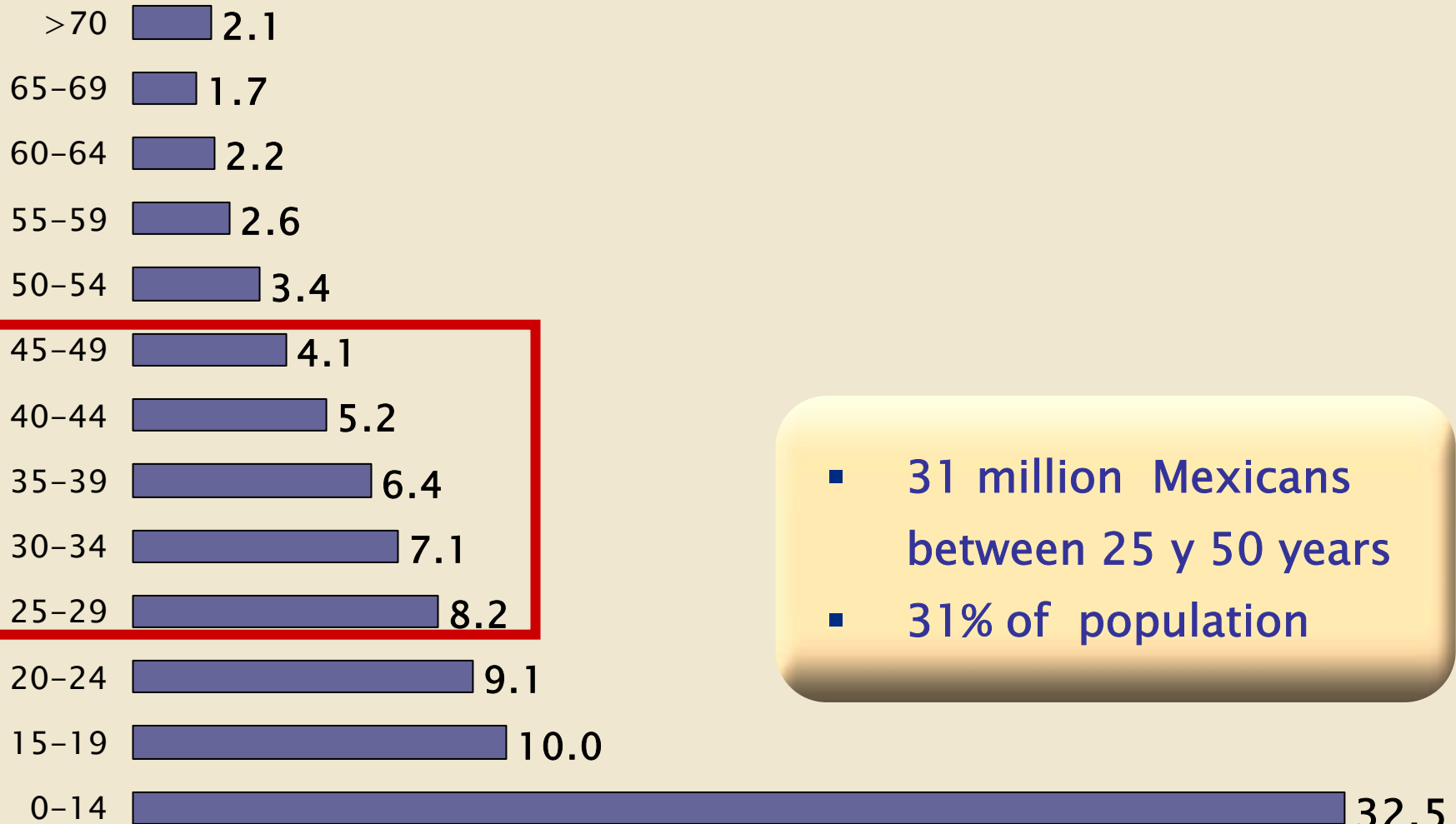
...as a way to create value for our shareholders

1 Penetration of financial products and services in Mexico remains very low

| | <u>Mexico</u> | <u>Spain</u> |
|------------------------------------|---------------|--------------|
| Loans / GDP | 13% | 119% |
| Deposits /GDP | 19% | 91% |
| Mutual Funds/GDP | 5% | 28% |
| Branches / 1,000 inhab. | 0,1 | 0,9 |
| Accounts (Banks and Savings Banks) | 43 M | 45 M |
| Accounts per inhabitant | 0,4 | 1,1 |

Positive demographic profile

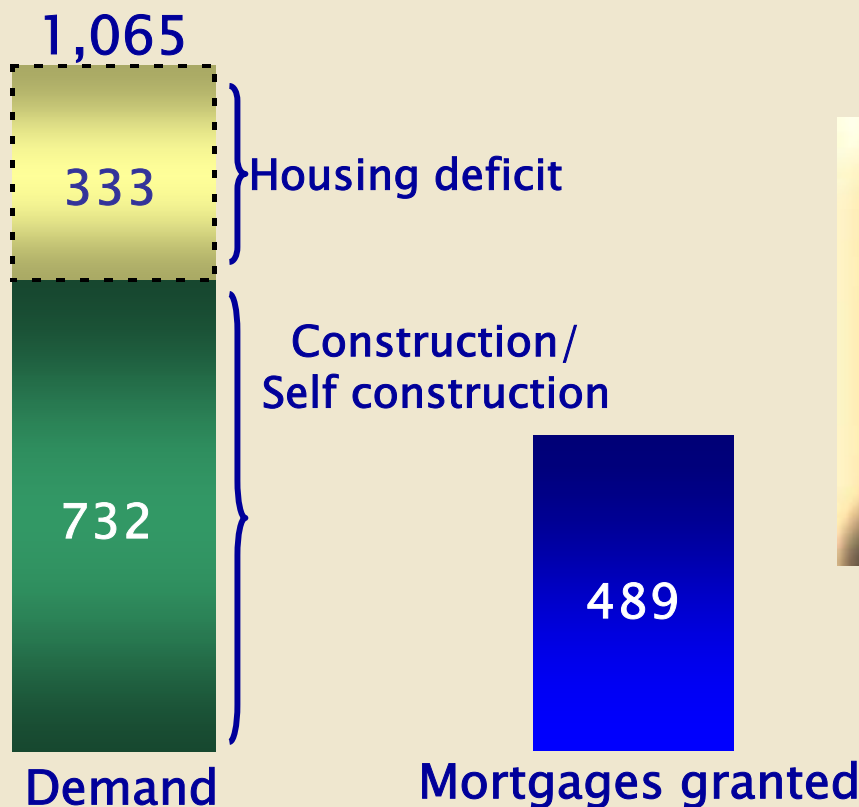
Population by age group in millions



- 31 million Mexicans between 25 y 50 years
- 31% of population

... and there is a high level of unsatisfied housing demand

Demand and financing of houses 2003 (in thousands)

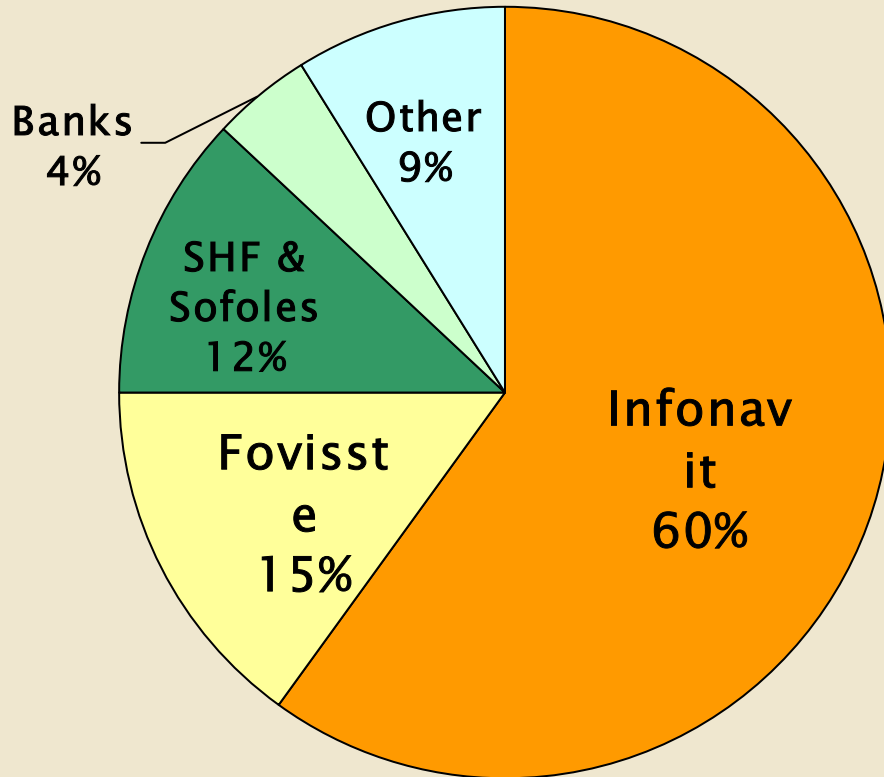


- 31% housing deficit en 2003
- Only 46% of the total demand and 67% of the construction was financed

Housing deficit estimated at 7.5 million

At present, public agencies have a predominant presence in the mortgage market

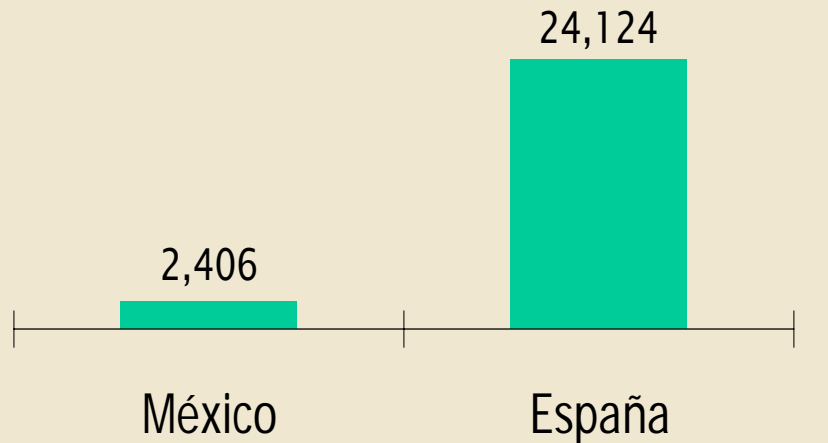
Number of mortgages 2003:
market share



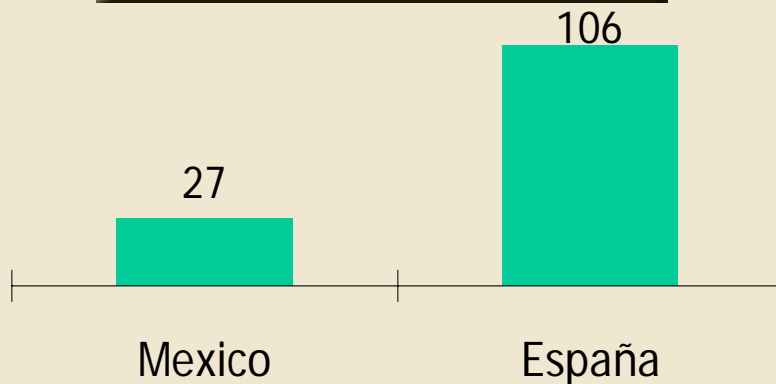
- Principally social housing catered by public agencies
- Around 500,000 mortgages granted in 2003 and 575,000 expected in 2004 (+15%)
- The banks have a higher market share by portfolio (20%), due to larger average size

SME´s: very low penetration, very high growth potential

Loans (€ m)



Clients (Th.)



- ▶ Business model: focus on clients, not on products
- ▶ Dedicated networks
 - ▶ 112 branches for the middle-market
 - ▶ For small businesses, 415 retail branches, with specialized executives

Only 9% of the customer base in this segment has an outstanding loan (vs 70% in BBVA Spain)

In Latin America, bancarisation is low and BBVA wants to drive the trend towards higher penetration of banking products

In a first phase, we select two markets

MEXICO

- BBVA Bancomer: adaptation of simple products
- Finanzia Bancomer:
 - Consumer finance
 - Retail partners

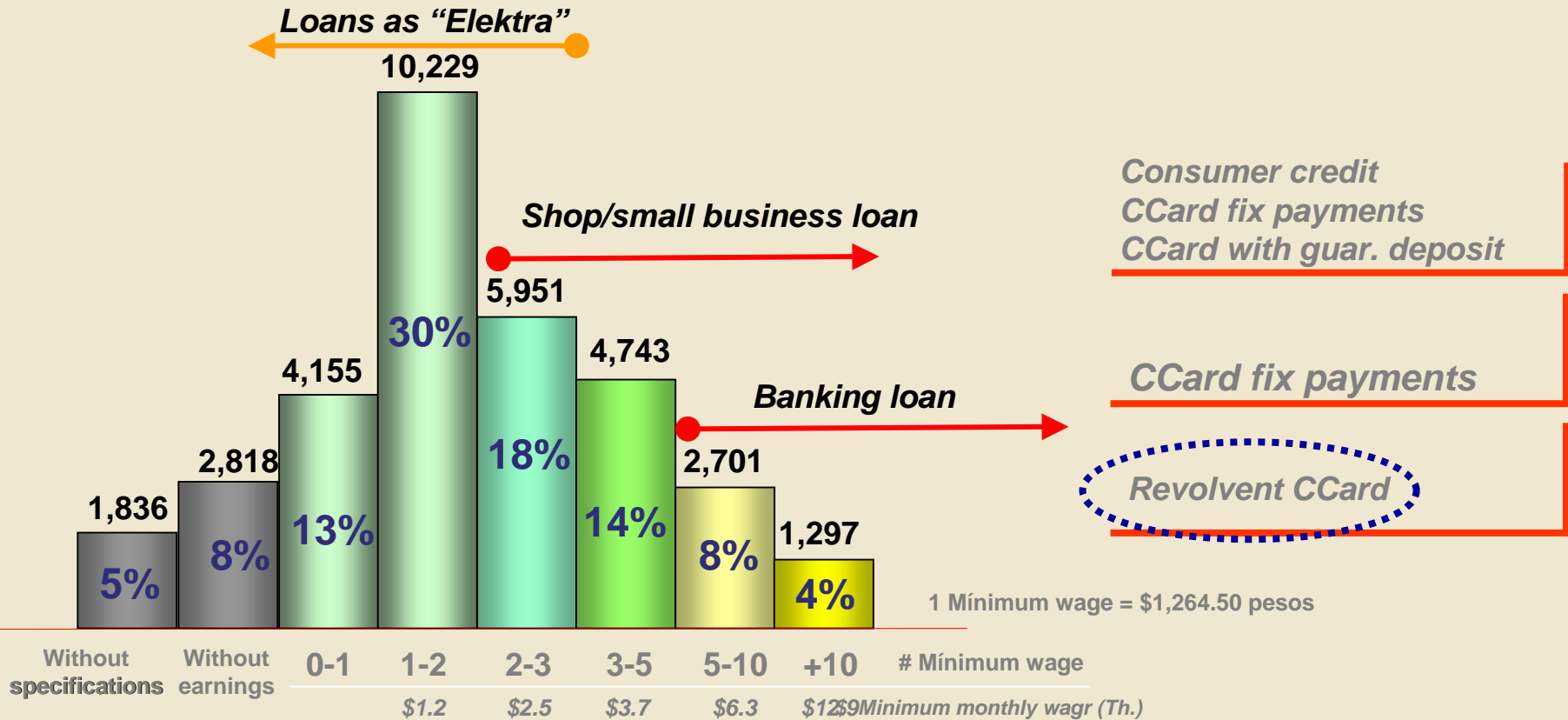
CHILE

- Specialized network:
 - Consumer finance
 - Remote channels
- ...taking advantage of the position in the pension business

Gradual approach, according to the potential of each market, with a differentiated business model

Penetrating lower income segments in consumer loans

Traditional banking approach in high segments
(above 6,000 pesos, 12% of the total)



Finanzia Bancomer can reach the population segment with incomes up to 2,000 pesos/month (15 million people, 44% of the population)

BBVA Bancomer can leverage its dominant positions to work with strong partners

We develop products for more clients

- Classic
- Guaranteed
- Fixed Payments

- ❖ 100
- ❖ 150
- ❖ 200



We open branches in stores to receive payment

Ahora, también puede pagar su Tarjeta en las tiendas:

¡Cualquier día y en cualquier caja!

Lo único que necesita es presentar su estado de cuenta y pagar en las cajas en efectivo.

A Walmart Mexico credit card is shown in the foreground. In the background, logos for Walmart Supercenter, Superama, Bodega, Suburbia, and Tienda are displayed.

We implicate all stores in the credit card promotion



We use its brand name and link clients

Detrás de esta Tarjeta, se encuentra su nuevo auto.



Non-organic growth

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

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:
2nd generation and SMEs

Laredo National
Bancshares

+ more sophisticated products

LNB: A profitable franchise in an attractive local market with high growth potential

A significant footprint in its core markets

- Very attractive demographics prospects
- Well prepared to develop individual customer relationships in the Hispanic market

Well positioned in the growing Hispanic market

Contents

- Favourable macro economic environment
- 2004: an excellent year for BBVA America
- Individual country review
- Positive outlook: enhancing growth potential
- **Conclusions**

Conclusion

- 2004 has been an excellent year for BBVA America, in activity and results
- The macro economic environment will continue to be favorable
- Within this context, we are well prepared to deliver higher results in BBVA America

Therefore, we continue to develop our strategy ...

- **Creating new growth lines in already existing businesses**
- **Incorporating the newly acquired operations from 2004 (Laredo, Valley Bank and Hipotecaria Nacional)**
- **Analyzing and implementing new opportunities where we have competitive advantages and can create value**

BBVA

BBVA AMERICA

*“ Looking to the future with
optimism ”*

Morgan Stanley Latin American
Banks Video Tour

March 4, 2005