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Sound growth on solid foundations

Jaime Guardiola, CEO BBVA Bancomer
Morgan Stanley Latam Video Tour
February 2006
agenda

- Recent financials
- Competitive edge
- Future challenges
agenda

- Recent financials
- Competitive edge
- Future challenges
Deposits are growing off balance sheet to improve our funding cost.

### Demand deposits
- 2004: 203
- 2005: 223
  - Growth: +10%
  - Note: +20 billion

### Customer Time deposits
- 2004: 191
- 2005: 146
  - Decline: -23%
  - Note: -44 billion

### Client Repos
- 2004: 42
- 2005: 75
  - Growth: +79%
  - Note: +33 billion

### Mutual funds
- 2004: 78
- 2005: 103
  - Growth: +31%
  - Note: +24 billion

Total client resources increased 33 billion pesos in 2005

Total customer funds
(demand, customer time, mutual funds, client repos)

2004: 514
2005: 547

+6%
33 billion

Loan growth was 2.5 times deposit growth in 2005.
Private lending increased 60% in ‘05 with 81 billion pesos in new loans

**Commercial**
- Growth: +2% and +14%

**Consumer**
- Growth: +74%

**Mortgage w/o UDI trusts**
- Growth: +317%

**Total private w/o UDI trusts**
- 140 (2004), 221 (2005)
- Growth: +58%
In 2005 we took the lead in auto, consumer & new mortgage lending
We transformed the mortgage market purchasing Hipotecaria Nal

**No. new mortgages**

<table>
<thead>
<tr>
<th>Year</th>
<th>Banks</th>
<th>Sofoles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>85,634</td>
<td>0</td>
</tr>
<tr>
<td>2000</td>
<td>1,101</td>
<td>71,005</td>
</tr>
<tr>
<td>2004</td>
<td>29,648</td>
<td>22,504</td>
</tr>
<tr>
<td>2005</td>
<td>48,450</td>
<td>93,923</td>
</tr>
</tbody>
</table>

**New mortgage mkt share**

- **Bancomer**: 35.2%
- **Sofoles**: 34.0%
- **Banamex**: 11.3%
- **Banorte**: 8.4%
- **HSBC**: 4.1%
- **Santander**: 3.7%
- **Scotiabank**: 3.3%
Loan expansion has been executed with high-end credit risk controls.

Non-performing loans:
- 2004: 2.2%
- 2005: 1.8%

Closing of the Fobaproa chapter costing less than 3% of face value

- **MAY**: Last audits
- **JUNE**: Prepayment calendar
- **JULY**: Encapsulated loans released

52 billion pesos paid in full

Prepayment of bonds yielding 28 day Cete rate -135bp
Net interest income drove operating earnings in 2005

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>26,072</td>
<td>34,435</td>
<td>+32%</td>
</tr>
<tr>
<td>Fees</td>
<td>15,241</td>
<td>17,229</td>
<td>+13%</td>
</tr>
<tr>
<td>Loan-loss provisions</td>
<td>2,258</td>
<td>2,937</td>
<td>+30%</td>
</tr>
<tr>
<td>Expenses</td>
<td>21,573</td>
<td>25,179</td>
<td>+17%</td>
</tr>
</tbody>
</table>

Overall, the results for 2005 were outstanding.

Net income:
- 2004: 7,161 million pesos
- 2005: 11,650 million pesos

Growth in real terms: +63% or 4.5 billion pesos
Bancomer contributes significantly to BBVA’s results

Net income BBVA (millions of euros)

<table>
<thead>
<tr>
<th>Region</th>
<th>2004</th>
<th>2005</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Spain &amp; Portugal</td>
<td>1,427</td>
<td>1,614</td>
<td>42%</td>
</tr>
<tr>
<td>Mexico</td>
<td>862</td>
<td>1,350</td>
<td>36%</td>
</tr>
<tr>
<td>Rest</td>
<td>706</td>
<td>634</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,923</td>
<td>3,806</td>
<td></td>
</tr>
</tbody>
</table>
Mexico is now one of five business units in BBVA
Productivity, efficiency & profitability have improved significantly

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency ratio</td>
<td>52.2%</td>
<td>47.8%</td>
</tr>
<tr>
<td>Fee/income ratio</td>
<td>70.7%</td>
<td>68.4%</td>
</tr>
<tr>
<td>Return on assets*</td>
<td>1.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Return on equity*</td>
<td>12.9%</td>
<td>19.6%</td>
</tr>
</tbody>
</table>

*Excluding extraordinary items.
Our capitalization base leaves ample room for further growth

Capitalization

<table>
<thead>
<tr>
<th>Year</th>
<th>Tier 1</th>
<th>Tier 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>12.4%</td>
<td>1.3%</td>
</tr>
<tr>
<td>2005</td>
<td>14.2%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Dividend of 5.1 billion in 2005

Capital notes issued Jul-05
500 M USD @ 5.4%
to replace
500 M USD @ 10.5%
Recent financials
Competitive edge
Future challenges
BBVA Bancomer boasts significant competitive advantages

- Specialized distribution business model
- Broad and loyal customer base
- Commercial muscle
- Recurrent earnings, efficient operation
- Innovation in products & services
We are a leading universal financial services provider

**Bancassurance**
(issued premiums 4.1 billion pesos)

- **Bancomer**: 36%
- **Banamex**: 28%
- **Banorte**: 21%
- **HSBC**: 10%
- **Santander**: 5%

**Afore - Pension funds**
(AUM, billion pesos)

- **Banamex**: 116
- **Bancomer**: 112 (20%)
- **Inbursa**: 59
- **Profuturo**: 57
- **ING**: 48
- **Santander**: 43
- **Banorte**: 38
- **XXI**: 35

Source: Consar, November, 2005.
We are a leading universal financial services provider

Mutual funds
(AUM 102.5 billion pesos)

- Bancomer 20%
- Santander 17%
- Banamex 15%
- Inbursa 6%
- Scotibk 5%
- HSBC 6%
- Others 31%

Annuities
(assets 12.5 billion pesos)

- Bancomer 21%
- Inbursa 18%
- Porvenir GNP 16%
- Banamex 11%
- Banorte 9%
- HSBC 7%

Bancomer has led the Mexican peso bond transactions for 4 years

<table>
<thead>
<tr>
<th>Rank</th>
<th>Bank</th>
<th>bn USD</th>
<th>Transactions</th>
<th>Mkt share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BBVA Bancomer</td>
<td>1.9</td>
<td>15</td>
<td>21.2%</td>
</tr>
<tr>
<td>2</td>
<td>ING</td>
<td>1.8</td>
<td>15</td>
<td>20.2%</td>
</tr>
<tr>
<td>3</td>
<td>Citi-Banamex</td>
<td>1.8</td>
<td>14</td>
<td>20.2%</td>
</tr>
<tr>
<td>4</td>
<td>Scotiabank</td>
<td>0.8</td>
<td>11</td>
<td>9.5%</td>
</tr>
<tr>
<td>5</td>
<td>Santander</td>
<td>0.6</td>
<td>7</td>
<td>7.4%</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>7.5</td>
<td>68</td>
<td></td>
</tr>
</tbody>
</table>

Millones de USD, Fuente Bloomberg 31 diciembre 2005
We have a broad, growing and segmented customer base

Customers ‘04 – 10.0 M

- 19.3 th
  - 421 th

Customers ‘05 - 12.2 M

- 2.7 th
  - 452 th

- 18.5 th

- 7.0 M
  - 1.5 M
  - 1.1 M

- 6.5 M

- 6.8 M

- 9.2 M
  - 0.9 M
  - 1.3 M

% of customers with three or more products

- 37%
- 27%

Deposits > 1M usd
Deposits > 200 th usd
Deposits > 10 th usd
We operate one of the largest networks in Mexico

### Branches (1,718)

- **Bancomer**: 25%
- **Banamex**: 20%
- **HSBC**: 20%
- **Banorte**: 14%
- **Santander**: 13%
- **Scotiabank**: 6%

### ATMs (4,410)

- **Banamex**: 23%
- **HSBC**: 23%
- **Bancomer**: 20%
- **Santander**: 14%
- **Banorte**: 13%
- **Scotiabank**: 5%

Commercial lending was driven by mid-sized company loans

Commercial lending

Loan growth 2005

Market share growth 2005

Size of the bubble = market share.

Bancomer middle market

Peer 1

Peer 2

Peer 3

Peer 4

Bancomer

Commercial lending was driven by mid-sized company loans.
In 2005 we took the lead in consumer lending

Consumer lending

Market share growth 2005 vs. Loan growth 2005

Size of the bubble = market share.

Peer 1
Peer 2
Peer 3
Peer 4
Bancomer
We transformed the mortgage market with the acquisition of HN

Mortgage lending

Size of the bubble = market share.

Loan growth 2005

Market share growth 2005
We defend market share with our flagship savings product Libretón.

Savings deposits

Loan growth 2005

Market share growth 2005

Size of the bubble = market share.

Peer 1

Peer 2

Peer 3

Peer 4

BBVA Bancomer – Sound growth on solid foundations
Mutual fund management continues to grow in importance

Mutual funds

Size of the bubble = market share.

Loan growth 2005

Market share growth 2005

Peer 1
Peer 2
Peer 3
Peer 4
Bancomer
agenda

- Recent financials
- Competitive edge
- Future challenges
The macro scenario points towards continued financial stability.

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006e</th>
<th>2007e</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP (%) change</strong></td>
<td>4.4</td>
<td>3.0</td>
<td>3.2</td>
<td>3.1</td>
</tr>
<tr>
<td><strong>Inflation (YoY %)</strong></td>
<td>5.2</td>
<td>3.3</td>
<td>3.6</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>28-day Cete (%) YE</strong></td>
<td>8.6</td>
<td>8.0</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>10-year bond (%) YE</strong></td>
<td>9.7</td>
<td>8.5</td>
<td>7.9</td>
<td>7.9</td>
</tr>
<tr>
<td><strong>USD/MXN (YE)</strong></td>
<td>11.3</td>
<td>10.6</td>
<td>11.3</td>
<td>11.7</td>
</tr>
</tbody>
</table>
There is significant growth potential for financial services in Mexico

Total lending as % of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Bank Lending</th>
<th>Non Bank Lending</th>
<th>Capital Markets</th>
<th>Total Lending</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>2,484</td>
<td>92</td>
<td>164</td>
<td>2,640</td>
</tr>
<tr>
<td>1995</td>
<td>2,047</td>
<td>198</td>
<td>164</td>
<td>2,245</td>
</tr>
<tr>
<td>1996</td>
<td>1,765</td>
<td>198</td>
<td>164</td>
<td>2,047</td>
</tr>
<tr>
<td>1997</td>
<td>1,587</td>
<td>198</td>
<td>164</td>
<td>1,889</td>
</tr>
<tr>
<td>1998</td>
<td>1,334</td>
<td>198</td>
<td>164</td>
<td>1,696</td>
</tr>
<tr>
<td>1999</td>
<td>1,115</td>
<td>198</td>
<td>164</td>
<td>1,503</td>
</tr>
<tr>
<td>2000</td>
<td>943</td>
<td>198</td>
<td>164</td>
<td>1,299</td>
</tr>
<tr>
<td>2001</td>
<td>816</td>
<td>198</td>
<td>164</td>
<td>1,194</td>
</tr>
<tr>
<td>2002</td>
<td>790</td>
<td>198</td>
<td>164</td>
<td>1,084</td>
</tr>
<tr>
<td>2003</td>
<td>761</td>
<td>198</td>
<td>164</td>
<td>953</td>
</tr>
<tr>
<td>2004</td>
<td>787</td>
<td>198</td>
<td>164</td>
<td>951</td>
</tr>
<tr>
<td>2005</td>
<td>829</td>
<td>198</td>
<td>164</td>
<td>1,021</td>
</tr>
</tbody>
</table>

Source: Banco de México, inegi. Figures in billions of pesos as of September 2005.

557 billion pesos
External financing

BBVA Bancomer – Sound growth on solid foundations
Our greatest challenge is to continue on an accelerated growth path.

**Macro environment**
- Moderate growth, decreasing rates & tough competitive environment

**Lending**
- Main driver private and middle-market lending

**Deposits**
- Focus on low cost funding and more sophisticated products

**Efficiency**
- Faster-paced income vs. expense growth