BBVA “Cédulas Hipotecarias”
Credit Story and Mortgage Business

May 2006
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BBVA overview and results

Spanish mortgage market

BBVA mortgage portfolio

“Cédulas Hipotecarias”
BBVA is an international financial services group

Branches 7,456

Countries 37

A full range of financial products & services

Employees 94,951

Shareholders Approx. 1 million

Market cap €59bn

Total assets €393bn
... with a solid and focused position in attractive growth markets ...

Spain

<table>
<thead>
<tr>
<th>Mk. Share</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>12.5%</td>
</tr>
<tr>
<td>Deposits</td>
<td>12.4%</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>18.1%</td>
</tr>
<tr>
<td>Pension Funds</td>
<td>18.9%</td>
</tr>
<tr>
<td>Num. of customers: 11 million</td>
<td></td>
</tr>
</tbody>
</table>

Latin America

<table>
<thead>
<tr>
<th>Mk. Share (1)</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>28%</td>
</tr>
<tr>
<td>South America (2)</td>
<td>11%</td>
</tr>
</tbody>
</table>

Num. of customers 23 million

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

Group assets breakdown (%)

77%
SPAIN, EU & USA

18%
LATAM “INVESTMENT GRADE” (Mexico, Chile)

5%
LATAM “NON INV. GRADE”
... and a low risk, high quality asset profile

Banking in Spain
Loan portfolio breakdown

- SMEs: 19%
- Small businesses: 10%
- Consumer: 7%
- Large corporates: 7%
- Public Sector: 12%
- Mortgages: 43%

Latin America
Loans/total assets

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

46% of Group’s gross loans are secured
### RATINGS: BBVA VS. EUROPEAN BANKS

#### MOODY'S

<table>
<thead>
<tr>
<th></th>
<th>Aaa</th>
<th>Aa1</th>
<th>Aa2</th>
<th>Aa3</th>
<th>A1</th>
<th>A2</th>
<th>A3</th>
<th>Baa1</th>
<th>Baa2</th>
<th>Baa3</th>
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</thead>
<tbody>
<tr>
<td>Lloyds</td>
<td>Barclays</td>
<td>RBS</td>
<td>BBVA</td>
<td>ABN</td>
<td>Credit Sui.</td>
<td>Deutsche B.</td>
<td>Fortis B.</td>
<td>San Paolo</td>
<td>Unicredit</td>
<td>HVB</td>
</tr>
<tr>
<td>RBS</td>
<td>BNPP</td>
<td>Credit Agricole</td>
<td>HSBC B.</td>
<td>ING B.</td>
<td>UBS</td>
<td>SCH</td>
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<td></td>
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</table>

#### STANDARD & POOR'S

<table>
<thead>
<tr>
<th></th>
<th>AAA</th>
<th>AA+</th>
<th>AA</th>
<th>AA-</th>
<th>A+</th>
<th>A</th>
<th>A-</th>
<th>BBB+</th>
<th>BBB</th>
<th>BBB-</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Barclays</td>
<td>BNPP</td>
<td>BBVA</td>
<td>ABN</td>
<td>San Paolo</td>
<td>B. Intesa</td>
<td>Commerz.</td>
<td>Credit Sui.</td>
<td>HVB</td>
<td>Unicredit</td>
</tr>
<tr>
<td>Lloyds</td>
<td>RBS</td>
<td>Credit Agricole</td>
<td>HSBC B.</td>
<td>ING B.</td>
<td>SOCGEN</td>
<td>Fortis B.</td>
<td>SCH</td>
<td>Deutsche B.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### FITCH

<table>
<thead>
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<th>AA+</th>
<th>AA</th>
<th>AA-</th>
<th>A+</th>
<th>A</th>
<th>A-</th>
<th>BBB+</th>
<th>BBB</th>
<th>BBB-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays</td>
<td>BNPP</td>
<td>BBVA</td>
<td>ABN</td>
<td>B. Intesa</td>
<td>Commerz.</td>
<td>Unicredit</td>
<td>HVB</td>
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<td>Fortis B.</td>
<td>Deutsche B.</td>
<td>San Paolo</td>
<td>SCH</td>
<td></td>
</tr>
</tbody>
</table>
BBVA enjoys a strong competitive position ...

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

Profitable Growth
## Benefiting from good economic prospects

### GDP growth (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Spain</th>
<th>Latam</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>3.4</td>
<td>4.4</td>
</tr>
<tr>
<td>2006</td>
<td>3.1</td>
<td>4.3</td>
</tr>
<tr>
<td>2007</td>
<td>2.8</td>
<td>3.7</td>
</tr>
</tbody>
</table>

**Spain:**
- Delivering faster GDP growth than its European peers
- Contained inflation rates
- Currency stability
- Improving country ratings

**Latam:**
- Best performance in 10 years
- Good and stable economic prospects

Source: BBVA Economic Research Dep.
BBVA has delivered an excellent track record of growing results

Attributable Profit (M €)

- 2002: 1,719 (+29.5%)
- 2003: 2,227 (+31.3%)
- 2004: 2,923 (+30.2%)
- 2005: 3,806

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)

<table>
<thead>
<tr>
<th>Division</th>
<th>Ordinary Revenues</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1Q 06</td>
<td>2005</td>
</tr>
<tr>
<td>Iberian Retail</td>
<td>+10.9%</td>
<td>+7.3%</td>
</tr>
<tr>
<td>Wholesale Business</td>
<td>+24.7%</td>
<td>+17.2%</td>
</tr>
<tr>
<td>South America</td>
<td>+56.8%</td>
<td>+20.0%</td>
</tr>
<tr>
<td>Mexico &amp; USA</td>
<td>+57.7%</td>
<td>+33.0%</td>
</tr>
</tbody>
</table>
Strict control of asset quality . . .

NPL provisions (€m)

<table>
<thead>
<tr>
<th></th>
<th>4Q05</th>
<th>1Q06</th>
</tr>
</thead>
<tbody>
<tr>
<td>€6,015m</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>€6,083m</td>
<td></td>
<td>69%</td>
</tr>
</tbody>
</table>

Coverage

<table>
<thead>
<tr>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>67%</td>
</tr>
<tr>
<td>69%</td>
</tr>
</tbody>
</table>

NPL ratio & coverage (€m)

<table>
<thead>
<tr>
<th>NPL ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.06</td>
</tr>
<tr>
<td>1.01</td>
</tr>
<tr>
<td>0.98</td>
</tr>
<tr>
<td>0.94</td>
</tr>
<tr>
<td>0.90</td>
</tr>
</tbody>
</table>

... whilst managing structural risks
Further improvements in fundamentals…

**Cost to income ratio**

- **1Q05**: 48.1%
- **1Q06**: 45.9%
- **Change**: -220 bp

**R.O.E.**

- **1Q05**: 32.8%
- **1Q06**: 34.1%
- **Change**: +130 bp
And appropriate levels of solvency

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Core capital</th>
<th>Tier 1</th>
<th>BIS ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q05</td>
<td>5.8</td>
<td>7.8</td>
<td>12.1</td>
</tr>
<tr>
<td>4Q05</td>
<td>5.6</td>
<td>7.5</td>
<td>12.0</td>
</tr>
<tr>
<td>1Q06</td>
<td>5.6</td>
<td>7.3</td>
<td>11.5</td>
</tr>
</tbody>
</table>
The Group has “turned around” its capital allocation over the last three years.

**Economic Capital 2002**

- Corporate Centre: 14%
- Industrial Portfolio: 24%
- Spain Retail and SMEs: 22%
- Wholesale: 11%
- LatAm: 19%
- Mexico: 10%

**Economic Capital 2005**

- Corporate Centre: 5%
- Industrial Portfolio: 9%
- USA: 5%
- LatAm: 12%
- Mexico: 18%
- Spain Retail and SMEs: 35%
- Wholesale: 15%
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“Cédulas Hipotecarias”
Strong growth of the Spanish mortgage market in the last years

Mortgage loans evolution (€ Bn)

CAGR:+21%

Source: Bank of Spain and Spanish Mortgages As.
However, the Spanish Market has still room for growth

Residential mortgage loans * over GDP, % (2005)

* 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
Spain: growth in population and household formation

* Source: BBVA Economic Research Department

6 million jobs created in the period 1994-2005
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 mortgage demand: affordability remains favourable

Affordability ratio (%)
(net debt payments/gross salary, adjusted by fiscal mortgages benefits)

Source: BBVA
Mortgage market prospects

- 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 mortgage portfolio**

“Cédulas Hipotecarias”
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 (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

Mortgage loans evolution (€ Bn)

- March 2004: 54
- June 2004: 58
- September 2004: 60
- December 2004: 63
- March 2005: 66
- June 2005: 70
- September 2005: 73
- December 2005: 77
- March 2006: 80

+22% from March to June 2004
+20% from September to December 2005
...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>19.8</td>
<td>18.3</td>
</tr>
<tr>
<td>Madrid</td>
<td>19.4</td>
<td>17.4</td>
</tr>
<tr>
<td>Andalusia</td>
<td>16.2</td>
<td>13.8</td>
</tr>
<tr>
<td>Valencia</td>
<td>11.6</td>
<td>9.7</td>
</tr>
<tr>
<td>Canary Is.</td>
<td>5.4</td>
<td>4.1</td>
</tr>
<tr>
<td>Castille-Leon</td>
<td>4.0</td>
<td>5.6</td>
</tr>
<tr>
<td>Basque C.</td>
<td>3.8</td>
<td>6.3</td>
</tr>
<tr>
<td>Galicia</td>
<td>3.5</td>
<td>5.3</td>
</tr>
<tr>
<td>Balearic Is.</td>
<td>3.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Other</td>
<td>12.9</td>
<td>17.0</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average size</td>
<td>67,000 €</td>
</tr>
<tr>
<td>Average maturity (years)</td>
<td>22</td>
</tr>
<tr>
<td>L.T.V. (1) (Outstanding amount)</td>
<td>50%</td>
</tr>
<tr>
<td>NPL ratio</td>
<td>0.27%</td>
</tr>
</tbody>
</table>

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

BBVA 2005 new Mortgages

- 1ST Residence: 87%
- 2ND Residence: 5%
- Other: 8%

Age of mortgage customers

- < 35 years
- > 35 years
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

31/03/06

Total Non-elegible: 21
Total Eligible: 57
New Issue: 3.0
Max. Issuance: 51
Market issues: 32.5
Overcollaterization: 219%

Figures in € Bn.

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

Mortgage Portfolio (2)
Mortgage for CH
Max. Issuance
Cédulas Hipotecarias

90%
... Even without increasing the pool of outstanding mortgages

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Outs. Mortg. Loans (1)</th>
<th>C.H. (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.03.06</td>
<td>219</td>
<td></td>
</tr>
<tr>
<td>31.03.07</td>
<td>203</td>
<td></td>
</tr>
<tr>
<td>31.03.08</td>
<td>206</td>
<td></td>
</tr>
<tr>
<td>31.03.09</td>
<td>193</td>
<td></td>
</tr>
<tr>
<td>31.03.10</td>
<td>208</td>
<td></td>
</tr>
</tbody>
</table>

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

**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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“Cédulas Hipotecarias”
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: monitored 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.
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
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)

<table>
<thead>
<tr>
<th>Capital markets</th>
<th>Germany: German Pfandbrief</th>
<th>Spain: Cédulas Hipotecarias</th>
<th>France: Obligations Foncières</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Jumbos</strong></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><strong>Liquidity/ market making</strong></td>
<td>High liquidity</td>
<td>Rather similar to other covered bonds</td>
<td>Similar to Pfandbrief</td>
</tr>
<tr>
<td><strong>Eligibility for repo with ECB</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Rating</strong></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 Foncières or Communales are designed to be Triple-A</td>
</tr>
<tr>
<td><strong>Investors</strong></td>
<td>Institutional investors mainly</td>
<td>Spanish domestic retail customers in the past, institutional investors mainly since 1999</td>
<td>Mainly institutional investor</td>
</tr>
<tr>
<td><strong>Market Expectations</strong></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></td>
<td>German Pfandbrief</td>
<td>Cédulas Hipotecarias</td>
<td>Obligations Fonciéres</td>
</tr>
<tr>
<td>Ranking of the mortgages</td>
<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>
</tr>
<tr>
<td>Loans to foreign countries</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>Trustee</td>
<td>Yes, independent trustee</td>
<td>Not</td>
<td>Yes</td>
</tr>
<tr>
<td>Supervision</td>
<td>BAFIN</td>
<td>Bank of Spain</td>
<td>Commission Bancaire and independent controller</td>
</tr>
<tr>
<td>Effect on balance sheet</td>
<td>Loan 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>Statutory preferential right in bankruptcy</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></th>
<th>Germany German Pfandbrief</th>
<th>Spain Cédulas Hipotecarias</th>
<th>France Obligations Foncières</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Specialist bank principle</strong></td>
<td>No, main issuers are German mortgage banks and Landesbanks</td>
<td>No, all Spanish banks are allowed to issue Cédulas Hipotecarias</td>
<td>Yes, issuers will be special purpose financial institutions (Societes de Credit foncier)</td>
</tr>
<tr>
<td><strong>Refinancable through Pfandbriefe</strong></td>
<td>Mortgage loans and public-sector loans</td>
<td>Mortgage loans and public-sector loans</td>
<td>Mortgage loans and public-sector loans</td>
</tr>
<tr>
<td><strong>Collateral pool</strong></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>
<td>Yes, one single pool of assets</td>
</tr>
<tr>
<td><strong>Mortgage &quot;Pfandbrief&quot;</strong></td>
<td>Yes</td>
<td>Yes, bonds secured on the issuer's entire book of mortgage</td>
<td>There's only one type of OfS</td>
</tr>
<tr>
<td><strong>Public &quot;Pfandbrief&quot;</strong></td>
<td>Yes</td>
<td>Yes (Cédulas Territoriales)</td>
<td>There's only one type of OfS</td>
</tr>
<tr>
<td><strong>Relative lending limit for mortgage &quot;Pfandbriefe&quot;</strong></td>
<td>60% of lending value</td>
<td>80% housing, 70% commercial of the appraisal value</td>
<td>60% of the lending value exemptions possible</td>
</tr>
</tbody>
</table>
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**
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

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

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

Source: SDC Platinum, BBVA
Market overview (iii): covered bond market distribution

**Spain**

- BBVSM 17%
- AYTCED 25%
- SANTAN 12%
- Others 8%
- CAIXAB 9%
- CAJAMM 8%
- CEDTDA 9%
- IMCEDI 5%
- BANEST 7%

**Germany**

- EURHYP 14%
- HYPESS 12%
- DEPFA 10%
- AHBR 8%
- LBW 5%
- HYPORE 6%
- HVB 6%
- DGHYP 8%
- HVB 6%
- MHB 3%
- BHH 4%

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

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

Asset swap spread bps

-14 -12 -10 -8 -6 -4 -2 0 2 4 6 8 10 12 14 16 18 20

Years to maturity

As of 14/02/2006

AyT  BBVA  Caja Madrid  TdA  SCH

Asset swap spread bps

-14 -12 -10 -8 -6 -4 -2 0 2 4 6 8 10 12 14 16 18 20

Years to maturity

As of 14/02/2006

DEPFA  EURHYP  DGHYP  HYPESS

Spanish

Cédulas

German

Pfandbriefe
Market overview (vii): CH’s overcollateralisation

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

Banco Popular, Banco Sabadell, la Caixa, Banesto: as reported by issuer
Caja Madrid, BSCH estimated based on publicly available data and DrKW
BBVA’s Cedulas (i): BBVA’s funding structure

2005

Senior: 45.9%
Secur.: 14.4%
Subord.: 5.4%
PREF: 2.0%
CH (1): 33.0%

2006e

Senior: 41.7%
Secur.: 13.4%
Subord.: 4.5%
PREF: 40.4%
CH (1): 2.0%

(1) Cédulas Hipotecarias
BBVA’s Cedulas (ii): maturity profile

BBVA Group Cedulas Public Issues Maturity Profile

Years

(EUR millions)


BBVA BCL
BBVA’s Cedulas (iii): CH’s spread trend

Asset swap spread bps

Source: DrKW