

## Results for second quarter of 2010

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Chief Operating Officer – BBVA Group

Madrid, 28th July 2010

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**BBVA** **During a quarter in which the financial sector was characterised by ...**

**Impairment of sovereign risk**

**Rating downgrades of governments and financial entities**

**Tighter capital markets**

**A decline in revenues from wholesale business**

**Lower margins in retail banking**

**Impairment of asset quality**



# BBVA ... the BBVA Group continued to demonstrate its strength, quarter by quarter ...

**A**

**Earnings**

1. Excellent quarterly revenues
2. Stronger provisions

**B**

**Risk**

3. Superior performance in NPAs
4. Increased coverage

**C**

**Capital adequacy**

5. Confirmation of AA rating by S&P
6. *Stress test*: one of the most resilient entities in Europe

**D**

**Finance /  
Liquidity**

7. The short-, mid- and long-term markets are open for BBVA
8. Improvements in the balance sheet

# ... in all business areas

## Spain & Portugal

- Growth of customer funds on the balance sheet and market-share gains in lending
- Superior and sustained performance of net interest income
- Superior performance in NPAs

## Mexico

- Business recovery and gains in market share
- Upward quarter-on-quarter trend in gross and operating income
- Improvement in cost of risk and NPAs

## South America

- Lending up strongly
- Margins growing steadily

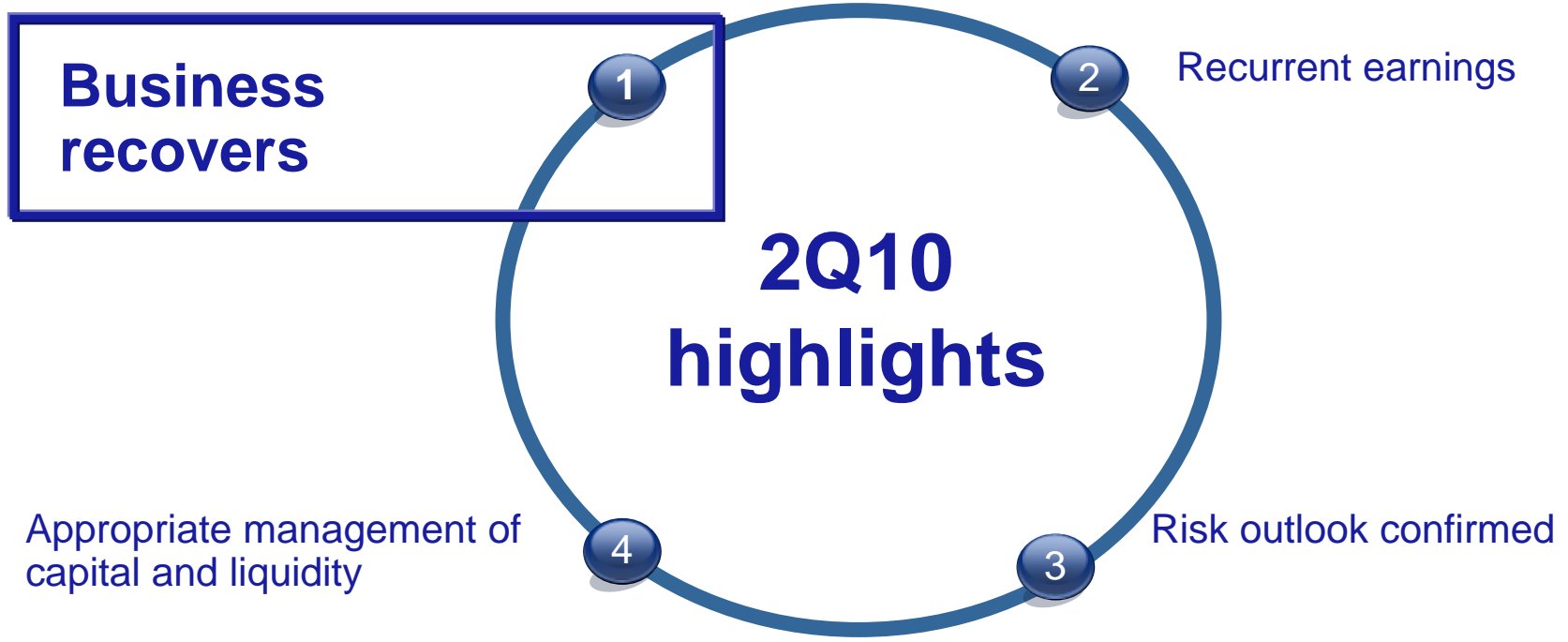
## United States

- Good operating income
- NPAs improving

## Wholesale Banking & Asset Management

- Quality of revenues
- Excellent performance by C&IB despite complex quarter in markets

# 2Q10: a highly positive quarter

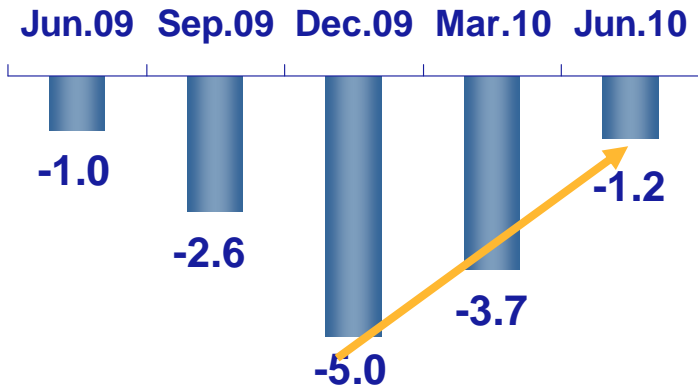


**and good news from all our franchises**

# 1. Lending recovers ...

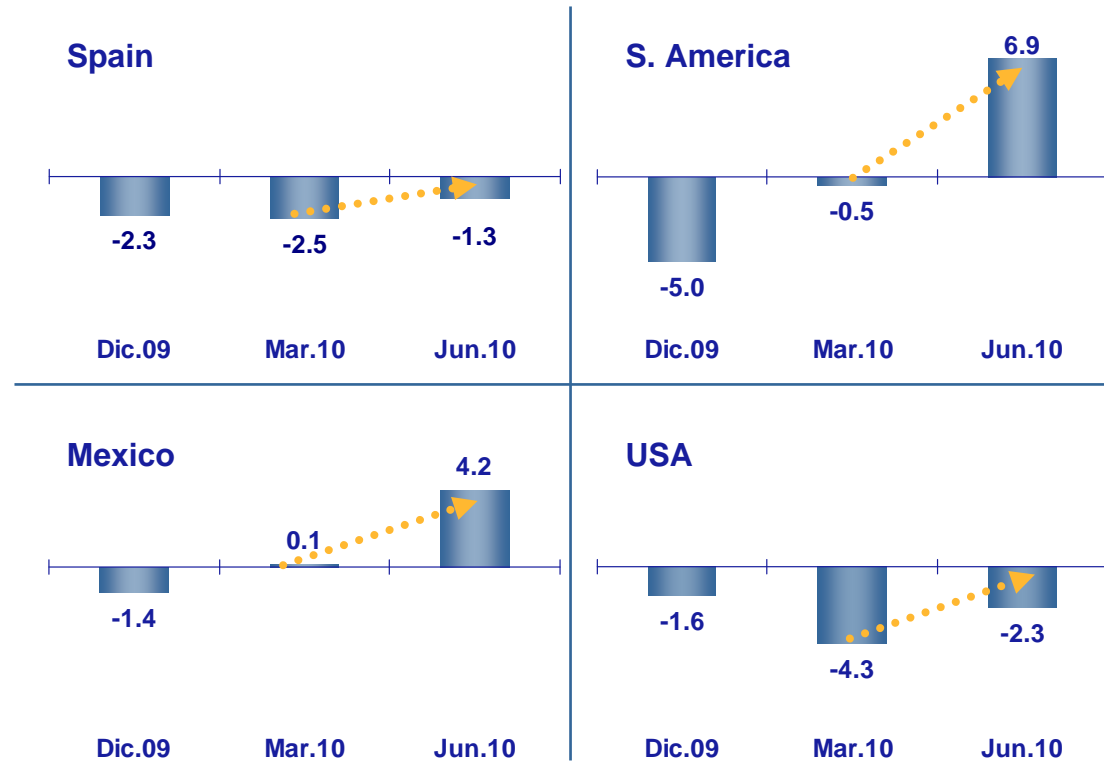
## Lending

BBVA Group  
y-o-y change  
Average balances  
(%)



## Lending

Spain, Mexico, South America and USA  
y-o-y change  
Average balances  
(%)



Lending is moving closer to overall annual growth

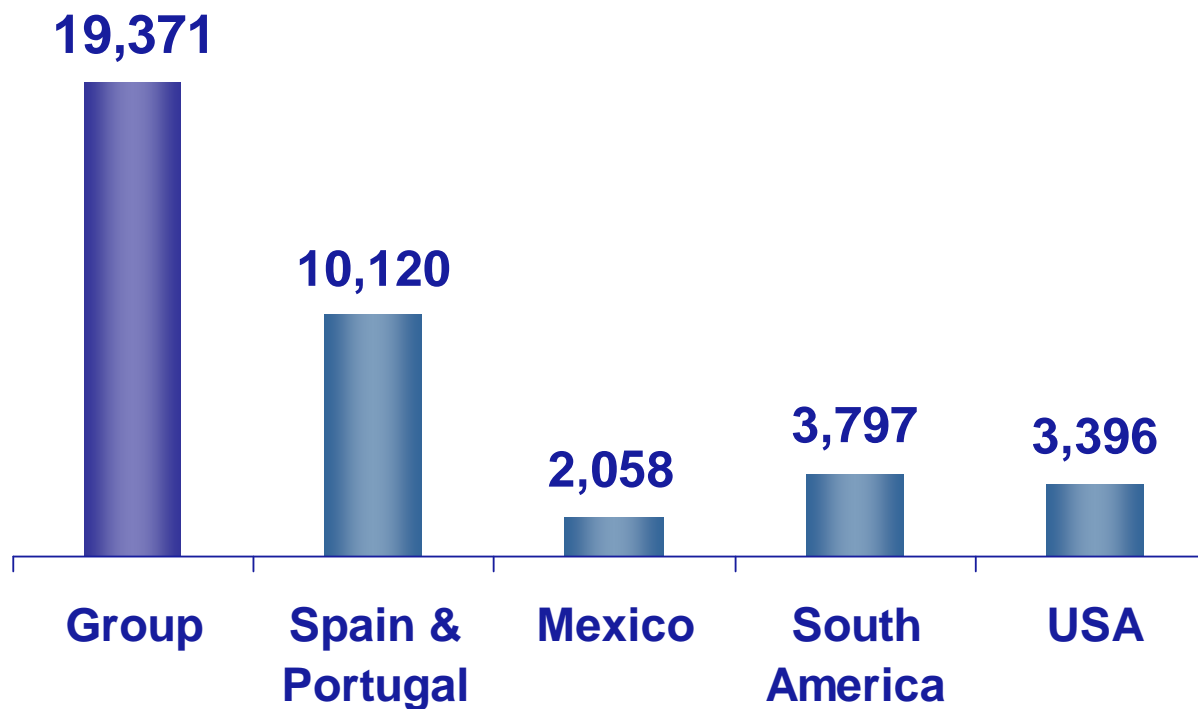
**Retail customer deposits**

BBVA Group

qtr-on-qtr variation 2Q10 / 1Q10

Final balances

(€m)





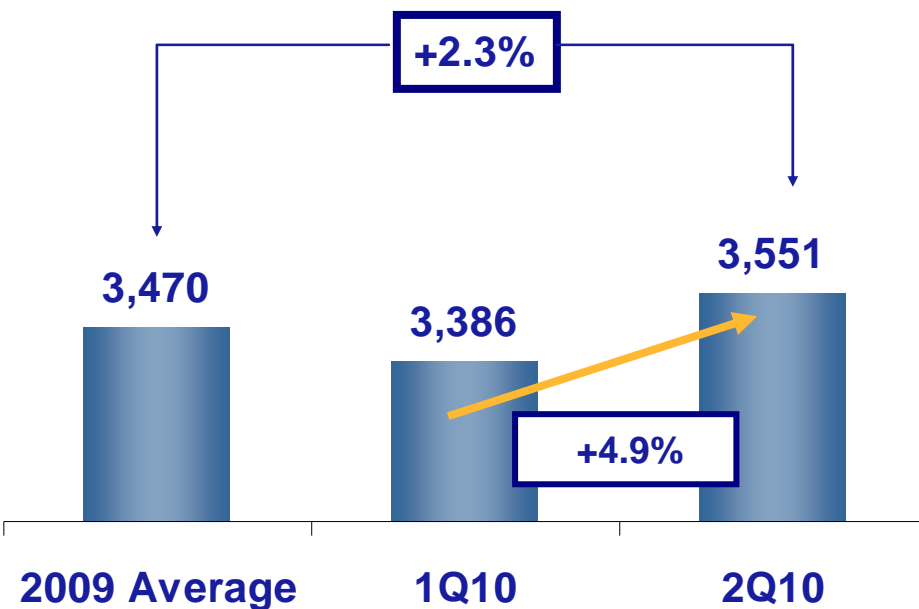
# 2Q10: a highly positive quarter



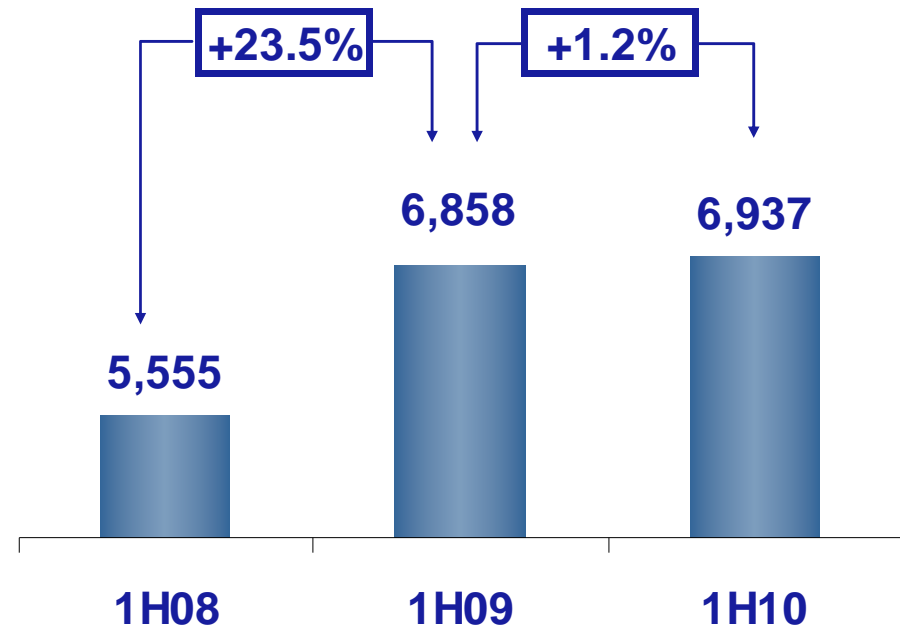
**and good news from all our franchises**

# Yet another quarter of strongly recurrent net interest income ...

**Net interest income**  
BBVA Group  
Quarter-by-quarter  
(€m)

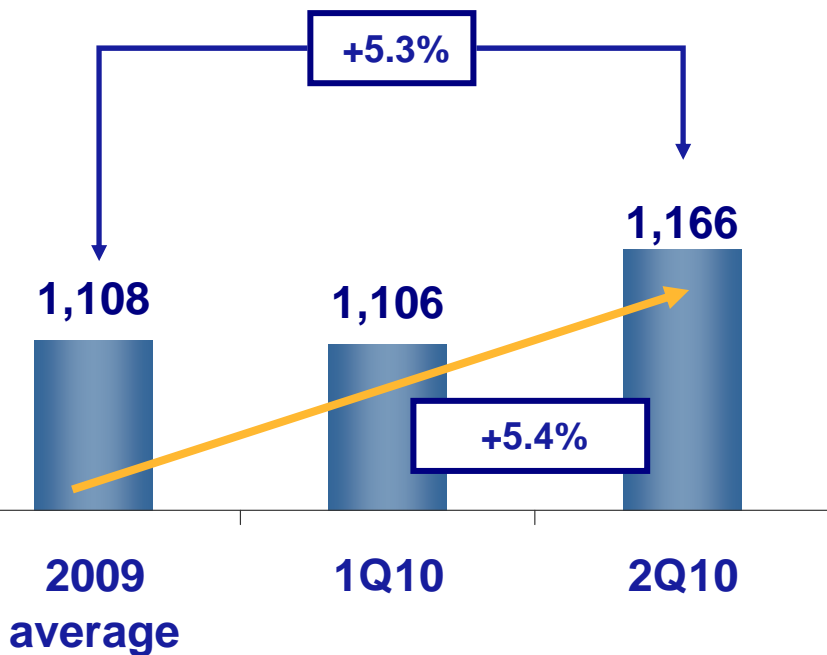


**Net interest income**  
BBVA Group  
Half year  
(€m)

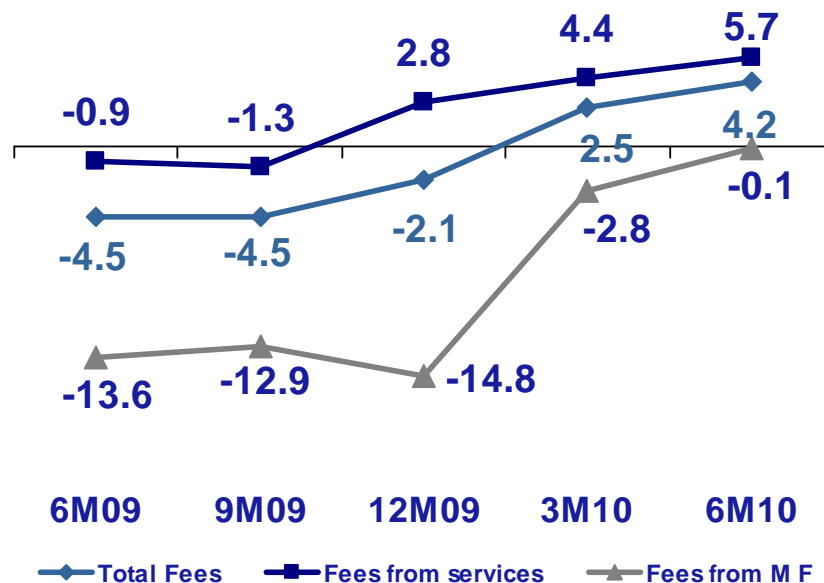


# ... and confirmation that fee income is recovering

Fee income  
BBVA Group  
Quarter-by-quarter  
(€m)

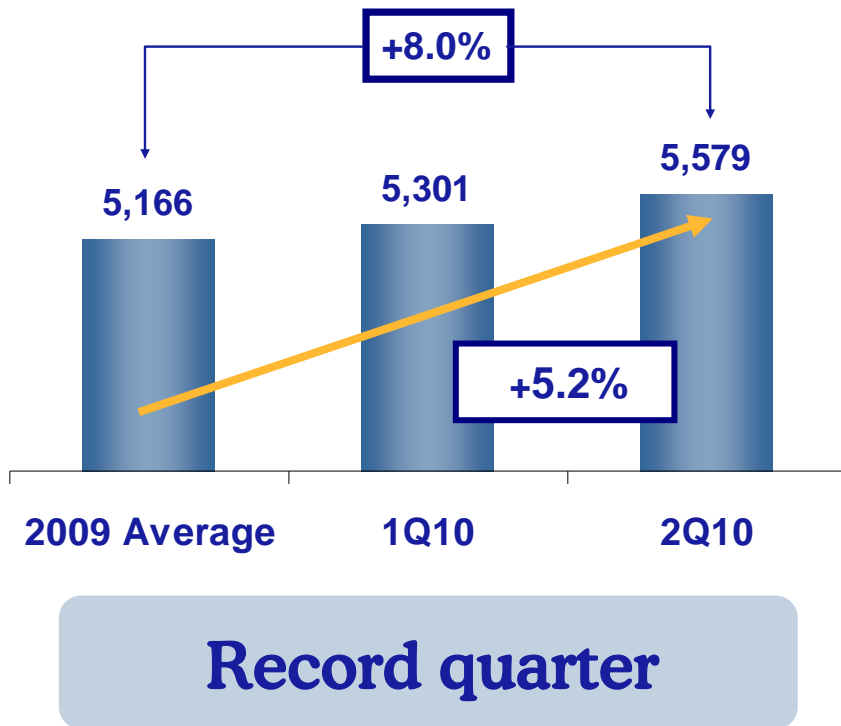


Fee income  
BBVA Group  
y-o-y change  
(%)



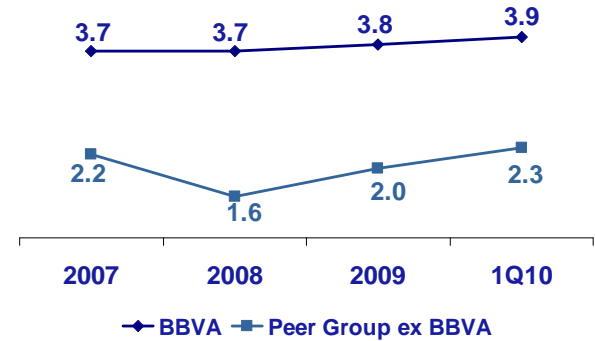
# Recurrent gross income of high quality ...

**Gross income**  
BBVA Group  
Quarter-by-quarter  
(€m)



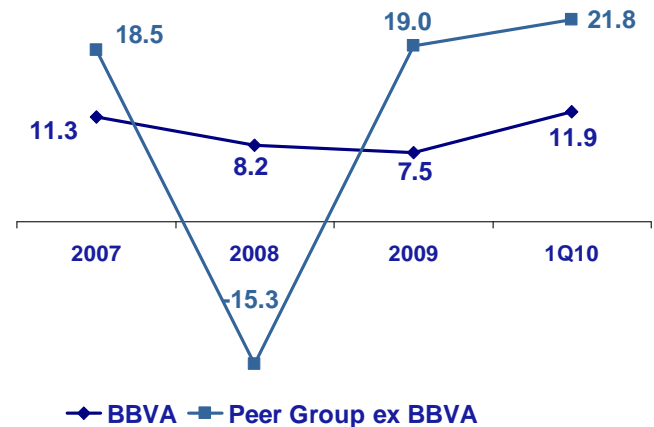
**Gross income / ATAs**

BBVA Group vs peer group\* ex-BBVA (%)



**NTI / gross income**

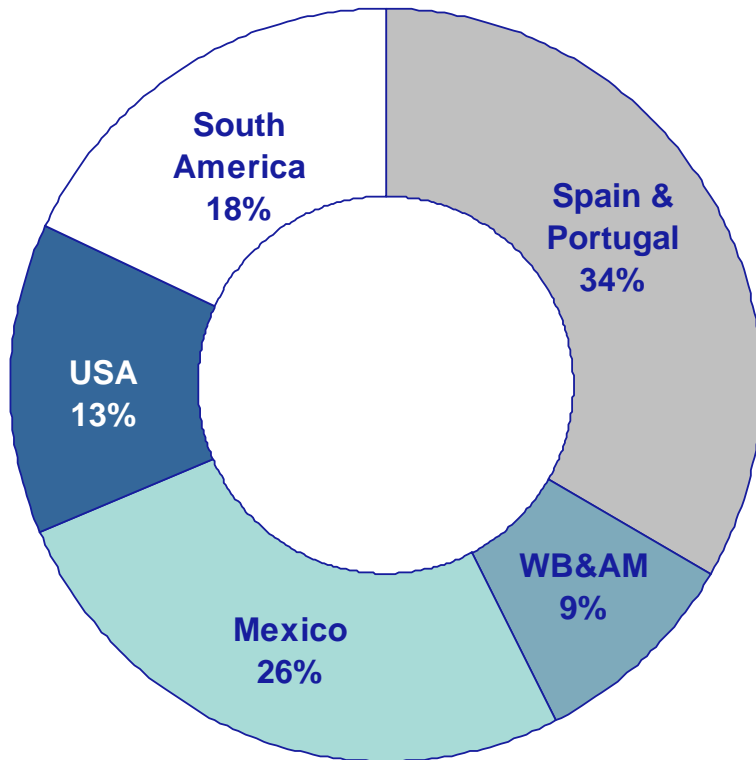
BBVA Group vs peer group\* ex-BBVA (%)



\* Peer Group: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCI.

# ... and widely diversified

**Gross income\***  
Breakdown by business area  
(%)



## By type of economy

Emerging

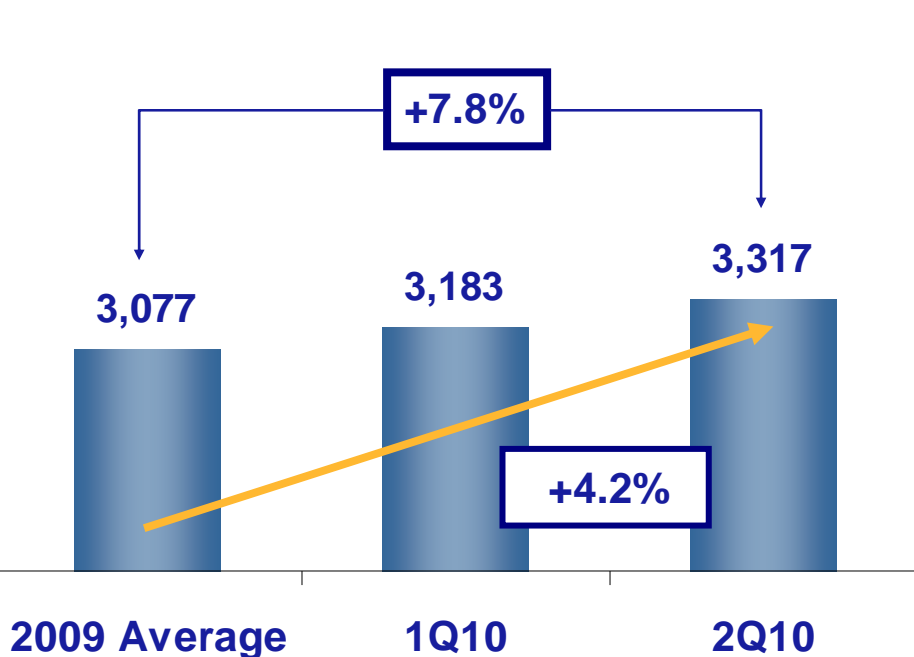
46%

Developed

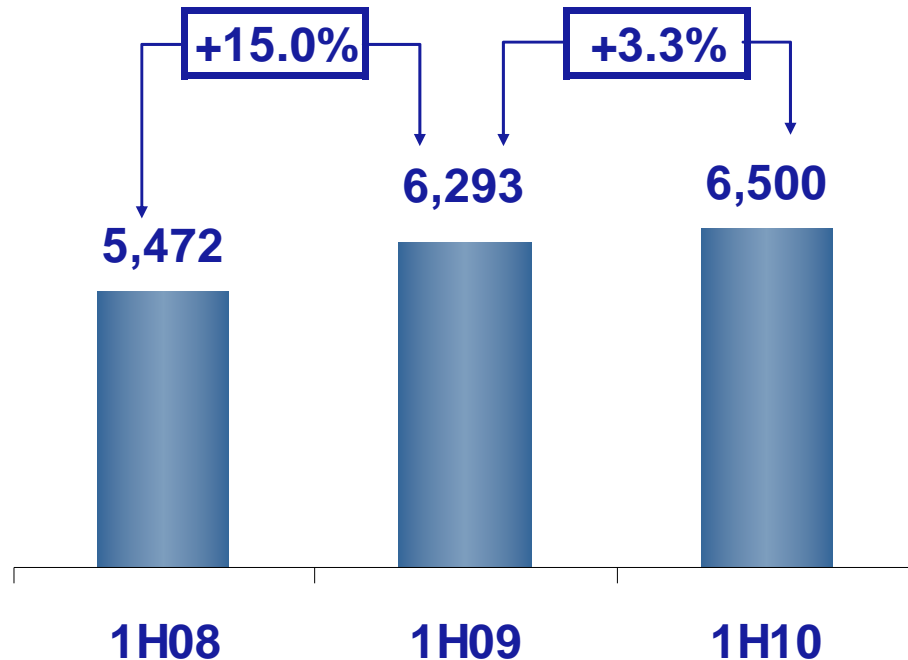
54%

# In summary: strong operating income

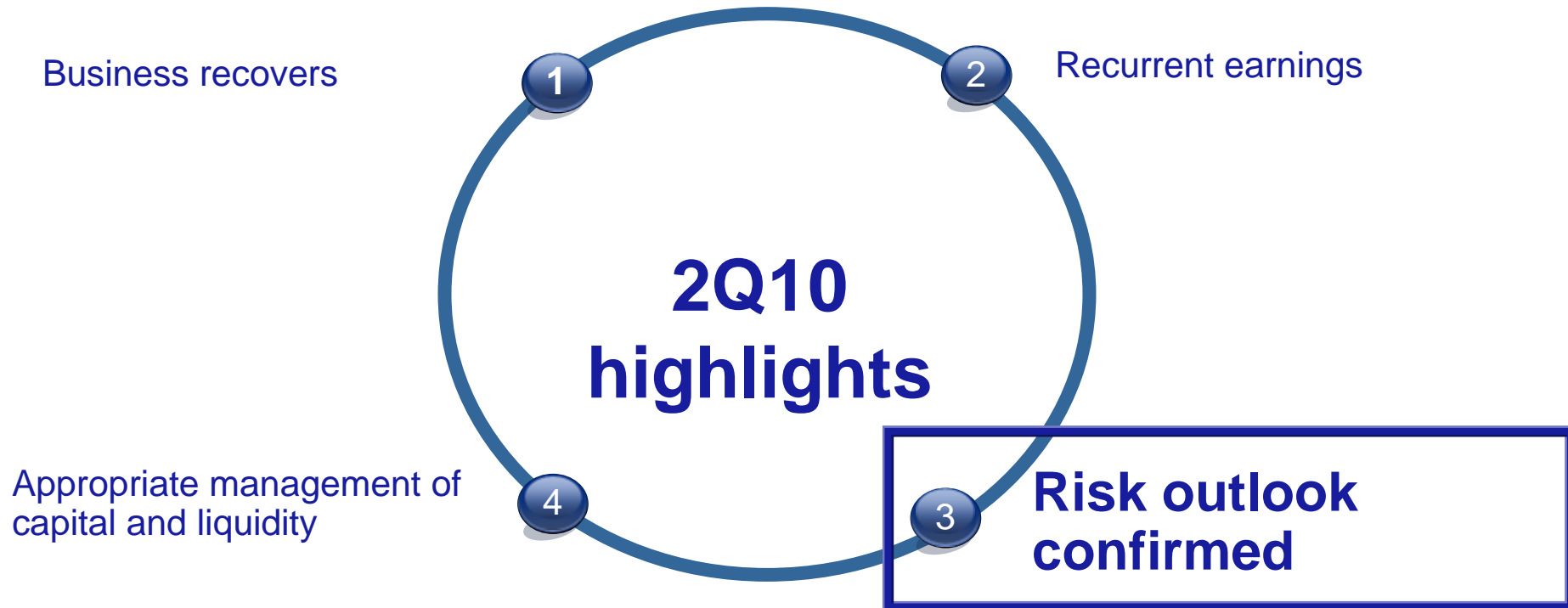
**Operating income**  
BBVA Group  
Quarter-by-quarter  
(€m)



**Operating income**  
BBVA Group  
First half  
(€m)



# 2Q10: a highly positive quarter



**And good news from all our franchises**

### 3. Positive risk outlook confirmed

**A**

**Decline in gross additions to NPA**

**B**

**Improvement in NPA ratio**

**C**

**Cost of risk stabilises**

**D**

**Stronger provisions**



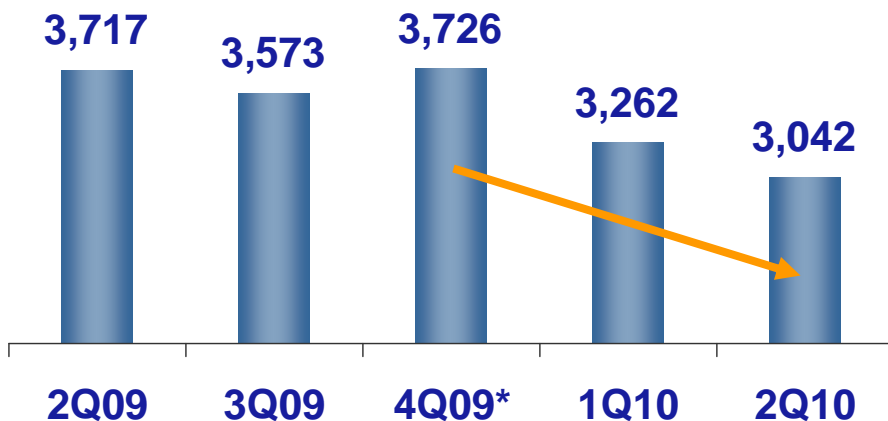
# A. Decline in gross additions to NPA status

## Gross additions to NPA

BBVA Group

Quarter-by-quarter

(€m)



Net additions to NPA:

**-56%**

Monthly average, 2010 vs 2009\*

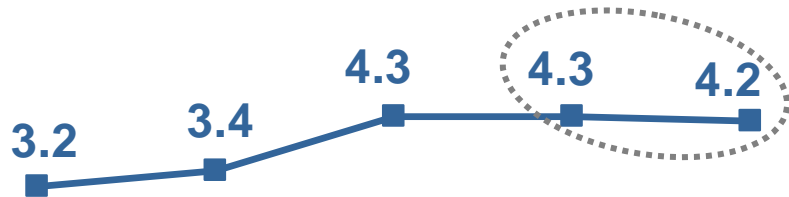
Recoveries:

**+37%**

Monthly average, 2010 vs 2009

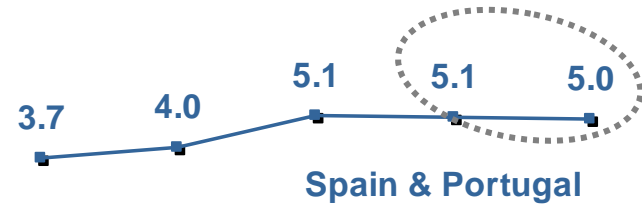
# B. The NPA ratio improves

**NPA ratio  
BBVA Group  
(%)**



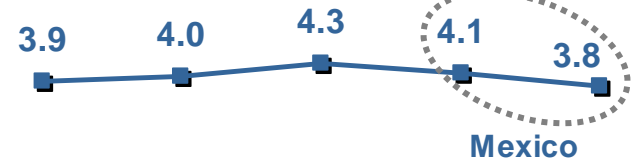
Jun.09 Sep.09 Dec.09 Mar.10 Jun.10

**NPA ratio  
(%)**



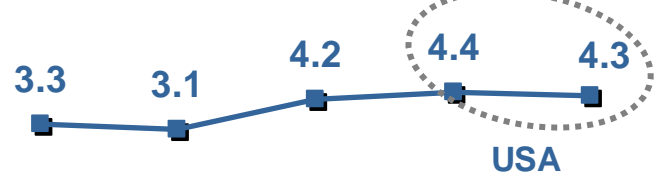
Spain & Portugal

Jun.09 Sep.09 Dec.09 Mar.10 Jun.10



Mexico

Jun.09 Sep.09 Dec.09 Mar.10 Jun.10



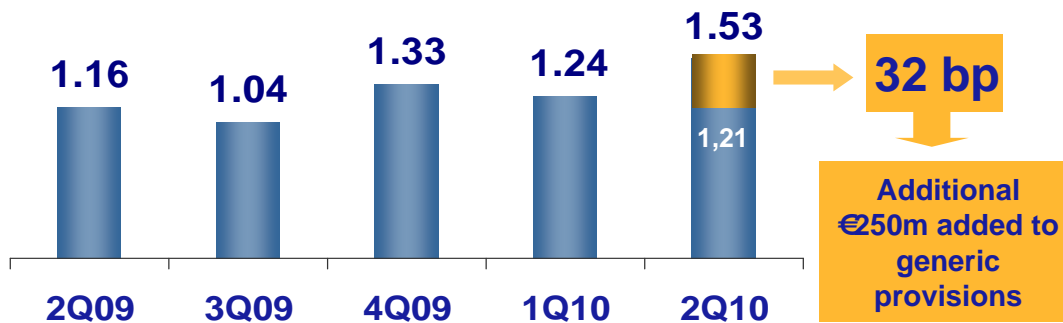
USA

Jun.09 Sep.09 Dec.09 Mar.10 Jun.10

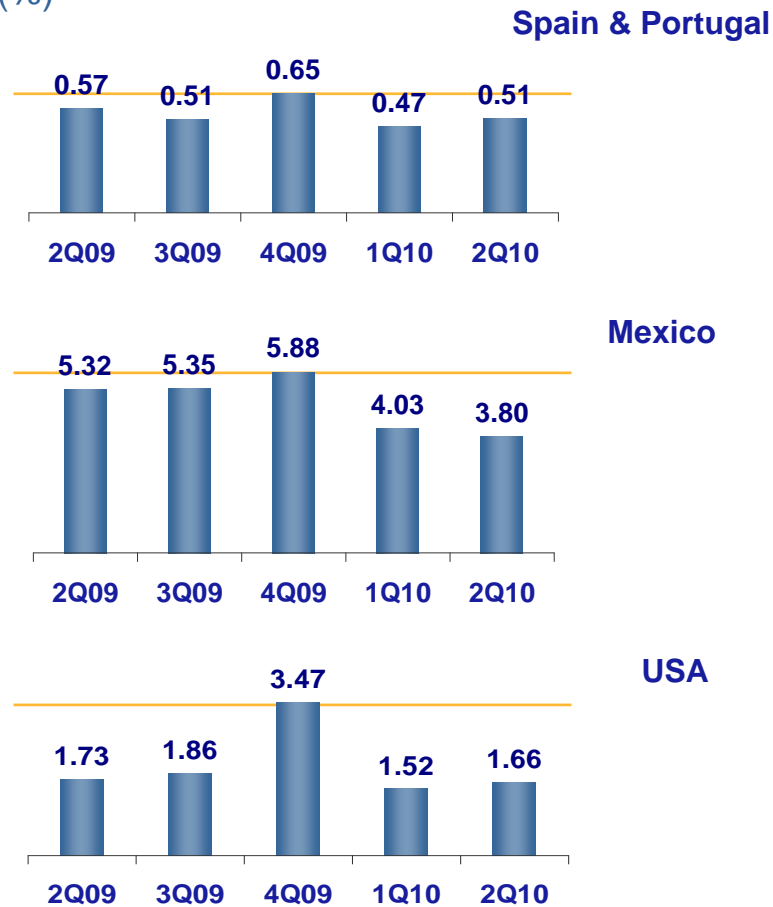
**Especially in markets that suffered most during the crisis**

# C. Cost of risk stabilises

**Cost of risk excl. one-offs**  
BBVA Group  
Stand alone quarter  
(%)



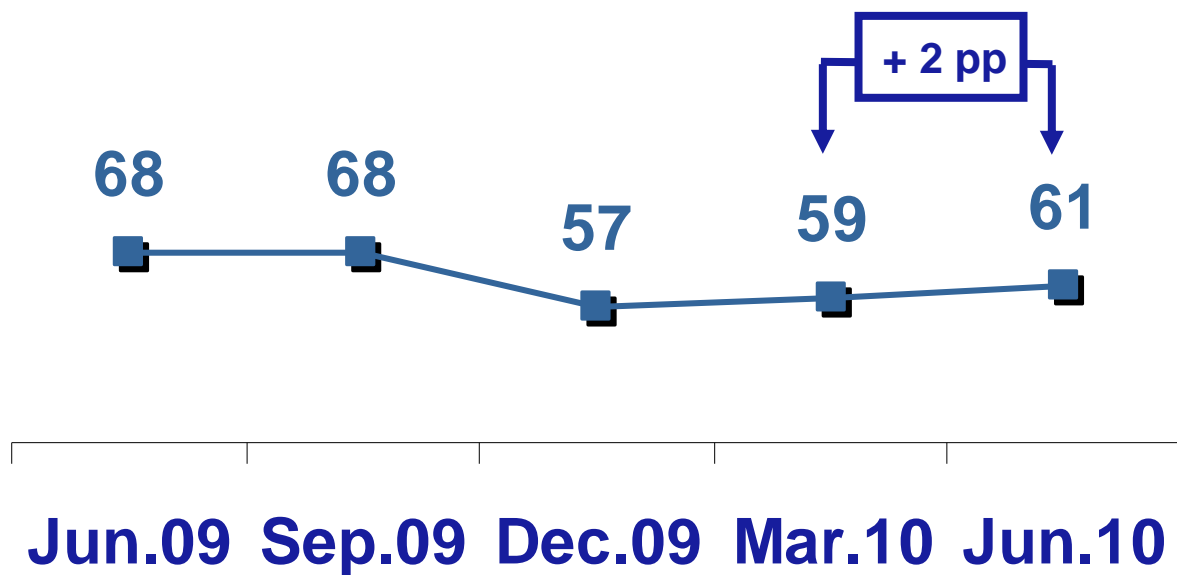
**Cost of risk excl. one-offs**  
Stand alone quarter  
(%)



**The cost of risk is improving in franchises where it rose most in recent quarters**

## D. Stronger provisions

Coverage ratio  
BBVA Group  
(%)



**Ample coverage by provisions and collateral**

# 2Q10: a highly positive quarter

Business recovers

1

2

Recurrent earnings

## 2Q10 highlights

4

**Appropriate  
management of  
capital and liquidity**

3

Risk outlook confirmed

**And good news from all our franchises**

# Strong income statement ...

Income statement  
BBVA Group  
(€m)

BBVA Group	Accum.	Annual Growth	
	1H10	Abs.	%
Net Interest Income	6,937	+ 79	1.2%
Gross Income	10,880	+ 500	4.8%
Operating Income	6,500	+ 207	3.3%
Income Before Tax	3,651	- 351	-8.8%
Net Attributable Profit	2,527	- 272	-9.7%

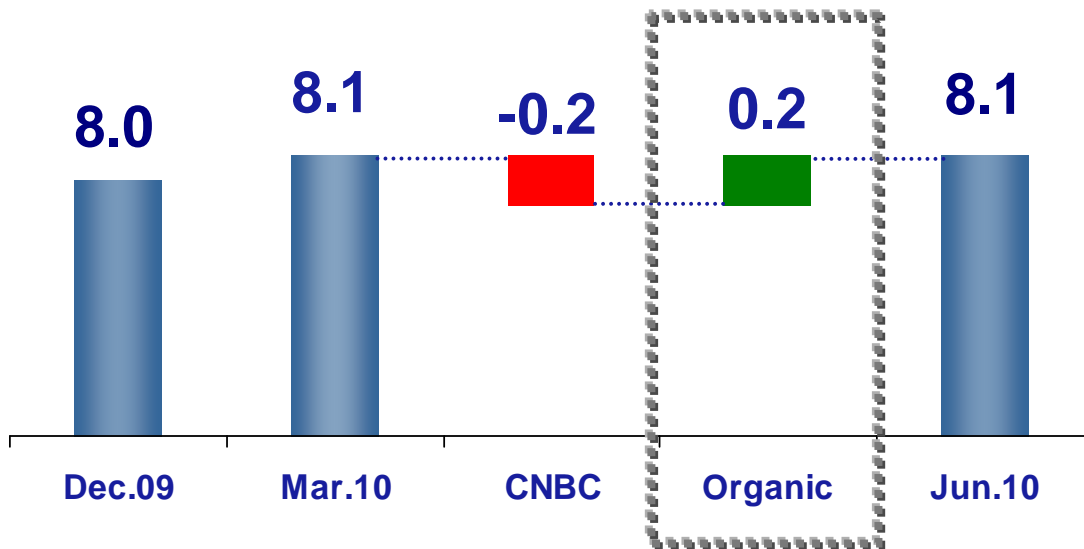
Dividend: €0.09 per  
share (in cash)

ROE: 17.9%

ROA: 0.99%

# ... which results in a solid core capital ratio ...

**Core capital  
BIS II rules  
(%)**



**Tier I and BIS ratio  
BIS II rules  
(%)**



# Demanding stress test, particularly for Spain

## Transparency

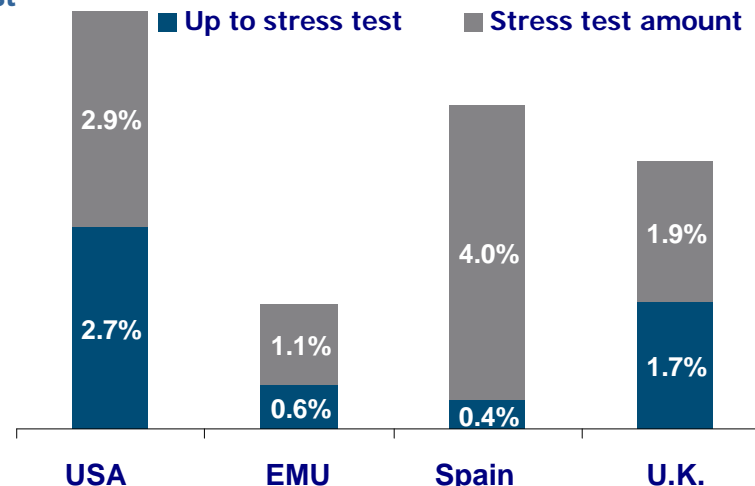
- 100% of banks and savings banks in the Spanish financial system (vs. 65% average in Europe)

## Rigour and harshness

- More severe macro and micro scenarios for Spain in terms of GDP, construction sector, falling operating profit and provisions

## Impact of stress test more demanding for Spain

Losses prior to stress test and estimated losses in stress test (% over assets)

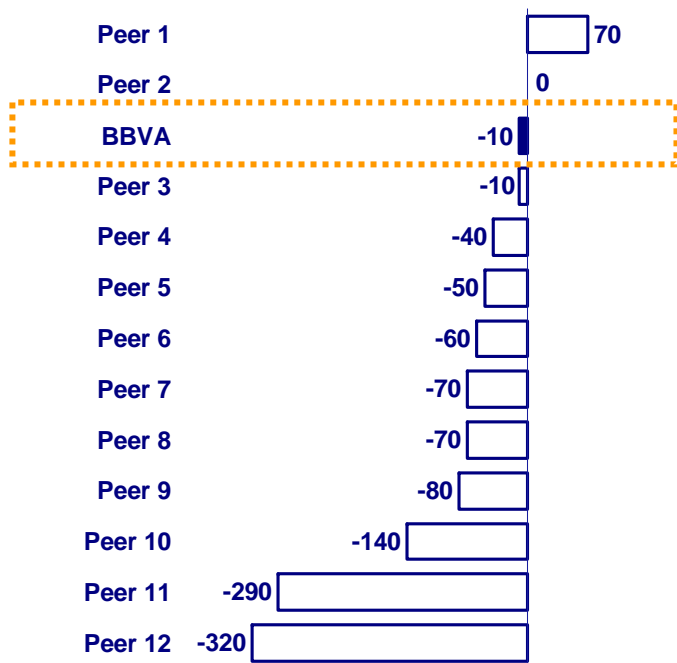


Source: Bloomberg, National Sources and BBVA Research



# CEBS stress test: BBVA, one of the most resilient entities in Europe

**Impact of stress test over TIER I**  
(In basis points)



**Maximum resilience of capital ratio despite the tough hypothesis taken for Spain**

**Ability to generate operational results**



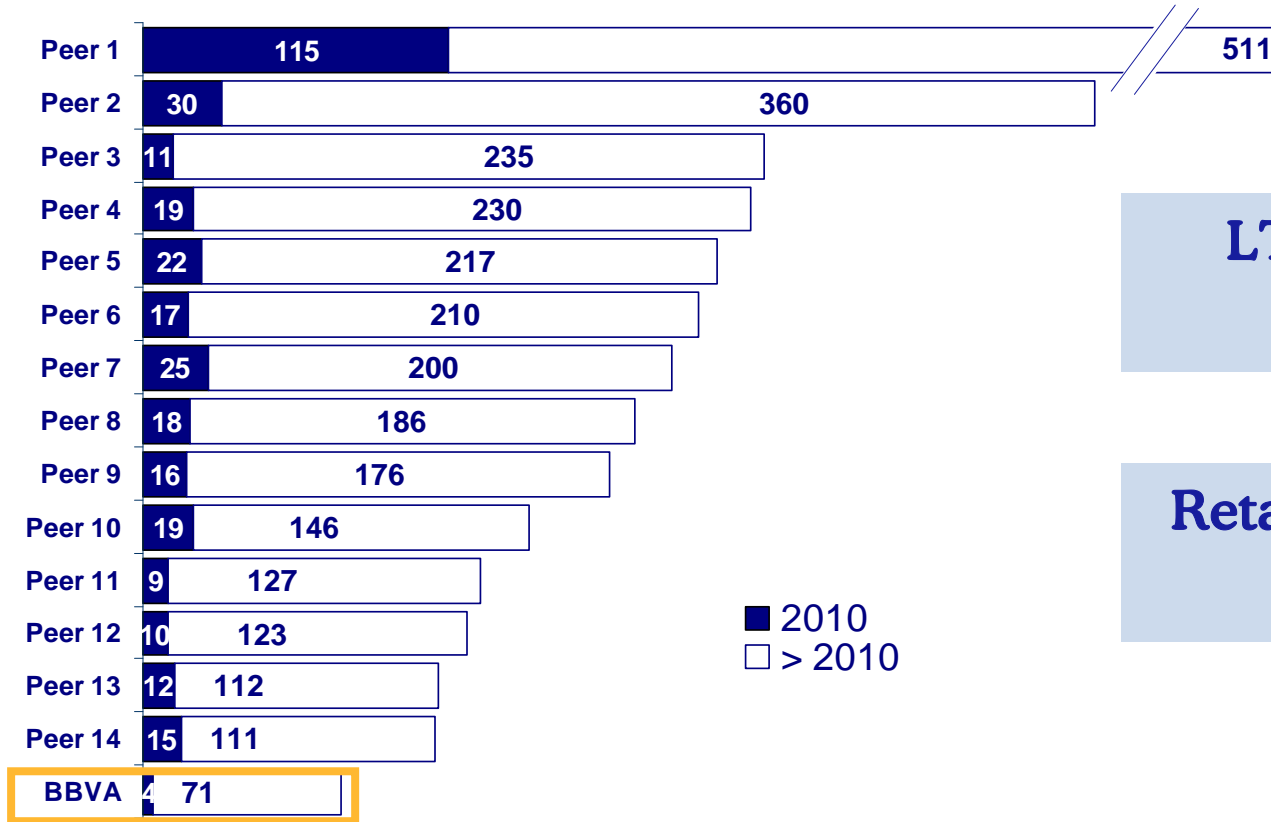
**Adequate solvency and payment of cash dividends in stress scenarios, in the absence of capital increases**

**AA rating by Standard & Poor's confirmed**

\* Peer Group: BARCL, BBVA, BNPP, CASA, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG & UCI.

# Solid liquidity and finance positions

## BBVA Group's wholesale maturities (€bn)



LT issues in 2Q10\*  
**€7,599m**

Retail deposits in 2Q10  
**€19,371m**

Source: Bloomberg 22/07/10

**Average annual maturities in the next 3 years: approx. €10,000m**

\* Includes July

\*\* Peer Group: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS & UCI.

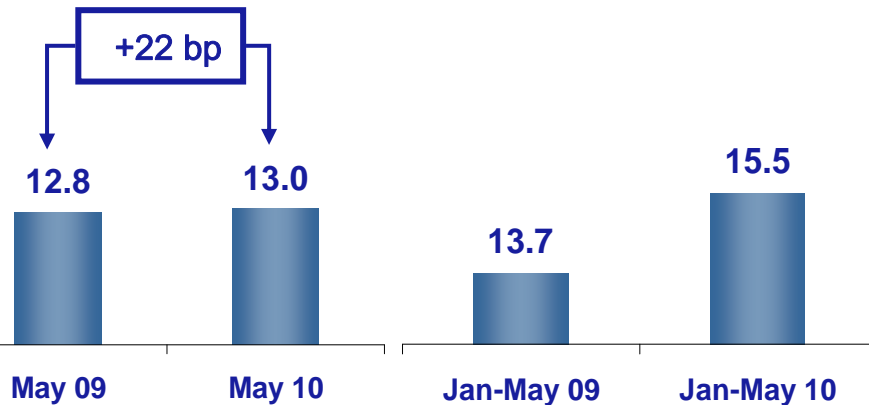
## Spain & Portugal

- 
- **Growth of customer funds on the balance sheet and market-share gains in lending**
  - **Superior and sustained performance of net interest income**
  - **Superior performance in NPAs**
-

# Signs of business recovery ...

## Taking advantage of lending opportunities ...

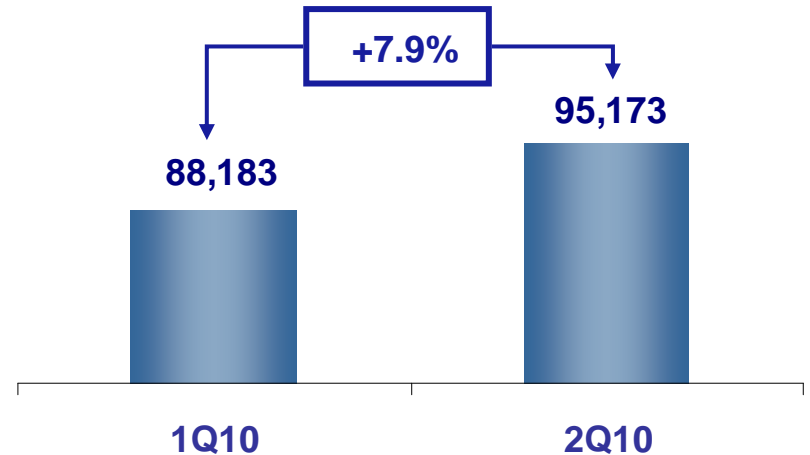
Mkt share of mortgage stock Spain & Portugal (%)



Mkt share of mortgage new production Spain & Portugal (%)

## ... reinforcing customer funds on the balance sheet

Cust. funds on balance sheet Spain & Portugal Final balances (€m)



Market share of other domestic lending: +25 bp (Jun.10 vs Dec.09)

Market share of other domestic deposits: +56 bp (Jun.10 vs Dec.09)

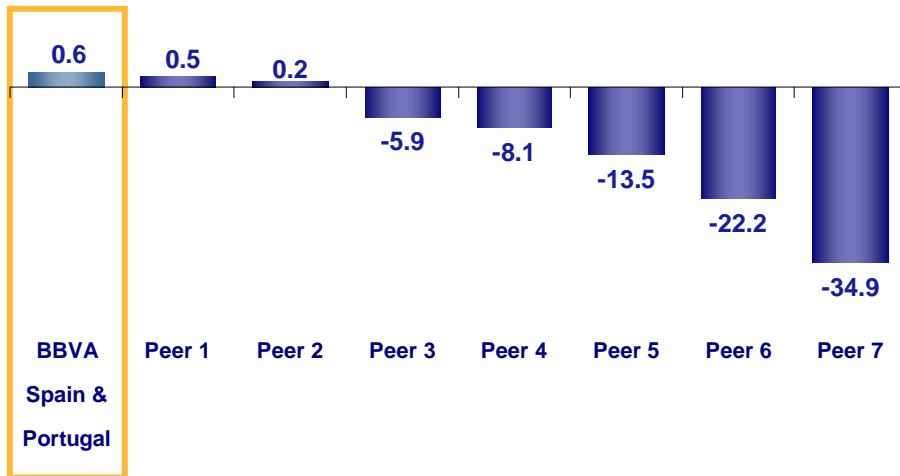
# ... and superior performance ...

## Net interest income

BBVA vs local peers\*

y-o-y growth – 1H10 / 1H09

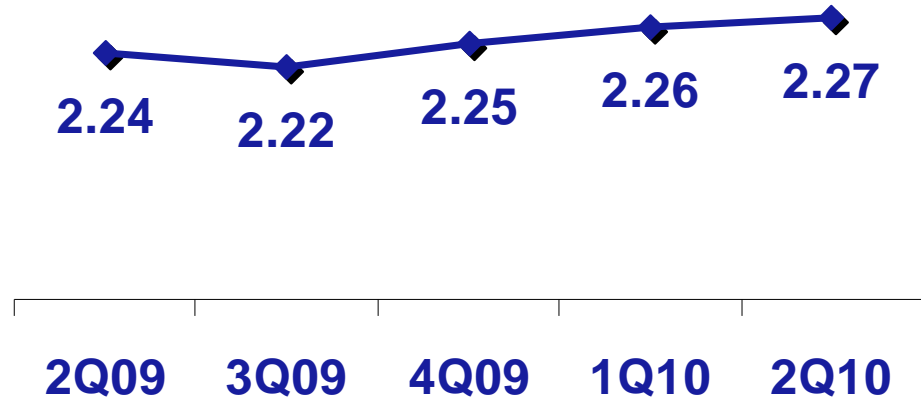
(%)



## Net interest income / ATAs

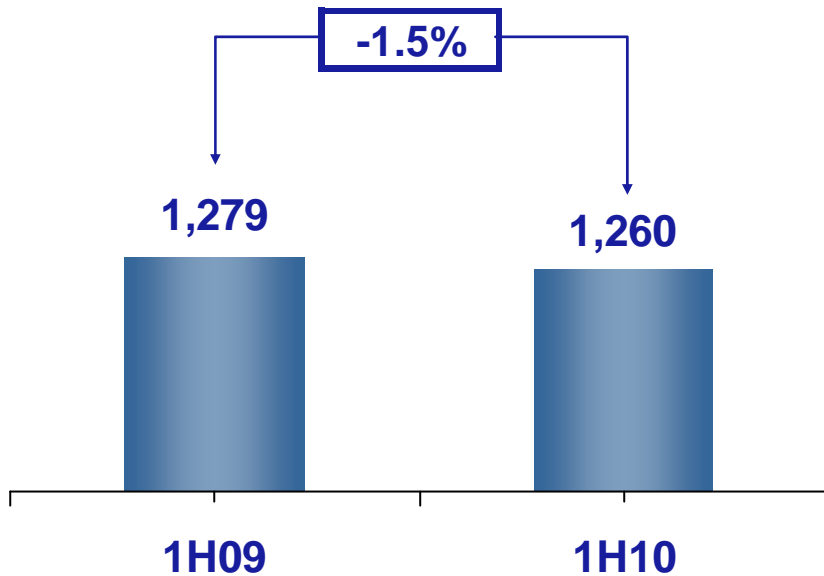
Spain & Portugal

(%)

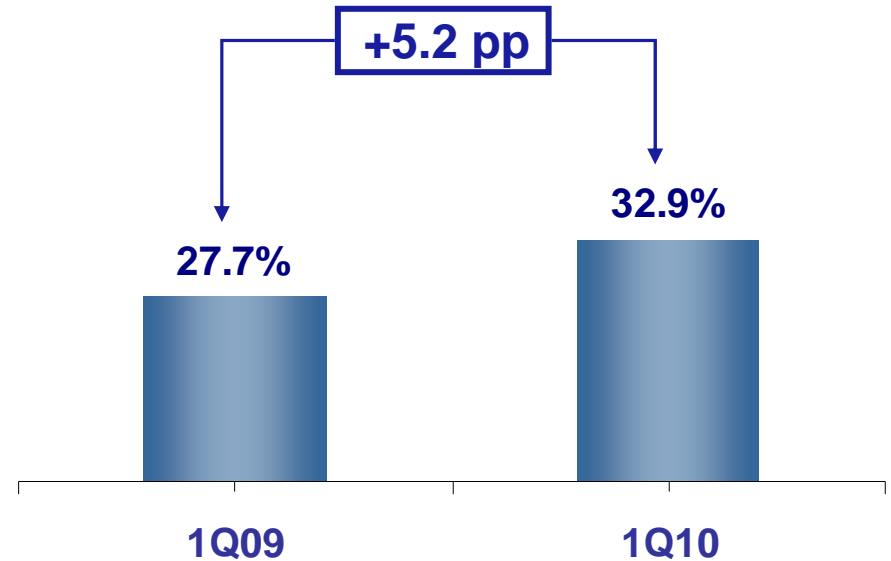


# ... at operating income level ...

**Operating costs**  
Spain & Portugal  
(€m)



**Mkt share of recurrent operating income\***  
Spain  
(%)

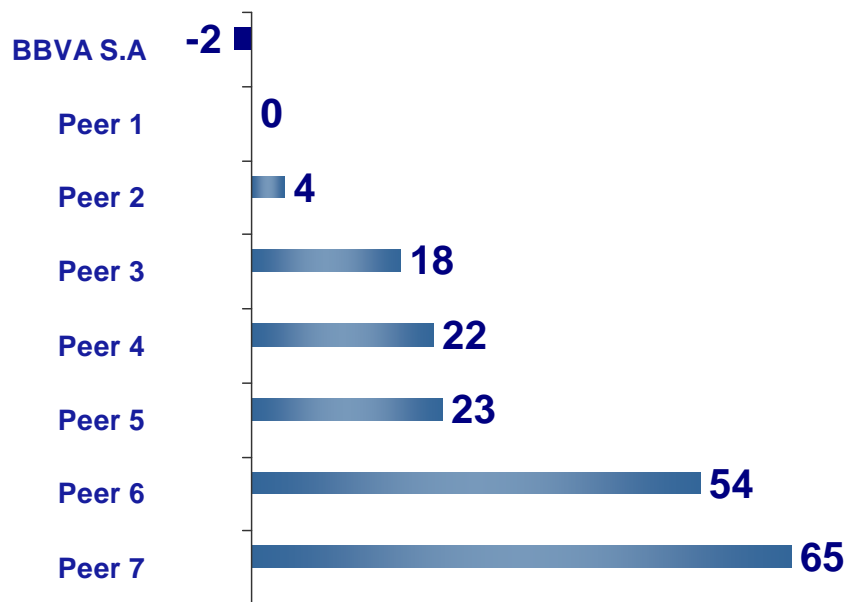


**Efficiency: 36.4%**

\* Net income excl. NTI

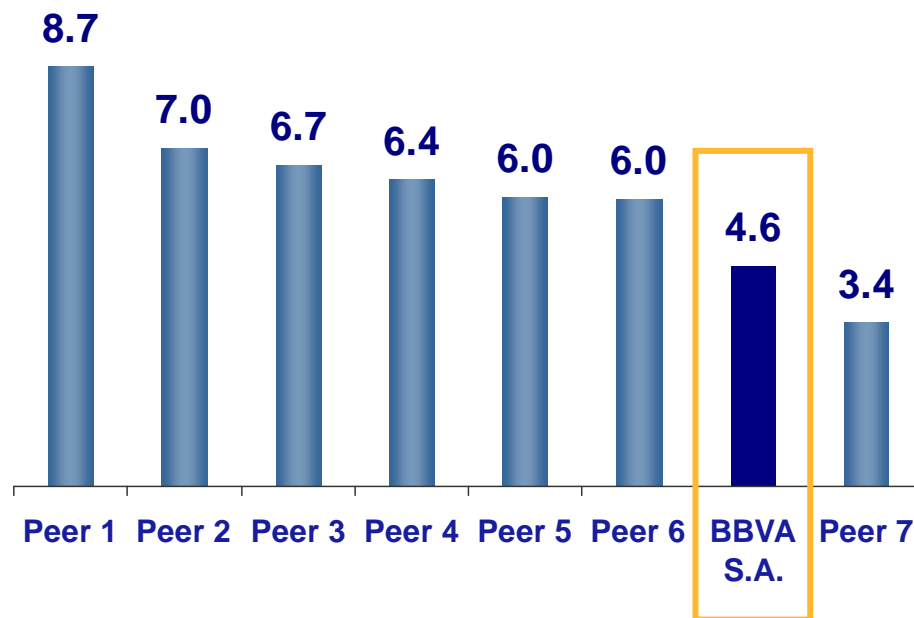
## NPA ratio

Local peer group  
Variation Jun10 / Dec09  
(Basis points)



## Problematic NPA ratio\*

Spain  
(%, Mar.10)



## NPA ratio for Spain & Portugal: 5.0%

\* NPAs + real estate on like-for-like basis

Peer Group: Banesto, Bankinter, BBVA S.A., Caixa, Caja Madrid, Popular, Sabadell and Santander Spain. Latest available figures.

# Spain & Portugal: 1H10 results

(€m)

Spain & Portugal	Accum.	Annual Growth	
	1H10	Abs.	%
Net Interest Income	2,446	+ 14	0.6%
Gross Income	3,460	- 71	-2.0%
Operating Income	2,200	- 52	-2.3%
Income Before Tax	1,694	- 33	-1.9%
Net Attributable Profit	1,186	- 26	-2.2%



## Mexico

- 
- **Business recovery and gains in market share**
  - **Upward quarterly trend in gross and operating income**
  - **Improvements in cost of risk and NPAs**
-

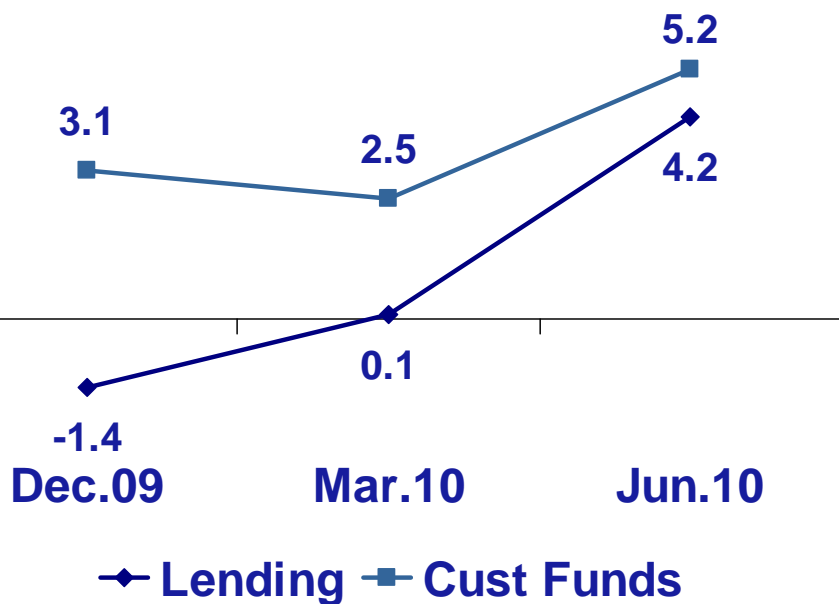
# BBVA Business surges ...

## Lending and cust. funds

Mexico

y-o-y change

(Average balances, %)

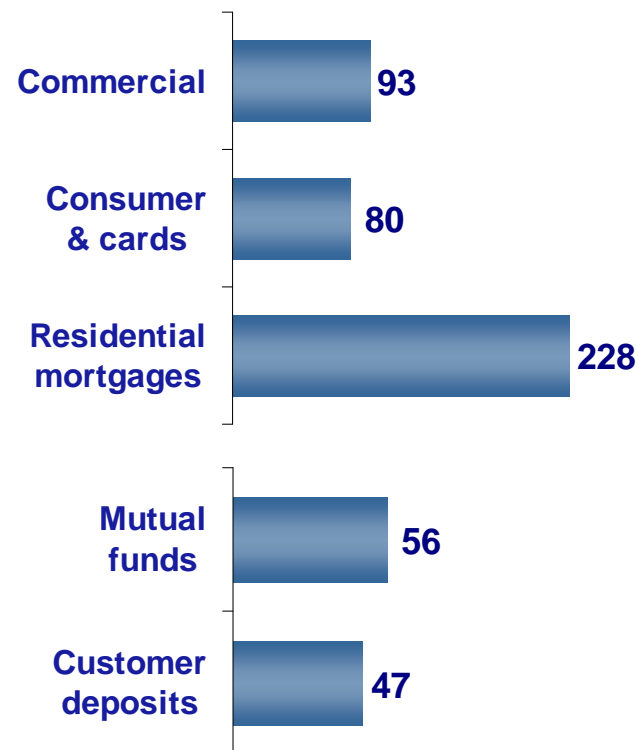


## Gains in mkt share

Mexico

Jun.10 vs Dec.09

(Basis points)

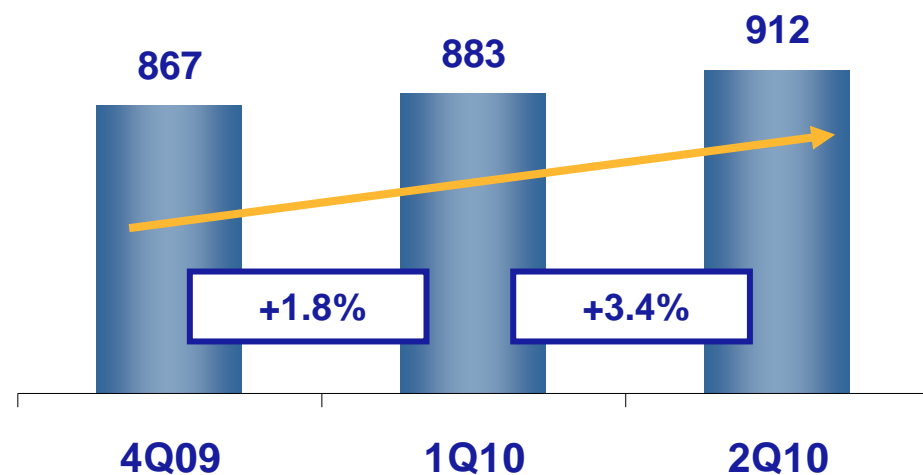
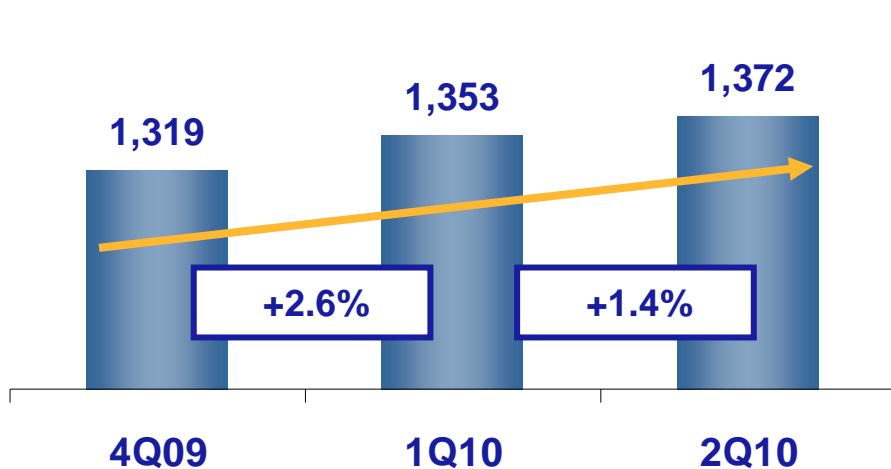


## Market share gains in main items ...

## ... operating income changes trend ...

**Gross income**  
Mexico  
Quarter-by-quarter  
(Constant €m)

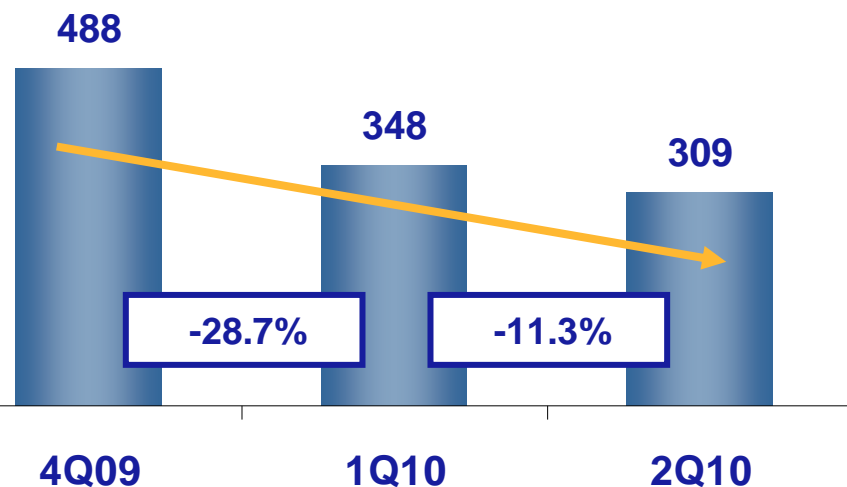
**Operating income**  
Mexico  
Quarter-by-quarter  
(Constant €m)



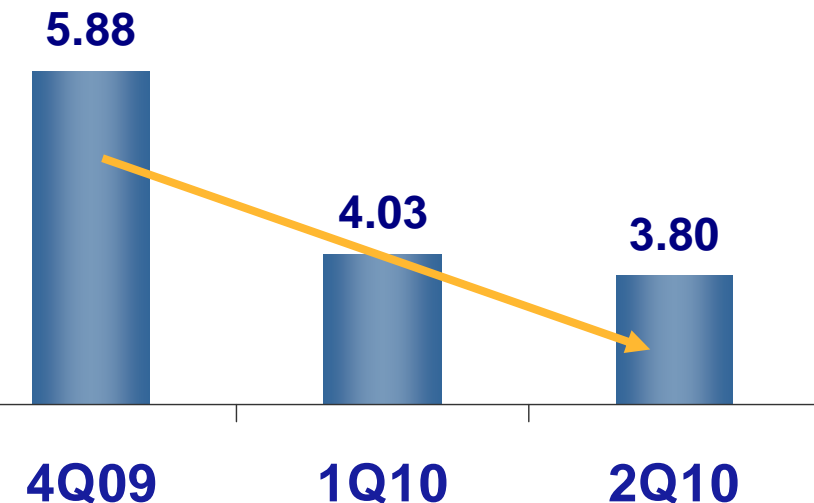
**Efficiency: 34.1%**

# BBVA ... and significant improvement in risk indicators

**Loan-loss provisions**  
Mexico  
Quarter-by-quarter  
(Constant €m)



**Cost of risk**  
Mexico  
Stand alone quarter  
(%)



**NPA ratio: 3.8%**

# BBVA Mexico: 1H10 results

(Constant €m)

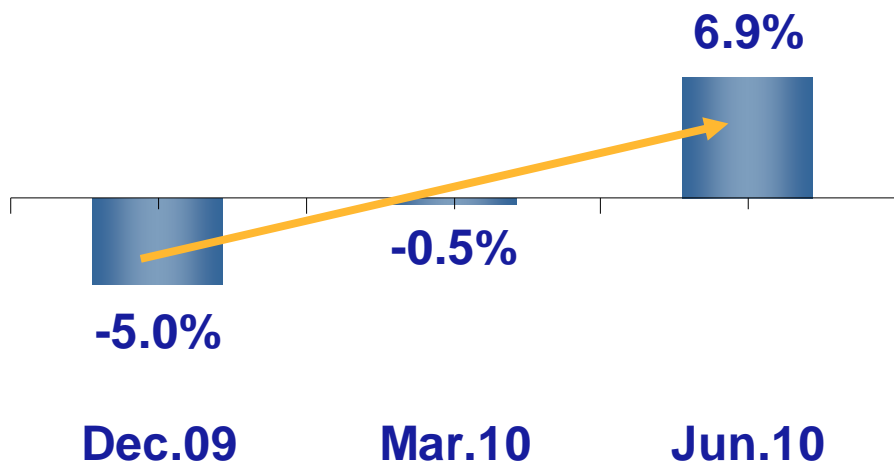
Mexico	Accum.	Annual Growth	
	1H10	Abs.	%
Net Interest Income	1,817	- 34	-1.8%
Gross Income	2,725	- 26	-1.0%
Operating Income	1,795	- 92	-4.9%
Income Before Tax	1,100	+ 42	4.0%
Net Attributable Profit	798	+ 2	0.2%

## South America

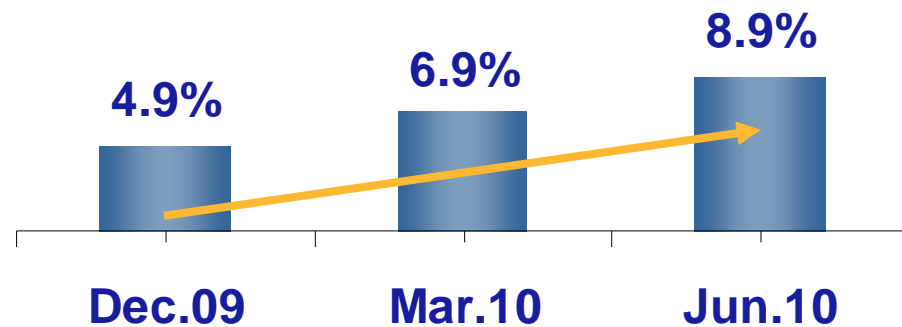
- 
- **Lending up strongly**
  - **Margins growing steadily**
-

# Business grows ...

**Lending**  
South America  
Year-on-year growth  
(%)

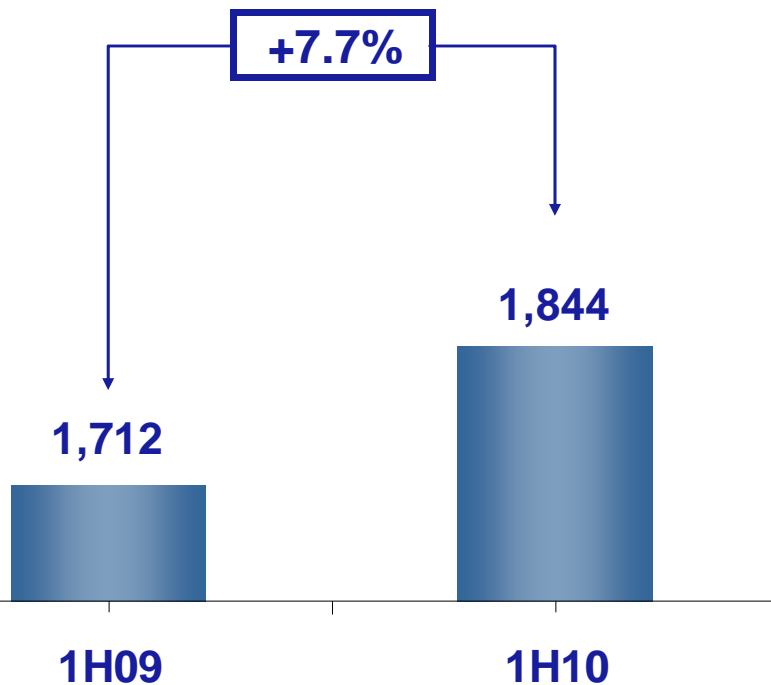


**Cust. Funds**  
South America  
Year-on-year growth  
(%)

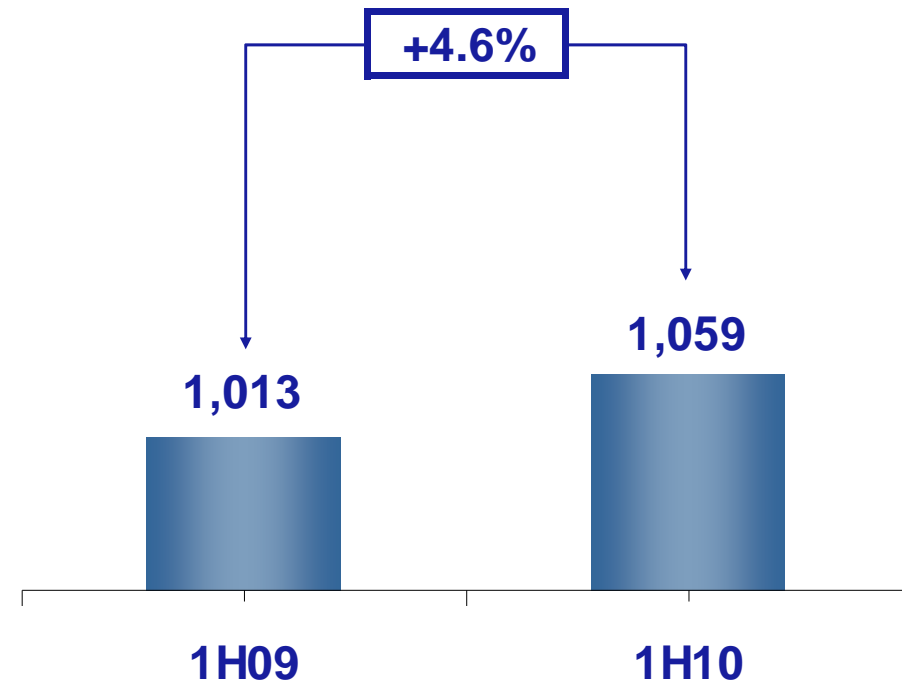


# ... and gross and operating income are up ...

Gross income  
South America  
(Constant €m)



Operating income  
South America  
(Constant €m)

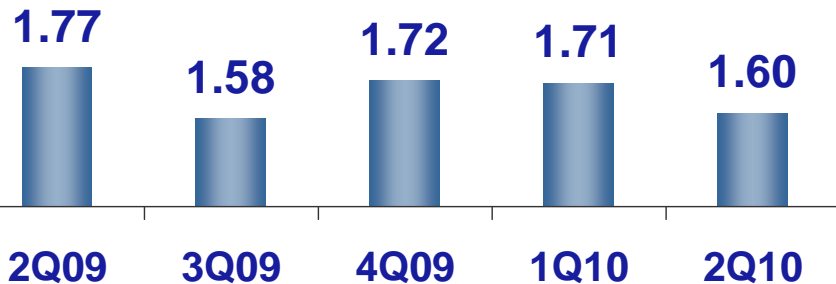


**Efficiency: 42.6%**

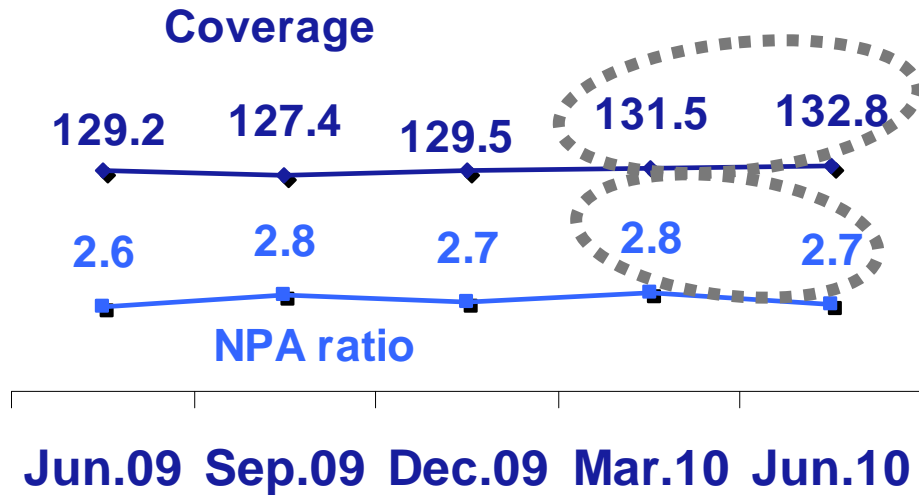


# ... and risk indicators are stable

**Cost of risk**  
South America  
Stand alone quarter  
(%)



**NPA ratio and coverage**  
South America  
(%)



# South America: 1H10 results

(Constant €m)

South America	Accum.	Annual Growth	
	1H10	Abs.	%
Net Interest Income	1,197	+ 131	12.3%
Gross Income	1,844	+ 132	7.7%
Operating Income	1,059	+ 46	4.6%
Income Before Tax	832	+ 51	6.5%
Net Income	647	+ 59	10.1%
Net Attributable Profit	453	+ 52	12.9%

**Net attributable profit pension funds and insurance:  
+15.8%**

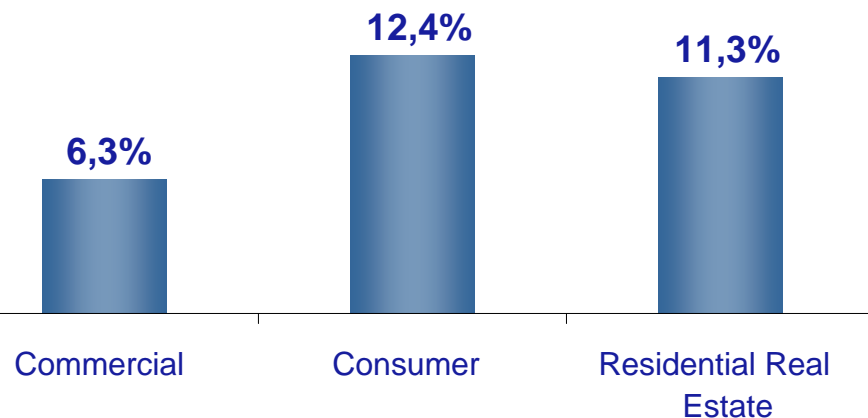
## United States

- 
- **Good operating income**
  - **NPAs improving**
-

# Positive signs in origination ...

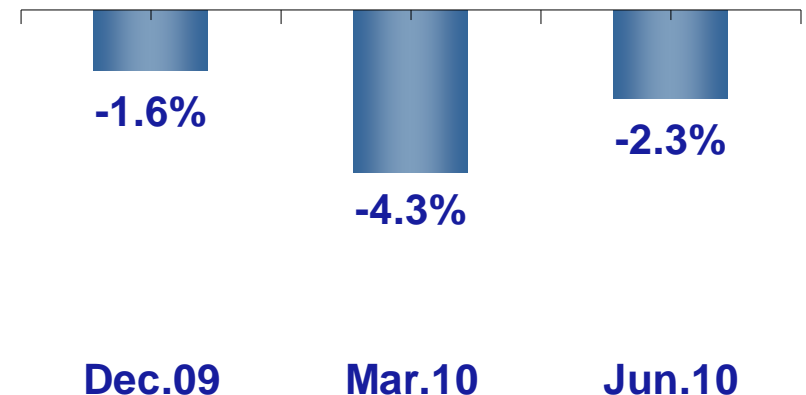
**Origination recovers strongly ...**

**New production**  
United States  
Growth 1H10 / 2H09  
(%)



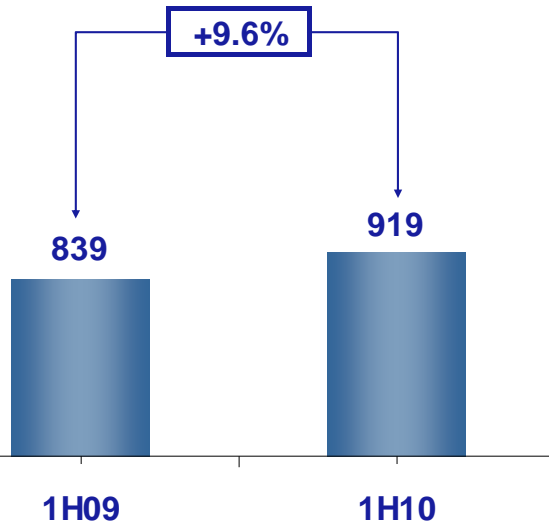
**... which will carry over to lending**

**Lending**  
United States  
Year-on-year growth  
(Average balances, %)

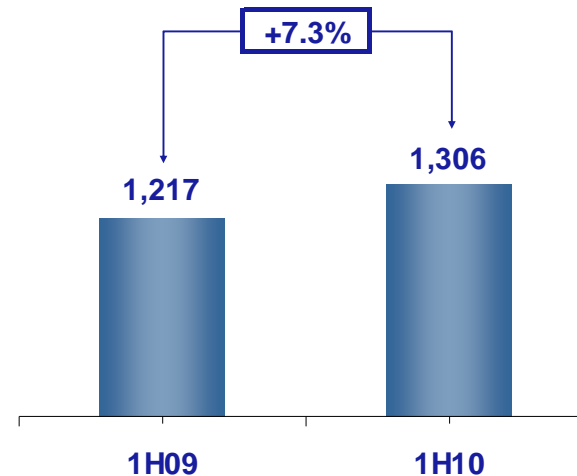


# BBVA ... and a good performance by operating income

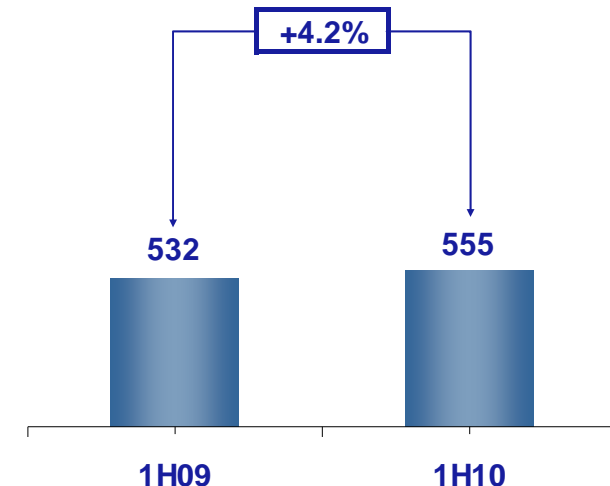
**Net interest income**  
United States  
(Constant €m)



**Gross income**  
United States  
(Constant €m)



**Operating income**  
United States  
(Constant €m)

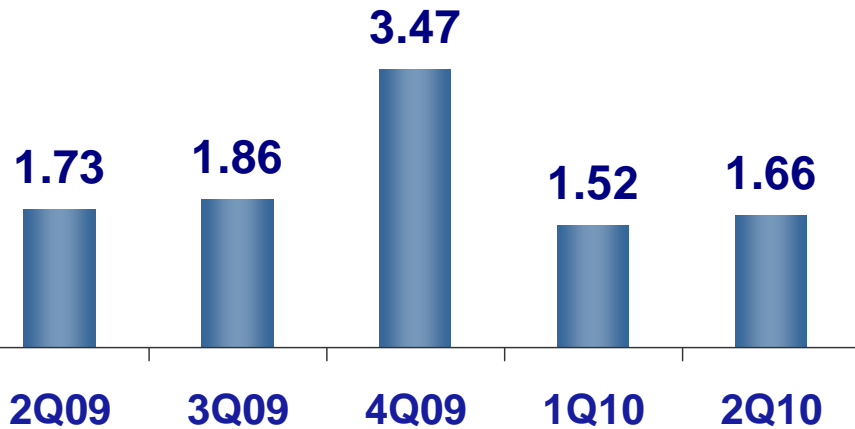


**Efficiency: 57.5%**

# Risk indicators stabilise

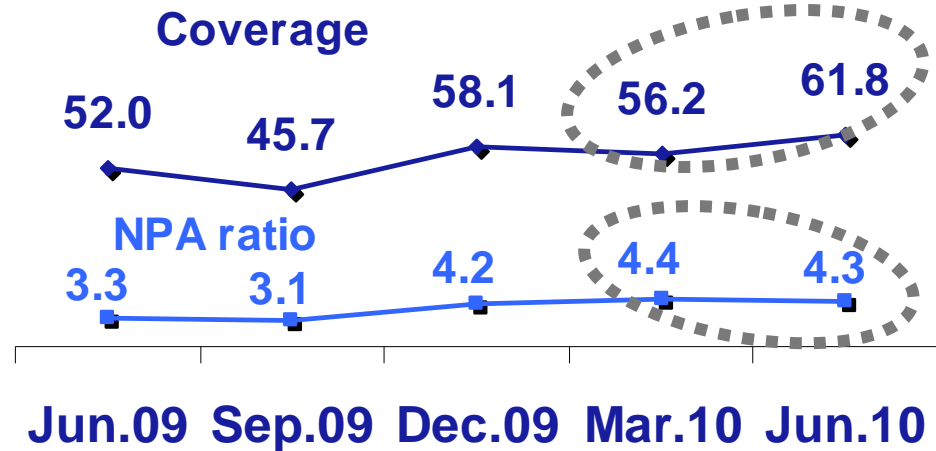
## Cost of risk excl. one-offs

United States  
Stand alone quarter  
(%)



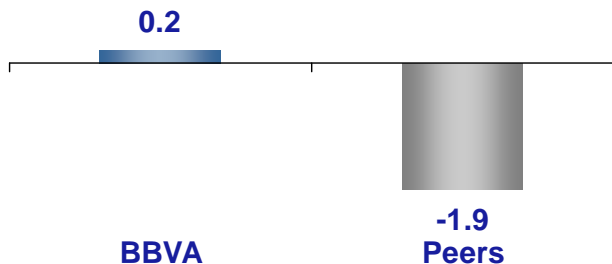
## NPA ratio and coverage

United States  
(%)

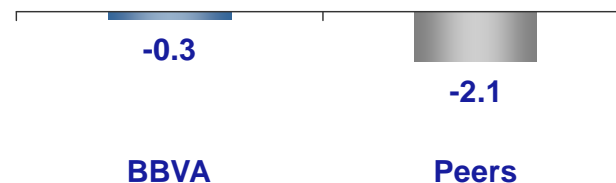


# Comparisons with our competitors

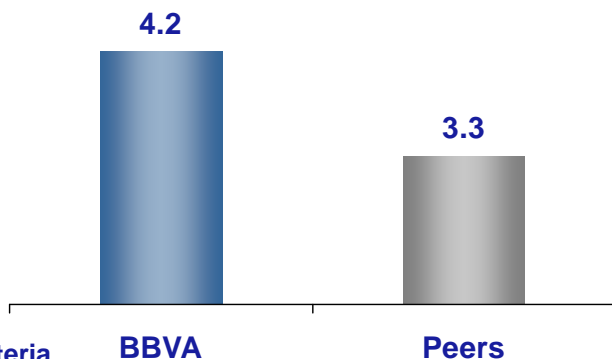
**Total lending**<sup>1</sup>  
2Q10 vs 1Q10  
(%)



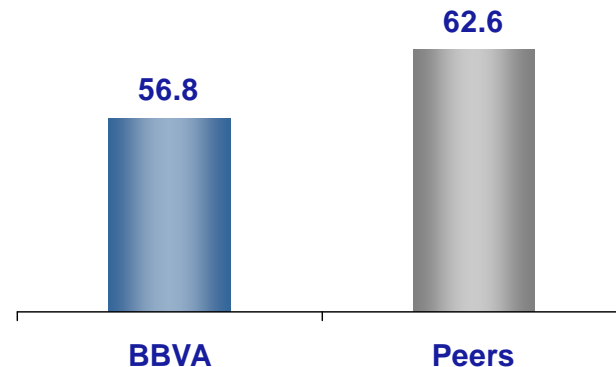
**Total deposits**<sup>1</sup>  
2Q10 vs 1Q10  
(%)



**Net interest margin**<sup>1</sup>  
1H10  
(%)



**Efficiency**<sup>1</sup>  
June 2010  
(%)



(1) Local criteria

**BBVA**

**Peers**

**BBVA**

**Peers**

# United States: 1H10 results

(Constant €m)

USA	Accum.	Annual Growth	
	1H10	Abs.	%
Net Interest Income	919	+ 80	9.6%
Gross Income	1,306	+ 89	7.3%
Operating Income	555	+ 22	4.2%
Income Before Tax	202	- 13	-5.9%
Net Attributable Profit	144	- 3	-2.1%

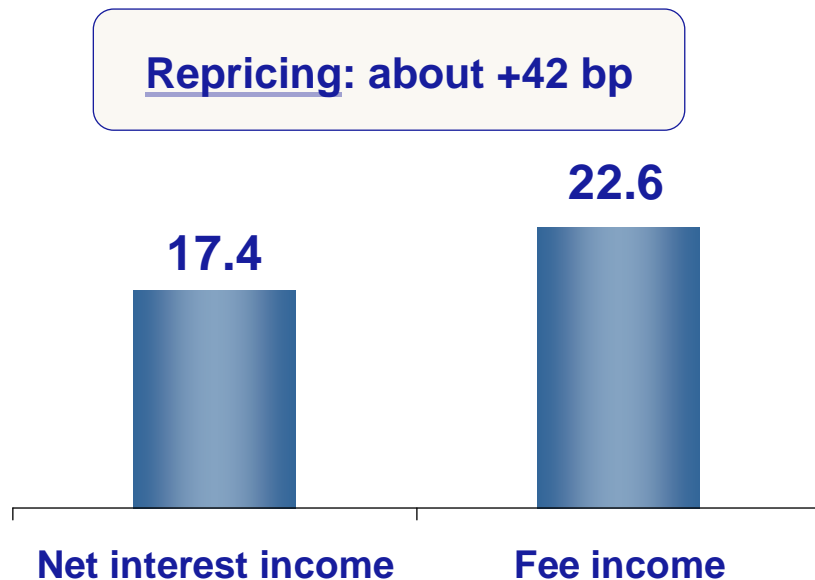


## Wholesale Banking & Asset Management

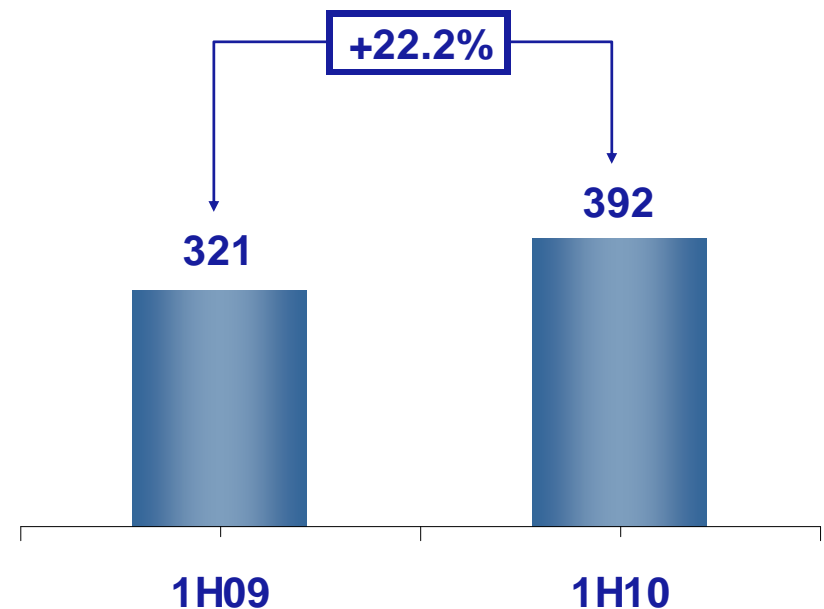
- 
- **Quality of revenues**
  - **Excellent performance by C&IB despite complex quarter in markets**
-

# Quality and recurrency of C&IB's revenues ...

**NII and fee income**  
**Corporate & Investment Banking**  
 Year-on-year growth  
 (%)



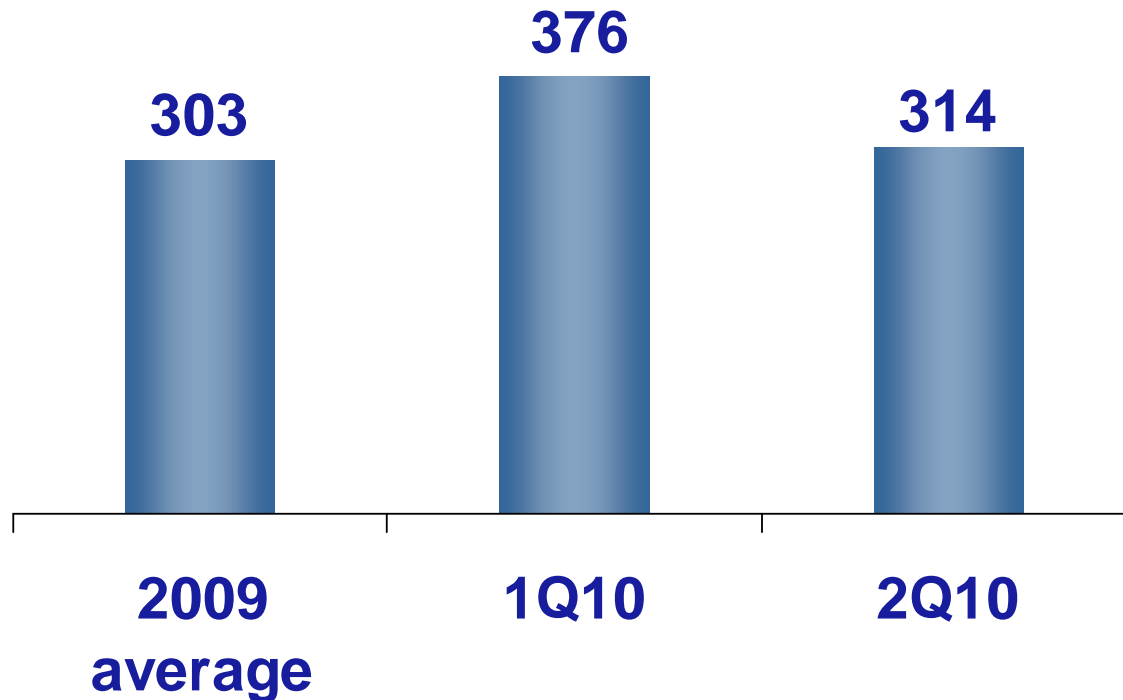
**Operating income**  
**Corporate & Investment Banking**  
 (€m)



**... and an increase in customer revenue streams**  
**in Global Markets (up 7% yr-on-yr)**

# Overall and despite the environment ...

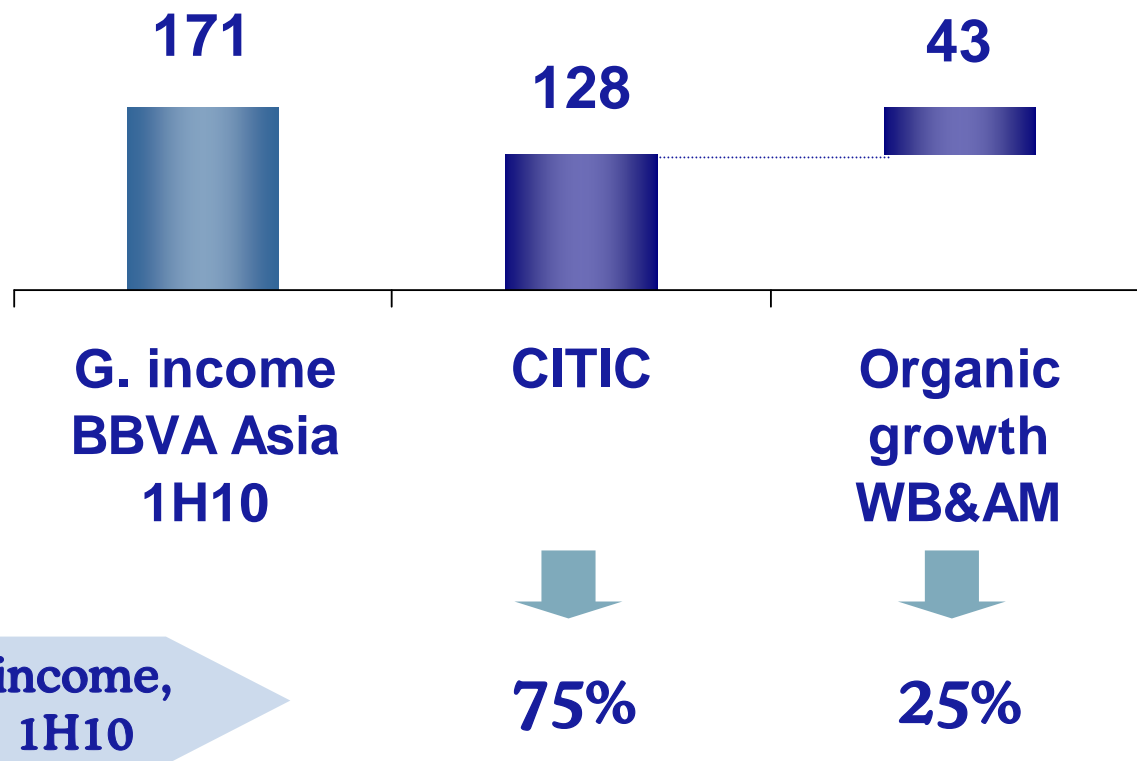
Operating income  
WB&AM  
Quarter-by-quarter  
(€m)



**... income continues to be highly recurrent**

**Gross income**

Asia  
1H10  
(€m)



**Asia accounts for 18% of WB&AM's income**

(€m)

Wholesale Banking & Asset Management	Accum.	Annual Growth	
	1H10	Abs.	%
Gross Income	934	+ 30	3.3%
Operating Income	690	+ 20	3.0%
Income Before Tax	681	+ 24	3.7%
Net Income	532	+ 52	10.9%
Net Attributable Profit	532	+ 54	11.4%

**Additional 5% of CNBC is booked by the equity method**

In a difficult quarter for the financial system, the BBVA Group continued to demonstrate its strength

**1. Earnings**



**2. Risks**



**3. Capital  
adequacy**



**4. Balance  
sheet**



## Results for second quarter of 2010

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Ángel Cano  
Chief Operating Officer – BBVA Group

Madrid, 28th July 2010