

150
years

adelante



BBVA making the difference



adelante.

Juan Asúa

General Manager Spain and Portugal

“Anticipating the new environment”

BBVA making the difference



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- **Excellent positioning: Customers and Products**
- New environment, New opportunities
- Strategic Drivers: Innovation and Transformation
- Conclusions



**Our excellent positioning is the result of foresight
and discipline in implementing ...**

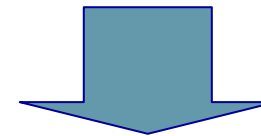
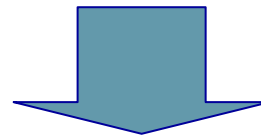
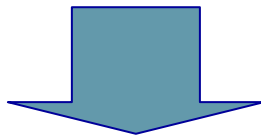
STRATEGIC PLANS

1 Customers

2 Products

3 Transformation

4 Innovation



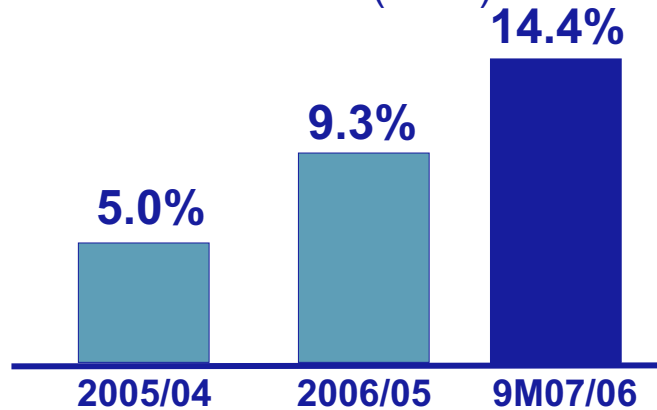
POSITIONING

EARNINGS

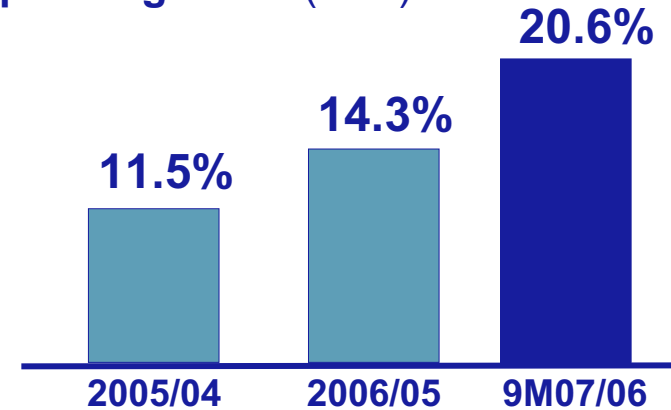


Implementation of strategic plans has reflected in fast earnings growth ...

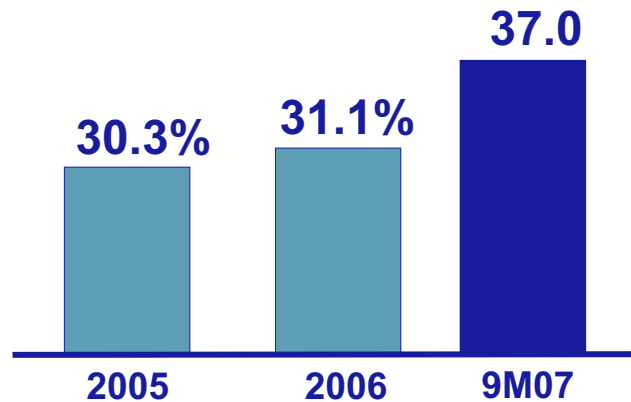
Net Interest Income (YoY)



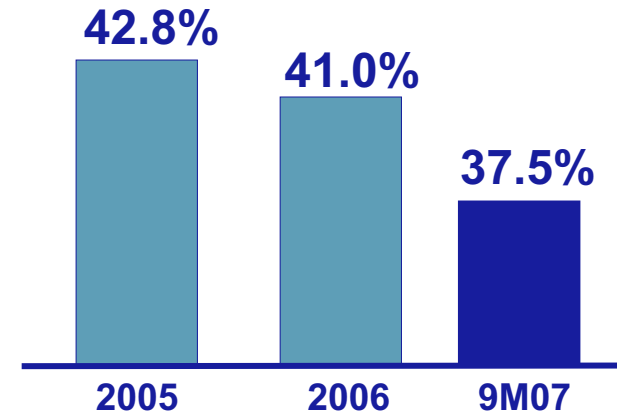
Operating Profit (YoY)



ROE



Cost/income ratio



... the result of strategic anticipation



... anticipation by leveraging on ...

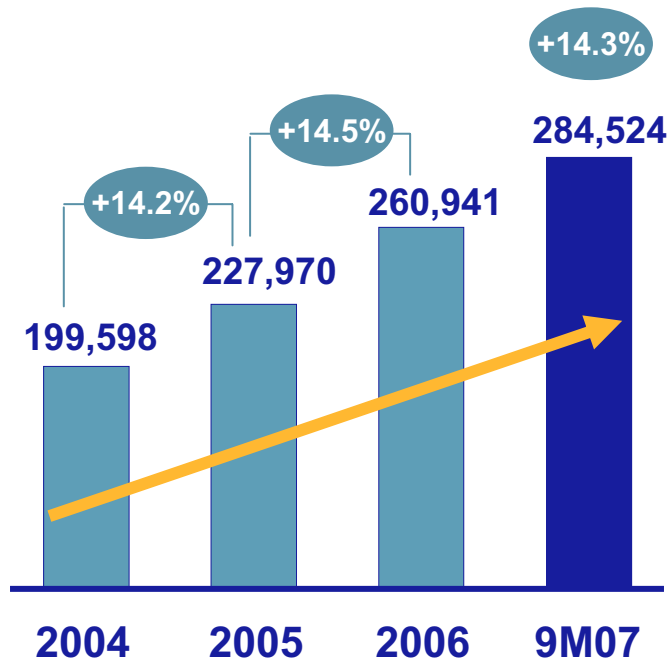




1

Vigorous business activity, selective and diversified ...

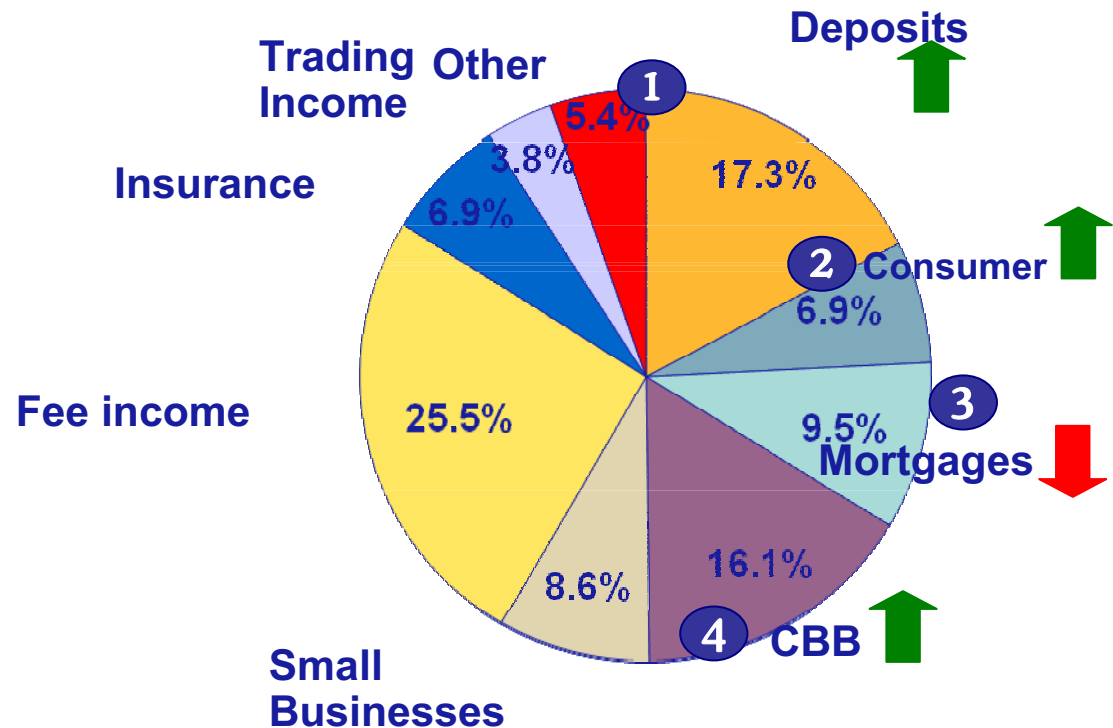
Business Volume* €m



Progressive adjustment of growth levers

* Loans + deposits, average balances

Breakdown of Ordinary Revenues 9M07



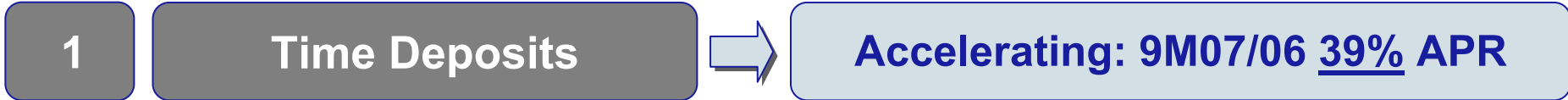
Ordinary Revenues 9M07

€4,943m

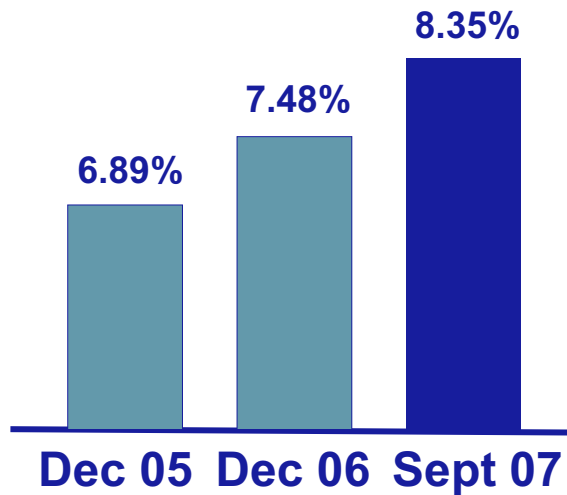


1

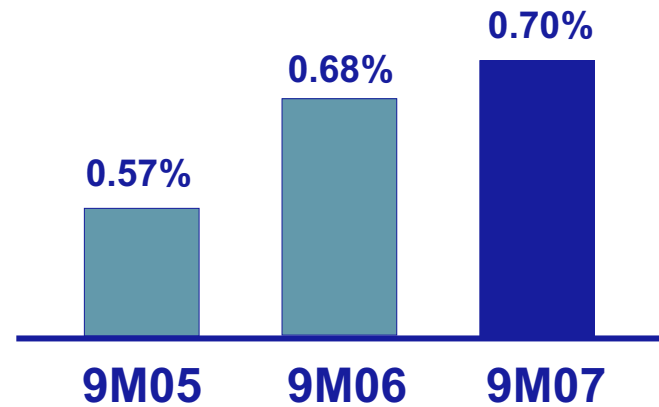
Buoyant business activity



Retail Time Deposits: market share (banks and saving banks)



Time Deposits: average spread



Innovative products:
Extra Deposit, Multideposit, Triple 7, Double 5.5, etc.

Improving spreads



1

Buoyant business activity

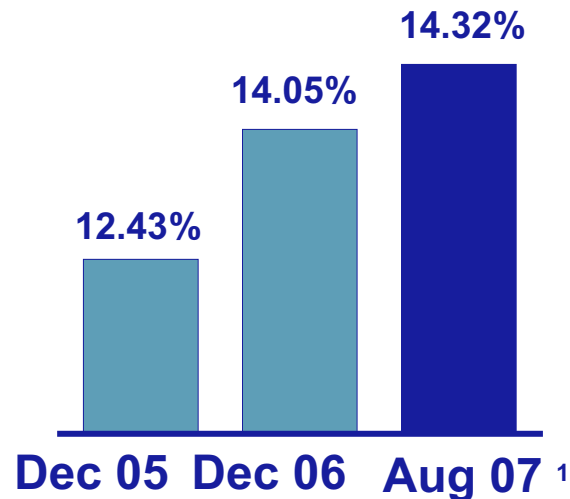
2

Consumer Finance

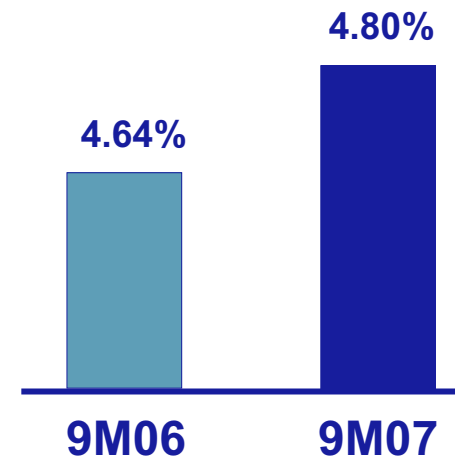


Strategic growth lever

Consumer Finance: market share



Consumer Finance: average spread



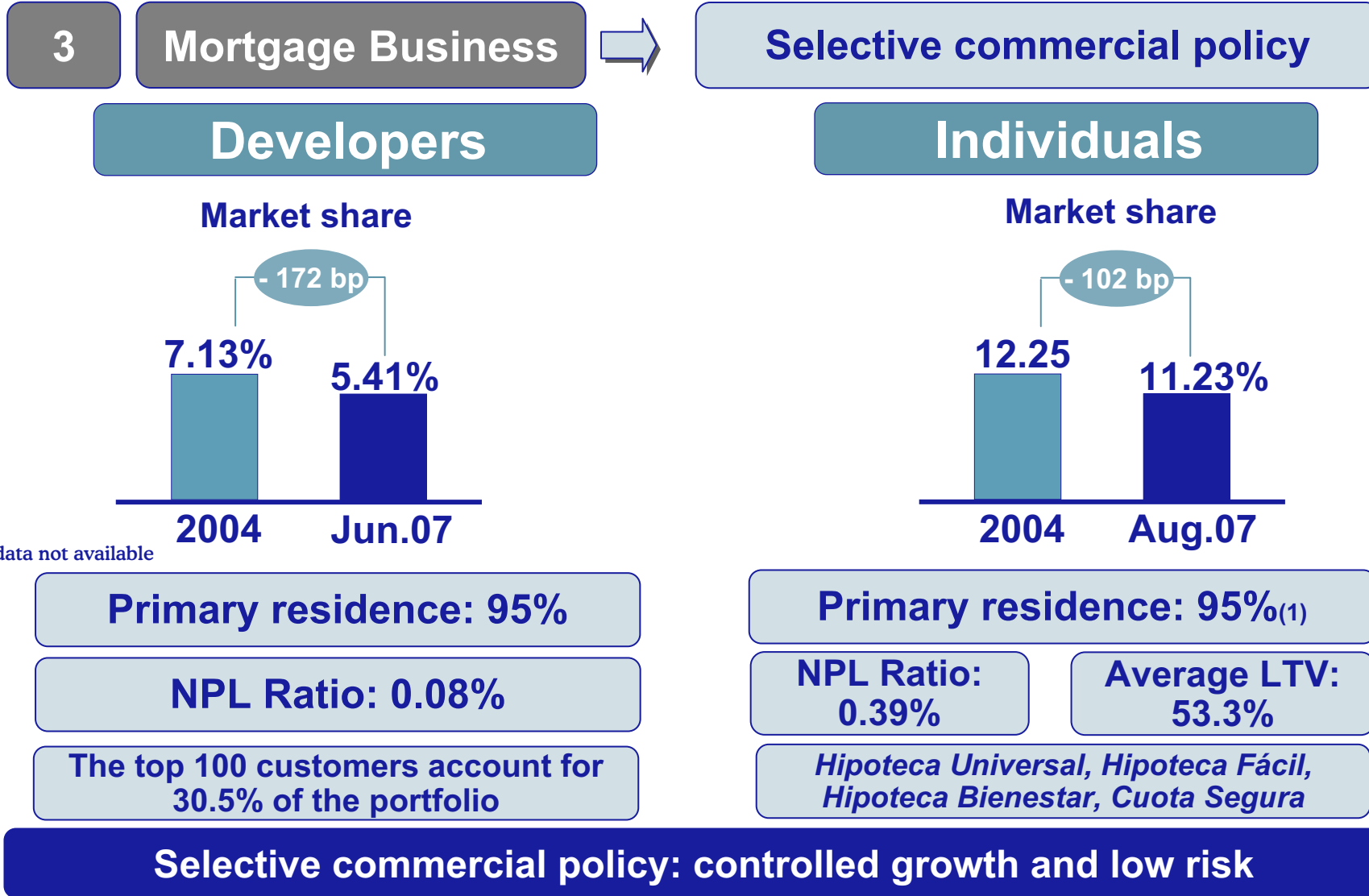
New products: *PIDE, Crédito Fácil*, etc, account for > 50% of total production

¹ Sept. data not available



1

Buoyant business activity



¹ Sept. data not available

(1) Home mortgage loans

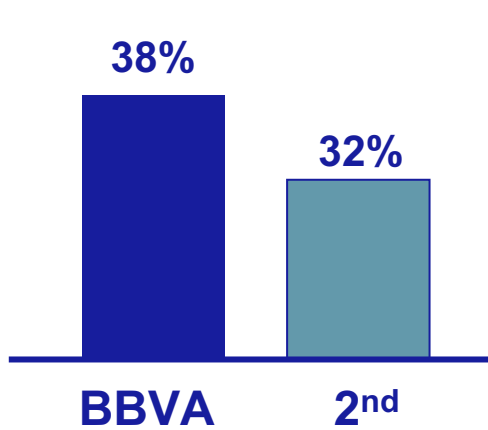


1

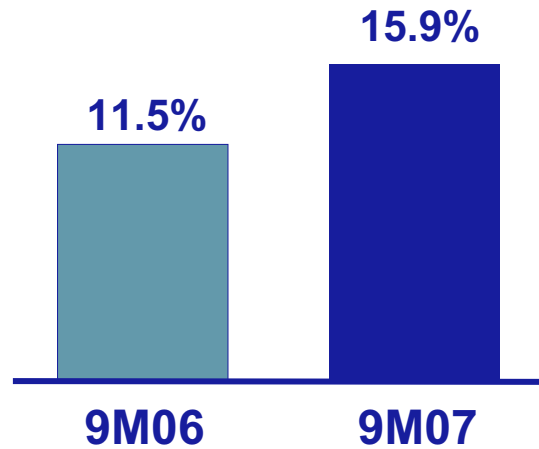
Buoyant business activity



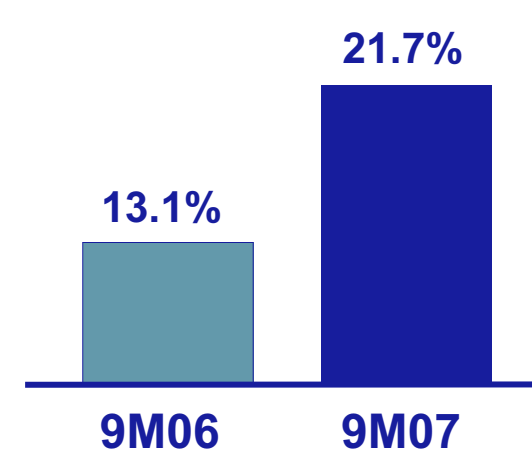
Penetration of SME segment



Business Volume (APR)



Operating Profit (APR)



**Excellent business growth with NPLs at low levels—
leading to outstanding results**



2

Cross-selling: Top supplier of high added-value products

-ings	Mkt Sh. %	
Confirming	32.5	1 st
Factoring	25.5	1 st
Leasing	23.6	1 st



Insurance

Term Life: mkt share	16.9%	1 st
ASSUR- ANCE	Mortgage - Life	45%
	Mortgage- Household	70%
	Consumer - Life	73%

¹ Risk España Magazine

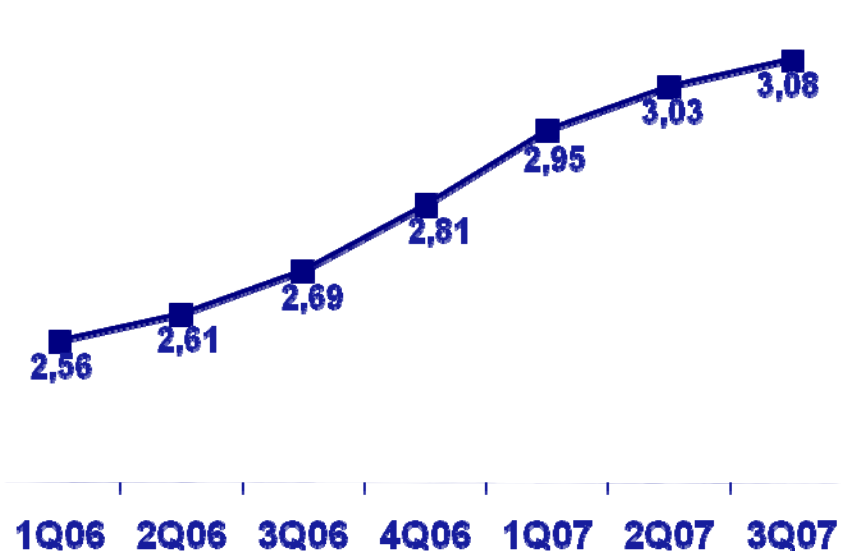


3

Good price management ...

Customer spread (%)

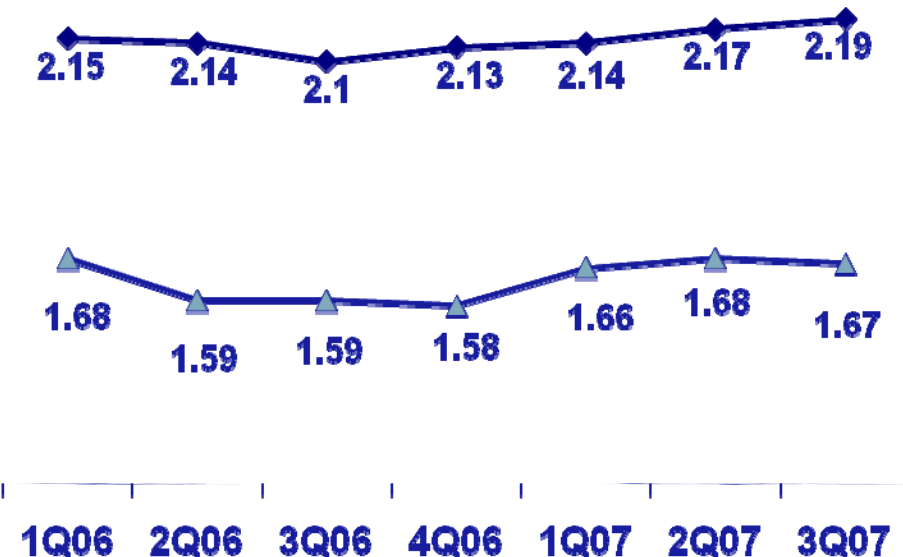
■ BBVA networks



Net Interest Income / Average Total Assets (%)

■ BBVA networks

■ Peers



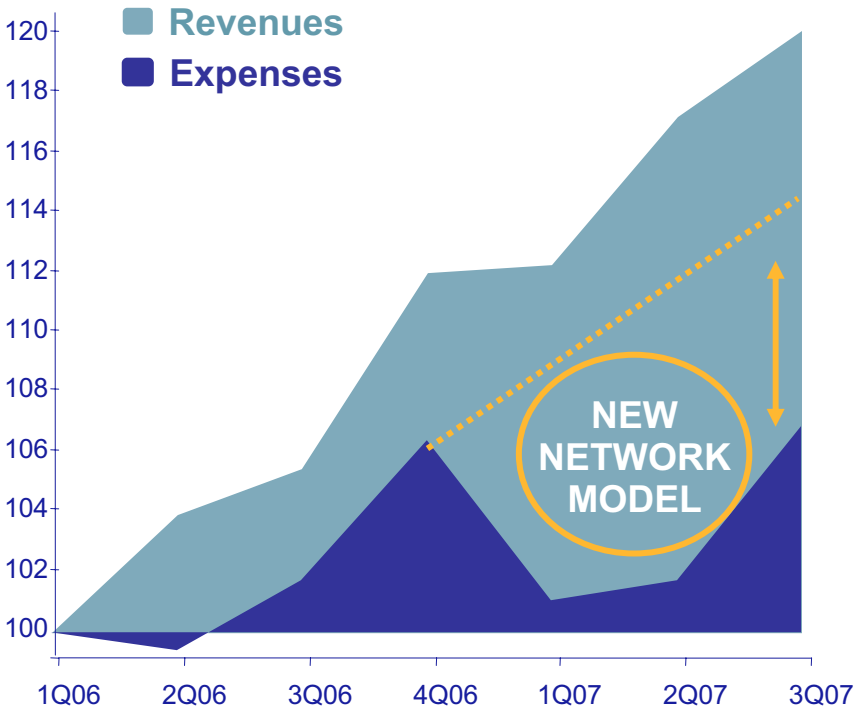
... outperforming our competitors



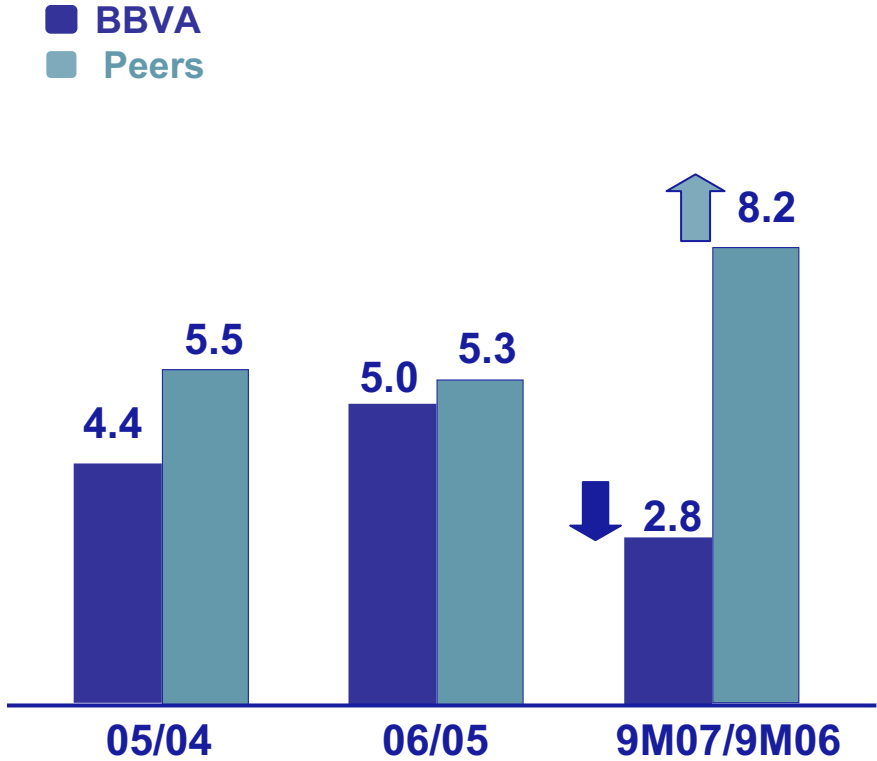
4

Cost control ...

Revenues and Expenses BBVA (base 100)



Cost growth: BBVA v Peers (%)



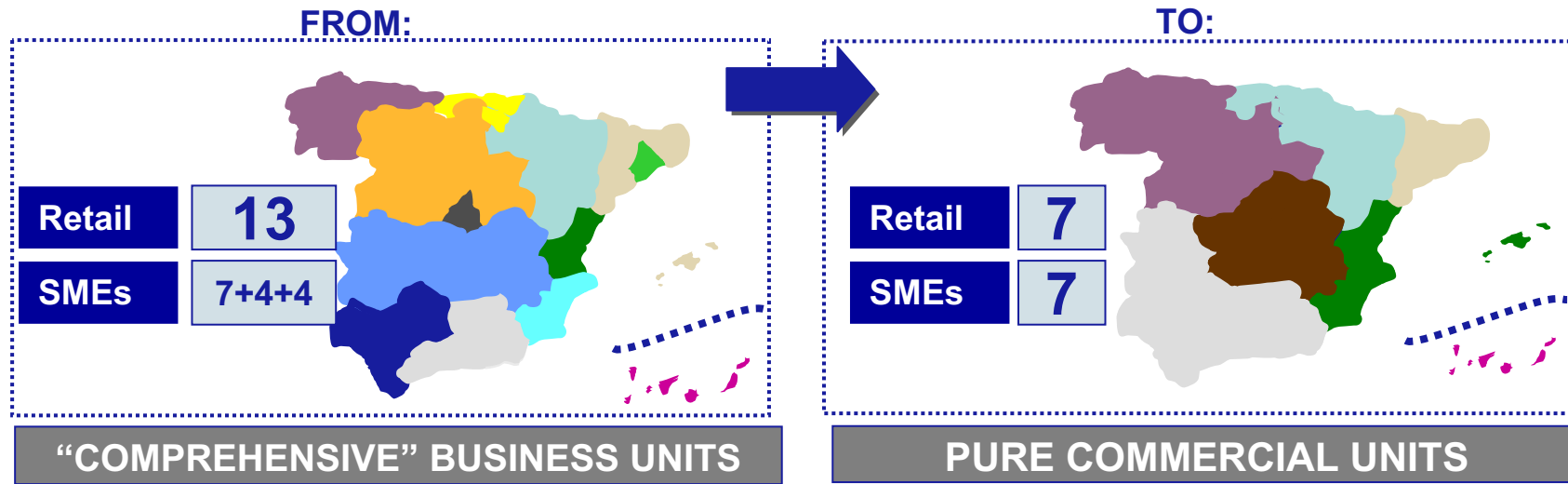
Costs are decreasing in real terms



4

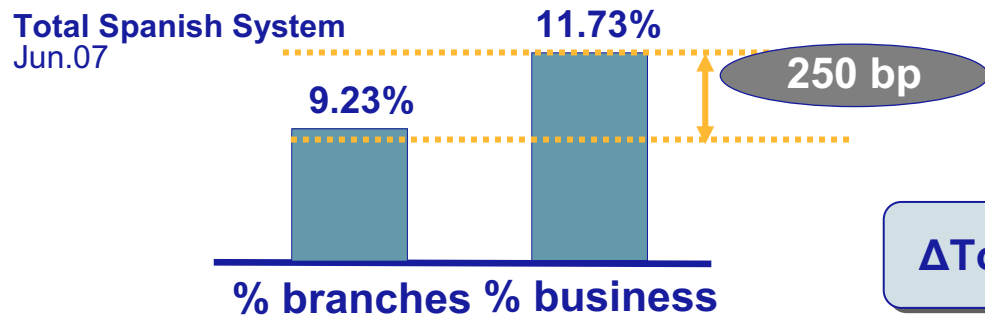
... with more efficient structures:

1) Blue-Net Project (2006)



Intermediate structure expenses ▽ 15%

2) Network expansion plan finalised: +160 branches (+4.4%)



Average break-even in 15 months

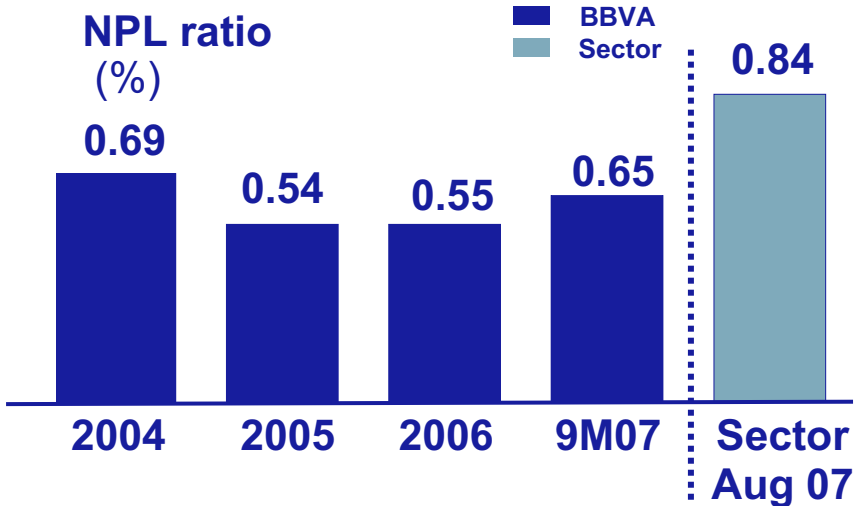
ΔTotal expenses Networks in Spain: + 0.1%



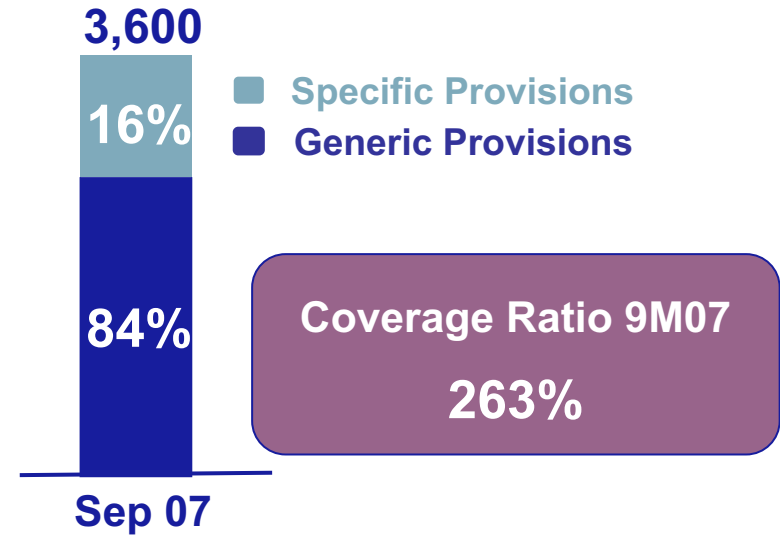


5

Asset quality



Loan-loss provisions (€m)



Management of credit risk
→ competitive advantage



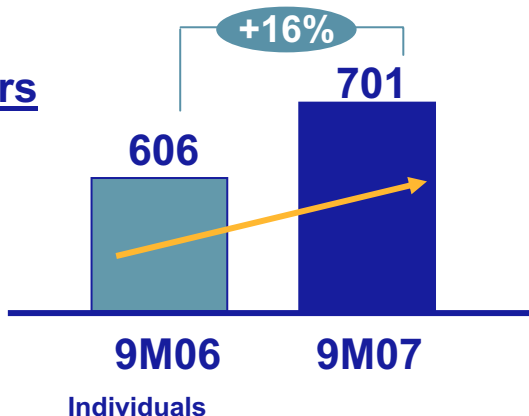
RAROC

... constantly focused on effective recovery process

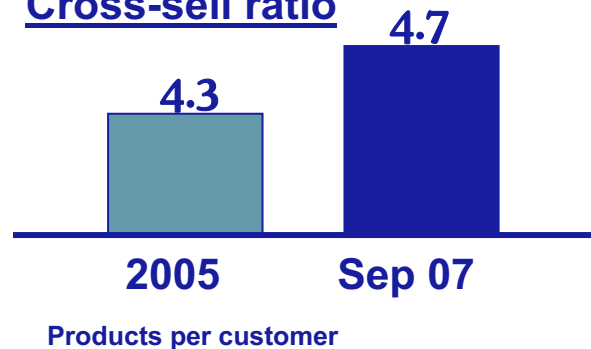


Customer-centric business model ...

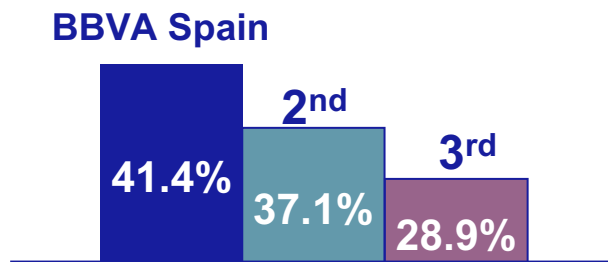
New Customers (th)



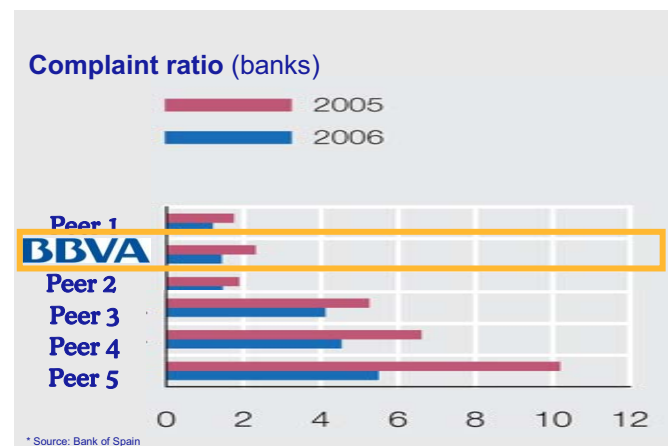
Cross-sell ratio



Recall Level (individuals)



Service Quality / Satisfaction



... focused on strategic segments



- Excellent positioning: Customers and Products
- **New environment, New opportunities**
- Strategic Drivers: Innovation and Transformation
- Conclusions



Spain is still growing faster than the EMU average although the economic scenario has changed ...

Situación

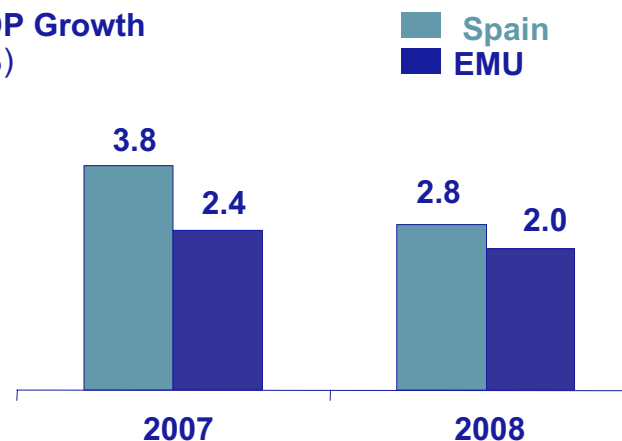
Servicio de Estudios Económicos

Octubre 2007

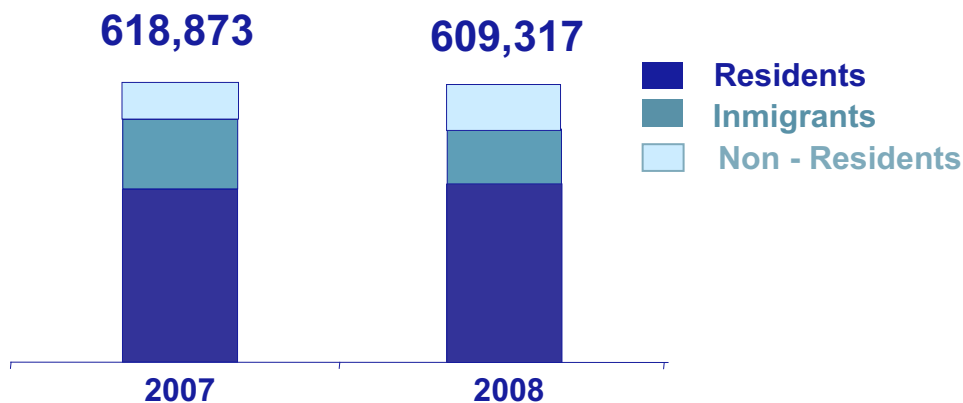


Economía española: desaceleración en marcha ...
 ... en un entorno global más incierto ...
 ... pero con soportes importantes:
 un sistema financiero sólido y eficiente ...
 ... y un mercado laboral dinámico

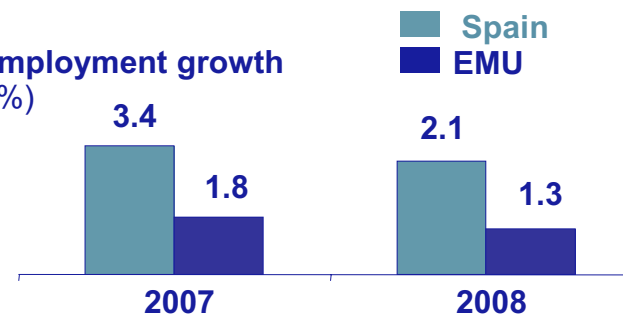
GDP Growth (%)



Forecast of gross household formation



Employment growth (%)



Estimated net job creation 2008
435,000



... we are well-placed to capitalise on opportunities
in the new situation by ...

Building on our strengths

LIQUIDITY

SOLVENCY

1

Re-pricing of assets

2

Increased customer
acquisition / share of
wallet

3

Strong focus in on-
balance sheet
deposits

Goal: increase market share of activity and revenues



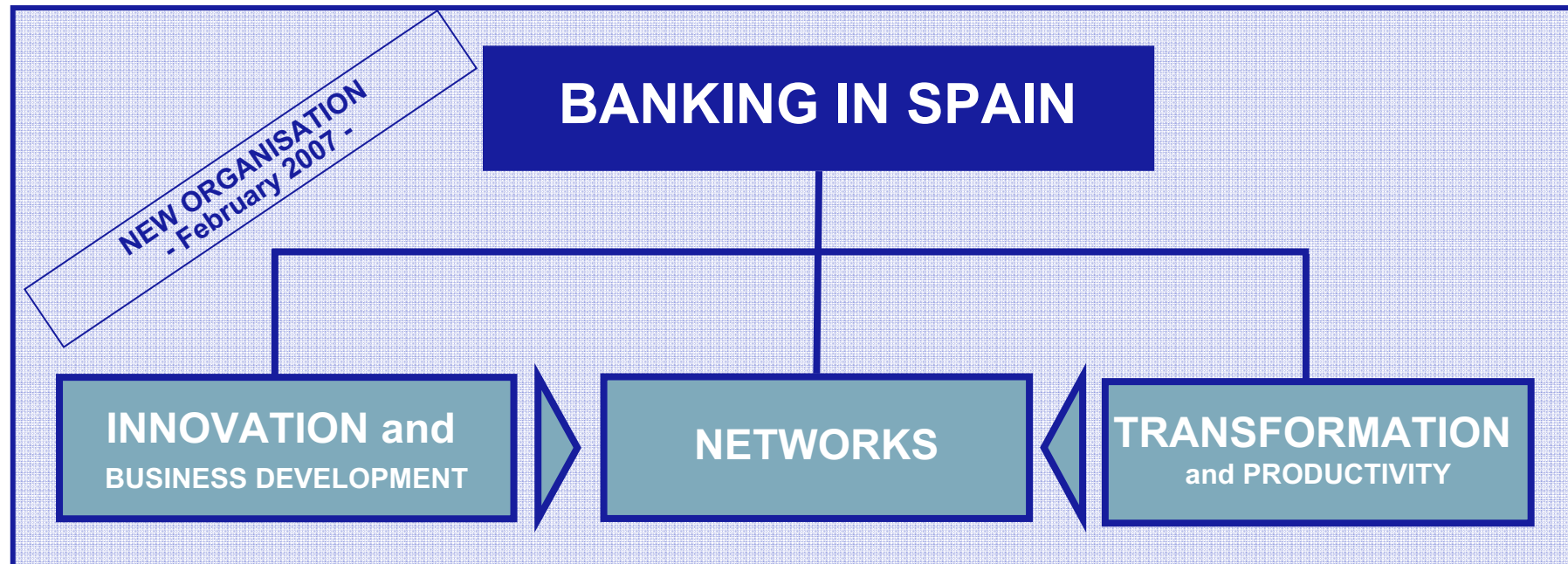
...and, in the medium to long term...

CUSTOMER DIFFERENTIATION

TECHNOLOGY

Innovation

Transformation



Generating sustainable competitive advantages

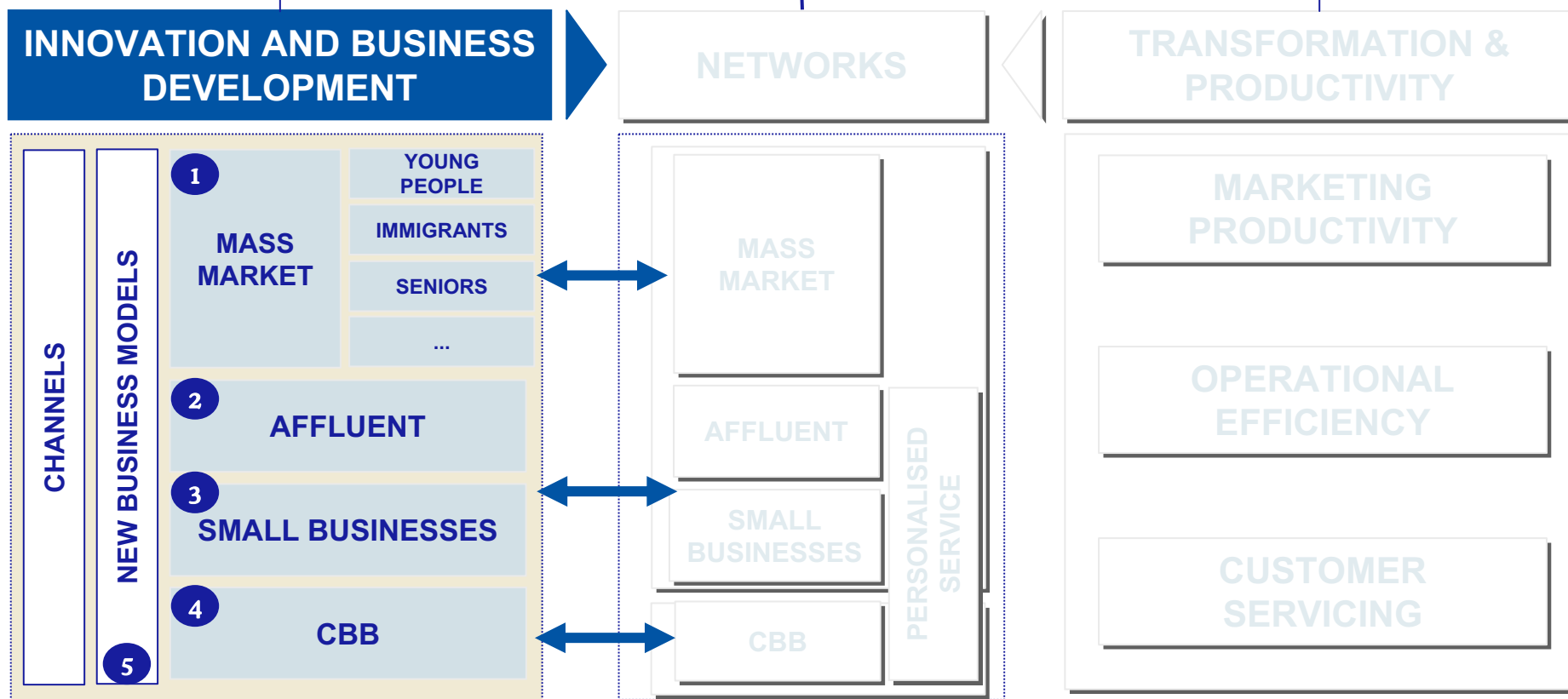


- Excellent positioning: Customers and Products
- New environment, New opportunities
- **Strategic Drivers: Innovation and Transformation**
- Conclusions



Banking in Spain

BANKING IN SPAIN



Making innovative solutions accessible to all customer segments



1

CHANNELS	NEW BUSINESS MODELS	MASS MARKET	YOUNG PEOPLE
			IMMIGRANTS
			SENIORS
			...
			AFFLUENT
			SMALL BUSINESSES
			CBB

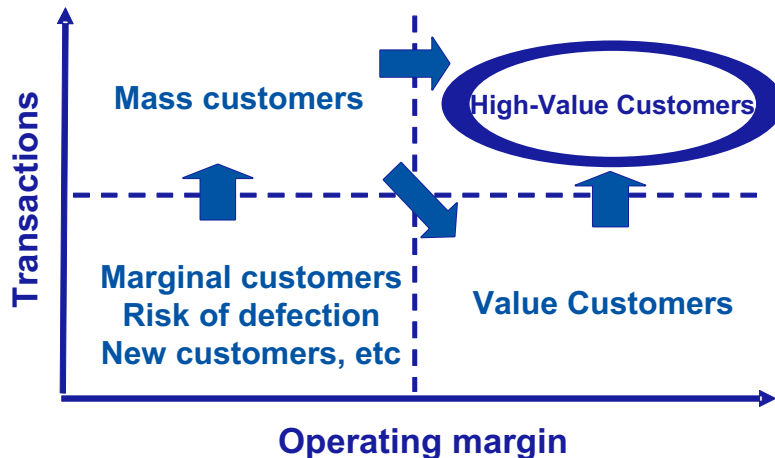
Mass Market: from Marketing Intelligence to Customer Insight ...

AMBITION

- Getting a better knowledge not only of needs but behaviors

OPPORTUNITY

- Marketing tailored to customer's profile



Phase I: Model Start-up

- 128 campaigns
- 182 micro-segments
- 1,800,000 customer contacts

Phase II: Model extension

GOALS

+100,000 customers retained / year

+ 0.25 products per customer



1

CHANNELS	NEW BUSINESS MODELS	MASS MARKET	YOUNG PEOPLE
			IMMIGRANTS
			SENIORS
		AFFLUENT	
		SMALL BUSINESSES	
		CBB	

Mass Market: segments

YOUNG PEOPLE SEGMENT

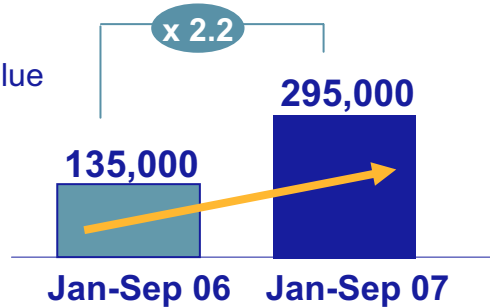
AMBITION

1 million young customers acquisition

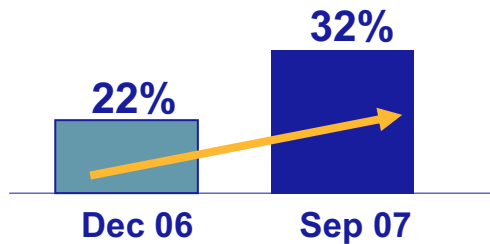
THE "BLUE" PROGRAM

youth segment acquisition

New members of Blue BBVA



% mortgage production via Blue BBVA



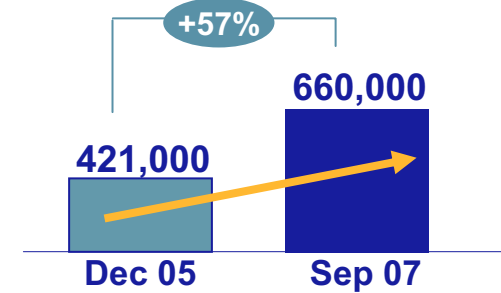
IMMIGRANTS

AMBITION

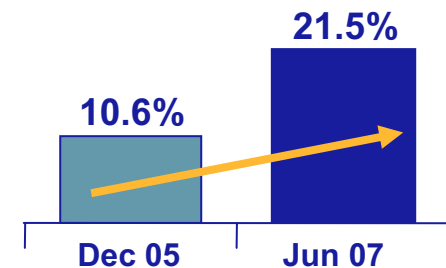
500,000 immigrant customers acquisition

DUAL RESPONSE: BBVA-Dinero Express

Total Active Customers (by no.)



Money Transfers Mkt. share (Banks & Saving Banks)



Mass Market: segments



2

CHANNELS	NEW BUSINESS MODELS	MASS MARKET:	YOUNG PEOPLE
			IMMIGRANTS
			SENIORS
		AFFLUENT	
		SMALL BUSINESSES	
		CBB	

Affluent Segment: advisory and specialised customer service

AMBITION

To spread our Private Banking Model leveraging in our branch network

Excellent Growth

CUSTOMERS (JAN 06 – SEP 07)

+ 27 %

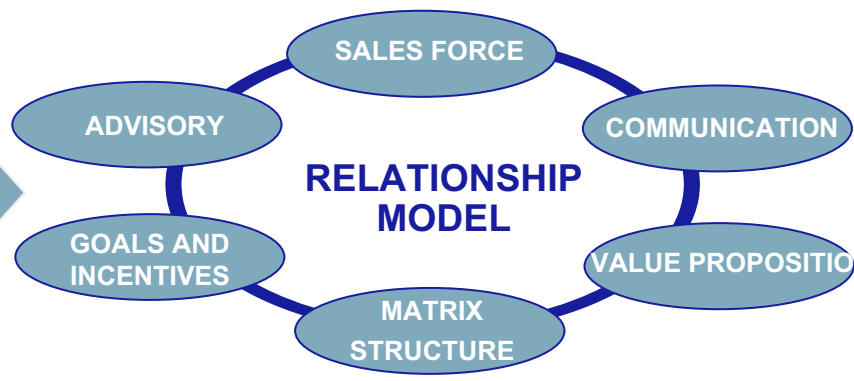
OPPORTUNITY

- in the last 5 years the Affluent Market has grown by 200,000 people
- Only 20% of the segment receives specialized coverage
- BBVA's brand is well-placed

Growth engines

New Distribution Model

35-50 Plan



1st bank ranked ¹
MARKET SHARE 20%

¹ IFRS 2007





3



Small Businesses Segment: high returns, penetration and bundling

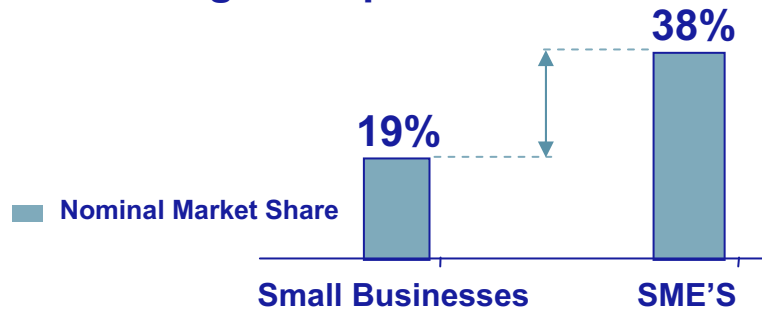
AMBITION

Achieving a clear leadership in the segment (like in CBB)

OPPORTUNITY

1.- Differential growth segment for the next few years

2.- BBVA growth potential



² AQmetrix 2007

Excellent Positioning

- 1.- First or second provider in every sub-segment
- 2.- Strong growth (OCT 06 – 07):
 - Ordinary Revenues: + 16%
 - Derivatives Coverage: > 400%

Levers

1 Focus on transactional banking services

POS Number
1 st ranked

BBVAnet Office
1 st bank ranked ²

2 Global Solutions or bundling

Small businesses/
Small retailers

Professionals
Self-employed people

3 High value products and risk approach

Customized derivatives
and insurances

Small Businesses
"PIDE"



4



CBB Segment: to broaden leadership

AMBITION

To broaden the leadership and extend the franchise towards investment banking, advisory and non-financial services

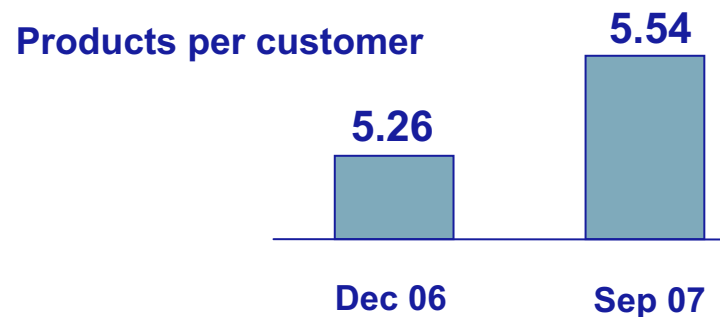
OPPORTUNITY

	Nominal mkt share	1st provider's mkt. share
SME's	1 38%	1 13%
Mid-caps	1 72%	1 28%
Large Companies	1 96%	1 57%
Institutions	1 53%	1 12%

Levers

- 1 RISK MANAGEMENT
- 2 GEOGRAPHICAL COVERAGE
- 3 CROSS-SELLING: PRODUCT SPECIALISTS ON THE GROUND

Excellent performance





5

CHANNELS	NEW BUSINESS MODELS	MASS MARKET	YOUTH SEGMENT
			IMMIGRANTS
			SENIORS
		AFFLUENT	...
		SMALL BUSINESSES	
		CBB	

... expanding the relationship beyond financial needs

AMBITION

→ Maximise value added services

INDIVIDUALS

1. **Services:** leisure, household, health, vehicles, shopping, etc.

2. **FROM:**

TO:

INFORMATION

RECOMMENDATION

Recording deposits and payments

Cash Management

Sequential account entries

Customer's financial planning and recommendations

SMES

BBVA Soluciones



On-line help for SMEs and self-employed



Pioneer platform for HR services



Mobility solutions (mobile devices)

Franchises

Expert guidance + customized finance

GOAL: Operating Profit up 10% in 2010

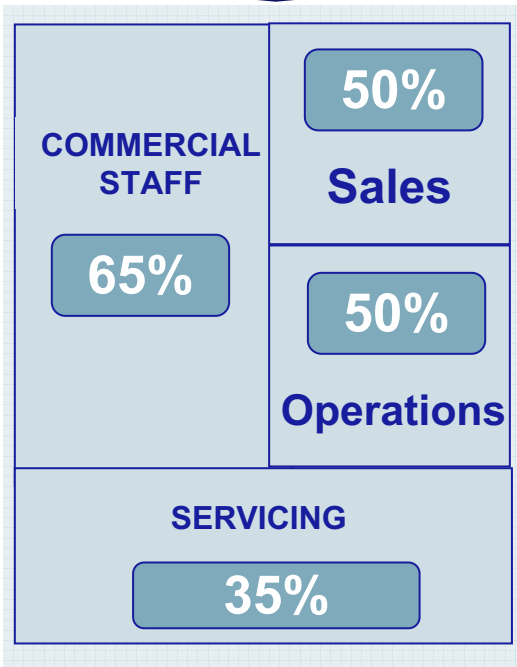


BANKING IN SPAIN

RESOURCES EMPLOYED IN THE BRANCH NETWORK

2007

2010



TRANSFORMATION AND PRODUCTIVITY

- 1 COMMERCIAL PRODUCTIVITY
- 2 OPERATIONAL EFFICIENCY
- 3 CUSTOMER SERVICING

We are developing new ways of doing things



- 1
- COMMERCIAL PRODUCTIVITY
- OPERATIONAL EFFICIENCY
- CUSTOMER SERVICING

Commercial Productivity

1 Simplifying sales operations

- Processes reengineering / new software applications
- New tools / infrastructure

AVERAGE PROCESSING TIME

▼ 33%

2 Advisory Automation

Affluent and Mass Affluent

1. Guidance 2. Solutions

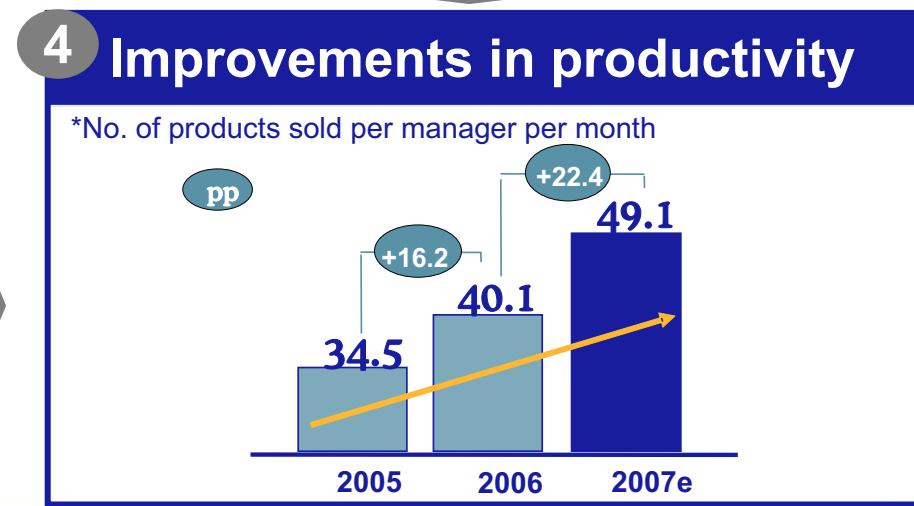
3. Follow-up

INCREASE IN CORE REVENUES

Customer served + 35% Customer advised

3 Sales Force

- 1 Remuneration aligned to performance
- 2 62% of staff with higher education
- 3 Specialised sales force





2

COMMERCIAL PRODUCTIVITY

OPERATIONAL EFFICIENCY

CUSTOMER SERVICING

Operational efficiency

Traditional Model

Up to February 2006

- ✓ Localized
- ✓ Vertical
- ✓ No specialisation

Centralisation

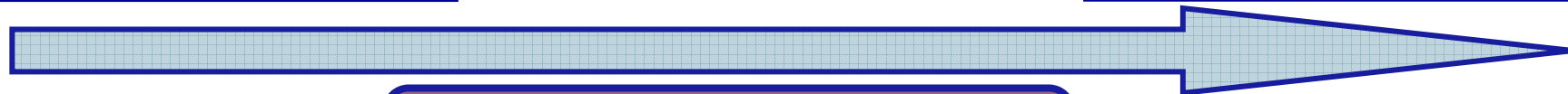
November 2007

- ✓ Partially delocalized
- ✓ Across
- ✓ Specialised

Outsourcing

2010

- ✓ Delocalized
- ✓ Outsourcing
- ✓ New functionalities



51% cost reduction

- Reduced operational risk
- Improved service quality
- Potential generator of new revenues



3

COMMERCIAL PRODUCTIVITY

OPERATIONAL EFFICIENCY

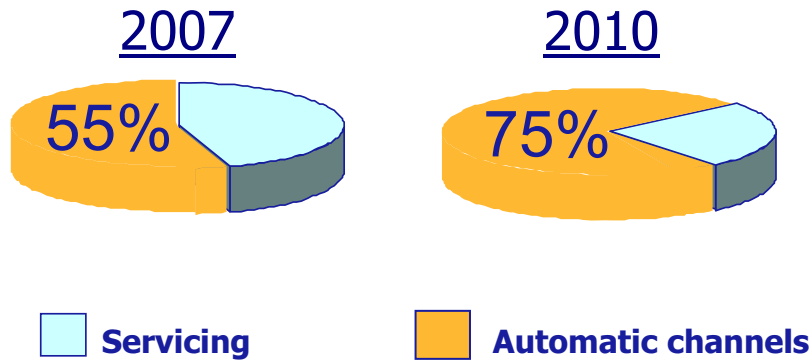
CUSTOMER SERVICING

Servicing

1

Migration

Transactions (*)



2

4,500 new ATMs

Providing all servicing transactions (including pay-in)

Full deployment: 2006-2010

% Automation	2007	2010
Cash withdrawals (67.5% of Servicing)	76%	87%
Deposits and cash payments (24% of Servicing)	6.5%	50%

3

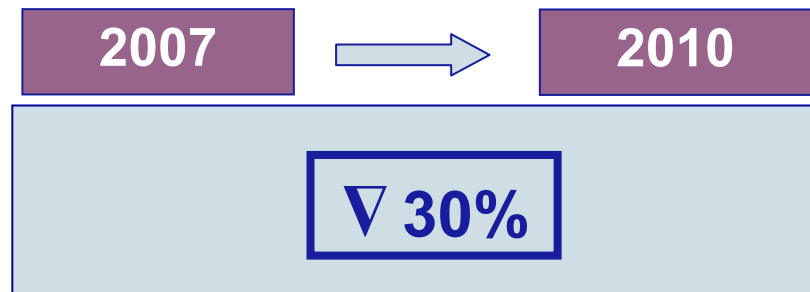
Servicing¹ Optimization



¹ Non automatic

4

Tellers devoted to servicing





- Excellent positioning: Customers and Products
- New environment, New opportunities
- Strategic Drivers: Innovation and Transformation
- **Conclusions**



Banking in Spain : Key Drivers

1

Solid growth of earnings supported by diversified sources of income, cross-selling and appropriate price management

2

Liquidity and Solvency: window of opportunity

3

Permanent improvement in efficiency as a consequence of Transformation Plan

4

High credit quality and approach based on RAROC metrics

5

Innovation in Mass Market and in non financial services

6

New distribution models



... which provide a platform for attaining the following goals

Clients and business targets by 2010

1 million new young customers

500,000 new immigrant customers

10% increase in operating profit coming from non-financial products and services

Net attributable profit 2008-09: >15% CAGR

150
years

adelante



BBVA making the difference