BBVA: DELIVERING GROWTH

ABN AMRO Banking Conference

Expanding Horizons

London, 21st April 2004
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Index

- 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.

**Jan 02**

**New Group Vision**
- Diversification
- Growth
- Value

**2002**

**Strengthening the Group**
- Risk management
- Productivity

**2003**

**Structural Transformation**
- Corporate Culture
- Organisational Structure
- Management Team

**2004**

**Growth**

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)

Attributable net income € m

- 2002
- 2003
... with gains in efficiency, profitability and solvency ...
... low NPLs and high coverage ratios

NPL Entries (€ m)

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

H103
349

H203
103

Dec 02
Dec 03

NPL RATIO
1.70
1.31

COVERAGE RATIO
191.1
201.1

NPL Entries

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

- **PRODUCTIVITY**
  - Best in Cost/Income ratio

- **PROFITABILITY**
  - 2\textsuperscript{nd} in ROE

- **RISK MANAGEMENT**
  - Best in Coverage
  - 3\textsuperscript{rd} best NPL ratio

- **RATING**
  - AA– / Aa2

With EPS increasing 29.5%
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Key growth drivers for BBVA

1. The upturn in domestic Retail Banking
2. Good performance of Wholesale & Investment Banking
3. Higher earnings from Latin America
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

<table>
<thead>
<tr>
<th>Market share</th>
<th>First provider</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SME’s</strong></td>
<td></td>
</tr>
<tr>
<td>35.1%</td>
<td>17.2%</td>
</tr>
<tr>
<td>28.7%</td>
<td>13.0%</td>
</tr>
<tr>
<td>23.3%</td>
<td>10.1%</td>
</tr>
<tr>
<td>18.1%</td>
<td>7.3%</td>
</tr>
<tr>
<td><strong>Small businesses</strong></td>
<td></td>
</tr>
<tr>
<td>20.9%</td>
<td>11.2%</td>
</tr>
<tr>
<td>19.4%</td>
<td>8.7%</td>
</tr>
<tr>
<td>20.9%</td>
<td>12.7%</td>
</tr>
<tr>
<td>14.3%</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

Serviced through specialised networks

Source: FRS Inmark Ibérica 2002.
... With good results in the first year

Evolution of active customers (thousands)

- SME’s
  - dec-02: 104
  - dec-03: 118
- Businesses
  - dec-02: 884
  - dec-03: 938

- 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

- Growth above the market
- Gaining market share

**Loans/Funds**

- **Personal Financial Services**
  - Active customers: 8,500,000 (2003), 8,900,000 (2004)
  - Products per customer: 3.8 (2003), 4.1 (2004)

- **SME’s**
  - Active Customers: 117,800 (2003), 125,000 (2004)
Net attributable profit (€ m)

<table>
<thead>
<tr>
<th>1T</th>
<th>1S</th>
<th>9M</th>
<th>12M</th>
</tr>
</thead>
<tbody>
<tr>
<td>116</td>
<td>174</td>
<td>247</td>
<td>338</td>
</tr>
<tr>
<td>136</td>
<td>218</td>
<td>382</td>
<td>468</td>
</tr>
</tbody>
</table>

Good performance of Wholesale Banking

Net attributable profit: €218m (1S) vs. €136m (1T), +22.5%

+ 12.6% increase in operating income for 2003
The first franchise in wholesale banking in Spain

- Corporate Banking
- Institutional Banking
- Global Markets and Distribution

88% of the largest Spanish companies are BBVA customers
35% market share in loans to the Spanish Public Sector
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
The Americas show growing levels of activity...

**Lending year-on-year chg.**
- Dec.02: 7.9%
- Dec.03: 8.8%

**Customer Funds YoY chg. (Balance sheet + M&P Funds)**
- Dec.02: 10.8%
- Dec.03: 11.5%
...with generalised gains in market share

### Customer funds

<table>
<thead>
<tr>
<th>Country</th>
<th>Mkt. share</th>
<th>_chg. in b.p.</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEX</td>
<td>28.8</td>
<td>(+70)</td>
</tr>
<tr>
<td>CHI</td>
<td>7.7</td>
<td>(+118)</td>
</tr>
<tr>
<td>PRICO</td>
<td>6.4</td>
<td>(-137)</td>
</tr>
<tr>
<td>VEN</td>
<td>15.6</td>
<td>(+115)</td>
</tr>
<tr>
<td>COL</td>
<td>7.7</td>
<td>(+47)</td>
</tr>
<tr>
<td>PER</td>
<td>23.2</td>
<td>(+188)</td>
</tr>
<tr>
<td>ARG</td>
<td>10.1</td>
<td>(+94)</td>
</tr>
</tbody>
</table>

### Lending

<table>
<thead>
<tr>
<th>Country</th>
<th>Mkt. share</th>
<th>_chg. in b.p.</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEX</td>
<td>25.4</td>
<td>(=)</td>
</tr>
<tr>
<td>CHI</td>
<td>7.1</td>
<td>(+67)</td>
</tr>
<tr>
<td>PRICO</td>
<td>6.9</td>
<td>(-90)</td>
</tr>
<tr>
<td>VEN</td>
<td>13.3</td>
<td>(-291)</td>
</tr>
<tr>
<td>COL</td>
<td>7.0</td>
<td>(+30)</td>
</tr>
<tr>
<td>PER</td>
<td>17.5</td>
<td>(+190)</td>
</tr>
<tr>
<td>ARG</td>
<td>6.0</td>
<td>(-56)</td>
</tr>
</tbody>
</table>

Greater emphasis on customer funds
... improvement in recurrency and efficiency ratios ...
... resulting in higher Net Attributable Profit for BBVA America

Net Attributable Profit (constant €)

Δ 2003/2002 +24.0%

Q102 Q202 Q302 Q402 Q103 Q203 Q303 Q403

134 140 146 156 151 185 186 194

Up 6% in € including currency hedges
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Leveraging our exposure to high growth markets

Acquisition of BBVA Bancomer minorities: 99.6%

Strategic fit

- 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

BBVA consolidates its position in Bancomer

More efficient capital allocation
Positive tax effect
Successful capital increase
### Active management of industrial and financial portfolio

#### Disposals of industrial portfolio
- **Market value**: 1,405 million €
- **Core capital generated**: 614 million €
- **Capital gains**: 87 million €

#### Disposals of non-core financial holdings
- **Market value**: 466 million €
- **Core capital generated**: 232 million €
- **Capital gains**: 255 million €
A more efficient capital allocation

<table>
<thead>
<tr>
<th>Pre-Transaction</th>
<th>Post-Transaction</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTHER</td>
<td>9%</td>
<td>N.M.</td>
</tr>
<tr>
<td>INDUSTRIAL PORTFOLIO</td>
<td>16%</td>
<td>9%</td>
</tr>
<tr>
<td>WHOLESALE BKG ASSET MGT. &amp; PRIV. BK.</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>RETAIL AMERICA EXMEX</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>RETAIL MEXICO</td>
<td>10%</td>
<td>17%</td>
</tr>
<tr>
<td>RETAIL EUROPE</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>

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

- Conclusions
Mexico: expanding horizons

1. The Mexican economy
2. BBVA Bancomer: the leading financial franchise
3. Growth opportunities in Mexico
Mexico: a sizeable economy

GDP (BN USD)

Spain: 650
Mexico: 637
Emerging Eur G10: 403

GDP per capita (US$)

MEX: 5.994
CHI: 4.712
VEN: 3.045
BRA: 2.759
COL: 1.823

... with similar population (approx. 100 mn.)

... and safe economy

Low risk perception and solid public financing

Sovereign spread

Public debt / GDP (%)
... 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

GDP Growth \(^{(1)}\)
(% y-o-y change)

- 2001: -0.3%
- 2002: 0.9%
- 2003: 1.3%
- 2004e: 3.0%
- 2005e: 3.3%

(1) Source: Global Insight
BBVA Bancomer is the leading franchise in Mexico

Leader in banking business

Number 1

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

and in non-banking business

Number 1

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

Number 2

- AFORE ................. 21.3%

...and more than 9 million customers
... with outstanding commercial success

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

- Legacy portfolio: 74%
- Manageable lending: 26%

December 2003

- Legacy portfolio: 77%
- Manageable lending: 23%

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)

<table>
<thead>
<tr>
<th>% Δ lending</th>
<th>% Δ Customer Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Lending 10.6</td>
<td>Total Cust. Funds 12.5</td>
</tr>
<tr>
<td>Consumer &amp; credit cards 24.2</td>
<td>Current accounts 18.1</td>
</tr>
</tbody>
</table>
Improvements in asset quality and good NPL coverage

- **NPL Ratio (%) (Local)**
  - 2002: 6.5
  - 2003: 3.6

- **Coverage of NPL (%) (Local)**
  - 2002: 113
  - 2003: 147
Significant advances in productivity and efficiency

**Fees / Expenses (%)**
- **2002**: 77%
- **2003**: 86%

**Cost / Income (%)**
- **2002**: 46%
- **2003**: 42%
Attributable profit showing an upward trend

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Attributable Profit (€ m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q102</td>
<td>72</td>
</tr>
<tr>
<td>Q202</td>
<td>71</td>
</tr>
<tr>
<td>Q302</td>
<td>88</td>
</tr>
<tr>
<td>Q402</td>
<td>96</td>
</tr>
<tr>
<td>Q103</td>
<td>92</td>
</tr>
<tr>
<td>Q203</td>
<td>95</td>
</tr>
<tr>
<td>Q303</td>
<td>102</td>
</tr>
<tr>
<td>Q403</td>
<td>117</td>
</tr>
</tbody>
</table>

Attaining record levels: 2003 attr. profit grew +24%
Better recurrent results than peers

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

<table>
<thead>
<tr>
<th>Bank</th>
<th>Recurrent Operating Profit</th>
<th>Annual Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBVA BANCOMER</td>
<td>9.9</td>
<td>+31%</td>
</tr>
<tr>
<td>BANAMEX</td>
<td>-33%</td>
<td></td>
</tr>
<tr>
<td>HSBC</td>
<td>n.m.</td>
<td></td>
</tr>
<tr>
<td>SAN SERFIN</td>
<td>-8%</td>
<td></td>
</tr>
<tr>
<td>BANORTE</td>
<td>-2%</td>
<td></td>
</tr>
</tbody>
</table>

(*) Recurrent operating profit (NII + fees) – general administratives expenses. Source CNBV

Mexico: a great opportunity for BBVA
What are BBVA Bancomer’s medium and long term growth opportunities?

A. Low banking penetration
B. Credit expansion
C. Hispanic population in USA
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

Mexico’s banking sector ROE (inflation adjusted) is the highest in the region
Credit expansion: consumer loans have been the first to take off

Banks have successfully regained market share

Figures in billions of pesos as of March 2003
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

Bancomer is the leader in securities issuance

Almost 80% of large Mexican corporates area clients of Bancomer

Source: Brain Magazine

Traditional credit is decreasing in favour of securities issuance

BBVA Bancomer
Citi Banamex

First bank 38% 40%
Second bank 32% 26%

Almost 80% of large Mexican corporates area clients of Bancomer

Securities issuance
Loans

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

![Affordability Ratio Graph]

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**

*Spanish penetration 38% GDP (2002 data)*

Source: Merrill Lynch
Hispanic population in the USA: Bancomer Transfer Services

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

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

Market share of electronic funds transfer:
- BBVA Bancomer (51%)
- Other (49%)

Hispanic market in USA
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- Mexico: expanding horizons

Conclusions
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
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London, 21st April 2004