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BBVA the Latin Growth Machine!

Our team projects BBVA to outperform the market over the next 12 to 18 months. Our analysis is contingent upon the relationship between the stock's price and its intrinsic value as well as a qualitative assessment of the company's fundamentals.

Investment Research Conclusions:

- BBVA will provide the current portfolio with a diversified international exposure
- Strong trajectory of growth and profitability potential
- Strategic acquisitions providing synergies for the company as well as a strong future outlook and growth potential
- On a comparable basis, BBVA shows excess growth vs. other international banks as well as the ability to provide stronger returns to equity and returns on assets.
- BBVA is undervalued by approximately 13.5% on a DCF basis

BBVA's presence in the Americas

	Banks	Pension fund management companies	Insurance companies
Argentina	●	●	●
Bolivia		●	
Chile	●	●	●
Colombia	●	●	●
Ecuador		●	
United States	●		
Mexico	●	●	●
Panama	●	●	
Paraguay	●		
Peru	●	●	
Puerto Rico	●		●
Dominican Republic		●	
Uruguay	●		
Venezuela	●		●

Company Data

Price as of 3/26/05	\$16.17
Region	European
Sector	Financials
Industry	Banking Services
Market Capitalization	55.7 billion
52-Week Low (5/10/04)	\$12.27
52-Week High (12/30/04)	\$17.85

Company Fundamentals

Price/Earnings (TTM)	14.37x
Price/Cash Flow Ratio (TTM)	14.10x
Price/Book	2.12x
Dividend Yield	3.2%
Net Profit Margin (TTM)	23.4%
Return on Equity	13.5%
Beta	1.31

Price Performance



Business Description

Banco Bilbao Vizcaya Argentraria SA (BBVA). The company's principal activities include a wide range of retail banking, wholesale and investment banking, as well as other related financial services in Europe, Central and South America. As of 09/01/2003, the Company organized its business areas in the following manner: RETAIL BANKING includes - Spanish Asset Management, Investment Services and Insurance activities; WHOLESALE AND INVESTMENT BANKING includes - Real Estate and Private Equity; AMERICA AREA accounts for all banking, pensions and insurance activities in the region, including BBVA Bancomer.



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Investment Thesis

BBVA is the top financial is player in the Spanish-speaking countries, both in Spain and Latin America. BBVA provides a full range of financial services to its 35 million customers in over 37 countries. They specialize in commercial and wholesale banking, pension management and insurance, among others. The year 2004 has been a recording breaking year for BBVA with over €310 billion in total assets as of year-end 2004, €2.8 billion in net income—a 25.8% increase compared to 2003—a proposed dividend of €0.442 per share (up 15.1%), around 100,000 employees worldwide and close to 7,000 branches, BBVA is one of the top-three leading Eurozone banks in terms of ROE, EPS growth and efficiency.

We feel the portfolio will strongly benefit from the inclusion of BBVA over the next 12 to 18 months for two key reasons. Firstly we will gain diversified international exposure, as BBVA has operations in over 37 countries and is continuing to expand into new markets such as Asia and the United States. Secondly, BBVA is one of the fastest growing financial institutions, moving from the 25th largest financial institution (in terms of market capitalization) three years ago to the 16th.

Trajectory of Growth & Profitability

In order to substantiate our claim that BBVA will outperform its competitors over the next 12 to 18 months we look at both their successful track record as well as their various growth opportunities. Overall we can clearly delineate a strong trajectory

of growth and profitability for BBVA in 2005 as well as through 2006.

When confronted about growth prospects, Chairman and C.E.O Francisco González as well as President & COO José Ignacio Goirigolzarri, have attempted to convey their entrepreneurial vision to both investors as well as stockholders. Both Gonzalez and Goirigolzarri have been with BBVA since its early days back in 1978. González was appointed CEO in 2000 and Goirigolzarri was appointed President & COO in 2001. Both of these senior managers have played a key role in the recent surge in growth for BBVA. Their ambitions for BBVA are aggressive and innovative but they are certainly not far fetched.

González and Goirigolzarri are on course with their rigorous strategic plan for BBVA which has many different facets. Firstly in the retail banking area in Spain and Portugal they are going to launch an expansion of the branch network with an aim at reinforcing BBVA's strong presence as well as attempting to get in touch with younger inhabitants in the recently developed areas. While the senior managers feel that growth may subside in 2005, they plan to increase mortgage lending substantially, by around 15%. The wholesale and investment banking area will focus on customers in Latin America. The rationale behind this strategy is BBVA feels it has a clear competitive edge in Latin America so focusing on project finance is a significant means to exploit their available resources. However the clear challenge going forward is: "How will BBVA penetrate the US market?" The US market is by far BBVA's biggest



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challenge in the future but remarkably they are making strategic advances to capture their fair share. Furthermore the company plans to open an operating branch in Shanghai as well as improve their presence in Tokyo.

LNB Acquisition: Solidifying BBVA's US Strategy

In late September of 2004, BBVA acquired Laredo National Bancshares, Inc. for a purchase price of \$850 million (€ 700 million) cash. This acquisition will allow BBVA to gradually secure a future position in the US Hispanic market. LNB has \$ 3.4 billion in total assets, 110,000 customers and a market share of 23% in the Texas-Mexico border region. Since Hispanics are the fastest growing demographic group in the state and the country, BBVA is executing well on their plan to gain grounds in key niche markets within the US. LNB is now a part of BBVA's fast growing US division which is also comprised of BBVA Puerto Rico, BTS, and Valley Bank. The conclusion of the LNB transaction is bringing BBVA closer to its ultimate goal of being the leading financial services company in the Hispanic market.

Since this transaction allows BBVA access into one of its top priority markets, they hope to further capitalize on all the resources they have now inherited. Not only does BBVA reap the benefits of the massive Hispanic presence in Texas, with over 5 million strong, but approximately 38% of the border trade between the US and Mexico is done through Laredo, a business activity where LNB had predominant market share.

LNB is the holding company of two banks: The Laredo National Bank and South Texas National Bank of Laredo – which together have total assets of \$3.4 billion and total deposits of \$2.8 billion and operate through 35 branches. Laredo National Bank also owns a nationwide residential mortgage lender called Homeowners Loan Corporation, which operates in 49 states, and has subsidiaries engaged in insurance and securities brokerage. LNB is uniquely positioned to be the leading financial services company in the South Texas Border region and as such has a strong hold on the Hispanic market with almost 1,800 employees of which 97% percent are bilingual. Furthermore LNB has a 23% market share in deposits and currently serves a customer base of approximately 110,000, 85% of which are of Hispanic origin. Continuing its strong growth, in 2003 LNB had net income of \$ 40 million, a 22% increase over the previous year, with a return on equity (ROE) of 15.4%.

Between BBVA's new acquisition in LNB and their US-Mexican money remittance business BTS there will most likely be strong synergies which will surely add value for the shareholders. BTS is the leading company in money remittance between US and Mexico with a strong market share of approximately 40%. In 2003, Mexican residents in the US sent more than \$14.5 billion back home, according to the Banco de Mexico.

Also during 2004 the company furthered consolidated its strength in Mexico by buying out its minority interests in BBVA Bancomer as well as acquiring Hipotecaria Nacional in Mexico. Overall BBVA America obtained profits of €1.24 billion in



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2004. This figure is 70% higher than the previous year. BBVA America generates 39% of the group's net attributable profit of €2.80 billion and this clearly demonstrates how well the company is able to effectively execute on growth opportunities.

Innovation in 2005

In 2005 BBVA launched two uniquely innovative new projects: Easy Mortgage 2005 and Dinero Express. Both of these projects reinforce one of BBVA's main value drivers which is innovation. BBVA thrives from the continuous globalization in what is now a world economy but in order to sustain a competitive advantage against a multitude of international competitors, it must be innovative.

Easy Mortgage 2005 is a plan that reduces mortgage repayments by up to 40% for the first three years. This remarkable costs savings innovation combined with increased flexibility, security, and access will make home ownership far easier for first-time buyers. Furthermore the bank has increased the amount deferrable to the end of the repayment term from 20% to 30%. This works well with customers who are opposed to stringent repayment schedules giving them greater flexibility.

Also Easy Mortgage provides a "Protection Pack" which provides borrowers with a comprehensive assortment of mortgage related insurance policies which allow them to choose the best solution for their individual needs and budget constraints. Nevertheless the most notable feature has to be that Easy Mortgage allows borrows to only pay interest during the first three years which is precisely how

the mortgage repayments are reduced so substantially.

Lastly BBVA has developed a feature called the "Mortgage Facilitator" which is an innovation intended to produce rapid simulations to determine the best Easy Mortgage options, given a customer's own personal requirements.

BBVA also announced plans to open Dinero Express chains across Spain. The Dinero Express concept is a one-stop shops that fully caters to immigrants in Spain, offering them a wide range of financial and legal services. The four main aspects of their model include: specialization and differentiation towards immigrant needs; convenience, being open 10am to 10pm, 7 days a week; accessibility and efficiency, with money transfers arriving in 15 minutes; and advantage, offering promotions in order to keep and retain customers. This strategy fits well with BBVA's desire to expand into new market segments, with the services targeted towards immigrants in Spain through product offerings and services in an environment adapted to their social customs.

Unsettled Business...in Italy?

As of March of 2005, the board at BBVA has approved a €6.44 (\$8.3 billion) all stock bid for the remaining 85% of Italy's Banca Nazionale del Lavoro ("BNL") it doesn't already control. BBVA is expecting to issue about 531 million shares in a 1-to-5 share swap to gain complete control of BNL. This planned exchange ratio implies a premium of 7% over BNL's closing price at Friday March 18th and a capital increase of 15% at BBVA.



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The Bank of Italy has 30 days to respond to the formal bid but there is a speculation of Italian opposition. Historically the Italian government and

the Bank of Italy, has sought to promote purely domestic consolidation of the banking sector which could lead to some backlash. The Spanish media has described the highly fragmented Italian banking sector as the "most inefficient in Europe" with more than 1,000 entities, many loss-making.

As a result of this bidding we foresee some minimal volatility in the short term until some decisive conclusion is reached. The only major risk as we see it is the possibility of counter-bid by another Italian bank, although this seems quite limited due to BPVN and Unicredito's withdrawal. The main short term risks are that the acquisition process could drag on for quite some time and the uncertainties that would arise if BBVA fails in its bid for BNL.

According to Fortis Bank's analyst Eva Hernandez, the transaction is justifiable even with a low level of synergies. The transaction would result in a 3% dilution of EPS for BBVA in the years 2005 through 2007 and using a cost of capital and perpetuity growth assumptions of 9% and 1.5% respectively, the value destruction of €0.11 per share of BBVA is immaterial.

Historically in the banking sector, cost savings in acquisitions have been between 20% and 40% of the cost base of the targeted bank. BBVA's move towards BNL would allow them access into "uncharted territory", that being a very weak Italian market.

Comp Analysis

Based on an analysis of both international money center banks, as well as other Spanish banks, BBVA appears to be a very attractive buy opportunity. When analyzing money center banks, three financial variables serve as key factors in making an investment decision: net interest margin, return on assets, and return on equity.

The first importance variable, net margins are calculated as both an average expense and the actual margin. (Note—ABN does not issue quarterly reports so they not included)

As shown in Comp Exhibit 1, BBVA has the best average interest earned and margin of the banks, except for HBC. However, notice the increasing rate at which HBC appears to be incurring for their interest expense. At this time, we feel that the profitability of HBC's market is decreasing, while BBVA's is about to expand. Although HBC has slightly better margins, they will be unable to sustain them into the future, while BBVA should be able to continue their operations at the same cost level.



Grupo BBVA



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HBC	12/31/2004	6/30/2004	12/31/2003	6/30/2003	Average
Interest Income	\$ 26,725	\$ 23,478	\$ 21,732	\$ 18,206	37.49%
Interest Exp	\$ 10,807	\$ 8,732	\$ 7,385	\$ 6,985	Margin
IE as % Intr Inc	40%	37%	34%	38%	2.67

UBS	12/31/2004	9/30/2004	6/30/2004	3/31/2004	Average
Interest Income	\$ 8,327	\$ 8,528	\$ 8,521	\$ 8,335	69.90%
Interest Exp	\$ 6,083	\$ 5,993	\$ 5,906	\$ 5,581	Margin
IE as % Intr Inc	73%	70%	69%	67%	1.43

Deutsche Bank	12/31/2004	9/30/2004	6/30/2004	3/31/2004	Average
Interest Income	\$ 9,299	\$ 8,622	\$ 9,739	\$ 8,739	81.50%
Interest Exp	\$ 7,778	\$ 7,118	\$ 7,844	\$ 6,928	Margin
IE as % Intr Inc	84%	83%	81%	79%	1.23

BBVA	12/31/2004	9/30/2004	6/30/2004	3/31/2004	Average
Interest Income	\$ 4,514	\$ 4,245	\$ 4,353	\$ 3,995	46.29%
Interest Exp	\$ 2,165	\$ 1,982	\$ 1,969	\$ 1,808	Margin
IE as % Intr Inc	48%	47%	45%	45%	2.16

Comp Exhibit 1

The next two financial factors, in Comp Exhibit 2, ROE and ROA, show the ability of a bank to manage its return on the equity they have outstanding, as well as their ability to profit from their assets. As well, the projected ROE for the comparables as well and EPS growth are presented in order to show the superiority of BBVA based on these factors. The PEG appears as a compilation of these factors into an informative ratio.

Although ABN has a higher ROE for 2004, the reduction of their ROE in the next fiscal year indicates an inability to sustain that level of profitability. However, BBVA has not only the highest ROE of the other comps, but also the highest increase in projected ROE for the next fiscal year. ROAs for banks tend to be in the range of .5 to 1.5 in general, thus BBV's ROA of 1 is very good for a bank, and the second highest of the comparables. BBV shines in comparison for growth rates in EPS for the next year, as well as over a course of the next five. The highest of the comparables, BBV has one of the lowest PEGs of any of the comps as well.

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	HBC	UBS	DB	ABN	BBV	Average
ROE	15%	22%	11%	40%	22%	22%
NFY ROE	16%	25%	12%	35%	30%	24%
ROA	1.13%	0.51%	0.03%	0.06%	1.00%	0.55%
EPS Growth (1yr)	5%	10%	12%	10%	28%	13%
EPS Growth (5yr)	14%	17%	12%	12%	18%	15%
PEG	0.97	0.79	1.18	0.93	0.82	0.94

Comp Exhibit 2

We conducted a sensitivity analysis on BBVA's EPS growth, in Comp Exhibit 3, in order to better show the relative changes in the next fiscal year's ROE. We calculated the standard deviation based on the comparables' EPS growth on average. The EPS within 2 standard deviations illustrates the possibilities for the next fiscal year's ROE. Only in the 2nd standard deviation does BBVA's ROE decrease for the next fiscal year, with the other outcomes showing greater change than any other comparable. This growth outlook makes BBVA appear a valuable growth play, with a great possibility of even greater ROE for the next fiscal year.

Based on these factors, BBVA appears to be a solid buy, showing excess growth to other international banks as well as the ability to provide returns to equity as well as from their assets.

	EPS -2SD	EPS - SD	NFY EPS	EPS + SD	EPS + 2SD
	0.98	1.19	1.39	1.59	1.80
ROE	22%	22%	22%	22%	22%
NFY ROE	21%	26%	30%	35%	39%
% Change	-1%	4%	8%	13%	17%

Comp Exhibit 3

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Discounted Cash Flow Analysis

As it is common when valuing financial institutions the model used was the flow to equity. This model is more accurate than others because of it does not add back interest expense as it would be done if FCF were being discounted. This is important because we are modeling interest expense (to get to net interest income) as cost of goods sold and not particularly as a financing charge. The discounted cash flow valuation of BBVA resulted in an intrinsic value of \$18.32 per share. According to our valuation the shares are undervalued by approximately 13.5%.

A set of key assumptions were made in order to reach this valuation. The following chart contains many of the inputs that were made to reach the cost of equity to discount the EFCF's. A risk free rate of 3.60% was used in accordance with an equity market risk premium of seven and a beta of 1.3, respectively. Using the CAPM this results in a cost of equity of 12.7%. We consider the terminal growth of 5% to be reasonable since it would represent only 2.5% real growth (assuming 2.5% inflation) for a company with substantial exposure in emerging markets.

DCF Exhibit 1

Key Assumptions for the model:	
Date of valuation	3/28/05
Risk Free Rate:	3.60%
Equity Market Risk Premium:	7.00%
Long term inflation:	2.50%
Terminal Growth:	5.00%
Equity beta based on VL:	1.3
No. of shares (diluted):	3,391
Current Market Price per share:	\$16.15

The current valuation of \$18.32 is very sensitive to changes in either beta which and the revenue growth. A sensitivity analysis was conducted to observe the effects of changes in the two variables. The following chart summarizes the effects of using different beta's on the valuation of BBVA. The first beta used is the lowest among the comparable companies and as result yields a lower cost of equity and a higher valuation, respectively (as seen in DCF Exhibit 2).

DCF Exhibit 2

Lowest Among Comps

0.91

Total Equity Value Per Share (a):

Terminal Growth in EFCF

0.04

0.045

0.05

0.055

0.06

R(e)

0.1197

0.1097

0.0997

0.0897

0.0797

\$18.98	\$19.96	\$21.07	\$22.35	\$23.84
\$22.96	\$24.36	\$26.00	\$27.93	\$30.26
\$28.37	\$30.49	\$33.04	\$36.15	\$40.05
\$36.10	\$39.51	\$43.78	\$49.29	\$56.64
\$47.91	\$53.94	\$62.01	\$73.34	\$90.43



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The beta was also adjusted to a 1 to value the company using the systematic risk of the market as a whole. The following valuation resulted (DCF Exhibit 3):

DCF Exhibit 2

Market Beta	<u>1</u>				
Total Equity Value Per Share (a):	Terminal Growth in EFCF				
	0.04	0.045	0.05	0.055	0.06
R(e)					
0.126	\$16.99	\$17.77	\$18.66	\$19.67	\$20.84
0.116	\$20.32	\$21.43	\$22.71	\$24.19	\$25.94
0.106	\$24.76	\$26.38	\$28.30	\$30.58	\$33.37
0.096	\$30.89	\$33.40	\$36.45	\$40.25	\$45.09
0.086	\$39.85	\$44.01	\$49.32	\$56.35	\$66.08

The final analysis on the model's sensitivity to beta was to use the highest among the comparables company, which results in a share price of \$13.28 holding everything else constant. Although it is below the market price we consider a cost of equity of almost 15% percent to be excessive relative to the risks posed by the company.

Highest Among Comps 1.57 DCF Exhibit 3

Total Equity Value Per Share (a):	Terminal Growth in EFCF				
	0.04	0.045	0.05	0.055	0.06
R(e)					
0.1659	\$9.36	\$9.61	\$9.89	\$10.19	\$10.52
0.1559	\$10.72	\$11.05	\$11.40	\$11.80	\$12.23
0.1459	\$12.38	\$12.81	\$13.28	\$13.81	\$14.39
0.1359	\$14.43	\$15.00	\$15.65	\$16.37	\$17.18
0.1259	\$17.02	\$17.81	\$18.70	\$19.71	\$20.88

We also adjusted revenue growth to see its effects on the share price. The following table summarizes our findings:

Revenue Growth	Price per Share	% Effect
8%	\$15.47	
10%	\$16.86	8.96%
12%	\$18.32	8.69%
14%	\$19.87	8.45%



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From our analysis we can conclude that a 2% increase in revenue growth has effect of 9% change in present value terms for the value of equity.

Banco Bilbao Vizcaya Argentaria (March 2004)

Annual Historical and Projected Income Statement

(Dollars in Millions)

	Year															
	-4	-3	-2	-1	0	1	2	3	4	5	6	7	8	9	10	Terminal
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Interest Income	19,015	17,988	15,583	16,206	18,150	20,329	22,626	25,024	27,501	30,032	32,584	35,126	37,620	40,027	42,309	44,424
Interest Expense	11,686	10,212	7,781	8,751	9,276	10,334	11,472	12,658	13,880	15,125	16,378	17,624	18,844	20,050	21,192	22,252
Net Interest Income	7,329	7,776	7,802	7,455	8,874	9,995	11,153	12,366	13,622	14,907	16,206	17,502	18,776	19,978	21,116	22,172
Net Fee Income	4,465	5,038	5,464	5,682	6,194	6,751	7,323	7,906	8,493	9,079	9,657	10,222	10,767	11,283	11,766	12,207
SG&A (SHOULD EXCLUDE DEPR.)	6,215	6,024	6,253	6,503	6,665	6,932	7,209	7,498	7,798	8,110	8,434	8,771	9,122	9,487	9,867	10,261
Depreciation and Amortization	2,928	3,192	3,017	3,138	3,514	3,652	4,065	4,496	4,941	5,395	5,854	6,311	6,759	7,191	7,601	7,981
Total Operating Expenses	9,143	9,216	9,270	9,640	10,180	10,584	11,274	11,994	12,739	13,505	14,288	15,082	15,881	16,678	17,468	18,242
Operating Income	2,651	3,598	3,996	3,497	4,889	6,162	7,203	8,278	9,376	10,480	11,575	12,642	13,662	14,583	15,414	16,137
Other (non-operating) Income / (Expense)	1,186	411	1,163	1,209	1,240	1,517	1,555	1,594	1,634	1,675	1,717	1,759	1,803	1,849	1,895	1,942
EBIT, Earnings Before Interest and Taxes	3,837	4,009	5,159	4,706	6,128	7,679	8,758	9,872	11,010	12,155	13,292	14,402	15,465	16,431	17,309	18,079
Interest Expense																
Extraordinary Income/Expense	(639)	(452)	(128)													
EBT, Earnings Before Taxes	3,198	3,557	5,031	4,706	6,128	7,679	8,758	9,872	11,010	12,155	13,292	14,402	15,465	16,431	17,309	18,079
Income Taxes (payable)	550	682	1,137	1,064	1,250	1,566	1,786	2,013	2,245	2,479	2,711	2,937	3,154	3,351	3,530	3,687
Tax Rate	20.4%	17.2%	22.6%	22.6%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%
Net Income	\$ 2,648	\$ 2,875	\$ 3,894	\$ 3,642	\$ 4,879	\$ 6,113	\$ 6,972	\$ 7,859	\$ 8,764	\$ 9,676	\$ 10,581	\$ 11,465	\$ 12,311	\$ 13,080	\$ 13,779	\$ 14,392

Banco Bilbao Vizcaya Argentaria (March 2004)																
Annual Projected Cash Flow Statement																
(Dollars in Millions)																
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Terminal
Operations																
Net Income		2,875	3,894	3,642	4,879	6,113	6,972	7,859	8,764	9,676	10,581	11,465	12,311	13,080	13,779	14,392
Depreciation		3,192	3,017	3,138	3,261	3,652	4,065	4,496	4,941	5,395	5,864	6,311	6,759	7,191	7,601	7,981
(Increases) / Decreases in Accounts Receivable		(381)	(163)	(184)	(575)	(644)	(679)	(709)	(732)	(748)	(755)	(751)	(737)	(712)	(675)	(625)
(Increases) / Decreases in Inventories		(4,890)	(6,481)	(1,980)	(3,091)	(6,923)	(7,302)	(7,623)	(7,875)	(8,042)	(8,114)	(8,079)	(7,927)	(7,653)	(7,252)	(6,724)
(Increases) / Decreases in Other Current Assets		2,258	(16,335)	24,320	(3,545)	(3,971)	(4,188)	(4,372)	(4,516)	(4,613)	(4,654)	(4,633)	(4,547)	(4,389)	(4,169)	(3,857)
Increases / (Decreases) in Accounts Payable and Accrued Liability		857	1,429	261	816	913	963	1,006	1,039	1,061	1,071	1,066	1,046	1,010	957	887
Increases / (Decreases) in Other Current Liabilities		1,046	2,547	700	2,184	2,447	2,580	2,694	2,783	2,842	2,867	2,855	2,801	2,704	2,563	2,376
Total Working Capital Adjustments to Net Income		(1,110)	(19,003)	23,117	(4,211)	(8,178)	(8,625)	(9,005)	(9,302)	(9,500)	(9,584)	(9,543)	(9,364)	(9,040)	(8,566)	(7,943)
Total Cash Generated / (Used) From Operations		4,957	(12,082)	29,897	3,929	1,587	2,412	3,350	4,404	5,572	6,851	8,233	9,706	11,232	12,814	14,431
Investing																
Capital Expenditure on PPE & Intangible Spending		594	125	(188)	(360)	(631)	(666)	(695)	(718)	(733)	(740)	(737)	(723)	(698)	(661)	(613)
(Increase) / Decrease in Investments		(15,312)	(37,471)	(7,393)	(4,617)	(5,171)	(5,454)	(5,694)	(5,881)	(6,007)	(6,060)	(6,034)	(5,921)	(5,716)	(5,417)	(5,022)
(Increase) / Decrease in Other Net Long Term Assets		(1,648)	(3,111)	(783)	(2,444)	(2,737)	(2,887)	(3,014)	(3,114)	(3,180)	(3,208)	(3,194)	(3,134)	(3,026)	(2,868)	(2,659)
New Cash Generated / (Used) from Investing		(16,366)	(40,457)	(8,364)	(7,421)	(8,540)	(9,006)	(9,403)	(9,713)	(9,920)	(10,008)	(9,965)	(9,778)	(9,440)	(8,945)	(8,294)
Financing																
Increase / (Decrease) in Total Debt		6,473	16,431	2,076	6,481	7,258	7,768	8,130	8,419	8,621	8,722	8,710	8,576	8,310	7,909	7,371
Dividends / Repurch = EFCF		5,207	37,795	(23,205)	(1,730)	1,103	312	(525)	(1,507)	(2,636)	(3,913)	(5,335)	(6,891)	(8,545)	(10,302)	(12,139)
New Cash Generated / (Used) from Financing		11,680	54,226	(21,130)	4,750	8,361	8,080	7,605	6,912	5,984	4,809	3,376	1,685	(235)	(2,393)	(4,768)

Banco Bilbao Vizcaya Argentina (March 2004)

	Time "0"	Forecast years										Terminal		
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015			
DCF Inputs														
(Dollars in Millions)														
Operations														
Net Income	\$	6,113	6,972	7,859	8,764	9,676	10,581	11,465	12,311	13,080	13,779	14,392		
Plus Depr. & Amort.		3,652	4,065	4,496	4,941	5,395	5,854	6,311	6,759	7,191	7,601	7,981		
Equals Value Line "Cash Flow"		9,765	11,037	12,355	13,705	15,072	16,435	17,776	19,070	20,272	21,381	22,373		
- Change in NWC Increases/(Decreases)		(9,587)	(10,111)	(10,556)	(10,904)	(11,136)	(11,236)	(11,187)	(10,977)	(10,597)	(10,042)	(9,311)		
= Cash Flow contributed by operations		179	926	1,799	2,801	3,935	5,200	6,589	8,093	9,674	11,338	13,062		
- Capital Expenditures: all categories		(8,540)	(9,006)	(9,403)	(9,713)	(9,920)	(10,008)	(9,965)	(9,778)	(9,440)	(8,945)	(8,294)		
Equals OCF to Equity (Before Debt Adjs.)	\$	(8,361)	(8,080)	(7,605)	(6,912)	(5,984)	(4,809)	(3,376)	(1,685)	235	2,393	4,768		
		20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%		
Leverage Adjustments														
+ Increase (decrease) in debt		7,258	7,768	8,130	8,419	8,621	8,722	8,710	8,576	8,310	7,909	7,371		
Equals "EFCF" or "FCFE"	\$	(1,103)	(312)	525	1,507	2,636	3,913	5,335	6,891	8,545	10,302	12,139		
		20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%		

(Capital Structure Overview)

Accounting balance sheet (book value)														
Net Assets (LT Assets + NWC - Other LT Liab)	\$	303,096	392,371	433,425	476,036	519,754	564,055	608,339	651,949	694,174	734,273	771,485	805,055	
Total Debt	\$	110,634	67,746	75,514	83,644	92,063	100,683	109,405	118,116	126,691	135,002	142,911	150,282	
percentage of capital		31.2%	17.3%	17.4%	17.6%	17.7%	17.8%	18.0%	18.1%	18.3%	18.4%	18.5%	18.7%	
Total Equity Book Value	\$	242,609	324,625	357,911	392,392	427,692	463,371	498,934	533,833	567,483	599,271	628,574	654,773	
percentage of capital		68.8%	82.7%	82.6%	82.4%	82.3%	82.2%	82.0%	81.9%	81.7%	81.6%	81.5%	81.3%	
Economic balance sheet (intrinsic value - Time 0 based on avg. model price, 1-10 based on flow-to-equity)														
Total Market Value	\$	173,961	138,854	155,965	173,787	192,147	210,843	229,641	248,287	266,504	284,025	300,558	315,811	
Total Debt	\$	111,844	67,746	75,514	83,644	92,063	100,683	109,405	118,116	126,691	135,002	142,911	150,282	
percentage of market value		64.3%	48.8%	48.4%	48.1%	47.9%	47.8%	47.6%	47.6%	47.5%	47.5%	47.5%	47.6%	
Intrinsic Value of Equity	\$	62,117	71,108	80,451	90,143	100,085	110,160	120,236	130,172	139,812	149,023	157,647	165,530	
percentage of market value		35.7%	51.2%	51.6%	51.9%	52.1%	52.2%	52.4%	52.4%	52.5%	52.5%	52.5%	52.4%	