Manuel González Cid
Chief Financial Officer

“Best among peers: top investment choice”
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Where are we coming from?. The starting point

Active Balance Sheet management: paying off in the new environment

Best among peers: top investment choice
BBVA has delivered an excellent growth track record of business volumes and operating income with consistent growth in all business areas.

### Total Business Volume (1)

€ billion

<table>
<thead>
<tr>
<th>Year</th>
<th>€ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>506</td>
</tr>
<tr>
<td>2005</td>
<td>624</td>
</tr>
<tr>
<td>2006</td>
<td>689</td>
</tr>
<tr>
<td>9M 07</td>
<td>803</td>
</tr>
</tbody>
</table>

- **CAGR 2004-06**: 16%
- **YoY growth**: +22%

### Operating profit

€ billion

<table>
<thead>
<tr>
<th>Year</th>
<th>€ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>5.6</td>
</tr>
<tr>
<td>2005</td>
<td>6.8</td>
</tr>
<tr>
<td>2006</td>
<td>8.9</td>
</tr>
<tr>
<td>9M 06</td>
<td>6.7</td>
</tr>
<tr>
<td>9M 07</td>
<td>8.0</td>
</tr>
</tbody>
</table>

- **CAGR 2004-06**: 26%
- **YoY growth**: +22%

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(1) Loans and customer funds

(2) YoY growth
BBVA has outperformed its peer group in terms of profitability, efficiency and operating profit growth.

- **ROE, Efficiency & Attributable profit**
  - Bubble’s size: Attributable profit
  - European banks 2006

- **Operating profit**
  - Δ CAGR 2006 / 2004 (%)
Particularly in its main home markets: Spain and Portugal

ROE, Efficiency & Attributable profit
Bubble’s size: Attributable profit
Spanish banks 2006
(excluding the one-offs operations)

Operating profit
Δ CAGR 2006 / 2004 (%)

BBVA Spain & Portugal
Peer 1

Efficiency (%)—Better

BBVA making the difference.
As well as in Mexico

ROE, Efficiency & Attributable profit 2006
Bubble’s size: Attributable profit
Mexican banks 2006

Operating profit
Δ CAGR 2006 / 2004 (%)

Efficiency (%) Better

BBVA making the difference.
BBVA’s growth profile is based on recurrent profits coming from multi-local retail operations

Units contribution to net profit increase 1H07/1H06 (%)

BBVA

European Average

More than 75% of BBVA’s value\(^{(1)}\) is coming from multi-local retail operations

Our average European peer, in turn, has the larger part of its value placed in wholesale and global businesses

Note: Estimated from the information of each Group. BBVA’s data has been prepared for comparative effects.

(1) Analysts consensus as of Sept. 07
Additionally, in its non organic expansion, BBVA has executed profitable options of growth

- Consolidating our position in Mexico
  - Buyout of BBVA Bancomer minorities

- Reinforcing high potential businesses
  - Hip. Nacional (Mex)
  - Granahorrar (Col)
  - Forum (Chile)

- Building up a powerful franchise in the Sunbelt
  - Laredo
  - Texas Regional
  - State National
  - Compass

- Creating medium term options in new high growth markets
  - Asia Plan
  - Citic Group alliance
which have positioned BBVA in countries with higher potential growth & profitability

BBVA’s positioning

Potential GDP

Profitability adjusted to risk

GDP (€ Mn)

Bubble’s size

United Kingdom

Germany

Holland

France

Italy

Spain

USA (Sunbelt)

China

Mexico

BBVA making the difference.
But the world out there has changed

- Current situation points towards a lower growth environment
- Monetary policy should be adapted, despite short term inflation risks
- Emerging markets, decoupling from developed economies
- New environment challenging Capital, Liquidity and Balance Sheet management in the financial sector
### A new world: Financial Sector

<table>
<thead>
<tr>
<th>Liquidity</th>
<th>Before</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market provided</td>
</tr>
<tr>
<td></td>
<td>No limitation in amount available</td>
</tr>
<tr>
<td></td>
<td>Low cost</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital</th>
<th>Before</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market provided</td>
</tr>
<tr>
<td></td>
<td>Outsourcing of Balance Sheets</td>
</tr>
<tr>
<td></td>
<td>High dividend growth</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk Management</th>
<th>Before</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Credit risk pass-through to the market</td>
</tr>
<tr>
<td></td>
<td>Focus on origination</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competition</th>
<th>Before</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High number of competitors: wholesale institutions, monoliners, retailers, and others with a distribution network</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own customer deposits strategic</td>
</tr>
<tr>
<td>Only available for best credits</td>
</tr>
<tr>
<td>High cost</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pressure on regulatory capital</td>
</tr>
<tr>
<td>Unexpected capital consumption: writedowns</td>
</tr>
<tr>
<td>Tighter regulatory environment?</td>
</tr>
<tr>
<td>Dividend policy reconsidered</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stronger credit requirements</td>
</tr>
<tr>
<td>Credit risk monitoring and control on origination</td>
</tr>
<tr>
<td>Balance sheet risk management as a key competitive advantage</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Too big to fail” banks prevail</td>
</tr>
<tr>
<td>Lower balance sheet availability</td>
</tr>
<tr>
<td>Small an medium size institutions, subject to liquidity and capital constraints</td>
</tr>
</tbody>
</table>

**Higher barriers to access retail banking operations**

**STRONG OPPORTUNITY FOR BBVA**
Where are we coming from?. The starting point

Active Balance Sheet management: paying off in the new environment

“Strength of BBVA in Capital, Liquidity an other Balance Sheet structural risks”

Best among peers: top investment choice
To preserve current and future income from the business lines, while maximizing shareholder value and meeting the Company’s objectives for growth.

Retail commercial banking focus of our business, not trading.
## Vulnerability of financial institutions

<table>
<thead>
<tr>
<th></th>
<th>Wholesale banks</th>
<th>BBVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subprime + structured credit</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Leverage Finance exposure</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Hedge Funds Prime Brokerage</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Liquidity lines for Conduits &amp; SIV</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Monoline business without deposit base</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Rating actions</td>
<td>Likely</td>
<td></td>
</tr>
</tbody>
</table>

BBVA, not vulnerable in the new environment of liquidity shortage

**Go retail when liquidity is tight**
Liquidity risk active management (In 2006 / 2007)

**Others were:**
- Disregarding liquidity risk
- Leveraging capital base to the limit
- Developing strong monoline businesses

**BBVA was actively:**
- Managing liquidity profile
- Lowering credit exposure
- Maximizing deposit base
- Reinforcing capital structure

**Wholesale funding (€ Bn)**

Jan-Jul 06: 18.0
Jan-Jul 07: 32.4

+80%

**€ 32,4 Bn of medium and long term funding from January to July 07**

BBVA making the difference.
Liquidity risk active management (In 2006 / 2007)

Securitization (€ Bn)
- +900%
- 1.5
- 15.0
- Jan-Jul 06
- Jan-Jul 07

Prefered shares & Sub debt* (€ Bn)
- +725%
- 3.6
- 0.4
- Jan-Jul 06
- Jan-Jul 07

Covered Bonds (€ Bn)
- -50%
- 6.4
- 3.2
- Jan-Jul 06
- Jan-Jul 07

Short term commercial paper (€ Bn)
- -26%
- 7.0
- 5.2
- Jan-Jul 06
- Jan-Jul 07

And accelerating term customer deposit base (+39% 9m06/07 in Spain and Portugal)

* Bancomer € 950 mn included
Improved maturity profile

Without any high concentration of maturities

No significant maturities until 2Q08

BBVA is prepared to remain outside the market well into 2009 if needed

Subordinated debt, at first call date. Preference shares considered in >2015
Since 2004 BBVA has implemented an active policy aiming to maximize the return on equity through the different stages of the life of each asset:

**Asset Rotation vs. Asset Accumulation**

- After origination and full documentation of the loan, it is available for sale in the open market.
- At each point in time and for each asset class, the “keep or sell decision” is made depending on potential ROE enhancement through available alternatives.

### Until June 2007

- **ROE**
- **Avg ROE**
- **Origination Period**
- **Hold-to-maturity Period**

### Current Situation

- **ROE**
- **Avg ROE**
- **Origination Period**
- **Hold-to-maturity Period**
- **Repricing of assets**

**Competition**

- Distribution networks with IT & structuring capabilities.

**Competition**

- Regulatory Capital needed
- Liquidity is key
- Big commercial banks
Active Management of Capital II

2006 and 2007 have resulted in significant activity at the Group’s level

- Capital increase Nov-06
- Compass acquisition financing:
  - 51% cash
  - 49% equity

Capital Markets

<table>
<thead>
<tr>
<th>Year</th>
<th>Tier I</th>
<th>Tier II</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007 YTD</td>
<td>+30%</td>
<td></td>
</tr>
</tbody>
</table>

Securitization

<table>
<thead>
<tr>
<th>Year</th>
<th>RMBS</th>
<th>Leasing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007 YTD</td>
<td>+210%</td>
<td></td>
</tr>
</tbody>
</table>

New asset classes
- RMBS
- Leasing
- Biggest € RMBS BBVA RMBS 2
- € 5.000 Mn

Tier I
- true perpetual, new currencies ($, £)
- Sub debt
- public & private placements

Tier II

Capital Markets

- November 2006 capital increase
- Compass acquisition financing:
  - 51% cash
  - 49% equity

Tier I
- Core capital
- Basel II

Tier II
- BBVA RMBS 2
- € 5.000 Mn
Active Management of Capital III

BBVA additional internal sources of Capital

Gross Capital Gains Available for sale
(Corporate Portfolios)

- September 2006: €2,000
- September 2007*: €3,000

+30%

* After Sale of Iberdrola (€847 Mn result)

Generic Loan Loss Provisions

- September 2006: €4,000
- September 2007: €5,000

+19%

Active management of the business portfolio

Assets disposals 2003–YTD*
- €8.5 Bn

Acquisitions 2003–YTD*
- €14.5 Bn

* Most relevant transactions
**Subsidiaries level**

**Leveraging the capital base structure**

- Optimization of the cost of capital
- Increasing dividend flow from subsidiaries to parent
- Reduction of FX exposure of the shareholders capital

**Subsidiaries TIER I & II Issues**

<table>
<thead>
<tr>
<th>Year</th>
<th>Issues (€ M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>200</td>
</tr>
<tr>
<td>2006</td>
<td>400</td>
</tr>
<tr>
<td>2007</td>
<td>1,200 +160%</td>
</tr>
</tbody>
</table>

- Significant new issuance from subsidiaries in Bancomer, Peru, Chile, Venezuela, Colombia, Puerto Rico:
  - € 1,335 M
- Implementation of the capital management model through securitizations
  - Transactions to come in 4Q07 in Bancomer, Perú, Colombia
Active interest rate risk management

Three main exposures: Euro, Mexico, USA

Euro
- Very limited interest rate risk: NII sensitivity +0.5%
- Government bonds as hedge of DDA
- Mortgage portfolio (Eur 12 months) vs wholesale funding (Eur 3 months) → positive impact 2008 vs 2007 (repricing lag in mortgages)

Mexico
- NII sensitivity +100 bp: +1%
- Government bond as hedge of non-sensible liabilities
- Growth in fixed assets is reducing the risk

USA
- Very limited NII sensitivity year 1
- Convexity increases NII sensitivity year 2 (active management of prepayment risk)

✓ Interest rate risk management → focus in hedging customer exposure not in P&L contribution
✓ Investment portfolio → management tool, not P&L tool
Euro
Significant decrease in Net Interest Income hedges since 2005, anticipating ECB rates hikes

MXN
Significant increase in Net Interest Income hedges since 2005, anticipating Banxico rates decrease
Active FX hedging

Main Objectives
- Foreign Capital Investment: stability in Capital Ratios
- Subsidiaries P&L: to guarantee the growth at Group level

Management of Capital Investment
- FX hedge at portfolio level: 50% (100% $ exposure)
- Hedging of FX stress scenarios (Mexico)
- Minimum effects in Core Capital Ratio ($/€ 1,50: 4 pb; $/€ 1,60: 7 pb)

Management of Subsidiaries P&L
- 2 Year hedging horizon
- Hedge with 1st class banks
- No “carry hedges”: only FX risks.
- Ready for stress scenarios $/€

We aren’t FX traders. Target is minimizing earnings / capital ratios volatility
100% increase in FX hedges during the last 3 years, anticipating currency depreciation
Where are we coming from?. The starting point

Active Balance Sheet management: paying off in the new environment

Best among peers: top investment choice
Best among Peers: top investment choice

I. BBVA´s Starting point
   - Earnings momentum
   - Corporate positioning
   - Culture of performance
   - Management track record

II. BBVA´s Resources
   - Strong liquidity position
   - Sound regulatory capital
   - Track record of discipline in the management of the main balance sheet risks

III. BBVA´s Strategy
   - Focus on our current business
   - Customer insight, driver of our new business models
   - Deep transformation plan
   - Innovation as a growth engine
   - Management team strongly committed with value creation
Best among Peers: top investment choice

- Revenues
- Costs
- Risk Premium
- Balance Sheet
Best among Peers: top investment choice

Revenues

**BBVA**

- Retail and customer oriented business
- Higher growth in home markets: Spain, Mexico, Latam, Texas, Sunbelt
- Strength and critical mass of the different franchises
- New set of business models, segments and products through innovation
- Capability of repricing and gaining of market share
- Mortgages only means 9.5% of total ordinary revenues in Spain&Portugal (9M07)

**Peer Group**

- Strong weight of wholesale business
- Lower growth in home markets
- Lack of scale in international retail business and complexity
- Monoliners business lines
- Constraints on Balance Sheet availability
- Pressure of monoline businesses in liquidity and asset quality

Lower beta with higher alpha generation

Higher beta in peer group
### Best among Peers: top investment choice

<table>
<thead>
<tr>
<th>BBVA</th>
<th>Peer Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Track record of efficiency management and anticipation</td>
<td></td>
</tr>
<tr>
<td>- Critical transformation project to take efficiency levels to 35% Group level, at one year and half under execution</td>
<td></td>
</tr>
<tr>
<td>- Higher productivity gains and in depth reengineering of our distribution, commercial and operational structure</td>
<td></td>
</tr>
<tr>
<td>- Very limited expansion plans of physical networks in the last few years</td>
<td></td>
</tr>
<tr>
<td><strong>Technology and reengineering, driven efficiency gains</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Peer Group</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Lack of sufficient investments in IT platforms over the last few years</td>
<td></td>
</tr>
<tr>
<td>- Restructuring in most affected business lines that will consume time and additional capital</td>
<td></td>
</tr>
<tr>
<td>- Lack of critical mass in some business lines puts under pressure IT costs</td>
<td></td>
</tr>
<tr>
<td>- Very aggressive expansion plans in physical networks</td>
<td></td>
</tr>
<tr>
<td><strong>Only consolidation can deliver efficiency gains</strong></td>
<td></td>
</tr>
</tbody>
</table>
Best among Peers: top investment choice

Risk premium

BBVA

- No extraordinary writedowns needed
- €5.5 Bn generic available provisions as an important buffer to compensate any deterioration of asset quality
- Integrated risk model from admission to administration recovery, also in the securitized portfolio

Peer Group

- Writedowns of credit portfolio increasingly common
- Substantial increases of risk premiums from very low current level on asset quality deterioration
- Non integrated risk function, not to be rebuilt easily

Stable risk premium

Writedowns: risk premium up
• Strong liquidity and capital position
• Organic growth to be our key driver

BBVA

Best among Peers: top investment choice

Peer Group

• Liquidity and regulatory capital under pressure and limiting growth
• Need for additional consolidation and M&A to survive?
• Asset disposals

Full availability of Balance Sheet

Constraint of resources, limiting growth
Best among Peers: top investment choice

I. Starting point
   • Ahead of peers

II. Resources
   • Fully available

III. Strategy
   • A plan for sustain growth

Big Opportunity to BBVA

“Best among peers: top investment choice”
BBVA making the difference