

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



**June 11th, 2008**

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# A partnership that began in November 2006

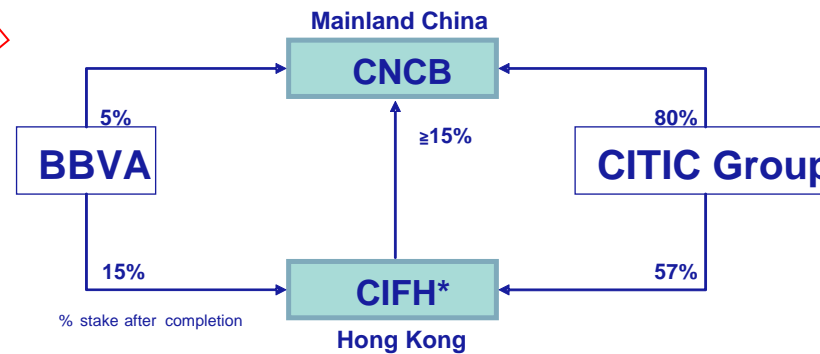


## An important milestone in building BBVA's strategy

**BBVA**

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

**November 22, 2006**



- ✓ 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\*      5 stake acquisition in CNCB and assuming 3% RMB/HK\$ exchange rate appreciation

# Today, we enter into “Phase Two”

## 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.

# Today, we enter into “Phase Two”

## 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.

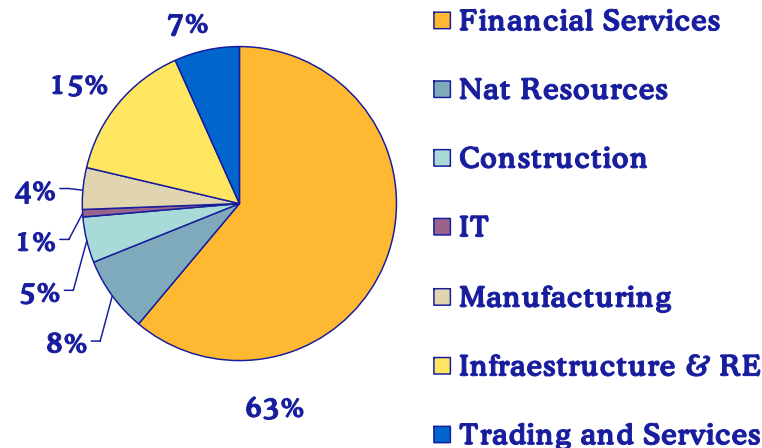
# CITIC Group, a true leader in China

## 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

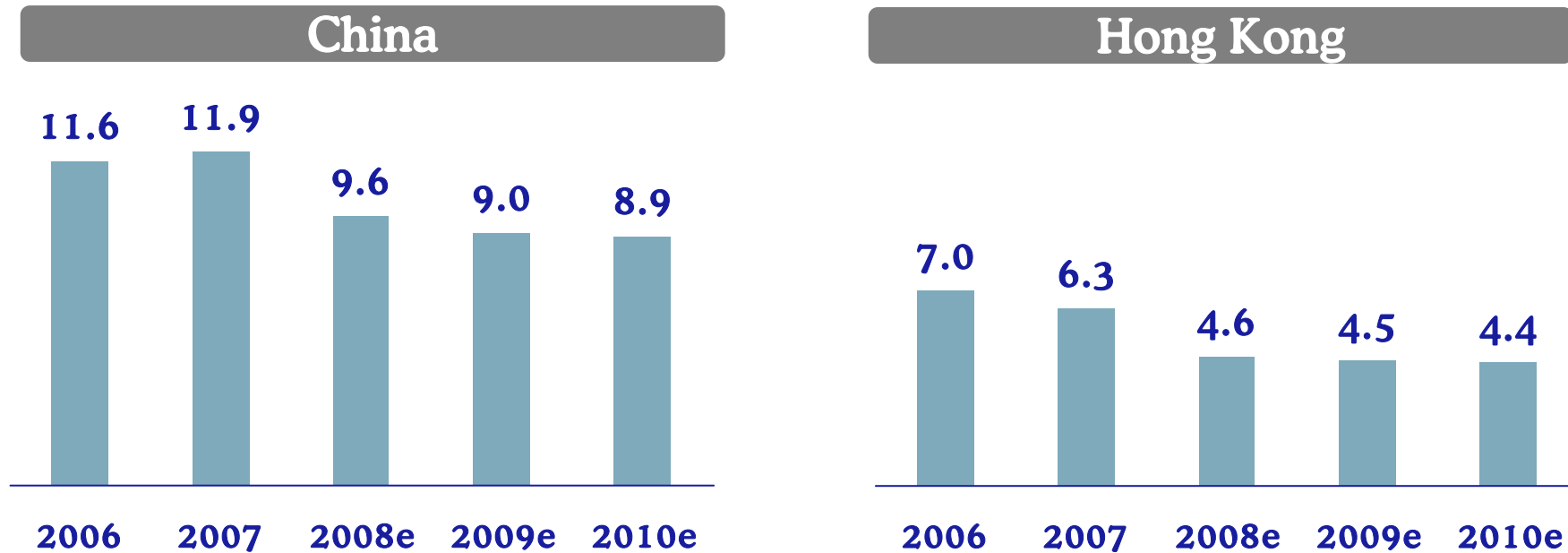


Banking	中信銀行 CHINA CITIC BANK	中信嘉華銀行 CITIC KA WAH BANK
Securities	CITIC 中信證券	
Trust	中信信託 CITIC Trust	
Insurance	信誠 人壽保險	
Asset Mgmt	中信基金 CITIC FUNDS	
Futures	中信期貨 WWW.CITICF.COM	

✓ 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...

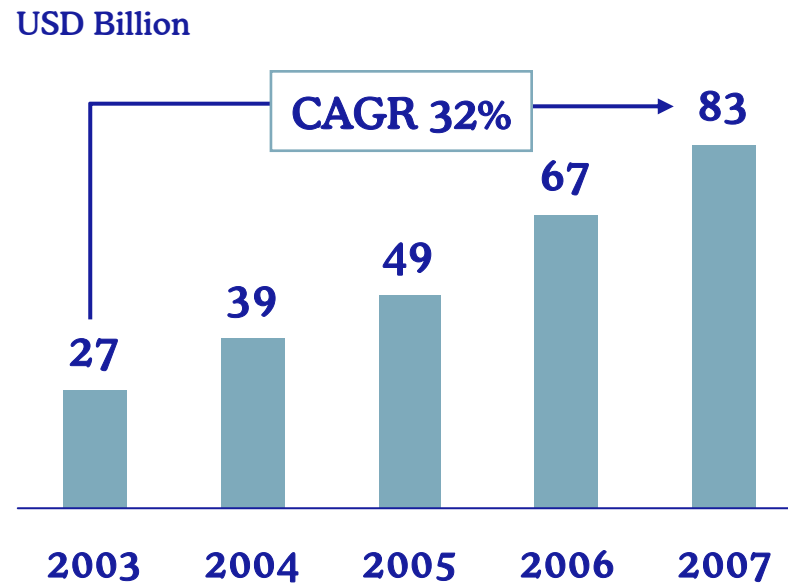
## GDP growth (%)



- ✓ 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



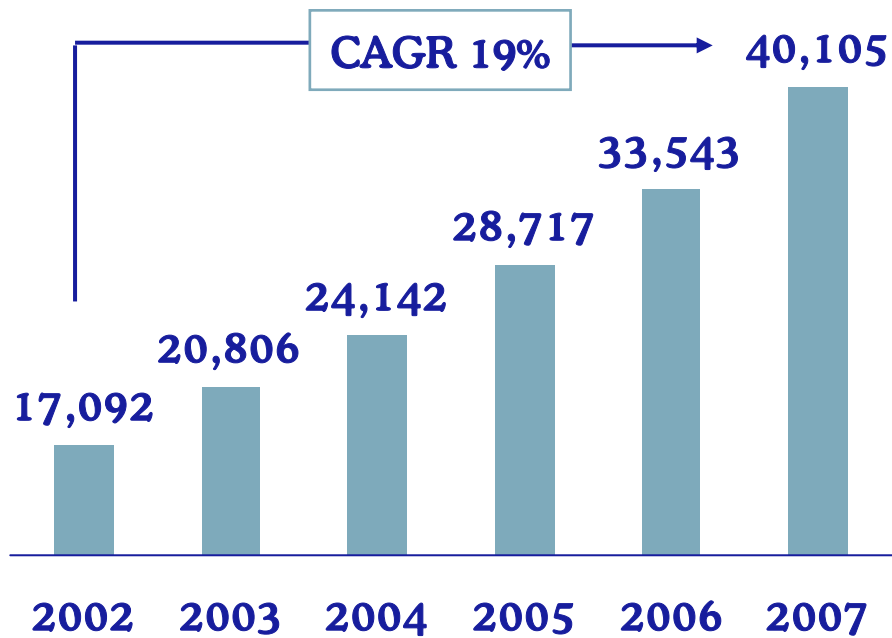
- ✓ Total trade between China and Latin America reached \$83 Bn in 2007.
- ✓ In real terms, exports from Latin America to China grew by 70% between 2006 and 2007.



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

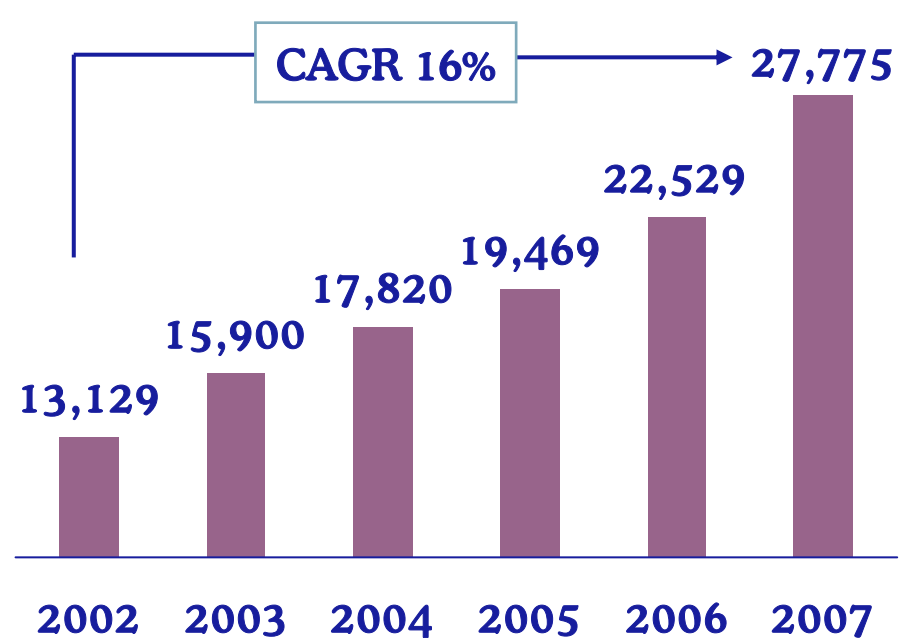
## Deposits

RMB Billion



## Loans

RMB Billion

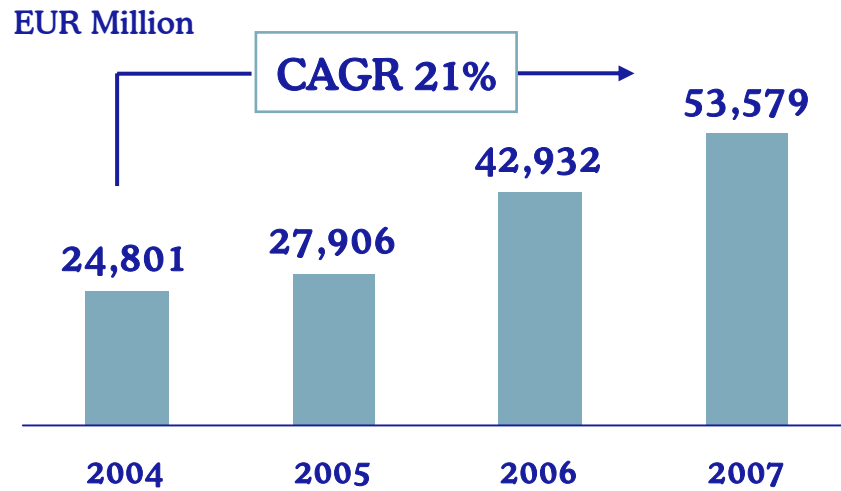


Chinese banks will continue to show strong business performance in the foreseeable future

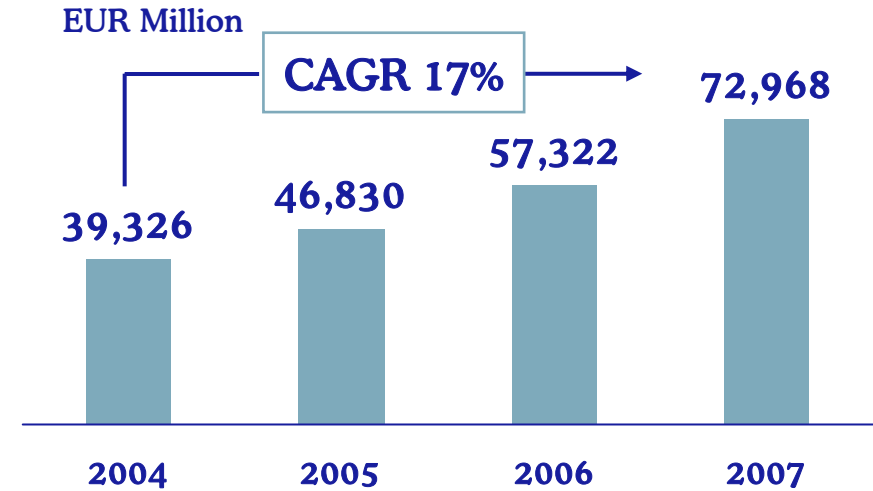
# In this context, CNCB is an outstanding performer



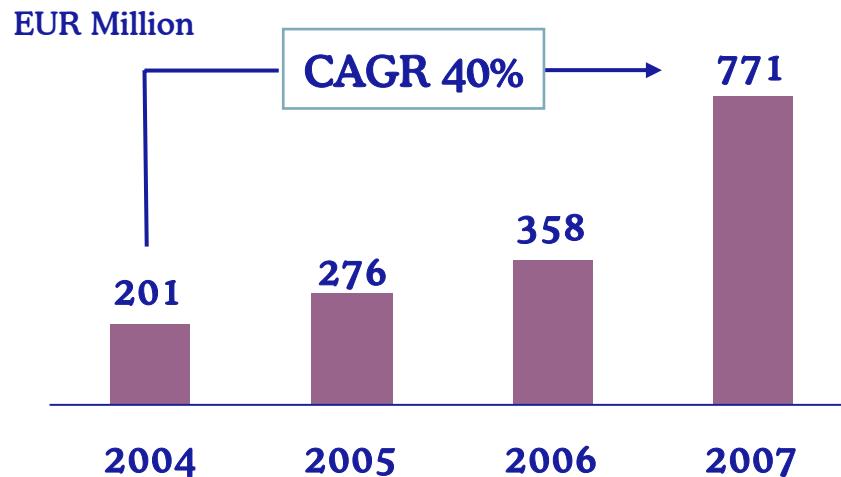
## Loans



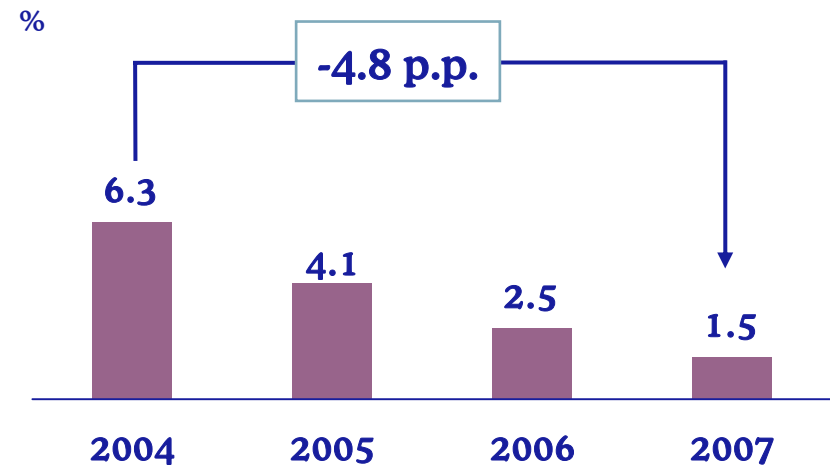
## Deposits



## Net profit evolution



## NPL ratio



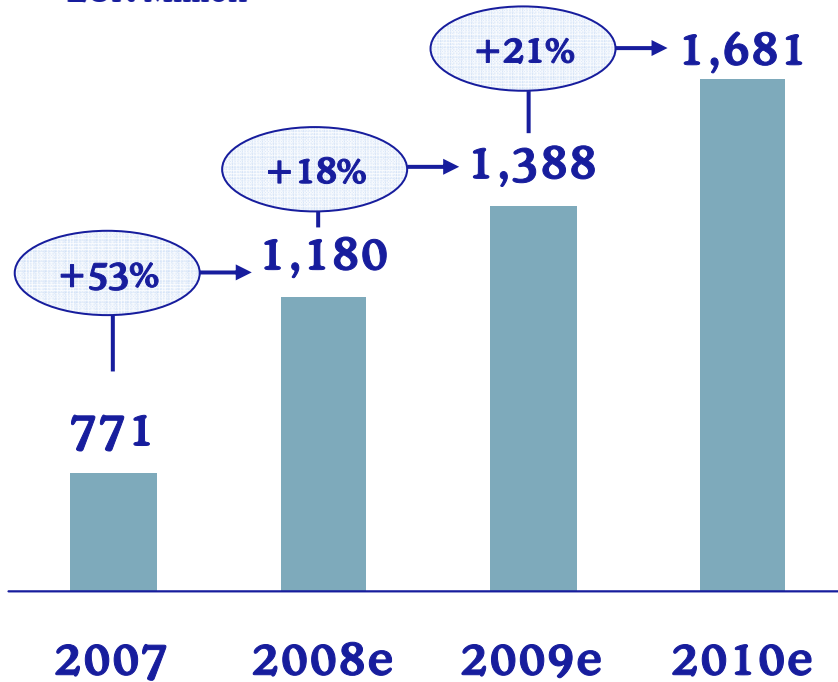
All figures for CNCB converted from Remimbis to Euros using the closing June 2nd 2008 rate of RMB/EUR = 10,788

# Both CNCB and CIFH have very positive earnings prospects

## Net attributable profit consensus estimates

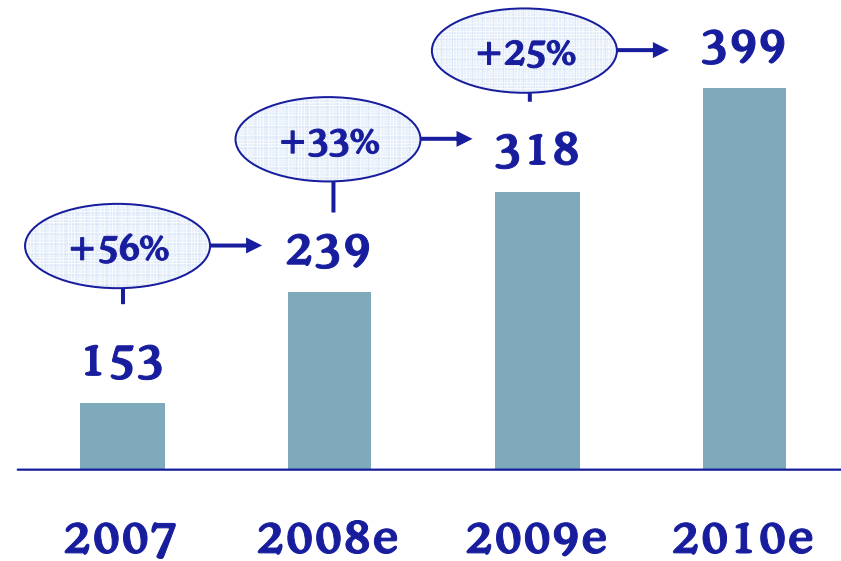
### CNCB

EUR Million



### CIFH

EUR Million

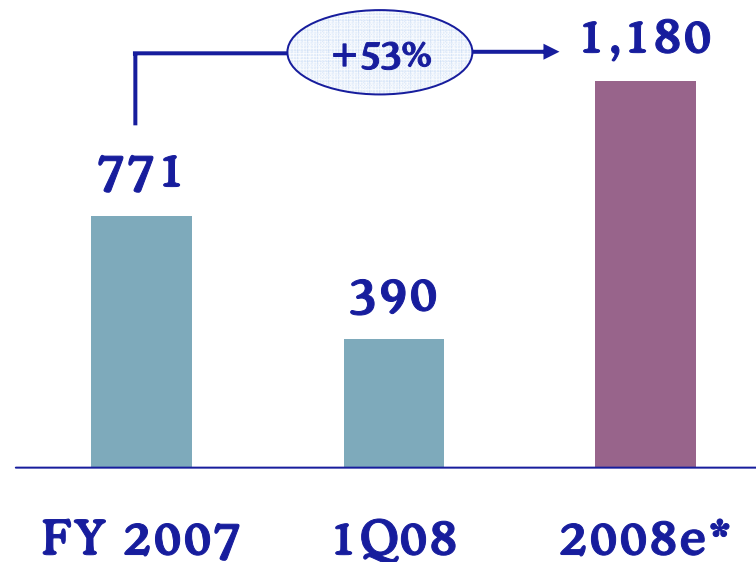


Source: IBES estimates as of May 2008

# With an outstanding start of the year 2008

## 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

\*Source: IBES estimates as of May 2008

# Summary of financial impacts to BBVA

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

- ✓ **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.**

\*Internal estimates based on IBES estimates as of May 2008

**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**

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