

# **BBVA and CITIC Group step up their strategic alliance**



**June 11th, 2008**

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# A partnership that began in November 2006

**BBVA**

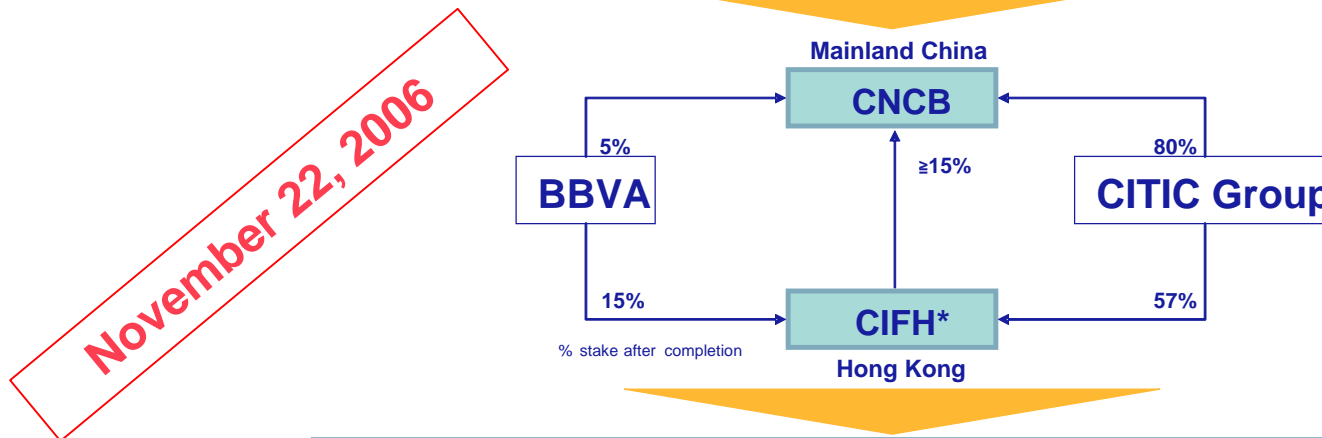


中信國際金融控股有限公司  
CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED

**An important milestone in building  
BBVA's strategy**

**BBVA**

Exclusive partnership in commercial banking and global markets across Asia  
with a leading Chinese conglomerate through an innovative structure



- ✓ Simultaneous entrance in the China Mainland and Hong Kong banking markets
- ✓ BBVA as the strategic foreign investor in CNCB and CIFH
- ✓ Master cooperation agreements in key areas

• Approximately 28% will in public float based on completion of CIFH      S stake acquisition in CNCB and assuming 3% RMB/HK\$ exchange rate appreciation

## Highlights I

- BBVA will consolidate both in China and in Hong Kong a unique role as strategic partner of CITIC Group, one of the leading industrial groups in China.
- BBVA to increase its stake in CNCB\* and CIFH to approximately 10% and 30 % respectively. Completion of the transactions expected by 4Q08.
- Total required funds of approximately €800 million, of which approximately €600 million are related to the capital investment, and €200 million will be used to support current and future financial needs of CIFH.

CNCB, currently booked as a financial investment, becomes a strategic investment in a core business. Subsequently, it will be consolidated by the equity method.

## Highlights II

- BBVA to increase its presence in the governing bodies of CNCB and CIFH, with up to two and three board members respectively.
- BBVA will maintain its call option to acquire an additional 5% stake in CNCB for two years from the completion of the agreement.
- The joint business opportunities announced with the alliance remain.
- The completion of the agreement is subject to regulatory approvals and successful delisting of CIFH from the Hong Kong Stock Exchange.

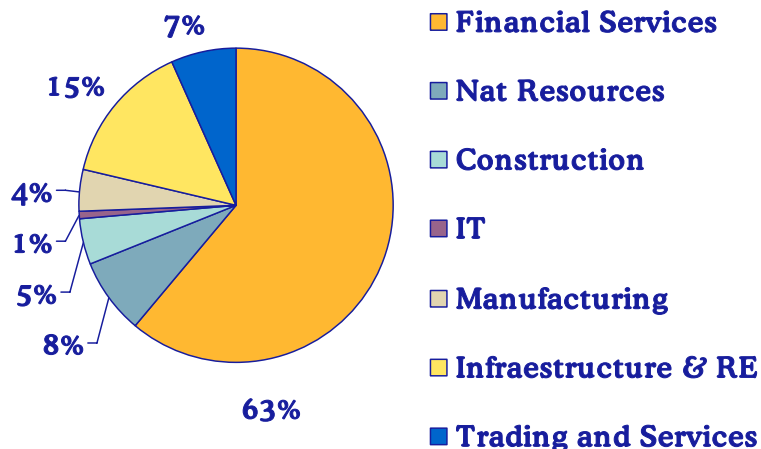
CNCB, currently booked as a financial investment, becomes a strategic investment in a core business. Subsequently, it will be consolidated by the equity method.

## One of the largest industrial conglomerates in China

- ✓ 4th largest crude oil producer.
- ✓ Largest producer of special steel and aluminum by-products.
- ✓ Among top 3 construction machinery and materials manufacturers.
- ✓ One of the largest RE developers.
- ✓ Number one air transport service provider.

## An industrial conglomerate with a strong financial group

### 2007 Operating Profit contribution by Division



#### Banking



#### Securities



#### Trust



#### Insurance



#### Asset Mgmt



#### Futures

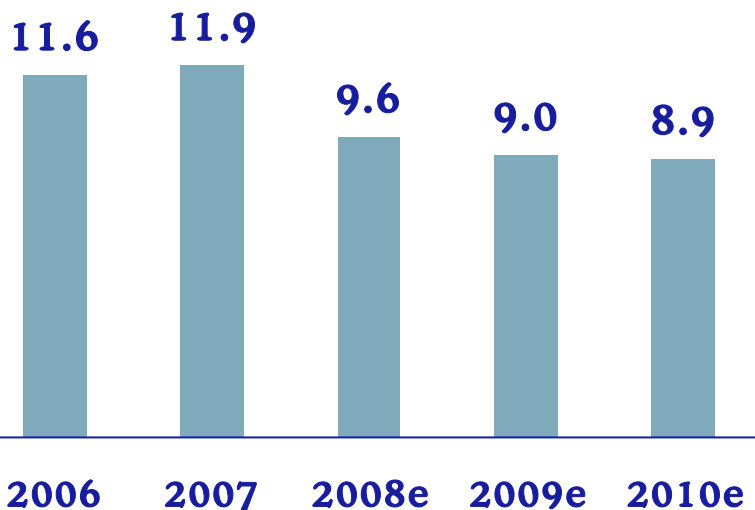


✓ BBVA's role is unparalleled among international players, being the strategic partner of two banks simultaneously in China and in HK

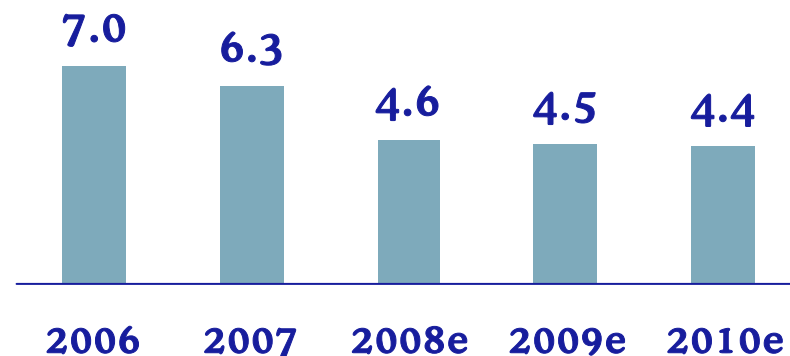
# BBVA increases its exposure to areas that offer superior growth prospects...

## GDP growth (%)

### China



### Hong Kong

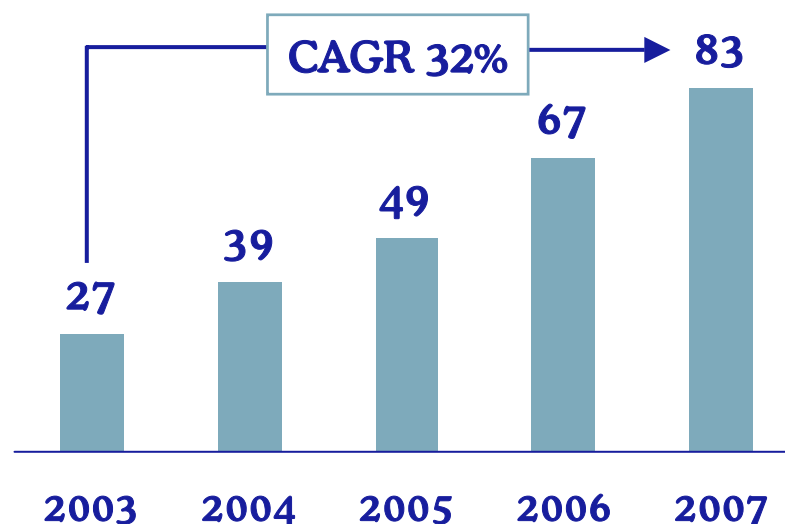


- ✓ Near 60% of HK exports are Chinese exports through HK, while HK is the largest investor in China with 38% of total FDI.
- ✓ This high potential is on the back of recent significant investments by international financial institutions (HSBC, Bank of America, ...) in Chinese banks
- ✓ Another reference of the value of having a dual presence in China and Hong Kong is the recent announcement of China Merchant Bank's intentions to enter into the Hong Kong market

... and increasingly connected to Latin America

## China – Latin America Trade

USD Billion



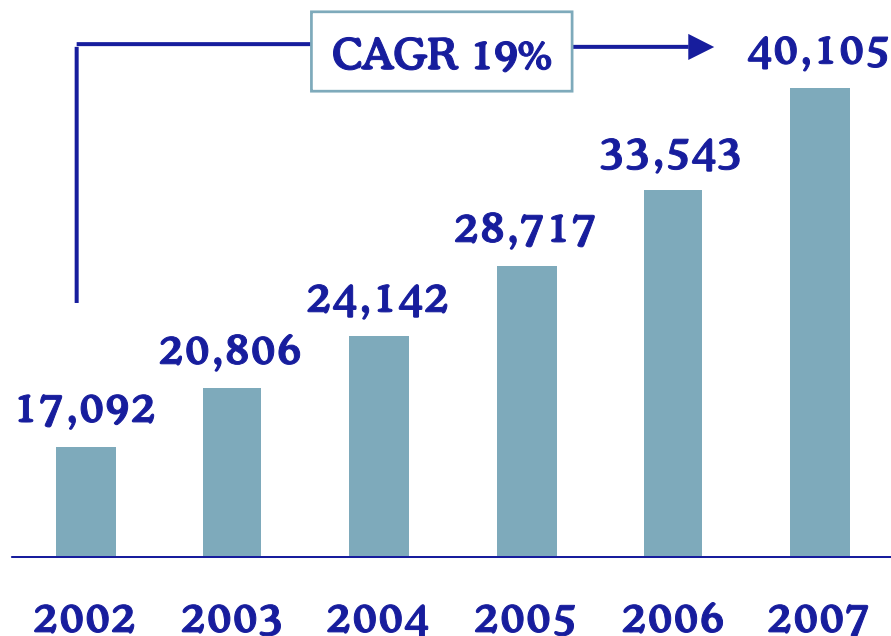
- ✓ Total trade between China and Latin America reached \$83 Bn in 2007.
- ✓ In real terms, exports from Latin America to China grew by 70% between 2006 and 2007.



# Rapid development of the Chinese banking system in the last years

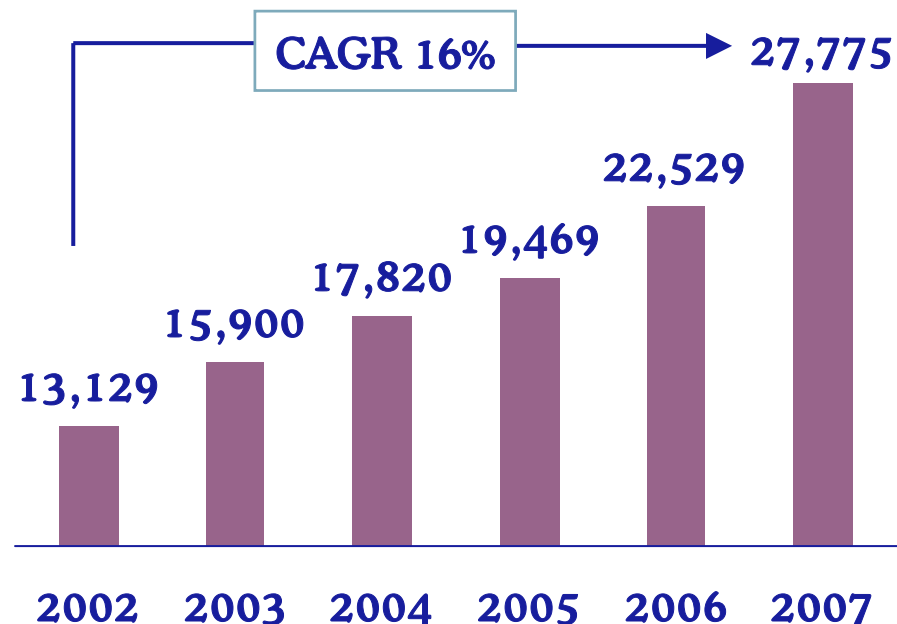
## Deposits

RMB Billion



## Loans

RMB Billion

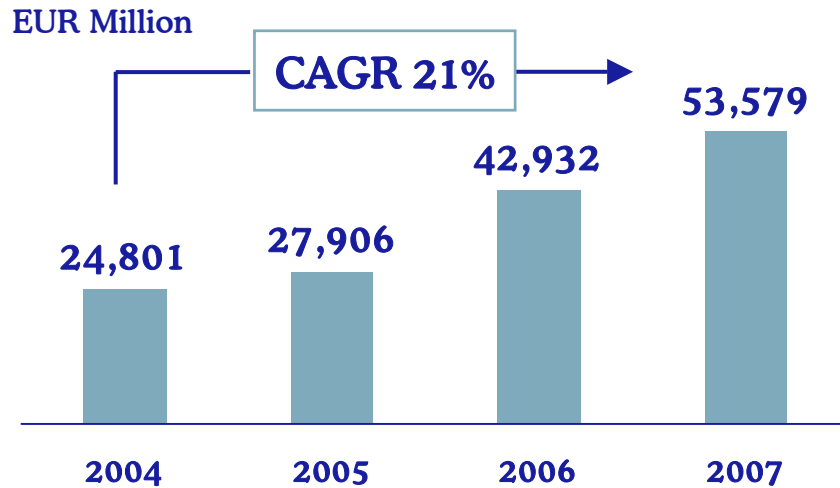


Chinese banks will continue to show strong business performance in the foreseeable future

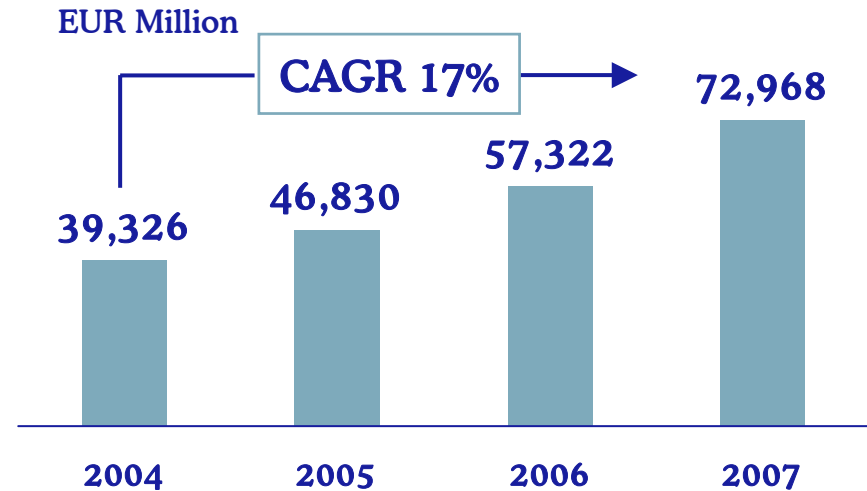
# In this context, CNCB is an outstanding performer

**BBVA**

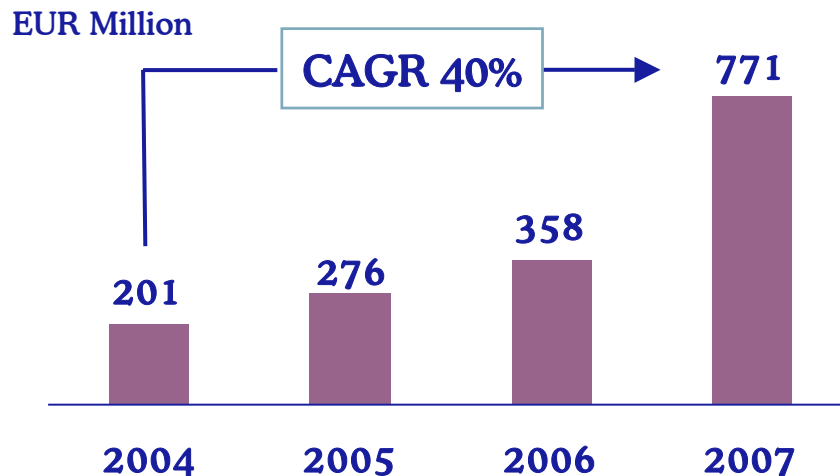
## Loans



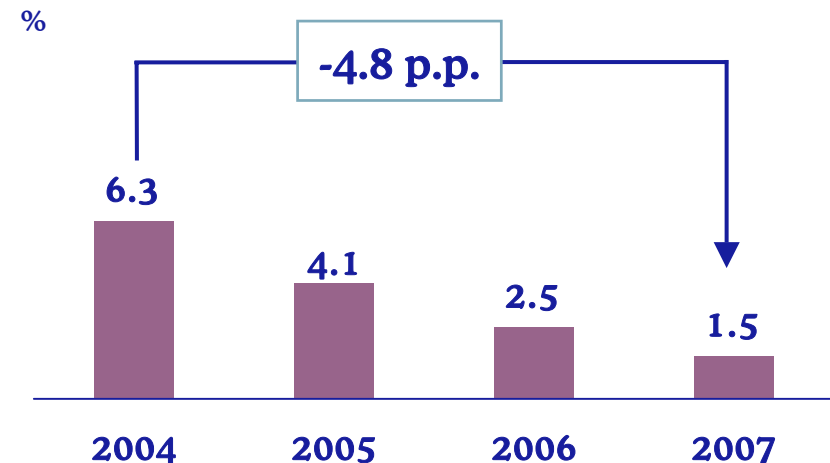
## Deposits



## Net profit evolution



## NPL ratio

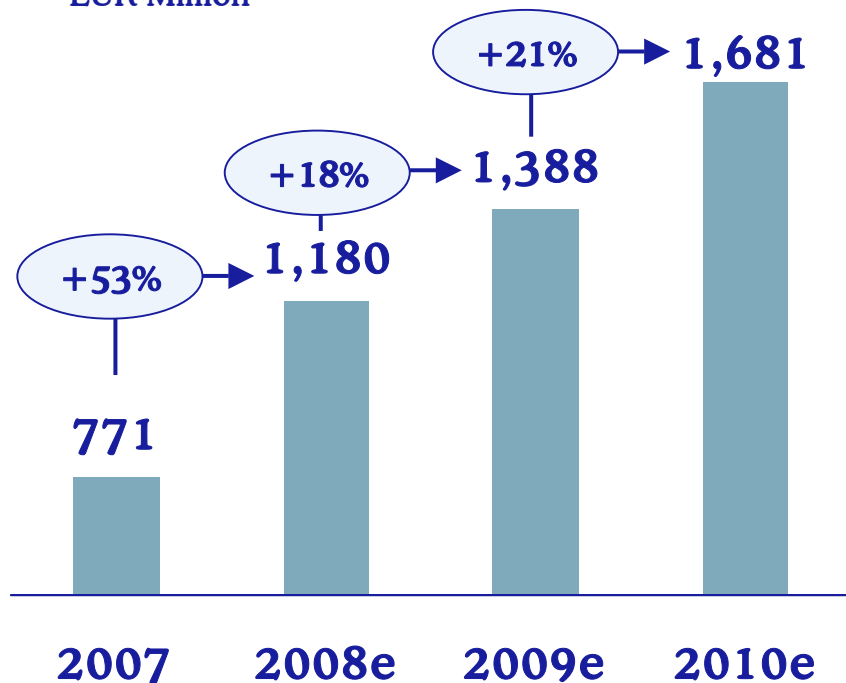


# Both CNCB and CIFH have very positive earnings prospects

## Net attributable profit consensus estimates

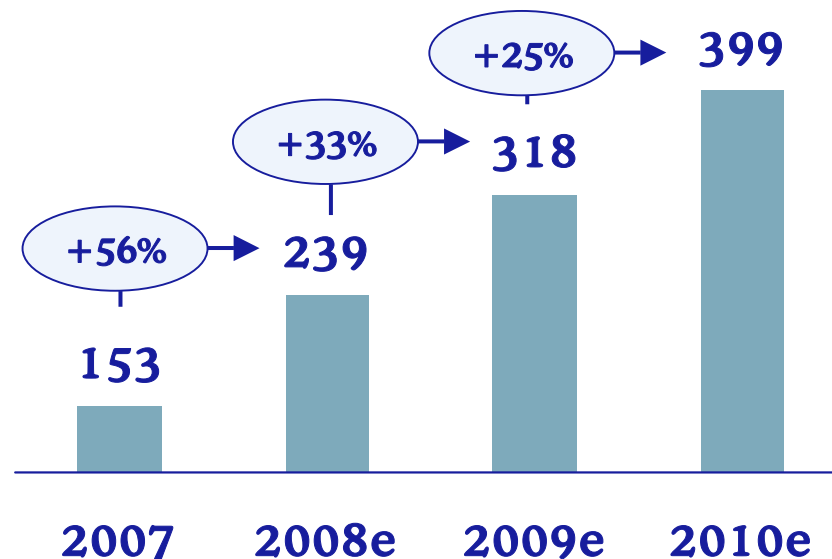
### CNCB

EUR Million



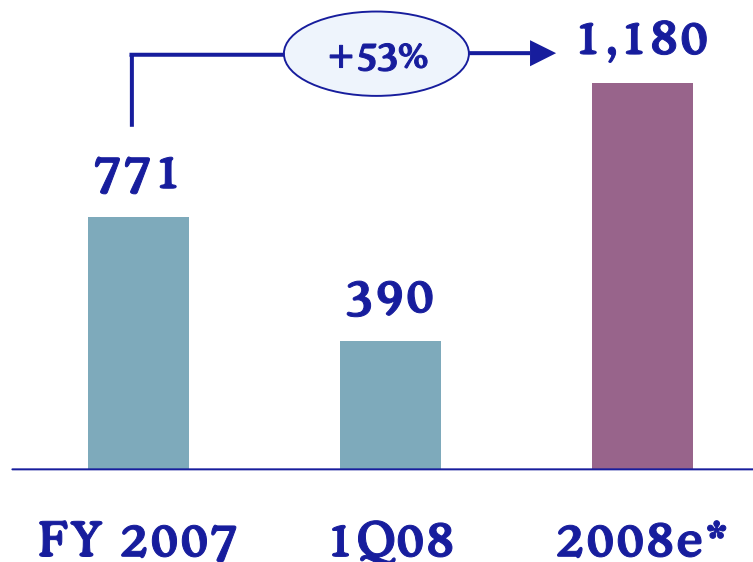
### CIFH

EUR Million



## CNCB net attributable profit

EUR Million



- ✓ 1Q08 profit more than half of full-year 2007 profit
- ✓ 1Q08 profit already more than one third of estimated full-year 2008 profit

# Summary of financial impacts to BBVA

**BBVA**

	2009E	2010E
Impact on BBVA EPS*	+1.21%	+1.73%
Phase II ROI	17.9%	22.1%

- ✓ **BBVA will fund the transaction with available resources.**
- ✓ **There is no need for specific funding plans.**
- ✓ **No additional capital required.**
- ✓ **Total impact on Tier I ratio of -31 bp, including both phase II and switching phase I to equity method.**

**BBVA, creating short term value and enhanced future potential for its shareholders**

- 1 Strengthening the strategic alliance with CITIC Group**
- 2 BBVA is able to capture superior growth opportunities in China with a limited financial investment**
- 3 EPS accretive for BBVA's shareholders from day one**
- 4 Expected return on investment well above cost of equity**

**Long term business opportunities  
with immediate earnings delivery**

# **BBVA and CITIC Group step up their strategic alliance**



**June 11th, 2008**