

# First Half Results 2008



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## **Group results for 1H08**

Results by business area

Spain & Portugal

Wholesale Banking & Asset Management

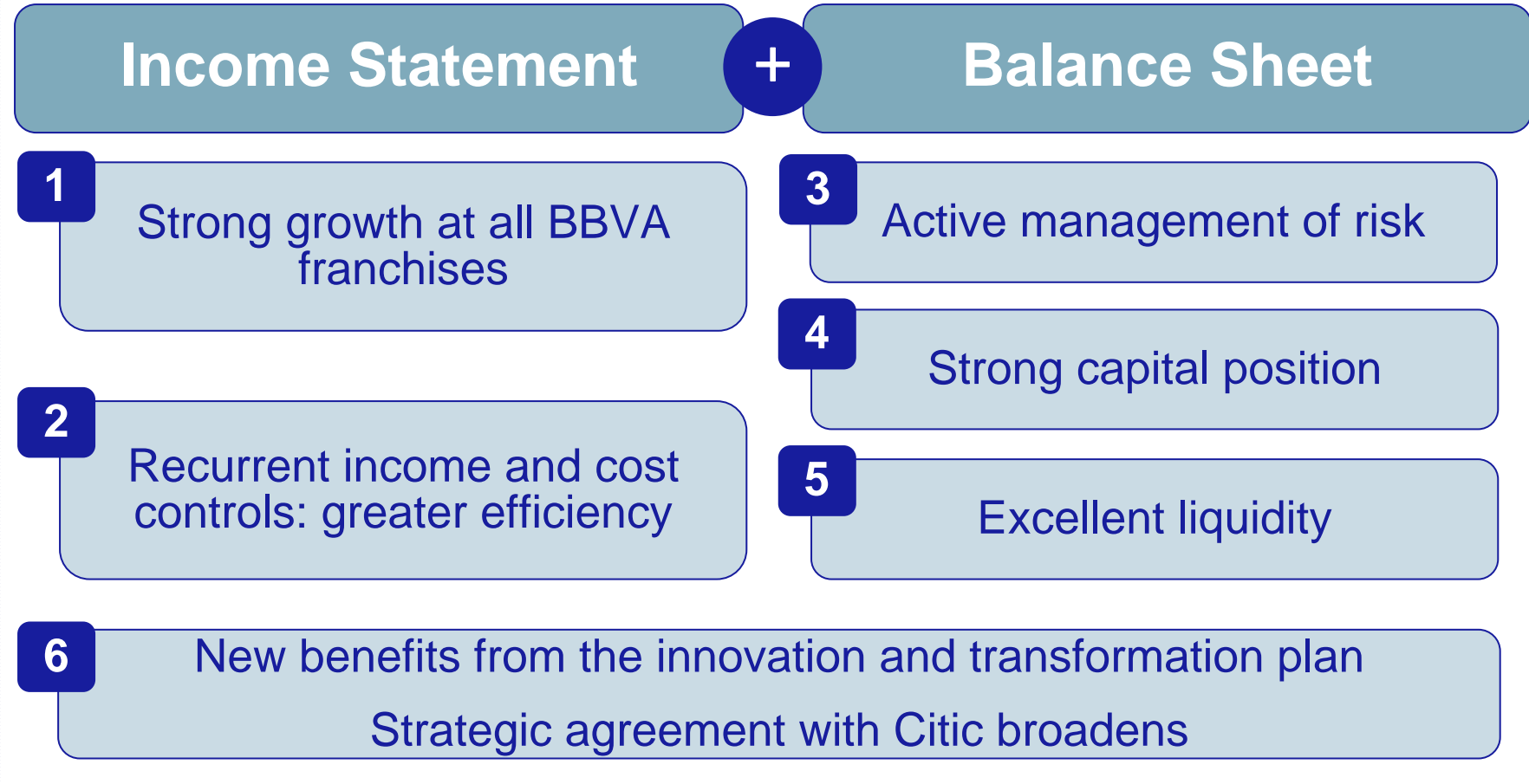
Mexico

USA

South America

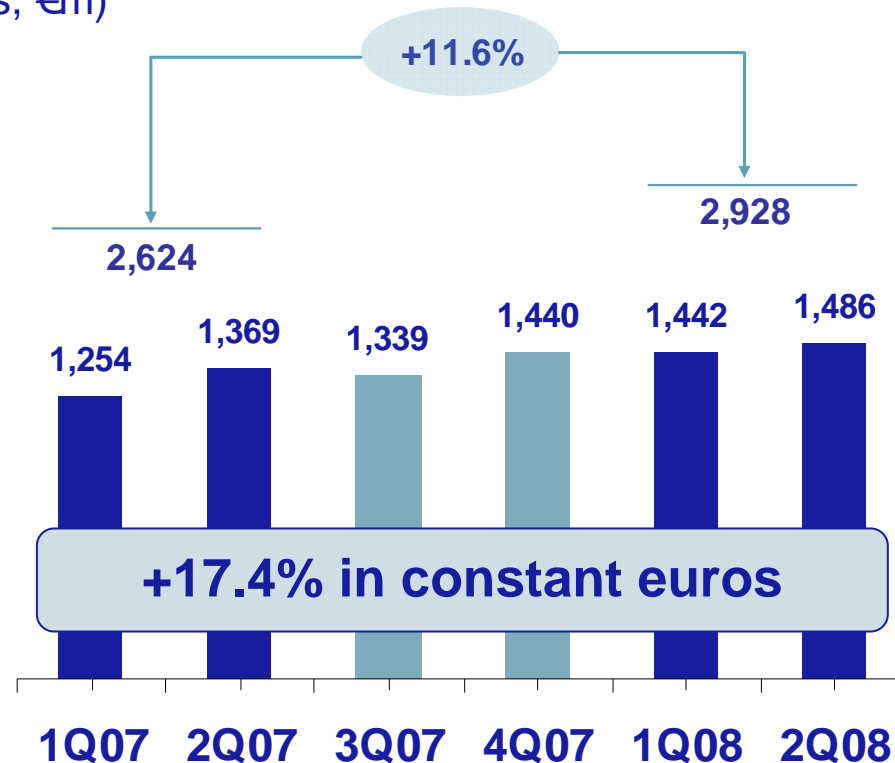
Conclusions

**In an increasingly complex environment, BBVA continues to differentiate from peers . . .**



**1 Solid profit growth, quarter by quarter, in an increasingly complex environment**

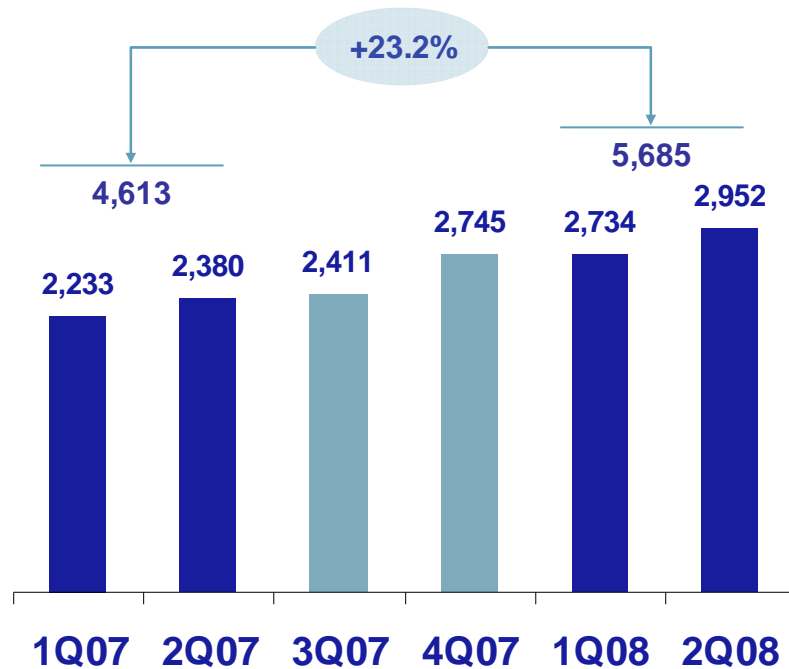
**Net attributable profit**  
(Excluding one-offs, €m)



**EPS excl. one-offs: €0.79 (+6.2%)**

## 2 Highly recurrent revenues

**Net interest income**  
Quarter-by-quarter  
(Excluding one-offs, €m)



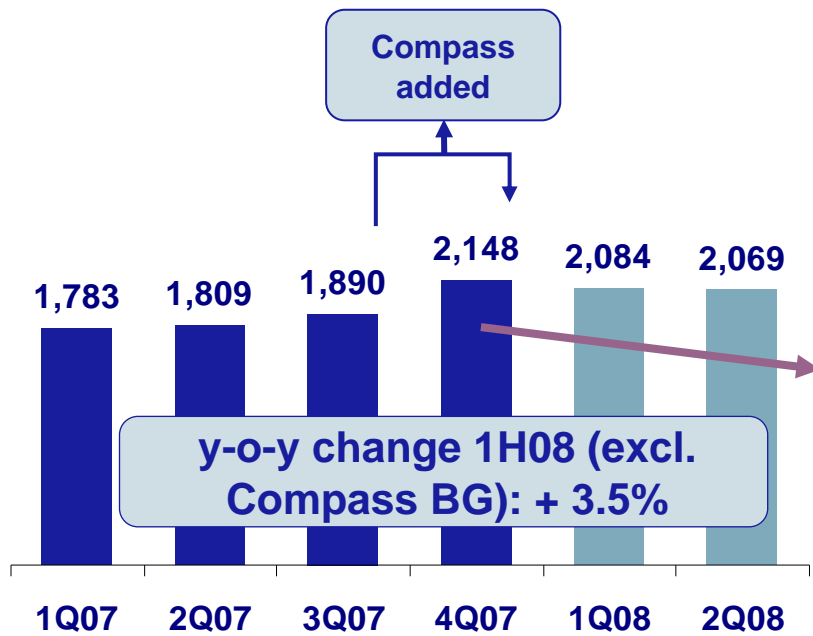
**Revenues**  
Year-on-year growth  
(%)

y-o-y change 1H08	Current euros	Constant euros
Net Interest Inc.	+23.2	+30.9
Core Revenues	+17.3	+24.0
Ord. Revenues	+15.2	+21.2

**Net interest income is the main driver of revenues**

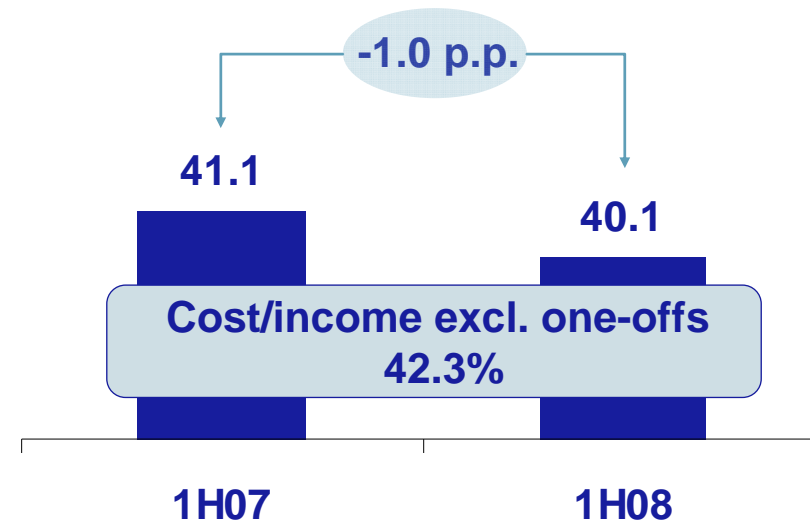
# And strict cost control

**Total Expenses**  
 Quarter-by-quarter  
 (Excluding one-offs, €m)



**Operating profit excl. one-off items: €5,495m (+12.8%)**

**Cost/income ratio including depreciation**  
 (Excluding one-offs and Compass, €m)



**Efficiency continues to improve, heading for 35% in 2010**

\* General administrative expenses + Depreciation

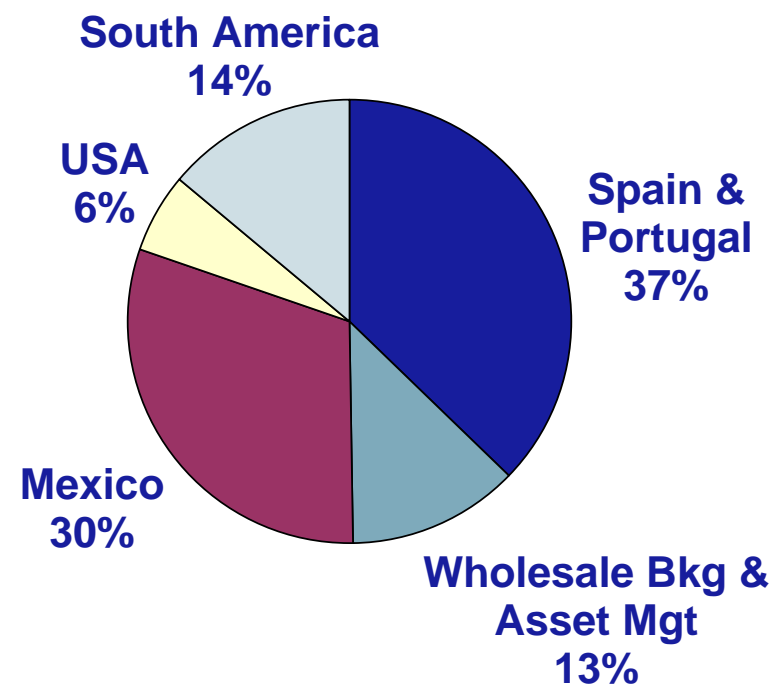
# All areas report significant gains

## Operating profit (Constant €m)

Operating profit	Acum	Annual Growth	
	1H08	Abs.	%
Spain & Portugal	2.255	+ 260	13,0%
Wholesale Banking & Asset Mgt	770	+ 113	17,3%
Mexico	1.848	+ 362	24,3%
USA	359	+ 252	n.s.
South America	847	+ 204	31,8%

**Double-digit growth in all areas**

## Contribution to operating profit by business area (%)



**Diversified contributions to Group earnings**

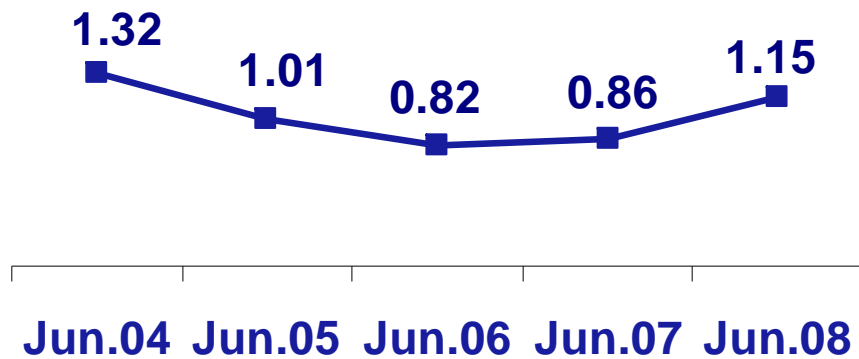


# 3 Active management of asset quality

**NPL ratio (%)**

Ave. NPL ratio of European peers: 2.7%

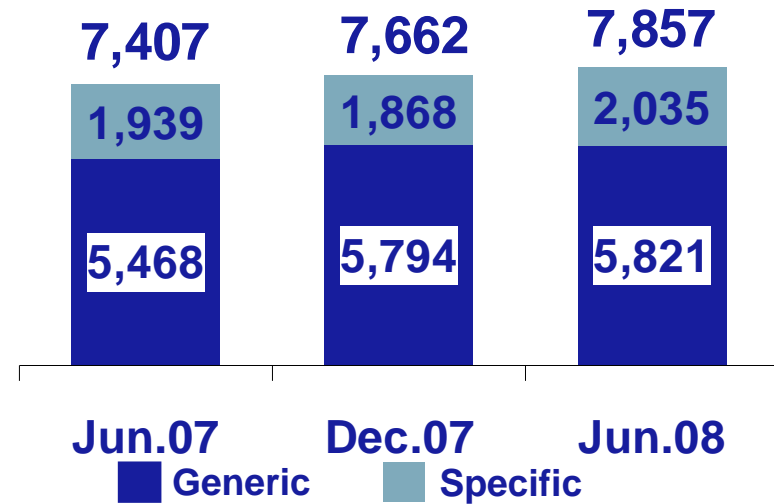
Ave. coverage ratio of European peers: 63%



**Coverage ratio: 166%**

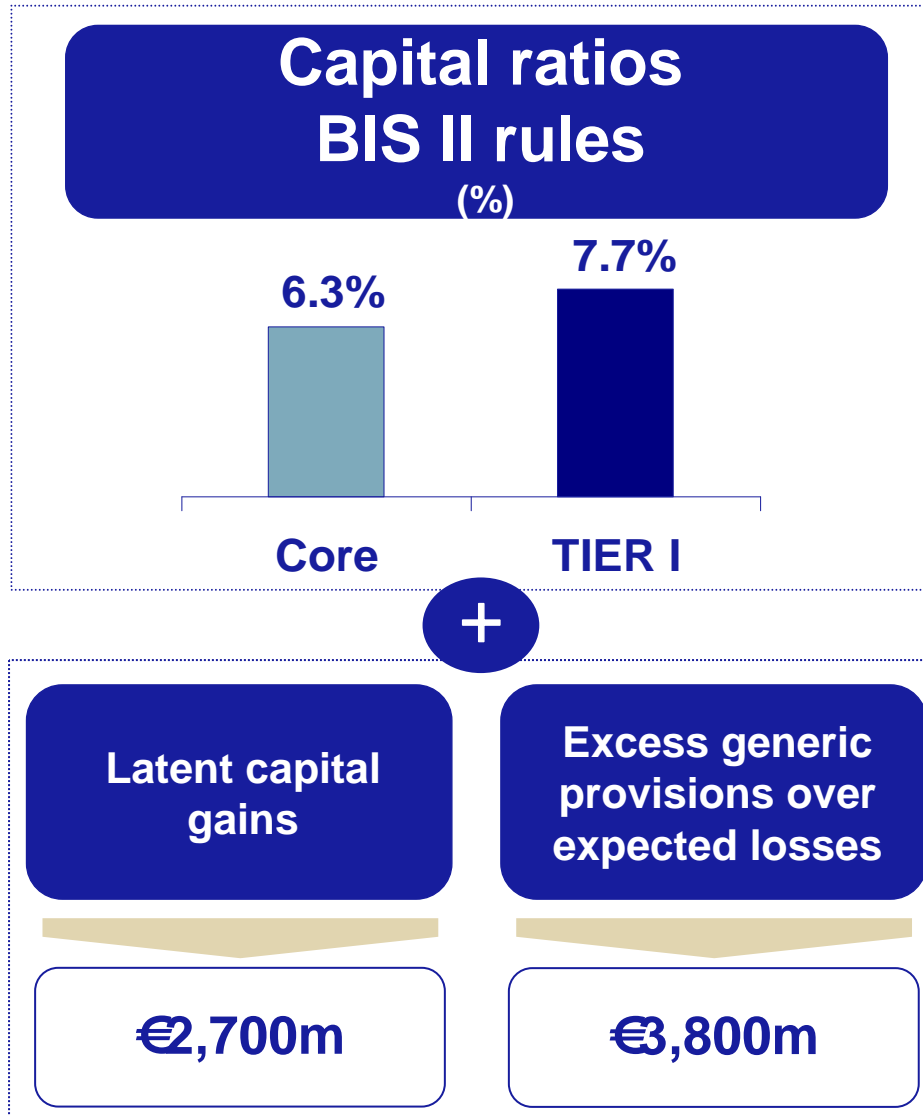
**NPL provisions (€m)**

74% of provisions are generic (74% in Jun.07)

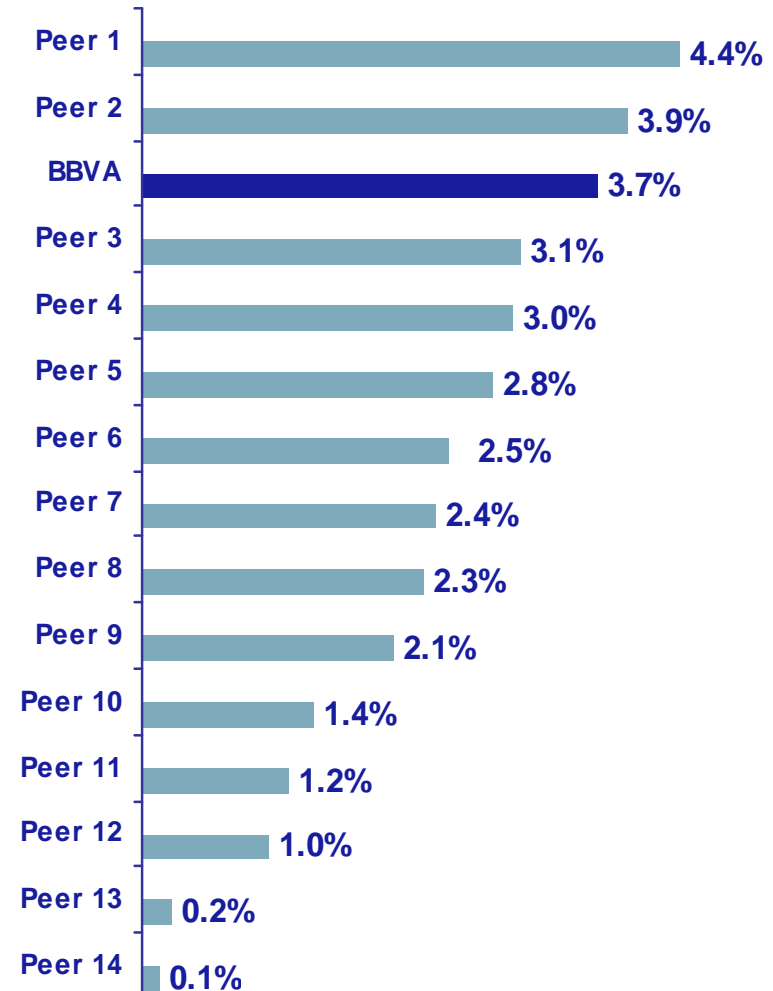


**Generic provisions are 3 times expected losses**

**4 Strong capital position**



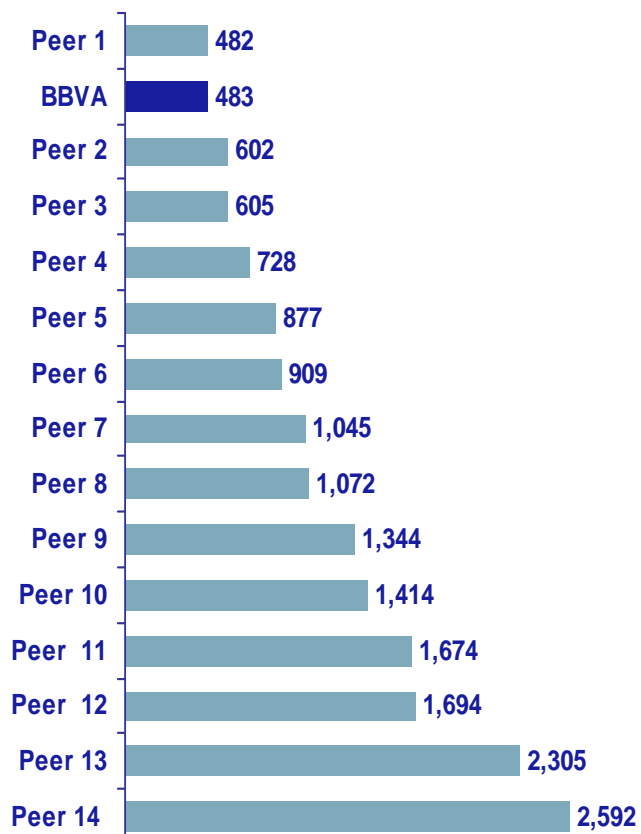
**Tangible equity / Assets\* European competitors (%)**



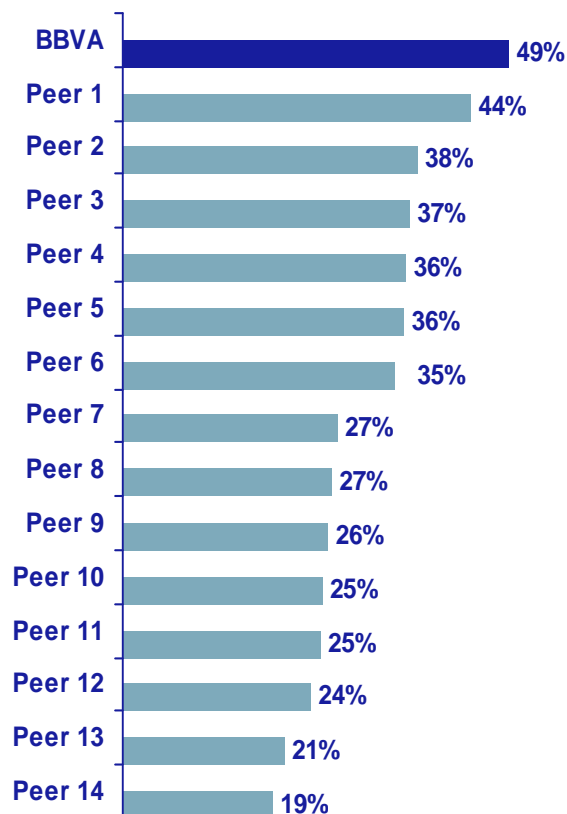
\* All BIS II, except SAN and RBS  
 Book value: figures for 1Q08 except UK banks (Dec 07)  
 Assets and intangibles: figures are 1Q08 except UK and French banks (Dec 07)

# 5 Our liquidity position is solid

**Assets**  
European competitors  
(€ billion)



**Deposits / Total Assets \***  
European competitors  
(%)



**Active management of balance sheet**

**Additional sources of liquidity: €50 billion**

**Maturities in 2H08 will be light**

\* Figures from 1Q08 except UK and French banks (Dec 07)

# BBVA Group excluding one-offs: 1H08 results

**BBVA**

(€m)

BBVA Group	Acum	Annual Growth	
	1H08	Abs.	%
Net Interest Income	5,685	+ 1,072	23.2%
Core Revenues	8,611	+ 1,268	17.3%
Ordinary Revenues	9,704	+ 1,279	15.2%
Operating Profit	5,495	+ 623	12.8%
Pre-Tax Profit	4,233	+ 414	10.9%
Net Profit	3,097	+ 323	11.6%
Net Attributable Profit	2,928	+ 305	11.6%

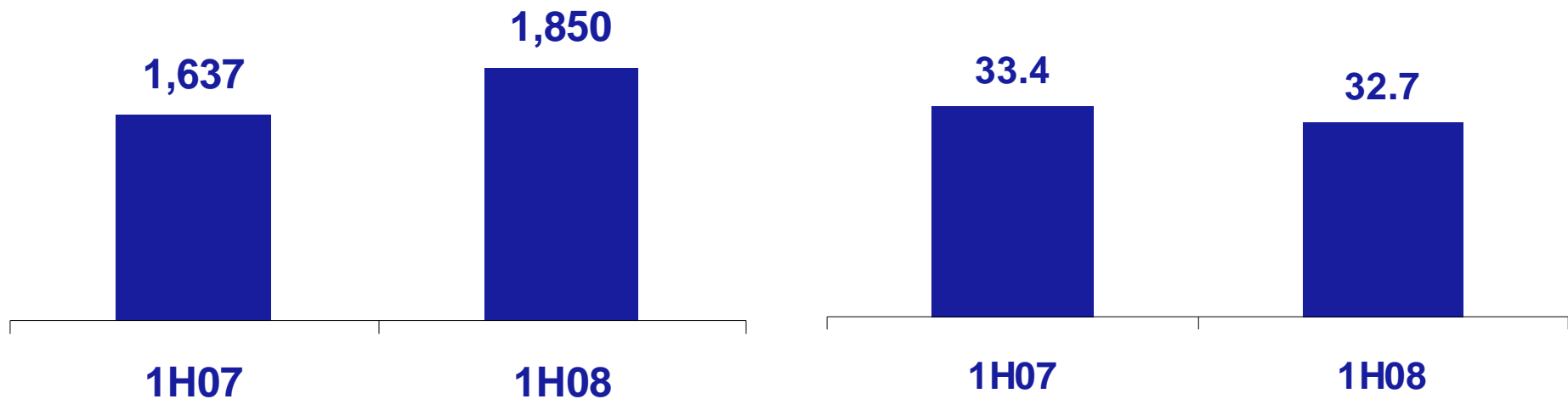
Operating Profit in constant €  
+ 18.8 %

Net Attr. Profit in constant €  
+ 17.4 %

# In summary: a profitable group that generates **BBVA** value

Recurrent Economic Profit  
(€m)

Recurrent RARoC  
(%)



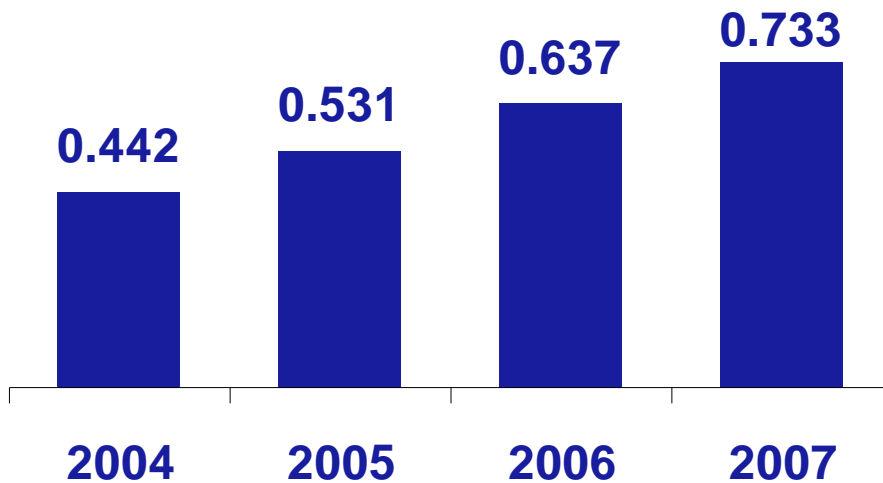
ROE (excl. one-offs):  
25.3 %

ROA (excl. one-offs):  
1.25%

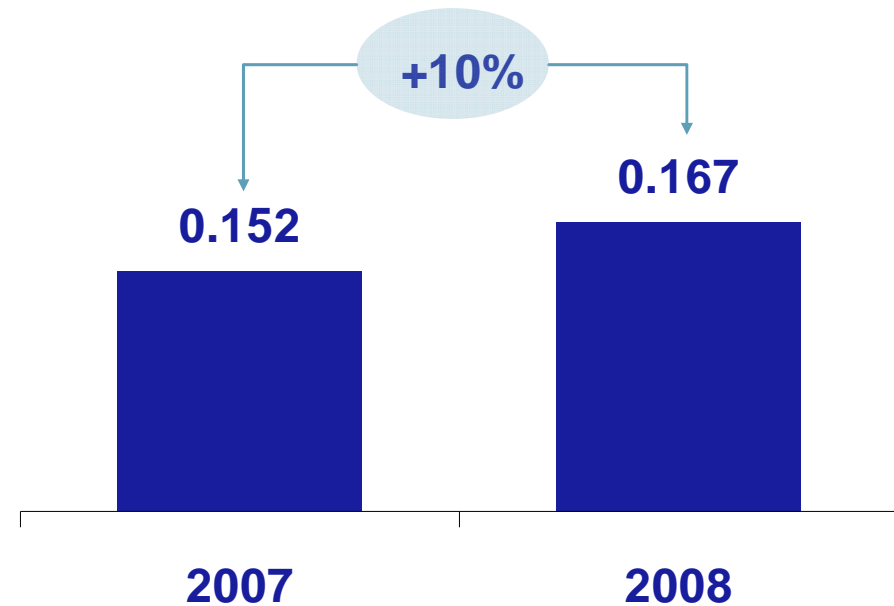
RORWA (excl. one-offs):  
2.30%

# Strong dividend growth is maintained in current environment

**Dividends**  
(€/share)



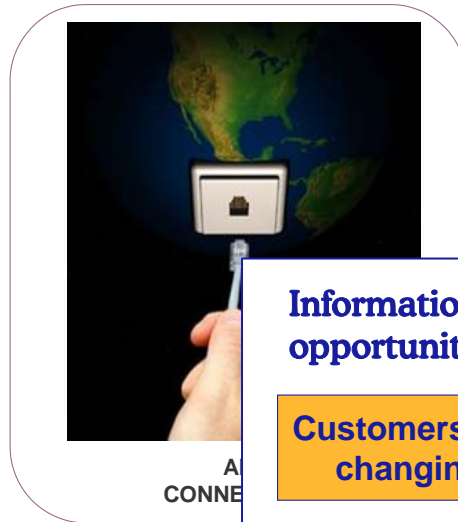
**First interim dividend**  
(€/share)



**Ability to generate recurrent value for shareholders**

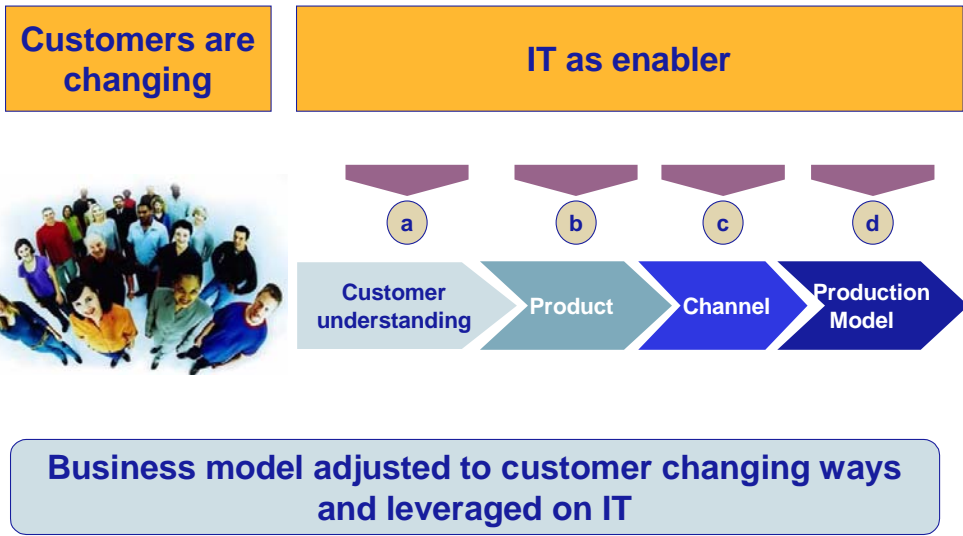
# 6 Transformation plan . . .

IT is revolutionising the way of managing information



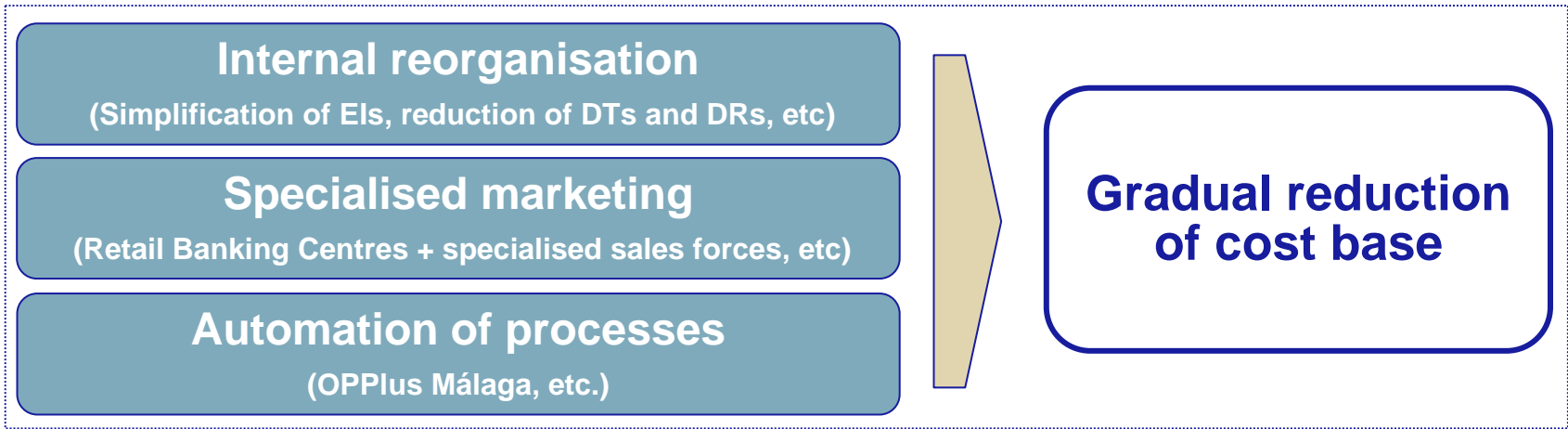
What drives a competitive advantage *per se*, but leveraging the business model

Information technology opens up new opportunities



.. applicable to all units

**And especially to Spain & Portugal**



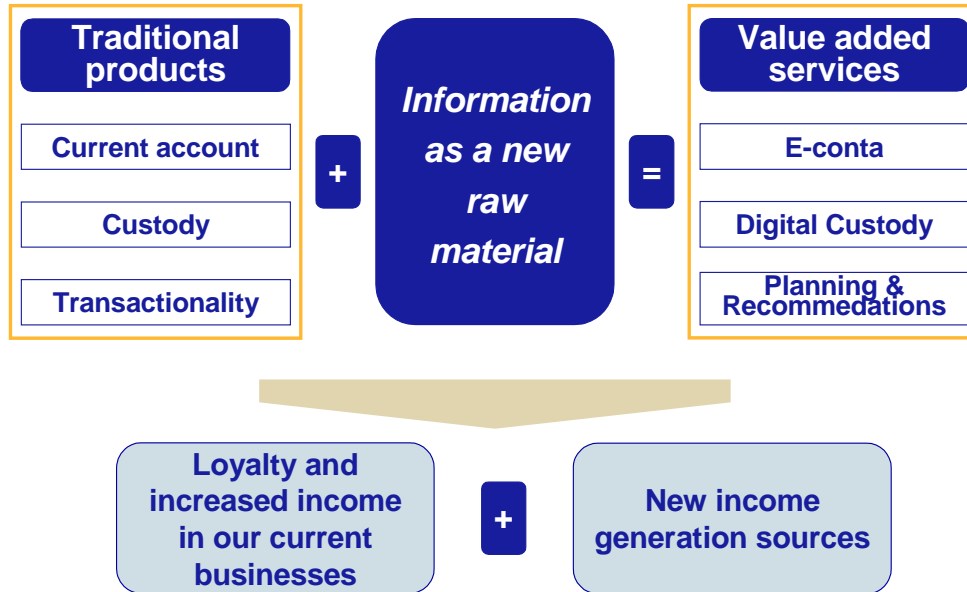
**This process meant additional costs for early retirements**

<b>Net cost</b>	<b>€329m</b>
<b>Annualised net savings in 2008</b>	<b>€43m</b>
<b>Net present value</b>	<b>€372m</b>



# And innovation plan

And IT even helps us cross financial business borders



# Strategic agreement with Citic broadens . . .

We are strengthening our presence in strategic markets with high potential . . .

. . . creating shareholder value from day one

Holding (%)	Phase 1	Phase 2
<b>CIFH</b>	15%	30%
<b>CNBC</b>	5%	10%

2-year option to acquire additional 5%

Financial impact	2008 (e)	2009 (e)
<b>Impact on BBVA's EPS</b>	+1.21%	1.73%
<b>ROI (Phase 2)</b>	17.9%	22.1%

Return on investment > cost of capital

**Synergies on the important volume of Asia-Latam trade**

\* Completion of the agreement is subject to authority approvals and de-listing of CIFH on HK stock exchange.

# BBVA Group: One-offs in 1H08



**Net attributable profit**  
**€750m**



**Net attributable profit**  
**€180m**

# BBVA Group: 1H08 results

**BBVA**

(€m)

BBVA Group	Acum	Annual Growth	
	1H08	Abs.	%
Net Interest Income	5,685	+ 1,072	23.2%
Core Revenues	8,611	+ 1,268	17.3%
Ordinary revenues	10,431	+ 1,159	12.5%
Operating Profit	6,222	+ 503	8.8%
Pre-Tax profit	4,490	- 211	-4.5%
Net Profit	3,277	- 247	-7.0%
Net Attributable Profit	3,108	- 265	-7.9%

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Results by business area

## **Spain & Portugal**

Wholesale Banking & Asset Management

Mexico

USA

South America

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# Spain & Portugal: key figures in 1H08

ROE

**37.3%**

Cost/income ratio

**35.6%**

NPL ratio

**1.22%**

Coverage ratio

**142%**

Operating profit

**+13.0%**

Net attributable profit

**+15.5%**



**Distinctive  
management of  
slowdown**

# Spain & Portugal: 1H08 highlights

**Active management of slowdown**

**Improving efficiency**

**Solid asset quality**

**Orderly and structured slowdown: increased market share**

**Strict cost control**

**Tighter risk control**

**Priority on price management**

**Continuous transformation**

**Comfortable coverage of expected losses**

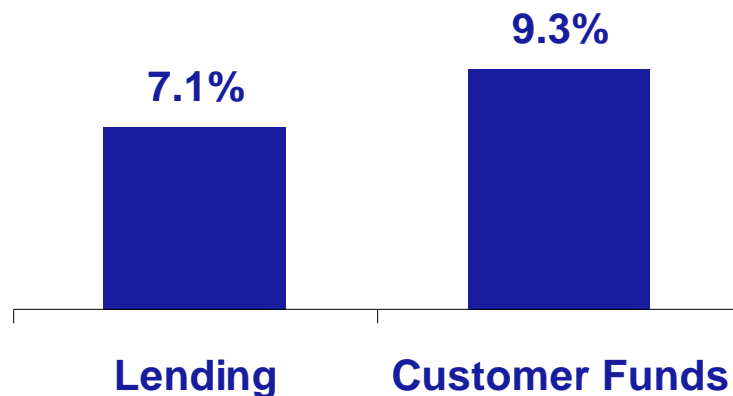
**Forward-looking approach helps us to manage the slowdown better**



# We are managing the slowdown with a focus on activity

## Lending and Customer Funds on balance sheet

Year-on-year growth  
(% average balances)



**Consumer fin. + cards + 7.9%**

**Mortgages + 7.1%**

**CBB + 7.7%**

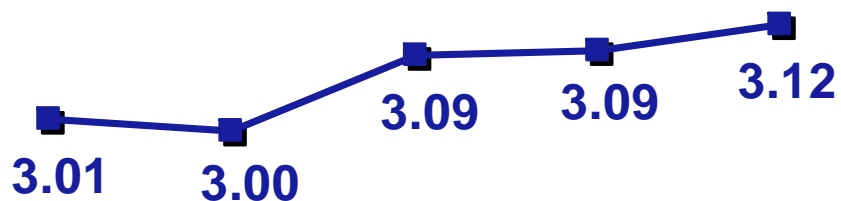
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**Time deposits + 31.6%**

**We maintain our market share of lending and gain in liquid customer funds and mutual funds**

# And price management is a priority

### Customer spreads (%)



### NII / ATA (%)



2Q07 3Q07 4Q07 1Q08 2Q08

2Q07 3Q07 4Q07 1Q08 2Q08

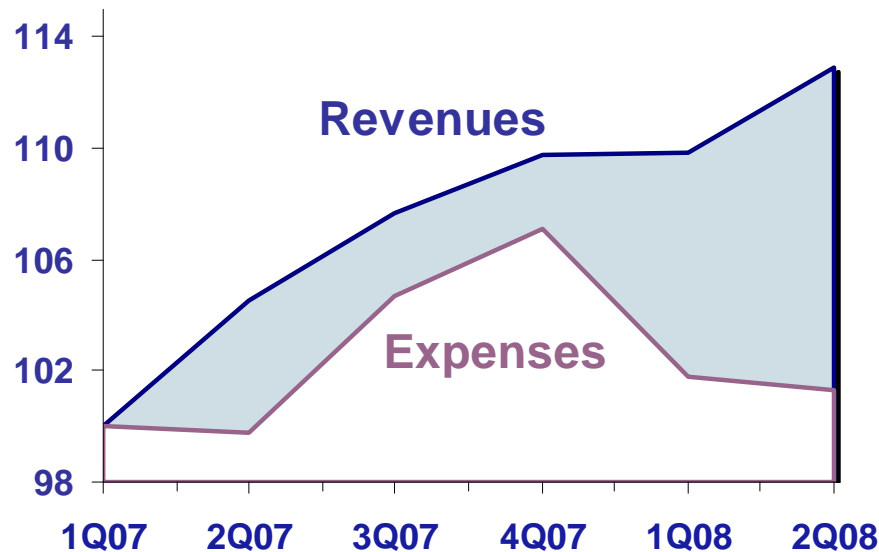
+ 11 bp year-on-year  
+ 3 bp in quarter

+ 6 bp year-on-year  
+ 4 bp in quarter

**Net interest income: €2,295m (+12.7%)**

# Recurrent revenues and strict cost control

Revenues and Expenses  
(%)



Ordinary Revenues	+ 8.9 %
Gen. admin expense	+ 1.4 %
Retail networks in Spain	+ 0.4%

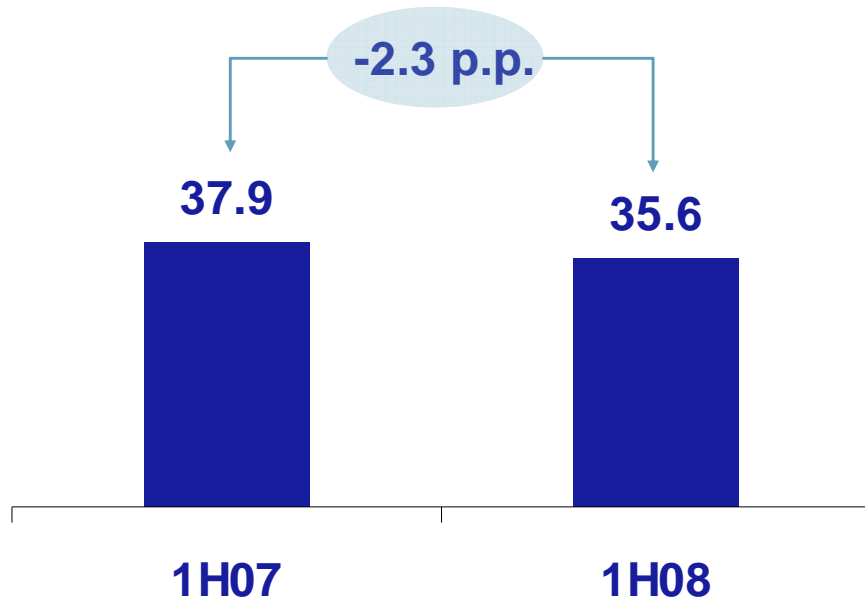
**Continuous transformation aimed at keeping costs stable**

\* Ordinary revenues + Sales of non-financial services

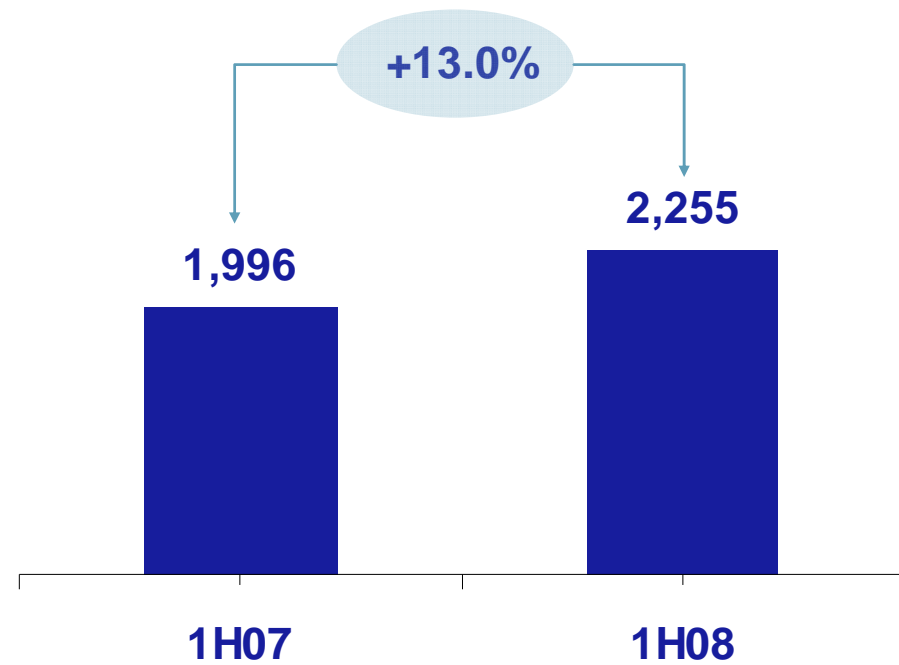
\*\* General admin expense + Depreciation

# With gains in efficiency and operating profit

Cost/income ratio incl. depreciation (%)

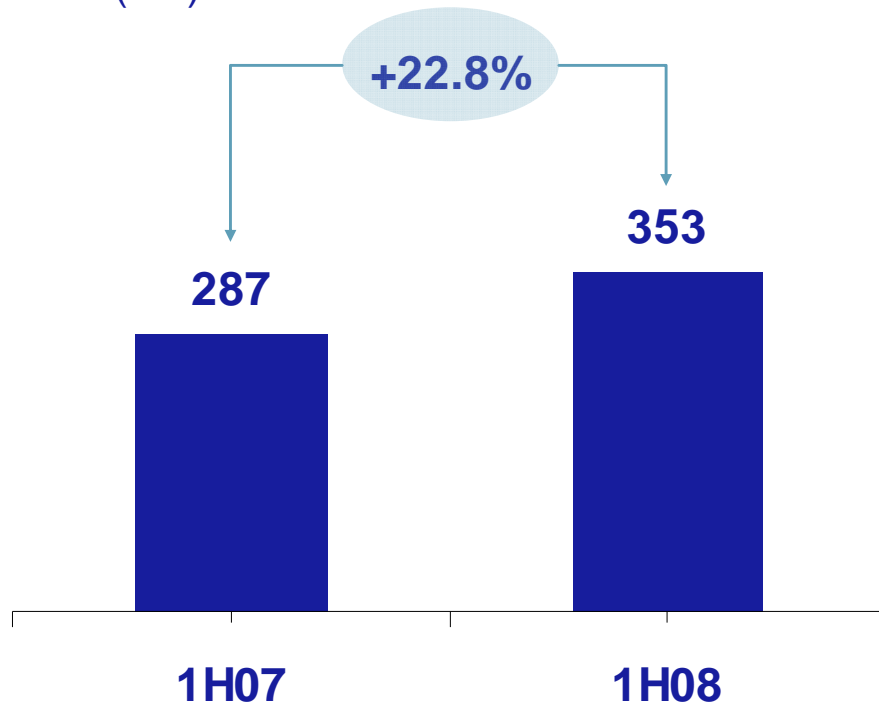


Operating profit (€m)



# Risk control and comfortable coverage

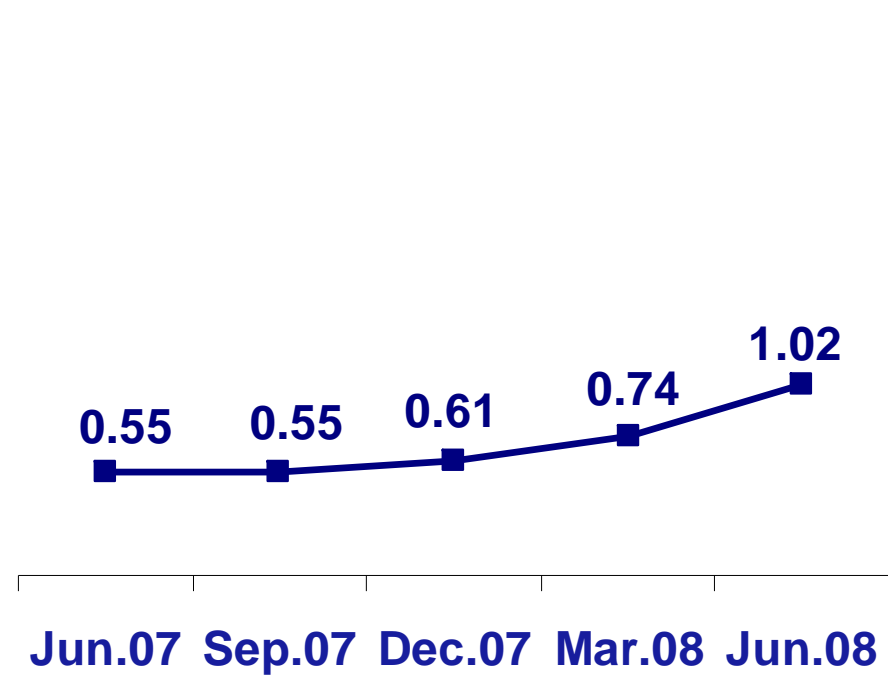
Impairment losses  
(€m)



Generic funds: €3,078m = 80.6%  
of total

4.3 x expected losses

NPL ratio on domestic business  
(%)



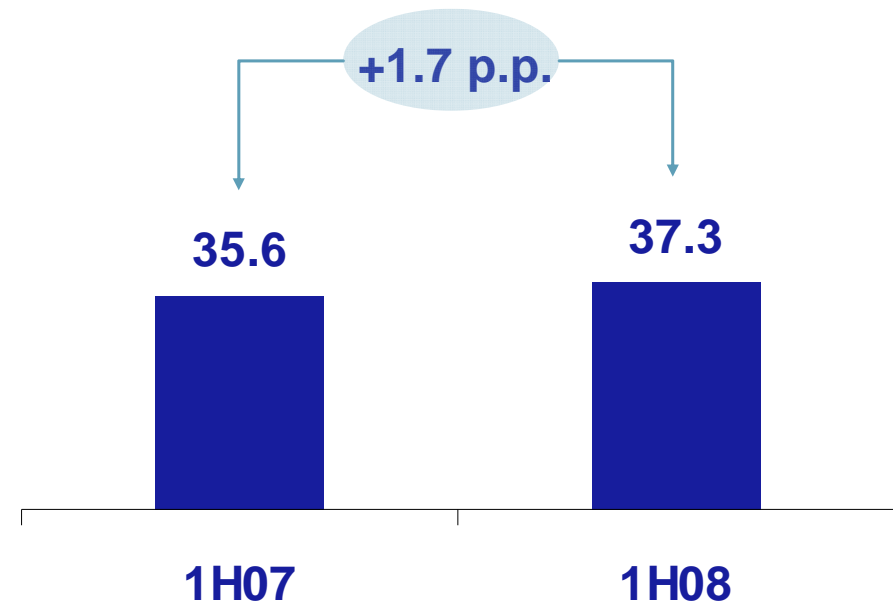
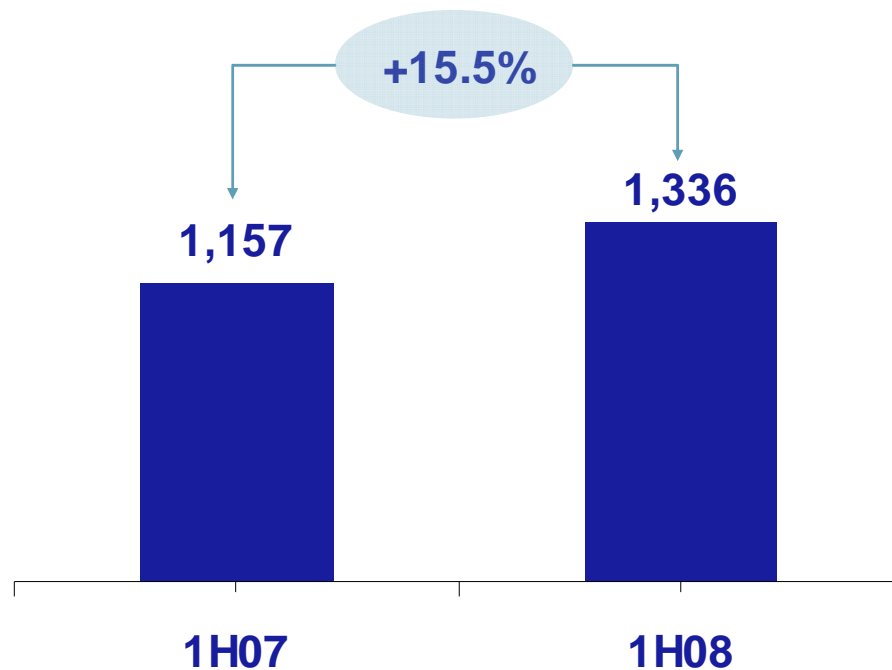
NPL ratio in Spain & Portugal:  
1.22%

Coverage in Spain & Portugal:  
142%

# Spain & Portugal: net attributable profit and profitability

Net attributable profit  
(€m)

ROE  
(%)



# Spain & Portugal: 1H08 results

(€m)

SPAIN & PORTUGAL	Acum	Annual Growth	
	1H08	Abs.	%
<b>Net Interest Income</b>	<b>2,295</b>	<b>+ 258</b>	<b>12.7%</b>
<b>Core Revenues</b>	<b>3,375</b>	<b>+ 278</b>	<b>9.0%</b>
<b>Ordinary Revenues</b>	<b>3,512</b>	<b>+ 287</b>	<b>8.9%</b>
<b>Operating Profit</b>	<b>2,255</b>	<b>+ 260</b>	<b>13.0%</b>
<b>Pre-Tax Profit</b>	<b>1,905</b>	<b>+ 191</b>	<b>11.2%</b>
<b>Net Profit</b>	<b>1,336</b>	<b>+ 179</b>	<b>15.5%</b>
<b>Net Attributable Profit</b>	<b>1,336</b>	<b>+ 179</b>	<b>15.5%</b>

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Results by business area

Spain & Portugal

**Wholesale Bkg & Asset Management**

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# Wholesale Banking & Asset Management: key figures in 1H08

**BBVA**

ROE

**35.0%**

Cost/income ratio

**25.3%**

NPL ratio

**0.01%**

Coverage ratio

**6,697%**

Operating profit

**+17.3%**

Net attributable profit

**+25.5%**

# Wholesale Banking & Asset Management: moving further ahead . . .



**Recurrent  
income on  
business with  
customers**

# Wholesale Banking & Asset Mgt: 1H08 highlights

**Corp. & Invest. Bkg**  
Excellent earnings

**Markets Unit**  
Exceptional performance  
under difficult conditions

Strong business: good 'pipeline'  
of operations

Quarter sets new records

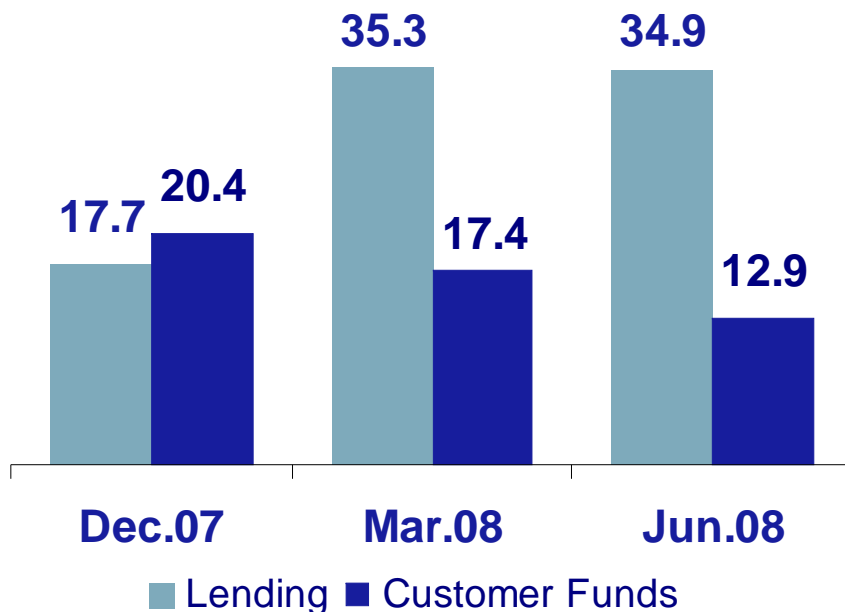
Generating high revenues

Strength of recurrent business  
with customers

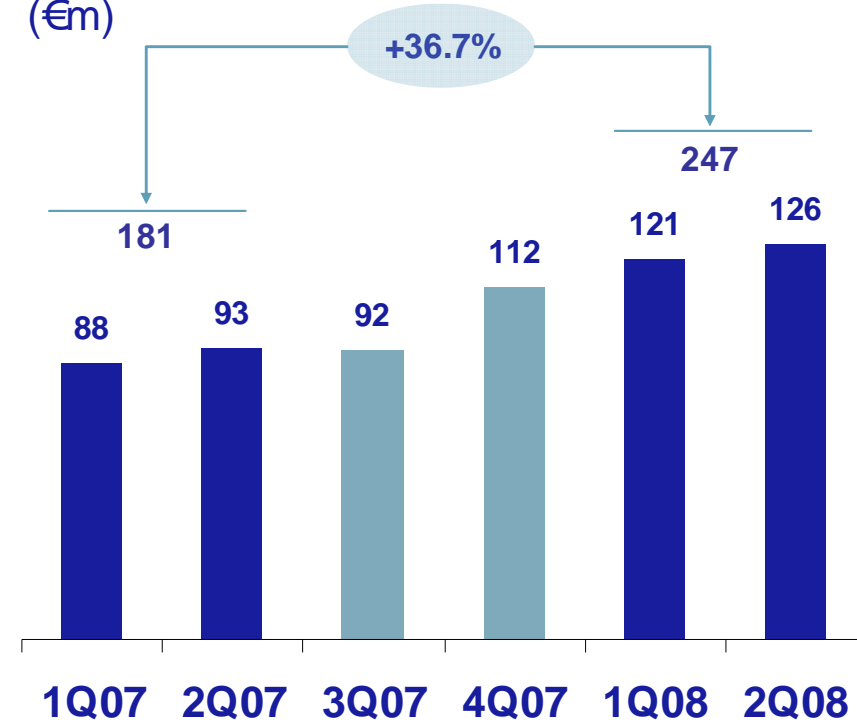
Franchise based on recurrent income from business  
with customers

# Corporate & Investment Banking: strong business activity . . .

**Lending & Customer funds\***  
Year-on-year growth (%)



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

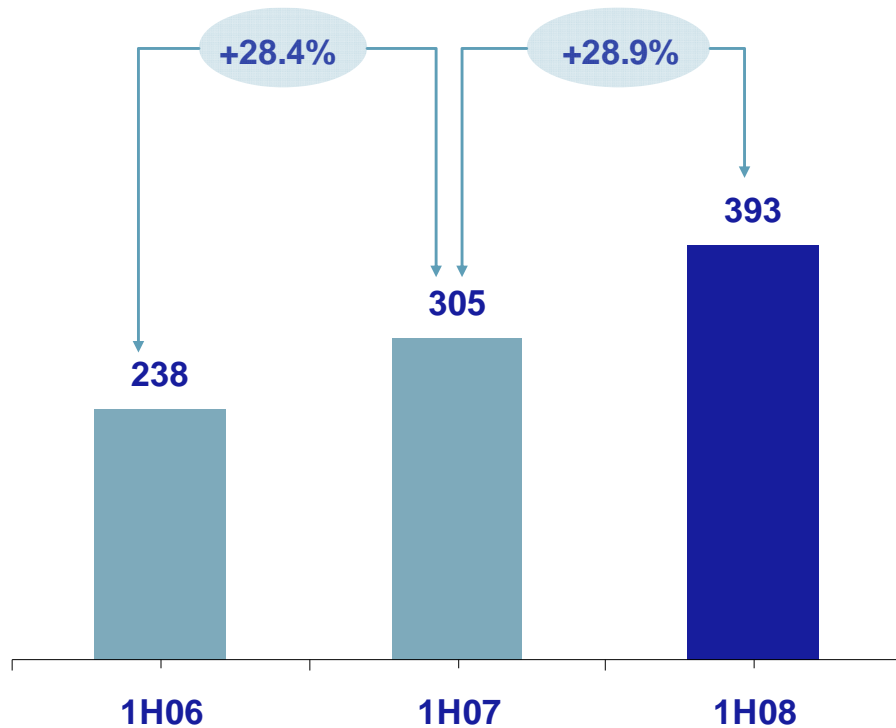


**... reflected in net interest income**

\* Customer funds excl. New York. With New York: Dec.07 18.3%; Mar.08 13.0%; Jun.08 62.6%

# Markets Unit: excellent earnings despite complex conditions

Ordinary Revenues  
(€m)



More than 70% of business is with existing customers

Suitably diversified portfolio

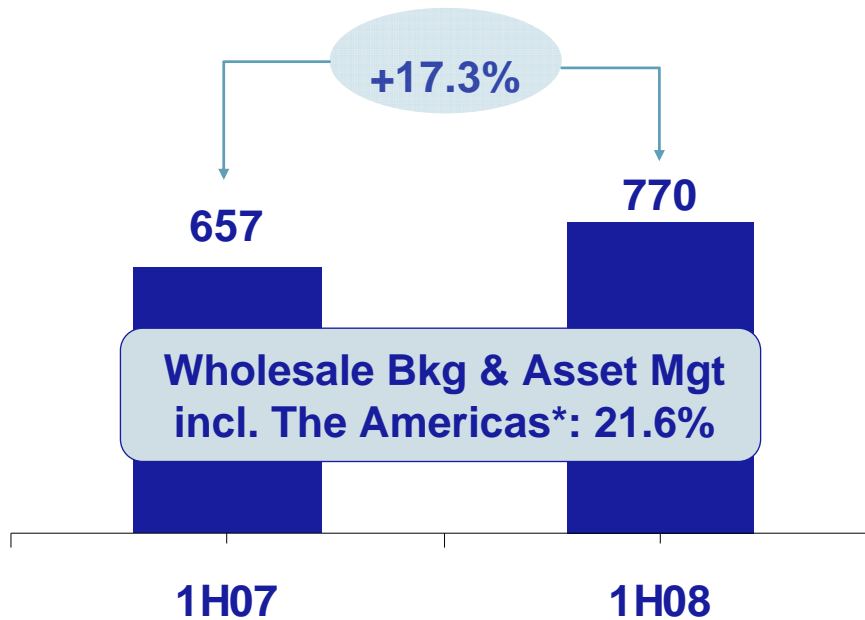
Considerably better than the exceptional 1H07

BBVA average VaR 1S08: €20.7m  
(approx. half of sector average)

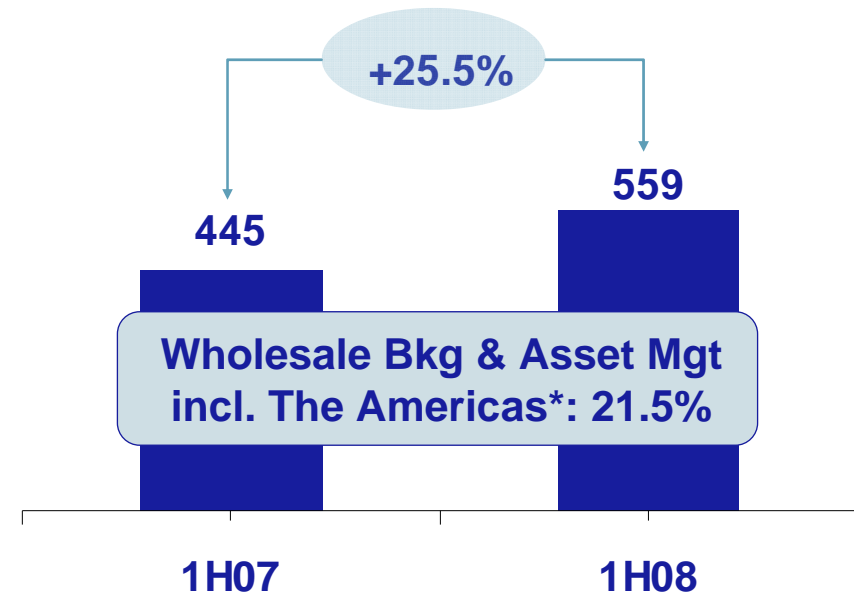
Less risk than competition

# A great quarter for Wholesale Banking & Asset Management

Operating profit  
(€m)



Net attributable profit  
(€m)

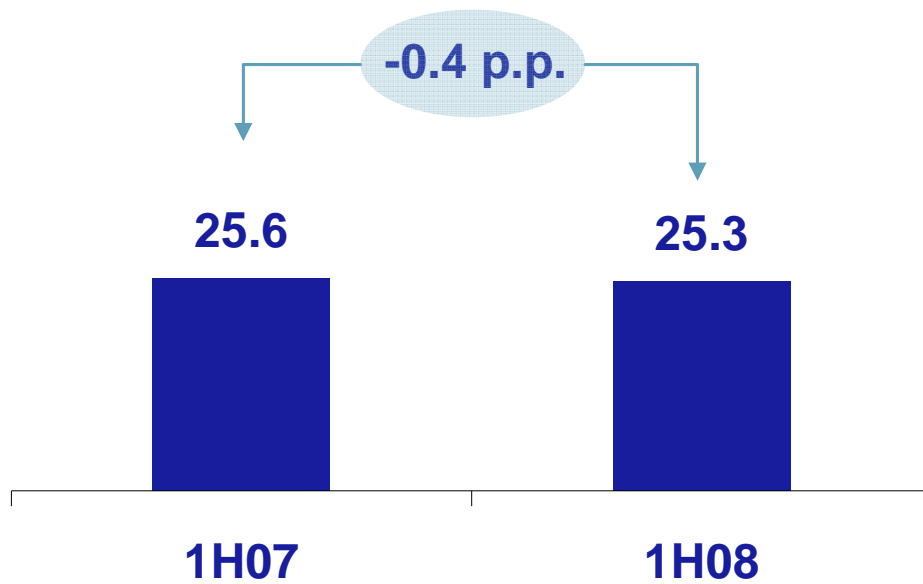


**Strong business activity boosts earnings**

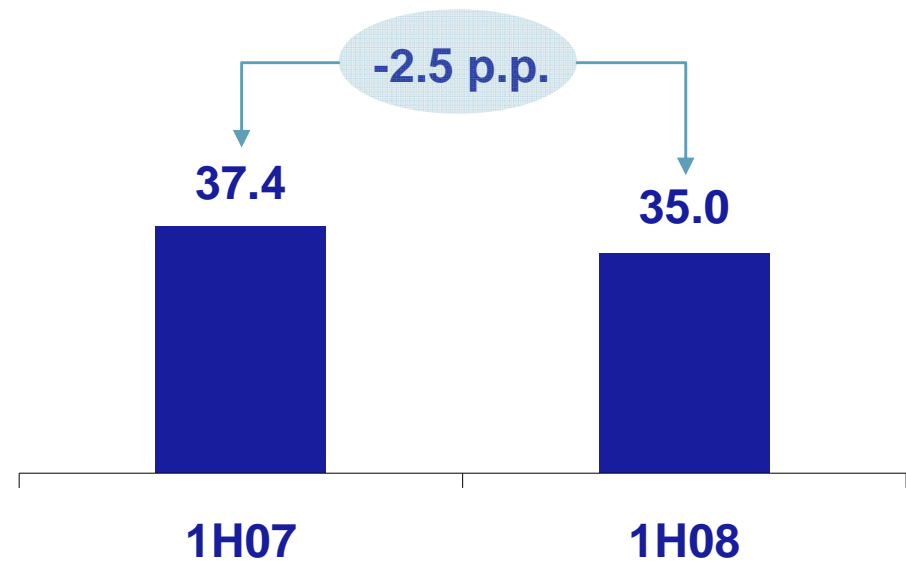
\* in constant euros

# Improved fundamentals

Cost/income ratio incl. depreciation (%)



ROE (%)



# Wholesale Banking & Asset Management: 1H08 results

**BBVA**

(€m)

Wholesale Banking & Asset Management	Acum	Annual Growth	
	1H08	Abs.	%
Net Interest Income	345	+ 316	n.s.
Core Revenues	724	+ 363	n.s.
Ordinary Revenues	1,021	+ 229	28.9%
Operating Profit	770	+ 113	17.3%
Pre-Tax Profit	698	+ 97	16.1%
Net Profit	561	+ 112	25.0%
Net Attributable Profit	559	+ 114	25.5%



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Group results for 1H08

Results by business area

Spain & Portugal

Wholesale Banking & Asset Management

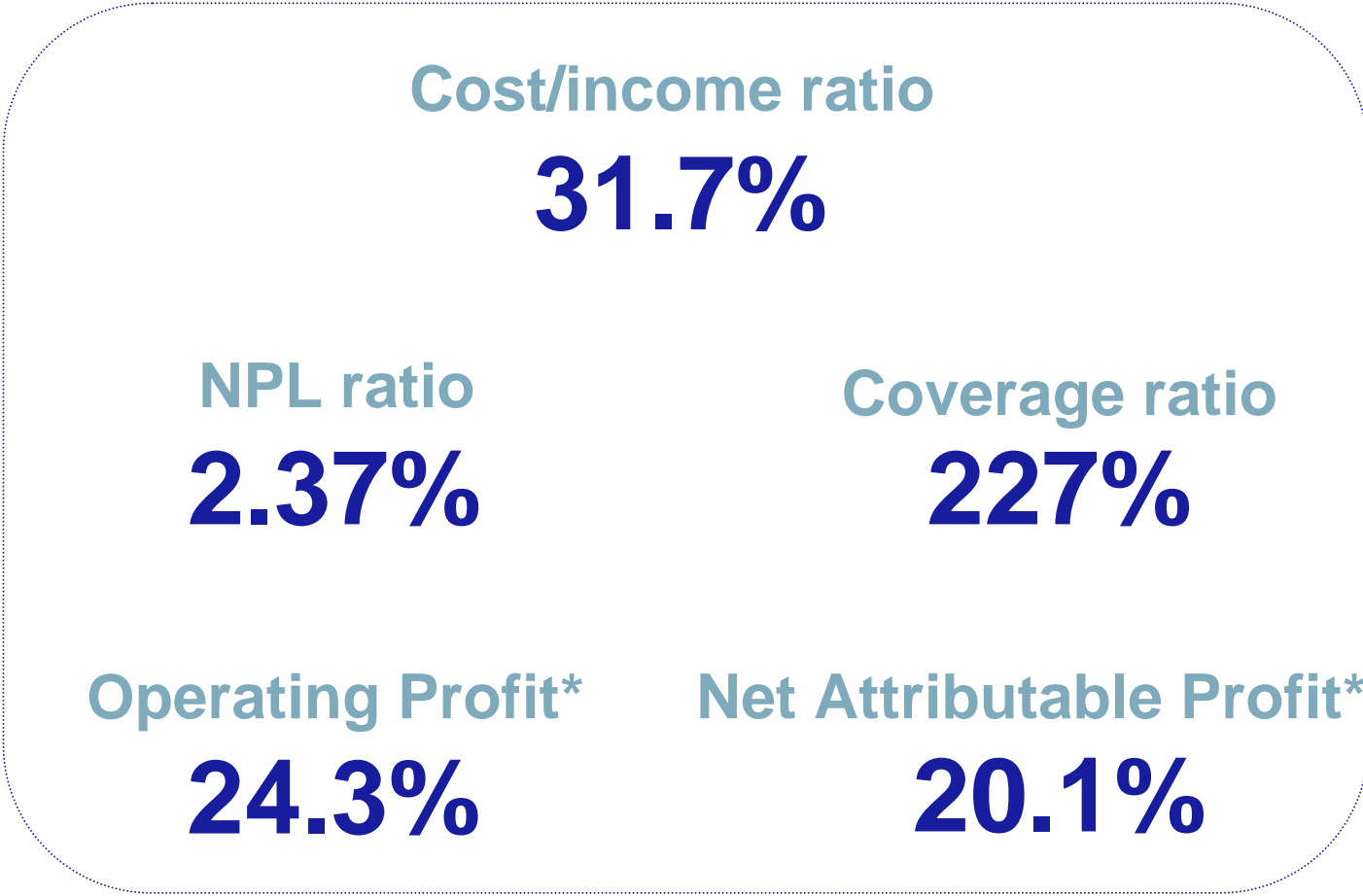
**Mexico**

USA

South America

Conclusions

# Mexico: key figures in 1H08

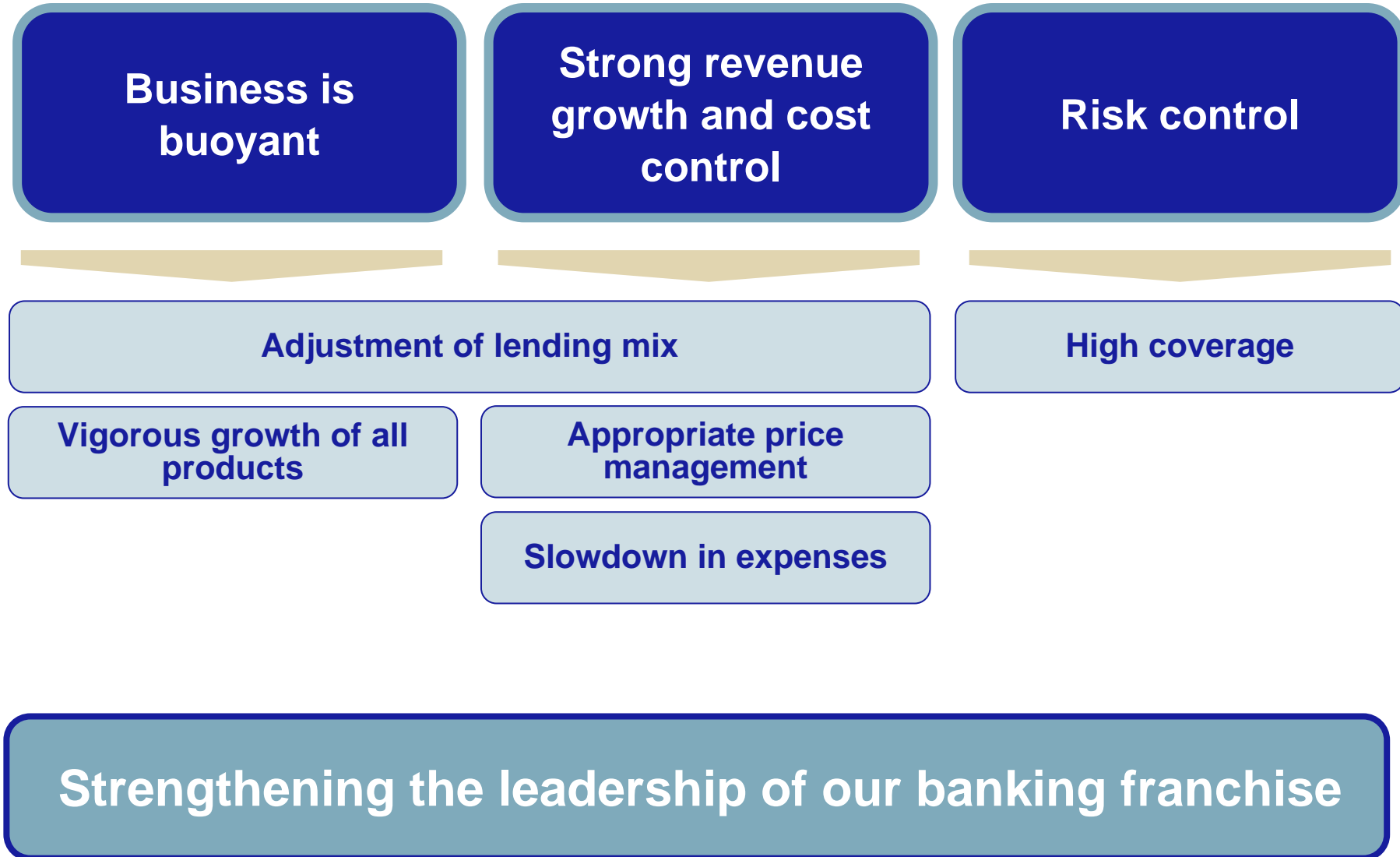


\* in constant euros



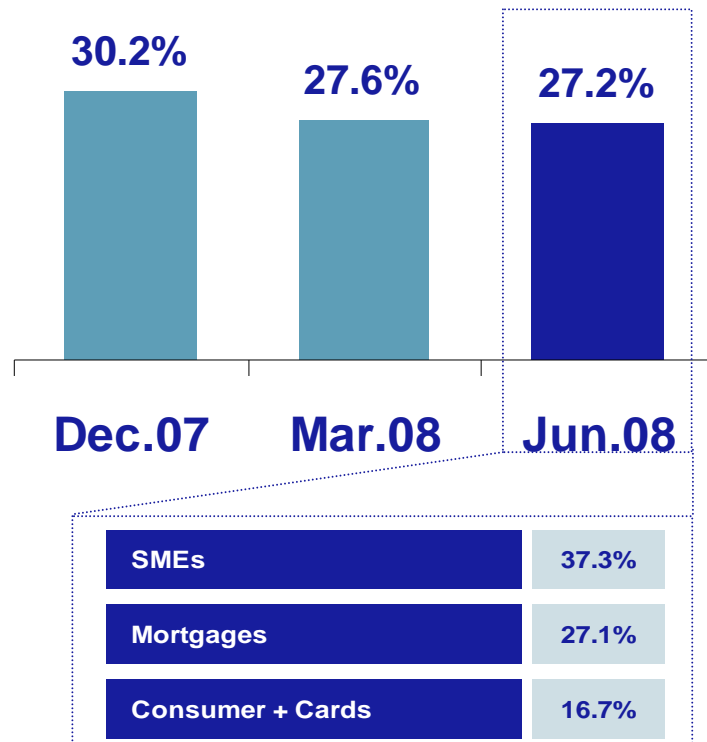
**Consolidating the  
leadership of our  
banking franchise**

# Mexico: 1H08 highlights



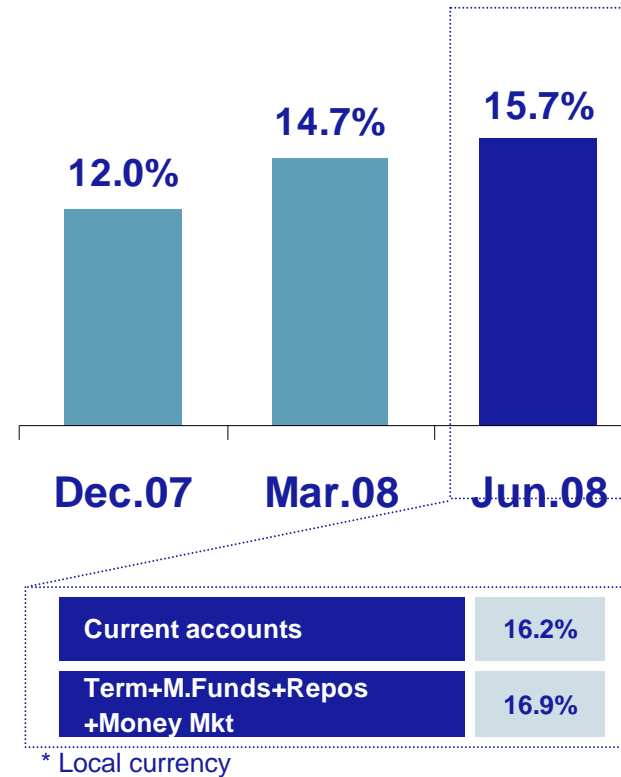
# Strength of Mexican business

**Lending**  
 Bancomer BG  
 Year-on-year growth  
 (Average balances)



**We will continue with the change of the lending mix**

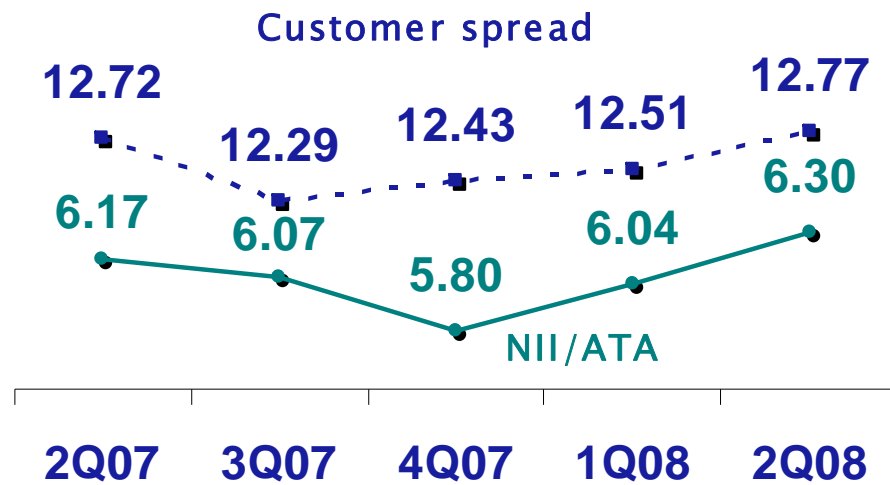
**Customer Funds**  
 Bancomer BG  
 Year-on-year growth  
 (Average balances)



**Balanced growth of customer funds**

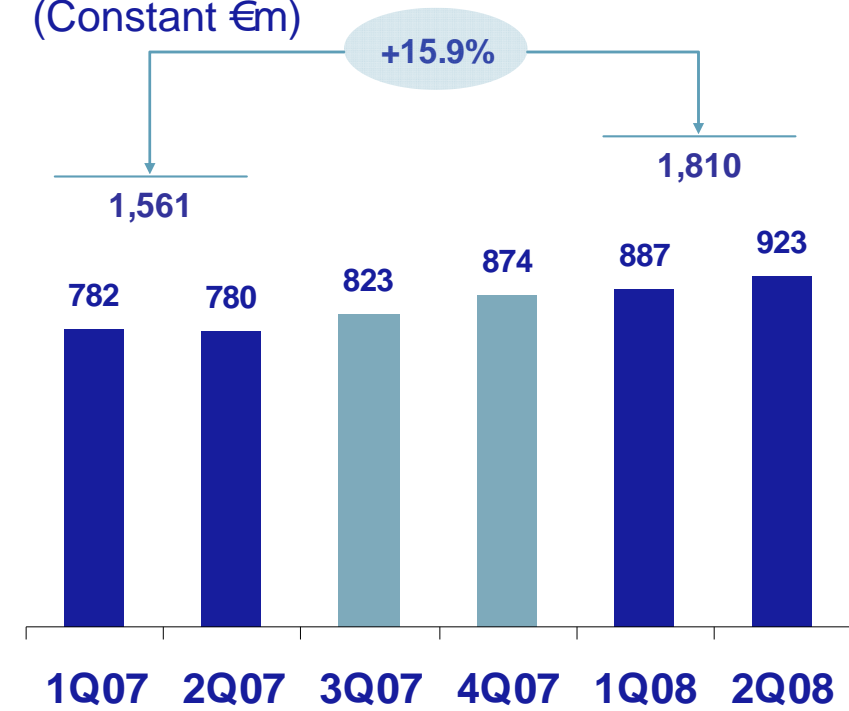
# Positive development of prices and sustained growth of net interest income

**Customer spreads and NII / ATA**  
 Bancomer BG  
 (%)



**Consolidation of upward trend in margins**

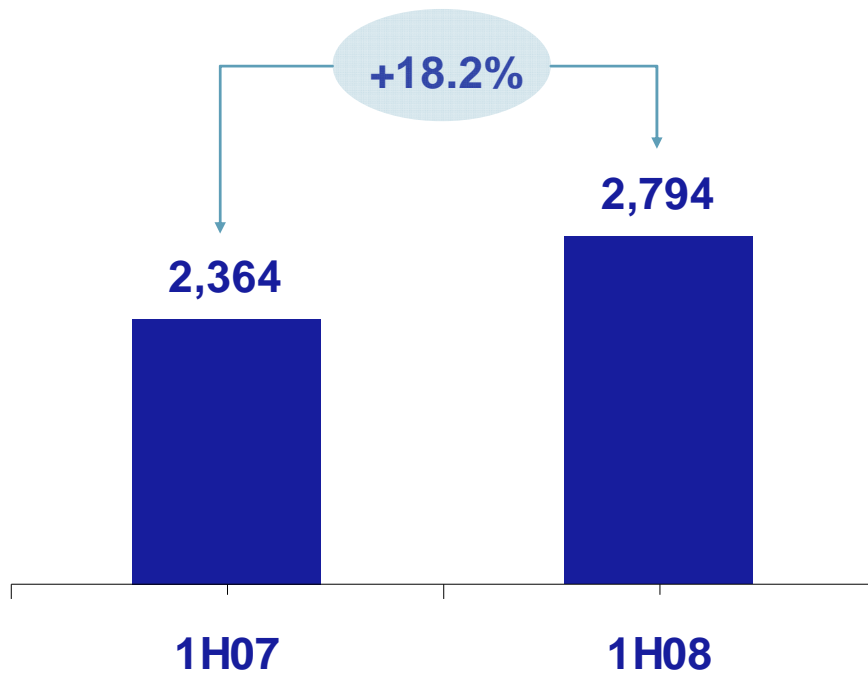
**Net interest income Mexico**  
 Quarter-by-quarter  
 (Constant €m)



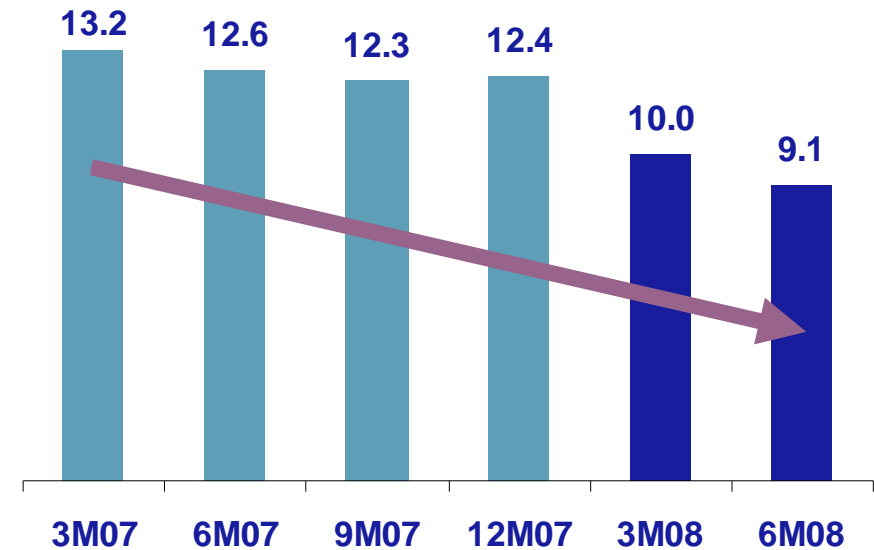
**Core revenues: €2,596m (+13.5%)**

# Proven ability to generate revenues ...

**Ordinary Revenues**  
Mexico  
(Constant €m)



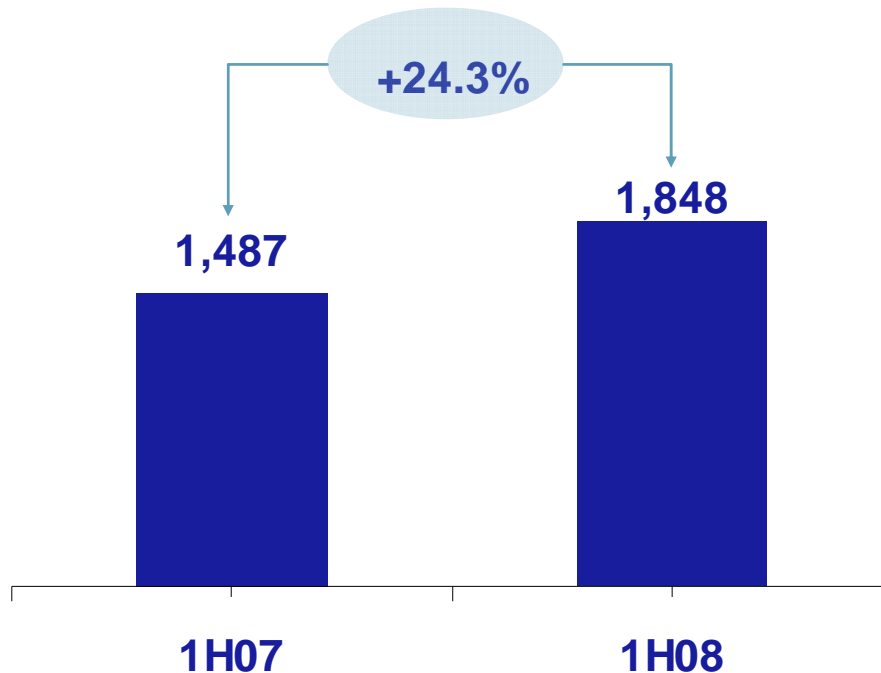
**General administrative expenses**  
Mexico  
Cumulative year-on-year growth  
(%)



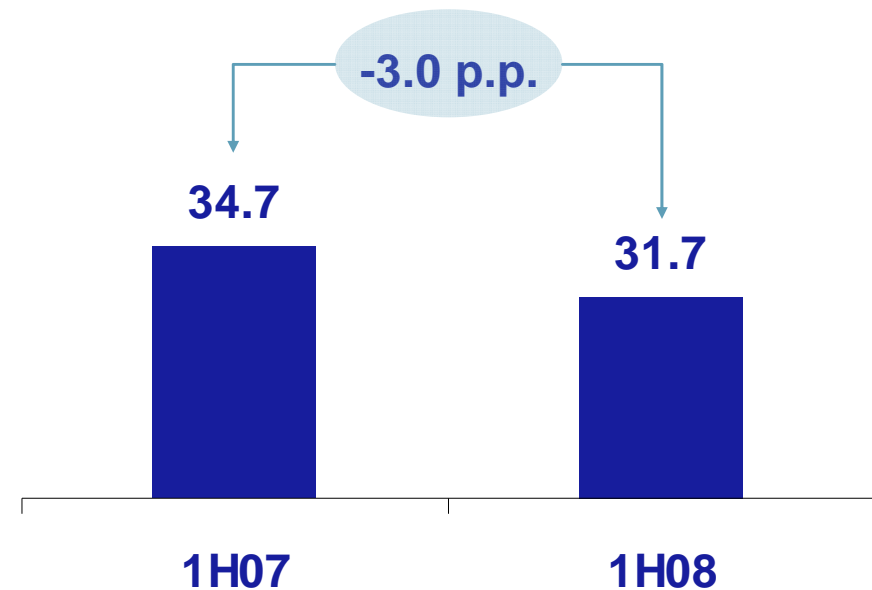
... and sharp slowdown of cost growth

# Significant improvements in operating profit and efficiency

**Operating profit**  
Mexico  
(Constant €m)



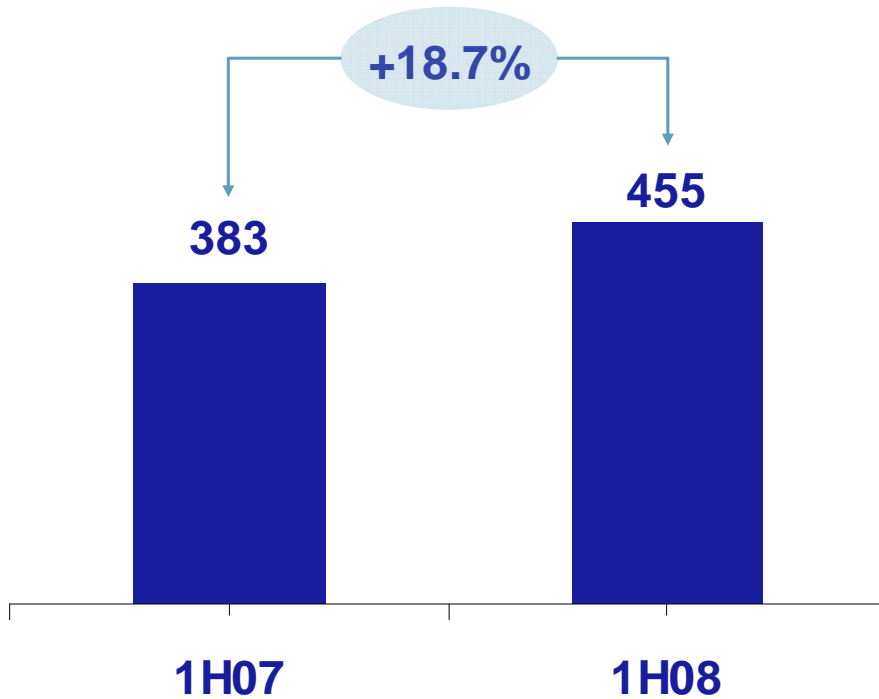
**Cost/income ratio incl. depreciation**  
Mexico  
(%)



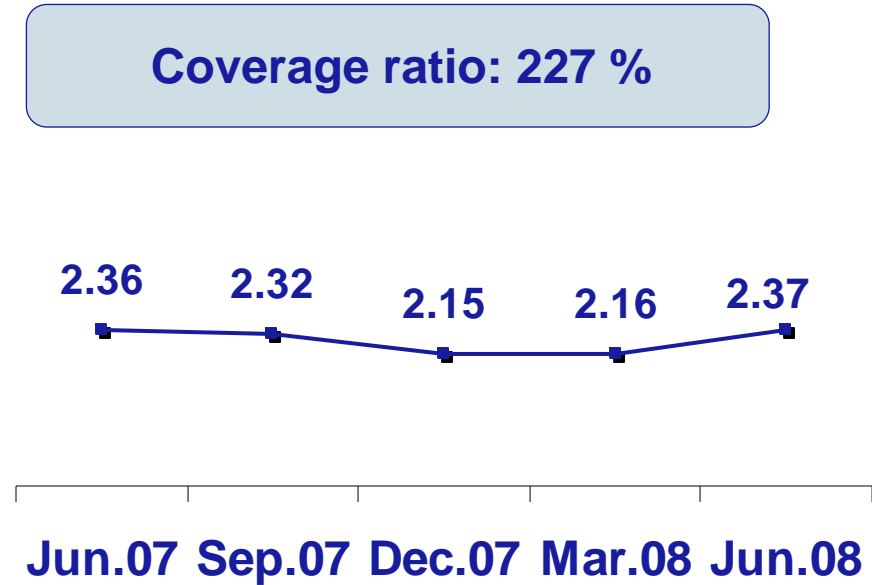


# Better risk management

**Impairment losses**  
Mexico  
(Constant €m)



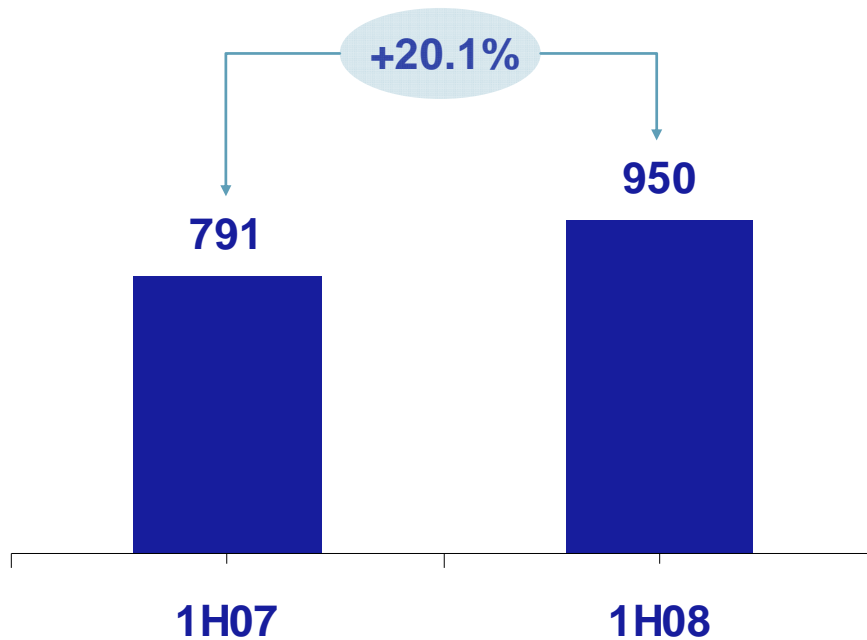
**NPL ratio**  
Mexico  
(%)



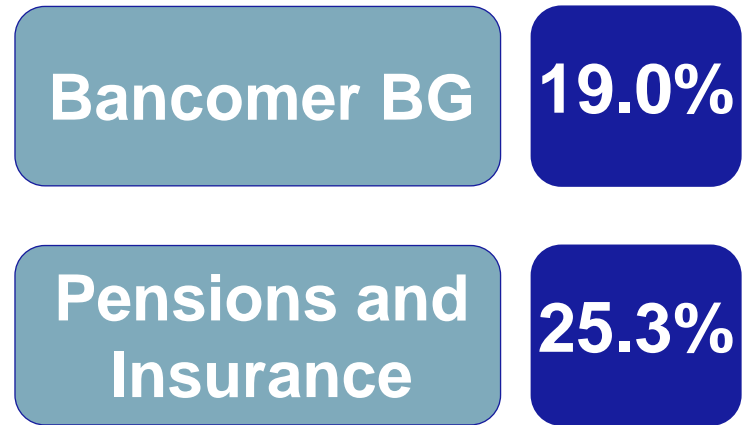
**Competitive edge in risk premiums thanks to model based on expected loss**

# All leading to strong growth of net attributable profit

Net attributable profit  
Mexico  
(Constant €m)



## By business



# Mexico: 1H08 results

(Constant €m)

MEXICO	Acum	Annual Growth	
	1H08	Abs.	%
Net Interest Income	1,810	+ 248	15.9%
Core Revenues	2,596	+ 309	13.5%
Ordinary Revenues	2,794	+ 430	18.2%
Operating Profit	1,848	+ 362	24.3%
Pre-Tax Profit	1,322	+ 235	21.6%
Net Profit	950	+ 159	20.0%
Net Attributable Profit	950	+ 159	20.1%

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**USA**

South America

Conclusions

# USA: key figures for 1H08

ROE\*  
**24,9%**

Cost/income ratio\*  
**55.9%**

NPL ratio  
**2.37%**

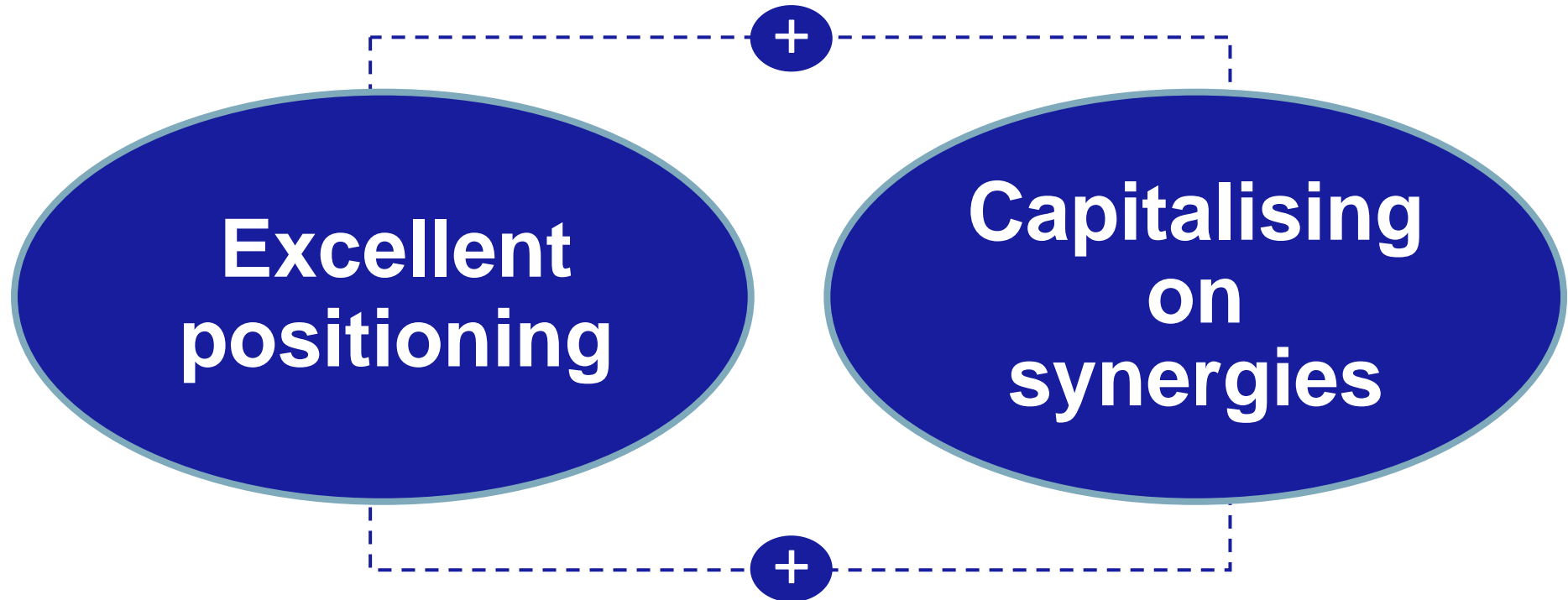
Coverage ratio  
**75.0%**

Operating Profit\*\*  
**n.a.**

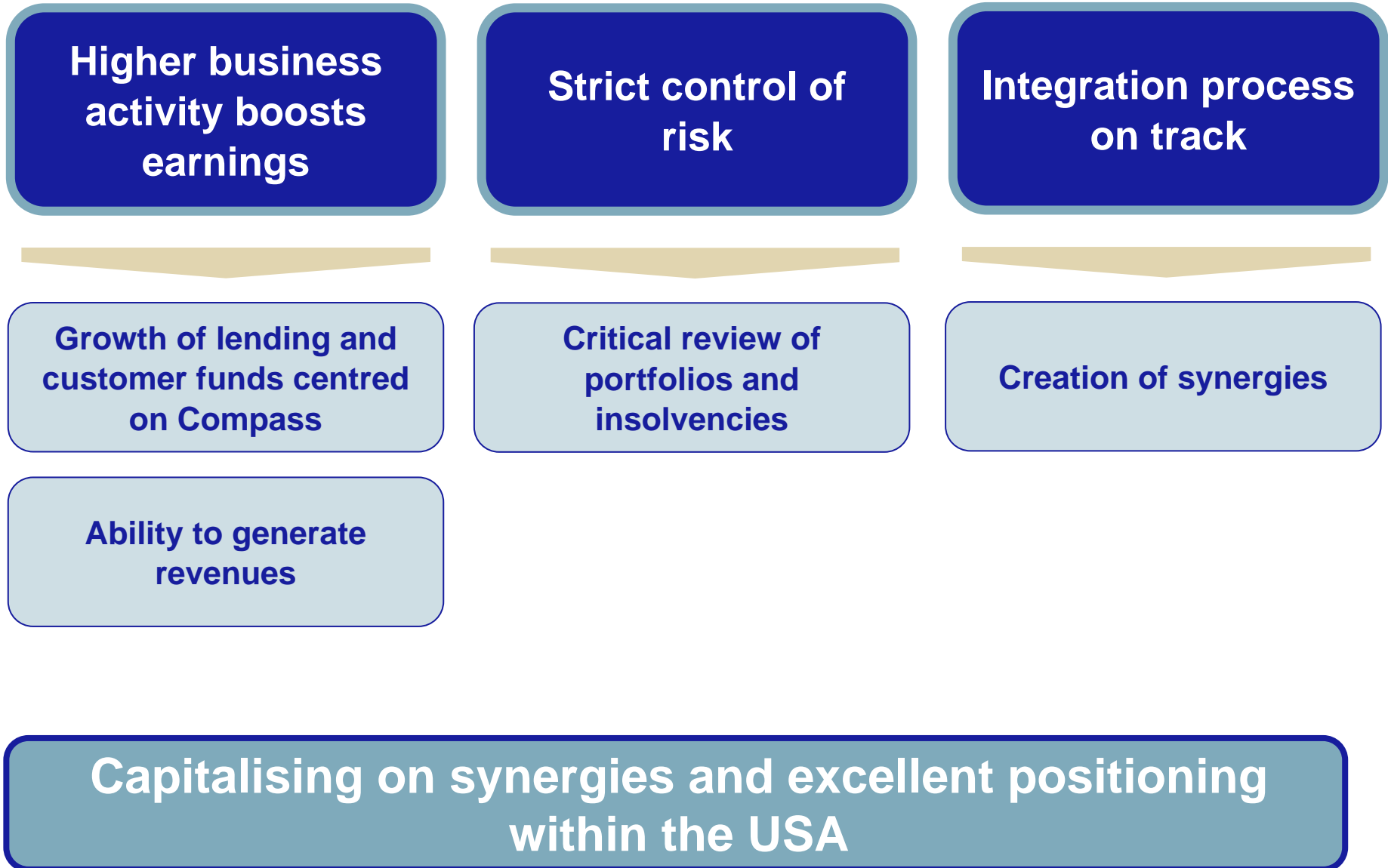
Net Attributable Profit\*\*  
**n.a.**

\* Excluding amortisation of intangibles

\*\* In constant euros



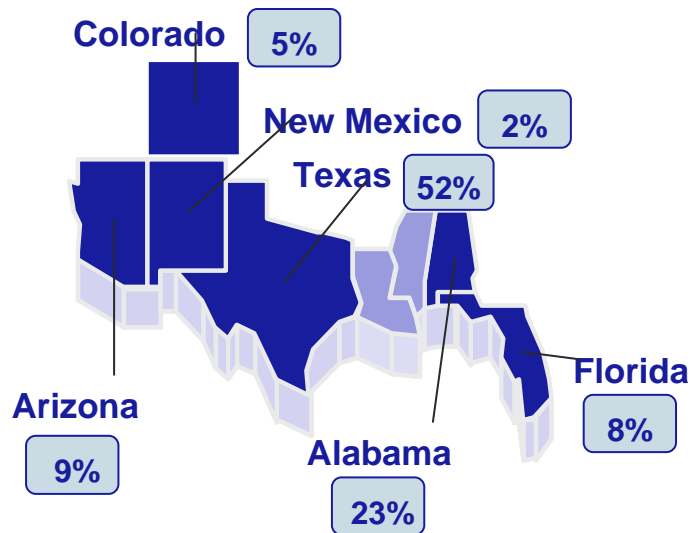
# USA: 1H08 highlights



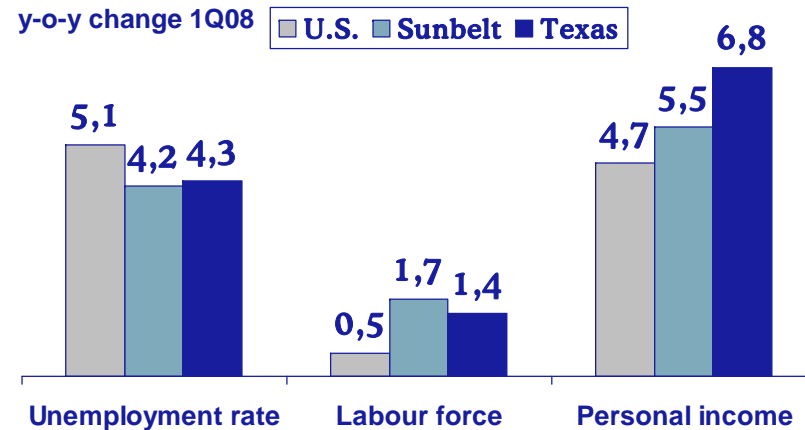
# Strategic positioning in USA

## Distribution of business in USA

(based on lending)



## Outperforming in the last year...



Source: BLS, BEA, OFHEO, NAR, Censure

... and less affected by real estate problems  
(House prices in Texas: +4.7%)

## Confirmed by markets

Texas banks vs US banking index (since Jan 07)  
**+41%**

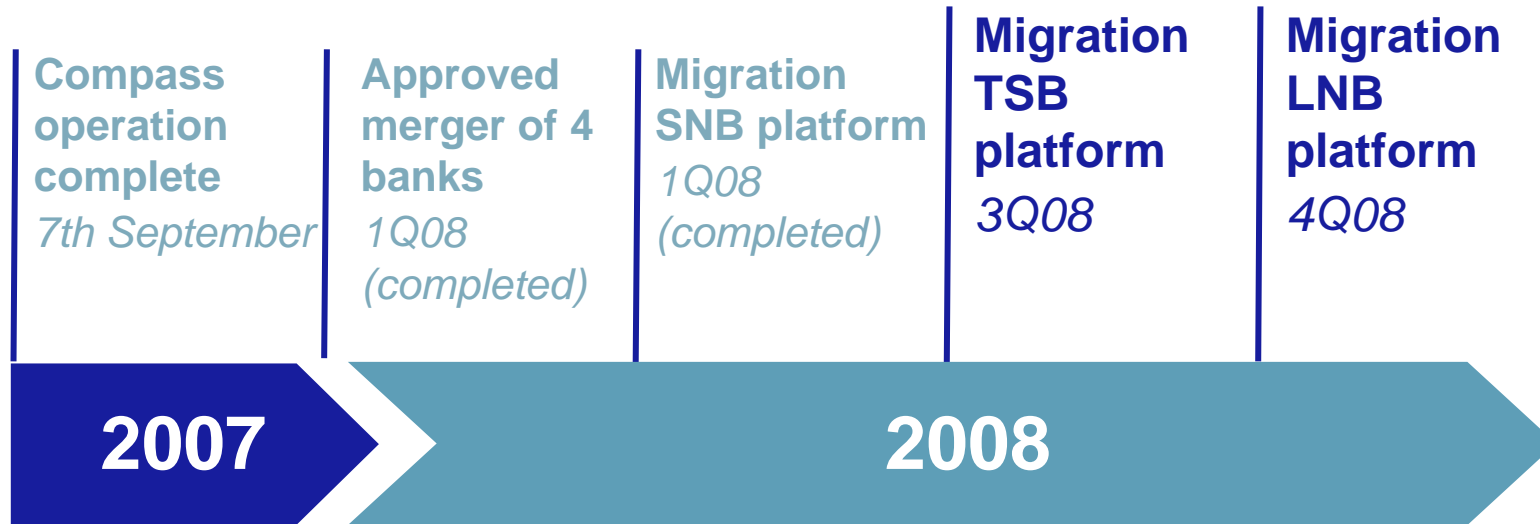
Texas index vs S&P (since Jan 07)  
**+16%**

Source: Bloomberg. Figures for 31/Dec/06 to 25/Jul/08  
Variation in market cap of Texas banks: CFR, FFIN, TCBI, SBSI, SBIB, PRSP  
Texas index: BTXX



# Integration plan

Integration process is on track ...



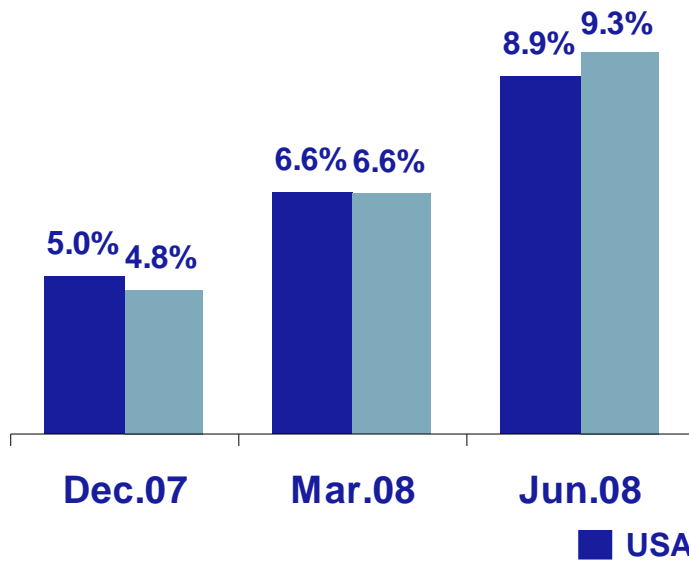
... generating €35m through synergies in first half

Establishment of the *BBVA Compass* brand

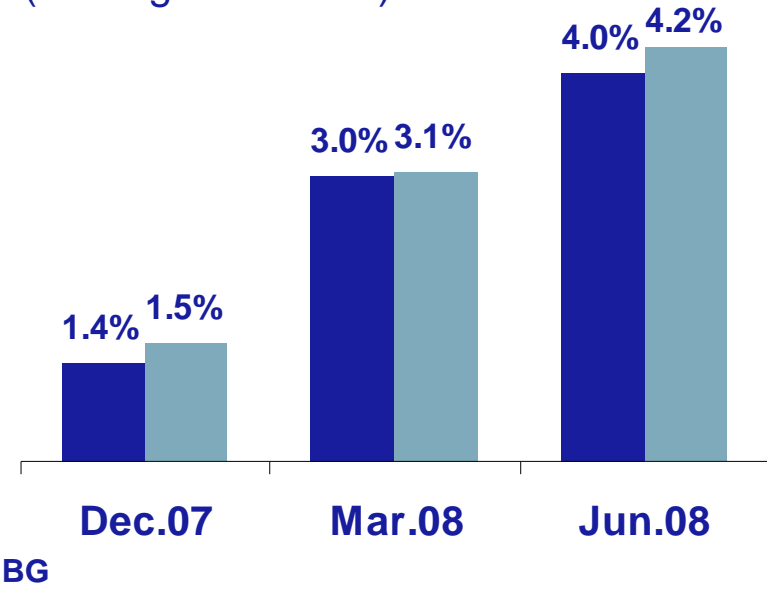
# Dynamic business in a complex environment ...

**No exposure to subprime or toxic assets**

**Lending\***  
Year-on-year growth  
(Average balances)



**Customer Funds\***  
Year-on-year growth  
(Average balances)



**Improvement in quality of loans written during first half of 2008**

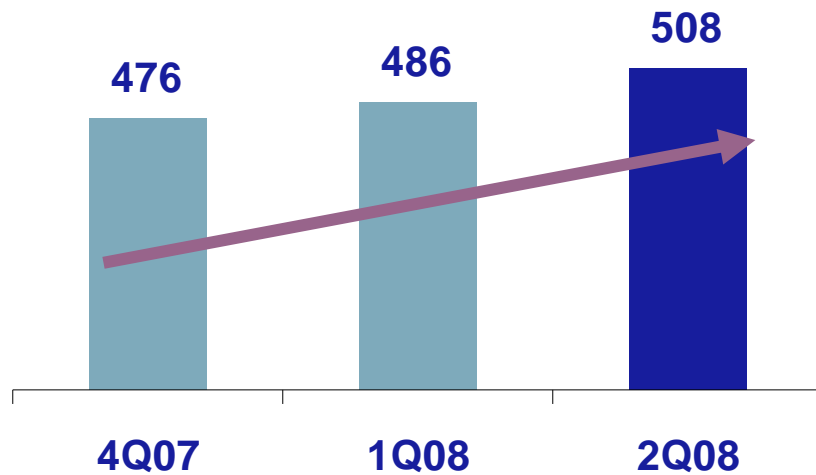
**FICO SCORE: 738 (vs 712 in Dec.07)**

**Risk grade: 5.2 (vs 6.2 in Dec.07)**

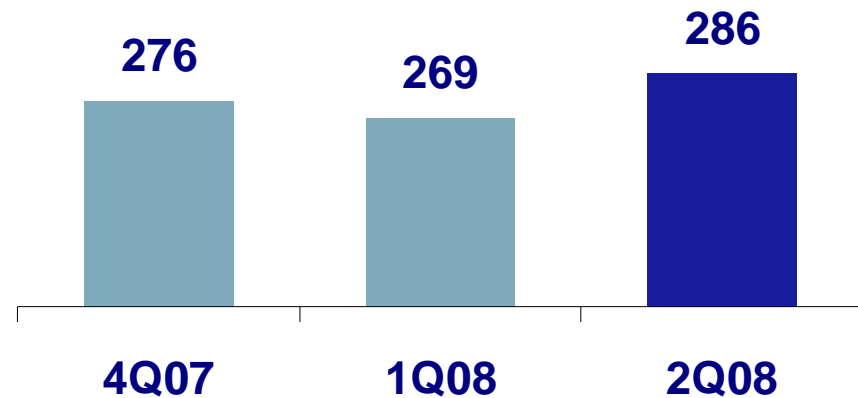
\* Includes Compass BG in continuity

# Steady growth of revenues and cost containment

**Ordinary revenues**  
Quarter-by-quarter  
(Constant €m)



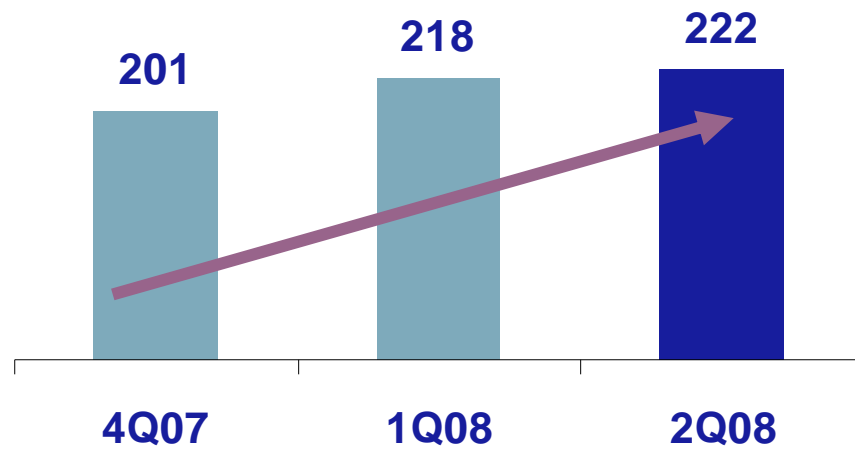
**Total costs excl. amortisation of intangibles**  
Quarter-by-quarter  
(Constant €m)



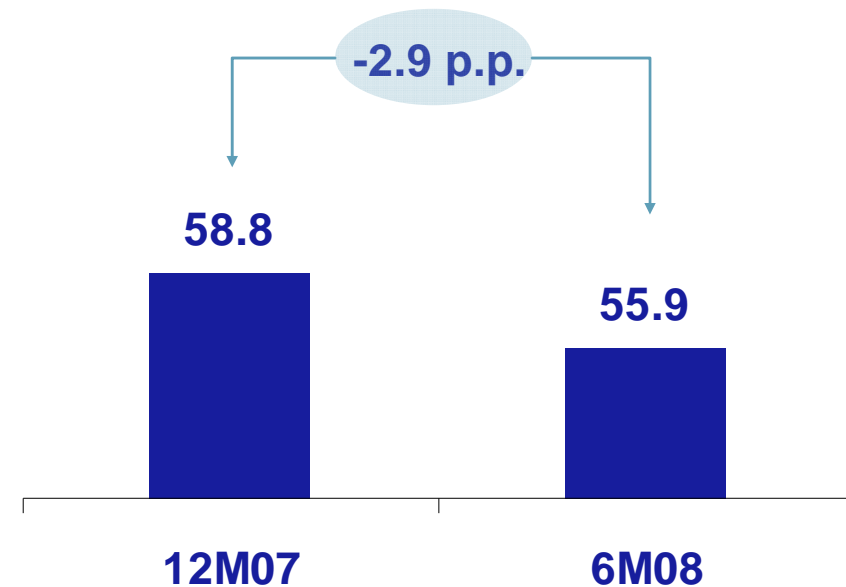
**Higher costs arising from merger and integration in 2Q08 €12m (vs €5m in 1Q08)**

# Strong operating profit and improvements in efficiency **BBVA**

Operating profit before amortisation of intangibles  
Quarter-by-quarter  
(Constant €m)



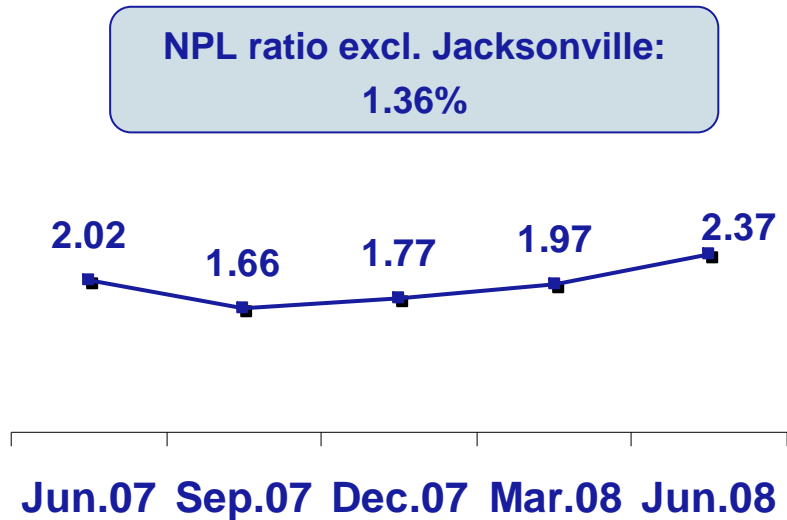
Cost/income ratio before amortisation of intangibles  
(%)



**Cost/income ratio including amortisation of intangibles  
64.0% (-2.1 pp)**

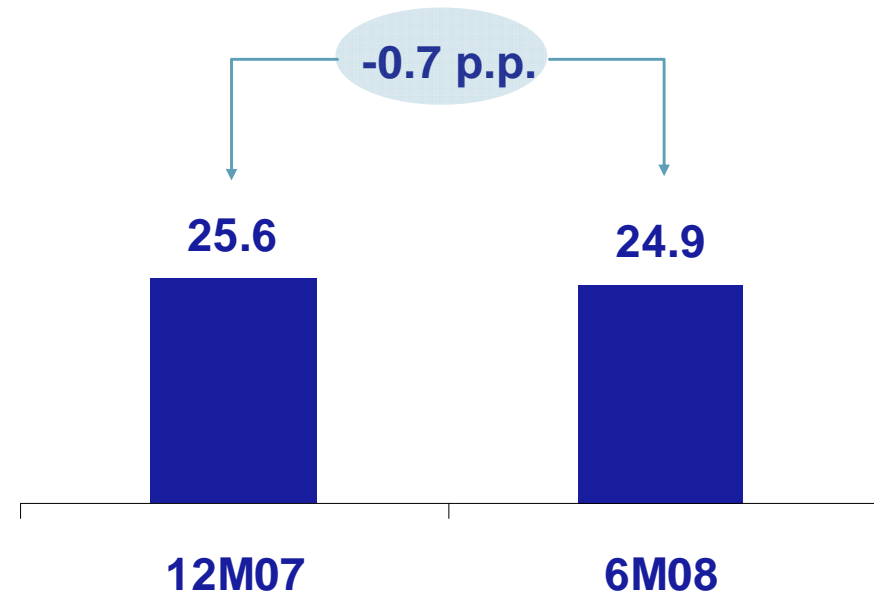
# Risk control and profitability unchanged

**NPL ratio (%)**



**Coverage ratio: 75%  
(vs 116% excl. Jacksonville)**

**ROE excl. amortisation of intangibles (%)**



**ROE incl. amortisation of intangibles 18.9% (-1.4 pp)**

# USA: quarter by quarter and 1H08 earnings

Before amortisation of intangibles  
(Constant €m)

USA	Acum.	Quarter-by-quarter		
	1H08	2Q08	1Q08	4Q07
<b>Net Interest Income</b>	<b>646</b>	<b>329</b>	<b>317</b>	<b>317</b>
<b>Core Revenues</b>	<b>915</b>	<b>464</b>	<b>451</b>	<b>459</b>
<b>Ordinary Revenues</b>	<b>994</b>	<b>508</b>	<b>486</b>	<b>476</b>
Personnel and general administrative expenses	-518	-267	-251	-259
Merger & Integration expenses	-17	-12	-5	-3
<b>Operating Profit</b>	<b>440</b>	<b>222</b>	<b>218</b>	<b>201</b>
Loan-loss provisions	-113	-67	-46	-46
<b>Net Attributable Profit</b>	<b>216</b>	<b>108</b>	<b>108</b>	<b>102</b>

**Net attributable profit including amortisation of intangibles €164m**

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Group results for 1H08

Results by business area

Spain & Portugal

Wholesale Banking & Asset Management

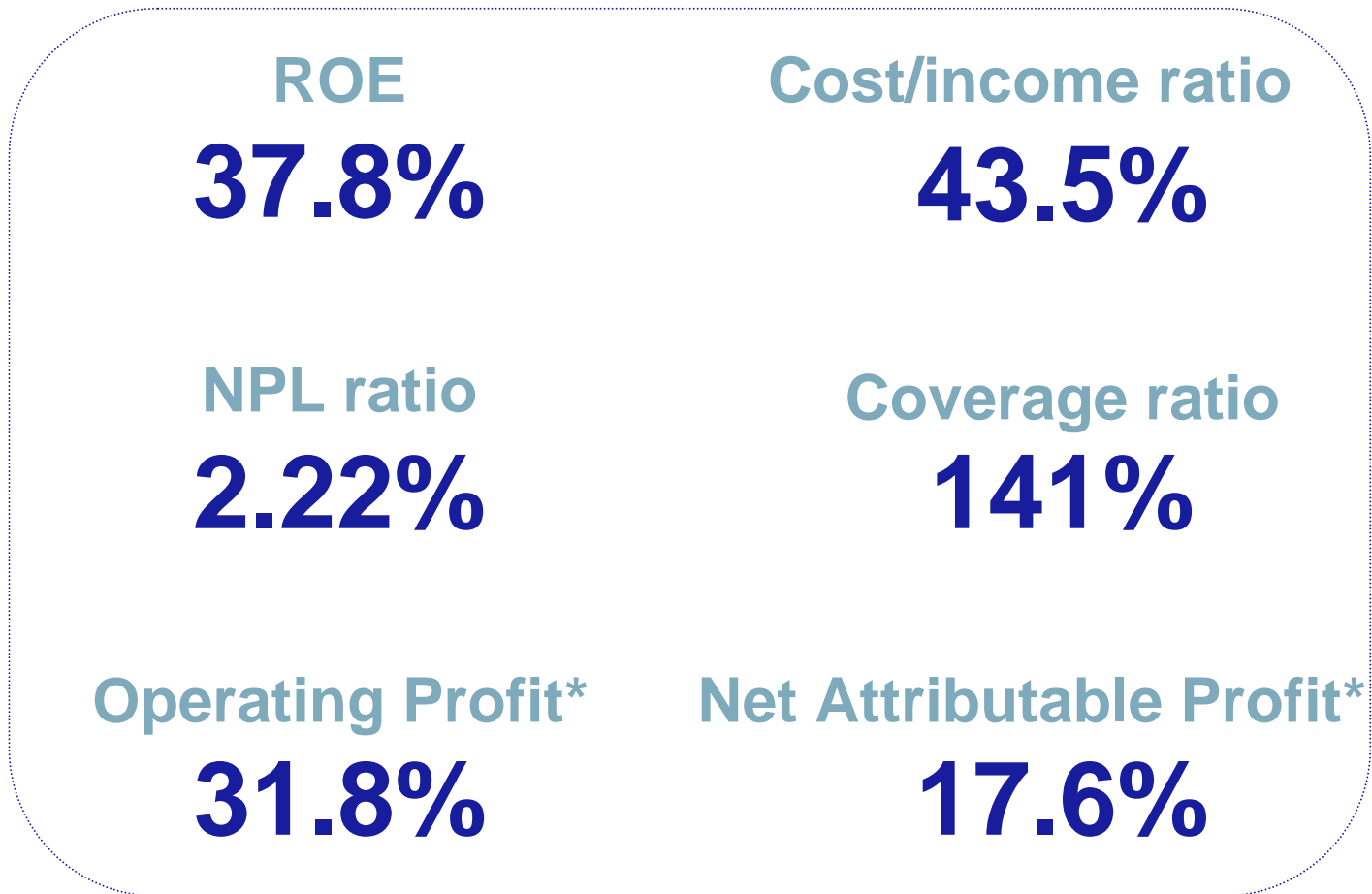
Mexico

USA

**South America**

Conclusions

# South America: key figures for 1H08



\* in constant euros



**A growth opportunity**

**Strong position in  
a market with large  
under-banked  
segment**

# South America: 1H08 highlights

**Strong growth of business  
and earnings**

**Significant improvements in  
efficiency**

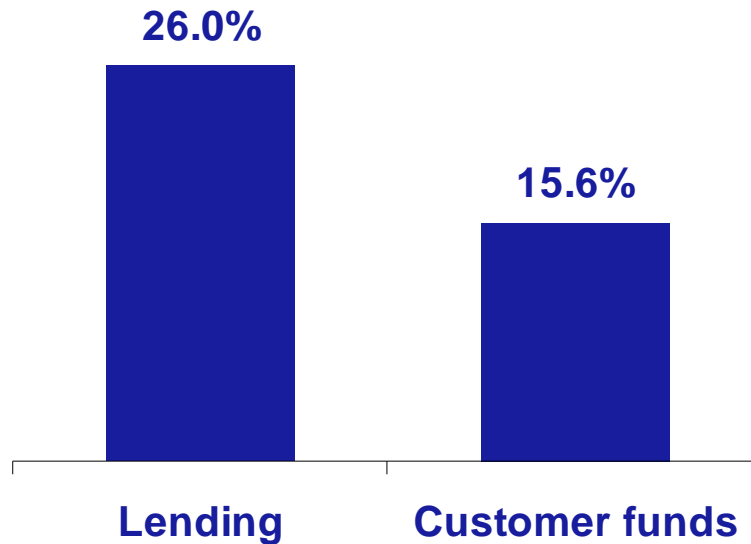
**Improved NPL ratio**

**Positive and diversified  
contributions from all  
countries**

**Growth opportunities: high potential of under-banked  
segment in South America**

# Surge in business activity

**Lending and Customer Funds**  
Year-on-year growth  
(Average balances)



**Consumer fin. & Cards +42.1%**

**Companies +23.8%**

**Mortgages +22.1%**

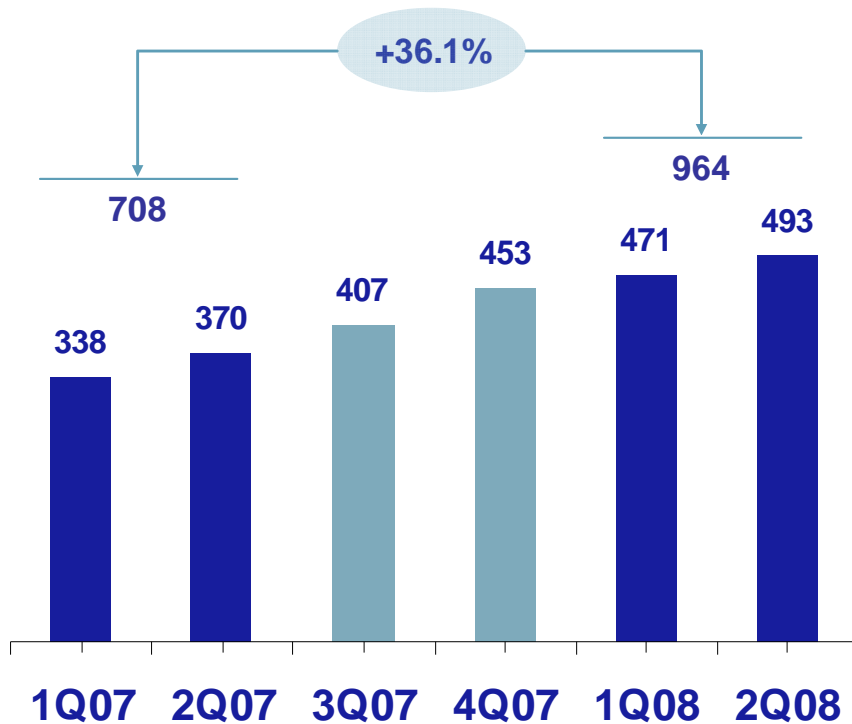
**Current + savings acc. +10.7%**

**Time deposits +22.0%**

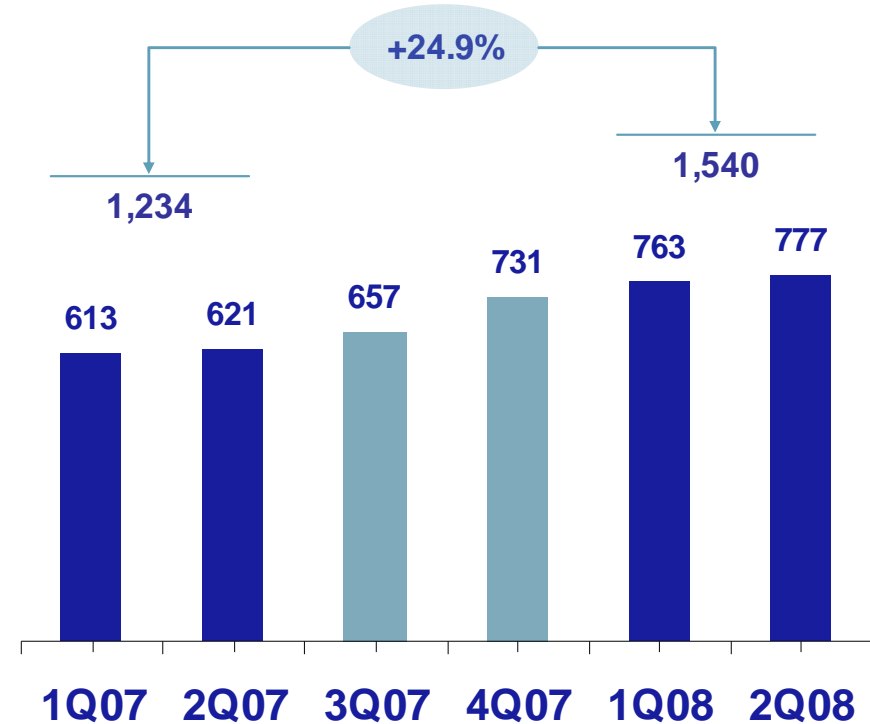
**Good performance in lending and customer funds**

# Generation of recurrent earnings

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



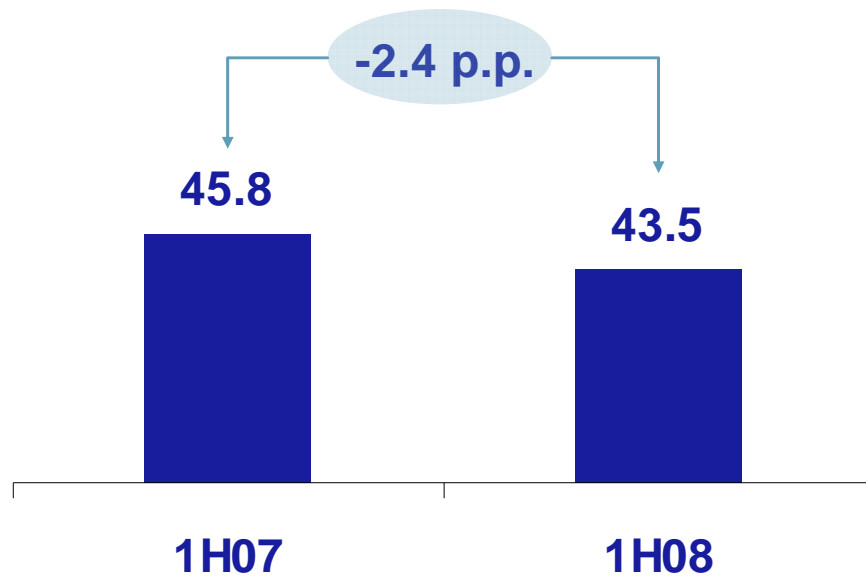
**Ordinary revenues**  
(Constant €m)



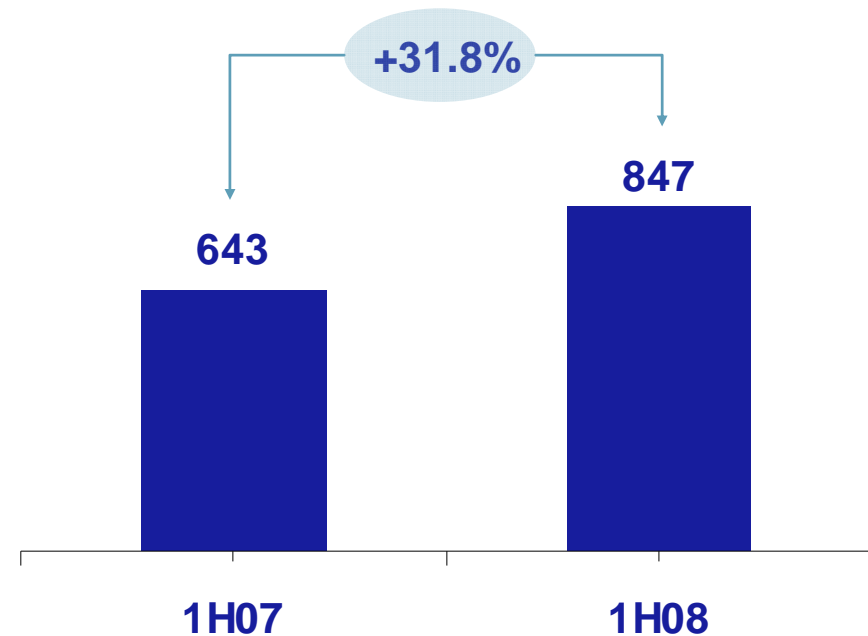
**Diversified by country and product**

# Improvements in efficiency

**Cost/income ratio**  
(%)

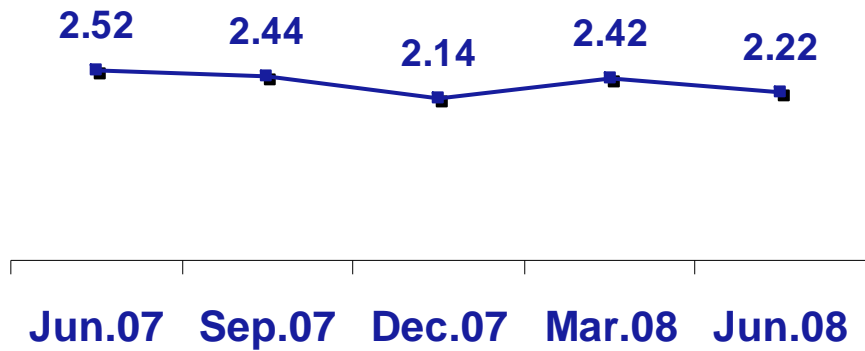


**Operating profit**  
(Constant €m)



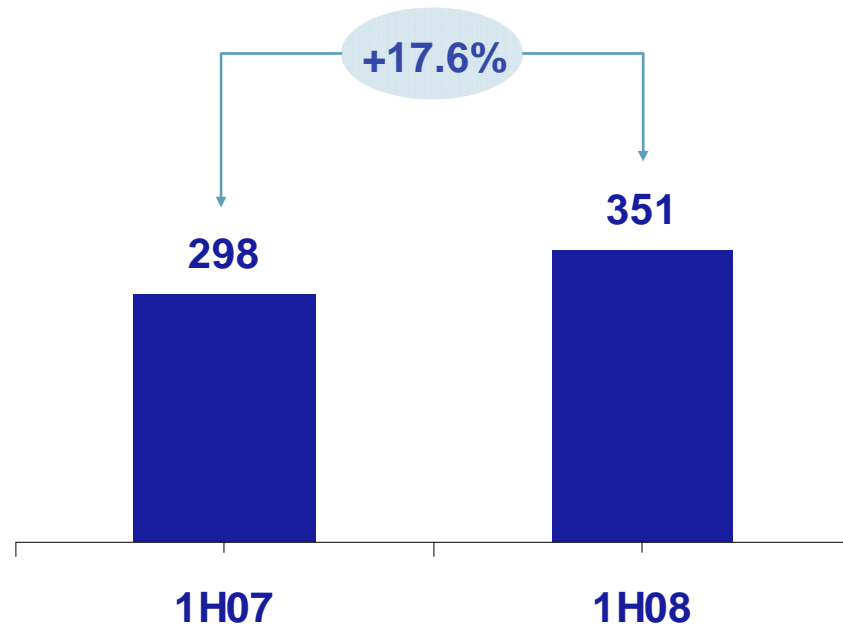
# Stable NPLs and net attributable profit

**NPL ratio**  
(%)



**Coverage ratio: 141 %**

**Net attrib. profit**  
(Constant €m)



**ROE: 37.8%**

# South America: 1H08

(Constant €m)

SOUTH AMERICA	Acum	Annual Growth	
	1H08	Abs.	%
Net Interest Income	964	+ 256	36.1%
Core Revenues	1,411	+ 302	27.2%
Ordinary Revenues	1,540	+ 307	24.9%
Operating Profit	847	+ 204	31.8%
Pre-Tax Profit	694	+ 148	27.1%
Net Profit	525	+ 93	21.4%
Net Attributable Profit	351	+ 53	17.6%

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**Conclusions**

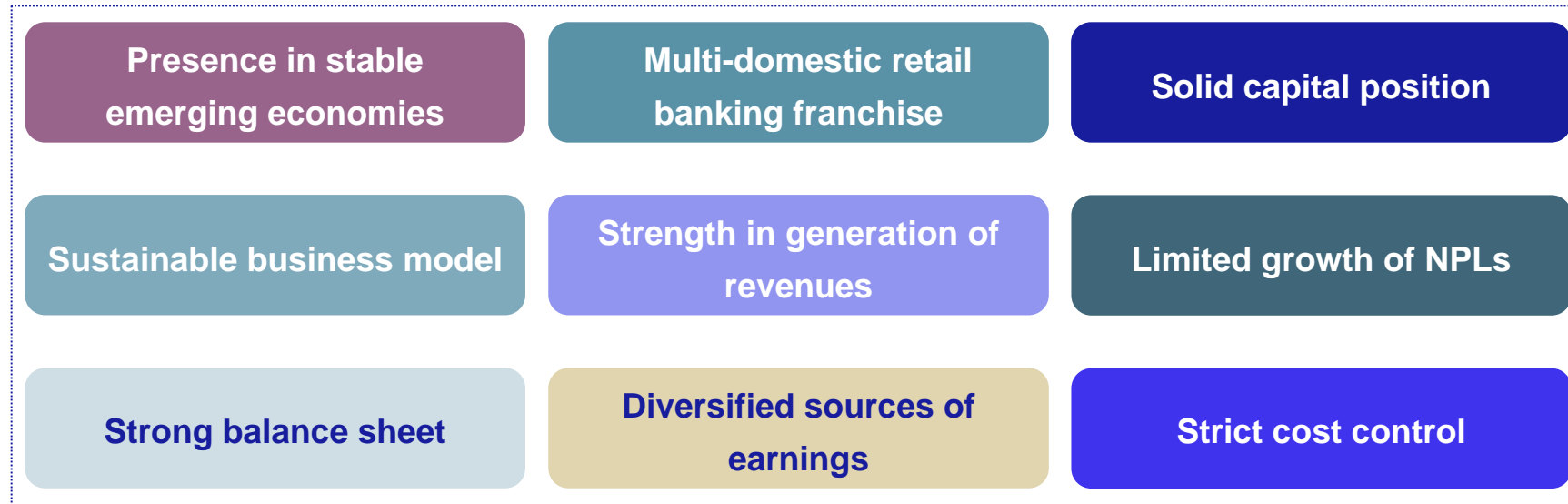


# Conclusions on 1H08 results: an advantageous position

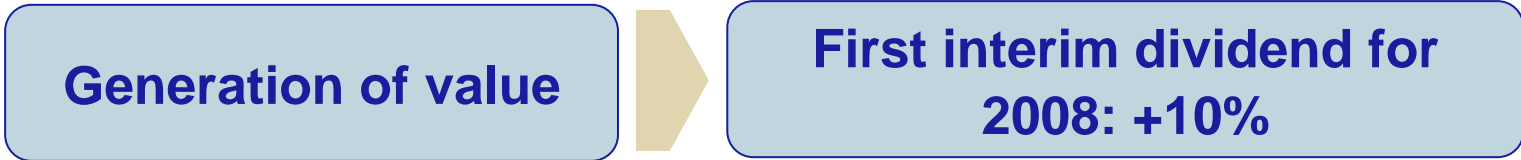
<b>Spain &amp; Portugal</b>	Distinctively better management of Spanish economic situation, focusing on margins, efficiency and provisioning
<b>Wsale Bkg &amp; A Mgt</b>	High profitability of operations in our wholesale franchise and recurrent revenues from business with customers
<b>Mexico</b>	Strong and diversified growth in lending, and distinctive approach to risk
<b>USA</b>	Advantageous situation compared to overall sector
<b>South America</b>	Buoyant revenues, diversified by country, and strict risk control

**A solid and consistent model that generates competitive advantages despite increasingly complex conditions**

# BBVA, is moving ahead . . .



**Growth of highly recurrent earnings with low volatility**



# First Half Results 2008

