

# BBVA

*BBVA Inaugural Issue:  
144A Bond*

USA, April 2006

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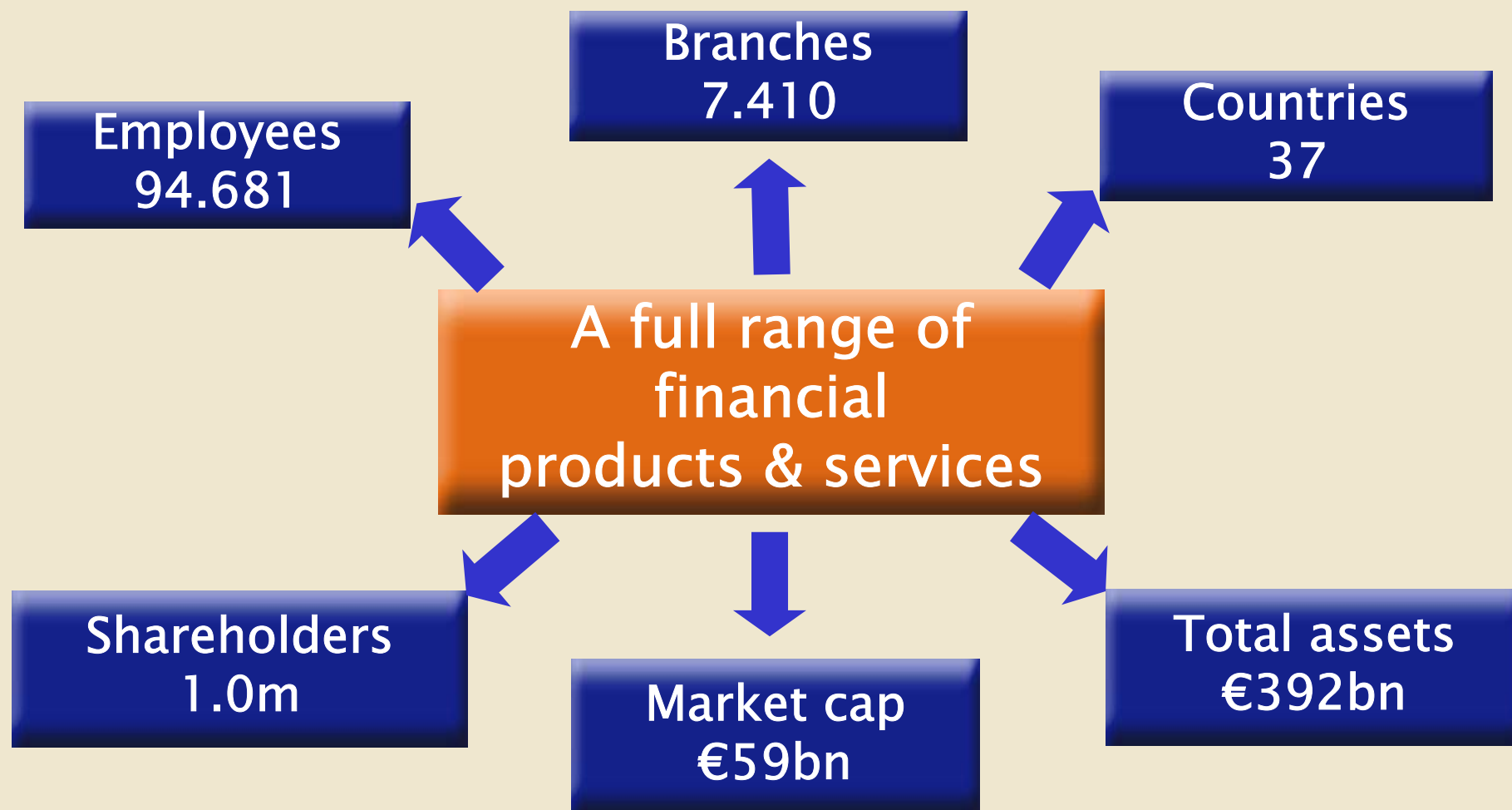
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# Index

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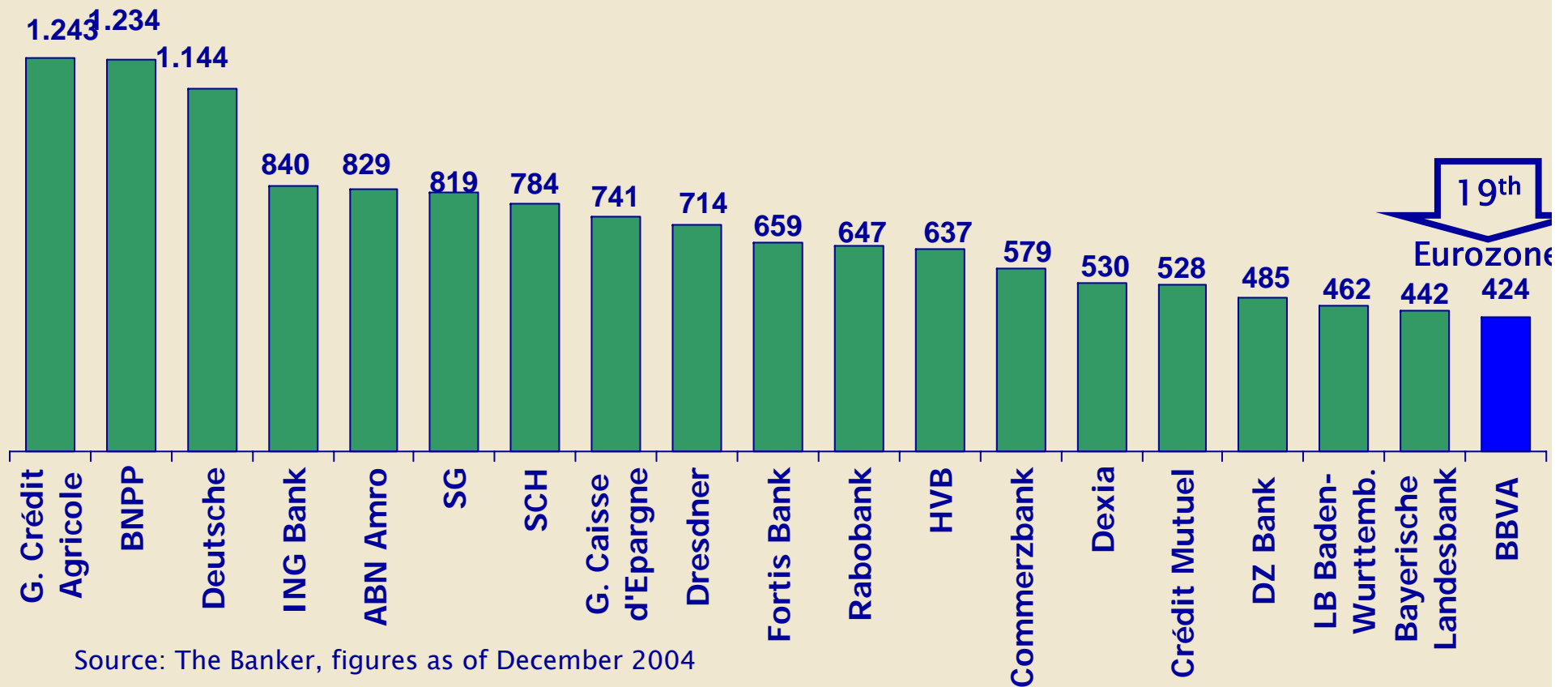
- **BBVA Overview**
  - Recent performance
  - Funding Strategy
  - Issue Details

# BBVA is an international financial services group



# BBVA ranks 19<sup>th</sup> by assets in the Eurozone...

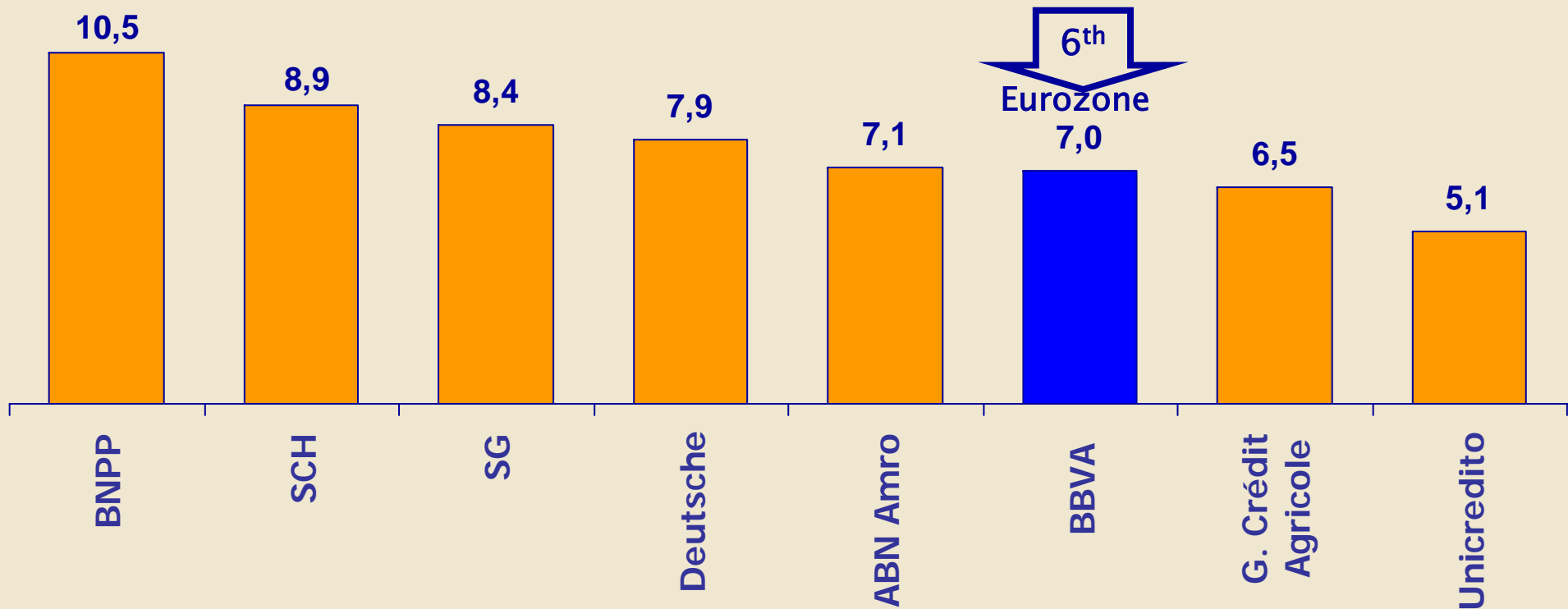
## Total Assets (\$ bn)



Source: The Banker, figures as of December 2004

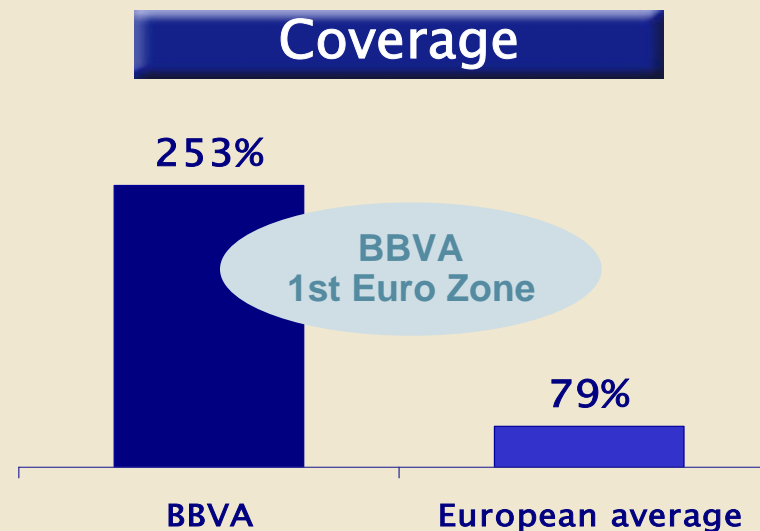
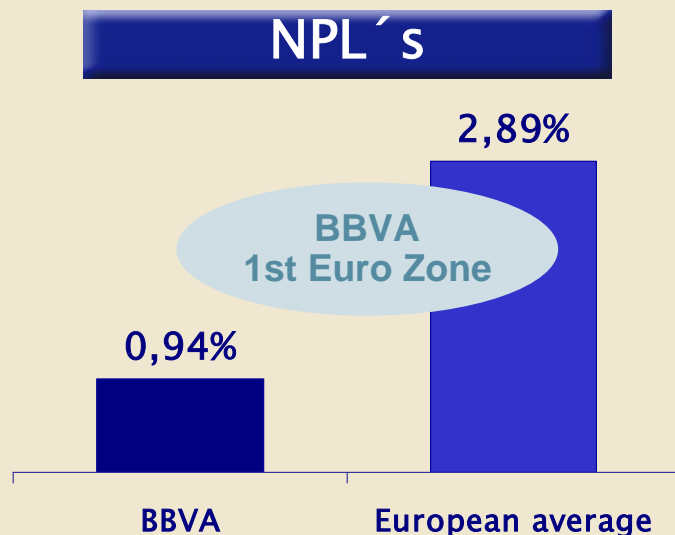
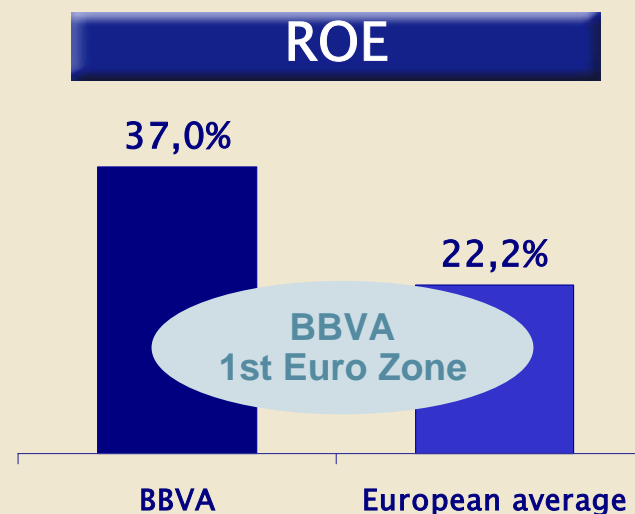
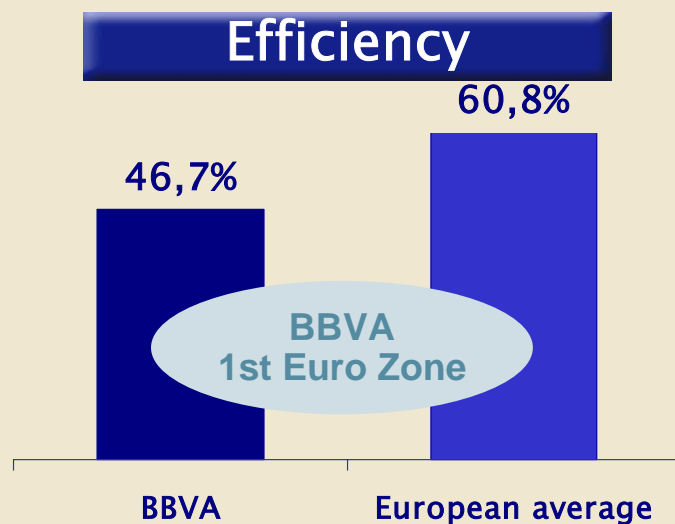
# ... but 6<sup>th</sup> by profits

Profit before taxes (\$ bn)



Data as of December 2005

# BBVA: top European Bank by profitability and asset quality



7 Note: Data refers to largest European groups. Efficiency ratio includes amortizations. NPL's refers to balance sheet funds. As of December 2005, European average NPLs and coverage last data available

# Group expansion has been driven by domestic consolidation in Spain...

Banco Bilbao

Banco Vizcaya

1988



Banco Exterior de España

Banco Hipotecario

Caja Postal

Banco Crédito Local

Banco Crédito Agrícola

1991



ARGENTARIA

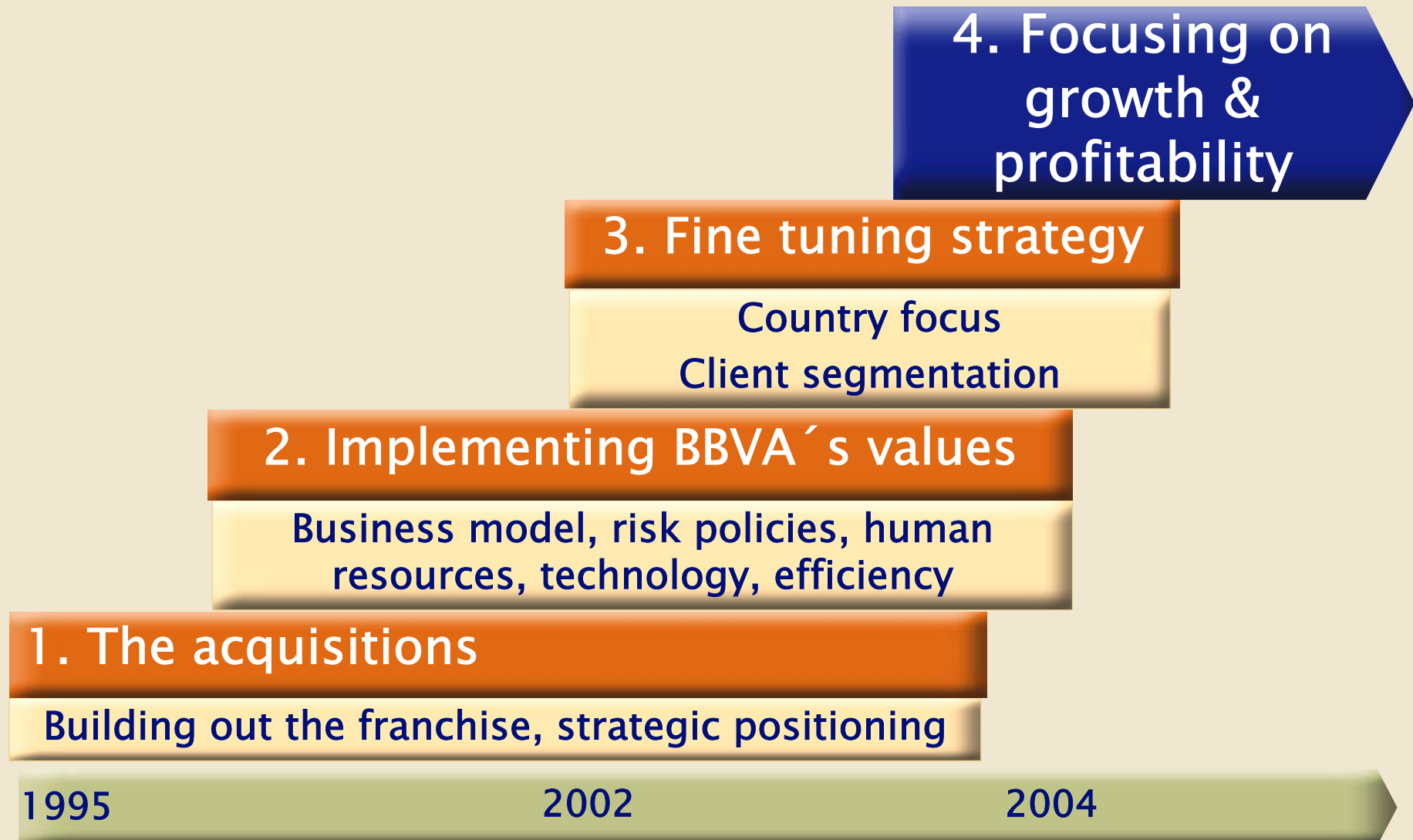
1999

**BBVA**

**BBVA**



# ... and international expansion into Latin America



# In the US we are building our platform

Money transfers

BTS

Basic banking  
products

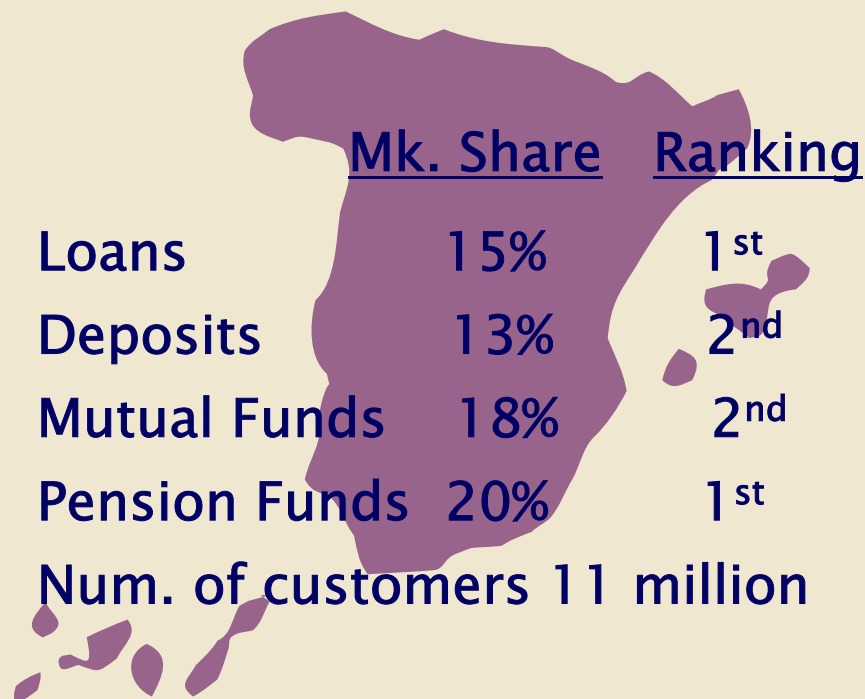
BBVA  
Bancomer  
USA

Full banking offer

Laredo  
National  
Bancshares

# BBVA enjoys a solid and focused position in attractive growth markets ...

## Spain

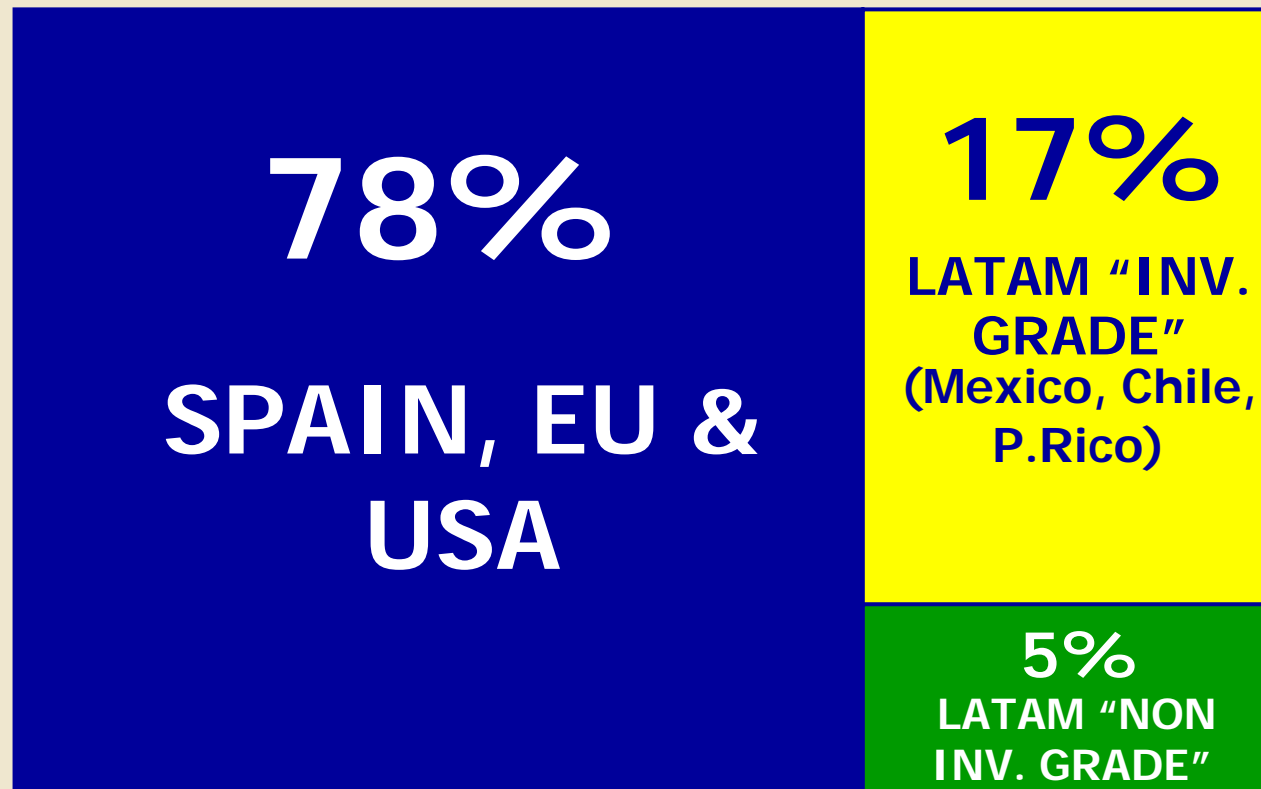


## Latin America



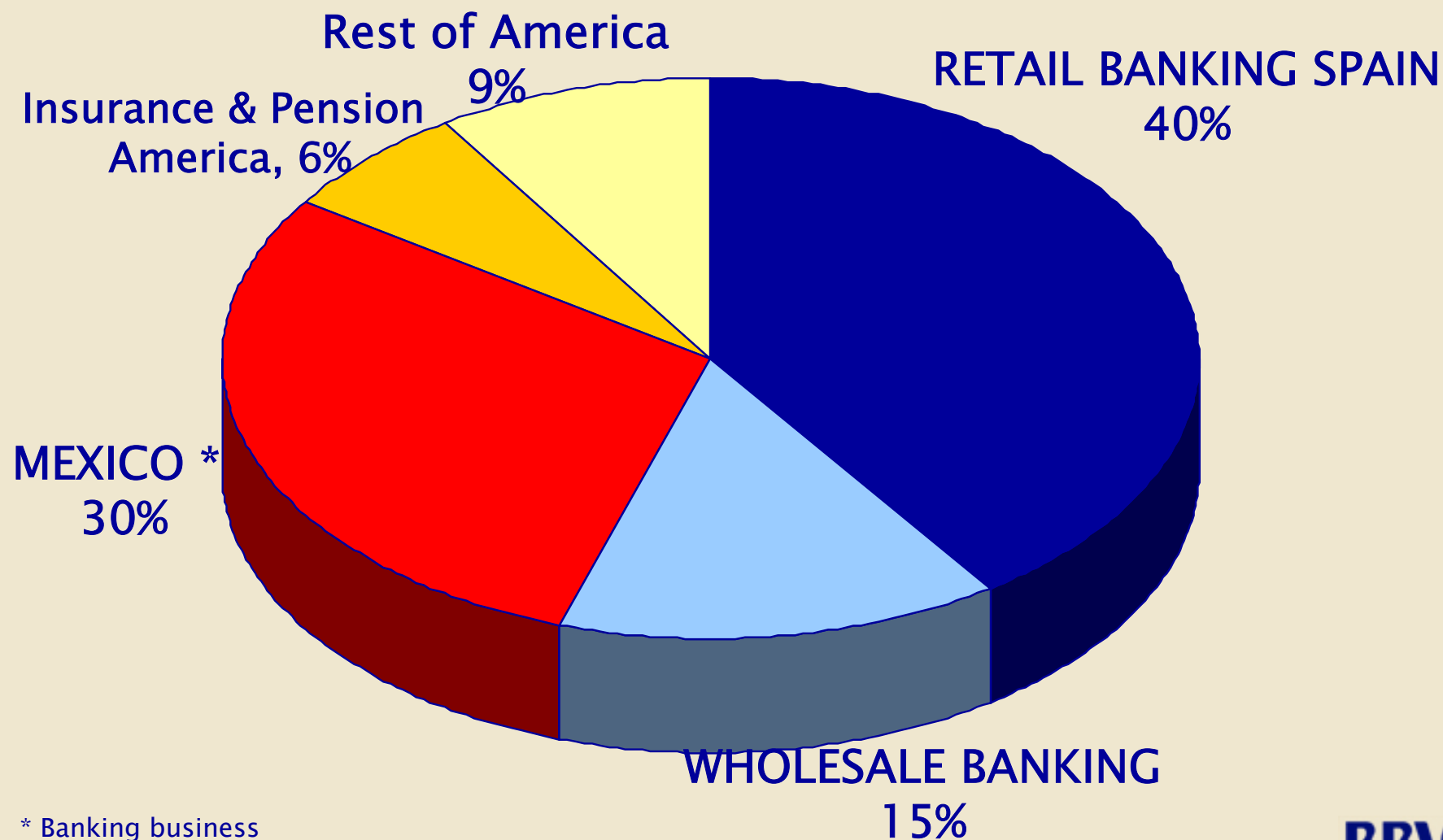
... with a balanced distribution of assets

Group assets breakdown (%)



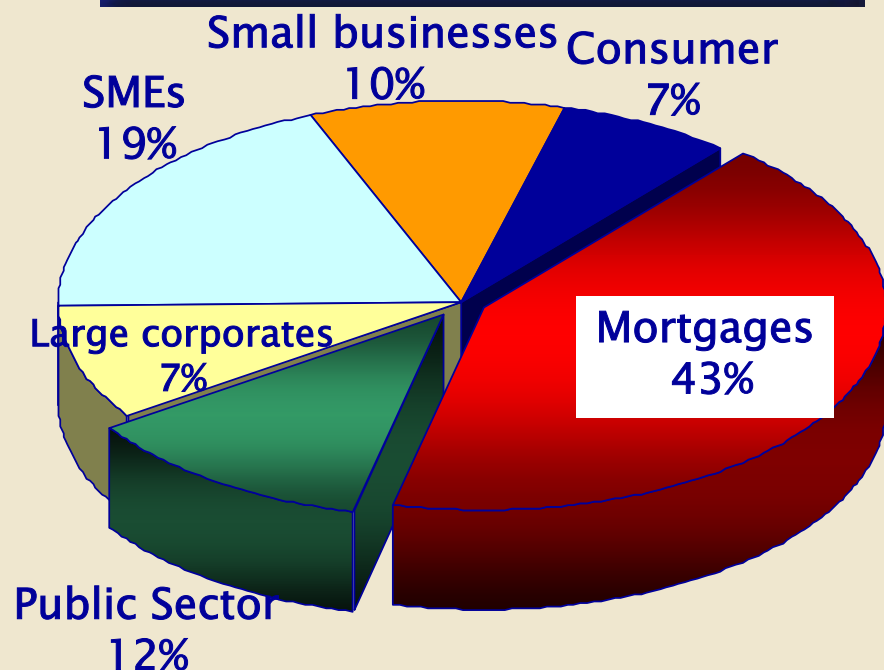
# ... and a well diversified business mix

**Attributable Profit by Business Areas (%)**

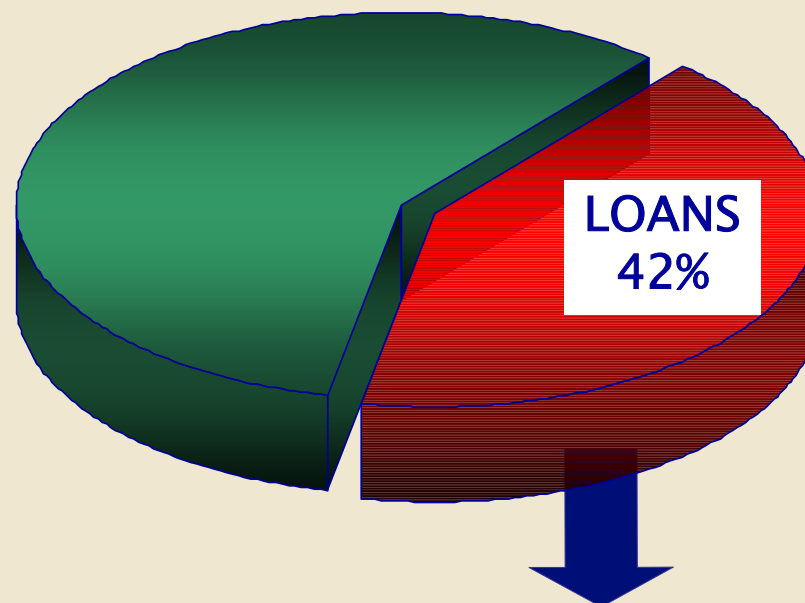


# ... and a low risk, high quality asset profile

**Banking in Spain  
Loan portfolio breakdown**



**Latin America  
Loans/total assets**



- 44% individuals (20% mortgages)
- 11% Public Sector
- 39% Corporates

**46% of Group's gross loans are secured**

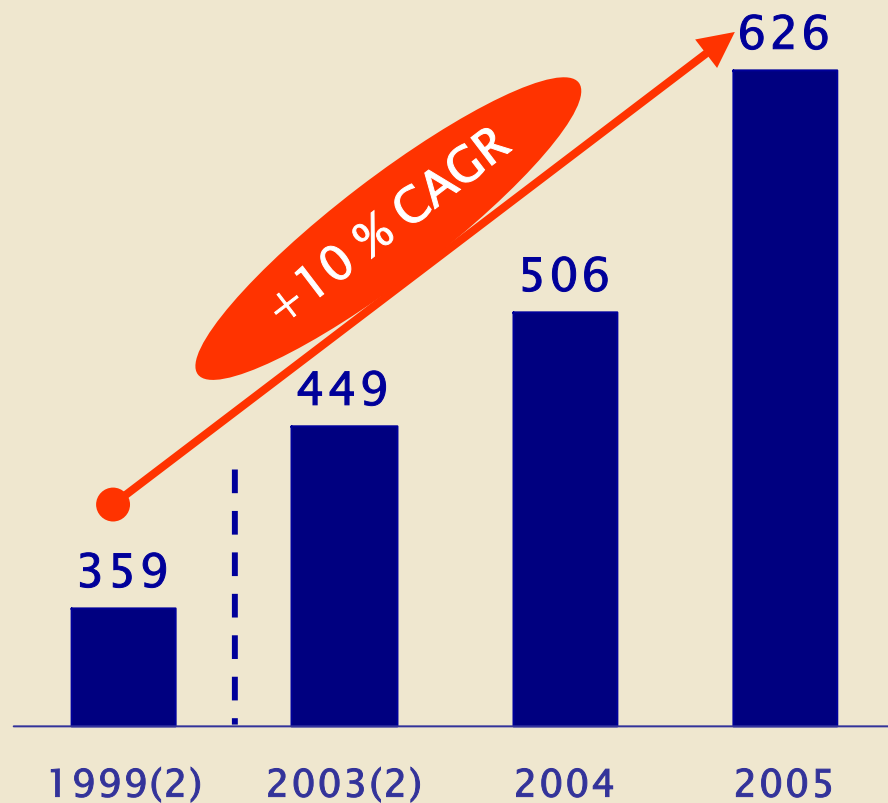
# ... with sound ratings

## RATINGS: BBVA VS. EUROPEAN BANKS

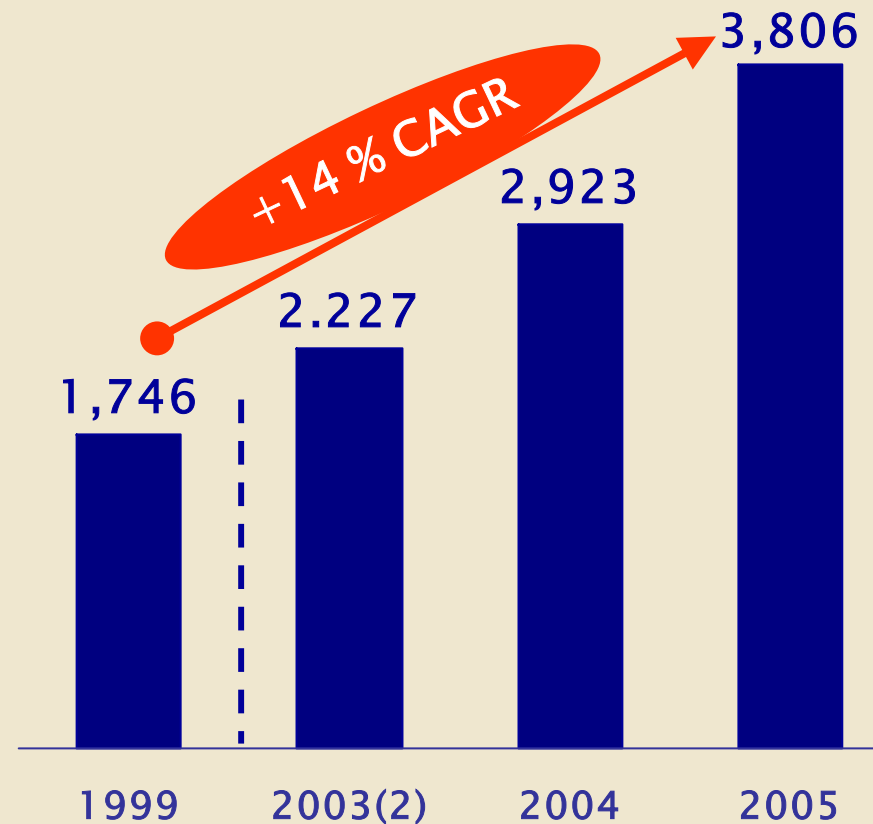
MOODY'S									
Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Lloyds	Barclays RBS	<b>BBVA</b> BNPP Credit Agricole HSBC B. ING B. UBS SOCGEN	ABN Credit Sui. Deutsche B. Fortis B. San Paolo SCH	B. Intesa Unicredito	Commerz. HVB				
STANDARD & POOR'S									
AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
	UBS	Barclays BNPP Lloyds RBS	<b>BBVA</b> ABN Credit Agricole HSBC B. ING B. SOCGEN Fortis B. Deutsche B.	San Paolo Credit Sui. SCH Unicredito	B. Intesa HVB	Commerz.			
FITCH									
AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
	Barclays Lloyds RBS UBS	BNPP HSBC Credit Agricole	<b>BBVA</b> ABN Credit Sui. Deutsche B. ING B. San Paolo SCH SOCGEN	B. Intesa Unicredito Fortis B.	Commerz. HVB				

# Excellent track record for generating results

**Total Customer Volumes (1)**  
€ billion



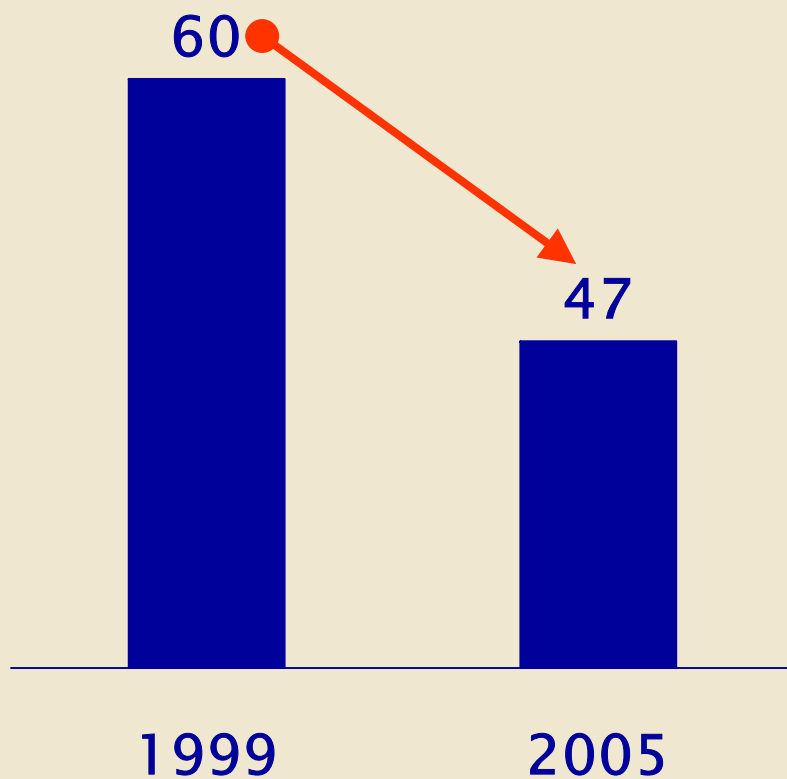
**Net Attributable Profit**  
€ million



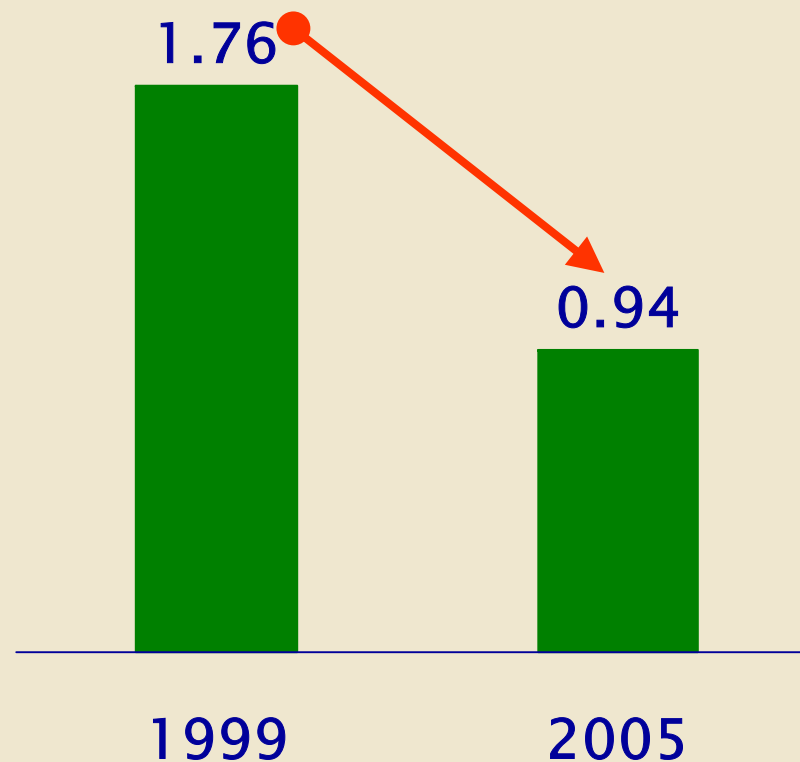


## ... with improving fundamentals

Cost to income <sup>(1)</sup> (%)

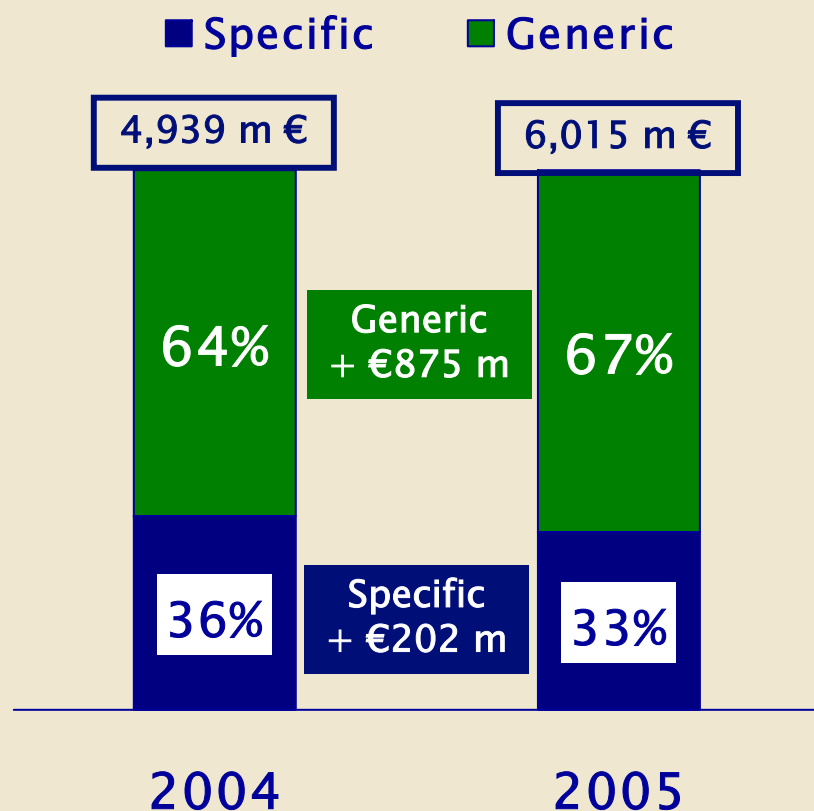


NPL ratio (%)

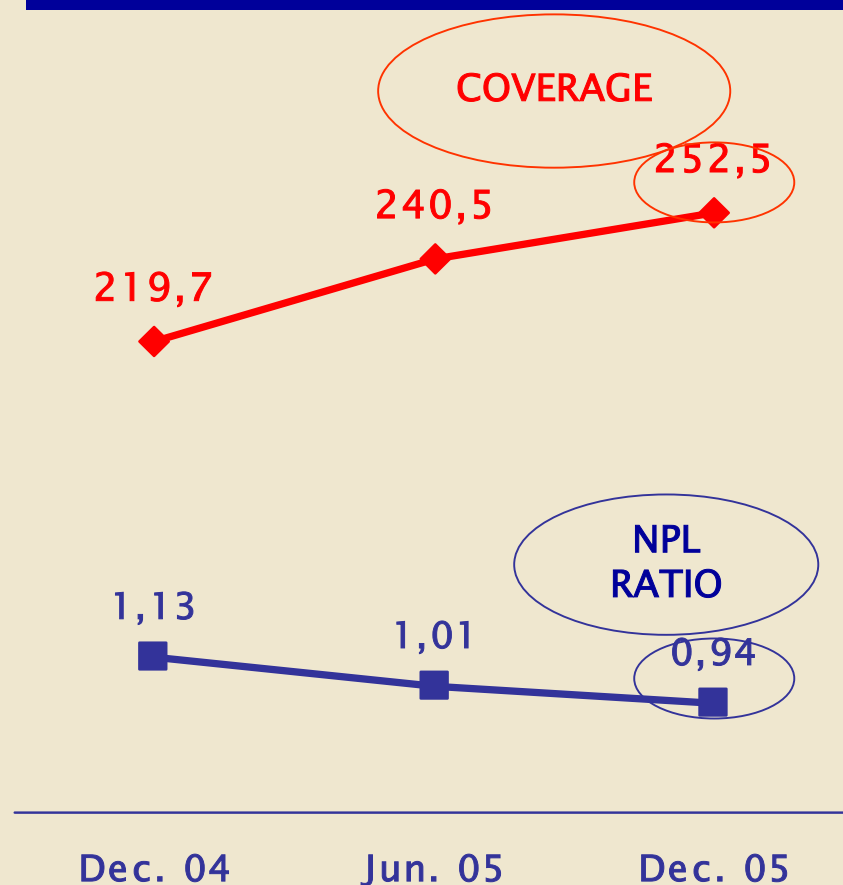


# Strict control of asset quality and high coverage ratios

Loan loss provisions (€ million)



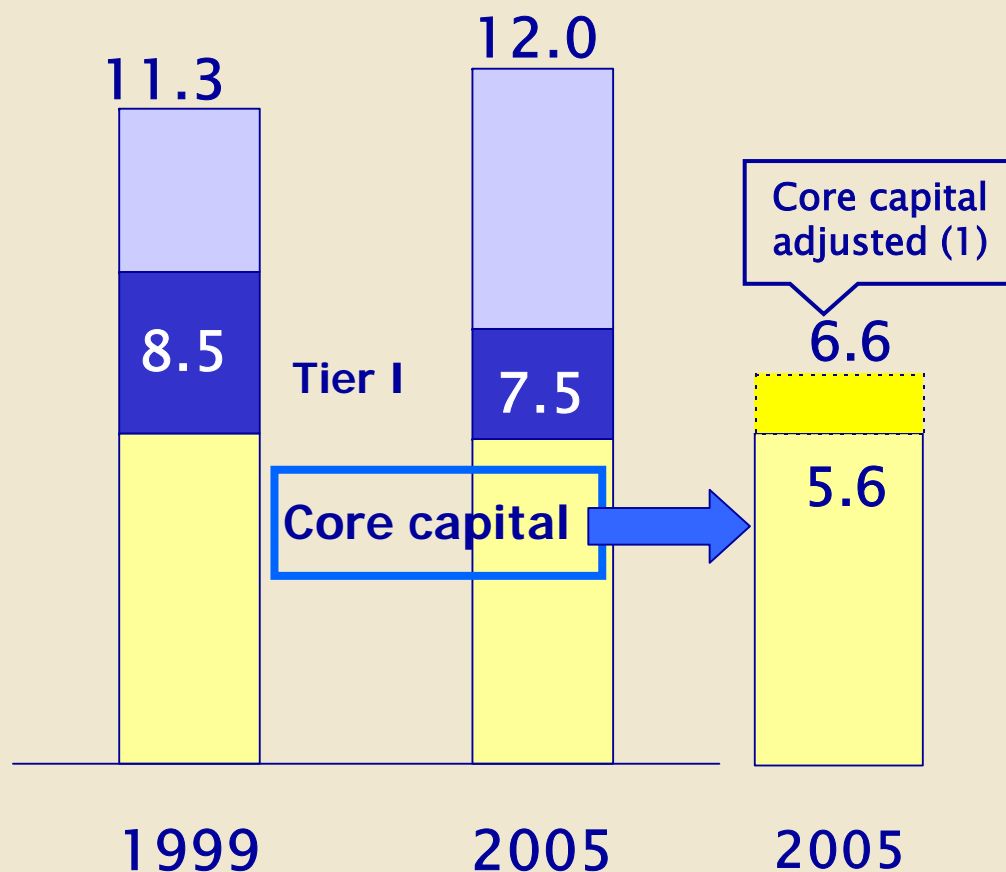
NPL and coverage ratios (%)



...while managing other structural risks

# ...and maintaining strong solvency ratios

## BIS ratios (%)



Additionally:

- €4.9bn unrealized capital gains
- Full coverage of pension fund liabilities

(1) Including generic provisions net of expected losses in core capital  
19 1999 data Pre-IFRS

# BBVA's capital discipline

Core capital

6% approx.

Pay-out

45%–50% approx.

... that meets two objectives

Self-financing

Core capital

2004

5.8%

2005

5.6%

Shareholder remuneration

DPS

04/03

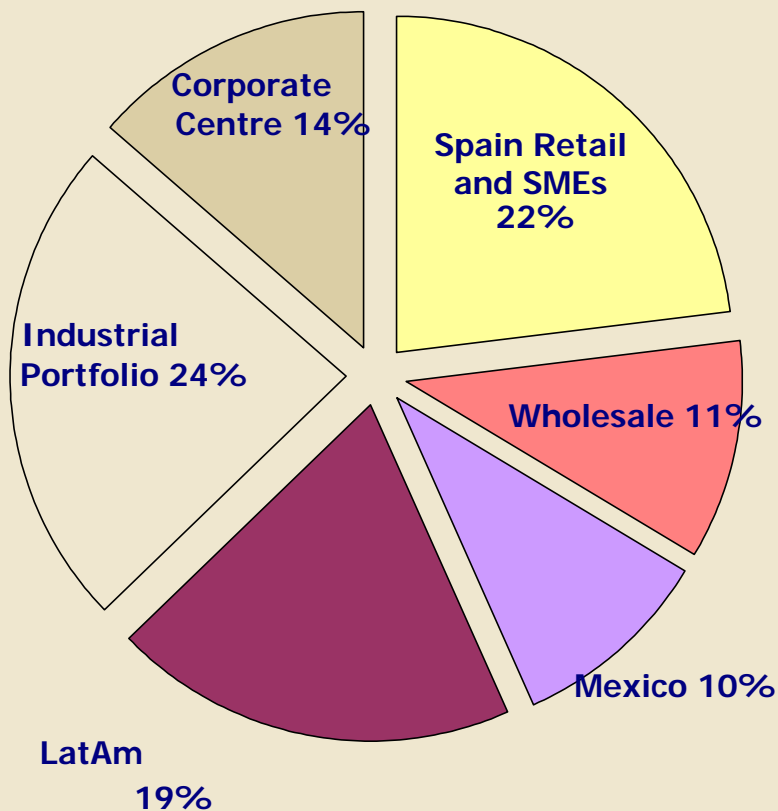
+15.1%

05/04

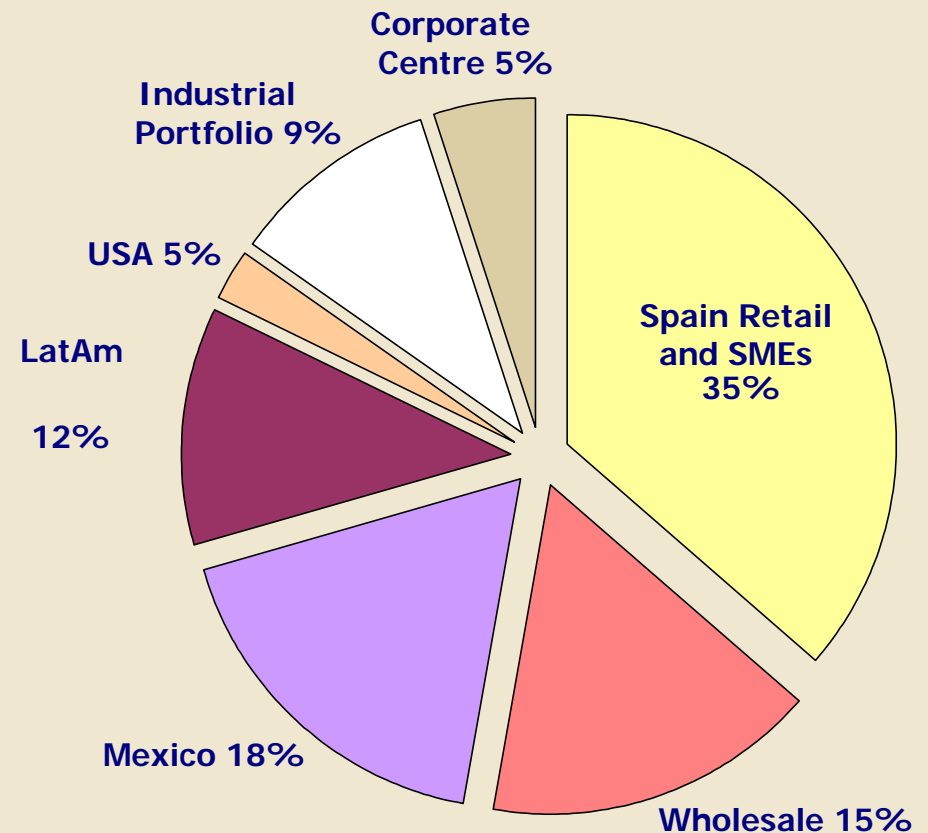
+20.1%

# BBVA has “turned around” its capital allocation over the last three years

Economic Capital 2002



Economic Capital 2005

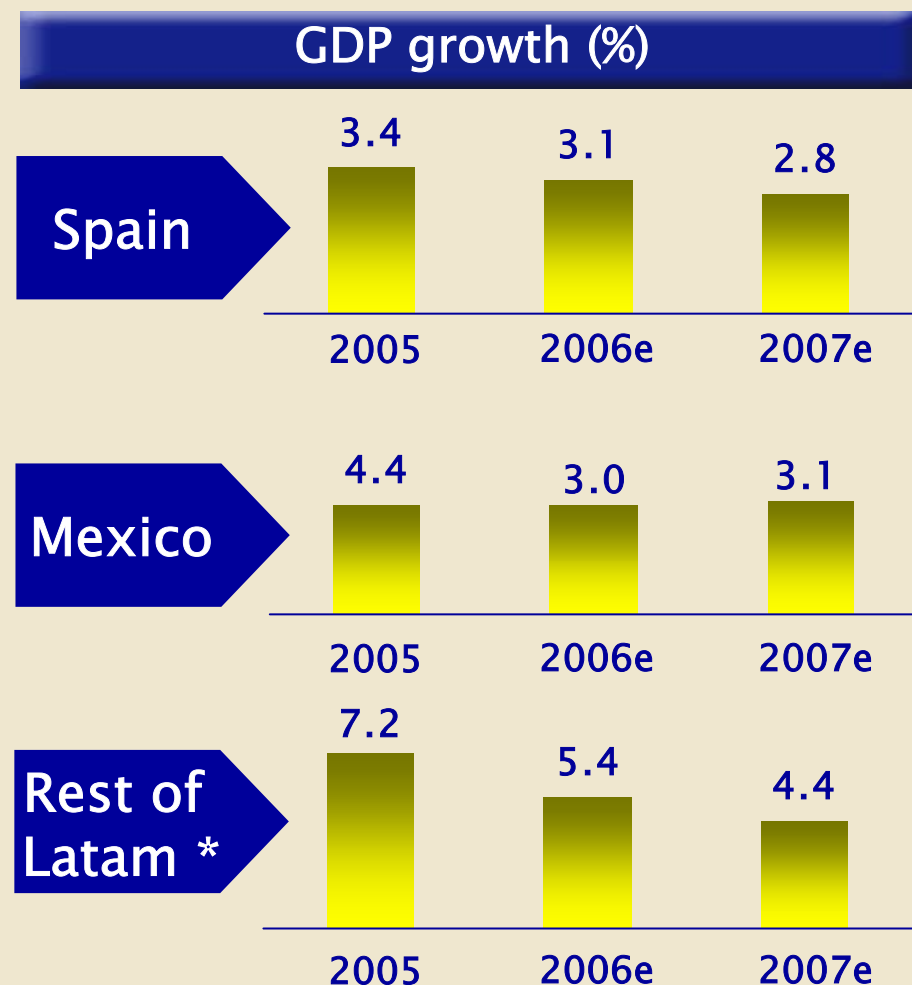


# Index

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- BBVA Overview
- **Recent performance**
- Funding Strategy
- Issue Details

# Positive economic environment



**Spain:**  
Delivering faster GDP growth than its  
European peers

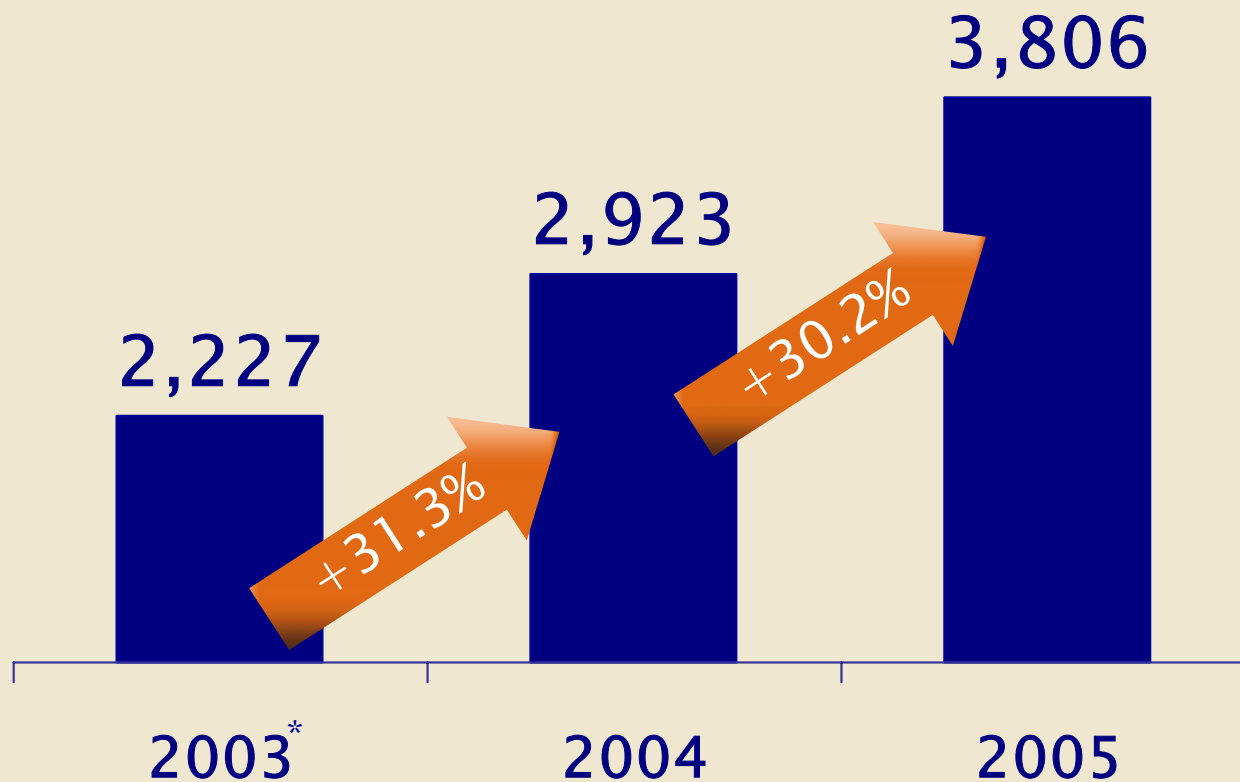
**Latam: best performance in 10 years**

- Contained inflation rates
- Currency stability
- Improving country ratings

**Good and stable  
economic prospects**

# 2005: a new record year for BBVA

BBVA Group: net attributable profit  
€ million



With growth of 29.5% in EPS in 2005



# 2005 was a year of expansion and profit growth

**Loans  
+26%**

## Retail Banking in Spain and Portugal

- › 110,000 new mortgages, more than 15,600 m €
- › SMEs and businesses: 75,000 new customers, +23% in loans

## Wholesale and Investment Banking

- › x2 RiskPyme transactions, 45% from new customers
- › Franchise business: 87%
- › 1<sup>st</sup> in Trade Finance by number of transactions

**Deposits  
+22%**

## Mexico and South America

- › Bancomer:
  - › 2.2 m new customers, now totalling 12.2 m
  - › 2.9 m cards placed with 410 b.p. market share gain in consumer and credit cards
- › Insurance America: 1.3 m new policies (+25%)
- › Other LatAm: +36% in loans and +35% in customer funds

**Net worth  
+25%**

# ...with strong and balanced growth in all revenue lines

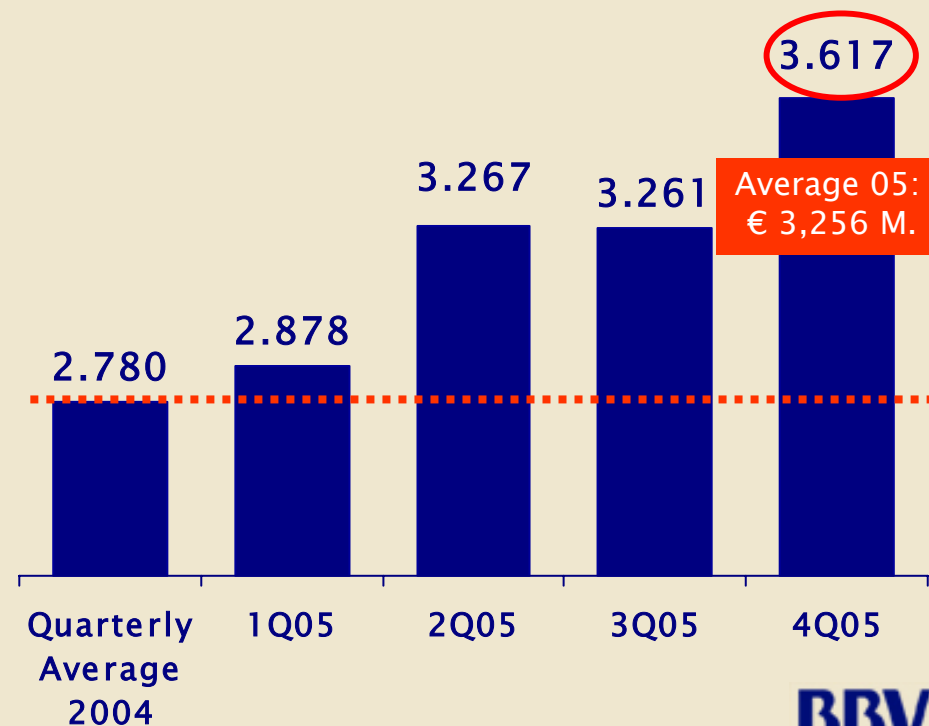
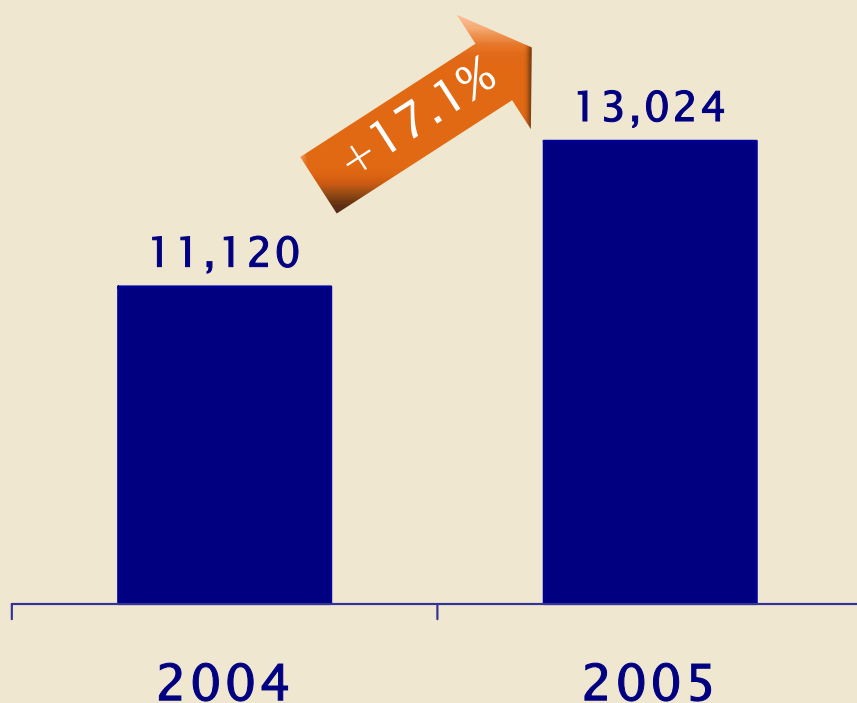
NII  
+17.0%

Fees  
+15.4%

Insurance  
+24.7%

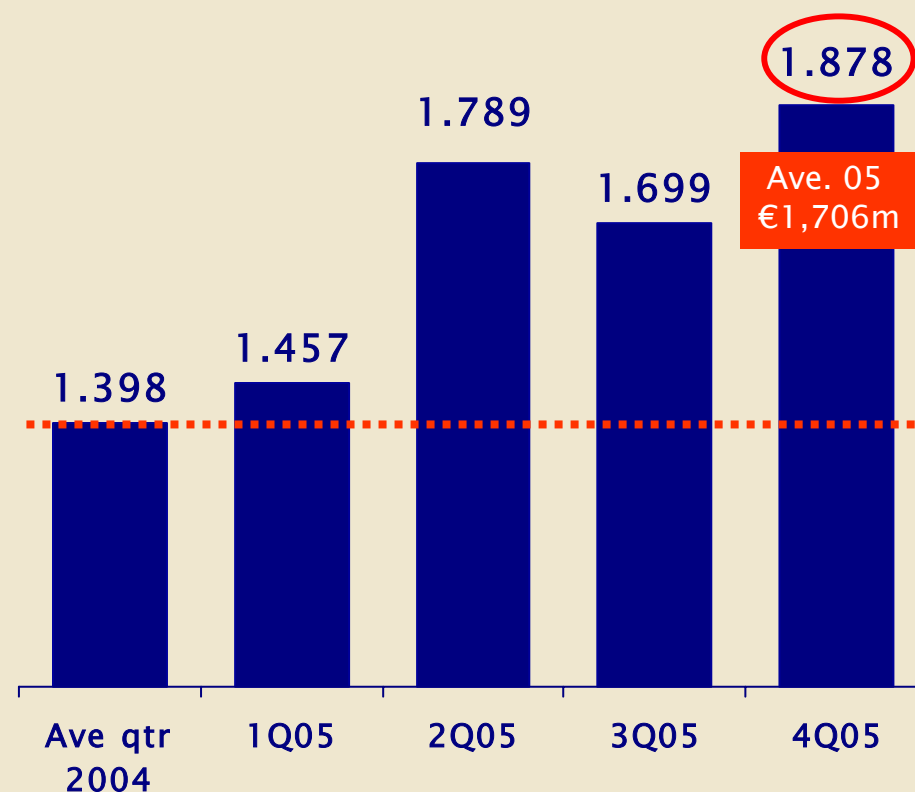
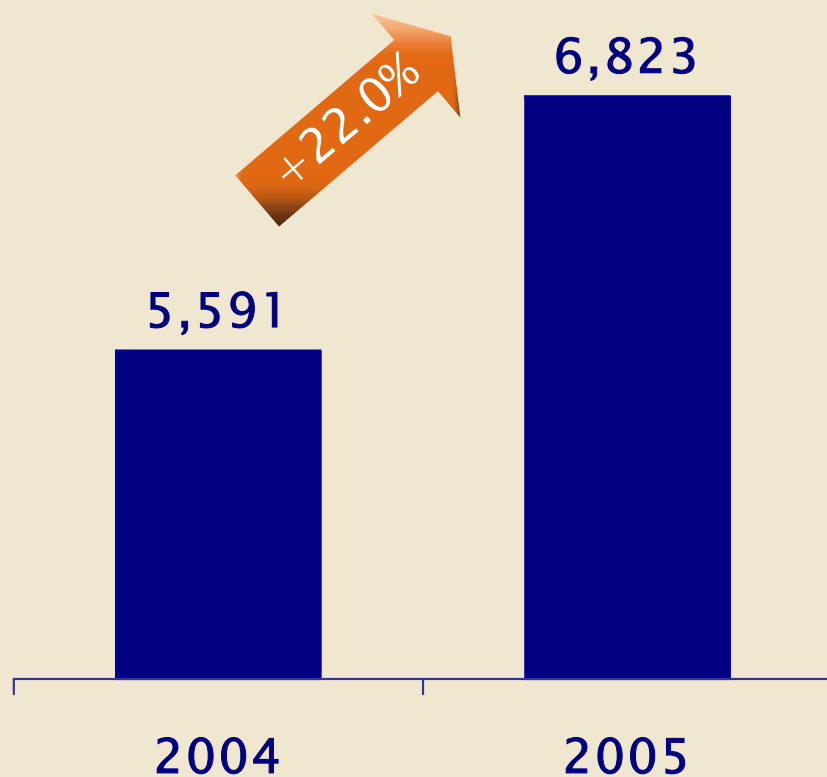
Trading Income  
+19.6%

BBVA Group. Ordinary revenues  
€ million



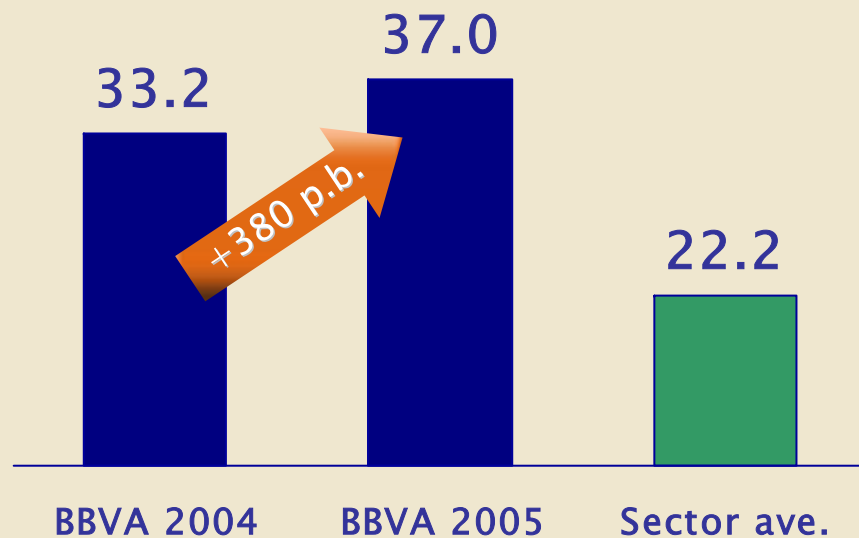
## ... and advances in operating profit

BBVA Group: operating profit  
€ million

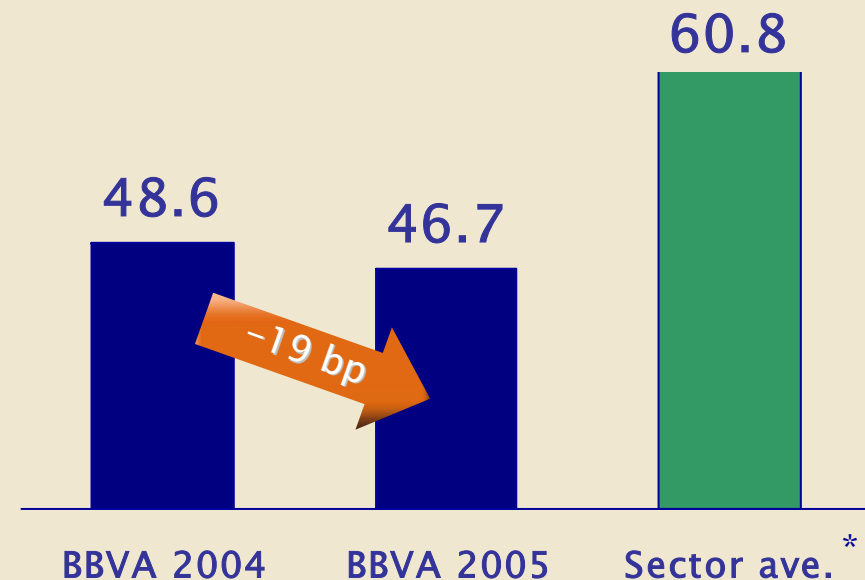


# Excellent progress in profitability and efficiency

ROE (%)  
Top bank in Europe



Cost/income ratio  
Top bank in eurozone



# Retail Banking: year's highlights

1

**Business activity**

Rise of:  
+21.8%

2

**New sources of revenue**

Trading income:  
+96.3%

Insurance:  
+20.3%

3

**Greater efficiency**

43.3%  
-230 bp

4

**Asset quality**

NPL ratio:  
+0.62%

Net attrib. profit: €1,614m (+13.1%) with ROE at 32.1%

# Wholesale and Investment Banking: year's highlights

1

**Sustained  
volume  
growth**

Lending:  
+10.2%

Cust. funds:  
+12.4%

4

**Improved  
fundamentals**

Cost/income  
29.7%  
-350 bp

2

**Growth in  
fee income**

Wholesale  
: +18.1%

Markets:  
+31.0%

3

**Markets  
revenues**

€396m  
x2 (87% franchise  
business)

Net attributable profit: €592m (+46.6%) with ROE at 25.9%

# The Americas: year's highlights

1

**Activity  
grows  
strongly**

Lending:  
+43.6%

Cust. funds:  
+17.7%

4

**Mexico:  
excellent  
results**

Lending:  
+51.8%

Op. profit:  
+41.2%

2

**Upward  
trend of  
revenues**

Net Int Inc:  
+29.4%

Core Rev:  
+24.3%

3

**Improved  
fundamentals**

Cost/income  
46.4%

NPL ratio  
2.67%

Net attrib. profit: €1,820m (+52.3%) with ROE at 33.8%

# Index

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- BBVA Overview
- Recent performance
- **Funding Strategy**
- Issue Details



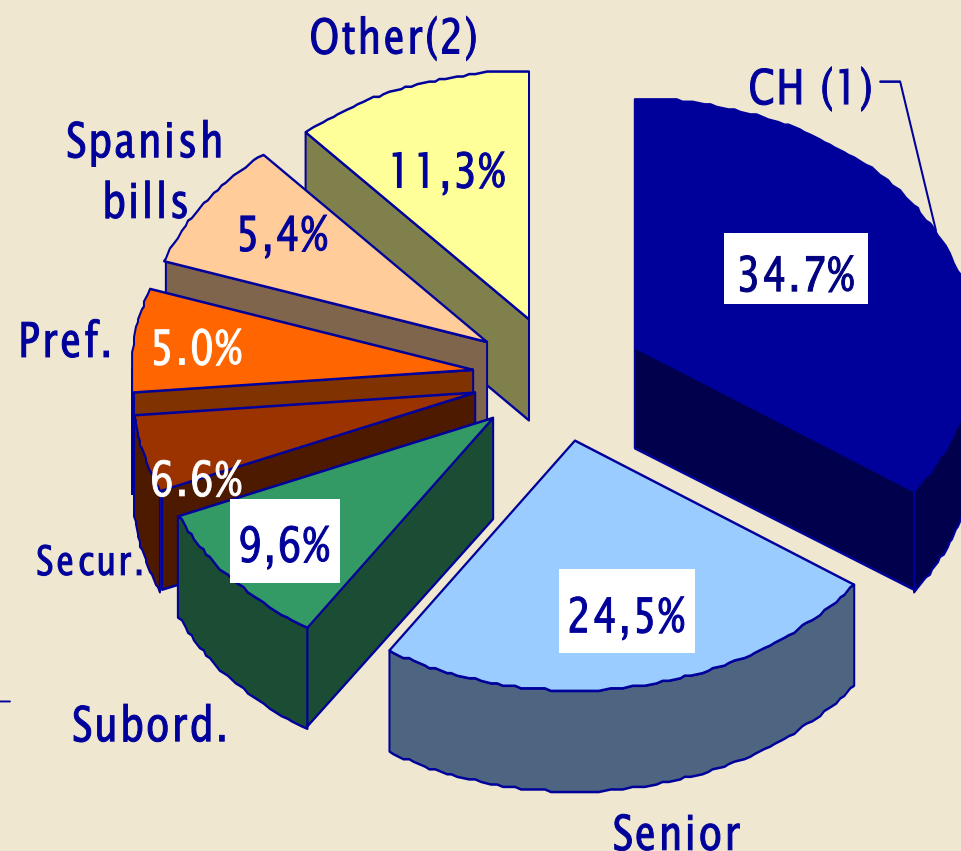
# BBVA's wholesale funding approach

- Diversification by tenor, instruments and market:
  - ✓ Short term: Spanish bills (“pagarés”), CP
  - ✓ Medium term: Euromarket, GMTN, private placements
  - ✓ Long term: “Cedulas hipotecarias” (Covered bonds), senior debt, capital instruments
- Liquid benchmarks are established by maturities. Policy of “no-retapping”
- Smooth maturity profile
- A policy of independence and coordination of funding needs. Group subsidiaries fund themselves independently, without support from the parent
- Transparency and communication with market participants. High quality of disclosed information

# BBVA: a diversified funding structure

**Total stock**  
(31/12/05 € Bn)

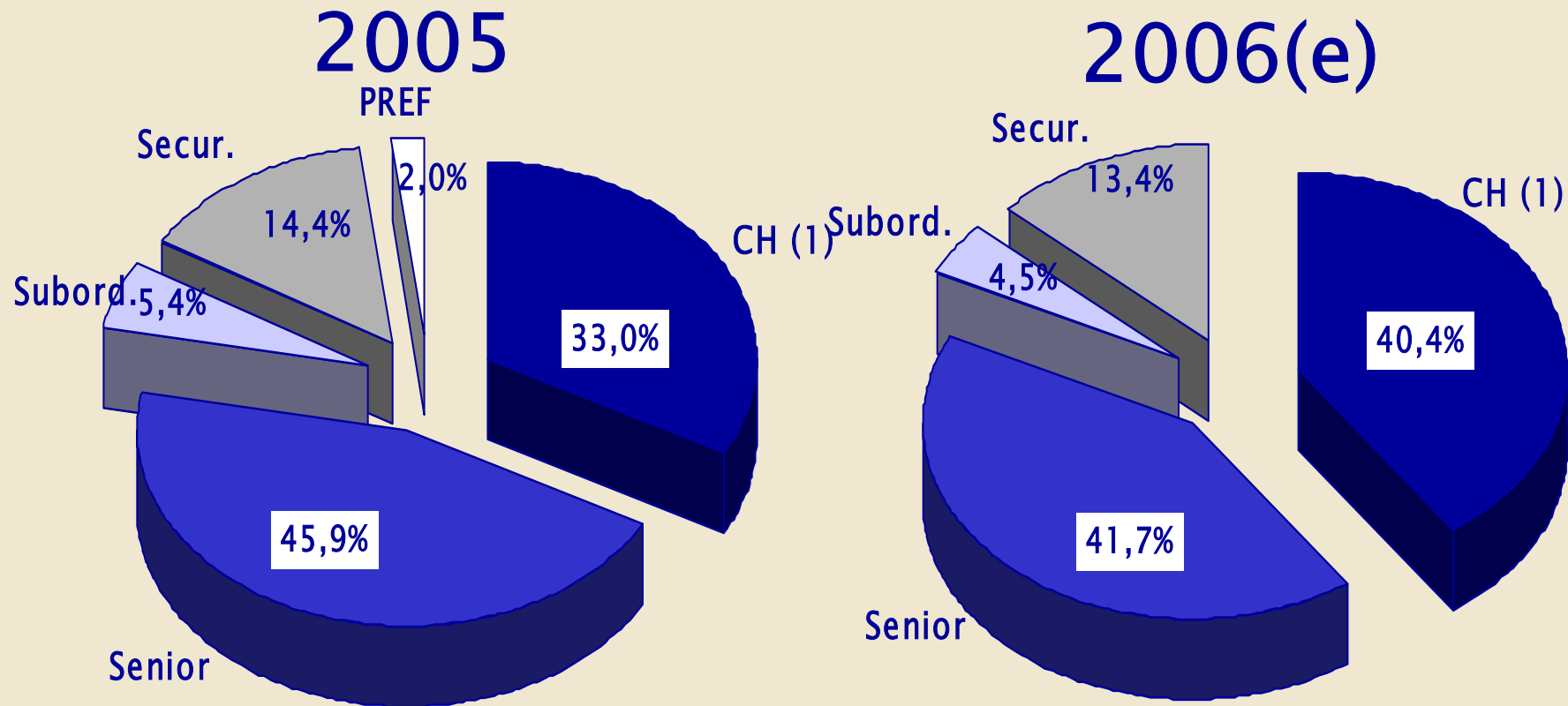
Cédulas hipotecarias (1)	28,4
Senior debt (MTN)	20,1
Subordinated debt	7,9
Preferred shares	4,1
Spanish bills	6,9
Securitisations	5,4
Other (2)	9,3
<b>Total</b>	<b>82.2</b>



(1) Spanish covered bonds

34 (2) Public and private placements and eurodeposits

# Issuance structure

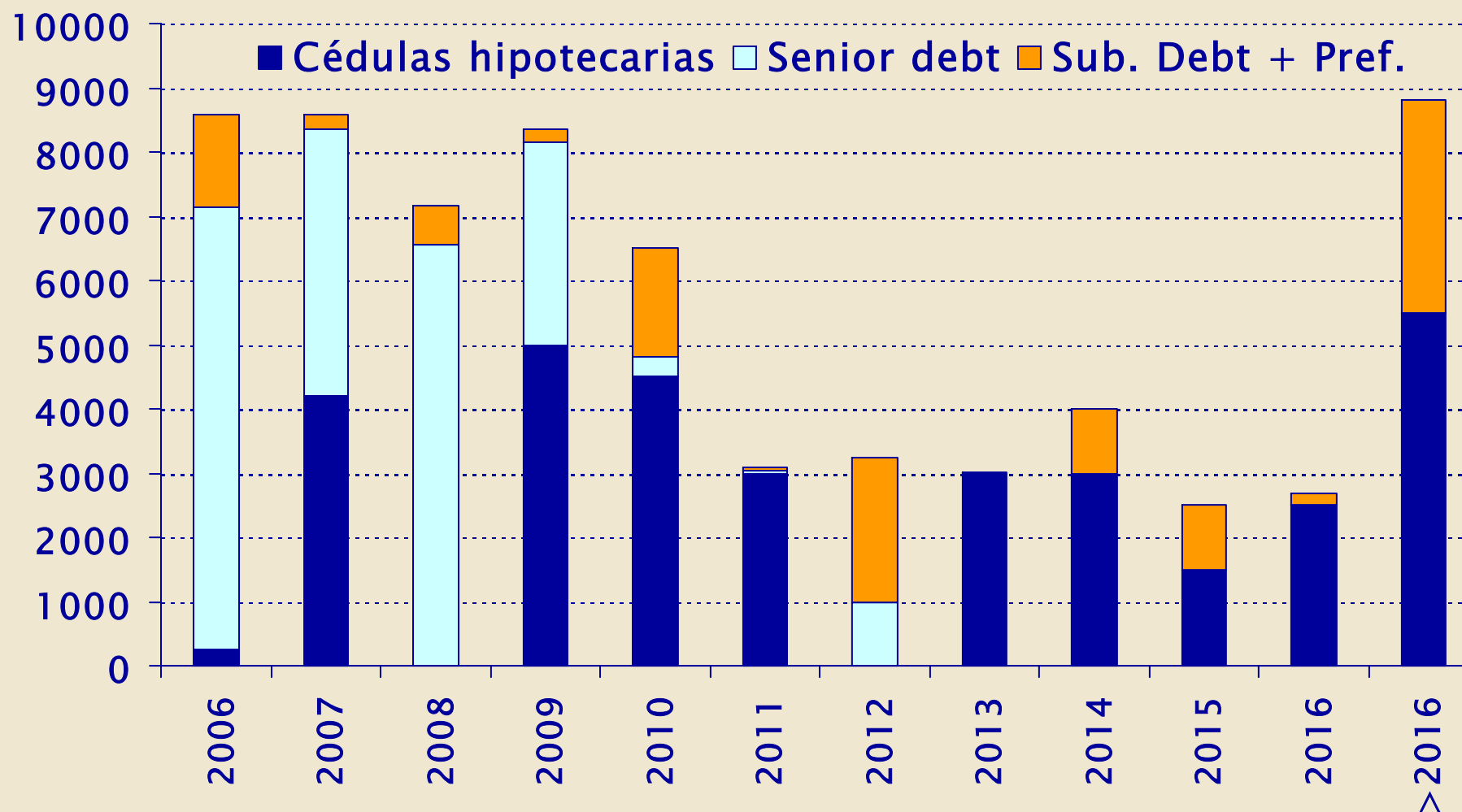


## New initiatives:

- Securitisations to play a more important role
- Increase presence in the US bond market
- Broader investor base for capital instruments

# BBVA's maturity profile

BBVA funding maturity matrix



# Index

---

- BBVA Overview
- Recent performance
- Funding Strategy
- **Issue Details**

# BBVA's approach to the USD market

- In an effort to broaden investor diversification, BBVA is looking to access the USD institutional investor base
- BBVA is committed to establish itself as a repeat borrower in the USD market, across a range of maturities
- BBVA is looking to become a long-term participant in the USD market, rather than an opportunistic borrower
- Other future funding in the USD market include:
  - ✓ Short-term fixed-rates issues
  - ✓ Extendible issuance

# Proposed Issue Details

## Inaugural senior 144A issue details

Issuer:	BBVA US Senior
Guarantor:	BBVA
Issue ratings:	Aa2 / AA– / AA–
Tenor:	2–yr and/or 3–yr
Format	Floating rate note
Size:	Benchmark
Documentation:	144A
Marketing:	Investor roadshow and Bloomberg presentation
Timing:	Later this week, subject to market conditions

# Important tax information

- 15% Spanish withholding tax applies to all transactions issued from Spanish issuers
- Spanish withholding tax can be easily avoided if, on every coupon payment date, custodian banks certify the following:
  - Name of Beneficial Owner
  - Beneficial Owner's tax residence
  - Amount of securities held by Beneficial Owner
- Certification process arranged by Acupay System and custodians
  - Fully tested process by DTC and Acupay
  - Tested process for late withholding tax refund
- Despite certification process completion, tax haven investors are subject to 15% withholding tax



# Tax Haven countries and Territories

Andorra, Principality of	Gibraltar	Nauru, Republic of
Anguilla, The Island of	Grenada	Netherlands Antilles
Antigua and Barbuda, Islands of	Hong Kong	Oman, Sultanate of
Aruba	Isle of Man	Panama, Republic of
Bahamas, The	Jamaica	Saint Lucia
Bahrain, Kingdom of	Jordan, Hashemite Kingdom of	Saint Vincent & the Grenadines
Barbados, The Island of	Lebanon, Republic of	San Marino, Republic of
Bermuda, The Islands of	Liberia, Republic of	Seychelles, Republic of
Brunei, Sultanate of	Liechtenstein, Principality of	Singapore, Republic of
Cayman Islands	Luxembourg, Grand Duchy of Luxembourg*	
Channel Islands (Jersey and Guernsey)	Macao	Trinidad and Tobago, Republic of
Cook Islands, The	Malta, Republic of	Turks and Caicos Islands
Cyprus, Republic of	Marianas Islands	United Arab Emirates
Dominica, The Republic of (Dominican Republic)	Mauritius	Vanuatu, Republic of
Falkland Islands	Monaco, Principality of	Virgin Islands, British
Fiji Islands	Montserrat	Virgin Islands, United States

*\*Only as regards to the income received by the companies referred to in paragraph 1 of the Protocol annexed to the Avoidance of Double Taxation Treaty, dated 3rd June 1986, entered into by Spain and Luxembourg – i.e. those holding companies as defined by Luxembourg Law of July 31, 1929 and Luxembourg Grand Ducal Decree of December 17, 1938.*

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