

# *BBVA “Cédulas Territoriales” Credit Story and Public Sector Business*

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April 2007



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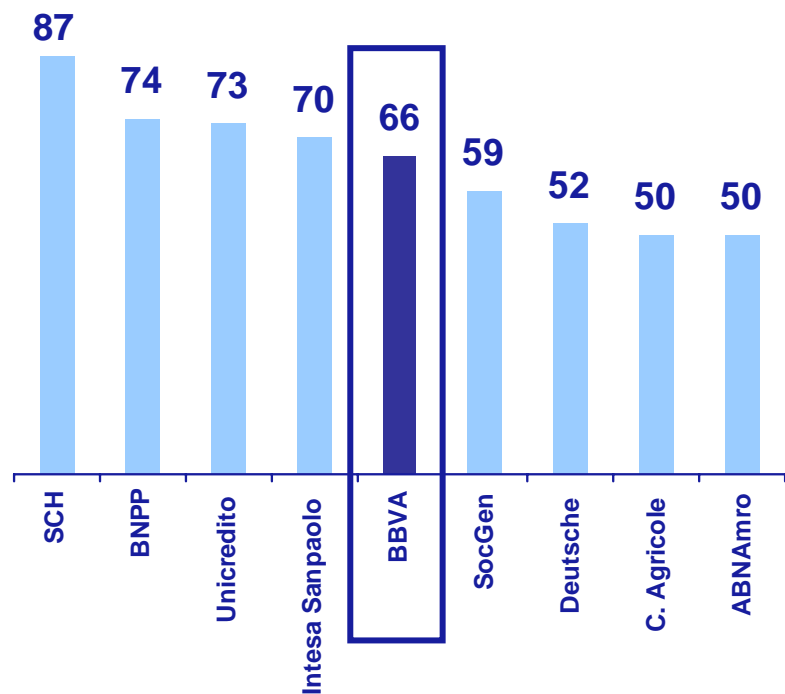
## Overview and results

BBVA Public Sector business

*“Cedulas Territoriales”*

- €412 Bn<sup>1</sup> total assets, offering a full range of products and services
- Leading positions in Spain and Latin America
- Building a leading franchise in the US Sunbelt<sup>2</sup>: an excellent platform to grow in the fast growing Hispanic population segment
- International platform with 7,585 branches and 98,553 employees, both with over 50% outside Spain
- Profitable and efficient retail banking franchise with excellent asset quality
- Capital discipline and management committed to value creation for shareholders

## 5th largest bank in the Eurozone by Market Cap. (€Bn)



Feb 28, 2007

(1) As of December 31, 2006  
(2) Pending closing of Compass acquisition

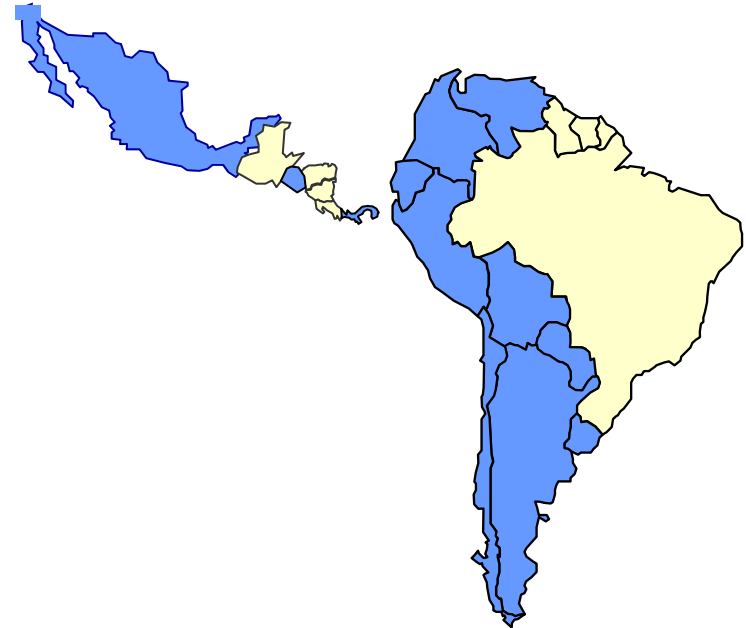
... with a solid and focused position in attractive growth markets ...

**Spain**



	<u>Mk. Share</u>	<u>Ranking</u>
Loans	11.9%	1st
Deposits	10.2%	2nd
Mutual Funds	17.1%	2nd
Pension Funds	18.6%	1st
Num. of customers: 11 million		

**Latin America**



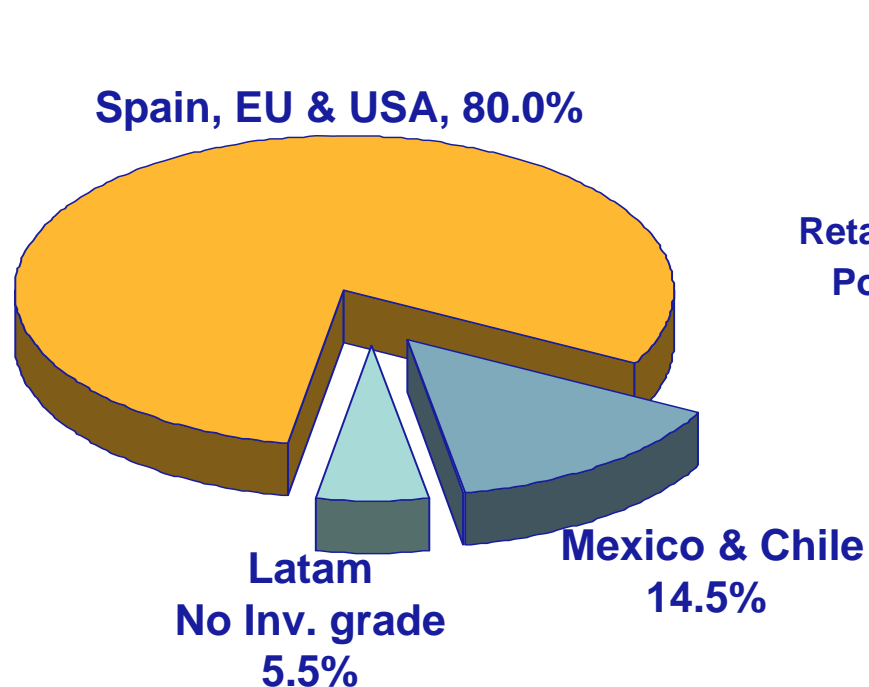
	<u>Mk. Share <sup>(1)</sup></u>	<u>Ranking</u>
Mexico	26.0%	1 <sup>st</sup>
South America <sup>(2)</sup>	10.6%	1 <sup>st</sup>

**Num. of customers 23 million**

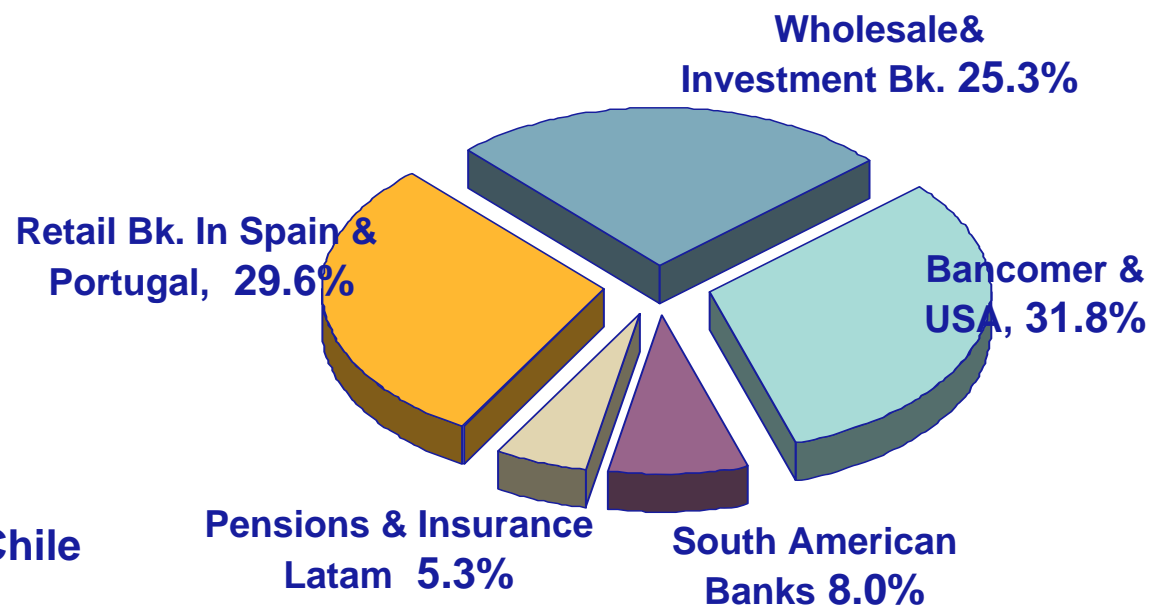
- (1) Deposits  
(2) Excluding Brazil

# Balanced distribution of assets and profits

**Group assets distribution (%)**

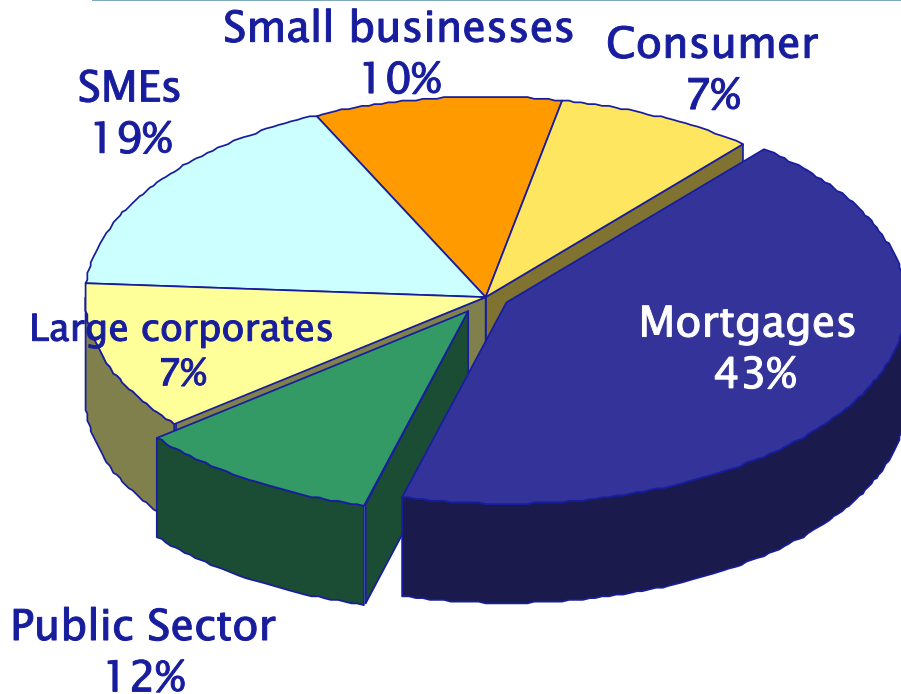


**Net attributable profit distribution (%)**

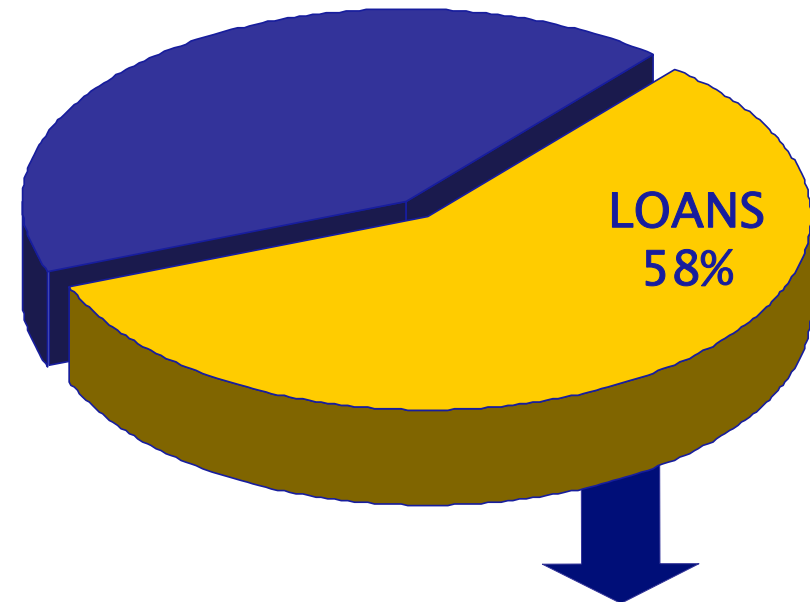


# ... and a low risk, high quality asset profile

**Banking in Spain  
Loan portfolio breakdown**



**Latin America  
Loans/total assets**



- 50% individuals (23% mortgages)
- 6% Public Sector
- 42% Corporates & SMEs

**50% of loan portfolio in Spain is secured**

## Long term ratings

**S&P**

**AA-** (“P.O.”)

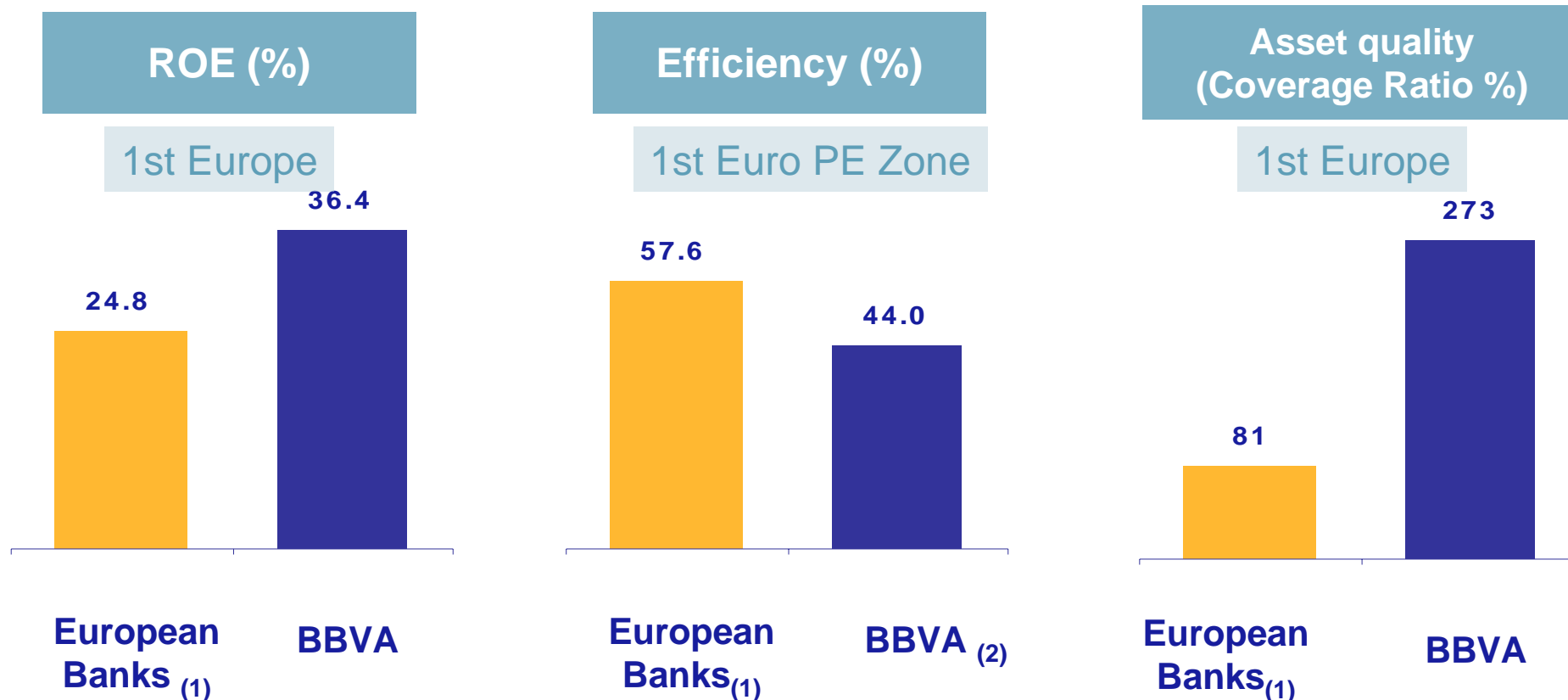
**Moody's**

**Aa1**

**Fitch**

**AA-**

# Better fundamentals than European peers



**BBVA, an excellent combination of profitability-risk**

(1) European average of the peer group of 15 banks, except British banks. Last data available as of September '06

(2) Include depreciation

# Good economic prospects in the high growth market with BBVA presence

	GDP (\$ Tr)	GDP Growth 06e (%)	Population (MM)	Risk (NPL %) (4)
Spain <sup>(1)</sup>	1.1	3.6	40	0.6
México <sup>(1)</sup>	1.1	4.5	107	1.7
Latam <sup>(2)</sup>	3.9	5.2	417	3.7

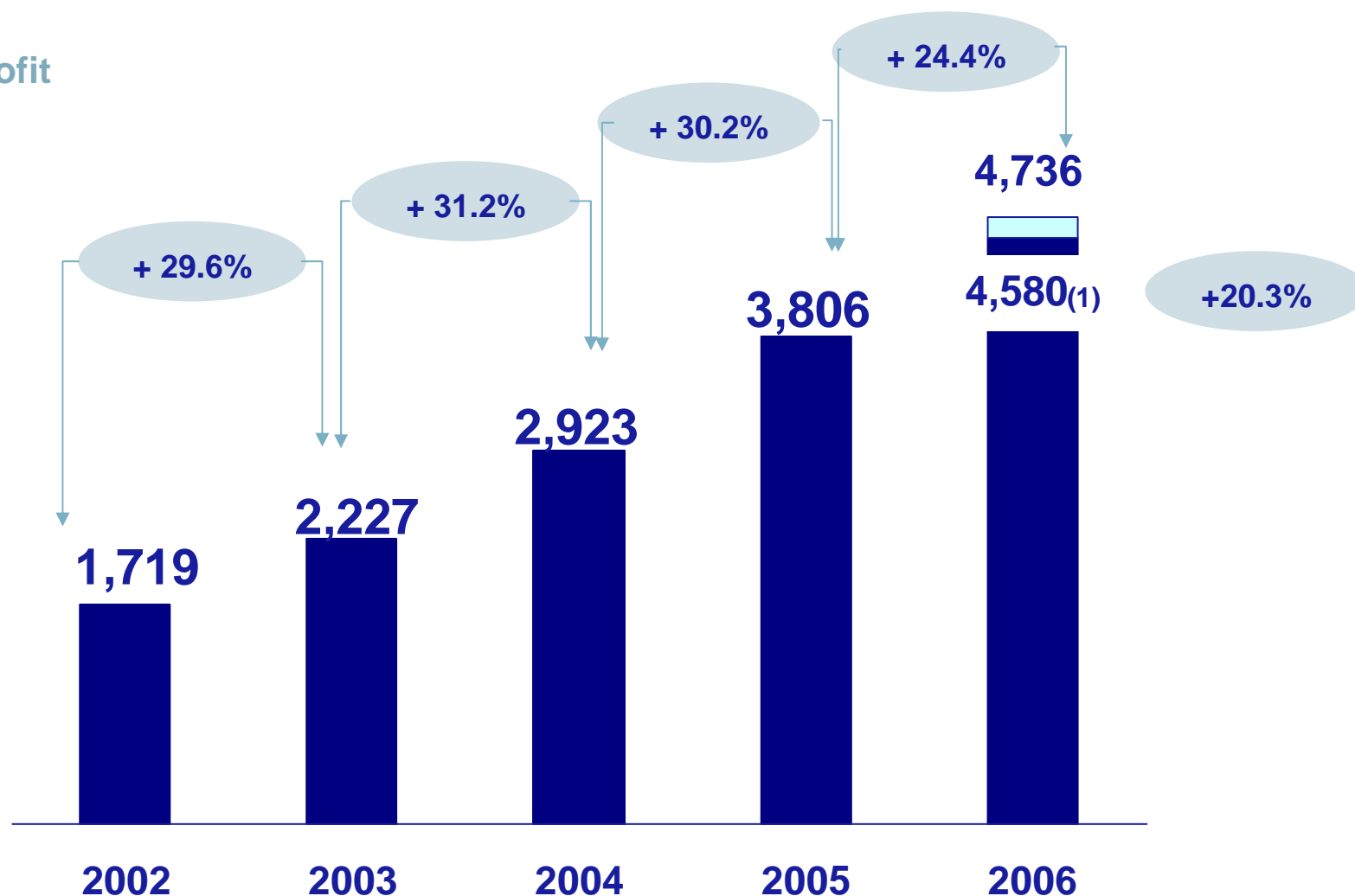
**BBVA USA(3)**
**2.2**
**4.3**
**60 <sup>(5)</sup>**
**0.7**

**High growth levels and very low risk**

- (1) The World Fctbook 2007
- (2) Global Insight
- (3) Aggregation excluding California
- (4) IMF, last data available, Latam Ex Brazil
- (5) In counties of BBVA pro forma

# 2006: a year of record profit for BBVA

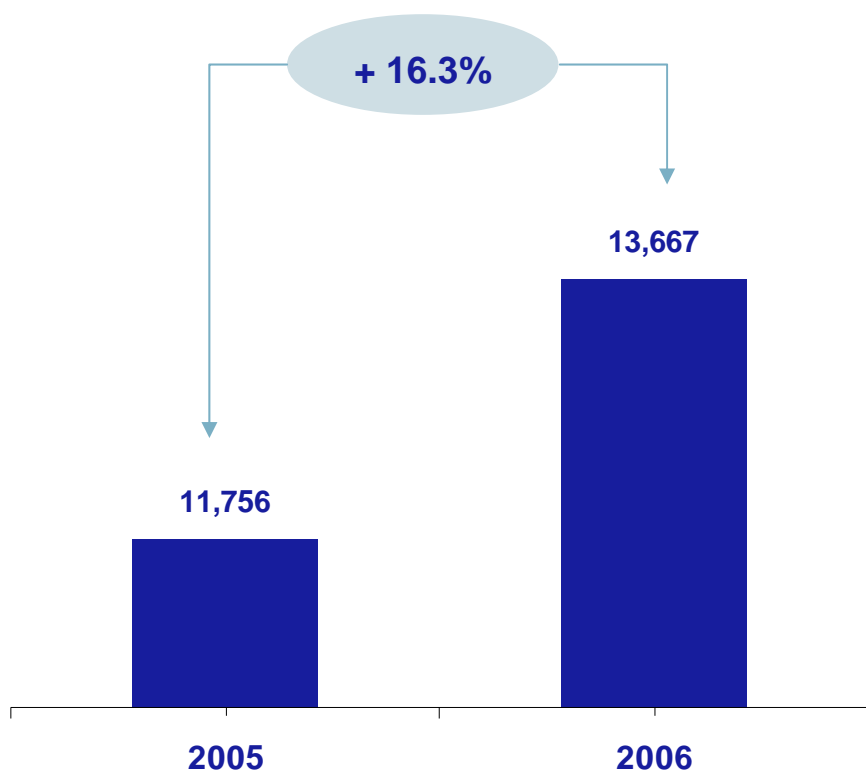
Net attributable profit  
(€m)



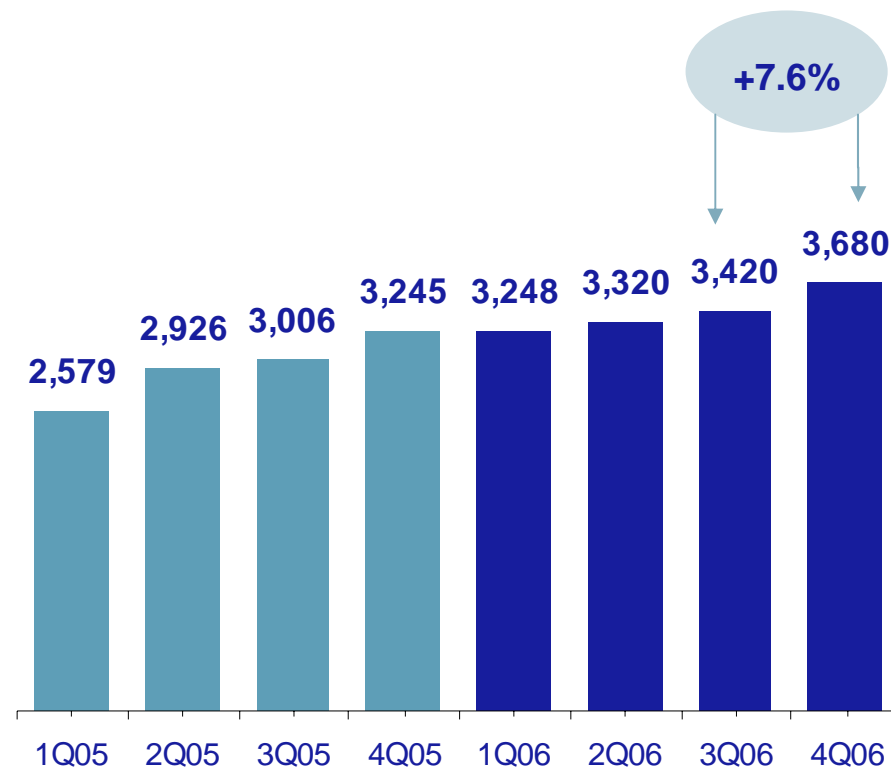
(1) Excluding one-offs

# Supported by strong generation of recurrent revenues

Core revenues  
(€m)

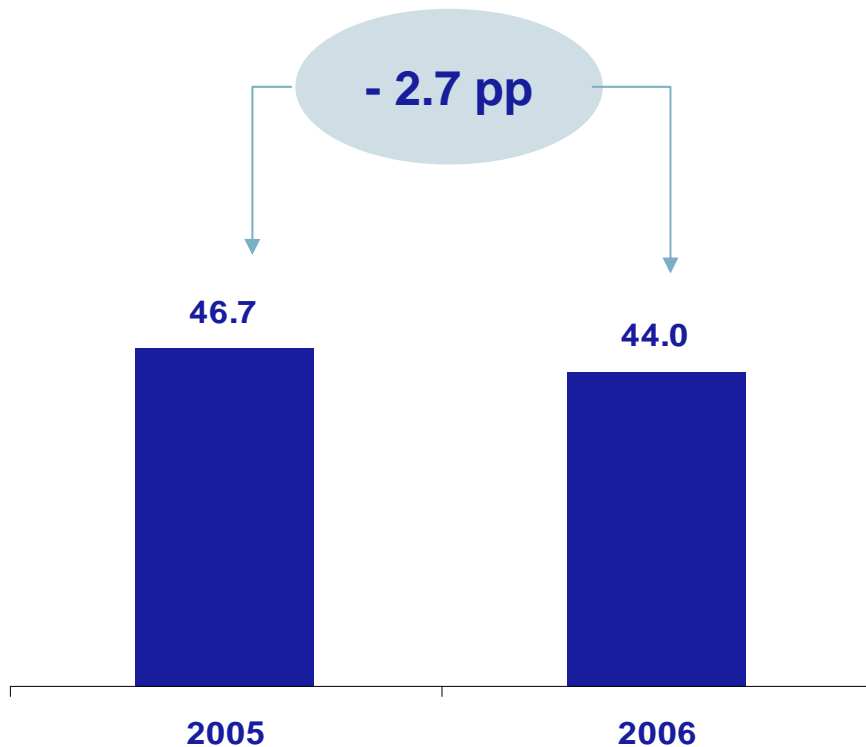


Core revenues  
Quarter by quarter  
(€m)

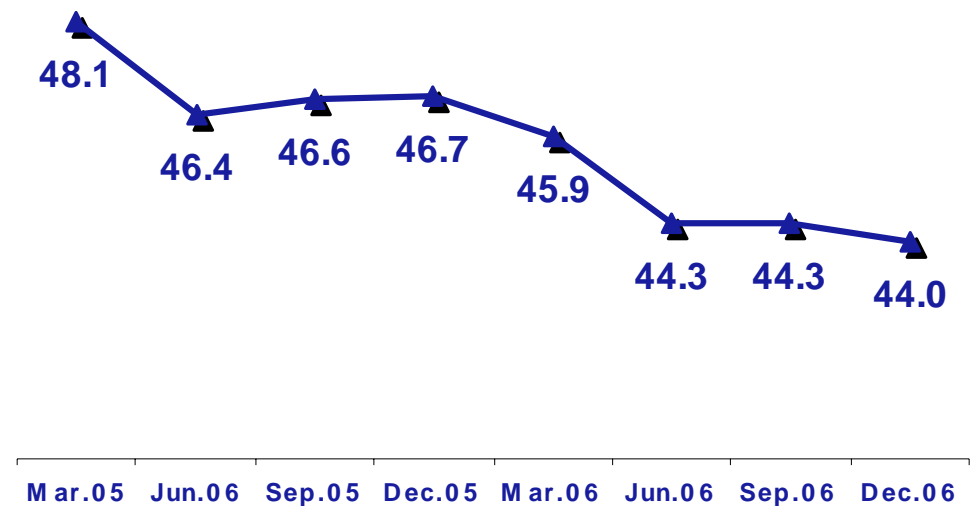


# With clear improvement in the cost/income ratio . . .

Cost/inc ratio incl. depr. excl.  
one-off items  
(%)



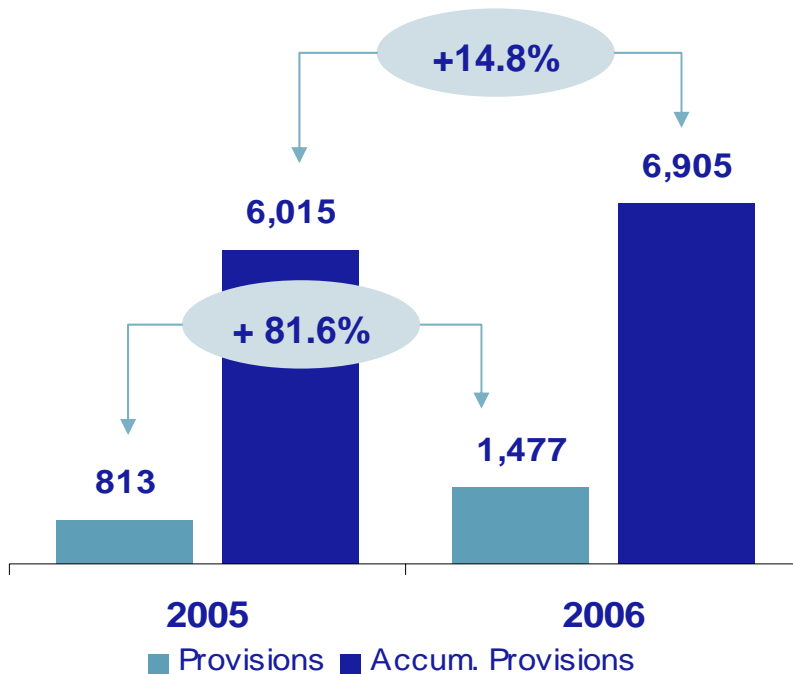
Cost/inc ratio incl. depr. excl.  
one-off items  
By quarter  
(%)



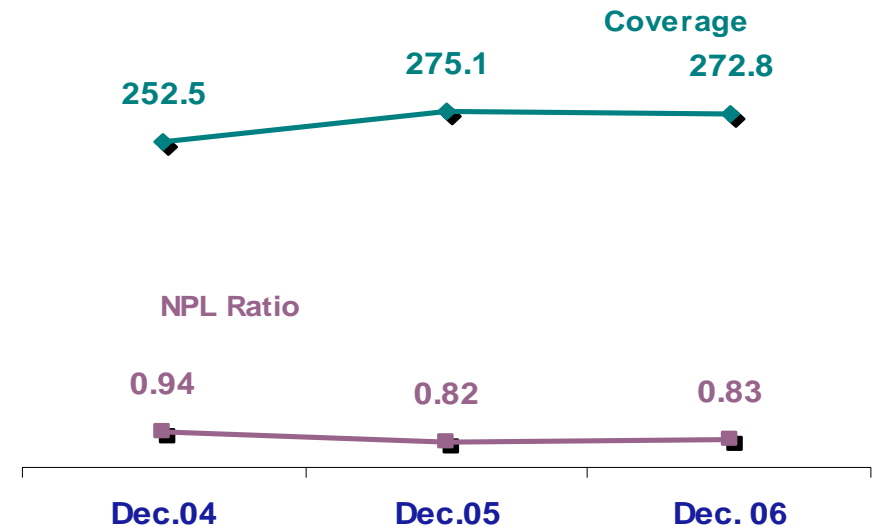
# Good asset quality and a prudent provisions policy BBVA

• •

Loan loss provisions and funds  
(€ m)



NPL ratio and coverage  
(%)



73% of total funds and 71% of provisions are generic  
(Mexico accounts for 43% of provisions)

# Higher provisions, but better asset quality

## NPL Provisions

€6,905m

73%

Generic

27%

Specific+C.R.

2006

## Risk premium (bp)

62

43

19

BBVA

44

European  
Avg. (1)

## NPL ratio (%)

2.88

0.83

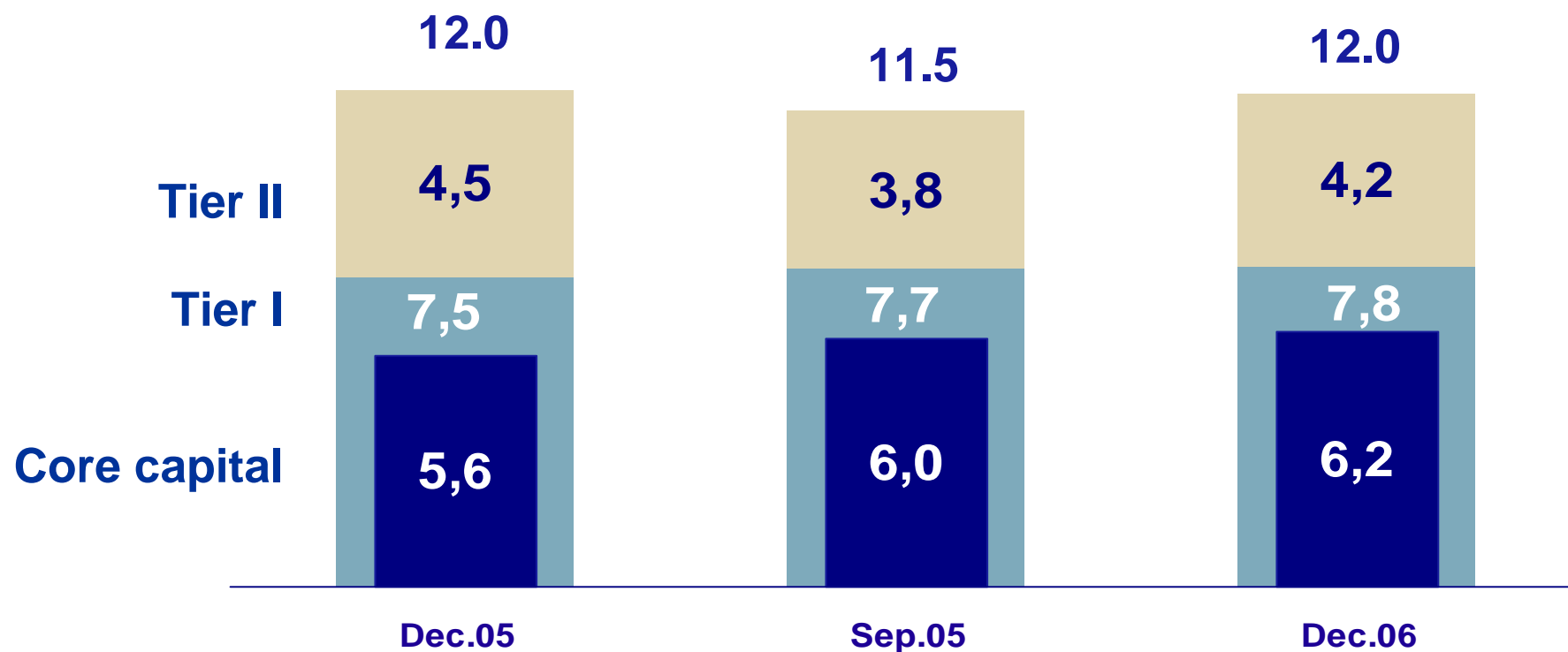
BBVA

European  
Avg. (1)

(1) Data as of June 06 refers to largest European groups .

# With appropriate levels of solvency

Capital base: BIS Ratio  
(%)



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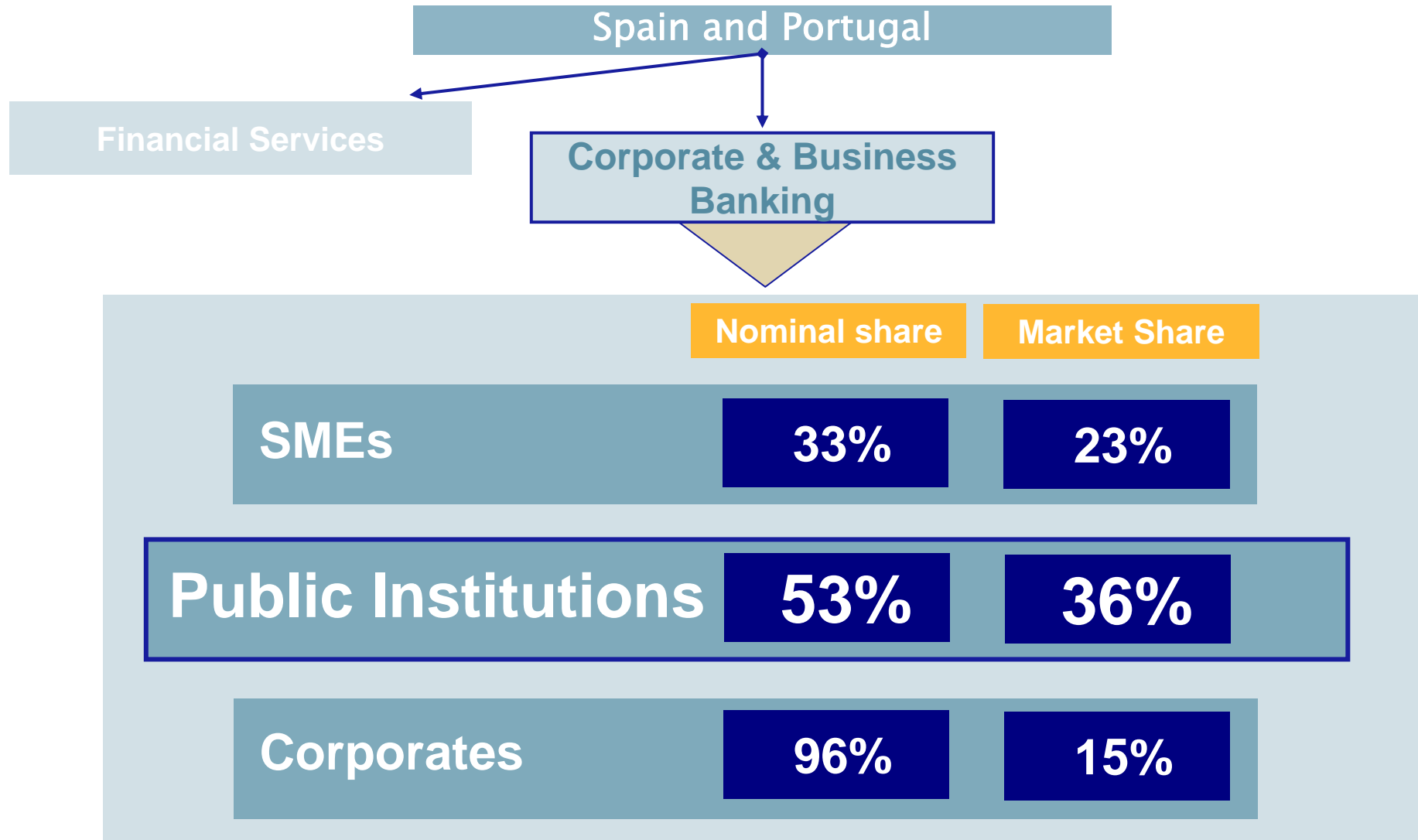
Overview and results

**BBVA Public Sector business**

*“Cedulas Territoriales”*

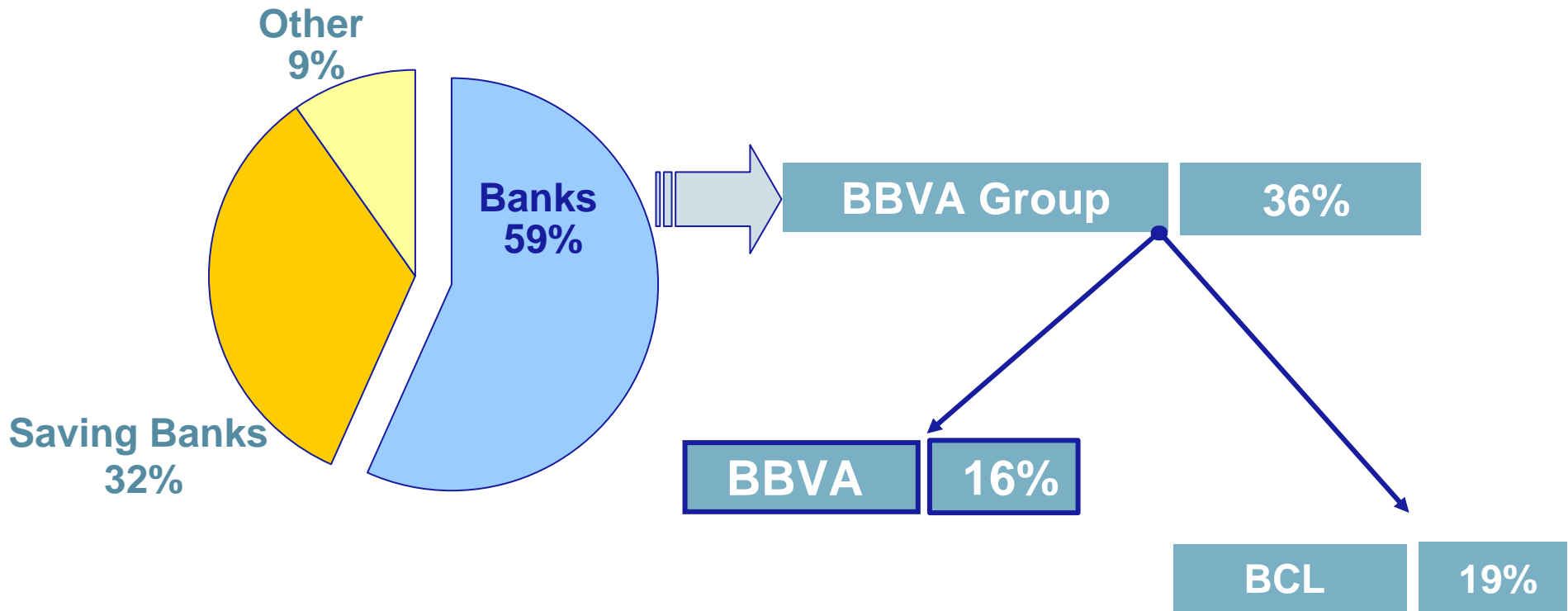
- BBVA is the market leader in lending to the public sector in Spain, based on :
  - ✓ Solid franchise focused on the low-risk public finance business and therefore, extremely sound asset quality.
  - ✓ A model of integral relationship banking with customers, offering other services such as project finance, 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



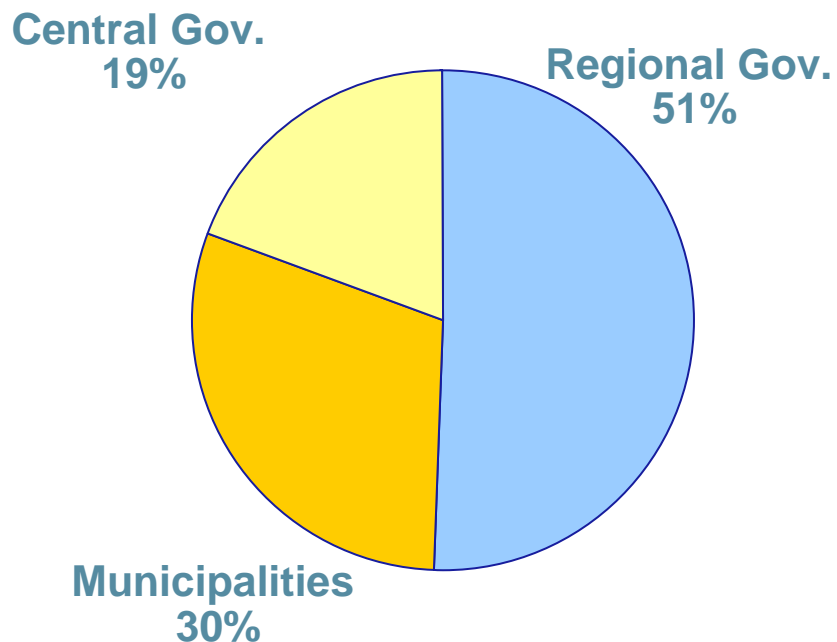
# BBVA the leading Spanish player in Public Sector business

Public Sector loans market share (%)

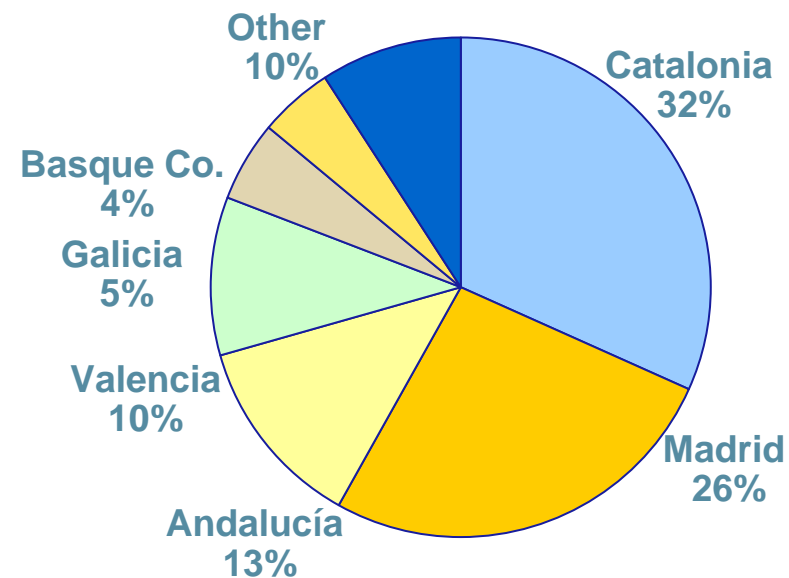


## BBVA Public Sector business Loan structure (%)

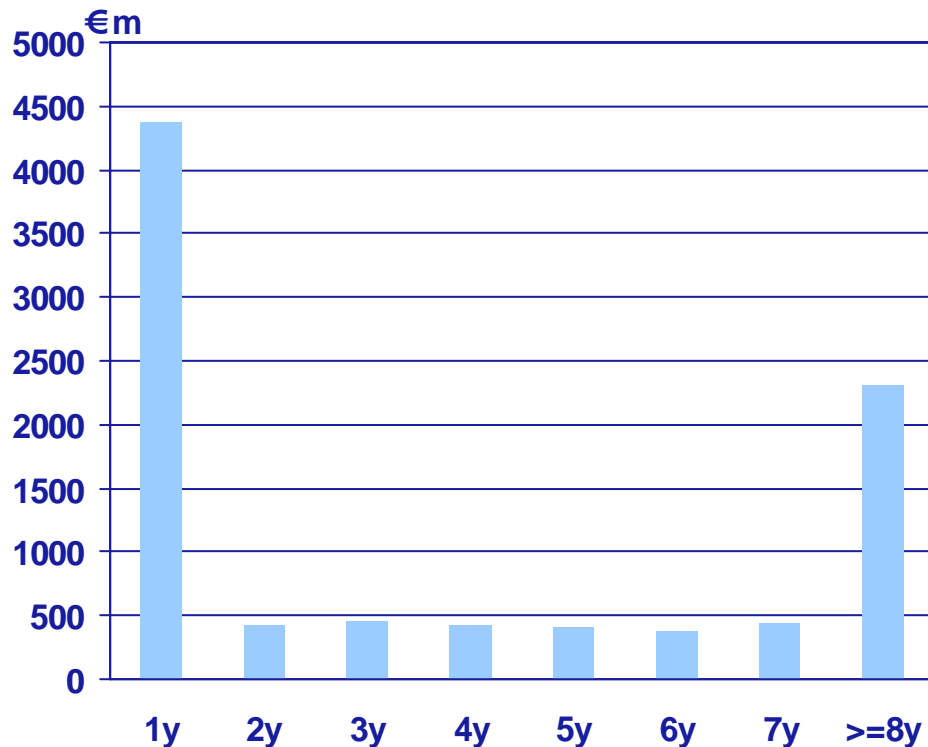
By type of borrower (%)



By region (%)



## Maturity profile

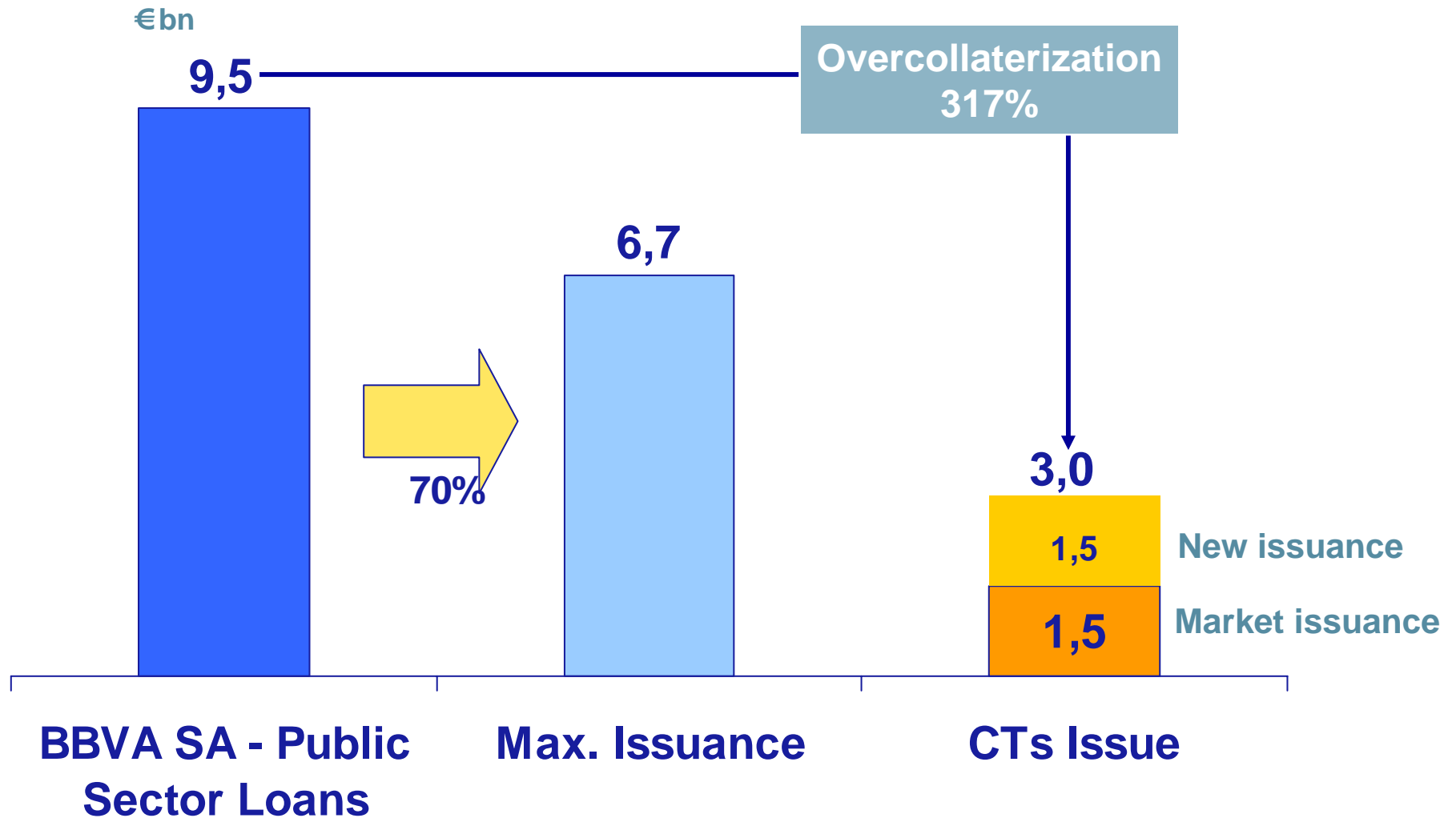


Average maturity (years)	7
NPL ratio	0.08%
NPLs Coverage(*)	154%

(\*) Total provisions over non-performing loans

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

# A very strong overcollateralization



- **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**
- **BBVA “CTs” represents an attractive investment alternative**

# Contents

Overview and results

BBVA Public Sector business

***“Cedulas Territoriales”***

- 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).

- The new Spanish insolvency law (Ley Concursal) became effective on 1<sup>st</sup> 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**

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

- 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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