BBVA “Cédulas Hipotecarias” Credit Story and Mortgage Business

May 2006

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Contents

BBVA is an international financial services group

Branches
7.456

Employees
94.951

Countries
37

A full range of financial products & services

Shareholders
Approx. 1 million

Market cap
€59bn

Total assets
€393bn

... with a solid and focused position in attractive growth markets ...

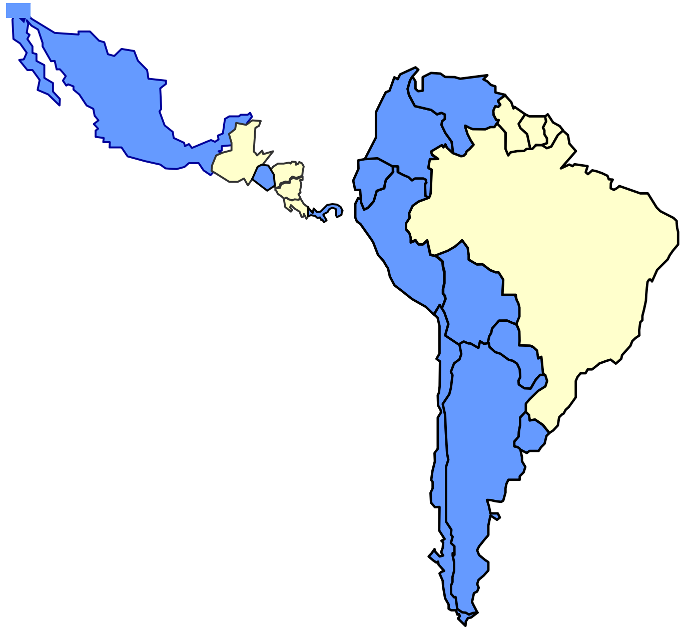
BBVA

Spain

	Mk. Share	Ranking
Loans	12.5%	1st
Deposits	12.4%	2nd
Mutual Funds	18.1%	2nd
Pension Funds	18.9%	1st

Num. of customers: 11 million

Latin America



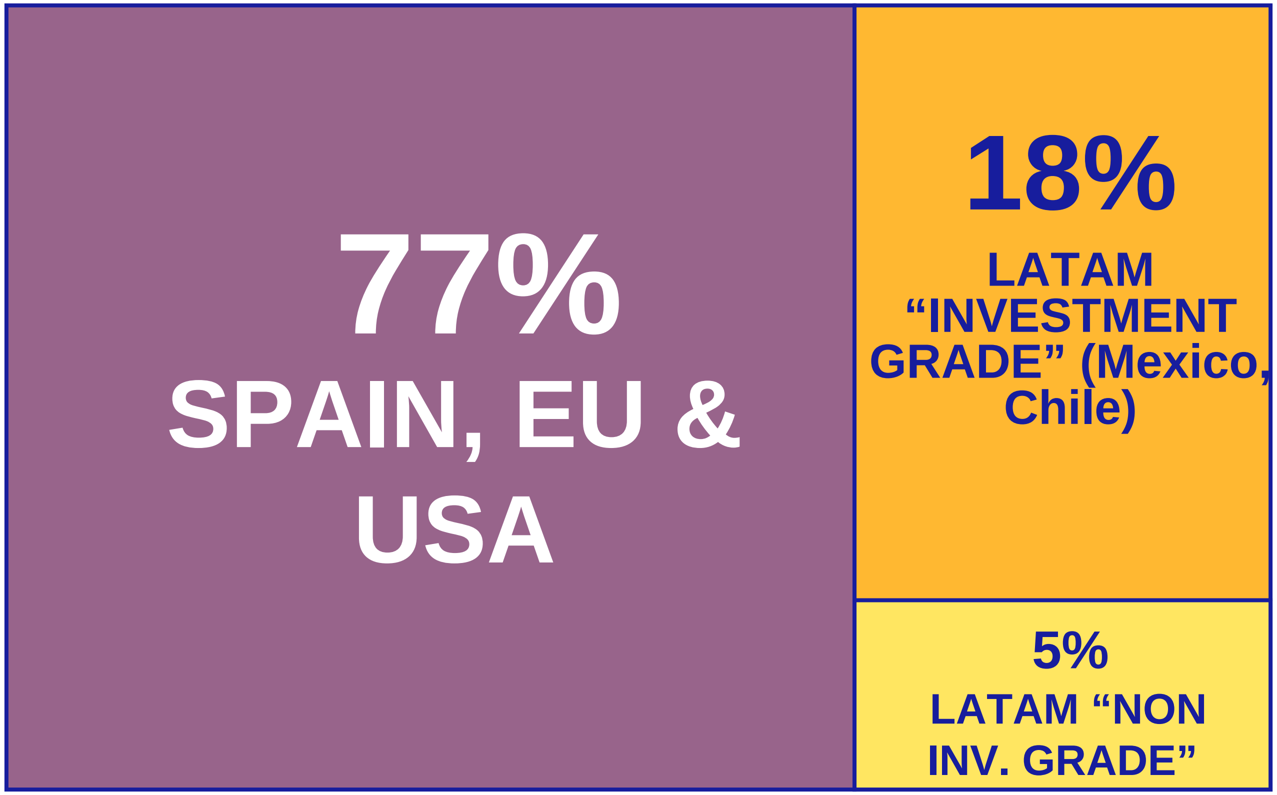
	Mk. Share (1)	Ranking
Mexico	28%	1st
South America (2)	11%	2nd

Num. of customers 23 million

(1) Deposits
(2) Excluding Brazil

… with a balanced distribution of assets

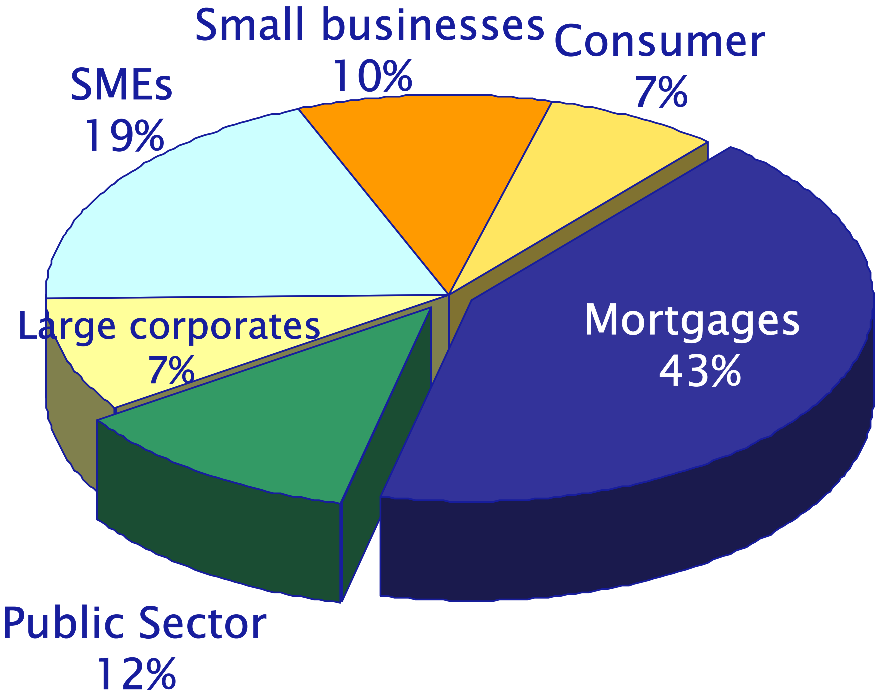
Group assets breakdown (%)



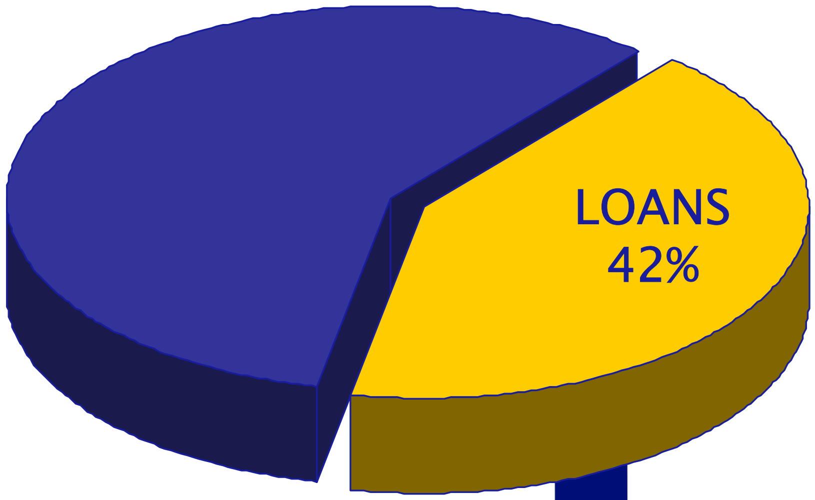
... and a low risk, high quality asset profile

BBVA

Banking in Spain
Loan portfolio breakdown



Latin America
Loans/total assets



- 44% individuals (20% mortgages)
- 11% Public Sector
- 39% Corporates

46% of Group's gross loans are secured

… with sound ratings

RATINGS: BBVA VS. EUROPEAN BANKS

MOODY'S

Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Lloyds	Barclays	**BBVA**	ABN	B. Intesa	Commerz.				
	RBS	BNPP	Credit Sui.	Unicredito	HVB				
		Credit Agricole	Deutsche B.						
		HSBC B.	Fortis B.						
		ING B.	San Paolo						
		UBS	SCH						
		SOCGEN							

STANDARD & POOR'S

AAA	AA+	AA	AA–	A+	A	A–	BBB+	BBB	BBB–
	UBS	Barclays	**BBVA**	San Paolo	B. Intesa	Commerz.			
		BNPP	ABN	Credit Sui.	HVB				
		Lloyds	Credit Agricole	Unicredito					
		RBS	HSBC B.						
			ING B.						
			SOCGEN						
			Fortis B.						
			SCH						
			Deutsche B.						

FITCH

AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
	Barclays	BNPP	**BBVA**	B. Intesa	Commerz.				
	Lloyds	HSBC	ABN	Unicredito	HVB				
	RBS	Credit Agricole	Credit Sui.	Fortis B.					
	UBS	SCH	Deutsche B.						
			ING B.						
			San Paolo						
			SOCGEN						

BBVA enjoys a strong competitive position ...

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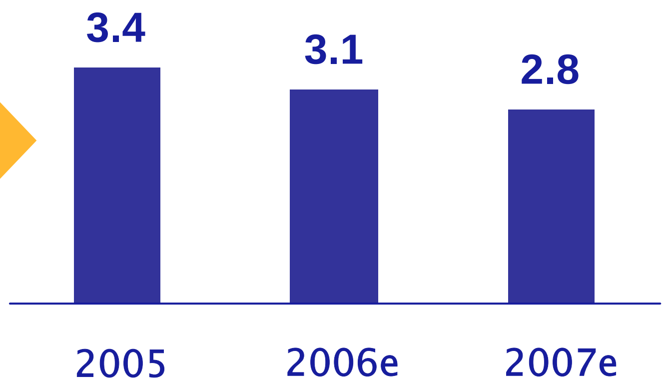
... allowing for the successful development of our Strategic Plan

Profitable Growth

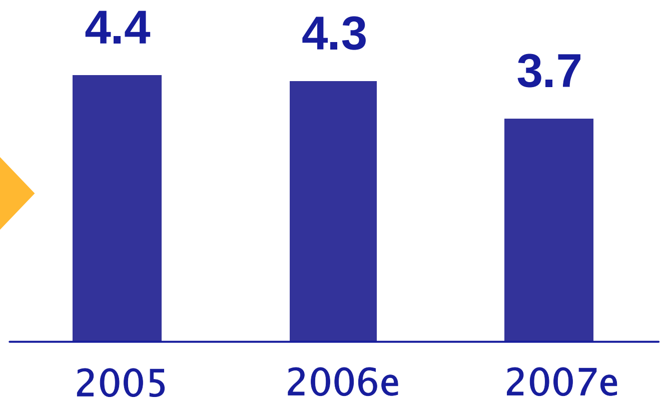
Benefiting from good economic prospects

GDP growth (%)

Spain



Latam



Spain:
Delivering faster GDP growth than its European peers

Latam: best performance in 10 years
Contained inflation rates
Currency stability
Improving country ratings

Good and stable economic prospects

Source: BBVA Economic Research Dep.

BBVA has delivered an excellent track record of growing results

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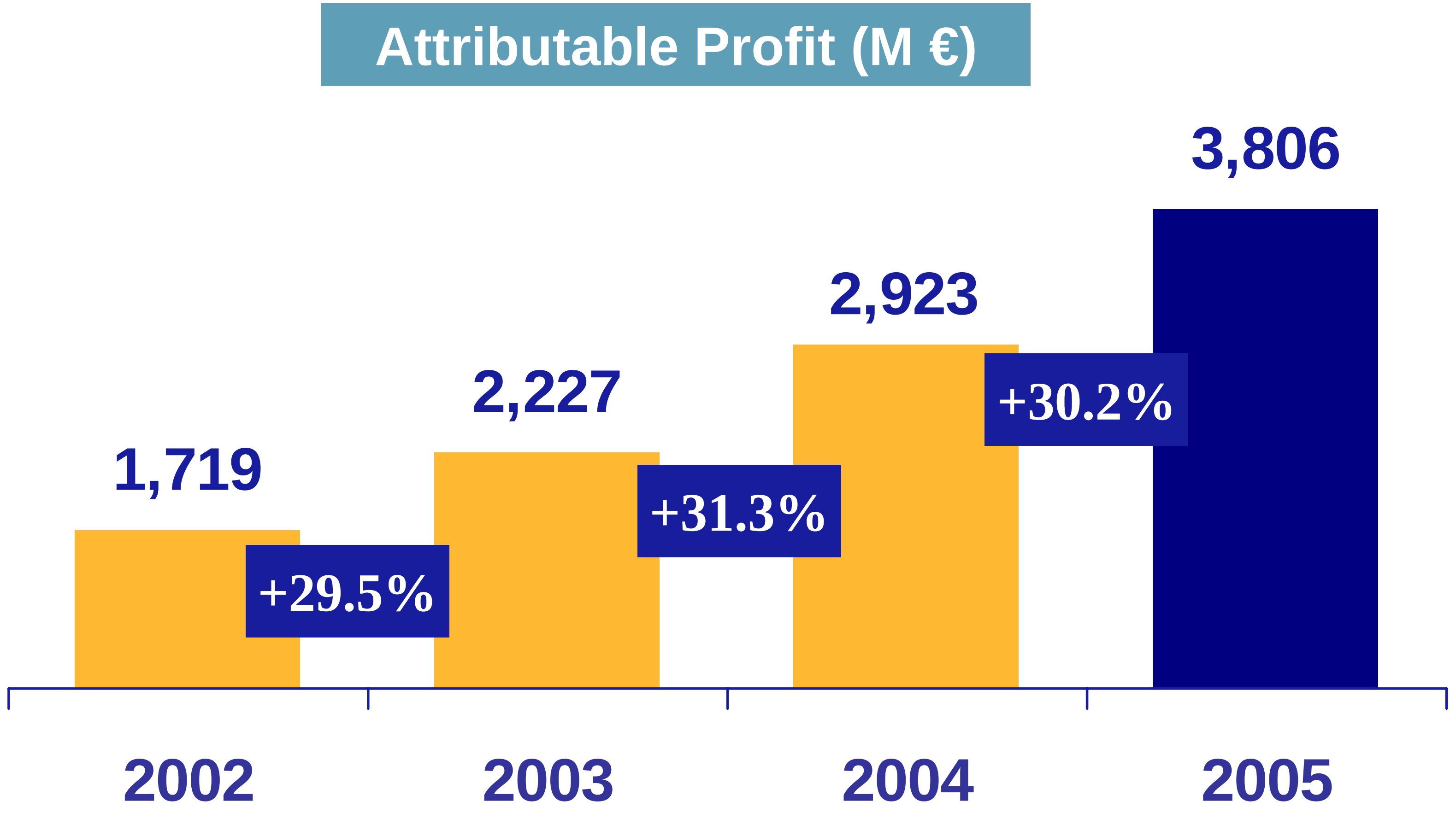


Note: 2002 and 2003 Pre-IFRS

1Q06 BBVA results: confirming the prospects

Strong growth of net attributable profit	€1,020m (+25.1%)
Record quarter for operating profit	€1,936m (+32.9%)
High quality of results with strong revenue generation	€3,659m (+27.1%)
Further strengthening of Group fundamentals	Cost/income: 45.9% ROE: 34.1%

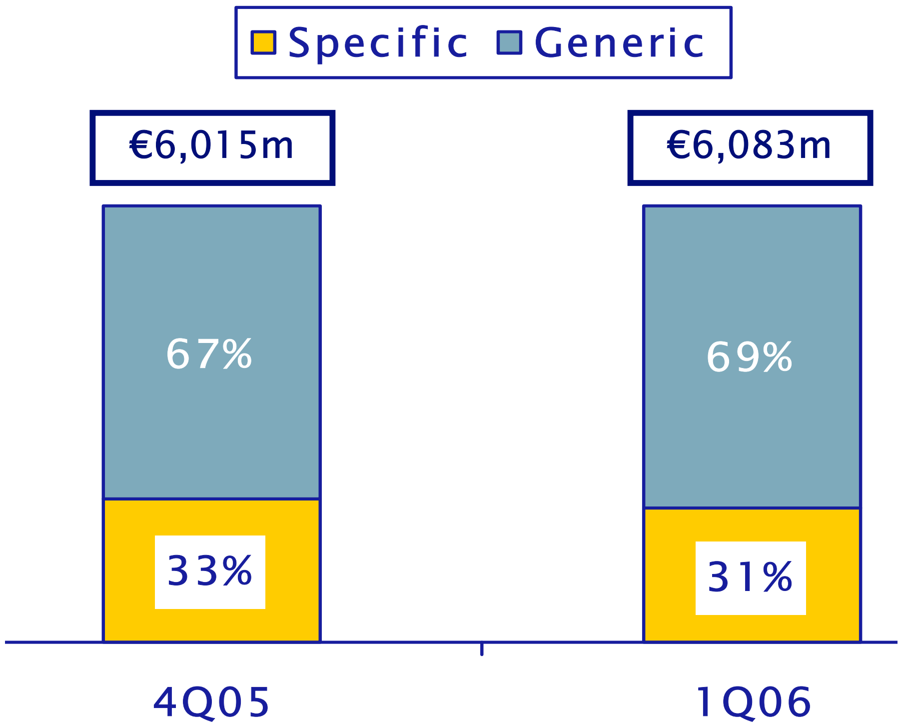
All divisions show excellent results

(Current €m)

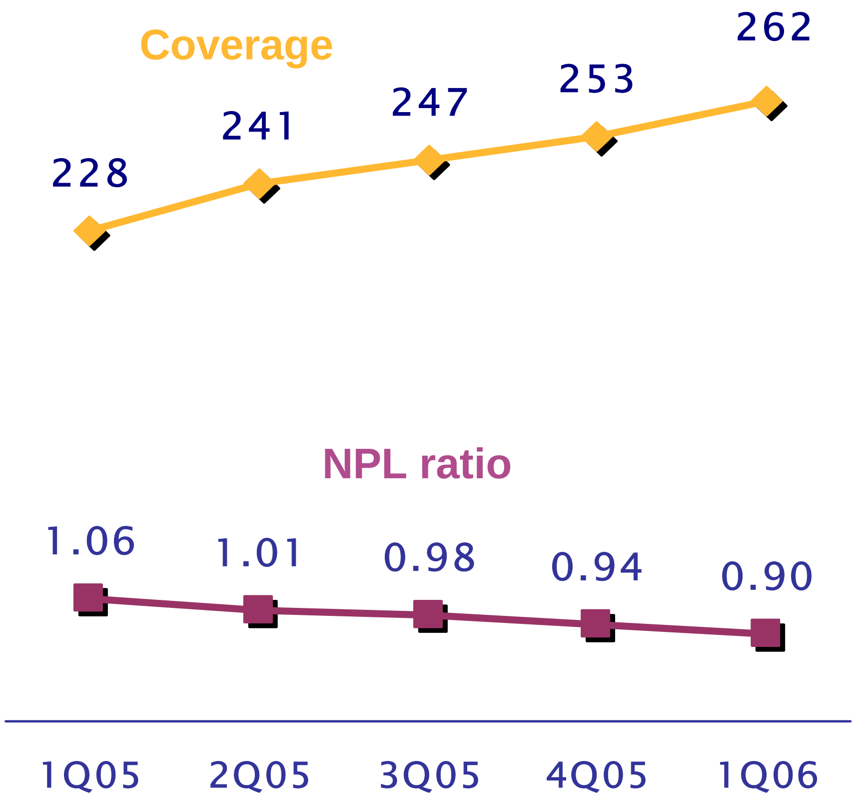
	Ordinary revenues		Operating profit	
	1Q 06	2005	1Q 06	2005
Iberian Retail	+10.9%	+7.3%	+14.3%	+11.0%
Wholesale Business	+24.7%	+17.2%	+27.9%	+24.1%
South America	+56.8%	+20.0%	+87.0	+32.3%
Mexico & USA	+57.7%	+33.0%	+80.8%	+39.7%

Strict control of asset quality . . .

NPL provisions (€m)



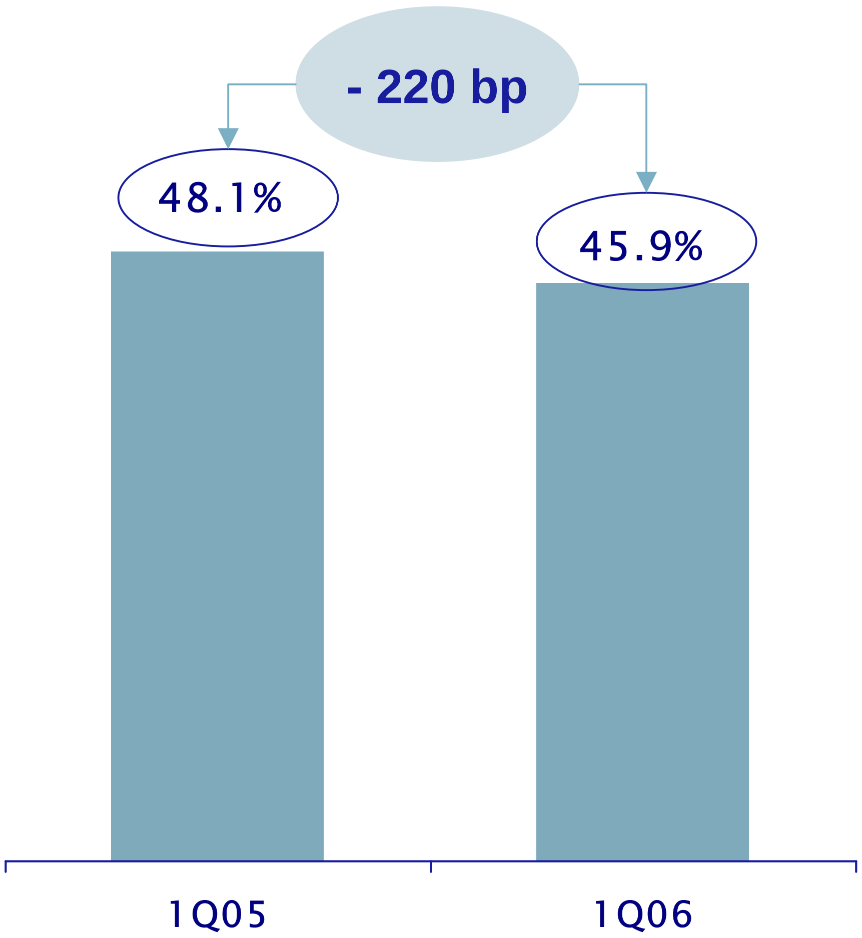
NPL ratio & coverage (€m)



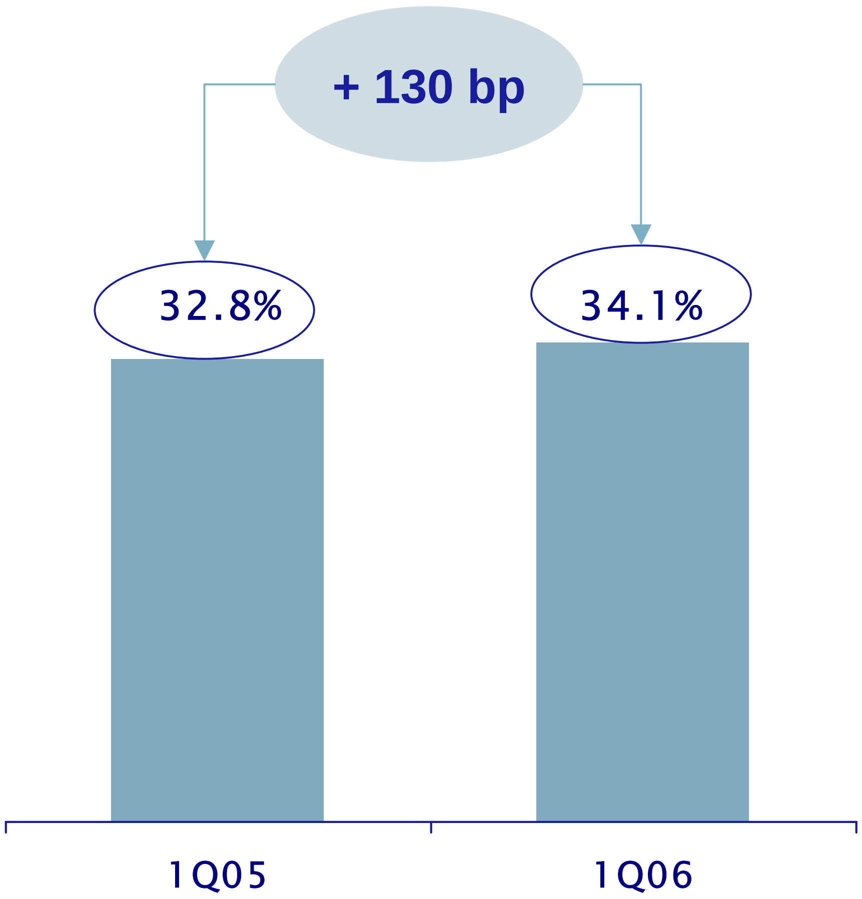
... whilst managing structural risks

Further improvements in fundamentals…

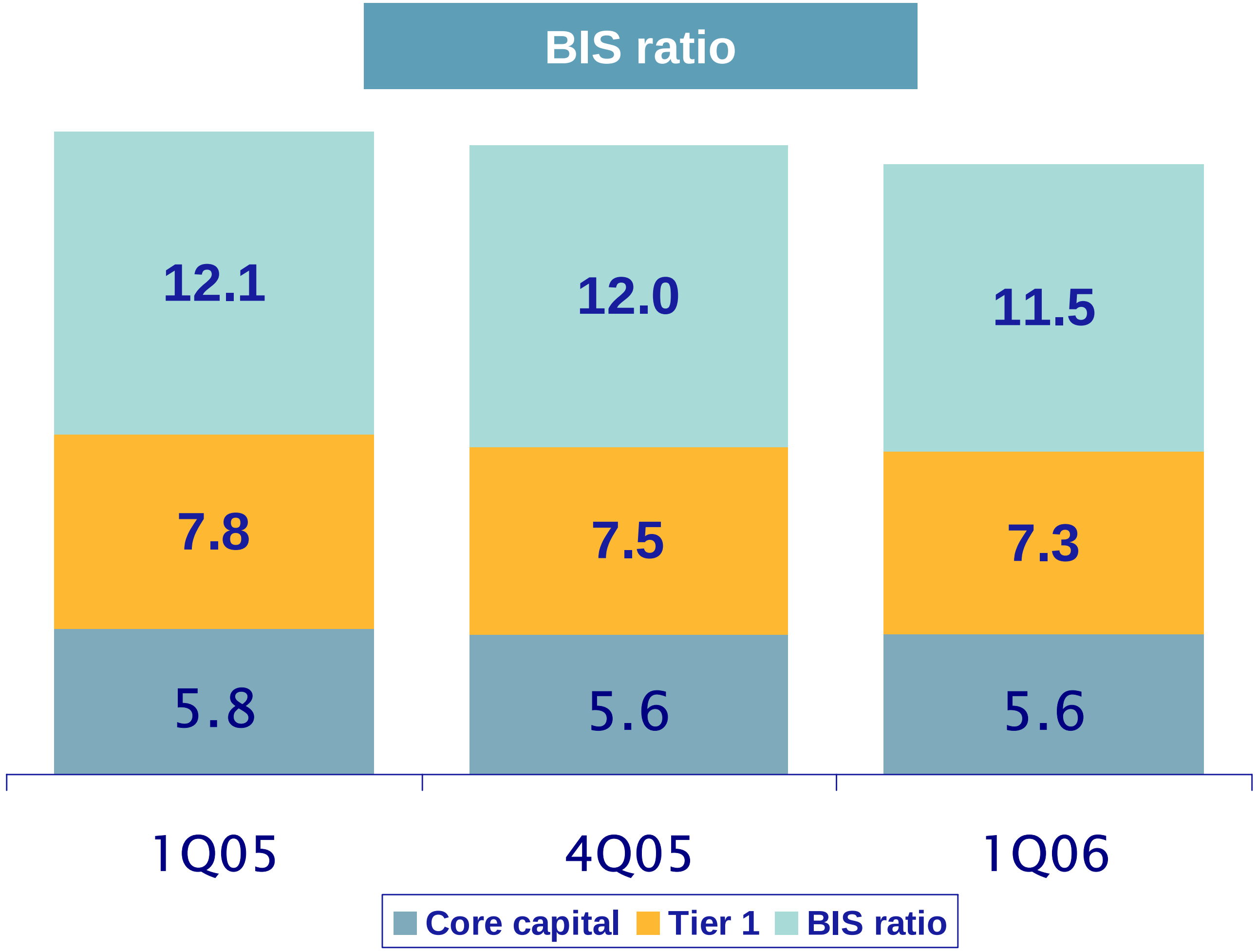
Cost to income ratio



R.O.E.



And appropriate levels of solvency



The Group has "turned around" its capital allocation over the last three years

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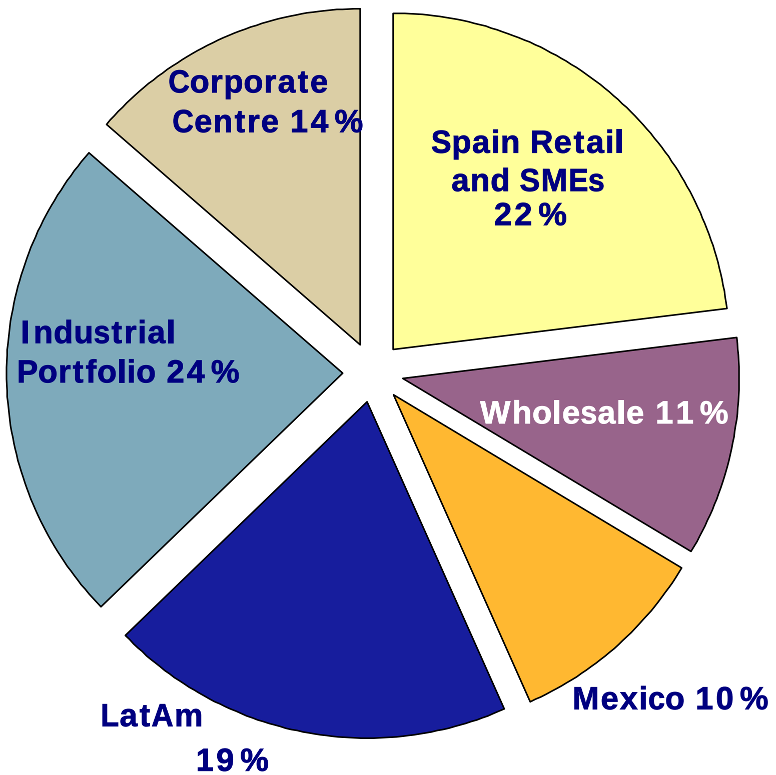
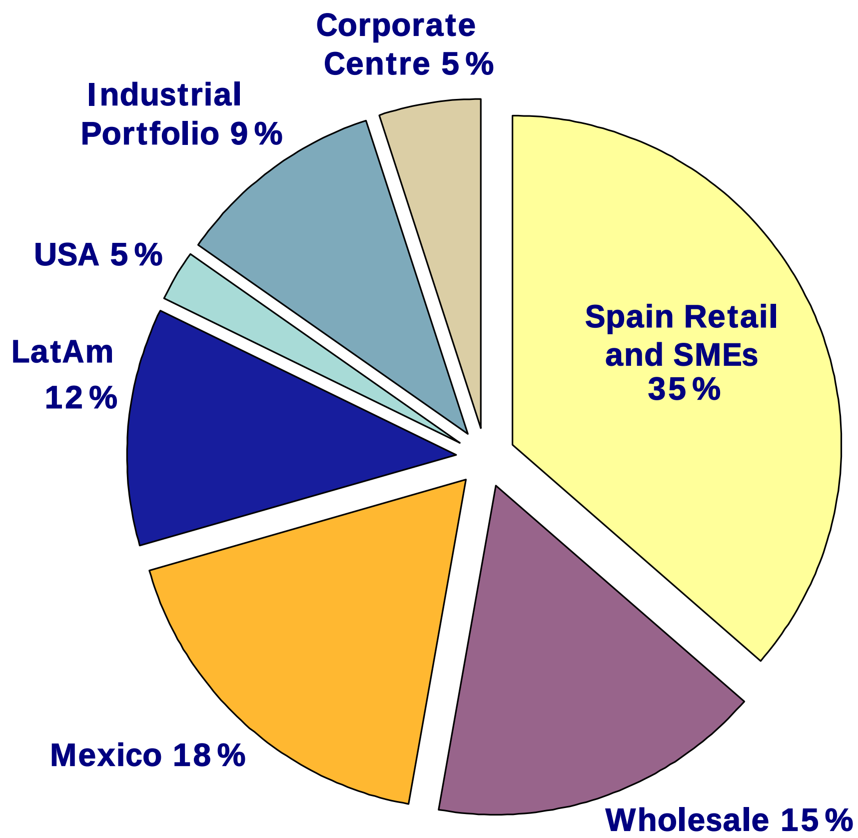
Economic Capital 2002



Economic Capital 2005



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Strong growth of the Spanish mortgage market in the last years

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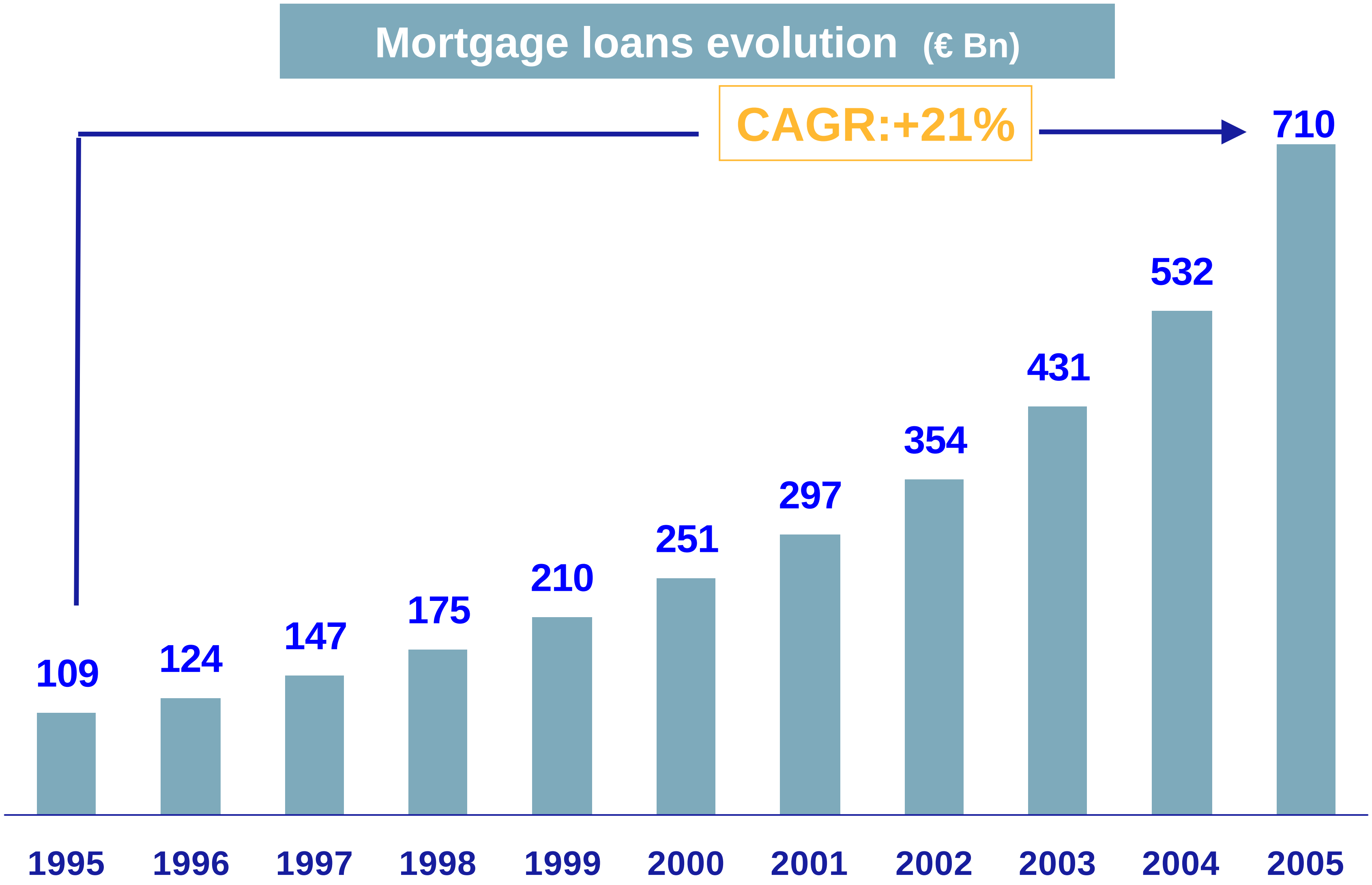
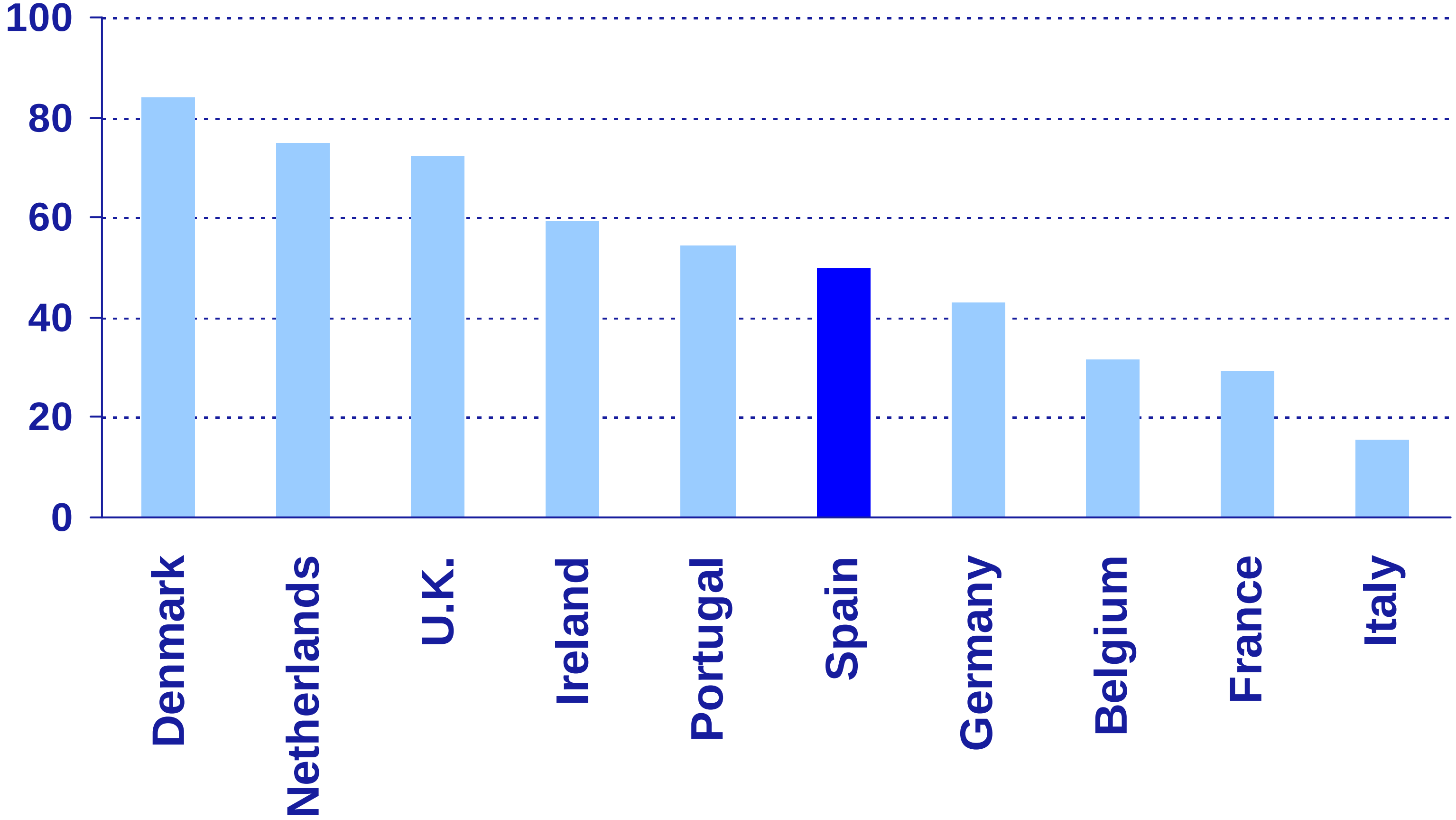


Source: Bank of Spain and Spanish Mortgages As.

However, the Spanish Market has still room for growth

BBVA

Residential mortgage loans * over GDP, % (2005)



* Source: European Mortgage Federation

Real state market "boom" drivers

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Macro drivers

- Interest rate decrease
- Structural adjustment to a low and stable interest rate enviroment
- Positive GDP evolution and job creation
- Improvement of personal income

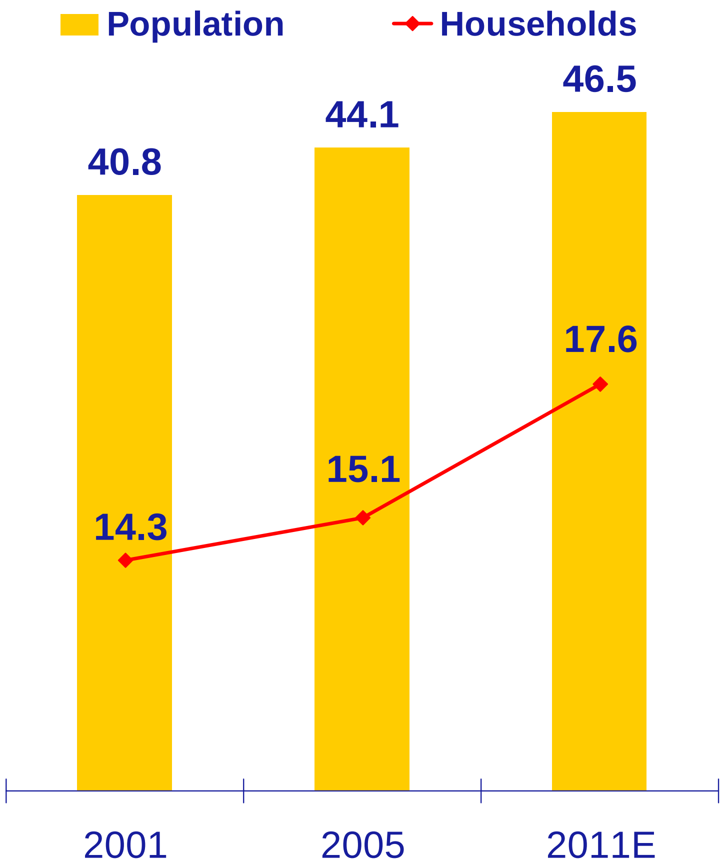
Demographic drivers

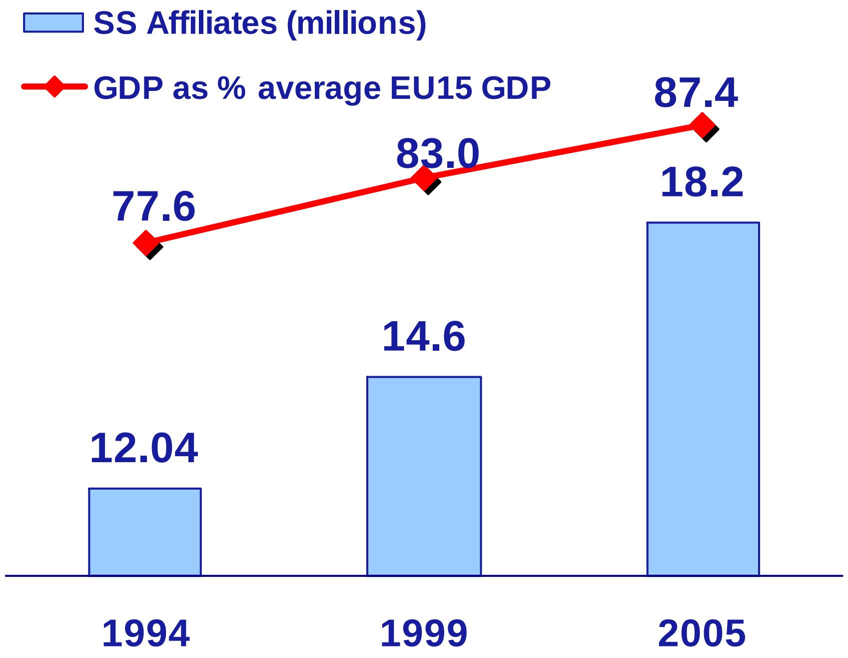
- Acceleration in household formation
- Decrease in household members per home (higher home demand for the same number of inhabitants)
- More than one income per home (improvement of the family access to a new home)
- Foreign demand: Immigration and tourism

Sector drivers

- Better financing conditions: longer maturities and increased product range
- Mortgage payments are more affordable

Spain: growth in population and household formation





6 million jobs created in the period 1994-2005

* Source: BBVA Economic Research Department

Housing prices: a catch-up process

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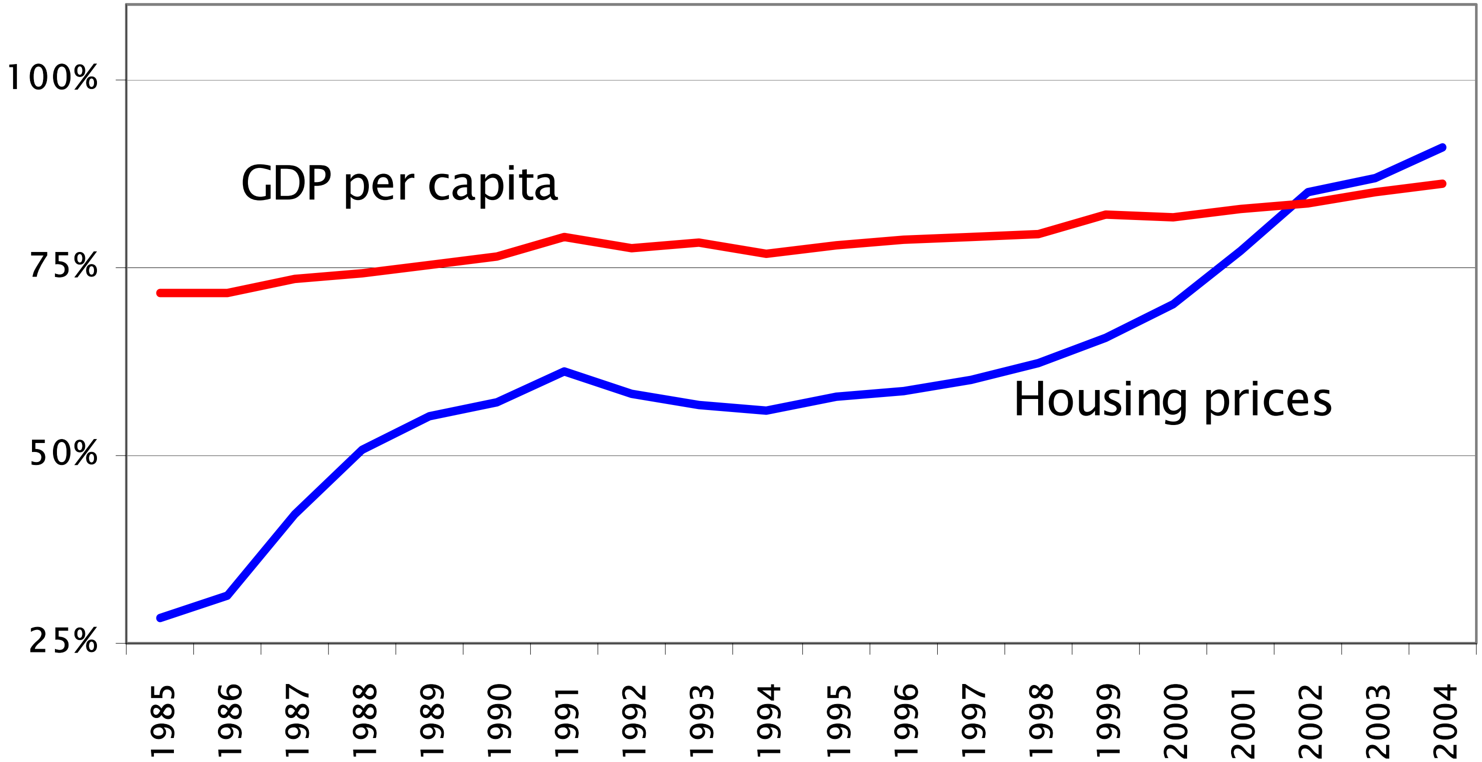
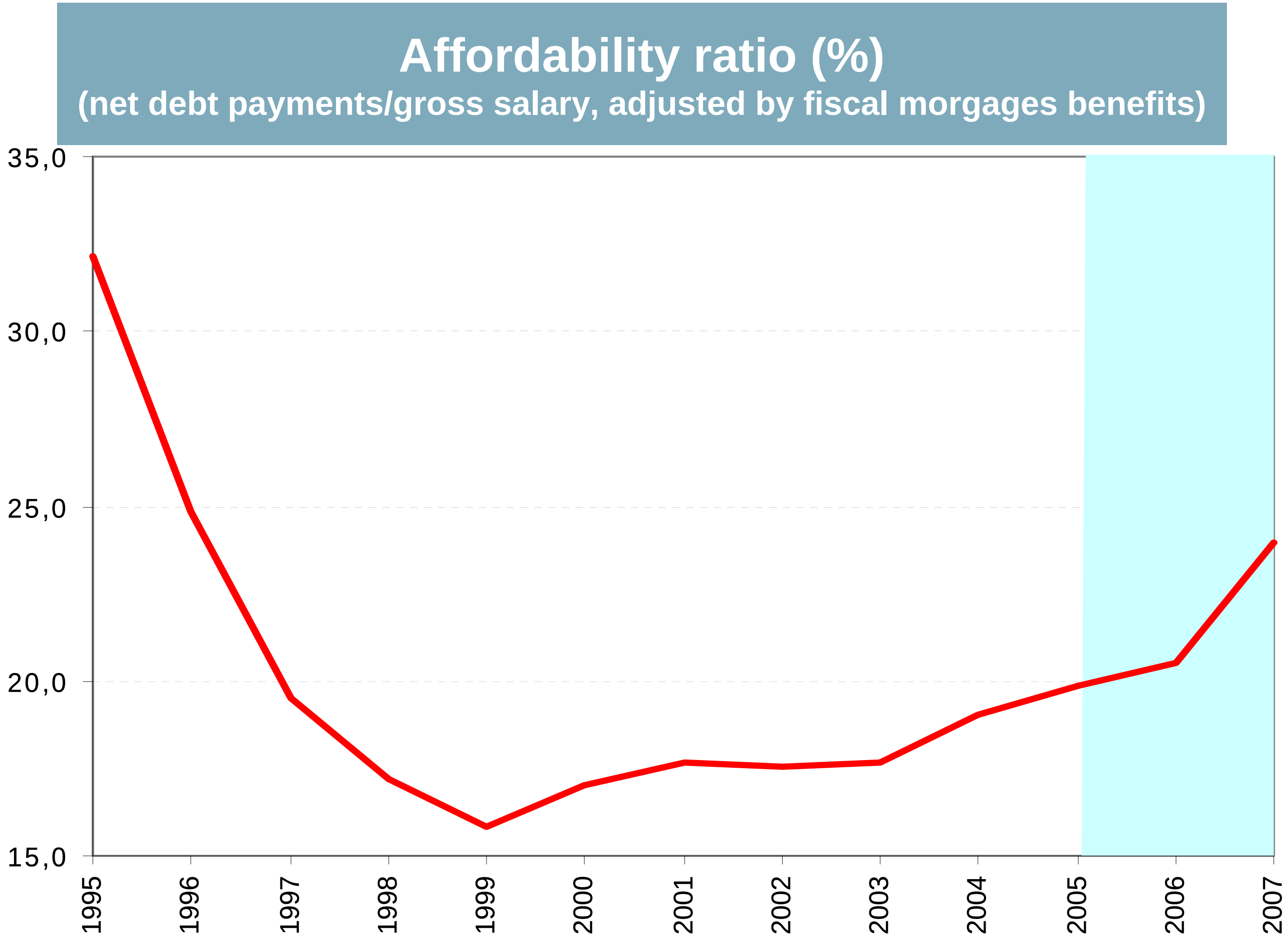
Housing prices & GDP per capita
Spain / Europe



During the late 90´s, Spanish house prices have grown faster than in other EU countries, as house prices converged from very low levels to European average

Outlook for mortgate demand: affordability remains favourable



Source: BBVA

Mortgage market prospects

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- The Spanish real state market will continue with its soft landing throughout 2006. Housing prices will be aligned with inflation
- 700,000 new housing units will start in 2006. This figure is still above last years average
- Demographics, foreign investment and low interest rates will support real state growth in Spain
- Mortgage financing conditions will still be attractive even if interest rates raise by 50 bp
- The effect in households disposable income will be limited as household income will also increase in 2006

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BBVA in the Spanish mortgage market

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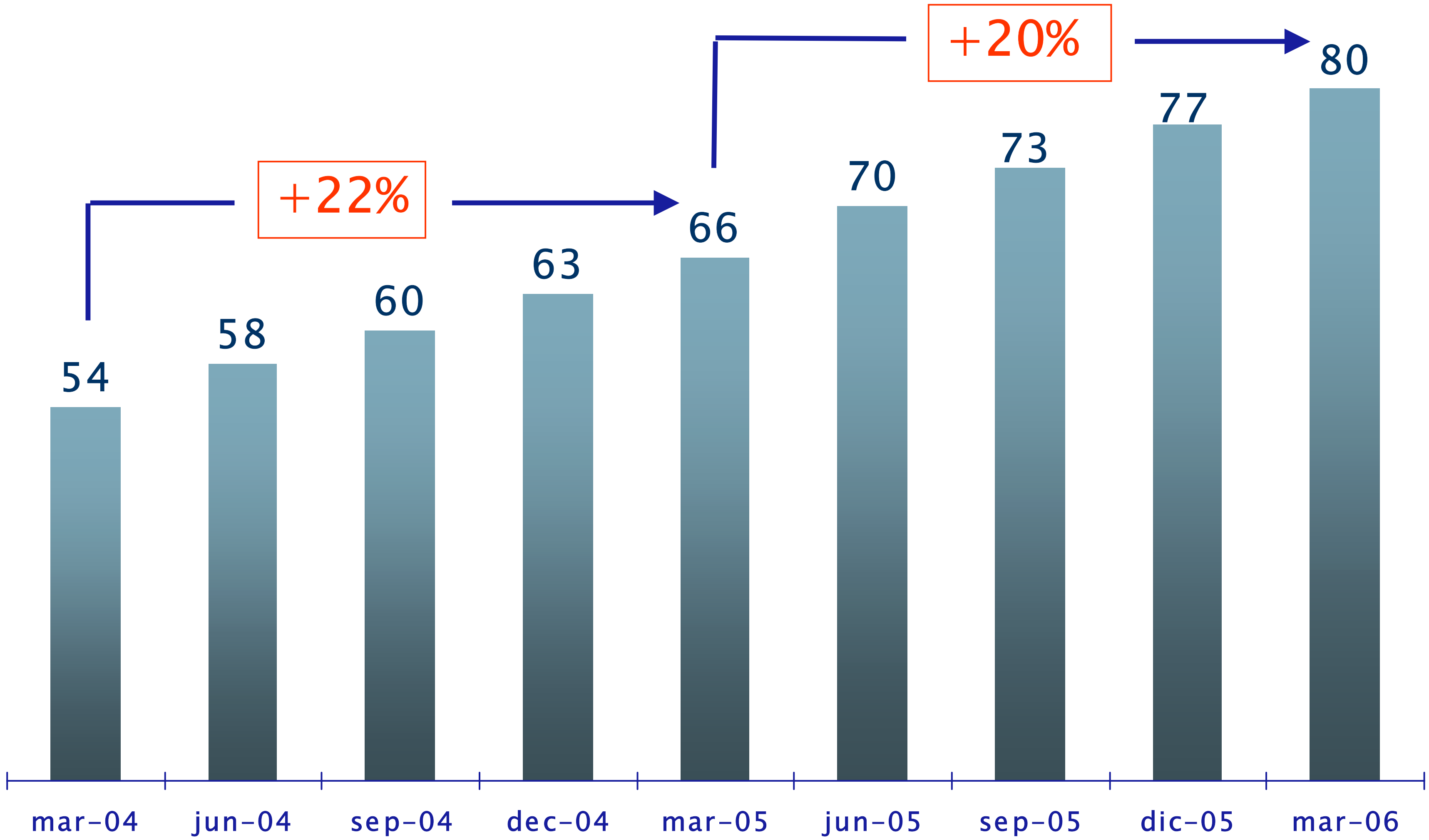
- Mortgage lending is the core activity in the Spanish Banking System
  - ✓ Outstanding mortgages over private sector loans: Saving Banks (67%), Banks (50%) and BBVA (53%)
- 74% of BBVA mortgage portfolio are loans to households
- BBVA is the leading mortgage player in Spain: 12% market share

BBVA is the leading mortgage player in Spain, with a strong focus in residential mortgages

BBVA: excellent evolution of its stock of mortgages

BBVA

Mortgage loans evolution (€ Bn)



…and a well diversified mortgage portfolio(1) geographically

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Region	%portfolio(1)	%GDP
Catalonia	19.8	18.3
Madrid	19.4	17.4
Andalusia	16.2	13.8
Valencia	11.6	9.7
Canary Is.	5.4	4.1
Castille-Leon	4.0	5.6
Basque C.	3.8	6.3
Galicia	3.5	5.3
Balearic Is.	3.4	2.5
Other	12.9	17.0

(1) Source: INE)

121,000 homes financed in 2005 and a stock of 829,400 outstanding mortgages

(1) Loans to households

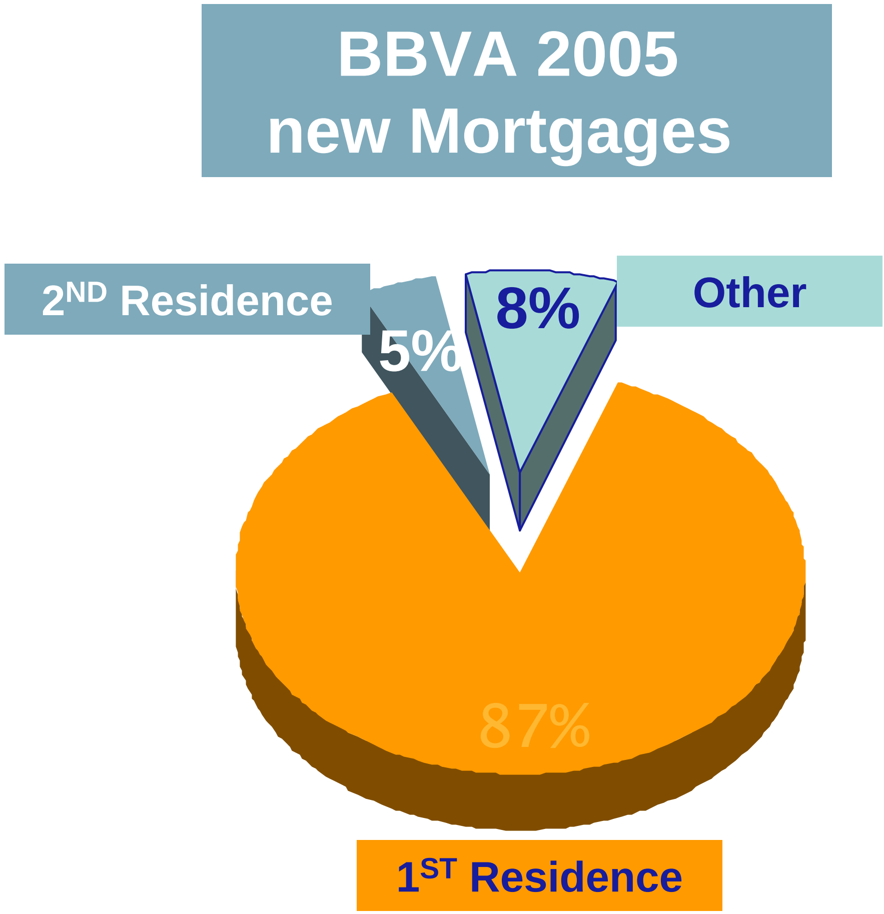
Key mortgage quality indicators show a low risk profile for BBVA

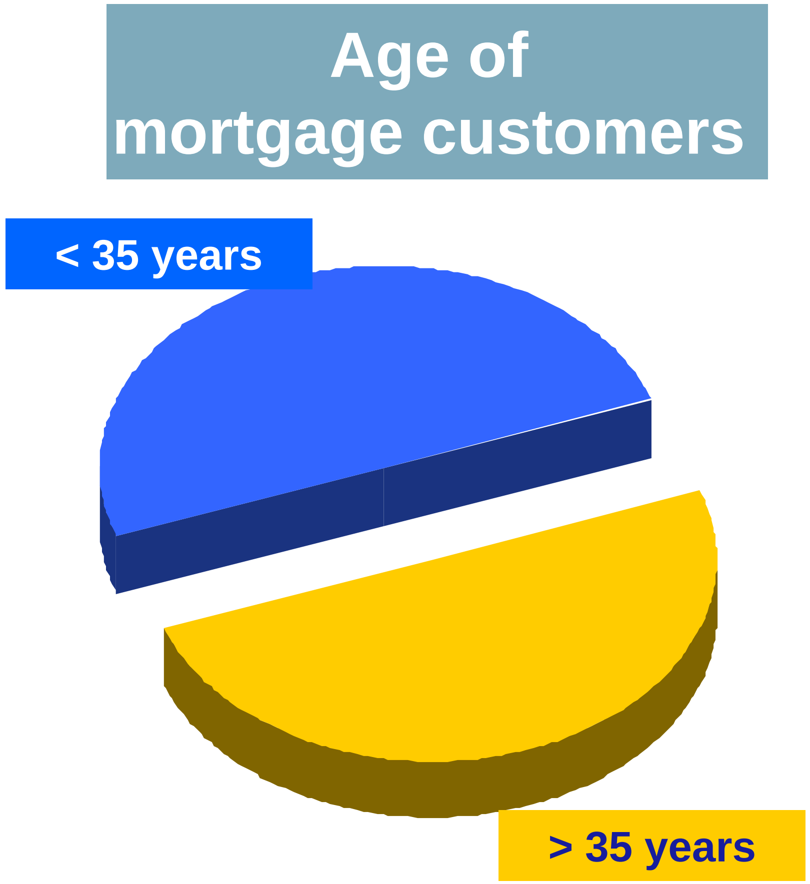
Average size	**67,000 €**
Average maturity (years)	**22**
L.T.V.(1) (Outstanding amount)	**50%**
NPL ratio	**0.27%**

130,000 € average size of 2005 production and a L.T.V. of 63%

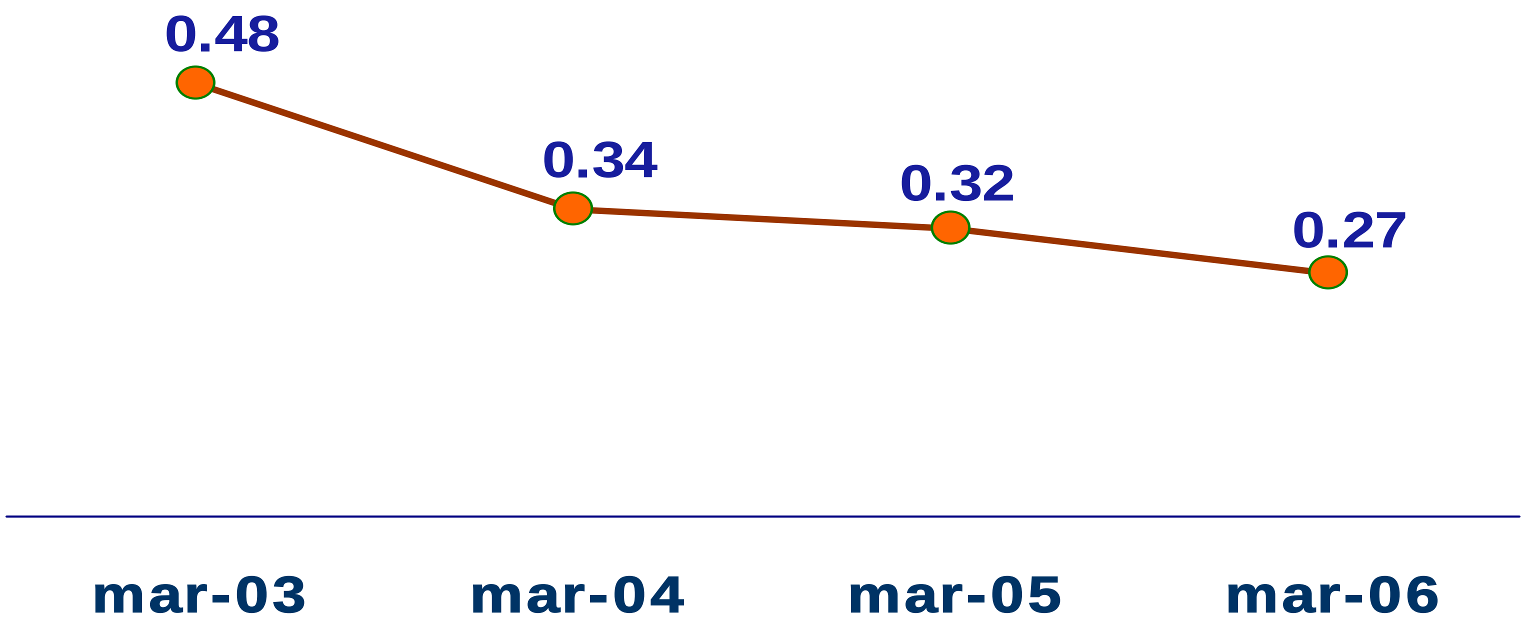
(1) Valuation basis on initial property value

Strong focus on first residence mortgages



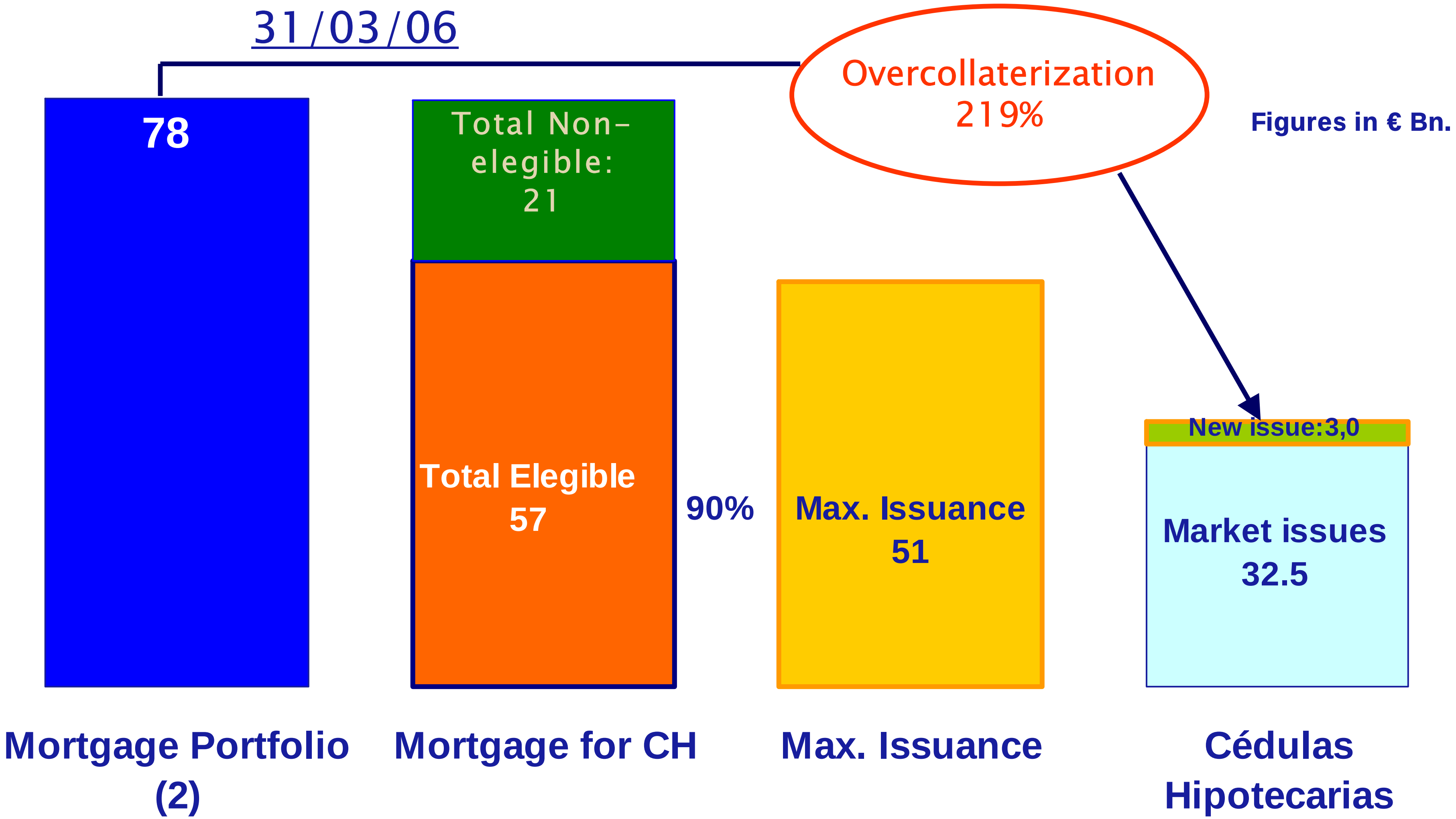


Very low levels of NPLs



Powerful and fully implemented credit-analysis tools : credit scoring is integrated throughout the internal approval process

A very strong overcollateralization



(1) Elegible mortgages loans: first mortgages with max. LTV of 80% for residential and 70% for commercia
(2) Excluding securitisations

... Even without increasing the pool of outstanding mortgages

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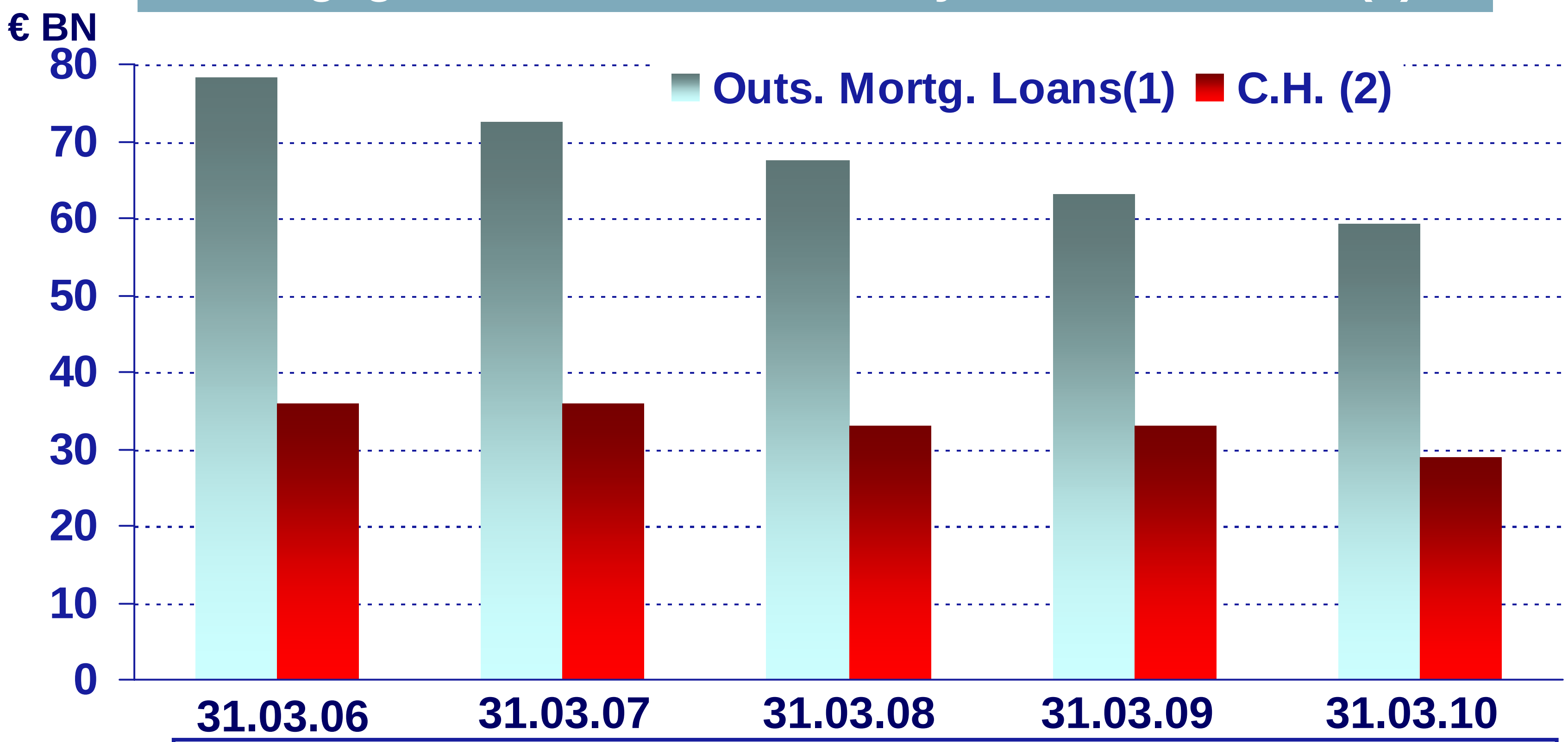
Mortgage loans & C.H.: Maturity matrix 31.03.06 (1)



31.03.06	31.03.07	31.03.08	31.03.09	31.03.10
219	203	206	193	208

Overcollateralization (%)

(1) Without taking into account future mortgage portfolio increases
(2) With the new issue

Conclusions

- Significant advances in strategy in the last years with strong focus in profitable growth
- Strengthening of the Group fundamentals
- BBVA remains the leader in the Spanish residential mortgage market, with a low risk profile and an excellent protection
- BBVA "CH" represents an attractive investment alternative

Today BBVA enjoys a strong competitive position, with proven results

BBVA

Excellent combination of Profitability - Risk

Efficiency: 46.7%
1st Euro zone

ROE: 37.1%
1st Europe

- NPLs: 0.90% and Coverage: 262%
- 95% assets "investment grade"
- Markets profits => Franchise/Customer
- Rating: Aa2, AA-

With strong growth

Markets with high potential

Leading franchises

Investments in last 2 years: 5,300 m €

EPS 05-02 CAGR +27.7%

DPS 05-02 CAGR +15.1%

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Cedulas Hipotecarias: overview (i)

Cédulas Hipotecarias (CH) are:

- **On balance sheet secured obligations issued by regulated Spanish financial institutions**
- **Secured on an issuer’s entire mortgage loan book (residential and commercial, excluding those mortgages collaterals to Mortgage Bonds or Mortgage Participations)**
- **10% BIS risk weighted**
- **Overcollateralized: monitorized by Bank of Spain, issuers cannot issue CHs with value higher than 90% of eligible mortgage loans: Those duly insured first lien mortgages with LTV not higher than 70% (commercial) or 80% (residential) after the appraisal of officially qualified appraiser by Bank of Spain**
- **25% investment ratio according to the EU investment directive**
- **Eligible collateral to the European Central Bank**
- **If mortgage collateral not enough to repay, CH Creditors are to be treated pari passu with unsubordinated bond creditors**

Cedulas Hipotecarias: overview (ii)

Strengths:

- Investors of CH have a preferential claim over other creditors in a default scenario over collateral assets
- High degree of security: reduced severity of loss, generally two notches above senior debt rating
- Substantial overcollateralization & generally high quality of cover assets
- Stringent eligibility criteria underpinned by sound legal framework
- Rigorous and timely supervision by Bank of Spain

Cedulas Hipotecarias: overview (iii)

Investor Rationale:

- A higher yield as compared to many assets of identical rating
- A low solvency ratio (10% vs 20% for banks)
- In Germany, Spain, France: benefit of the Art. 22 /4 of the European Investment Directive: Institutional investors' investment ratio of 25% instead of usual 5% limit
- An eligible collateral to the Central Bank
- An asset class of high liquidity
- A regulated environment

Legal framework (i): the Mortgage Market Law and Insolvency Law

- The Mortgage Market Law currently in force, was amended in 1981, to promote the development of the mortgage market,
- Key elements of the mortgage market law:
  - Extension of CH issuance to all financial institutions regulated by the Bank of Spain (BoS)
  - Clear specification of the types of secured bonds (CH included) which regulated mortgage lenders can issue
  - Establishment of a rigorous regulatory and supervisory framework
  - (Monitored by the Ministry of Economy and supervised by the BoS)
- New Spanish Insolvency Law:
  - Better protection for CH holders
  - Effective September 1st, 2004

Legal framework (ii): recent developments

- New Insolvency Law 22/2003 effective September 2004, has strengthen the protection of cédulas' holders in case of insolvency of the issuer
- Extension of application of Law 19/2003 and its tax regime to direct issuance made by credit entities: Income obtained by non-Spanish resident holders (other than a holder acting through a permanent establishment in Spain or obtained through a tax haven territory as defined in R.D. 1080/1991 of 5 July) will be exempt from taxation in Spain provided that the holder complies with the applicable identification formalities required by Law
- New rating methodology by Standard and Poor´s for Spanish covered bonds (Cédulas Hipotecarias and Territoriales): from now on Cédulas Hipotecarias and Territoriales may be rated up to five notches higher than an issuer´s counterparty credit rating and may even reach AAA in cases where the probability of cédulas payment interruption, in the case of issuer insolvency, is extremely remote

Legal framework (iii): new Insolvency Law 22/2003

- The new law clarifies and improves the regime applicable to holders of Cédulas Hipotecarias in case of insolvency of the issuer
- Credit under cédulas is acknowledged as special privilege credit (article 90.1)
- Acknowledges the priority of the cédulas holders with respect to employees and fiscal authorities from the amounts obtained from the assets which cover the cédulas
- Uninterrupted services of Interest: Interest will continue being paid up to the proceeds from the backing assets (mortgages)
- No recourse to default or to cancel the cédulas while interest and principal continue to be paid

Strengthening the protection of cédulas holders

Legal framework (iv): new Insolvency Law 22/2003

- The retroactivity period rule has been replaced by a reintegration rule: the risk of the retroactivity of the insolvency as well as the risk of being declared null any transaction carried out during such a period has been removed (article 71)
- The reintegration period can reach back a maximum of 2 years from the date of the insolvency being declared, and only on those transactions causing damage to the social assets
- Therefore the risk of the cédulas investors to become senior unsecured creditors due to moving back the date of insolvency has been removed

Strengthening the protection of cédulas holders

European covered bonds: a comparison (i)

Capital markets	Germany German Pfandfried	Spain Cédulas Hipotacarias	France Obligations Fonciéres
Jumbos	Since 1995	First Jumbo in March 1999, issued by BBVA	Minimum issues size for Jumbo format
Liquidity / market making	High liquidity	Rather similar to other covered bonds	Similar to Pfandbrief
Eligilility for repo with ECB	Yes	Yes	Yes
Rating	Generally Triple-A rating from at least one rating agency	Moody's up to 2 notches above the senior rating of the issuer with AAA included / S& P's up to 5 notches, AAA included / Fitch up to 3 notches higher, no AAA	Obligations Fonciéres or Communales are designed to be Triple-A
Investors	Institutional investors mainly	Spanish domestic retail customers in the past, institutional investors mainly since 1999	Mainly institutional investor
Market Expectations	Decreasing market	Growing market	Growing market

European covered bonds: a comparison (ii)

	Germany German Pfandbrief	Spain Cédulas Hipotecarias	France Obligations Fonciéres
Ranking of the mortgages	First ranking mortgages, have to be within the 60% LTV ratio	First ranking mortgages on the properties, contracted in the Spanish domestic market	First ranking mortgage
Loans to foreign countries	Yes, public loans to EEA, mortgage loans to EEA and Switzerland	Rather domestic loans	Yes, mortgage loans to EEA Public loans to EEA
Trustee	Yes, independent trustee	Not	Yes
Supervision	BAFIN	Bank of Spain	Commission Bancaire and independent controller
Effect on balance sheet	Loan remain on the bank's balance sheet	Loans remain on the bank's balance sheet	Loans remain on the bank's balanced sheet
Statutory preferential right in bankruptcy	Preferential claim	In the event of a bankruptcy, CH enjoy a specially privileged preferential right over the segregated issuer's mortgage book	OF have preferential claim over all other creditors (including the state) until fully reimbursed

European covered bonds: a comparison (iii)

	Germany German Pfandbrief	Spain Cédulas Hipotecarias	France Obligations Fonciéres
Specialist bank principle	No, main issuers are German mortgage banks and Landesbanks	No, all Spanish banks are allowed to issue Cédulas Hipotecarias	Yes, issuers will be special purpose financial institutions (Societes de Credit foncier)
Refinancable through Pfandbriefe	Mortgage loans and public-sector loans	Mortgage loans and public-sector loans	Mortgage loans and public-sector loans
Collateral pool	Yes, two separate collateral pools for public-sector and mortgage Pfandbriefe	CHs can only be issued for an amount equal to 90% of the eligible mortgages book value, legal overcollateralisation is at least 11%	Yes, one single pool of assets
Mortgage "Pfandbrief"	Yes	Yes, bonds secured on the issuer's entire book of mortgage	Theres only one type of Ofs
Public "Pfandbrief"	Yes	Yes (Cédulas Territoriales)	Theres only one type of Ofs
Relative lending limit for mortgage "Pfandbriefe"	60% of lending value	80% housing, 70% commercial of the appraisal value	60% of the lending value exemptions possible

European covered bonds (iv): legislated vs private law governed covered bond

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Regular Covered Bonds:

- Debt instrument secured against a pool of assets whereby the prior claim on cover assets, asset quality, cash flow adequacy and counterparty risk are determined by a legal framework

  Classical style: Austria, Denmark, Finland, Germany, Luxembourg

  Subsidiary style: France, Ireland

  Without operational asset segregation: Spain

Structured Covered Bonds:

- Regular covered bonds, which are structurally enhanced
  - Repackaged covered bonds: AYTCED, TDA, IMCEDI
  - Contractually enhanced covered bonds: CIFEUR, CFF, KA, BAWAG

Replicated Covered Bonds:

- Debt instrument secured against a pool of assets whereby the prior claim on cover assets, asset quality, cash flow adequacy and counterparty risk are mainly regulated under private law (HBOS, ABN Amro, CDEP)

European covered bonds (v): legislated vs private law governed covered bond

Regular Covered Bonds

Asset allocation

Assets remain on balance sheet

Specific asset allocation – varies Eg:

- Germany: cover assets are maintained in separate cover registers
- France: assets are transferred to a special entity (Sociétés de Crédit Foncier (SCF))
- Spain: no operational segregation, all mortgages serve as collateral

Structuring

In order to achieve a certain target rating, regular covered bonds frequently benefit from structural enhancements

- Repackaging: AYTCED, CEDTDA, IMCEDI
- Contractual enhancements: CFF, CIFEUR, KA, BAWAG

Asset pool

There is legislation which allows the use of mortgage loans, public sector loans and ship loans (depending on jurisdictions)

Investor perception

Substitute for governments bonds and debt issues from supras, agencies and sub-sovereigns

Risk weight

Risk weight: 10% in most countries except Italy and the UK

Replicated Covered Bonds

Asset allocation

Assets remain on balance sheet

Specific asset allocation – varies Eg:

- UK: assets are segregated through the transfer to a separate entity (LLP –Limited Liability Partnership)
- Netherlands: assets are transferred to a special entity and pledged to an independent trustee, guaranteeing prior access to assets in case of insolvency

Structuring

Use of traditional securitisation methods to replicate the commercial and risk profile of the regular model

Allows greater flexibility in structuring offerings

Asset pool

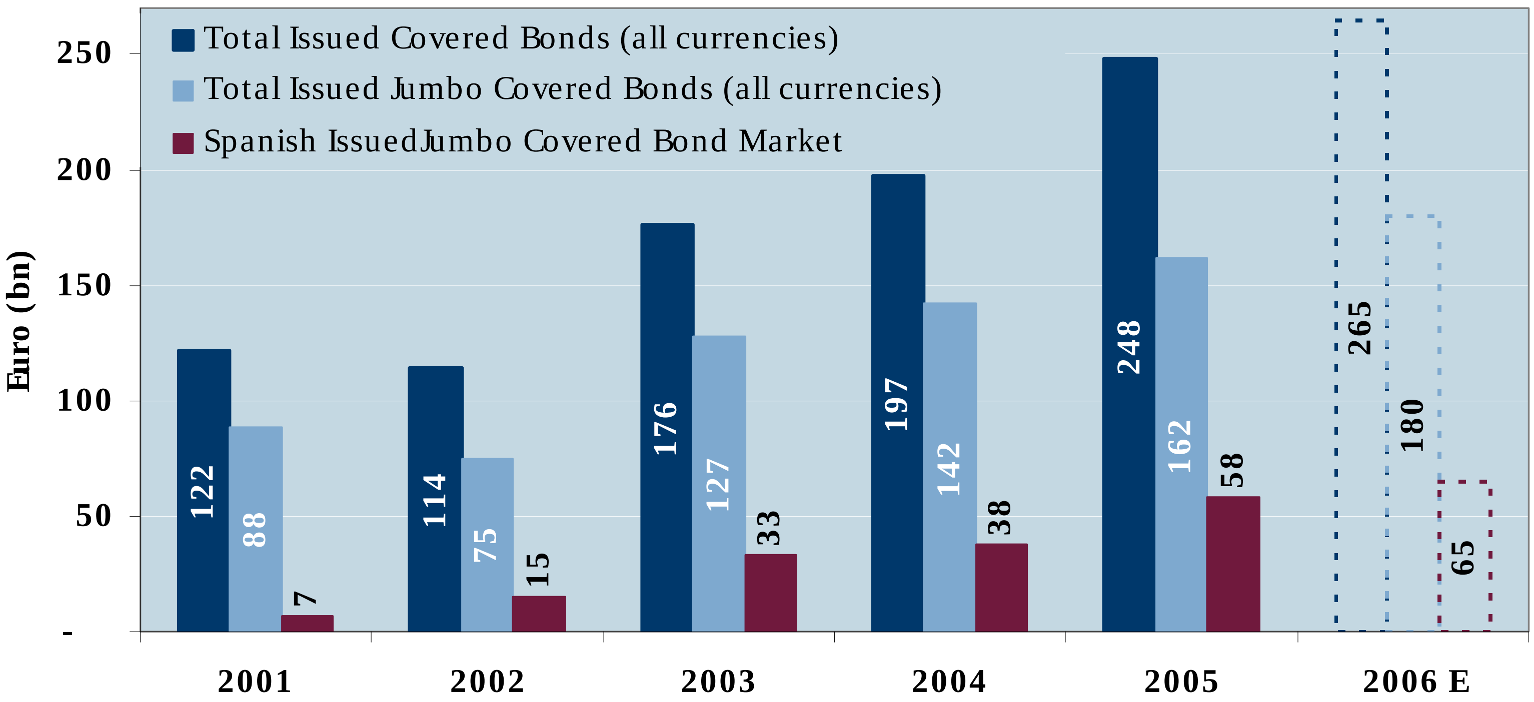
Restrictions are subject to contractual prescriptions – so far the focus is on prime residential mortgages

Investor perception

Substitute for governments bonds and debt issues from supras, agencies and sub-sovereigns

Risk weight 20%

Market overview (i): annual supply total covered bonds and cedulas



Includes all fixed-rate covered bonds (Public loans and Mortgages) at or over equiv. €1bn with at least three market-makers
Source SDC Platinum, Barclays Capital

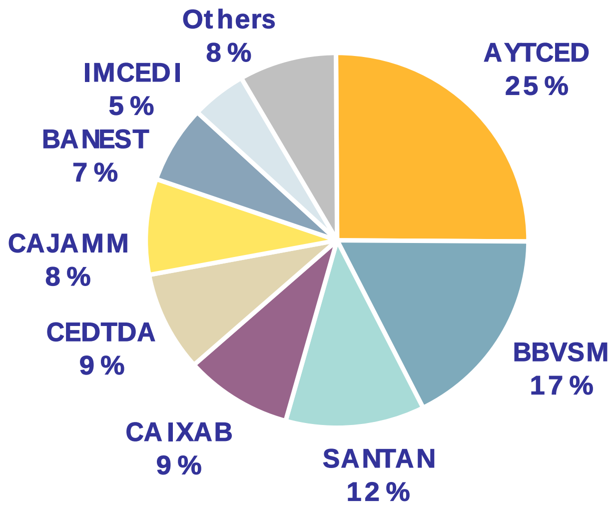
Market overview (ii): total Spain outstanding

Spanish Issuer	Total Outstanding Amount (bn)	%
AyT	€ 35,9	20.8%
BBVA	€ 32,4	18.8%
BSCH	€ 23,0	13.4%
La Caixa	€ 19,2	11.2%
TDA	€ 13,7	8.1%
Caja Madrid	€ 13,0	7.5%
Banesto	€ 12,3	7.2%
IM Cedulas	€ 7,5	4.3%
Sabadell	€ 6,0	3.4%
Popular	€ 4,5	2.6%
BCL	€ 3,5	2.0%
Banco Pastor	€ 1,0	0.6%
TOTAL	€ 172,0	100%

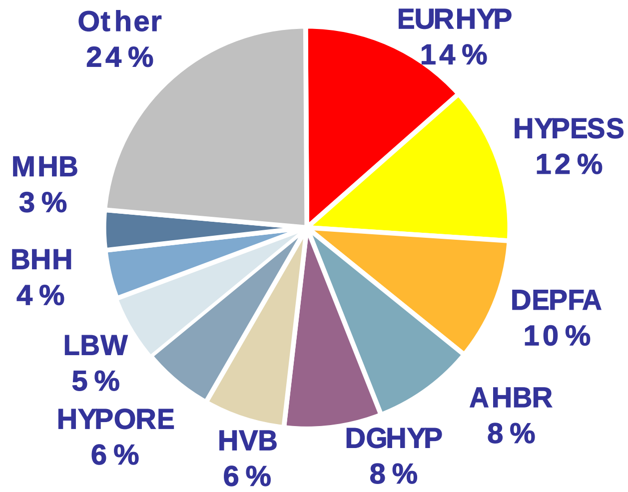
Includes all fixed-rate covered bonds (Public loans and Mortgages) at or over equiv. €1bn with at least three market-makers
Source SDC Platinum, DrKW

Market overview (iii): covered bond market distribution

SPAIN



GERMANY



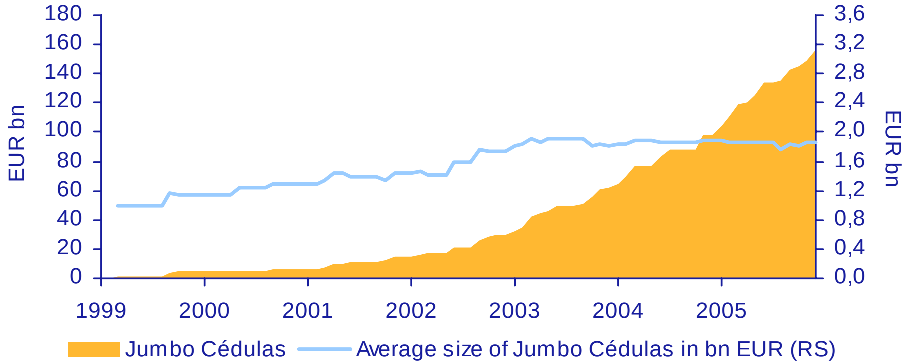
Note: To end 2005

(*): Outstanding

BBVA is the leading financial institution as a Cédulas originator being AyT a multicontributor of structured Cédulas originated by different Spanish savings banks

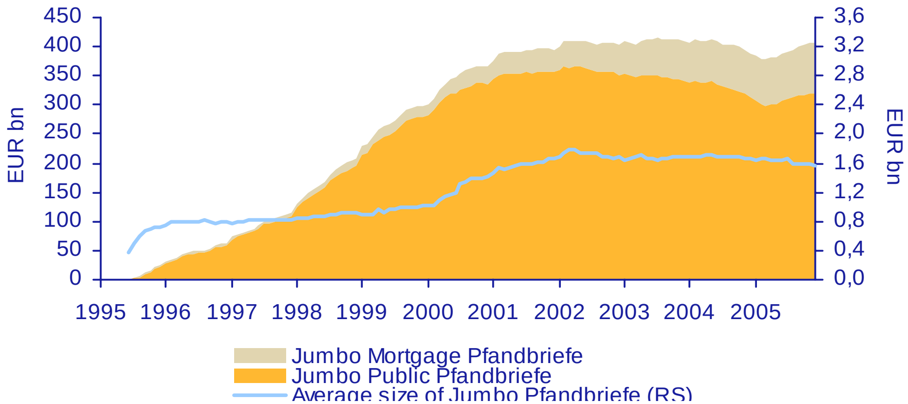
Market overview (iv): development of outstanding volume and average size

Spanish Cédulas



Note: To end 2005

German Pfandbriefe

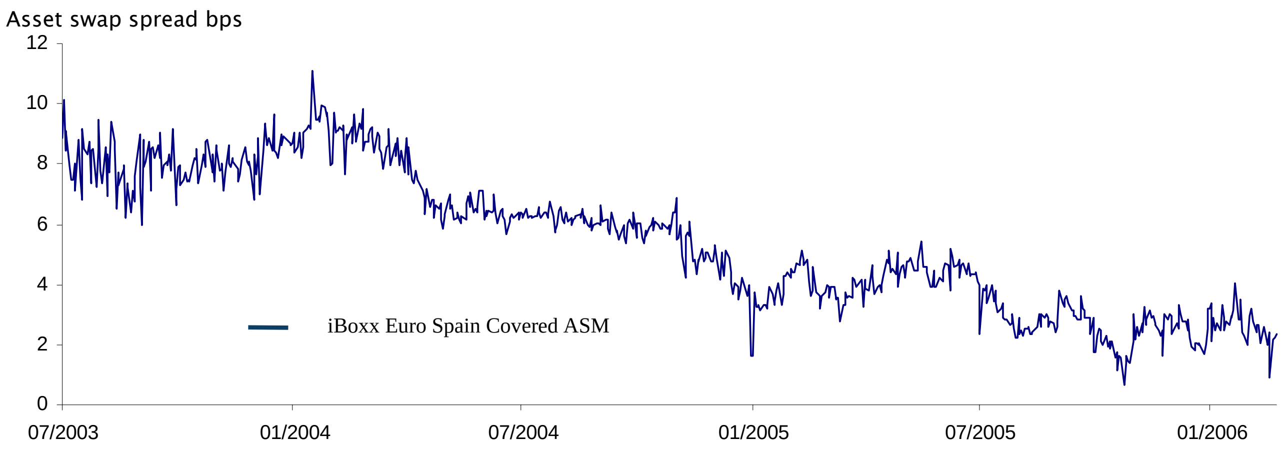


Although with a smaller total outstanding amount, Cédulas Hipotecarias issuance is growing at a higher rate than Pfandbriefe, which helds in a mature stage

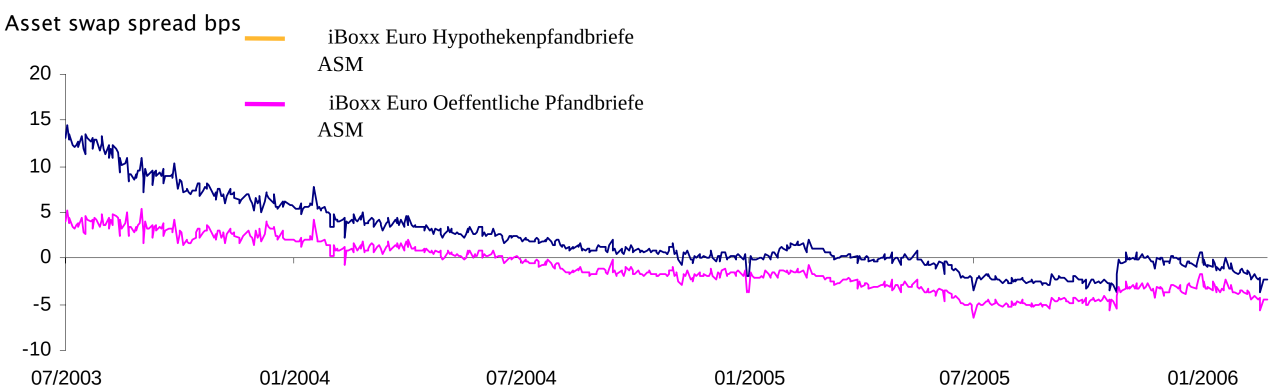
Market overview (v): spread development

BBVA

Spanish Cédulas



German Pfandbriefe

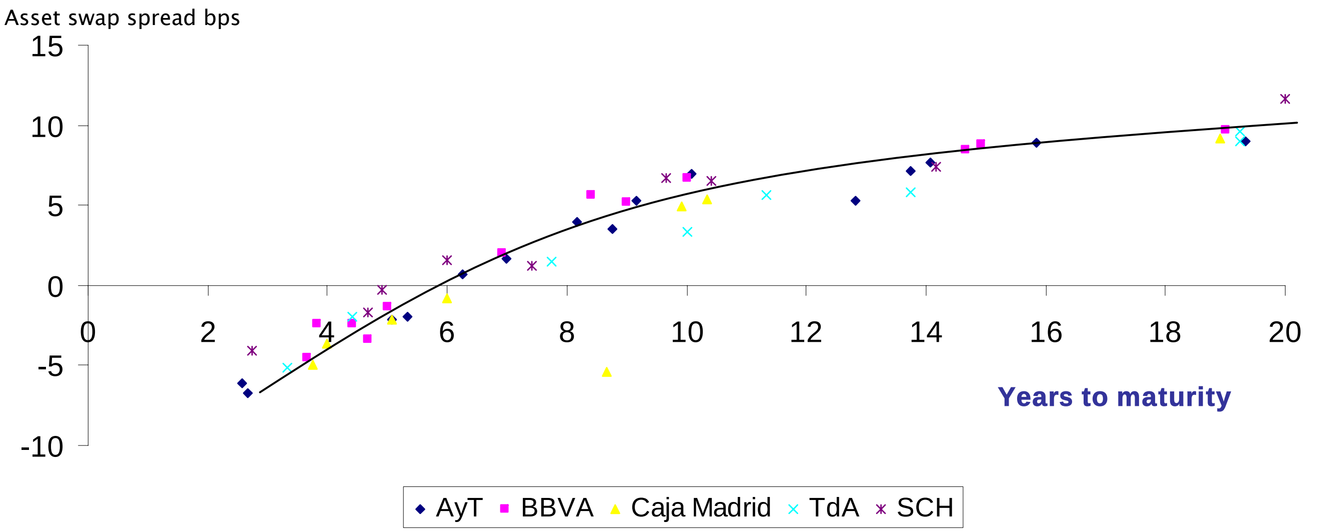


Despite the tightening process experimented by the Cédulas Hipotecarias, its spread is still wider than the one of the Pfandbriefe

Market overview (vi): credit term structure of selected issuers

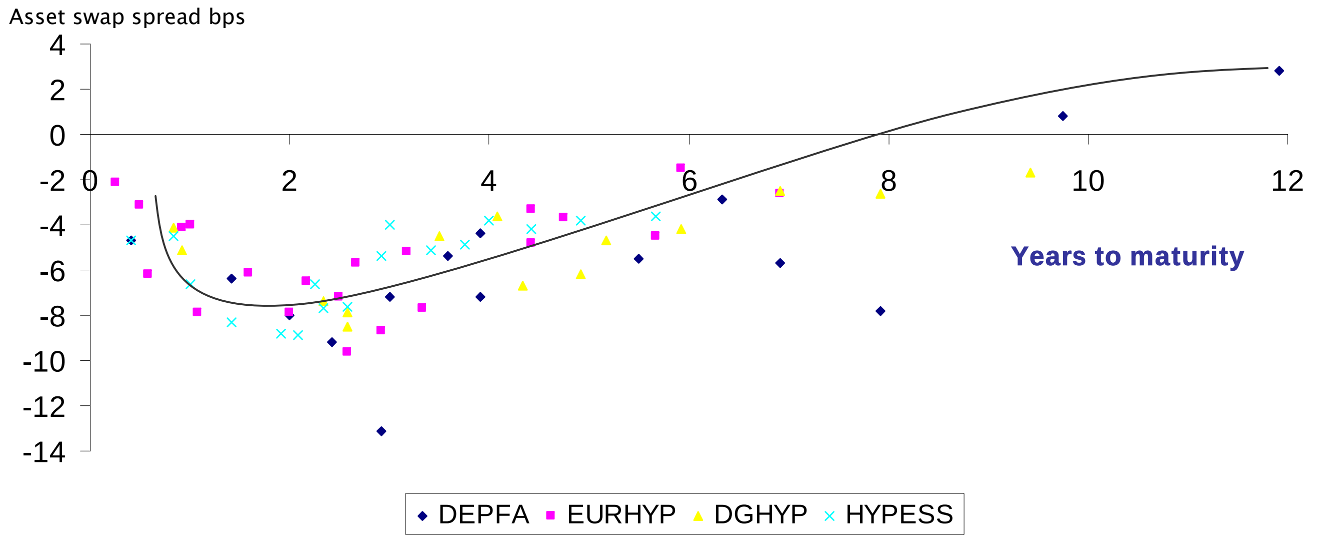
BBVA

Spanish Cédulas



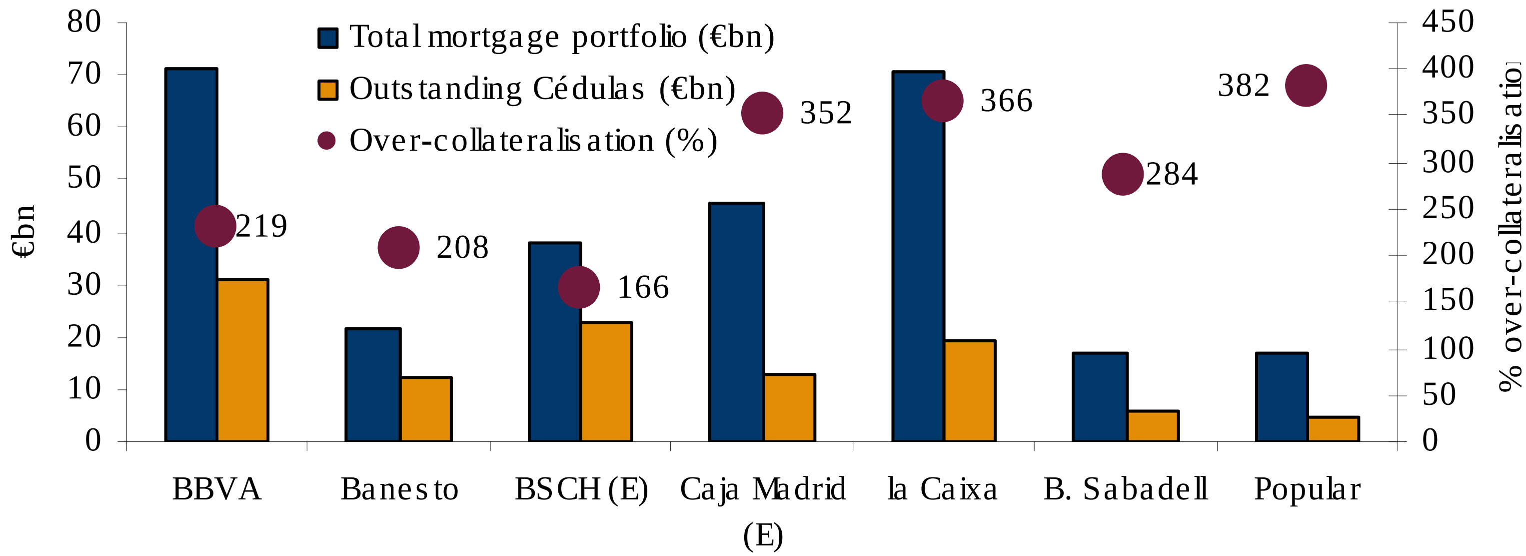
As of 14/02/2006

German Pfandbriefe



As of 14/02/2006

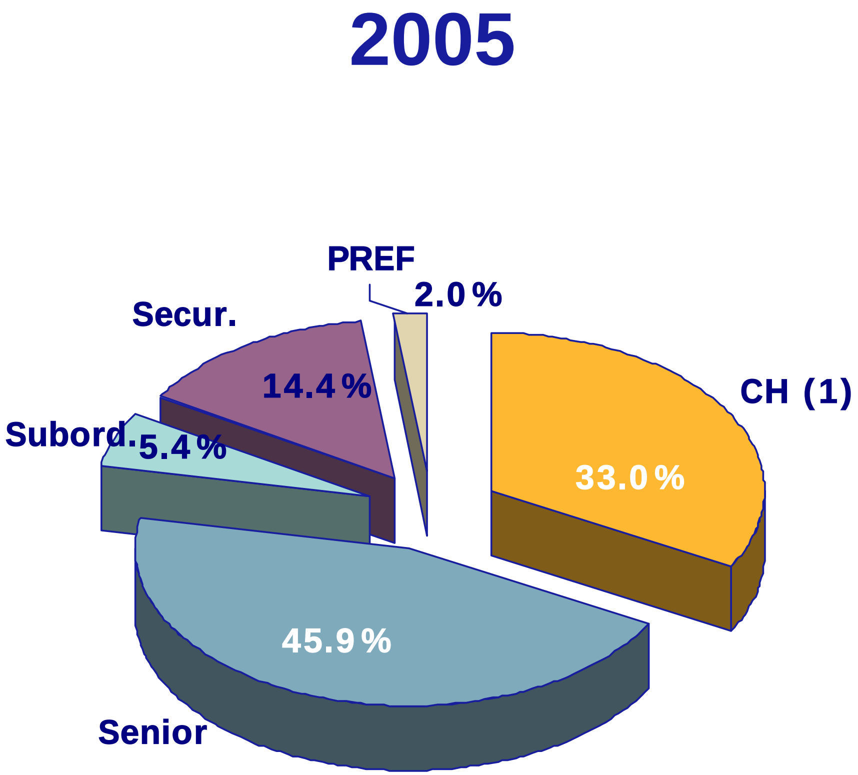
Market overview (vii): CH’s overcollateralisation

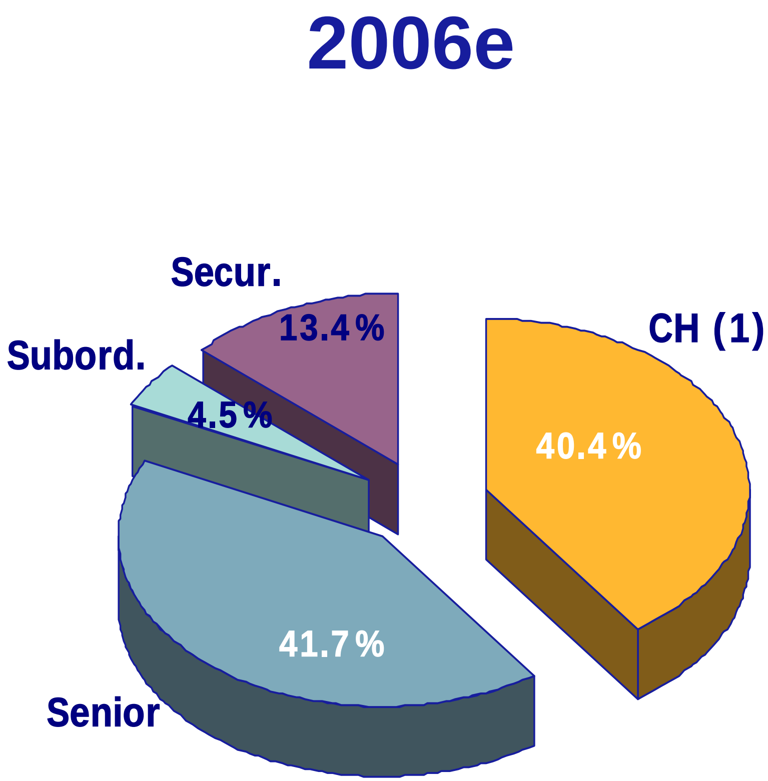


Banco Popular, Banco Sabadell, la Caixa, Banesto: as reported by issuer
Caja Madrid, BSCH estimated based on publicly available data and DrKW

BBVA presents a balanced overcollateralisation rate compared to the other CH’s peers

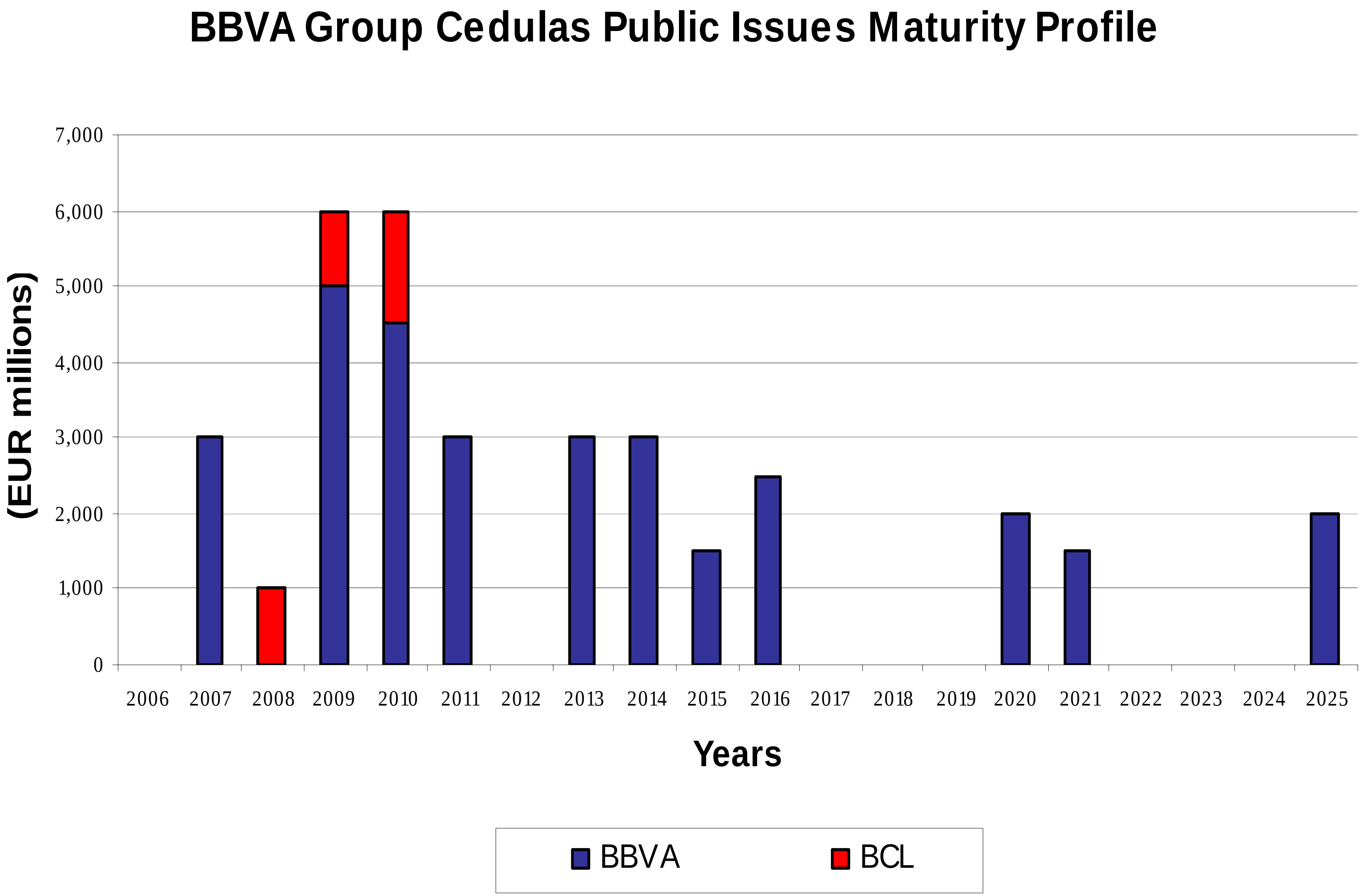
BBVA's Cedulas (i): BBVA's funding structure



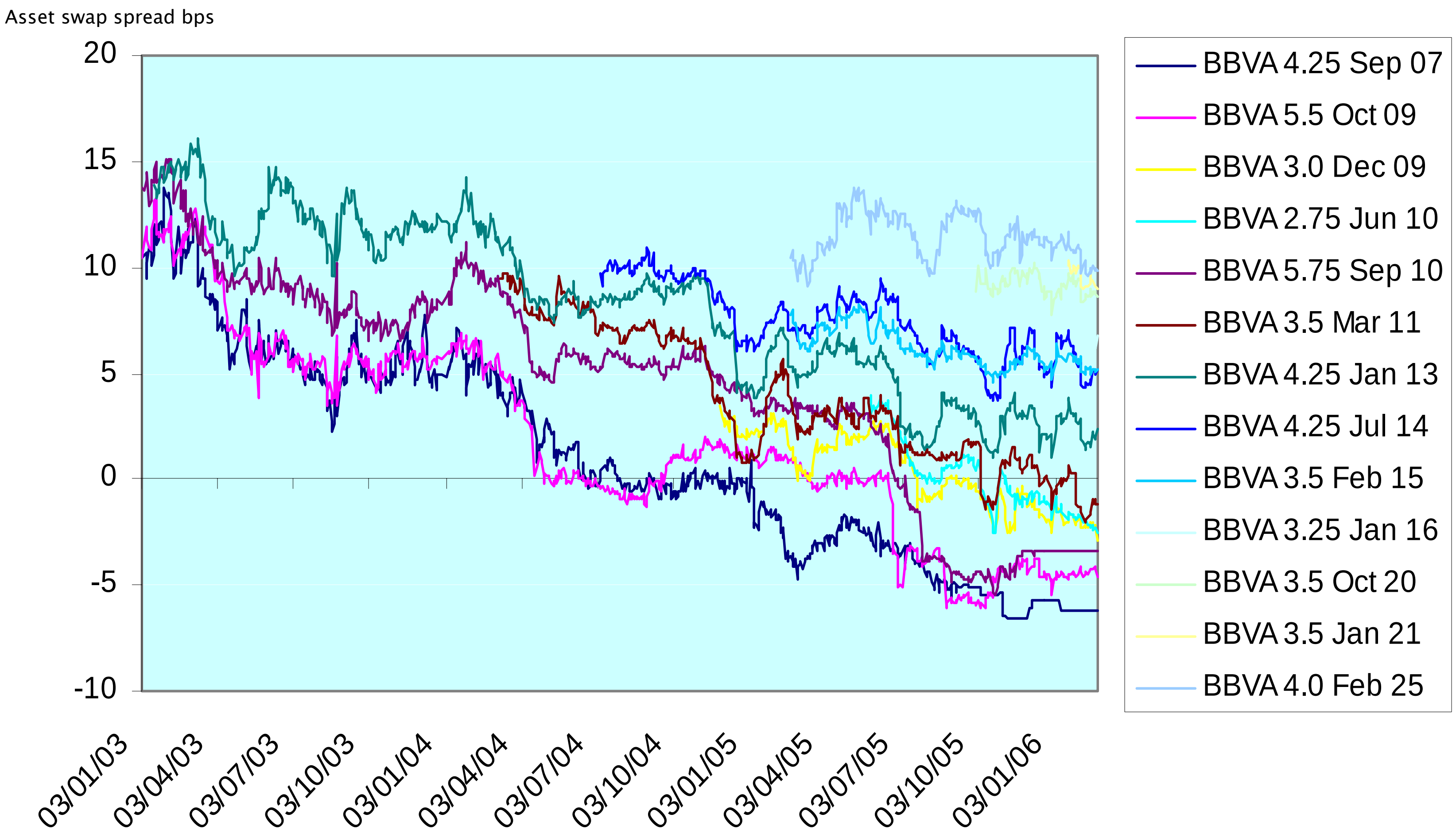


(1) Cédulas Hipotecarias

BBVA's Cedulas (ii): maturity profile



BBVA's Cedulas (iii): CH's spread trend



Source: DrKW

BBVA

BBVA "Cédulas Hipotecarias" Credit Story and Mortgage Business

May 2006