

# BBVA



2009

QUARTERLY REPORT  
January-June **2009**



**2009****Contents**

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# BBVA Group Highlights

## BBVA Group Highlights

(Consolidated figures)

	30-06-09	Δ%	30-06-08	31-12-08
<b>BALANCE SHEET (million euros)</b>				
Total assets	542,634	7.6	504,511	542,650
Total lending (gross)	335,608	(0.0)	335,692	342,671
Customer funds on balance sheet	368,586	5.9	347,908	376,380
Other customer funds	130,082	(7.2)	140,190	119,017
Total customer funds	498,668	2.2	488,098	495,397
Total equity	29,901	15.1	25,970	26,705
Shareholders' funds	29,383	13.7	25,850	26,586
<b>INCOME STATEMENT (million euros)</b>				
Net interest income	6,858	23.5	5,555	11,686
Gross income	10,380	7.8	9,626	18,978
Operating income	6,293	15.0	5,472	10,523
Income before tax	4,003	(10.9)	4,490	6,926
Net attributable profit	2,799	(10.0)	3,108	5,020
Net attributable profit excluding one-off operations <sup>(1)</sup>	2,799	(4.4)	2,928	5,414
<b>DATA PER SHARE AND SHARE PERFORMANCE RATIOS</b>				
Share price (euros)	8.94	(26.5)	12.17	8.66
Market capitalisation (million euros)	33,507	(26.5)	45,613	32,457
Net attributable profit per share (euros)	0.76	(9.6)	0.84	1.35
Net attributable profit per share excluding one-off operations (euros) <sup>(1)</sup>	0.76	(4.1)	0.79	1.46
Book value per share (euros)	7.84	13.7	6.90	7.09
Tangible book value per share (euros) <sup>(2)</sup>	5.88	17.1	5.03	5.02
P/BV (Price/book value; times)	1.1		1.8	1.2
Price/tangible book value (times) <sup>(2)</sup>	1.5		2.4	1.7
<b>SIGNIFICANT RATIOS (%)</b>				
ROE (Net attributable profit/Average equity)	21.5		26.0	21.5
ROE excluding one-off operations <sup>(1)</sup>	21.5		25.3	23.2
ROA (Net income/Average total assets)	1.12		1.28	1.04
ROA excluding one-off operations <sup>(1)</sup>	1.12		1.25	1.12
RORWA (Net income/Risks weighted assets)	2.10		2.37	1.95
RORWA excluding one-off operations <sup>(1)</sup>	2.10		2.31	2.09
Efficiency ratio <sup>(3)</sup>	39.4		43.2	44.6
Cost of risk (Impairment losses/Gross lending)	1.11		0.68	0.82
NPA ratio	3.2		1.3	2.3
NPA coverage ratio	68		167	92
<b>CAPITAL ADEQUACY RATIOS (BIS II Regulation) (%)</b>				
Ratio BIS	12.2		12.5	12.2
Core capital	6.9		6.3	6.2
Comparable core capital <sup>(4)</sup>	7.1		-	-
Tier I	8.2		7.7	7.9
<b>OTHER INFORMATION</b>				
Number of shares (millions)	3,748		3,748	3,748
Number of shareholders	923,005		886,407	903,897
Number of employees	103,655		112,059	108,972
Number of branches	7,458		7,971	7,787

**Memorandum item:** These quarterly statements have not been audited. They have been drawn up according to Bank of Spain Circular 4/2004 together with the changes introduced therein by Bank of Spain Circular 6/2008. They may not therefore coincide with some of those published in previous quarterly earning reports.

(1) In 2008, capital gains from Bradesco in the first quarter, provisions for non-recurrent early retirements in the second and fourth quarters and provision for the loss originated by the Madoff fraud in the fourth quarter.

(2) Net of goodwill.

(3) Except otherwise stated, efficiency ratio including depreciation.

(4) Homogeneous Basel II criteria.

## Relevant events

Despite the continued strength of the crisis, in the second quarter of 2009 BBVA generated net attributable profit of €1,561m, its best quarter ever. This confirms the effectiveness and validity of its business model, which is focused on customers and based on creating long-term relationships of mutual trust. These record earnings were supported by the growth of net interest income and by a reduction in costs, leading to new improvements in the already exemplary levels of efficiency and profitability. Furthermore BBVA maintains appropriate capital adequacy ratios thanks to the considerable amount of capital generated from organic sources and to its excellent and comfortable liquidity. This is what makes its business model truly sustainable.

The most significant aspects of the performance of the Group and its business areas in the second quarter are summarised below:

- BBVA demonstrated its ability to generate **recurrent and sustainable** earnings, supported by higher revenues and cost controls.
- As customary in recent years, the main driver of revenue was **net interest income**. This grew faster in the first half of 2009, at 23.5% year-on-year, thanks to the sustained growth and quality of business, to the work done to maintain spreads and to expert management of the balance sheet. This strong performance boosted gross income 7.8% compared to the first half last year (up 9.5% at constant exchange rates).
- Transformation plans, deployed well in advance of the current economic situation, paved the way for a 1.6% reduction in **operating costs**. This helped **operating income** in the first half to rise 15.0% year-on-year to €6,293m (up 18.0% at constant exchange rates).
- The above improvements meant that **efficiency** (measured by the cost/income ratio) improved to 39.4%, a new record level that confirms BBVA as one of the most efficient banks in the financial system.
- In the second quarter **impairment losses on financial assets** were slightly higher than the previous quarter due to higher non-performing assets and to BBVA's maximum prudence policies: an stable percentage of operating profit is allocated to provisions.
- As a result **net attributable profit** in the first half came to €2,799m. All business areas contributed to Group's earnings in the first half. **Earnings per share** came to €0.76, **ROE** stands at 21.5%, and **ROA** is 1.12%. This means BBVA remains one of the most profitable large European financial groups.
- Despite the slowdown in banking business, BBVA was able to maintain the sustained growth and quality of **lending** and **customer funds**, which at 30-Jun-09 stand at €336 billion and €499 billion, respectively. In particular, customer deposits grew 7.0% year-on-year with a positive effect on liquid resources.
- BBVA's level of asset quality is good. Additions to non-performing assets (NPA) fell 19.2% quarter-on-quarter because recoveries have improved. In fact, the ratio of recoveries to NPA additions in the second quarter was 44.4%. At 30-Jun-09 the **non-performing assets ratio** was 3.2%, which compares favourably with the financial system average. At the end of June the **coverage ratio** stood at 68% and cumulative coverage funds came to €8,023m. This is a comfortable situation as €4,546m of this amount are generic and substandard funds. Additionally, there is the value of the collateral associated with secured non-performing assets.
- BBVA's **capital base** is sound. Despite the complex economic situation it maintains intact its capacity to generate capital in an organic and recurrent manner. It is the only one of the 28 big European and American banks that had no need of government aid or capital increases since the beginning of the crisis. At 30-Jun-09 the core capital ratio improved substantially to 6.9% (or 7.1% with homogeneous Basel II criteria), compared to 6.4% at 31-Mar-09 and thus almost achieving in 6 months the generation

of capital forecasted for the whole of 2009. The BIS ratio stands at 12.2% (11.5% at 31-Mar-09).

- The Group also holds **latent capital gains** of €1,263m in its portfolio of equity holdings. Additionally, BBVA holds latent capital gains in quoted fixed income instruments and in buildings for its own use.
- The BBVA Group paid a first interim dividend of €0.09 per share against 2009 earnings on 10th July (paid in cash). This amount is consistent with the remuneration policy announced at the presentation of results for the fourth quarter of 2008.
- In the **Spain and Portugal** area, appropriate price management and work to maintain business volume led to a 5.4% increase in net interest income. Once again this was the principal factor behind the area's income. Furthermore, strict control helped to reduce operating costs 6.5% in the same period. As a result operating income rose 5.9% year-on-year and efficiency improved to 34.4%. This offset higher loan-loss provisions and net attributable profit declined 1.7% to €1,270m, nearly the same as the first half of 2008.
- The **Wholesale Banking & Asset Management** area confirmed the strength and recurrency of its revenues, which is practically at the same level as the first half last year. Corporate and Investment Banking reported a notable increase in net interest income and Global Markets' franchise earnings and trading also did well. These improvements offset the drop in sales from the industrial holdings portfolio which took place last year. Together with the downward trend in the area's costs this resulted in operating income of €758m and net attributable profit of €539m.
- Despite the more difficult economic conditions in the **Mexico** area selective growth of lending and customer funds, together with active price management, helped net interest income to rise 5.2% year-on-year in pesos. Cost controls in the area contributed to a 6.4% rise in net income, which came to €1,717m (up 12.7% excluding the revenues from VISA). This amount offset the increase in provisioning, which was due to the economic situation and to the bank's conservative criteria. Thus net attributable profit in the first half came to €724m.

- Although the environment in the **United States** area was especially complex, it required no government help and continued to generate earnings and to increase lending and customer funds year-on-year. Net interest income rose 2.1% in dollars during the first half. A sharp drop in operating costs lifted operating income 2.3% to €425m and this easily covered the high loan-loss provisions. As a result net attributable profit came to €85m (€125m excluding amortisation of intangible assets).
- The **South America** area enjoyed the greatest degree of business growth. Work to defend interest spreads and cost controls boosted operating income 31.1%. Net attributable profit in the first half came to €463m (up 29.0% year-on-year at constant rates).

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## Economic environment

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In the **second quarter** of 2009 the international economic crisis continued to make itself felt, causing economic activity in many countries to contract and international trade to falter. However it appears we have already endured the biggest declines in GDP because the latest indicators show the drop in output in the second quarter was less severe than in the first. Moreover confidence indices point to signs of recovery. These expectations led to rises in stock markets, lower credit spreads and rises in commodity prices. The international economic and monetary authorities continued their expansion policies to mitigate the problems of the financial sector and the real economy. Likewise governments took steps to support financial systems and stimulate spending.

In **Europe** the latest information for the first quarter indicates GDP in the euro zone fell 2.5% quarter-on-quarter. This was worse than the last quarter of 2008. Furthermore growth forecasts for 2009 and 2010 have been revised downwards, mainly owing to the sharp drop in the internal demand for capital goods. The indicators point to a new decline in economic activity in the second quarter although not as intense as the first quarter. In this context the European Central Bank maintained an expansionary monetary policy, cutting interest rates two quarter points to 1.0%.

In the **United States**, GDP in the first quarter fell 1.5% compared to the previous quarter. However the

## Interest rates

(Quarterly average)

	2009		2008			
	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	1.10	1.92	3.28	4.24	4.00	4.00
Euribor 3 months	1.31	2.01	4.24	4.98	4.86	4.48
Euribor 1 year	1.67	2.22	4.38	5.37	5.05	4.48
Spain 10-year bond	4.16	4.17	4.16	4.65	4.54	4.17
USA 10-year bond	3.30	2.70	3.20	3.84	3.86	3.65
USA Federal rates	0.25	0.25	1.07	2.00	2.08	3.19
TIIE (Mexico)	5.89	8.00	8.71	8.49	7.96	7.93

principal economic indicators point to a smaller decline in the second quarter. The Federal Reserve held the base rate at all-time lows (between 0% and 0.25%) and the Administration presented a plan to reform regulation of the financial system. The aim is to provide the Federal Reserve with greater supervisory powers, to reduce the risk of financial instruments and to protect the consumer. Likewise, instruments to inject liquidity into the banking system have been kept in place.

The **Mexican economy** continued to suffer a sharp adjustment during the second quarter with a big drop in activity although the confidence indices reveal signs of a certain degree of recovery in recent months. These conditions led the central bank to cut interest rates and in June the average monthly TIIE at 28 days was 5.26%.

Although **South America** is still outperforming other regions, it suffered from a drop in activity in the first quarter of 2009. This was due to lower internal and external demand. Inflation fell and all central banks

that held monetary policy meetings in the period cut interest rates.

Regarding **end of period exchange rates**, the dollar continued to appreciate against the euro (up 11.5%) but at a slower pace than in the first quarter. Conversely, the Mexican peso (down 12.5%) depreciated faster than the first quarter. The performance of other currencies that affect the Group's financial statements was varied. The Argentine and Colombian pesos fell 10.3% and 0.6%, respectively. The Chilean peso, Peruvian nuevo sol and Venezuelan bolivar fuerte appreciated 9.6%, 9.9% and 11.5%, respectively.

**Average exchange rates** mostly deteriorated year-on-year. The Mexican peso fell 12.0% against the euro, the Colombian peso fell 9.3%, the Chilean peso 8.5% and the Argentine peso 1.4%. The Venezuelan bolivar fuerte and the US dollar appreciated 14.8% and the Peruvian nuevo sol rose 5.5%. As a result exchange rates have a negative effect on the year-on-year comparisons of the income statement amounting to about two percentage points.

## Exchange rates <sup>(1)</sup>

	Year-end exchange rates			Average exchange rates		
	30-06-09	Δ% on 30-06-08	Δ% on 31-03-09	Δ% on 31-12-08	1H09	Δ% on 1H08
Mexican peso	18.5536	(12.5)	1.1	3.7	18.4481	(12.0)
U.S. dollar	1.4134	11.5	(5.8)	(1.5)	1.3328	14.8
Argentine peso	5.4133	(10.3)	(6.6)	(9.1)	4.9342	(1.4)
Chilean peso	747.94	9.6	3.6	18.4	781.25	(8.5)
Colombian peso	3,048.78	(0.6)	11.9	2.5	3,095.98	(9.3)
Peruvian new sol	4.2572	9.9	(1.2)	2.6	4.1357	5.5
Venezuelan bolivar fuerte	3.0350	11.5	(5.8)	(1.5)	2.8619	14.8

(1) Expressed in currency/euro.

## Earnings

In general the BBVA Group's performance in the **second quarter** of 2009 was a continuation of the trends observed in recent periods.

- Revenues were strong, maintaining the previous rate of growth and high degree of recurrency.
- Costs remained under control owing to transformation plans implemented in previous years. These should provide further benefits in the future.
- Operating income was stable and solid, and all the Group's business areas made positive contributions.

- Income generated amply exceeded impairment on financial assets.

As a result **net attributable profit** in the **second quarter** of 2009 came to €1,561m, which was €75m more than the same quarter of 2008 if one-off operations are excluded.

In the **first half-year**, **net attributable profit** came to €2,799m, which was 10.0% less than the same period last year. However in the first six months of 2008 one-off operations contributed €180m after tax on the sale of the Group's stake in Bradesco (€509m) less a charge for early retirements (€329m). If these items are

## Consolidated income statement

(Million euros)

	1H09	Δ%	Δ% at constant exchange rates	1H08
<b>NET INTEREST INCOME</b>	<b>6,858</b>	<b>23.5</b>	<b>25.6</b>	<b>5,555</b>
Net fees and commissions	2,181	(4.5)	(3.1)	2,284
Net trading income	799	(31.1)	(30.1)	1,159
Dividend income	248	2.8	2.2	241
Income by the equity method	27	(84.6)	(84.6)	173
Other operating income and expenses	268	26.0	28.4	213
<b>GROSS INCOME</b>	<b>10,380</b>	<b>7.8</b>	<b>9.5</b>	<b>9,626</b>
Operating costs	(4,088)	(1.6)	(1.4)	(4,154)
Personnel expenses	(2,291)	(2.2)	(2.1)	(2,343)
General and administrative expenses	(1,443)	(2.0)	(0.8)	(1,473)
Depreciation and amortization	(354)	4.8	0.8	(338)
<b>OPERATING INCOME</b>	<b>6,293</b>	<b>15.0</b>	<b>18.0</b>	<b>5,472</b>
Impairment on financial assets (net)	(1,945)	67.1	72.7	(1,164)
Provisions (net)	(153)	(75.1)	(74.5)	(612)
Other gains (losses)	(192)	n.m.	n.m.	794
<b>INCOME BEFORE TAX</b>	<b>4,003</b>	<b>(10.9)</b>	<b>(9.0)</b>	<b>4,490</b>
Income tax	(961)	(20.8)	(19.2)	(1,213)
<b>NET INCOME</b>	<b>3,042</b>	<b>(7.2)</b>	<b>(5.2)</b>	<b>3,277</b>
Minority interests	(243)	44.1	34.8	(169)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>2,799</b>	<b>(10.0)</b>	<b>(7.6)</b>	<b>3,108</b>
One-off operations <sup>(1)</sup>	-	n.m.	n.m.	180
<b>NET ATTRIBUTABLE PROFIT (excluding one-off operations)</b>	<b>2,799</b>	<b>(4.4)</b>	<b>(1.7)</b>	<b>2,928</b>
<b>EARNINGS PER SHARE CALCULATION</b>				
Average ordinary shares in circulation (million)	3,703	(0.4)		3,717
Basic earnings per share (euros)	0.76	(9.6)		0.84
Basic earnings per share excluding one-offs (euros)	0.76	(4.1)		0.79

(1) In 2008, capital gains from Bradesco in the first quarter and extraordinary charges for early retirements in the second quarter.



## Consolidated income statement: quarterly evolution

(Million euros)

	2009		2008			
	2Q	1Q	4Q	3Q	2Q	1Q
<b>NET INTEREST INCOME</b>	<b>3,586</b>	<b>3,272</b>	<b>3,088</b>	<b>3,043</b>	<b>2,829</b>	<b>2,726</b>
Net fees and commissions	1,102	1,079	1,105	1,138	1,153	1,131
Net trading income	435	364	139	260	568	591
Dividend income	207	41	45	161	186	56
Income by the equity method	22	4	25	95	34	139
Other operating income and expenses	140	129	157	96	83	130
<b>GROSS INCOME</b>	<b>5,491</b>	<b>4,889</b>	<b>4,558</b>	<b>4,794</b>	<b>4,854</b>	<b>4,772</b>
Operating costs	(2,017)	(2,070)	(2,203)	(2,099)	(2,069)	(2,084)
Personnel expenses	(1,130)	(1,161)	(1,188)	(1,185)	(1,165)	(1,178)
General and administrative expenses	(709)	(734)	(827)	(740)	(743)	(730)
Depreciation and amortization	(178)	(175)	(187)	(174)	(161)	(177)
<b>OPERATING INCOME</b>	<b>3,474</b>	<b>2,819</b>	<b>2,355</b>	<b>2,695</b>	<b>2,784</b>	<b>2,688</b>
Impairment on financial assets (net)	(1,029)	(916)	(859)	(917)	(607)	(557)
Provisions (net)	(48)	(104)	(837)	18	(467)	(145)
Other gains (losses)	(228)	36	(30)	11	(2)	796
<b>INCOME BEFORE TAX</b>	<b>2,168</b>	<b>1,834</b>	<b>629</b>	<b>1,807</b>	<b>1,708</b>	<b>2,783</b>
Income tax	(480)	(480)	(12)	(316)	(476)	(738)
<b>NET INCOME</b>	<b>1,688</b>	<b>1,354</b>	<b>617</b>	<b>1,491</b>	<b>1,232</b>	<b>2,045</b>
Minority interests	(127)	(116)	(98)	(99)	(75)	(94)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>1,561</b>	<b>1,238</b>	<b>519</b>	<b>1,392</b>	<b>1,157</b>	<b>1,951</b>
One-off operations <sup>(1)</sup>	-	-	(575)	-	(329)	509
<b>NET ATTRIBUTABLE PROFIT (excluding one-off operations)</b>	<b>1,561</b>	<b>1,238</b>	<b>1,094</b>	<b>1,392</b>	<b>1,486</b>	<b>1,442</b>
<b>EARNING PER SHARE</b>						
Earning per share (euros)	0.42	0.34	0.14	0.38	0.31	0.53
Earning per share excluding one-off operations (euros)	0.42	0.34	0.30	0.38	0.40	0.39

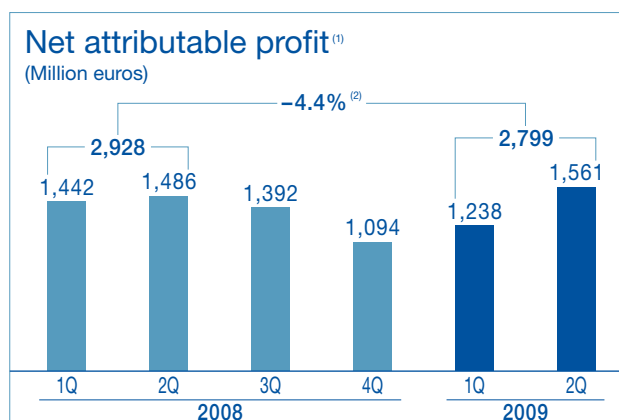
(1) In 2008, capital gains from Bradesco in the first quarter, provisions for non-recurrent early retirements in the second and fourth quarters and provision for the loss originated by the Madoff fraud in the fourth quarter.

excluded, the year-on-year decline in profit is 4.4% (or 1.7% if exchange-rate effects are also omitted).

Once again earnings were supported by **operating income**, which came to €3,474m in the **second quarter**, setting a new record for a single quarter. Compared to the €2,784m obtained in same quarter last year, the increase was 24.8%. The main factors behind this increase were the 26.7% rise in net interest income and the improvement in operating costs, which continue falling (down 2.5% year-on-year).

In the **first half**, **operating income** rose 15.0% year-on-year to €6,293m for the same reasons. Net

interest income grew strongly (23.5%) and operating costs fell 1.6% compared to a year earlier. This



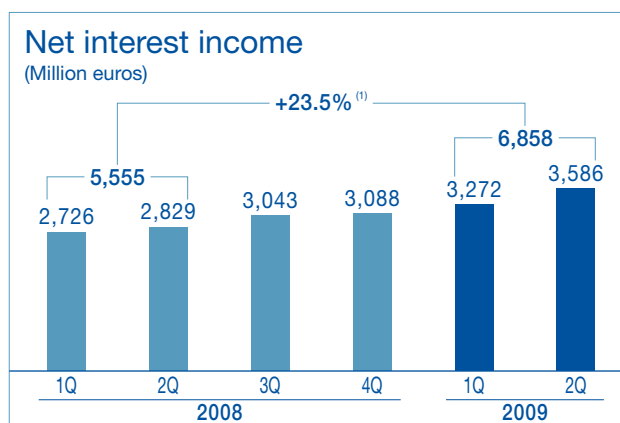
generated a further improvement in the cost/income ratio (a measure of efficiency) and it also amply offset the upward trend in loan-loss provisions owing to the economic crisis and the BBVA Group's high standard of prudence.

Furthermore the positive performance of earnings is still entirely of an **organic nature** because the year-on-year comparison is not affected by acquisitions.

## Net interest income

**Net interest income** set a new quarterly record and was once again the main source of BBVA's gross income. In the second quarter of 2009 it rose to €3,586m, increasing year-on-year and

quarter-on-quarter. It was up 26.7% compared to the second quarter of 2008 and 9.6% compared to the first quarter of 2009. The cumulative amount for the first half was €6,858m, an increase of 23.5% year-on-year (25.6% excluding the effect of exchange



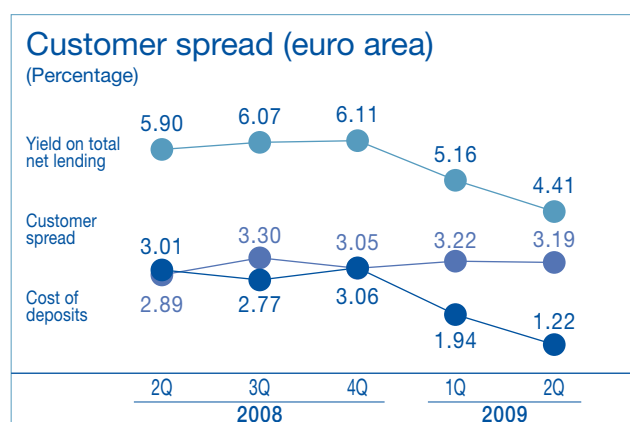
(1) At constant exchange rate: +25.6%.

## Breakdown of yields and costs

	2 <sup>nd</sup> Quarter 09		1 <sup>st</sup> Quarter 09		4 <sup>th</sup> Quarter 08		3 <sup>rd</sup> Quarter 08	
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost
Cash and balances with central banks	3.5	1.34	3.0	2.15	2.9	2.98	2.9	3.48
Financial assets and derivatives	25.1	3.15	24.2	3.38	23.7	3.43	21.7	3.89
Loans and advances to credit institutions	4.8	3.62	5.3	2.86	6.0	3.42	6.6	4.61
Loans and advances to customers	60.9	5.78	61.5	6.40	60.9	7.29	62.5	7.55
•Euros	41.0	4.41	41.3	5.16	40.0	6.11	42.3	6.07
- Domestic	36.4	4.44	36.4	5.38	36.6	6.08	39.3	5.93
- Other	4.7	4.16	4.9	3.54	3.4	6.46	3.0	7.83
•Foreign currencies	19.8	8.62	20.2	8.94	21.0	9.53	20.1	10.66
Other assets	5.8	0.51	6.0	0.36	6.5	0.71	6.3	0.82
<b>TOTAL ASSETS</b>	<b>100.0</b>	<b>4.56</b>	<b>100.0</b>	<b>4.99</b>	<b>100.0</b>	<b>5.59</b>	<b>100.0</b>	<b>6.02</b>
Deposits from central banks and credit institutions	13.1	3.35	13.4	4.01	14.9	4.59	15.1	4.95
Deposits from customers	45.5	1.72	44.8	2.46	45.8	3.46	46.3	3.35
•Euros	21.0	1.22	21.0	1.94	21.0	3.06	22.3	2.77
- Domestic	15.5	1.53	16.4	2.15	16.0	2.87	16.5	2.80
- Other	5.5	0.35	4.7	1.23	5.0	3.70	5.7	2.69
•Foreign currencies	24.4	2.14	23.7	2.92	24.8	3.79	24.1	3.94
Debt certificates and subordinated liabilities	22.6	2.59	23.4	3.57	22.1	4.24	22.7	5.48
Other liabilities	13.5	0.80	13.4	0.69	12.3	1.29	10.7	1.36
Equity	5.4	-	5.1	-	5.0	-	5.2	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>100.0</b>	<b>1.91</b>	<b>100.0</b>	<b>2.57</b>	<b>100.0</b>	<b>3.36</b>	<b>100.0</b>	<b>3.69</b>
<b>NET INTEREST INCOME/ATA</b>		<b>2.65</b>		<b>2.42</b>		<b>2.23</b>		<b>2.33</b>

rates). At a time when business is slowing this improvement was due to improved customer spreads, to successful management of the balance sheet and to the Group's solid liquidity and capital adequacy (as reflected by its rating). This allowed to obtain funds without paying high interest rates. Furthermore the rise in net interest income was unaffected by a change in the portfolio mix as consumer finance and cards played an increasingly smaller role.

In business with customers in the **euro area**, the sharp decline of interest rates has affected both the cost of deposits and the yield on loans. The former fell 72 basis points since the first quarter, to 1.22%; the latter declined 75 basis points to 4.41%. As a result, the customer spread has been maintained during the quarter at 3.19% from 3.22% the previous quarter. Net interest income for the half year in Spain & Portugal and the Wholesale Banking units operating in the euro area rose 5.3% year-on-year.



In **Mexico** interbank interest rates continued falling in the second quarter (the average TIIE was 5.9%, compared to 8.0% in the first quarter). This decrease, together with the adjustment in business mix (less weight given to consumer finance and cards), was reflected in the yield on loans. The latter fell 88 basis points compared to the first quarter and the cost of deposits retreated 74 basis points. This led to a slight narrowing of the customer spread, which was 11.82% in the second quarter compared to 11.96% in the first. Nonetheless an increase in business volume from June 2008 to June 2009 boosted the area's net interest income for the first half 5.2% year-on-year in local currency.

**South America** again presented record net interest income. In the first half it rose 17.8% year-on-year at constant exchange rates, supported by higher levels of lending and deposits, and by higher spreads. Lastly, in the **United States** net interest income in the first half grew 2.1% year-on-year in local currency based on the higher balance of lending, an increase in deposits and the repricing effort.

## Gross income

In the second quarter of 2009 **net fees and commissions** contributed €1,102m, exceeding the previous quarter (€1,079m). In the first half they fell 4.5% year-on-year, due mainly to fee income on mutual and pension funds, which fell 14.7% (although the rate of decline is slowing). Despite the slowdown in lending, banking fees are practically the same as the first half of 2008 (down only 0.4%). However in the second quarter they were up 2.5% compared to the previous quarter.

**Net trading income** came to €799m, which was €360m less than the same period last year. This was mainly due to high income obtained in the first half of 2008, which included €232m from the VISA IPO.

**Dividend income** contributed €248m in the first half of 2009. The second quarter of 2009 included the dividends from China Citic Bank (CNCB).

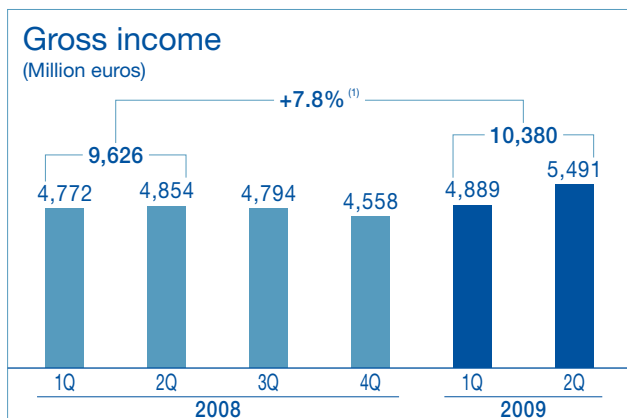
**Income by the equity method** came to €27m, far lower than the €173m obtained in the first half of 2008, which included €131m from the sale of an interest in Gamesa.

Lastly, **other operating income and expenses** in the first half amounted to €268m, an increase of 26.0% thanks to an excellent performance by the insurance business, which rose 31.0% year-on-year to €365m. However contributions to deposit guarantee funds in countries where bank operates jumped 43.7% year-on-year. This was higher than the rise in business and the principal reason was the higher contribution rate in the United States. The second quarter of 2009 includes an extraordinary contribution of \$28m to the Federal Deposit Insurance Corporation (FDIC).

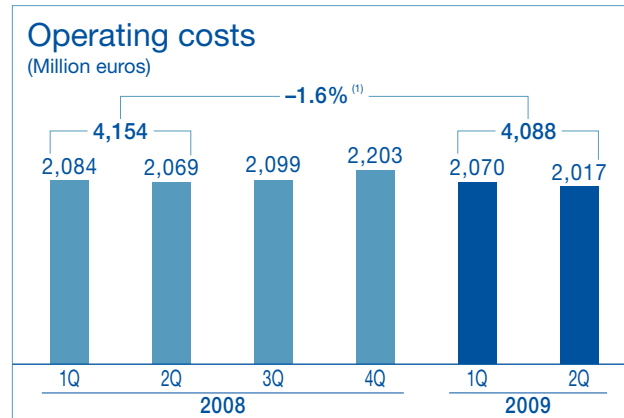
As a result **gross income** came to €5,491m in the second quarter, which was 12.3% higher than the first quarter and sets a new record for the BBVA Group despite the difficult economic conditions. The cumulative figure for the first half was €10,380m, an increase of 7.8% over €9,626m for the same period last year (up 9.5% at constant rates).

## Operating income

**Operating costs** are being constrained in excellent fashion. They are lower than the previous quarter and lower than the first half of 2008. In the first half of 2009 they came to €4,088m, which is €66m less than the same period last year. Fortunately, BBVA



(1) At constant exchange rate: +9.5%.



(1) At constant exchange rate: -1.4%.

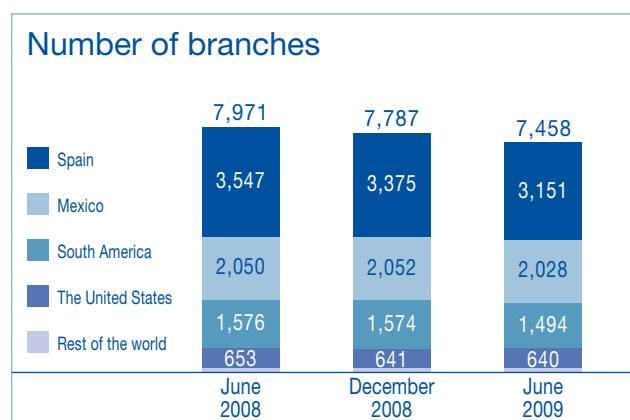
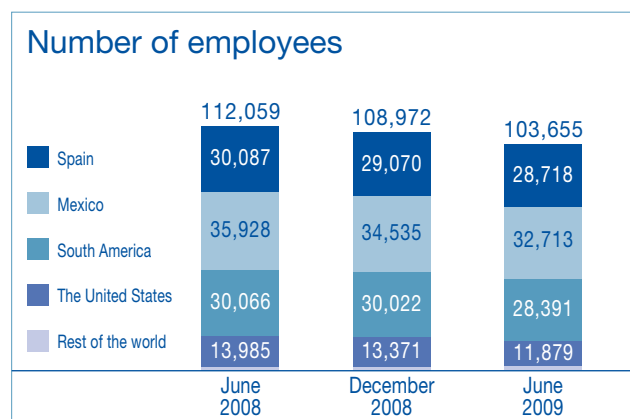
## Operating costs, depreciation and efficiency

(Million euros)

	1H09	Δ%	1H08	2008
<b>PERSONNEL EXPENSES</b>	<b>2,291</b>	<b>(2.2)</b>	<b>2,343</b>	<b>4,716</b>
Wages and salaries	1,754	(2.3)	1,795	3,593
Employee welfare expenses	332	(5.7)	352	693
Training expenses and other	205	5.2	195	430
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>1,443</b>	<b>(2.0)</b>	<b>1,473</b>	<b>3,040</b>
Premises	309	4.9	294	617
IT	279	(3.6)	290	598
Communications	128	2.4	125	260
Advertising and publicity	127	(6.1)	135	272
Corporate expenses	42	(22.3)	54	110
Other expenses	429	5.6	406	887
Levies and taxes	129	(23.5)	169	295
<b>ADMINISTRATION COSTS</b>	<b>3,734</b>	<b>(2.1)</b>	<b>3,816</b>	<b>7,756</b>
<b>DEPRECIATION AND AMORTIZATION</b>	<b>354</b>	<b>4.8</b>	<b>338</b>	<b>699</b>
<b>OPERATING COSTS</b>	<b>4,088</b>	<b>(1.6)</b>	<b>4,154</b>	<b>8,455</b>
<b>GROSS INCOME</b>	<b>10,380</b>	<b>7.8</b>	<b>9,626</b>	<b>18,978</b>
<b>EFFICIENCY RATIO</b> (Operating costs/gross income,%)	<b>39.4</b>		<b>43.2</b>	<b>44.6</b>

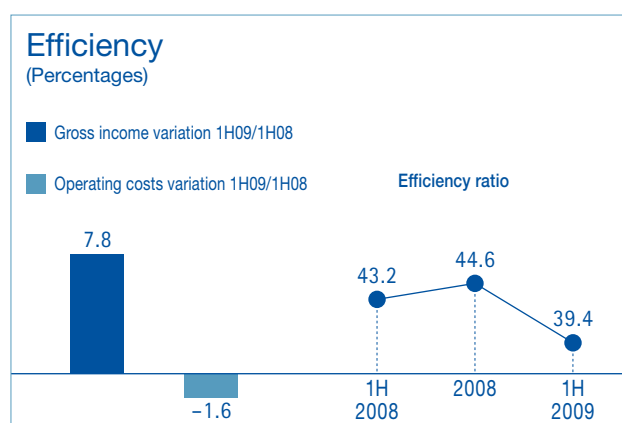
anticipated the current economic situation by implementing transformation and restructuring plans focused on cost savings as far back as 2006. The Spain & Portugal Area has actually reduced costs by 6.5% compared to the first half last year. The variation in the Americas was also very positive (despite the inclusion of some countries with relatively high inflation) with a decline of 0.3% at constant exchange rates.

Both the **employees** and branches of the BBVA Group were reduced in the quarter, as a result of the transformation plans and rationalization of the distribution networks. At 30-Jun-09 the Group's employees numbered 103,655, compared to 105,154 at 31-Mar-09. The branch network consisted of 7,458 branches, 190 less than the end of March.



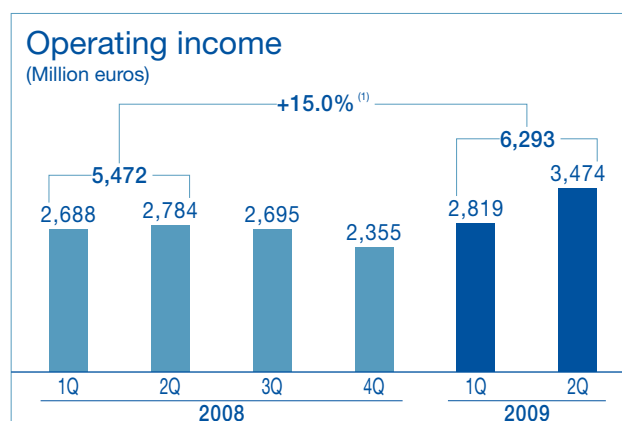
The **cost/income ratio** improved once more as revenues rose and costs fell. The ratio now stands at 39.4%, a new milestone that confirms BBVA as one of the most efficient banks in the financial system.

These developments helped to boost **operating income**, which came to €3,474m in the second quarter, a new BBVA record for a single quarter. The



increase was 24.8% compared to €2,784m in the same period last year. The cumulative amount for the first half-year came to €6,293m, a rise of 15.0% compared to €5,472m for the same period last year. At constant exchange rates the increase is 18.0%.

All business areas contributed to this achievement with operating income of €2,335m in Spain & Portugal, €758m in Wholesale Banking & Asset Management (WB&AM), €1,717m in Mexico, €425m in the United States and €1,132m in South America.



(1) At constant exchange rate: +18.0%.

## Provisions and others

**Impairment losses on financial assets** in the second quarter of 2009 came to €1,029m. This was higher than the €916m provided in the previous quarter. As a result the cumulative figure for the first half is €1,945m (€1,164m in the first half last year). This item is affected by higher non-performing loans arising from the weakening economic situation and

by BBVA's criteria of maximum prudence for their calculation. Nonetheless, it's important to highlight that another of the pillars of strength of the Group is that operating income generated could offset provisions more than three times the amount accumulated in the last two quarters.

**Net provisions** in the first half came to €153m. This is far smaller than the €612m provided in the same period last year, which included €470m for one-off early retirements.

Lastly, other **gains (losses)** in the first half resulted in a deduction of €192m. This was mainly due to the application of maximum prudence criteria when determining the valuation for assets that were foreclosed, acquired or coming from the real estate fund, based on current market valuations. In the same period last year this item contributed gains of €727m on the sale of a stake in Bradesco.

## Net attributable profit

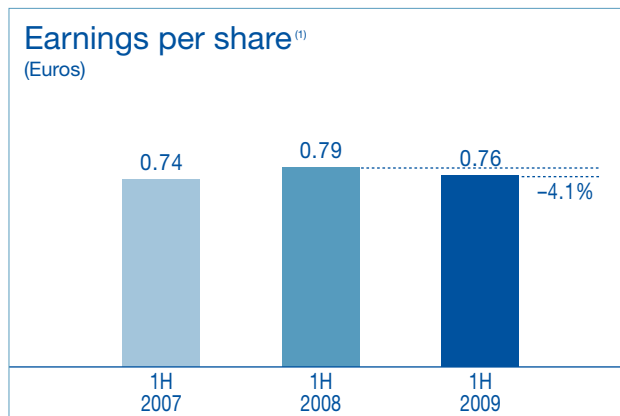
As a result of the above, cumulative **income before tax** for the year to 30-Jun-09 came to €4,003m, compared to €4,490 at 30-Jun-08. Income tax comes to €961m and thus net income is €3,042m. Of this amount minority interests account for €243m and the net profit attributable to the Group in the first half of 2009 is €2,799m, a decrease of 10.0% compared to €3,108m in the same period last year (a decrease of 7.6% at constant exchange rates).

**One-off operations** in the first half of last year added €180m after tax. Excluding such items, net attributable profit in the first half this year is only 4.4% less than a year earlier (or 1.7% less without the exchange rate effect).

All business areas contributed to the Group's net attributable profit in the first half. Spain & Portugal contributed €1,270m, WB&AM €539m, Mexico €724m, the United States €85m and South America contributed €463m.

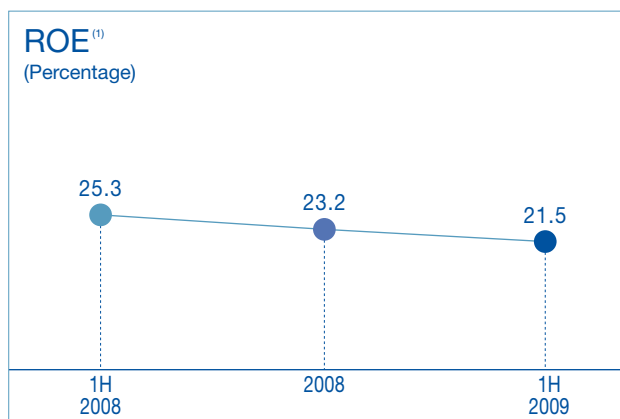
**Earning per share (EPS)** came to €0.76 for the first half. This is slightly less than the €0.79 obtained in the same period last year (excluding one-off

operations) and the decline of 4.1% is similar to that of net attributable profit because the Group has not increased share capital in the last year.

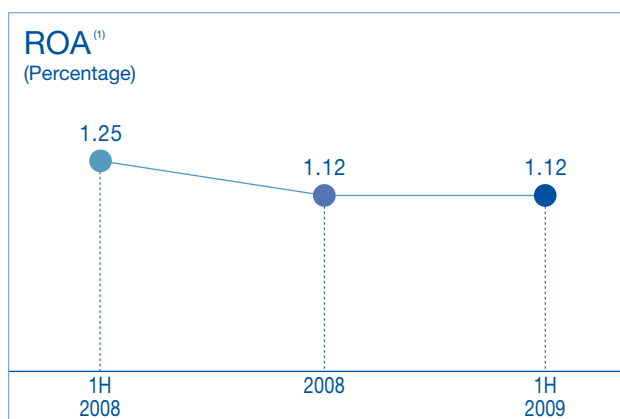


(1) Excluding results of one-off operations.

Lastly, BBVA has attained excellent profitability: return on equity (**ROE**) stands at 21.5% and return on total average assets (**ROA**) comes to 1.12%. These figures put BBVA once more in the vanguard of large European banking groups in terms of profitability.



(1) Excluding results of one-off operations.



(1) Excluding results of one-off operations.

# Business activity

During the second quarter of 2009 lending to customers in the Spanish market continued the downward trend that started at the beginning of 2008. This particularly affected consumer finance and lending to SMEs. At the same time customer funds continued to prefer the more liquid types of deposit and mutual funds that are guaranteed or that

have low exposure to equities. In the Americas there are signs that the buoyant level of business is slowing. The slowdown is affecting lending more than customer funds, although both are still growing year-on-year. In fact, in South America this growth is still measured in double digits. In general, increases in items on the balance sheet were modest whereas

## Consolidated balance sheet

(Million euros)

	30-06-09	Δ%	30-06-08	31-03-09	31-12-08
Cash and balances with central banks	23,053	86.0	12,393	15,859	14,659
Financial assets held for trading	71,064	20.7	58,862	74,177	73,299
Other financial assets designated at fair value through profit or loss	2,089	88.6	1,108	1,926	1,755
Available for sale financial assets	57,384	24.2	46,199	51,560	47,780
Loans and receivables	352,905	(1.0)	356,310	362,172	369,494
• Loans and advances to credit institutions	24,533	(11.5)	27,735	28,937	33,856
• Loans and advances to customers	327,926	(0.1)	328,303	332,647	335,260
• Other	447	64.1	272	588	378
Held-to-maturity investments	5,099	(5.6)	5,402	5,106	5,282
Investments in entities accounted for using the equity method	1,407	11.6	1,261	1,468	1,467
Tangible assets	6,502	26.3	5,149	6,987	6,908
Intangible assets	8,363	8.5	7,711	8,817	8,440
Other assets	14,767	46.0	10,116	15,278	13,568
<b>TOTAL ASSETS</b>	<b>542,634</b>	<b>7.6</b>	<b>504,511</b>	<b>543,350</b>	<b>542,650</b>
Financial liabilities held for trading	37,529	59.7	23,495	45,131	43,009
Other financial liabilities at fair value through profit or loss	1,295	254.0	366	1,153	1,033
Financial liabilities at amortised cost	452,490	5.0	430,986	447,382	450,605
• Deposits from central banks and credit institutions	76,919	2.5	75,029	70,737	66,804
• Deposits from customers	249,096	7.0	232,757	243,795	255,236
• Debt certificates	102,486	2.8	99,736	109,021	104,157
• Subordinated liabilities	17,003	10.3	15,415	17,230	16,987
• Other financial liabilities	6,985	(13.2)	8,050	6,600	7,420
Liabilities under insurance contracts	6,822	(4.6)	7,151	6,691	6,571
Other liabilities	14,599	(11.8)	16,543	14,625	14,727
<b>TOTAL LIABILITIES</b>	<b>512,734</b>	<b>7.1</b>	<b>478,541</b>	<b>514,983</b>	<b>515,945</b>
Minority interests	1,219	39.1	876	1,116	1,049
Valuation adjustments	(702)	(7.1)	(756)	(492)	(930)
Shareholders' funds	29,383	13.7	25,850	27,742	26,586
<b>TOTAL EQUITY</b>	<b>29,901</b>	<b>15.1</b>	<b>25,970</b>	<b>28,367</b>	<b>26,705</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>542,634</b>	<b>7.6</b>	<b>504,511</b>	<b>543,350</b>	<b>542,650</b>
<b>MEMORANDUM ITEM:</b>					
Contingent liabilities	33,705	(6.5)	36,062	34,721	35,952
<b>MEMORANDUM ITEM:</b>					
Average total assets	545,350	9.2	499,459	547,661	517,856
Average shareholders' funds	26,234	12.5	23,311	25,916	23,324
Risks weighted assets	291,575	7.9	270,150	291,834	276,475

decreases affected items such as consumer finance, cards and lending to customers with higher risk exposure. Conversely, at Group level mortgages and lending to institutions and large companies accounted for an increasing share of business. In this respect it should be noted that BBVA is concentrating on customers of high credit quality with whom it is building business relationships.

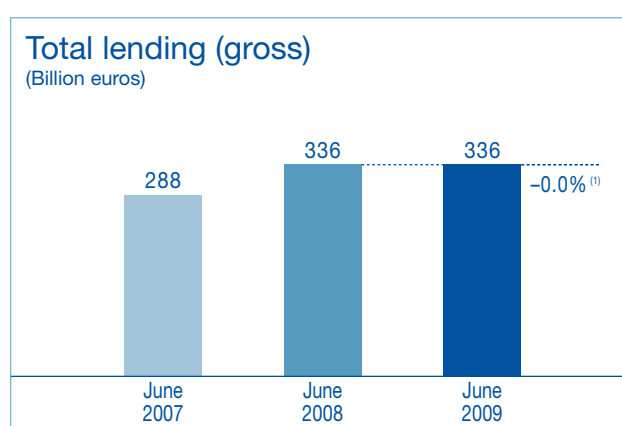
Year-on-year comparisons of individual items on the balance sheet are no longer influenced by acquisitions. However, off-balance-sheet funds are still affected by the nationalisation of pension funds in Argentina in the fourth quarter of 2008. In the second quarter of 2008 the Group sold its business in Miami but this no longer affects year-on-year comparisons.

**Exchange rates** had a slightly negative impact on year-on-year comparisons of the balance sheet and business activity figures. This is because the 12.5% depreciation of the Mexican peso against the euro was offset by a rise in the US dollar (up 11.5%). As usual we will provide comparisons for the main items based on constant exchange rates to facilitate the assessment of business trends.

At 30-Jun-09 the Group's **total assets** came to €543 billion, an increase of 7.6% compared to €505 billion at the same point last year. This figure is practically unchanged from the end of the first quarter.

## Lending to customers

At the end of the second quarter lending to customers came to €336 billion. This was the same



(1) At constant exchange rate: -0.1%.

## Total lending

(Million euros)

	30-06-09	Δ%	30-06-08	31-03-09	31-12-08
<b>Domestic sector</b>	207,490	(2.9)	213,597	207,036	210,080
Public sector	19,219	11.4	17,253	18,249	17,599
Other domestic sectors	188,271	(4.1)	196,344	188,786	192,481
• Secured loans	106,615	(0.5)	107,199	105,445	105,832
• Commercial loans	6,724	(37.4)	10,744	7,475	9,543
• Financial leases	7,087	(11.5)	8,009	7,354	7,702
• Other term loans	51,213	(10.6)	57,293	54,239	55,448
• Credit card debtors	1,831	(13.5)	2,115	1,471	1,971
• Other demand and miscellaneous debtors	4,156	0.5	4,136	3,622	3,474
• Other financial assets	2,849	(34.7)	4,360	2,292	3,029
• Non performing loans	7,797	213.6	2,487	6,889	5,483
<b>Non-domestic sector</b>	128,118	4.9	122,094	133,205	132,591
Secured loans	40,046	9.0	36,744	40,739	39,390
Other loans	84,420	1.4	83,249	89,149	90,326
Non performing loans	3,652	73.7	2,102	3,317	2,875
<b>TOTAL LENDING (GROSS)</b>	<b>335,608</b>	<b>(0.0)</b>	<b>335,692</b>	<b>340,241</b>	<b>342,671</b>
Loan-loss provisions	(7,682)	4.0	(7,389)	(7,594)	(7,412)
<b>TOTAL NET LENDING</b>	<b>327,926</b>	<b>(0.1)</b>	<b>328,303</b>	<b>332,647</b>	<b>335,260</b>



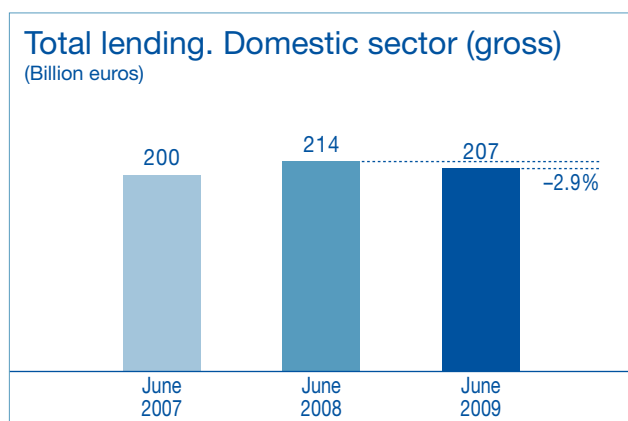


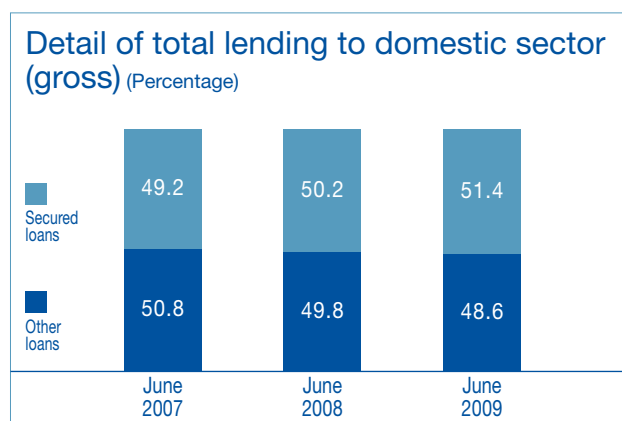
figure as a year earlier and slightly less than at the end of the first quarter of 2009 (down 1.4%).

Of total lending to **domestic customers** in Spain the **public sector** accounts for €19 billion (up 11.4% year-on-year). Loans to the **domestic private sector** were down 4.1% to €188 billion, compared to €196 billion a year earlier. This is in line with the general downward trend in lending in the entire sector. Commercial finance is the most affected area (down 37.4%) because it is short-term and closely linked to sales. Secured loans, which are the main component of domestic lending, stand at €107 billion. This figure is very similar to the end of June last year (down 0.5% year-on-year) and slightly higher than the end of the first quarter (up 1.1%). Non-performing assets in the domestic private sector stand at €7,797m, an increase of 13.2% quarter-on-quarter. This compares favourably with the increase of 25.7% that occurred during the first quarter against 31-12-08 and shows that additions to this item are now slowing.

At the end of the first half, lending to **non-resident** customers in Spain rose 4.9% to €128 billion, compared to €122 billion a year earlier. This was the result of work by the branches in New York, Asia and various Latin American countries, particularly Peru, Venezuela, Paraguay and Uruguay, with double-digit increases.

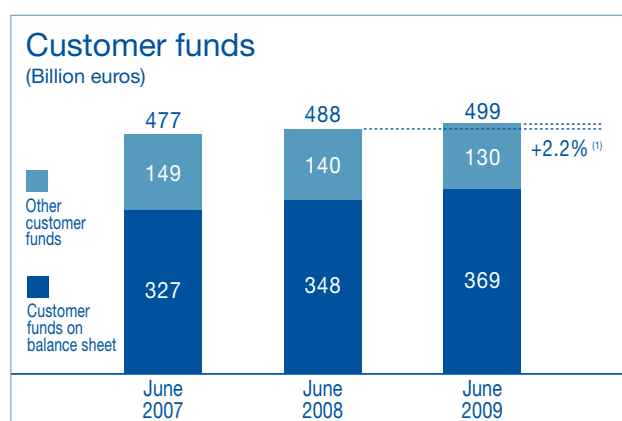
## Customer funds

Total customer funds on and off the balance sheet increased 2.2% year-on-year to €499 billion at 30-Jun-09.



**Customer funds on the balance sheet** continue to outperform, as they did throughout last year and in the first half of this year. At the end of June they stood at €369 billion, an increase of 5.9% compared to €348 billion at 30-Jun-08. Of this amount, customer deposits account for €249 billion, up 7.0%. Marketable debt securities account for €102 billion (up 2.8%) and subordinate liabilities (subordinate debt and preference securities) account for €17 billion (up 10.3%).

Customer funds **off the balance sheet** (ie, mutual funds, pension funds and customers' portfolios) amounted to €130 billion at the end of June, compared to €140 billion a year earlier. The decrease was 7.2% (6.9% at constant exchange rates). If the effect of the Consolidar AFJP pension funds in Argentina (now nationalised) is excluded, the decrease is only 4.7%. These funds are still affected by the sharp decline in the markets during the past 12 months, which lowered the value of mutual funds and customer portfolios. However, there are signs of improvement because, compared to



(1) At constant exchange rate: +2.3%.

both the balance at 31-Mar-09 and at 31-Dec-08, these funds have increased 6.0% and 9.3%, respectively. In Spain off-balance-sheet funds fell 8.3% year-on-year to €62 billion due to the lower demand for mutual funds. Nonetheless this decline was once more less than the sector average because BBVA has a greater presence in mutual funds with less risk. In fact, the balance of such funds has risen 2.7% since the end of the first quarter. Outside Spain off-balance-sheet funds stand at €68 billion, down 6.2% (down 5.5% at constant rates). This decline is also affected by the nationalisation of Consolidar AFJP's pension funds in Argentina. If this is excluded from the comparison, the year-on-year decline is 1.1%. However, in the last three months off-balance-sheet funds in the non-domestic sector have, in fact, risen 9.1%.

In **Spain** the recent sharp drops in interest rates and their impact on time deposits, have increased demand for savings and current accounts, and for

the more conservative types of mutual funds. Furthermore the Group's comfortable liquidity means it does not have to resort to aggressive campaigns to gather funds. As a result, time deposits fell 9.4% year-on-year to €37 billion at 30-6-09. If the volatile movements in euro deposits related to market trading were excluded, the fall would be 2.9%. Current and savings accounts rose 10.4% to €48 billion and mutual funds fell 13.4% to €34 billion. However this decline is less than average for the entire banking sector and thus BBVA again increased its market share (up 16 basis points to 20.4% at the end of June) and widened its advantage as the leading manager of mutual funds in Spain. Pension funds grew 1.2% year on year to €16 billion.

In the **non-resident** customer segment, the aggregate of current and savings accounts, time deposits, mutual funds and pension funds rose 10.9% year-on-year to €200 billion at the end of the first

## Customer funds

(Million euros)

	30-06-09	Δ%	30-06-08	31-03-09	31-12-08
<b>CUSTOMER FUNDS ON BALANCE SHEET</b>	<b>368,586</b>	<b>5.9</b>	<b>347,908</b>	<b>370,045</b>	<b>376,380</b>
<b>DEPOSITS FROM CUSTOMERS</b>	<b>249,096</b>	<b>7.0</b>	<b>232,757</b>	<b>243,795</b>	<b>255,236</b>
Domestic sector	97,133	(3.4)	100,544	97,326	104,959
Public sector	4,080	(50.0)	8,168	5,345	6,328
Other domestic sectors	93,052	0.7	92,377	91,980	98,630
• Current and savings accounts	47,748	10.4	43,249	44,055	44,589
• Time deposits	37,240	(9.4)	41,083	39,364	43,829
• Assets sold under repurchase agreement and other	8,064	0.2	8,045	8,562	10,213
Non-domestic sector	151,964	14.9	132,212	146,469	150,277
Current and savings accounts	57,486	18.4	48,551	58,293	56,930
Time deposits	88,799	17.8	75,357	81,542	85,647
Assets sold under repurchase agreement and other	5,679	(31.6)	8,304	6,634	7,700
<b>DEBT CERTIFICATES</b>	<b>102,486</b>	<b>2.8</b>	<b>99,736</b>	<b>109,021</b>	<b>104,157</b>
Mortgage bonds	38,780	(2.3)	39,679	38,676	39,673
Other debt certificates	63,706	6.1	60,057	70,345	64,484
<b>SUBORDINATED LIABILITIES</b>	<b>17,003</b>	<b>10.3</b>	<b>15,415</b>	<b>17,230</b>	<b>16,987</b>
<b>OTHER CUSTOMER FUNDS</b>	<b>130,082</b>	<b>(7.2)</b>	<b>140,190</b>	<b>122,775</b>	<b>119,017</b>
Mutual funds	47,552	(12.9)	54,571	46,593	46,295
Pension funds	56,895	(1.3)	57,652	52,056	48,140
Customer portfolio	25,636	(8.3)	27,967	24,127	24,582
<b>TOTAL CUSTOMER FUNDS</b>	<b>498,668</b>	<b>2.2</b>	<b>488,098</b>	<b>492,821</b>	<b>495,397</b>

## Other customer funds

(Million euros)

	30-06-09	Δ%	30-06-08	31-03-09	31-12-08
<b>SPAIN</b>	<b>62,224</b>	<b>(8.3)</b>	<b>67,857</b>	<b>60,598</b>	<b>61,628</b>
<b>MUTUAL FUNDS</b>	<b>34,179</b>	<b>(13.4)</b>	<b>39,460</b>	<b>34,323</b>	<b>34,900</b>
Mutual funds (ex real estate)	32,556	(13.2)	37,519	32,653	33,197
• Guaranteed	15,952	(4.0)	16,609	15,925	16,507
• Monetary and short-term fixed-income	12,140	(15.0)	14,283	12,794	12,016
• Long-term fixed-income	1,061	(23.5)	1,388	996	1,252
• Balanced	709	(37.9)	1,141	672	755
• Equity	1,802	(32.0)	2,649	1,437	1,657
• Global	891	(38.5)	1,448	829	1,009
Real estate investment trusts	1,515	(16.6)	1,818	1,546	1,580
Private equity funds	108	(12.5)	123	123	123
<b>PENSION FUNDS</b>	<b>16,323</b>	<b>1.2</b>	<b>16,124</b>	<b>15,881</b>	<b>16,078</b>
Individual pension plans	9,482	2.6	9,238	9,272	9,358
Corporate pension funds	6,842	(0.6)	6,886	6,610	6,720
<b>CUSTOMER PORTFOLIOS</b>	<b>11,721</b>	<b>(4.5)</b>	<b>12,273</b>	<b>10,394</b>	<b>10,650</b>
<b>REST OF THE WORLD</b>	<b>67,858</b>	<b>(6.2)</b>	<b>72,333</b>	<b>62,178</b>	<b>57,406</b>
Mutual funds and investment companies	13,373	(11.5)	15,111	12,270	11,395
Pension funds	40,571	(2.3)	41,528	36,175	32,079
Customer portfolios	13,914	(11.3)	15,694	13,733	13,932
<b>OTHER CUSTOMER FUNDS</b>	<b>130,082</b>	<b>(7.2)</b>	<b>140,190</b>	<b>122,775</b>	<b>119,034</b>

half. Current and savings accounts performed well, rising 18.4% year-on-year to more than €57 billion.

Stable customer funds grew 8.1% to €143 billion at 30-6-09. Of this amount, time deposits accounted for €89 billion (up 17.8% year on year), pension funds €41 billion (down 2.3%) and mutual funds and investment companies €13 billion (down 11.5%).

## Statement of changes in equity

The total equity of the BBVA Group at 30-Jun-09 stands at €29,901m after rising €1,534m during the quarter. This increase was almost entirely due to the higher net attributable profit of €1,561m generated during the quarter. Other items had hardly any impact on the statement of changes in the Group's equity.

## Statement of changes in equity

(Million euros)

	Capital	Reserves	Profit for the year	Treasury shares	Valuation adjustments	Minority interests	Paid dividends	TOTAL EQUITY
<b>BALANCE AT 31-03-09</b>	<b>1,837</b>	<b>24,945</b>	<b>1,238</b>	<b>(277)</b>	<b>(492)</b>	<b>1,116</b>	<b>-</b>	<b>28,367</b>
Valuation adjustments					(210)	(15)		(226)
Profit retained								
Dividends						(3)		(3)
Shares issued								
Treasury shares		(173)		262				89
Profit for the year			1,561			127		1,688
Other		(9)		-		(5)		(15)
<b>BALANCE AT 30-06-09</b>	<b>1,837</b>	<b>24,762</b>	<b>2,799</b>	<b>(14)</b>	<b>(702)</b>	<b>1,219</b>	<b>-</b>	<b>29,901</b>
<b>SECOND QUARTER VARIATION</b>	<b>-</b>	<b>(183)</b>	<b>1,561</b>	<b>262</b>	<b>(210)</b>	<b>103</b>	<b>-</b>	<b>1,534</b>

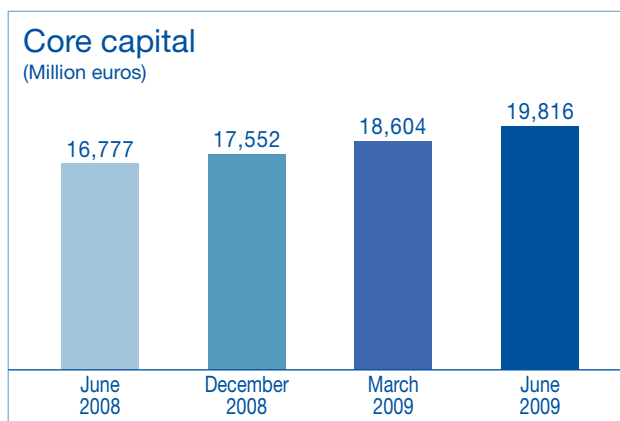
## Capital base

At 30th June 2009 the Group's **eligible capital base**, calculated according to **Basel II** rules, rose 3.9% over the first quarter to €35,064m, bringing the BIS ratio to 12.2%. The improvement was mainly due to organic generation of the Group's profit.

**Risk-weighted assets (RWA)** rose 7.5% year-on-year to €288,526m. However compared to the end of the first quarter they fell 1.4% owing to the decline in economic activity, to a progressive change in the lending mix that favours lower-risk products and partly to the depreciation of the US dollar since March 2009. The minimum capital requirement (8% of RWA) therefore comes to €23,082m and the capital base surplus is €11,982m. In other words, the Group's capital base is 51.9% higher than the required minimum.

At the end of June **core capital** stood at €19,816m after rising 6.5% during the quarter thanks to the Group's excellent earnings. Because core capital grew

during the quarter and RWA decreased, the core capital ratio improved significantly to 6.9%. Therefore BBVA has almost reached –in the first half– the level of capital forecasted by the end of 2009. Furthermore the ratio would come to 7.1% if BBVA aligned its calculation with the criteria used by its European peer group for this purpose. In fact, these criteria will be adopted by the Group to



### Capital base (BIS II Regulation)

(Million euros)

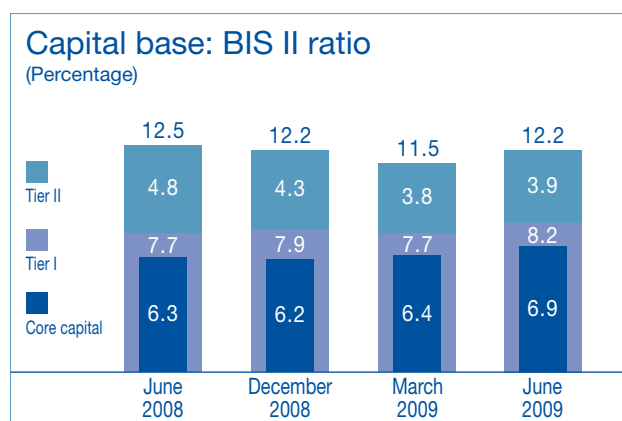
	30-06-09	31-03-09	31-12-08	30-09-08	30-06-08
Shareholders' funds	29,383	27,742	26,586	26,575	25,850
Adjustments	(9,567)	(9,138)	(9,034)	(8,754)	(9,072)
<b>CORE CAPITAL</b>	<b>19,816</b>	<b>18,604</b>	<b>17,552</b>	<b>17,821</b>	<b>16,777</b>
Preference shares	5,433	5,421	5,395	4,465	4,420
Adjustments	(1,525)	(1,532)	(583)	(514)	(484)
<b>CAPITAL (TIER I)</b>	<b>23,724</b>	<b>22,493</b>	<b>22,364</b>	<b>21,772</b>	<b>20,713</b>
Subordinated debt and other	12,880	12,802	12,914	12,985	13,355
Deductions	(1,539)	(1,543)	(590)	(520)	(490)
<b>OTHER ELIGIBLE CAPITAL (TIER II)</b>	<b>11,340</b>	<b>11,259</b>	<b>12,324</b>	<b>12,465</b>	<b>12,865</b>
<b>CAPITAL BASE</b>	<b>35,064</b>	<b>33,752</b>	<b>34,687</b>	<b>34,236</b>	<b>33,578</b>
Minimum capital requirement (BIS II Regulation)	23,082	23,410	22,666	22,330	21,469
<b>CAPITAL SURPLUS</b>	<b>11,982</b>	<b>10,342</b>	<b>12,022</b>	<b>11,907</b>	<b>12,109</b>
<b>RISK-WEIGHTED ASSETS</b>	<b>288,526</b>	<b>292,626</b>	<b>283,320</b>	<b>279,122</b>	<b>268,357</b>
<b>BIS RATIO (%)</b>	<b>12.2</b>	<b>11.5</b>	<b>12.2</b>	<b>12.3</b>	<b>12.5</b>
<b>CORE CAPITAL (%)</b>	<b>6.9</b>	<b>6.4</b>	<b>6.2</b>	<b>6.4</b>	<b>6.3</b>
<b>TIER I (%)</b>	<b>8.2</b>	<b>7.7</b>	<b>7.9</b>	<b>7.8</b>	<b>7.7</b>
<b>TIER II (%)</b>	<b>3.9</b>	<b>3.8</b>	<b>4.3</b>	<b>4.5</b>	<b>4.8</b>

calculate and track capital adequacy ratios in future quarters.

The **TIER I** ratio stands at 8.2%, 50 basis points higher than the end of the first quarter, and the ratio of preference securities to core equity, in accordance with the BIS rules, comes to 22.9%.

Other eligible capital (**TIER II**), which mainly consists of subordinated debt, eligible latent capital gains and generic provisions in excess of the limits defined in the rules, amounted to €11,340m and therefore the Tier II ratio is 3.9%. This complementary capital increased 0.1% compared to the first quarter owing mainly to higher eligible latent capital gains.

As a result, the **BIS ratio** at the end of June 2009 was 12.2%, 70 basis points higher than at the end of the previous quarter.



## Ratings

Last May, Moody's placed BBVA under review for a possible downgrade.

### Ratings

	Long term	Short term	Financial strength	Outlook
Moody's	Aa1	P-1	B	Creditwatch Negative
Fitch	AA-	F-1+	A/B	Positive
Standard & Poor's	AA	A-1+	-	Negative

## The BBVA share

20

Stocks recovered in the **second quarter** of 2009, showing that markets believe the measures taken by central banks and governments have notably reduced the risk of a crisis in the financial system. The current outlook for inflation and interest rates is radically different from a year earlier when inflationary pressures caused the European Central Bank (ECB) to raise rates. In June prices in the euro zone fell for the first time ever, pushing short-term interest rates to record lows. Also in June the ECB injected more liquidity into the system by means of a highly significant auction, providing banks with ample long-term finance at very favourable rates. Following this, corporate debt spreads fell although they are still higher than in previous financial crises. In summary, financial conditions have improved but the global economy remains weak and the macroeconomic outlook continues uncertain.

After various quarters of declines the main European **equity indices** ended the second quarter in positive territory: the Stoxx50 rose 15.5% and the UK FTSE, 9.5%. The US market performed in similar fashion with the S&P 500 advancing 15.2%. In Spain the Ibex35 rose 25.2% in the quarter, outperforming the Stoxx50 and S&P 500 by a substantial margin. In the first half the Ibex increased 6.4% compared to 0.7% for the Stoxx50 and 1.8% for the S&P 500.

**Banking sector** shares have stabilised in recent months mainly because the sector's future is now

clearer following the stress tests in America, supported by government aid to reduce risk in the financial system and improved earnings. The sector's recovery in the second quarter set new records, especially in Europe. The European banking index (Stoxx Banks) surged 43.7%. In the case of British banks the FTSE Banks index gained 34.9%. The improvement in the United States was also highly positive. The S&P Financials Index rose 35.1% and the S&P Regional Banks index increased 25.5%.

**BBVA's** share price rose 46.3% in the quarter, outperforming the European banking sector and the Ibex35. However despite this improvement its performance over the last 12 months is still negative although less so than other banks. During this period BBVA's share price fell 26.5% and the Stoxx Banks index, 37.4%.

Despite general pessimism regarding profitability, in the first quarter banks presented earnings that pointed to a general recovery, especially in investment banking. This helped to improve market perception of the sector.

In fact, **BBVA's first quarter earnings** for 2009 were higher than analysts' expectations. They took special note of its ability to generate recurrent earnings and the high level of profit before provisions, which amply offset weaker asset quality. The income statement reflects the growth of net interest income



## The BBVA share

	30-06-09	31-03-09	31-12-08	30-06-08
Number of shareholders	923,005	919,195	903,897	886,407
Number of shares issued	3,747,969,121	3,747,969,121	3,747,969,121	3,747,969,121
Daily average number of shares traded	53,941,268	58,814,357	55,548,033	52,379,128
Daily average trading (million euros)	399	399	676	740
Maximum price in the quarter (euros)	9.10	9.33	12.35	15.40
Minimum price in the quarter (euros)	5.88	4.45	7.04	12.05
Closing price for the quarter (euros)	8.94	6.11	8.66	12.17
Book value per share (euros)	7.84	7.40	7.09	6.90
Tangible book value per share (euros) <sup>(1)</sup>	5.88	5.36	5.02	5.03
Market capitalisation (million euros)	33,507	22,900	32,457	45,613

(1) Net of goodwill.

## Share performance ratios

	30-06-09	31-03-09	31-12-08	30-06-08
Price/Book value (times)	1.1	0.8	1.2	1.8
Price/Tangible book value (times) <sup>(1)</sup>	1.5	1.1	1.7	2.4
PER (Price/Earnings; times) <sup>(2)</sup>	7.3	4.8	6.5	9.1
Yield (Dividend/Price; %) <sup>(3)</sup>	4.0	6.1	7.1	5.0

(1) Net of goodwill.

(2) The 30-6-09 P/E is calculated taking into consideration the median of the analysts' estimates (July 2009).

(3) Dividend yield at 30-6-09 is calculated taking into consideration the median of analysts' estimates (July 2009).

and the decline in costs. Other positive notes were provided by the fall in net additions to non-performing assets at Group level, particularly in the Spain & Portugal Area.

During the second quarter of 2009 **BBVA's share price** varied between €5.88 and €9.10, ending on 30-Jun-09 at €8.94. This put market capitalisation at €33,507m, an increase of 46.3% compared to 30-Mar-09 and up 3.2% on 31-Dec-08. Based on the above closing price, the price to earnings ratio

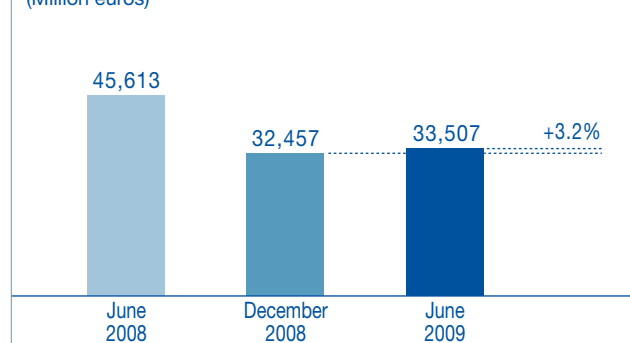
(PER), calculated on 2009 profit as estimated by the analysts, is 7.3. In 2008 PER was 6.5, calculated on the actual figures at the end of that year. In terms of P/E, BBVA trades with a significant discount to the European banking sector. At the closing of June 2009, the BBVA share price showed a 46% discount over the P/E of the Stoxx Banks Index (13.5x), thus offering an attractive valuation. The price-to-book multiple is now greater than one (1.1) and the price-to-net-tangible-book multiple continues to be higher (1.5). Lastly, the dividend yield (calculated on average dividends estimated by analysts for 2009) is 4.0%.

In the second quarter BBVA's shares continue to enjoy high liquidity and the average daily traded value (€399m) is the same as the previous quarter.

The Group maintains its customary calendar in respect of shareholder remuneration. A first interim dividend of €0.09 per share in cash was paid against 2009 earnings on 10th July. This equates to a payout of €337m at a time when most banks have cancelled such payments.

## Market capitalisation

(Million euros)



## Risk management

### Credit risk

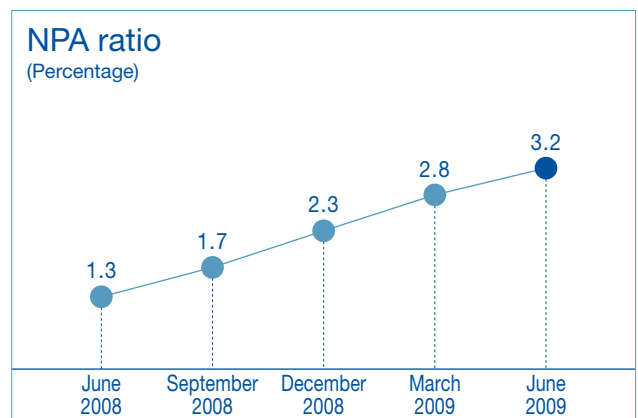
The second quarter of 2009 saw a continuation of the crisis that has beset economic activity since last year. Reflecting this scenario, quality indicators on the loan-book have deteriorated further, although there are some signs of stabilisation that should be confirmed over the forthcoming quarters. Nonetheless, prudent risk management policies and the fact that practically all the BBVA Group's loan-books were generated by its own networks have enabled the Group to conserve sound asset-quality parameters.

At 30th June 2009, **total customer risk** (including contingent liabilities) stood at €369,313m. This was down 1.5% from the €374,962m reported in March 2009. The quarter has continued the trend of increasing the weight of lower risk lending (mortgages, big corporations and the public sector) and thus reducing those of higher risk (basically consumer and credit cards).

In the second quarter, **non-performing assets** have grown more slowly than in previous quarters, standing at €11,774m, as against €10,543 at the

end of the first quarter of 2009. This 11.7% increase, compares with the 23.1% rise in the previous quarter. It was driven by a 19.2% reduction in gross entries into arrears and an increase in recoveries. As a percentage of net entries, recoveries accounted for 44.4%, as compared with 32.4% in the first quarter of 2009.

At the end of June, the Group's **non-performing asset ratio** was 3.2%, as against 2.8% on 31st March 2009. However, BBVA's positive performance gap in this ratio was significant. It reported one of the lowest NPA ratios among its European peers.



### Credit risk management

(Million euros)

	30-06-09	Δ%	30-06-08	31-03-09	31-12-08
<b>TOTAL RISK EXPOSURE<sup>(1)</sup></b>					
Non-performing assets	11,774	149.4	4,720	10,543	8,568
Total risks	369,313	(0.7)	371,754	374,962	378,635
Provisions	8,023	1.9	7,875	8,000	7,841
• Specific	4,132	101.2	2,054	3,679	3,282
• Generic and country-risk	3,891	(33.2)	5,821	4,321	4,558
NPA ratio (%)	3.2		1.3	2.8	2.3
NPA coverage ratio (%)	68		167	76	92
<b>MEMORANDUM ITEM:</b>					
Foreclosed assets	546	68.7	323	461	391
Foreclosed asset provisions	123	70.4	72	108	98
Coverage (%)	22		22	23	25

(1) Including contingent liabilities.



## Variations in non-performing assets

(Million euros)

	2Q09	1Q09	4Q08	3Q08	2Q08
<b>BEGINNING BALANCE</b>	<b>10,543</b>	<b>8,568</b>	<b>6,544</b>	<b>4,720</b>	<b>3,878</b>
Entries	3,717	3,787	4,265	3,137	2,215
Outflows	(1,650)	(1,228)	(1,264)	(875)	(813)
<b>Net variation</b>	<b>2,067</b>	<b>2,559</b>	<b>3,001</b>	<b>2,262</b>	<b>1,402</b>
Write-offs	(819)	(686)	(787)	(529)	(535)
Exchange rate differences and other	(17)	102	(190)	91	(25)
<b>PERIOD-END BALANCE</b>	<b>11,774</b>	<b>10,543</b>	<b>8,568</b>	<b>6,544</b>	<b>4,720</b>
<b>MEMORANDUM ITEM:</b>					
• Non-performing loans	11,509	10,262	8,437	6,483	4,665
• Non-performing contingent liabilities	265	281	131	61	55

The NPA ratio was 3.5% for the units of BBVA doing business in **Spain**. This rate is below that of the finance system as a whole, according to the latest data published to May 2009. During the quarter, the purchase of assets from distressed customers was lower than in the previous quarter: €178m, as compared against €490m from the first quarter of 2009.

Bancomer, in **Mexico**, also reported lower NPA ratios than its main competitors (according to latest available data). The area's NPA ratio reached 3.9% at the end of June 2009, from 3.6% in March. The ratio in the **United States** area increased to 4.5% (3.9% at March 2009). Finally, in **South America**, the NPA ratio stood at 2.6%, at very similar levels to the 2.3% reported three months earlier.

**Coverage provisions** for customer risk were €8,023m at 30th June 2009. This figure was practically flat to the €8 billion from the end of

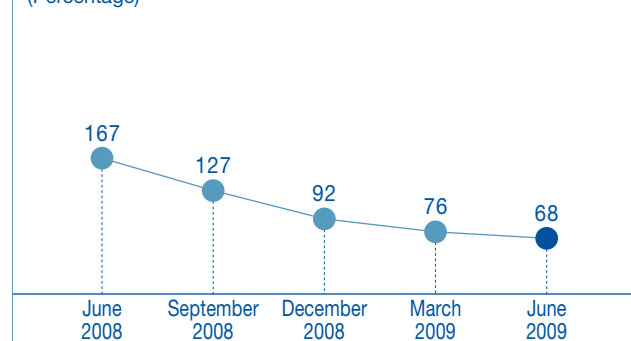
March 2009. Of these, generic and country-risk provisions plus substandard (€4,546m) accounted for 56.7% of the total and continued to significantly outsize expected loss.

The Group's **coverage ratio** stood at 68% on 30th June 2009. By business areas, Spain & Portugal's ratio was 55%, while in Wholesale Banking & Asset Management it was 133%; in Mexico 137%; in USA 49%, and in South America 129%.

Non-performing assets were comfortably cushioned by tangible guarantees. If the value of the collateral associated with the non-performing assets (€11,316m) is taken into account, the coverage would stand at 164%. The value of the collateral represents 186% of the balance of secured non-performing assets. Furthermore, coverage funds represent 141% of the balance of unsecured non-performing assets.

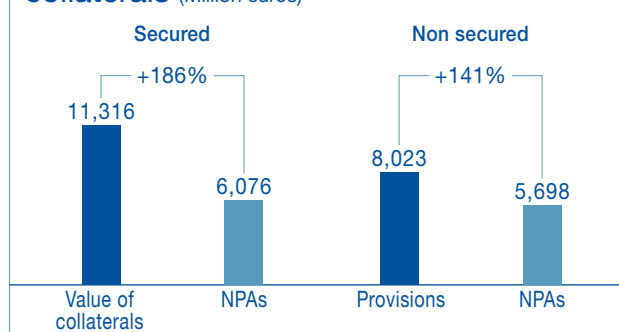
### NPA coverage ratio

(Percentage)



### Coverage including provisions and collaterals

(Million euros)



## Market risk

The average market risk of the BBVA Group was €25m in the second quarter (VaR calculation without exponential flattening). This was down 7.7% on the average for the previous quarter. Economic slowdown continued to be felt, with sustained drops in inflation triggering repeated cuts in the central banks' reference rates. In this context, Global Markets in Europe and Mexico brought down their average risk, while the trading desks in South America reached their turn-around point slightly later, after the first month of the quarter. At the quarter-end, the risk was €23m, having peaked at €31m on 8th June.

Broken down by **geographical zones**, risk was mainly concentrated in Europe and the United



(1) On 29-2-08 the Bank of Spain approved the Algorithmic internal model for the European and Mexican trading portfolios. The methodology applied for the VaR metric in these businesses is the historical simulation.

### Market risk by risk factors

(Second Quarter 2009. Million euros)

Risk	30-06-09
Interest + credit spread	27.1
Exchange rate	5.8
Equity	1.1
Vega and correlation	11.8
Diversification effect	(22.8)
<b>TOTAL</b>	<b>23.0</b>
<b>AVERAGE</b>	<b>25.3</b>
<b>MAXIMUM</b>	<b>31.0</b>
<b>MINIMUM</b>	<b>22.1</b>

States, which accounted for 56% of the second-quarter total. However, the higher concentration of risk associated to banks in the Americas is bringing down this percentage (the weighting of South America increased by nearly six percentage points, to 23.7%).

By risk type, the biggest risk on the BBVA's Group market exposure on its trading portfolio at 30-6-09 was from interest rates and spreads, increasing its weighting over the previous quarter as did exchange rate risk. However, equity and volatility risk accounted for a lower percentage of total exposure.

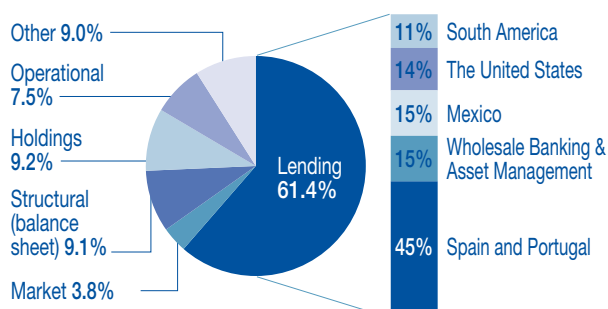
## Economic capital

Attributable ERC consumption (economic risk capital) reached €21,662m at the end of June, down a further 2.0% against March 2009.

The majority of this (61.4%) was credit risk on the portfolios originated by the Group networks from its customer base. This risk has remained flat over the quarter. Market risk (3.8%) is the smallest percentage of total risk, given the nature of the business and BBVA policy of scarcely any proprietary trading. Holding risk (9.2%) mainly reflects risk on the Financial & Industrial Holdings portfolio and the stake in CITIC. Structural balance-sheet risk (9.1%) originates from the structural risk management of interest and exchange rates deriving from the Group's lending business in all the countries where it operates. ERC linked to market risk has gone down 6.7% over the quarter.

### BBVA Group economic risk capital. Distribution by risk type

(Data in attributable terms, 30-06-09)



# Economic profit and risk adjusted return on economic capital

The figures for economic profit and risk-adjusted return on capital (RAROC) form part of the fundamental metrics that BBVA needs for a correct implementation of its **value-based management** system.

Calculations are based on the **adjusted profit**, which is obtained by making adjustments to the net attributable profit: substituting generic provisions with an allocation based on expected losses; accounting the changes in unrealised capital gains on the holding portfolios; applying the difference between all the accounting positions of Global Markets and their market value; and reflecting changes in the total net-asset value due to exchange-rate variations on holdings in Group companies. In the first six months of 2009, these adjustments increased €270m the earnings, mainly due to the adjustment for unrealised capital gains. Adjusted profit thus stood at €3,069m.

The medium- and long-term performance of these calculations is very useful for determining the intrinsic value of a business. However, in the short term they can be hit by market volatility. That is why recurrent data becomes so relevant. As these mainly come from customer business, the metrics genuinely reflect the Group's management performance. They are obtained by excluding the earnings of units

impacted by changes in capital gains on portfolio investments; and with respect to expected losses, including the loss adjusted to cycle. Such recurrent **adjusted profit** stood at €2,671m in the first six months of 2009.

Then, from the adjusted profit a subtraction is made which comes from multiplying the average economic risk capital or ERC for the period (€22,118m at 30-6-09) by the percentage **cost of capital**. The cost of capital is different for each of the Group's business areas and units. Based on information extracted from the analysts' consensus, it is equivalent to the rate of return the market is demanding on investment capital.

The **economic profit** is thus calculated. Although it was €1,843m for the semester, the **recurrent economic profit** stood at €1,684m, once more reflecting the degree to which BBVA's profits exceed the cost of capital employed. This difference is the BBVA shareholders' economic return.

The **RARoC** figure measures the return earned by the business, adjusted to risks borne. Comparing the adjusted profit against the average economic risk capital (ERC) for the period gives the BBVA Group a RARoC of 28.0%, while its **recurrent RARoC** was 29.3%.

## Economic profit and risk adjusted return on economic capital

(Million euros)

	1H09	Δ%	1H08
<b>NET ATTRIBUTABLE PROFIT</b>	<b>2,799</b>	<b>(10.0)</b>	<b>3,108</b>
Adjustments	270	n.m.	(1,714)
<b>ADJUSTED NET ATTRIBUTABLE PROFIT (A)</b>	<b>3,069</b>	<b>120.2</b>	<b>1,394</b>
Average economic risk capital (ERC) (B)	22,118	15.9	19,085
<b>RISK-ADJUSTED RETURN ON ECONOMIC CAPITAL (RAROC) = (A)/(B) * 100<sup>(1)</sup></b>	<b>28.0</b>		<b>14.7</b>
<b>RECURRENT RAROC (%)<sup>(1)</sup></b>	<b>29.3</b>		<b>34.0</b>
ERC x cost of capital (C)	1,226	24.3	986
<b>ECONOMIC PROFIT (EP) = (A) - (C)</b>	<b>1,843</b>	<b>n.m.</b>	<b>408</b>
<b>RECURRENT ECONOMIC PROFIT</b>	<b>1,684</b>	<b>(15.1)</b>	<b>1,984</b>

(1) Percentage annualized.

Aggregating information by areas is a fundamental **management** tool for the various business that together form the BBVA Group. In this section we discuss the more significant aspects of the activities and earnings of the Group's five business areas, along with those of the main units within each, plus Corporate Activities. We focus on their income statements, balance sheets and a set of relevant management indicators, namely, lending, deposits, off-balance-sheet funds, ROE, cost-income ratio, non-performing assets and coverage. The areas are structured as follows:

- **Spain and Portugal**
- **Wholesale Banking & Asset Management:**
  - Corporate and Investment Banking.
  - Global Markets.
- **Mexico:**
  - Banking business.
  - Pensions and Insurance.
- **The United States**
- **South America:**
  - Banking businesses.
  - Pensions and Insurance.

Which in turn comprise:

- **Spain and Portugal:** This includes the Spanish retail branch network (individual customers, high net-worth individuals and small companies and businesses in the domestic market); the business & corporate banking unit (SMEs, large companies, institutions and developers in the domestic market); and the remaining units, in particular, consumer finance, insurance business and BBVA Portugal.
- **Wholesale Banking & Asset Management:** This consists of corporate and investment banking (including the activities of the European, Asian and New York offices with large corporate and business customers); global markets (trading floor business and distribution in Europe, Asia and New York); asset management (mutual and pension funds in Spain, and hedge funds); the Group's own long maturing equity portfolios and private equity activities (Valanza S.C.R); and Asia (through the Group's holding in the Citic group). Wholesale Banking & Asset Management also operates in these businesses in Mexico and South America. However, this report covers its activities and earnings in those regions under the umbrella of the business areas there.

- **Mexico:** This area operates the banking, insurance and pension businesses in Mexico.
- **The United States:** This area operates the banking and insurance business in the United States and in the Associate State Puerto Rico.
- **South America:** This area operates the banking, insurance and pension businesses in South America.

Apart from the above units, all business areas have a residual compartment in which to place its other businesses as well as eliminations and unallocated items.

Finally, the **Corporate Activities** area handles the Group's general management functions. These mainly consist of structural positions for interest rates associated with the euro balance sheet and exchange rates, together with liquidity and shareholders' funds. The management of structural risks related to interest rates in currencies other than the euro is handled by the corresponding areas. This area also includes the Group's industrial portfolio management unit and financial shareholdings, along with its non-international real-estate business.

BBVA has maintained the criteria it applied in 2008 to the composition of the business areas very much the same for 2009, with only a few insignificant changes. These do not affect the Group-level information and their impact on the figures for the different business units and areas is practically irrelevant. Nonetheless, the 2008 data have been reformatted to include these marginal changes to ensure like-for-like comparison. As usual, in the case of units in the Americas, we provide the year-on-year percentage changes calculated at constant exchange rates as well as at current rates.

The breakdown by business area starts at the lowest-level units, where all the initial accounting data for the business in question are collected. Management groups the data from these units in a predefined manner to arrive at the picture for the main units and, finally, for the business areas themselves. The Group's subsidiaries are also assigned to particular business areas according to their activity.

Once the composition of each business area has been defined, certain **management criteria** are applied. The most relevant are the following:

- **Capital:** the Group allocates economic risk capital (ERC) commensurate with the risks incurred by each business. This is based on the concept of unexpected loss at a certain level of statistical confidence, depending on the Group's solvency targets. These targets have two levels: the first is core equity, which determines the allocated capital. The Bank uses this amount as a basis for calculating the return generated on the equity in each business (ROE). The second level is total capital, which determines the additional allocation in terms of subordinate debt and preference shares. The ERC calculation combines lending risk, market risk, and structural risk associated with the balance sheet and equity positions, operational risk and fixed-asset risks, and technical risks in the case of insurance companies. These are calculated using internal models defined according to the guidelines and requirements of the Basel 2 Accord, such that economic criteria prevail over normative criteria.

As ERC is risk-sensitive, it is linked to the management policies of individual businesses, providing an equitable basis for assigning capital to each business in keeping with the risks incurred and making it easier to compare profitability across units. Thus, the economic risk capital is calculated on a standard basis that is applicable to all kinds of risk and any risk transaction, position or balance. This makes it possible to assess risk-adjusted returns and work out an aggregate profitability per customer, product, segment, business area or unit.

- **Internal transfer prices:** the Bank uses rates adjusted for maturity to calculate the net interest income for

each business. It also examines the interest rates for the different assets and liabilities that make up each unit's balance sheet. In cases where there are revenue-generating units as well as distribution units (eg, asset management products), it divides the earnings at market prices.

- **Assignment of operating expenses:** the Bank assigns direct and indirect costs to business areas except where there is no closely defined relationship, ie, when they are of a clearly corporate or institutional nature for the entire Group.
- **Cross-selling:** in some cases consolidation adjustments are required to eliminate duplicate accounting entries caused when earnings are booked to two or more units with the aim of encouraging cross-selling to straddle business boundaries.

### Recurrent economic profit by business area

(1<sup>st</sup> Half 2009. Million euros)

	Adjusted net attributable profit	Economic profit (EP)
Spain and Portugal	1,219	873
Wholesale Banking & Asset Management	486	293
Mexico	910	743
The United States	170	41
South America	443	299
Corporate Activities	(557)	(565)
<b>BBVA GROUP</b>	<b>2,671</b>	<b>1,684</b>

### Operating income and net attributable profit by business area

(Million euros)

	Operating income				Net attributable profit			
	1H09	Δ%	Δ% at constant exchange rate	1H08	1H09	Δ%	Δ% at constant exchange rate	1H08
Spain and Portugal	2,335	5.9	5.9	2,206	1,270	(1.7)	(1.7)	1,292
Wholesale Banking & Asset Management	758	(1.6)	(1.6)	770	539	(3.3)	(3.3)	557
Mexico	1,717	(6.4)	6.4	1,834	724	(23.7)	(13.3)	950
The United States	425	17.4	2.3	362	85	(48.1)	(54.8)	164
South America	1,132	35.2	31.1	837	463	32.1	29.0	351
Corporate Activities	(74)	(86.3)	(86.3)	(537)	(283)	38.1	38.1	(205)
<b>BBVA GROUP</b>	<b>6,293</b>	<b>15.0</b>	<b>18.0</b>	<b>5,472</b>	<b>2,799</b>	<b>(10.0)</b>	<b>(7.6)</b>	<b>3,108</b>
<b>BBVA GROUP EXCLUDING ONE-OFFS</b>	<b>6,293</b>	<b>15.0</b>	<b>18.0</b>	<b>5,472</b>	<b>2,799</b>	<b>(4.4)</b>	<b>(1.7)</b>	<b>2,928</b>

## Income statement

(Million euros)

	1H09	Δ%	1H08
<b>NET INTEREST INCOME</b>	<b>2,458</b>	<b>5.4</b>	<b>2,331</b>
Net fees and commissions	756	(8.4)	825
Net trading income	110	(19.1)	136
Other income/expenses	234	5.7	221
<b>GROSS INCOME</b>	<b>3,558</b>	<b>1.3</b>	<b>3,514</b>
Operating costs	(1,223)	(6.5)	(1,308)
Personnel expenses	(755)	(7.8)	(819)
General and administrative expenses	(415)	(3.6)	(430)
Depreciation and amortization	(53)	(9.5)	(59)
<b>OPERATING INCOME</b>	<b>2,335</b>	<b>5.9</b>	<b>2,206</b>
Impairment on financial assets (net)	(504)	43.3	(351)
Provisions (net) and other gains/losses	(22)	n.m.	9
<b>INCOME BEFORE TAX</b>	<b>1,810</b>	<b>(2.9)</b>	<b>1,863</b>
Income tax	(540)	(5.5)	(571)
<b>NET INCOME</b>	<b>1,270</b>	<b>(1.7)</b>	<b>1,292</b>
Minority interests	-	(16.2)	-
<b>NET ATTRIBUTABLE PROFIT</b>	<b>1,270</b>	<b>(1.7)</b>	<b>1,292</b>

## Balance sheet

(Million euros)

	30-06-09	Δ%	30-06-08
Cash and balances with central banks	2,280	6.2	2,146
Financial assets	10,416	(21.3)	13,241
Loans and receivables	203,790	(0.9)	205,726
• Loans and advances to customers	202,552	(0.8)	204,086
• Loans and advances to credit institutions and other	1,238	(24.5)	1,640
Inter-area positions	-	-	-
Tangible assets	1,310	(3.8)	1,362
Other assets	1,318	(24.2)	1,739
<b>TOTAL ASSETS/LIABILITIES AND EQUITY</b>	<b>219,114</b>	<b>(2.3)</b>	<b>224,214</b>
Deposits from central banks and credit institutions	962	(80.9)	5,041
Deposits from customers	96,644	1.1	95,605
Debt certificates	647	(89.4)	6,104
Subordinated liabilities	3,980	(3.1)	4,108
Inter-area positions	95,595	6.4	89,820
Financial liabilities held for trading	110	(38.6)	179
Other liabilities	14,118	(12.2)	16,072
Economic capital allocated	7,059	(3.1)	7,286

## Spain and Portugal highlights in the second quarter

- Highly recurrent and sustainable earnings, based on re-pricing and despite slowdown in lending.
- New improvements in efficiency.
- Vigorous effort to place ICO credit lines.
- Good performance by savings & current accounts.
- Increasing leadership in mutual funds.

The Spain & Portugal Area offers a distinctly different and innovative approach to banking through specialised branch networks where the customer is the prime focus of business. It handles the financial and non-financial needs of individual customers (Spanish Retail Network), including the upper-middle market segment (BBVA Patrimonios). SMEs, large companies, and public and private institutions are managed by the Corporate & Business Banking Unit (CBB). Other specialised units handle consumer finance and internet banking (the Consumer Finance Unit) and the bancassurance business (BBVA Seguros). The Group's activities in Portugal are managed by BBVA Portugal.

In the second quarter of 2009 domestic demand fell and family savings rose. This led to moderate growth in lending to households and businesses and to greater activity in fund gathering, especially in conservative and highly liquid products. The downward trend of benchmark interest rates caused customers to shun time deposits in favour of current and savings accounts, bonds and guaranteed mutual funds.

In this context the area managed to consolidate its high level of sustainability and recurrent generation of earnings

## Relevant business indicators

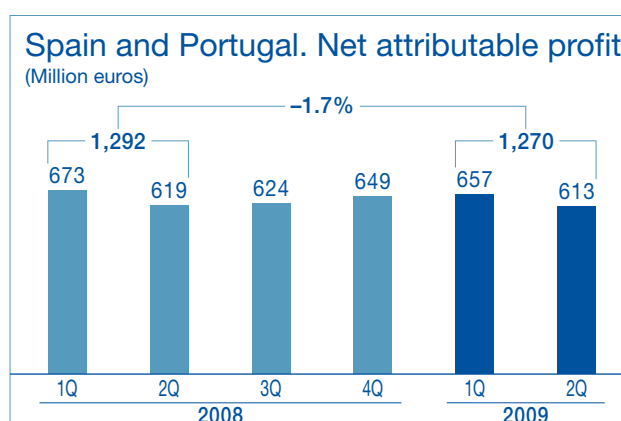
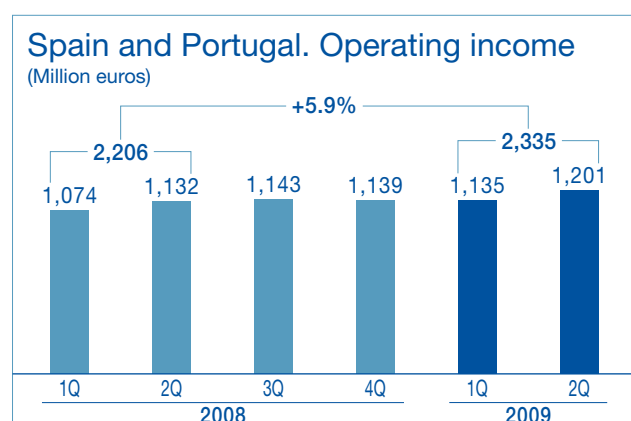
(Million euros and percentages)

	30-06-09	Δ%	30-06-08
Customer lending (gross)	206,896	(0.5)	207,867
Customer deposits <sup>(1)</sup>	97,896	(0.3)	98,228
Off-balance-sheet funds	40,985	(12.8)	47,007
• Mutual funds	31,227	(16.7)	37,485
• Pension funds	9,758	2.5	9,522
Other placements	6,272	19.8	5,237
Customer portfolios	11,721	(4.5)	12,273
ROE (%)	36.0		36.1
Efficiency ratio (%)	34.4		37.2
NPA ratio (%)	3.7		1.2
Coverage ratio (%)	55		142

(1) Including collection accounts and individual annuities.

by applying its particular **business model** and achieving further improvements in efficiency. This model is the result of a transformation plan implemented three years ago to control costs and the area's prudent risk policy. During the quarter, operating income rose 5.9% and this increase would be 7.5% if net trading income, which depends on market conditions, were excluded. Efficiency (measured by the cost/income ratio) improved to 34.4% (37.2% at the same point last year) and the non-performing asset ratio was 3.7%. Furthermore the area reaffirmed its commitment to the community by launching new products and services that improve the financial and non-financial conditions of its customers.

On 30-Jun-09 the **loan portfolio** stood at €206,896m (€207,867m a year earlier) after the area reduced its position in sectors with greater risk exposure. Nonetheless



BBVA was very active in placing the ICO credit lines and at 22-Jun-09 its market share of such placements was 12.9% (11.8% at 31-Mar-09). Lending to private individuals entailed products such as *Ven a casa 200* and *Hipoteca Solución*, whose aim is to adjust the cost of loans to customers' ability to pay. Thanks to these at 31-May-09 the area had increased its market share of such lending 30 basis points compared to a year earlier. Furthermore BBVA continues to lead the market in big operations in the public sector with a 9.4% rise in lending to this segment.

Total **customer funds** under management stand at €145,045m (€141,153 at 31-Mar-09). The proportion of liquid deposits and mutual funds increased 49 basis points to the detriment of time deposits and foreign wholesale balances. And BBVA successfully managed the change in customers' preferences during the recent sharp decline in interest rates, which caused the return on time deposits to drop significantly. The demand for liquid deposits and conservative products with greater yields increased compared to previous quarters. As a result savings and current accounts came to €41,770m and according to the latest available figures the area increased its market share 12 basis points in business with households and SMEs. In the second quarter a new savings promotion joined other campaigns that had started at the beginning of the year to encourage direct payment of salaries through a BBVA account and to promote the area's pension plans. BBVA also strengthened its leadership in mutual funds with a new increase in market share, which now stands at 20.4% based on the latest available figures. Assets under management by the area amount to €31,227m, up 0.7% compared to the previous quarter thanks to a rise in lower risk assets. During the quarter pension funds increased 2.6% to €9,758m, supported by positive management of the price effect and pension funds captured from the competition.

In the first half **net interest income** rose 5.4% year-on-year to €2,458m. The latter figure represents 2.23% of managed assets (2.09% in the first half last year) and this is evidence of the area's growing profitability. **Net fees and commissions** declined 8.4% to €756m owing to the drop in mutual funds, pension funds and other products linked to the stock market (down 36.7% year on year). Other fees and commissions on banking services (up 4.4% compared to the first half last year) and income from the insurance business (up 8.6%) helped to lift **gross income** 1.3% to €3,558m. This increase would be 2.1% if net trading income were excluded.

The growth of recurrent retail revenues, a new improvement in efficiency that cut costs 6.5% year-on-year and a rise in loan-loss provisions to €504m resulted in **net attributable profit** of €1,270m (down 1.7%) in the first half. Therefore return on equity (ROE) stands at 36.0%, which is considerably better than the banking sector average.

Lastly we must point out that despite the increase in impairment losses on financial assets associated with the current economic situation, the area's operating income is big enough to absorb 4.6 times the present level of impairment loss. Provisioning rose more slowly than non-performing assets partly because of the slowdown in lending. Consequently the **coverage ratio** was 55% at 30-Jun-09 (61% at 31-Mar-09).

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## Spanish Retail Network

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This unit services the financial and non-financial needs of households, professional practices, retailers and small businesses with products adapted to each of these **segments**. It demonstrated its commitment to families, SMEs and the self-employed by launching a new range of financial solutions that helps them implement their investment plans in the present complicated economic environment.

At 30-Jun-09 the unit's loan portfolio stood at €102,819m and customer funds came to €111,850m. Net attributable profit rose 6.5% year-on-year to €826m thanks to efforts to sustain the level of business and to cost controls.

In the **private individual segment** invoicing of new mortgage loans came to €2,992m despite the sharp contraction in the real estate market. This positive trend is the result of new products customised to suit customers' current needs. They include promotions to attract mortgages away from the competition, such as the *Ven a casa-200* campaign, which accounted for 22% of branch sales, and a new type of mortgage (*Nueva Hipoteca Blue Protegida*) that targets the young-customer segment. The **residential mortgage loan portfolio** now stands at €69,084m (up 1.4% year-on-year). Other financial solutions adapted to customers include new versions of a loan associated with salaries (*Crédito Nómina*) that carries zero interest in the first year and *Préstamo Inmediato PIDE 2009*, which brought the balance of **consumer finance** to €7,844m at 30-Jun-09.



The unit successfully managed the increase in demand for liquid types of **customer funds**, launching a new savings campaign (*Quincena del Libretón*) that entailed 191,000 promotional gifts and brought in more than €693m in new deposits. As a result the balance of savings and current accounts rose 9.4% year-on-year to €30,958m, increasing BBVA's market share in the household segment (up 43 basis points since 31-May-08 according to the latest available figures). The unit continues to market time deposits (*Depósito Fortaleza* and *los Multidepósitos BBVA*) and these produced €2,601m of sales in the second quarter. In fact, the portfolio of these products ended the quarter with a year-on-year decline of only 1.6%, despite pricing pressure by the competition. Mutual funds stand at €29,571m (€29,253m at 31-Mar-09). Assets under management in pension plans rose 2.7% quarter-on-quarter to €9,378m, following a positive campaign (€6m) to entice plans away from the competition.

**BBVA Patrimonios**, the unit that handles high-net-worth individuals in Spain, increased its customer base 7.4% and the assets under its management come to €10,193m (€10,514m a year earlier).

The unit continued work on a plan to capture new customers (*Plan Proa*) that started in the previous quarter. Marketing activity during the quarter included an agreement with the Spanish airline pilots union (SEPLA) under which the more than 4,600 members will enjoy the benefits of private banking.

In the personal banking segment the unit gathered €85m in an annuity campaign (*Rentas Aseguradas*). In exchange for an initial deposit, customers receive a monthly amount for the rest of their lives with a guaranteed return.

The **Insurance** unit carried out a series of actions to increase customer loyalty. They included lower-cost products that help customers maintain a given level of protection. It also introduced a special telephone platform that complements the guidance customers receive through the branches and provides them with the most adequate solutions for their needs. In addition, the unit reshaped the range of risk products that are not linked to finance operations thus responding to the requirements of a society that is constantly changing. The volume of premiums issued on individual risk policies (life and non-life) came to €302m in the year to June. BBVA Seguros continues to lead in individual life insurance (risk) policies in Spain with a 12.0% market share at March 2009 (latest available

figure). Savings policies in the first half included €165m of premiums related to annuities.

The **small business segment** covers professional practices, the self-employed, retailers, the farming community and small companies. BBVA is the leader in this segment and the corresponding loan portfolio stands at €14,826m. The unit continued a campaign to support small companies, retailers and the self-employed, which it launched in the first quarter. It completed nearly 14,000 ICO operations worth €352m, more than double the volume in the first quarter. Moreover the point-of-sale terminal (*Bono TPV*) for retail payments via credit cards helped BBVA to recover its position as top retail provider.

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## Corporate & Business Banking

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The Corporate & Business Banking Unit (CBB) deals with SMEs, large companies, institutions and real estate developer **segments**.

The CBB **management model** seeks to capitalise on growth potential and for this purpose it has developed a series of specific tools. *Plan Anticipa2* uses customer insight and works in advance to determine the risk associated with growth opportunities. *Planes Potenciales* and *Vuelta a Casa* help to increase cross-marketing, boosting the volume of business and the number of products a customer acquires. And the aim of *Plan Fortaleza* is to increase the customer base, leveraging the BBVA image and its competitive product range.

In the present complex conditions the **loan portfolio** grew 0.4% quarter-on-quarter to €91,454m and customer funds on the balance sheet rose 9.4% to €27,322m. Total customer funds under management improved their performance in the second quarter, rising 8.4% to €28,795m.

The improvement in business volume, the unit's work in anticipating and differentiating and its cost control policies, resulted in **operating income** of €847m (up 12.0% year-on-year). **Net attributable profit** fell 5.0% to €464m after provisions of €191m.

In the second quarter the unit signed a new ICO agreement (*ICO-Anticipo Empresas y Autónomos*) to facilitate payment of invoices for construction work and services provided to local governments. BBVA once again led in the placement of ICO credit lines (as it has in recent years). In

the first half it concluded €1,231m of which more than 70% was handled by CBB. Of the total amount *ICO-Liquidez* accounted for €711m and *ICO-Pyme* €310m.

In the **SME** segment the loan portfolio stands at €31,773m and customer funds are €7,991m. In the first half, net interest income rose 1.9% year-on-year to €407m. Other revenue lines fell more than the improvement in costs therefore after an increase in provisions, net attributable profit came to €270m (€280m in the first half last year).

Lending to **large companies** stands at €17,171m and customer funds are €4,489m. Operating income rose 23.0% year-on-year to €145m and net attributable profit increased 1.9% to €70m.

Lending to public and private **institutions** has grown 6.2% since 31-Mar-09 to €24,286m and customer funds stand at €16,285m (up 22.0%). Operating income is €173m (up 38.2%) and net attributable profit is €115m (up 8.8%). Among its operations in the second quarter the unit participated in various syndicated loans. They were *Agencia Catalana de L'Aigua* (€25m), *Canal de Isabel II* (€12.5m) and a syndicated loan to *Logroño Integración del Ferrocarril 2002* (€35m). In addition, BBVA won management of Ministry of Defence funds with substantial business potential based on its 170,000 employees.

The steep fall in the real estate market led to a contraction in lending to the **developer** segment, which declined 1.9% compared to the first quarter. Government-regulated housing (VPO) is gaining ground at the expense of other types. By number of units, VPO now accounts for nearly 50% of new operations, compared to 20% only a year earlier.

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## Other units

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The **Consumer Finance** unit manages consumer finance and on-line banking via *Uno-e*, *Finanzia* and other companies in Spain, Portugal and Italy. In the first half of 2009 it obtained operating income of €68m (up 11.2% year-on-year) thanks to an increase in spreads and a decline of 10.8% in costs. The net attributable loss of €65m was due to an increase in loan-loss provisions following a rise in non-performing assets, especially those linked to consumer finance.

In **Spain**, although the outlook is bleak and family spending is down, the unit lifted its loan portfolio 4.2% year-on-year to €6,373m. The vehicle prescription business, where vehicle registrations plummeted 38.3%, invoiced €462m (€757m at 30-Jun-08). Equipment finance and equipment leasing, affected by lower corporate lending, invoiced €124m and €157m, respectively. The fleet of cars in leasing plans with maintenance (*renting*) stands at 35,535 units. Lastly, *Uno-e's* loan portfolio stands at €1,107m with invoicing of €852m (€1,004m at 30-Jun-08). Customer funds managed or brokered by the unit came to €1,387m (€1,412m at 30-Jun-08). In particular, time deposits rose 7.1%.

In **Portugal**, BBVA *Finanziamento* invoiced €123m in the first half and lending rose 13.8% year-on-year to €477m. And at 30-Jun-09 the leasing plan companies in **Italy** had a fleet of 13,249 vehicles.

Despite the slowdown in business, **BBVA Portugal** continued to demonstrate its considerable ability to innovate with new retail proposals entailing loans and deposits. They included campaigns to finance home buyers and to promote consumer finance. The corporate segment launched a campaign to promote products such as accounts payable financing, which increased invoicing 16.5%. The demand for customer funds with a conservative risk profile was satisfied by a new product (*Depósito nos Adaptamos BBVA*). And those with a greater risk appetite have *Depósito Acciones Europa BBVA*. Furthermore the range of mutual funds was extended by the launch of a bond fund (*BBVA Obligaciones Gobiernos*), which invests in public sector debt. Lastly, project finance included two syndicated loans for *GALP* and the *Jerónimo Martins Group* (€65m and €35m, respectively).

The loan portfolio grew 3.9% year-on-year (mortgages were up 4.1%) to €6,161m. Deposits came to €2,013m (€2,107m a year earlier). The higher level of business and careful management of prices helped to boost net interest income 17.2%. which together with a new improvement in efficiency (47.4%), produced a 45.7% rise in operating income and a 217.2% jump in net attributable profit.

In the first half the **insurance unit** contributed revenues to the Group of €274m from its own policies and €14m in brokerage on the policies of other companies. Net attributable profit came to €144m (up 9.9% year-on-year).

# Wholesale Banking & Asset Management

## Income statement

(Million euros)

	Wholesale Banking & Asset Management			Units:					
				Corporate and Investment Banking			Global Markets		
	1H09	Δ%	1H08	1H09	Δ%	1H08	1H09	Δ%	1H08
<b>NET INTEREST INCOME</b>	<b>573</b>	<b>120.8</b>	<b>259</b>	<b>269</b>	<b>12.8</b>	<b>239</b>	<b>340</b>	<b>n.m.</b>	<b>64</b>
Net fees and commissions	262	24.4	210	169	48.0	114	30	70.8	18
Net trading income	49	(83.5)	294	28	73.3	16	23	(90.0)	232
Other income/expenses	139	(45.9)	256	-	(0.2)	-	62	(6.9)	66
<b>GROSS INCOME</b>	<b>1,022</b>	<b>0.2</b>	<b>1,020</b>	<b>466</b>	<b>26.4</b>	<b>369</b>	<b>455</b>	<b>19.6</b>	<b>381</b>
Operating costs	(264)	5.7	(250)	(84)	9.7	(76)	(118)	(1.7)	(120)
Personnel expenses	(172)	11.7	(153)	(51)	8.0	(47)	(68)	(1.1)	(68)
General and administrative expenses	(87)	(5.9)	(93)	(32)	11.9	(29)	(50)	(3.0)	(51)
Depreciation and amortization	(5)	46.3	(4)	(1)	33.3	(1)	(1)	38.7	(1)
<b>OPERATING INCOME</b>	<b>758</b>	<b>(1.6)</b>	<b>770</b>	<b>382</b>	<b>30.7</b>	<b>292</b>	<b>337</b>	<b>29.4</b>	<b>261</b>
Impairment on financial assets (net)	(14)	(82.8)	(79)	(7)	(90.8)	(80)	(4)	n.m.	1
Provisions (net) and other gains/losses	-	(98.3)	6	-	(71.9)	-	-	n.m.	-
<b>INCOME BEFORE TAX</b>	<b>744</b>	<b>6.7</b>	<b>697</b>	<b>375</b>	<b>76.6</b>	<b>212</b>	<b>334</b>	<b>27.8</b>	<b>261</b>
Income tax	(203)	47.7	(138)	(110)	74.9	(63)	(91)	24.7	(73)
<b>NET INCOME</b>	<b>541</b>	<b>(3.3)</b>	<b>560</b>	<b>265</b>	<b>77.4</b>	<b>149</b>	<b>243</b>	<b>28.9</b>	<b>188</b>
Minority interests	(2)	(2.5)	(2)	-	-	-	(2)	(17.2)	(3)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>539</b>	<b>(3.3)</b>	<b>557</b>	<b>265</b>	<b>77.4</b>	<b>149</b>	<b>240</b>	<b>29.6</b>	<b>186</b>

## Balance sheet

(Million euros)

	Wholesale Banking & Asset Management			Units:					
				Corporate and Investment Banking			Global Markets		
	30-06-09	Δ%	30-06-08	30-06-09	Δ%	30-06-08	30-06-09	Δ%	30-06-08
Cash and balances with central banks	2,507	135.5	1,064	60	30.1	46	2,438	140.4	1,014
Financial assets	61,543	28.1	48,057	420	3.4	406	57,927	29.6	44,713
Loans and receivables	57,133	(2.4)	58,528	44,606	(2.7)	45,835	10,767	(1.2)	10,894
• Loans and advances to customers	44,216	3.0	42,934	42,244	0.6	42,004	1,924	115.2	894
• Loans and advances to credit institutions and other	12,917	(17.2)	15,594	2,361	(38.3)	3,830	8,843	(11.6)	10,000
Inter-area positions	19,275	247.4	5,549	3,844	n.m.	-	18,339	(52.5)	38,610
Tangible assets	40	(0.7)	40	1	37.3	1	5	60.0	3
Other assets	2,039	33.7	1,525	35	(48.4)	68	1,536	21.2	1,268
<b>TOTAL ASSETS/LIABILITIES AND EQUITY</b>	<b>142,536</b>	<b>24.2</b>	<b>114,763</b>	<b>48,966</b>	<b>5.6</b>	<b>46,356</b>	<b>91,012</b>	<b>(5.7)</b>	<b>96,503</b>
Deposits from central banks and credit institutions	35,796	11.2	32,199	1,166	74.6	667	34,571	9.8	31,476
Deposits from customers	60,225	11.3	54,114	43,290	262.1	11,955	16,851	(60.0)	42,085
Debt certificates	(151)	0.8	(149)	-	n.m.	3	(151)	(1.1)	(152)
Subordinated liabilities	2,163	22.8	1,761	1,128	6.2	1,062	357	18.9	301
Inter-area positions	-	-	-	-	n.m.	29,995	-	-	-
Financial liabilities held for trading	35,484	76.3	20,126	-	(95.3)	3	35,483	76.3	20,123
Other liabilities	5,186	44.2	3,596	1,380	76.2	783	3,276	52.6	2,147
Economic capital allocated	3,832	22.9	3,117	2,003	6.2	1,886	624	19.2	523

## WB&AM highlights in the second quarter

- Strong and recurrent revenues.
- Lower risk profile with focus on customers with higher credit quality and bigger business potential.
- BBVA voted best trade finance bank in Latin America by *Trade Finance Magazine*
- Strengthening its leadership in:
  - Asset management and equities brokerage in Spain.
  - Syndicated loans in Latin America.

The Wholesale Banking & Asset Management (WB&AM) Area handles the Group's wholesale businesses and asset management. It is organised around three major units: Corporate & Investment Banking, Global Markets and Asset Management. Furthermore it includes the Industrial and Real Estate Holdings Unit, which contributes to its diversification, and the Group's holdings in the CITIC financial group, associated with the expansion in Asia.

In the first half of 2009 the area confirmed the strength and recurrency of its revenues, which are practically the same as the first half last year. Corporate and Investment Banking reported a notable increase in net interest income and in net fees & commissions, and the Global Markets' franchise earnings and trading also did well. These improvements offset the drop in sales from the portfolio of industrial holdings. All this was compatible with a lower risk profile thanks to the moderate growth of lending, which focused on customers of higher quality, and on fund gathering that improved the area's liquidity. For the third quarter running, Asset Management strengthened its lead in assets under management in the Spanish market.

In the first half of 2009, WB&AM (considering only its units in Europe, New York and Asia) contributed **net attributable**

## Relevant business indicators

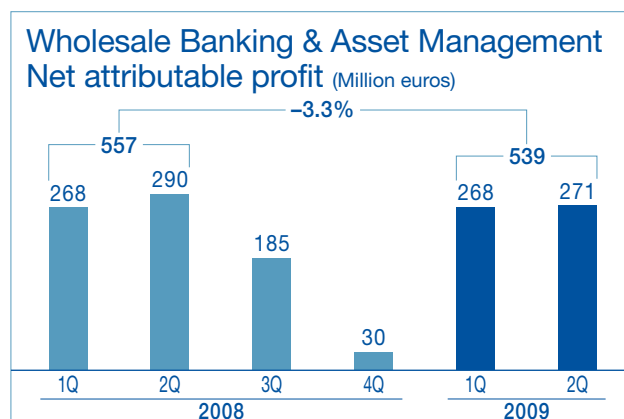
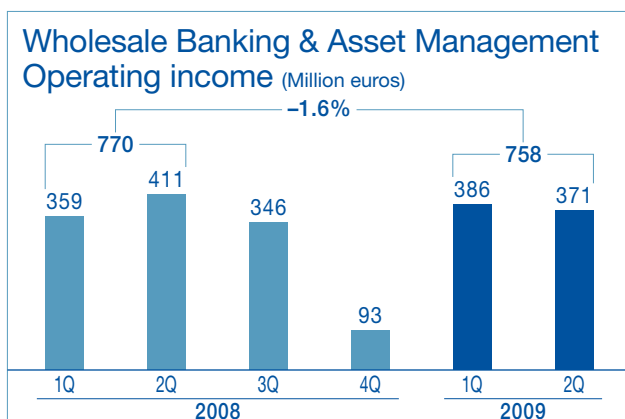
(Million euros and percentages)

	Wholesale Banking & Asset Management		
	30-06-09	Δ%	30-06-08
Customer lending (gross)	44,814	2.0	43,951
Customer deposits <sup>(1)</sup>	60,852	11.7	54,494
• Deposits	53,193	21.5	43,765
• Assets sold under repurchase agreement	7,660	(28.6)	10,729
Off-balance-sheet funds	10,461	6.8	9,799
• Mutual funds	3,548	24.2	2,856
• Pension funds	6,913	(0.4)	6,943
ROE (%)	26.5		36.6
Efficiency ratio (%)	25.8		24.5
NPA ratio (%)	0.7		0.0
Coverage ratio (%)	133		n.m.

(1) Including collection accounts.

**profit** of €539m to the Group's consolidated figures. This was 3.3% less than the same period last year due mainly to lower sales from the industrial holdings portfolio so far this year and because the capital gains recognised in 2008 were associated with a lower tax rate. The latter is reflected in income before tax for the first half of 2009, which rose 6.7% year-on-year to €744m.

At the end of the first half of 2009, the area recorded a small increase in **lending to customers** (up 2.0%), bringing the loan portfolio to €44,814m (mainly in Corporate and Investment Banking). In the second quarter the area concentrated on customers with high credit quality with whom it is building business relationships. **Customer funds** (deposits, mutual funds and pension funds) performed well, rising 18.8% to €63,654m. This positive development is still associated with the sharp rise in customer deposits (up 21.5%).



The higher level of business and the earnings of the Markets Unit helped the area's **gross income** (€1,022m) to regain the same level as a year earlier (€1,020m). This achievement was supported by the excellent performance of income in Corporate and Investment Banking and in Global Markets, which rose 26.4% and 19.6%, respectively, year on year. These positive developments offset lower sales from the industrial holdings portfolio and the decline in net fees & commissions in Asset Management.

Moreover the increase in **operating costs** in the first half was 5.7% and this helped to hold the **cost/income** ratio at practically the same level as the first quarter: 25.8% compared to 25.4% in the first quarter. As a result the area's **operating income** fell 1.6% year-on-year to €758m.

WB&AM continues to outperform in terms of **asset quality**. The non-performing asset ratio, 0.7%, is low and the coverage ratio is 133%. In the first half, loan-loss provisions dropped 82.8% year-on-year to €14m.

As usual the business and earnings of WB&AM units in **Latin America** are recorded under the Mexico and South America areas. After incorporating these contributions (except Asset Management in South America), the combined WB&AM area contributed the amounts shown in the attached table:

Wholesale Banking & Asset Management including the Americas (Million euros)			
	30-06-09	Δ%	30-06-08
Gross income	1,682	20.0	1,402
Operating income	1,324	25.4	1,056
Income before tax	1,283	29.0	994
Net attributable profit	844	17.3	719
Customer lending (gross)	55,545	0.5	55,286
Deposits	64,557	20.0	53,797

## Corporate and Investment Banking

This unit co-ordinates origination, distribution and management of a complete catalogue of corporate & investment banking products (corporate finance, structured finance, equity and debt capital markets), global trade finance and global transaction services. Coverage of large corporate customers is specialised by sector (industry bankers).

In the first half of 2009 the unit's activity was characterised by a focus on customers with a high business potential, which has a positive effect on fee income. The loan portfolio stands at €42,768m, which is similar to a year earlier but 6.9% lower than the previous quarter and 8.8% lower than the end of 2008. However, the unit increased net interest income thanks to excellent price management and to the increase in transactional business with customers.

Once again recurrent income (net interest income and net fees & commissions) supported the excellent performance of **gross income**, which rose 26.4% year-on-year to €466m. Furthermore **operating income** for the first half increased 30.7% to €382m. After impairment on financial assets and provisions (practically zero in the figures for the first half) and income tax, **net attributable profit** came to €265m, compared to €149m a year earlier.

The **Debt Capital Markets** unit consists of the syndicated loans and fixed income origination units. Debt Capital Markets climbed from fifth position in Spain in 2008 to the first, according to the most recent information published by Dealogic. The **syndicated loan** unit participated in important operations in the European market: Nokia (€1,500m) and Edison (€600m). In the Spanish market the unit handled an important operation for Ferrovial (€3,300m) in which BBVA acted as co-ordinator and as the documentation and payment agent. Other operations included the Roca Group (€480m) and FCC (€400m). In the second quarter **Fixed Income Origination**, which is very active, handled more than 40 operations. They included the ICO issue (€2,000m), Volkswagen (two tranches of €1,750m and €1,250m) and Imperial Tobacco (€1,250m).

**Structured finance** continued to be buoyant in Europe. In London the unit signed a finance operation for the Greater Manchester Waste Project (580 million British pounds). BBVA also participated in the A2 project in Poland with a volume of €1,600m.

In **Equity Capital Markets**, BBVA participated in various capital increases that were well subscribed. They included ENEL (€8,000m) and Rio Tinto (7,300 million British pounds).

Lastly, BBVA played a particularly active role in **Corporate Finance** during the quarter, closing appointments as advisor to Cintra (a €451m operation subject to approval by the EU competition authority), El Arbol Group and the Alfonso Gallardo Group. According to the ranking prepared by Thomson Reuters, BBVA has reached the third position by number of operations in this segment of business, a notable improvement over a year ago.

For the fifth year running the **Global Trade Finance** unit won the *Trade Finance Magazine* prize for best trade finance bank in Latin America. The unit signed a buyer's credit with the Hyundai Group, worth 3 billion yen, underwritten by KEXIM (the Korean export credit agency). It also did \$1,100m of business with oil companies.

In the **Global Transactional Services** unit, the International Financial Institutions unit has developed a product for European correspondent banks that are not members of the EBA-STEP2 interbank clearing house. This will allow them to channel all their EU and European Economic Area payments.

In **Mexico** the unit carried out operations aimed at supporting the growth of the Group's customers in The Americas. It granted a \$2,300 million loan for the Bimbo Group to purchase its US subsidiary and it participated in a syndicated credit for Conmex (OHL Group) worth 12,500 million pesos. In Mexico the Debt Capital Markets unit tops the ranking in the local debt market.

In **South America** the area implemented a master plan in Peru and Colombia to concentrate BBVA's commercial management on three aspects: customer focus, specialisation and global reach. BBVA is also consolidating its position as the leading bank in Latin America in the syndicated loan market.

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## Global Markets

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This unit handles the origination, structuring, distribution and risk management of market products, which are placed through the trading rooms in Europe, Asia and the Americas.

In the first half of 2009 the unit's revenues from customers and its proprietary trading performed well. The unit took advantage of special market conditions to continue strengthening its business model around five basic principles. These are customer franchise, proprietary products, integration of teams in the value chain, the operational platform and the risk management model.

The trend towards greater diversification and internationalisation of business continues, producing excellent results in business with European customers (Spain is not included). This business grew 88% year-on-year. Fixed income sales performed well, supported by interest-rate hedging activities, and the Group consolidated its leadership as top broker in the Spanish market with an 11.7% market share at the end of June thanks to business with big institutional investors.

In the first half **results** of 2009, the Global Markets unit generated gross income of €455m in Europe and New York

(up 19.6% year-on-year), operating income of €337m (up 29.4%) and net attributable profit of €240m (up 29.6%).

The unit continue to strengthen cross-border business between the different regions where BBVA operates and cross-marketing with other BBVA business areas, capitalising on existing synergies and offering increasingly global services and products.

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## Asset Management and other business

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**Asset Management** is BBVA's provider of asset management solutions. It designs and manages mutual funds, pension funds and a third-party fund platform.

At the end of June total assets under management in Spain stood at €50,502m, an increase of 0.6% compared to a year earlier. The factors behind this increase include the recovery in capital markets in the second quarter.

Of the above amount, mutual funds account for €34,179m (of which non-real estate funds are €32,556m). The total figure is down 13.4% but this decline is less than the overall system, which fell 19.9%. And it helped the unit to gain 0.16 percentage points of market share in the second quarter, bringing the total to 20.4% and thus reinforcing the Group's leadership in the Spanish market. In the year so far the average return on the unit's funds is the highest among the seven top managers, who together account for 64% of total volume.

The assets under management in pensions funds in Spain stand at €16,323m, with a year-on-year rise of 1.2%. Of this amount, individual plans account for €9,482m and employee and associate schemes €6,841m.

In the second quarter the area launched a new third-party fund platform. The new unit will be in charge of complementing in-house products with a selection of third-party funds for traditional and alternative investments.

At the end of June the **portfolio of industrial holdings** of the **Industrial and Real Estate Holdings** unit contained latent capital gains of €245m. The unit's net attributable profit came to €52m. This was 73.3% lower than the amount obtained in the first half last year which saw the sale of the Group's holdings in Gamesa and Hispasat.

Lastly, a €35m dividend from **CITIC** was booked in the second quarter. Apart from the agreements already signed to finance car purchases and to develop private banking, the unit held its first seminar with 50 executives from the Chinese bank (CNBC) and managers from BBVA's Global Markets. Working groups were set up to promote common business lines.

## Mexico

## Income statement

(Million euros)

	Units:											
	Mexico				Banking business				Pensions and Insurance			
	1H09	Δ%	Δ% <sup>(1)</sup>	1H08	1H09	Δ%	Δ% <sup>(1)</sup>	1H08	1H09	Δ%	Δ% <sup>(1)</sup>	1H08
<b>NET INTEREST INCOME</b>	<b>1,683</b>	<b>(7.4)</b>	<b>5.2</b>	<b>1,816</b>	<b>1,663</b>	<b>(7.9)</b>	<b>4.6</b>	<b>1,806</b>	<b>21</b>	<b>100.2</b>	<b>127.5</b>	<b>11</b>
Net fees and commissions	535	(13.4)	(1.7)	618	508	(12.0)	0.0	577	26	(9.5)	2.8	29
Net trading income	221	(10.2)	2.0	247	167	(16.6)	(5.3)	201	54	17.3	33.2	46
Other income/expenses	64	58.8	80.5	40	(68)	46.2	66.1	(47)	138	15.0	30.7	120
<b>GROSS INCOME</b>	<b>2,503</b>	<b>(8.0)</b>	<b>4.5</b>	<b>2,721</b>	<b>2,271</b>	<b>(10.5)</b>	<b>1.6</b>	<b>2,538</b>	<b>239</b>	<b>16.4</b>	<b>32.3</b>	<b>206</b>
Operating costs	(786)	(11.4)	0.6	(887)	(718)	(12.1)	(0.2)	(817)	(66)	(26.0)	(15.9)	(89)
Personnel expenses	(374)	(12.5)	(0.6)	(427)	(341)	(15.1)	(3.6)	(402)	(32)	23.1	39.8	(26)
General and administrative expenses	(379)	(9.5)	2.8	(420)	(346)	(8.1)	4.4	(376)	(32)	(47.5)	(40.4)	(61)
Depreciation and amortization	(33)	(19.6)	(8.6)	(40)	(31)	(20.3)	(9.4)	(39)	(1)	3.0	17.0	(1)
<b>OPERATING INCOME</b>	<b>1,717</b>	<b>(6.4)</b>	<b>6.4</b>	<b>1,834</b>	<b>1,552</b>	<b>(9.8)</b>	<b>2.5</b>	<b>1,720</b>	<b>174</b>	<b>48.7</b>	<b>69.0</b>	<b>117</b>
Impairment on financial assets (net)	(740)	65.3	87.7	(448)	(740)	65.3	87.7	(448)	-	-	-	-
Provisions (net) and other gains/losses	(15)	(76.4)	(73.2)	(64)	(15)	(77.0)	(73.9)	(64)	-	n.m.	n.m.	-
<b>INCOME BEFORE TAX</b>	<b>962</b>	<b>(27.3)</b>	<b>(17.4)</b>	<b>1,322</b>	<b>797</b>	<b>(34.0)</b>	<b>(25.1)</b>	<b>1,208</b>	<b>173</b>	<b>48.4</b>	<b>68.6</b>	<b>117</b>
Income tax	(236)	(36.5)	(27.9)	(372)	(191)	(43.9)	(36.3)	(340)	(48)	45.3	65.1	(33)
<b>NET INCOME</b>	<b>725</b>	<b>(23.6)</b>	<b>(13.3)</b>	<b>950</b>	<b>606</b>	<b>(30.2)</b>	<b>(20.7)</b>	<b>868</b>	<b>125</b>	<b>49.6</b>	<b>70.0</b>	<b>84</b>
Minority interests	(1)	104.3	132.0	-	-	(32.1)	(22.8)	-	(1)	n.m.	n.m.	-
<b>NET ATTRIBUTABLE PROFIT</b>	<b>724</b>	<b>(23.7)</b>	<b>(13.3)</b>	<b>950</b>	<b>606</b>	<b>(30.2)</b>	<b>(20.7)</b>	<b>868</b>	<b>125</b>	<b>49.0</b>	<b>69.3</b>	<b>84</b>

(1) At constant exchange rate.

## Balance sheet

(Million euros)

	Units:											
	Mexico				Banking business				Pensions and Insurance			
	30-06-09	Δ%	Δ% <sup>(1)</sup>	30-06-08	30-06-09	Δ%	Δ% <sup>(1)</sup>	30-06-08	30-06-09	Δ%	Δ% <sup>(1)</sup>	30-06-08
Cash and balances with central banks	7,780	48.9	70.2	5,226	7,780	48.9	70.2	5,225	-	(13.0)	(0.6)	-
Financial assets	21,650	(1.0)	13.1	21,878	18,400	(3.8)	10.0	19,122	3,470	11.8	27.8	3,104
Loans and receivables	31,232	(3.4)	10.4	32,327	31,125	(3.4)	10.5	32,213	208	18.0	34.9	177
• Loans and advances to customers	27,146	(8.5)	4.6	29,654	27,050	(8.5)	4.6	29,550	109	4.8	19.8	104
• Loans and advances to credit institutions and other	4,086	52.9	74.7	2,673	4,075	53.0	74.9	2,663	99	37.2	56.8	72
Tangible assets	777	(1.6)	12.5	789	771	(1.7)	12.3	784	6	21.2	38.6	5
Other assets	1,889	(0.8)	13.4	1,904	2,000	32.1	51.0	1,514	101	(6.3)	7.2	108
<b>TOTAL ASSETS/LIABILITIES AND EQUITY</b>	<b>63,327</b>	<b>1.9</b>	<b>16.5</b>	<b>62,124</b>	<b>60,076</b>	<b>2.1</b>	<b>16.7</b>	<b>58,859</b>	<b>3,785</b>	<b>11.6</b>	<b>27.5</b>	<b>3,393</b>
Deposits from central banks and credit institutions	12,333	8.6	24.2	11,355	12,333	8.6	24.2	11,355	-	-	-	-
Deposits from customers	31,456	(7.6)	5.6	34,051	31,545	(7.5)	5.7	34,113	-	-	-	-
Debt certificates	3,149	4.2	19.2	3,020	3,149	4.2	19.2	3,020	-	-	-	-
Subordinated liabilities	1,956	15.3	31.8	1,696	1,935	38.9	58.8	1,393	-	-	-	-
Financial liabilities held for trading	2,884	n.m.	n.m.	660	2,884	n.m.	n.m.	660	-	-	-	-
Other liabilities	8,829	6.0	21.2	8,326	5,800	5.6	20.7	5,494	3,532	10.4	26.3	3,198
Economic capital allocated	2,721	(9.8)	3.2	3,015	2,431	(13.9)	(1.6)	2,823	253	29.9	48.5	195

(1) At constant exchange rate.

## Mexico highlights in the second quarter

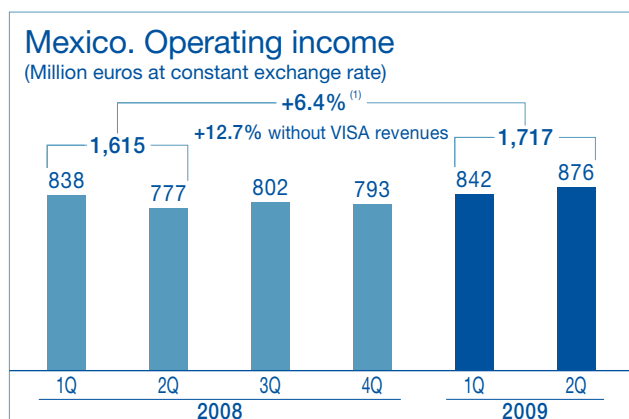
- Increased revenues despite country's difficult economic situation.
- Advantage over peers increased both in lending and customer funds.
- A more conservative approach and the anticipation in provisioning result into a lower cost of risk than its competitors.
- Moody's and Fitch ratified Bancomer's credit rating.

This area comprises the banking, pension and insurance businesses that the BBVA Bancomer Financial Group operates in Mexico.

The second quarter of 2009 came up against a particularly adverse set of circumstances: a complicated macroeconomic situation, a drop in interest rates and the one-off negative impact of the influenza A (H1N1) virus on domestic demand.

The Mexican **economy** is undergoing the fastest, most intense adjustment of the last fifteen years. The fall in business activity during the first half is only comparable to those recorded in 1995. However, unlike earlier downturns, this one has not been triggered by domestic factors. On the contrary, some of the strengths built up over the last few years are helping to mitigate the impact of the crisis. Among these strengths are the prudent management of public finances, the strength of the banking sector, the control of inflation, the increasing reputation of the Central Bank and consequently the moderate adjustment in the purchase power of households, in contrast to previous downturns.

Annual **inflation** continued to drop, reaching 5.74% in June, as compared with the 6.53% figure at year-end 2008.



(1) At current exchange rate: -6.4%.

## Relevant business indicators

(Million euros and percentages)

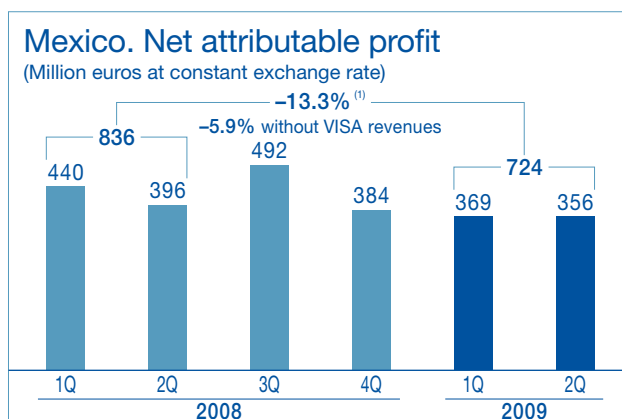
	Mexico			
	30-06-09	Δ%	Δ% <sup>(1)</sup>	30-06-08
Customer lending (gross)	28,692	(8.5)	4.6	31,358
Customer deposits <sup>(2)</sup>	30,372	(4.0)	9.8	31,623
Off-balance-sheet funds	19,183	(6.7)	6.6	20,564
• Mutual funds	10,524	(12.8)	(0.3)	12,064
• Pension funds	8,659	1.9	16.5	8,500
Other placements	2,979	(5.4)	8.1	3,149
Customer portfolios	-	-	-	-
Efficiency ratio (%)	31.39			32.59
NPA ratio (%)	3.9			2.3
Coverage ratio (%)	137			227

(1) At constant exchange rate.

(2) Excluding deposits and Bancomer's Market unit repos.

Mexico's Central Bank (Banxico) has brought down the official **interest rate** to 4.50% from 8.25% at the end of 2008. Banxico explained that the recent slowdown in the rate at which economic activity has been contracting, may point to better performance for the second half of the year. This could augur the beginning of the end in the downward slide for reference rates.

The average **exchange rate** during the second quarter of 2009 was 13.35 pesos per dollar. This reflects a year-on-year depreciation of 27.9%. Over the last twelve months, the Mexican peso weakened 12.0% against the euro in average exchange rates and 12.5% in end of the period rates. This has a negative impact on the financial statements for the area. The attached tables show year-on-year change at current and at constant rates. The



(1) At current exchange rate: -23.7%.



following comments refer to the constant rates, unless otherwise mentioned.

In the first six months of 2009, during which the macroeconomic environment has been much less favourable than in previous years, Mexico continued to increase its most recurrent revenues, ie, its **net interest income**, which rose 5.2% year on year, to reach €1,683m. The main driving factors were good sales activity and active price management. Sales activity is reflected in the growth in current-account balances, which rose 12.5% year on year, and gross lending to customers, which was up 4.6% against the previous year. Positive price management has offset the current product-portfolio's lower contribution to net interest income. The percentage of higher-spread products within the offering has gone down (namely, consumer credit and cards), as the share of products with a lower spread has risen (lending to SMEs, corporations and mortgages).

Other revenues have also performed well. Fee income stood at €535m, with a slight 1.7% dip from the January-June figure for 2008. This was due to lower business volumes, above all in credit cards. Net trading income rose 2.0% during the same period, reaching €221m. This is an excellent figure, as revenues from the first half of 2008 included income from the VISA IPO. Finally, revenues from the insurance and pension businesses went up 32.3% year on year. All this fed into a **gross income** figure of €2,503m. This was up 4.5% against the same period of 2008.

Operating costs stood at €786m in the first half of 2009, practically flat (up 0.6%) year on year and significantly below the last twelve months' inflation. **Operating income** thus rose to €1,717m, up 6.4% year on year (up 12.7% excluding revenues from VISA IPO) and significantly higher than gross income. The increase in revenues and the almost flat expenses enabled the **cost-income ratio** to hit a new record of 31.4%. This is an improvement of 94 points against the figure from the first quarter of 2009 and consolidates Bancomer's position as the most efficient bank in the country.

**Impairment losses on financial assets** were €740m at the end of June. This 87.7% increase, year on year, was mainly due to the inflows from consumer and cards, reflecting the current circumstances. Nonetheless:

- The shift in the mix towards lower-risk products (lending to SMEs, corporations and mortgage loans) will dampen further growth in impairment losses.

- The most recurrent revenues (net interest income and fee income) are still three times the impairment losses on financial assets.
- Bancomer's cost of risk is lower than that of its main competitors, due to its better, more prudent risk management.

All the above gave the Group an **attributable profit** of €724m to the end of June 2009. Bancomer's ROE in March stood at 22.6% which compares very favourably with the average of the system (14.9%).

Finally, the *Euromoney* magazine awarded the BBVA the title of Best Financial Group in Mexico for 2009.

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## Banking business

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Despite the difficult international and domestic economic environment and the situation facing most large financial groups world-wide, Bancomer has maintained its **soundness, strength and leadership** on the Mexican market. The international agencies, Moody's and Fitch, both ratified this in May, when they confirmed its global and local rating. They recognised Bancomer's optimal management of its balance sheet, its sound performance and its asset quality and capital adequacy as outstripping those of its peers. This has enabled the bank to keep its access to credit open and thus comply with its commitments to support growth amongst households and the country's productive economy. Bancomer was also the only bank in the top ten of the 500 biggest companies in Mexico, according to the ranking of the local magazine, *Expansion*, in coordination with the CNN. As the eighth biggest, it moved up three notches on the ranking from last year.

In June 2009, Bancomer's **gross customer lending** showed a balance of €28,597m. This was up 4.6% on the same date of the previous year. Bancomer thus continued to outperform the rest of the market, increasing its share by 97 basis points against June 2008, up to 30.8% (latest available data). Mortgage lending was the fastest growing item, rising 13.7% year on year (excluding the old mortgage portfolio) to €8,950m. Bancomer's share of the mortgage market at the end of May was 34.5%. This rose 300 basis points, reinforcing its leadership in mortgage origination. During the first half of 2009, it placed 18,280 mortgage loans with home buyers and financed 41,938 homes through secured loans to developers.

The commercial portfolio (loans to corporations, SMEs, small businesses, the government and other banking institutions) showed a year-on-year increase of 12.9%. Lending to SMEs performed especially well, rising 17.9% against June 2008. Through its Corporate & Investment Banking unit, Bancomer was involved in 11 debt issues and 3 syndicated-loan issues, with placement values accounting for 22.7% of the total amount issued in the half year (*Bloomberg*) and 21.2% of the local market for syndicated loans (*Thompson Financial*). This is the third quarter running that it has arranged the largest volume of such issues.

The consumer and credit-card loan book has shrunk 10.7% against the previous year, reaching €6,443m. This stems from the current economic circumstances and the stricter policy for approving loans and selecting customers. This is why its share of total lending went down from 29% in June 2008 to 25% at the end of the second quarter 2009. The **NPA ratio** stood at 3.9%, 35 basis points more than on 31-Mar-09. Its rise was largely related to the consumer and cards loan-book. Finally, the coverage ratio was 137%, as compared with 150% on 31-Mar-09.

**Customer funds** (bank deposits, mutual funds, investment companies and miscellaneous customer products) stood at €43,875m. This 7.1% increase was driven by customer deposits (current, savings and foreign-currency accounts) which rose to €26,138m, growing 15.4% from June 2008 to June 2009. Time deposits performed especially well, growing 11.5% in the same period. Funds gathered in current accounts amounted to €14,417m, up 12.5% year on year. This overall performance determined an attractive composition on the funding side of the business: current-account deposits are the largest portion of customer funds, 32%, while mutual funds account for 24% and time deposits 20% of the total. The remaining 24% comprised repos and foreign-currency deposits.

The capillarity of the distribution network is the main explanation for the positive performance of customer funds. This, in turn, strengthens Bancomer's liquidity

position and its market share of 32.9% in current account gathering, the biggest of any bank and 186 basis points higher than the previous year. The now traditional two-week campaign to promote savings accounts (*El Libretón*), attracted over €248m in balances over the ten business days in which it was active, with 700,000 prizes awarded. It is also worth mentioning the launch of a new mutual fund for the upper income banking customers, which invests in long-term government debt.

Finally, as part of its active balance-sheet management, Bancomer issued subordinate debt worth 3 billion pesos with a 10-year tenor and a spread of 130 basis points above the reference rate.

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## Pensions and Insurance

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In the first six months of 2009, the Pensions & Insurance business in Mexico generated €125m in attributable profit. This was 69.3% up on the same period of 2008.

The pension business, **Afore Bancomer**, reported an attributable profit of €20m, with year-on-year growth of 35.6%. The factors driving this growth continue to be the excellent sales and marketing, plus very strict control over costs. The improved performance of the financial markets in recent months also helped, albeit not as much as in other countries within the region.

In the **insurance business**, the three companies (*Seguros Bancomer*, *Pensiones Bancomer* and *Preventis*) continued to boost sales, although the composition of their business volumes has changed from what it was a few years back. During the first half, the slowdown in growth of products linked to the banking business was offset by faster growth in the rest of the insurance lines, with more savings products being sold. The volume of business written during the first six months was €396m (premiums sold, including savings products). This was a year-on-year increase of 17.3%. The half-year net attributable profit came to €104m (up 77.7% against the same period of 2008).

## The United States

## Income statement

(Million euros)

	The United States			
	1H09	Δ%	Δ% <sup>(1)</sup>	1H08
<b>NET INTEREST INCOME</b>	<b>743</b>	<b>17.2</b>	<b>2.1</b>	<b>634</b>
Net fees and commissions	279	3.7	(9.7)	269
Net trading income	75	(5.8)	(18.0)	80
Other income/expenses	(24)	n.m.	n.m.	15
<b>GROSS INCOME</b>	<b>1,072</b>	<b>7.5</b>	<b>(6.4)</b>	<b>998</b>
Operating costs	(648)	1.9	(11.3)	(636)
Personnel expenses	(335)	4.5	(9.0)	(320)
General and administrative expenses	(207)	4.7	(8.8)	(197)
Depreciation and amortization	(106)	(10.1)	(21.7)	(118)
<b>OPERATING INCOME</b>	<b>425</b>	<b>17.4</b>	<b>2.3</b>	<b>362</b>
Impairment on financial assets (net)	(277)	124.5	95.5	(123)
Provisions (net) and other gains/losses	(21)	n.m.	n.m.	6
<b>INCOME BEFORE TAX</b>	<b>127</b>	<b>(48.0)</b>	<b>(54.7)</b>	<b>244</b>
Income tax	(42)	(47.8)	(54.6)	(80)
<b>NET INCOME</b>	<b>85</b>	<b>(48.1)</b>	<b>(54.8)</b>	<b>164</b>
Minority interests	-	n.m.	n.m.	-
<b>NET ATTRIBUTABLE PROFIT</b>	<b>85</b>	<b>(48.1)</b>	<b>(54.8)</b>	<b>164</b>
<b>MEMORANDUM ITEM: NET ATTRIBUTABLE PROFIT EXCLUDING AMORTIZATION OF THE INTANGIBLE ASSETS</b>	<b>125</b>	<b>(41.8)</b>	<b>(42.4)</b>	<b>214</b>

(1) At constant exchange rate.

## Balance sheet

(Million euros)

	The United States			
	30-06-09	Δ%	Δ% <sup>(1)</sup>	30-06-08
Cash and balances with central banks	420	(1.1)	(11.3)	425
Financial assets	7,617	(5.3)	(15.1)	8,047
Loans and receivables	30,326	12.7	1.1	26,900
• Loans and advances to customers	29,546	14.2	2.4	25,873
• Loans and advances to credit institutions and other	780	(24.0)	(31.9)	1,027
Tangible assets	746	12.0	0.4	666
Other assets	1,354	9.2	(2.1)	1,240
<b>TOTAL ASSETS/LIABILITIES AND EQUITY</b>	<b>40,463</b>	<b>8.5</b>	<b>(2.7)</b>	<b>37,278</b>
Deposits from central banks and credit institutions	6,354	(10.0)	(19.3)	7,062
Deposits from customers	27,547	11.8	0.2	24,640
Debt certificates	938	(16.3)	(25.0)	1,120
Subordinated liabilities	1,014	8.6	(2.6)	933
Financial liabilities held for trading	207	185.3	155.8	73
Other liabilities	1,962	17.8	5.6	1,665
Economic capital allocated	2,441	36.9	22.7	1,783

(1) At constant exchange rate.

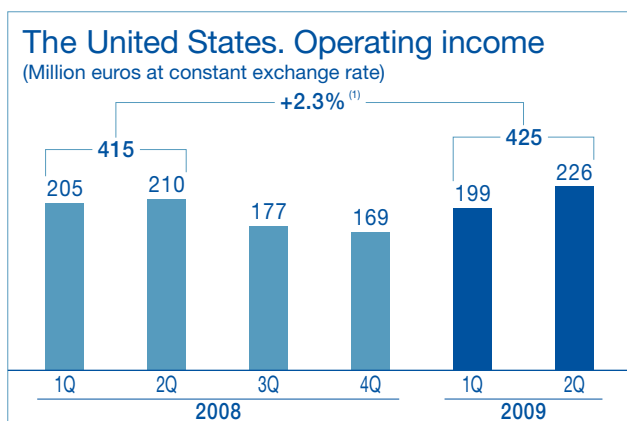
## The United States highlights in the second quarter

- Recurrent revenues.
- Excellent performance of operating costs.
- The SBA named BBVA Compass the best bank for lending to small businesses in the country.
- *The Banker* award for banking technology innovation at BBVA Compass.

Short term indicators in the second quarter of 2009 indicate that the **US economy** declined for the third quarter in a row. However, the turndown is slower than it was in the first quarter of the year. Job destruction has eased to 1.3 million jobs from 2 million in the previous quarter according to the non-farm payroll data. Although personal consumption expenditures remained weak, they have increased compared to the first quarter.

While non-residential investment continues to deteriorate, residential investment may have stabilized further in the second quarter. Average existing home sales rose, primarily driven by increasing affordability as ongoing foreclosures push down prices. Meanwhile, the declining trend in new home sales slowed down, but sales remain more than 30% below those of last year. In contrast, both imports and exports continue to be pulled down by faltering demand both at home and abroad.

Even though there are signs that economic contraction is beginning to ease, the economy remains extremely weak. In order to provide monetary stimulus, the Federal Reserve has continued to purchase assets as announced in the first quarter. This expansionary monetary policy, along with government and Treasury's stimulus plans, will counteract the downward pressures on inflation due to ongoing economic slack. Nevertheless, inflation is expected to remain low in the near future, prompting the Federal Reserve to



(1) At current exchange rate: +17.4%.

## Relevant business indicators

(Million euros and percentages)

	The United States			
	30-06-09	Δ%	Δ% <sup>(1)</sup>	30-06-08
Customer lending (gross)	30,223	14.7	2.9	26,339
Customer deposits <sup>(2)</sup>	25,377	11.6	0.0	22,748
ROE (%)	6.9			18.9
Efficiency ratio (%)	60.4			63.7
NPA ratio (%)	4.5			2.4
Coverage ratio (%)	49			75

(1) At constant exchange rate.

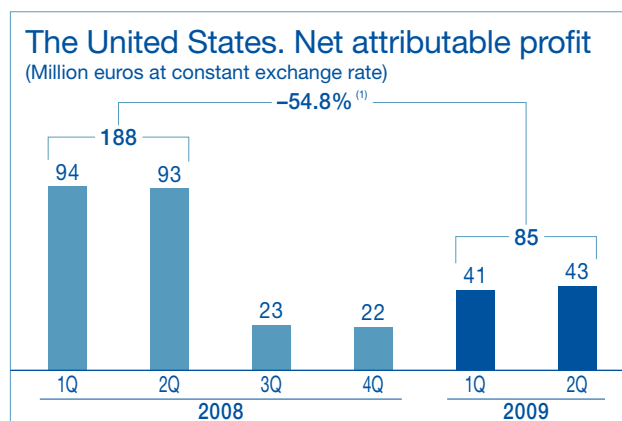
(2) Excluding deposits and Market unit repos.

keep interest rates unchanged for a prolonged period of time. With respect to BBVA Compass' operating arena, 2009 and 2010 forecasts indicate that growth in the area will be higher than the USA average, Texas being the only State in the region with positive actual GDP growth in 2009.

The dollar has strengthened by 11.5% against the euro over the last twelve months, ending June with an **exchange rate** of 1.41 dollars per euro. The average exchange rate recorded an appreciation of 14.8% year on year, to 1.33 dollars per euro. This performance has a positive impact on the figures booked to the consolidated balance sheet and income statement. The following comments all refer to year-on-year change at constant rates unless specifically stated otherwise.

In respect to **activity**, BBVA USA has shown a 2.9% year-on-year growth in its customer lending, which reached €30,223m, and customer deposits remained stable, at €25,377m. Asset quality compares favourably with the latest data published for the system; the NPA ratio for BBVA Compass stood at 4.3% at the end of June 2009, with a coverage ratio of 50%.

The higher business volumes have underpinned the excellent performance of the **net interest income**, which rose to



(1) At current exchange rate: -48.1%.

€743m in the first half of 2009, with a year-on-year growth of 2.1%. However, lower fee income (down 9.7%), lower net trading income (down 18.0%) and higher endowments to the deposit guarantee fund, with the one-off contribution of \$28m to the Federal Deposit Insurance Corporation (FDIC) made in the second quarter, meant that the **gross income**, at €1,072m, was 6.4% down year on year. However, integration and rationalisation of structures pushed operating costs down 11.3%. This meant further improvement in **operating income**, which rose to €425m, with a year-on-year increase of 2.3%. Growth is speeding up, as the operating income figure for the second quarter is 13.3% higher than in the first. Allocations to loan-loss provisions brought impairment losses on financial assets up to €277m, 95.5% higher than in the first half of 2008.

Against this complicated macro-economic backdrop, in which many banking businesses throughout the country have collapsed, **BBVA USA**, without requiring any public aid, has generated positive half-year earnings of €85m. This earnings figure is €125m without depreciation of intangibles.

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## BBVA Compass banking group

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BBVA Compass represents around 90% of the area. This quarter it has shown recurrent revenues, the capacity to reduce costs and the stabilization of profit.

At 30-Jun-2009, **loans** to BBVA Compass customers reached €27,003m, up 2.9% from 30-Jun-2008. **Customer deposits** were €23,657m, flat to both a year ago and prior quarter. At current exchange rates, they grew 11.5% year on year.

These business volumes boosted half-year **net interest income** up to €677m, 2.7% higher year on year. Operating costs went down 11.4% below the previous year's figure, mainly stemming from lower depreciation of intangibles and the successful integration process completed during 2008 which is allowing for important cost synergies. The volumes and the magnificent cost performance brought the **operating income** up 3.5% against the first half of 2008, to €383m, growing quarter on quarter by 15.1%. The cost-income ratio improved, reaching 60.8% on 30-Jun-09, as compared with 63.1% the previous quarter. After booking €243m to impairment losses on financial assets during this half year, the unit showed a **net attributable profit** of €80m. This figure is €120m without the depreciation of intangibles.

The SBA (the Federal Agency for Small Business Administration) named BBVA Compass the best bank for loans to small businesses in the country, in acknowledgement of its management during 2008.

The Corporate Bank and Community Bank have combined to form the **Corporate & Commercial Group (CCG)**. This services the following business lines: Corporate Banking, Commercial Banking, Commercial Real Estate Lending and Residential Construction Lending. At 30-Jun-2009, CCG managed a loan portfolio of €15,483m, a 13.9% increase from a year ago. Customer deposits were €7,879m, having grown 8.9% since June 2008. The deposit growth has been driven mainly by non-interest bearing deposits that have experienced exceptional growth. CCG has been actively engaged in leveraging the BBVA brand in referring business to and from other countries in the worldwide footprint. CCG has also begun working actively on a transformation plan and implementing the BBVA model.

**Retail Banking** ended the half year with a loan portfolio of €8,992m, flat to June 2008 reflecting the impact of the decision to exit the Indirect Auto Dealer and Student Lending businesses. Excluding these businesses, Retail's loan portfolio increased 28.3% from June 2008. The unit generated €166m of new residential mortgages, significantly higher than 1Q09 and in line with 2Q08. New equity loans also increased, though demand has slowed due to the current economic downturn. Customer deposits were €12,833m, down €395m as compared with June 2008. This unit received *The Banker's* award for innovation in banking technology, for its "Virtual Banker" project.

Finally, the **Wealth Management** unit manages a €1,990m loan portfolio, having grown 25.2% since June 2008. Additionally, deposits have grown to €2,917m, nearly double where they stood twelve months earlier. BBVA Compass continued to see benefit from Wealth Management's collaboration with BBVA Madrid's Equity Derivatives & Structured Products group. The equity-linked Power CD, launched in March, has generated \$49m in new deposits for the quarter and \$71m since inception. At 30-Jun-2009, assets under management were €9,153, down 20.5% from a year ago reflecting the economic downturn.

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## Other units

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At 30-6-09, **BBVA Puerto Rico** managed a loan portfolio of €3,155m, 2.2% up from what it reported twelve months earlier. Customer deposits were €1,365m, growing 6.3% on the previous year. Operating income, at €36m, went down 17.4% year on year, while attributable profit, after €34m in impairment losses on financial assets, stood at €2m.

**BTS** obtained an attributable profit of €7m in the first half of 2009. This represented annual growth of 35.3%.

## South America

## Income statement

(Million euros)

	Units:											
	South America				Banking businesses				Pensions and Insurance			
	1H09	Δ%	Δ% <sup>(1)</sup>	1H08	1H09	Δ%	Δ% <sup>(1)</sup>	1H08	1H09	Δ%	Δ% <sup>(1)</sup>	1H08
<b>NET INTEREST INCOME</b>	<b>1,210</b>	<b>21.2</b>	<b>17.8</b>	<b>999</b>	<b>1,184</b>	<b>24.0</b>	<b>20.2</b>	<b>955</b>	<b>27</b>	<b>(39.3)</b>	<b>(37.1)</b>	<b>45</b>
Net fees and commissions	410	11.1	11.0	369	305	18.5	16.0	257	104	(9.1)	(4.1)	114
Net trading income	265	92.3	89.7	138	198	51.7	49.3	130	67	n.m.	n.m.	8
Other income/expenses	(9)	n.m.	n.m.	1	(48)	62.4	52.3	(30)	45	35.2	29.4	34
<b>GROSS INCOME</b>	<b>1,876</b>	<b>24.5</b>	<b>22.1</b>	<b>1,507</b>	<b>1,639</b>	<b>24.8</b>	<b>21.5</b>	<b>1,312</b>	<b>243</b>	<b>21.5</b>	<b>25.4</b>	<b>200</b>
Operating costs	(744)	11.2	10.5	(670)	(621)	16.2	14.4	(534)	(109)	(11.1)	(7.6)	(122)
Personnel expenses	(386)	12.8	12.5	(342)	(321)	20.3	18.9	(267)	(55)	(14.5)	(11.1)	(64)
General and administrative expenses	(301)	7.8	6.8	(279)	(248)	9.3	7.3	(227)	(49)	(4.7)	(1.4)	(51)
Depreciation and amortization	(57)	19.7	18.4	(48)	(52)	27.9	24.9	(41)	(5)	(26.6)	(21.7)	(7)
<b>OPERATING INCOME</b>	<b>1,132</b>	<b>35.2</b>	<b>31.1</b>	<b>837</b>	<b>1,018</b>	<b>30.8</b>	<b>26.3</b>	<b>778</b>	<b>134</b>	<b>72.7</b>	<b>76.5</b>	<b>78</b>
Impairment on financial assets (net)	(212)	47.0	49.6	(144)	(212)	47.0	49.6	(144)	-	-	-	-
Provisions (net) and other gains/losses	(7)	n.m.	n.m.	2	(5)	n.m.	n.m.	5	(3)	(17.3)	(7.8)	(4)
<b>INCOME BEFORE TAX</b>	<b>912</b>	<b>31.3</b>	<b>26.3</b>	<b>694</b>	<b>801</b>	<b>25.3</b>	<b>19.8</b>	<b>639</b>	<b>131</b>	<b>77.1</b>	<b>80.3</b>	<b>74</b>
Income tax	(202)	19.2	14.0	(169)	(175)	15.3	9.5	(152)	(33)	42.4	44.8	(23)
<b>NET INCOME</b>	<b>710</b>	<b>35.2</b>	<b>30.3</b>	<b>525</b>	<b>626</b>	<b>28.3</b>	<b>23.1</b>	<b>488</b>	<b>99</b>	<b>92.7</b>	<b>96.2</b>	<b>51</b>
Minority interests	(247)	41.5	32.6	(175)	(216)	36.1	26.5	(158)	(31)	94.9	99.5	(16)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>463</b>	<b>32.1</b>	<b>29.0</b>	<b>351</b>	<b>410</b>	<b>24.6</b>	<b>21.3</b>	<b>329</b>	<b>67</b>	<b>91.7</b>	<b>94.7</b>	<b>35</b>

(1) At constant exchange rate.

## Balance sheet

(Million euros)

	Units:											
	South America				Banking businesses				Pensions and Insurance			
	30-06-09	Δ%	Δ% <sup>(1)</sup>	30-06-08	30-06-09	Δ%	Δ% <sup>(1)</sup>	30-06-08	30-06-09	Δ%	Δ% <sup>(1)</sup>	30-06-08
Cash and balances with central banks	5,578	45.4	38.8	3,837	5,578	45.4	38.8	3,836	-	(34.0)	(33.8)	-
Financial assets	6,714	49.3	45.1	4,497	5,634	54.4	49.0	3,648	1,693	61.9	61.0	1,046
Loans and receivables	28,605	15.6	9.6	24,739	28,001	15.9	9.6	24,165	712	9.8	11.6	649
• Loans and advances to customers	24,347	11.2	5.4	21,893	24,109	11.4	5.4	21,649	270	1.9	10.1	265
• Loans and advances to credit institutions and other	4,258	49.7	41.6	2,845	3,893	54.7	45.9	2,516	441	15.2	12.6	383
Tangible assets	497	13.8	11.1	437	444	18.7	15.8	374	53	(15.7)	(16.8)	62
Other assets	1,427	(14.4)	(16.8)	1,667	1,284	22.5	16.8	1,048	160	9.7	11.5	146
<b>TOTAL ASSETS/LIABILITIES AND EQUITY</b>	<b>42,821</b>	<b>21.7</b>	<b>16.0</b>	<b>35,176</b>	<b>40,941</b>	<b>23.8</b>	<b>17.6</b>	<b>33,072</b>	<b>2,618</b>	<b>37.6</b>	<b>38.0</b>	<b>1,903</b>
Deposits from central banks and credit institutions	3,353	7.9	0.2	3,107	3,347	8.5	0.8	3,086	11	(56.2)	(59.4)	24
Deposits from customers	29,190	24.8	19.0	23,389	29,266	24.8	19.1	23,444	-	(90.5)	(91.4)	-
Debt certificates	1,507	62.2	50.5	929	1,507	62.2	50.5	929	-	-	-	-
Subordinated liabilities	724	(32.8)	(35.4)	1,077	724	22.7	14.2	590	-	-	-	-
Financial liabilities held for trading	639	(27.2)	(32.5)	878	639	(27.2)	(32.5)	877	-	(30.3)	(29.8)	-
Other assets	5,102	31.4	26.8	3,882	3,701	39.3	31.4	2,657	2,058	41.8	42.6	1,451
Economic capital allocated	2,307	20.5	18.2	1,914	1,757	18.0	15.1	1,490	549	28.4	28.6	427

(1) At constant exchange rate.

## South America highlights in the second quarter

- Sound performance of revenue lines.
- Expenses rising well below inflation.
- Attributable profit grew 29.0%.
- *Euromoney* rated BBVA best bank in Latin America.

The South America area manages the BBVA Group's banking, pension and insurance businesses in the region. Year-on-year comparison of the business variables and earnings in the area are impacted by the divestment of the Consolidar health business and the State takeover of the Consolidar pension fund, both of which took place in the fourth quarter of last year.

The international crisis has continued to hit the region in the second quarter, reducing the demand for its exports and dampening domestic demand growth. The **macroeconomic situation**, although far from as positive as it used to be, is still better than in the developed economies and in other emerging economies. Various factors are acting in the region's favour: the rise in commodity prices over recent months; a reduction in risk aversion and the anti-cyclical policies the region's economic authorities have applied (through tax measures and laxer monetary conditions). These have made it easier to maintain higher liquidity and declines in interest rates without weakening the local currencies against the US dollar. (In fact, some of the previous quarters' depreciation has been reversed). Moreover, the financial systems in the region continue to show very sound capital-adequacy standards and good asset quality.

## Relevant business indicators

(Million euros and percentages)

	South America			
	30-06-09	Δ%	Δ% <sup>(1)</sup>	30-06-08
Customer lending (gross)	25,268	11.5	5.7	22,657
Customer deposits <sup>(2)</sup>	30,941	25.2	19.2	24,721
Off-balance-sheet funds	33,452	(2.5)	(8.3)	34,314
• Mutual funds	1,887	16.0	9.3	1,627
• Pension funds	31,565	(3.4)	(9.2)	32,687
ROE (%)	42.8			37.8
Efficiency ratio (%)	39.7			44.4
NPA ratio (%)	2.6			2.2
Coverage ratio (%)	129			143

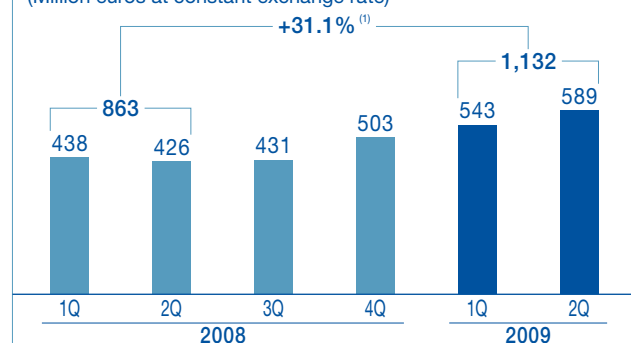
(1) At constant exchange rate.  
(2) Including debt certificates.

During the first half, the drop in the value of Latin-American currencies against the US dollar has been offset by the dollar's strengthening against the euro. The overall effect of this on the area's financial statements has been slightly positive, especially in the income statement. As usual, the attached tables include columns with the year-on-year changes at constant exchange rates, which is what the following comments refer to.

During the first half of 2009, the area has earned an **attributable profit** of €463m, ie, a year-on-year increase of 29.0% (or 32.1% using current exchange rates). Return on equity (ROE) was 42.8% (37.8% in the same period of 2008). The highlights of the half year were the control of costs and the rise in revenues, plus the high asset quality and the capital adequacy of every unit in the area.

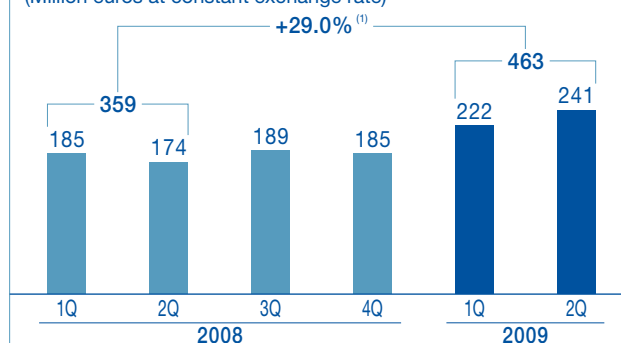
### South America. Operating income

(Million euros at constant exchange rate)



### South America. Net attributable profit

(Million euros at constant exchange rate)



Good revenue performance was facilitated by correct pricing of entry prices and customer spreads. This has offset the more sluggish growth rates in business volumes. At the end of June, the **loan book** stood at €25,268m, with year-on-year growth of 5.7% (up 11.5% at current exchange rates), despite the recent months' slowdown in lending to individuals (up 4.6%) and companies (up 5.9%).

However, **customer funds** continued to perform positively in the banking, pension and insurance businesses. In the banks, customer funds closed at €32,828m (including off-balance sheet funds), with a year-on-year increase of 18.6% and positive growth in all products, especially current and savings accounts (up 27.8%). In the insurance business, the recovery of the financial markets plus increased sales activity pushed assets under management up to €31,565m by the end of June. This rise was greater than the sharp drop in the third and fourth quarters of the previous year, such that year-on-year growth was positive by 3.5%, without including the impact of Consolidar AFJP. The year-to-date figure for funds gathered increased year on year by 9.1% over the same period in 2008. The business written by the insurance companies grew 5.4% year on year (excluding the impact of taking Consolidar Salud off the books at the end of 2008).

Greater business volumes and better spreads brought **net interest income** up to €1,210m in the six-month period, growing 17.8% against the same period of 2008. **Fee income** also performed well, reaching €410m for the half year. This 11.0% growth continued to be focussed on business lines relating to customer activity. **Net trading income** brought in high earnings (265), reflecting recovery in financial markets. This made it possible for some banks to report capital gains on divestments from their fixed-income portfolios, and excellent returns on the pension managers' and insurance companies' own trading positions. The **gross income** for the half year thus reached €1,876m. This was 22.1% higher than in the first six months of 2008.

As mentioned above, another key element during this half year was cost control. In the first six months of 2009, **operating expenses** were €744m. This 10.5% growth against the first half of 2008 was significantly below average inflation in the region. Good cost performance and higher revenues meant further improvement in the **cost-income ratio**, which reached 39.7% (from 44.4% one year earlier). It also fuelled growth in **operating income**, which rose 31.1% to a total of €1,132m for the six-month period.

The strict policy applied to risk approval and the active recovery of arrears in all units prevented the slightly slower rate of growth in business volumes from significantly diminishing asset quality. This is reflected in the **non-performing asset ratio** (NPA ratio), whose figure of 2.6% at the end of June was similar to the 2.3% reported three months earlier.

**Impairment losses on financial assets** were €212m during the first half of 2009, growing 49.6% against the previous year, but only 22.4% against the 2008 average. The **coverage ratio** on non-performing assets continued high, at 129%.

Finally, this year, the *Euromoney* magazine, whose yearly awards are amongst the most prestigious prizes in the international financial industry, named BBVA as the Best Bank in Latin America. The Group also received the Best Bank award in Argentina, Venezuela and Paraguay.

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## Banking business

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The entities comprising the Group's banking business in the area contributed an attributable profit of €410 during the half year. This was a year-on-year improvement of 21.3%. The most relevant information on each bank is given below.

In Argentina, the moderate rate of growth in lending at **BBVA Banco Francés** has not prevented revenues from growing significantly. Net interest income reported a year-on-year rose 21.0%, fuelled by active defence of the bank's spreads, whilst fee income grew 35.9%. With revenues performing well and the increase in expenses slowing down, operating income rose by 35.7% against the previous year. However, the half-year attributable profit, €73m, was virtually flat against the first half of 2008, which had practically zero provisions.

In **Chile**, the banking business contributed €41m in attributable profit. This was 54.2% higher than the previous year, reflecting exceptional revenue performance. Gross income grew €45.6% year on year, fuelled by excellent fee income from the six months (up 43.5%) and net trading income stemming from capital gains on fixed-income portfolio sales. Operating income rose 82.8% to €122m. Growth in business volumes flattened out somewhat over recent months, although retail lending and current and savings accounts continued to show favourable



year-on-year comparisons (up 5.0% and 7.9%, respectively).

**BBVA Colombia** earned an attributable profit of €71m. This was 22.2% more than in the same period of 2008. Revenues performed well, both from net interest income (up 16.8%) and fee income (up 11.6%), despite the fact that here too, growth in lending has slowed down. It also encouraged austerity in costs, which grew just 4.3%. Operating income thus stood at €179m (up 27.4%).

In Peru, the improvement in the earnings of **BBVA Banco Continental** continue to be based on very positive performance of its net interest income. This has grown 35.7%, fuelled by a rise in the growth of business volumes that was more moderate than in previous periods, but still significant (up 14.4% in lending and up 10.1% in customer funds). Other revenues also did well, with moderation in costs, which boosted the year-on-year growth in operating income to 42.2%. This brought the half-year attributable profit up to €61m, 43.3% higher than in the same period of 2008.

**BBVA Banco Provincial** in Venezuela recorded an attributable profit of €134m, 24.0% above the figure from the first half of 2008. The performance in net interest income was exceptional, influenced by excellent management of spreads, despite legal constraints on lending and borrowing rates (in force since mid 2008) and the growth in business volumes (up 12.2% in lending and 44.8% in customer funds). Expenses rose just 16.3% against a backdrop of high inflation. The half-year operating income reached €315m. This was 3.3% higher than in the same period of 2008.

Amongst the rest of the banks, the half-year earnings were €15m in **BBVA Panama** (down 14.3%); €14m in **BBVA Paraguay** (up 36.4%) and €3m in **BBVA Uruguay** (down 6.2%).

## Pensions and Insurance

The pensions and insurance businesses in South America contributed a combined attributable profit of €67m over the first half of the year. This was 94.7% more than in the same period of the previous year. Of this figure, €47m came from the **pension business** and €20m from the **insurance business**. The six months of good sales in all the companies was accompanied by strict control of costs, while the financial markets performed much more positively than in 2008.

**AFP Provida** generated an attributable profits of €31m in Chile. This was up 162.6%, influenced by intense sales activity and favourable market performance. More than 9.5% more funding was gathered than in the first six months of 2008. All this led to significant progress in revenues. These rose 62.7%. As cost growth was moderate (up 6.0%), this boosted operating income, which stood at €62m, up 144.5% on the previous year.

In Argentina, the **Consolidar Group** contributed an attributable profit of €14m, thanks to the excellent performance of the companies' sales force.

Amongst the rest of the companies, **AFP Horizonte** in Peru and **AFP Horizonte** in Colombia each reported a healthy attributable profit of €8m. This was significantly more than in the first half of 2008.

### South America. Data per country (banking business, pensions and insurance)

(Million euros)

Country	Operating income				Net attributable profit			
	1H09	Δ%	Δ% at constant exchange rate	1H08	1H09	Δ%	Δ% at constant exchange rate	1H08
Argentina	155	24.7	26.5	125	86	(1.8)	(0.4)	88
Chile	182	73.5	89.6	105	68	52.1	66.3	45
Colombia	199	24.6	37.4	160	82	32.5	46.0	62
Peru	241	53.0	45.1	157	68	57.6	49.4	43
Venezuela	331	20.9	5.3	274	140	44.4	25.7	97
Other countries <sup>(1)</sup>	23	39.2	21.6	17	19	16.7	2.2	16
<b>TOTAL</b>	<b>1,132</b>	<b>35.2</b>	<b>31.1</b>	<b>837</b>	<b>463</b>	<b>32.1</b>	<b>29.0</b>	<b>351</b>

(1) Panama, Paraguay, Uruguay, Bolivia and Ecuador. Additionally, it includes eliminations and other charges.

## Income statement

(Million euros)

	1H09	Δ%	1H08
<b>NET INTEREST INCOME</b>	<b>192</b>	<b>n.m.</b>	<b>(484)</b>
Net fees and commissions	(60)	n.m.	(7)
Net trading income	79	(70.3)	265
Other income/expenses	139	50.1	93
<b>GROSS INCOME</b>	<b>349</b>	<b>n.m.</b>	<b>(133)</b>
Operating costs	(423)	4.8	(404)
Personnel expenses	(270)	(3.8)	(281)
General and administrative expenses	(53)	(0.7)	(54)
Depreciation and amortization	(99)	44.1	(69)
<b>OPERATING INCOME</b>	<b>(74)</b>	<b>(86.3)</b>	<b>(537)</b>
Impairment on financial assets (net)	(199)	n.m.	(18)
Provisions (net) and other gains/losses	(280)	n.m.	225
<b>INCOME BEFORE TAX</b>	<b>(552)</b>	<b>67.0</b>	<b>(331)</b>
Income tax	262	124.0	117
<b>NET INCOME</b>	<b>(291)</b>	<b>35.9</b>	<b>(214)</b>
Minority interests	7	(16.9)	9
<b>NET ATTRIBUTABLE PROFIT</b>	<b>(283)</b>	<b>38.1</b>	<b>(205)</b>
One-off operations <sup>(1)</sup>	-	(100.0)	180
<b>NET ATTRIBUTABLE PROFIT (except one-off operations)</b>	<b>(283)</b>	<b>(26.4)</b>	<b>(385)</b>

1) In 2008, capital gains from Bradesco in the first quarter and extraordinary charges for early retirements in the second quarter.

## Balance sheet

(Million euros)

	30-06-09	Δ%	30-06-08
Cash and balances with central banks	4,489	n.m.	(304)
Financial assets	29,104	70.1	17,112
Loans and receivables	1,819	(77.5)	8,089
•Loans and advances to customers	120	(96.9)	3,862
•Loans and advances to credit institutions and other	1,699	(59.8)	4,228
Inter-area positions	(19,275)	247.4	(5,549)
Tangible assets	3,133	68.9	1,854
Other assets	15,102	54.9	9,752
<b>TOTAL ASSETS/LIABILITIES AND EQUITY</b>	<b>34,373</b>	<b>11.0</b>	<b>30,955</b>
Deposits from central banks and credit institutions	18,121	11.4	16,265
Deposits from customers	4,036	n.m.	958
Debt certificates	96,396	8.7	88,712
Subordinated liabilities	7,166	22.7	5,840
Inter-area positions	(95,621)	6.4	(89,845)
Financial liabilities held for trading	(1,795)	n.m.	1,580
Other liabilities	(1,452)	n.m.	1,957
Valuation adjustments	(702)	(7.1)	(756)
Shareholders' funds	26,584	13.8	23,361
Economic capital allocated	(18,360)	7.3	(17,116)

This area has always combined the results of two units: Financial Planning and Holdings in Industrial & Financial Companies. It also books the costs from central units with strictly corporate functions and makes allocations to corporate and miscellaneous provisions, eg, for early retirements. In 2009 it also includes the newly created Real-Estate Management unit, which brings together all the Group's non-international real-estate business.

The first-half **net interest income** in Corporate Activities made a significant contribution to the Group's figures. It was positive €192m, compared against the –€498 recorded in the same period of 2008. Its performance was mainly due to good management of the euro balance-sheet and the favourable impact of sharply falling interest rates. This higher net interest income allows to offset the net trading income, which was down due to the lower gains realised in the half year. Year-to-date **operating income** thus stood at –€74m, which is considerably less negative than the –€537m from the first six months of 2008.

Impairment losses on financial assets account for a €199m charge against the area, mainly due to country-risk provisions. There was also an increase in allocations to provisions and other profit/loss items. These items basically reflected the application of maximum prudence criteria when valuing assets whose appraisals are updated to reflect current prices when they are adjudicated, acquired or form part of the real-estate fund. During the same period of the previous year, this item included €727m in proceeds from the Bradesco divestment. Finally, the area's **attributable profit** was –€283m, compared to –€205m in the first half of 2008. Without one-offs, this amount is less negative than the January-June figure for the previous year (–€385m).

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## Financial Planning

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The Financial Planning unit administers the Group's structural interest and exchange-rate positions as well as its overall liquidity and shareholders' funds through the Assets and Liabilities Committee (ALCO).

Managing structural **liquidity** helps to fund recurrent growth in the banking business at suitable costs and maturities, using a wide range of instruments that provide access to several alternative sources of finance. A core principle in the BBVA Group's liquidity management

is to encourage the financial independence of its subsidiaries in the Americas. The first half of the year was characterised by the opening of the long term finance markets, a consequence of the easing of fears of a systemic collapse of the international financial system. In BBVA's case, there has been a favourable evolution of the liquidity gap which meant it had no relevant presence in the long-term finance markets. The Group's liquidity remains sound because of customer deposits weighting in the balance sheet structure and the ample collateral available as a second source of liquidity. For 2009, the Group's current and potential sources of liquidity easily surpass expected drainage.

The Group's **capital management** pursues two key goals: Firstly, maintaining capital levels appropriate to the Group's business targets in all the countries where it operates. And secondly, at the same time, maximising returns on shareholder funds through efficient capital allocation to the different units, good management of the balance sheet and proportionate use of the different instruments that comprise the Group's equity: shares, preferred securities and subordinate debt. Current capital levels enable the Group to comply with these goals.

BBVA manages the **exchange-rate exposure** on its long-term investments (basically stemming from its franchises in the Americas) to preserve its capital ratios and bring stability to the Group's income statement while controlling impacts on reserves and the cost of this risk management. In the first half of 2009, BBVA continued to pursue an active policy to hedge its investments in Mexico, Chile, Peru and the dollar area. Its aggregate hedging was close to 50% and for the dollar area, close to 100%. Apart from corporate-level hedging, some subsidiary banks hold dollar positions at local level. Additionally, the Group hedges its exchange-rate exposure on expected 2009 and 2010 earnings from the Americas. During the first six months of this year, this strategy made it possible to mitigate the impact of the Latam currencies' depreciation against the euro.

The unit also actively manages the Group's **structural interest-rate exposure** on its balance sheet. This keeps the performance of short and medium-term net interest income more uniform by cutting out interest-rate fluctuations. During the first semester of 2009, it has maintained its hedging against a less positive economic scenario in Europe for 2009-2010, while the risk on its USA and Mexico balance sheets remains within comfort

parameters. These strategies are managed both with hedging derivatives (caps, floors, swaps, FRA's, etc) and with balance-sheet instruments (mainly top-rated government bonds). As June 2009 ended, the Group had asset portfolios denominated in euros, US dollars and Mexican pesos.

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## Holdings in Industrial and Financial Companies

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This unit manages its portfolio of shares in companies operating in the telecommunications, media, electricity, oil, gas and finance sectors. Like Financial Planning, this unit forms part of the Group's Finance Department.

BBVA operates this portfolio with strict requirements regarding its risk-control procedures, economic-capital consumption and return on investment, diversifying investments over different sectors. It also applies dynamic

management techniques to holdings through monetisation and coverage strategies. During the first three months of 2009, it has made investments for €81m and divestments for €245m.

At 30-Jun-09, the industrial and financial holdings portfolio was marked to market at €3,948m with latent capital gains of €1,018m.

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## Real-Estate Management

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Given the current economic scenario and the outlook for the next few months, BBVA set up a Real-Estate Management unit to apply specialist management to real-estate assets from foreclosures, assets assigned in lieu of payment, purchases of distressed assets and the BBVA Propiedad real-estate fund. The earnings generated by this new unit are not significant, as it is conceived as a long-term project.

# Corporate responsibility

Corporate responsibility (CR) at BBVA has become a strategic management tool in the current economic and financial crisis. Despite difficult conditions the Group remains committed to sustainability and is playing a leading role in this regard. BBVA is convinced that this commitment is also profitable. Its 2008-2012 Global Eco-efficiency Plan will produce additional cost savings in the coming years and offset the bank's direct impact on the environment. According to the Dow Jones Sustainability Index (DJSI), BBVA is now 82% ahead of average in the worldwide financial sector in terms of environmental concern. The most relevant events related to the Group's corporate responsibility in the second quarter were as follows:

## Customer focus

BBVA and the Antena 3 Group launched a new service (*Destruyores de Paro*) on TV and radio that allows the bank's customers to advertise job opportunities free of charge. BBVA Banco Provincial (Venezuela) made important improvements to its complaint processing system (*Reclamos*) as part of a wider corporate project for 2009.

## Access to finance

The World Bank will take a 16.4% stake in Caja Nuestra Gente (Peru), a bank set up by the BBVA Microfinance Foundation in 2008.

## Responsible products and services

The second quarter witnessed the creation of SpainSIF, a forum for promoting socially responsible investment which will be chaired by BBVA. The Group became the first Spanish bank to certify the sustainability of all its employee pension plans. The bank launched a project for female executives (*Proyecto Enlaza*) that aims to foster innovation leading to better business management. BBVA signed an agreement (*Convenio ICO-Anticipo*) that expedites payment of money owed to small and mid-size entities (SMEs) by the authorities. Furthermore it improved the range of its anti-crisis financial solutions for families, companies and the self-employed. BBVA South America and the Inter-American Investment Corporation signed an agreement to support SME management.

## Responsible HR management

BBVA rolled out a new corporate platform (*e-Campus*) to improve access to training. In Spain the Group organised a family concert to introduce opera to employees' children. BBVA is reinforcing its presence in socially oriented networks by adopting a Web 2.0 approach in the recruitment area with the goal of communicating in a more direct and effective manner. It also opened the third international photography and video competition for all employees. Moreover the Group awarded this year's Passion for People Prizes to three BBVA programmes in the Americas. And Banco Francés (Argentina) has joined a national institute that opposes discrimination (INADI).

## Commitment to society

**EDUCATION.** BBVA Colombia, UNICEF and the Ministry of Education have launched a project to improve education.

**SOCIAL ACTION PLAN FOR LATIN AMERICA.** BBVA promoted its plan that focuses on children by showing a documentary film, *Los que se quedan*, which was sponsored by the BBVA Bancomer Foundation in Mexico. BBVA Colombia provided the aid for its scholarship programme in co-operation with the Corazón Caribe Foundation.

**COMMUNITY SUPPORT.** The Group held a ceremony to present the BBVA Prize for Integration. The award, which entails €200,000, promotes social and occupational integration for the handicapped. The bank's Volunteer Office carried out a solidarity campaign in April to collect books and send them to prisons.

**PROMOTION OF CORPORATE RESPONSIBILITY.** Through its banks in Latin America, BBVA joined a movement to promote CR in the region (*Declaración de Compromiso de Puerto España*).





**THE BBVA FOUNDATION.** The foundation presented its Frontiers of Knowledge Prizes with a total value of €3.2m in eight categories, including climate change, development co-operation and ecology & conservation biology.

## Prizes and recognition

BBVA is recognised as the top Spanish company and seventh bank worldwide in terms of corporate reputation in the Ethical ranking. And according to the latest ranking by MillwardBrown Optimor, covering the world's top 100 most valuable brands, BBVA has risen from 77th to 55th place. The Mexican Centre for Philanthropy declared BBVA Bancomer a socially responsible company for the ninth year running.

## BBVA and the sustainability indices

BBVA has maintained its position in the world's most important sustainability indices. Its participation in such indices is shown below:

Main sustainability indices in which BBVA participates		BBVA's participation (%)
	DJSI World	0.74
	DJSI STOXX	1.65
	DJSI EURO STOXX	3.16
	ASPI Eurozone Index	2.32
	Ethibel Sustainability Index Excellence Europe	1.84
	Ethibel Sustainability Index Excellence Global	1.08
(1)	FTSE KLD Global Sustainability Index	0.60
	FTSE KLD Global Sustainability Index Ex-US	1.05
	FTSE KLD Europe Sustainability Index	1.81
	FTSE KLD Europe Asia Pacific Sustainability	0.93

(1) In May 2009 FTSE and KLD merged their sustainability indices.

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