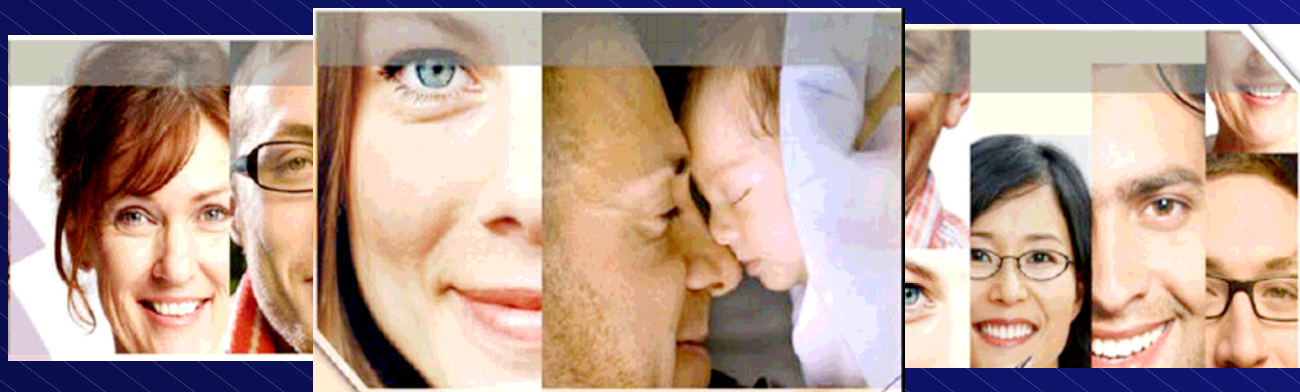


# Merrill Lynch

Banking & Insurance CEO Conference 2007



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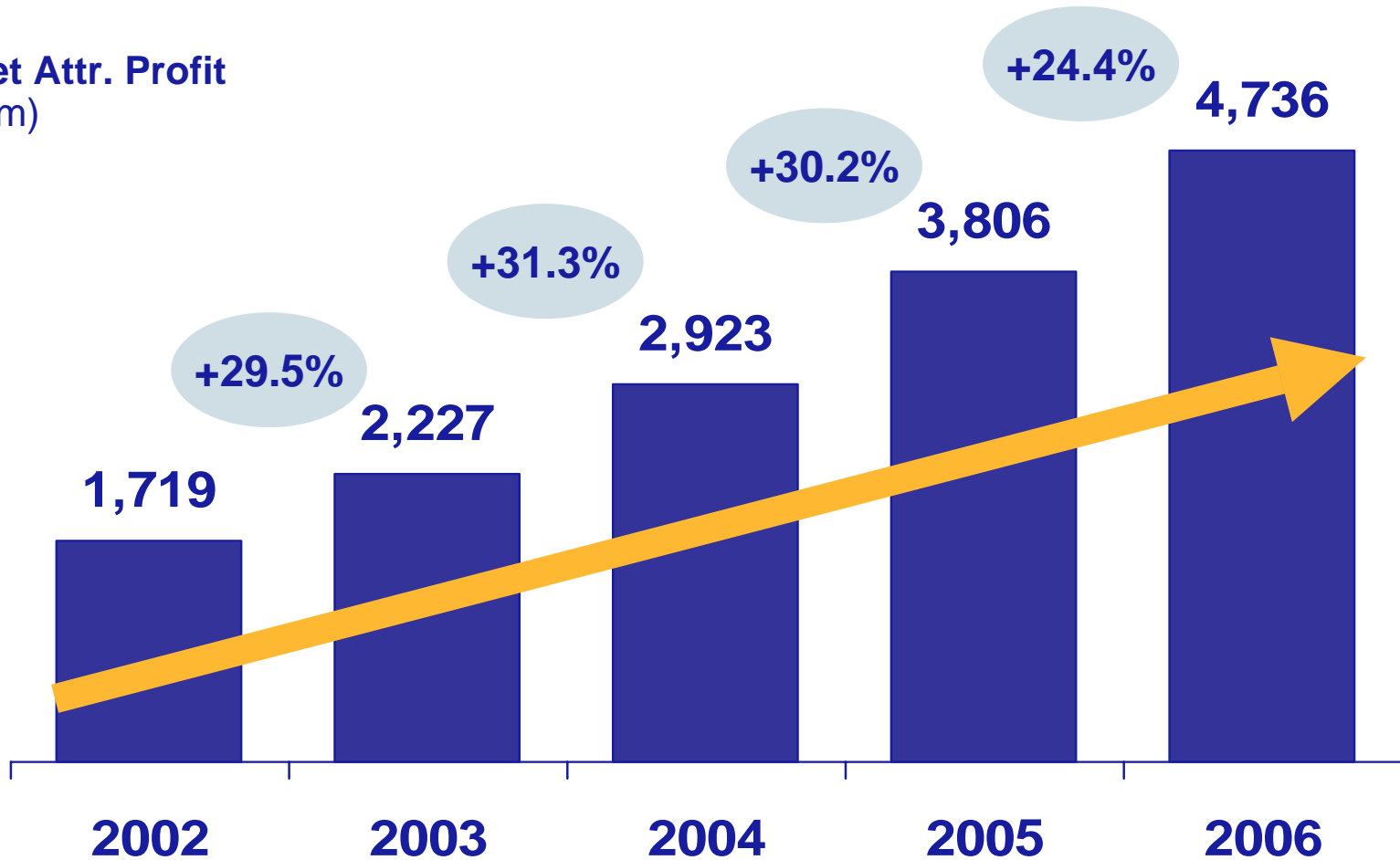
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# A track record of consistent earnings growth ...

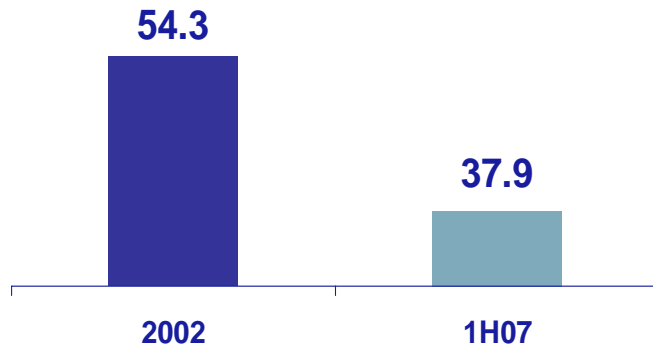
Net Attr. Profit  
(€m)



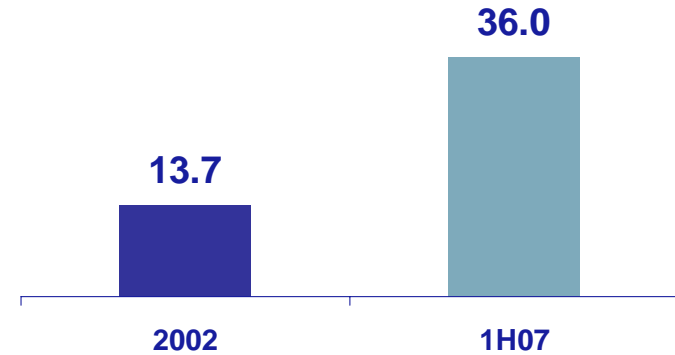
**High quality recurrent revenues and earnings**

# ... while showing great evolution in fundamentals

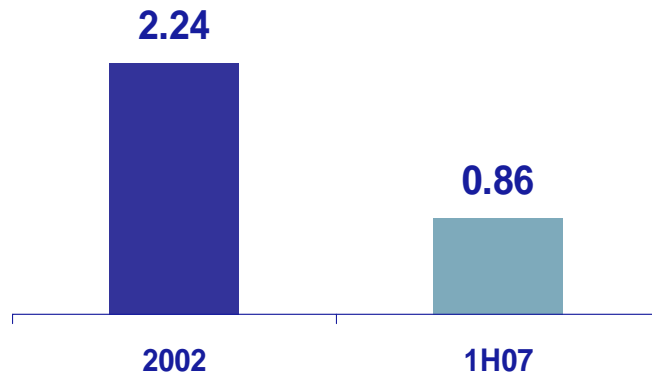
**Cost:income ratio**  
(%, incl.amortizations)



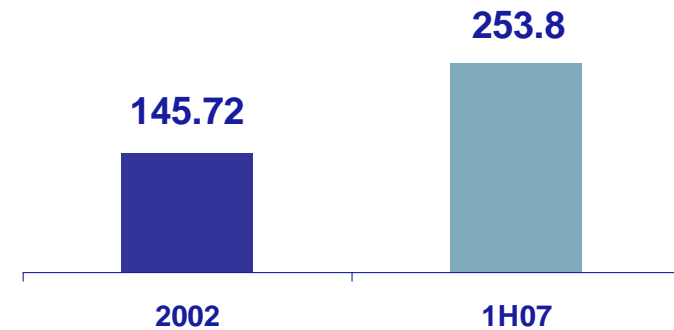
**ROE**  
(%)



**NPL Ratio**  
(%)



**Coverage Ratio**  
(%)



# High quality growth both in P&L and balance sheet

(€m)

	2002	2006		2002-2006 CAGR
Loans to customers	141,315	256,565	x 1.8	16.1 %
Attributable Profit	1,719	4,736	x 2.8	28.8%
EPS (€)	0.54	1.34	x 2.5	25.5%
DPS (€)	0.348	0.637	x 1.8	16.3%
ROE	13.7%	37.6%	x 2.7	-
ROA	0.85%	1.26%	x 1.5	-
RORWA	1.48%	2.12%	x 1.4	-

# The environment has changed for the banking sector

From...strong global growth, positive capital markets and revenues, sound asset quality and ample liquidity ...

... to Liquidity Crunch

How is BBVA going to perform in the new environment?

# BBVA represents an attractive investment choice in this environment

**A**

Attractive retail portfolio that combines high “structural” growth rates and diversification benefits

**B**

Transformation Plan: Best-in-class efficiency

**C**

Risk management as a key competitive advantage:  
Credit Risk, Market Risk, Liquidity Risk

**Strongly focused on value creation**

A

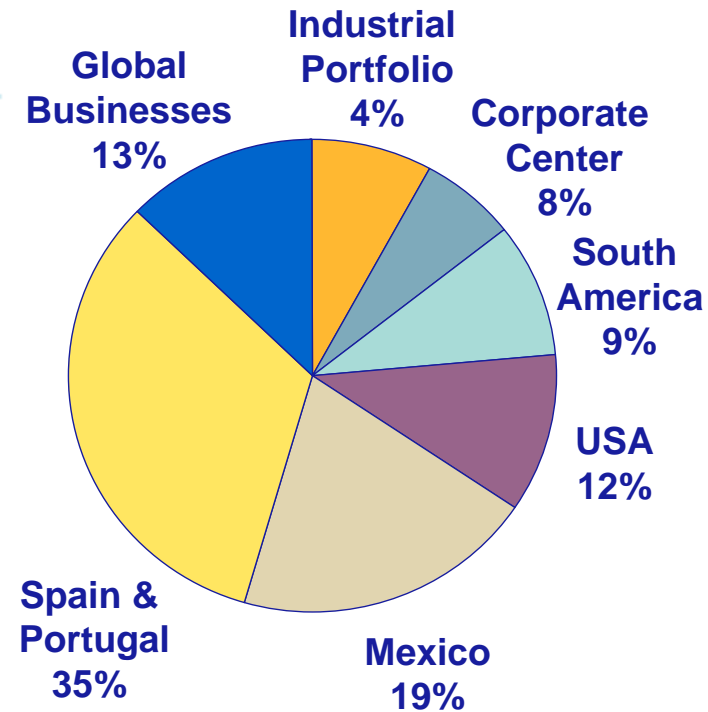
Our corporate positioning combines, medium and long term opportunities ...

... driving high “structural” growth rates ...



... and a wholesale business oriented to serve our customers worldwide

Economic capital 2007



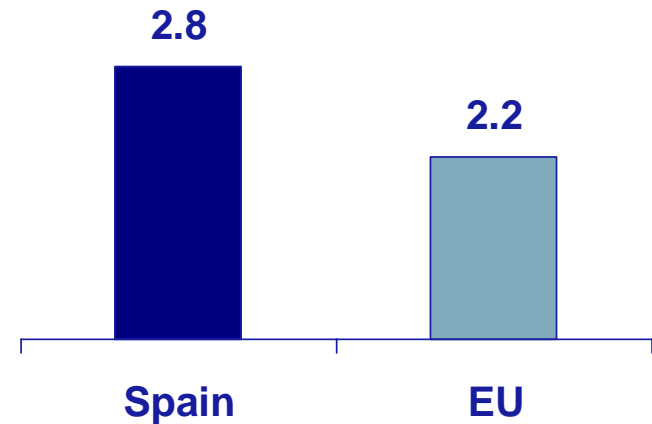
... and diversification benefits



Real Estate: Soft-landing scenario

High GDP growth

GDP Growth 2008e  
(%)



Employment growth rate 08e: 1.5%

# Key strategic drivers

**1**

**Change of business mix in anticipation**

**2**

**High quality mortgage portfolio**

**3**

**Transformation efforts**

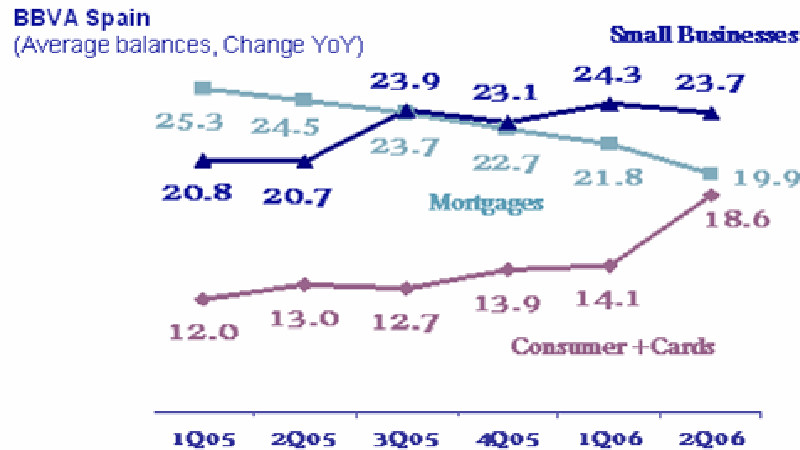
# Enjoying a solid position today thanks to significant anticipation of events

## Consumer Finance & SME's key growth drivers

## Boosting growth of term deposits

### Other segments are overtaking past growth in mortgages

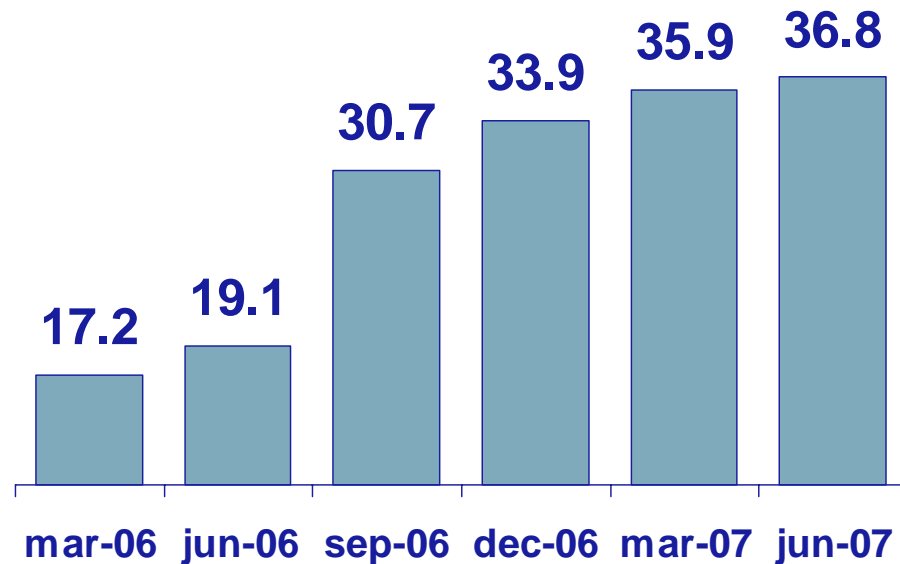
BBVA



Building a more profitable business mix

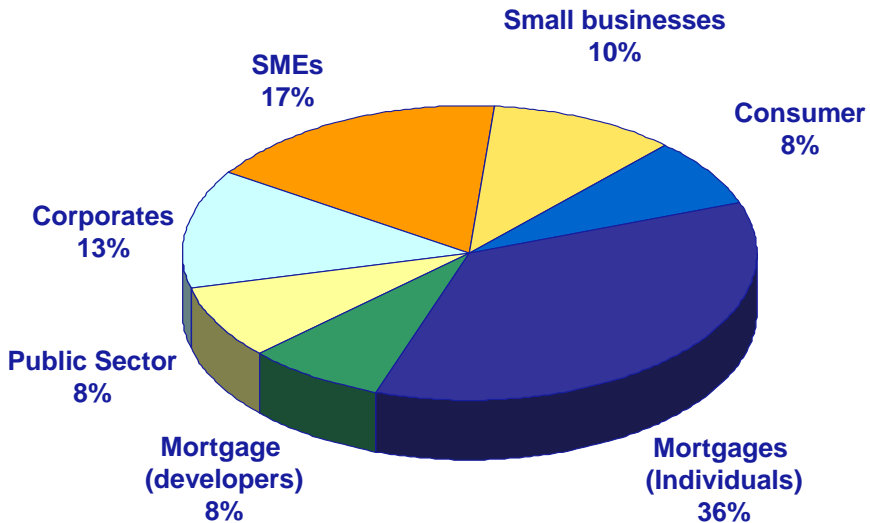
18

### Term deposits (YoY Growth, %)



# High quality mortgage portfolio ...

Loan portfolio distribution in Spain



## Mortgage (Developers)

2003-2006 CAGR  
BBVA +29%  
Peers +44%

1st home  
93%

NPL Ratio  
0.10%

Market Share: 5.7%

## Mortgage (Individuals)

Average Loan to Value  
53.3%

NPL Ratio  
0.32%

1st home  
90%

Market Share: 12.0%

... with a clear focus on individuals

# ... and continuous improvement ambition

**Branch expansion completed in 2006**

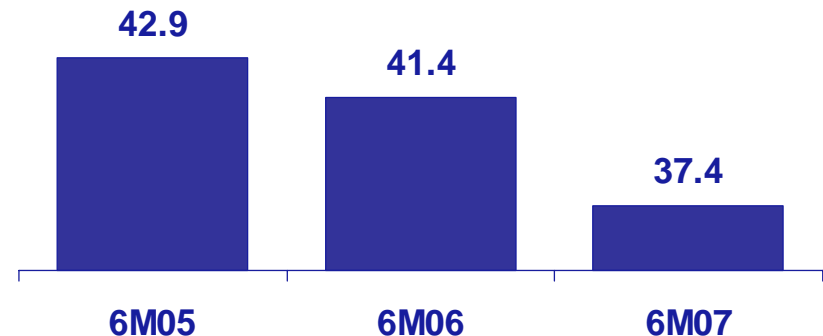
**New distribution network announced in Jun.06**

**Reducing intermediate organisational structures**  
(Total network expenses growth about 0%)

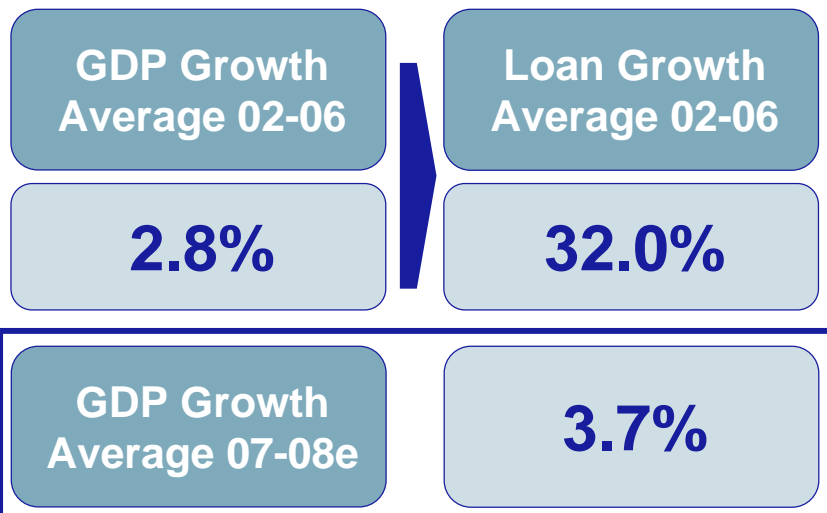
**Improving Productivity**  
**+38.4% since Jun.05**

**Cost:income**  
(%,including amortizations)

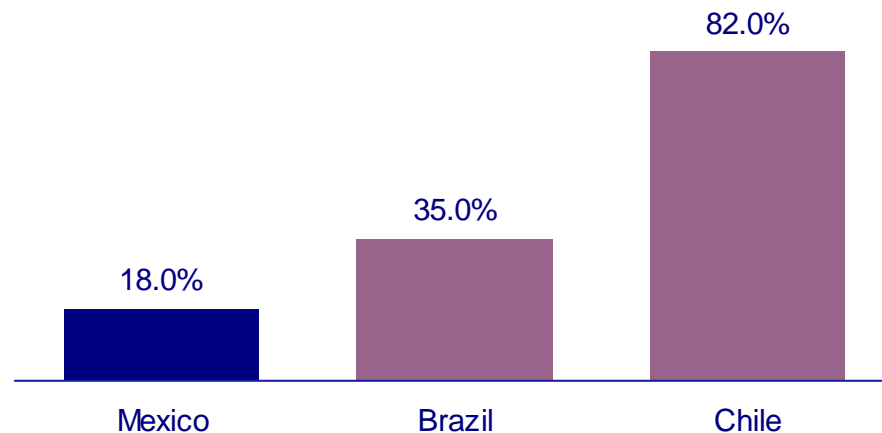
**Efficiency advance**



# “Bancomer, the best retail bank in Latam”

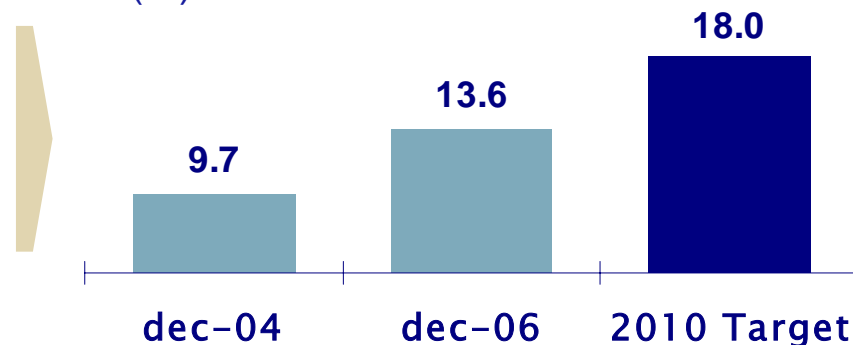


Credit penetration (as % of GDP)



**Target 2010**

Bancomer customer base (m)



# A great growth opportunity in mortgages ...

## The opportunity

**Mortgages in Mexico + 26% (Jun.07 YoY Growth)**

**16 m new houses in the next 20 years**

**BBVA´s Spain Mortgage portfolio x 10 Bancomer´s Mortgage portfolio**

## Bancomer´s positioning

**Leader in market share: 44.3% of new mortgages**

**Mortgages + 50% (Jun.07 YoY Growth)**

**2010 Target → Mortgages loans x 3**

## The opportunity

**550,000 SME´s. Loans to SME´s +27% (Jun.07 YoY Growth)**

**Only 16% credit users vs 29% in Spain**

**Lending / customer funds: 71% vs 392% in Spain**

**BBVA´s Spain SME portfolio x 10 Bancomer´s SME portfolio**

## Bancomer´s positioning

**83 specialized branches and 483 loan officers**

**Market penetration of targeted companies 62%**

**SME´s + 35% (Jun.07 YoY Growth)**



# We are building a unique platform in the USA

```
graph TD; A[In growing markets] --- B[With strong franchises]; A --- C[And excellent management team]; B --- C;
```

**In growing  
markets**

**With strong  
franchises**

**And excellent  
management  
team**

# A platform focused on high-growth markets with different dynamics to the rest of the USA

	United States	Markets served by BBVA (1)	Texas
<b>Economy size</b> % of World GDP	19.7%	3.7%	1.6%
<b>Economy Growth</b> GDP Potential Growth	3.0%	3.9%	3.8%
<b>Population</b> Million	299.4	59.0	23.5
<b>Population Growth</b> CAGR 2006 - 2030	0.8%	1.6%	1.5%
<b>Employment Growth</b> Potential Growth	0.8%	1.7%	1.6%

(1) Considered the states with BBVA or Compass Bank are present Figures at June 07.

# BBVA USA: strong franchises in the Southern U.S. States

	Dep. (\$ Bn)	Mkt. Share	Ranking
• Texas	19.6	5.9 %	4 <sup>o</sup>
• Alabama	6.7	9.5%	3 <sup>o</sup>
• Arizona	3.2	4.1%	5 <sup>o</sup>
• Florida	2.0	0.6%	25 <sup>o</sup>
• Colorado	0.7	1.0%	20 <sup>o</sup>
• New Mexico	0.6	2.7%	8 <sup>o</sup>

# Compass, a unique platform

**Universal business model**

Retail  
Banking

Corporate  
Banking

Wealth  
Mgmt

**Better fundamentals than peers**

**ROE**  
(%)

17.7

13.3

Compass

Peer Group

**NPL Ratio**  
(%)

0.23

0.37

Compass

Peer Group

**Coverage Ratio**  
(%)

517.0

256.0

Compass

Peer Group

Source: SNL

**Excellent human capital**

**Impressive integration track-record**  
(more than 50 acquisitions  
in the last 15 years)

(1) Median Comparables Banks: Cullen/Frost Bankers, First Financial Bankshares, First Horizon National Corporation, International Bancshares Corporation, Marshall & Ilsley Corporation, Prosperity Bancshares, Regions Financial Corporation, Sterling Bancshares, Synovus Financial Corp., Zions Bancorporation, First State Bancorporation, SunTrust Banks

# 2008 focus will be on integration

**Integration  
"Only One"**

- **Management structure**
- **IT platform**
- **Distribution network**
- **Informational systems**

**BBVA Standards**

- **BBVA business Model**
- **New technology platform**

**Achieving announced  
revenue & cost synergies**

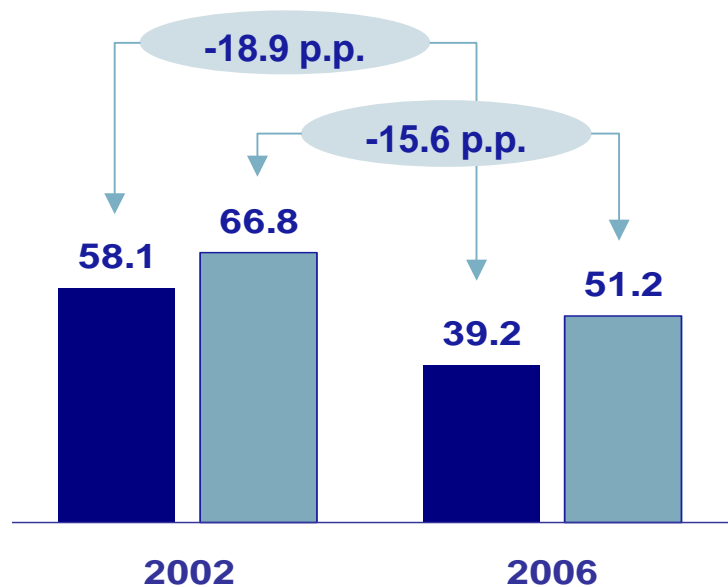
**Additional synergies**

**2008 - 2010 BBVA USA Strategic Plan**

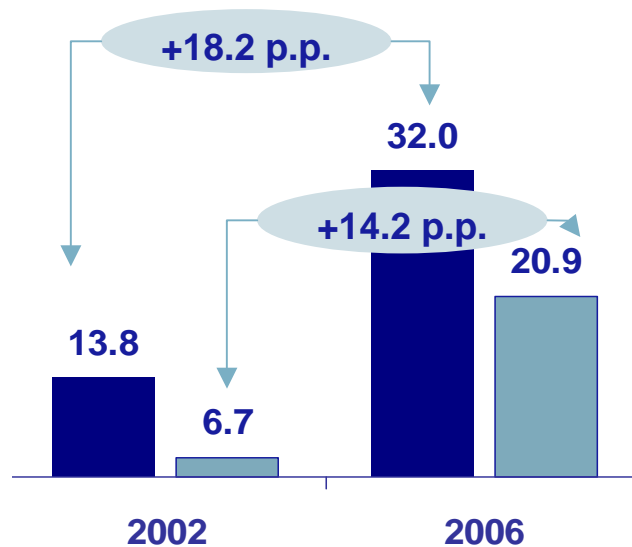
# We have an excellent track-record integrating acquisitions

## In Mexico ...

Cost: income ratio (%)



ROE (%)



Data in local currency

■ BBVA Bancomer ■ Mexican banks average

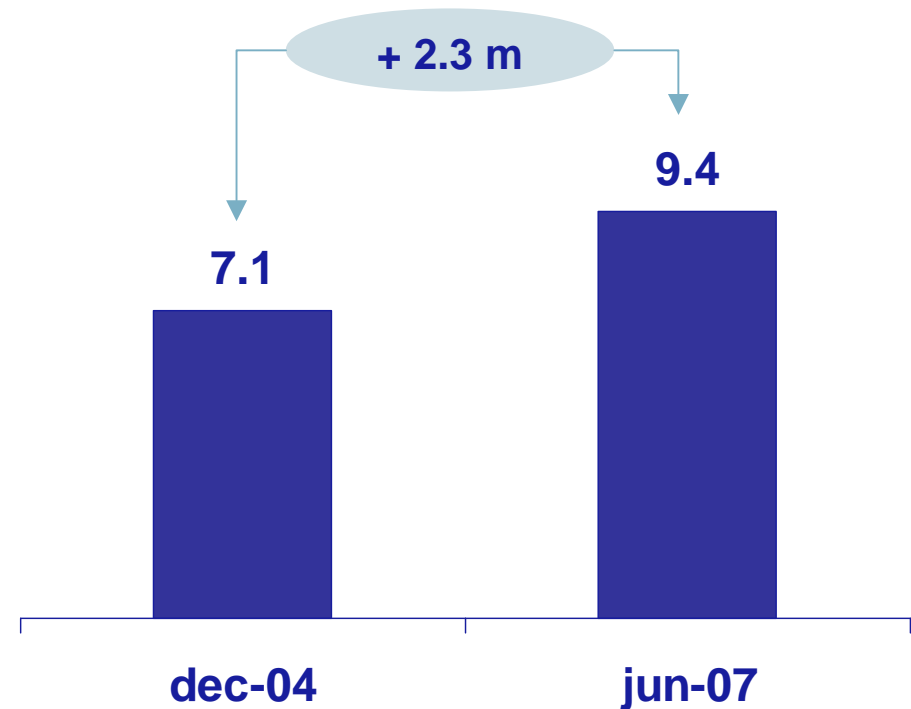
# South America prospects continue being very good ...

## GDP Growth

GDP Growth  
(%, real terms)

	2007e	2008e
Argentina	7.5%	6.3%
Chile	5.2%	5.3%
Colombia	5.9%	4.8%
Peru	7.5%	6.5%
Venezuela	6.7%	4.6%

BBVA's clients in South America  
(m)



... and bancarisation potential remains high

# Our aim is to increase our share of wallet and bancarisation levels ...

... with a different retail business model

“The bank in your card”

**2010 Target**

**Customers from 8.7 to 12 m**

**Consumer loans x3**



# Excellent positioning in clients and products

## Client Units

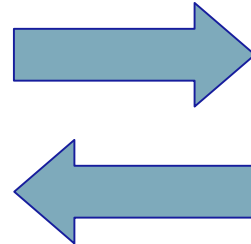
*“Enhancing our client relationship covering their financial and non financial necessities. Making this a long term relationship”*

Europe  
America  
Asia

## Product Units

*“Quality and innovative products and services to more clients”*

Global Markets  
Investment Banking  
Asset Management

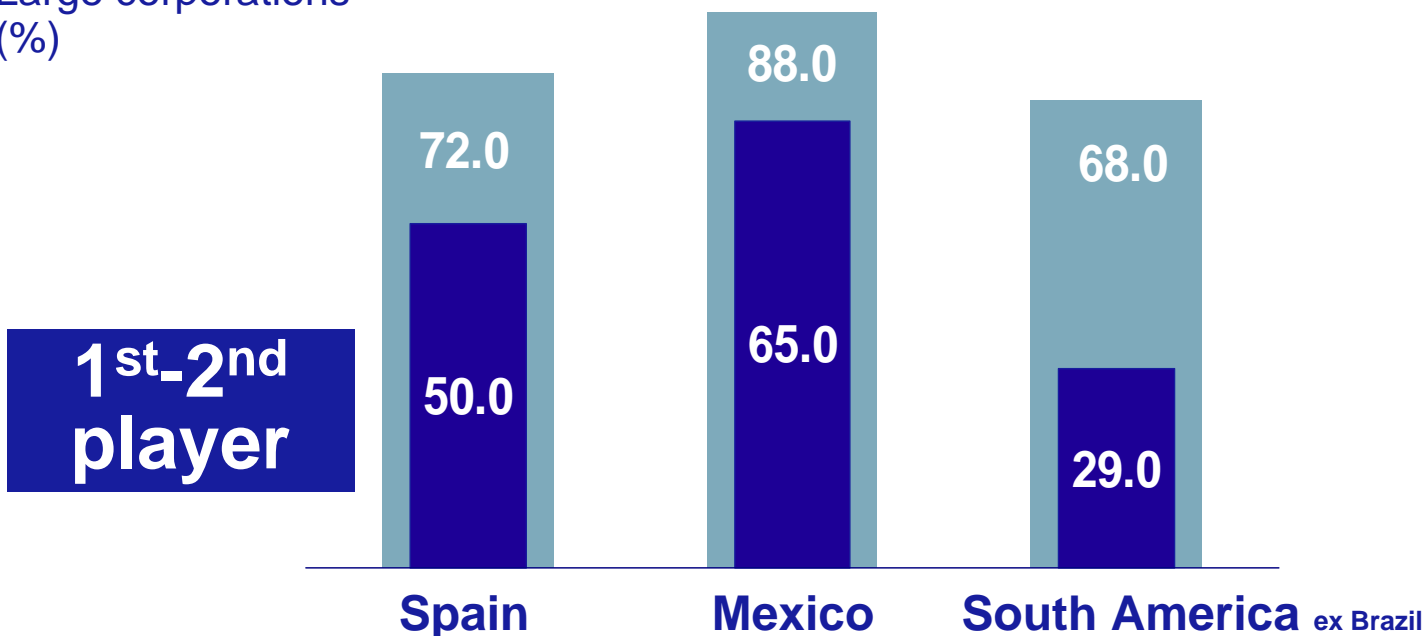


**With a global approach**

# Our business model is based on client relationship ...

## First relation bank in Spain and America

**Total Penetration**  
Large corporations  
(%)

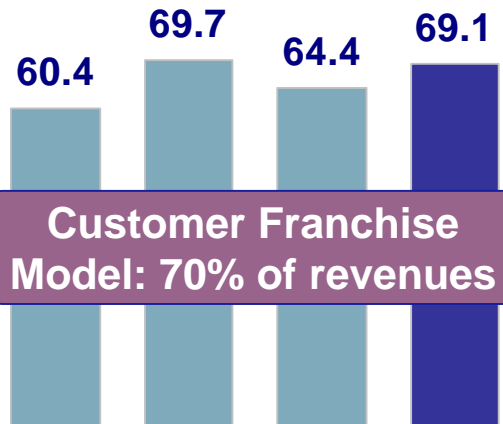


... and represents a lever to enter new markets: China

# And global products units to serve value added products to more clients

## Global Markets

Global Markets and Distribution Europe  
Mark-to-market revenues (€m)



**Customer Franchise Model: 70% of revenues**

Dec-06    Mar-07    Jun-07    Jul-Ago.07

**Riskpyme**

## Global Investment Banking

**2<sup>nd</sup> top bank in Latam Trade Finance**

**2<sup>nd</sup> top bank in Latam Project Finance**

Source: IJ&Dealogic, 2006

**M&A and Advisory for SME's**

## Asset Management

### Spain

Funds

**AuM  
€43bn**

**2<sup>nd</sup>**

Pen-sions

**AuM  
€15bn**

**1<sup>st</sup>**

### America

Funds

**AuM  
€13bn**

**1<sup>st</sup>/  
2<sup>nd</sup>**

Pen-sions

**AuM  
€42bn**

**1<sup>st</sup>**

**Managed portfolios of funds**

# BBVA represents an attractive investment choice in this environment

**A**

Attractive retail portfolio that combines a high “structural” growth rate and diversification benefits

**B**

Transformation Plan: Best-in-class efficiency

**C**

Risk management as a key competitive advantage:  
Credit Risk, Market Risk, Liquidity Risk

**Strongly focused on value creation**

# B New technology driven by ...

**Digitalization**

**Connectivity**

**A new model in place ...**

**... to reduce  
“servicing” ...**

**... continue  
boosting  
commercial  
productivity ...**

**... and  
industrialise  
back & middle  
offices**

**Transformation Plan ...**

... with very demanding objectives at Group level

**2010 Target**

**Cost:income  
from 44% to 35%**

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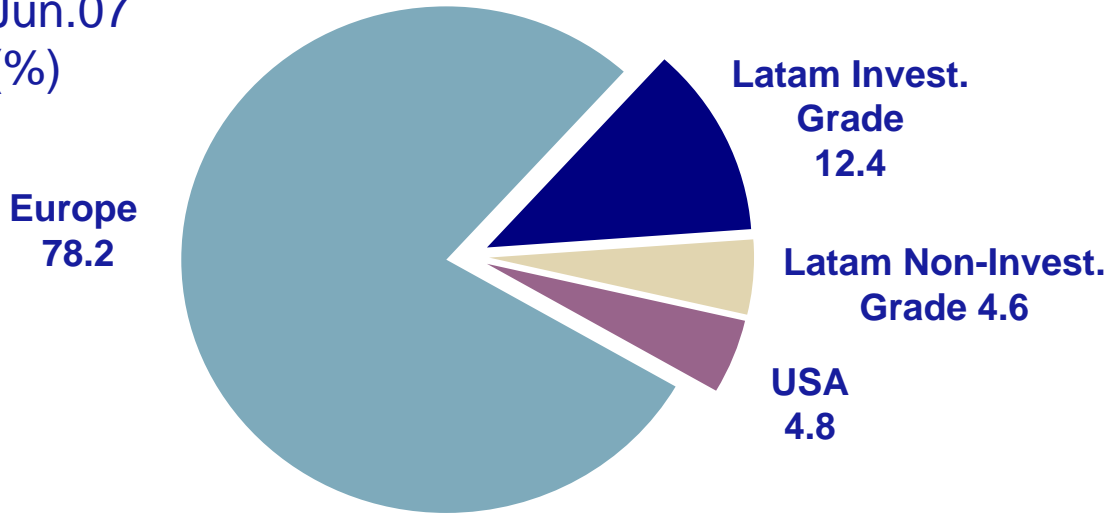
**Strongly focused on value creation**

C

# Credit Risk management as a key competitive advantage

## Asset distribution

Jun.07  
(%)



**46% of lending collateralised**

**No exposure to subprime assets**

**95% investment grade assets**

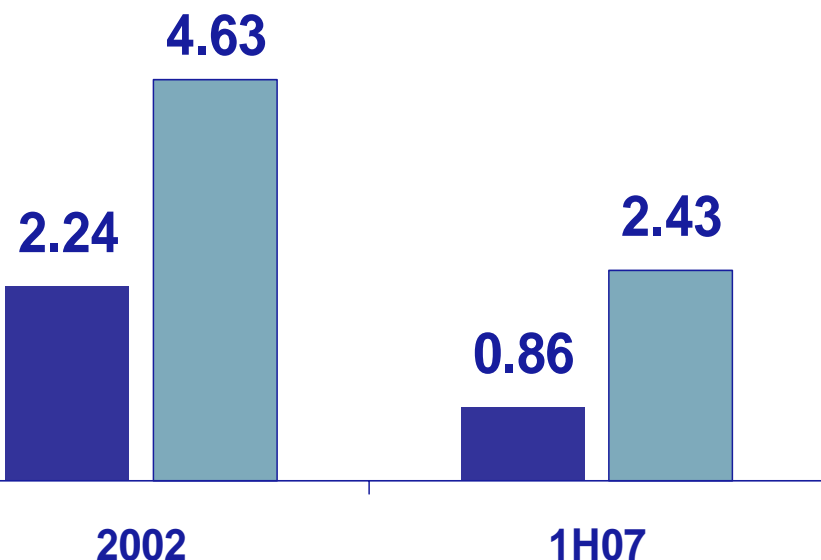
**Fitch's AA- positive outlook  
S&P AA- positive outlook  
Moody's Aa1**

**Fitch's upgrade to Bancomer  
on 20<sup>th</sup> september**

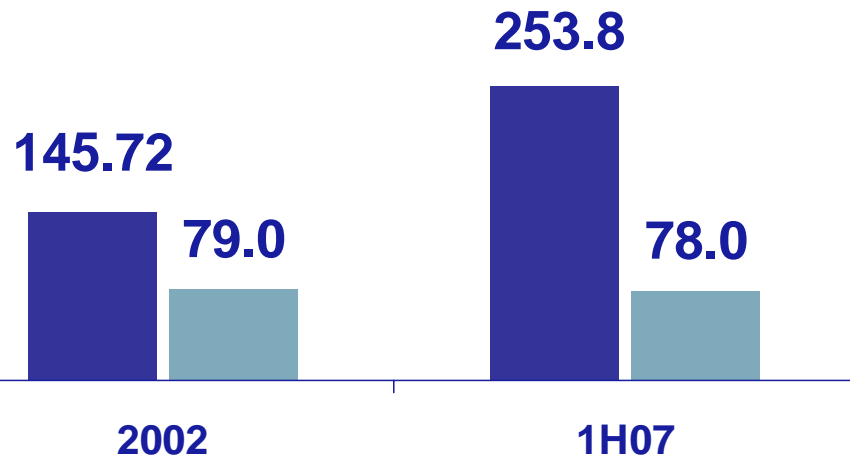


# And best-in-class vs. peers

**NPL Ratio**  
(%)



**Coverage Ratio**  
(%)



**With €5.5 Bn of generic provisions  
vs. €2.2 Bn of expected losses**

# Also, strict control of market and liquidity risk

## Market risk



Strict market risk control based on risk technology: Var, stress testing, simulations ...

Well diversified business portfolio and client driven business model

VaR keeps at levels of €21 m

Excellent technology and a business based on clients allow for moderate / low market risk

## Liquidity risk



No conduit-related exposure

Negligible leverage finance exposure

Bond Issues & securitisations  
€32,000 m YTD

Balance sheet management allows for a top strength liquidity situation

**With adequate solvency ratios**

# BBVA ready to outperform in the current macro environment

**Corporate positioning**

**Business Model**



**Client driven recurrent revenue growth**

**Best-in-class efficiency**

**With low risk**



**Profitable growth**

# **BBVA**

## **Investor Day**

**15<sup>th</sup> - 16<sup>th</sup> November 2007**

**Madrid**

# Merrill Lynch

Banking & Insurance CEO Conference 2007

