

BBVA

BBVA: DELIVERING GROWTH

ABN AMRO Banking Conference

Expanding Horizons

London, 21st April 2004

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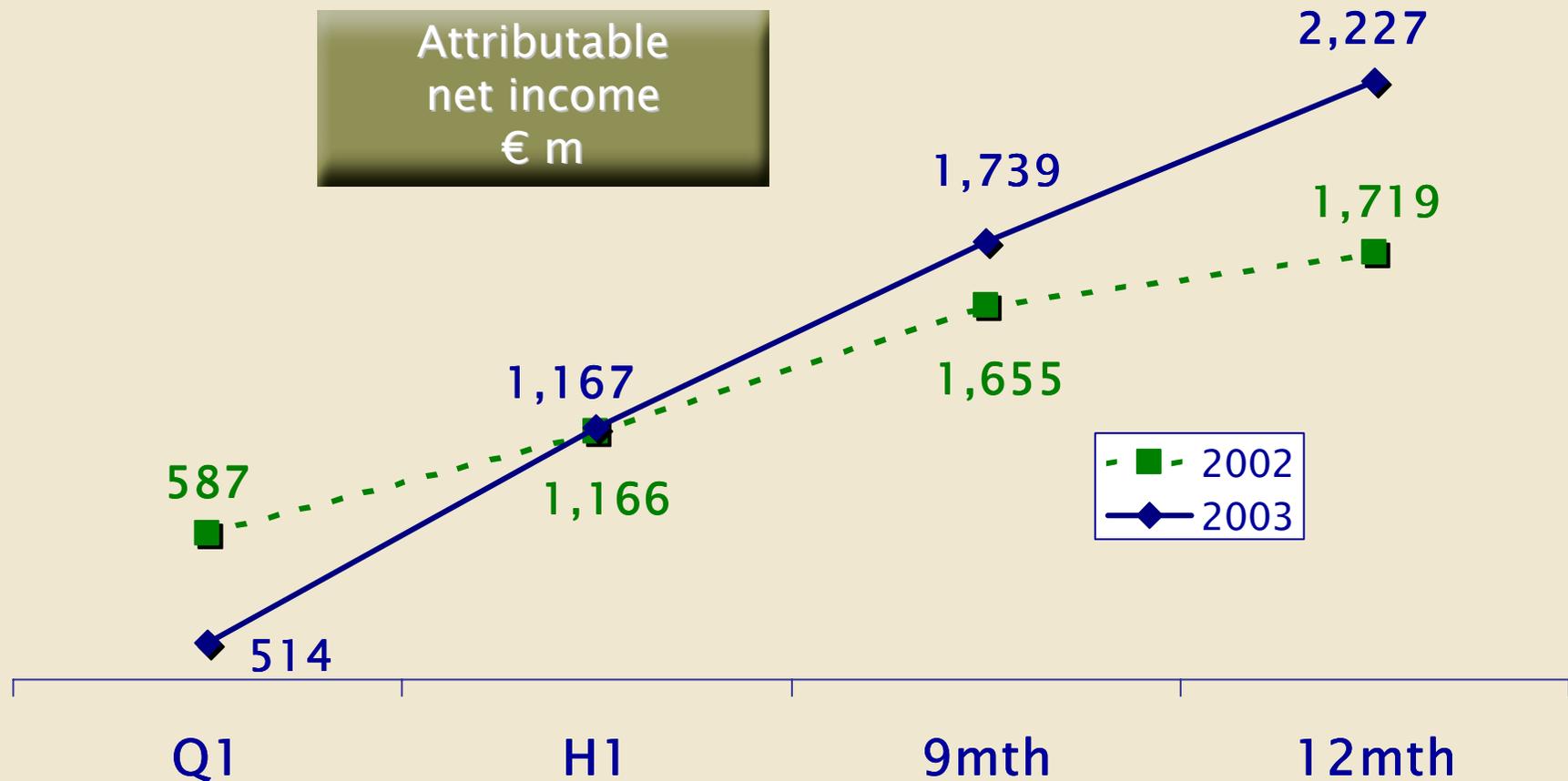
- **BBVA Overview**
- Key growth drivers for BBVA
- Improving capital allocation: acquisition of BBVA Bancomer minorities
- Mexico: expanding horizons
- Conclusions

BBVA has successfully met the strategic plan it drew up in 2002



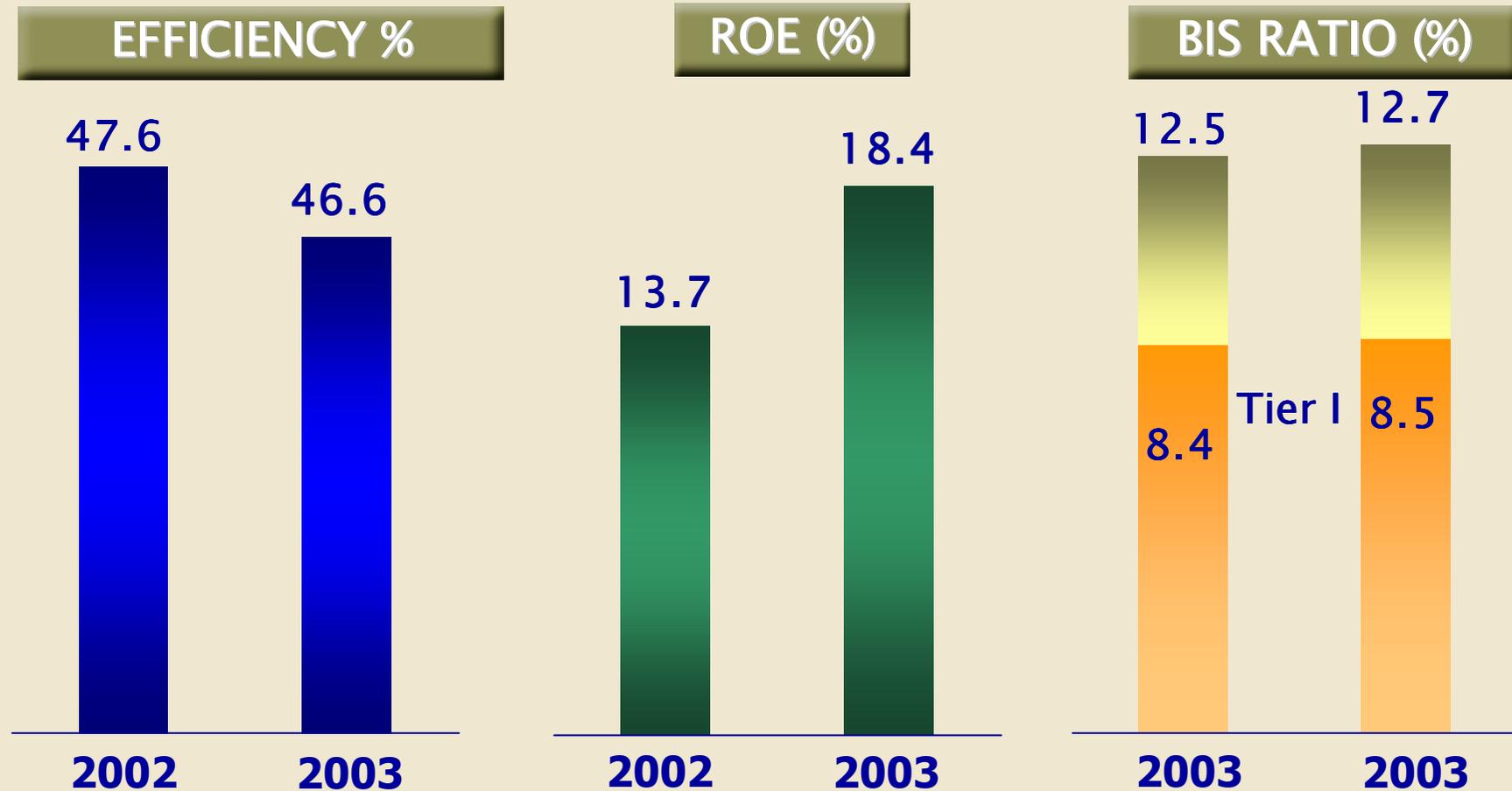
Today BBVA is well placed to deliver superior growth

Showing an increasing performance of net attributable income in 2003



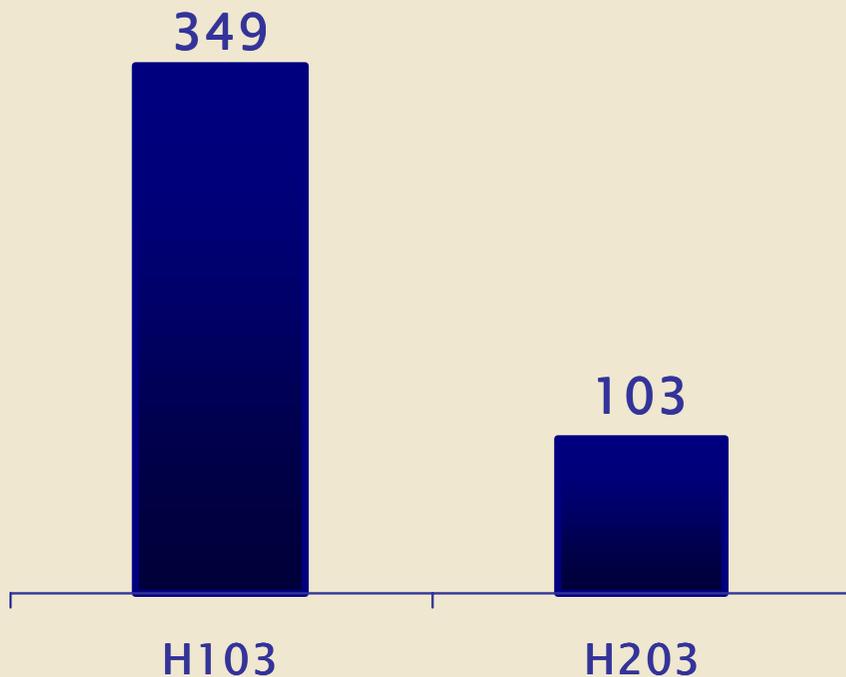
...surpassing its commitment to the market (€ 2.15bn)

... with gains in efficiency, profitability and solvency ...

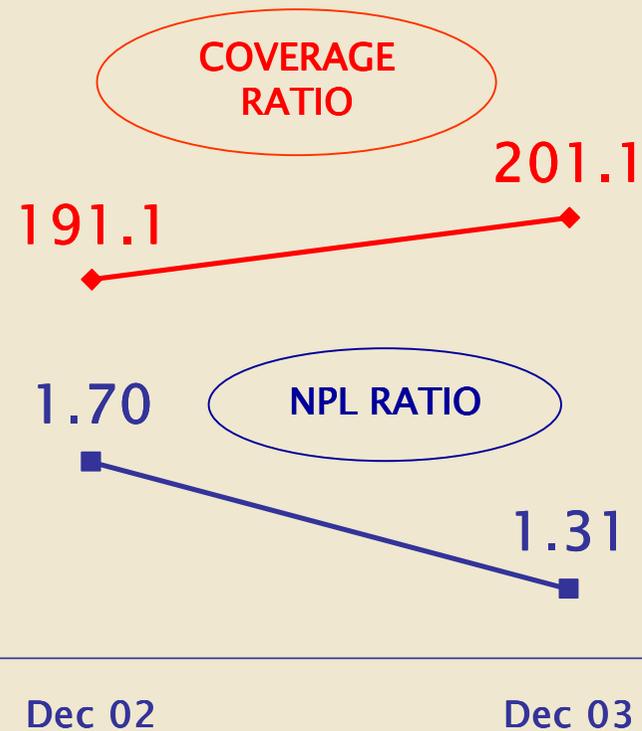


... low NPLs and high coverage ratios

NPL Entries (€ m)



NPL and coverage ratios (%)
Like-for-like Group



... placing BBVA Group at the top of the banks in the Eurostoxx

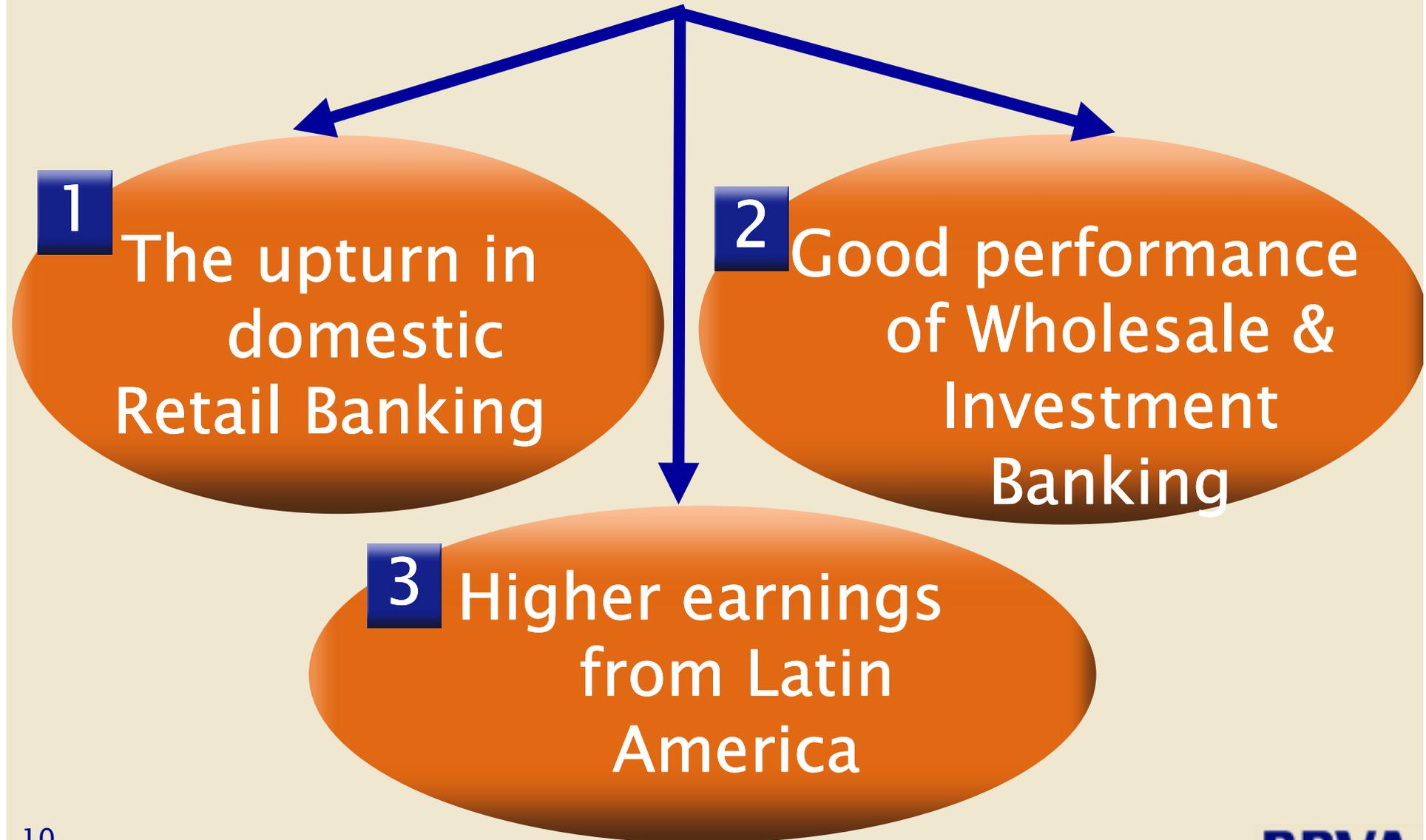


With EPS increasing 29.5%

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Key growth drivers for BBVA



1

The three pillars of the improvement in retail banking

1. A steady mortgage demand

- ✓ Individuals +25%, developers +14%
- ✓ With a 35% increase in production in 2H03

2. Accelerating volumes from SMEs

- ✓ +13% increase in SME's
- ✓ +17% increase in businesses

3. Increase in off-balance sheet funds

- ✓ +12% increase
- ✓ Gaining market share

This positive evolution results from the strategic development of our retail franchise

Personal
Financial
Services

Focus on
individuals
(8.5 m customers)
Client Focus
Advisory

Commercial
Financial
Services

Focus on SME's
and businesses
(one in three of
all Spanish SMEs
are BBVA
customers)
Cross-selling

Special
Financial
Services

Internet banking
& Consumer
finance
*Profitability
and
convenience*

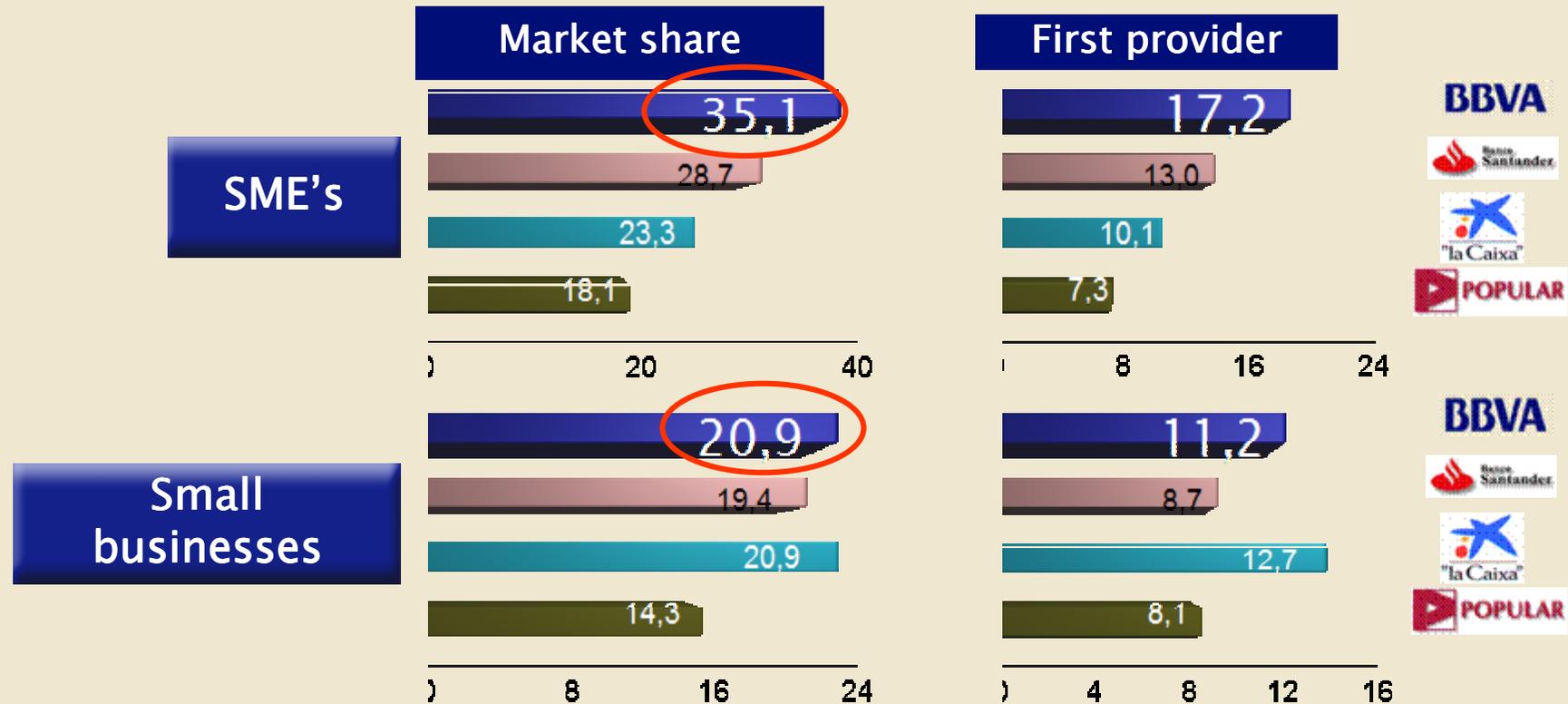
A steady growth potential for
financial services in Spain

Personal Financial Services: Progress in 2003

1. Branch transformation: 268 branches adapted
2. A new sales oriented structure: 50% increase in the sales force, 40% back-office reduction
3. 108,000 new active customers. 3.8 products per customer (3.6 in 2002)
4. Customer personalisation: 20% of the client base
5. Advisory capabilities: training 2,500 people
6. New tools to manage customers

A sales-oriented organisation based on advisory and customer needs

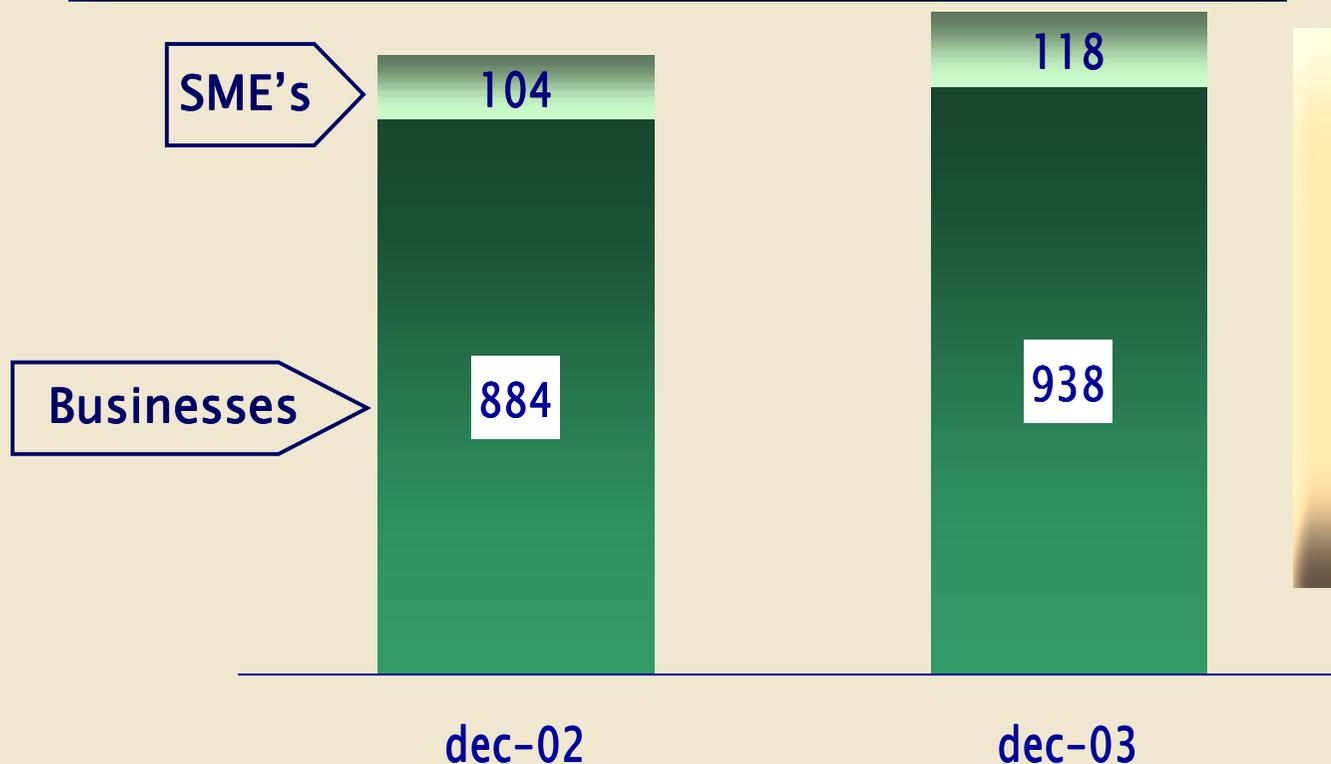
Commercial Financial Services represents a great opportunity for BBVA



Serviced through specialised networks

... With good results in the first year

Evolution of active customers (thousands)



- 8.6% increase in customers
- 4.7 products per customer
- 0.84% NPL ratio

Cross-selling supported by a broad product range

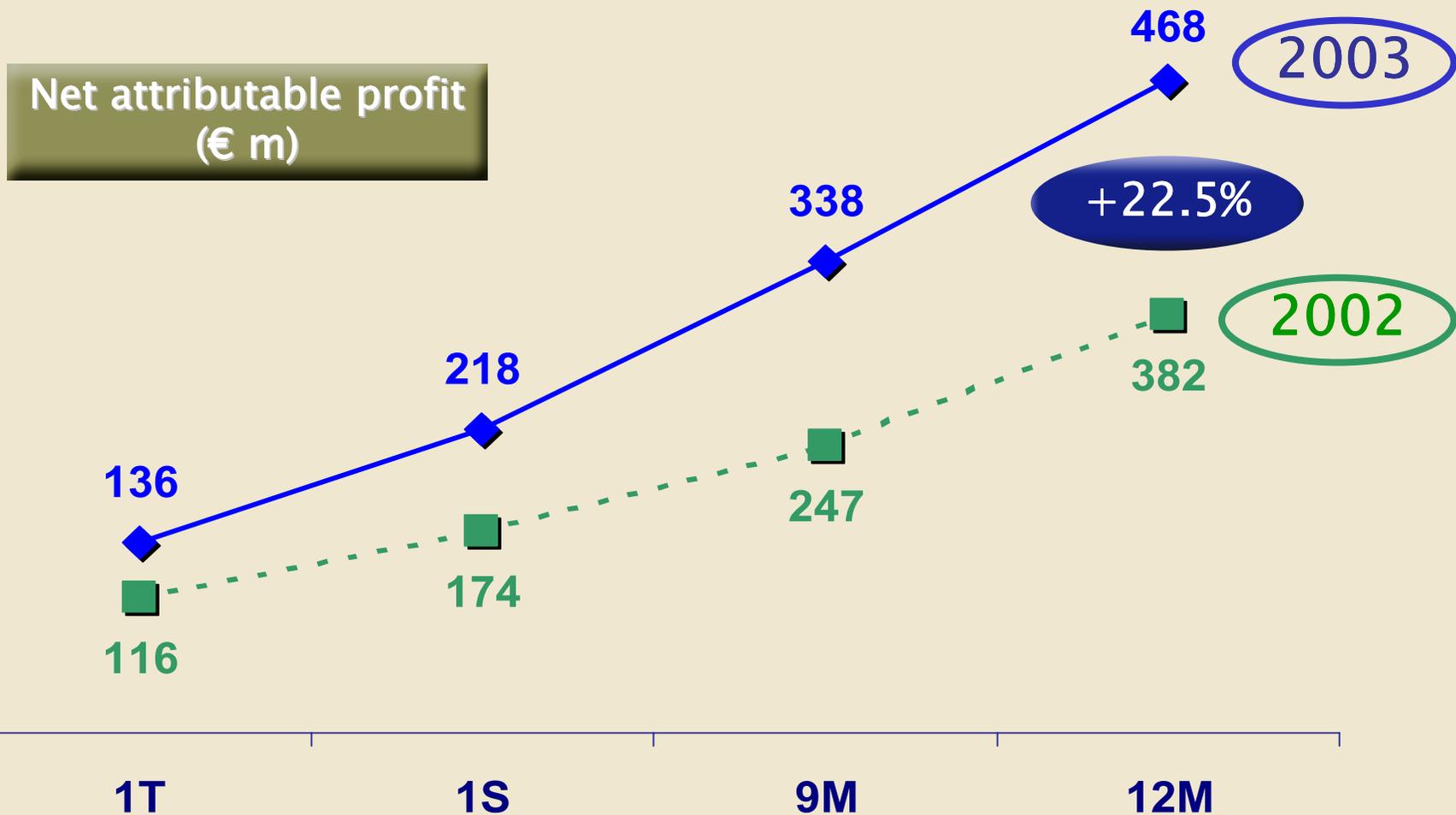
Key performance indicators: higher targets for 2004

Loans/Funds

- Growth above the market
- Gaining market share

	2003	2004
Personal Financial Services		
Active customers	8,500,000	8,900,000
Products per customer	3.8	4.1
SME's		
Active Customers	117,800	125,000
Products per customer	4.9	5.1

2 Good performance of Wholesale Banking



+ 12.6% increase in operating income for 2003

The first franchise in wholesale banking in Spain

**Corporate
Banking**

**88% of the
largest Spanish
companies are
BBVA customers**

**Institutional
Banking**

**35% market
share in loans to
the Spanish
Public Sector**

**Global
Markets
and
Distribution**

**Spanish
leadership,
expansion in
Latin America**

... with a clear set of objectives



To export our global model to Latin America: Wholesale banking and markets



To reinforce our leading market position

With large corporations in Spain and Latin America

Financial markets Spain and Latin America

Spanish public sector and European institutions

3

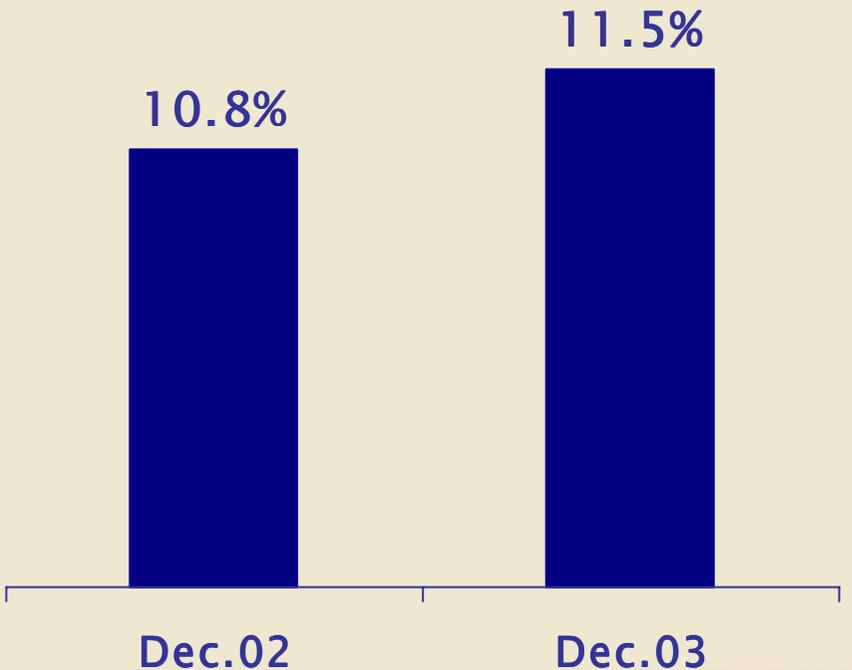
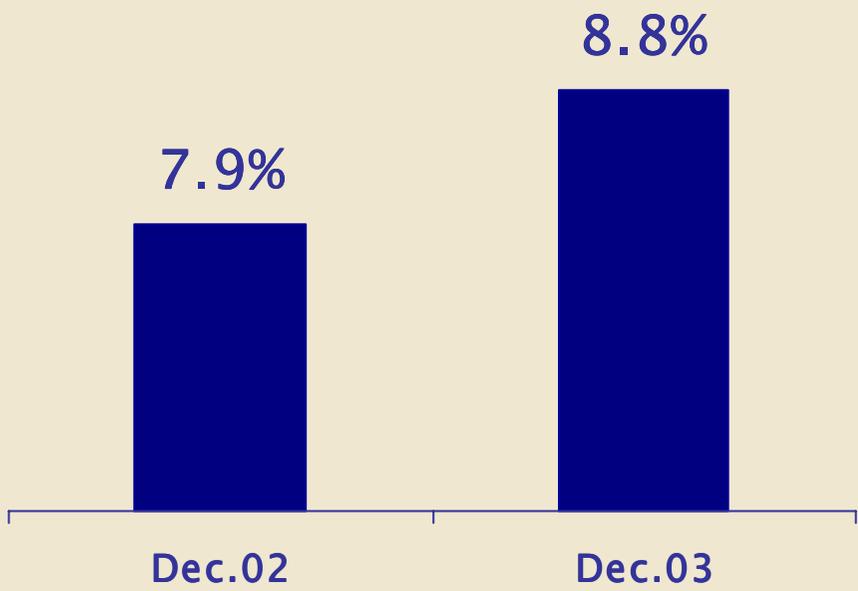
The Americas show growing levels of activity ...

Constant €

Total Americas

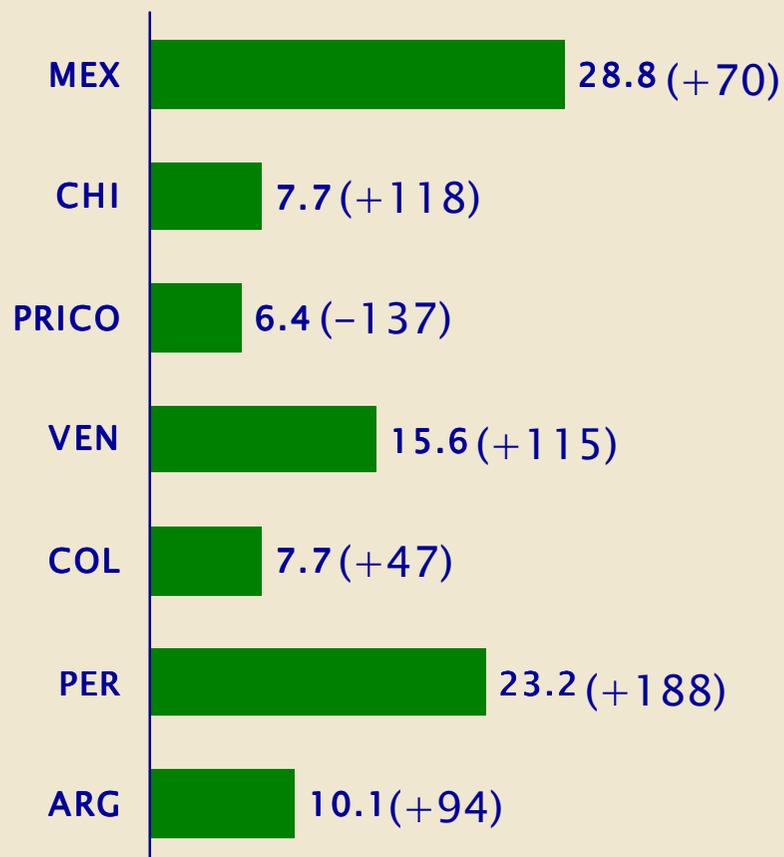
Lending
year-on-year chg.

Customer Funds YoY chg.
(Balance sheet + M&P Funds)

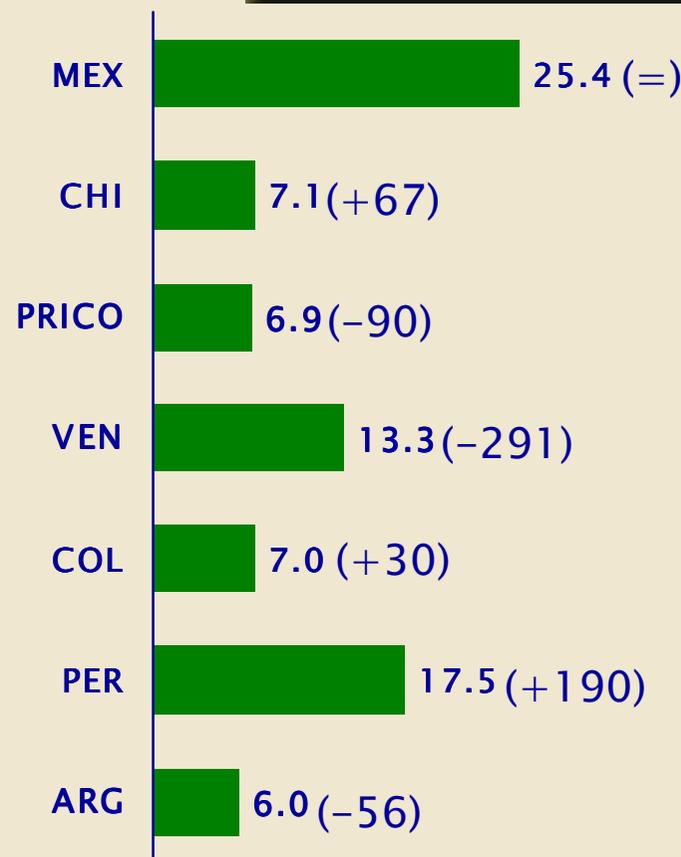


...with generalised gains in market share

Customer funds
Mkt. share and chg. in b.p.



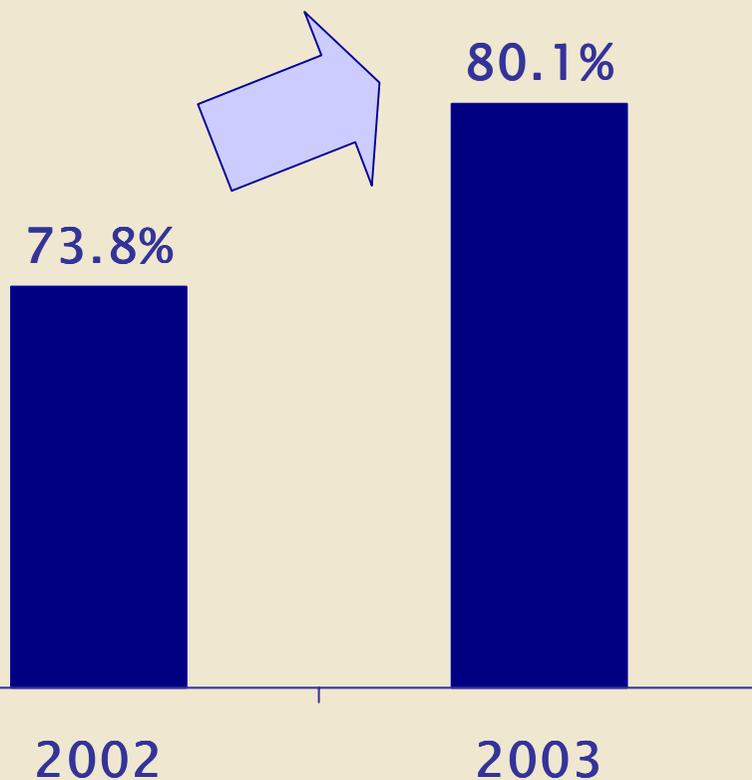
Lending
Mkt. share and chg. in b.p.



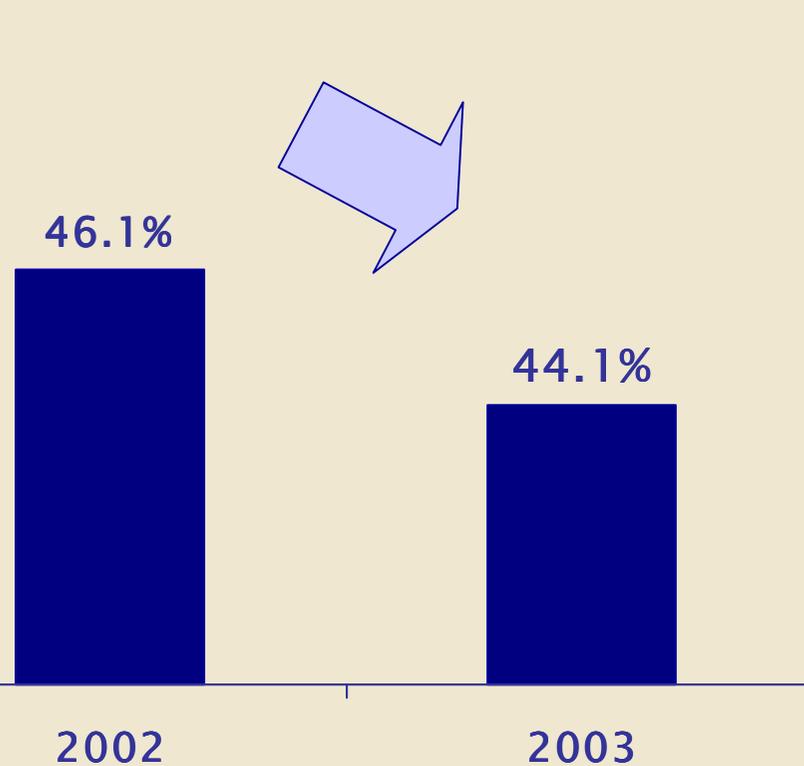
Greater emphasis on customer funds

... improvement in recurrency and efficiency ratios ...

Fees/Expenses Ratio



Cost/Income Ratio



... resulting in higher Net Attributable Profit for BBVA America

Net Attributable Profit
(constant €)

Δ 2003/2002
+24.0%



Up 6% in € including currency hedges

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- Key drivers to BBVA growth
- **Improving capital allocation:
acquisition of BBVA Bancomer minorities**
- Mexico: expanding horizons
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Leveraging our exposure to high growth markets

Acquisition of BBVA Bancomer minorities: 99.6%

Strategic fit

BBVA consolidates its position in Bancomer

- Leader in Mexico
- Greater management flexibility
- BBVA's risk profile not affected
- Growth potential

Value creation

EPS and cash EPS accretion from 1st year

- Appropriate timing → more profitable investment
- Favourable financing:
 - More efficient capital allocation
 - Positive tax effect
- Successful capital increase

Active management of industrial and financial portfolio

Disposals of industrial portfolio

million €

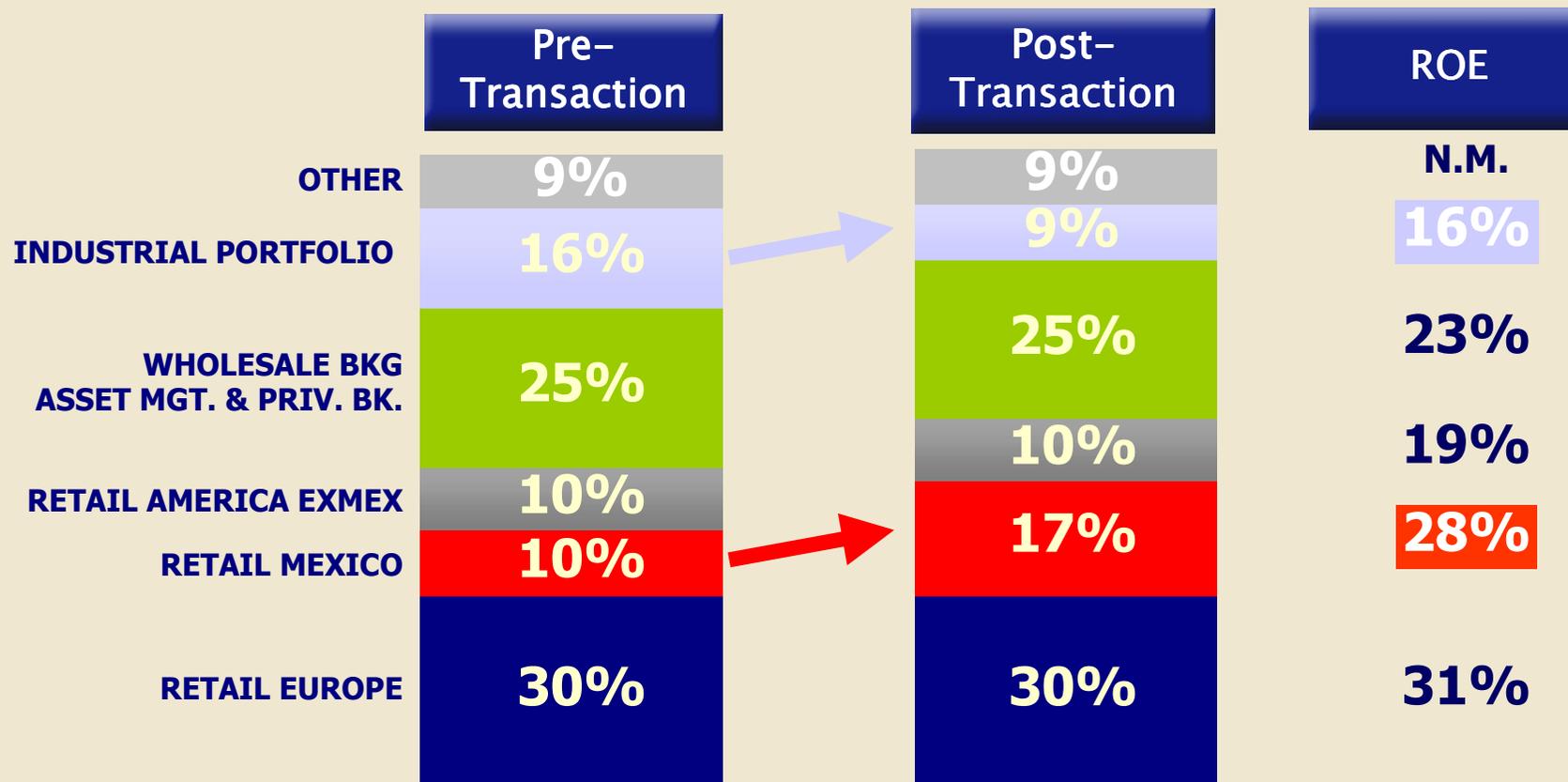
➔ Market value	1,405
➔ Core capital generated	614
➔ Capital gains	87

Disposals of non-core financial holdings

million €

➔ Market value	466
➔ Core capital generated	232
➔ Capital gains	255

A more efficient capital allocation



The transaction improves the future earnings capacity of BBVA through a more efficient capital allocation and a better business mix

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Mexico: expanding horizons

1

The Mexican economy

2

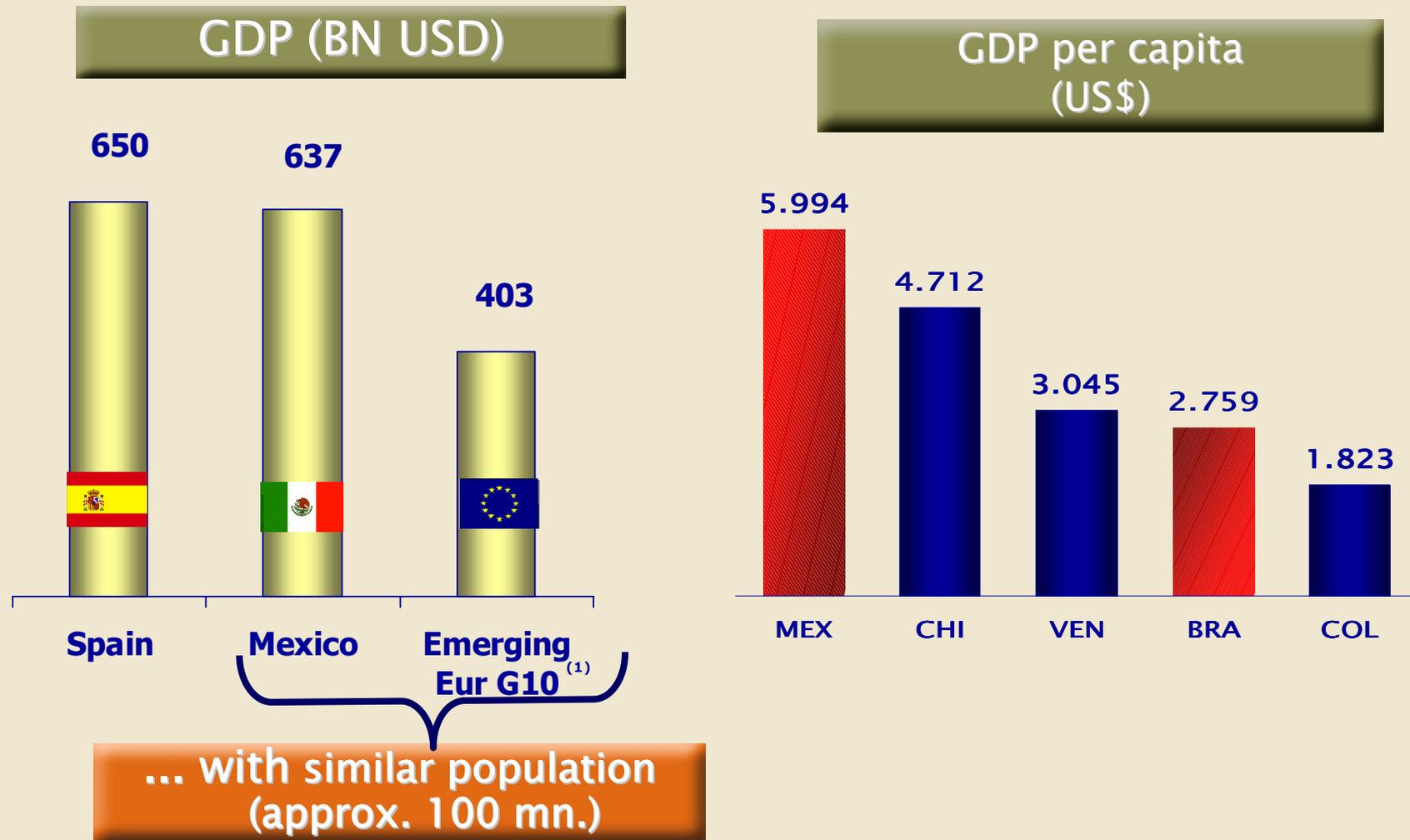
BBVA Bancomer: the leading
financial franchise

3

Growth opportunities in Mexico

1

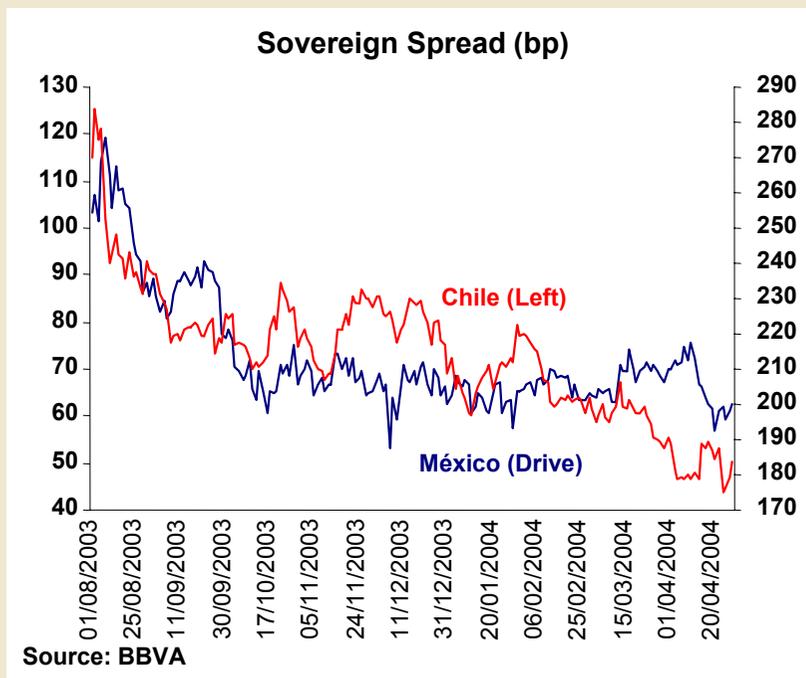
Mexico: a sizeable economy



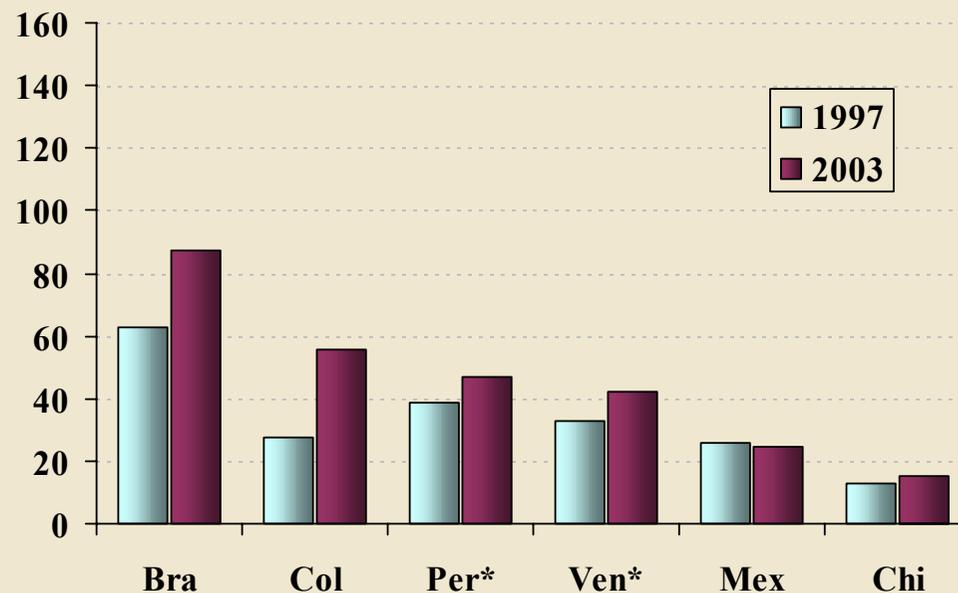
Emerg. Eur. G10: Group of 10 emerging countries in Eastern Europe, with 100 M inhabitants: Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

... and safe economy

Sovereign spread



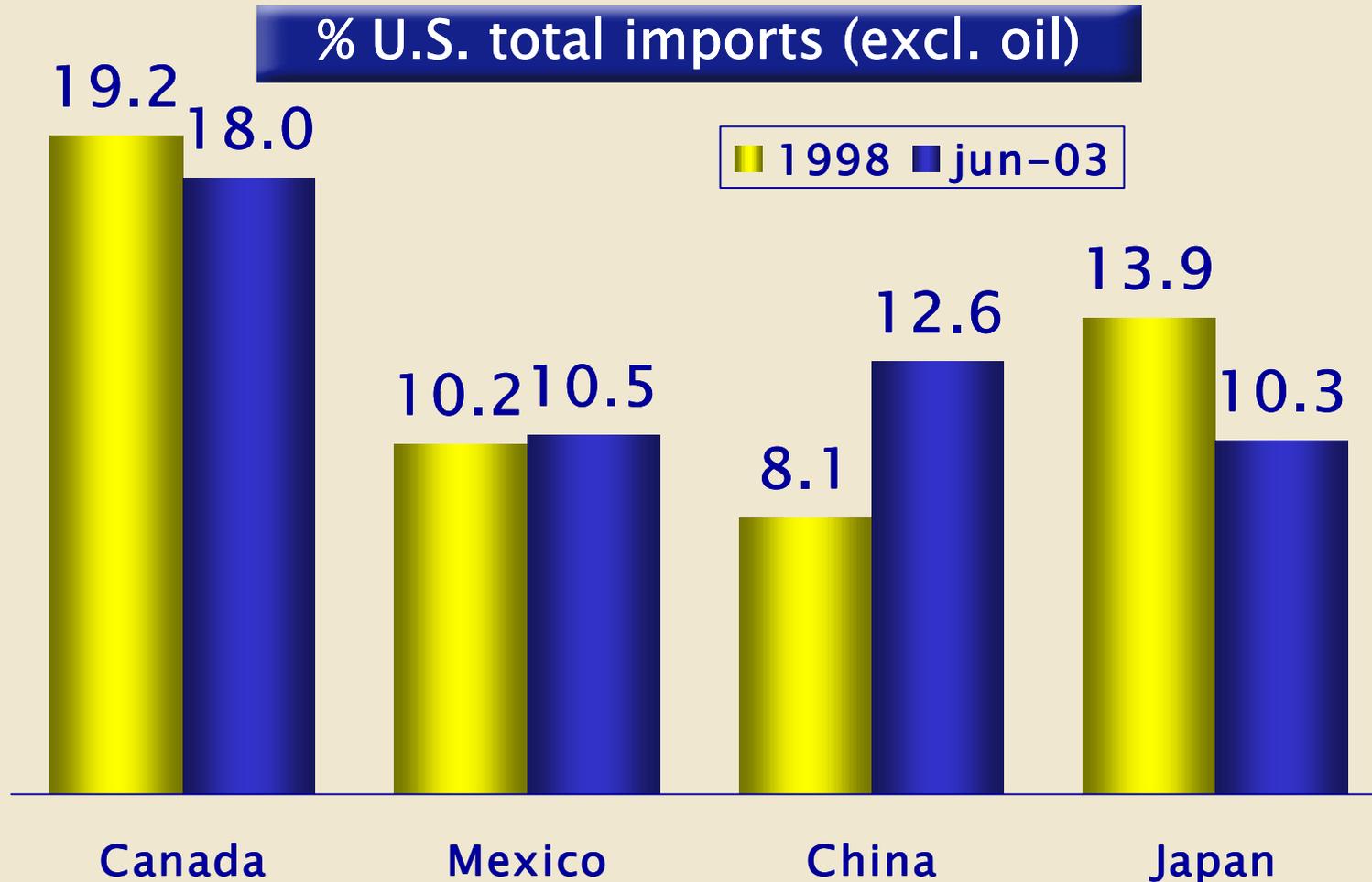
Public debt / GDP (%)



*Data from 2002 in Peru and Venezuela

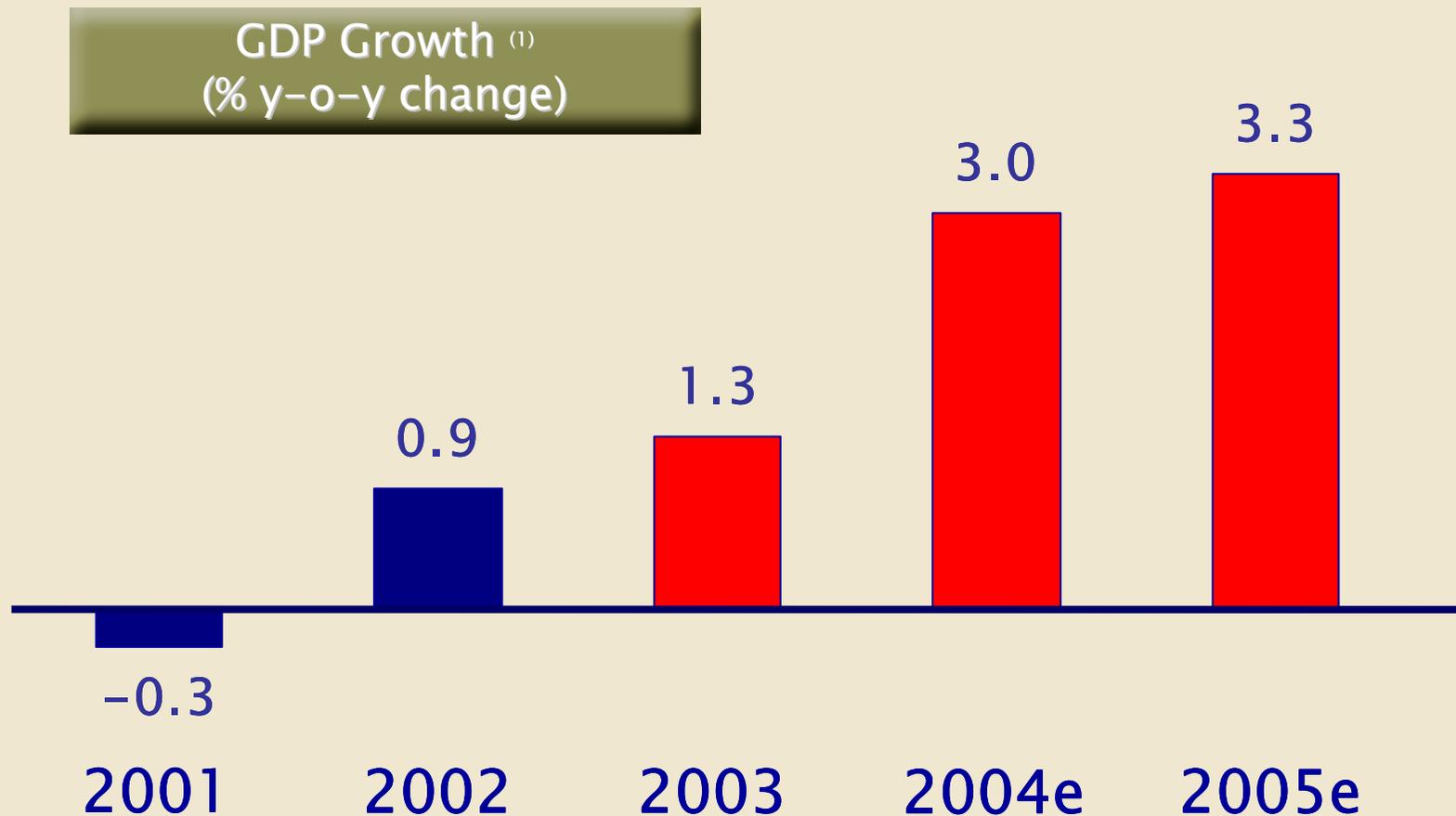
Low risk perception and solid public financing

... which remains competitive in an increasingly globalized world



Mexico has held on to its market share of US imports despite China

...entering a growth phase



(1) Source: Global Insight

2

BBVA Bancomer is the leading franchise in Mexico

Leader in banking business

and in non-banking business

Number 1

Market share

- Loans:.....25.4%
- Customer Funds:.....28.8%

Number 1

Market Share

- Bancassurance.....38.8%
- Annuities.....20.4%
- Transfers.....40.0%

Number 2

- AFORE.....21.3%

...and more than 9 million customers

... with outstanding commercial success

	<u>2000</u>	<u>2003</u>	<u>Var. %</u>
Credit cards (million)	2.6	4.2	61.5
Debit cards (million)	8.7	10.7	23.0
New accounts “ <i>El Libretón</i> ”	7 million in 3 years		
Afore affiliates (million)	2.9	4.3	48.3
Insurance customers (thousand)	851	1,585	86.3
Electronic banking (thousand)	400	875	118.8

Drivers for BBVA Bancomer results

Until now:

- Reduction in costs (integration)
- Price management and business growth in a falling interest rates environment
- Fees

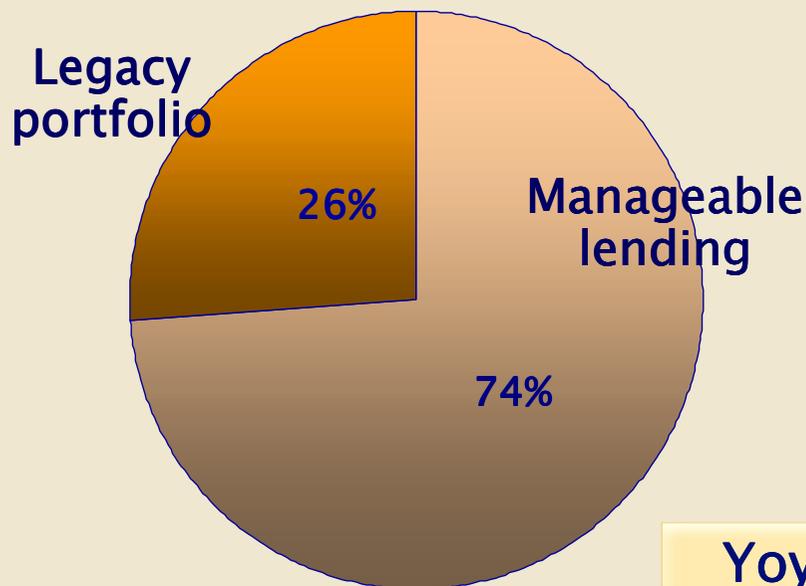
2004 and following years:

- Increase in credit demand
- Fees
- Interest rates already at very low levels
- Asset quality to start improving

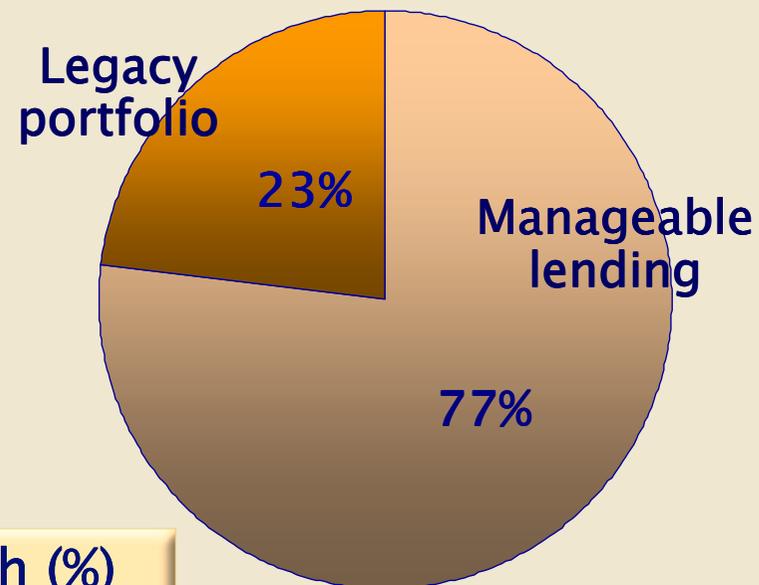
A very strong, integrated and well organized bank with ample room to grow in a “non-emergent” country

Net interest income boosted by improving the asset mix ...

December 2002



December 2003

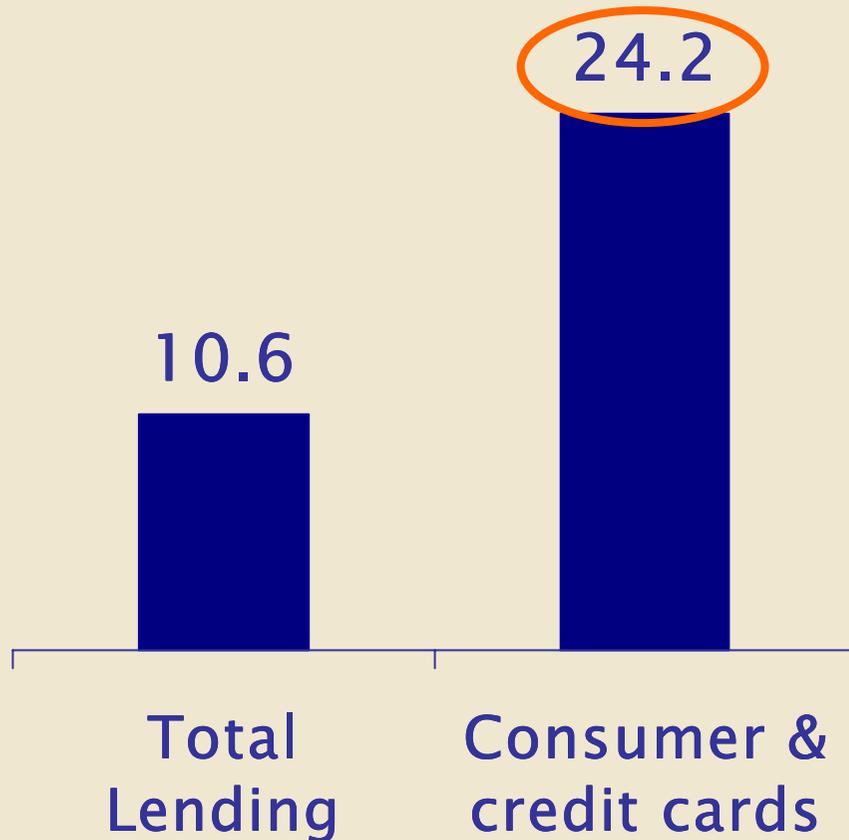


Yoy growth (%)

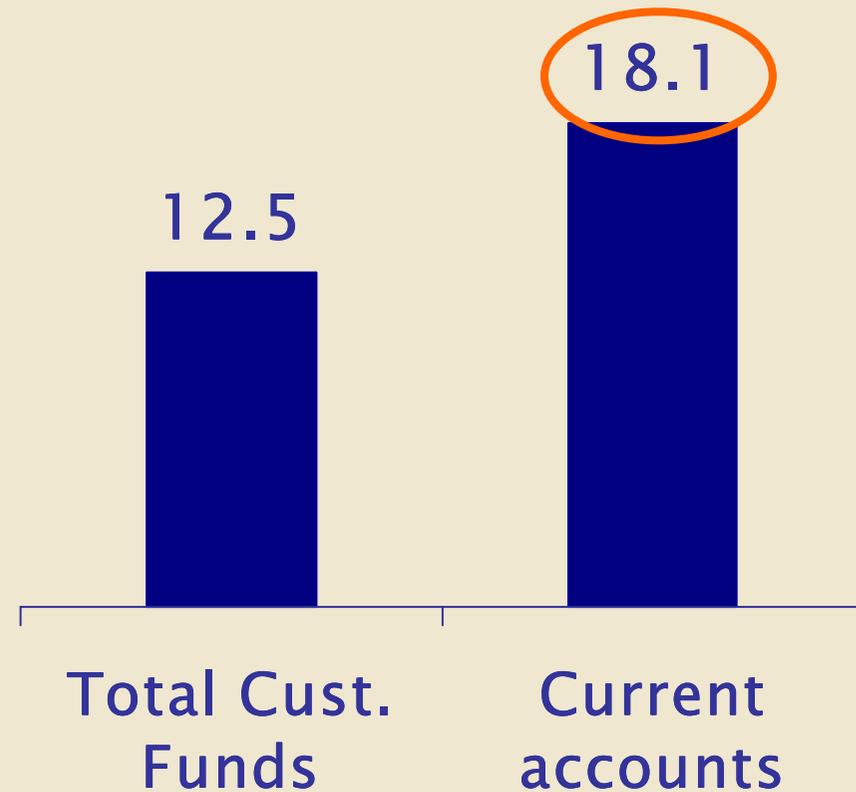
Loan portfolio	10.6
SME's	19.3
Consumer	24.2
Mortgages	1.9
Legacy portfolio	-12.6

...and strong growth in the most profitable segments (2003)

% Δ lending



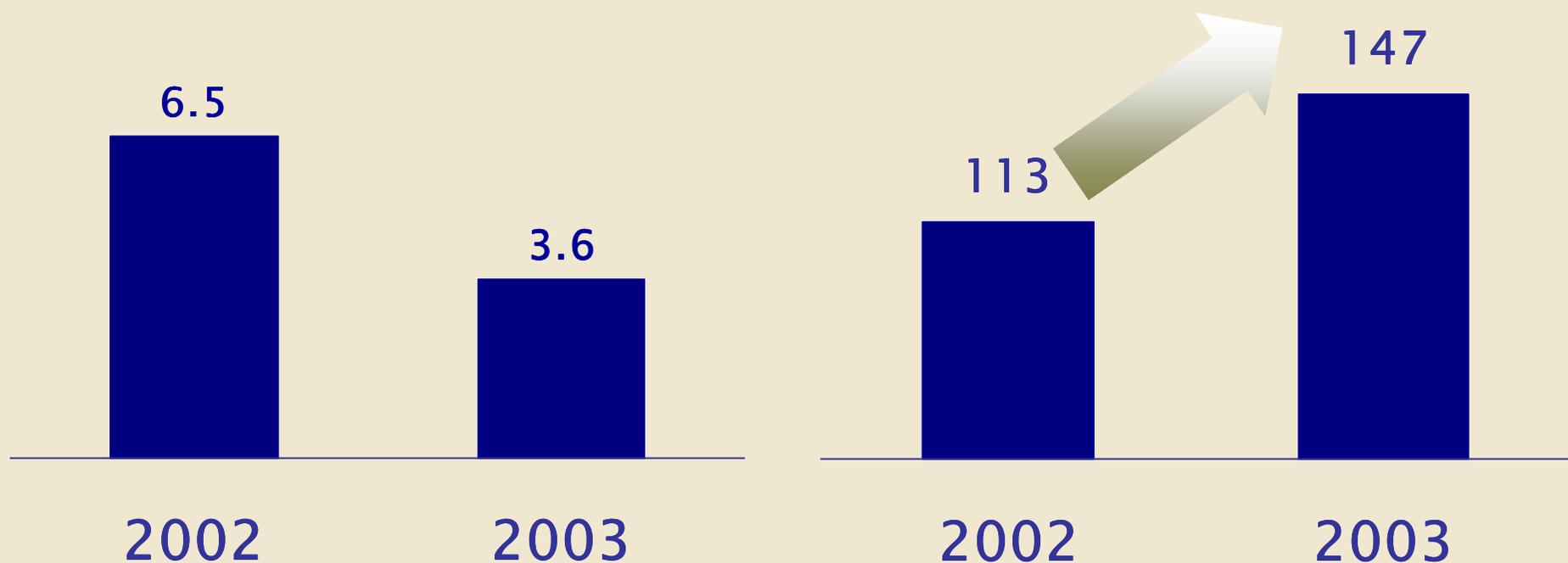
% Δ Customer Funds



Improvements in asset quality and good NPL coverage

NPL Ratio (%)
(Local)

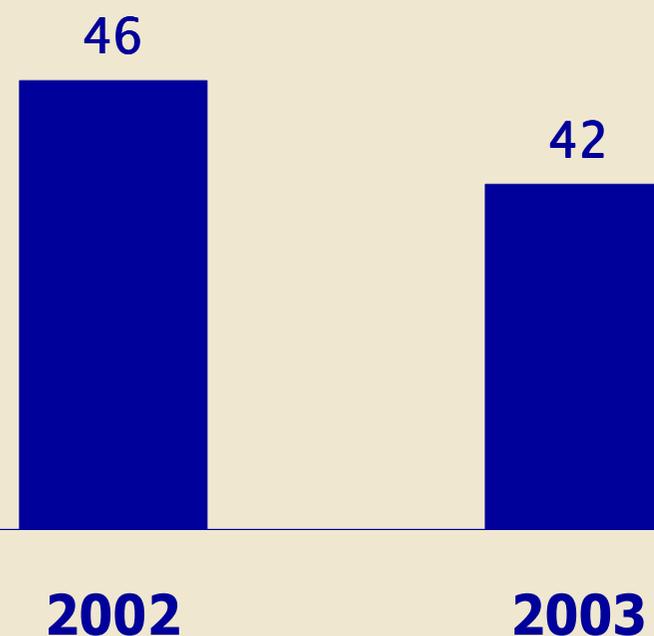
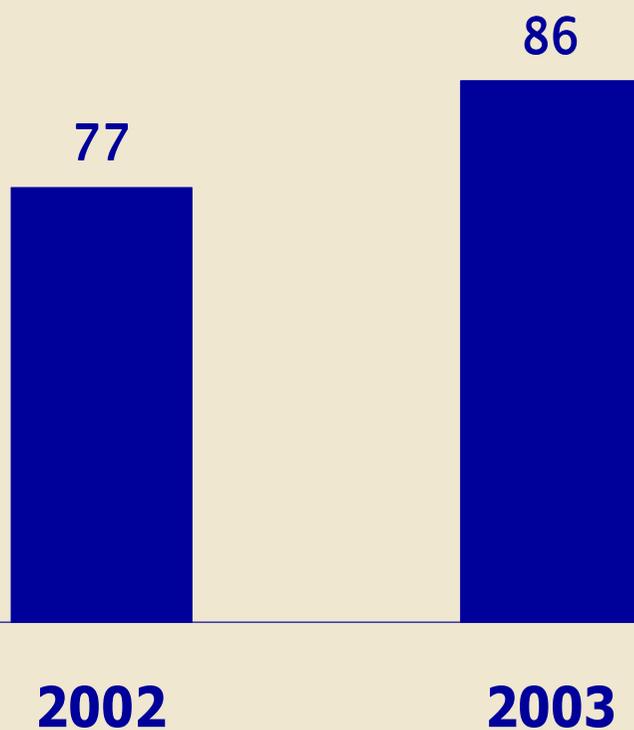
Coverage of
NPL (%) (Local)



Significant advances in productivity and efficiency

Fees / Expenses (%)

Cost / Income (%)



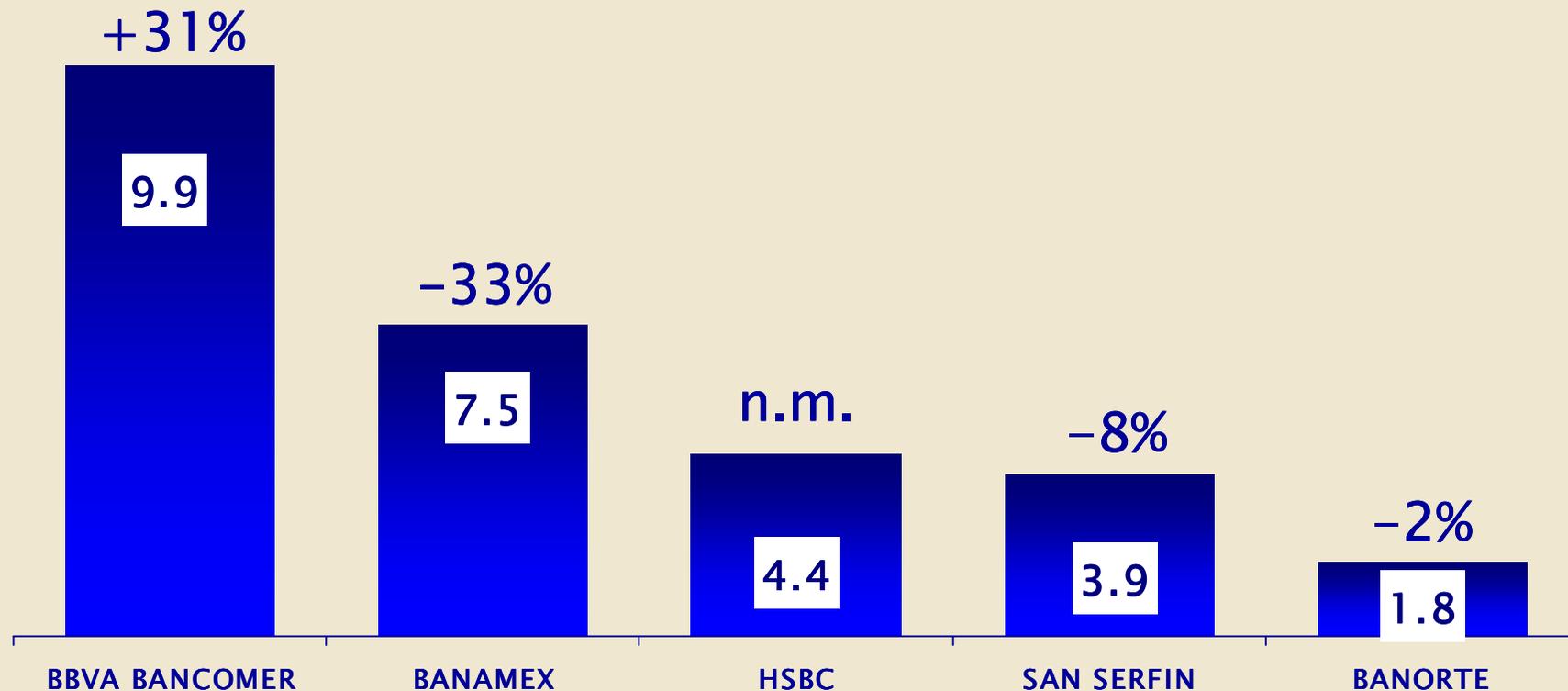
Attributable profit showing an upward trend



Attaining record levels: 2003 attr. profit grew +24%

Better recurrent results than peers

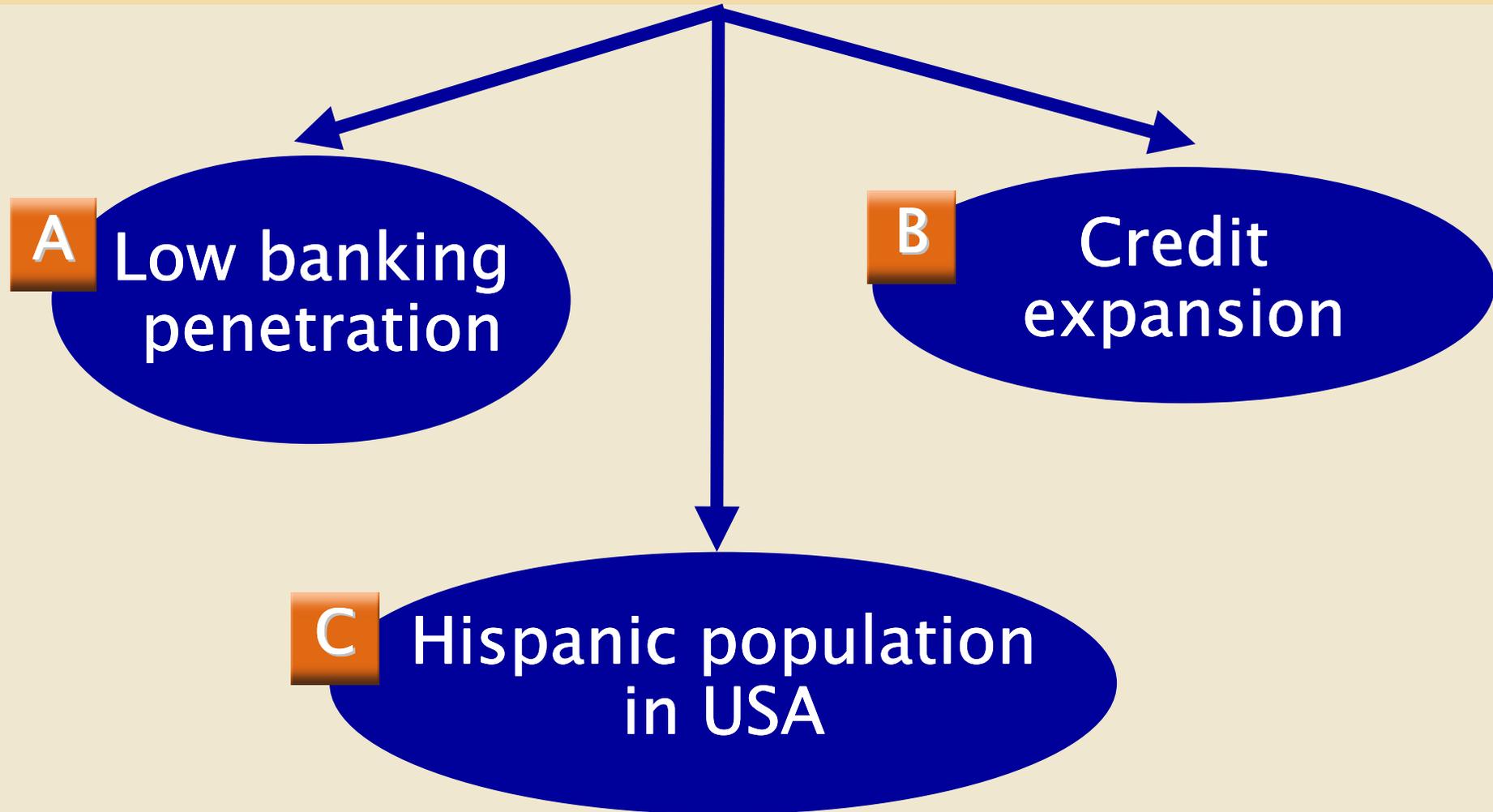
Recurrent operating profit (*) 2003 (MM Ps)
and annual change (%)



(*) Recurrent operating profit (NII + fees) - general administrative expenses. Source CNBV

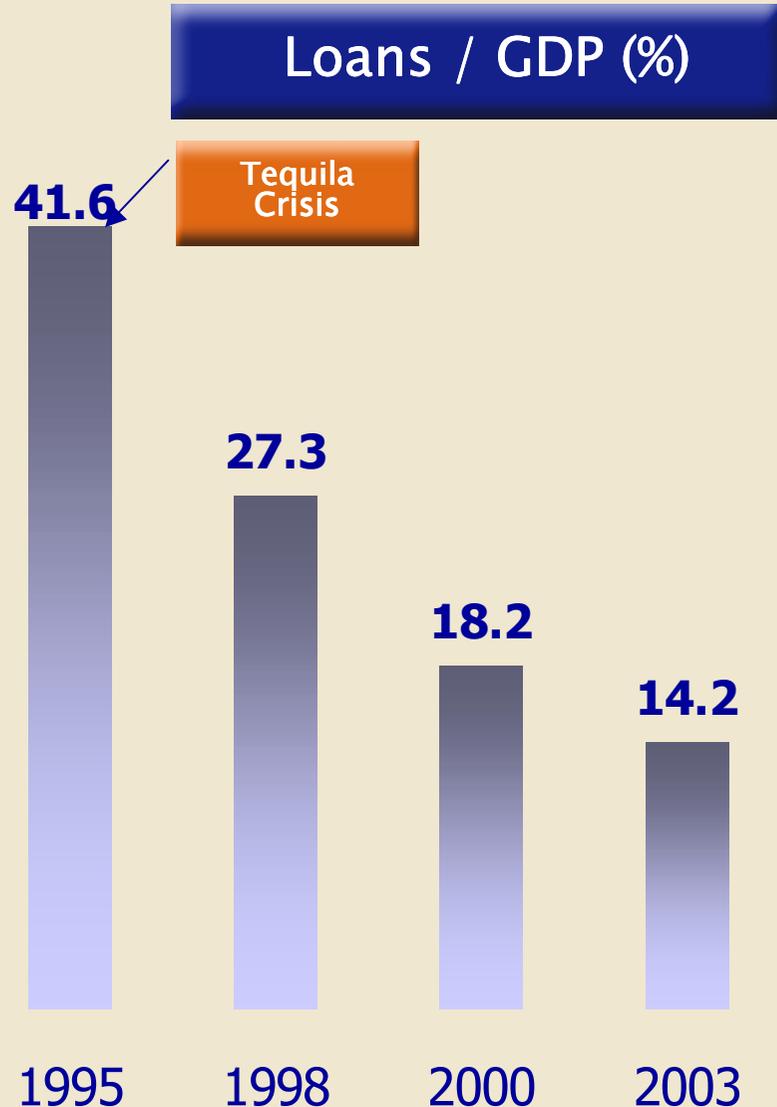
Mexico: a great opportunity for BBVA

3 What are BBVA Bancomer's medium and long term growth opportunities?



A

Potential growth and efficiency going forward



Given the low penetration of banking products, growth in financial revenues can outstrip GDP

- Profitability of current 20 million banked clients
- Potential market – estimated at 30 million
- Integration of informal economy
- Stabilization of macro outlook for credit activity

Financial system transformation resulting in higher ROEs

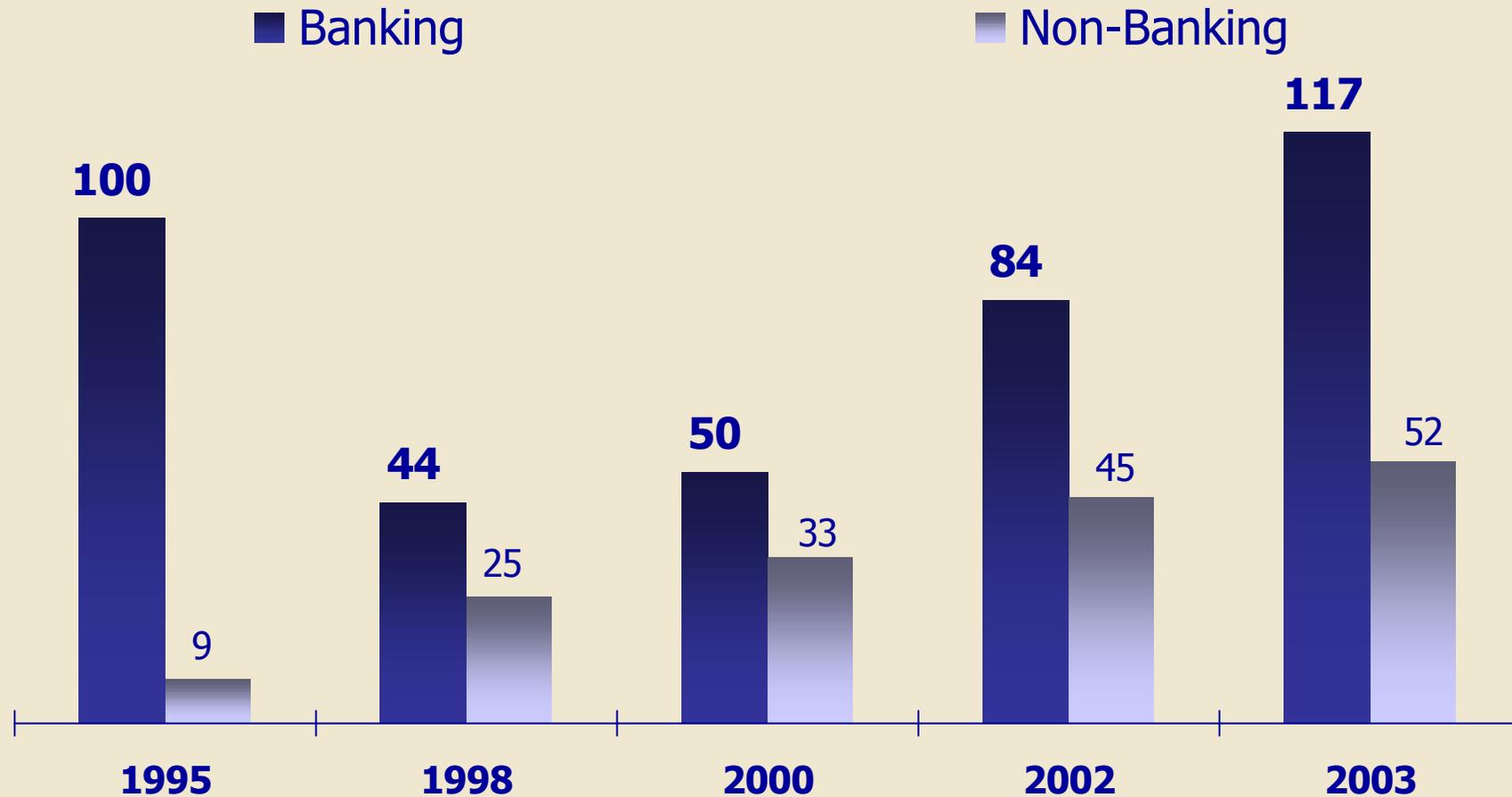
- Regulation benchmarked to international standards
- Stricter risk modeling and taking procedures
- Adequate capitalization
- Improved technology
- Better knowledge of customer credit history
- Improved legal framework
- Increased consolidation

	Brazil	Chile	Mexico
ROE (nominal)	17.4	14.5	16.4
Inflation	9.5	2.5	4.0
ROE (real)	7.9	12.0	12.4

Mexico's banking sector ROE (inflation adjusted) is the highest in the region

B

Credit expansion: consumer loans have been the first to take off

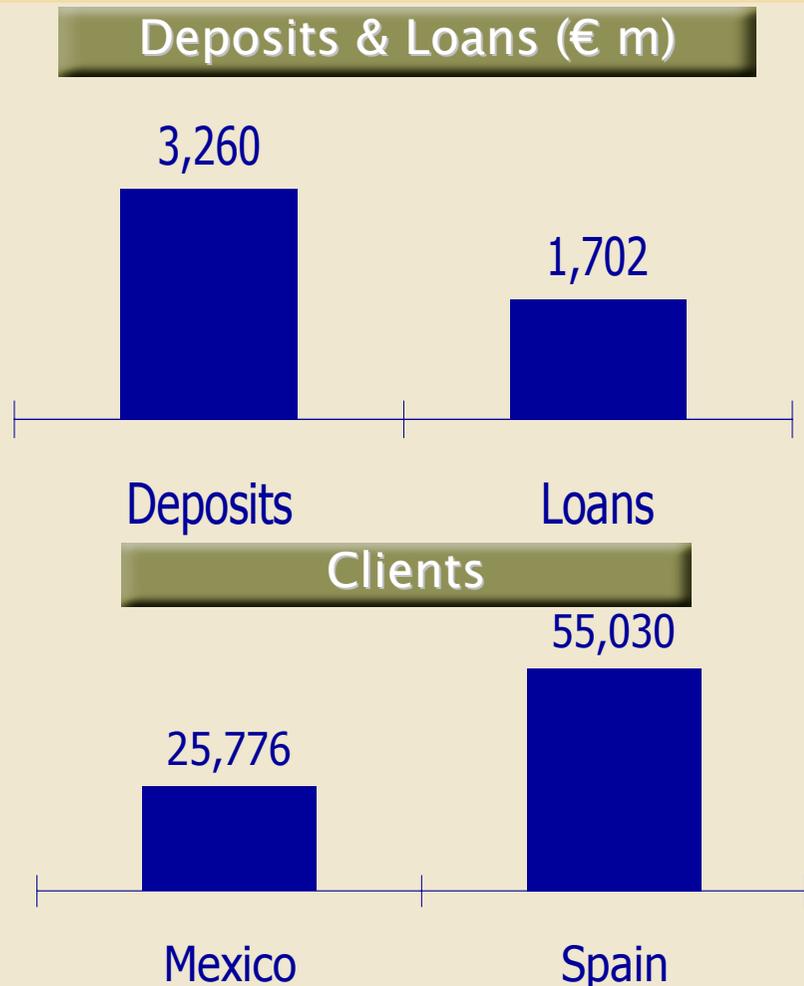


Banks have successfully regained market share

46 Figures in billions of pesos as of March 2003

BBVA

SME´s: very low penetration, very high growth potential



- ▶ Business model: focus on clients, not on products
- ▶ Dedicated networks
 - ▶ 114 branches for the middle-market
 - ▶ For small businesses, 415 retail branches, with specialized executives

Only 7% of the customer base in this segment has an outstanding loan (vs 70% in BBVA Spain)

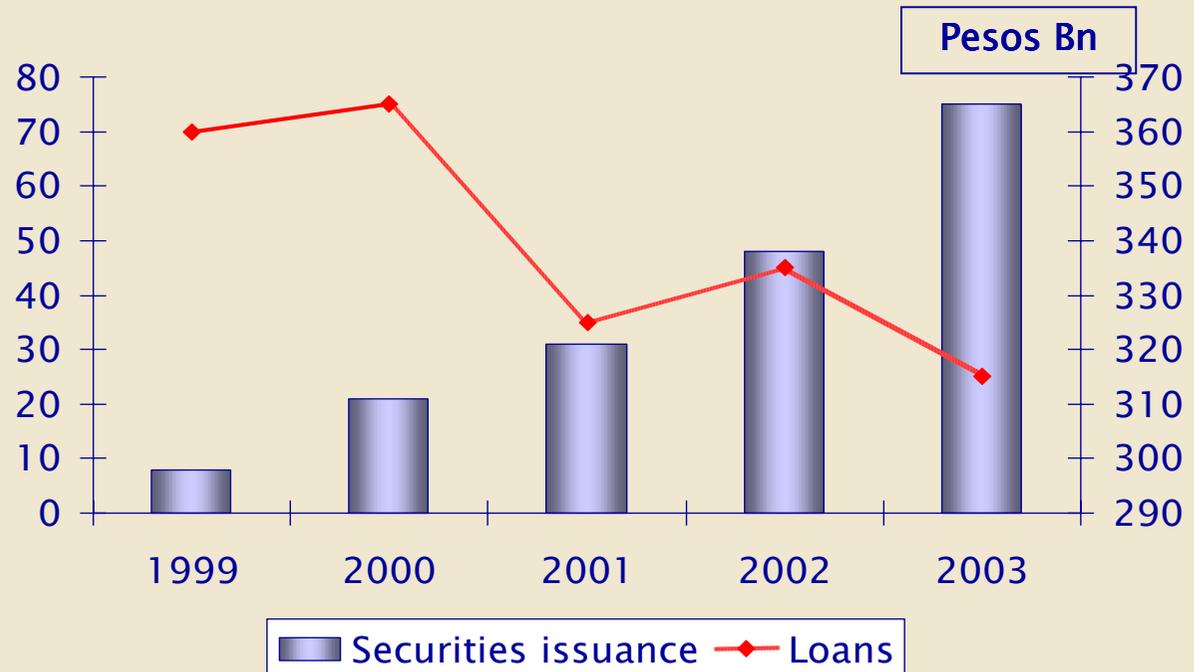
Wholesale and Investment banking: Bancomer is the leader

	First bank	Second bank
BBVA Bancomer	38%	40%
Citi Banamex	32%	26%

Almost 80% of large Mexican corporates area clients of Bancomer

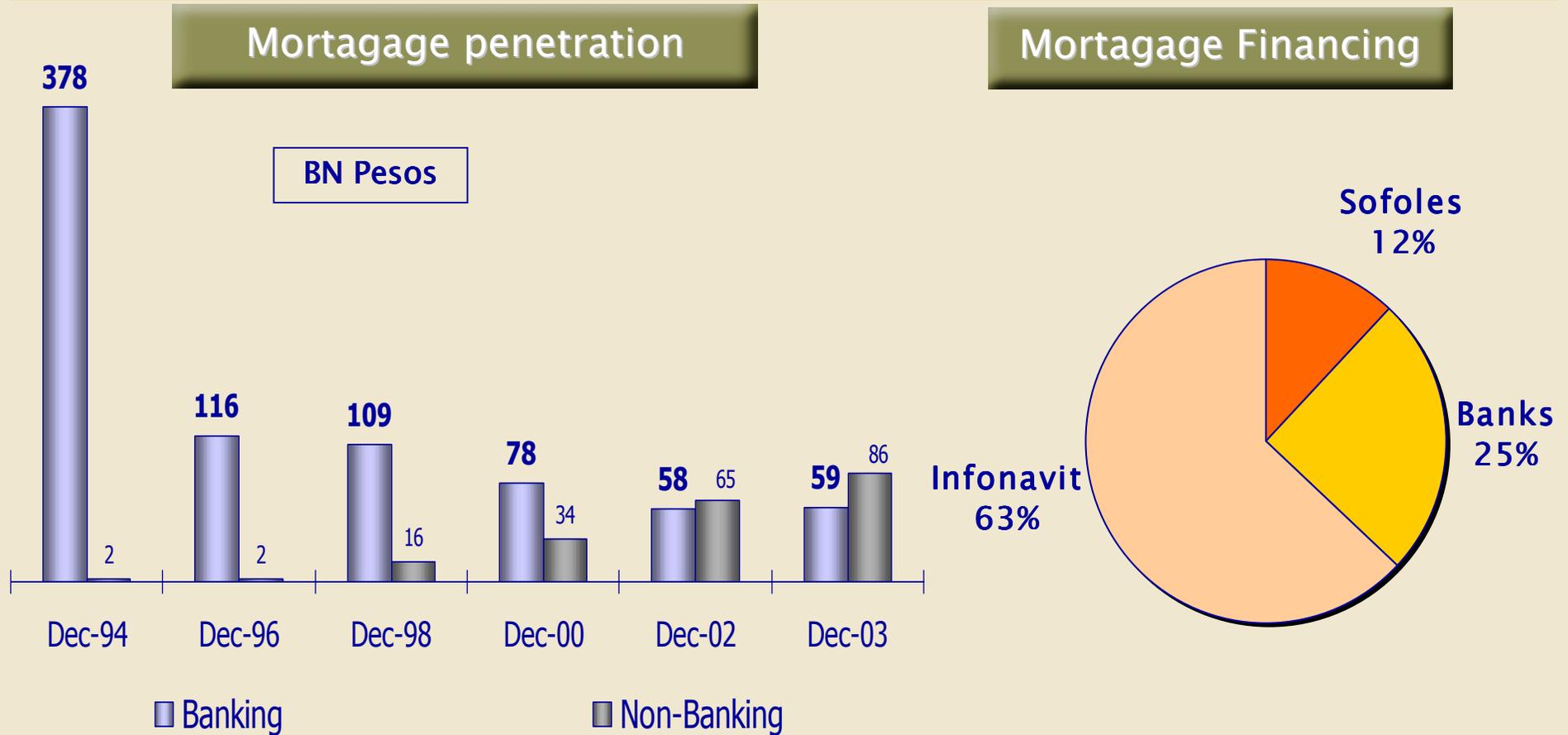
Source: Brain Magazice

Traditional credit is decreasing in favour of securities issuance



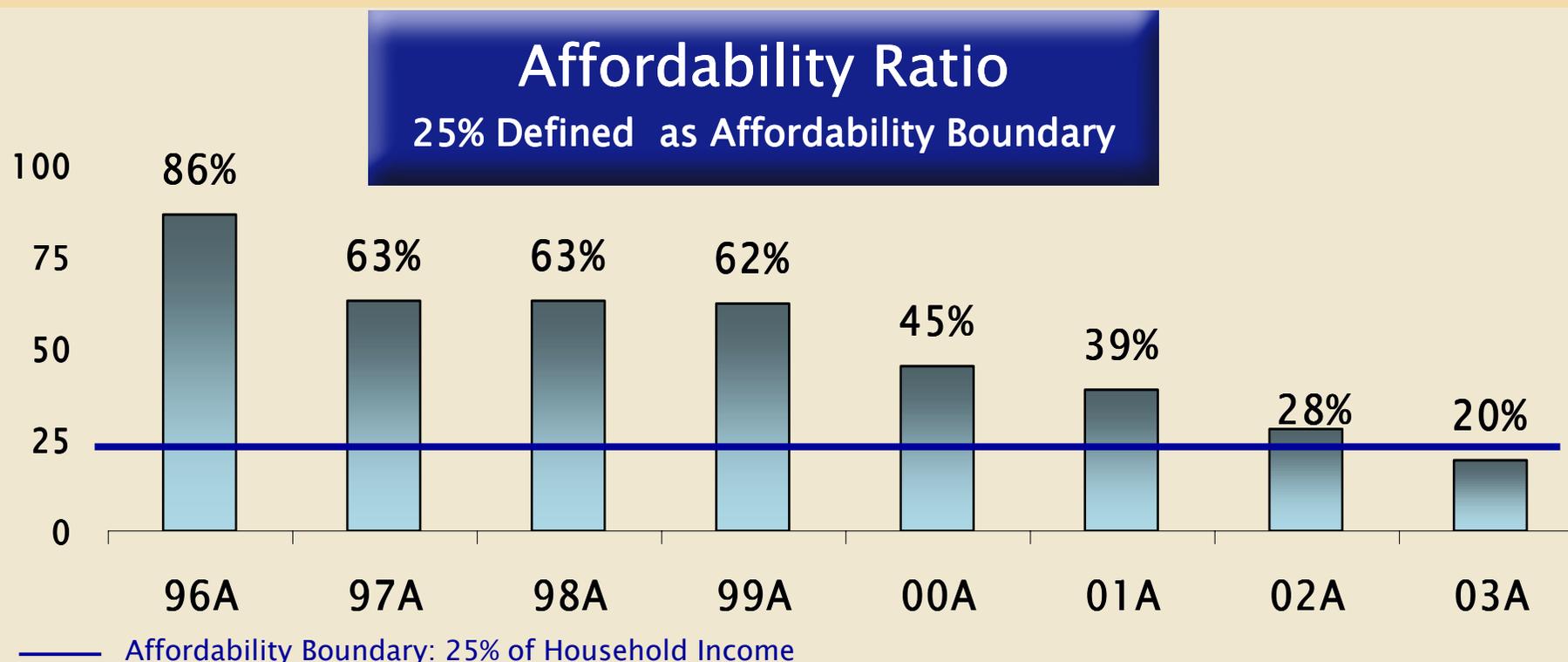
Bancomer is the leader in securities issuance

Mortgage market: a short term priority...



Bancomer's market share in mortgage stock is 25% and only 10% in new origination

...and a long term opportunity



How big is the potential mortgage pool? (Next 10 years):

- Mortgage / GDP from 5% to 10%
- Additional mortgage system volume: \$31.7Bn
- BBVA Bancomer mortgage loans would go up 8 times to \$8 Bn

C

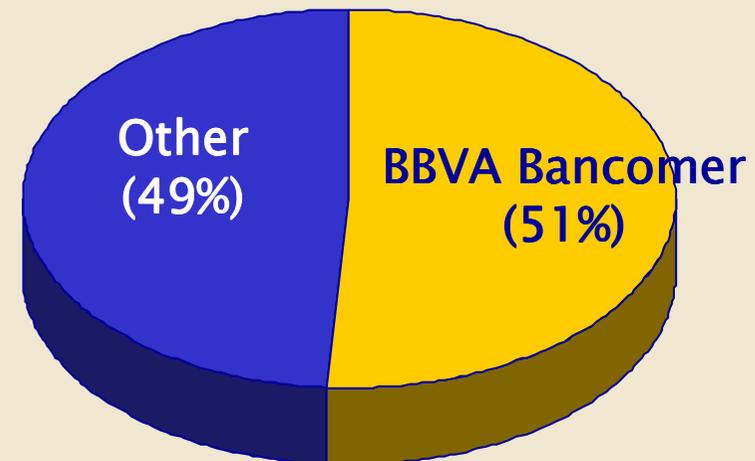
Hispanic population in the USA: Bancomer Transfer Services

Maintaining leadership

Hispanic market in USA

- ▶ Population: 37 million
- ▶ Population with earnings: 22 million
- ▶ Average earnings: \$22,000

Market share of electronic funds transfer



- ▶ Bancomer is the largest player in this business:
 - ▶ 15 million transactions in 2003 (+19% vs 2002)
 - ▶ Transfers worth \$ 6 bn 2003 (+17% vs 2002)

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Summarising, in 2003 ...

- We have completed an important internal transformation
- The Group has improved its activity and results in all the business areas
- BBVA consolidates its presence in México, with a value creating transaction, enhancing future profits

In 2004 ...

- NII: Volumes will be the key, with sustainable margins prospects
- Fees: A clear recovery in Spain and continuous improvement in Latin America
- Costs: under control
- Active management of interest rates and forex risk
- Provisioning effort: stable in Spain (“Focei”) and declining in Latin America

**On course to deliver a
good evolution of results**

BBVA

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London, 21st April 2004