BBVA: DELIVERING GROWTH

EXANE BNP PARIBAS

European Financial Services Conference

Paris, 27th May 2004
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- 1Q04: on a growth path
- Mexico: expanding horizons
- Conclusions
BBVA strategic issues

In 2002 we drew up a new strategic plan based in three pillars:

1. Strengthening of Group fundamentals
2. Corporate culture and organisational changes
3. A value creation model based in profitable growth

The Group is now focussed in delivering growth.
Group performance has already improved in 2003...

...surpassing its commitment to the market (€ 2.15bn)
This positive trend has been confirmed in 1Q04 results . . .

<table>
<thead>
<tr>
<th></th>
<th>1Q03</th>
<th>1Q04</th>
<th>Chg (%)</th>
<th>Chg. (%) constant fx.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>1,650</td>
<td>1,684</td>
<td>+2.1</td>
<td>+9.0</td>
</tr>
<tr>
<td>Core Revenues</td>
<td>2,456</td>
<td>2,508</td>
<td>+2.1</td>
<td>+9.0</td>
</tr>
<tr>
<td>Ordinary revenues</td>
<td>2,653</td>
<td>2,672</td>
<td>+0.7</td>
<td>+7.3</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>1,217</td>
<td>1,279</td>
<td>+5.2</td>
<td>+12.5</td>
</tr>
<tr>
<td>Attrib. income</td>
<td>514</td>
<td>667</td>
<td>+29.9</td>
<td>+35.0</td>
</tr>
</tbody>
</table>

Revenue growth compensates the effects of currency devaluations (13.6%)
... supported by a positive evolution of operating profit

Based on growing earnings from the more recurrent activities (operating profit ex - trading income: +9.3%)
... With healthy growth in results of domestic businesses

<table>
<thead>
<tr>
<th>Current € million</th>
<th>1Q03</th>
<th>1Q04</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>897</td>
<td>985</td>
<td>9.9</td>
</tr>
<tr>
<td>Core revenues</td>
<td>1,274</td>
<td>1,383</td>
<td>8.6</td>
</tr>
<tr>
<td>Ordinary revenues</td>
<td>1,402</td>
<td>1,493</td>
<td>6.5</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>606</td>
<td>696</td>
<td>15.0</td>
</tr>
</tbody>
</table>
... and very positive contribution from the Americas

Operating Profit from Americas
Constant € million

1Q03: 532
2Q03: 524
3Q03: 462
4Q03: 503
1Q04: 583

...driven by an increase of 18.9% in the operating profit from Mexico
Thus, the Group has produced in 1Q04 the highest net attributable profit in the last eleven quarters.
Leading to a further progression in profitability

ROE (%) BBVA GROUP

1Q03 16.9
2003 18.4
1Q04 20.3
Group efficiency continues to improve

Core Revenues &
General Adm. Expenses

Cost/income ratio
(%)  

Driven by growth in recurrent revenues

1Q03 1Q04 1Q03 1Q04
$2,456 $2,508 47.1 46.0
$1,249 $1,228 +2.1% +2.1%
$1Q03 $1Q04

General & Adm. Expenses
Basic Margin

-1.7%

€ million
Outstanding asset quality and coverage ratios

Net entries to NPL (€ million)

1Q03: 210
1Q04: 95

NPL ratio and coverage (%)

1Q03:
- NPL ratio: 1.78
- Coverage ratio: 167.5

1Q04:
- NPL ratio: 1.23
- Coverage ratio: 209.8
... while maintaining high levels of capital adequacy

BIS Ratio (%)
BBVA GROUP

<table>
<thead>
<tr>
<th></th>
<th>1Q03</th>
<th>1Q04</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIS</td>
<td>12.6</td>
<td>12.1</td>
</tr>
<tr>
<td>TIER I</td>
<td>8.5</td>
<td>8.0</td>
</tr>
<tr>
<td>CORE</td>
<td>6.0</td>
<td>5.7</td>
</tr>
</tbody>
</table>

... In line with expectations, after the impact of the BBVA Bancomer transaction
Successful acquisition of BBVA Bancomer minorities

The €2 billion share issue was well-received
- 1.7 times oversubscribed in record time

High acceptance of share offer
- Current holding: 99.7%

Impact of the transaction
- Positive impact on EPS from year one

Generating resources by reallocating capital
- Core Capital of €847 million

Better capital allocation within the Group
The upturn in domestic Retail Banking

Good performance of Wholesale & Investment Banking

Higher earnings from Latin America
Retail Banking: a marketing offensive...

...driven by innovation and anticipation

- June 03: Mortgage solutions
- July 03: Solutions for SMEs
- September 03: Fondo Extra 5
- November 03: Pension solutions
- January 04: Easy Mortgage
- Feb – Mar 04: Óptimo and Rentas Funds
- April 04: Credit card Tarjeta diez
... that is contributing to boosting business activity

Year-on-year growth
Average balances

Lending

Total customer funds deposits + funds

Mar.03 | Jun.03 | Sep.03 | Dec-03 | Mar.04

10.8% | 12.1% | 12.9% | 13.7% | 15.9%

Mar.03 | Jun.03 | Sep.03 | Dec-03 | Jan-04

1.0% | 5.1% | 6.9% | 7.4% | 10.5%
...with three pillars of the improvement

1. A steady mortgage demand
   - Individuals +21%, developers +17%
   - 1Q04: record quarter in new mortgage production (5.1 €Bn, +48%)

2. Accelerating volumes from SMEs
   - +17% increase in SME’s
   - +19% increase in small businesses

3. Increase in off-balance sheet funds
   - +19% increase in mutual funds
   - Gaining market share

Data corresponds to 1Q04 yoy change
All of it reflecting a progressive increase of results

Operating Profit
% ytd / previous year

-1.1  + 0.7  + 8.1
1Q03  4Q03  1Q04

... with core revenues growing 3.8%
A steady growth potential for financial services in Spain

Positive trends resulting from a 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
Good performance of Wholesale & Investment Banking

Operating profit € million

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q03</td>
<td>191</td>
</tr>
<tr>
<td>2Q03</td>
<td>159</td>
</tr>
<tr>
<td>3Q03</td>
<td>158</td>
</tr>
<tr>
<td>4Q03</td>
<td>147</td>
</tr>
<tr>
<td>1Q04</td>
<td>192</td>
</tr>
</tbody>
</table>

Driven by rising net fee income (+14.7% y-o-y)
BBVA: the leading player in Spain

The global relationship model
- Corporate Banking
- Institutional Banking

The franchise model
- Global Markets and Distribution

88% of large corporates are BBVA customers
35% market share in lending to the public sector
Leadership in Spain and expansion in Latin America
… with a successful strategy…

3 Rs

Return

ROE 21,0%

Relationship

 Nº 1 with large Spanish companies
 Nº 1 with Public Institutions in all segments
 Nº 2 with large Latin American companies

Risk

NPL Coverage ratio: 314%
NPL Ratio: 0.38%
The Americas show accelerating activity

- Lending grows in investment-grade countries: +12.8%
- Customer funds growth focused on sight and savings accounts
... Strong revenue generation

Core revenues
Constant € million

$1,125$

+9.6%

1Q03  2Q03  3Q03  4Q03  1Q04

1,027  993  1,030  1,065  1,125
... And a positive evolution of profits in BBVA America

Net income Current € million

+10.6%

268

292

296

1Q03

4Q03

1Q04
In Mexico, higher volumes and mix improvements have compensated for lower interest rates.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Ordinary Revenues (€ million)</th>
<th>TIE (%) Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q03</td>
<td>645</td>
<td>9.7</td>
</tr>
<tr>
<td>2Q03</td>
<td>688</td>
<td>6.8</td>
</tr>
<tr>
<td>3Q03</td>
<td>651</td>
<td>5.1</td>
</tr>
<tr>
<td>4Q03</td>
<td>698</td>
<td>5.8</td>
</tr>
<tr>
<td>1Q04</td>
<td>726</td>
<td>5.9</td>
</tr>
</tbody>
</table>

Note: TIE (%) is the Treasury Interest Expense (%).
...with new record highs in BBVA Bancomer profits

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Attrib. income € million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q03</td>
<td>97</td>
</tr>
<tr>
<td>2Q03</td>
<td>98</td>
</tr>
<tr>
<td>3Q03</td>
<td>103</td>
</tr>
<tr>
<td>4Q03</td>
<td>108</td>
</tr>
<tr>
<td>1Q04</td>
<td>132</td>
</tr>
</tbody>
</table>
...and better recurrent results than peers

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

BBVA BANCOMER: +31% 9,9
BANAMEX: -33% 7,5
HSBC: n.m. 4,4
SAN SERFIN: -8% 3,9
BANORTE: -2% 1,8

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

Mexico: a great opportunity for BBVA
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 good results
Index

- 1Q04: on a growth path
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What are BBVA Bancomer’s medium and long term growth opportunities?

1. A sizeable bank in a sizeable economy
2. Business mix improvement
3. Low banking penetration
4. Credit expansion
5. Hispanic population in USA
BBVA Bancomer is the leading franchise in Mexico

**Leader in banking business**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Business</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Loans</td>
<td>25.4%</td>
</tr>
<tr>
<td>1</td>
<td>Customer Funds</td>
<td>28.8%</td>
</tr>
<tr>
<td>1</td>
<td>Bancassurance</td>
<td>38.8%</td>
</tr>
<tr>
<td>2</td>
<td>Annuities</td>
<td>20.4%</td>
</tr>
<tr>
<td>2</td>
<td>Transfers</td>
<td>40.0%</td>
</tr>
<tr>
<td>2</td>
<td>AFORE</td>
<td>38.8%</td>
</tr>
</tbody>
</table>

...and more than 9 million customers
Mexico: a sizeable economy

GDP (BN USD)

Spain: 650
Mexico: 637
Emerging Eur G10 (1): 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.)

...entering a growth phase

GDP Growth (1) (% y-o-y change)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>-0.3</td>
</tr>
<tr>
<td>2002</td>
<td>0.9</td>
</tr>
<tr>
<td>2003</td>
<td>1.3</td>
</tr>
<tr>
<td>2004e</td>
<td>3.0</td>
</tr>
<tr>
<td>2005e</td>
<td>3.3</td>
</tr>
</tbody>
</table>

(1) Source: Global Insight
An outstanding commercial success

<table>
<thead>
<tr>
<th></th>
<th>Mar03</th>
<th>Mar04</th>
<th>Var. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit cards (million)</td>
<td>3.2</td>
<td>4.8</td>
<td>50.0</td>
</tr>
<tr>
<td>Debit cards (million)</td>
<td>10.3</td>
<td>11.2</td>
<td>8.7</td>
</tr>
<tr>
<td>New accounts &quot;El Libretón&quot;</td>
<td>7 million in 3 years</td>
<td></td>
<td></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>856</td>
<td>958</td>
<td>11.9</td>
</tr>
</tbody>
</table>

* As of December 2003
Growth in lending and mix improvement

March 2003

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

March 2004

- Legacy portfolio: 22%
- Manageable lending: 78%

Yoy growth:
- +15%

Segments:
- Commercial & Government: +12%
- Consumer & Cards: +31%
- Mortgages: +10%
Customer deposits also performing strongly, with better mix

y-o-y change

% growth by product

Average balances

Sight a/cs
- Mar-03: +13.0%
- Dec-03: +18.1%
- Mar-04: +16.8%

Term deposits
- Mar-03: +14.7%
- Dec-03: +9.6%
- Mar-04: -6.5%

Mutual funds
- Mar-03: -6.9%
- Dec-03: +5.8%
- Mar-04: +23.7%

TOTAL(*)
- Mar-03: +4.0%
- Dec-03: +9.0%
- Mar-04: +10.1%

* Including repos

...with strong support from sight and savings accounts and funds
Potential growth and efficiency going forward

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

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

### Loans / GDP (%)

- **1995**: 41.6
- **1998**: 27.3
- **2000**: 18.2
- **2003**: 14.2
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

<table>
<thead>
<tr>
<th></th>
<th>Brazil</th>
<th>Chile</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE (nominal)</td>
<td>17.4</td>
<td>14.5</td>
<td>16.4</td>
</tr>
<tr>
<td>Inflation</td>
<td>9.5</td>
<td>2.5</td>
<td>4.0</td>
</tr>
<tr>
<td>ROE (real)</td>
<td>7.9</td>
<td>12.0</td>
<td>12.4</td>
</tr>
</tbody>
</table>

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

Banks have successfully regained market share

Figures in billions of pesos as of December 2003

42
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)
Mortgage market: a short term priority…

Mortgage penetration

From MXN 378 Bn to MXN 59 Bn ten years after
... and a long term opportunity

**Affordability Ratio**

25% Defined as Affordability Boundary

<table>
<thead>
<tr>
<th>Year</th>
<th>96A</th>
<th>97A</th>
<th>98A</th>
<th>99A</th>
<th>00A</th>
<th>01A</th>
<th>02A</th>
<th>03E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>86%</td>
<td>63%</td>
<td>63%</td>
<td>62%</td>
<td>45%</td>
<td>39%</td>
<td>28%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Affordability Boundary: 25% of Household Income

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

**Maintaining leadership**

- **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)
  - $6 bn 2003 (+17% vs 2002)

Market share of electronic funds transfer:

- **BBVA Bancomer**: (51%)
- **Other**: (49%)
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Significant advance in strategy in 1Q04, with a strong focus on growth

Successful completion of BBVA Bancomer take-over

- Strong growth in retail banking activity that is already being reflected in results
- Activity and fee income lead to higher operating profit in Mexico
- New strengthening in the Group’s fundamentals
We are creating a very solid Group

- High Profitability
- Highly productive
- Controlled risks
- Solvency

- ROE: 20.3%
- Efficiency: 46.0%
- NPL Ratio: 1.23%
- Coverage: 209.8%
- BIS Ratio: 12.1%
- Rating: AA- / Aa2

...and growth in EPS of 25.1%