

# BBVA



## Retail Banking in Spain

Société Générale Conference

June 5th, 2007

Javier Bernal Dionis

# Disclaimer



## **Forward-Looking Statements**

This document may include “forward-looking statements” within the meaning of the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as “anticipate,” “believe,” “expect,” “estimate,” “plan,” “outlook,” and “project” and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. Investors are cautioned that such forward-looking statements with respect to revenues, earnings, performance, strategies, prospects and other aspects of the businesses of Banco Bilbao Vizcaya Argentaria, S.A. (“BBVA”), Compass Bancshares, Inc. (“Compass”) and the combined group after completion of the proposed transaction are based on current expectations that are subject to risks and uncertainties. A number of factors could cause actual results or outcomes to differ materially from those indicated by such forward-looking statements. These factors include, but are not limited to, the following risks and uncertainties: those set forth in BBVA’s and Compass’s filings with the Securities and Exchange Commission (“SEC”), the failure to obtain and retain expected synergies from the proposed transaction, failure of Compass stockholders to approve the transaction, failure of BBVA stockholders to approve the related capital increase, delays in obtaining, or adverse conditions contained in, any required regulatory approvals, failure to consummate or delay in consummating the transaction for other reasons, changes in laws or regulations and other similar factors. Readers are referred to BBVA’s and Compass’s most recent reports filed with the SEC. BBVA and Compass are under no obligation to (and expressly disclaim any such obligation to) update or alter their forward-looking statements whether as a result of new information, future events or otherwise.

## **Additional Information and Where to Find It**

This filing may be deemed to be solicitation material in respect of the proposed transaction involving BBVA and Compass. In connection with the proposed transaction, BBVA has filed with the SEC a registration statement on Form F-4 (File no. 333-141813) (the “Registration Statement”) to register the BBVA ordinary shares to be issued in the proposed transaction and that includes a proxy statement of Compass that also constitutes a prospectus of BBVA. BBVA and Compass have also filed, and intend to continue to file, additional relevant materials with the SEC. The Registration Statement and the related proxy statement/prospectus contain and will contain important information about BBVA, Compass, the proposed transaction and related matters. **SHAREHOLDERS OF COMPASS ARE URGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE PROXY STATEMENT/PROSPECTUS, BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** The final proxy statement/prospectus will be mailed to shareholders of Compass. Investors and security holders may obtain a free copy of the disclosure documents (including the Registration Statement) and other documents filed by BBVA and Compass with the SEC at the SEC’s website at [www.sec.gov](http://www.sec.gov), from BBVA’s Investor Relations department or from Compass’s Investor Relations department. BBVA will also file certain documents with the Spanish Comisión Nacional del Mercado de Valores in connection with its shareholders’ meeting to be held in connection with the proposed transaction, which will be available on the CNMV’s website at [www.cnmv.es](http://www.cnmv.es).

## **Participants in the Transaction**

BBVA, Compass and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transactions. Information regarding BBVA’s directors and executive officers is available in BBVA’s annual report on Form 20-F, which was filed with the SEC on March 30, 2007, and information regarding Compass’s directors and executive officers is available in Compass’s proxy statement for its 2006 annual meeting of shareholders, which was filed with the SEC on March 17, 2006. Additional information regarding the interests of such potential participants is also included in the Registration

**1. Macroeconomic outlook for 2007.**

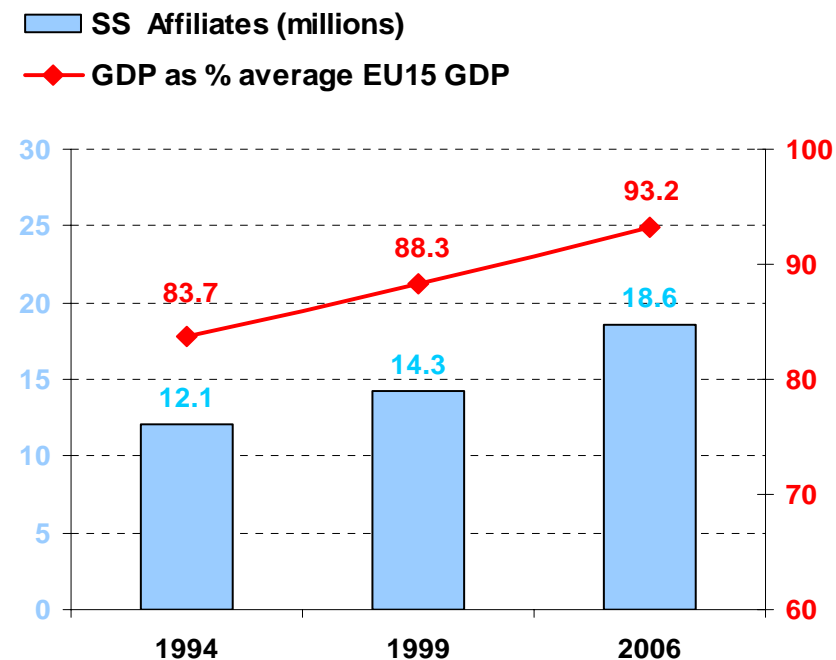
**2. Recent Financial Results.**

**3. Retail Banking Business Model.**

**4. Conclusions.**

# Good performance and positive prospects for the Spanish economy

% y-o-y growth	2006	2007E	2008E
Private consumption	3.7	3.4	2.9
Cap.ex.	9.5	8.8	6.8
Construction	5.8	3.9	2.8
External demand	-1.0	-0.8	-0.7
<b>GDP</b>	<b>3.9</b>	<b>3.7</b>	<b>3.1</b>
GDP EU average	2.8	2.5	2.3

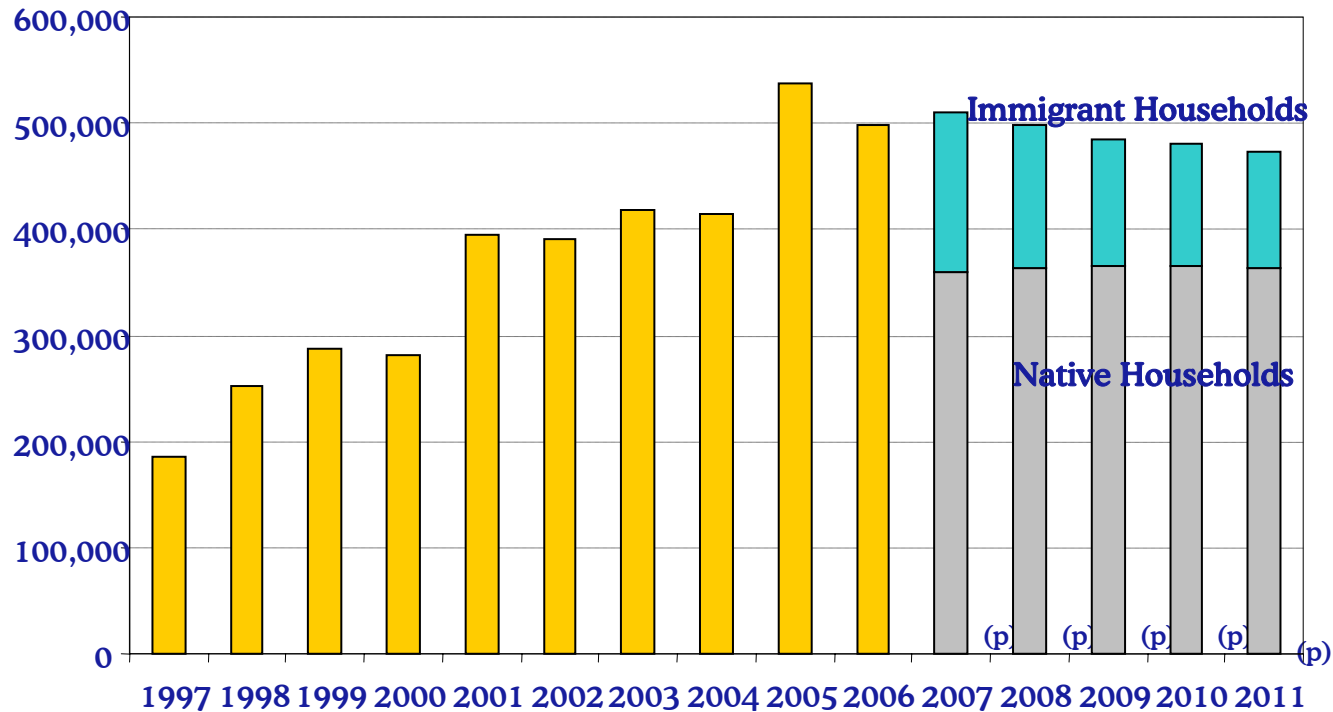


**6.5 million jobs created in the period 1994-2006**

\* Source: BBVA Economic Research Department

In the medium term, real estate has strong supporting factors.

**Spain, Projection of Households Formation  
number of new households by year**

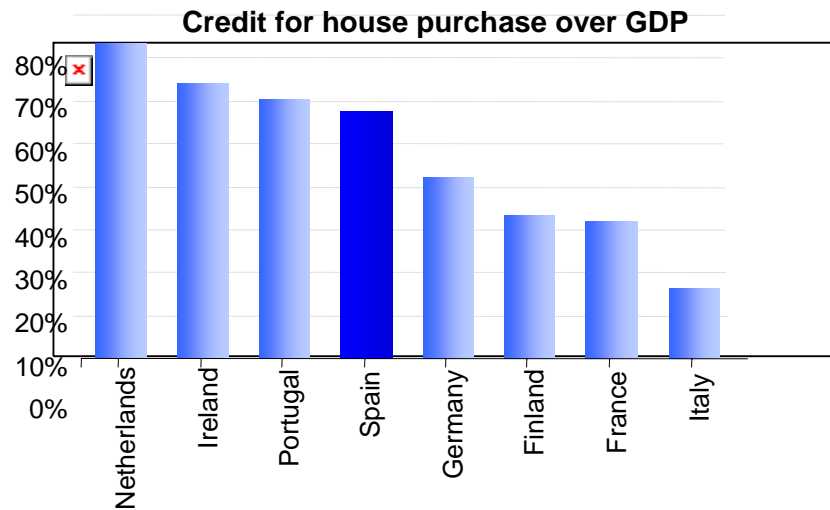


Source: INE and SEE BBVA

**Households will continue growing over the coming years at a yearly pace of half a million. Demographic factors will support activity in the real state sector.**

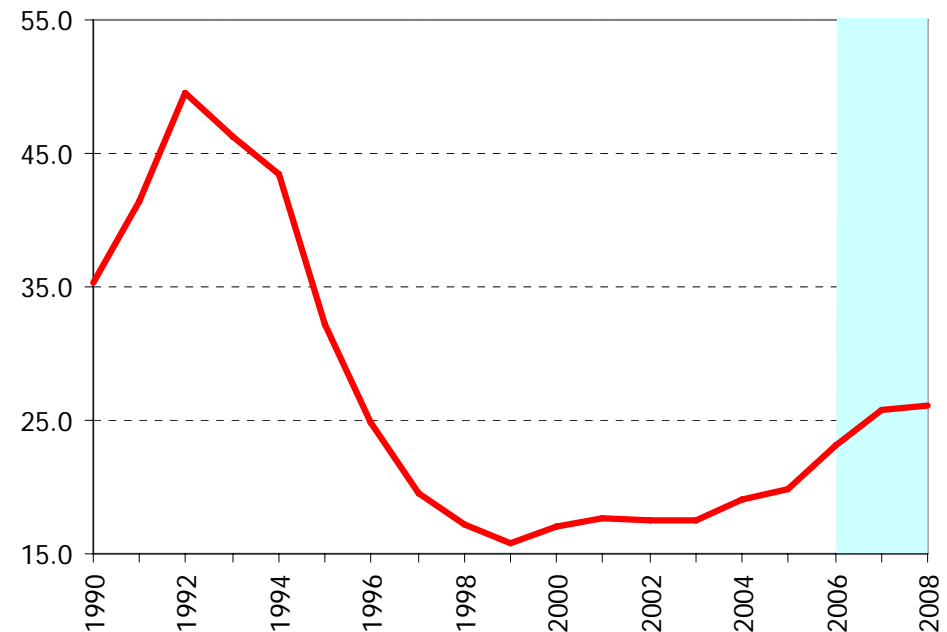
# Outlook for mortgage demand: affordability at acceptable levels.

## Residential mortgage loans <sup>(1)</sup> over GDP, % (2006)



(1) Source: BCE, Ameco

## Affordability ratio (%) <sup>(2)</sup>



Source: Servicio de Estudios BBVA

(2) Net debt payments/gross salary, adjusted by fiscal mortgages benefits

To sum up ...

Household demand will maintain a moderation trend in 2007. Nevertheless, employment will continue acting as a main supporting pillar.

Besides deterioration in affordability ratios, they remain at reasonable levels.

The expected gradual adjustment scenario means that, in 2007, the demand deceleration will be accompanied by a gradual slow down in activity levels.



**1. Macroeconomic outlook for 2007.**

**2. Recent Financial Results.**

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**4. Conclusions.**





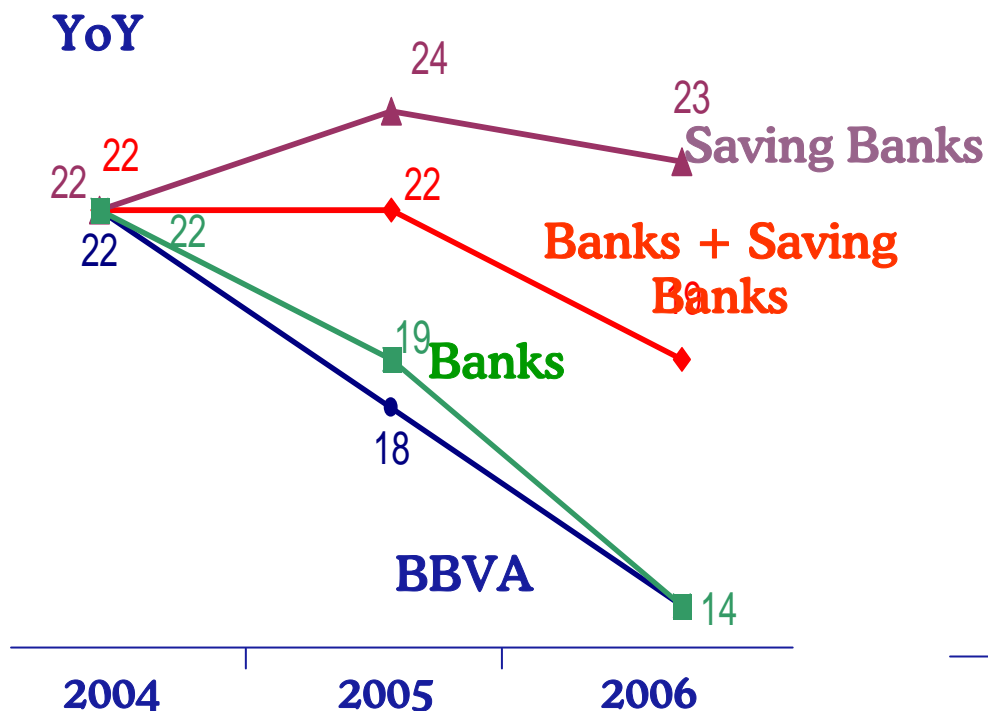
## Main figures

<b>BBVA Spain &amp; Portugal</b>	<b>€M</b>	<b>% as of BBVA Group</b>
<b>Total Assets</b>	<b>200,298</b>	<b>49%</b>
<b>Customers Loans</b>	<b>175,798</b>	<b>70%</b>
<b>Customer Funds</b>	<b>144,346</b>	<b>49%</b>
<b>Operating Margin</b>	<b>3,496</b>	<b>42%</b>
<b>Attributable Profit</b>	<b>1,919</b>	<b>42%</b>
<b>Employees</b>	<b>25,902</b>	<b>26%</b>
<b>Branches</b>	<b>3,951</b>	<b>52%</b>

SPAIN & PORTUGAL	€M	YoY	
	Dec.06	06/05	05/04
<b>Retail Banking</b>	<b>114,627</b>	<b>17.7</b>	<b>17.8</b>
Mortgages	77,727	16.3	19.3
Consumer & Cards	13,371	23.0	11.5
Small Business	18,686	19.6	22.0
<b>CBB</b>	<b>61,171</b>	<b>8.6</b>	<b>12.7</b>
Business & Corp. Ibérica	42,590	15.4	17.3
Institutional Banking	18,580	-4.4	4.8
<b>TOTAL INVESTMENT</b>	<b>175,798</b>	<b>14.4</b>	<b>15.9</b>

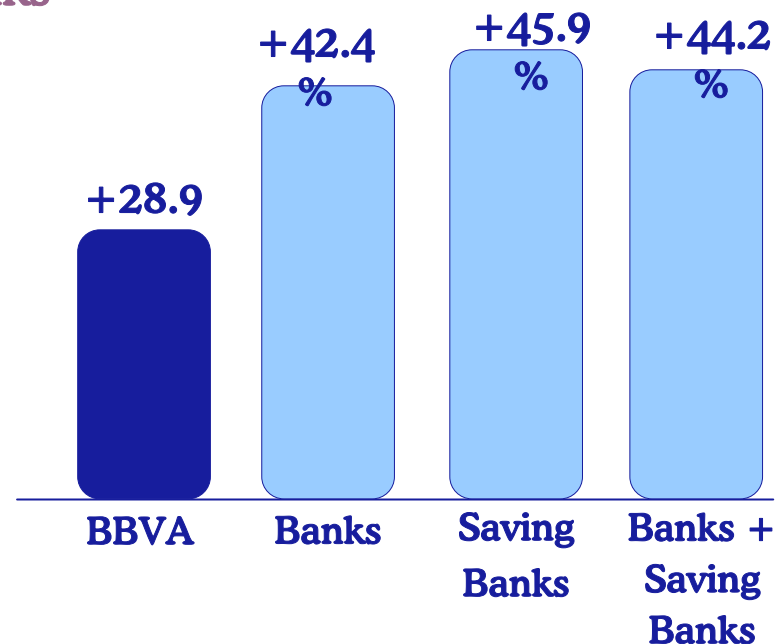
Strong growth despite slow deceleration in mortgages lending sustained by high dynamism in consumer and small business lending, more profitable segments.

## Residential Mortgage



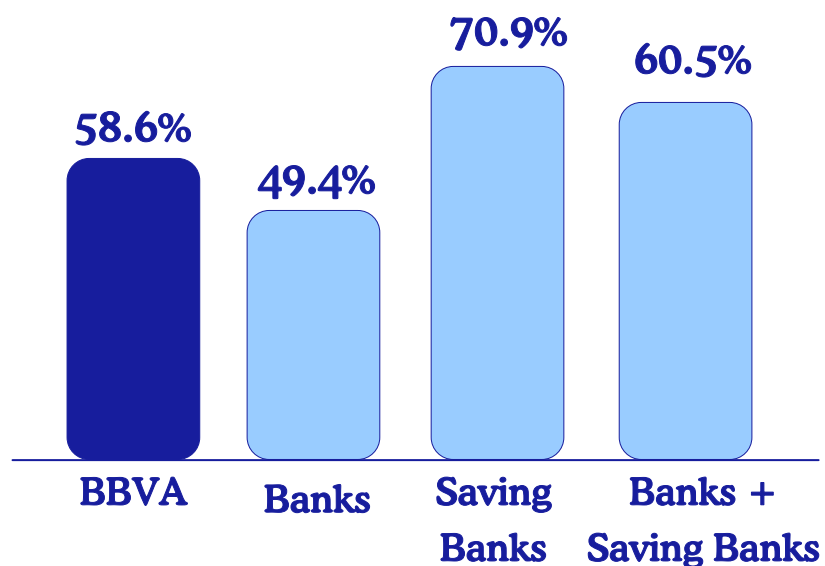
## Real Estate Developer

Average Annual Rate of Growth (2003-2006)

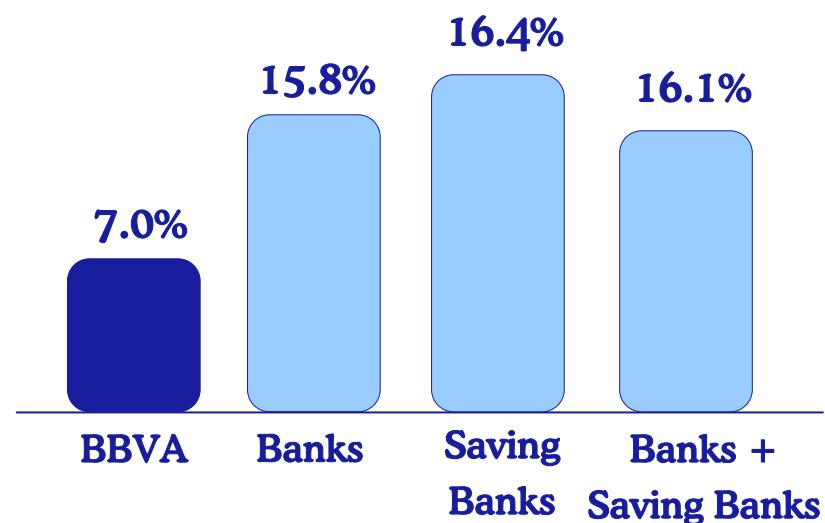


A conservative approach to developers lendings.  
Growing at Bank´s rate in residential motgage.

## Mortgage Loans over Total Loans



## Real Estate Developer Loan over Total Loans



**Our exposure to the real estate developers' risk is clearly under the System.**

## Residential Mortgage

- 79% first residence financing
- Average LTV: 53.2%
- Avg. Mortgage Loan: 145,334 €
- Average due date: 27 years
- NPL Ratio: 0.27%
- Coverage ratio: 385%

## Real Estate Developer Loan

- 93% first residence Financing
- Active customers: 5,270
- 100 top clients account for just 31.7% of our portfolio
- 40% of investments located in province capitals and locations > 100,000 inhabitants
- NPL Ratio: 0.10%
- Coverage ratio: 1,745%

**High quality of mortgage portfolio and low risk concentration in developer loans**

# Resulting from our Business Model in Real Estate Sector **BBVA**

**Specialization, experience & historical knowledge of our customer base & market behaviour**

**Tools, & specific risk models**

**Decentralized decisions based on our property experts team**

**Risk Analysis from a double point of view: 1) Customer. 2) Project/Operation.**

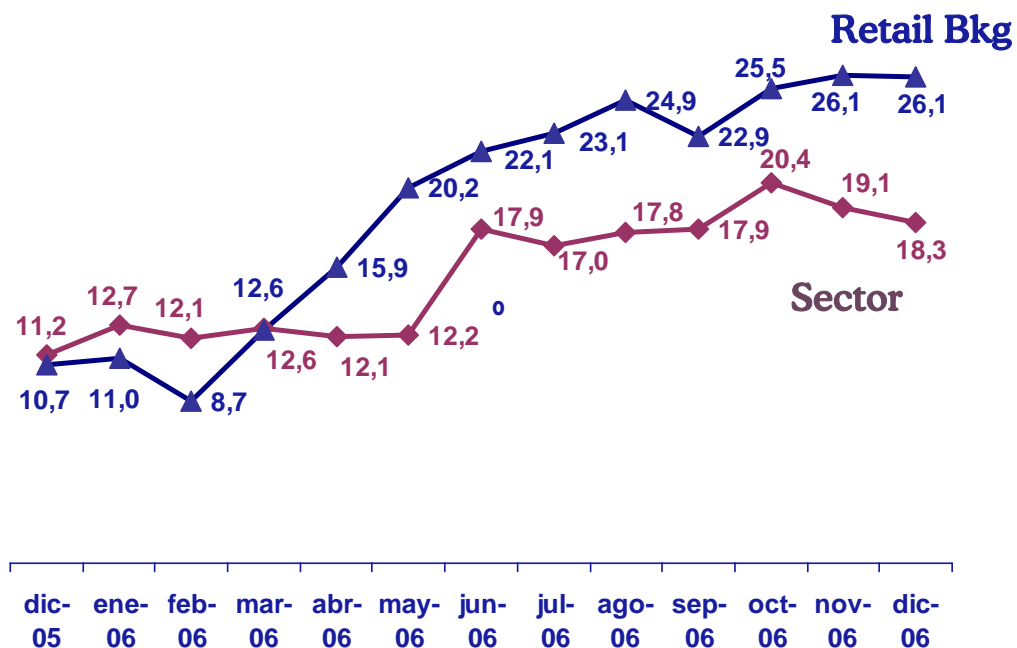
**Detailed monitoring of operations**

**It has allowed us to:**

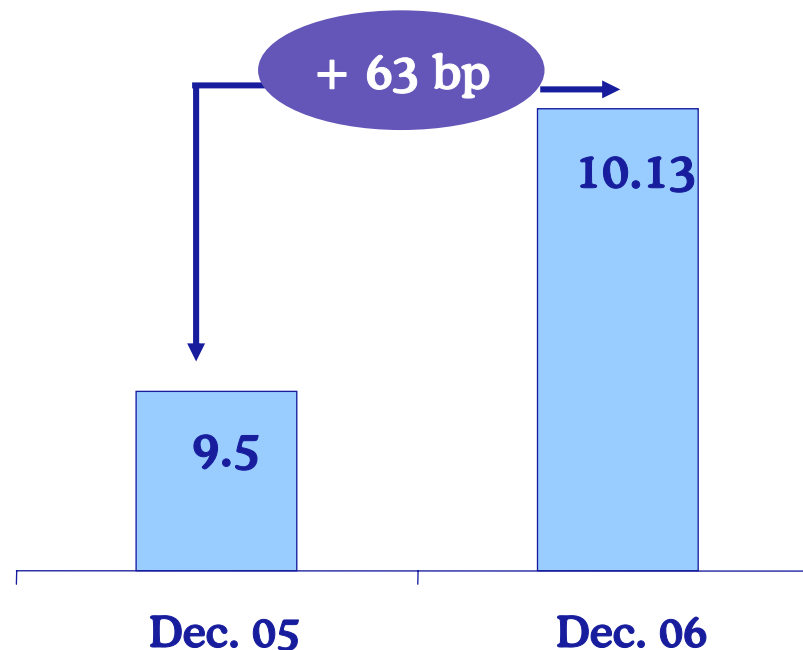
- 1. Be selective with customers, operations, segments, ...**
- 2. Maintain strong growths compatible with a high risk quality.**

We positioned in advance in a high potential growth segment. **BBVA**

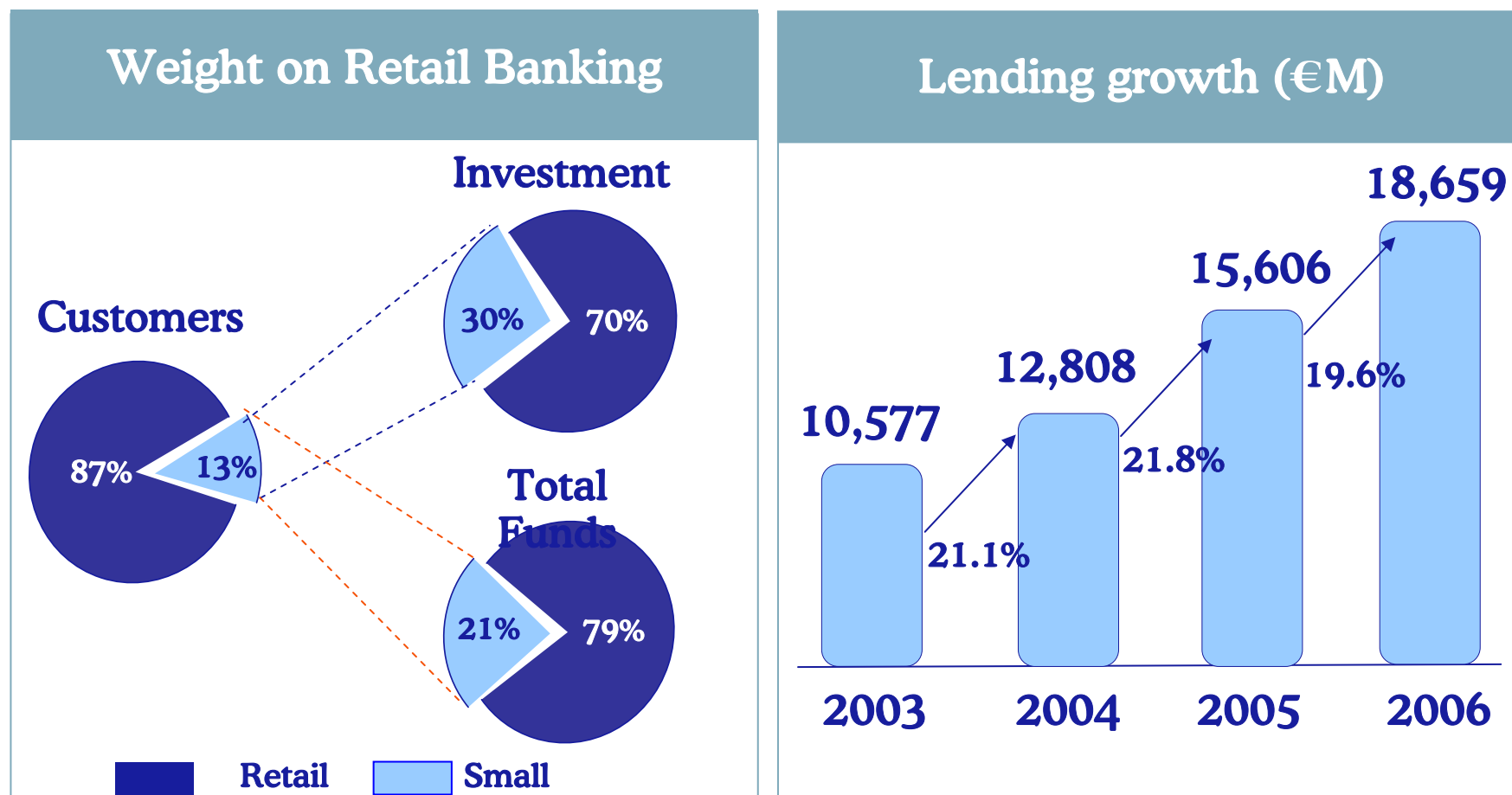
## Consumer Finance APR (%)



## Market share Retail Banking (%)



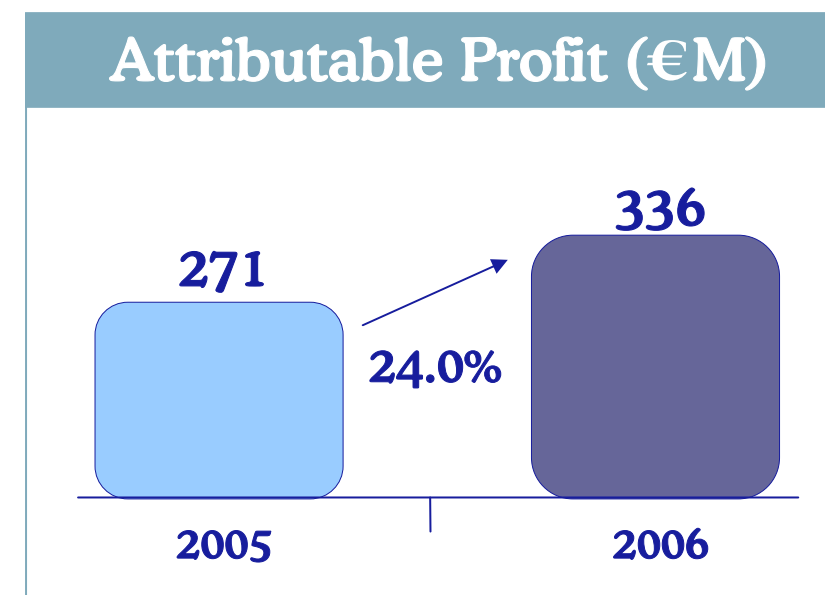
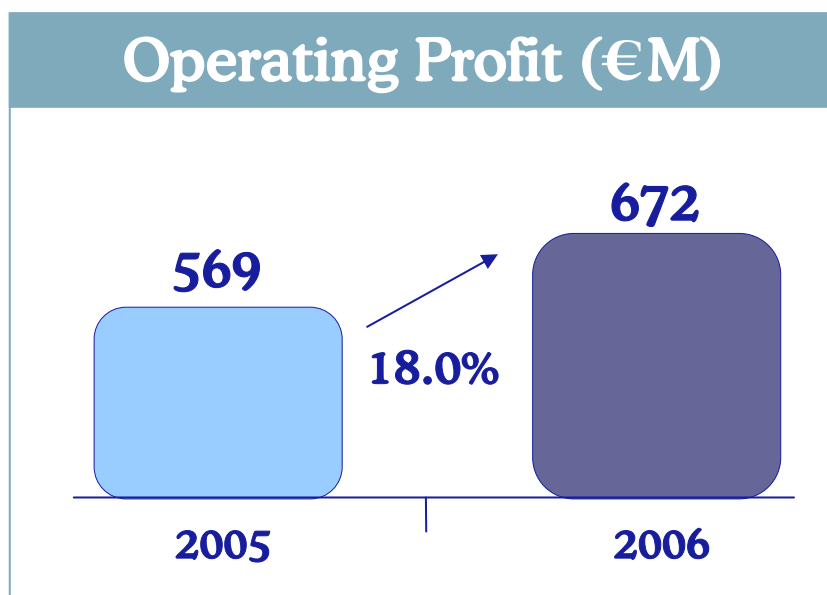
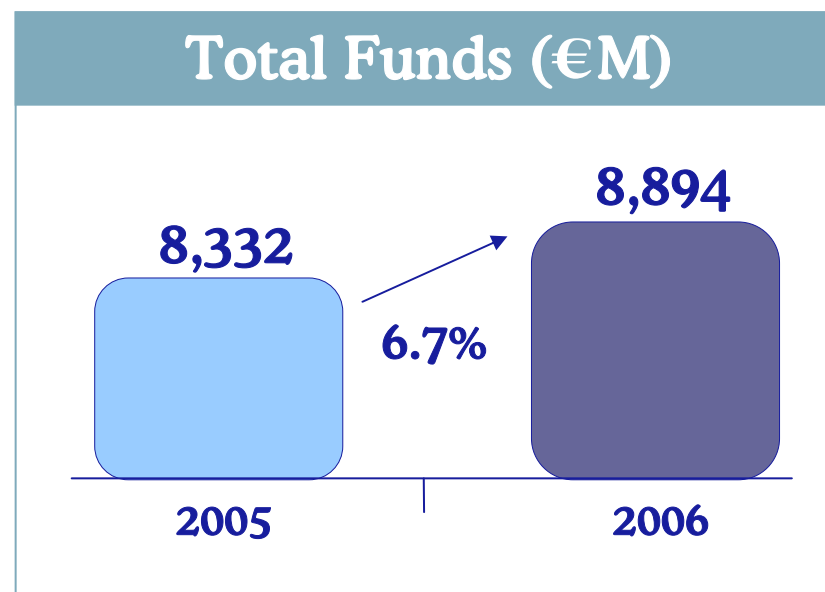
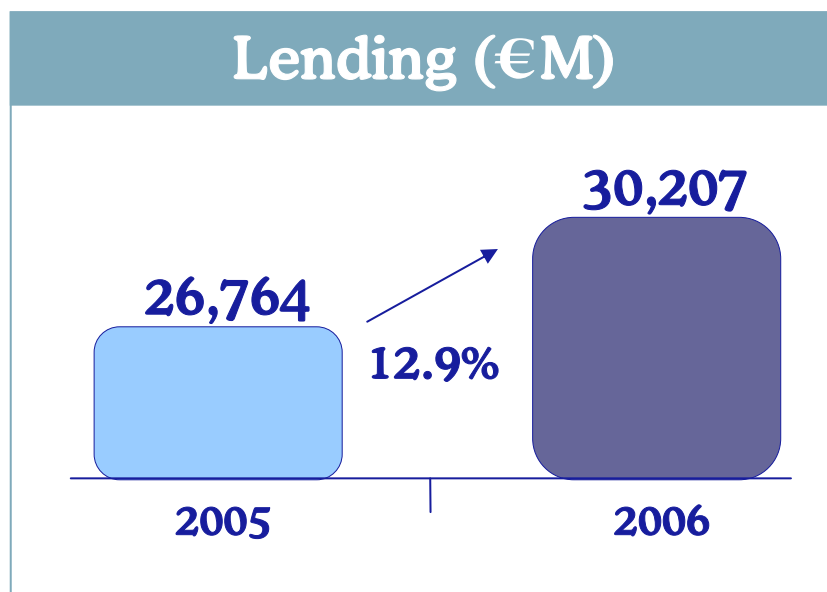
New products represented 40% of total new consumer loans in 2006 and accounted for a 21% of total consumer portfolio.



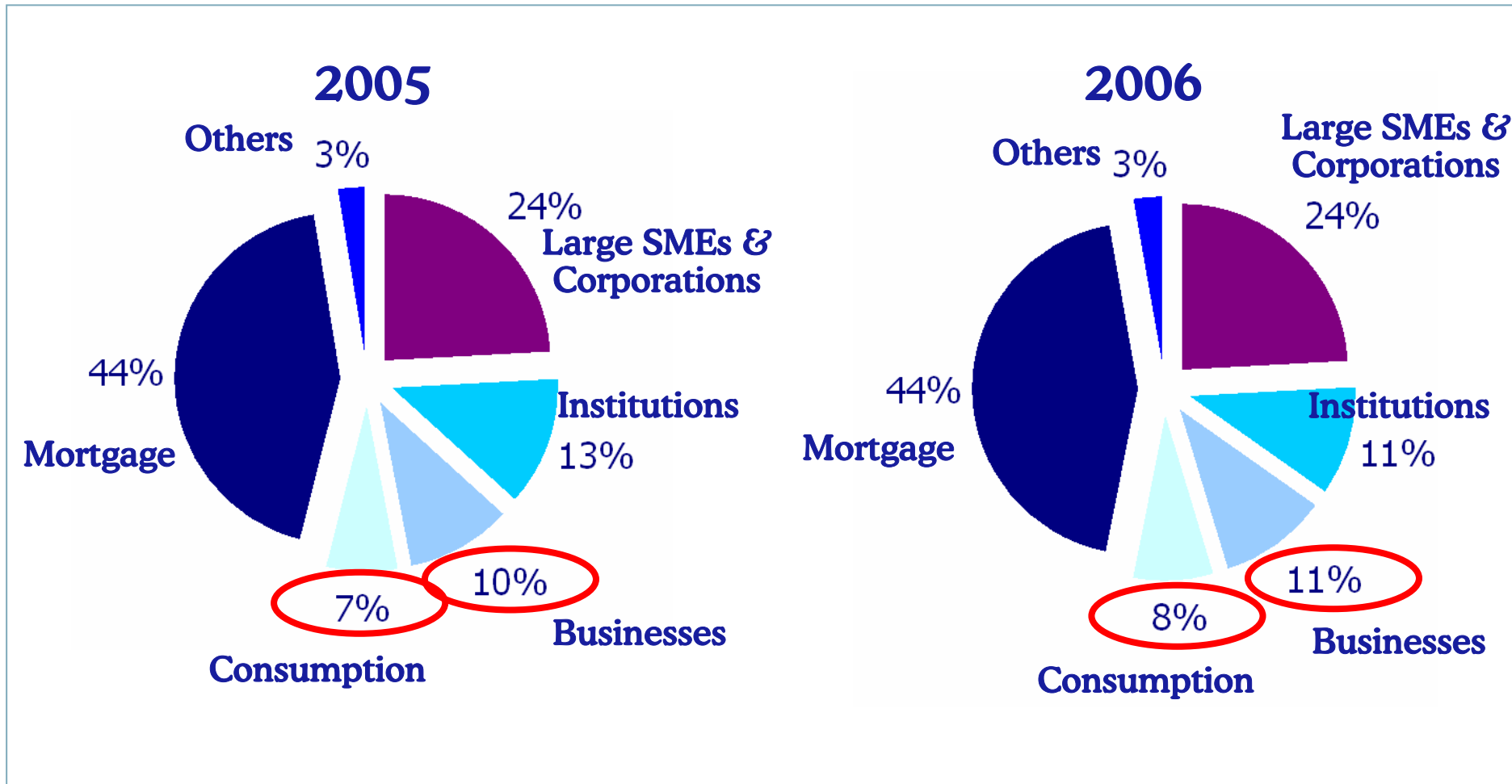
**A highly profitable segment, with an important contribution to business volumes, both in terms of assets and liabilities.**

<sup>1</sup>Businesses include Commerces, Agrarian economies and small SMEs.





# Business strategy that has turned into a progressive change in our investment portfolio mix. **BBVA**



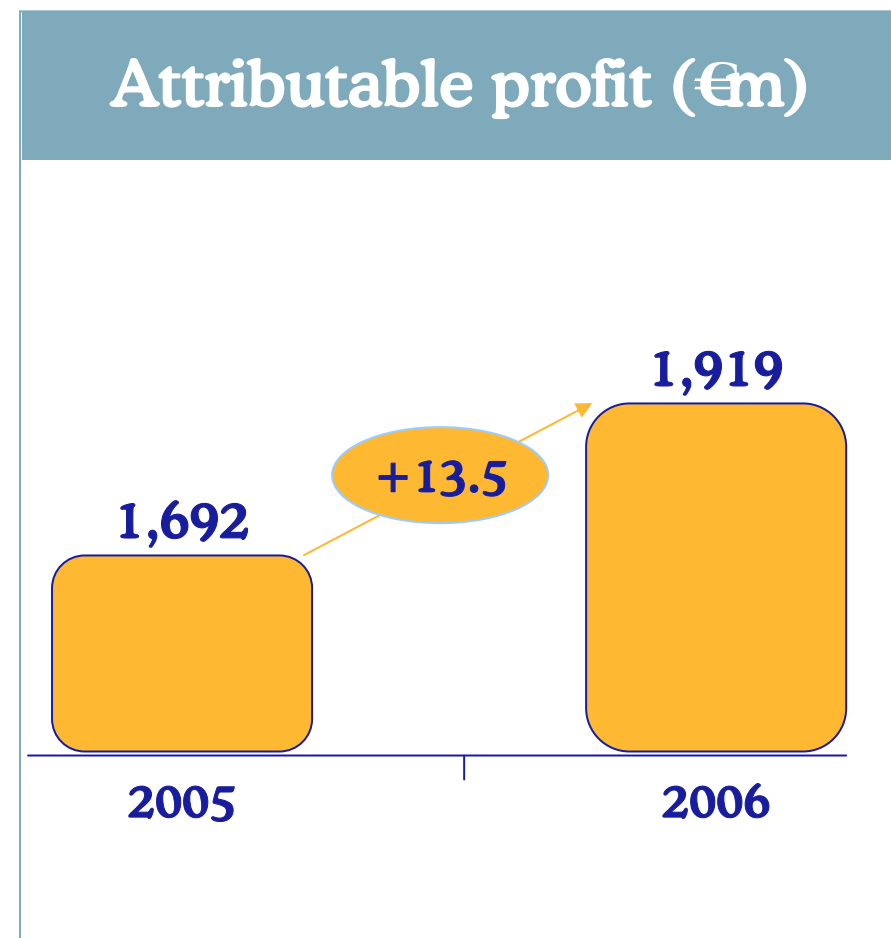
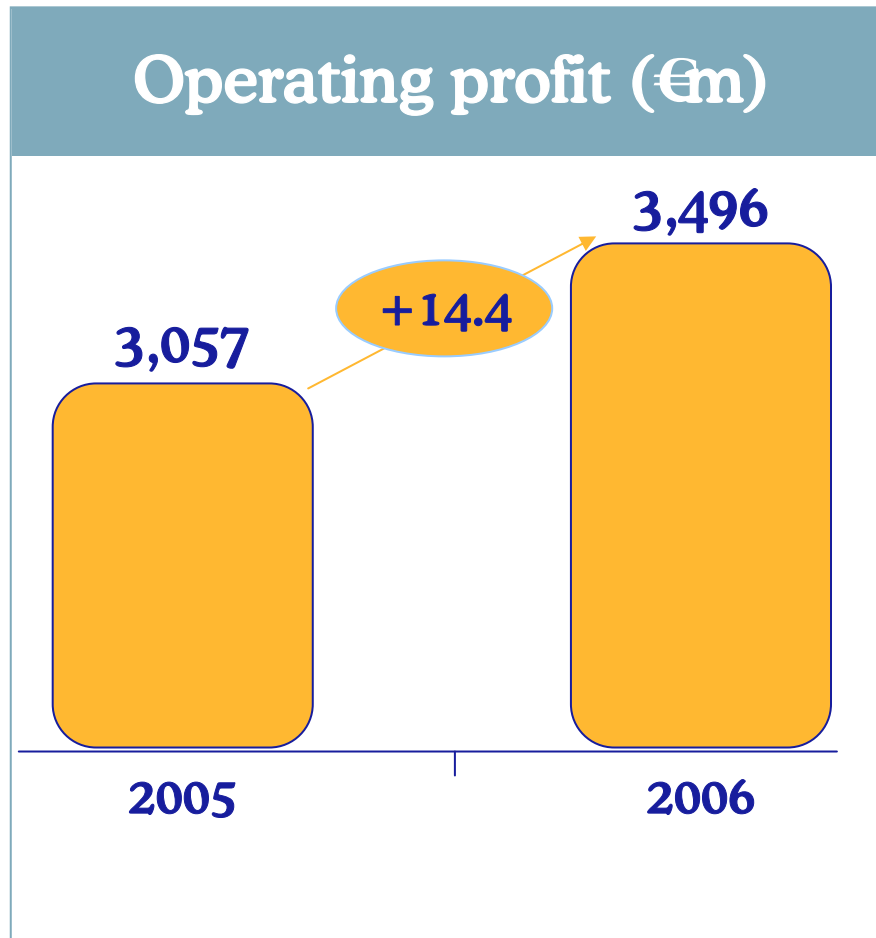
With a slight increase of the weight of consumer & businesses over total.

## On liabilities side

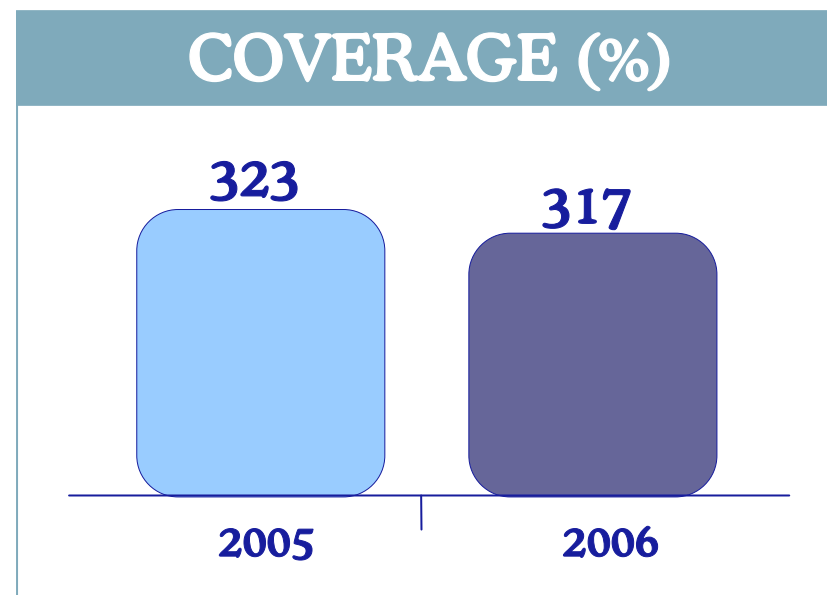
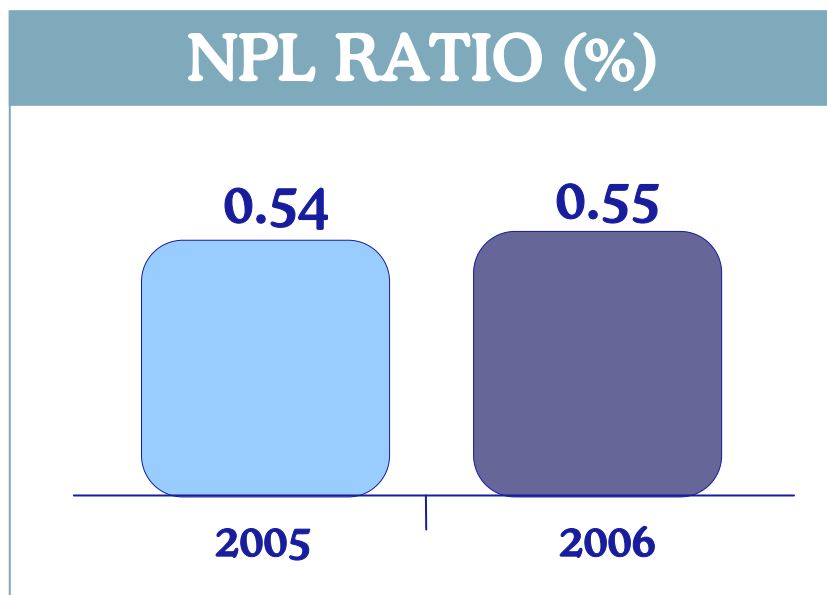
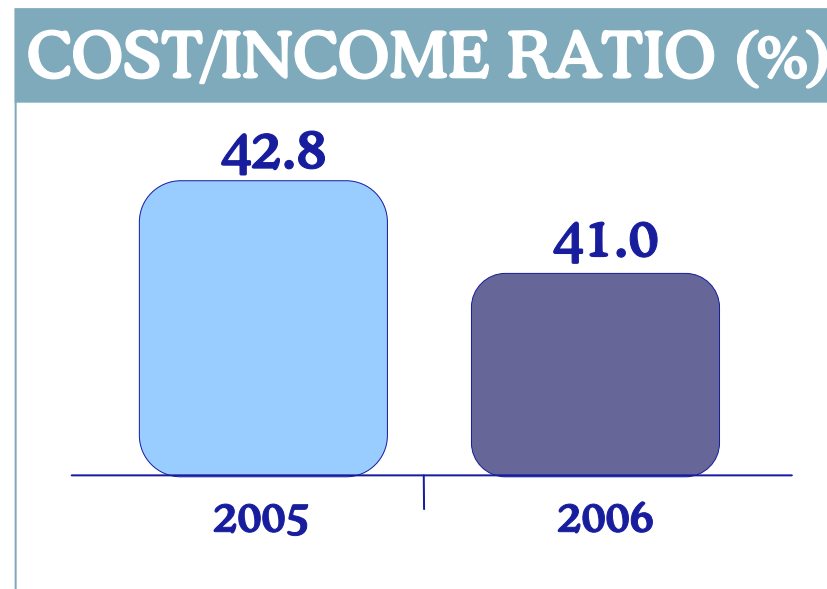
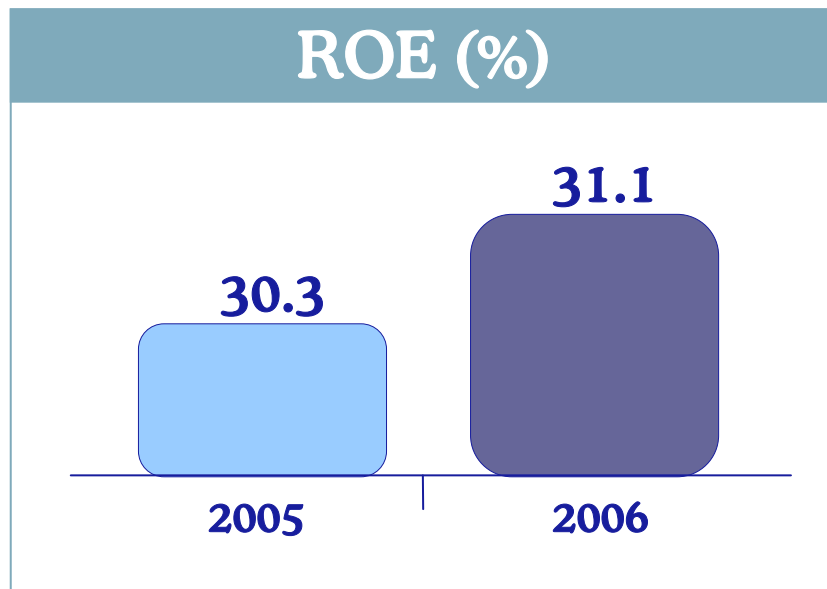
SPAIN & PORTUGAL	€M	YoY chg.	
	Dic.06	06/05	05/04
<b>In Balance</b>	<b>84.896</b>	<b>14,4</b>	<b>10,9</b>
<b>Current Account</b>	<b>43.451</b>	<b>13,2</b>	<b>5,5</b>
<b>Term Deposits</b>	<b>22.679</b>	<b>33,9</b>	<b>13,0</b>
<b>Off Balance</b>	<b>59.449</b>	<b>-0,1</b>	<b>7,3</b>
<b>Mutual &amp; Pension Funds</b>	<b>52.385</b>	<b>0,0</b>	<b>8,3</b>
<b>Stable Funds</b>	<b>82.128</b>	<b>7,5</b>	<b>8,5</b>
<b>Total Funds</b>	<b>144.346</b>	<b>7,9</b>	<b>9,3</b>

Significant growth in on-balance funds, with importante market share gains in Term Deposits (+86 b.p.)

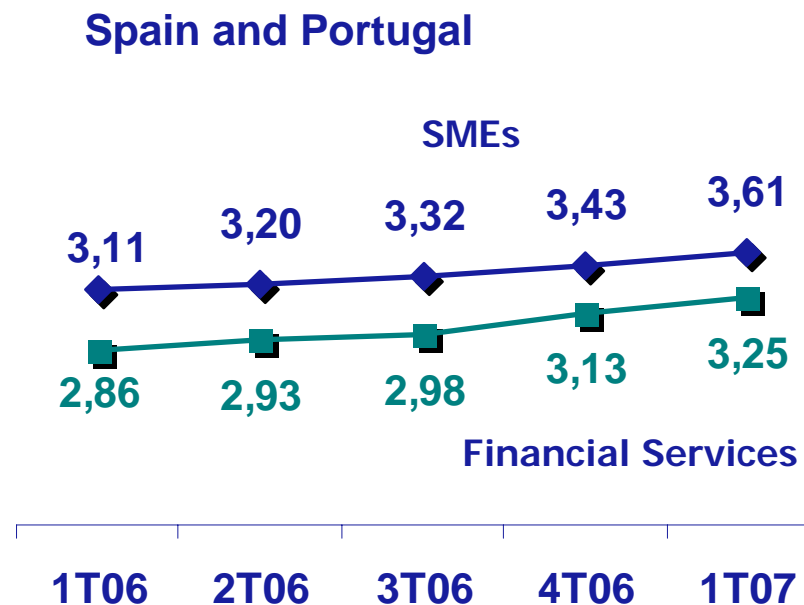
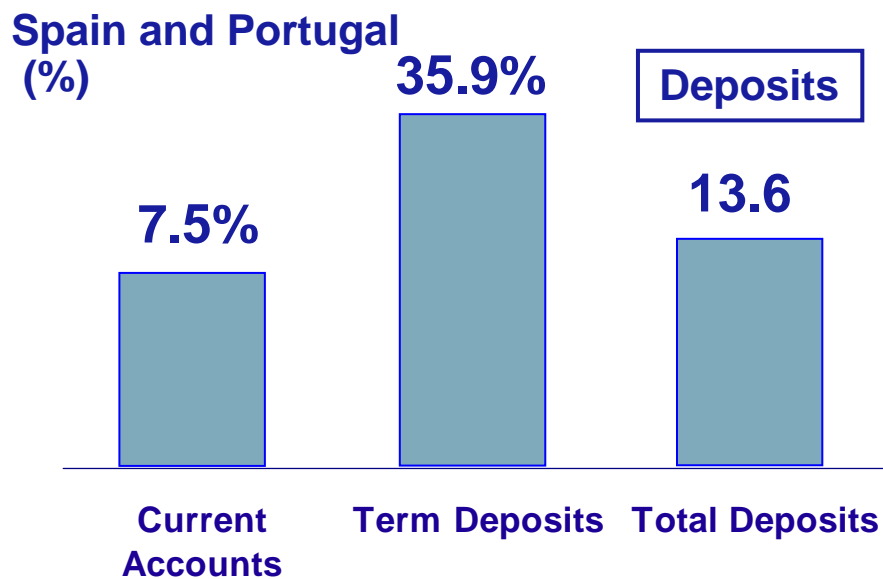
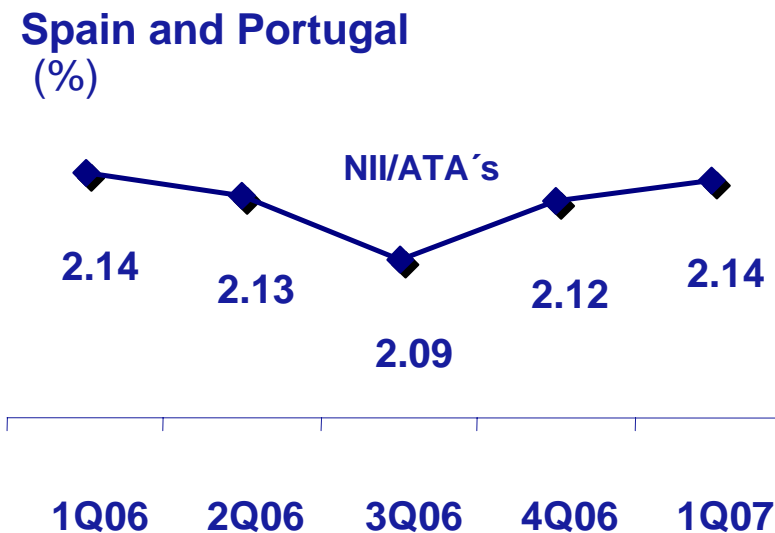
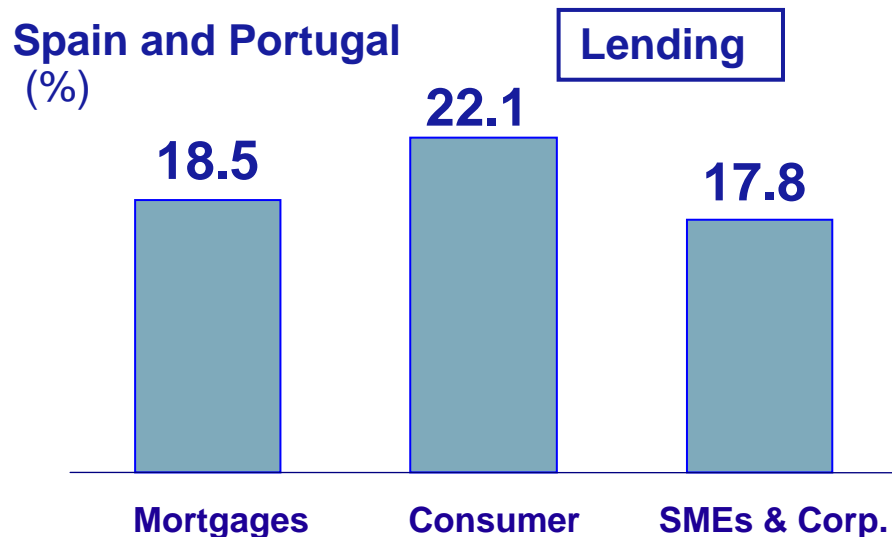
All this resulted in higher profits ...



, ... solid fundamentals, ...

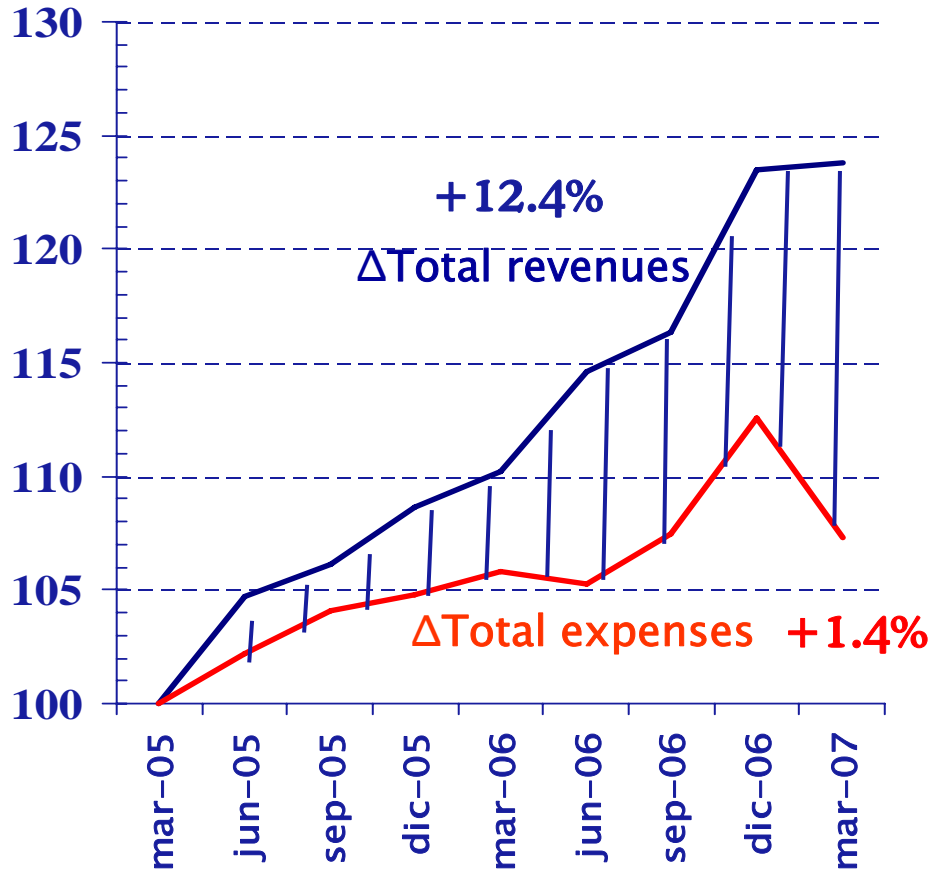


# 1Q07: strong business activity and margins

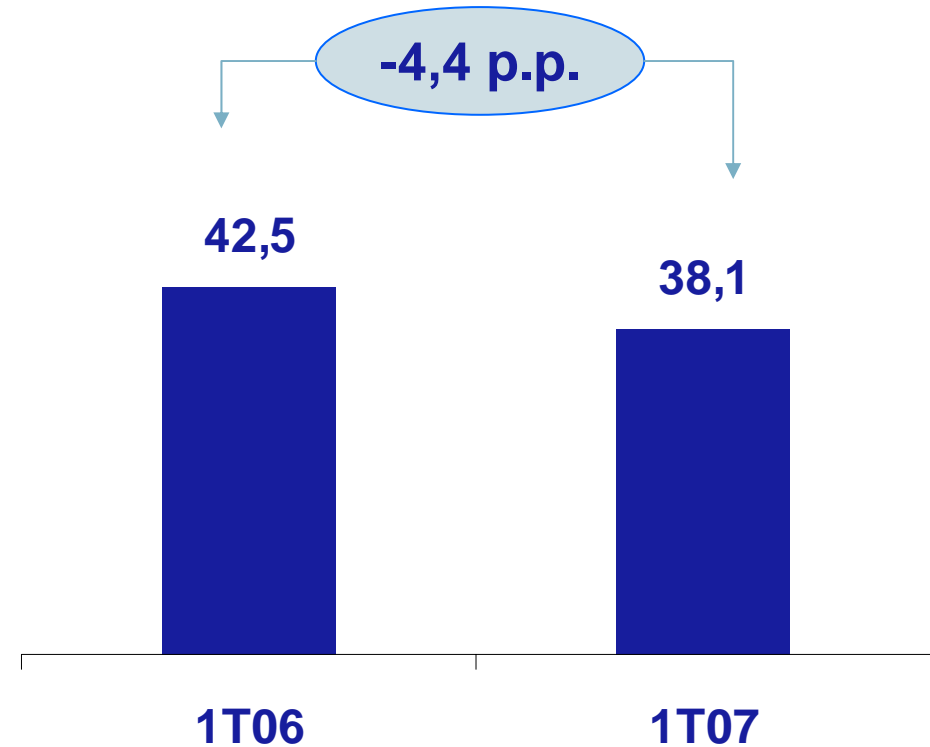


# Positive operating jaws deliver efficiency improvements

Spain and Portugal (rebased to 100)



## Cost/Income Ratio (%)



Branch network expenses: -0.9%  
 Spain & Portugal without  
 Growth Projects: +0.7%

**Significant Efficiency Gain**

Spain & Portugal	€M	YoY Chg.	
	Dic.06	06/05	1T 07/1T 06
<b>Net Interest Income</b>	3,747	9.3	13.2
<b>Core Revenues</b>	5,751	9.9	11.1
<b>Ordinary Revenues</b>	5,966	10.8	12.4
<b>Operating Profit</b>	3,496	14.4	21.1
<b>Attributable Profit</b>	1,919	13.5	26.9

**Acceleration in all P&L lines**





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# What is our main goal?

**AMBITION**

**Consolidating our leadership in  
PROFITABLE  
GROWTH in Spain**

**EVERYDAY  
BUSINESS  
VECTORS**

**GROWTH**

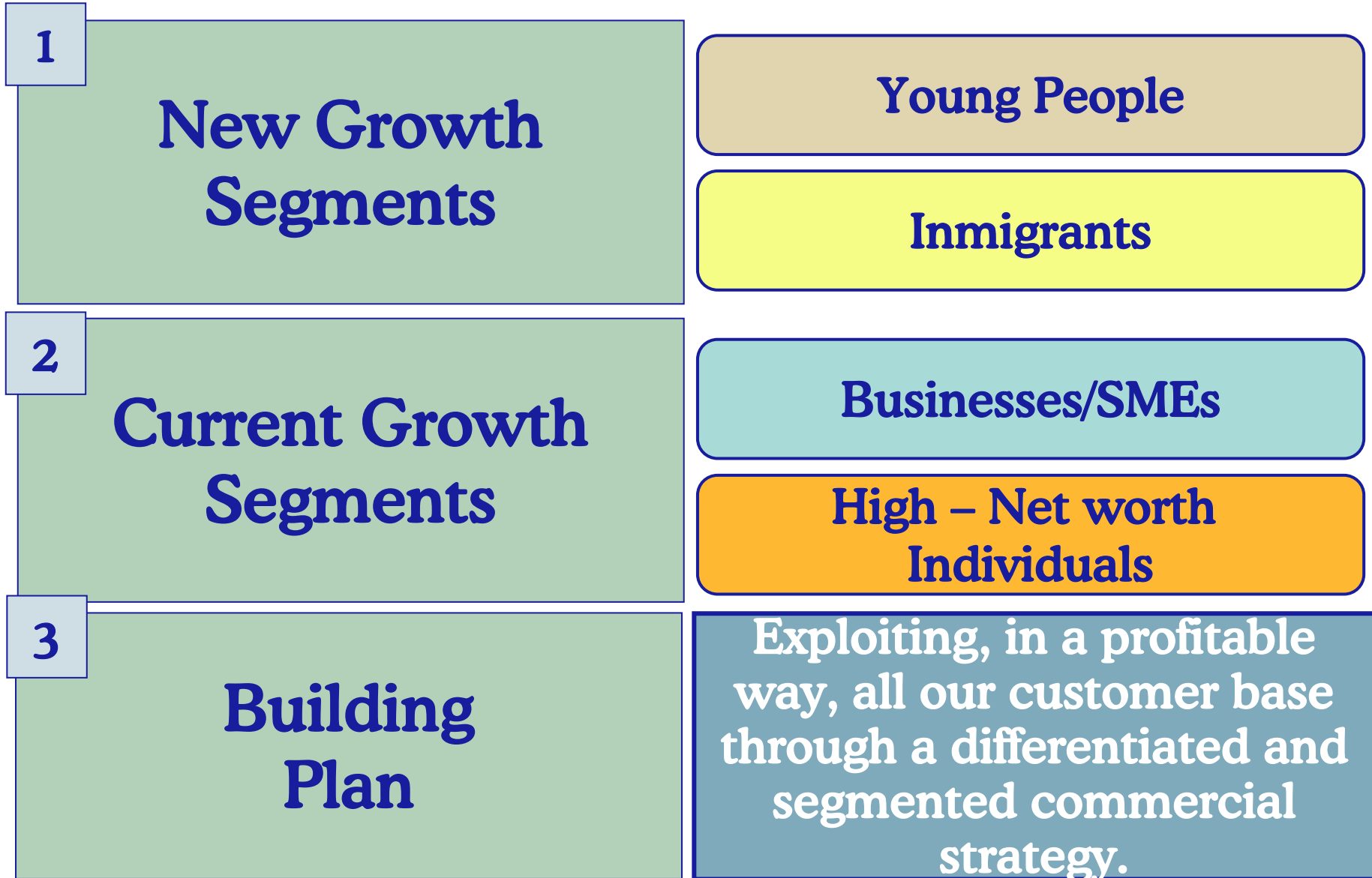
**PROFITABILITY**

**COST CONTROL**

**RISK CONTROL**

**CAPITAL  
DISCIPLINE**

# Growth based on differentiated customer approach ... **BBVA**



## Opportunity

**New segment**

**35% Spanish Population**

**9 million < 20 to enter financial market**

## BBVA's approach

**New brand**

Change of brand



**blueBBVA**

**New web**



**Interactive marketing**

**Young visitors to Bluebbva.com multiplied by 10 (400,000 monthly)**

**Sponsorship**

**"Star Academy" (TV)**

## The results

**8 million web visits in last 4 months**

**91,000 new young customers to reach a segment total of 1.2 m**

**Goal > to increase 1.000.000 new customers in 2010**

## Opportunity

**New Segment**

4 million people in Spain

10% of Spanish population

## BBVA's approach

**New Value proposition**

Full product offering

**New products: financial and non-financial**

**Money transfers**  
780,000 in 2006 (x 2.3)

**Loans**  
103,600 in 2006 (x2.9)

**Phone Calls**  
2.5 MM in 2006 (x3.3)

**New distribution model**

Dual and complementary



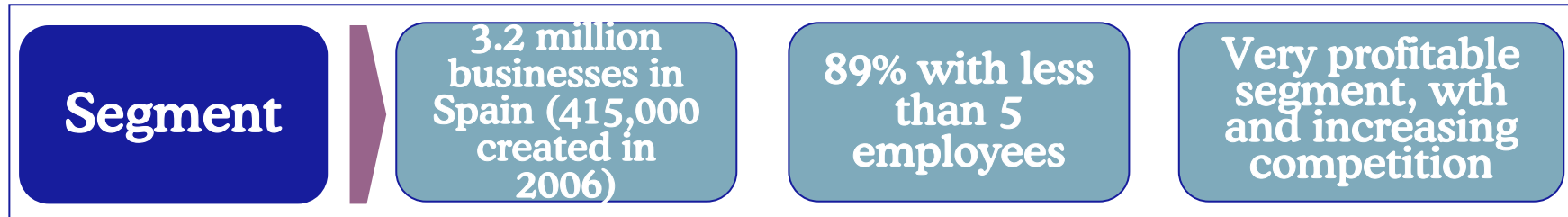
## The results

**445,000 clients**  
+35% in 2006

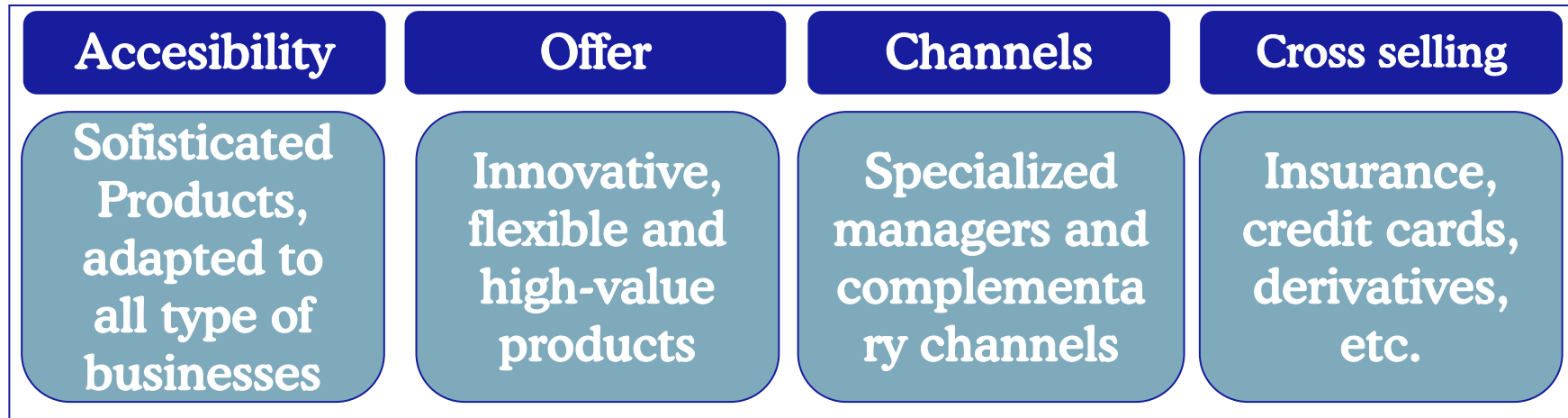
**24% Mkt Share**

**1,286 Repatriation Insurances**  
in 3 months

## Opportunity

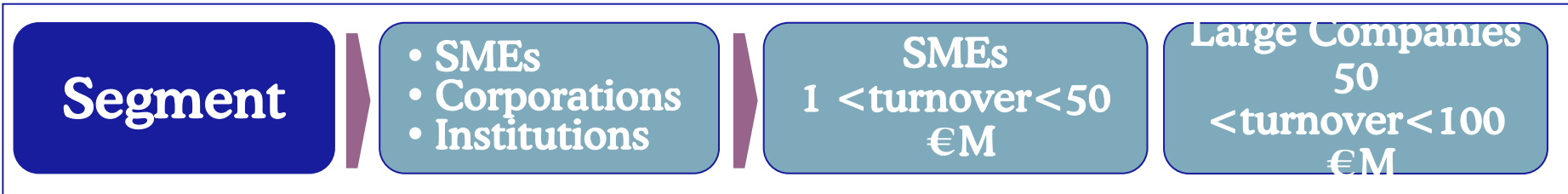


## BBVA approach

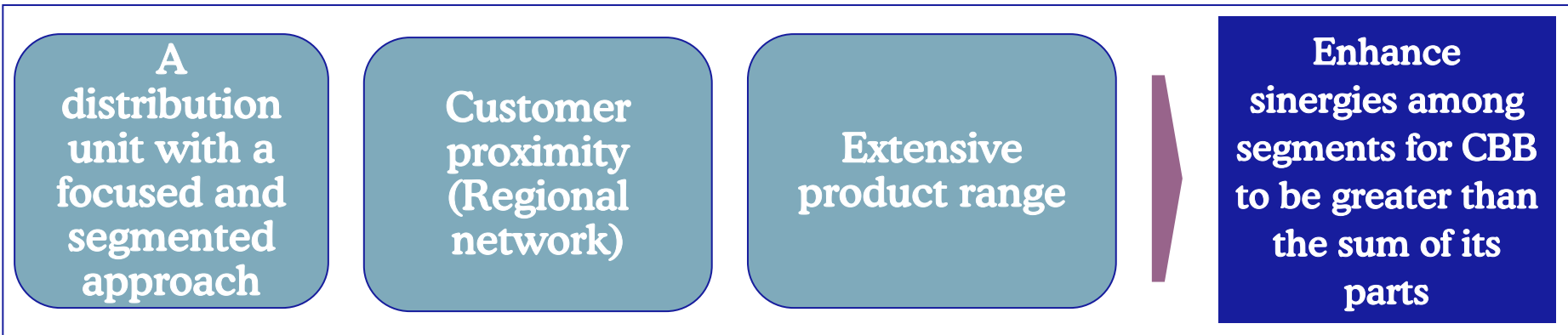


**We want to become the reference bank for small businesses and commerces.**

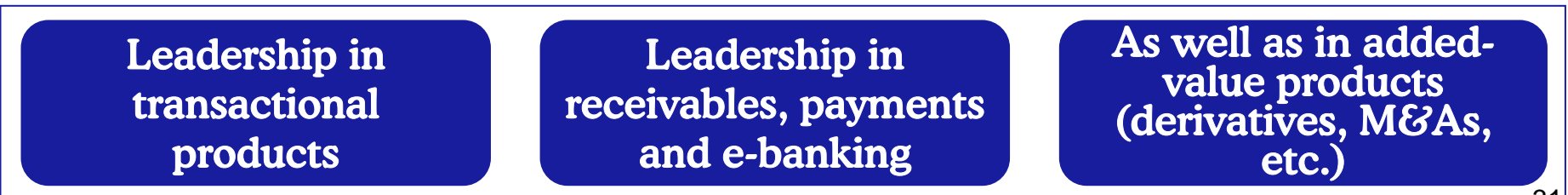
**Opportunity**



**BBVA approach**



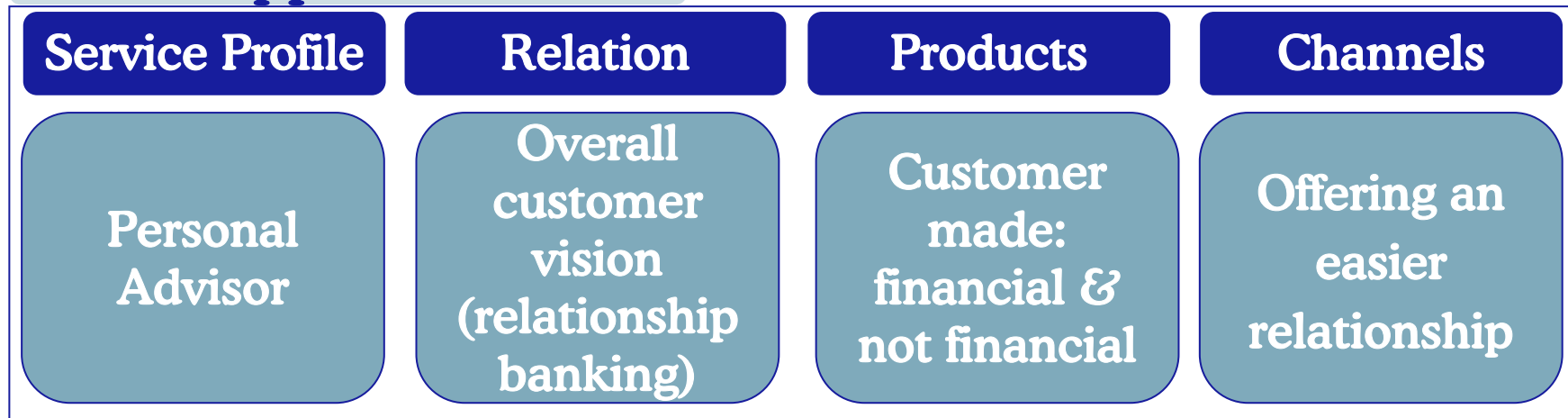
**The results**



## Opportunity



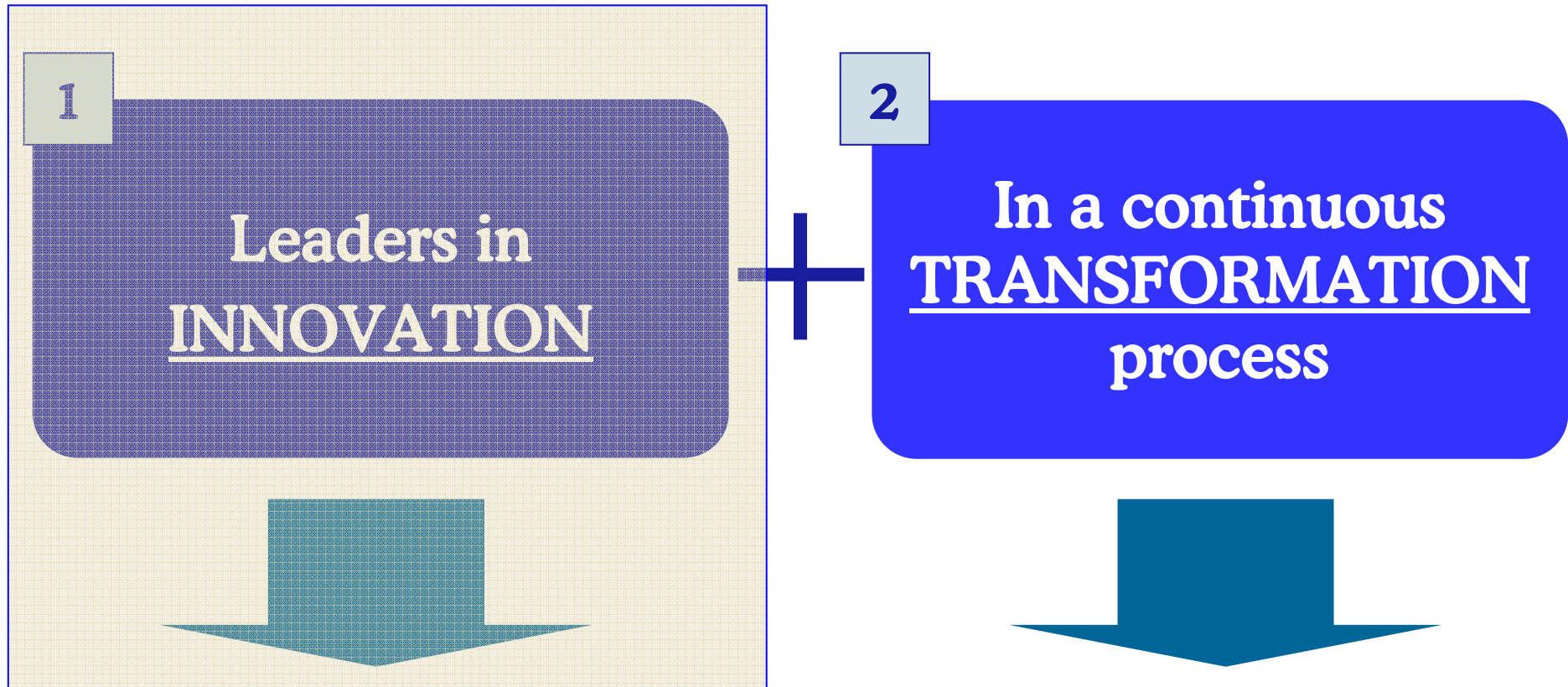
## BBVA Approach



**A differentiated Business Model adjusted to customer needs.**



But we go on one step further in order to differentiate **BBVA** ourselves ...



To maintain our  
**COMPETITIVE ADVANTAGE**  
in the long term.

1

INNOVATION means developing accessible solutions **BBVA** from clients' knowledge, for all segments, at a low cost, and widening our relationship beyond pure financial needs.

Developing a  
Competitive  
Advantage in  
5 axes

- ✓ **Accessibility** **a**
- ✓ **Customer knowledge** **b**
- ✓ **Customized service** **c**
- ✓ **Low cost distribution** **d**
- ✓ **Wide relationship** **e**

**Business accessibility for new segments with low banking penetration (immigrants, young people, ...)**

**Making High Value Added product accessible to segments that, so far, could not reach them (Personal Banking, Riskpyme, Stockpyme, ...).**

Positioning ourselves as the “Segment Bank” for each customer segment.

SEGMENT	VALUE PROPOSAL
	<b>blueBBVA</b> “We speak your language”
	<b>BBVA B. Personal</b> “An exclusive service in every channel, not just a network”
	<b>BBVA PYMES</b> “Profitable access of small businesses to large companies’ products and services” Riskpyme/Stockpyme
	<b>dineroexpress</b> “Technology as a driver to serve in a profitable way a low margin segment”

**d** Low cost distribution: maximizing sales opportunities

**PHYSICAL POINT**

NEW MODEL APPROACH

- Sale optimization in the point of sale

INITIATIVES

- Oficina Dúo
- New branch formats
- Zona Uno



**DIRECT CHANNELS**

- Convert each call in a sale
- From transactional to sales-person
- BBVAnet in your mobile phone
- From mere product or service informer to seller

- Inbound
- ATM: (PIDE)
- BBVAMóvil
- bbva.es



2004/2005

2006

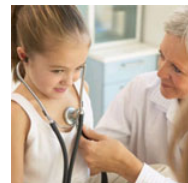
2007

2008

**Building up the concept**

- Hogar
- Salud
- Viajes
- Motor
- Mi Tienda
- Servicios Profesionales

**The “take-off” Catalogue**



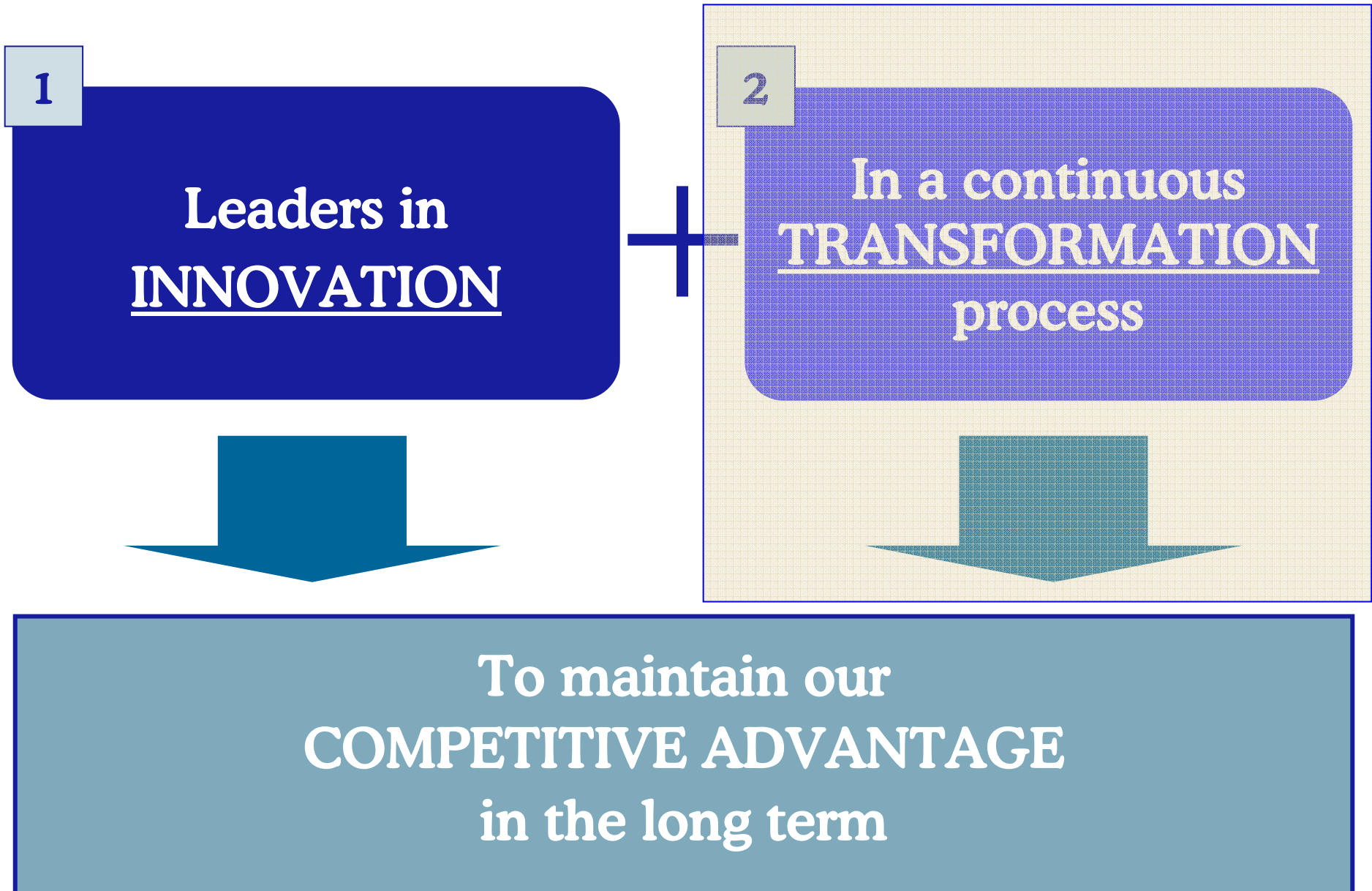
**Integration Presence in branches**



**Consolidation**

- **Busines line**
- **External channels**
- **No customers**
- **A bank of services**

But we go on one step further in order to differentiate **BBVA** ourselves ...



1

Leaders in  
INNOVATION

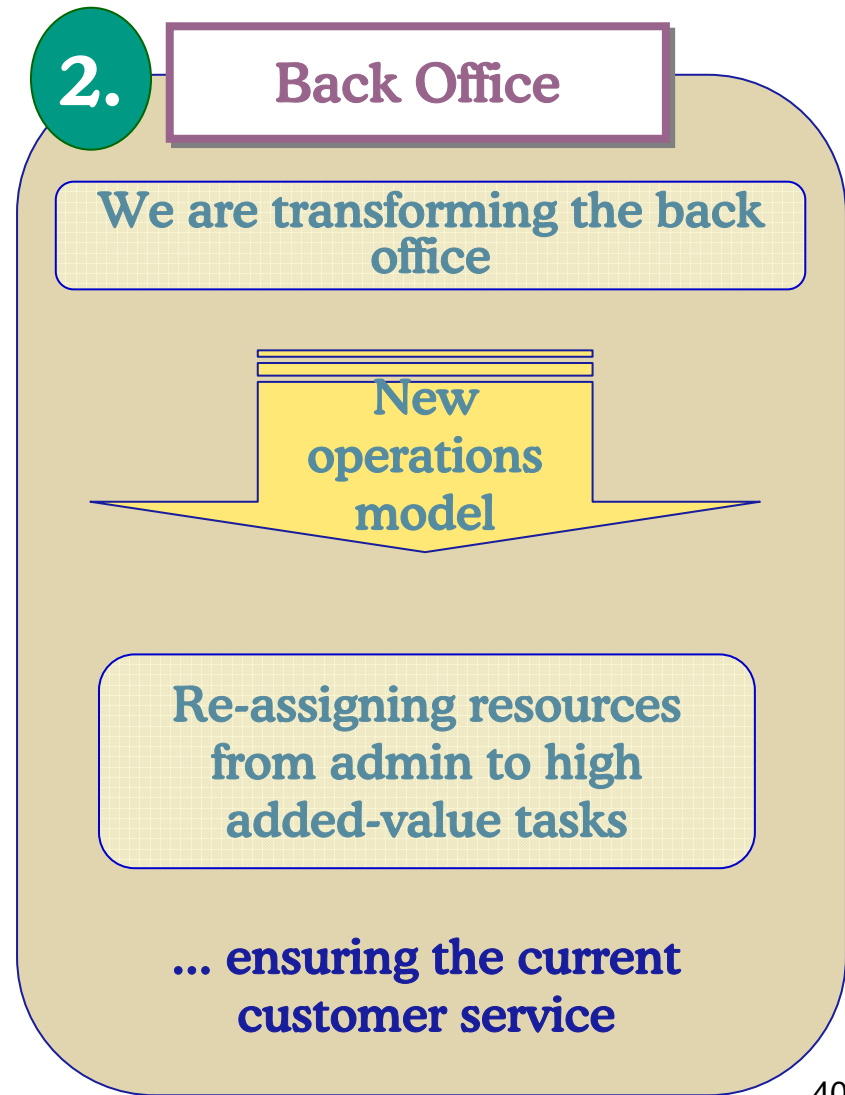
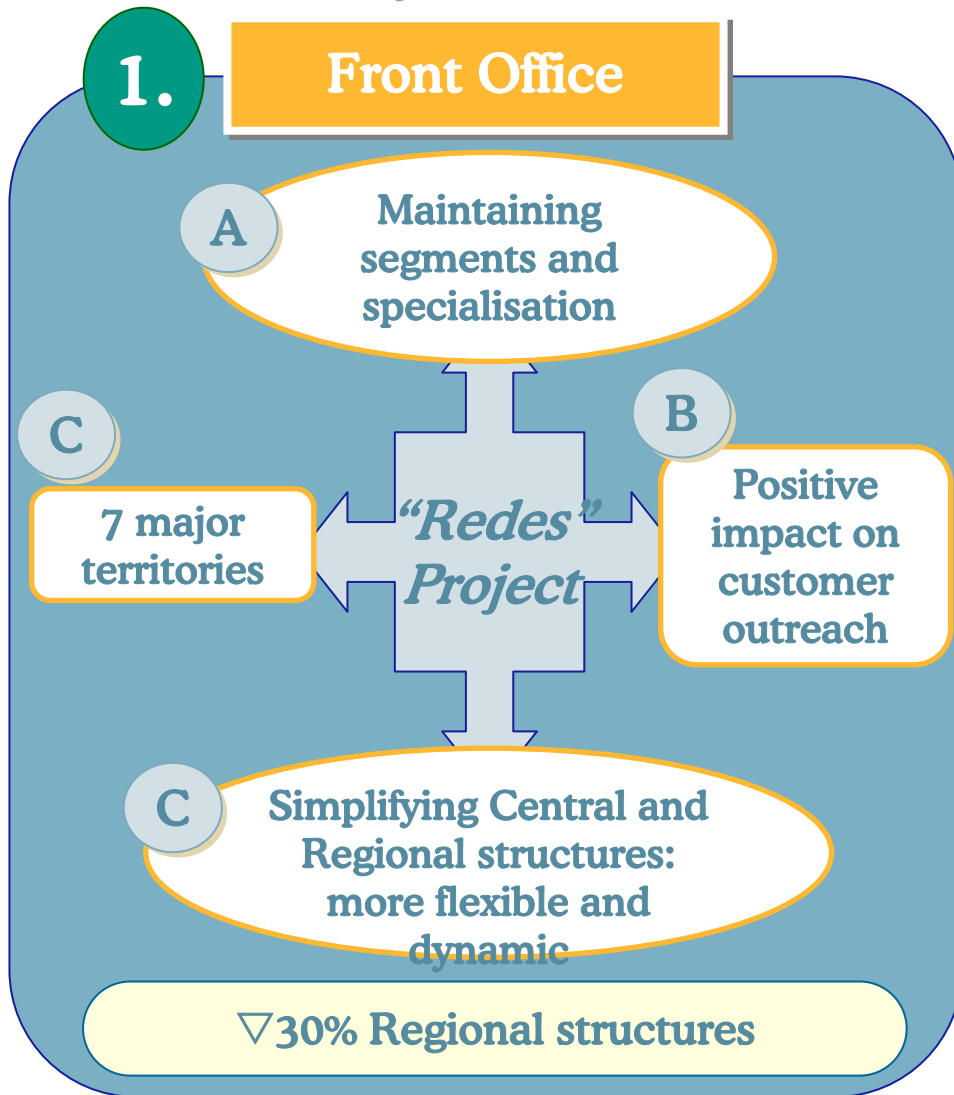
2

In a continuous  
TRANSFORMATION  
process

To maintain our  
COMPETITIVE ADVANTAGE  
in the long term

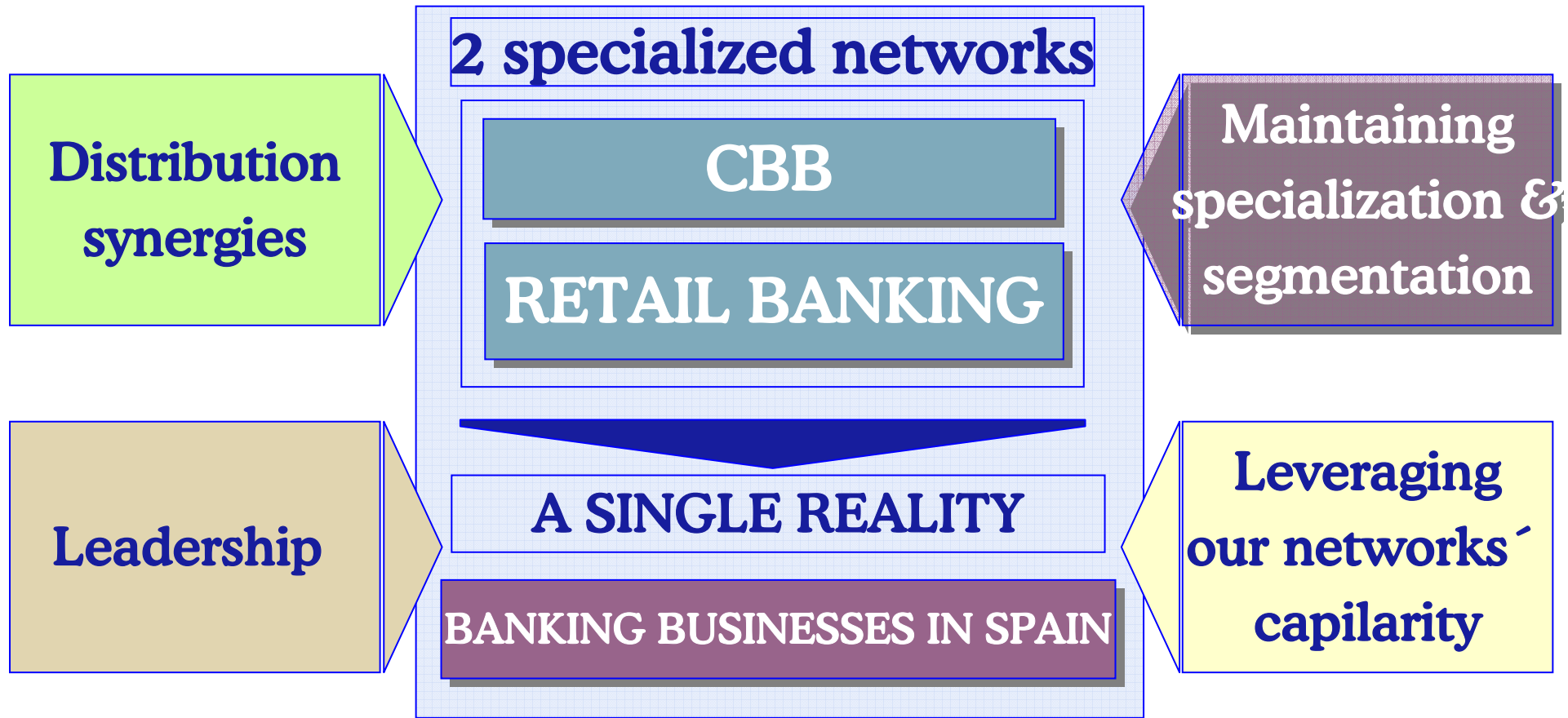
2

**TRANSFORMATION:** continually evolving to give a better service to the Client, thus contributing to Commercial an Operating efficiency ...





... ensuring the development of the distribution model. **BBVA**



Which will help us to increase the share of wallet of our customers by offering solutions adapted to their every-day needs



**1. Macroeconomic outlook for 2007.**

**2. Main figures 2006 and 1T07.**

**3. Retail Banking Business Model.**

**4. Conclusions.**



The Spanish Banking Sector faces a changing and highly competitive environment that requires rapid response capabilities, but also offers new and interesting business opportunities.



**New customers, different from the past, less homogeneous, with a better knowledge and desire for exclusivity.**

**New needs that mean different products and services, including non-financial ones.**

**New channels to contact with customers, different from the traditional branch.**

**And, therefore, new structures, processes, technologies, knowledge and business strategies in order to adapt and succeed in this new environment.**

**Companies have to become NEW and DIFFERENT in the way they think, produce, communicate and sell.**

# BBVA



## Retail Banking in Spain

Société Générale Conference

June 5th, 2007

Javier Bernal Dionis