BBVA Bancomer – Maintaining leadership in a competitive environment
Maintaining leadership in a competitive environment

Ignacio Deschamps, CEO BBVA Bancomer
Morgan Stanley Latam Banks Video Tour
February 2007
agenda

- Recent Financials
- Competitive edge
- Future challenges
- Conclusions
Recent Financials
Competitive edge
Future challenges
Conclusions
In 2006, results were driven by increasing business volumes
Deposits are growing in and off balance sheet to improve our profitability

### Demand deposits

- **Dec 05**: 186 billion pesos
- **Dec 06**: 214 billion pesos
- **Change**: +15% or +28 billion pesos

### Customer time deposits

- **Dec 05**: 147 billion pesos
- **Dec 06**: 124 billion pesos
- **Change**: -16% or -23 billion pesos

### Mutual funds

- **Dec 05**: 100 billion pesos
- **Dec 06**: 140 billion pesos
- **Change**: +40% or +40 billion pesos

### Client repos

- **Dec 05**: 96 billion pesos
- **Dec 06**: 134 billion pesos
- **Change**: +40% or +38 billion pesos
Total client resources increased 83 billion pesos in 2006

Total customer funds
(demand, customer time, mutual funds, client repos)

Dec 05: 569
Dec 06: 652

+15%
+83 billion
Demand deposits are supported by payroll accounts; we are also focusing in growing our mutual fund customer base.

- Total payroll accounts: +17%
- Mutual fund customers: +300%
Total private loans increased 32% in 2006
Loans to individuals represent almost 60% of our total private loan portfolio.

- **Commercial**
  - Dec 05: 37 billion
  - Dec 06: 50 billion
  - +15% increase

- **Consumer**
  - Dec 05: 72 billion
  - Dec 06: 106 billion
  - +47% increase

- **Mortgages**
  - Dec 05: 58 billion
  - Dec 06: 90 billion
  - +55% increase

- **Total private**
  - Dec 05: 254 billion
  - Dec 06: 335 billion
  - +32% increase

*Excluding Government*
*The mortgage portfolio excludes balances of old mortgage portfolio*

**Billions of pesos**
Consumer financing has taken off in all segments

New credit cards
(Bank and Finanzia cards)

2005 2006
+43%

New consumer loans
(payroll, auto, mortgages)

2005 2006
+19%
Recurrent income is the core contributor to earnings.
Higher activity and volumes explain growth in fees and also in provisions

- **Net interest income**
  - 2005: 2,438
  - 2006: 3,250
  - Increase: +33%

- **Fees & insurance**
  - 2005: 1,319
  - 2006: 1,582
  - Increase: +20%

- **Loan-loss provisions**
  - 2005: 277
  - 2006: 646
  - Increase: +133%

- **Expenses**
  - 2005: 1,624
  - 2006: 1,791
  - Increase: +10%
Net income grew 30%, contributing to 37% of total BBVA net income in 2006.

Pre-tax profit:
- 2005: 1,861
- 2006: 2,423

Net income:
- 2005: 1,321
- 2006: 1,711

Millions of constant euros.
Revenue growth and expense management gives Bancomer good quality results

**Efficiency ratio**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>42.4</td>
<td>36.1</td>
</tr>
</tbody>
</table>

-630 pb

**Fee/income ratio**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>67.3</td>
<td>71.3</td>
</tr>
</tbody>
</table>

+400 pb

**Return on equity**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>46.0</td>
<td>48.5</td>
</tr>
</tbody>
</table>

+250 pb
Our total non-performing loan ratio stands at 2.2% in response to a 40% expansion in our loans to individuals.

Non-performing loans

<table>
<thead>
<tr>
<th></th>
<th>Commercial</th>
<th>Loans to individuals (consumer + mortgages)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-performing loans</td>
<td>1.0%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Dec 05</td>
<td>0.3%</td>
<td>Dec 06</td>
</tr>
<tr>
<td>Dec 06</td>
<td></td>
<td>Dec 06</td>
</tr>
</tbody>
</table>

Total NPL

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-performing loans</td>
<td>2.3%</td>
</tr>
<tr>
<td>Dec 05</td>
<td>2.2%</td>
</tr>
<tr>
<td>Dec 06</td>
<td></td>
</tr>
</tbody>
</table>
Our constant focus on efficiency is evident on the more than proportional increase in core revenues to expenses.

<table>
<thead>
<tr>
<th></th>
<th>Dec-05</th>
<th>Dec-06</th>
<th>change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>2,438</td>
<td>3,250</td>
<td>812</td>
<td>33.3</td>
</tr>
<tr>
<td>Fees &amp; insurance income</td>
<td>1,319</td>
<td>1,582</td>
<td>263</td>
<td>19.9</td>
</tr>
<tr>
<td>Core revenues</td>
<td>3,757</td>
<td>4,832</td>
<td>1,075</td>
<td>28.6</td>
</tr>
<tr>
<td>Trading income</td>
<td>170</td>
<td>182</td>
<td>12</td>
<td>7.1</td>
</tr>
<tr>
<td>Ordinary revenues</td>
<td>3,927</td>
<td>5,014</td>
<td>1,087</td>
<td>27.7</td>
</tr>
<tr>
<td>Total expenses (includes amortizations)</td>
<td>(1,624)</td>
<td>(1,791)</td>
<td>(167)</td>
<td>10.3</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(107)</td>
<td>(121)</td>
<td>(14)</td>
<td>13.1</td>
</tr>
<tr>
<td>Operating profit</td>
<td>2,196</td>
<td>3,102</td>
<td>906</td>
<td>41.3</td>
</tr>
<tr>
<td>Loan loss provisions</td>
<td>(277)</td>
<td>(646)</td>
<td>(369)</td>
<td>133.2</td>
</tr>
<tr>
<td>Other net income</td>
<td>(58)</td>
<td>(33)</td>
<td>25</td>
<td>(43.1)</td>
</tr>
<tr>
<td>Pre-tax profit</td>
<td>1,861</td>
<td>2,423</td>
<td>562</td>
<td>30.2</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>(537)</td>
<td>(710)</td>
<td>(173)</td>
<td>32.2</td>
</tr>
<tr>
<td>Minority interest</td>
<td>(3)</td>
<td>(2)</td>
<td>1</td>
<td>(33.3)</td>
</tr>
<tr>
<td>Net attributable profit</td>
<td>1,321</td>
<td>1,711</td>
<td>390</td>
<td>29.5</td>
</tr>
</tbody>
</table>
agenda

- Recent Financials
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Bancomer continues to lead almost all business lines
Our network is the largest in Mexico and in 2007 we will continue to invest in its expansion and modernization.

**Market Share**

**Branches (1,733)**
- Bancomer: 21%
- Banamex: 17%
- HSBC: 16%
- Banorte: 12%
- Santander: 11%
- Scotiabank: 5%

+100 in 2007

**ATMs (4,731)**
- Banamex: 23%
- HSBC: 22%
- Bancomer: 20%
- Santander: 14%
- Banorte: 13%
- Scotiabank: 5%

+668 and 617 replacements in 2007

**POS (78,027)**
- 36% market share

+14,000 in 2007

Figures as of September 2006

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In deposits, we are growing on more profitable segments

**Market Share**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Dec 05</th>
<th>Dec 06</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Peso demand deposits</strong></td>
<td>29.3%</td>
<td>29.7%</td>
<td>+39bp</td>
</tr>
<tr>
<td><strong>Mutual funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(individual customers)</td>
<td>25.5%</td>
<td>26.7%</td>
<td>+117bp</td>
</tr>
<tr>
<td><strong>Total mutual funds</strong></td>
<td>23.3%</td>
<td>23.3%</td>
<td>+0bp</td>
</tr>
<tr>
<td><strong>Total Deposits</strong></td>
<td>25.5%</td>
<td>26.0%</td>
<td>+52bp</td>
</tr>
</tbody>
</table>

Market shares in % of largest six banks except mutual funds for entire market.
Bancomer is leader and yet continue to gain its market share in all loan segments.

### Market Share

#### Total consumer
- **#1**
- **Dec 05:** 33.5%
- **Dec 06:** 34.5%
- **Change:** +97bp

#### Mortgage
- **#1**
- **Dec 05:** 28.0%
- **Dec 06:** 32.3%
- **Change:** +431bp

#### Auto
- **#1**
- **Dec 05:** 26.7%
- **Dec 06:** 36.8%
- **Change:** +1,010bp

#### Total private
- **#1**
- **Dec 05:** 28.8%
- **Dec 06:** 30.0%
- **Change:** +113bp
With the acquisition of Hipotecaria Nacional Bancomer became the largest mortgage originator in Mexico

**Number of new mortgages**

- 2005: 35.2%
- 2006: 41.2%

**New mortgage portfolio**

- 2005: 31.3%
- 2006: 37.4%

Market Share

**+600 pb**

**+609 pb**
Recent Financials
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Mortgage market
Bancomer’s mortgage business includes both financing for developers and for individuals.

- Construction 887 customers
- Home mortgages 277,562 customers
Demographics is a key driver for further mortgage growth.

**Population pyramid 2000**

Source: INEGI

**Population pyramid 2025**

**Total mortgages (thousand)**

- 2001: 318
- 2002: 420
- 2003: 489
- 2004: 531
- 2005: 600
- 2006: 700

+120%

Source: INEGI

**BBVA Bancomer – Maintaining leadership in a competitive environment**
Medium-sized companies
We have a specialized network to cater middle market companies

Middle market

- Target: 45,000 customers (Sales > 3 mdd)
- Bancomer SME: 26,000 customers (Penetration: 58%)
- Clients with credit: 4,246

92 branches and 489 specialized executives
We have increased the number of clients with credit through a higher lending delegation to branches.

Clients with three or more products:
- 2001: 39%
- 2002: 51%
- 2003: 62%
- 2004: 69%
- 2005: 76%
- 2006: 82%

% of clients with three or more products:
- 2002: 39%
- 2005: 51%
- 2006: 62%

# of clients with credit:
- 2002: 1,850
- 2005: 3,145
- 2006: 4,246

Increased cross-linkage with the clients:

+35%
Penetration in new segments
Loan penetration in Mexico is lagging significantly, it is only one third of what was before the 1995 financial crisis.

Total loans as % of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>37.6</td>
</tr>
<tr>
<td>1995</td>
<td>26</td>
</tr>
<tr>
<td>1996</td>
<td>13.5</td>
</tr>
<tr>
<td>1997</td>
<td>10</td>
</tr>
<tr>
<td>1998</td>
<td>8.4</td>
</tr>
<tr>
<td>1999</td>
<td>6.9</td>
</tr>
<tr>
<td>2000</td>
<td>6.5</td>
</tr>
<tr>
<td>2001</td>
<td>6.5</td>
</tr>
<tr>
<td>2002</td>
<td>6.9</td>
</tr>
<tr>
<td>2003</td>
<td>7.1</td>
</tr>
<tr>
<td>2004</td>
<td>8.4</td>
</tr>
<tr>
<td>2005</td>
<td>10.1</td>
</tr>
<tr>
<td>Sep-06</td>
<td>11.4</td>
</tr>
</tbody>
</table>

Source: Banco de México, Inegi.
Only 50% of the population with employment have a banking relationship.

### Monthly income

**Very low income**: 11.6 M (28%)
- N/D: 2.3 M (5%)
- No income < 100€: 3.7 M (9%)
- 100€ to 200€: 5.6 M (13%)

**Low income**: 18.2 M (43%)
- 100€ to 200€: 8.9 M (21%)
- 200€ to 300€: 9.3 M (22%)

**Medium / High income**: 12.4 M (29%)
- 300€ to 500€: 7.5 M (18%)
- 500€ to 1,000€: 3.4 M (8%)
- + 1,000€: 1.5 M (3%)

**NEA Medium / High**: 42 M

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1€ = $14

*Source: INEGI 2006*
We are focused on specific segments:

- Lower income segments
- Small companies
- Youngsters
Service
A better service to our clients is always a priority in a high competitive environment

- Guarantee of high valued services to our clients
- Increasing perception of service
- Long-term quality service platform with public commitment
This objectives will not be feasible if we do not continue focusing our efforts on building .....}

A better place to work

100% of headcount in bonus scheme
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Sustainability is based on increased linkage with existing customers in addition to banking new ones.

Bancomer’s strength and its business model provide a unique market advantage.

Bancomer leadership is driven by customer focus, increase in productivity and innovation in commercial strategies.

The basis for Bancomer’s differentiation from the competition is the stability of its core business earnings, recurrent income and its ability to keep improving financial margins.

The outlook for Bancomer in 2007 is that Bancomer will support its profitable growth going forward with a robust balance structure and a dynamic business performance.

Challenges for 2007 are improving the service to our clients and building a better place to work, while maintaining growth and profitability.
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