

# ***BBVA: Growth and capital discipline***

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SG Conference “The Premium Review”

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Paris, December 6<sup>th</sup> 2006

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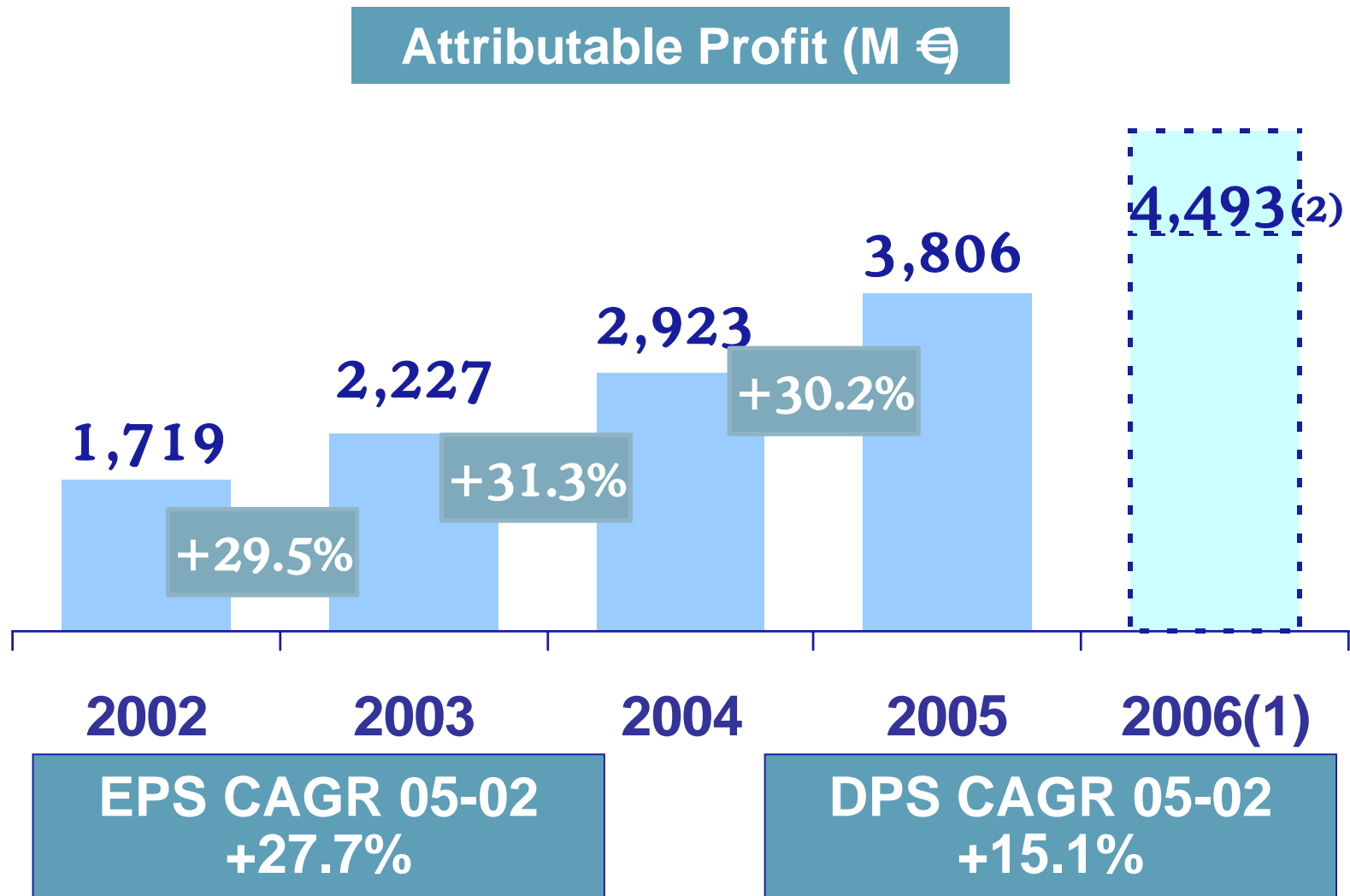
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# BBVA has delivered an excellent track record of growing results ... **BBVA**

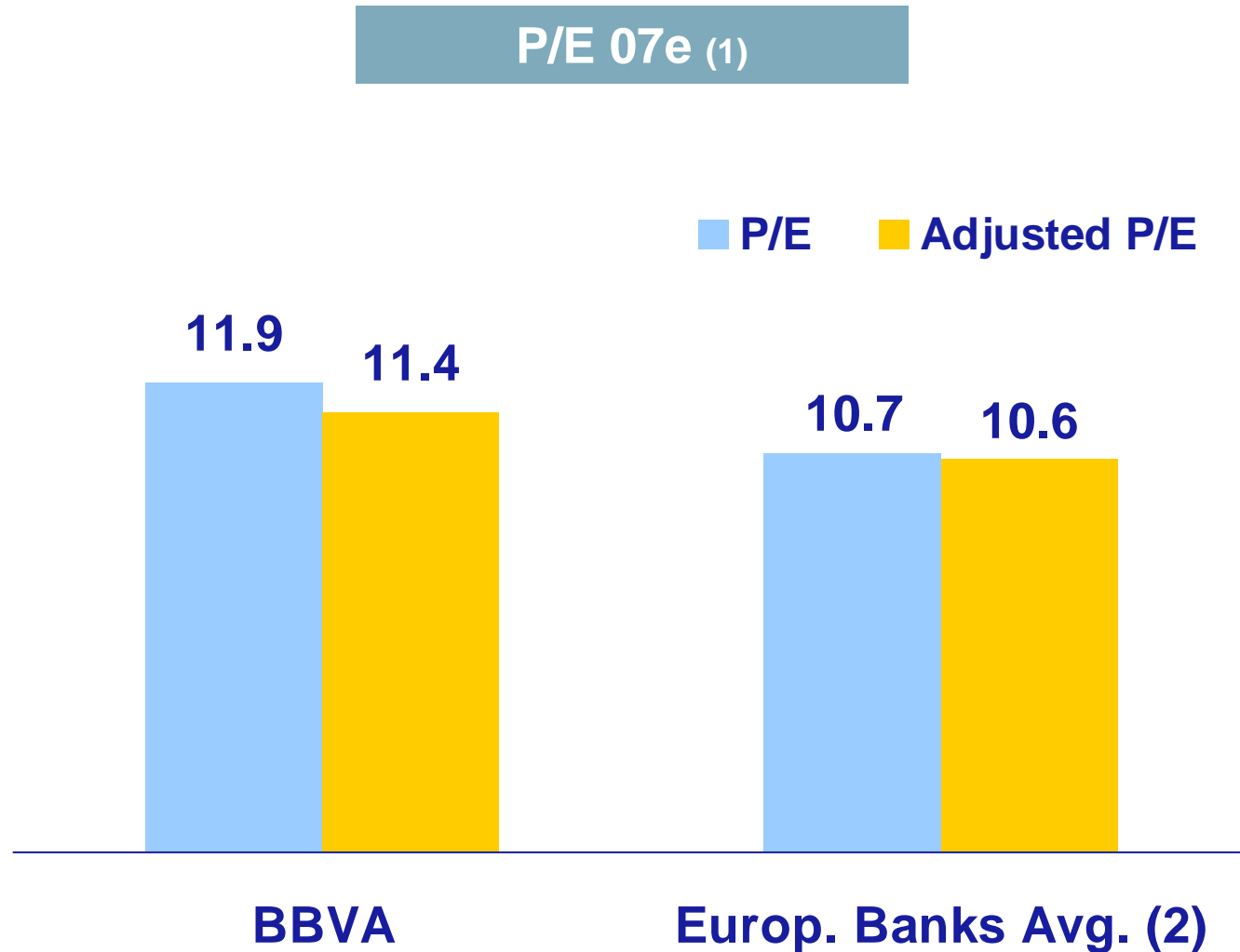


(1) Market consensus

(2) Excluding one-off items

Note: 2002 and 2003 Pre-IFRS

# ... at first sight ... a premium on PE?



(1) Market consensus

(2) Average of 18 main European Banks

.... and yet BBVA stock does fully discount the better than average growth prospects

**BBVA**

EPS adjusted  
07e-05 growth <sup>(1)</sup>

**18.5**

**10.6**

**BBVA**

**Europ. Banks  
average(2)**

PEG (PE/Growth) <sup>(2)</sup>

**0.60**

**0.96**

**BBVA**

**Europ. Banks  
average(2)**

(1) Source: average of selected European core brokers

(3) Average of 18 main European Banks

(2) PE / EPS adjusted 07e/05

- 1** Spain: sustainability of growth
- 2** Mexico: top growth and low volatility
- 3** Latin American bancarisation prospects
- 4** Excellence in credit risk management
- 5** Non-organic growth

# 1 Good performance and positive prospects for the Spanish economy

**BBVA**

% y-o-y growth

**Private consumption**

2005	2006E	2007E
4.2	3.6	3.1

**Cap.ex.**

2005	2006E	2007E
8.8	8.9	7.2

**Construction**

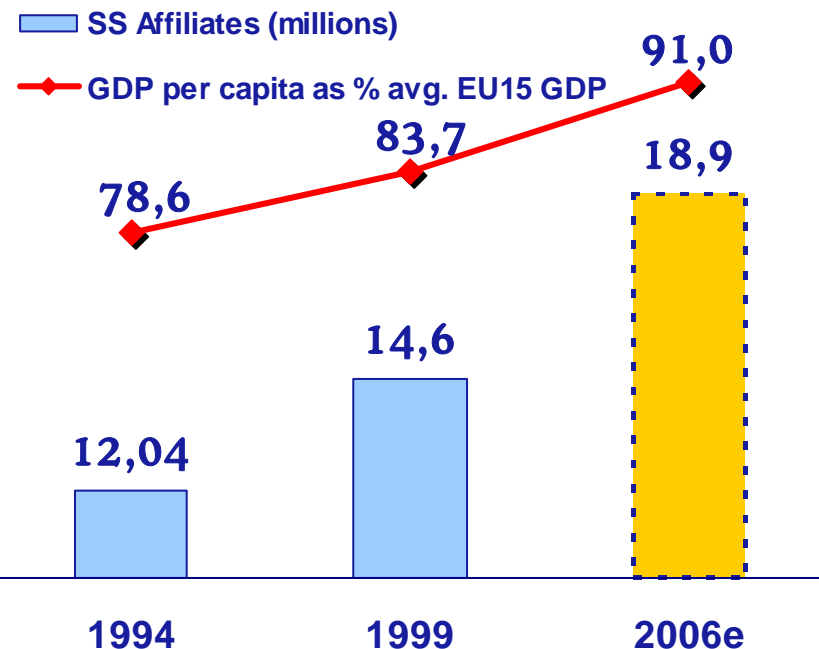
2005	2006E	2007E
6.0	5.6	3.9

**External demand**

2005	2006E	2007E
-1.7	-1.1	-0.9

**GDP**

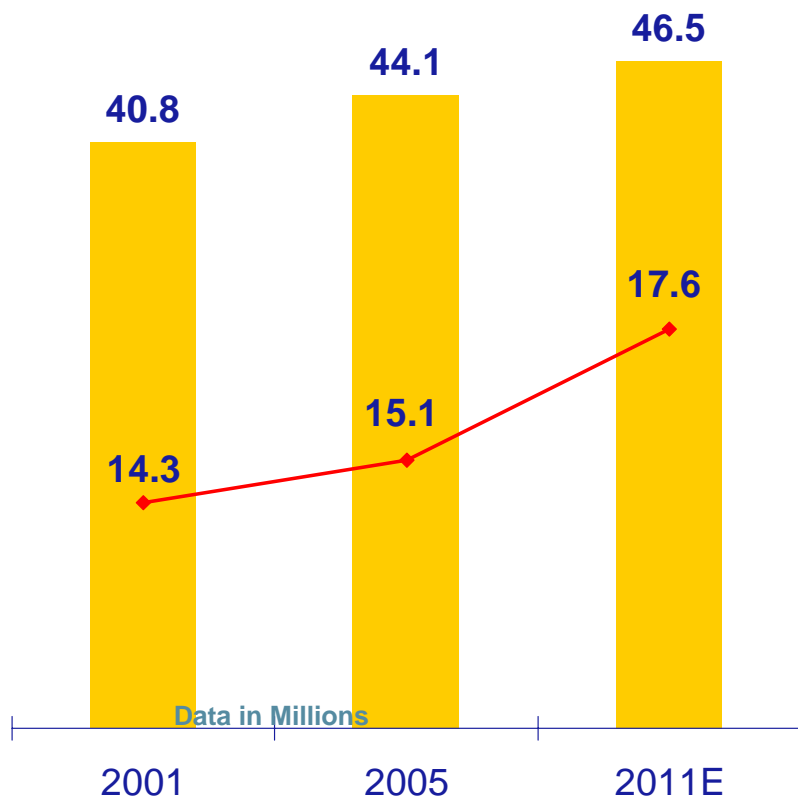
2005	2006E	2007E
3.5	3.7	3.3



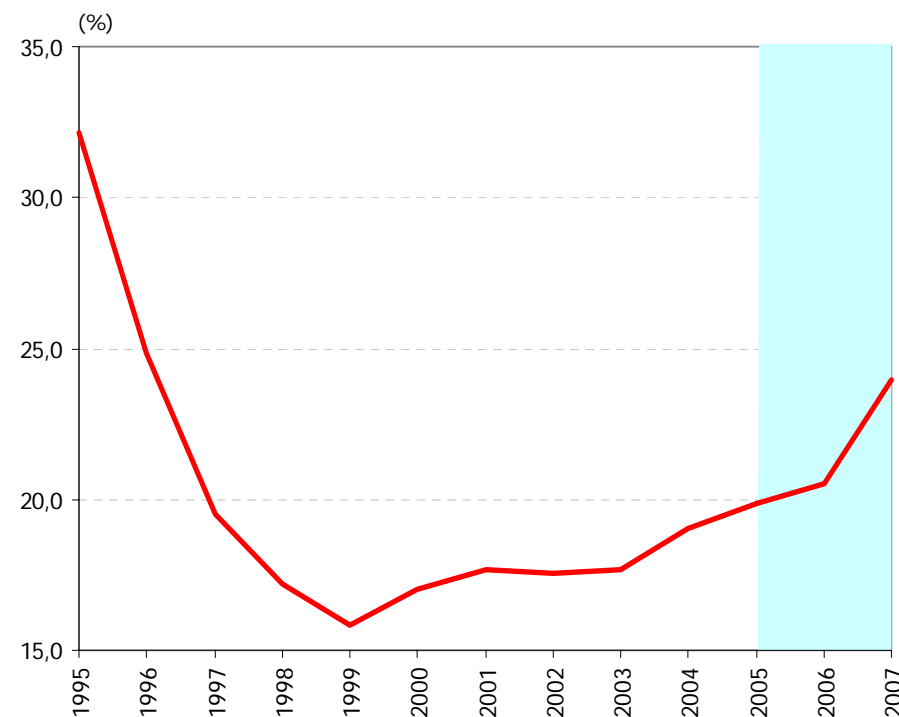
**6.6 million jobs created  
in the period 1994-2006 (36% of  
net employment in the Eurozone)**

# Strong growth of population and household formation

■ Population ◆ Households



Affordability ratio (%) \*

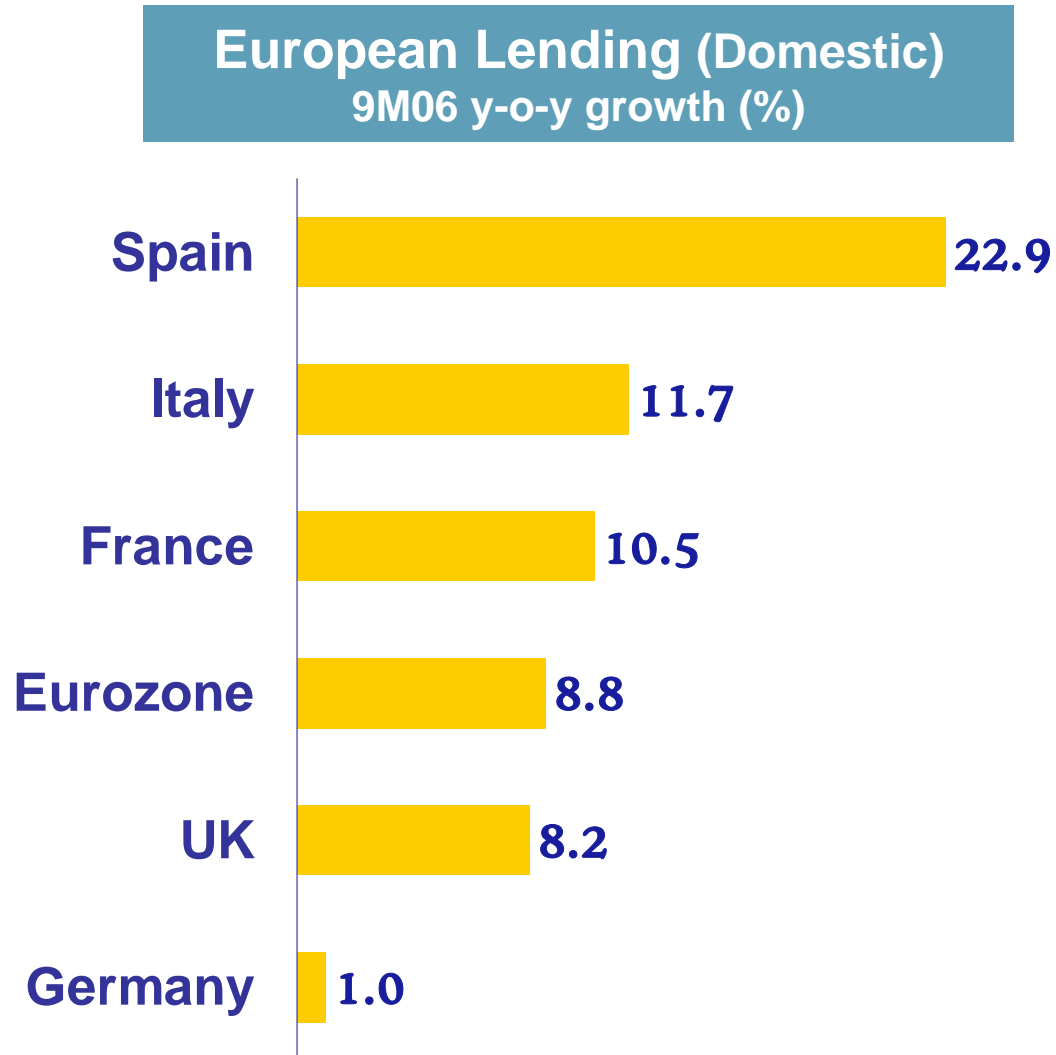


Source: BBVA

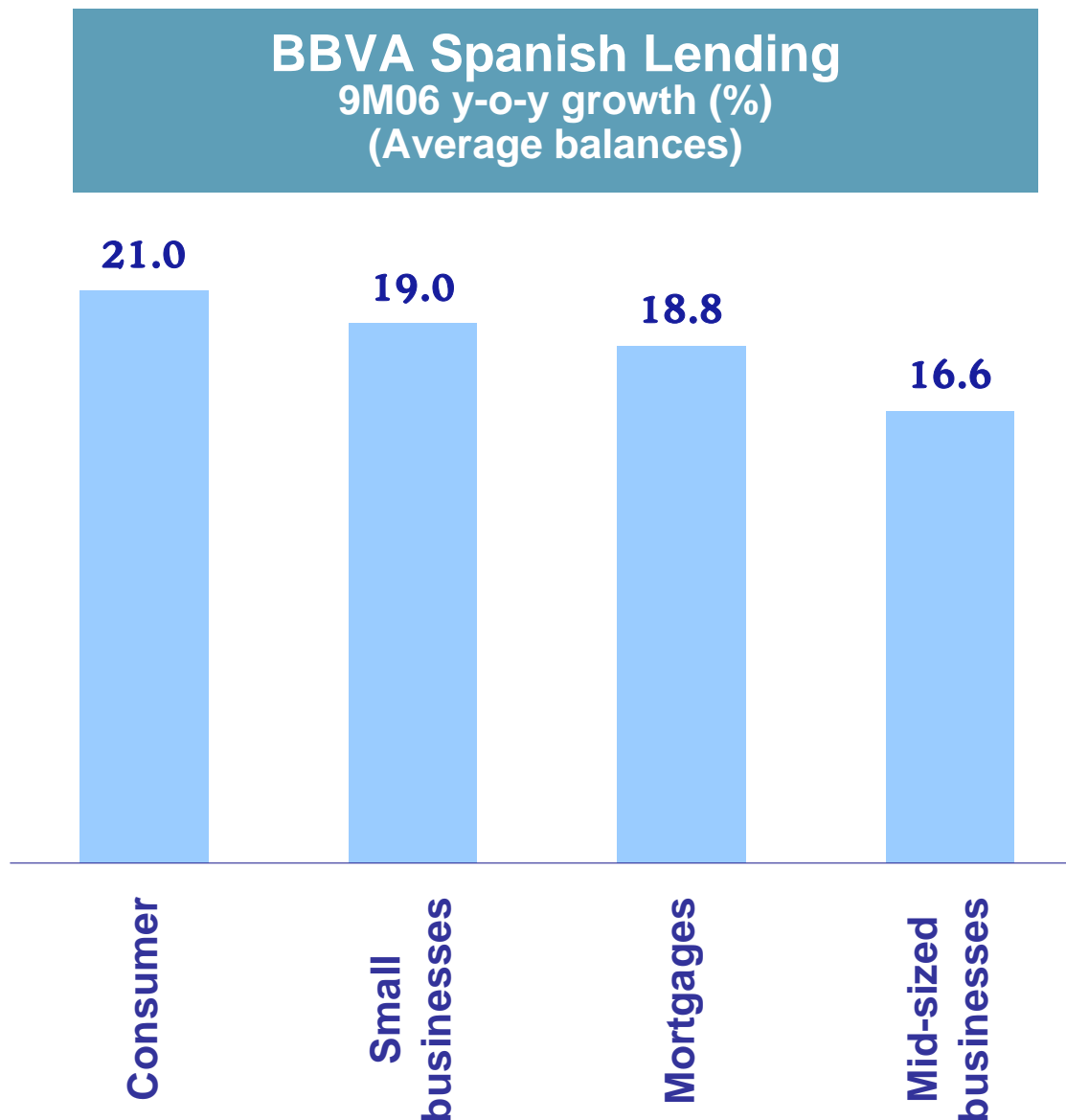
**... and housing affordability remains at acceptable levels**



# Spain: the highest growth among Eurozone countries

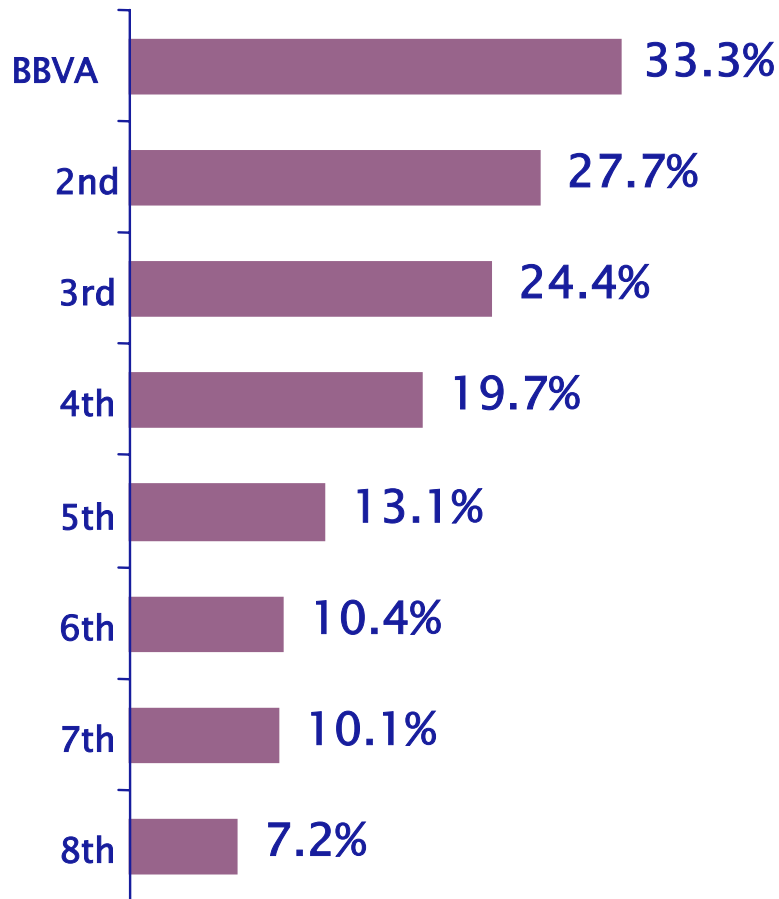


# BBVA, focus on the more profitable segments



# In Spain, we have identified new opportunities **BBVA** in SMEs ...

## Penetration



## Increase in sales productivity (since Dec 2004)

+ 22%

Riskpyme

+59% in new  
business

+ 144%  
no. operations

+ 28%  
new customers

# ...in Consumer Finance...

**Consumer loans per capita still low in Spain**

Consumer loans per capita (\$)

6.230

4.136

2.633

2.073

1.051

**USA**

**UK**

**Germany**

**France**

**Spain**

Source: ECRI & Eurostat

**... however, with a high propensity to consume**

**BBVA Initiatives**

**Préstamo Nacimiento**

**Préstamo Nómina 0%**

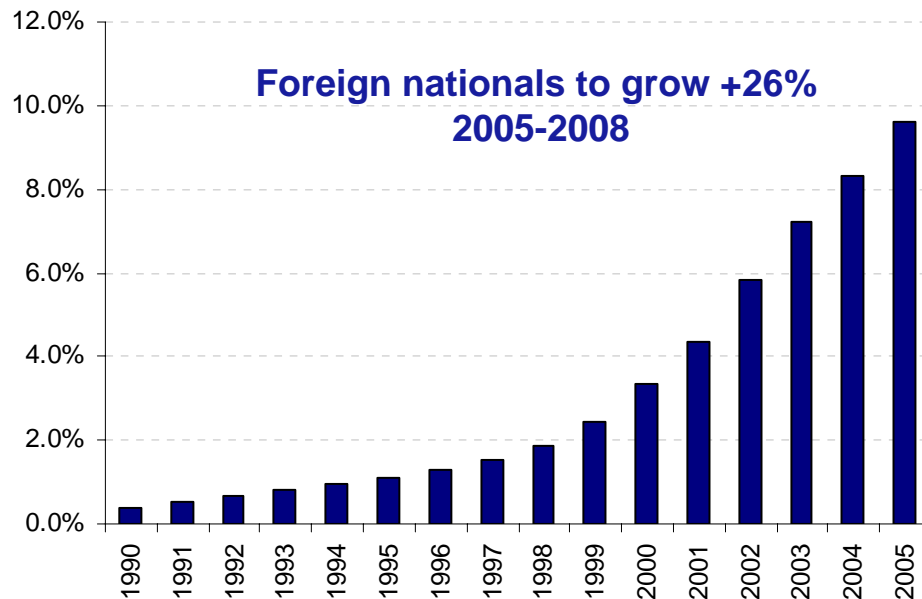
**Crédito Fácil**

**Préstamo PIDE**

**Consumer loan growth  
9m06: 21%**

# ... and new customer segments: immigrants

## Foreign nationals/Spain's population



Source: INE

Two complementary  
approaches

**dineroexpress**

Basic Banking

**BBVA**

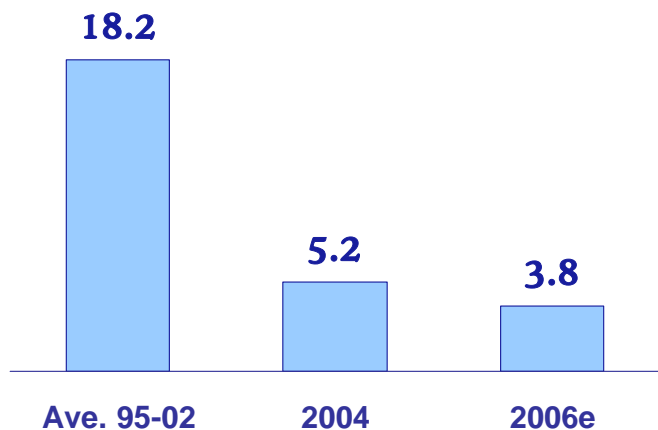
More developed products

More than 400,000 clients

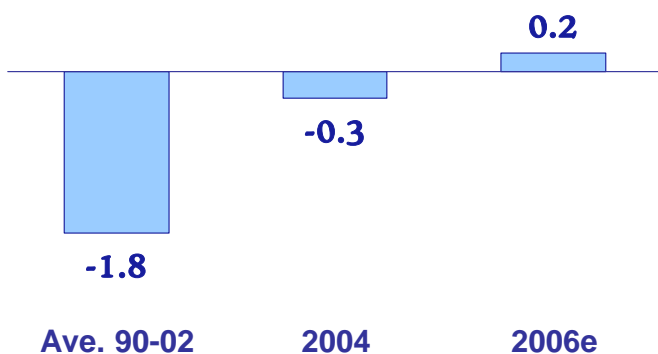
BBVA ranked 1<sup>st</sup> among banks with 16.5% market share

# Sound macroeconomic environment in Mexico and low risk perception

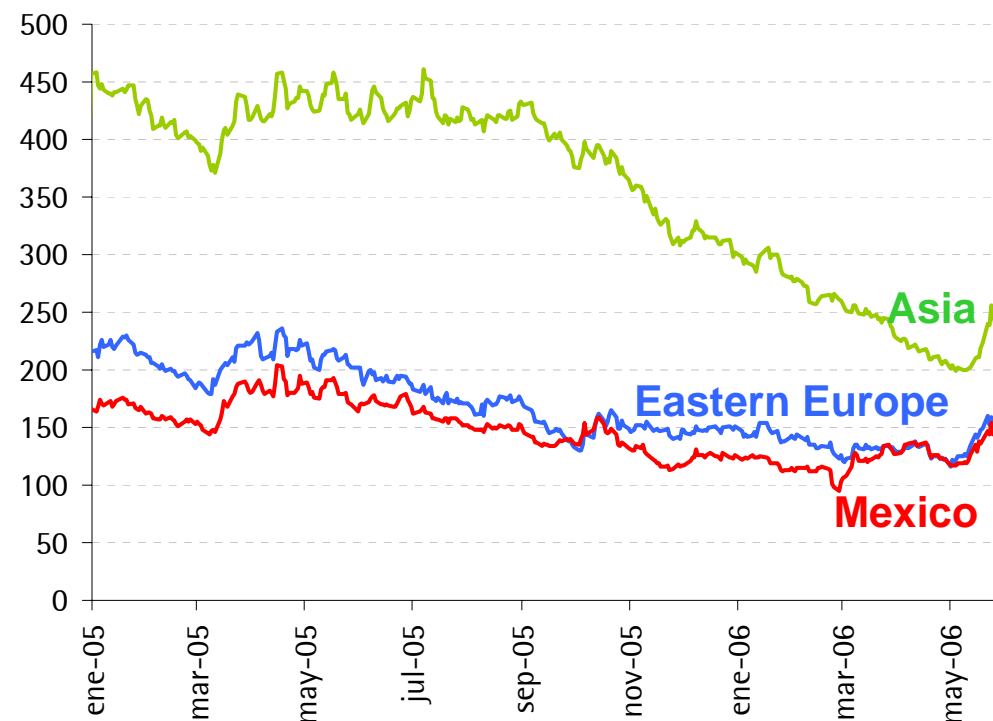
## Inflation (%)



## Budget balance (% GDP)



## Risk premium (bp)

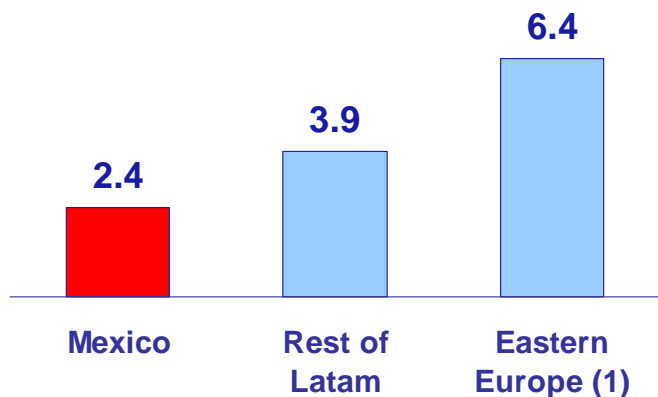


Source: JPMorgan

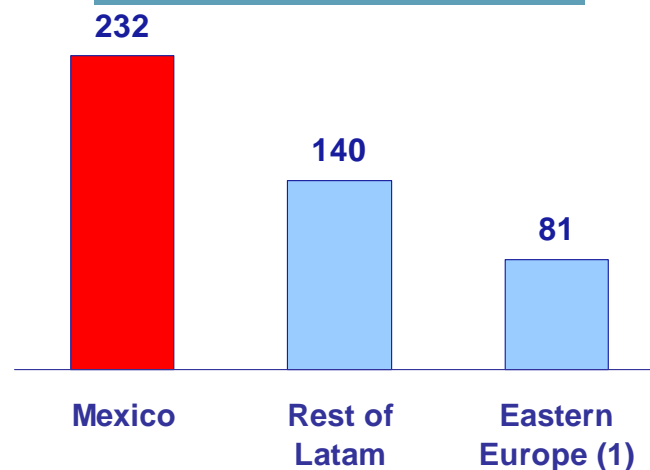
**Positive prospects 2006-07:  
GDP +3.4%, low inflation approx. 3%**

# The Mexican banking system is healthy

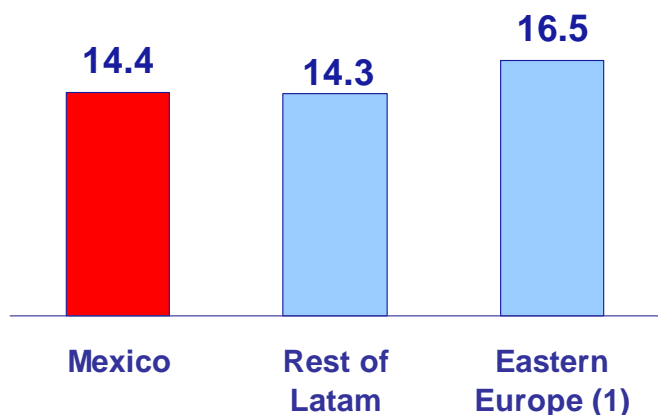
## NPL ratio (%)



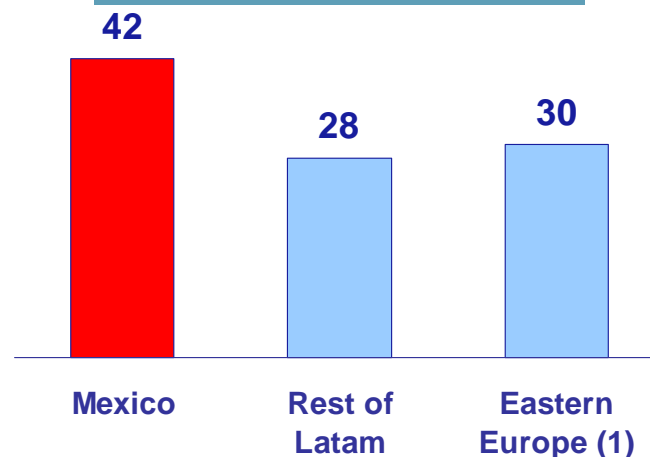
## NPL coverage (%)



## BIS ratio (%)



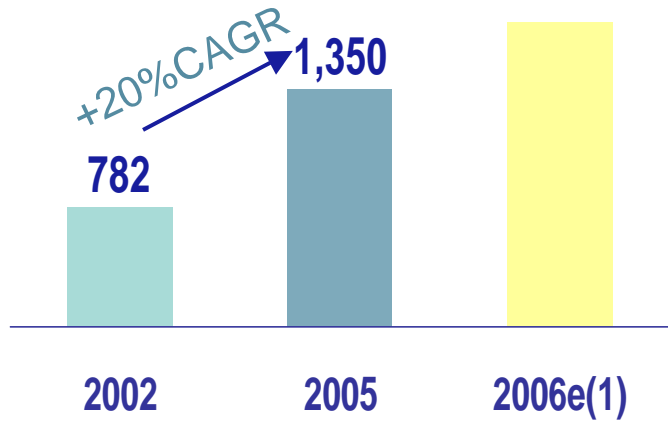
## Moody's FSR (%)



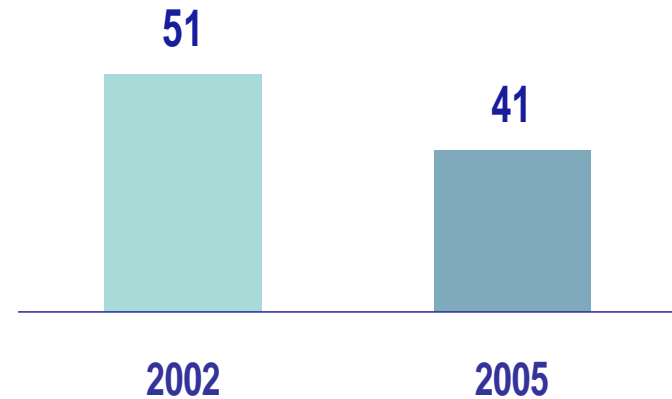
(1) Russia, Turkey, Hungary, Poland and Czech Republic / Source: BBVA Research and Global Financial Stability Report  
Data as of December 2005

# BBVA Bancomer: the #1 franchise in Mexico, **BBVA** delivering great results

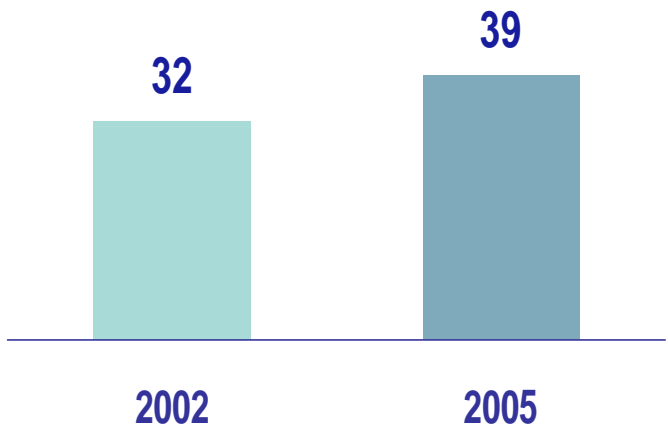
Net profit (€m)



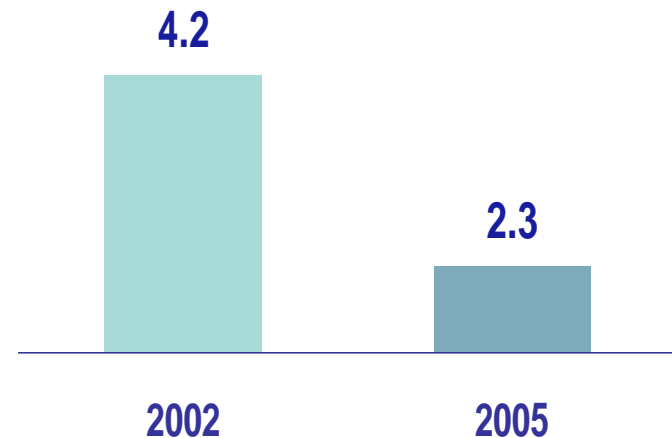
Efficiency (%)



ROE (%)



NPL ratio (%)

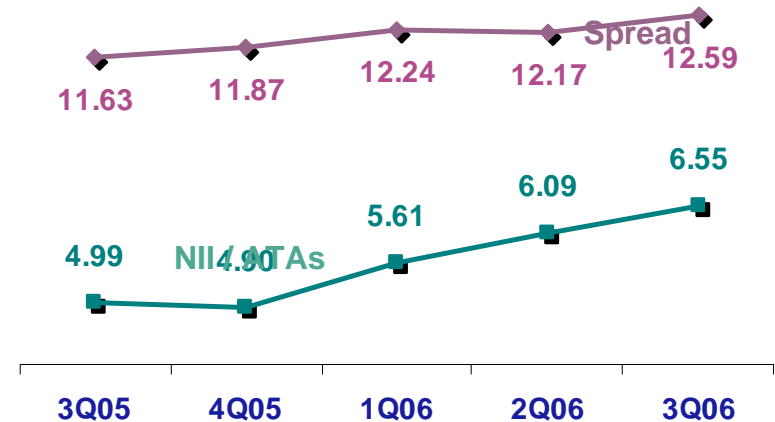




## Lending - Bancomer Growth of average balances (constant €)

Product	Sep. 05	Sep. 06
Consumer + Cards	70.2%	64.6%
SMEs	22.9%	29.8%
Mortgages	62.5%	53.1%
TOTAL	35.8%	28.3%

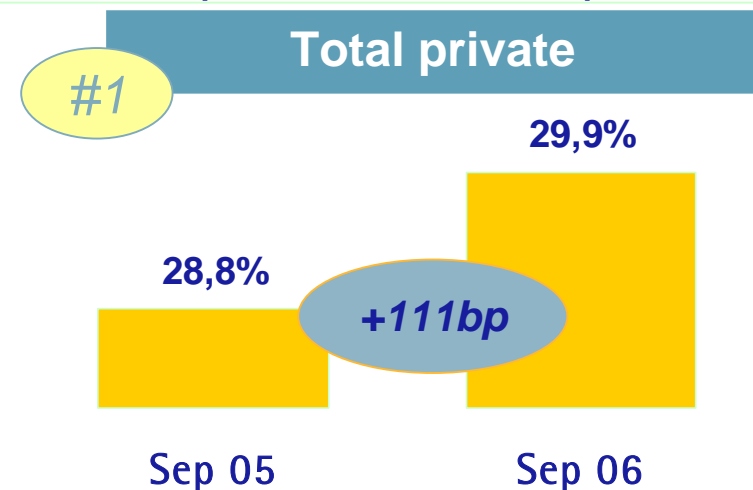
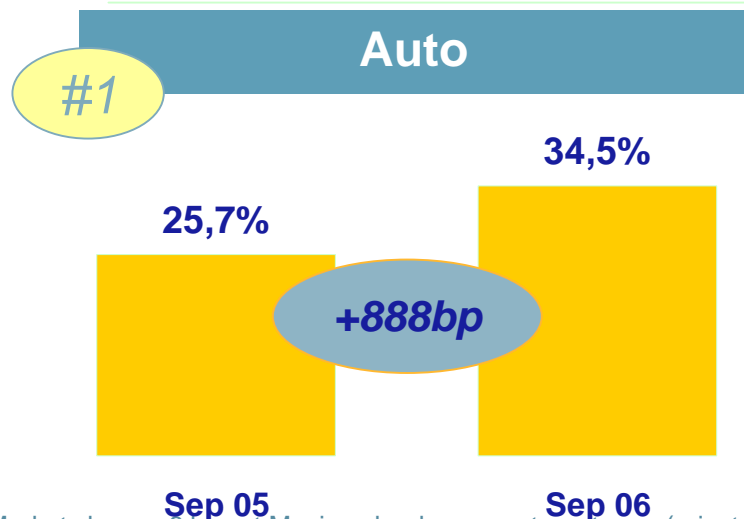
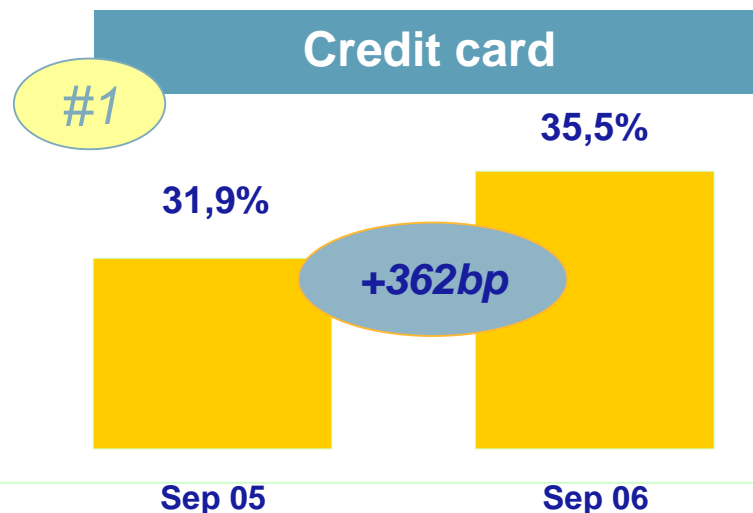
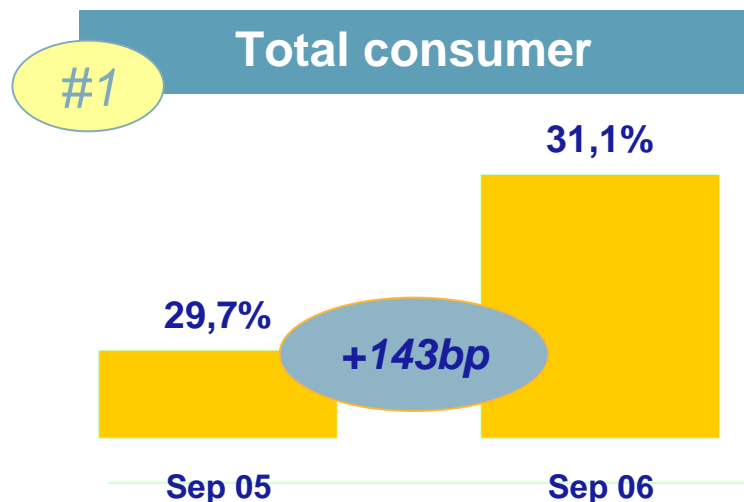
## Cust. Spreads and NII / ATAs - Bancomer (%)



**Revenue growth continues to be  
the driving factor**

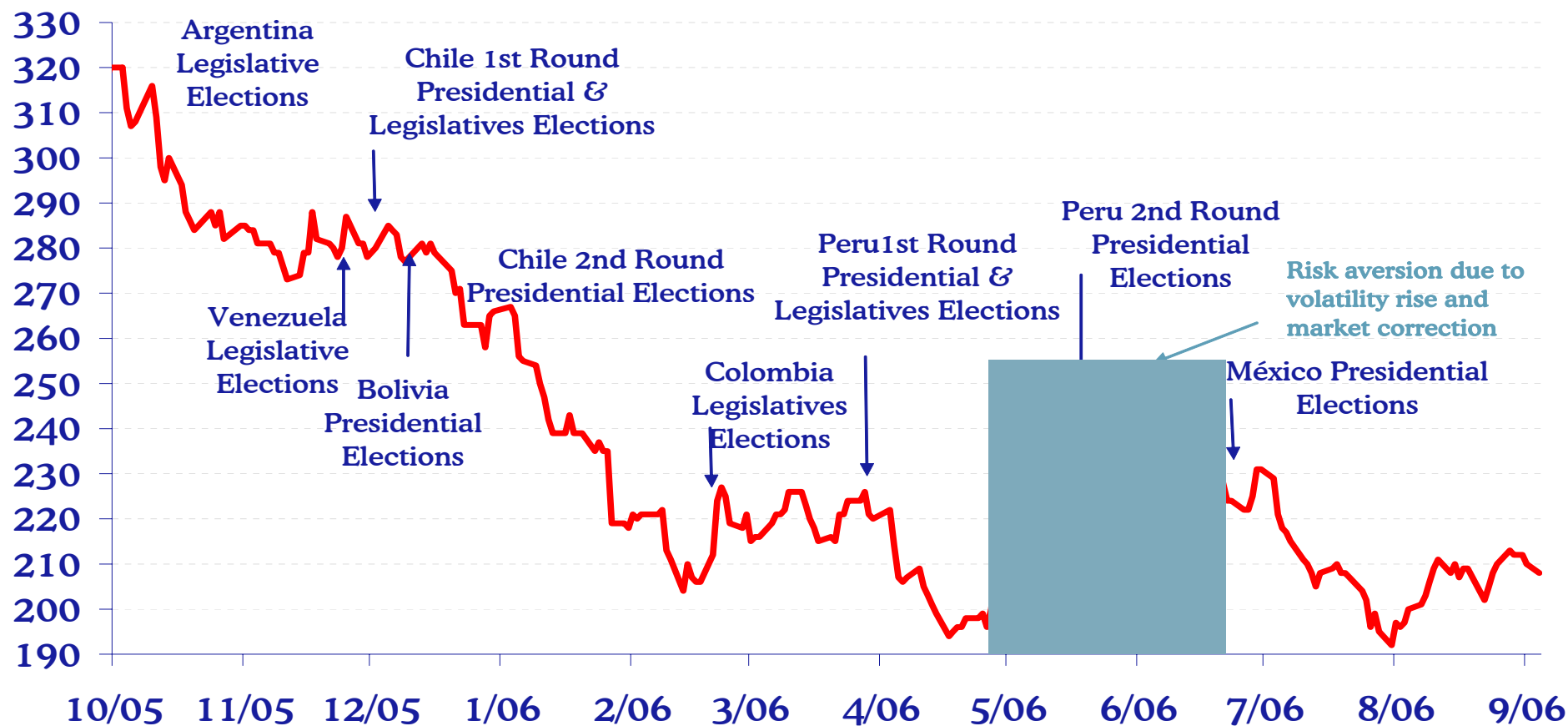
# BBVA Bancomer has continued to expand market share in the key retail loan segments

## BBVA Bancomer market shares



Market shares: 6 biggest Mexican banks, except mortgage (private banks + sofoles)

## EMBI+ and Elections in Latam

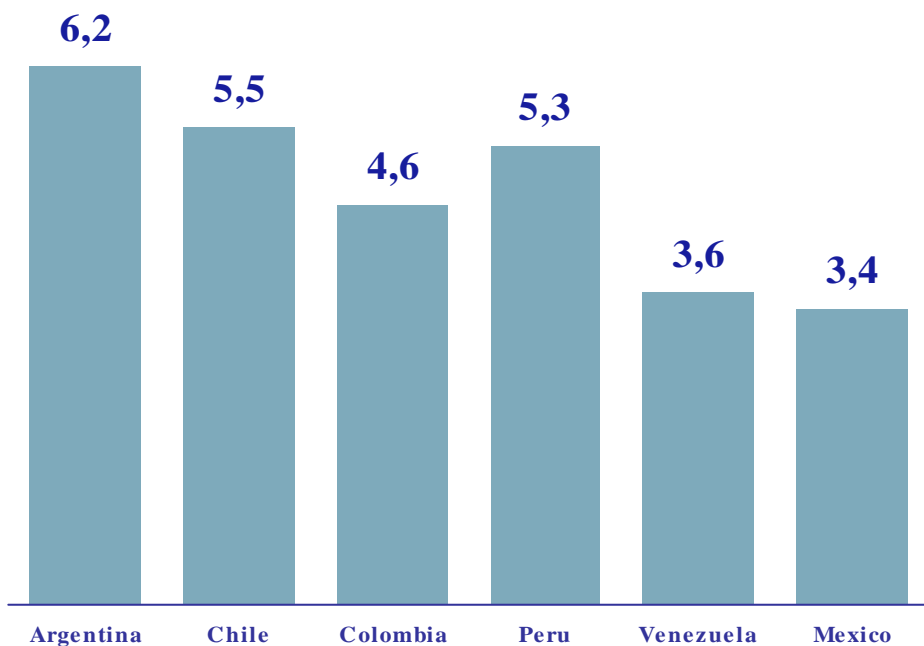


Source: BBVA & JPMorgan

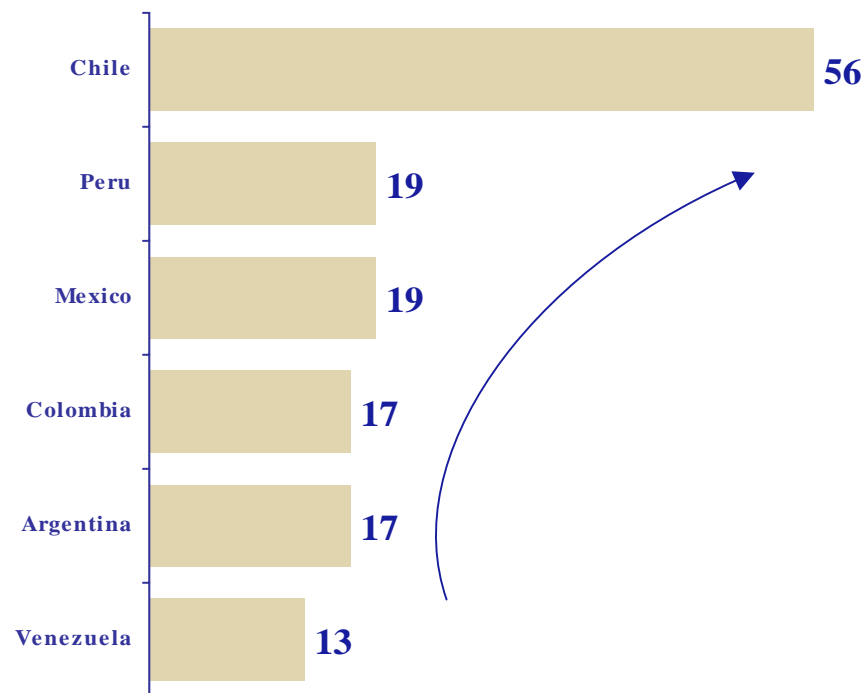
**Shift towards economic pragmatism  
and continuity taking place around the region**

...with good economic prospects

## 2007E GDP



## Bancarisation (Loans / GDP)



Source: BBVA

**And potential for higher bancarisation: Consumer finance and credit cards, mortgages and SMEs**

# In Latin America, 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

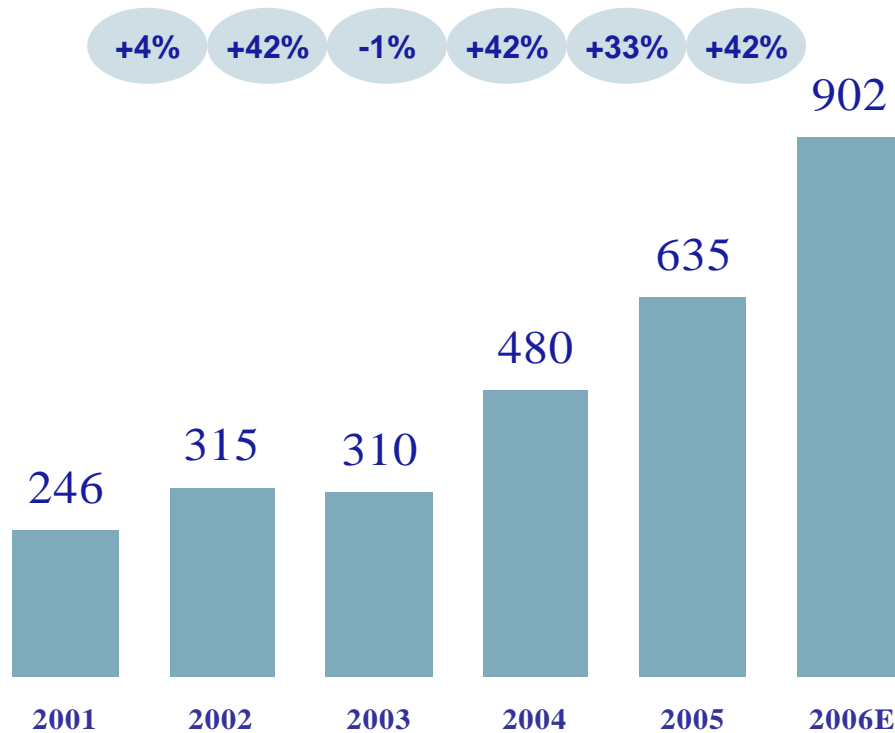
Alliances with retailers:  
5 million credit cards

**+ 2.2 m new customers in 2006**

# ...a high potential for mortgage development... **BBVA**

## Mortgages in Colombia

(\$m)

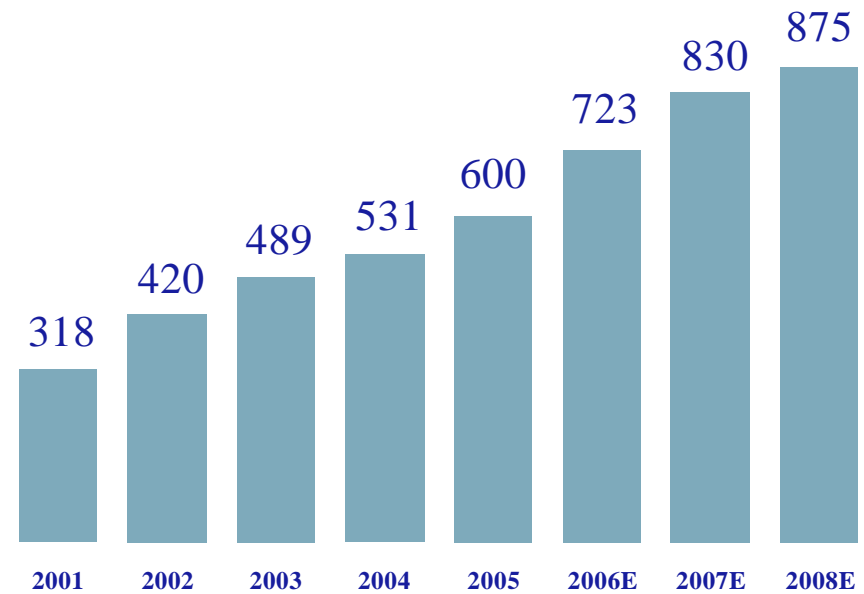


**21% Market Share**

Source: ICAV

## Mortgages in Mexico

(Thousand units)

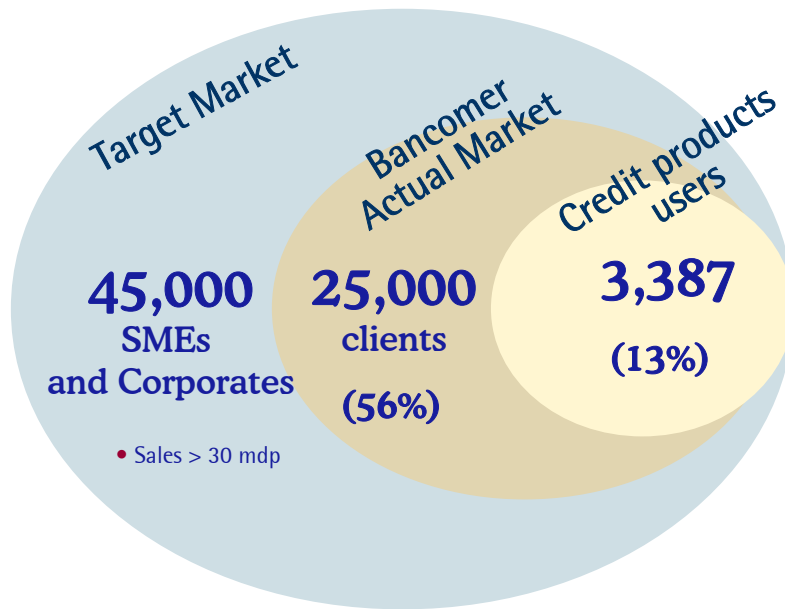


**35% Market Share**

Source: Infonavit & BVA

# ... and great prospects in SMEs

## Bancomer SMEs and Corporates

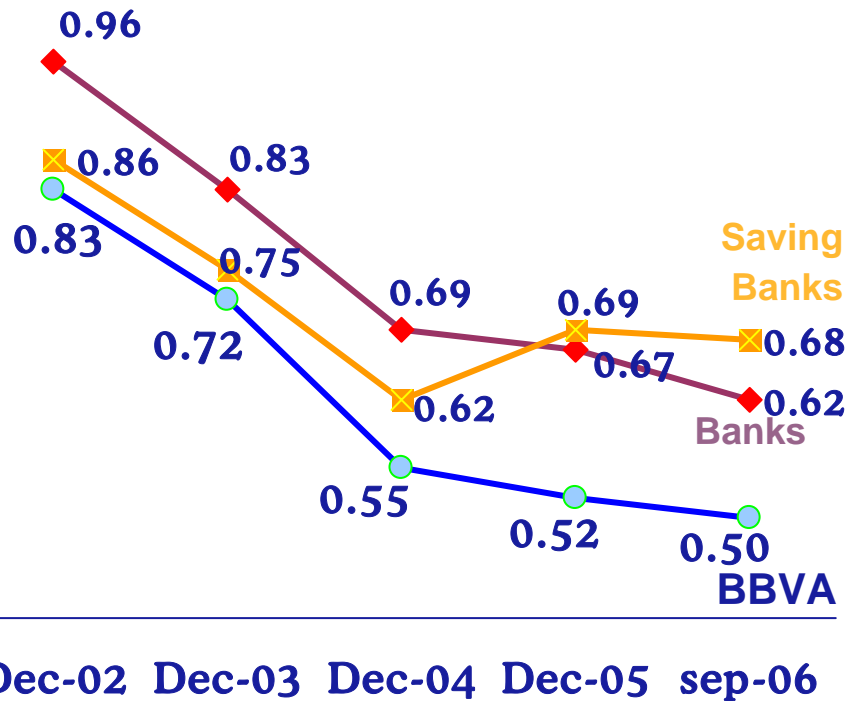


## Loan Penetration (€m)

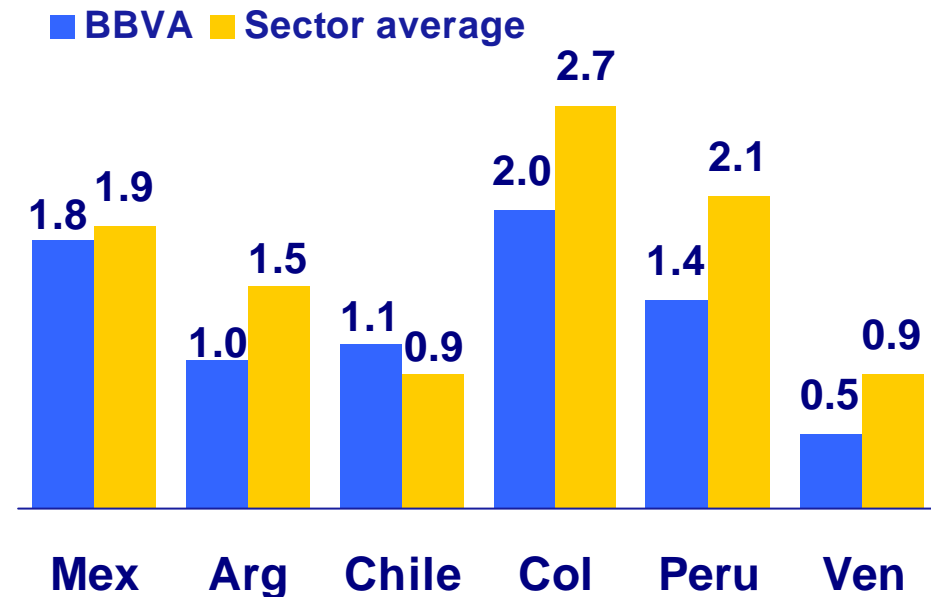
	Spain	Mexico
Customer Funds	10,660	4,239
Lending	30,251	2.839
Lending/ Customer Funds	284%	70%

# BBVA is a benchmark in managing risks

## Spain (1)



## America (Dec 05)



(1) Source: Bank of Spain and BBVA.  
Before Dec-05 pre-dating IFRS

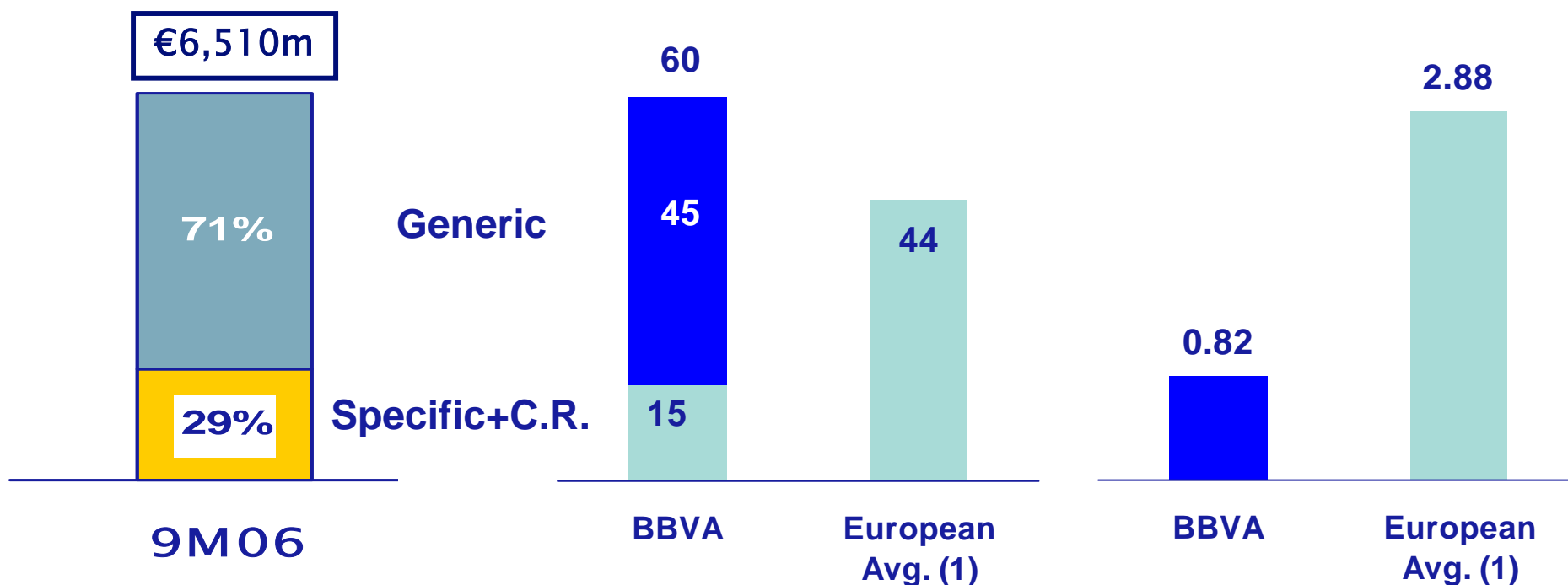


# Higher provisions, but better asset quality

## NPL Provisions

## Risk premium (bp)

## NPL ratio (%)



(1) Data as of June 06 refers to largest European groups .

5

# BBVA's non-organic expansion has showed strategic fit

BBVA

Consolidating  
our  
position  
in Mexico

Reinforcing  
high potential  
businesses

Creating a  
franchise in  
USA

Building  
presence in  
new high  
growth  
markets

Buyout of BBVA  
Bancomer  
minorities

- Hipot. Nacional
- Granahorrar (Col)
- Forum (Chile)

- Laredo
- Texas Regional
- State National

- Asia Plan
- Citic Group

2003 to date investments: €8 Bn

# Track record in acquisitions, best in class among European financial institutions

## Latin American acquisitions

	Investments to 2006 (M US\$)	ROI (%)
BBVA Bancomer (1)	8,370	23.8
Rest of Latin America (2)	5,202	16.8
Total Latin America	13,573	21.1

(1) Banking Group

(2) Rest of Banks, Pension and Insurance business

## Hipotecaria Nacional

- Full payback of investment in 24 months

## BNL

- Financial discipline
- Maximising shareholder return

## USA

- Strong fit with BBVA strategy
- Franchises with leading positions in their core markets

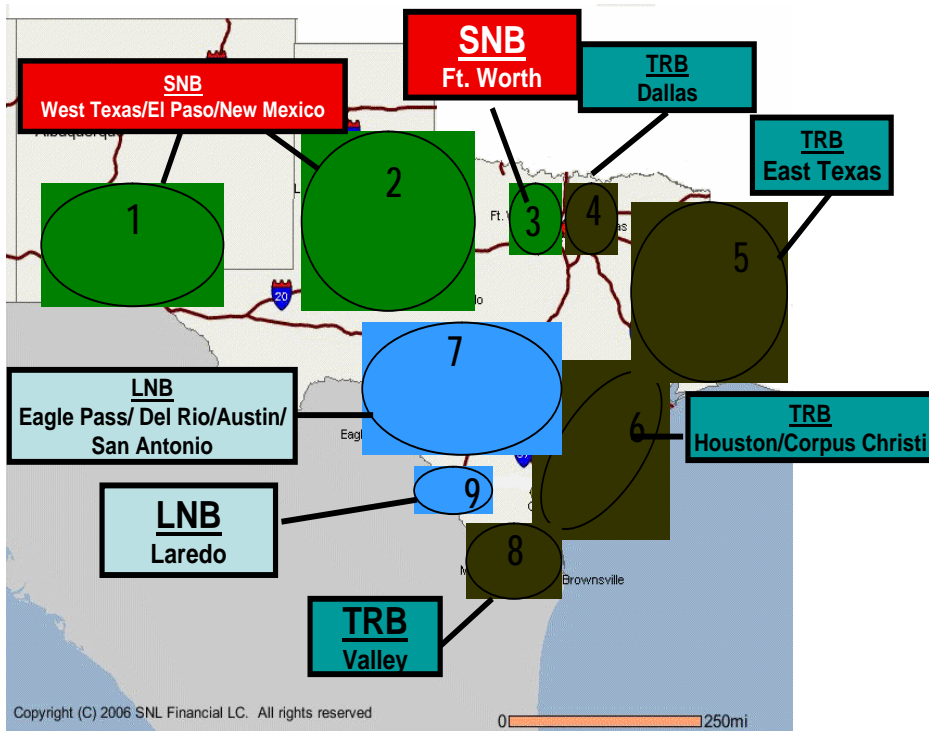
## China

- Limited financial exposure with real options to develop meaningful businesses

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

*(Deutsche Bank, Sep 05)*

# BBVA Texas: A big step in our expansion strategy



	Texas	USA	USA /Tx
Population (million / 2005)	23	298	12.9x
Population Growth (05-10e)	10.6%	5.4%	+6.2pp
% Hispanic population	36%	15%	+21pp
GDP growth (97-05)	6.4%	5.2%	+1.2pp
GDP per capita US th\$	42.5	41.6	+0.9th

BBVA USA, a leading regional bank in Texas, with 3% market share

# China & Hong Kong: a great opportunity for BBVA

## First Stage

**5% stake in CNCB<sup>1</sup>**

**15% stake in CIFIH<sup>2</sup>**

**Exclusivity agreements**

**€989m investment**

## Second Stage

**Option to increase to 9.9%  
(2007-2010)**

**Defining final business plan  
for wholesale banking in the  
region (2007-08)**

**Defining profit-sharing  
schemes in auto finance,  
trade finance, etc (2007)**

**Additional investments  
required over time**

(1) China CITIC Bank

(2) CITIC International Financial Holdings

In summary, BBVA is well placed to continue **BBVA** to deliver profitable growth...



**Well placed to  
grow over  
peers**

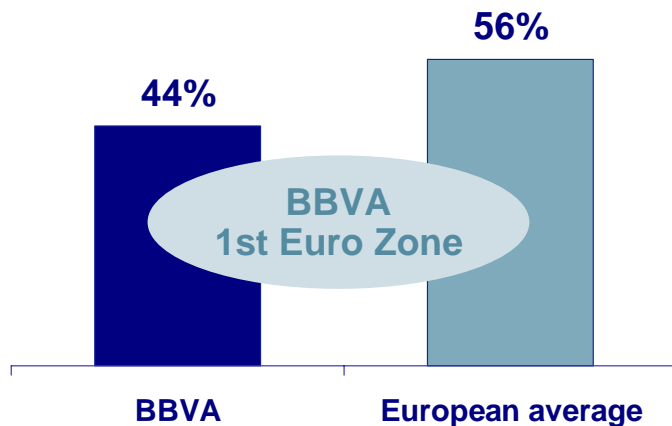
1. Present in high growth markets with positive economic prospects
2. Strong activity and results
3. Developing new growth engines

**Efficiency and  
low risk profile**

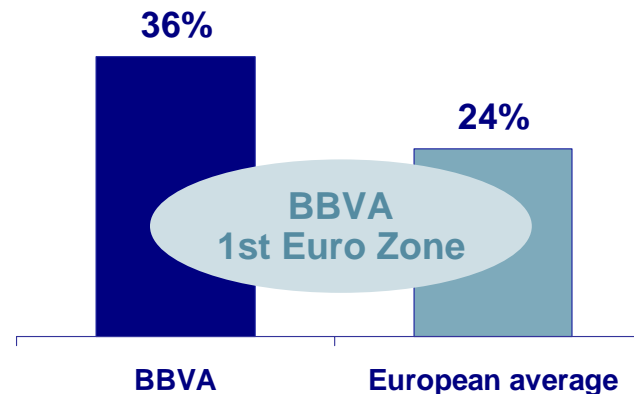
1. Tested model to drive efficiency
2. Excellent asset quality
3. Diversified geographic and business presence

...with strong fundamentals

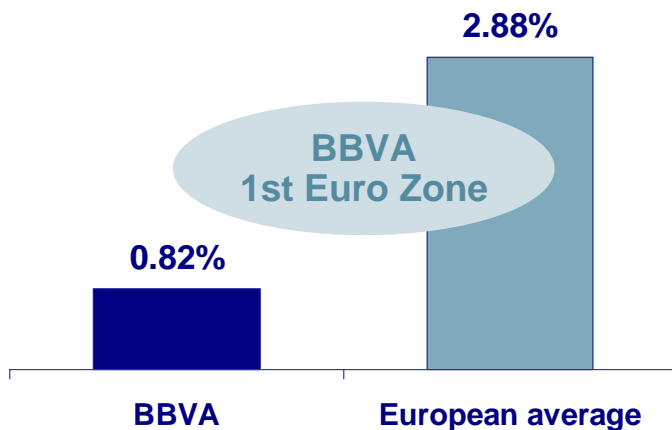
### Efficiency



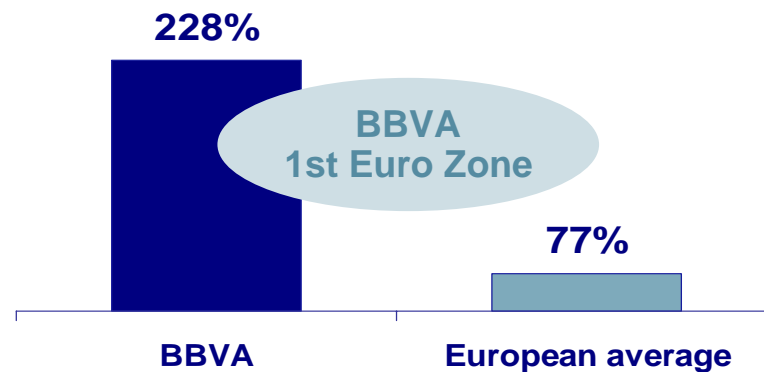
### ROE



### NPL's

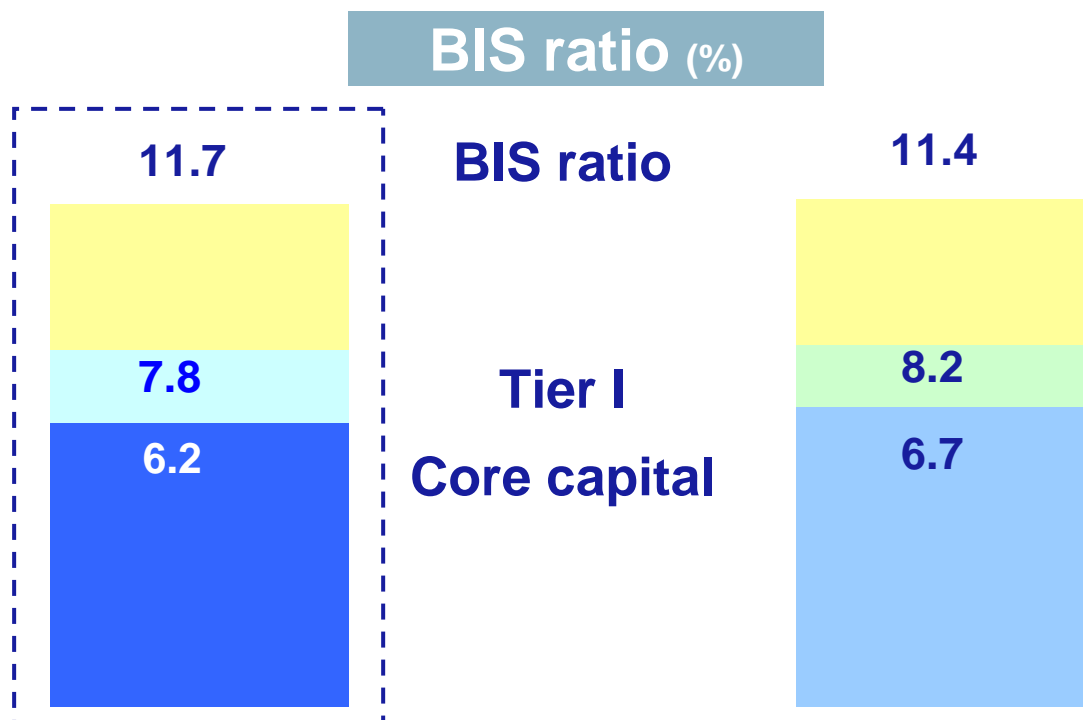


### Coverage



Note: Data refers to largest European groups as of June 2006

... and continues to be very disciplined in its use of capital



**BBVA (proforma after capital increase + announced investments)**

**European banks average<sup>(1)</sup>**

<sup>(1)</sup> Data as of June 06 refers to largest European groups .



# BBVA an attractive investment: strong commitment to value creation

## Excellent combination Profitability – Risk

**ROE: 30% <sup>(1)</sup>**

- 95% of assets in “investment grade” countries
- Rating: Aa2, AA-

## With strong growth

**EPS CAGR 05-02  
+27.7%**

**DPS CAGR 05-02  
+15.1%**

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Paris, December 6<sup>th</sup> 2006

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