Juan Asúa
General Manager Banking in Spain

“Anticipating the new environment”
Excellent positioning: Customers and Products

New environment, New opportunities

Strategic Drivers: Innovation and Transformation

Conclusions
Our excellent positioning is the result of foresight and discipline in implementing …
Implementation of strategic plans has reflected in fast earnings growth...

Net Interest Income (YoY)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005/04</th>
<th>2006/05</th>
<th>9M07/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>5.0%</td>
<td>9.3%</td>
<td>14.4%</td>
</tr>
</tbody>
</table>

Operating Profit (YoY)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005/04</th>
<th>2006/05</th>
<th>9M07/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>11.5%</td>
<td>14.3%</td>
<td>20.6%</td>
</tr>
</tbody>
</table>

ROE

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>9M07</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>30.3%</td>
<td>30.5%</td>
<td>37.0%</td>
</tr>
</tbody>
</table>

Cost/income ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>9M07</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>42.8%</td>
<td>41.2%</td>
<td>37.5%</td>
</tr>
</tbody>
</table>

... the result of strategic anticipation
Selective and diversified Value-added products While gaining market share Compatible with growth projects Based on RAROC
Vigorous business activity, selective and diversified ...

Business Volume €m

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>199.598</td>
<td>+14.2%</td>
</tr>
<tr>
<td>2005</td>
<td>227.970</td>
<td>+14.5%</td>
</tr>
<tr>
<td>2006</td>
<td>260.941</td>
<td>+14.3%</td>
</tr>
<tr>
<td>9M07</td>
<td>284.524</td>
<td></td>
</tr>
</tbody>
</table>

Progressive adjustment of growth levers

Breakdown of Ordinary Revenues 9M07

- **Trading Income**: 25.5%
- **Other**: 17.3%
- **Insurance**: 16.1%
- **Small Businesses**: 16.1%
- **Mortgages**: 9.5%
- **Consumer**: 6.9%
- **CBB**: 5.4%
- **Fee income**: 3.8%
- **Deposits**: 6.9%

Ordinary Revenues 9M07: €4,943m

BBVA making the difference.
Buoyant business activity

1. Time Deposits

Retail Time Deposits: market share (banks and saving banks)

Innovative products: Extra Deposit, Multideposit, Triple 7, Double 5.5, etc.

Time Deposits: average spread

Improving spreads

Accelerating: 9M07/06 39% APR

- Dec 05: 6.89%
- Dec 06: 7.48%
- Sept 07: 8.35%

- 9M05: 0.57%
- 9M06: 0.68%
- 9M07: 0.70%
**Consumer Finance**

- **Market Share**
  - Dec 05: 12.43%
  - Dec 06: 14.05%
  - Aug 07: 14.32%

- **Average Spread**
  - 9M06: 4.64%
  - 9M07: 4.80%

**Strategic Growth Lever**

New products: *PIDE, Crédito Fácil*, etc. account for > 50% of total production

1 Sept. data not available
Selective commercial policy: controlled growth and low risk

Mortgage Business

Selective commercial policy

Individuals

Developers

Market share

- 102 bp

Market share

- 172 bp

2004 12.25

Aug.07 11.23%

2004 7.13%

Jun.07 5.41%

Primary residence: 95%(1)

NPL Ratio: 0.39%

Average LTV: 53.3%

Hipoteca Universal, Hipoteca Fácil, Hipoteca Bienestar, Cuota Segura

Primary residence: 95%

NPL Ratio: 0.08%

The top 100 customers account for 30.5% of the portfolio

* Sept. 07 data not available

(1) Home mortgage loans
Excellent business growth with NPLs at low levels—leading to outstanding results
## Cross-selling: Top supplier of high added-value products

<table>
<thead>
<tr>
<th>-ings</th>
<th>Mkt Sh. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confirming</td>
<td>32.5 1st</td>
</tr>
<tr>
<td>Factoring</td>
<td>25.5 1st</td>
</tr>
<tr>
<td>Leasing</td>
<td>23.6 1st</td>
</tr>
</tbody>
</table>

### Derivatives Distribution growth

<table>
<thead>
<tr>
<th>APR 9M07/06</th>
<th>Earnings</th>
<th>Operations</th>
<th>No. of customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>52%</td>
<td>254%</td>
<td>348%</td>
<td></td>
</tr>
</tbody>
</table>

**Leader for third year running in derivative rankings**

### Insurance

- **Term Life: mkt share**
  - 16.9% 1st

- **ASSURANCE**
  - Mortgage - Life: 45%
  - Mortgage - Household: 70%
  - Consumer - Life: 73%

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1 Risk España Magazine
Customer spread (%)  

<table>
<thead>
<tr>
<th>BBVA networks</th>
<th>Peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q06 2Q06 3Q06 4Q06 1Q07 2Q07 3Q07</td>
<td>1Q06 2Q06 3Q06 4Q06 1Q07 2Q07 3Q07</td>
</tr>
<tr>
<td>2.56 2.61 2.69 2.74 2.95 3.03 3.08</td>
<td>1.68 1.59 1.59 1.58 1.66 1.68 1.67</td>
</tr>
</tbody>
</table>

Net Interest Income / Average Total Assets (%)  

<table>
<thead>
<tr>
<th>BBVA networks</th>
<th>Peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q06 2Q06 3Q06 4Q06 1Q07 2Q07 3Q07</td>
<td>1Q06 2Q06 3Q06 4Q06 1Q07 2Q07 3Q07</td>
</tr>
<tr>
<td>2.15 2.14 2.11 2.10 2.14 2.17 2.19</td>
<td>1.68 1.59 1.59 1.58 1.66 1.68 1.67</td>
</tr>
</tbody>
</table>

Good price management ...

... outperforming our competitors
Cost control ...

Revenues and Expenses
BBVA (base 100)

Cost growth: BBVA v Peers (%)

Costs are decreasing in real terms

BBVA making the difference.
The document discusses improvements in business structures and expenses. It mentions:

1) Blue-Net Project (2006)

2) Network expansion plan finalised: +160 branches (+4.4%)

Intermediate structure expenses \( \downarrow 15\% \)

- Total expenses Networks in Spain: + 0.1%
- Average break-even in 15 months
Management of credit risk → competitive advantage

... constantly focused on effective recovery process

Asset quality

NPL ratio (%)

2004 2005 2006 9M07

BBVA Sector

0.69 0.54 0.55 0.65

0.84

Loan-loss provisions (€m)

Coverage Ratio 9M07 263%

BBVA Sector

3,600

16%

84%

Specific Provisions

Generic Provisions

RAROC
Customer-centric business model...

New Customers

<table>
<thead>
<tr>
<th></th>
<th>9M06</th>
<th>9M07</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>606</td>
<td>701</td>
</tr>
</tbody>
</table>

+16%

Individuals (Thousands)

Recall Level

<table>
<thead>
<tr>
<th></th>
<th>2nd</th>
<th>3rd</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBVA Spain</td>
<td>41.4%</td>
<td>37.1%</td>
</tr>
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</table>

Cross-sell ratio

<table>
<thead>
<tr>
<th></th>
<th>Dec 05</th>
<th>Sep 07</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.3</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Products per customer

Service Quality / Satisfaction

Complaint ratio (banks)

- Peer 1
- Peer 2
- Peer 3
- Peer 4

* Source: Bank of Spain

... focused on strategic segments
● Excellent positioning: Customers and Products

● New environment, New opportunities

● Strategic Drivers: Innovation and Transformation

● Conclusions
Spain is still growing faster than the EMU average although the economic scenario has changed ...

Forecast of gross household formation

<table>
<thead>
<tr>
<th>Year</th>
<th>Residents</th>
<th>Immigrants</th>
<th>Non residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>618,873</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>609,317</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Employment growth (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Spain</th>
<th>EMU</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>3.4</td>
<td>1.3</td>
</tr>
<tr>
<td>2008</td>
<td>2.1</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Estimated net job creation 2008

435,000
... we are well-placed to capitalise on opportunities in the new situation by...

Building on our strengths

LIQUIDITY

1. Re-pricing of assets

SOLVENCY

2. Increased customer acquisition / share of wallet

3. Strong focus in on-balance sheet deposits

Goal: increase market share of activity and revenues
- Excellent positioning: Customers and Products
- New environment, New opportunities
- **Strategic Drivers: Innovation and Transformation**
- Conclusions
Generating sustainable competitive advantages

CUSTOMER DIFFERENTIATION

Innovation

TECHNOLOGY

Transformation

BANKING IN SPAIN

INNOVATION and BUSINESS DEVELOPMENT

NETWORKS

TRANSFORMATION and PRODUCTIVITY

NEW ORGANISATION - February 2007 -

Generating sustainable competitive advantages
Making innovative solutions accessible to all customer segments
Mass Market: from Marketing Intelligence to Customer Insight ...

**AMBITION**

- Getting a better knowledge not only of needs but behaviors

**OPPORTUNITY**

- Marketing tailored to customer’s profile

**GOALS**

- Phase I: **Model Start-up**
  - 128 campaigns
  - 182 micro-segments
  - 1.800.000 customer contacts

- Phase II: **Model extension**

- +100,000 customers retained / year
- + 0.25 products per customer
### Mass Market: segments

#### YOUNG PEOPLE SEGMENT

**The Blue Program**
- **Youth segment acquisition**
  - New members of Blue BBVA
  - Jan-Sep 06: 135,000
  - Jan-Sep 07: 295,000
  - Increase: x 2.2

- **% mortgage production via Blue BBVA**
  - Dec 06: 22%
  - Sep 07: 32%

**GOALS**
- 1 million young customers acquisition

#### IMMIGRANTS

**DUAL RESPONSE: Dinero Express - BBVA**
- **Total Active Customers** (by no.)
  - Dec 05: 421,000
  - Sep 07: 660,000
  - Increase: +57%

- **Money Transfers**
  - Mkt. share (Banks & Saving Banks)
  - Dec 05: 10.6%
  - Jun 07: 21.5%

**GOALS**
- 500,000 immigrant customers acquisition
Affluent Segment: advisory and specialised customer service

AMBITION
To spread our Private Banking Model leveraging in our branch network

OPPORTUNITY
- In the last 5 years the Affluent Market has grown by 200,000 people
- Only 20% of the segment receives specialized coverage
- BBVA’s brand is well-placed

Excellent Growth
CUSTOMERS (JAN 06 – SEP 07)
+ 27%

35-50 Plan
1st bank ranked 1
MARKET SHARE 20%

1 IFRS 2007
Small Businesses Segment: high returns, penetration and bundling

AMBITION
Achieving a clear leadership in the segment (like in CBB)

OPPORTUNITY
1.- Differential growth segment for the next few years
2.- BBVA growth potential

19%  38%
Small Businesses  SME’S

Excellent Positioning
1.- First or second provider in every sub-segment
2.- Strong growth (OCT 06 – 07):
   ▪ Ordinary Revenues: + 16%
   ▪ Derivatives Coverage: > 400%

Levers
1. Focus on transactional banking services
   - POS Number 1st ranked
   - BBVAnet Office 1st bank ranked

2. Global Solutions or bundling
   - Small businesses/ Small retailers
   - Professionals Self-employed people

3. High value products and risk approach
   - Customized derivatives and insurances
   - Small Businesses “PIDE”

Nominal Market Share
1 AQmetrix 2007
2 AQmetrix 2007
CBB Segment: to broaden leadership

**AMBITION**
To broaden the leadership and extend the franchise towards investment banking, advisory and non-financial services

**THE FRANCHISE**

<table>
<thead>
<tr>
<th>Category</th>
<th>Nominal mkt share</th>
<th>1st provider’s mkt. share</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME’s</td>
<td>38%</td>
<td>13%</td>
</tr>
<tr>
<td>Mid-caps</td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td>Large Companies</td>
<td>93%</td>
<td>53%</td>
</tr>
<tr>
<td>Institutions</td>
<td>53%</td>
<td>12%</td>
</tr>
</tbody>
</table>

**Levers**

1. RISK MANAGEMENT
2. GEOGRAPHICAL COVERAGE
3. CROSS-SELLING: PRODUCT SPECIALISTS ON THE GROUND

**Excellent performance**

- Products per customer:
  - Dec 06: 5,26
  - Sep 07: 5,54
... expanding the relationship beyond financial needs

AMBITION

- Maximise the customer relationship

INDIVIDUALS

1. Services: leisure, household, health, vehicles, shopping, etc.

2. FROM: INFORMATION

   - Recording deposits and payments
   - Sequential account entries

   TO: RECOMMENDATION

   - Cash Management
   - Customer’s financial planning and recommendations

GOAL: Operating Profit up 10% in 2010

SMES

BBVA Soluciones

- econta: On-line help: accounting, services
- Activo: Pioneer platform for Human Resources services
- PymesON: Mobility solutions (mobile devices)
- Franchises: Expert guidance + customized finance

CHANNELS

- MASS MARKET
- YOUTH SEGMENT
- IMMIGRANTS
- SENIORS
- AFFLUENT
- SMALL BUSINESSES
- CBB

BBVA making the difference.
We are developing new ways of doing things

Banking in Spain

BANKING IN SPAIN

RESOURCES EMPLOYED IN THE BRANCH NETWORK

<table>
<thead>
<tr>
<th>2007</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMMERCIAL STAFF</td>
<td>COMMERCIAL STAFF</td>
</tr>
<tr>
<td>65%</td>
<td>50%</td>
</tr>
<tr>
<td>50%</td>
<td>75%</td>
</tr>
<tr>
<td>Operations</td>
<td>Sales</td>
</tr>
<tr>
<td>50%</td>
<td>30%</td>
</tr>
<tr>
<td>Operations</td>
<td></td>
</tr>
</tbody>
</table>

SERVICING

<table>
<thead>
<tr>
<th>2007</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>35%</td>
<td>25%</td>
</tr>
</tbody>
</table>

TRANSFORMATION AND PRODUCTIVITY

1. COMMERCIAL PRODUCTIVITY
2. OPERATIONAL EFFICIENCY
3. CUSTOMER SERVICING

BBVA making the difference.
1. Simplifying sales operations
   - Processes reengineering / new software applications
   - New tools / infrastructure

2. Advisory Automation
   - Affluent and Mass Affluent
     - 1. Guidance
     - 2. Solutions
     - 3. Follow-up
     - INCREASE IN CORE REVENUES
       - Customer served: +35%
       - Customer advised:

3. Sales Force
   1. Remuneration aligned to performance
   2. 62% of staff with higher education
   3. Specialised sales force

4. Improvements in productivity
   - *No. of products sold per manager per month
     - 2005: 34.5
     - 2006: 40.1
     - 2007e: 49.1
     - +16.2%
     - +22.4%
Operational efficiency

Traditional Model
Up to February 2006
- Localized
- Vertical
- No specialisation

Centralisation
November 2007
- Partially delocalized
- Across
- Specialised

Outsourcing
2010
- Delocalized
- Outsourcing
- New functionalities

51% cost reduction
- Reduced operational risk
- Improved service quality
- Potential generator of new revenues
Servicing

1. **Migration**
   - Transactions (*)
     - **2007**
       - Servicing: 55%
       - Automatic channels: 45%
     - **2010**
       - Servicing: 75%
       - Automatic channels: 25%

2. **4,500 new ATMs**
   - Providing all servicing transactions (including pay-in)
   - Full deployment: 2006-2010
   - % Automation
     - Cash withdrawals (67.5% of Servicing)
       - 2007: 76%
       - 2010: 87%
     - Deposits and cash payments (24% of Servicing)
       - 2007: 6.5%
       - 2010: 50%

3. **Branch\(^1\) Optimization**
   - FROM
     - Various low-complexity branches
   - TO
     - Retail banking centre
   - \(^1\) Non automatic servicing

4. **Tellers devoted to servicing**
   - **2007**
     - 30%
   - **2010**
     - 30%
Excellent positioning: Customers and Products

New environment, New opportunities

Strategic Drivers: Innovation and Transformation

Conclusions
<table>
<thead>
<tr>
<th></th>
<th>Key Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Solid Growth of Earnings</td>
</tr>
<tr>
<td>2</td>
<td>Liquidity and Solvency</td>
</tr>
<tr>
<td>3</td>
<td>Innovation</td>
</tr>
<tr>
<td>4</td>
<td>Transformation</td>
</tr>
<tr>
<td>5</td>
<td>New Distribution Models</td>
</tr>
<tr>
<td>6</td>
<td>High Credit Quality</td>
</tr>
</tbody>
</table>
... which provide a platform for attaining the following goals

Clients and business targets by 2010

- 1 million new young customers
- 500,000 new immigrant customers
- 10% increase in operating profit coming from non-financial products and services

Net attributable profit 2008-09: >15% CAGR
BBVA making the difference