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

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November 2006

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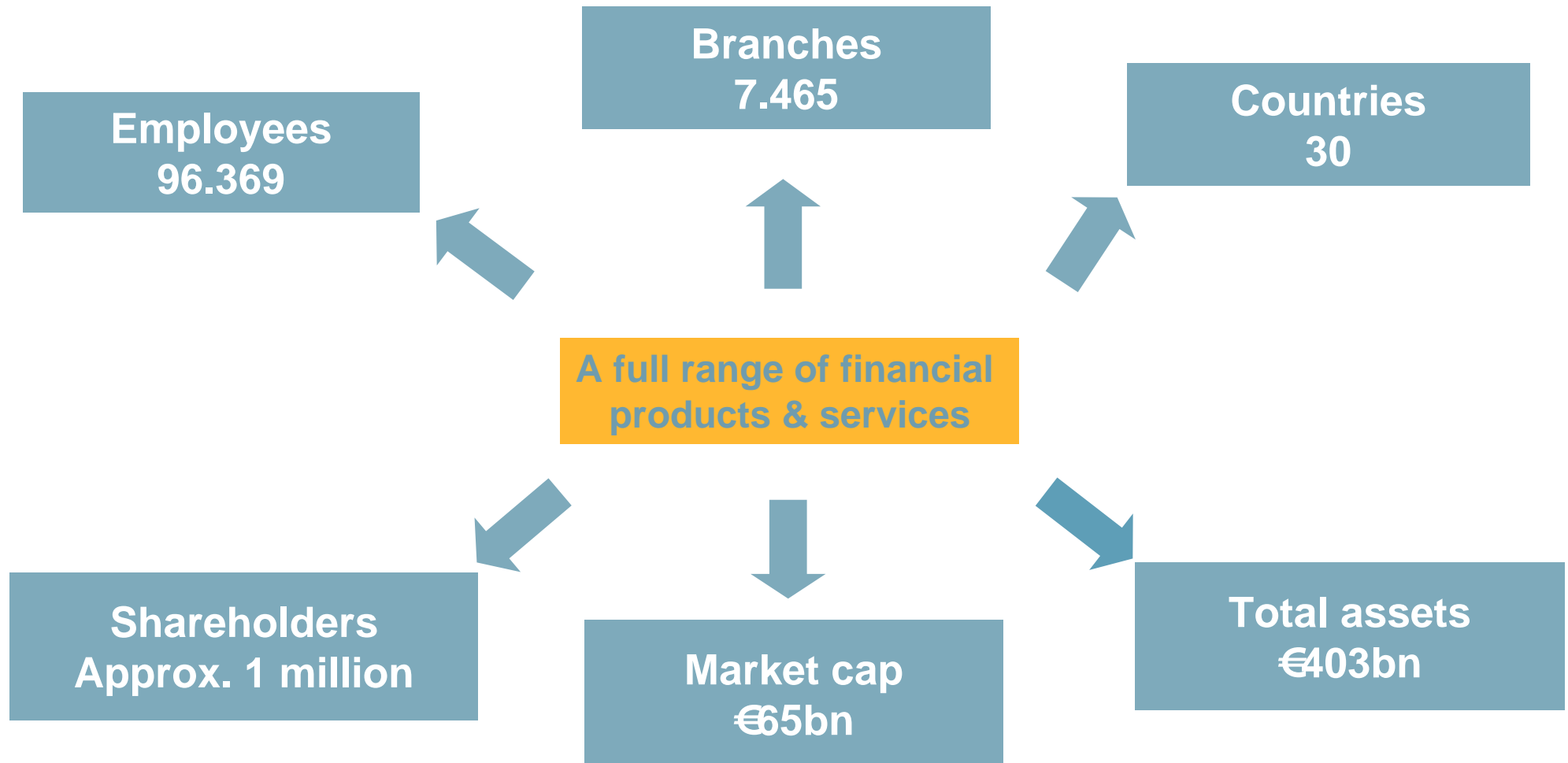
## Overview and results

BBVA Public Sector business

*“Cedulas Territoriales”*

# BBVA is an international financial services group

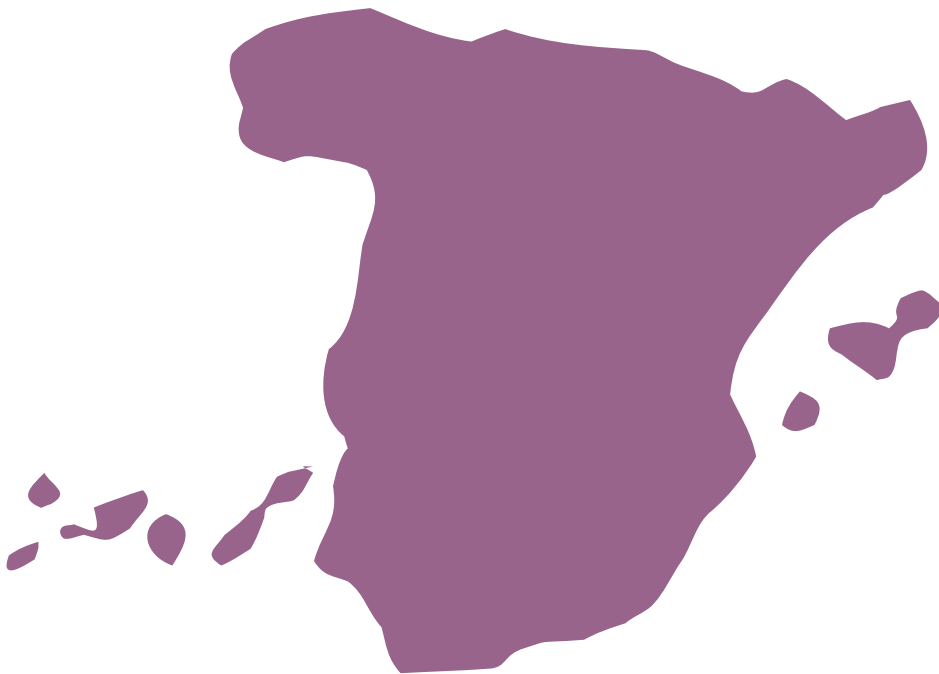
**BBVA**



# BBVA enjoys a solid and focused position in attractive growth markets: Spain ...

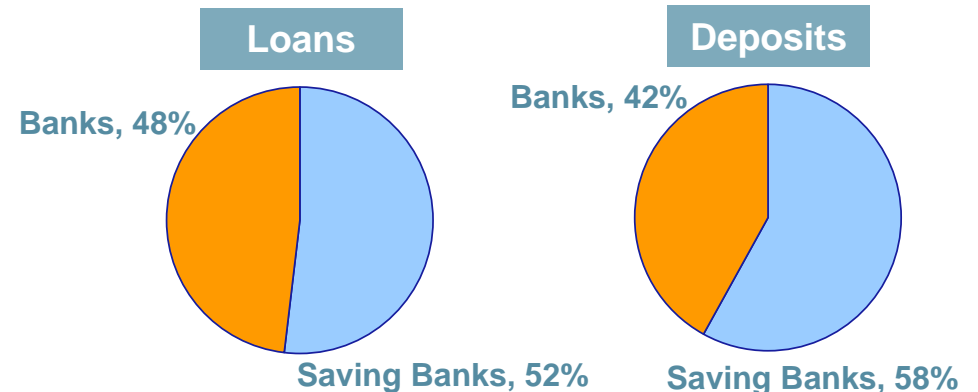
**BBVA**

## Spain



BBVA	Mk. Share	Ranking
Loans	12.5%	1st
Deposits	12.4%	2nd
Mutual Funds	18.1%	2nd
Pension Funds	18.9%	1st
Num. of customers: 11 million		

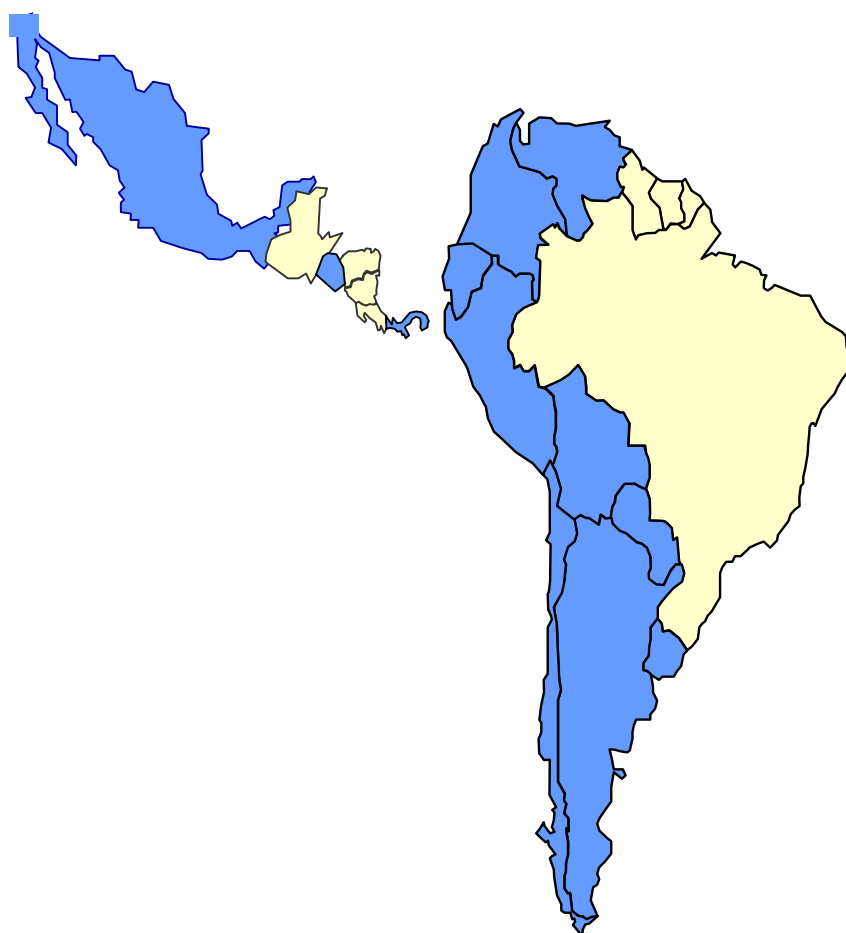
## Spanish Bk. System: M. Share (\*)



(\*) Private domestic sector

# ... and Latin America

## Latin America

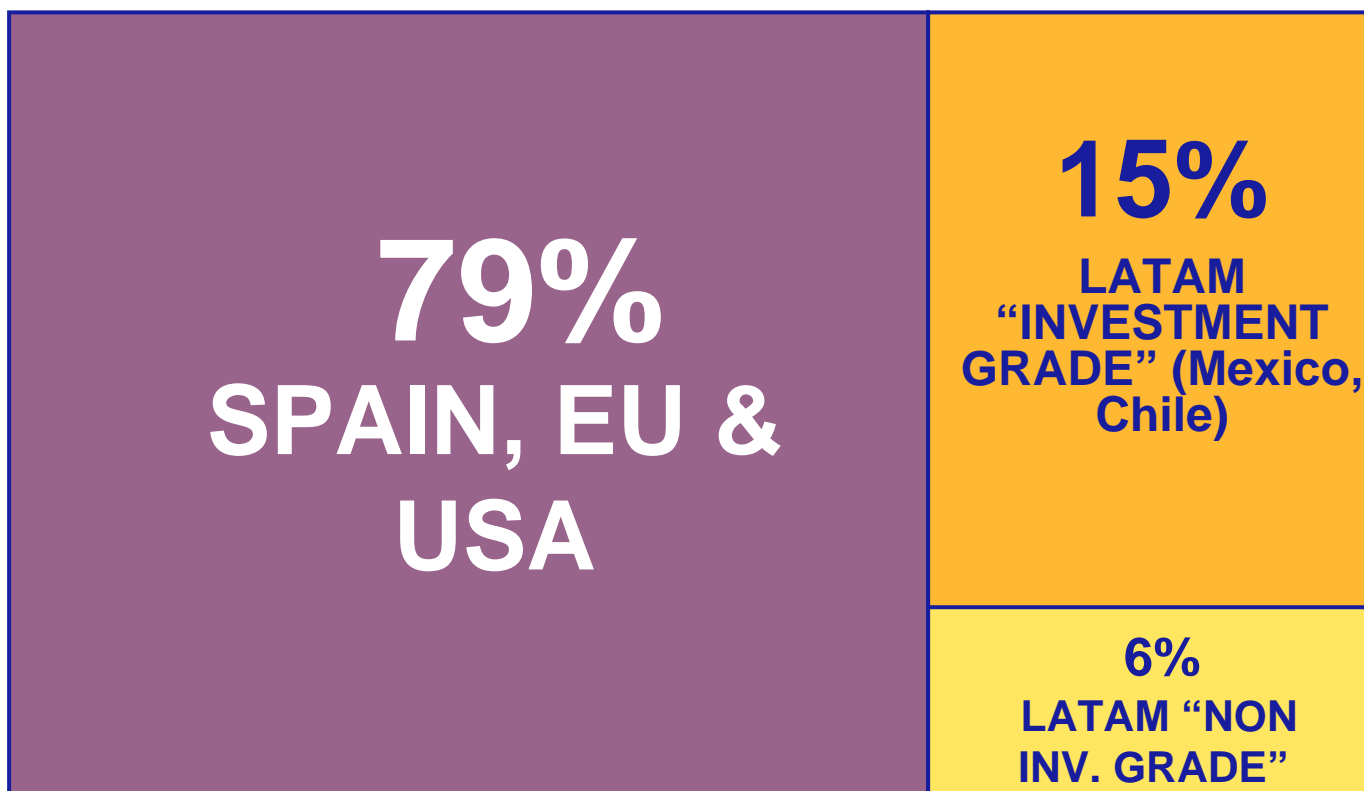


	DEPOSITS		LOANS	
	M. share (%)	Ranking	M. share (%)	Ranking
<b>México</b>	<b>26,2</b>	<b>1º</b>	<b>29,5</b>	<b>1º</b>
Argentina	10,6	1º	7,1	3º
Chile	8,0	4º	7,8	4º
Colombia	11,5	3º	11,3	3º
Peru	26,8	2º	24,5	2º
Venezuela	11,7	4º	12,1	4º
<b>South America</b>	<b>10,7</b>	<b>2º</b>	<b>10,0</b>	<b>2º</b>

Num. of customers: 23 million

... with a balanced distribution of assets

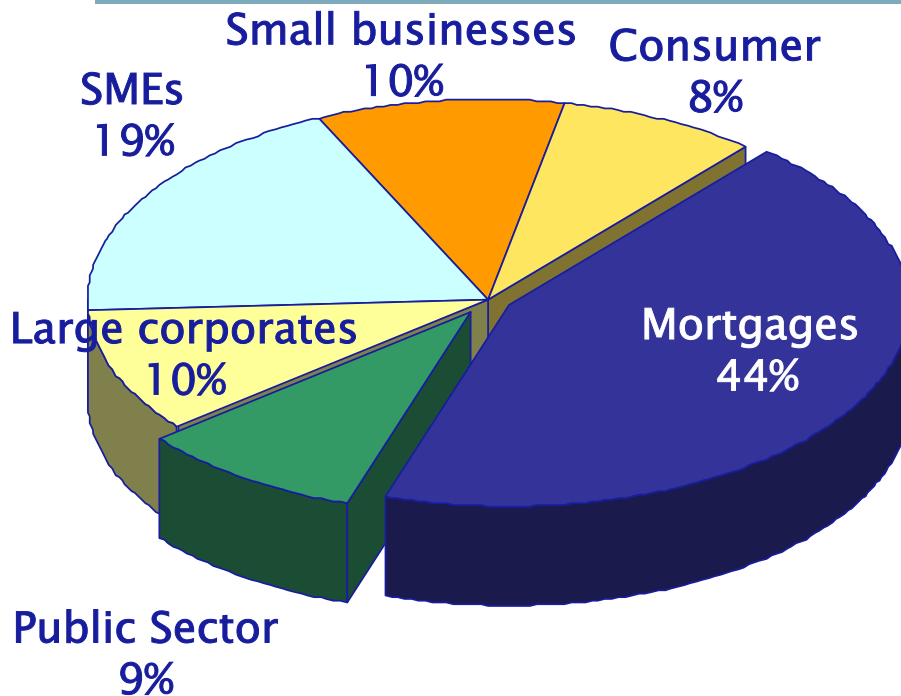
Group assets breakdown (%)



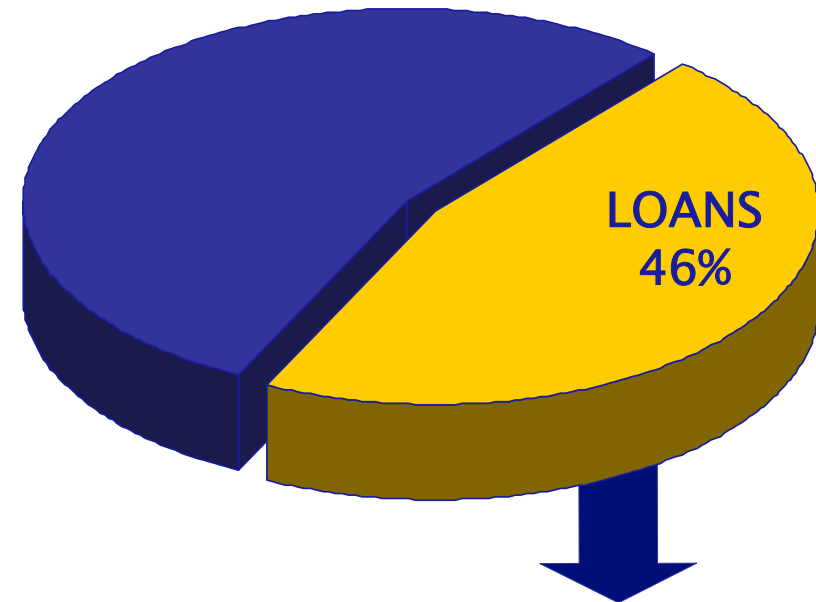
## ... and a low risk, high quality asset profile

**BBVA**

**Banking in Spain  
Loan portfolio breakdown**



**Latin America  
Loans/total assets**

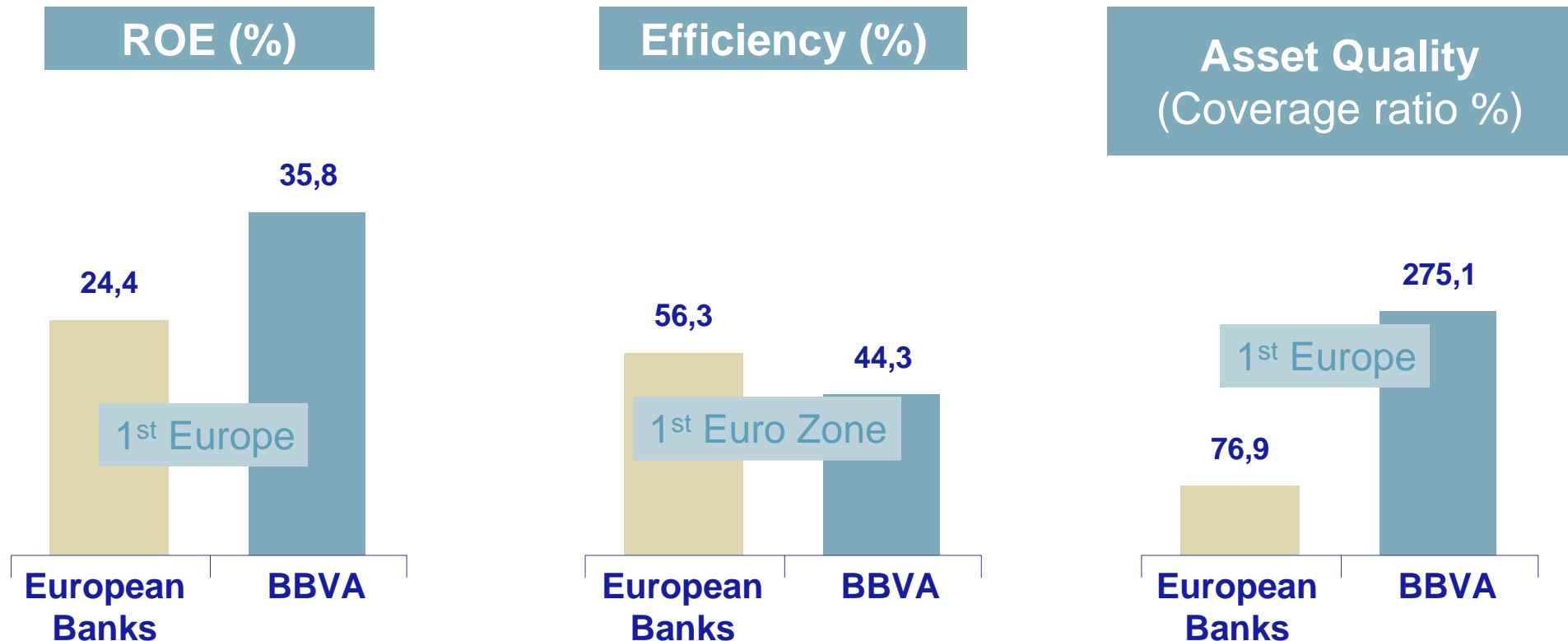


- 50% individuals (24% mortgages)
- 7% Public Sector
- 43% Corporates

**51% of Group's gross loans are secured**



## ... maintaining as top European Bank by profitability and **BBVA** asset quality



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

## ... with sound ratings

### RATINGS: BBVA VS. EUROPEAN BANKS

MOODY'S									
Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Lloyds	Barclays RBS	<b>BBVA</b> BNPP Credit Agricole HSBC B. ING B. UBS SOCGEN	ABN Credit Sui. Deutsche B. Fortis B. San Paolo SCH	B. Intesa Unicredito	Commerz. HVB				

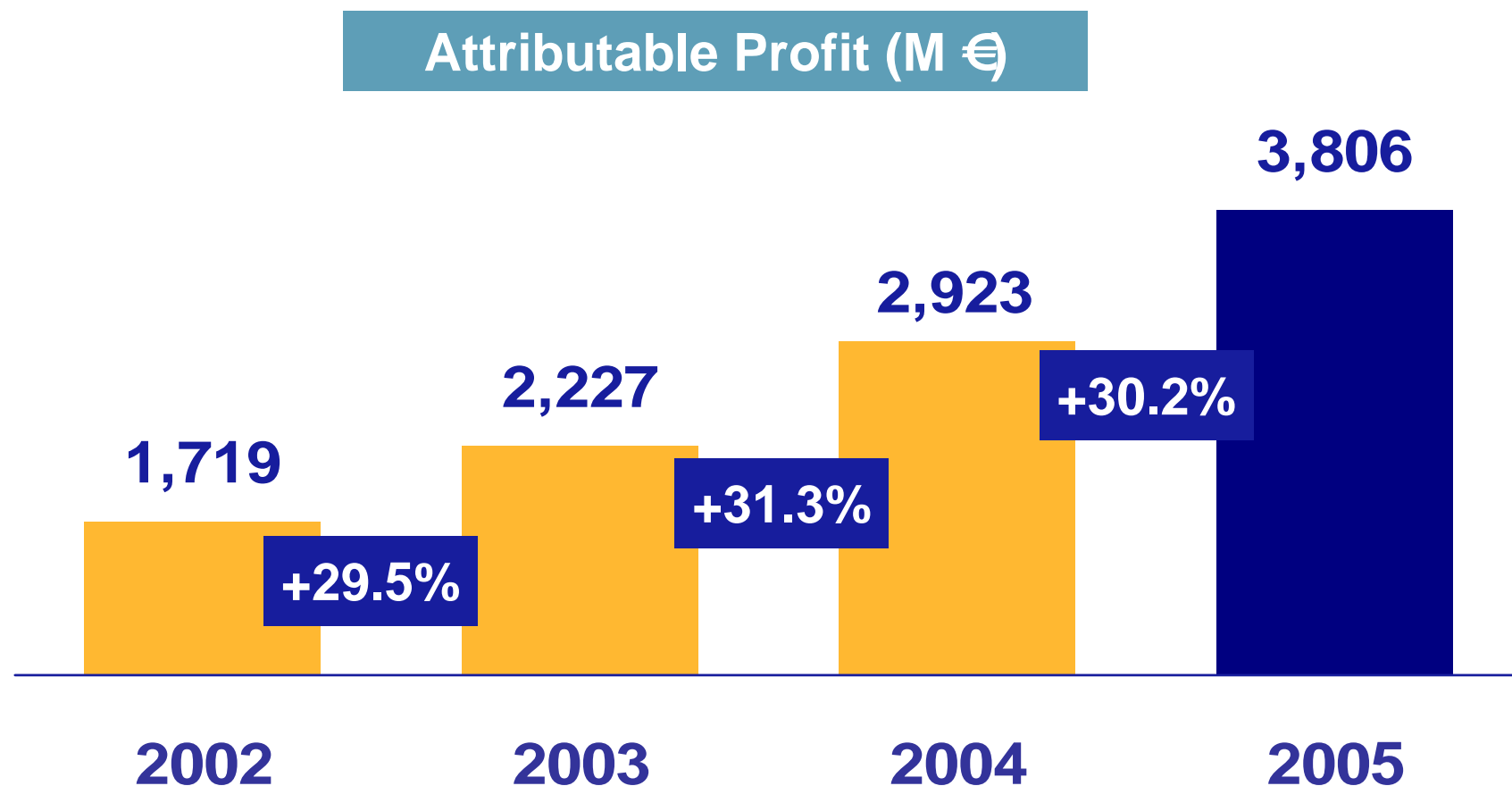
  

STANDARD & POOR'S									
AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
	UBS	Barclays BNPP ING B. HSBC Lloyds RBS	<b>BBVA</b> ABN Credit Agricole Credit Sui. Deutsche B. Fortis B. SCH SOCGEN	San Paolo Unicredito	B. Intesa HVB	Commerz.			

FITCH									
AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
	Barclays Lloyds RBS UBS	BNPP HSBC Credit Agricole SCH	<b>BBVA</b> ABN Credit Sui. Deutsche B. ING B. San Paolo SOCGEN	B. Intesa Unicredito Fortis B.	Commerz. HVB				

# BBVA has delivered an excellent track record of growing results



# 2006 results confirms the positive prospects: maintaining growth at an excellent level

**BBVA**

Earnings excl. one-off items  
(Current €m)

BBVA Group	9M06		9M05
Net Interest Income	6,084	16.8%	14.4%
Core Revenues	9,987	17.3%	14.1%
Ordinary Revenues	11,140	18.4%	14.3%
Operating Profit	6,087	23.1%	19.5%
Net Attributable Profit	3,300	21.0%	24.9%

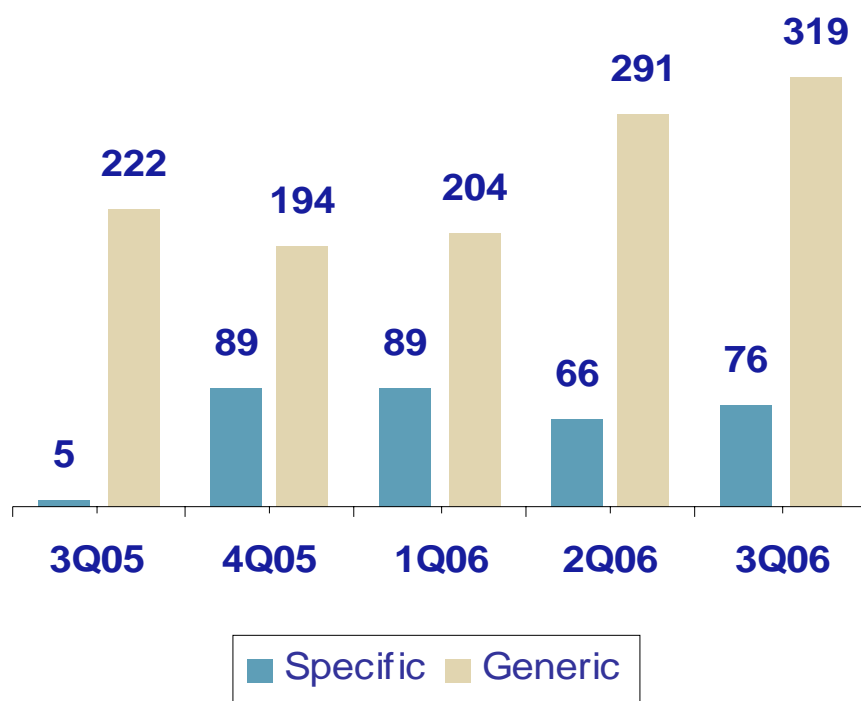
# All business areas are growing ...

(Current €m)

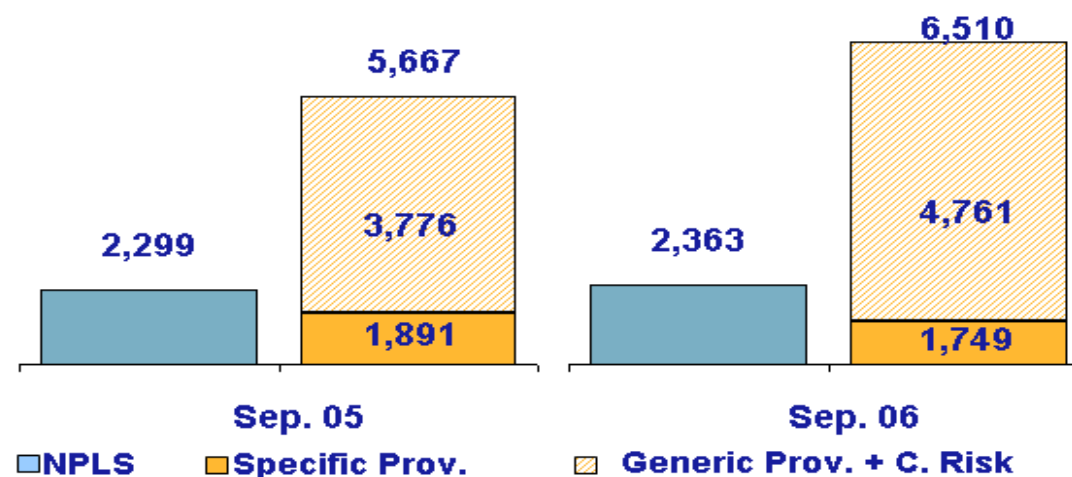
BBVA Group	Operating Profit		Net Attributable Profit	
	9M06	9M05	9M06	9M05
Retail Banking Spain and Portugal	12.8%	11.5%	11.1%	10.3%
Wholesale Business	26.3%	28.7%	42.8%	40.4%
Mexico & USA.	42.4%	43.3%	40.3%	62.9%
South America	40.7%	25.7%	37.3%	67.1%

# Very tight control of asset quality

**NPL provisions  
(€m)**



**Loan loss provisions  
(€m)**

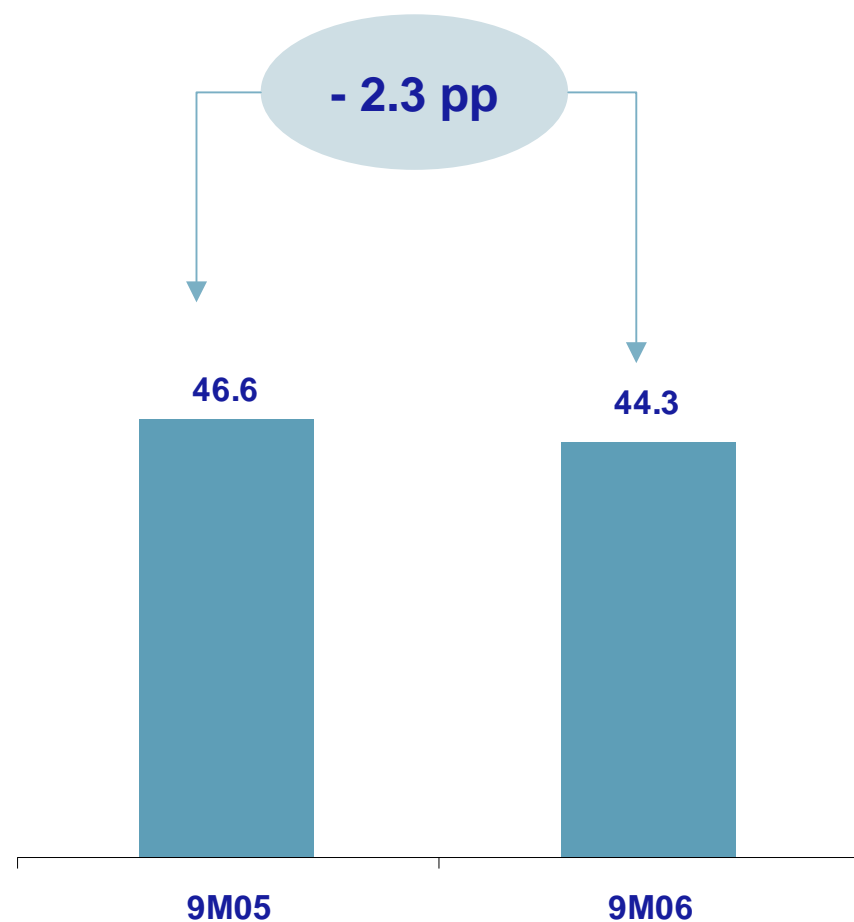


**73% of total funds and 78% of provisions are generic**

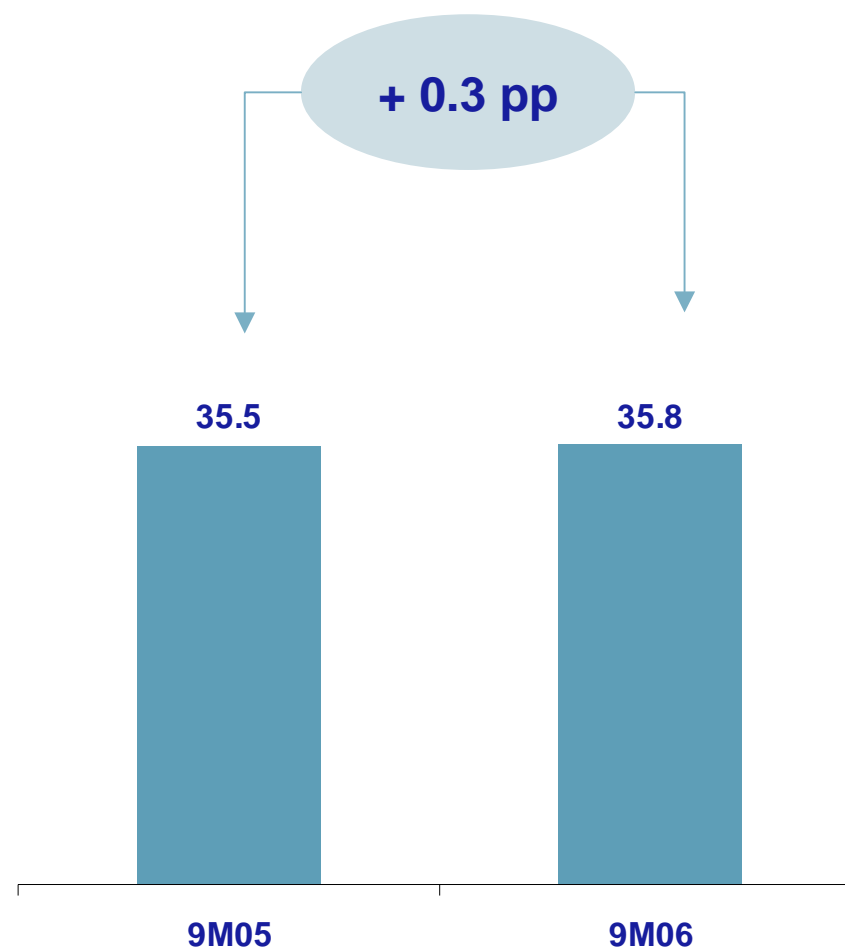
**NPL ratio is 0.82% and coverage 275.8%**

# Group fundamentals continue to strengthen

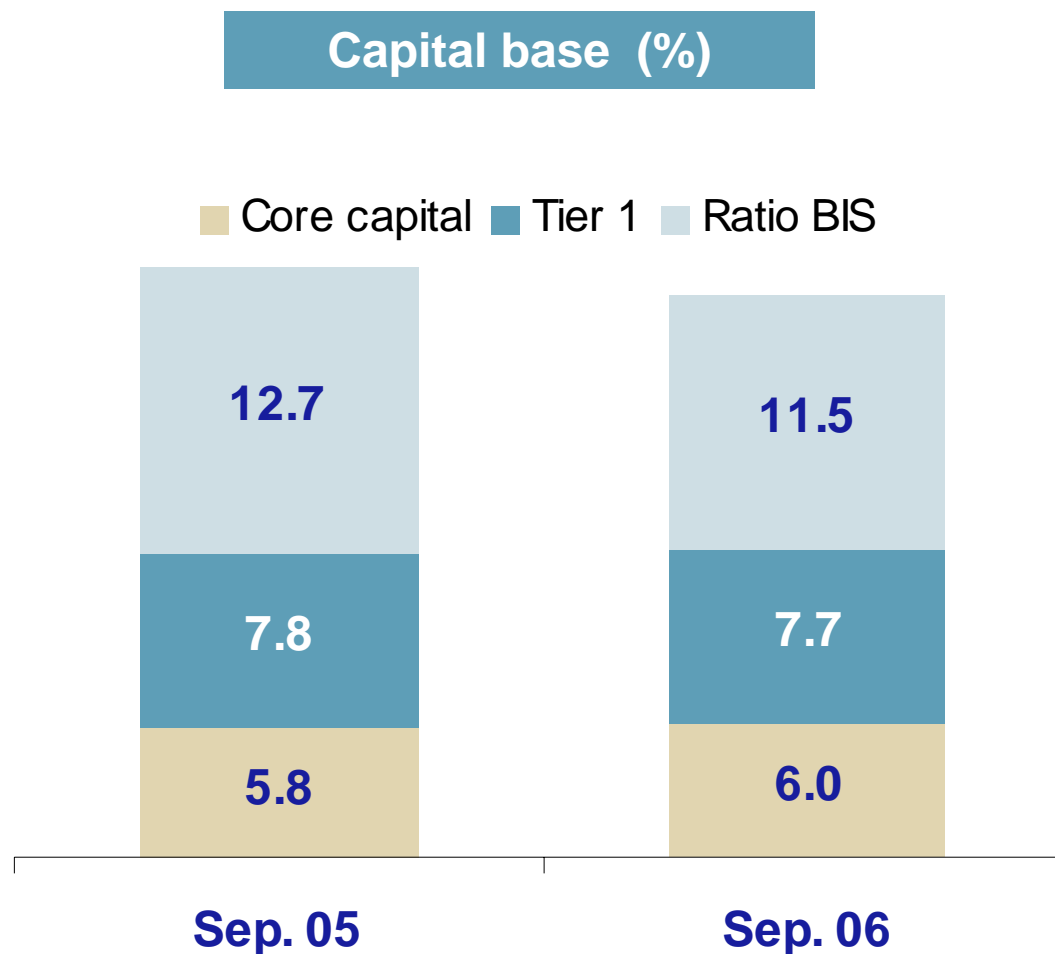
**Cost/income ratio -incl. deprec, excl.  
one-off items- (%)**



**ROE excl. one-offs (%)**



# Solid capital base levels





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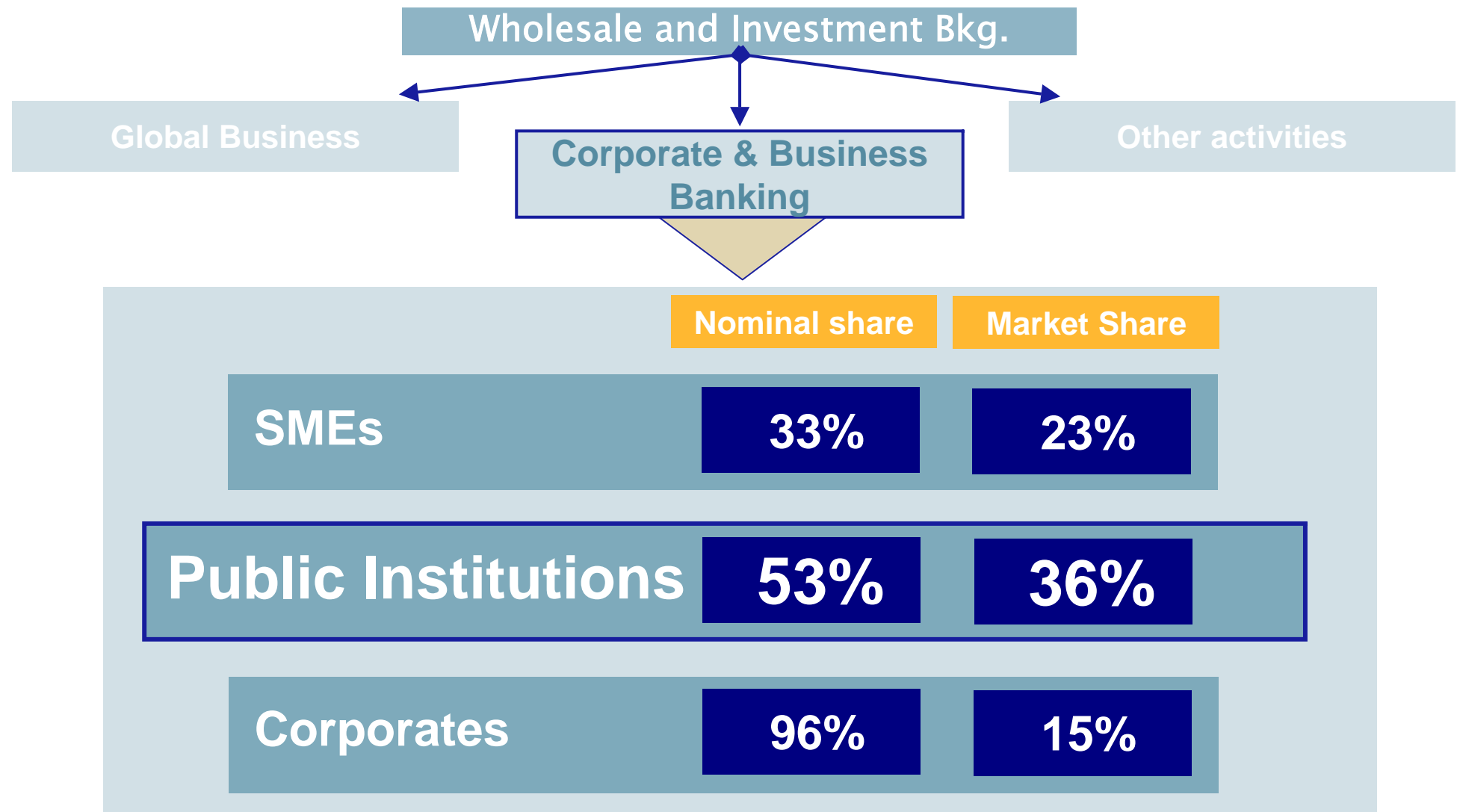
**BBVA Public Sector business**

*“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

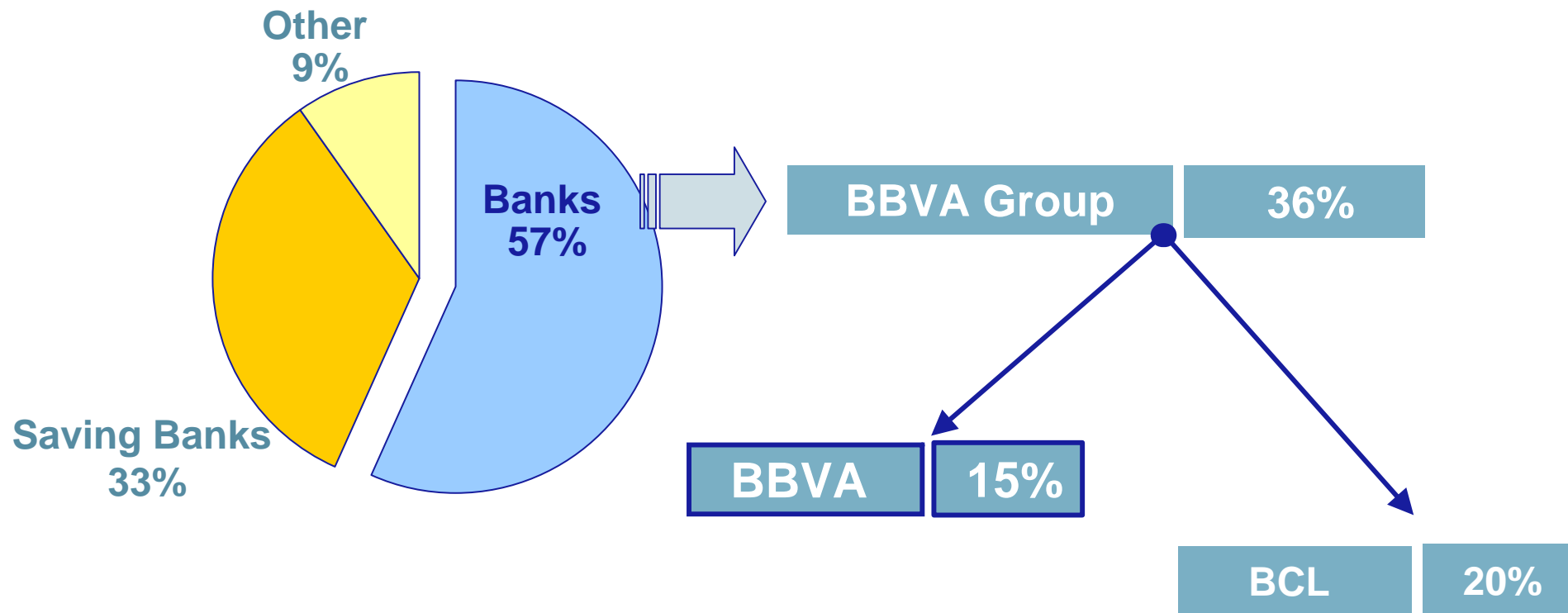
# Corporate and Business Banking Division : leading position in customer relationship

**BBVA**



# BBVA the leading Spanish player in Public Sector business

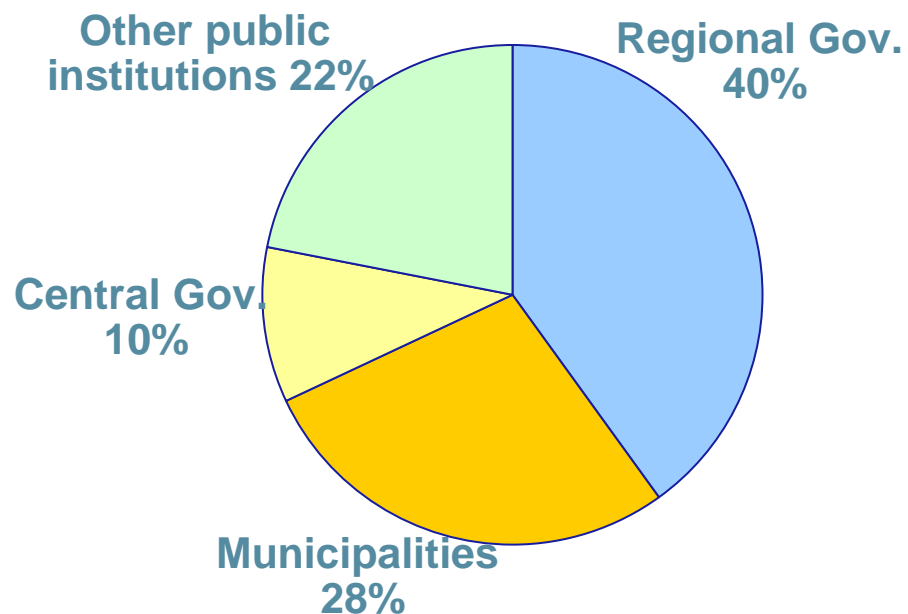
Public Sector loans market share (%)



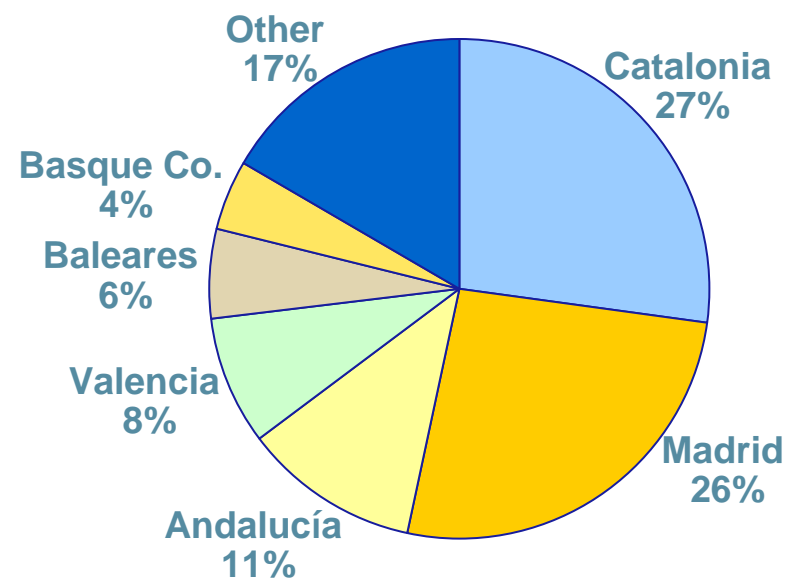
# A diversified portfolio

## BBVA Public Sector business Loan structure (%)

By type of borrower (%)

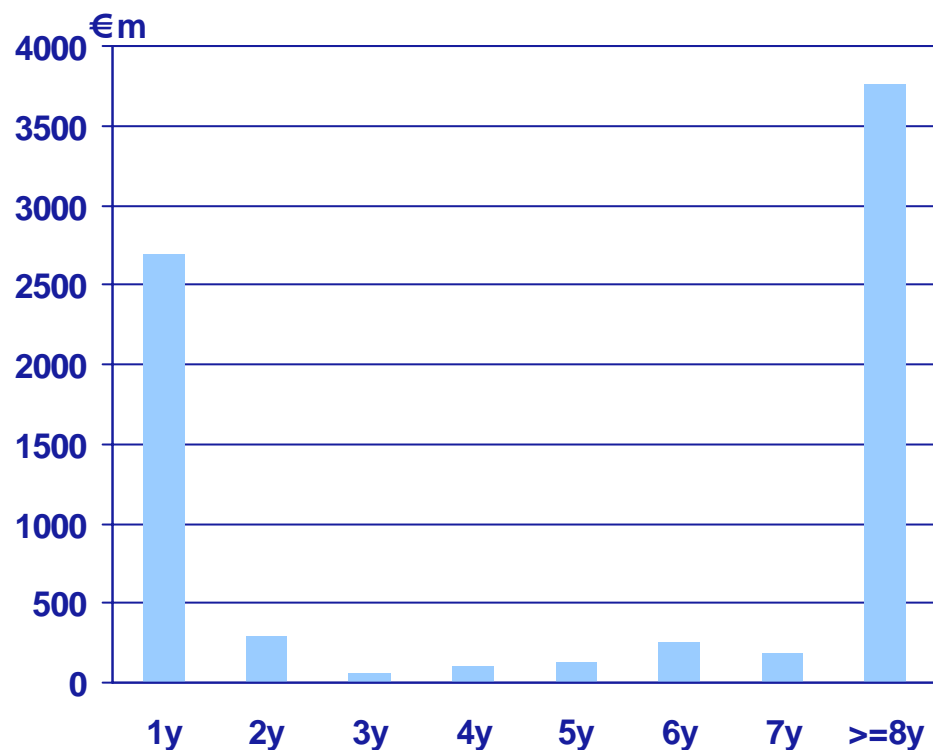


By region (%)



# Maturity of the portfolio and asset quality

## Maturity profile

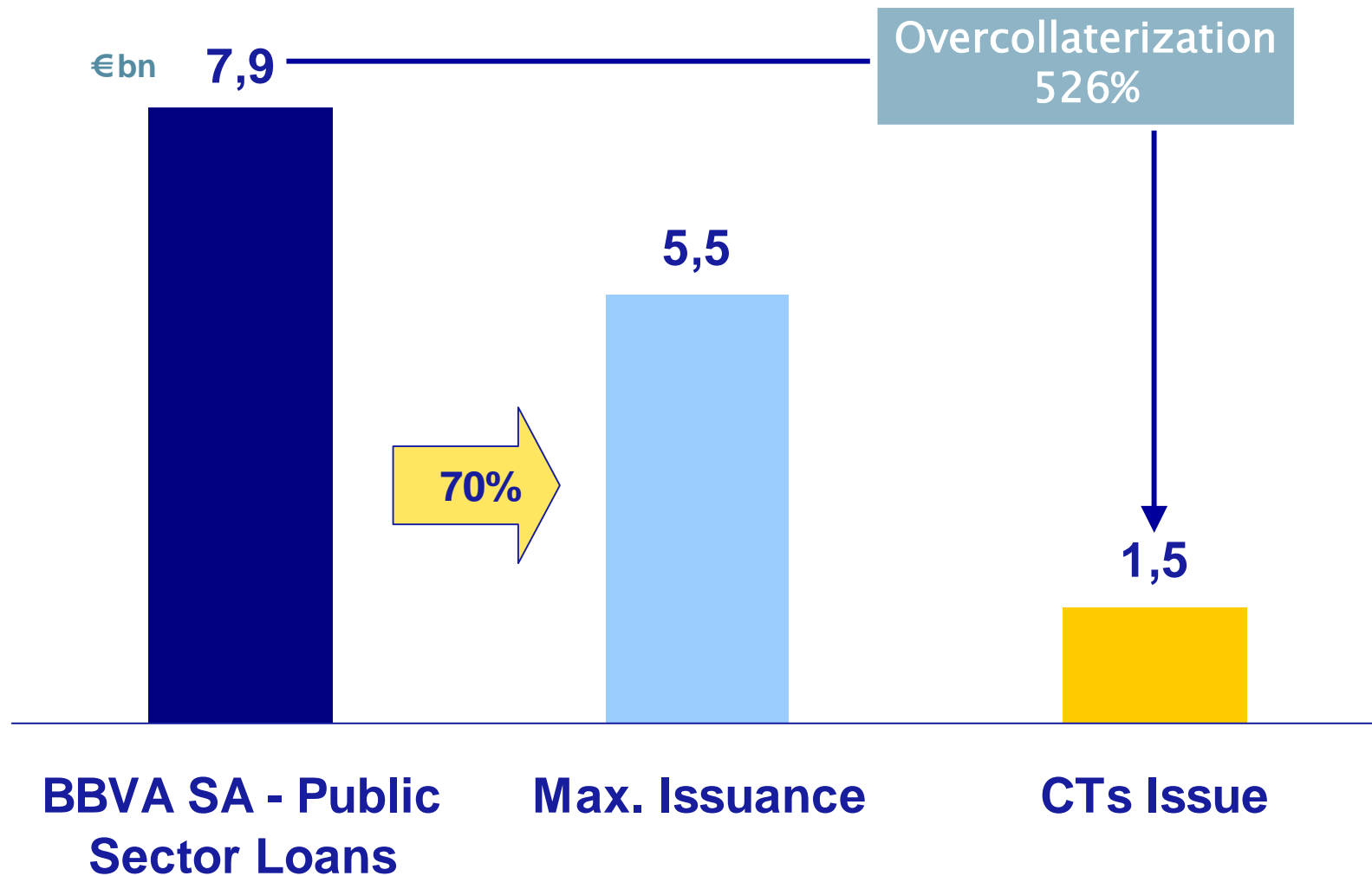


Average maturity (years)	7
NPL ratio	0.10%
NPLs Coverage(*)	400%

(\*) Total provisions over non-performing loans

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

# A very strong overcollateralization



# Conclusions

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



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BBVA Public Sector business

***“Cedulas Territoriales”***

# Overview of the Cédulas Territoriales (CTs)

- 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).

# New Insolvency Law 22/2003 (I)

- 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**

# Deal summary

- **Issuer:** BBVA S.A.
- **Issuer's rating:** Aa2 (Moody's) / AA- (S&P) / AA- (Fitch)
- **Rating of the notes:** Aaa (Moody's)
- **Amount:** Euro 1,500 mill
- **Status of the Notes :** Cédulas Territoriales. Covered bonds backed by the BBVA's Public Sector loan book.
- **Tenor:** 5 years
- **Structure:** fixed rate annual yield ACT/ACT
- **Lead managers:** BBVA Capital Markets, BNPP, SocGen, UBS
- **Documentation & Listing:** Domestic (CNMV), AIAF

# **BBVA Cédulas Territoriales: Strengths**

- 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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