

# Puerto Rico Commercial Lending Transformation & Opportunities

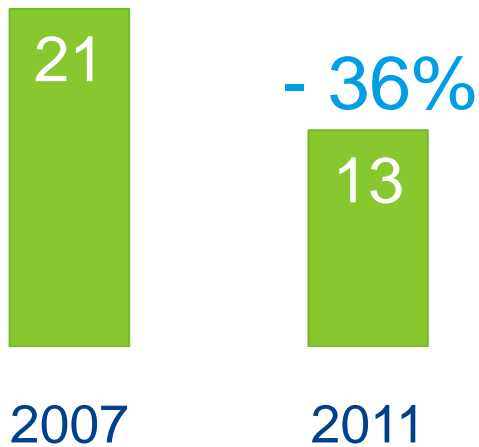
Puerto Rico Credit Conference - May 2012

# Agenda

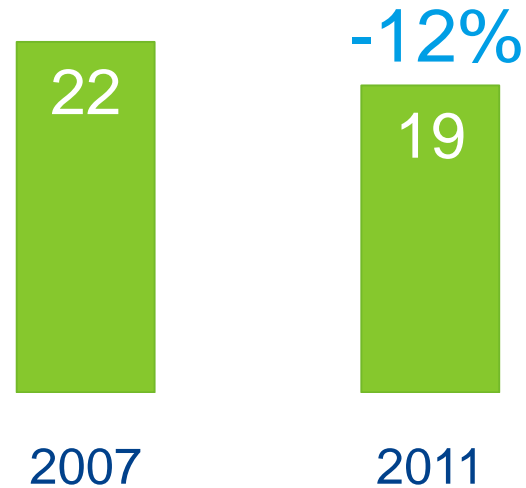
- Impact of the Recession
- Pillars of Stability
- Opportunity Sectors
- Emerging Sectors
- BBVA's Performance

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

**PR Const. & Commercial Loans\***  
**Billions USD**



**PR Consumer/Mort. Loans\***  
**Billions USD**

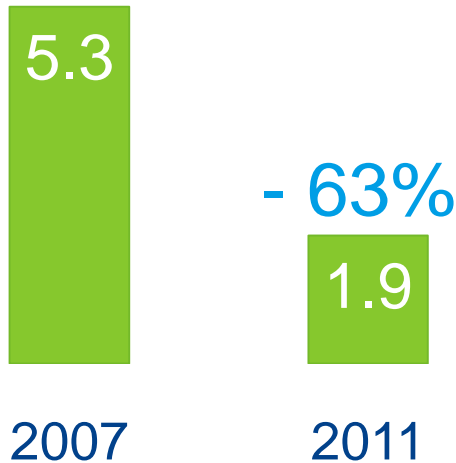


Construction and CRE lending were a significant component of Non Consumer lending

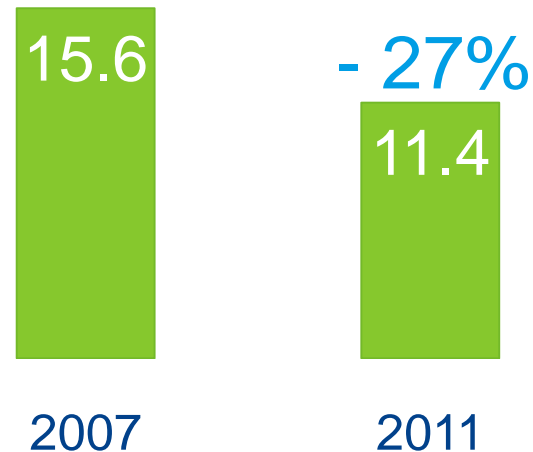
\* PR Commissioner of Financial Institutions

# 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

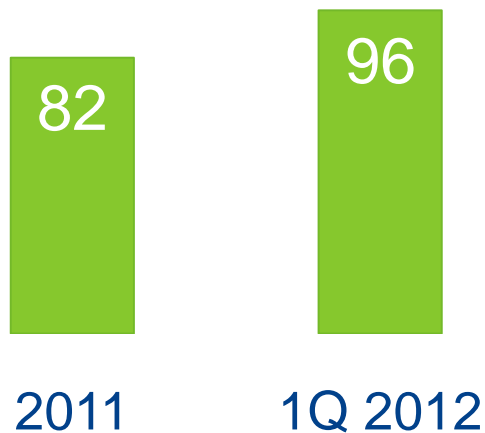
Several generations of seasoned technological professionals

Cluster of fast growing tech companies

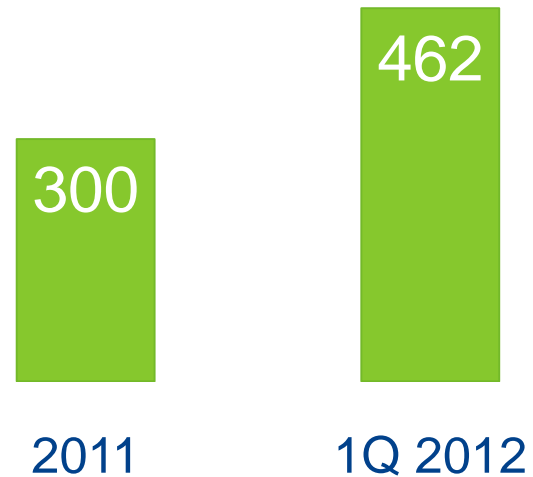


# BBVA Loan Production

**% 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