BBVA “CEDULAS HIPOTECARIAS” CREDIT STORY AND MORTGAGE BUSINESS

June 2005 Issue
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- BBVA Overview and Results
  - Spanish mortgage market
  - BBVA mortgage portfolio
  - “Cédulas Hipotecarias”
BBVA is an international financial services group ...

Employees 88,588

Branches 7,006

Countries 37

A full range of financial products & services

Shareholders 1.1m

Market cap €42bn

Total assets €345bn

Its ranks 18th by assets in the Eurozone, but 6th by profits
... with a solid and focussed position in attractive growth markets ...

<table>
<thead>
<tr>
<th>Region</th>
<th>Mk. Share</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>15%</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
</tr>
<tr>
<td>Deposits</td>
<td>13%</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>18%</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Pension Funds</td>
<td>20%</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
</tr>
<tr>
<td>Num. of customers</td>
<td>10 million</td>
<td></td>
</tr>
</tbody>
</table>

33 million customers and presence and a first class franchise in Latin America

- **Spain**
  - Loans: 15% (1<sup>st</sup>)
  - Deposits: 13% (2<sup>nd</sup>)
  - Mutual Funds: 18% (2<sup>nd</sup>)
  - Pension Funds: 20% (1<sup>st</sup>)
  - Num. of customers: 10 million

- **Latin America**
  - Mexico: 28% (1<sup>st</sup>)
  - Rest of Latam (2): 10% (2<sup>nd</sup>)
  - Num. of customers: 23 million

(1) Deposits
(2) Excluding Brazil and Mexico
... a balanced distribution of assets

GROUP ASSETS BREAKDOWN (%)

77%  
SPAIN, EU & USA

18%  
LATAM “INV. GRADE” (1)

5%  
LATAM “NON INV. GRADE”

(1) Mexico, Chile and Puerto Rico
... and a well diversified business mix

Attributable Profit by Business Areas (%)

RETAIL BANKING SPAIN
47%

AMERICA
39%

WHOLESALE BANKING
13%
... benefiting from good economic prospects

### GDP growth (%)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005e</th>
<th>2006e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>2.7</td>
<td>3.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Mexico</td>
<td>4.4</td>
<td>4.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Rest of Latam *</td>
<td>8.0</td>
<td>5.2</td>
<td>4.5</td>
</tr>
</tbody>
</table>

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.
* Excluding Brazil
... and with solid ratings

**Ratings: BBVA vs. Bancos Europa**

<table>
<thead>
<tr>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
</tr>
<tr>
<td>Barclays</td>
</tr>
<tr>
<td>Lloyds</td>
</tr>
<tr>
<td>RBS</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Moody's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aaa</td>
</tr>
<tr>
<td>Lloyds</td>
</tr>
<tr>
<td>RBS</td>
</tr>
<tr>
<td>Credit Agricole</td>
</tr>
<tr>
<td>ING B.</td>
</tr>
<tr>
<td>SoCGen</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Standard &amp; Poor's</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
</tr>
<tr>
<td>UBS</td>
</tr>
<tr>
<td>BNPP</td>
</tr>
<tr>
<td>RBS</td>
</tr>
<tr>
<td>Credit Agricole</td>
</tr>
<tr>
<td>Fortis B.</td>
</tr>
</tbody>
</table>
BBVA is pursuing a double approach to deliver growth …

A

Organic growth

Profitable growth with revenue acceleration

B

Non-organic growth

Strategic focus
Earnings growth
BBVA is pursuing a double approach to deliver growth ...

Organic growth

Profitable growth with revenue acceleration
Excellent track record for generating results

Net attributable profit (1) € m

+28% CAGR

1.719
2.227
2.802

2002 2003 2004

(1) Pre-dating IFRS
... placing BBVA ahead of its peers in profitability and efficiency...

- Efficiency %
  - European Banks (1): 62%
  - BBVA: 49%

- ROE (%)
  - European Banks (1): 17.5%
  - BBVA: 20.0%

(1) Average of main European listed Banks, data as of December 2004 (Pre-dating IFRS)
... placing BBVA ahead of its peers in asset quality and coverage

- **NPL ratio %**
  - **European Banks (1)**: 3.92
  - **BBVA**: 0.95

- **NPL coverage %**
  - **European Banks (1)**: 77
  - **BBVA**: 240

(1) Average of main European listed Banks, data as of December 2004 (Pre-dating IFRS)
Last January we said...

2005: another year of strong growth

1Q05 results confirm our expectations

Attrib. Profit

€815m +20.0%
... thus continuing to deliver accelerating profit growth
... where revenue generation becomes the key driver for the operating divisions and the Group

<table>
<thead>
<tr>
<th>y-o-y change € millions</th>
<th>Total Group</th>
<th>Retail Banking</th>
<th>Wholesale Banking</th>
<th>The Americas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ord. revenues</td>
<td>+9.0%</td>
<td>+71</td>
<td>+16</td>
<td>+115</td>
</tr>
<tr>
<td></td>
<td>+237</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oper. profit</td>
<td>+16.3%</td>
<td>+68</td>
<td>+19</td>
<td>+82</td>
</tr>
<tr>
<td></td>
<td>+201</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
... while also improving Group fundamentals

- **Cost to income ratio (%)**
  - 1Q 04: 46.9
  - 1Q 05: 45.0

- **NPL ratio (%)**
  - 1Q 04: 1.46
  - 1Q 05: 1.06

- **ROE (%)**
  - 1Q 04: 32.0
  - 1Q 05: 30.5

- **BIS ratio (%)**
  - 1Q 04: Tier I 11.6, Core 5.5
  - 1Q 05: Tier I 12.3, Core 6.0
... thanks to the progress achieved in the objectives for the year ...
Strong business growth in Retail Banking in Spain

Year-on-year growth
Average balances

- Customer funds: 8.2%
- Loans: 20.4%

Net attrib. profit (€ million)

- 1Q04: 356
- 1Q05: 403 (+13.2%)

... which carries over into earnings
Wholesale banking continues to strengthen its franchise in 1Q05

Year-on-year growth
Average balances

Net attributable profit (€ million)

<table>
<thead>
<tr>
<th>Loans</th>
<th>Customer Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q04 92</td>
<td>1Q05 112</td>
</tr>
</tbody>
</table>

+22.7%
Very positive evolution of results in the Americas...

Net income (€ million)

**Total America**

- 1Q04: 281
- 1Q05: 386
  - +37%

**Mexico (Banking Goup)**

- 1Q04: 138
- 1Q05: 195
  - +41%

... boosted by sharply higher contribution from Mexico
BBVA is pursuing a double approach to deliver growth...

Non-organic growth

Strategic focus

Earnings growth
In 2004, growth from core business was enhanced by non-organic expansion

- **Consolidating our positioning in Mexico**
  - Buyout of BBVA Bancomer minorities

- **Reinforcing high potential businesses**
  - Hipotecaria Nacional

- **Penetrating new markets**
  - USA

Total investment in 2004: €4,300 mill
Now we are focussed on the Italian market: Offer for 100% of Banca Nazionale de Lavoro

BNL operation fits in BBVA’s strategy

- Improvement of the Group’s portfolio
- BNL as a platform for growth in the Italian market
- Value Creation

Geographic and business line diversification
Leveraging BBVA’s experience
Positive impact from the first year

...with limited execution risk
BNL improves our business portfolio by increasing its diversification

Proforma including Laredo National Bank
A very positive contribution to BBVA Results

<table>
<thead>
<tr>
<th>(€ MM)</th>
<th>2005e (Second Half)</th>
<th>2006e</th>
<th>2007e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total synergies</td>
<td>60</td>
<td>201</td>
<td>282</td>
</tr>
<tr>
<td>Expected contribution to BBVA Net Attr. Income (1) by BNL</td>
<td>250</td>
<td>617</td>
<td>713</td>
</tr>
</tbody>
</table>

Core capital from 6,02% to 5,72%

Latent capital gains in industrial portfolio => €1.566 m (net of taxes)
Buy back share programme => 3.5% of capital

Note: (1) Includes synergies. Based on consensus earnings
BNL: an acquisition that would allow BBVA to leverage on its management skills...

... A very positive contribution to BBVA results

... high visibility of synergies

... appropriate financing structure of the transaction

With a very limited execution risk
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Strong growth of the Spanish mortgage market in the last years

Mortgage loans evolution
€ Bn

CAGR: +19%

109 124 147 175 210 251 297 354 431 532 551


Source: Bank of Spain and Spanish Mortgages As.
However, the Spanish Market is still below the European average.

Residential mortgage loans * over GDP, %

- **Netherlands**: 90%
- **U. K.**: 70%
- **Germany**: 70%
- **Portugal**: 30%
- **Sweden**: 60%
- **Ireland**: 50%
- **Spain**: 20%
- **Belgium**: 40%
- **Francia**: 30%
- **Italia**: 20%

*Source: European Mortgage Federation*
Real state market “boom” drivers

**Macro drivers**
- Interest rate decrease
- Structural adjustment to a low and stable interest rate environment
- 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
Healthy growth in population and household formation

2.6 million households created in 10 years (1991–2001) and 3.3 million more expected in the next ten period years

* Source: BBVA Economic Research Department
... and a positive trend of employment and GDP per capita

4.9 million jobs created in the period 1994–2004
Housing prices: a catch-up process

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.

Source: BBVA Economic Research Department
The increase in prices has been offset by lower interest rates and longer maturities. For example, while prices climbed by 17% in 2004, affordability only moved from 18.7% to 20.3% (net debt payments/gross salary).

In 2004, 20.3% of gross salary for a family with 1.54 people employed (25.2% without taking into consideration any fiscal mortgages benefits).

* Source: BBVA Economic Research Department
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BBVA in the Spanish mortgage market

- Mortgage lending is the core activity in the Spanish Banking System
  - Outstanding mortgages over private sector loans:
    Saving Banks (66%), Banks (48%) and BBVA (53%)

- More than 2/3 of all loans to households are residential mortgages: BBVA 76% vs 66% Spanish Banking System

- BBVA is the leading mortgage player in Spain: 12% market share
BBVA: excellent evolution of its stock of mortgages

Mortgage loans evolution (1) (€ Bn)

(1) Excluding mortgage securitisations
...and a well diversified mortgage portfolio (1) geographically

<table>
<thead>
<tr>
<th>Region</th>
<th>%portfolio(1)</th>
<th>%GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catalonia</td>
<td>19.7</td>
<td>18.2</td>
</tr>
<tr>
<td>Madrid</td>
<td>19.6</td>
<td>17.4</td>
</tr>
<tr>
<td>Andalusia</td>
<td>16.0</td>
<td>13.9</td>
</tr>
<tr>
<td>Valencia</td>
<td>11.4</td>
<td>9.7</td>
</tr>
<tr>
<td>Canary Is.</td>
<td>5.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Castille–Leon</td>
<td>4.1</td>
<td>5.7</td>
</tr>
<tr>
<td>Basque C.</td>
<td>3.7</td>
<td>6.4</td>
</tr>
<tr>
<td>Balearic Is.</td>
<td>3.5</td>
<td>2.2</td>
</tr>
<tr>
<td>Galicia</td>
<td>3.5</td>
<td>5.4</td>
</tr>
<tr>
<td>Other</td>
<td>13.0</td>
<td>17.2</td>
</tr>
</tbody>
</table>

(1) Source: INE

128,900 homes financed in 2004 and a stock of 801,300 outstanding mortgages

(1) Loans to households
Key mortgage quality indicators show a low risk profile for BBVA

<table>
<thead>
<tr>
<th></th>
<th>Total stock</th>
<th>New Production (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average size</td>
<td>58,900 €</td>
<td>113,540 €</td>
</tr>
<tr>
<td>Average life (years)</td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>L.T.V. (Outstanding amount)</td>
<td>53%</td>
<td>66%</td>
</tr>
<tr>
<td>NPL ratio</td>
<td>0.23%</td>
<td></td>
</tr>
</tbody>
</table>

(1) 2004 average data (loans to households)
The kind of demand being met by BBVA is focused on first-time buyers.

BBVA 2004 Mortgages (1)

- 1ST Residence: 90%
- 2ND Residence: 10%

Age of mortgage customers

- < 35 years
- > 35 years

(1) Loans to households
- High NPL’s coverage ratio: 530%
- Powerful and fully implemented credit-analysis tools: credit scoring is integrated throughout the internal approval process
A very strong overcollateralization

31/03/05

- Mortgage Portfolio: 67
- Total Non-elegible: 22
- Total Elegible: 45 (90%)
- Max. Issuance: 40
- After new issue: Overcollateralization 258%
- Market issues: 22.7
- Figures in € Bn.

(1) Eligible mortgages loans: first mortgages with max. LTV of 80% for residential and 70% for commercial
... Even without increasing the pool of outstanding mortgages

<table>
<thead>
<tr>
<th>Date</th>
<th>Outs. Mortg. Loans (1)</th>
<th>C.H. (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.03.05</td>
<td>258</td>
<td></td>
</tr>
<tr>
<td>31.03.06</td>
<td>239</td>
<td></td>
</tr>
<tr>
<td>31.03.07</td>
<td>221</td>
<td></td>
</tr>
<tr>
<td>31.03.08</td>
<td>234</td>
<td></td>
</tr>
<tr>
<td>31.03.09</td>
<td>227</td>
<td></td>
</tr>
</tbody>
</table>

Overcollateralization (%)

(1) Without taking into account future mortgage portfolio increases
(2) Including the new CH issue of € 3.0 Bn
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
- The new issues strengthen BBVA “CH” curve
- BBVA “CH” represents an attractive investment alternative
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Cédulas Hipotecarias: Overview

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: banks cannot issue CHs with value higher than 90% of eligible mortgage loans (monitored by Bank of Spain). LTV must not be higher than 70% (commercial) or 80% (residential)
- 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
Cédulas Hipotecarias: Legal Framework (the Mortgage Market Law and Insolvency Law)

- The first Spanish mortgage law was introduced in 1861 and CH were first introduced in 1869.
- 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 1, 2004.
Cédulas Hipotecarias: CH Investor (Legal Status)

- Investors of CH have a preferential claim over the entire mortgage book of the issuing bank (excluding those mortgages collaterals to Mortgage Bonds or Mortgage Participations)

- The legislation grants the right for the CH holder to a direct action against the issuer, in the case of failure to pay principal and/or interest

- As there has never been a default on a CH, there is no practical experience with respect to the time horizon for setting the preferential claim granted to CH holders

CH INVESTORS ARE SPECIALLY PRIVILEGED CREDITORS
## European Covered Bonds: A Comparison

<table>
<thead>
<tr>
<th>Capital markets</th>
<th>Germany: German Pfandbrief</th>
<th>Spain: Cédulas Hipotecarias</th>
<th>France: Obligations Fonciéres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jumbos</td>
<td>Since 1995</td>
<td>First Jumbo in March 1999, issued by BBVA</td>
<td>Minimum issues size for Jumbo format.</td>
</tr>
<tr>
<td>Liquidity/market making</td>
<td>High liquidity</td>
<td>Rather similar to other covered bonds</td>
<td>Similar to Pfandbrief</td>
</tr>
<tr>
<td>Eligibility for repo with ECB</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Rating</td>
<td>Generally Triple-A rating from at least one rating agency</td>
<td>Moody’s up to 2 notches above the senior rating of the issuer with AAA included. S&amp;P’s up to 5 notches, AAA included. Fitch up to 3 notches higher, no AAA.</td>
<td>Obligations Fonciéres or Communales are designed to be Triple-A</td>
</tr>
<tr>
<td>Investors</td>
<td>Institutional investors mainly</td>
<td>Spanish domestic retail customers in the past, institutional investors mainly since 1999</td>
<td>Expectations: mainly institutional investor</td>
</tr>
<tr>
<td>Market expectations</td>
<td>Decreasing market</td>
<td>Growing market</td>
<td>Growing market</td>
</tr>
</tbody>
</table>
## European Covered Bonds: A Comparison II

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>Spain</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ranking of the mortgages</strong></td>
<td><strong>German Pfandbrief</strong></td>
<td><strong>Cédulas Hipotecarias</strong></td>
<td><strong>Obligations Foncières</strong></td>
</tr>
<tr>
<td>First ranking mortgages, have to be within the 60% LTV ratio</td>
<td>First ranking mortgages on the properties, contracted in the Spanish domestic market</td>
<td>First ranking mortgage</td>
<td></td>
</tr>
<tr>
<td><strong>Loans to foreign countries</strong></td>
<td>Yes, public loans to EEA, mortgage loans to EEA and Switzerland</td>
<td>Rather domestic loans</td>
<td>Yes, Mortgage loans to EEA Public loans to EEA</td>
</tr>
<tr>
<td><strong>Trustee</strong></td>
<td>Yes, independent trustee</td>
<td>Not</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Supervision</strong></td>
<td>BAKred</td>
<td>Bank of Spain</td>
<td>Commission Bancaire and independent controller</td>
</tr>
<tr>
<td><strong>Effect on balance sheet</strong></td>
<td>Loans remain on the bank’s balance sheet</td>
<td>Loans remain on the bank’s balance sheet</td>
<td>Loans remain on the bank’s balanced sheet</td>
</tr>
<tr>
<td><strong>Statutory preferential right in bankruptcy</strong></td>
<td>Preferential claim</td>
<td>In the event of a bankruptcy, CH enjoy a specially privileged preferential right over the segregated issuer’s mortgage book.</td>
<td>OF have preferential claim over all other creditors (including the state) until fully reimbursed</td>
</tr>
</tbody>
</table>
# European Covered Bonds: A Comparison III

<table>
<thead>
<tr>
<th>Germany</th>
<th>Spain</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>German Pfandbrief</strong></td>
<td><strong>Cédulas Hipotecarias</strong></td>
<td><strong>Obligations Foncières</strong></td>
</tr>
<tr>
<td>Specialist bank principle</td>
<td>Yes, main issuers are German mortgage banks and Landesbanks</td>
<td>No, all Spanish banks are allowed to issue Cédulas Hipotecarias</td>
</tr>
<tr>
<td>Refinancable through Pfandbriefe</td>
<td>Mortgage loans and public-sector loans</td>
<td>Mortgage loans</td>
</tr>
<tr>
<td>Collateral pool</td>
<td>Yes, two separate collateral pools for public-sector and mortgage Pfandbriefe</td>
<td>CHs can only be issued for an amount equal to 90% of the eligible mortgages book value, legal overcollateralisation is at least 11%</td>
</tr>
<tr>
<td>Mortgage “Pfandbrief”</td>
<td>Yes</td>
<td>Yes (Cédulas Territoriales)</td>
</tr>
<tr>
<td>Public “Pfandbrief”</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Relative lending limit for mortgage “Pfandbriefe”</td>
<td>60% of lending value</td>
<td>80% housing, 70% commercial of the appraisal value</td>
</tr>
</tbody>
</table>
Cedulas Hipotecarias: 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 Sapanish 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.
New Insolvency Law 22/2003 (I)

- 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
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.
Cédulas Hipotecarias: 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
Cédulas Hipotecarias: 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
### BBVA Outstanding Jumbo Cédulas Hipotecarias issues

<table>
<thead>
<tr>
<th>Issue Date</th>
<th>Maturity</th>
<th>Size (Eur)</th>
<th>Coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>26-sep-02</td>
<td>26-sep-07</td>
<td>3.000.000.000.000</td>
<td>4.25%</td>
</tr>
<tr>
<td>10-ene-99</td>
<td>1-oct-09</td>
<td>1.000.000.000.000</td>
<td>5.50%</td>
</tr>
<tr>
<td>27-sep-00</td>
<td>27-sep-10</td>
<td>1.500.000.000.000</td>
<td>5.75%</td>
</tr>
<tr>
<td>29-jan-03</td>
<td>29-jan-13</td>
<td>3.000.000.000.000</td>
<td>4.25%</td>
</tr>
<tr>
<td>15-mar-04</td>
<td>15-mar-11</td>
<td>3.000.000.000.000</td>
<td>3.50%</td>
</tr>
<tr>
<td>15-jul-04</td>
<td>15-jul-14</td>
<td>3.000.000.000.000</td>
<td>4.25%</td>
</tr>
<tr>
<td>3-dec-04</td>
<td>3-dec-09</td>
<td>3.000.000.000.000</td>
<td>3.00%</td>
</tr>
<tr>
<td>25-feb-05</td>
<td>25-feb-15</td>
<td>1.500.000.000.000</td>
<td>3.50%</td>
</tr>
<tr>
<td>25-feb-05</td>
<td>25-feb-25</td>
<td>2.000.000.000.000</td>
<td>4.00%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>21.000.000.000</strong></td>
<td></td>
</tr>
</tbody>
</table>

The new issues strengthen BBVA CH curve
New CH Issue, Main Characteristics

- Issuer: BBVA S.A.
- Format: Multi-tranche Cédulas Hipotecarias
- Issue Rating: Moody’s Aaa
- Amount: Benchmark size
- Maturity: 5 years
- Lead-Managers: ABN Amro, Barclays, BBVA, HSBC
- Listing: A.I.A.F.
June 2005

BBVA

BBVA “CEDULAS HIPOTECARIAS” CREDIT STORY AND MORTGAGE BUSINESS