

BBVA

Acquisition of
Minorities of
BBVA Bancomer

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Acquisition of Minorities of BBVA Bancomer

- A** Mexico: a growth leaver for BBVA
- B** Appropriate timing
- C** Terms of the transaction
- D** Reallocation of capital
- E** Economic impact



Bancomer is the leading financial franchise in Mexico

Leader in banking business

and in non-banking business

Number 1

Market
share

- Loans:.....25.4%
- Customer Funds:.....28.8%

Number 1

Market
Share

- Bancassurance.....38.8%
- Annuities.....20.4%
- Transfers... ..40.0%

Number 2

- AFORE.....38.8%

... with excellent competitive edge ...

Commercial strength and brand image

- Number 1 in branches: 24.2% market share
- Number 1 in brand recognition and preference

Distribution network

- Leadership position in 91% of Mexican states

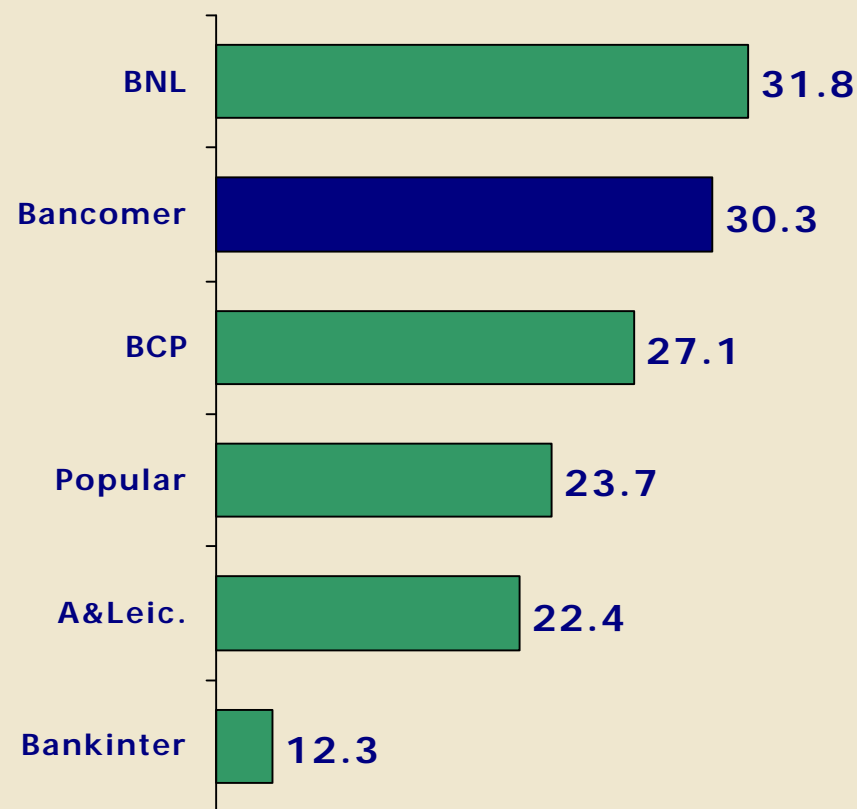
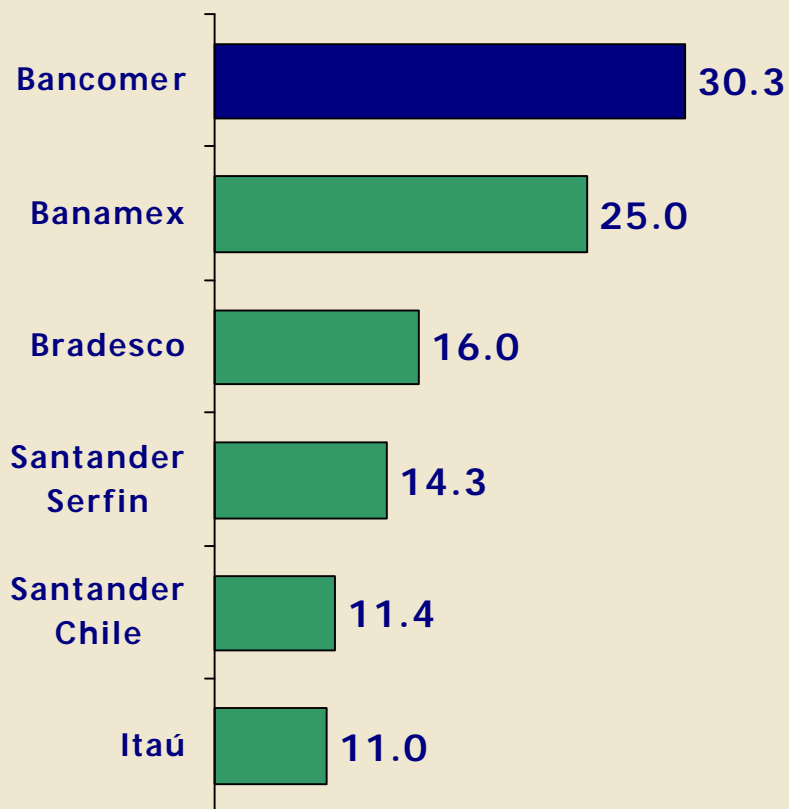
...and more than 9 million customers

BBVA Bancomer: a great franchise

The biggest private bank
in Latin America

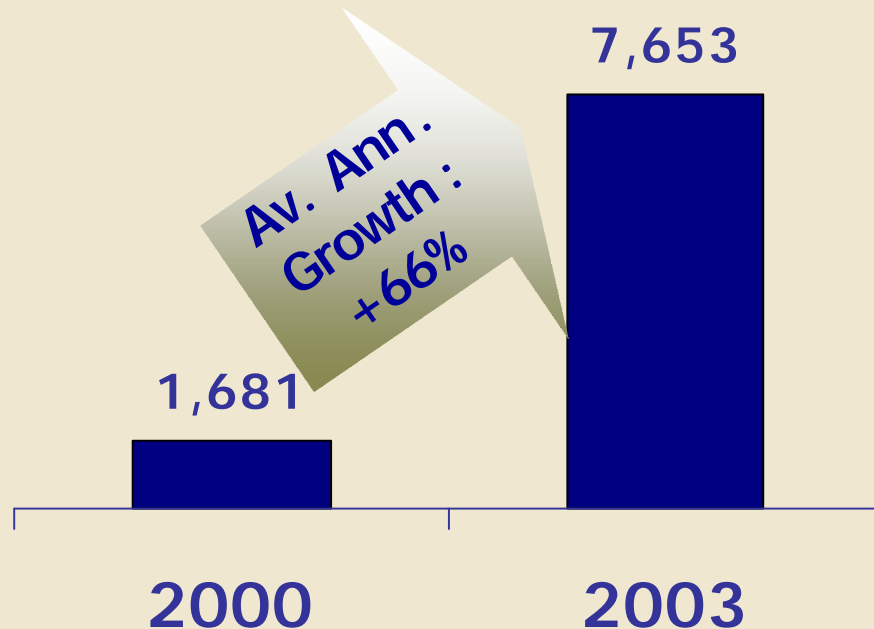
...similar to a regional
European bank

Total Deposits (US\$ Bn)



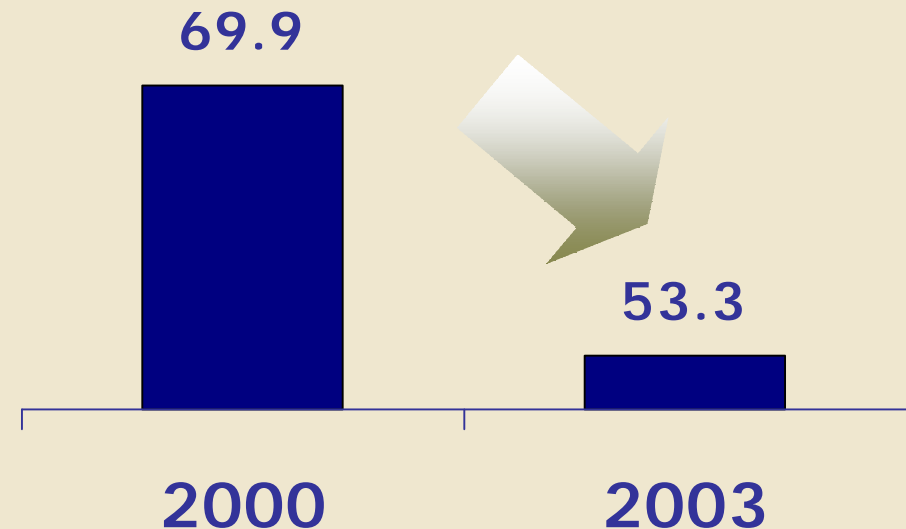
Proven management capabilities, in a difficult macroeconomic environment

Net Attributable
(Million Pesos)



Profitable growth

Efficiency
(%) (Local)



Excellent integration process

**Bancomer:
a leader in a high growth market**

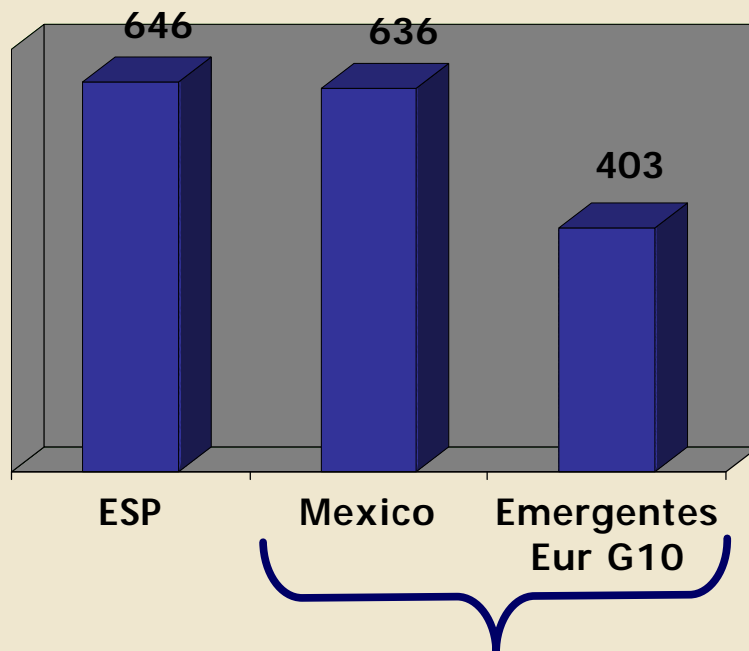
...which translated in an excellent market performance



Since BBVA Bancomer joined the BBVA group in 2000, minority shareholders have accumulated an attractive return

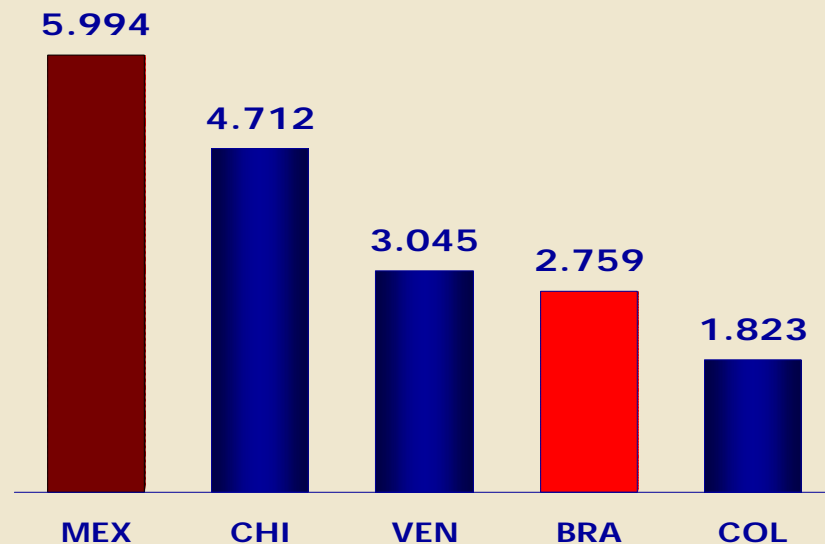
Importance of the Mexican economy

GDP (BN USD)



... with similar population
(approx. 100 mn.)

GDP per capita
(US\$)



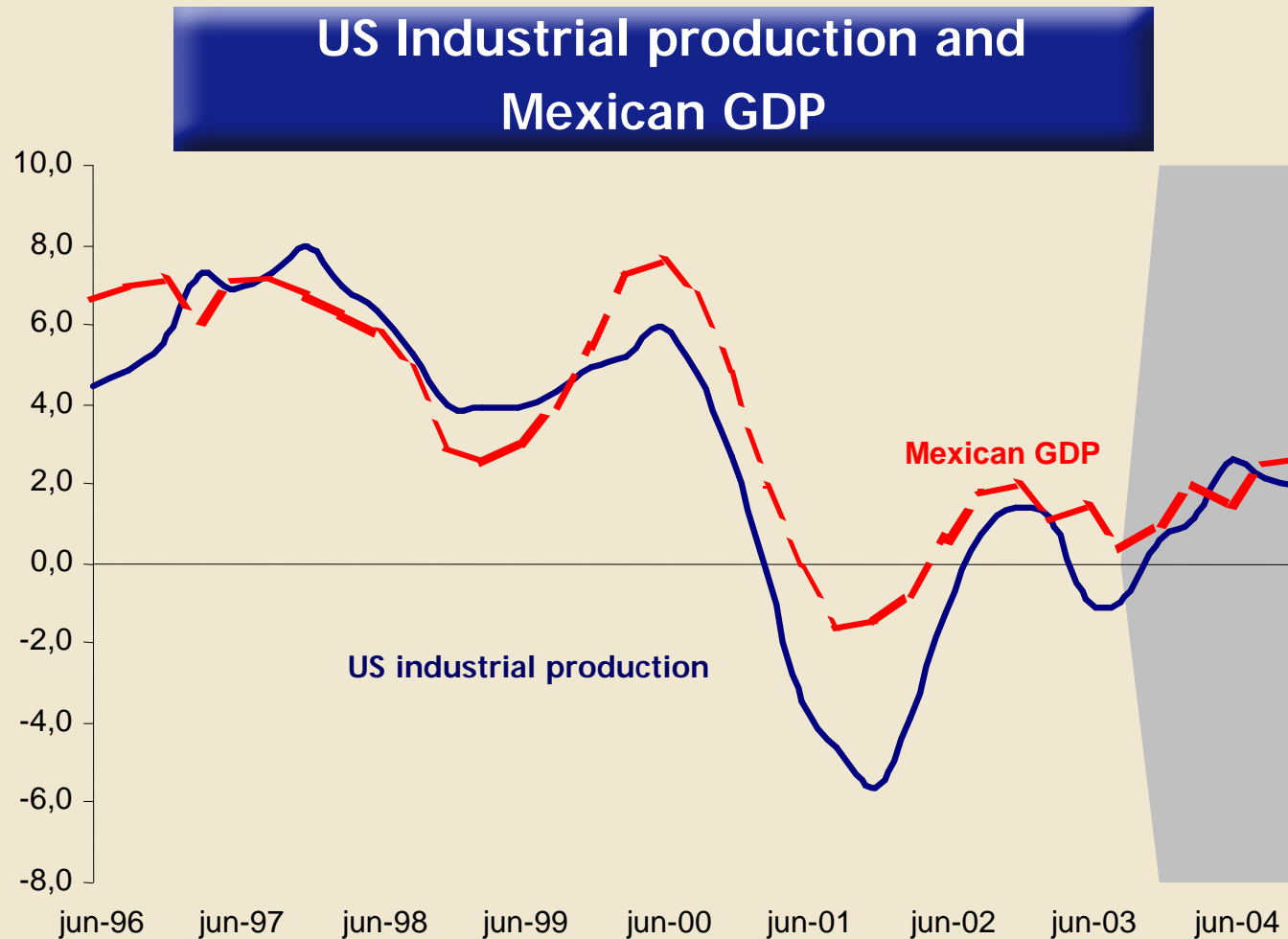
Emerg. Eur. G10: Group of 10 emerging countries in Eastern Europe, with 100 M inhabitants: Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

...entering a growth phase



(1) Source: Global Insight

An economy increasingly linked to the US



Source: BBVA Informe Económico

Greater dynamism of lending

- ✓ Interest rates at record lows
- ✓ Controlled inflation
- ✓ Reduced public borrowing
- ✓ Low country risk
- ✓ Recovering GDP



Growth in consumer loans already clearly visible

Long-term forecasts for mortgages are excellent

...expansion already taking place in BBVA Bancomer

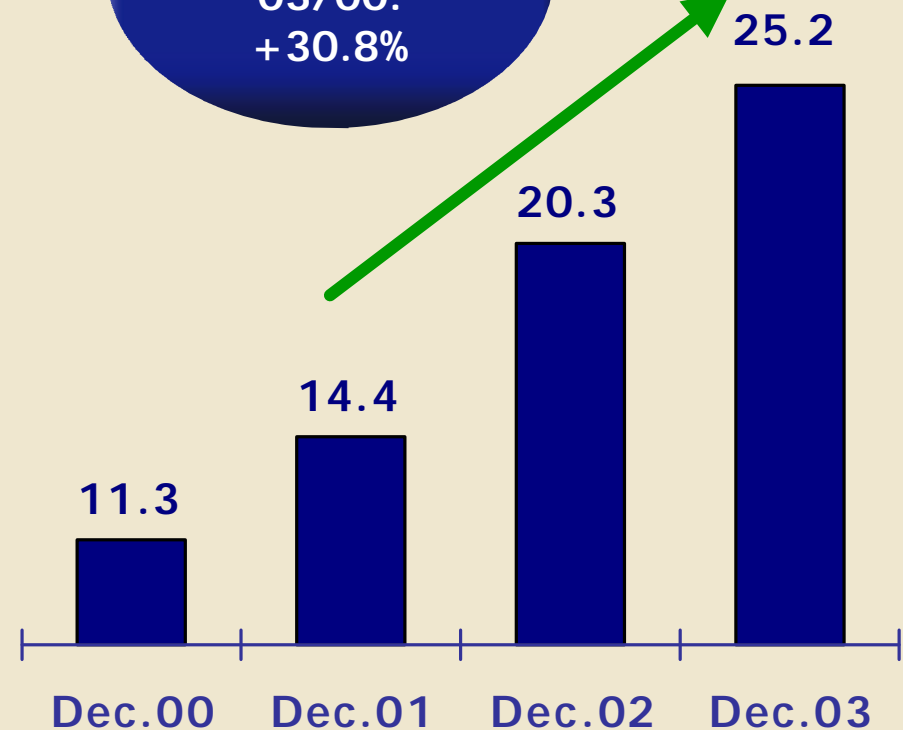
Total Lending
Million pesos

Av. Ann.
Growth
03/00:
+6.5%



Consumer + Cards
Million pesos

Av. Ann.
Growth
03/00:
+30.8%

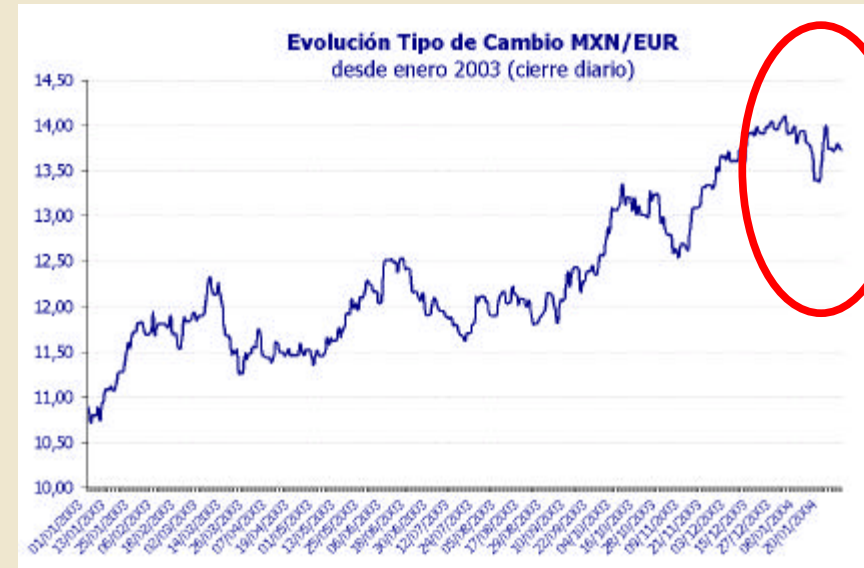


B

Appropriate timiming for BBVA

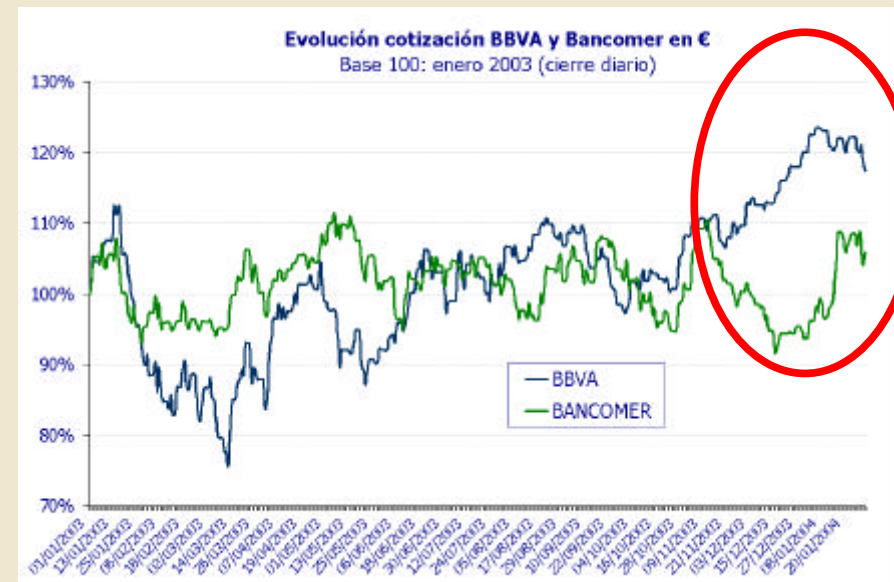
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Favourable
evolution of
exchange rates



2

Better relative
evolution of
BBVA vs Bancomer





Terms of the transaction: Offer details

Stake

- 100% of minorities
- Approximately 40.6% of BBVA Bancomer

Price

- MXN 12 per B share of BBVA Bancomer and MXN 240 for ADS⁽¹⁾ of BBVA Bancomer (equivalent to 20 B shares)
- Total amount of the offer approx. MXN 45Bn (€ 3,291 Mn.)

Premium

- 13.7 % over closing price at January 30th
- 18.9% over average price of the last 30 trading days

Timetable

- Expected timetable: between mid-February/early March 2004 (subject to regulatory approvals)

Cash tender offer (MXN) for 100% of the outstanding minorities of BBVA Bancomer

(1) For indicative purposes, the value of each ADS is approximately USD21.78 for an exchange rate of MXN \$ 11.02

Transaction summary: Financing

Disposals of Industrial portfolio

- Market value of approx. € 1,400 Mn.
- € 615 Mn. core capital generated
- Executed during the last 3 months

Disposals of non-core Financial Holdings

- Market value of € 466 Mn.
- € 232 Mn. core capital generated

Internal generation of core capital

- Internally generated core capital in 2004

Capital increase

- 50-60% of offer amount (subject to market conditions)
- Consistent with Core Capital of 6% during 2004

...and tax efficient



Management of Industrial Portfolio

January 2003

Market value € 5,558 Mn.

Latent capital gains €543 Mn.

Investment
(acquisition cost)
€5,015 Mn

Capital
Freed
€615Mn.



-23%



January 2004 –
post disposals

Market value € 5,914 Mn.

Latent capital gains €2,049 Mn.

Investment
(acquisition cost)
€3,865 Mn

Industrial Portfolio post disposals

Stakes (%)

Telefonica

5.05

Iberdrola

5.31

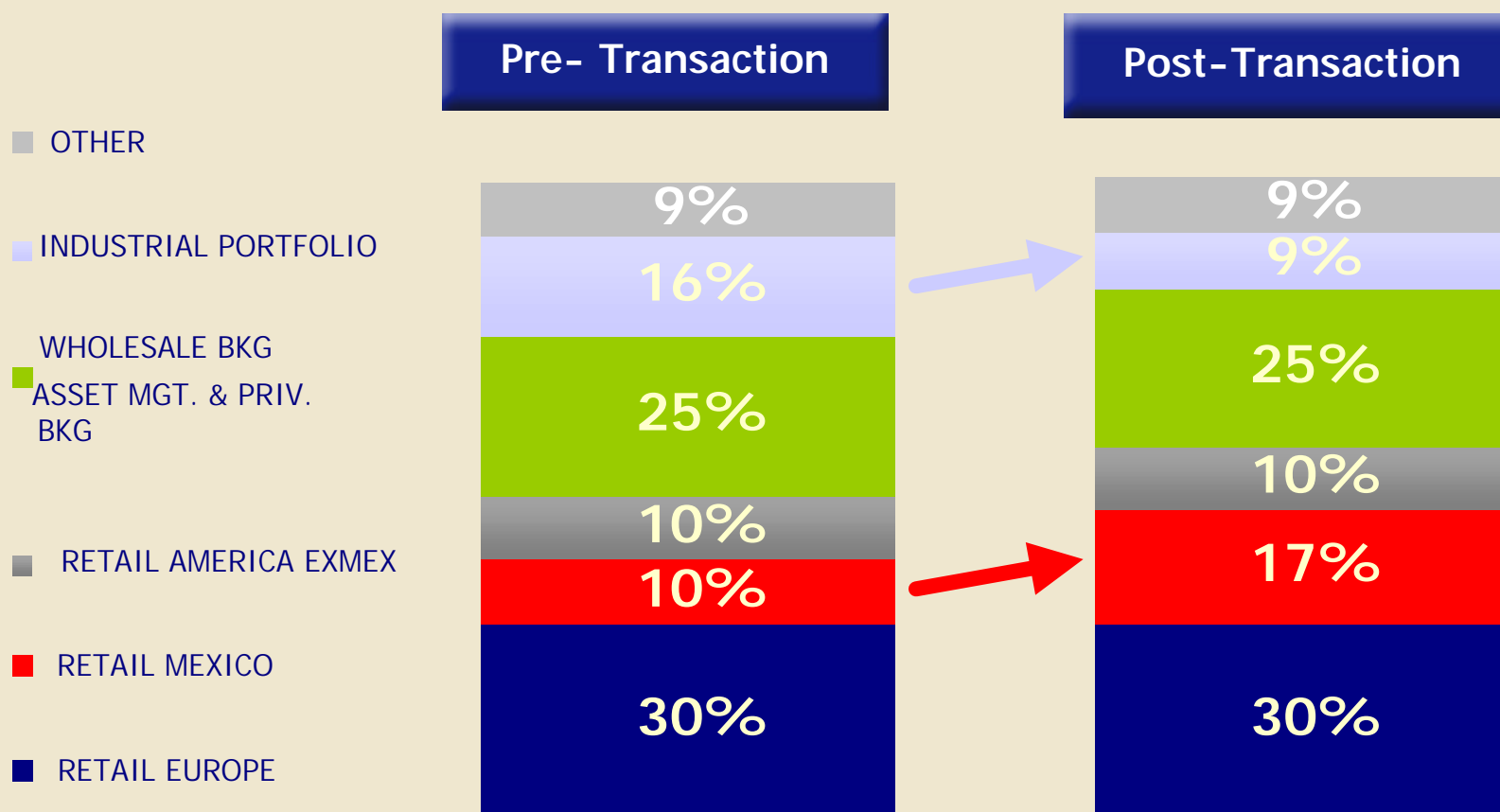
Repsol

5.32

Significant holdings in the Industrial portfolio



Capital reallocation to core businesses





Highly accretive transaction

... from the very start

	2004(e)	2005(e)	2006(e)
EPS	+0.6%	+1.0%	+2.5%
Cash EPS ⁽¹⁾	+5.2%	+6.1%	+6.9%
additional attributable profit (Mill €) ⁽¹⁾	+227	+364	+437

(1) Does not include goodwill amortization

Source: Results Estimates I/B/E/S

Currency exchange Estimates: Economic Intelligence Unit

Transaction overview

Strategic fit

BBVA consolidates its position in Bancomer

- ❑ Leader in Mexico → natural market for BBVA
- ❑ Greater management flexibility
- ❑ Growth potential

Value creation

EPS and cash EPS accretion from 1st year

- ❑ Appropriate timing → more profitable investment
- ❑ Favourable financing:
 - ❑ More efficient capital allocation
 - ❑ Positive tax effect

BBVA

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