

Puerto Rico Commercial Lending Transformation & Opportunities

Puerto Rico Credit Conference - May 2012

Agenda

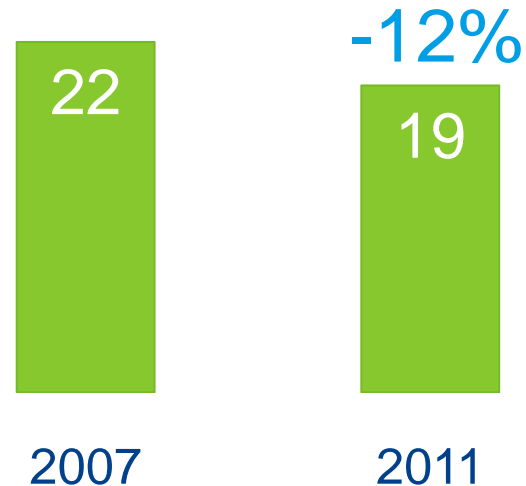
- Impact of the Recession
- Pillars of Stability
- Opportunity Sectors
- Emerging Sectors
- BBVA's Performance

Construction & Commercial lending has been hit hard by the recession.....

PR Const. & Commercial Loans*
Billions USD



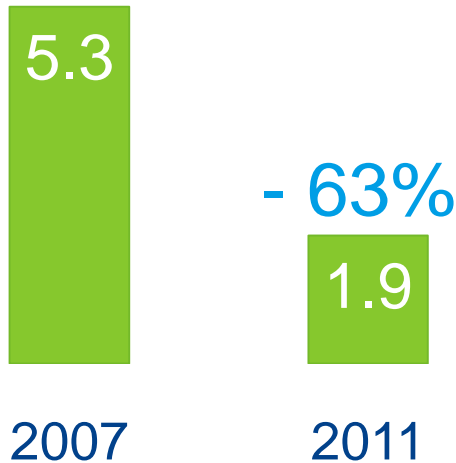
PR Consumer/Mort. Loans*
Billions USD



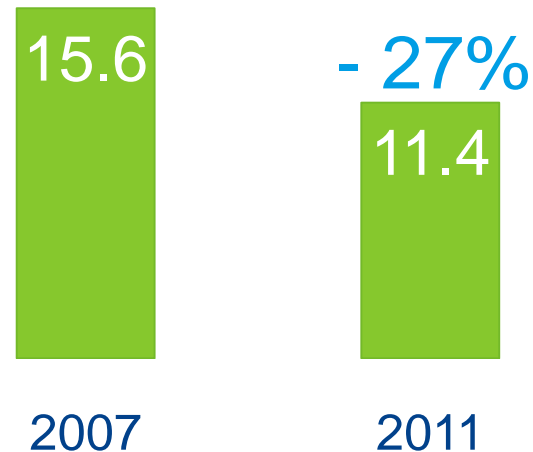
Construction and CRE lending were a significant component of Non Consumer lending

New construction lending is very limited.

PR Construction Loans*
Billions USD



PR Commercial & Ind. Loans*
Billions USD



... and CRE lending is selective. This trend will not change in the near term.

* PR Commissioner of Financial Institutions

As the recession finally subsides, Commercial & Institutional lending will be called on to fill the real estate void.....

New Home Sales*

+9.2%

% GNP Growth



% Cement Sales Growth F2012

+5.3%

... But, are there opportunities to grow?

Pilars of Stability

Government



Distribution



Higher Education



Government & Public Corporations



Positive Steps toward Fiscal Stabilization

Good Access to Capital Markets

Increased Fiscal Oversight

Strong credit structures

Essential Services

Distribution



Excellent Group of mature local companies

State of the Art Infrastructure and Technology

Logistics and Brand Management Know-how

Professionalized Management

Important legal protection: Law 75

Higher Education



24 Private 4 yr Institutions

9 Private 2 yr Institutions & Tech. Schools

250,192 Higher Ed Students with 35% growth since 2000 and 58% since 1990

Increasing prestige & Research Grants

Over 70% of students receive Pell Grants

Sectors of Opportunity

Hospitality



Infrastructure & Energy



Food & Beverage



Hospitality



Since 2009, 5 new hotels: \$ 754 MM in Investment & \$469 MM in financing

6 projects in pipeline for an investment of \$806MM & \$455 MM in financing

1,587 additional rooms

Total Hotel Registrations have increased 4.0% and 6.8% for 2010 & 2011 respectively

Government support: TDF Guarantee

Infrastructure & Energy



World class P3 framework

Successful PR22/5 & School Concessions. Airport & Juvenile Facility in progress

Strong future pipeline: \$2 Bn

Renewable Energy Projects:

- 18 Solar (477 MW)
- 10 Wind (385 MW)
- 7 LFG (15 MW)
- 6 Waste (121 MW)

LNG: Plants, Re-gas Facility & Pipeline

Food & Beverage



Tax Law strongly favors local manufacturing of alcoholic beverages

Locally made Beer & Wine with significant participation

Several new projects in construction & others in planning stage

Significant opportunities in other beverage segments: Water, Energy & Sports Drinks

Emerging Sectors

Export Services



Technology



Export Services



Act 20 of 2012 – Incentives Export Services

Benefits:

- 4% Corporate Tax Rate
- 100% Exemptions of Dividends
- 20yr Tax Decree
- 0% Federal Taxes

Excellent Opportunity to attract:

- Asset Management
- Corporate Back Office
- Legal, Tax, & Accounting
- Call Centers

Technology



UPR School of Engineering is World Class

Over 40yrs of Fortune 100 Operations

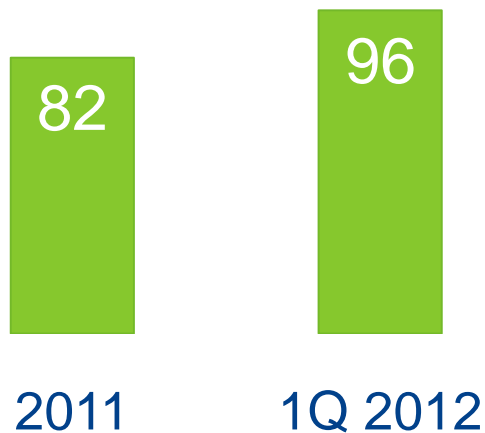
- Pharma
- IT
- Medical Devices

Several generations of seasoned technological professionals

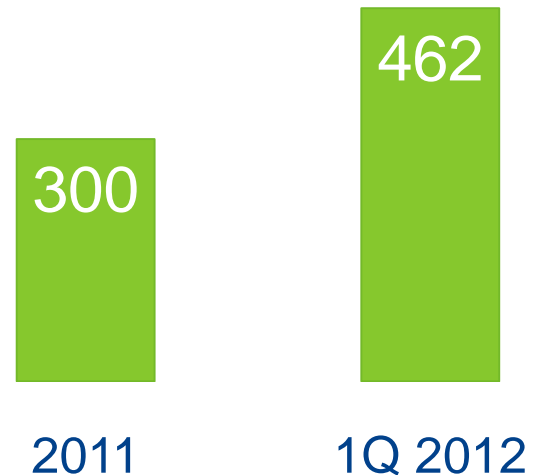
Cluster of fast growing tech companies

BBVA Loan Production

**% Growth Total Loan
Production**



**% Growth C & I Loan
Production**



While growth in loan production has been strong across all LOB's, C & I growth has been exceptional

BBVA C & I Loan Balances

Growth 2011

+21%

Growth 1Q 2012

+27%

Growth in production is translating into strong growth in portfolio balances

Conclusions

Recession driven reduction in Non Consumer Lending

Sharp reduction in construction & CRE lending

Stable Core of Commercial & Institutional sectors

Opportunity Sectors with significant new activity

Emerging Sectors with a bright outlook