
BBVA “Cédulas Territoriales” Credit Story and Public Sector Business

November 2006

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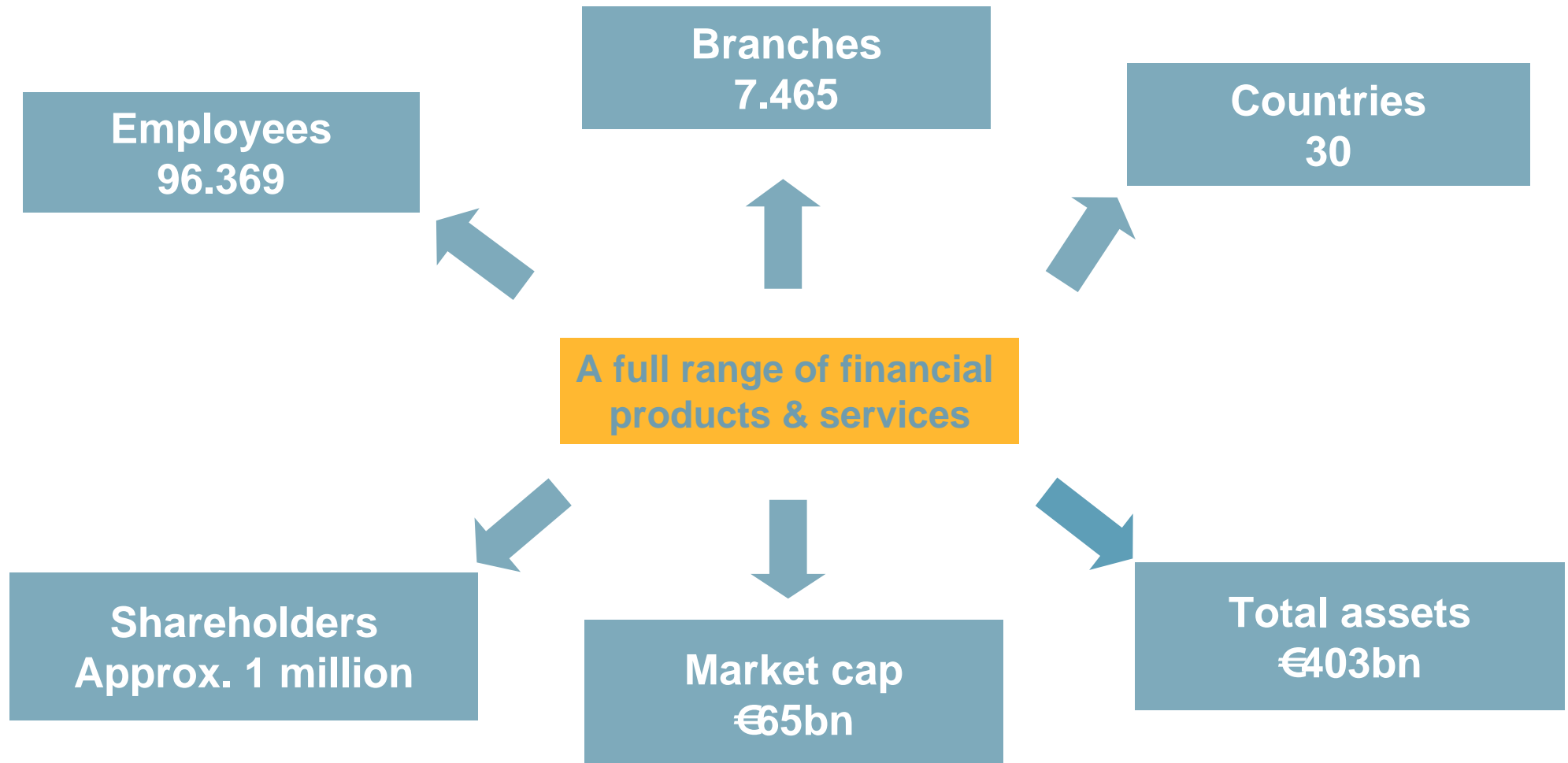
Overview and results

BBVA Public Sector business

“Cedulas Territoriales”

BBVA is an international financial services group

BBVA



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

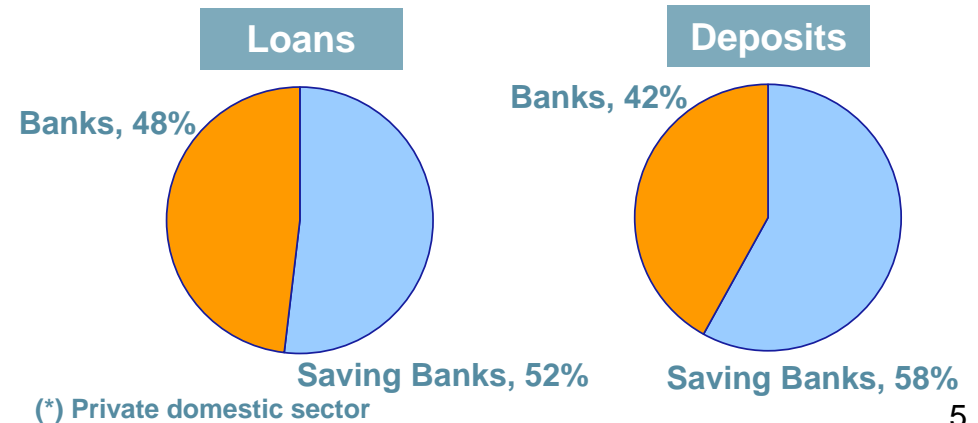
BBVA

Spain



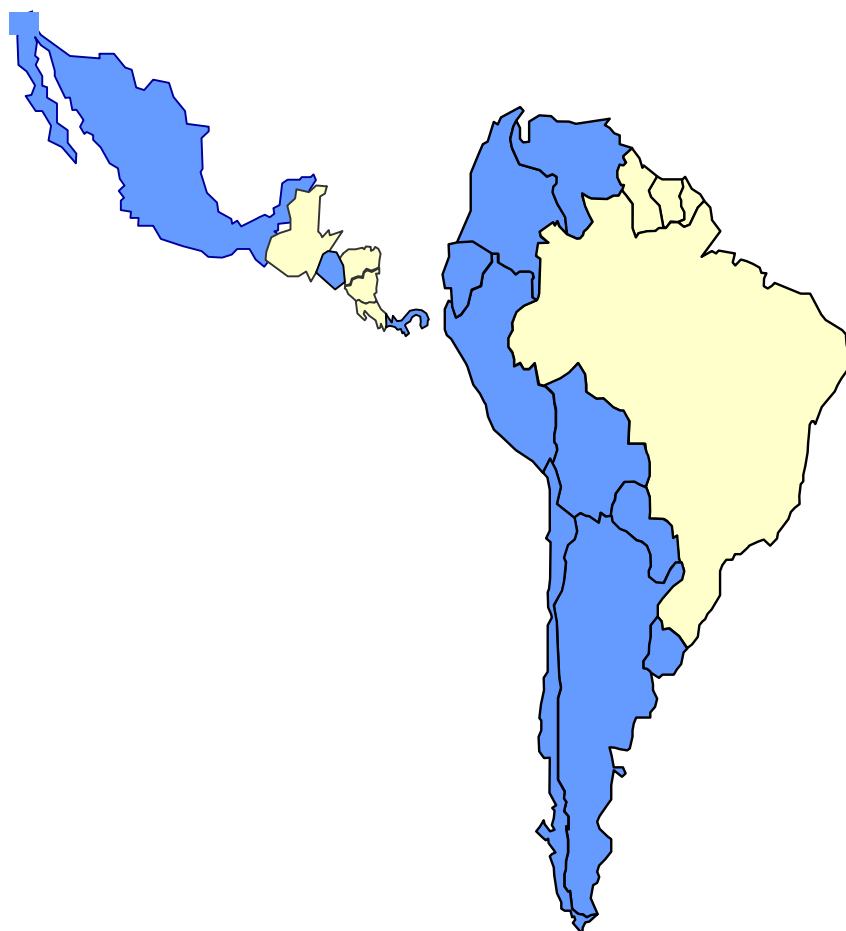
BBVA	Mk. Share	Ranking
Loans	12.5%	1st
Deposits	12.4%	2nd
Mutual Funds	18.1%	2nd
Pension Funds	18.9%	1st
Num. of customers: 11 million		

Spanish Bk. System: M. Share (*)



... and Latin America

Latin America

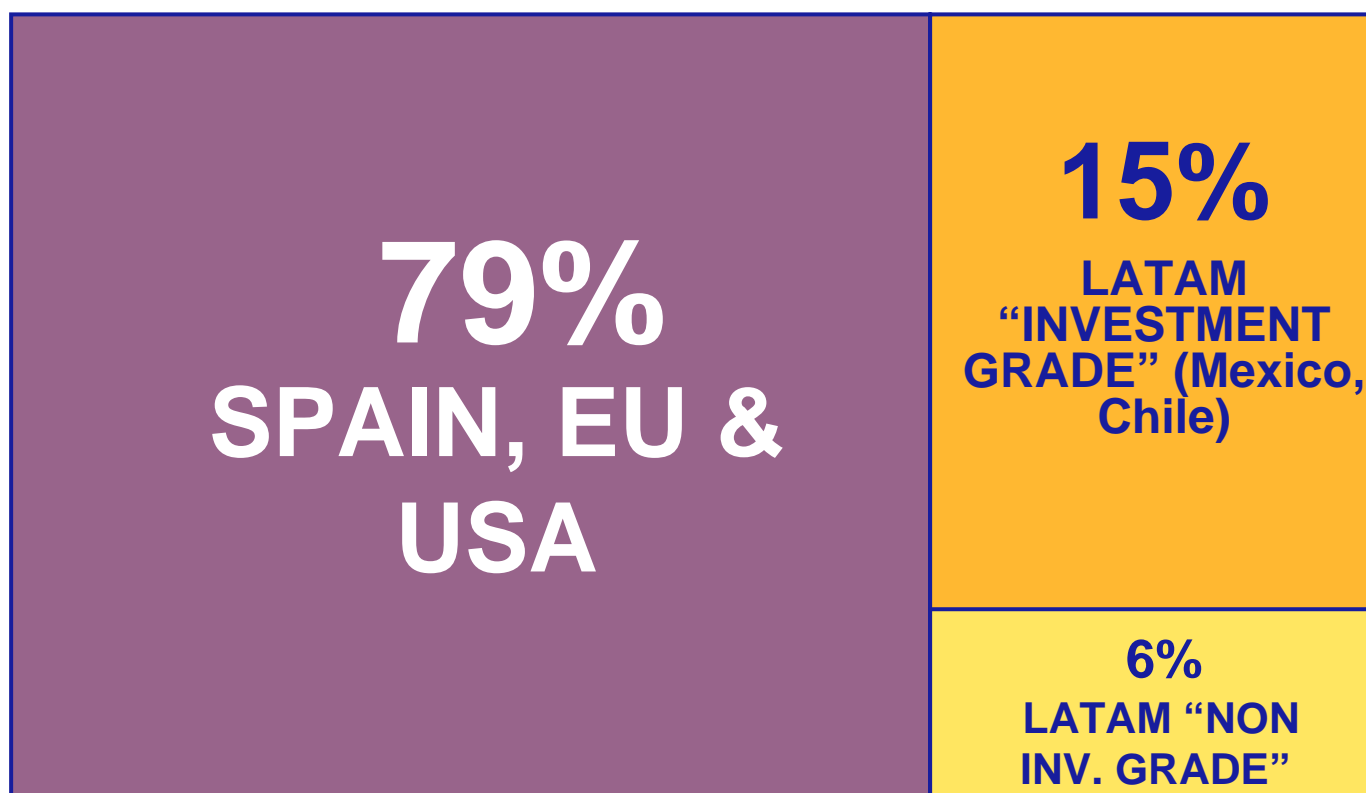


	DEPOSITS		LOANS	
	M. share (%)	Ranking	M. share (%)	Ranking
México	26,2	1º	29,5	1º
Argentina	10,6	1º	7,1	3º
Chile	8,0	4º	7,8	4º
Colombia	11,5	3º	11,3	3º
Peru	26,8	2º	24,5	2º
Venezuela	11,7	4º	12,1	4º
South America	10,7	2º	10,0	2º

Num. of customers: 23 million

... with a balanced distribution of assets

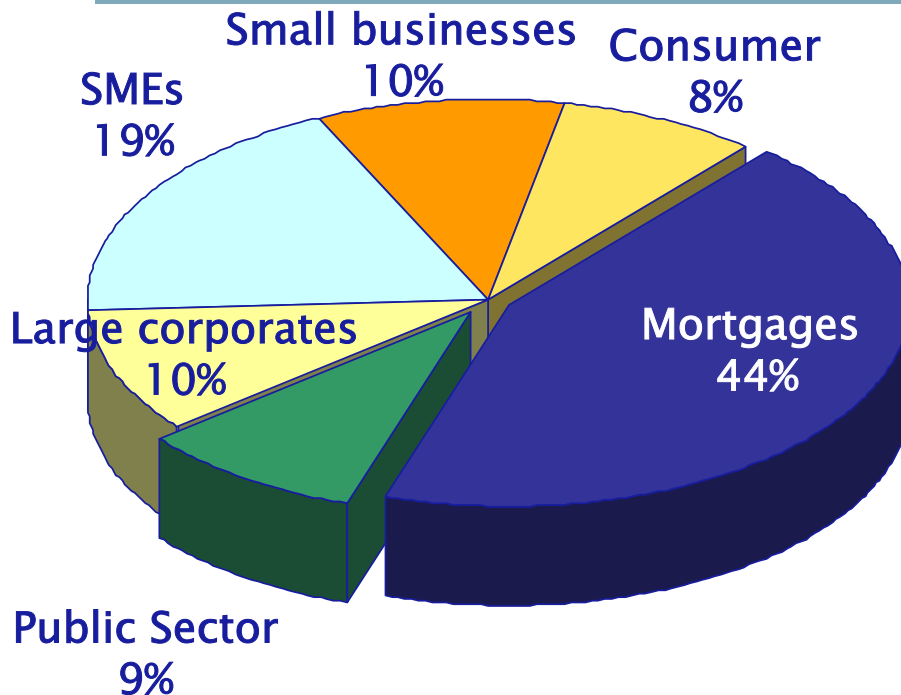
Group assets breakdown (%)



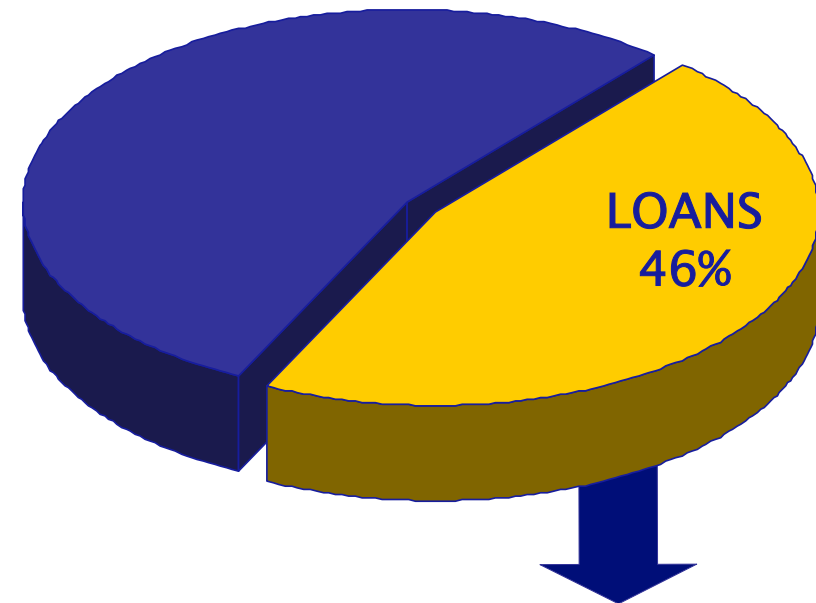
... and a low risk, high quality asset profile

BBVA

**Banking in Spain
Loan portfolio breakdown**



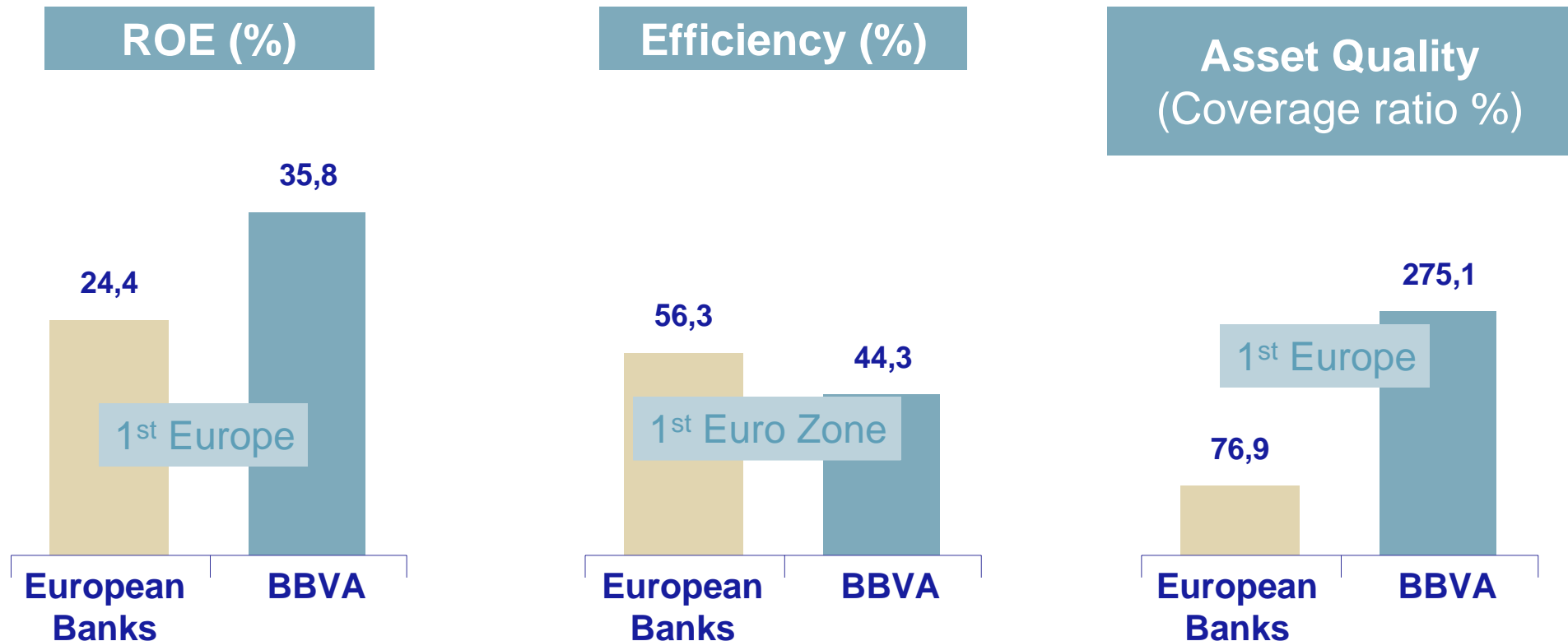
**Latin America
Loans/total assets**



- 50% individuals (24% mortgages)
- 7% Public Sector
- 43% Corporates

51% of Group's gross loans are secured

... maintaining as top European Bank by profitability and **BBVA** asset quality



BBVA, an excellent combination of profitability-risk

... with sound ratings

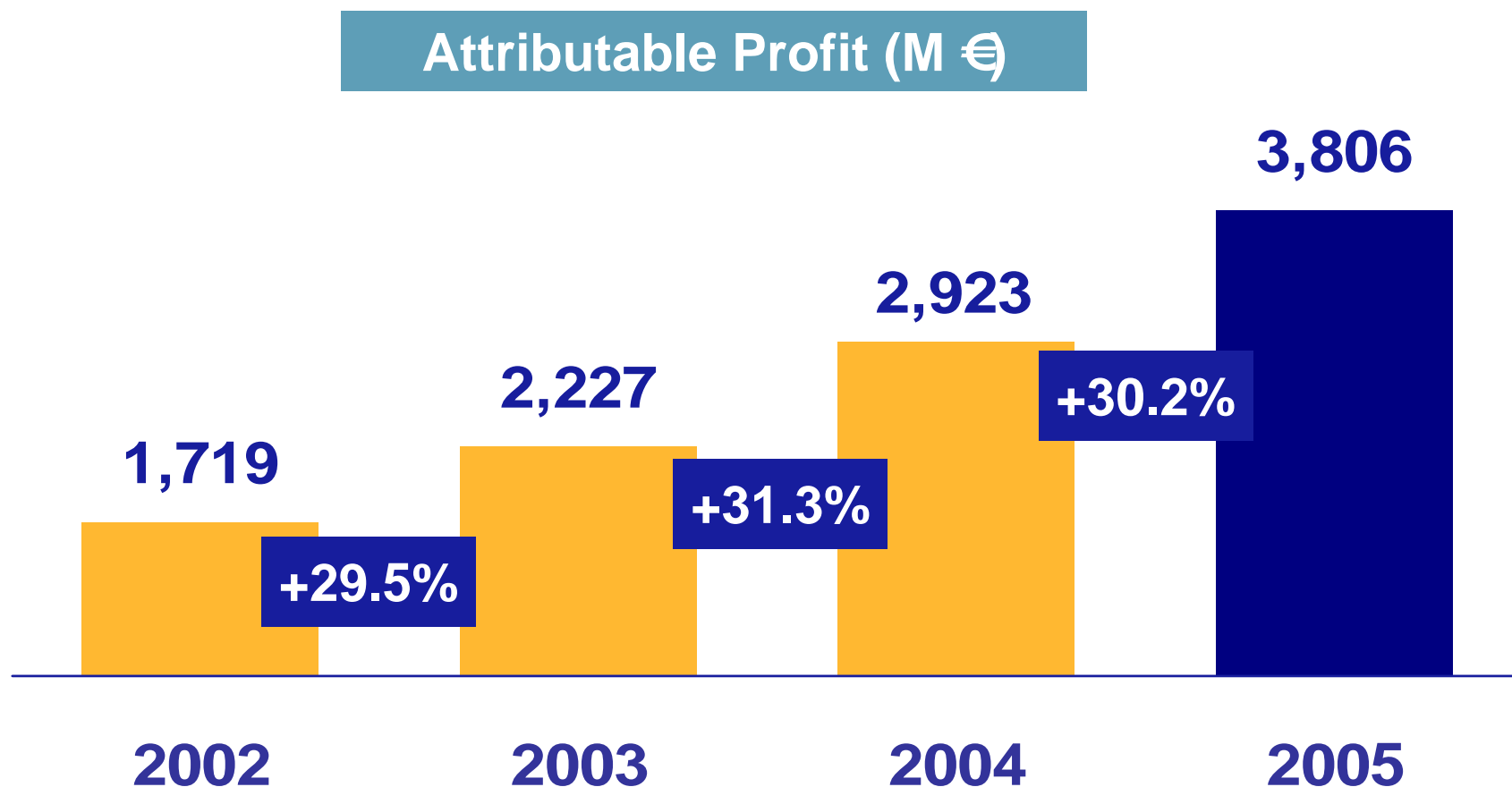
RATINGS: BBVA VS. EUROPEAN BANKS

MOODY'S									
Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Lloyds	Barclays RBS	BBVA 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 ING B. HSBC Lloyds RBS	BBVA ABN Credit Agricole Credit Sui. Deutsche B. Fortis B. SCH SOCGEN	San Paolo Unicredito	B. Intesa HVB	Commerz.			

FITCH									
AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
	Barclays Lloyds RBS UBS	BNPP HSBC Credit Agricole SCH	BBVA ABN Credit Sui. Deutsche B. ING B. San Paolo SOCGEN	B. Intesa Unicredito Fortis B.	Commerz. HVB				

BBVA has delivered an excellent track record of growing results



2006 results confirms the positive prospects: maintaining growth at an excellent level

BBVA

Earnings excl. one-off items
(Current €m)

BBVA Group	9M06		9M05
Net Interest Income	6,084	16.8%	14.4%
Core Revenues	9,987	17.3%	14.1%
Ordinary Revenues	11,140	18.4%	14.3%
Operating Profit	6,087	23.1%	19.5%
Net Attributable Profit	3,300	21.0%	24.9%

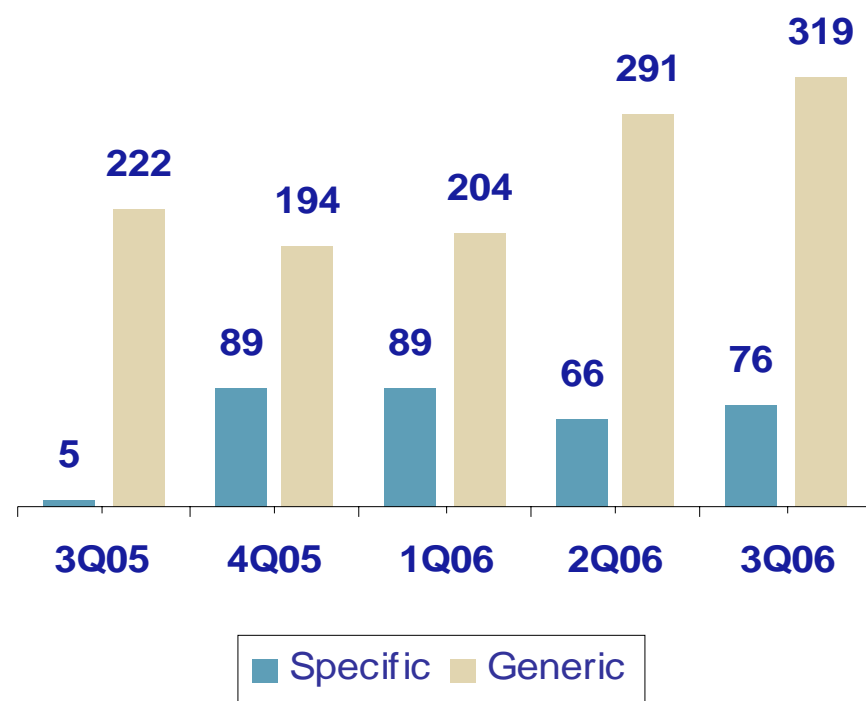
All business areas are growing ...

(Current €m)

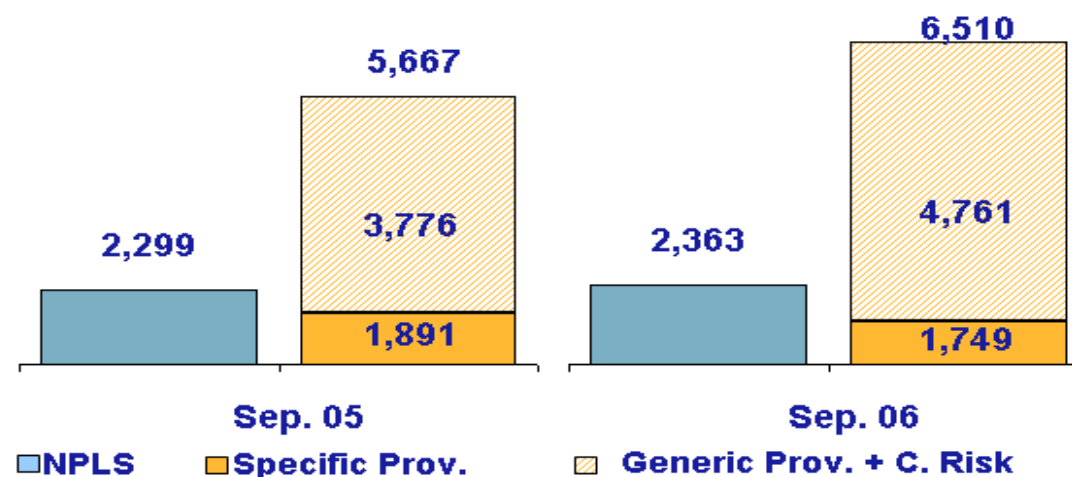
BBVA Group	Operating Profit		Net Attributable Profit	
	9M06	9M05	9M06	9M05
Retail Banking Spain and Portugal	12.8%	11.5%	11.1%	10.3%
Wholesale Business	26.3%	28.7%	42.8%	40.4%
Mexico & USA.	42.4%	43.3%	40.3%	62.9%
South America	40.7%	25.7%	37.3%	67.1%

Very tight control of asset quality

**NPL provisions
(€m)**



**Loan loss provisions
(€m)**

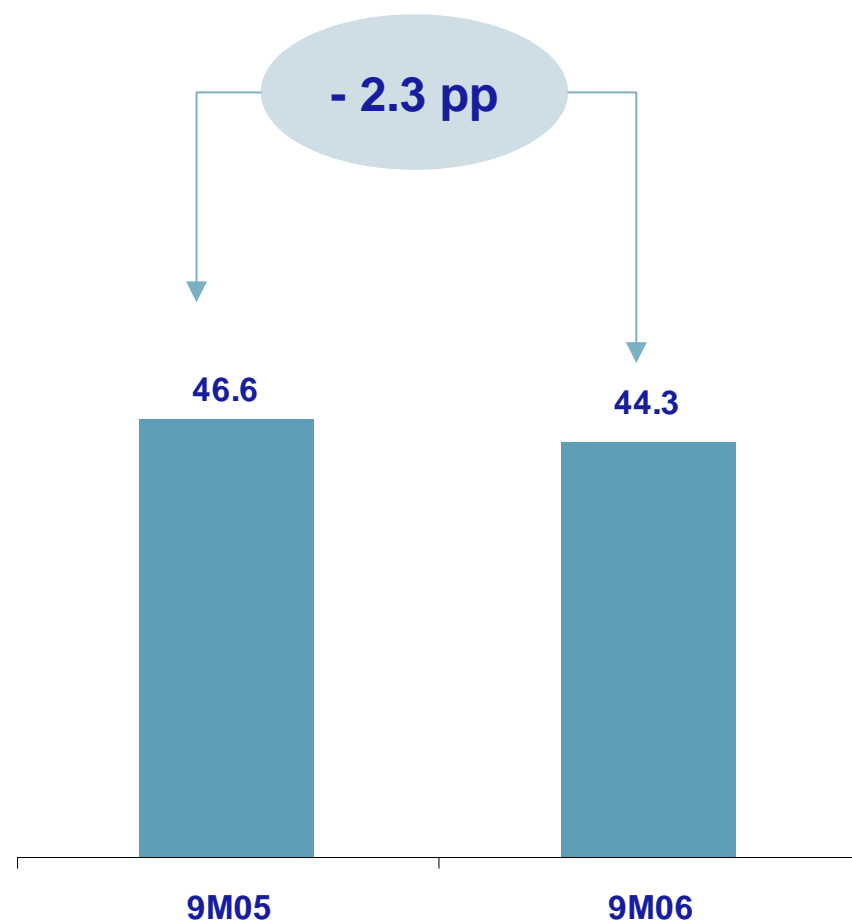


73% of total funds and 78% of provisions are generic

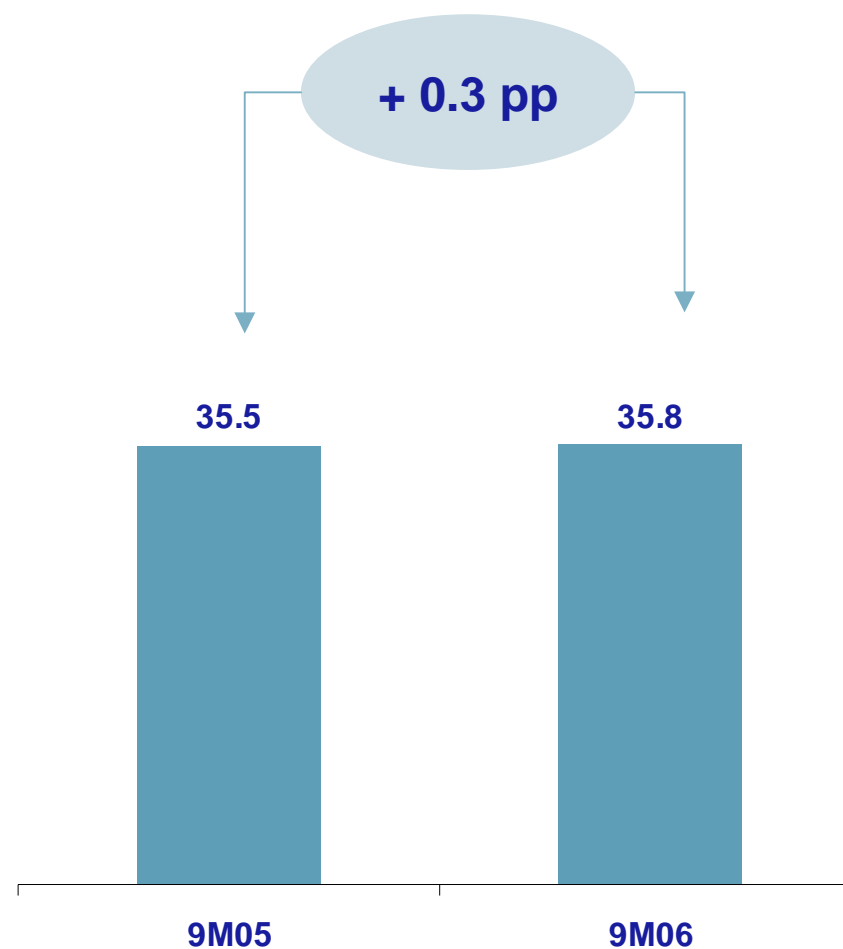
NPL ratio is 0.82% and coverage 275.8%

Group fundamentals continue to strengthen

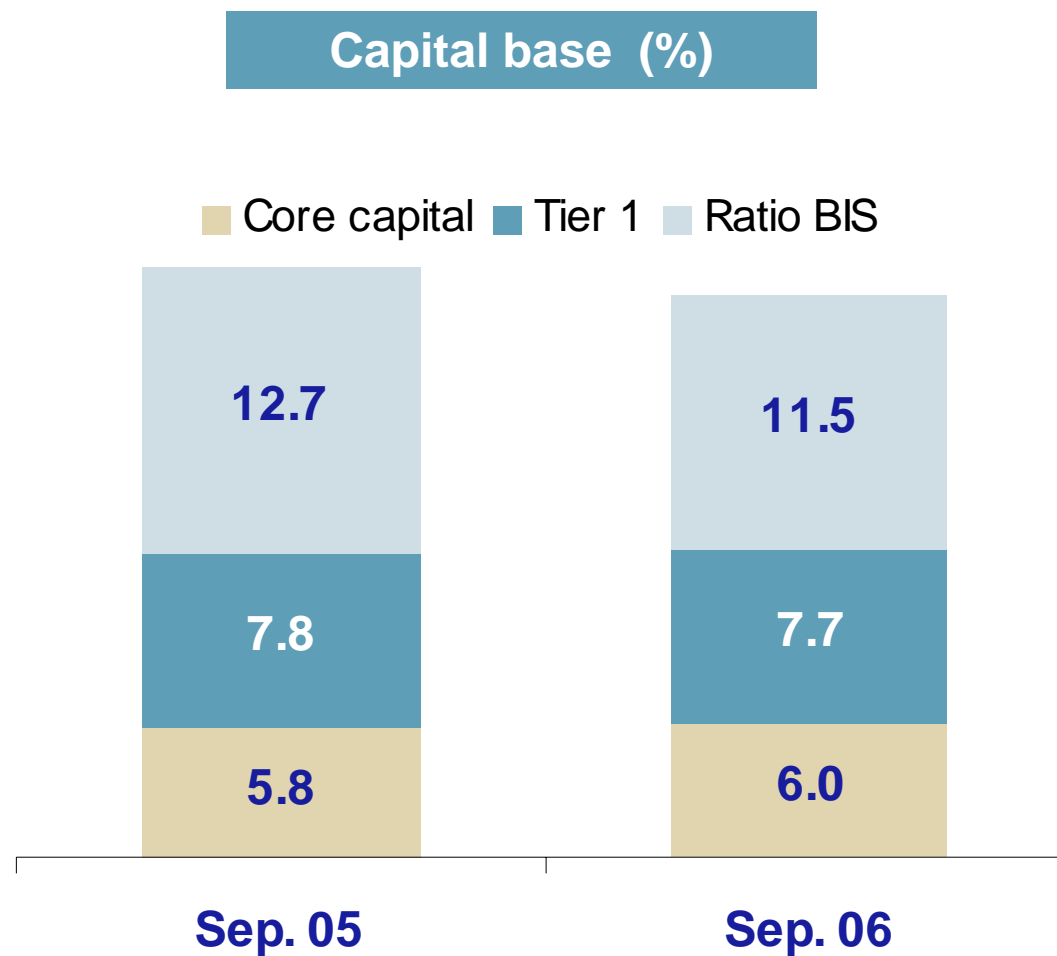
**Cost/income ratio -incl. deprec, excl.
one-off items- (%)**



ROE excl. one-offs (%)



Solid capital base levels



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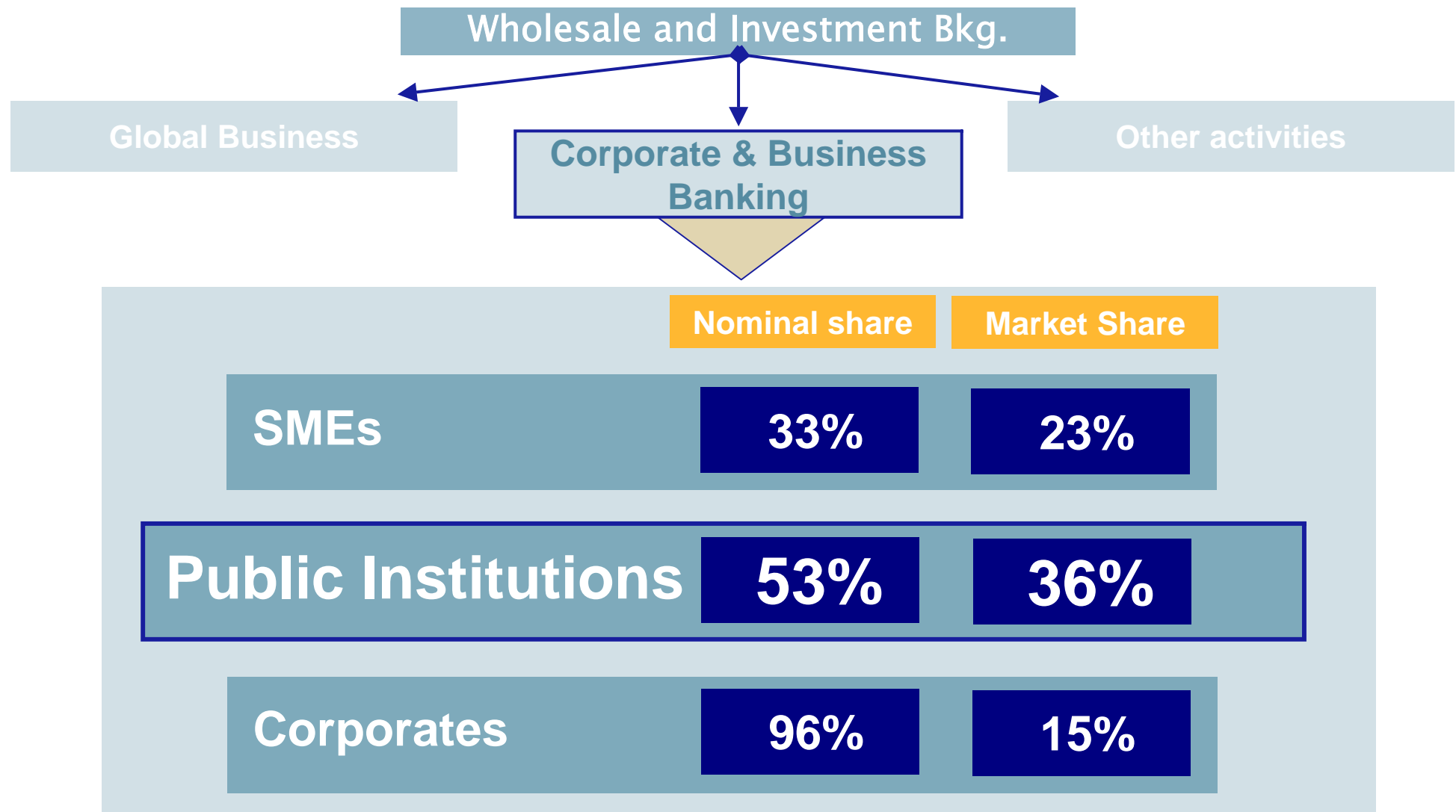
BBVA Public Sector business

“Cedulas Territoriales”

- BBVA is the market leader in lending to the public sector in Spain, based on :
 - ✓ Solid franchise focused on the low-risk public finance business and therefore, extremely sound asset quality.
 - ✓ A model of integral relationship banking with customers, offering other services such as project finance, tax collection services and specialized internet portals
 - ✓ Strong nationwide presence
 - ✓ BBVA Group manages the public sector business through BBVA and its specialist subsidiary BCL (same management and risk policies but separate portfolios)
- Strengthening the BBVA Public Sector business in the Corporate and Business Banking division
 - ✓ A distribution franchise targeting companies and institutions in Spain

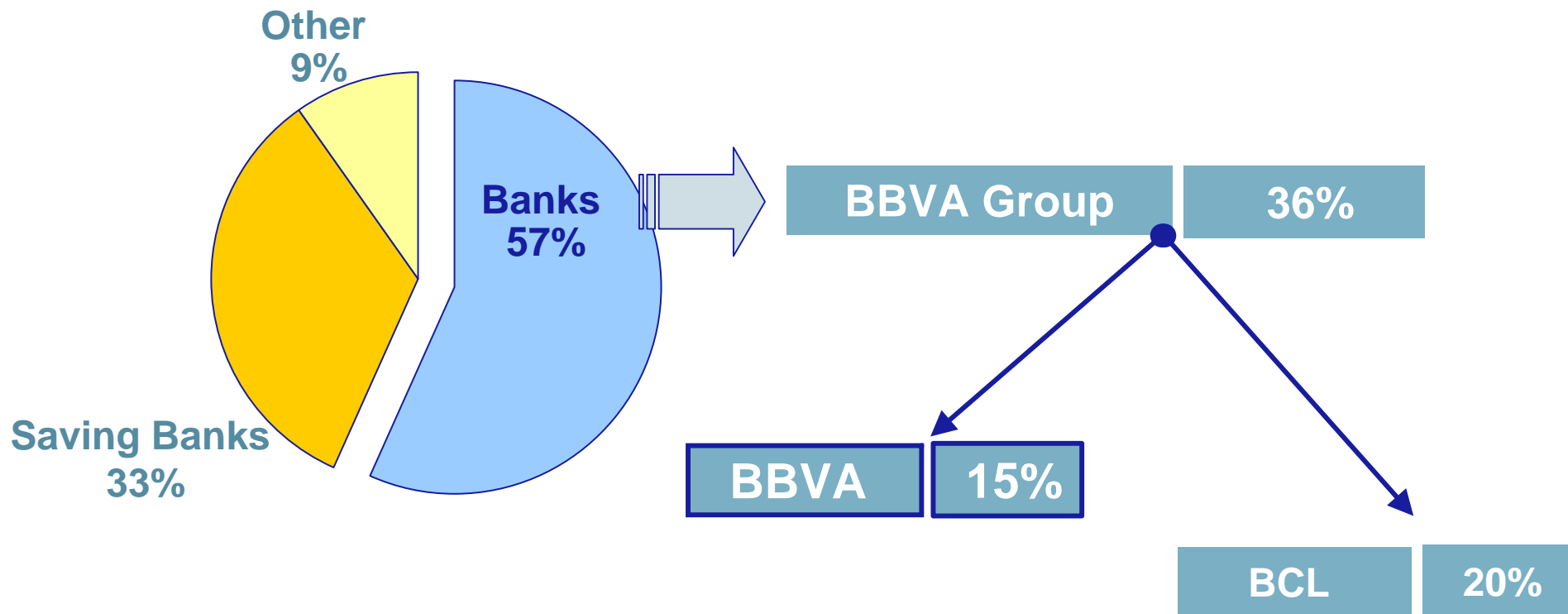
Corporate and Business Banking Division : leading position in customer relationship

BBVA



BBVA the leading Spanish player in Public Sector business

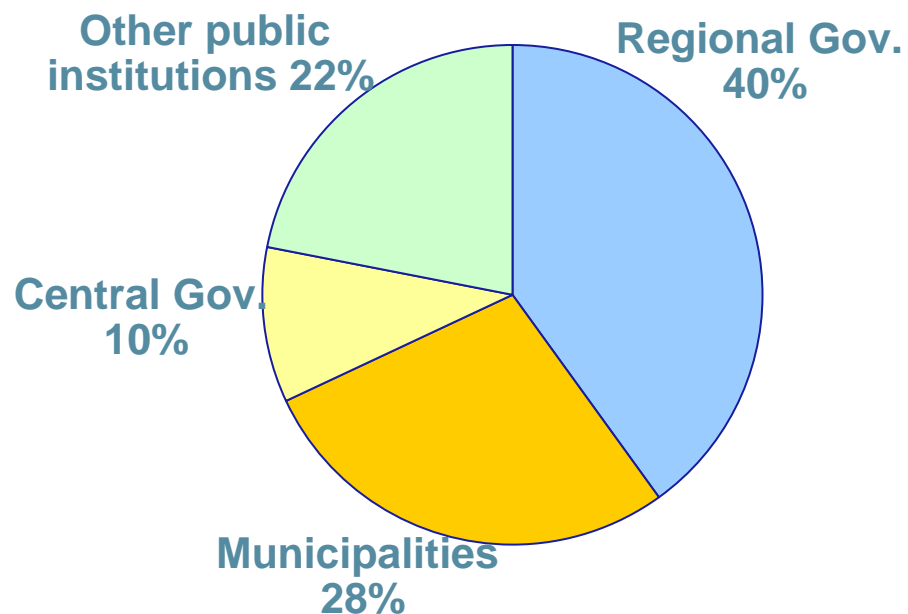
Public Sector loans market share (%)



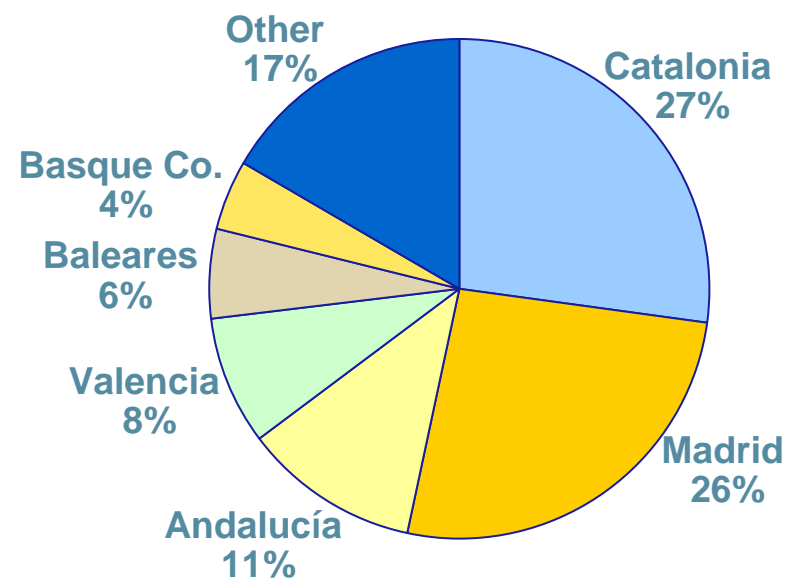
A diversified portfolio

BBVA Public Sector business Loan structure (%)

By type of borrower (%)

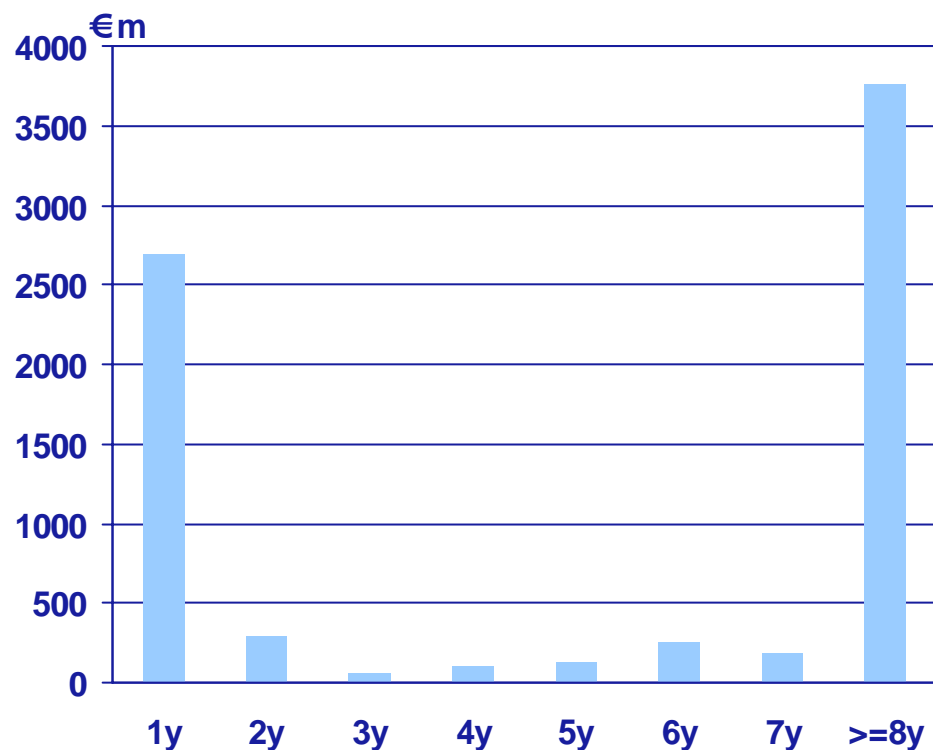


By region (%)



Maturity of the portfolio and asset quality

Maturity profile

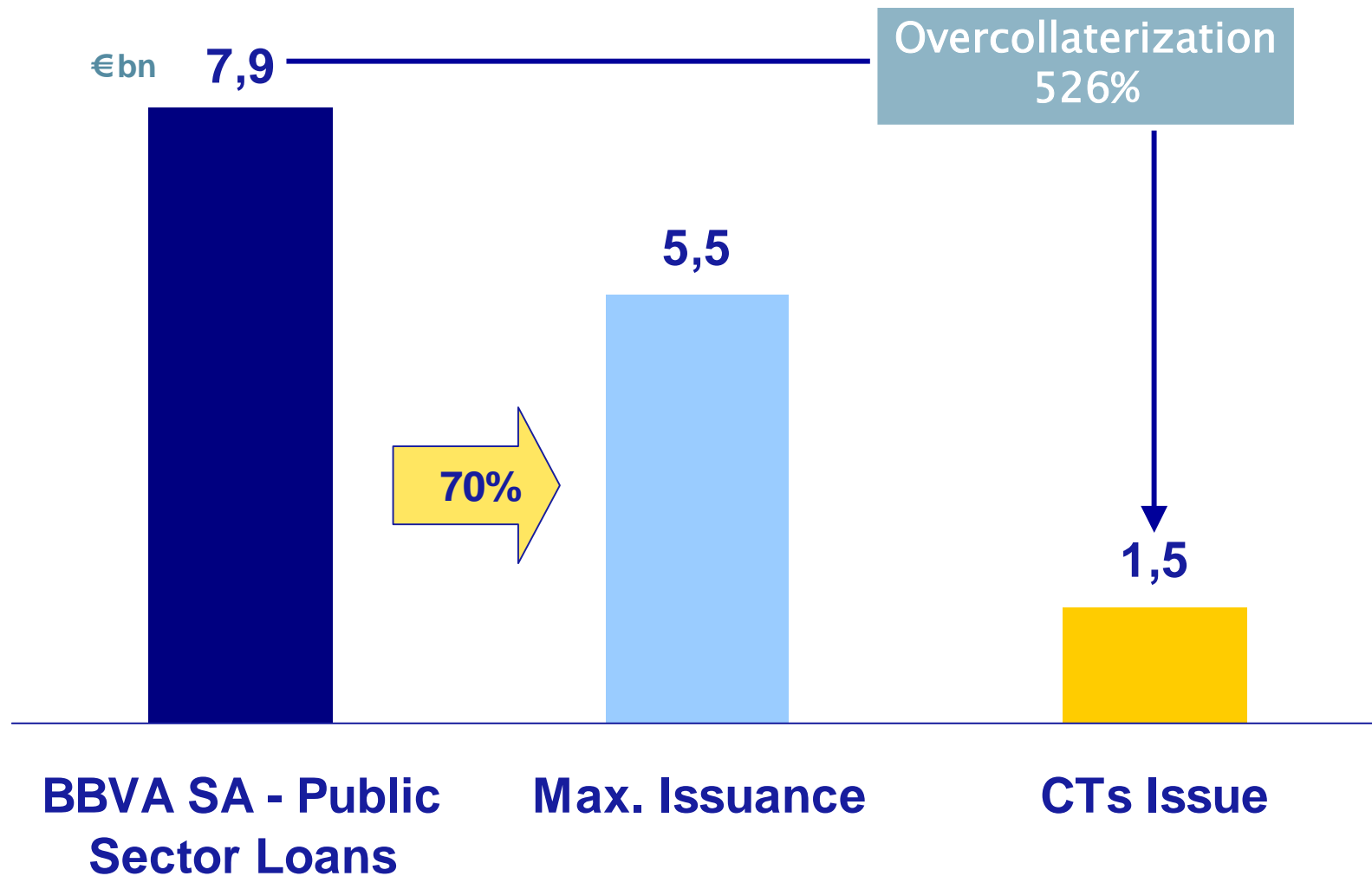


Average maturity (years)	7
NPL ratio	0.10%
NPLs Coverage(*)	400%

(*) Total provisions over non-performing loans

Note: most of the 1yr loans are extendible by BBVA on a yearly basis

A very strong overcollateralization



Conclusions

- **Significant advances in strategy in the last years with strong focus in profitable growth**
- **Strengthening of the Group fundamentals**
- **BBVA remains the leader in the Spanish Public Sector market, with a low risk profile**
- **Inaugural BBVA “CTs” represents an attractive investment alternative**

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BBVA Public Sector business

“Cedulas Territoriales”

Overview of the Cédulas Territoriales (CTs)

- Regulated by Article 13 of Act 44/2002 22 November 02 (“The Financial Act”).
- Principal and interest payments are guaranteed specifically by the public sector loan book.
- Thereafter, Cédulas holders rank pari-passu with other senior creditors
- The assets remain on the issuer’s balance sheet.
- The CTs are backed by the entire portfolio of eligible assets (public sector loans).
- The total amount issued cannot exceed 70% of eligible assets, so over-collateralization is at least 43%.
- Registered with the CNMV (the Spanish Securities Exchange Commission).

New Insolvency Law 22/2003 (I)

- The new Spanish insolvency law (Ley Concursal) became effective on 1st September 2004.
- The new law clarifies and improves the regime applicable to holders of Cédulas Territoriales in case of insolvency of the issuer.
- Cédulas are acknowledged as special privilege credit. They enjoy preferential claim versus employees and tax authorities over the cash flows obtained from the cover pool of loans
- Uninterrupted services of Interest and Principal in case of bankruptcy: they will continue to be paid up to the proceeds from the backing assets.
- The Insolvency Administrator can raise liquidity for any possible shortfall by the partial or full sale of the collateral pool.

Strengthening the protection of Cédulas holders

New Insolvency Law 22/2003 (II)

- No need to cause default or to cancel the cédulas while interest and principal continue to be paid.
- The retroactivity period rule has been replaced by a reintegration rule: the risk of the retroactivity of the insolvency as well as the risk of being declared null any transaction carried out during such a period will be removed.
- The reintegration period can maximally reach back 2 years from the date of the insolvency being declared and only on those transaction causing damage to the social assets.
- Therefore the risk of the Cédulas investors to become senior unsecured creditors due to moving back the date of insolvency has been removed.

Strengthening the protection of Cédulas holders

Deal summary



- **Issuer:** BBVA S.A.
- **Issuer's rating:** Aa2 (Moody's) / AA- (S&P) / AA- (Fitch)
- **Rating of the notes:** Aaa (Moody's)
- **Amount:** Euro 1,500 mill
- **Status of the Notes :** Cédulas Territoriales. Covered bonds backed by the BBVA's Public Sector loan book.
- **Tenor:** 5 years
- **Structure:** fixed rate annual yield ACT/ACT
- **Lead managers:** BBVA Capital Markets, BNPP, SocGen, UBS
- **Documentation & Listing:** Domestic (CNMV), AIAF

BBVA Cédulas Territoriales: Strengths

- Moody's has rated BBVA's CT as Aaa.
- CTs represent a special alternative to gain exposure to the Spanish public sector credit market.
- The highest quality of cover assets: loans to the Spanish public sector.
- Minimum legal over-collateralization of 43%
- The new Spanish Insolvency Law clarifies and strengthens the protection granted to Cédulas holders (Uninterrupted servicing of interest and principal payments during a potential bankruptcy of Issuer) .
- Eligible collateral to the European Central Bank's repos.
- 10% BIS risk weighted.
- Rigorous and timely supervision by Bank of Spain.
- An asset class of high liquidity: market-making commitment

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