Growth, Strategy and Execution

Goldman Sachs
European Financials Conference

Marbella, 10th June 2005
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Today BBVA enjoys a strong competitive position ...

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

Profitable Growth
... and to perform well in an increasingly complex environment

Environment concerns

Scarcity of growth

Further cost reductions? Assets quality?

Higher risk perception
BBVA: reinforcing its strengths to deliver growth

A. Well placed to grow over peers
1. Exposed to high growth markets with positive economic prospects
2. Strong activity and results
3. Developing new growth engines

B. Efficiency and low risk profile
1. Tested model to drive efficiency
2. Excellent asset quality
3. Diversified geographic and business presence
Well placed to grow over peers

1. Exposed to high growth markets with positive economic prospects
2. Strong activity and results
3. Developing new growth engines
#### Good and stable economic prospects in core markets

<table>
<thead>
<tr>
<th></th>
<th>GDP growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spain</strong></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>3.1</td>
</tr>
<tr>
<td>2005e</td>
<td>3.4</td>
</tr>
<tr>
<td>2006e</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>4.4</td>
</tr>
<tr>
<td>2005e</td>
<td>4.2</td>
</tr>
<tr>
<td>2006e</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Rest of Latam</strong></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>8.0</td>
</tr>
<tr>
<td>2005e</td>
<td>5.2</td>
</tr>
<tr>
<td>2006e</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Spain:
- Household consumption to grow @ 4.5% in 05e vs. 1% in EMU
- Gross capital formation: +6.9% 05E
- Growth in population and job creation

Mexico:

Latam: best performance in 10 years
- Contained inflation rates (6%/7%)
- Currency stability
- Improving country ratings

Source: BBVA Economic Research Dep.

* Excluding Brazil
Spain: growth in population and household formation

- 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.

- Employment and GDP growth:
  - Strong increase in employment and GDP per capita.

* Source: BBVA Economic Research Department
In **Mexico** penetration of financial products and services remains very low

### Loans / GDP (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mexico</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>41.6</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>27.3</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>18.2</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>16.0</td>
<td></td>
</tr>
</tbody>
</table>

**Tequila Crisis**

### Other Financial Indicators

<table>
<thead>
<tr>
<th>Category</th>
<th>Mexico</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans / GDP</td>
<td>16%</td>
<td>119%</td>
</tr>
<tr>
<td>Deposits / GDP</td>
<td>19%</td>
<td>91%</td>
</tr>
<tr>
<td>Mortgages / GDP</td>
<td>5%</td>
<td>42%</td>
</tr>
<tr>
<td>Mutual Funds / GDP</td>
<td>5%</td>
<td>28%</td>
</tr>
<tr>
<td>Accounts (Banking System)</td>
<td>43 M</td>
<td>45 M</td>
</tr>
<tr>
<td>Accounts per inhabitant</td>
<td>0.4</td>
<td>1.1</td>
</tr>
</tbody>
</table>

**High growth potential**
... with a positive demographic profile

Population by age group in millions

- >70: 2.1
- 65-69: 1.7
- 60-64: 2.2
- 55-59: 2.6
- 50-54: 3.4
- 45-49: 4.1
- 40-44: 5.2
- 35-39: 6.4
- 30-34: 7.1
- 25-29: 8.2
- 20-24: 9.1
- 15-19: 10.0
- 0-14: 32.5

- 31 million Mexicans in age bracket 25–50 years
- 31% of population
- Integration of informal economy
- Stabilization of macro outlook for credit activity
BBVA: Higher business activity has been achieved in Spain …

Retail banking in Spain
y–o–y growth (%) average balances

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>Dec. 04</th>
<th>Mar. 05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial B.</td>
<td>+20.0</td>
<td>+20.1</td>
</tr>
<tr>
<td>Mortgages</td>
<td>+25.1</td>
<td>+25.2</td>
</tr>
<tr>
<td>Consumer &amp; cards</td>
<td>+11.3</td>
<td>+9.1</td>
</tr>
<tr>
<td>Micro businesses</td>
<td>+21.4</td>
<td>+21.4</td>
</tr>
<tr>
<td>SME s</td>
<td>+18.9</td>
<td>+22.6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>+19.4</td>
<td>+20.4</td>
</tr>
</tbody>
</table>

Lending

Mar. 04: 15.7%
Mar. 05: 20.4%
... and in Mexico where loan growth remains a strategic priority ...

Managed loan portfolio (*)

\[ y-o-y \text{ growth (\%)} \]

\(+60.9\% \text{ with Hipot. Nacional}\)

% growth by business unit

Mar05–Mar04

- Consumer (1) +68.6%
- SMES +34.4%
- Mortgages +185.3%
- Mortgage portfolio (with HN) is already 19% of total lending

(1) Consumer finance + credit cards

(*) Excluding Non–managed portfolio and NPLs
... with creditable performances in the rest of Latin America

<table>
<thead>
<tr>
<th>Country</th>
<th>Loans</th>
<th>Cust. Fu.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>+6.8</td>
<td>+15.3</td>
</tr>
<tr>
<td>Colombia</td>
<td>+26.8</td>
<td>+25.3</td>
</tr>
<tr>
<td>Chile</td>
<td>+16.9</td>
<td>+12.1</td>
</tr>
<tr>
<td>Peru</td>
<td>+17.3</td>
<td>+10.8</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>+13.4</td>
<td>+3.2</td>
</tr>
<tr>
<td>Venezuela</td>
<td>+85.7</td>
<td>+50.9</td>
</tr>
</tbody>
</table>
Thus, higher activity and efficiency management results in earnings growth in Retail Banking in Spain.
... in Wholesale and Investment Banking

Wholesale Banking Operating Profit

<table>
<thead>
<tr>
<th></th>
<th>1Q04</th>
<th>1Q05</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>€156</td>
<td>€174</td>
<td>+12.0%</td>
</tr>
</tbody>
</table>

Wholesale Banking Attrib. Profit

<table>
<thead>
<tr>
<th></th>
<th>1Q04</th>
<th>1Q05</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>€92</td>
<td>€112</td>
<td>+22.7%</td>
</tr>
</tbody>
</table>
... and in America ...

The Americas Operating Profit

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q04</th>
<th>1Q05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current € million</td>
<td>547</td>
<td>629</td>
</tr>
</tbody>
</table>

+15.0%

+21.8% in local currencies

The Americas Net profit

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q04</th>
<th>1Q05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current € million</td>
<td>281</td>
<td>386</td>
</tr>
</tbody>
</table>

+37.4%

+46.2% in local currencies
... boosted by an excellent contribution from Mexico

**Operating Profit**

<table>
<thead>
<tr>
<th></th>
<th>1Q04</th>
<th>1Q05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current €</td>
<td>298</td>
<td>358</td>
</tr>
<tr>
<td>+20.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Net Income**

<table>
<thead>
<tr>
<th></th>
<th>1Q04</th>
<th>1Q05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current €</td>
<td>138</td>
<td>195</td>
</tr>
<tr>
<td>+41%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Looking at the future: new “waves of growth”

- Mexican mortgage market
  - Hipotecaria Nacional
- Southern USA
  - Focus in the Hispanic population
- Latin America Asia – flows
  - Taking advantage of our leading position in Latin America
Consolidating our position in Mexico

Reinforcing high potential businesses

Penetrating new markets

Buyout of BBVA Bancomer minorities

Hipotecaria Nacional

USA

Total investment in 2004: €4,300 mill
Hipotecaria Nacional: the leading Sofol in market share and profitability

The biggest Sofol in Mexico: 29% market share

Achieving a leading position in all segments of the mortgage market

Hipotecaria Nacional will support growth in Mexico
The acquisition of Hipotecaria Nacional is a decisive step in the expansion of BBVA Bancomer mortgage business.

BBVA Bancomer mortgage portfolio (Bn Pesos)

- HN almost doubles the current stock of market mortgages of BBVA Bancomer
- The combined market share stands at approximately 26% of the private market (3)
- Presence in all key mortgage segments

(1) Portfolio in pesos mainly residential mortgages
(2) Udis portfolio (includes “Punto Final scheme”)
(3) Banks +Sofoles
BBVA’s growth opportunities in the US Hispanic market

1. Money transfers
   - Product focus on remittances and telephony
   - BTS

2. Basic products
   - Immigrants Bank: Cross selling
   - BFS
   - Valley Bank

3. Better lifestyle
   - General Market: 2nd generation and SMEs
   - Laredo National Bancshares

Lower income segment strategy
... an attractive demographic

- 13% Hispanics in the USA
- High concentration in California and Texas (31% of total)
- 77% of total Hispanics are Mexicans
- Population growth x3 vs US average

- Accessing better jobs
- Income per capita growth x3 vs US average
- Higher purchasing power
- More than 2 million SMEs owned by Hispanics in USA
For Wholesale Banking, globalisation offers an opportunity to leverage our Latin America franchise.

Reinforcing BBVA wholesale presence in Asia: Tokyo, Hong Kong, Shanghai and Beijing.
Worldwide activity of BBVA

Wholesale Banking presence in 23 countries
An additional opportunity: 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
## A value creating transaction for BBVA

<table>
<thead>
<tr>
<th>Category</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)</td>
<td>250</td>
<td>617</td>
<td>713</td>
</tr>
<tr>
<td>EPS Impact</td>
<td>+ 0.0%</td>
<td>+ 1.2%</td>
<td>+2.1%</td>
</tr>
</tbody>
</table>

### Core capital from 6.0% to 5.7%

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

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

... value creation for BBVA shareholders from day one

... high visibility of synergies

... appropriate financing structure of the transaction

... in a bank that we know for a years
Efficiency and low risk profile

1. Exposed to high growth markets with positive economic prospects
2. Strong activity and results
3. Developing new growth engines

1. Tested model to drive efficiency
2. Excellent asset quality
3. Diversified geographic and business presence
BBVA: Proven track record in driving efficiency

Efficiency ratio (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Efficiency ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>49.9</td>
</tr>
<tr>
<td>2002</td>
<td>47.6</td>
</tr>
<tr>
<td>2003</td>
<td>46.6</td>
</tr>
<tr>
<td>2004</td>
<td>44.9</td>
</tr>
</tbody>
</table>

Efficiency ratio (*) (%) European comparison

<table>
<thead>
<tr>
<th>Country</th>
<th>Efficiency ratio (*) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBVA</td>
<td>49.2</td>
</tr>
<tr>
<td>2</td>
<td>51.9</td>
</tr>
<tr>
<td>3</td>
<td>57.3</td>
</tr>
<tr>
<td>4</td>
<td>61.0</td>
</tr>
<tr>
<td>5</td>
<td>63.5</td>
</tr>
<tr>
<td>6</td>
<td>64.2</td>
</tr>
<tr>
<td>7</td>
<td>66.6</td>
</tr>
<tr>
<td>8</td>
<td>67.9</td>
</tr>
<tr>
<td>9</td>
<td>78.2</td>
</tr>
</tbody>
</table>

(*) (Administrative expenses + Amort) / (Ordinary Revenues + Net income from companies accounted for by the equity method)
... and in asset quality

NPL Ratio (%) (1)

European comparison

BBVA

1.59
1.85
1.37
0.95

2001 2002 2003 2004

NPL Ratio (%) (1)

Pre-dating IFRS
BBVA is a benchmark in managing risks

NPL Ratio (%) (1)

Spain

America (Dec 04)

<table>
<thead>
<tr>
<th></th>
<th>BBVA</th>
<th>Sector average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 01</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Dec 02</td>
<td>0.96</td>
<td></td>
</tr>
<tr>
<td>Dec 03</td>
<td>0.91</td>
<td></td>
</tr>
<tr>
<td>Dec 04</td>
<td>0.90</td>
<td></td>
</tr>
</tbody>
</table>

Dec 01 to Dec 04 (Pre-dating IFRS)

<table>
<thead>
<tr>
<th>Country</th>
<th>BBVA</th>
<th>Sector average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mex</td>
<td>2.1</td>
<td>3.8</td>
</tr>
<tr>
<td>Arg</td>
<td>1.2</td>
<td>7.2</td>
</tr>
<tr>
<td>Chile</td>
<td>1.6</td>
<td>1.2</td>
</tr>
<tr>
<td>Col</td>
<td>2.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Peru</td>
<td>2.2</td>
<td>4.6</td>
</tr>
<tr>
<td>Ven</td>
<td>0.7</td>
<td>0.9</td>
</tr>
</tbody>
</table>
## High NPLs coverage ratio

### Loan loss provisions breakdown (Mill. € 31/03/05)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non performing loans</td>
<td>2,219</td>
</tr>
<tr>
<td>Loan loss specific provision</td>
<td>2,278</td>
</tr>
<tr>
<td>&quot;Loan loss generic provision&quot;</td>
<td>2,366</td>
</tr>
<tr>
<td>Country risk and other</td>
<td>418</td>
</tr>
<tr>
<td>Total loan loss provisions</td>
<td>5,062</td>
</tr>
<tr>
<td>NPL coverage ratio</td>
<td>228%</td>
</tr>
</tbody>
</table>
BBVA enjoys 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
Retail Banking in Spain
Loan portfolio breakdown

- Mortgages: 52%
- SME’s: 23%
- Micro-business: 12%
- Consumer: 7%
- Other: 6%

Latin America
Loans weight over total assets

- 37% loans to individuals (18% mortgages)
- 16% Public Sector
- 39% Corporates

... and a low risk profile in Spain and Latin America
Improving our business mix

Economic Capital 2002
- Corporate Centre, 14%
- Retail Banking, 22%
- Ind. Portfolio, 24%
- Wholesale Banking, 11%
- Bancomer, 10%
- Rest of America, 19%

Economic Capital 2004
- Corporate Centre, 9%
- Ind. Portfolio, 11%
- Bancomer, 15%
- Rest of America, 10%
- Wholesale Banking, 15%
- USA, 6%
- Proforma including Laredo National Bank

Retail Banking, 34%
... With high solvency and profitability levels

Core Capital: 6.0%
ROE: 30.8%
Conclusions

In 1Q05 we have worked on...

- Accelerating revenue momentum from existing footprint:
  - Sustained growth in retail banking business
  - Recovery of activity and results in wholesale banking
  - Faster earnings growth in the Americas, with growing contribution from Mexico
  - Stronger fundamentals

- Non-organic expansion:
  - USA: closure of acquisition of Laredo
  - Italy: Offer for 100% of BNL
BBVA enjoys an excellent positioning against the environment concerns

**Environment concerns**

- Scarcity of growth
- Cost reductions and asset quality
- Risk perception

**BBVA strengths**

- Positive economic prospects
- Exposed to high growth markets
- Growing above the market
- Tested model to drive efficiency
- Better asset quality indicators
- Low exposure to market risk
- Diversified geographic and business presence
- Latin American risks overstated

Positive economic prospects
Exposed to high growth markets
Growing above the market
Tested model to drive efficiency
Better asset quality indicators
Low exposure to market risk
Diversified geographic and business presence
Latin American risks overstated