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BBVA making the difference



Vicente Rodero

General Manager South America

“Management and Growth”

BBVA making the difference.



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BBVA South America Management and Growth

- Positioning
- Outstanding track record
- Stable macro environment and positive prospects
- The future: high potential of under-banked population
- Conclusions



A prominent financial group in Latin America...

		(€m)	<u>VOL. (Sept.07)</u>		
		2 MAIN BUSINESSES	BANKING BUSINESS	Lending	20,297
	Customer funds		25,017	PENSIONS	
	Net profit		626	9,550	
	No. of customers (m)		9,573	LATAM BANKS	
				21,200	
	PENSION BUSINESS (incl. AFORE in Mexico and Bancomer Pensions)	Assets managed	42,619	BRANCHES	
		Net profit	145	PENSIONS	
		No. of customers (m)	12,431	180	
				LATAM BANKS	
				1,660	

**South America's net profit:
17% of the BBVA Group ***

* Excl. one-off items



...present in 10 countries...



- 8 BANKS
- 7 AFPs – PENSION ADMINISTRATORS (includes AFORE Mexico)
- 4 INSURANCE GROUPS

	BANK	INSURANCE	PENSIONS
Argentina	●	●	●
Bolivia			●
Chile	●	●	●
Colombia	●	●	●
Ecuador			●
Paraguay	●		
Peru	●		●
Uruguay	●		
Venezuela	●	●	
Panama	●		
Mexico	●	●	●



...with strong market shares

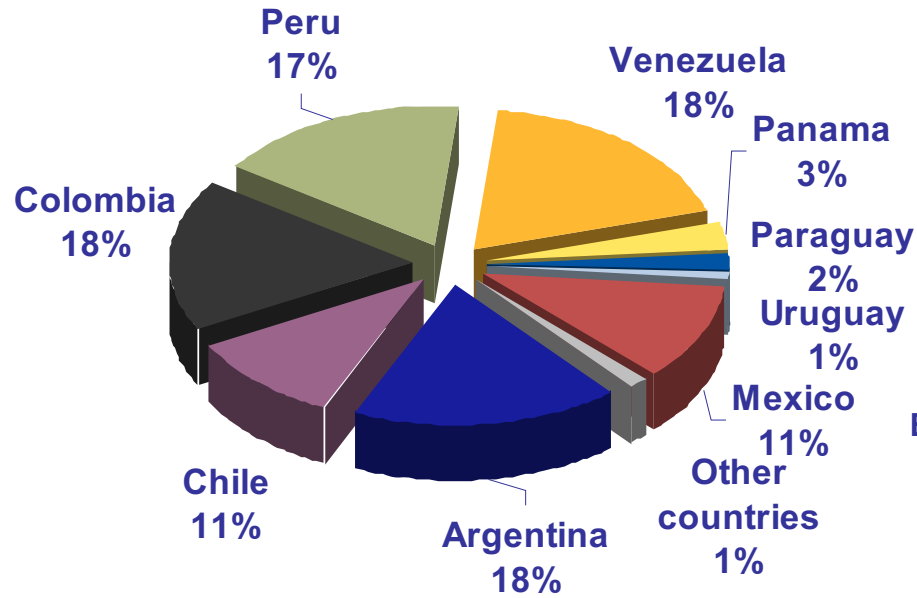
Market Share	BANKING BUSINESS				PENSIONS	
	DEPOSITS		LENDING			
COUNTRY	RANKING	MKT SH. (%)	RANKING	MKT SH. (%)	RANKING	MKT SH. (%)*
ARGENTINA	3 rd	9.6	3 rd	7.7	2 nd	18.4
CHILE	5 th	8.1	4 th	8.7	1 st	30.8
COLOMBIA	4 th	11.5	4 th	11.1	3 rd	17.1
PERU	2 nd	23.5	2 nd	27.6	3 rd	23.0
VENEZUELA	4 th	10.1	4 th	11.8	-	-
PANAMA	5 th	5.2	5 th	7.2	-	-
PARAGUAY	2 nd	15.6	1 st	19.7	-	-
URUGUAY	5 th	8.4	5 th	9.2	-	-
ECUADOR	-	-	-	-	1 st	79.8
BOLIVIA	-	-	-	-	1 st	52.8
MEXICO	BBVA Bancomer				2 nd	16.9

Latest information: August 07

* Market share by assets under management

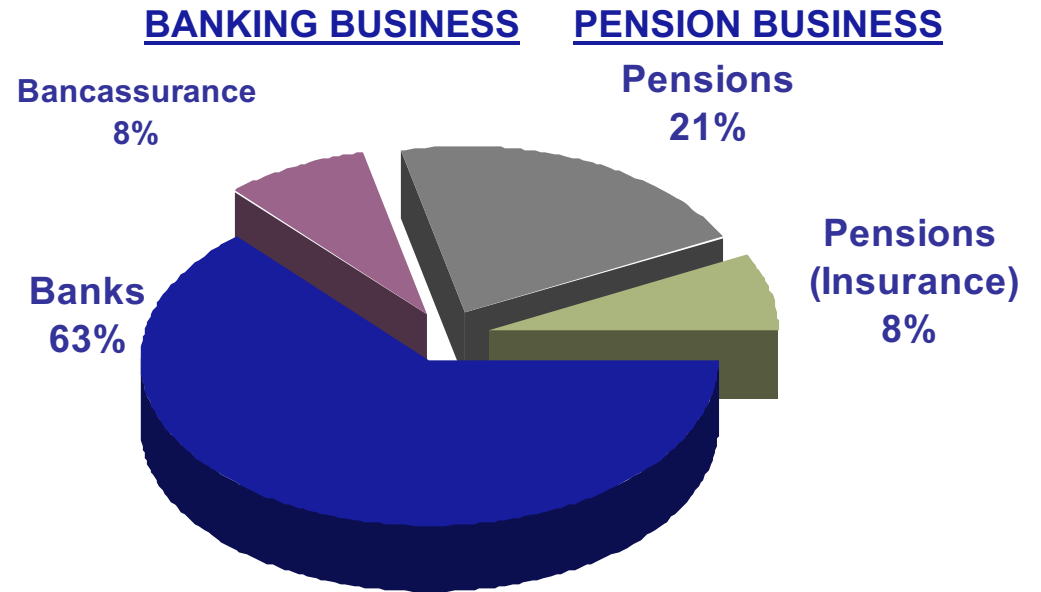


BBVA South America is a highly diversified business portfolio



Breakdown of 2006 Net Profit (%)

(Incl. AFORE Mexico and Bancomer Pensions)



* Excl. one-off items



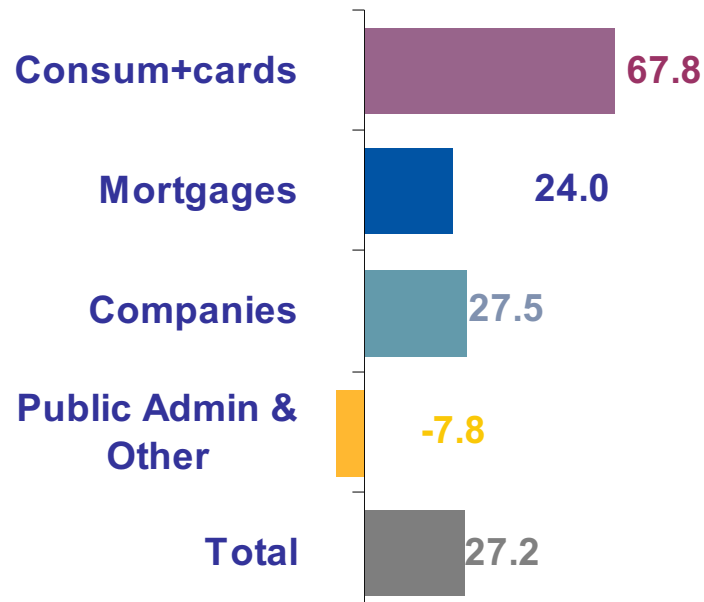
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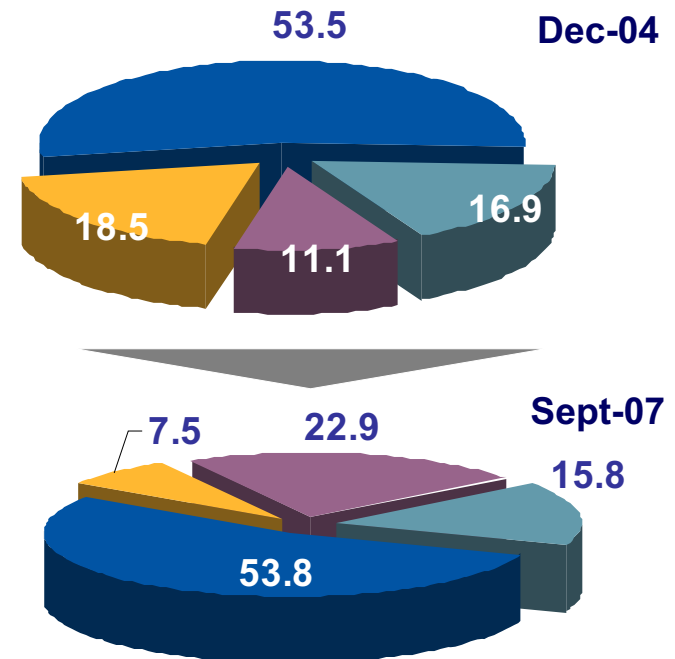
Outstanding track record– banking business

LENDING is growing strongly, especially in consumer finance and credit cards

Lending - growth
(Dec 04/Sept 07 %CAGR)



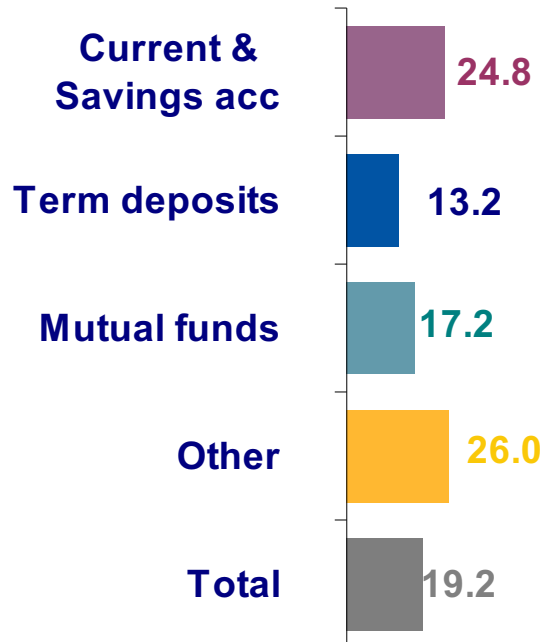
Lending - breakdown
%



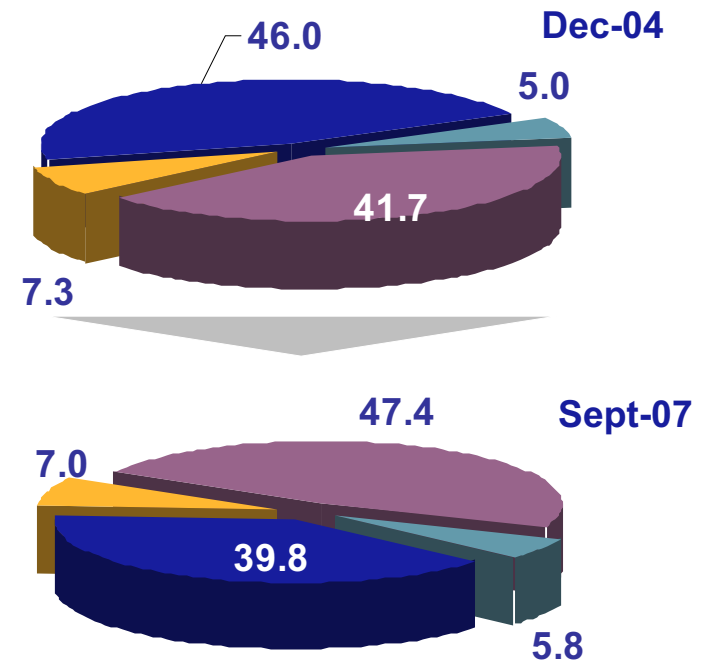


Customer Funds: solid growth of current and savings accounts

Customer funds - growth
(Dec 04/Sept 07 %CAGR)



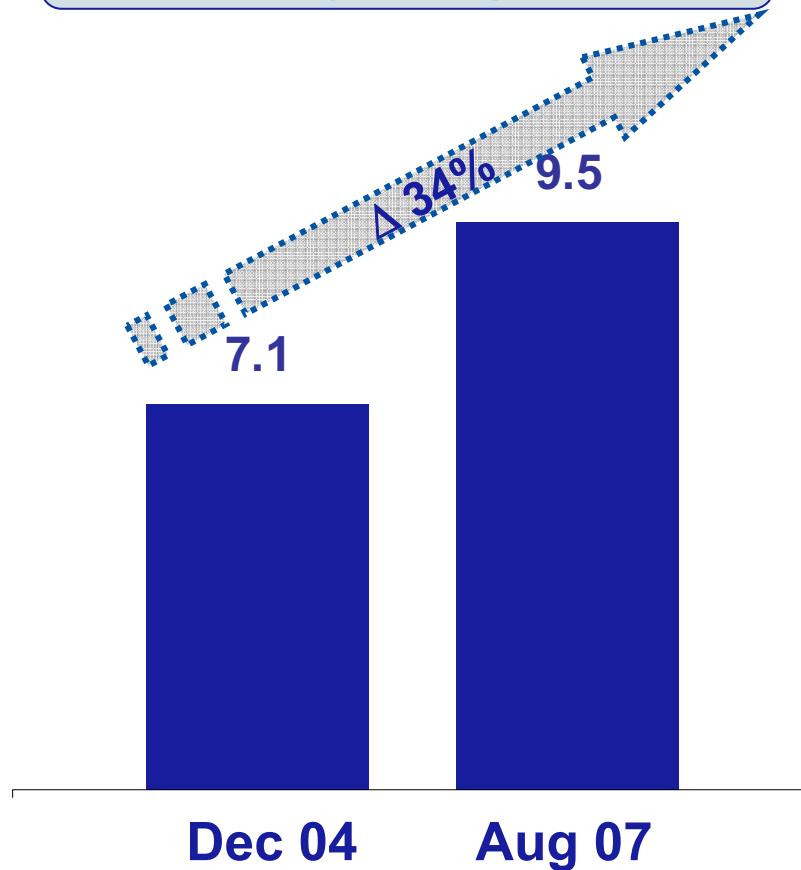
Customer Funds – breakdown
%





Customer base: significant increases in all countries

Total customers (8 banks)
(million)

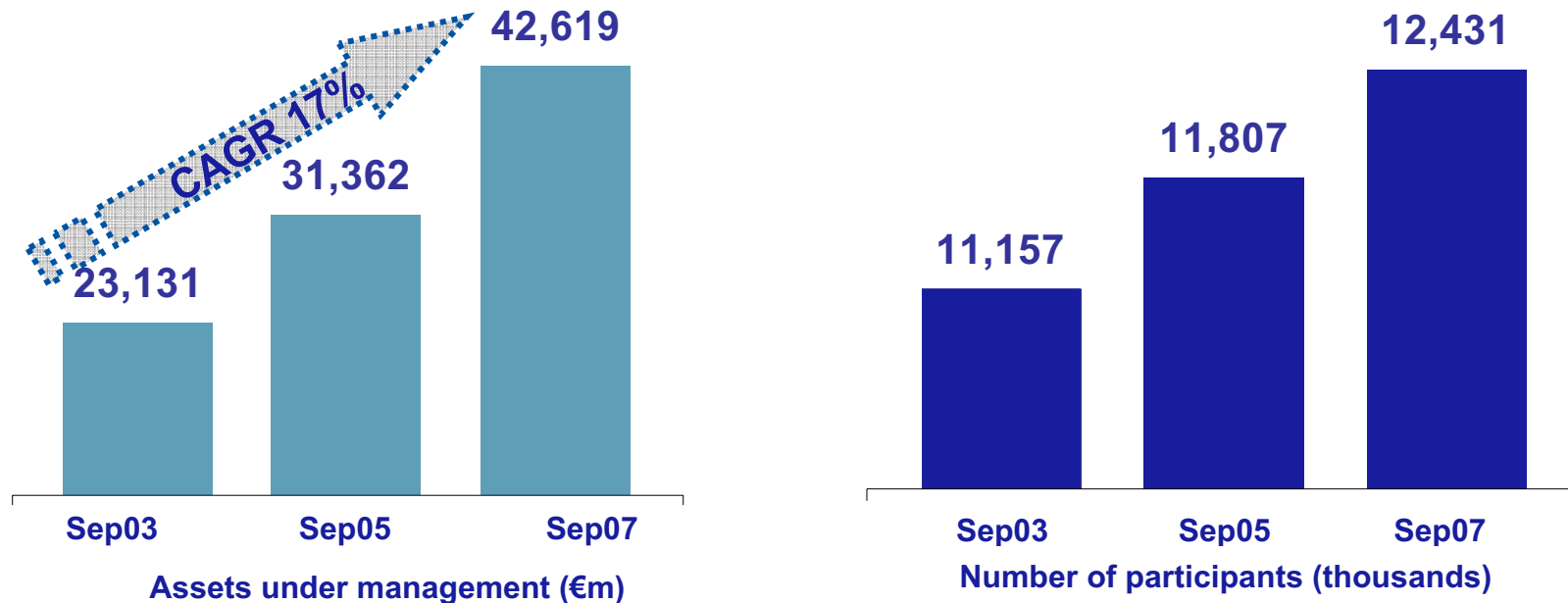


	Number Customers (million)	CAGR
• ARGENTINA	1.8	9%
• CHILE	0.6	11%
• COLOMBIA	3.0	12%
• PERU	1.2	13%
• VENEZUELA	2.8	8%
• OTHER	0.5	9%
TOTAL	9,573	10%



Outstanding track record – pension fund business

Continuous growth in AUM and participants with appropriate handling of regulatory changes



		AR	BO	CL	CO	EC	MX	PE	TOTAL
Sep 07	ASSETS	3,733	1,095	22,920	2,856	54	8,724	3,238	42,619
	PARTICIPANTS	1,480	581	3,292	1,454	164	4,388	1,072	12,431



To sum up, BBVA South America has delivered strong profit growth since 2004

	2004	9M07	CAGR
• ROE	19.6	35.3	+15.7 pp
• Cost/income ratio	56.8	45.9	-10.9 pp
• NPL ratio (%)	4.24	2.44	-1.80 pp
• NPL coverage (%)	105.4	132.4	+27.0 pp
• Net profit – Banking, pension & Insurance Business <i>(Constant €m)</i>	448	771	32 %

** includes AFORE Bancomer and Pensions Bancomer*

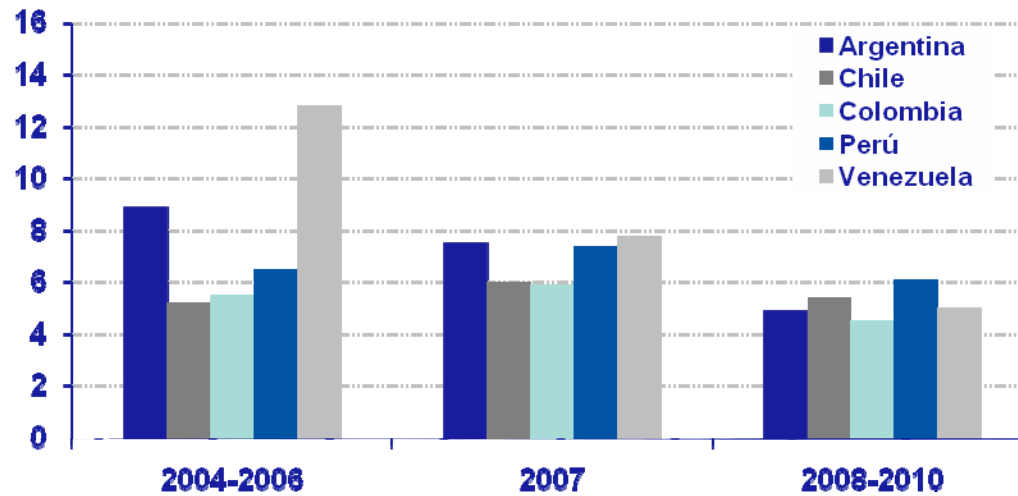


- Positioning
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- **Stable macro environment and positive prospects**
- The future: high potential of under-banked population
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Stable macro environment & positive prospects: attractive GDP growth

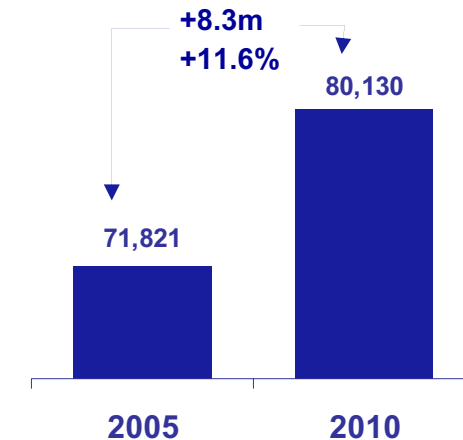
GDP Growth



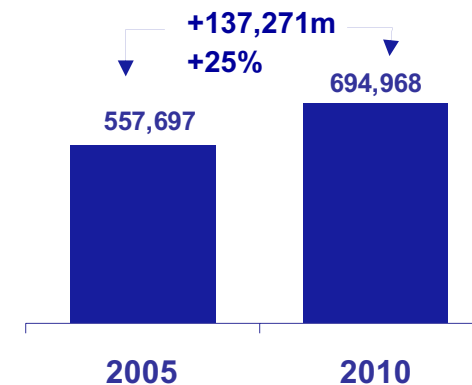
Δ% real GDP	2007	2008
Argentina	7.5	5.6
Chile	6.0	5.5
Colombia	5.9	4.8
Perú	7.4	6.4
Venezuela	7.8	5.7
LATAM ¹	6.9	5.5

Source: BBVA's research service
(1) Average of the five countries in the sample.

Active Population * 2005 v 2010 (thousands persons)

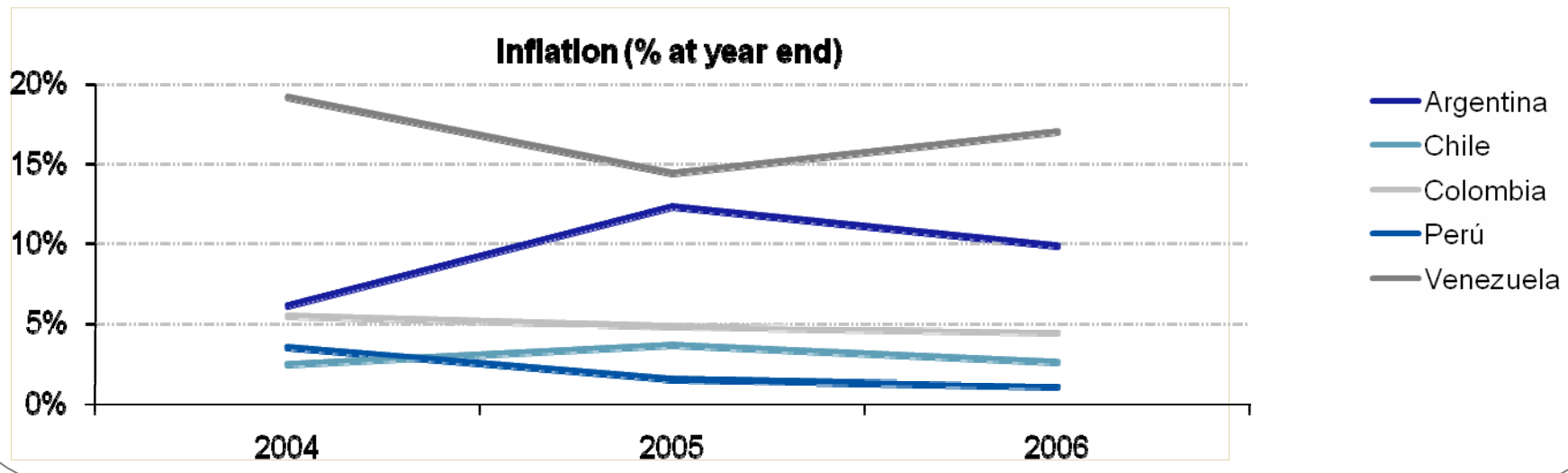
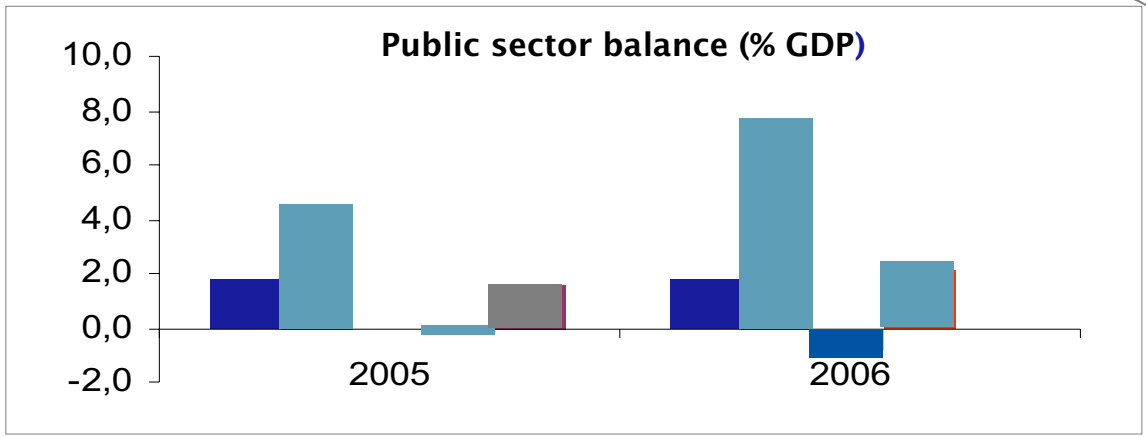
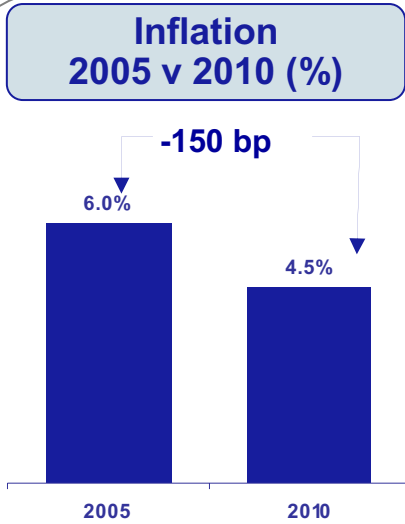


Gross domestic product 2005 v 2010 (€m)



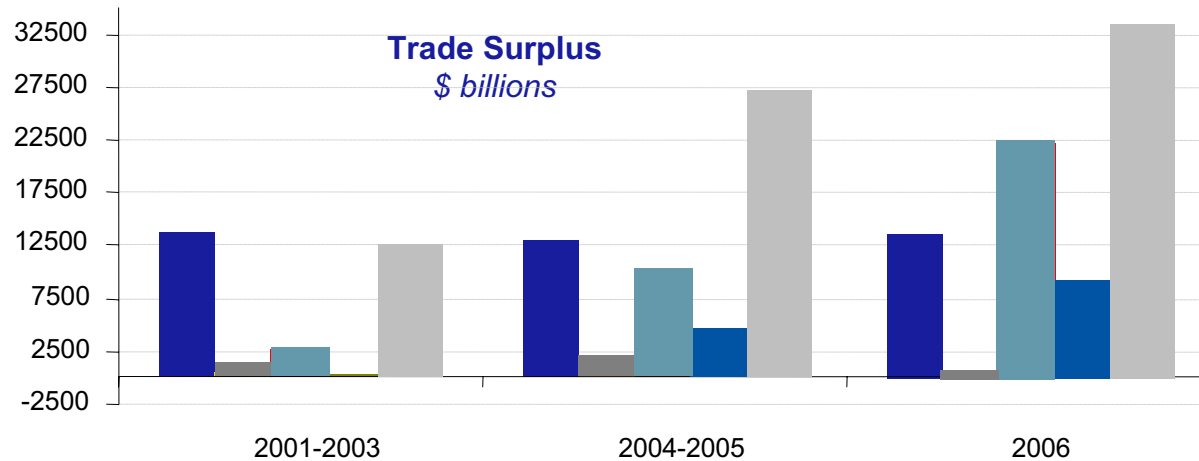
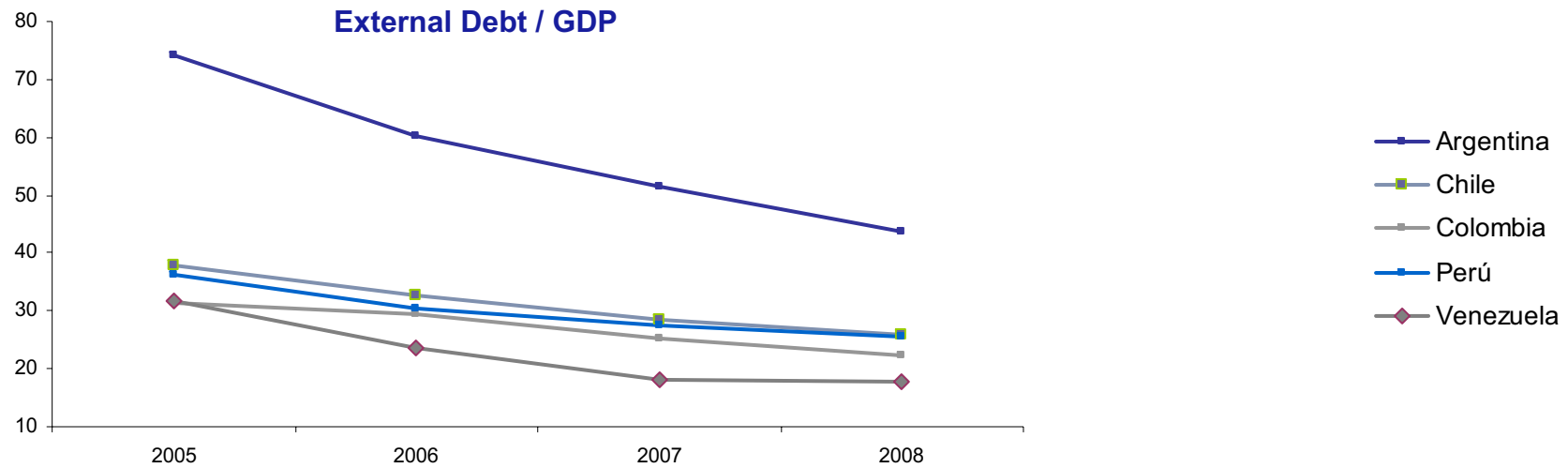


Good performance of inflation and public sector balances





External debt at all-time lows and regional trade surplus is close to \$100 billion . .

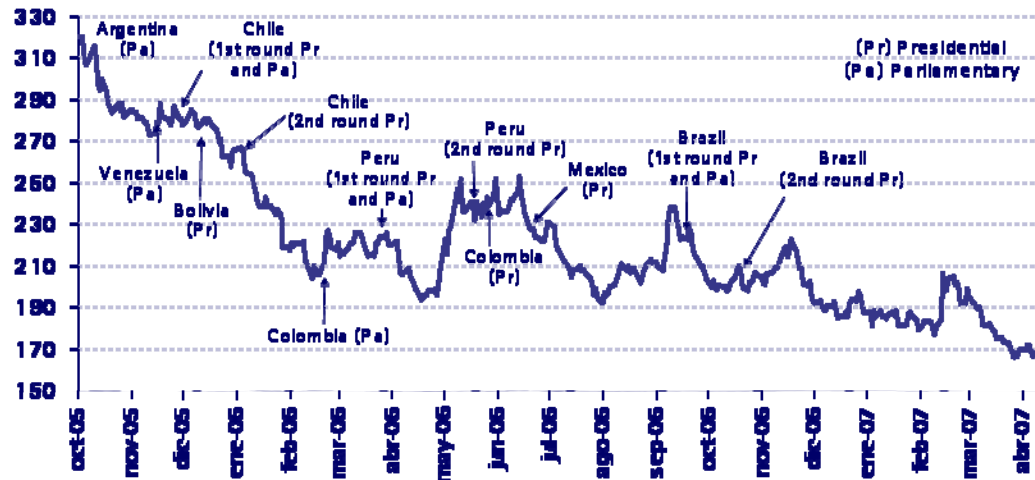




Low country risk levels that remained stable during recent market turbulence

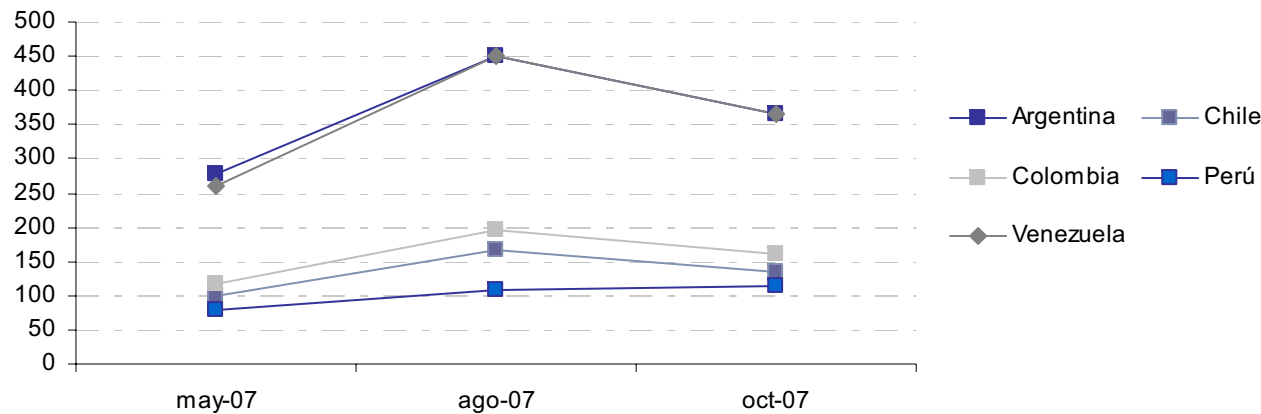
EMBI (+bp) during Latin American elections

EMBI+ (b.p.) and elections in Latin America



Several elections have taken place since the end of 2005 with remarkable stability

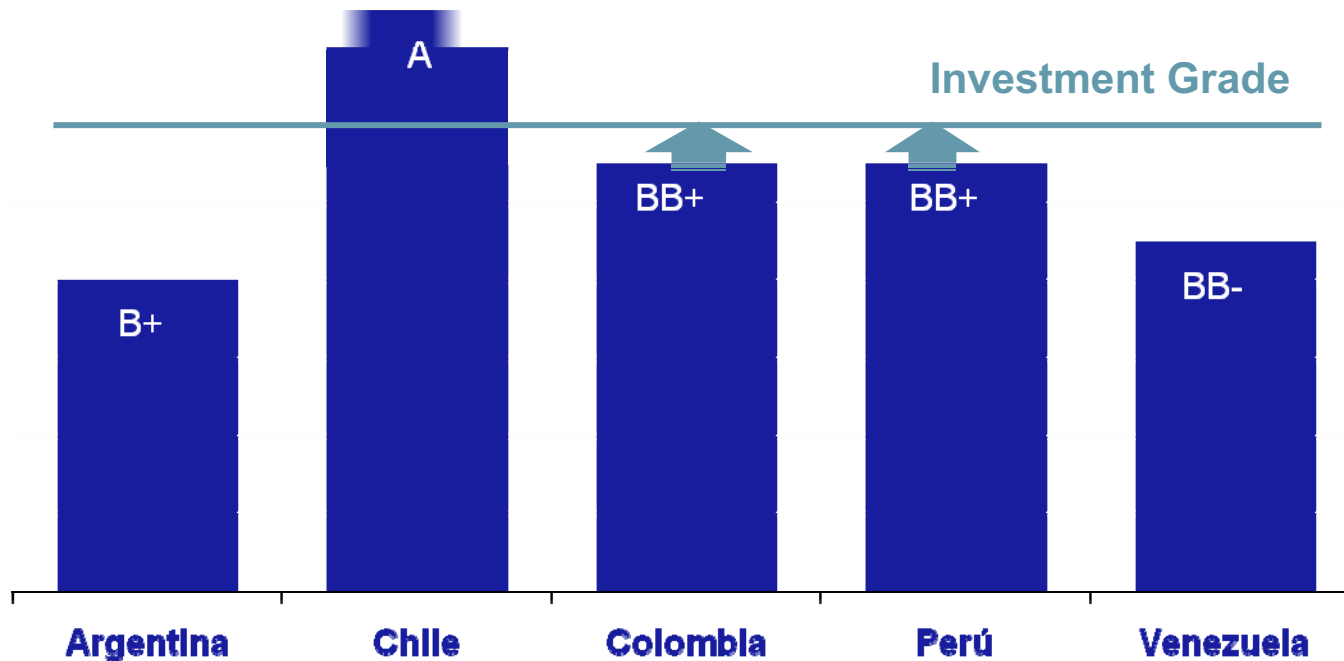
Source: BBVA and JPMorgan





75% of the region is expected to be investment grade (including Mexico and Brazil)

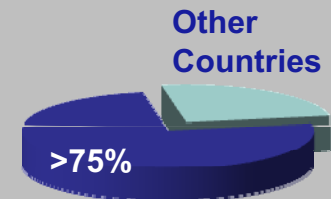
2007 rating of Long Term Debt



Source: JP Morgan, the Economist Intelligence Unit

Historic opportunity

Latin America GDP
100% = €3,200 bn

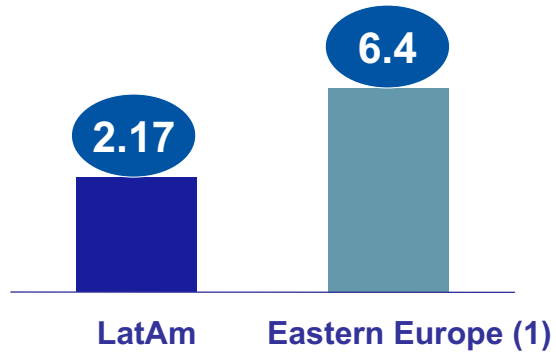


Expected investment grade countries in 2010E

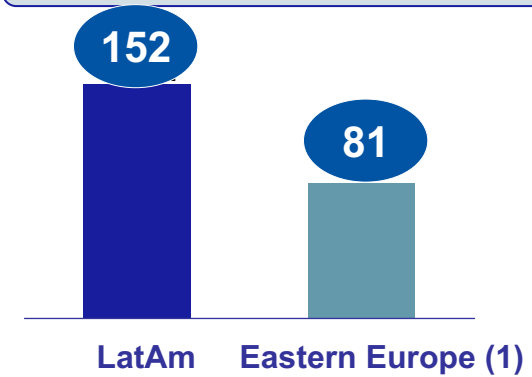


Healthy banking system

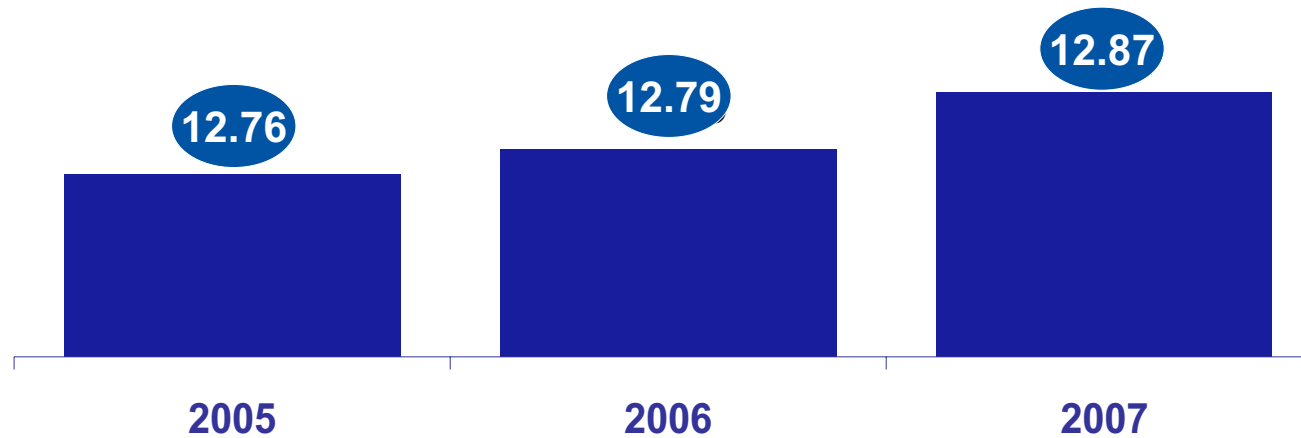
NPL ratio for 2007 (%)



NPL coverage (%)



Solvency rate (%)



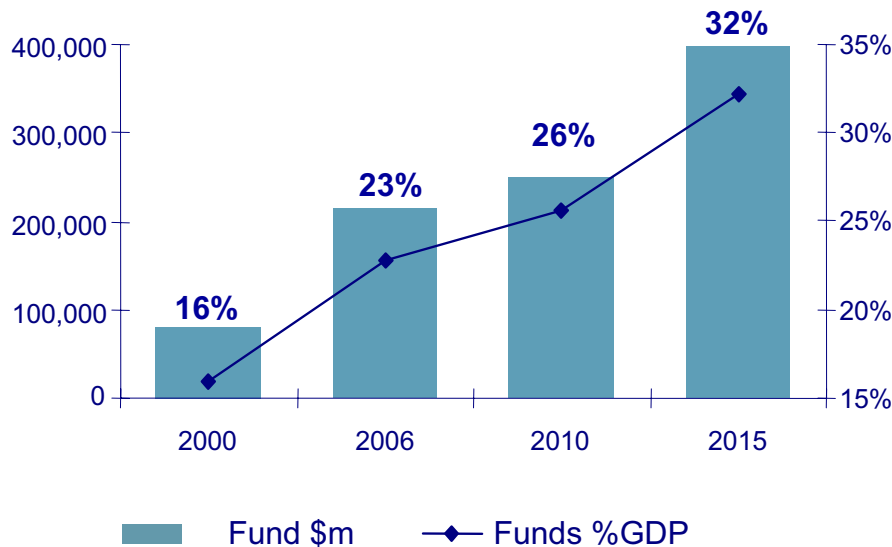
(1) Russia, Turkey, Hungary, Poland and Cech Republic / Source: BBVA Research



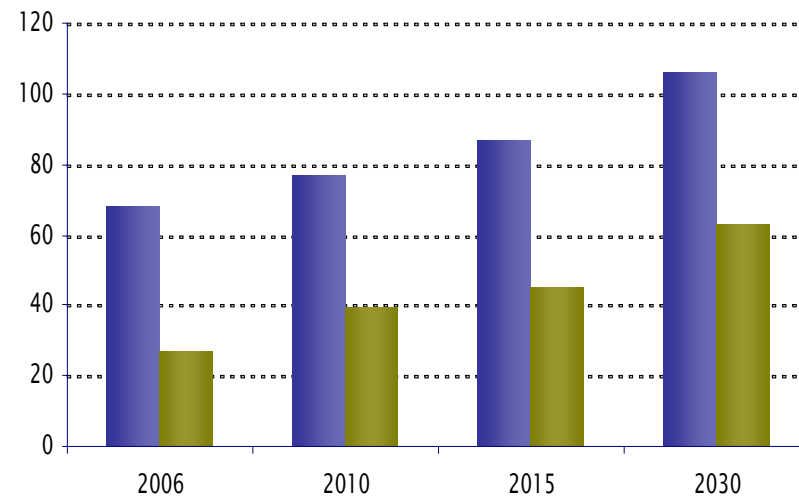
The pension fund systems will continue to support financial markets via higher pension-related savings

Assets under management and the number of participants and contributors will continue to grow

Private Pension Funds in Latin America



Estimates for participants and contributors (million)



Source: AIOS, BBVA

* Cumulative private pension funds in Chile, Peru, Colombia and Argentina

Source: internal estimates based on official publications from Argentina, Chile, Colombia, México and Perú



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The future: high potential from under-banked population

BANKING PENETRATION

- An increase in the financial products subscribed by a country's population

BANKING
INDIVIDUALS

PENSION
INDIVIDUALS

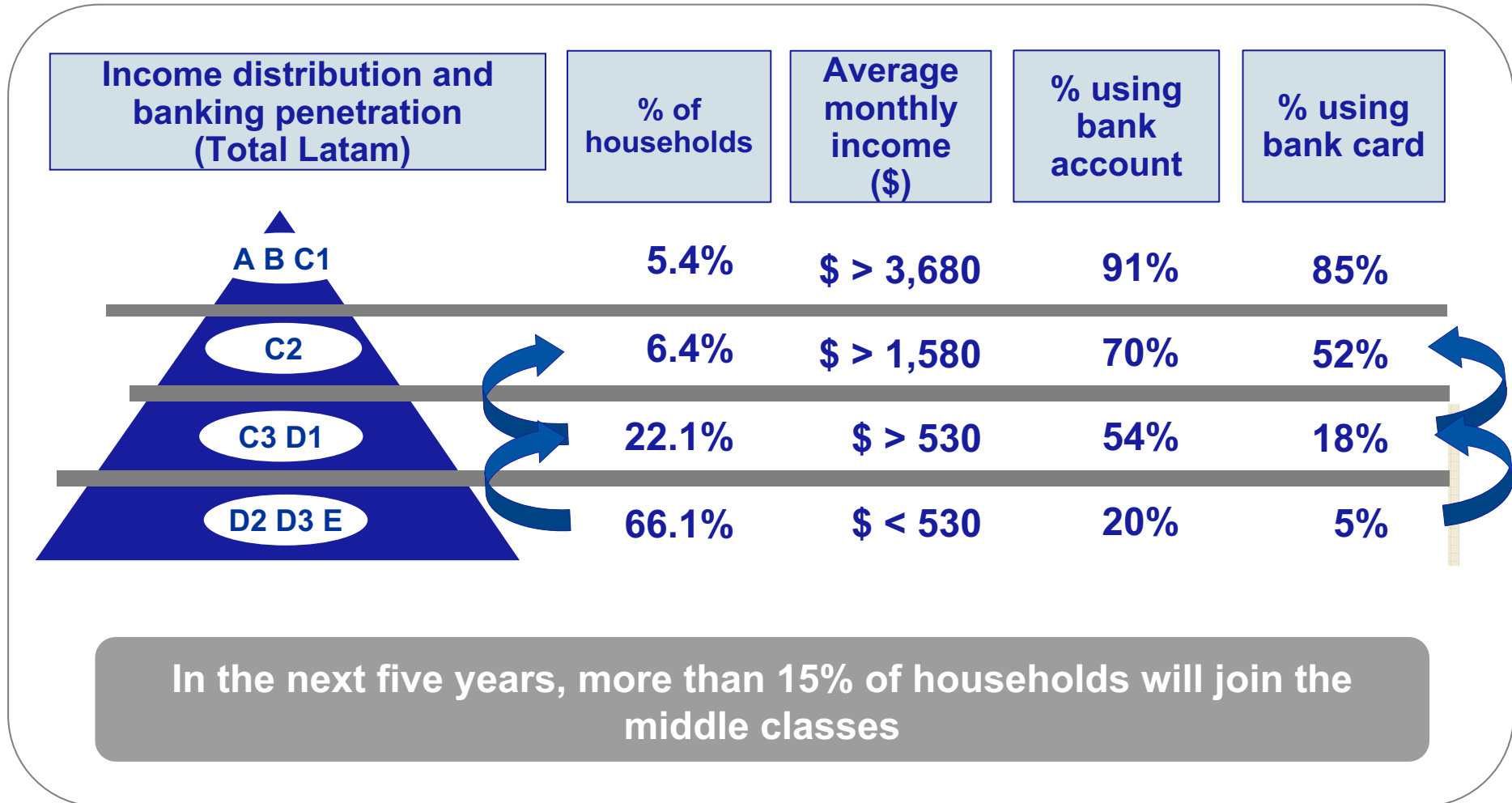
SMEs

- Focus on increasing cross-selling to our banking and AFP customer-base

- Selective incorporation of new customers based on growth of middle classes



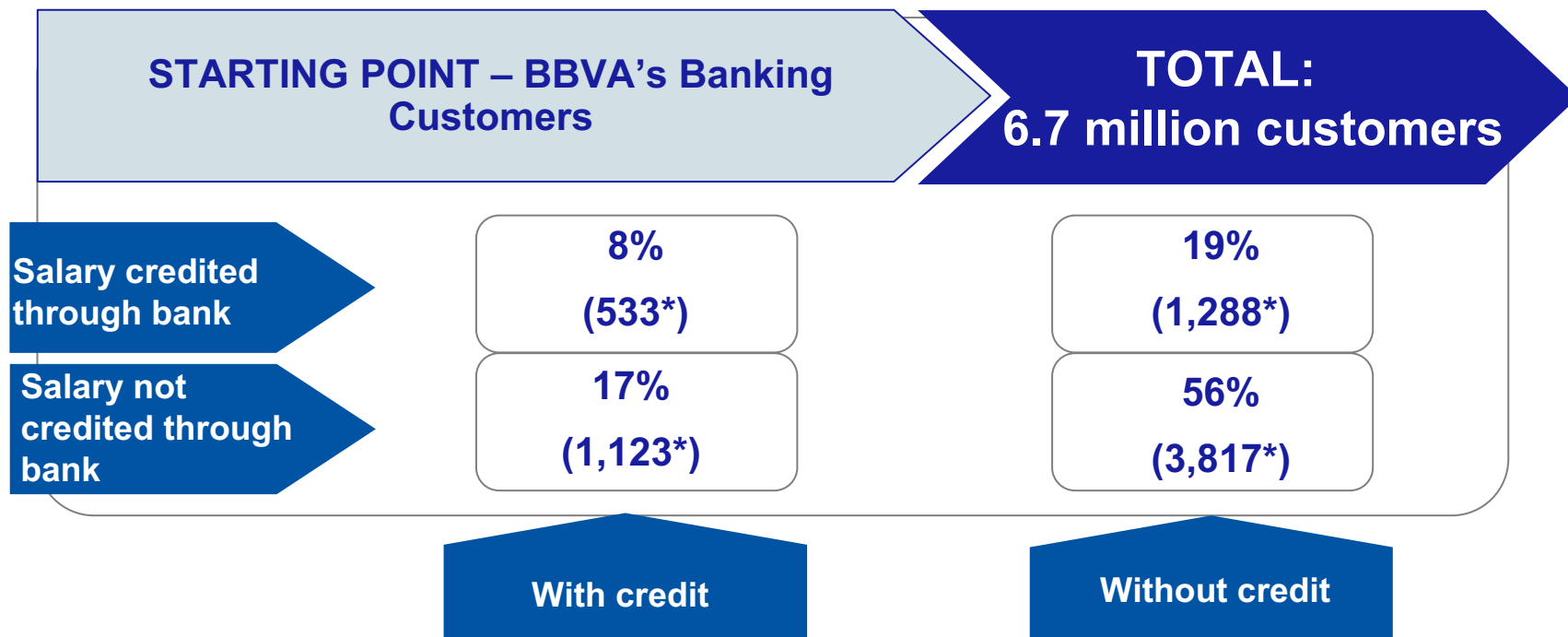
Banking for individuals: the development of middle classes will foster higher banking penetration



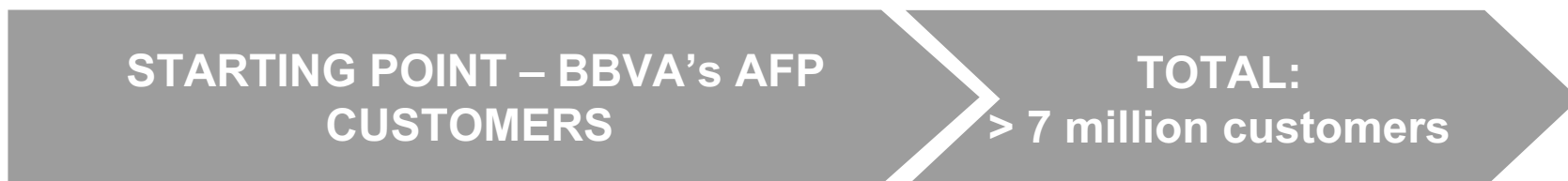
Source: INEGI; Sigma market surveys; polls of region's banks



Considerable potential in our current banking customers in view of the low penetration of credit products ...



...and...

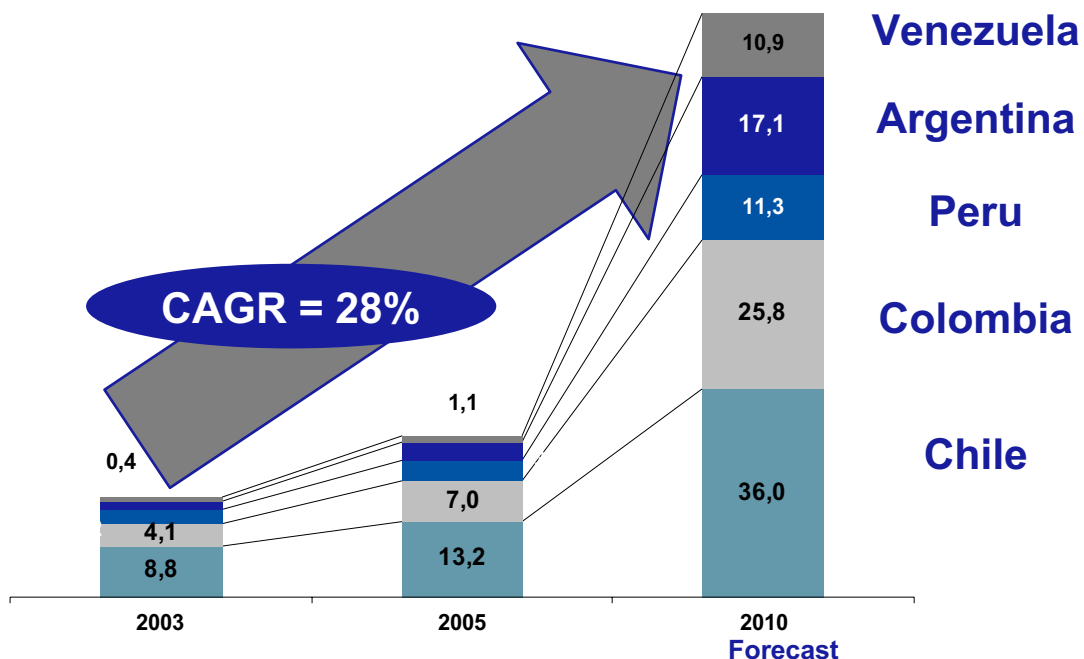


* Thousands of customers with balances > 0. This includes Argentina, Chile, Colombia, Peru and Venezuela



Excellent outlook for growth in consumer finance and credit cards

**Consumer Finance *
(€bn)**



	CAGR (%)	Consumer Finance / GDP (%)	
	2003 - 2010	2005	2010
Venezuela	>40	2.1	5-10
Argentina	>30	2.5	5-10
Peru	25-30	2.3	5-10
Colombia	25-30	6.4	10-15
Chile	15-20	8.5	15-20

* Includes loans placed by banks and retailers, and credit cards. Includes car finance for Chile and Venezuela

Source: Analysis Team



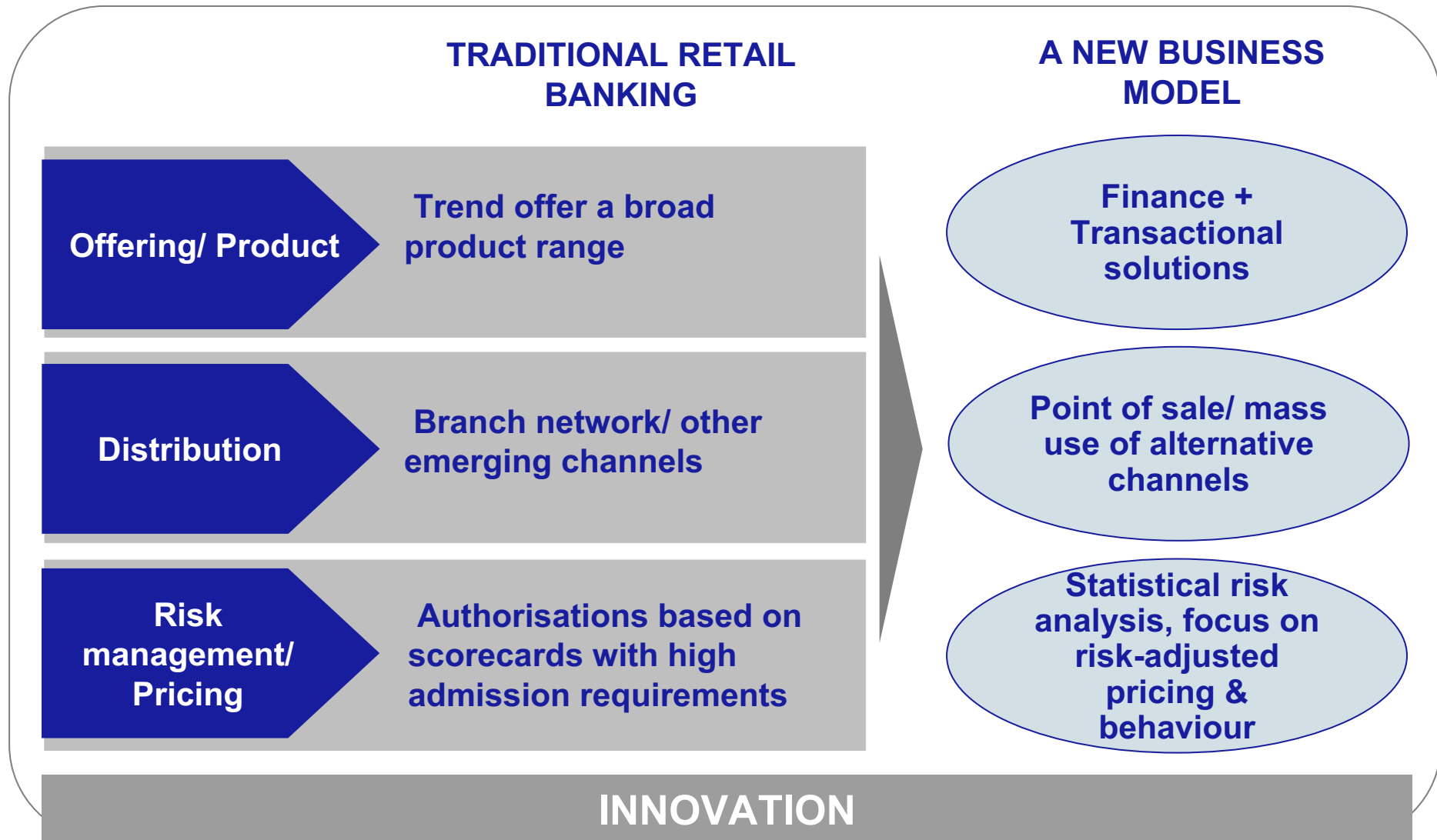
Growth Plan (vision and targets) of the Banking Penetration Project

INCREASE THE SALE OF
FINANCIAL PRODUCTS
TO THE VARIOUS
CUSTOMER SEGMENTS

- Boosting **consumer finance and credit cards**
- Giving priority to **selling more lending products to the bank's customers**
- Leveraging on **our positioning in Pensions and Insurance**
- Developing **non-traditional, more efficient, types of business: multi-channel**
- Special focus on **comprehensive risk management**, adapting selection criteria and procedures (RAROC)

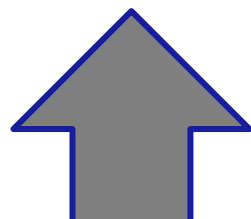
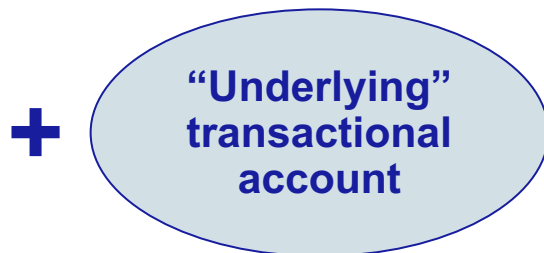


A new business model based on easy access

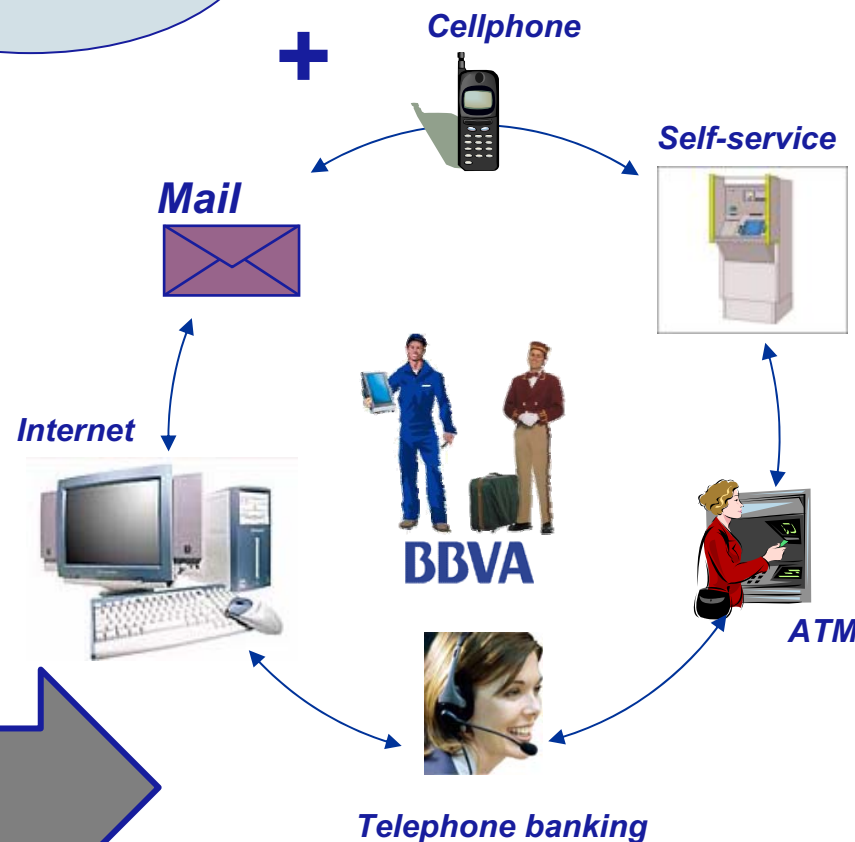
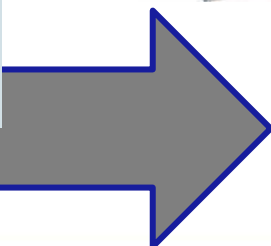




A key initiative for banking the unbanked: “The bank in your card”



Transactionality
concentrated in the card or
in alternative-channel
technology,
independent of branches





Banking for Individuals: Banking Penetration goals for 2010

(€m)	BASE (1)	2010 GOAL		
TOTAL CUSTOMERS (million)	8.7	11.7		
LENDING BALANCE CREDIT CARD + CONSUMER	3,676	9,000		
BANKING PENETRATION CUSTOMERS** (million)	6.7	9.0		
CUSTOMERS WITH PAY-ROLL (million)	1.8	3.2	27%	36%
% CUSTOMERS WITH CREDIT CARD	19.4%	33%		
% CUSTOMERS WITH CONSUMER FIN. (2)	11.3%	19%		

(1) April 2007

(2) Personal and car loans

** Customers with balances > 0, primary account holders, individuals and the self-employed



SMEs: Growth in a segment with high potential

- 4 million potential customers
- 90% of entrepreneurs are bankarized as individuals
- 51% of small enterprises have access to credit
- The challenge for the SMEs will be the expansion of their businesses

Priorities SMEs Plan

To foster access to financial services for a broader range of SMEs

- **Transactionality:** to make more efficient routine operations
- Development of **taylor-made products**
- **New tools.** Customer knowledge and RAR approach
- Focus on usage of **multiple channels**
- Fostering of **synergies**
- Prioritizing growth of **credit lines**

Fuente: VISA-NIELSEN



The Future - SMEs, a segment with high potential

Objectives SMEs Plan

	GOALS FOR 2010			
	Aug 07	Dec 2010	Total period	CAGR
Customers	312,000	474,000	X 1.52	15%
Assets	€1,735m	€3,000m	X1.75	20%



The Future - Pension Business: we will continue expanding our business in the region

7 Pension Fund Administrators (AFPs)

A different business, adjusted to the mandatory pension regulations of each country

- A critical-mass business
- Managing a significant share of regional savings
- Requires close contacts with local authorities and international organisations
- Large resources for selling and customer management
- Big potential of synergies between banks and AFPs
- Important spin-off potential: annuities, voluntary pensions?, insurance, etc.

Strategy

- **Growth**
- **Synergies**
- **Development of new businesses**
- **Institutional presence**



The Future - Pension Business: we will continue expanding our business in the region

Increasing our franchise's value

	GOALS 2007-2010
	CAGR
• ASSETS UNDER MANAGEMENT GROWTH	18%
• EARNINGS GROWTH	15%
• PARTICIPANTS GROWTH	5%



The Future - Transformation Plan: a pillar to drive banking penetration whilst optimising efficiency

Implementation in each country of an integrated financial group model:
Bank, Pension Fund and Insurance Company

Increasing productivity (efficiency)

PHASE I
STRUCTURAL PLAN

PHASE II
**CHANGE IN MODELS
AND PROCESSES**

- Annual savings: €100 million
- Cost/income <40% in 2010, from 48% in 2007



The Future - Transformation Plan: a pillar to drive banking penetration whilst optimising efficiency

An additional and substantial investment in technology 2008 - 2010

**TOTAL:
€175 million**

- **New risk tools (RAROC)**
- **Development of distribution channels adapted for each market (TMK, Telf, FFVV, Internet,...). Multichannel**
- **Improvement of our CRM systems**

And...

Sizeable investment in equipment and branches 2008-2010

ATM's	2,000
Nº branches	240
POS	100,000
PCs	10,000



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BBVA

América del Sur

Efficient and
financially solid

With a uniform tested
management model



OUR MAIN GOALS

- **Growth in cross selling and lending to individuals**, leveraging on our banking and pension customers
 - **Developing more efficient businesses. Multichannels.**
 - **Development of growth strategies for other businesses: SMEs, VIP, Corporates**
 - **Increase the value of our franchise** of our pension businesses
 - **Maintain asset quality** with the development of made-to-measure tools.
 - **Improve cost/income <40%.**
- TRANSFORMATION PLAN**



The outlook for Latin America is the best in the last 25 years and BBVA is thoroughly committed to the region

BBVA South America, leader in banking and pensions:

- **By size**
- **In strength and efficiency**
- **In market positioning and footprint**

2007- 2010 SOUTH AMERICA

Δ VALUE FOR BBVA

150
years

adelante



BBVA making the difference