Risk, return and growth: getting the balance right

José Ignacio Goirigolzarri

London, October 5th 2006
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BBVA a very attractive investment case …

… delivering …

- Very solid and growing results
- Strong fundamentals

… and creating value
As shown in 1H06 results, we are growing at a high consistent rate

Operating profit excl. one off items
Current €m

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1H03</td>
<td>2,268</td>
</tr>
<tr>
<td>2H03</td>
<td>2,553</td>
</tr>
<tr>
<td>1H04</td>
<td>2,773</td>
</tr>
<tr>
<td>2H04</td>
<td>2,818</td>
</tr>
<tr>
<td>1H05</td>
<td>3,246</td>
</tr>
<tr>
<td>2H05</td>
<td>3,577</td>
</tr>
<tr>
<td>1H06</td>
<td>4,052</td>
</tr>
</tbody>
</table>

+ 22.3%
+ 17.1%
+ 24.8%
In addition, we have strong fundamentals …

<table>
<thead>
<tr>
<th></th>
<th>European Banks</th>
<th>BBVA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROE (%)</strong></td>
<td>24.4</td>
<td>35.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>European Banks</th>
<th>BBVA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Efficiency (%)</strong></td>
<td>56.3</td>
<td>44.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>European Banks</th>
<th>BBVA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset Quality</strong> (Coverage ratio %)</td>
<td>76.9</td>
<td>275.1</td>
</tr>
</tbody>
</table>

BBVA, an excellent combination of profitability-risk
… and deliver a 121% Total Shareholder Return since 2002

BBVA Stock Price De-composition
The above is the result of a sound strategy

A virtuous circle of top line growth and bottom line profitability
Pro-active management of the business portfolio

2002 Economic Capital

- Rest of América: 23%
- México: 13%
- Wholesale Business: 14%
- Retail Spain: 23%
- Industrial Holding and Corp. Center: 27%

2006 Economic Capital

- Retail Spain: 25%
- USA: 7%
- Industrial Holding and Corp. Center: 15%
- Rest of América: 11%
- Wholesale Business: 21%
- México: 21%

Allocating more capital to high-growth businesses
BBVA has a solid business model …

Core management skills

- Risk management
- Efficiency
- Retail network management

… driving high profitability
Excellent risk management and high asset-quality portfolio

Asset distribution

Europe 83.1%
- America Invest. Grade 12.7%
- Latam Non-Invest. Grade 4.2%

Minimum impact in case of change in global credit-risk cycle

<table>
<thead>
<tr>
<th>Estimated impact on 2007E group pre-tax profit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBVA</td>
<td>-1.1%</td>
</tr>
<tr>
<td>European Banks Average</td>
<td>-6.7%</td>
</tr>
</tbody>
</table>

Source: Merrill Lynch

- 96% Investment Grade
- 46% of lending collateralised
- NPLs 0.82%
- Coverage 275%
BBVA’s efficiency is also a benchmark in Europe …

Focus on continuous transformation to keep on improving …
Based on retail management capabilities.

**TRANSFORMATION**

- Increases in network productivity
  - Retail Spain + 34% (2005)
  - Mexico + 42% (2005)
- Improvements in processes and organisation
- New distribution network strategy
BBVA’s high profitability allows for …

- **Shareholder remuneration**
- **Self-financing growth**

**ROE (%)**

- **2004**: 33.2%
- **1H06**: 35.8%
Can we continue growing?

Positioned in growth markets …

… with a predictable growth model

Organic

Non-organic
In Spain, economic and banking prospects continue being good.

2007E GDP Growth Rate (%)

<table>
<thead>
<tr>
<th></th>
<th>Eurozone</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007E GDP Growth Rate</td>
<td>2.2</td>
<td>3.3</td>
</tr>
</tbody>
</table>

4th highest expected GDP growth rate in EU

Drivers

- Consumer / credit and debit cards
- SMEs
- New customer base
Other segments are overtaking past growth in mortgages

BBVA Spain
(Average balances, Change YoY)

Building a more profitable business mix
There are great opportunities in SMEs …

SME’s Estimated Growth and Profitability

Source: Mercer Oliver Wyman
Consumer loans per capita still low in Spain …

Consumer loans per capita ($)

USA: 6,230
UK: 4,136
Germany: 2,633
France: 2,073
Spain: 1,051

Source: ECRI & Eurostat

… however, with a high propensity to consume

BBVA Initiatives

- Préstamo Nacimiento
- Préstamo Nómina 0%
- Crédito Fácil
- Préstamo PIDE
…and new customers: immigrants

Foreigners/Spain’s population

Foreigners to grow +26% between 2005-2008

Source: INE

Two complementary approaches

Basic Banking

More developed products

More than 400,000 clients

BBVA ranked 1st among banks with 16.5% market share
Our model and strategic aim is profitable growth

1H06 ROE (%)

- BBVA: 35.0%
- 2nd: 22.4%
- 3rd: 21.9%
- 4th: 19.4%
- Mean: 24.7%
EMBI+ and Elections in Latam

Shift towards economic pragmatism and continuity taking place around the region

Source: BBVA & JPMorgan

Latam, an increasingly stable region

Risk aversion due to volatility rise and market correction
In particular, Mexico: from emerging to emerged economy

Mexico Risk Premium (b.p.)

Inflation (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ave. 95-02</td>
<td>18.2</td>
</tr>
<tr>
<td>2003</td>
<td>4.0</td>
</tr>
<tr>
<td>2004</td>
<td>5.2</td>
</tr>
<tr>
<td>2005</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Budget Balance (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-1.8</td>
</tr>
<tr>
<td>2003</td>
<td>-0.6</td>
</tr>
<tr>
<td>2004</td>
<td>-0.3</td>
</tr>
<tr>
<td>2005</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

Source: JPMorgan

And good economic prospects: 2007E GDP +3.4%
Very good economic prospects for the region

2007E GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>6.2</td>
</tr>
<tr>
<td>Chile</td>
<td>5.5</td>
</tr>
<tr>
<td>Colombia</td>
<td>4.6</td>
</tr>
<tr>
<td>Peru</td>
<td>5.3</td>
</tr>
<tr>
<td>Venezuela</td>
<td>3.6</td>
</tr>
<tr>
<td>Mexico</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Bancarisation (Loans / GDP)

- Chile: 56
- Peru: 19
- Mexico: 19
- Colombia: 17
- Argentina: 17
- Venezuela: 13

Source: BBVA

And potential for higher bancarisation: Consumer finance and credit cards, mortgages and SMEs
We see opportunities in Consumer Finance ...

**Bancarised**
- Mid-High income segments
- 28% of population
- Bancomer’s market share
  - Auto: 33.5%
  - Credit cards: 35.5%
  - Total consumer finance: 33.4%

**Non-bancarised**
- Low income segments
- 72% of population
- Alliances with retailers:
  - 5 million credit cards

+ 2.2 m new customers in 2005
…a high potential for mortgage development …

Mortgages in Colombia
($m)

Mortgages in Mexico
(Thousand units)

21% Market Share

35% Market Share

Source: ICAV

Source: Infonavit & BVA
...and great prospects in SMEs

Bancomer
SMEs and Corporates

- **45,000** SMEs and Corporates
- **25,000** clients (56%)
- **3,387** Credit products users (13%)
- Sales > 30 mdp

Loan Penetration
(€m)

<table>
<thead>
<tr>
<th></th>
<th>Spain</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Funds</td>
<td>10,660</td>
<td>4,239</td>
</tr>
<tr>
<td>Lending</td>
<td>30,251</td>
<td>2,839</td>
</tr>
<tr>
<td>Lending/Customer Funds</td>
<td>284%</td>
<td>70%</td>
</tr>
</tbody>
</table>
We have leading franchises in Latam and Mexico …

<table>
<thead>
<tr>
<th></th>
<th>Customer funds</th>
<th></th>
<th>Loans</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market share (%)</td>
<td>Ranking</td>
<td>Market share (%)</td>
<td>Ranking</td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
<td>26.2</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>29.5</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
</tr>
<tr>
<td>Argentina</td>
<td>10.6</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>7.1</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Chile</td>
<td>8.0</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>7.8</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Colombia</td>
<td>11.5</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>11.3</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Peru</td>
<td>26.8</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>24.5</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Venezuela</td>
<td>11.7</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>12.1</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>South America</strong></td>
<td>10.7</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>10.0</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

Total number of customers: 23 million
... also very profitable

**Latam & Mexico NPL ratio (%)**

- 2002: 6.9
- 2003: 6.6
- 2004: 3.6
- 2005: 2.8
- 1H06: 2.6

**Latam & Mexico ROE (%)**

- 2002: 20.2
- 2003: 22.2
- 2004: 27.6
- 2005: 42.2
- 1H06: 44.9
Mexico, a stepping stone to enter the US market

In 2005 Mexico received 38% of Texas´exports

Texas´ economy is 8th largest in the world

Main figures

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>12,583</td>
</tr>
<tr>
<td>Loans</td>
<td>7,252</td>
</tr>
<tr>
<td>Deposits</td>
<td>10,134</td>
</tr>
<tr>
<td>Employees</td>
<td>3,814</td>
</tr>
</tbody>
</table>
A solid Wholesale Banking business model

- Corporate and Business Banking
  - Comprehensive relationship model
    - Ranked 1st in Spain
  - Franchise model
    - Ranked 1st in America

- Global Markets
  - 70% of volume comes from customer transactions

Leadership in customer relations and products
... with an excellent track record

Operating profit (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>1,185</td>
</tr>
<tr>
<td>2005</td>
<td>1,470</td>
</tr>
<tr>
<td>2006*</td>
<td>1,905</td>
</tr>
</tbody>
</table>

ChgYoY: +24% +30%

Operating profit 1H06 (€m)

- Global Markets: 337 (36%)
- Other: 100 (10%)
- Corporate and Business Banking (CBB): 494 (54%)

*Annualized at 1H06 growth rate
Our strong position in Latam …

Trade Finance
Volume ($m) at global level

- BNP: 7,902
- CITI: 4,828
- BBVA: 4,819
- ABN: 4,027
- SG: 3,845

Source: Dealogic, 2005

“World’s Best Trade Finance Bank for Latin America”

Latam Exports to China
Constant US$

Source: BBVA

1999 2000 2001 2002 2003 2004
… becomes a competitive advantage to approach the Asian market

BBVA’s presence in Asia

Important expansion 05/06: Tokio, Shangai, Singapore, Taipei, Seoul

Coming openings: Mumbai and Sydney
Can we continue growing?

Positioned in growth markets …

… with a predictable growth model

Organic

Non-organic
Predictable growth, also non-organic

Latest acquisitions

- **2006**: Texas Regional Bank / State National Bank / Forum
- **2005**: Laredo / Granahorrar
- **2004**: Hipotecaria Nacional / Valley Bank / Bancomer

Total invested: €7,000 m

“BBVA is one of only seven banks in our sample that has created value over the past six years through acquisitions”

Deutsche Bank
Conclusions

BBVA’s expected growth is superior to the sector’s …

… with a predictable and profitable business model …

… moderate risk profile …

… and a management committed to value creation
Merrill Lynch European Banking & Insurance Conference

“Risk, return and growth: getting the balance right”

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London, October 5th 2006