

BBVA

QUARTERLY REPORT

January-June

2008

2008



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BBVA Group Highlights

BBVA Group Highlights					Excluding one-offs ⁽¹⁾			
(Consolidated figures)	30-06-08	Δ%	30-06-07	31-12-07	30-06-08	Δ%	30-06-07	31-12-07
BALANCE SHEET (million euros)								
Total assets	504,990	8.3	466,443	502,204				
Total lending (gross)	331,204	16.0	285,456	317,998				
On-balance sheet customer funds	345,327	6.4	324,636	334,844				
Other customer funds	140,190	(6.1)	149,313	150,777				
Total customer funds	485,517	2.4	473,949	485,621				
Equity	25,970	9.6	23,705	27,943				
Shareholders' funds	25,850	28.8	20,076	24,811				
INCOME STATEMENT (million euros)								
Net interest income	5,685	23.2	4,613	9,769	5,685	23.2	4,613	9,769
Core revenues	8,611	17.3	7,343	15,463	8,611	17.3	7,343	15,463
Ordinary revenues	10,431	12.5	9,272	18,133	9,704	15.2	8,425	17,286
Operating profit	6,222	8.8	5,719	10,544	5,495	12.8	4,872	9,697
Pre-tax profit	4,490	(4.5)	4,701	8,495	4,233	10.9	3,819	7,675
Net attributable profit	3,108	(7.9)	3,374	6,126	2,928	11.6	2,624	5,403
DATA PER SHARE AND SHARE PERFORMANCE RATIOS								
Share price	12.17	(33.1)	18.20	16.76				
Market capitalisation (million euros)	45,613	(29.4)	64,646	62,816				
Net attributable profit per share (euros)	0.84	(12.4)	0.95	1.70	0.79	6.2	0.74	1.50
Book value per share (euros)	6.90	22.0	5.65	6.62				
P/BV (Price/book value; times)	1.8		3.2	2.5				
PER (Price/earnings ratio; times)	6.9		10.6	10.3				
Yield (Dividend/Price; %)	6.78		4.03	4.37				
SIGNIFICANT RATIOS (%)								
Operating profit/Average total assets	2.50		2.63	2.28	2.21		2.24	2.10
ROE (Net attributable profit/Average equity)	26.0		36.0	34.2	25.3		31.5	30.2
ROA (Net profit/Average total assets)	1.28		1.45	1.39	1.25		1.28	1.23
Efficiency ratio	36.2		35.2	38.1	38.9		38.7	39.9
Efficiency ratio including depreciation and amortization	39.4		37.9	41.3	42.3		41.6	43.3
NPL ratio	1.15		0.86	0.89				
NPL coverage ratio	166		254	225				
CAPITAL ADEQUACY RATIOS (BIS II Regulation) (%)								
Total	12.5			13.0				
Core capital	6.3			5.8				
Tier I	7.7			7.3				
OTHER INFORMATION								
Number of shares (million)	3,748		3,552	3,748				
Number of shareholders	886,407		881,519	889,734				
Number of employees	112,059		101,401	111,913				
• Spain	30,087		30,829	31,106				
• The Americas	79,979		68,762	78,805				
• Rest of the world	1,993		1,810	2,002				
Number of branches	7,971		7,526	8,028				
• Spain	3,547		3,615	3,595				
• The Americas	4,279		3,768	4,291				
• Rest of the world	145		143	142				

N.B.: Non-audited figures.

(1) In 2008, capital gains from Bradesco in the first quarter and extraordinary charges for early retirements in the second quarter. In 2007, capital gains from Iberdrola in the first quarter, the endowment for the BBVA Microcredit Foundation in the second quarter, capital gains on the sale of buildings in the second and third quarters and charges for early retirements in the fourth quarter.

Group information

Relevant events

Although the second quarter of 2008 was a particularly difficult period for the international economy and especially for the financial sector, BBVA conserved its ability to generate profitable growth. Business at the Group's various units increased, lifting net interest income, which was once again the principal source of recurrent revenues. This helped to highlight the excellent levels of efficiency and to generate significant increases in operating profit and net attributable profit before non-recurrent items. Furthermore BBVA maintained capital adequacy and loan quality at appropriate levels while enjoying comfortable liquidity.

The most significant aspects of the Group's performance in the second quarter and first half are summarised below:

- In June BBVA announced a **pre-agreement** that will strengthen its strategic partnership with **CITIC Group**. BBVA will increase its holdings to 10.07% of China CITIC Bank (CNCB) and 30% of CITIC International Financial Holdings (CIFH) in Hong Kong. The agreement entails an investment of about €800m, which includes the additional shares and a commitment to provide future funds to develop CIFH. In addition BBVA maintains a two-year option to purchase additional shares in CNCB, raising its holding to 15%.
- In the **second quarter** of 2008 the BBVA Group generated operating profit of €2,795m (up 10.8% year-on-year) and obtained **net attributable profit** of €1,157m. In the **first half** net attributable profit came to €3,108m (€3,374m in the same period last year).
- These figures include **non-recurrent earnings**. This year non-recurrent items added €180m to net attributable profit: €509m generated in the first quarter on divestment of a holding in Bradesco, less a charge of €329m in the second quarter for early retirements of a non-recurrent nature in Spain & Portugal. This is associated with the bank's transformation plan which entails a new distribution strategy, targeting improvements in sales productivity and cost efficiency. However, the first half of 2007 contained €750m of net attributable profit resulting from capital gains on Iberdrola and on the sale of buildings, less contributions to the BBVA Microcredit Foundation. Unless otherwise indicated the following analysis **excludes the above non-recurrent earnings** because this will provide a clearer picture of the Group's performance.
- Therefore **net attributable profit excluding non-recurrent items** in the **second quarter** of 2008 came to €1,486m, an increase of 8.6% year-on-year. Moreover all revenue and profit lines on the income statement are the highest ever recorded by BBVA.
- Cumulative net attributable profit for the **first half** came to €2,928m, up 11.6% compared to the same period last year. Excluding the impact of exchange rates, the increase was 17.4%.
- **Earnings per share** rose 6.2% to €0.79 and **ROE** stands at 25.3%. Both indicators were affected by the capital increase in September 2007. **ROA** is 1.25%. Including non-recurrent items, earnings per share increase to €0.84, ROE is 26.0% and ROA 1.28%.
- As in previous quarters **recurrent earnings** are the main source of the Group's profit (core revenues rose 17.3% in the first half). This is especially true of **net interest income**, whose growth accelerated to 23.2% supported by the increase in business and an improvement in spreads.
- **Operating profit** in the first half came to €5,495m, an increase of 12.8% compared to the same period last year (up 18.8% at constant exchange rates). Efficiency (measured by the cost/income ratio including depreciation) stands at 42.3% (40.1% without Compass).
- **Loan-loss provisions** continue to include generic provisions linked to the growth of lending. And BBVA has still no need for asset provisions or

write-offs related to the lack of stability in financial markets.

- Although it is affected by the general slowdown in the economy, the BBVA Group maintains commendable levels of asset quality. Furthermore, at the end of June the **non-performing loan ratio** was 1.15% (up from 0.99% at 31-Mar-08). The **coverage ratio** remained high at 166% with €7,857m in coverage funds. Of this amount generic provisions account for €5,821m (€5,468m at the same point last year).
- At the end of the second quarter the Group's **capital base** ratios were as follows: core capital was 6.3% of risk-weighted assets (similar to 31-Mar-08 and higher than 5.8% at 31-Dec-07), Tier I was 7.7% and the BIS ratio was 12.5%.
- In spite of divestments in recent years and the general downturn in the markets, at the end of the first half the Group had **latent capital gains** of €2,716m in its portfolio of equity holdings.
- The BBVA Group paid a first **interim dividend** of €0.167 per share against 2008 earnings on 10th July. This was 10% higher than the first interim dividend paid against last year's earnings.
- The main rating agencies continue to take a positive view of BBVA. This was confirmed by Fitch's **rating** and positive medium-term outlook.
- In **Spain & Portugal** lending was up 6.5% year-on-year, balance-sheet deposits rose 9.4% and spreads widened. This helped net interest income to increase 12.7% in the first half, becoming the main source of revenue. Expenses rose by only 1.4% (0.4% in the Spanish retail network), leading to improvements in operating profit (up 13.0%), efficiency and net attributable profit (which came to €1,336m, an increase of 15.5% compared to the first half of last year).
- In spite of the complex situation in the markets, **Wholesale Banking & Asset Management** once again demonstrated its ability to generate recurrent earnings on business with customers. Business was up 30% in terms of lending and customer funds, ordinary revenues were up 28.9%, operating profit

rose 17.3% and net attributable profit increased 25.5% to €559m.

- In **Mexico** there was a sharp increase in business volume. Lending rose 23.1% year-on-year in local currencies and customer funds grew 13.4%. Together with action to defend spreads, this lifted net interest income 15.9% and other revenues also increased. Therefore at constant exchange rates operating profit was up 24.3% for the half-year and net attributable profit rose 20.1% to €950m.
- The volume of lending and customer funds in the **United States** Area rose. It contributed €359m to the Group's operating profit and €164m to net attributable profit (€216m excluding the amortization of intangible assets). On a like-for-like basis and at constant exchange rates, earnings in the second quarter were similar to the first quarter and higher than the fourth quarter of 2007. The Group has decided to brand its entire US network as "BBVA Compass".
- In **South America** lending and customer funds rose 24.5% and 15.0%, respectively, year-on-year in local currencies. And, aided by an improvement in spreads, net interest income jumped 36.1%. Together with increases in net fee income and insurance revenue, operating profit rose 31.8% year-on-year at constant rates. After higher loan-loss provisions linked to the increase in lending, net attributable profit grew 17.6% to €351m.

Economic environment

According to the latest indicators the **international economic situation** deteriorated during the second quarter and so far this year the outlook for the global economy has been revised downward. This is mainly due to three factors: weakness of the US economy, turmoil in international financial markets and higher oil, raw material and food prices (which are fuelling inflation).

In the **United States** the Federal Reserve cut interest rates a further 25 basis points to 2% in the second quarter.

After encouraging figures in the first quarter the **euro zone** is showing signs of a slowdown and the **Spanish**

Interest rates						
(Quarterly averages)	2008		2007			
	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	4.00	4.00	4.00	4.00	3.82	3.57
Euribor 3 months	4.86	4.48	4.72	4.49	4.07	3.82
Euribor 1 year	5.05	4.48	4.68	4.65	4.38	4.09
Spain 10-year bond	4.54	4.17	4.35	4.47	4.39	4.06
USA 10-year bond	3.86	3.65	4.26	4.73	4.84	4.68
USA Federal rates	2.08	3.19	4.53	5.18	5.25	5.25
TIIE (Mexico)	7.96	7.93	7.86	7.71	7.63	7.44

economy is cooling off even faster, with a rebound in inflation and declining confidence. Market rates have increased everywhere, especially for longer terms. At the end of June one-year euribor stood at 5.39% – its highest level in recent years. Furthermore at the beginning of July the European Central Bank increased rates a quarter point to 4.25% while emphasising the importance of stable prices.

Conversely, in **Latin America** business indicators remain positive. Faced by a general rise in inflation, various central banks have tightened monetary policy. For example, in **Mexico** interbank rates rose to 8.2% in June after two stable quarters at around 7.9%.

In this context **stock markets** (including those in emerging economies) fell further in the second quarter – especially in May and June.

In the second quarter **exchange rates** varied considerably. Both the Mexican peso and the US dollar

appreciated (4.1% and 0.3%, respectively) and the Chilean and Colombian pesos fell, together with the Peruvian sol. However over the last 12 months currencies have generally depreciated against the dollar. Year-on-year the Mexican peso fell 10.2%, the US dollar, Venezuelan bolivar fuerte and the Argentine, Chilean and Colombian pesos all depreciated between 13% and 14%. The Peruvian sol fell 8.5%. These changes have a negative effect on the year-on-year comparisons of items on the BBVA Group's balance sheet at 30-Jun-08.

Moreover **average exchange rates** in the first half also had a negative effect (more than 5 percentage points) on the Group's income statement. Most currencies lost ground against the euro compared to the first half of last year: the Mexican peso fell 10.4% against the euro, the US dollar 13.2%, the Argentine peso 15.0%, the Venezuelan bolivar fuerte 13.1%, the Peruvian sol 3.1% and the Chilean peso 0.8%. However, the Colombian peso appreciated slightly (up 0.3%).

Exchange rates ⁽¹⁾						
	Year-end exchange rates				Average exchange rates	
	30-06-08	Δ% on 30-06-07	Δ% on 31-03-08	Δ% on 31-12-07	1 st Half 08	Δ% on 1 st Half 07
Mexican peso	16.2298	(10.2)	4.1	(1.1)	16.2398	(10.4)
U.S. dollar	1.5764	(14.3)	0.3	(6.6)	1.5304	(13.2)
Argentine peso	4.8533	(13.7)	3.8	(3.8)	4.8667	(15.0)
Chilean peso	819.67	(13.1)	(15.3)	(10.8)	714.80	(0.8)
Colombian peso	3,030.30	(12.7)	(4.9)	(2.1)	2,808.99	0.3
Peruvian new sol	4.6772	(8.5)	(7.4)	(5.8)	4.3619	(3.1)
Venezuelan bolívar fuerte	3.3850	(14.4)	0.3	(6.5)	3.2863	(13.1)

(1) Expressed in currency/euro.

The year-on-year comparisons of the BBVA Group's earnings in the first half of 2008 are affected by a series of **non-recurrent operations**:

- In the second quarter of 2008 there was a charge of €470m for early retirements of a non-recurrent nature in Spain & Portugal. It is associated with the bank's transformation plan which entails a new distribution strategy targeting improvements in sales productivity and cost efficiency (€329m net of tax).
- In the first quarter of 2008 the Group sold its interest in Bradesco, generating €727m in gross capital gains (€509m net).
- In the second quarter of 2007 the Group generated €235m in capital gains on the sale of buildings. This was connected with plans for a new corporate

Consolidated income statement

(Million euros)	1 st Half 08	Δ%	Δ% at constant exchange rates	1 st Half 07
Core net interest income	5,444	23.3	31.3	4,416
Dividends	241	21.9	22.1	198
NET INTEREST INCOME	5,685	23.2	30.9	4,613
Income by the equity method	173	67.5	67.7	103
Net fee income	2,359	3.2	8.4	2,286
Income from insurance activities	394	15.5	21.8	341
CORE REVENUES	8,611	17.3	24.0	7,343
Net trading income	1,093	1.0	3.1	1,082
ORDINARY REVENUES	9,704	15.2	21.2	8,425
Net revenues from non-financial activities	33	(70.8)	(70.9)	113
Personnel costs	(2,343)	13.3	18.0	(2,067)
General expenses	(1,473)	15.3	22.2	(1,278)
Depreciation and amortization	(338)	36.9	43.3	(247)
Other operating income and expenses	(89)	18.2	33.3	(75)
OPERATING PROFIT	5,495	12.8	18.8	4,872
Impairment losses on financial assets	(1,185)	34.4	42.5	(881)
• Loan-loss provisions	(1,141)	31.9	39.8	(865)
• Other	(43)	167.8	188.4	(16)
Provisions	(136)	(19.6)	(17.8)	(169)
Other income/losses	59	n.m.	n.m.	(2)
• From disposal of equity holdings	9	n.m.	n.m.	(5)
• Other	50	n.m.	n.m.	3
PRE-TAX PROFIT	4,233	10.9	16.7	3,819
Corporate income tax	(1,136)	8.7	14.0	(1,045)
NET PROFIT	3,097	11.6	17.7	2,774
Minority interests	(169)	12.2	23.4	(150)
NET ATTRIBUTABLE PROFIT (excluding one-offs)	2,928	11.6	17.4	2,624
Net of one-off operations ⁽¹⁾	180	(76.0)	(76.0)	750
NET ATTRIBUTABLE PROFIT	3,108	(7.9)	(4.2)	3,374
EARNINGS PER SHARE CALCULATION				
Average ordinary shares in circulation (million)	3,717	5.1		3,535
Basic earnings per share excluding one-offs (euros)	0.79	6.2		0.74
Basic earnings per share (euros)	0.84	(12.4)		0.95
Diluted earnings per share (euros)	0.84	(12.4)		0.95

(1) In 2008, capital gains from Bradesco in the first quarter and extraordinary charges for early retirements in the second quarter. In 2007, capital gains from Iberdrola in the first quarter, and capital gains on the sale of buildings and the endowment for the BBVA Microcredit Foundation in the second quarter.

Consolidated income statement: quarterly evolution						
(Million euros)	2008		2007			
	2Q	1Q	4Q	3Q	2Q	1Q
Core net interest income	2,766	2,678	2,625	2,381	2,217	2,199
Dividends	185	56	120	30	163	35
NET INTEREST INCOME	2,952	2,734	2,745	2,411	2,380	2,233
Income by the equity method	34	139	81	57	77	26
Net fee income	1,184	1,175	1,270	1,168	1,152	1,133
Income from insurance activities	195	199	205	183	170	171
CORE REVENUES	4,365	4,247	4,301	3,819	3,780	3,564
Net trading income	541	552	339	402	535	547
ORDINARY REVENUES	4,905	4,799	4,639	4,221	4,315	4,110
Net revenues from non-financial activities	7	26	49	26	61	52
Personnel costs	(1,165)	(1,178)	(1,189)	(1,079)	(1,032)	(1,035)
General expenses	(743)	(730)	(775)	(665)	(650)	(628)
Depreciation and amortization	(161)	(177)	(184)	(147)	(127)	(120)
Other operating income and expenses	(47)	(41)	(37)	(34)	(45)	(30)
OPERATING PROFIT	2,795	2,700	2,503	2,323	2,522	2,349
Impairment losses on financial assets	(618)	(566)	(597)	(459)	(509)	(372)
• Loan-loss provisions	(596)	(545)	(584)	(452)	(498)	(367)
• Other	(23)	(21)	(13)	(7)	(11)	(5)
Provisions	5	(141)	70	(11)	(46)	(123)
Other income/losses	(4)	63	11	16	(15)	13
• From disposal of equity holdings	-	9	16	-	(1)	(4)
• Other	(5)	55	(5)	16	(15)	18
PRE-TAX PROFIT	2,178	2,056	1,987	1,869	1,952	1,867
Corporate income tax	(617)	(520)	(483)	(455)	(504)	(541)
NET PROFIT	1,561	1,536	1,504	1,414	1,447	1,327
Minority interests	(75)	(94)	(63)	(75)	(78)	(72)
NET ATTRIBUTABLE PROFIT (excluding one-offs)	1,486	1,442	1,440	1,339	1,369	1,254
Net of one-off operations	(329)	509	(70)	44	54	696
NET ATTRIBUTABLE PROFIT	1,157	1,951	1,370	1,382	1,423	1,950

headquarters. In addition, there was a charge of €200m to cover contributions to the BBVA Microcredit Foundation.

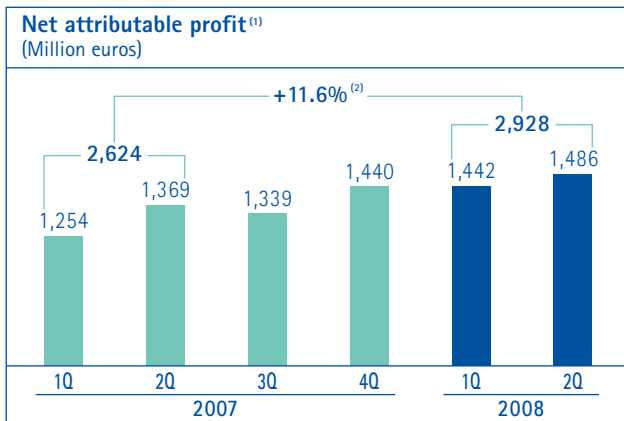
- In the first quarter of 2007, the sale of an interest in Iberdrola generated capital gains of €847m.

As a result, **in the first half** of 2008 non-recurrent items contributed €180m of attributable profit compared to €750m in the first half of 2007.

Unless otherwise indicated, the following remarks refer to the income statement **excluding** the above

non-recurrent operations because this will provide a clearer picture of the Group's performance. Therefore the non-recurrent operations are included, net of tax, at the end of the attached income statement.

In the **second quarter** of 2008 the Group obtained net attributable profit before non-recurrent items of €1,486m. This was an increase of 8.6% compared to €1,369m obtained in the same period last year. At constant exchange rates growth was 13.8% because these rates had a negative impact of more than 5 percentage points.



(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +17.4%.

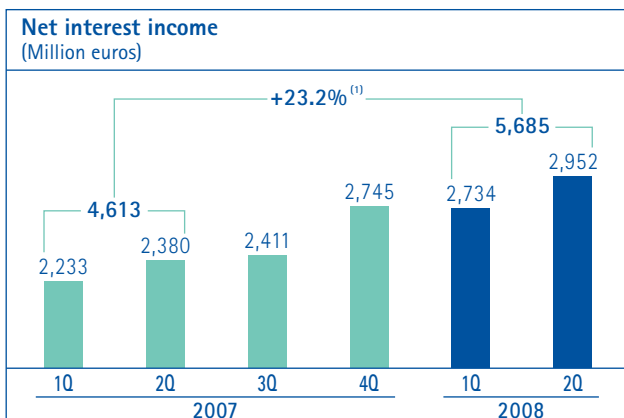
Cumulative **net attributable profit for the first half** came to €2,928m, up 11.6% compared to €2,624m for the same period last year (up 17.4% at constant exchange rates).

Once again, net interest income (up 23.2%) was the mainstay of growth. **Operating profit** rose 12.8% to €5,495m compared to €4,872m for the first half last year (up 18.8% at constant exchange rates). Loan-loss provisions, which continue to include generic provisions, also increased and they are shown on the lower part of the income statement.

In summary, the Group's recurrent earnings continue to grow and furthermore this growth is mainly **organic**. M&A activities (fundamentally Compass) contributed about 3.7 percentage points to the growth in operating profit and 2.4 points to the rise in net attributable profit.

Net interest income

In the **second quarter** of 2008 net interest income remained the principal source of increased revenues for the BBVA Group, rising 24.0% to €2,952m. Excluding



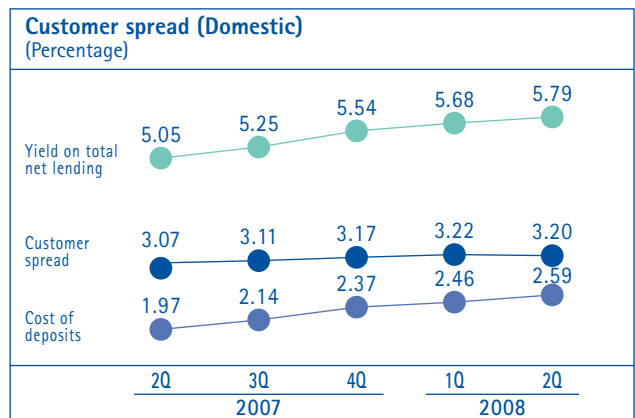
(1) At constant exchange rates: +30.9%.

dividends, net interest income grew 24.8% to €2,766m. Net interest income **for the half-year** came to €5,685m, which was 23.2% higher than the €4,613m obtained in the first half of 2007. Dividends accounted for €241m (€198m last year) and therefore net interest income excluding dividends for the first half of 2008 came to €5,444m (up 23.3%). The improvement was supported by an increase in business and by improved spreads on operations with customers.

In fact, spreads on business with domestic customers in **Spain** have risen to 3.20% in the second quarter, a similar level to the 3.22% in the first quarter of 2008 and 3.07% in the second quarter of 2007. This has been due to appropriate price management. In a context of rising rates the yield on loans (now 5.79%) has increased consistently over the past few quarters and faster than the cost of deposits (2.59%) which is affected by the change of structure derived from the increase in term deposits. All this helped net interest income in Spain & Portugal to grow 12.7% in the first half.

In **Mexico** interbank rates rebounded to 8.2% in June following a stable period since the end of 2007 at around 7.9%. During the second quarter of 2008, customer spreads improved from 12.52% to 12.77%, reaching a level similar to the 12.72% of the same quarter last year. The rise in loan yields (up 49 basis points to 15.72%) was greater than the increase in the cost of funds (up 24 basis points to 2.95%). In the first half of 2008 this effect helped to boost net interest income 15.9% in pesos.

Net interest income in **South America** also grew strongly (up 36.1% at constant exchange rates) supported by the higher volume of lending and customer funds and by a similar improvement in spreads.

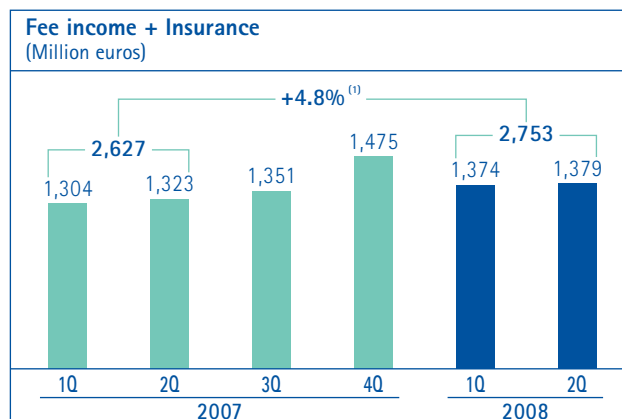


Breakdown of yields and costs	2 nd Quarter 08		1 st Quarter 08		4 th Quarter 07		3 rd Quarter 07	
	% of/ATA	% Yield/Cost	% of/ATA	% Yield/Cost	% of/ATA	% Yield/Cost	% of/ATA	% Yield/Cost
Cash and balances at Central Banks	2.4	3.74	2.8	3.20	3.3	2.75	3.7	2.67
Financial assets and derivatives	22.5	4.09	23.4	3.69	23.5	4.06	22.7	3.42
• Fixed-income securities	18.6	4.16	19.4	4.21	19.0	4.51	17.9	4.19
- Euros	11.3	3.00	11.3	2.77	10.7	3.01	10.3	2.55
- Foreign currencies	7.3	5.94	8.2	6.20	8.3	6.45	7.6	6.43
• Equity securities	3.9	3.80	4.0	1.14	4.5	2.12	4.8	0.54
Due from banks	5.3	5.20	4.7	6.01	6.0	5.81	7.2	5.97
• Euros	3.6	5.16	3.0	6.49	4.3	5.88	4.9	6.00
• Foreign currencies	1.7	5.30	1.7	5.17	1.7	5.65	2.3	5.91
Loans to customers	63.7	7.19	63.1	7.16	60.8	7.23	60.7	7.00
• Euros	44.5	5.77	44.1	5.70	42.5	5.58	44.8	5.30
- Domestic	40.6	5.79	40.7	5.68	39.5	5.54	41.8	5.25
- Other	4.0	5.62	3.5	5.90	3.0	6.13	3.1	6.00
• Foreign currencies	19.2	10.47	19.0	10.55	18.3	11.06	15.8	11.78
Other assets	6.1	0.54	6.0	0.83	6.4	0.83	5.8	0.91
TOTAL ASSETS	100.0	5.90	100.0	5.80	100.0	5.84	100.0	5.60
Deposits by Central Banks and banks	13.9	4.84	15.7	4.90	15.8	5.10	13.6	5.16
• Euros	5.9	4.66	6.7	4.39	6.3	4.24	5.5	4.06
• Foreign currencies	8.0	4.98	9.0	5.29	9.5	5.68	8.1	5.91
Due to customers	49.5	3.63	47.8	3.58	47.8	3.70	47.7	3.55
• Euros	26.2	3.64	25.7	3.41	26.0	3.44	27.8	3.18
- Domestic	16.4	2.59	16.4	2.46	16.4	2.37	17.5	2.14
- Other	9.9	5.39	9.3	5.09	9.6	5.26	10.3	4.94
• Foreign currencies	23.3	3.61	22.0	3.76	21.9	4.01	19.9	4.07
Marketable debt securities and subordinated debt	20.2	4.93	20.1	5.09	19.9	5.13	22.0	4.86
• Euros	16.3	5.02	16.2	5.13	16.0	4.96	18.1	4.50
• Foreign currencies	3.9	4.56	3.9	4.95	3.9	5.82	3.9	6.54
Other liabilities	11.1	0.72	10.9	0.83	10.9	0.75	11.4	0.79
Equity	5.4	-	5.5	-	5.6	-	5.3	-
TOTAL LIABILITIES AND EQUITY	100.0	3.54	100.0	3.59	100.0	3.68	100.0	3.55
NET INTEREST INCOME/ATA		2.36		2.21		2.16		2.05

Ordinary revenues

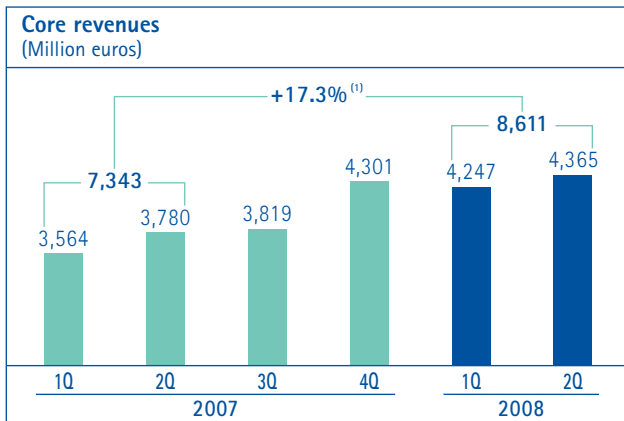
In the first half of 2008 **net fee income** came to €2,359m, an increase of 3.2% compared to the same period a year earlier. It was affected by lower fees on mutual and pension fund business (down 11.1%) due to the negative market effect and because the growth in customer funds is still centred on time deposits. **Insurance business** contributed €394m (up 15.5%) and thus **fee income plus insurance** increased to €2,753m in the first half. This was 4.8% higher than the €2,627m obtained in the same period last year.

Net income from companies booked **via the equity method** rose to €173m in the first half compared to



(1) At constant exchange rates: +10.1%.

€103m in the first half last year. In both periods most of this was provided by Corporación IBV.

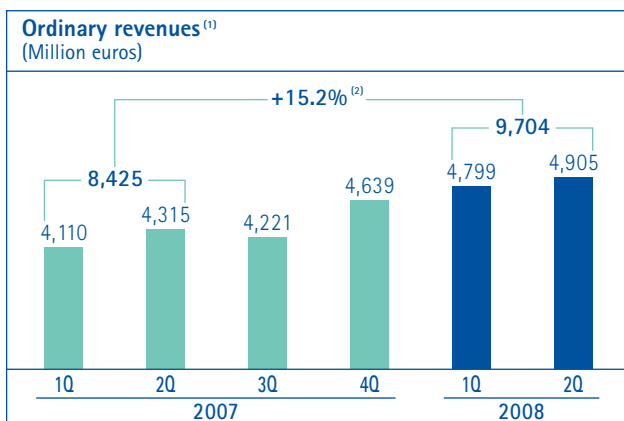


(1) At constant exchange rates: +24.0%.

Core revenues (net interest income plus net fee income, insurance and equity-accounted revenue) came to €4,365m in the second quarter, bringing the total for the first half to €8,611m. The latter figure was 17.3% higher than the €7,343m generated in the first half last year.

Net trading income contributed €1,093m in the first half, up 1.0% compared to €1,082m in 2007.

As a result **ordinary revenues** increased to €4,905m in the second quarter and to €9,704m for the first half (up 15.2% compared to €8,425m for the first half of 2007). After adding €33m obtained from net sales of non-financial activities, the Group's total **operating revenues** came to €9,737m, an increase of 14.0% year-on-year.



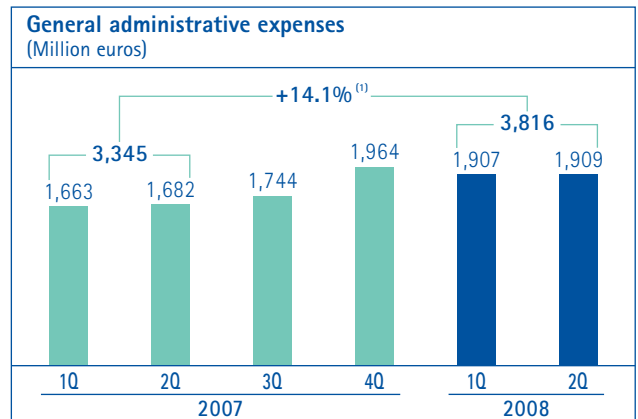
(1) Excluding results of one-off transactions.

(2) At constant exchange rates: +21.2%.

Operating profit

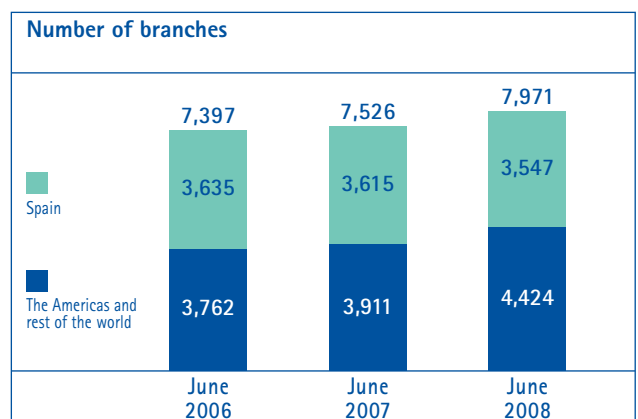
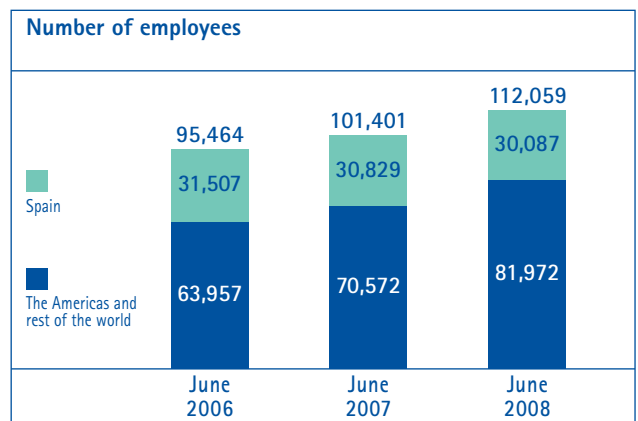
General administration expenses came to €3,816m for the first half, affected by recent acquisitions, by higher retail activity and by business development projects. Compared to the same period last year the increase was

14.1% (personnel expenses were up 13.3% and general overheads rose 15.3%). In Spain & Portugal the increase was contained at 1.4% (considerably below inflation). However expenses in the Americas rose 21.9% owing to the incorporation of Compass and to the addition of new branches and sales personnel in some countries.



(1) At constant exchange rates: +19.6%.

At the end of June 2008 the Group's **employees** numbered 112,059. There was a slight decrease in the quarter, which occurred mainly in Spain. The number of **branches** is largely unchanged during the quarter at 7,971.

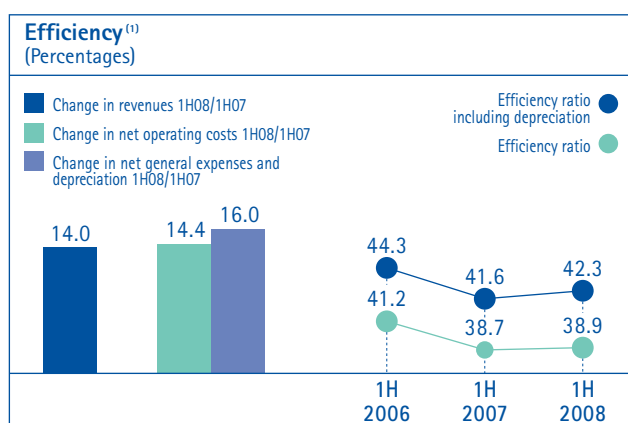


Efficiency ⁽¹⁾				
(Million euros)	1 st Half 08	Δ%	1 st Half 07	2007
Ordinary revenues	9,704	15.2	8,425	17,286
Net revenues from non-financial activities	33	(70.8)	113	188
TOTAL REVENUES	9,737	14.0	8,539	17,474
Personnel costs	(2,343)	13.3	(2,067)	(4,335)
General expenses	(1,473)	15.3	(1,278)	(2,718)
Recovered expenses	31	(18.1)	38	73
GENERAL ADMINISTRATIVE EXPENSES (NET)	(3,785)	14.4	(3,307)	(6,980)
EFFICIENCY RATIO (Costs/revenues, %)	38.9		38.7	39.9
Depreciation and amortization	(338)	36.9	(247)	(577)
GENERAL ADMINISTRATIVE EXPENSES (NET) + DEPRECIATION AND AMORTIZATION	(4,122)	16.0	(3,554)	(7,557)
EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION	42.3		41.6	43.3

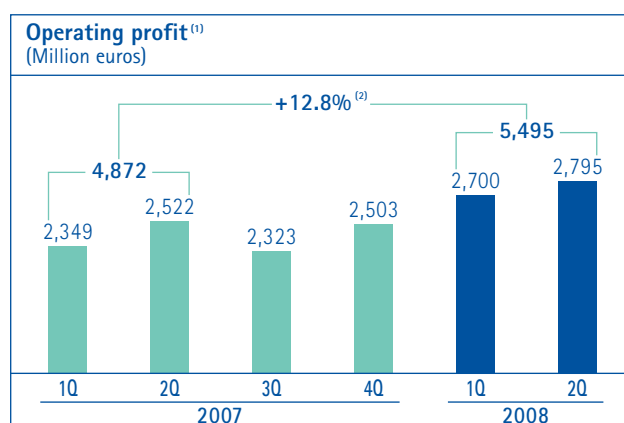
(1) Excluding the one-off operations.

As mentioned above, the increase in the Group's operating revenues (up 14.0%) was slightly less than the rise in expenses net of recuperated costs (up 14.4%). Therefore **efficiency** (measured by the cost/income ratio) was 38.9% in the first half compared to 38.7% in the same period last year. Excluding Compass, whose incorporation had a negative structural effect, efficiency improved to 37.5%. Conversely, depreciation rose 36.9% affected by depreciation of intangible assets at the Group's banks in the United States (€80m). Therefore net administration expenses plus depreciation increased 16.0% and the **cost/income ratio including depreciation** for the first half was 42.3% (41.6% in the same period last year). Excluding the Compass group this ratio improves to 40.1%, compared to 41.1% last year. It should be noted that all business areas improved their efficiency.

As a result of the above changes in revenues and costs, **operating profit** in the second quarter rose 10.8% to



(1) Excluding results of one-off transactions.



(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +18.8%.

€2,795m (€2,522m in the same period last year). This brings operating profit for the first half to €5,495m, an increase of 12.8% compared to €4,872m in the first half of 2007 (up 18.8% at constant exchange rates). All business areas contributed to the rise in operating profit. Spain & Portugal rose 13.0%, Wholesale Banking & Asset Management grew 17.3%, Mexico was up 11.4% (24.3% in pesos), South America increased 21.3% (31.8% in local currencies) and in the United States operating profit nearly tripled following the addition of Compass.

Provisions and others

In the second quarter **loan-loss provisions** came to €596m. This was slightly higher than the two previous quarters, which already included Compass. The cumulative amount for the first half is €1,141m, up

31.9% compared to €865m for the same period last year. This figure includes generic provisions linked to the growth in lending.

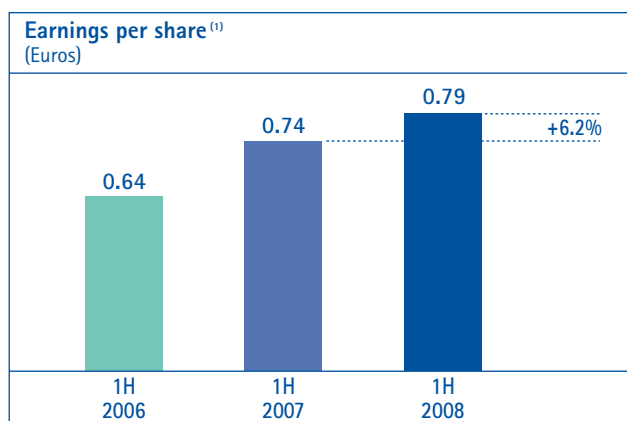
Charges to **other provisions** in the first half came to €136m. This was less than the €169m provided in the same period last year. These amounts include provisions of €61m in the first half for early retirements of an ongoing nature (€81m last year). These are in addition to non-recurrent provisions of €470m related to the transformation plan for Spain & Portugal.

Attributable profit

Profit before tax for the first half came to €4,233m compared to €3,819m obtained in the same period last year. **Corporate tax** was €1,136m affected by the tax rate in Spain, which has fallen from 32.5% in 2007 to 30% in 2008. As a result, net profit came to €3,097m, an increase of 11.6% year-on-year. After deducting €169m for minority interests, the Group's **net attributable profit** for the year to June rose 11.6% to €2,928m (€2,624m in the same period last year). Excluding exchange rate effects, growth was 17.4%.

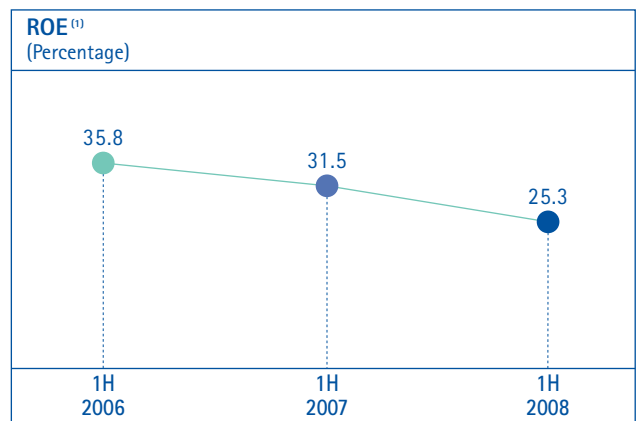
By business area, Spain & Portugal contributed €1,336m (up 15.5% year-on-year), Wholesale Banking & Asset Management €559m (up 25.5%), Mexico €950m (up 7.6% in euros and 20.1% in pesos), USA €164m (more than double owing to the incorporation of Compass), South America €351m (up 7.5% at current exchange rates and 17.6% at constant rates).

Earnings per share (EPS) come to €0.40 for the quarter and €0.79 for the first half (up 6.2% compared to €0.74 for the first half of 2007). EPS increased less than

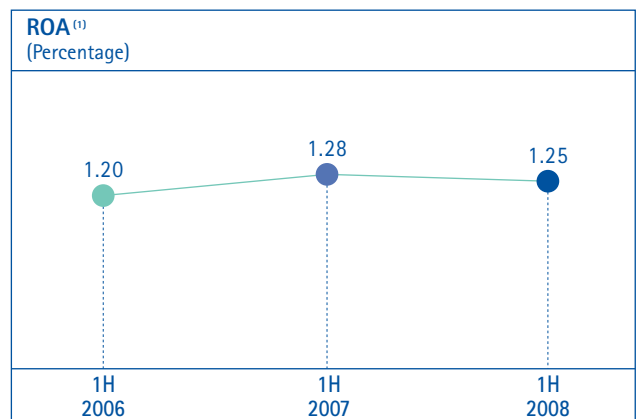


(1) Excluding results of one-off transactions.

net attributable profit because the number of shares rose following the capital increase in September 2007. The increase in shareholders' equity brings the **book value per share** to €6.9 (up 22.0% year-on-year). But it also affects **ROE** (return on equity), which now stands at 25.3% (31.5% at the same point last year). **ROA** (return on assets) is 1.25% (1.28% in Jan-Jun 2007).



(1) Excluding results of one-off transactions.



(1) Excluding results of one-off transactions.

Non-recurrent earnings in the first half of 2008 add €180m to net attributable profit. They result from capital gains of €727m on the sale of the Group's interest in Bradesco (€509m net), less €470m (€329m net) for provisions associated with non-recurring early retirements. In the same period of 2007 non-recurrent earnings contributed €750m. That amount was generated by capital gains on the sale of buildings and divestment of the Group's interest in Iberdrola, less contributions to the BBVA Microcredit Foundation.

Including these items, the Group's **net attributable profit** comes to €3,108m (€3,374m in the first half last year). Earnings per share are €0.84, ROE is 26.0% and ROA is 1.28%.

Business activity

During the second quarter of 2008 lending to customers in Spain continued to slow and customer funds favoured those types of deposit that are reported on the balance sheet. Conversely in the Americas business continued to grow fast with the emphasis on lending rather than customer funds.

Compass Bank joined the Group in September 2007. Therefore annual comparisons of key figures are

presented on a like-for-like basis, ie, excluding those of the **Compass Group** at 30-Jun-08 and those of Laredo National Bank, State National Bank and Texas State Bank (now part of Compass) at 30-Jun-07. This provides a clearer picture of the BBVA Group's underlying organic growth during the period.

Consolidated balance sheet					
(Million euros)	30-06-08	Δ%	30-06-07	31-03-08	31-12-07
Cash and balances at Central Banks	12,393	(28.1)	17,242	10,304	22,582
Financial assets held for trading	58,862	(0.6)	59,195	59,902	62,336
Other financial assets at fair value	1,108	22.4	905	1,144	1,167
Financial assets available for sale	46,199	14.0	40,540	46,918	48,432
Loans and receivables	357,011	10.7	322,452	336,076	338,492
• Due from banks	24,329	(33.9)	36,806	15,496	20,997
• Loans to customers	323,833	16.3	278,548	312,653	310,882
• Other	8,848	24.7	7,098	7,927	6,613
Held to maturity investments	5,402	(5.3)	5,706	5,385	5,584
Investments in associates	1,261	(11.4)	1,423	1,296	1,542
Property, plant and equipment	5,149	6.9	4,816	5,086	5,238
Intangible assets	7,711	121.9	3,474	7,724	8,244
Other assets	9,893	(7.4)	10,689	9,556	8,588
TOTAL ASSETS	504,990	8.3	466,443	483,391	502,204
Financial liabilities held for trading	23,495	31.1	17,919	23,770	19,273
Other financial liabilities at fair value	366	(29.2)	517	390	449
Financial liabilities at amortised cost	428,429	8.0	396,566	408,528	429,204
• Deposits by Central Banks and banks	75,029	18.0	63,591	63,506	88,098
• Due to customers	246,664	10.2	223,793	237,460	236,183
• Marketable debt securities	83,248	(3.1)	85,887	84,542	82,999
• Subordinated debt	15,415	3.1	14,957	15,646	15,662
• Other	8,073	(3.2)	8,338	7,375	6,262
Liabilities under insurance contracts	10,187	1.0	10,084	10,078	9,997
Other liabilities	16,543	(6.3)	17,653	14,030	15,338
TOTAL LIABILITIES	479,020	8.2	442,738	456,796	474,261
Minority interests	876	9.9	797	907	880
Valuation adjustments	(756)	n.m.	2,832	118	2,252
Shareholders' funds	25,850	28.8	20,076	25,571	24,811
EQUITY	25,970	9.6	23,705	26,596	27,943
TOTAL LIABILITIES AND EQUITY	504,990	8.3	466,443	483,391	502,204
MEMORANDUM ITEM:					
Contingent liabilities	77,663	47.6	52,606	72,000	65,845
MEMORANDUM ITEM:					
Average total assets	499,938	14.2	437,735	496,736	461,668
Average shareholders' funds	23,311	38.9	16,777	23,007	17,901

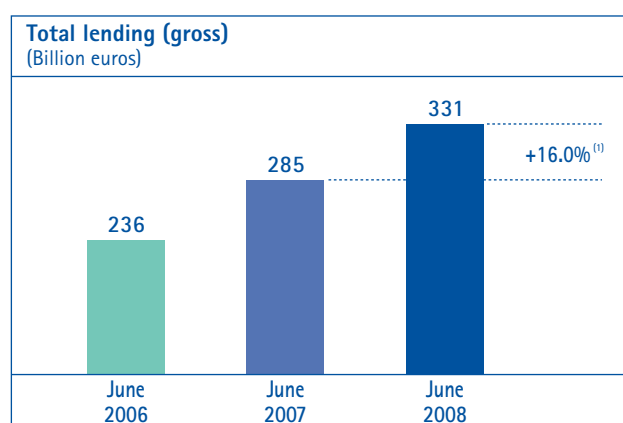
Furthermore year-on-year comparisons are also shown excluding the effect of **exchange rates**, which had a negative effect on the Group's balance sheet and income statement. In the last 12 months the Mexican, Argentine, Chilean and Colombian currencies fell more than 10% against the euro, as did the US dollar and the bolivar fuerte in Venezuela.

The Group's **total assets** at 30-Jun-08 came to €505 billion, compared to €466 billion at the same point last year. This was an increase of 8.3% (3.3% on a like-for-like basis).

Lending to customers

By the end of June lending to customers had risen 16.0% to €331 billion (€285 billion at 30-Jun-07). At constant exchange rates the growth was 18.8% and on a like-for-like basis (excluding the Compass Group) and at constant rates, the increase in lending is 12.4%.

Loans to the **public sector** in Spain grew 5.8% to €17 billion and those in the **domestic private sector** rose

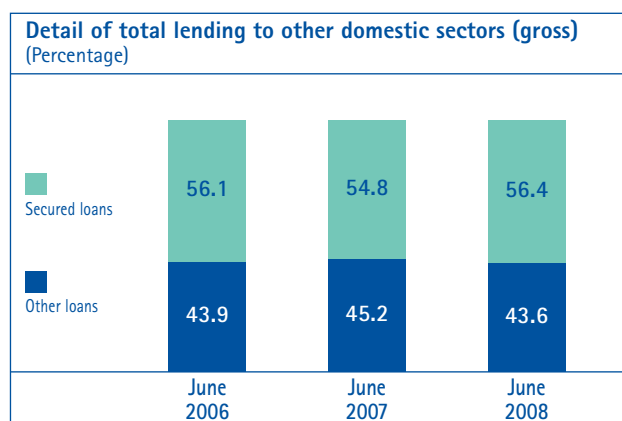
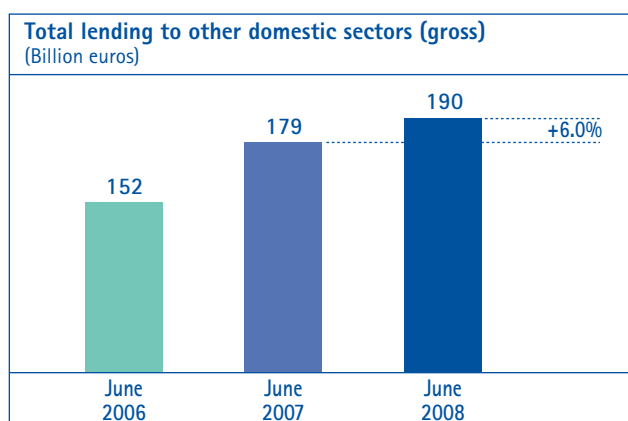


(1) At constant exchange rates: +18.8%.

6.0% to €190 billion (€179 billion in June 2007). These changes confirm the gradual slowdown that started in 2007 and is affecting secured loans, its principal component (which grew 9.1% to €107 billion).

Lending to **non-resident customers** in Spain rose 37.1% to €119 billion at 30-Jun-08 compared to €87 billion a year earlier (up 48.2% at constant exchange rates and up 26.9% on a like-for-like basis and constant rates). The branches of the Corporate

Total lending					
(Million euros)	30-06-08	Δ%	30-06-07	31-03-08	31-12-07
Public sector	17,176	5.8	16,240	16,362	15,960
Other domestic sectors	190,191	6.0	179,392	187,196	187,049
• Secured loans	107,199	9.1	98,281	105,411	104,567
• Commercial loans	10,744	(15.7)	12,740	11,313	12,767
• Financial leases	8,009	7.1	7,477	7,853	7,774
• Other term loans	57,772	3.3	55,952	58,116	57,159
• Credit card debtors	2,115	25.8	1,682	1,593	1,975
• Other	4,352	33.4	3,261	2,910	2,808
Non-domestic sector	119,171	37.1	86,943	112,483	111,631
• Secured loans	36,744	40.2	26,205	28,657	30,695
• Other loans	82,427	35.7	60,738	83,827	80,936
Non-performing loans	4,665	62.0	2,881	3,837	3,358
• Public sector	77	(42.7)	135	84	116
• Other domestic sectors	2,487	112.4	1,171	1,847	1,435
• Non-domestic sectors	2,102	33.4	1,575	1,906	1,807
TOTAL LENDING (GROSS)	331,204	16.0	285,456	319,879	317,998
Loan-loss provisions	(7,371)	6.7	(6,908)	(7,226)	(7,117)
TOTAL NET LENDING	323,833	16.3	278,548	312,653	310,882



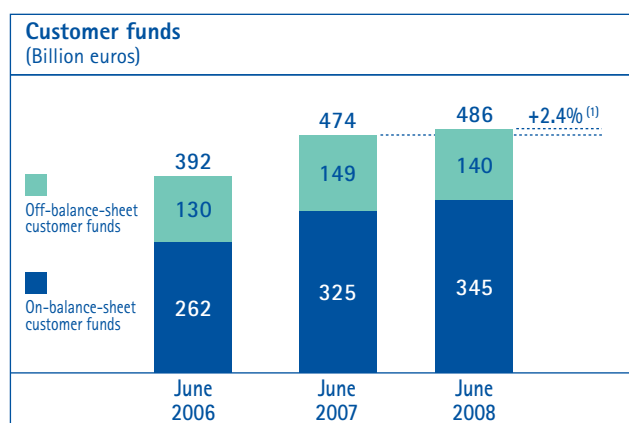
& Investment Banking Area in Europe, New York and Asia, and most Latin-American countries contributed to growth, especially Mexico, Argentina, Peru and Venezuela with increases of more than 22%.

Non-performing loans stand at €4.7 billion. These are dealt with in the chapter on risk management.

Customer funds

Total customer funds on and off the balance sheet came to €486 billion at 30-Jun-08, an increase of 2.4% compared to €474 billion a year earlier. At constant exchange rates the increase is 6.0% and if a like-for-like basis is also applied (excluding Compass) the increase is 1.6%.

Customer funds					
(Million euros)	30-06-08	Δ%	30-06-07	31-03-08	31-12-07
ON-BALANCE-SHEET CUSTOMER FUNDS	345,327	6.4	324,636	337,647	334,844
DEPOSITS	246,664	10.2	223,793	237,460	236,183
Public sector	8,168	(46.6)	15,303	5,989	6,853
Other domestic sectors	106,270	(0.9)	107,267	105,020	107,416
• Current and savings accounts	43,249	(7.4)	46,689	40,697	44,187
• Time deposits	38,047	27.4	29,860	35,192	33,781
• Assets sold under repurchase agreement	7,188	(26.2)	9,742	9,737	8,785
• Other	17,785	(15.2)	20,976	19,394	20,664
Non-domestic sector	132,227	30.6	101,223	126,450	121,913
• Current and savings accounts	48,551	25.6	38,654	48,535	50,836
• Time deposits	75,357	39.8	53,911	68,139	61,670
• Assets sold under repurchase agreement and other accounts	8,319	(3.9)	8,658	9,776	9,407
MARKETABLE DEBT SECURITIES	83,248	(3.1)	85,887	84,542	82,999
Mortgage bonds	39,666	(1.7)	40,357	39,664	39,730
Other marketable securities	43,582	(4.3)	45,530	44,879	43,269
SUBORDINATED DEBT	15,415	3.1	14,957	15,646	15,662
OTHER CUSTOMER FUNDS	140,190	(6.1)	149,313	146,110	150,777
Mutual funds	54,571	(10.1)	60,669	56,118	57,932
Pension funds	57,652	(5.8)	61,206	60,779	60,909
Customer portfolios	27,967	1.9	27,438	29,213	31,936
TOTAL CUSTOMER FUNDS	485,517	2.4	473,949	483,758	485,621



(1) At constant exchange rates: +6.0%.

It should be noted that year-on-year variations in customer funds are still affected by the amounts allocated in the **Treasury's liquidity auctions**, which are reported under Public Sector Deposits. At the end of the first half of 2007 the amount was €10 billion whereas at 30-Jun-08 it stands at €3 billion.

Excluding these amounts the growth in customer funds is 3.9% (rather than the 2.4% mentioned above).

As usual, **customer funds on the balance sheet** performed best, rising 6.4% to €345 billion at the end of June 2008 (up 8.7% without the effect of the Treasury auctions). Of this figure, customer deposits account for €247 billion, rising 10.2% (up 13.8% without Treasury auctions). Marketable debt securities account for €83 billion (down 3.1%) and subordinate liabilities account for the remaining €15 billion (up 3.1%).

Off-balance-sheet funds (mutual funds, pension funds and customers' portfolios) came to €140 billion, which was down from €149 billion at 30-Jun-07 although at constant exchange rates the fall is only 1.1%. These developments were affected by the sharp decline in the markets, which has lowered the value of mutual funds and customer portfolios. Spain accounts

Other customer funds					
(Million euros)	30-06-08	Δ%	30-06-07	31-03-08	31-12-07
SPAIN	67,857	(12.4)	77,474	71,295	74,401
MUTUAL FUNDS	39,460	(13.8)	45,788	41,843	43,258
Mutual funds (ex Real estate)	37,519	(13.1)	43,172	39,636	40,876
• Monetary and short term fixed-income	14,283	(6.4)	15,253	15,751	15,489
• Long-term fixed income	1,388	(22.8)	1,798	1,485	1,653
• Balanced	1,141	(33.5)	1,715	1,257	1,493
• Equity	2,649	(40.5)	4,453	2,727	3,589
• Guaranteed	16,609	(3.6)	17,227	16,767	16,788
• Global	1,448	(46.9)	2,726	1,648	1,864
Real estate investment trusts	1,818	(27.1)	2,493	2,083	2,258
Private equity funds	123	(0.2)	124	123	124
PENSION FUNDS	16,124	(2.1)	16,463	16,469	17,068
Individual pension plans	9,238	(0.8)	9,313	9,491	9,806
Corporate pension funds	6,886	(3.7)	7,149	6,978	7,262
CUSTOMER PORTFOLIOS	12,273	(19.4)	15,224	12,983	14,075
REST OF THE WORLD	72,333	0.7	71,839	74,815	76,376
Mutual funds and investment companies	15,111	1.5	14,881	14,275	14,674
Pension funds	41,528	(7.2)	44,744	44,310	43,841
Customer portfolios	15,694	28.5	12,215	16,230	17,861
OTHER CUSTOMER FUNDS	140,190	(6.1)	149,313	146,110	150,777

for €68 billion of off-balance-sheet funds, a decrease of 12.4%. Apart from the factors mentioned above, the decrease is due to declining interest in mutual funds. In other countries where the Group operates off-balance-sheet funds rose 0.7% to €72 billion (up 12.5% at constant exchange rates) with advances in all types. In the second quarter the Group sold the business handled by its Miami branch, which at 30-Jun-07 contributed €1,038m to customer portfolios.

In **Spain** high interest rates and weak stock markets led to greater demand for time deposits at the expense of current and savings accounts, and of mutual funds. In fact time deposits rose 27.4% year-on-year to €38 billion. Excluding the volatile movements in euro deposits the increase was 40.5%. On the other hand current and savings accounts fell 7.4% to €43 billion. In addition, mutual funds declined 13.8% to €39 billion, however, overall the banking system fell further and therefore BBVA

continued to gain market share. Pension funds fell 2.1% to €16 billion as the negative market effect outweighed new contributions.

At 30-Jun-08 **public sector deposits** in Spain fell 46.6% to €8 billion. Excluding amounts allocated in the Treasury's liquidity auctions, the decline was 8.8%.

In the case of **non-resident customers** in Spain the aggregate of current and savings accounts, time deposits, mutual funds and pension funds rose 18.6% to €181 billion (up 30.3% at constant exchange rates and up 19.8% if a like-for-like basis is also considered). In particular, current and savings accounts jumped 25.6% to €49 billion.

Stable funds rose 16.3% to €132 billion. Time deposits account for €75 billion (up 39.8%), pension funds €42 billion (down 7.2%) and mutual funds and investment companies €15 billion (up 1.5%).

Statement of changes in equity								
(Million euros)	Capital	Reserves	Profit for the year	Treasury shares	Valuation adjustments	Minority interests	Paid dividends	TOTAL EQUITY
BALANCE AT 31-12-06	1,740	13,208	4,736	(112)	3,341	768	(1,363)	22,318
Valuation adjustments					(509)	(4)		(513)
Profit retained		2,525	(2,525)					-
Dividends			(2,210)			(91)	824	(1,478)
Shares issued								-
Treasury shares		(3)		(92)				(95)
Profit for the year			3,374			150		3,524
Other		(40)		15		(26)		(51)
BALANCE AT 30-06-07	1,740	15,690	3,374	(189)	2,832	797	(539)	23,705
BALANCE AT 31-12-07	1,837	18,830	6,126	(322)	2,252	880	(1,661)	27,943
Valuation adjustments					(3,008)	(54)		(3,062)
Profit retained		3,464	(3,464)					-
Dividends			(2,663)			(114)	1,041	(1,735)
Shares issued								-
Treasury shares		(128)						(128)
Profit for the year			3,108			169		3,277
Other		(56)		(264)		(5)		(325)
BALANCE AT 30-06-08	1,837	22,110	3,108	(586)	(756)	876	(620)	25,970

At the end of June the BBVA Group's **capital base**, calculated according to the **Basel II** rules, declined 1.3% to €33,578m compared to the first quarter of 2008.

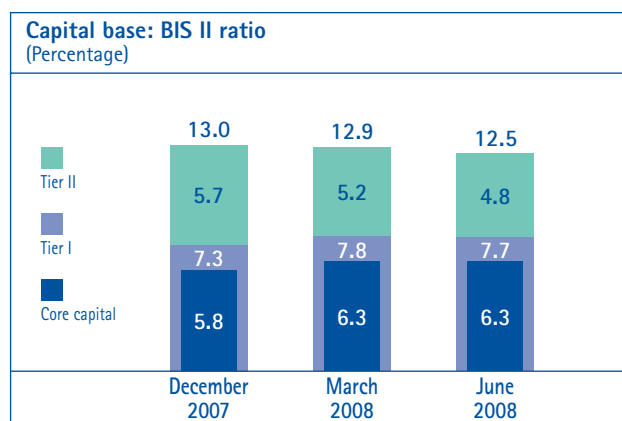
The Bank of Spain has approved BBVA's internal models for the calculation and these also comply with present legislation. The figures do not consider the limits designed for during the implementation phase.

Risk-weighted assets (RWA) increased 2.0% compared to 31-Mar-08, to €268,357m. The minimum capital requirement (8% of RWA) is therefore €21,469m and the **capital base surplus** is €12,109m. In other words the Group's capital base is 56% higher than the required minimum.

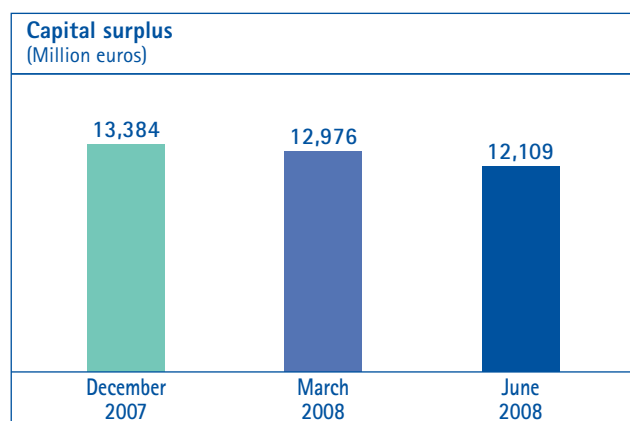
Core capital at the end of June came to €16,777m, rising 1.6% during the second quarter. The core capital ratio is now 6.3% compared to 6.3% at 31-Mar-08 and 5.8% at 31-Dec-07.

After adding preference securities **Tier I** comes to 7.7% (7.8% at 31-Mar-08 and 7.3% at 31-Dec-07). The ratio of preference securities to core equity fell to 21.3% (21.6% in March).

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



Capital base (BIS II Regulation)			
(Million euros)	30-06-08	31-03-08	31-12-07
Shareholders' funds	25,850	25,571	24,811
Adjustments	(9,072)	(9,055)	(9,265)
CORE CAPITAL	16,777	16,516	15,546
Preference shares	4,420	4,419	4,492
Adjustments	(484)	(475)	(479)
CAPITAL (TIER I)	20,713	20,460	19,559
Subordinated debt and other	13,355	14,036	15,784
Deductions	(490)	(476)	(479)
OTHER ELIGIBLE CAPITAL (TIER II)	12,865	13,560	15,305
CAPITAL BASE	33,578	34,021	34,864
Minimum capital requirement (BIS II Regulation)	21,469	21,045	21,479
CAPITAL SURPLUS	12,109	12,976	13,384
RISK-WEIGHTED ASSETS	268,357	263,062	268,491
BIS RATIO (%)	12.5	12.9	13.0
CORE CAPITAL (%)	6.3	6.3	5.8
TIER I (%)	7.7	7.8	7.3
TIER II (%)	4.8	5.2	5.7



rules, amounted to €12,865m and therefore the Tier II ratio is 4.8%. This ratio fell 40 basis points during the quarter mainly because latent capital gains contracted following falls in equity markets. During the second quarter of 2008 the Group issued €50m in subordinated debt.

The **BIS ratio** is the sum of Tier I and Tier II. At 30-Jun-08 it stood at 12.5% compared to 12.9% at 31-Mar-08 and 13.0% at 31-Dec-07.

We are not presenting comparisons with the figures for 30-Jun-07 because they were calculated in accordance with Basel I rules, which were different. In fact the BIS ratio calculated on the old rules in June 2007 was 11.8%. The present ratio is higher despite the effect on the capital base caused by the acquisition of Compass in September 2007.

Ratings

In the second quarter of 2008, Fitch confirmed BBVA's rating as AA- with a positive outlook. It took a positive view of the Group's high profitability, its capacity to generate recurrent earnings and its strict control of risk. Fitch considers BBVA's rating will probably be increased in the medium term. It feels the Group is well prepared to tackle uncertainty in the current economic environment provided it maintains its solid financial profile and successfully integrates its US subsidiaries.

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

In the **second quarter of 2008** macroeconomic conditions continued to decline in the USA and in Europe. At the start of June inflationary pressures, stemming mainly from the surge in oil prices, led the governor of the European Central Bank to announce the possibility of unexpected increases in interest rates (which in fact materialised in July). The announcement triggered a sharp adjustment in equity markets.

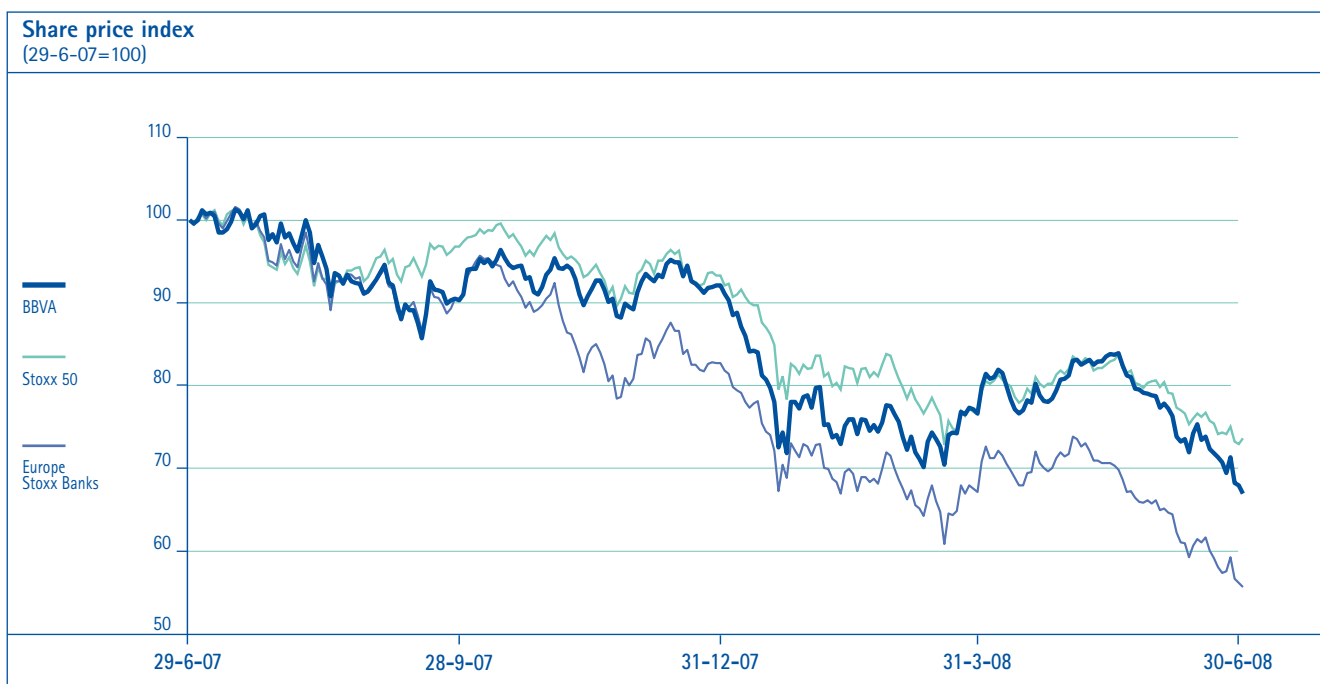
The main **indices** –particularly European ones– ended down on the quarter although falls were smaller than in the previous period. The Stoxx 50 fell 3.7%, the FTSE 2.4% and in the US the S&P 500 declined 3.2%. Sentiment regarding Spain is still negative and forecasts for its economy have been revised downwards. These factors logically affected the stock market and the IBEX 35 suffered more than other European indices falling 9.2% in the second quarter.

In the **banking sector** earnings in the first quarter were down sharply following a fall in revenues and increased provisions. The new provision charges announced during that quarter caused forecasts to be cut back about 15%. Furthermore the need to recapitalise resulted in important capital issues by European banks.

As a result the banking sector suffered further corrections, which were bigger than those in the general market. The Stoxx Banks index lost 17.1% in the second quarter. The fall was greater in Britain (where the FTSE Banks was down 21.2%) and in the USA (where the S&P Financials Index lost 19.0%).

In this context of sharp falls in the share prices of banks, **BBVA** once again fared better than the sector average although its shares fell 12.8% in the second quarter. In fact over the last 12 months BBVA's shares (down 33.1%) have performed better than the Stoxx Banks index (down 44.4%).

In the first quarter **BBVA's earnings** were slightly above expectations and analysts viewed them positively. Net interest income and expenses performed better than expected and BBVA's liquidity and capital positions were also seen as favourable. Other positive factors included the resilience of the bank's Spanish business compared to its domestic rivals and the solid performance in Mexico despite fears surrounding the impact of the US slowdown. At the end of June, 74% of the 38 analysts who track BBVA's performance maintained their *buy* recommendation with an average target price of €18.2. They cite the value of the retail



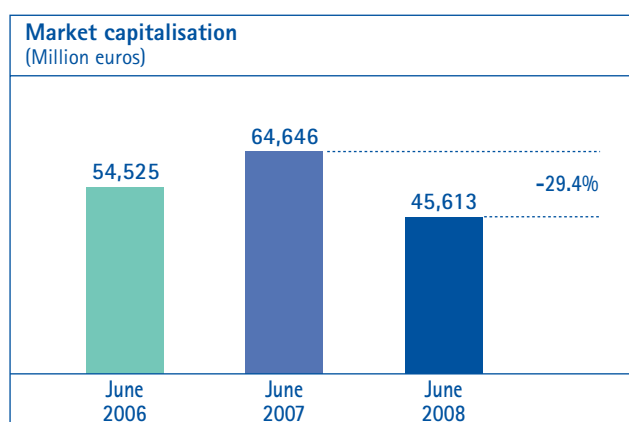
The BBVA share				
	30-06-08	31-03-08	31-12-07	30-06-07
Number of shareholders	886,407	891,266	889,734	881,519
Number of shares issued	3,747,969,121	3,747,969,121	3,747,969,121	3,551,969,121
Daily average number of shares traded	52,379,128	53,969,024	50,958,752	48,948,822
Daily average trading (million euros)	740	769	908	907
Maximum price (euros)	16.82	16.82	20.28	20.28
Minimum price (euros)	12.05	12.41	15.40	17.35
Closing price (euros)	12.17	13.95	16.76	18.20
Book value per share (euros)	6.90	6.82	6.62	5.65
Market capitalisation (million euros)	45,613	52,284	62,816	64,646

Share performance ratios				
	30-06-08	31-03-08	31-12-07	30-06-07
Price/Book value (times)	1.8	2.0	2.5	3.2
PER (Price/Earnings; times) ⁽¹⁾	6.9	8.2	10.3	10.6
Yield (Dividend/Price; %) ⁽²⁾	6.78	5.95	4.37	4.03

(1) The 30-6-08 P/E is calculated taking into consideration the median of the analysts' estimates (July 2008).
(2) Dividend yield at 30-6-08 is calculated taking into consideration the median of analysts' estimates (July 2008).

banking franchise and the importance of its recurrent earnings in the present complex environment.

During the second quarter **BBVA's share price** varied between €12.05 and €15.40, closing at €12.17 on



30th June 2008 and bringing market capitalisation to €45,613m. At that point the price-earnings ratio (PER), calculated on 2008 profits as estimated by analysts, was 6.9 compared to 10.3 in 2007 (calculated on the actual figures at the end of that year). The price-to-book ratio is 1.8 and the **dividend yield** (calculated on the average estimate of analysts for 2008) has risen to 6.8%.

The average number of shares traded each day in the second quarter of 2008 was 51 million with an average value of €711m. Both figures are somewhat less than the previous quarter.

In regard to **shareholder remuneration**, a first interim dividend of €0.167 per share against 2008 earnings was paid on 10th July. This was 10% higher than the first interim dividend paid last year.

Risk management

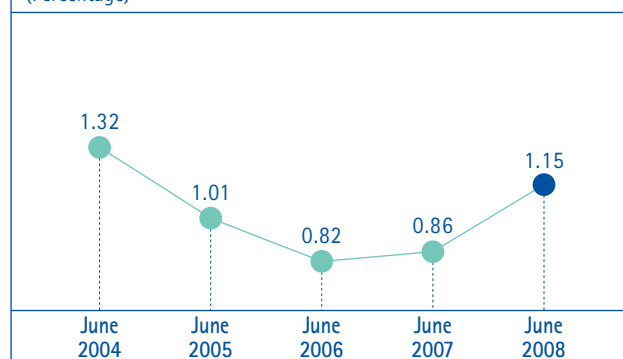
Credit risk

Despite difficulties in the banking environment, the BBVA Group has continued to maintain its sound asset quality. Compared to its European peers, its non-performing loan ratio (NPL) is well managed and low; and its coverage ratio high.

At the end of June 2008, the Group had a **total risk exposure** of €408,867m with its customers (including contingent liabilities), 20.9% up on the €338,062m booked to the same date of the previous year (15.7% without the Compass Banking Group). It had €4,720m in **non-performing assets** on 30-Jun-08, as compared to €2,918m on 30-Jun-07. Excluding Compass, non-performing assets stood at €4,166m increasing 48.3% year on year. This was due to the aforementioned increase in total risk exposure, and above all, the domestic and international macroeconomic scenario which was increasingly gloomy.

Consequently, the Group's **NPL ratio** reached 1.15% at the end of June 2008, as compared with the 0.99% recorded on 31-Mar-08 and the 0.86% from one year

Non-performing loan ratio
(Percentage)



earlier. In **Spain**, BBVA has an NPL ratio in *other resident sectors* below that of the system (1.17% vs. 1.53% in May-08, the latest available data for the sector) and with better performance (an increase of 41 basis points since December vs. 61 basis points for the system). In the Spain & Portugal business area, the NPL ratio was 1.22% at 30-Jun-08 (0.94% at 31-Mar-08 and 0.64% at 30-6-07). The NPL ratio was even lower in the residential mortgage portfolio for individuals and developers (0.84%). Moreover, the major part of this portfolio comprises loans for owner-occupiers with a low loan-to-value ratio.

Credit risk management

(Million euros)	30-06-08	Δ%	30-06-07	31-03-08	31-12-07
TOTAL RISK EXPOSURE ⁽¹⁾					
Non-performing assets	4,720	61.8	2,918	3,878	3,408
Total risks	408,867	20.9	338,062	391,879	383,843
Provisions	7,857	6.1	7,407	7,740	7,662
• Specific	2,035	5.0	1,939	1,897	1,868
• Generic and country-risk	5,821	6.5	5,468	5,843	5,794
NPL ratio (%)	1.15		0.86	0.99	0.89
NPL coverage ratio (%)	166		254	200	225
MEMORANDUM ITEM:					
Foreclosed assets	323	26.2	256	292	237
Foreclosed asset provisions	72	0.6	72	70	96
Coverage (%)	22.3		27.9	23.9	40.5

(1) Including contingent liabilities.

Variations in non-performing assets					
(Million euros)	2008		2007		
	2Q	1Q	4Q	3Q	2Q
BEGINNING BALANCE	3,878	3,408	3,255	2,918	2,693
Net variation	842	470	153	337	225
Entries	2,215	1,591	1,501	1,108	1,049
Outflows	(813)	(716)	(710)	(557)	(567)
Write-offs	(535)	(347)	(581)	(428)	(265)
Exchange rate differences and other	(25)	(58)	(57)	214	8
PERIOD-END BALANCE	4,720	3,878	3,408	3,255	2,918
MEMORANDUM ITEM:					
• Non-performing loans	4,665	3,837	3,358	3,212	2,881
• Non-performing contingent liabilities	55	41	49	43	37

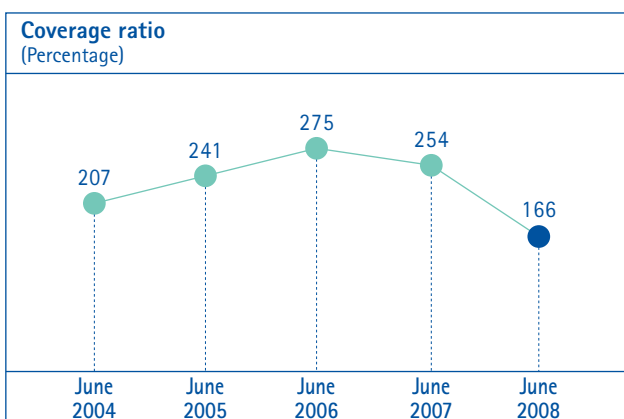
In other business areas, changes have not been so marked: in Global Businesses there are virtually no doubtful loans and the NPL rate remains at record lows (0.01% as against 0.03% in June 2007); in Mexico the rate is stable at 2.37% (2.36% the previous year); in South America it went down to 2.22% (2.52% on 30-Jun-07), while in USA it increased to 2.37% from 2.02% in June 2007.

Loan-loss provisions continued to grow (€7,857m at the end of June 2008, as against €7,407m in June 2007). Overall growth in lending automatically required allocations to generic loan-loss provisions. Thus, generic and country-risk provisions rose to €5,821m, 6.5% up on the €5,468m recorded on 30-Jun-07, and came to account for 74.1% of total coverage (73.8% a year earlier).

The **coverage ratio** remained high both in the Group (166% on 30-Jun-08, compared to 254% on 30-Jun-07) and in all the business areas: 142% in Spain & Portugal; close to 6,700% in Global Businesses; 227% in Mexico; 75% in the United States, and 141% in South America.

Market risk

Mature markets continued to be beset by volatility in the second quarter, with some volatility increase noted in Mexico and South America. Against this backdrop, the BBVA Group's market exposure on its trading portfolio, measured by value-at-risk (without exponential flattening), went down in the second quarter of 2008 to an average of €18.7m, 9% below the VaR reported for the first quarter. At the end of



(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.

June 2008, the exposure stood at €19.5m, with moderate average weighted consumption of the VaR limits (32%).

By **geographical zones**, risk continued to be focused in Europe and the United States, which accounted for 63% of the total average for the second quarter, albeit less than in the previous quarter. The percentage in Mexico increased to 25.7% and in South America to 11.4%.

The biggest **risk factor** at 30-Jun-08 was interest rates, whose share in total exposure increased against the

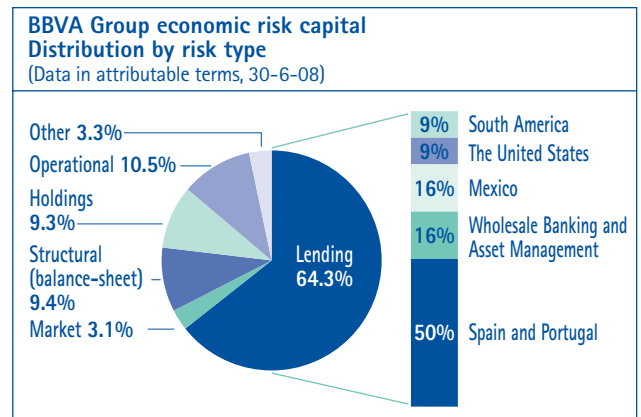
Market risk by risk factors	
(Second Quarter 2008. Million euros)	
Risk	30-06-08
Interest	18.3
Credit spread	7.1
Exchange rate	1.5
Equity	2.0
Vega and correlation	7.5
Diversification effect	(17.0)
TOTAL	19.5
AVERAGE	18.7
MAXIMUM	25.5
MINIMUM	13.7

first quarter. The shares of other factors have decreased, the most relevant being the volatility associated to optional positions (vega), followed by trading-market volatility and exchange rates.

Economic capital

Economic risk capital (ERC) consumption, in attributable terms, stood at €19,362m at 30-Jun-08, 2.8% higher than in March 2008 and 1.9% higher than at 31-12-07.

In the second quarter, ERC for credit risk increased 2.5%, while ERC for market risk rose 5.3%. ERC for operational risk remained stable.



Economic profit & risk adjusted return on economic capital

The figures for economic profit (EP) and risk-adjusted return on capital (RAROC) form part of an array of elements that BBVA uses to manage its value-creation metrics more efficiently.

Calculation starts with 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 half of 2008, these accounted for –€1,716m, mainly due to changes in unrealised capital gains. Subtracting this amount, **adjusted profit** stood at €1,392m.

Since these figures may be temporarily distorted by market volatility, **recurrent data** also need to be calculated. These mainly reflect the value of customer business, excluding the earnings of units impacted by changes in capital gains on portfolio investments. Such recurrent adjusted profit stood at €2,677m in the first half of 2008, 12.8% up on the €2,373m recorded in the same period of 2007.

The required economic capital for each business unit (average economic risk capital over the period, ie, €19,085m in the first half of 2008) is then calculated and multiplied by the percentage cost of capital and deducted from the adjusted profit. The **cost of capital** is based on market information extracted from the analysts' consensus, using different rates for each business unit and business area.

This gives an **economic profit** of €406m for the half-year period. **Recurrent economic profit** stood at €1,850m, reflecting the degree to which BBVA's profits exceed the cost of capital employed. This difference is the economic value of BBVA shareholders' return. The 1H08 recurrent economic profit was 13.0% higher than the €1,637m booked to the first half of 2007.

The RARoC figure measures the return earned by each business unit adjusted to the risks it bears. Comparing the annualised adjusted profit against the average economic risk capital (ERC) for the six months gives a RARoC of 14.7%, while **recurrent RARoC** was 32.7% (33.4% in 1H07 2007).

Economic profit and risk adjusted return on economic capital			
(Million euros)	1 st Half 08	Δ%	1 st Half 07
NET ATTRIBUTABLE PROFIT	3,108	(7.9)	3,374
Adjustments	(1,716)	n.m.	270
ADJUSTED NET ATTRIBUTABLE PROFIT (A)	1,392	(61.8)	3,643
Average economic risk capital (ERC) (B)	19,085	11.8	17,072
RISK ADJUSTED RETURN ON ECONOMIC CAPITAL (RAROC) = (A)/(B) * 100 ⁽¹⁾	14.7		43.0
RECURRENT RAROC (%) ⁽¹⁾	32.7		33.4
ERC x cost of capital (C)	986	10.0	896
ECONOMIC PROFIT (EP) = (A) - (C)	406	(85.2)	2,747
RECURRENT ECONOMIC PROFIT	1,850	13.0	1,637

(1) Percentage annualized.

EP and RAROC by business area							
(1 st Half 2008. Million euros and percentage)	Average economic risk capital (ERC)	Adjusted net attributable profit	Recurrent adjusted net attributable profit	RAROC (% annualized)	Recurrent RAROC (% annualized)	Economic profit (EP)	Recurrent economic profit (recurrent EP)
Spain and Portugal	7,202	1,301	1,301	36.3	36.3	977	977
Wholesale Banking and Asset Management	3,214	414	397	25.9	30.8	249	272
Mexico	2,970	877	877	59.4	59.4	707	707
The United States	1,741	159	159	18.3	18.3	70	70
South America	1,866	346	346	37.3	37.3	230	230
Corporate Activities	2,091	(1,705)	(402)	-	-	(1,828)	(406)
BBVA GROUP	19,085	1,392	2,677	14.7	32.7	406	1,850

Information by area is a fundamental tool for monitoring and controlling the Group's various businesses. In this section we discuss the more significant aspects of the activities and earnings of the Group's different business areas, together with those of their main units.

The breakdown by business area starts at the lowest level 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. Likewise, the Group's subsidiaries are also assigned to particular business areas according to their type of activity. If a company's activities do not match a single area, the Group allocates these and the corresponding earnings to a number of relevant units.

Once management has defined the composition of each area, it applies certain **management adjustments** inherent in the model. The most relevant of these are:

- **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 targets in terms of capital adequacy. 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 and technical risks in the case of insurance companies.

Shareholders' equity, as calculated under current regulation, is an extremely important concept for the overall Group. However, for the purpose of allocating capital to business areas the Bank prefers ERC. It is risk-sensitive and thus linked to the management policies of individual businesses and the business portfolio. This procedure anticipates the approach adopted by the Basel II rules on capital. These provide an equitable basis for assigning capital to businesses according to the risks incurred and they will make it easier to compare profitability across units.

- **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 according to 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-business register:** as a result of the correct assignment of earnings, in some cases consolidation adjustments are required to eliminate duplicate accounting entries caused by cross-marketing incentives.
- In the breakdown of information, the **top level** comprises the business areas. They are broken down into their main operating units and information is provided for these as well. The arrangement of the areas is different to that in 2007 and reflects the new structure adopted at the end of that year.
- **Business in Spain and Portugal**
- **Wholesale Banking and Asset Management:**
 - Corporate and Investment Banking
 - Global Markets
- **Businesses in Mexico:**
 - Banking businesses
 - Pensions and Insurance
- **Businesses in the United States**
- **Businesses in South America:**
 - Banking businesses
 - Pensions and Insurance

Apart from the above units, all business areas have another unit that groups other business as well as eliminations and unassigned items.

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 issues 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 industrial portfolio management unit and financial shareholdings.

The **second level** is geographic. The Group provides a breakdown by region for total assets and for the major figures on the income statement (ordinary revenues, operating profit and attributable profit). These are calculated by assigning the corresponding amounts generated by global businesses and Corporate Activities to each geographic area. Furthermore for the South America area we show operating profit and net attributable profit by country (including banking, pension and insurance activities in each case). These figures and those for Mexico and USA are not the same as those given for the geographic breakdown because they do not include global businesses or corporate activities.

The present composition of the Group's main business areas is as follows:

- **Spain and Portugal:** this includes the Spanish Retail Network (individual customers, high net-worth individuals and small companies and businesses in the domestic market), the Corporate and Business Banking unit (SMEs, large companies, institutions and developers in the domestic market), and the remaining units, in particular, Consumer Finance, European Insurance and BBVA Portugal.
- **Wholesale Banking and Asset Management:** consisting of Corporate and Investment Banking (includes the activities of the European, Asian and New York branches); Global Markets (trading floor business and

distribution in Europe, Asia and New York); Asset Management (mutual and pension funds in Spain, hedge funds and private equity); the management of the Group's own equity portfolios and real estate businesses; and Asia (through the Group's holding in the Citic group).

- **Mexico:** this area includes the banking, insurance and pension businesses in Mexico.
- **The United States:** it comprises the banking and insurance business in the USA and Puerto Rico.
- **South America:** this consists of banking, insurance and pension businesses in South America.

The information on each area and on the units it contains consists of an income statement and balance sheet (with details of the main items such as inter-area positions and the allocation of economic capital). There is also a series of key indicators, including customer lending, customer deposits, off-balance-sheet customer funds, risk-weighted assets, ROE, cost/income ratio, non-performing loan and coverage ratios. The income statement and balance sheet for Corporate Activities is also provided. These show the counterparts for the inter-area positions (liquidity provided to other areas) and the economic capital allocations, as well as the Group's funding and equity accounts.

The figures for 2007 were prepared using the same criteria and area structure as in 2008 and therefore provide a uniform year-on-year 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.

Operating profit and net attributable profit by business area								
(Million euros)	Operating profit				Net attributable profit			
	1 st Half 08	Δ%	Δ% at constant exchange rates	1 st Half 07	1 st Half 08	Δ%	Δ% at constant exchange rates	1 st Half 07
Spain and Portugal	2,255	13.0	13.0	1,996	1,336	15.5	15.5	1,157
Wholesale Banking and Asset Management	770	17.3	17.3	657	559	25.5	25.5	445
Mexico	1,848	11.4	24.3	1,659	950	7.6	20.1	882
The United States	359	189.8	233.7	124	164	143.5	180.4	67
South America	847	21.3	31.8	699	351	7.5	17.6	326
Corporate Activities	(586)	122.9	122.9	(263)	(430)	69.2	69.2	(254)
BBVA GROUP EXCLUDING ONE-OFFS	5,495	12.8	18.8	4,872	2,928	11.6	17.4	2,624
BBVA GROUP	6,222	8.8	13.7	5,719	3,108	(7.9)	(4.2)	3,374

Income statement

(Million euros)	1H08	Δ%	1H07
NET INTEREST INCOME	2,295	12.7	2,037
Income by the equity method	1	n.m.	-
Net fee income	827	(1.0)	836
Income from insurance activities	251	12.1	224
CORE REVENUES	3,375	9.0	3,097
Net trading income	138	7.3	128
ORDINARY REVENUES	3,512	8.9	3,225
Net revenues from non-financial activities	32	7.0	29
Personnel and general administrative expenses	(1,234)	1.4	(1,217)
Depreciation and amortization	(58)	6.5	(54)
Other operating income and expenses	4	(68.1)	13
OPERATING PROFIT	2,255	13.0	1,996
Impairment losses on financial assets	(353)	22.8	(287)
• Loan-loss provisions	(353)	23.6	(285)
• Other	-	(84.2)	(2)
Provisions	4	n.m.	-
Other income/losses	(2)	n.m.	6
PRE-TAX PROFIT	1,905	11.2	1,714
Corporate income tax	(569)	2.3	(557)
NET PROFIT	1,336	15.5	1,157
Minority interests	-	2.8	-
NET ATTRIBUTABLE PROFIT	1,336	15.5	1,157

Balance sheet

(Million euros)	30-06-08	Δ%	30-06-07
Cash and balances at Central Banks	2,144	(0.1)	2,145
Financial assets	13,268	(5.4)	14,026
Loans and receivables	207,315	7.0	193,666
• Due from banks	2,924	9.1	2,680
• Loans to customers	203,342	7.1	189,865
• Other	1,048	(6.5)	1,121
Inter-area positions	-	-	-
Property, plant and equipment	1,361	(6.2)	1,451
Other assets	1,729	(34.3)	2,632
TOTAL ASSETS / LIABILITIES AND EQUITY	225,817	5.6	213,920
Deposits by Central Banks and banks	15,234	31.9	11,548
Due to customers	92,691	11.0	83,474
Marketable debt securities	5,369	(28.7)	7,535
Subordinated debt	4,108	4.0	3,949
Inter-area positions	81,827	2.7	79,656
Other liabilities	19,300	(8.3)	21,052
Minority interests	2	(73.7)	6
Economic capital allocated	7,286	8.7	6,699

Relevant business indicators			
(Million euros and percentages)	30-06-08	Δ%	30-06-07
Customer lending ⁽¹⁾	202,926	6.5	190,543
Customer deposits ⁽²⁾	97,687	9.3	89,360
• Deposits	97,631	9.4	89,218
• Assets sold under repurchase agreement	56	(60.7)	142
Off-balance-sheet funds	47,120	(13.9)	54,748
• Mutual funds	37,598	(16.8)	45,177
• Pension funds	9,522	(0.5)	9,571
Other placements	5,237	(7.4)	5,654
Customer portfolios	12,273	(19.4)	15,223
Risk-weighted assets ⁽³⁾	91,069	8.7	83,743
ROE (%)	37.3		35.6
Efficiency ratio (%)	34.0		36.2
Efficiency incl. depreciation and amortization (%)	35.6		37.9
NPL ratio (%)	1.22		0.64
Coverage ratio (%)	142		275

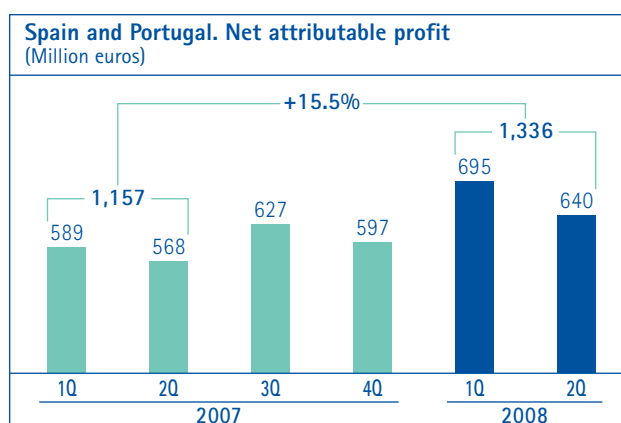
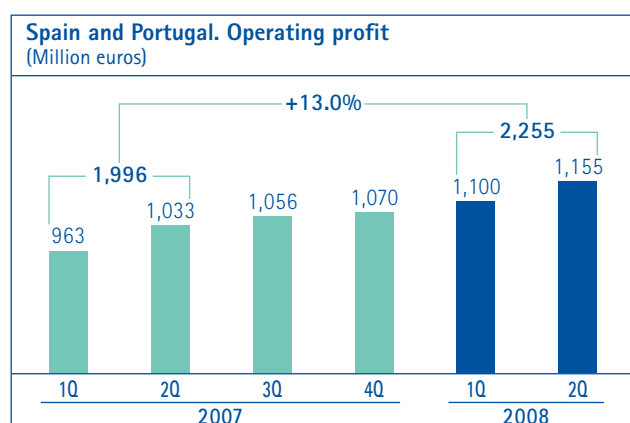
(1) Gross lending excluding NPLs. (2) Includes collection accounts and individual annuities. (3) According to ERC methodology.

Through its Retail Banking Unit the Spain & Portugal Area provides services to private individual customers (including the high-net-worth segments handled by BBVA Patrimonios), small companies, professional practices, the self-employed, retailers and the farming community. The area also contains the Corporate & Business Banking Unit (CBB), which deals with SMEs, large companies, subsidiaries of multinationals, public and private institutions, and developers. Other units in this area include Consumer Finance (handled by Finanzia and Uno-e), the insurance unit (Seguros Europa) and BBVA Portugal.

BBVA's **Retail Banking Centres** commenced operations in the second quarter. Their purpose is to bring the area's specialised sales force in contact with more customers. With better productivity and efficiency, these centres will

help to personalise the scope and improve the quality of the bank's services. At the same time the area continued to extend its retail activities with new products that add value and meet customers' emerging financial needs. This also applies to other requirements resulting from changes in the domestic market.

Several **market** trends became more noticeable during the quarter. Requests for loans declined in all business segments and asset quality dropped although non-performing loan ratios in Spain are lower than other countries. In addition, there was a significant rise in time deposits. Despite this situation, **the area** increased marketing productivity in its various networks while maintaining strict risk control. It also applied a pricing policy for assets and liabilities that led to increased



business –even though spreads widened– and it improved efficiency. These achievements were the result of the transformation plan for the retail network that was started about two years ago. The plan successfully prepared the area for the new market conditions and this is born out by the sustained growth of recurrent earnings.

In fact, the Spain & Portugal Area has been steadily growing in the higher credit quality products and reducing exposure to risky segments, and it has been doing this faster than the banking sector in general. At 30-Jun-08 **loans to customers** in the area stood at €202,926m, up 6.5% year-on-year. The non-performing loan ratio is 1.22%. According to the latest available figures, BBVA's ratio is increasingly better than the Spanish average in both household and company lending, and particularly in loans to real estate developers.

Starting in the second half of 2006 BBVA's retail networks anticipated the rest of the market and began to promote time deposits. This resulted in sustained high growth of **stable funds**. In fact, at 30-Jun-08 time deposits were up 31.1% year-on-year to €34,752m. Furthermore BBVA's market share of mutual fund business has increased 214 basis points in the last 12 months. Transactions have centred on the more conservative funds, which increased their proportion of managed assets. This was achieved by comparably better action in mitigating the negative effect associated with weaker stock markets. Redemptions were also lower than the market average. Assets managed by the area through its mutual funds stand at €37,598m, down 16.8% year-on-year (the decline for the banking sector as a whole was 22.7%).

The bank conducted a new savings campaign in May as well as various salary-payment campaigns in the private segment. Together with management of liquidity in the corporate segment, this lifted liquid deposits to €39,197m despite a weaker market for such products. Aggregate **customer funds** in the area came to €149,988m, which was slightly higher than a year earlier. Deposits included on the balance sheet rose 9.4%.

A further increase in customer spreads, thanks to improvements in the price of new loans and the cost of funds, together with the higher level of business, lifted **net interest income** to €2,295m. This was a year-on-year increase of 12.7% and it amounts to 2.20% of managed assets (2.14% in the first half of 2007). However, net fee income was affected by a decline in those linked to the markets (mutual funds and equities, which were down 14.2% and 9.1%, respectively). Fees on banking services were up 6.3%.

Income from insurance business rose 12.1% and net trading income increased 7.3%. Expenses increased by only 1.4% (0.4% in the Spanish retail network), which was much less than inflation. As a result **efficiency** (measured by the cost/income ratio including depreciation) improved to 35.6% (37.9% in the first half last year) and **operating profit** rose 13.0% to €2,255m.

Loan-loss provisions increased 23.6% to €353m and thus the coverage ratio stood at 142%. Finally, **net attributable profit** in the first half came to €1,336m. This was 15.5% higher compared to the €1,157m obtained last year. Return on equity (ROE) stands at 37.3% (35.6% a year earlier).

Spanish Retail Network

This unit has a wide range of specialised products for servicing the financial and non-financial needs of households, professional practices, retailers and small businesses. It also manages the high-net-worth segment of private individuals through a specialised unit (BBVA Patrimonios).

It ended the first half with total lending of €103,467m (up 4.4%) and customer funds of €115,005m. During the period it increased **marketing productivity** 4.2% year-on-year to an average of 48.4 products sold per account manager. The combined effect of increased volume and the pricing policy for assets and liabilities lifted net interest income 8.0%. And after contributions from other sources of revenue and the containment of costs, operating profit rose 8.6% year-on-year to €1,327m and net attributable profit increased 3.6% to €777m.

In the **private individual segment** and despite the clear slowdown in the real estate market, BBVA granted €5,139m in new **residential mortgage loans** in the first half. Of this amount, some 30% was associated with the bank's *Ven a casa* campaign. Therefore at 30-Jun-08 the mortgage loan portfolio stood at €68,208m (up 6.5%). During the first half **consumer finance** added a further €1,588m in new business, bringing the portfolio of such loans to €9,909m.

In terms of **customer funds** the unit continued to increase time deposits (up 31.5% year-on-year), a consequence of customer preferences and a bias towards added value products. At the end of June the total of such deposits came to €32,289m. As mentioned above, BBVA also

increased its share of mutual fund business 214 basis points year-on-year (158 basis points since December). This was due to a comparably better performance in terms of subscriptions and redemptions as well as in asset values despite weaker demand for these products. Pension funds remained stable as new contributions outweighed the negative market effect. Therefore the aggregate of stable customer funds (time deposits, mutual and pension funds, and other placements) came to €82,087m.

In May the area ran a new savings campaign, which entailed more than 448,000 promotional gifts and brought in €1,300m in new deposits. This complemented other actions in the first half that increased customer loyalty and helped to add 40,000 direct-deposit salaries as well as other achievements.

Finally, in **insurance** business the unit captured €57m via a new savings plan (*Aborro Sistemático*) launched at the end of the first quarter. It also issued €65m of life insurance premiums in the private-individual segment (up 6.5% compared to the first half last year).

BBVA Patrimonios, the unit that handles high-net-worth individuals in Spain, currently manages assets of €10,524m (€12,923m at the same point last year) and has increased the number of customer groups by 11%. During the quarter the unit developed products that are appropriate for the new market environment (portfolio financing, structured products and “family office”). It also designed a special private-banking product for senior customers in the SME segment and opened a management centre for high net-worth customers in the Canary Islands.

The **small businesses segment** covers professional practices, the self-employed, retailers, the farming community and companies with less than €2m in turnover. The corresponding loan portfolio stands at €17,727m (€17,341m at 30-Jun-07). Marketing campaigns in the second quarter included one based on pre-approved loans, aimed at 191,000 self-employed people. This resulted in €63m of new loans. Another campaign offered facilities to help companies pay their corporate taxes. It generated operations worth €1,225m in May and June.

In addition, marketing of a new insurance policy in this segment (*Más Cobertura Profesional*) resulted in sales of 17,000 policies worth €9.3m. And nearly 3,800 operations entailing €164m of ICO funds were concluded in the first half.

Corporate and Business Banking

The Corporate & Business Banking Unit (CBB) deals with SMEs, large companies, institutions and developers.

Although activity in the SME segment was lower in the first half, by the end of June the loan portfolio stood at €88,615m and customer funds were €30,643m (up 7.2% and 9.7%, respectively). The greater volume of business and an appropriate pricing policy for assets and liabilities led to a 26.7% rise in net interest income. Together with the containment of expenses this helped the efficiency ratio to improve to 18.2%, operating profit rose 24.1% and net attributable profit increased 48.1% to €514m.

In the second quarter BBVA signed an **agreement** with Spanish employer organisations (**CEOE and CEPYME**) extending a credit facility of up to €7,500m to their members. This underlines BBVA commitment to the SME segment in which it occupies a leading position. BBVA also played a leading role in the application of the **ICO-2008** agreement. It concluded nearly 7,100 operations worth €479m in the first half. Most of these were handled by CBB and entailed considerable cross-marketing. Some 19% of companies that signed a leasing agreement also took out an insurance policy, 19% acquired a hedging contract and 12% were new customers.

In the **SME** segment, the loan portfolio stands at €35,548m and customer funds at €8,790m. In the first half operating profit came to €469m (up 16.8%) and net attributable profit was €291m (up 29.8%).

In business with **corporates** lending grew 22.7% to €15,038m and customer funds 18.7% to €5,337m. This boosted operating profit 21.6% to €128m and net attributable profit came to €76m (up 49.1%). During the second quarter the unit provided finance of €212m to MAPFRE for the acquisition of the entire share capital of Commerce for \$2,207m.

BBVA manages a portfolio of loans to public and private **institutions** of €20,601m (up 4.9%) and customer funds of €16,502m (up 27.3%). Operating profit jumped 45.2% to €135m and net attributable profit climbed 80.5% to €113m. Furthermore BBVA won overall management of funds for the Spanish armed forces' social institute and a contract covering banking services for collection, management and control of contributions to the Spanish civil service's benefit society

(MUFACE). The number of operations is estimated at 17,000 per year, amounting to €311m.

Lending to **real estate developers** accounts for 8.5% of the area's loan portfolio and this percentage is falling. In the first half of 2008 the average balance increased only 4.3% compared to 11.2% in the same period last year. However BBVA again played a significant and growing role in financing government-controlled housing. At the height of the property boom BBVA used its specialised knowledge to apply strict risk controls. It restricted operations to projects of high quality and developers with first-class credit ratings. This policy resulted in a low NPL ratio (0.35% at 30-Jun-08), which is far below the banking sector average.

The **transaction services unit** ended the first half with 77,000 users who transmitted 119 million payments and collections. During the period BBVA deployed new services such as e-Factoring, which allows customers to transfer their accounts receivable on-line. The volume of foreign trade brokered by BBVA grew 25% year-on-year.

Other units

Consumer Finance

This unit manages on-line banking, consumer finance, cards and leasing plans that include maintenance. These activities are conducted via Uno-e, Finanzia and other companies in Spain, Portugal and Italy. In the first half of 2008 it obtained operating profit of €61m and net attributable profit came to €15m.

Despite the slowdown in the consumer finance market, **lending** grew 18.3% year-on-year to €5,753m. New finance provided during the first half came to €2,387m (€2,625m in the same period last year). In the vehicle prescription business and with new car registrations in Spain falling 19.1%, BBVA's loan portfolio stands at €3,159m (up 28.1%) and the unit's market share is 13.87% (up 123 basis points compared to the first half last year). The outstanding balance of equipment finance is up 24.0% to €868m and sales in the period were €237m affected by lower investment in capital goods. The stock equipment leasing plans came to €745m with invoicing of €177m in the period (up 6.5%). During the quarter the unit acquired 50% of Rentrucks, an expanding company in the industrial-vehicle rental business. This will complement financing business and company leasing. The fleet of vehicles in leasing plans that include maintenance stands at

39,354 units. At Uno-e, lending rose 6.8% to €1,097m and new loans came to €1,004m (€1,032m in the first half of last year). **Customer funds** managed or brokered came to €1,412m helped by a 14.8% rise in time deposits.

In **Portugal**, BBVA Finanziamento increased the stock of vehicle finance 11.5% to €412m. It invoiced €111m in the first half and its market share is 13.7%. And the leasing plan companies in **Italy** now have a fleet of 11,806 vehicles.

European Insurance

This unit handles insurance business in Spain and Portugal. In the first half its own policies contributed earnings of €251m (up 12.1%) and brokerage fees from the policies of other companies came to €13m. Net attributable profit was €131m (up 17.5%).

Total **premiums** issued in the year to June came to €623m. Risk premiums (life and non-life) accounted for €329m, group insurance schemes account for €161m (up 9%) and the rest are premiums on private savings policies. The unit boosted marketing of products launched in the first quarter such as PIAS (private savings policies with flexibility, liquidity and important tax advantages). This also applies to BBVA car insurance and two accident policies (*Protección Familiar* and *Más Cobertura Profesional*), all of which generated important premium growth.

BBVA Portugal

This unit launched a new type of mortgage, a new deposit (*Super BBVA*) and the BBVA Business Pack. It also acted as advisor in the financing for the Moura photovoltaic power plant (the world's biggest).

At 30-Jun-08 the unit's loan portfolio had risen 25.7% to €5,835m, including SME loans (up 41.0%). Investments in mutual funds in Portugal are also being transferred to deposits, which rose 24.8%. Net interest income rose 9.5% on greater volume and wider spreads, operating profit came to €25m (up 11.7%) and net attributable profit was €4m (€8m in the first half last year) after generic loan-loss provisions of €15m linked to lending growth.

Dinero Express

This is a branch network that specialises in the immigrant segment. Despite the lack of growth in money transfers in the sector owing to the slower economy, the network lifted the number of transfers 35% (in the first half of 2008 compared to the same period of last year) for a total amount of €274m and added 30,000 new customers.

Wholesale Banking and Asset Management

Income statement									
(Million euros)	Wholesale Banking and Asset Management			Memorandum item:					
				Corporate and Investment Banking			Global Markets		
	1H08	Δ%	1H07	1H08	Δ%	1H07	1H08	Δ%	1H07
NET INTEREST INCOME	345	n.m.	29	247	36.7	181	129	n.m.	(118)
Income by the equity method	169	64.5	103	-	-	-	-	-	-
Net fee income	210	(8.6)	230	114	8.9	105	11	(58.6)	26
Income from insurance activities	-	-	-	-	-	-	-	-	-
CORE REVENUES	724	100.4	361	361	26.4	286	140	n.m.	(93)
Net trading income	296	(31.2)	431	22	39.9	16	253	(36.3)	398
ORDINARY REVENUES	1,021	28.9	792	384	27.2	302	393	28.9	305
Net revenues from non-financial activities	11	(87.1)	87	-	n.m.	-	-	-	-
Personnel and general administrative expenses	(257)	15.7	(222)	(83)	26.5	(66)	(123)	14.3	(107)
Depreciation and amortization	(4)	11.8	(4)	(1)	(6.5)	(1)	(1)	2.6	(1)
Other operating income and expenses	(1)	n.m.	3	(1)	(33.2)	(1)	(1)	38.7	-
OPERATING PROFIT	770	17.3	657	299	27.8	234	269	37.0	197
Impairment losses on financial assets	(79)	24.1	(63)	(80)	33.6	(60)	1	n.m.	(3)
• Loan-loss provisions	(79)	24.7	(63)	(80)	33.6	(60)	1	n.m.	(3)
• Other	-	(100.0)	-	-	-	-	-	-	-
Provisions	(3)	n.m.	1	-	n.m.	-	-	n.m.	-
Other income/losses	9	32.9	7	-	45.6	-	1	n.m.	-
PRE-TAX PROFIT	698	16.1	602	219	25.5	174	271	39.5	194
Corporate income tax	(137)	(10.2)	(152)	(65)	17.0	(56)	(76)	40.9	(54)
NET PROFIT	561	25.0	449	154	29.6	119	195	39.0	140
Minority interests	(2)	(38.9)	(4)	-	-	-	(3)	3.4	(2)
NET ATTRIBUTABLE PROFIT	559	25.5	445	154	29.6	119	193	39.6	138

Balance sheet									
(Million euros)	Wholesale Banking and Asset Management			Memorandum item:					
				Corporate and Investment Banking			Global Markets		
	30-06-08	Δ%	30-06-07	30-06-08	Δ%	30-06-07	30-06-08	Δ%	30-06-07
Cash and balances at Central Banks	1,066	(5.0)	1,123	48	83.0	26	1,014	(7.2)	1,093
Financial assets	48,701	1.9	47,793	1,023	40.5	728	44,714	2.1	43,800
Loans and receivables	58,466	(0.7)	58,869	45,904	38.8	33,077	10,739	(54.9)	23,828
• Due from banks	10,519	(54.9)	23,322	3,433	30.3	2,635	5,483	(71.1)	18,991
• Loans to customers	43,053	33.2	32,330	42,304	39.0	30,430	743	(60.5)	1,881
• Other	4,894	52.2	3,216	168	n.m.	12	4,513	52.6	2,957
Inter-area positions	7,324	n.m.	1,215	-	-	-	38,908	59.6	24,373
Property, plant and equipment	54	74.9	31	1	(24.5)	2	4	(5.5)	4
Other assets	1,566	(10.7)	1,753	59	68.9	35	1,098	(12.5)	1,255
TOTAL ASSETS / LIABILITIES AND EQUITY	117,178	5.8	110,783	47,036	38.9	33,868	96,477	2.3	94,353
Deposits by Central Banks and banks	32,868	(3.2)	33,967	1,075	24.4	864	31,470	(4.0)	32,777
Due to customers	55,633	5.5	52,753	13,498	39.2	9,694	42,061	(2.1)	42,971
Marketable debt securities	-	-	-	-	-	-	-	-	-
Subordinated debt	1,849	8.9	1,698	1,062	3.6	1,025	301	13.1	266
Inter-area positions	-	-	-	28,705	42.4	20,161	-	-	-
Other liabilities	23,516	19.6	19,662	810	25.4	646	22,116	23.8	17,863
Minority interests	38	25.1	31	-	-	-	5	37.5	4
Economic capital allocated	3,273	22.5	2,672	1,886	27.7	1,477	523	10.8	472

Relevant business indicators									
(Million euros and percentages)	Wholesale Banking and Asset Management			Memorandum item:					
				Corporate and Investment Banking			Global Markets		
	30-06-08	Δ%	30-06-07	30-06-08	Δ%	30-06-07	30-06-08	Δ%	30-06-07
Customer lending ⁽¹⁾	43,843	32.7	33,042	43,011	38.3	31,100	813	(57.7)	1,924
Customer deposits ⁽²⁾	55,826	7.1	52,143	13,604	41.4	9,620	42,048	(0.6)	42,303
• Deposits	45,098	39.0	32,454	13,603	41.4	9,619	31,321	38.5	22,616
• Assets sold under repurchase agreement	10,729	(45.5)	19,689	1	(17.1)	2	10,727	(45.5)	19,687
Off-balance-sheet funds	9,687	1.8	9,518	207	n.m.	43	1,585	n.m.	313
• Mutual funds	2,743	20.3	2,281	207	n.m.	43	1,585	n.m.	313
• Pension funds	6,943	(4.1)	7,237	-	-	-	-	-	-
Customer portfolios	-	-	-	-	-	-	-	-	-
Risk-weighted assets ⁽³⁾	40,914	22.5	33,396	23,580	27.7	18,462	6,544	10.8	5,905
ROE (%)	35.0		37.4	17.1		17.5	68.4		65.6
Efficiency ratio (%)	24.9		25.2	21.7		21.8	31.1		35.1
Efficiency incl. depreciation and amortization (%)	25.3		25.6	21.9		22.1	31.4		35.4
NPL ratio (%)	0.01		0.03	0.03		0.04	-		-
Coverage ratio (%)	n.m.		n.m.	n.m.		n.m.	n.m.		n.m.

(1) Gross lending excluding NPLs. (2) Includes collection accounts. (3) According to ERC methodology.

The Wholesale Banking & Asset Management Area handles the Group's wholesale business and fund 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 expansion in Asia.

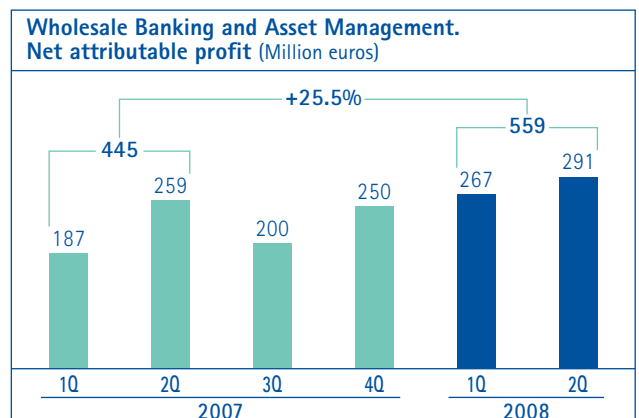
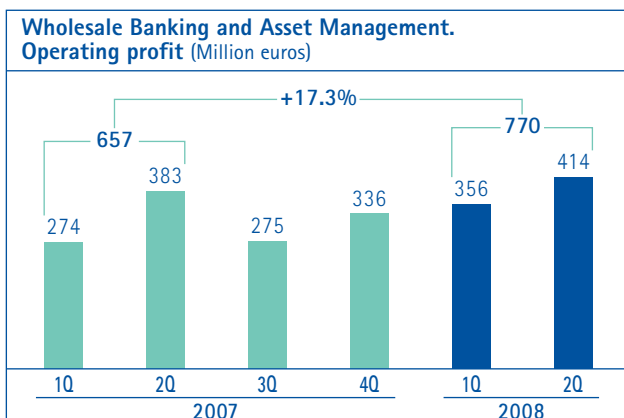
Thanks to good performances by Corporate & Investment Banking and Global Markets and the sale of participations, in the **first half** of 2008 the area generated net attributable profit of €559m. This was an increase of 25.5% compared to €445m for the same period last year. As a result, ROE for the area stands at 35.0%.

At 30-Jun-08 **loans to customers** (mainly in Corporate & Investment Banking) were up 32.7% year-on-year to

€43,843m and **customer funds** (deposits and mutual and pension funds) had increased 30.5% to €54,784m.

Ordinary revenues is the figure that best represents this area's income because of timing differences in booking market operations (affecting net interest income and net trading income). These revenues came to €1,021m for the half-year, an increase of 28.9% year-on-year. The principal contributors to growth were net interest income in Corporate & Investment Banking and earnings from Gamesa (booked via the equity method). Owing to the slowdown in the real estate sector, Anida reported no sales operations in the period.

Expenses continued to grow at double-digit rates but these were less than the growth in revenues. This meant that **efficiency** (measured by the cost/income ratio), including depreciation, improved slightly to 25.3%. Therefore operating profit grew 17.3% year-on-year to €770m.



Non-performing loans (NPLs) came to €15m and so the **NPL ratio** reached an all-time low of 0.01% (0.03% at 30-Jun-07) and the coverage ratio soared to nearly 6,700%. Loan-loss provisions in the first half rose 24.7% to €79m. They mainly consist of generic provisions linked to the increase in lending.

The earnings of wholesale banking & asset management units in Latin America are recorded in their respective areas (Mexico and South America). Adding their figures to those listed above, the worldwide operations of the area generated the figures shown in the attached table.

Wholesale Banking and Asset Management including The Americas			
(Million euros)	30-06-08	Δ%	30-06-07
Ordinary revenues	1,410	24.8	1,129
Operating profit	1,051	18.8	885
Net attributable profit	711	18.5	600
Customer lending	55,114	27.0	43,406
Deposits	60,176	29.0	46,666

Corporate and Investment Banking

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

In the first half this unit's revenues rose 27.2% year-on-year to €384m on a strong increase in business. The stock of customer loans jumped 38.3% to €43,011m and this boosted net interest income 36.7%. Operating profit rose 27.8% to €299m and net attributable profit increased 29.6% to €154m.

In the second quarter of 2008 BBVA participated in various **bond issues** such as those for E.ON, Paccar Financial Europe, Kraft Foods and Cores. In addition it concluded several CO₂ rights financial swaps with Ebro Puleva, Bridgestone Hispania and Cementos Portland Valderrivas.

The unit's Spanish office signed a €75m loan to Cepsa Colombia including surety of \$110m. **Structured finance** operations included a combined-cycle power plant in the Netherlands for Sloe Centrale BV, a photovoltaic power plant for Amper in Portugal, widening and operation of the M25 ring road in London, two sections of the A4 in Andalucía, Son Dureta Hospital en Palma de Mallorca, a parking facility in Calle Serrano in Madrid and the National Chevron petrochemical complex in Saudi Arabia.

BBVA continued to widen its contacts with important Russian companies through **syndicated loans**, acting as mandated lead arranger (MLA) in a loan to Gazprom Neft. It also carried out operations with Cimpor, Terna and Angloamerican. Furthermore BBVA was the agent bank in the Sogecable squeeze-out of minority shareholders.

Co-ordination by various units in Corporate & Investment Banking led to important operations in **The Americas**. These included a €1,075m loan for financing ENCE's strategic plan for 2007-2011; MLA for a \$6,000m bridging loan to International Paper; the first transaction in the USA with Nissan Motors Acceptance Corp (a \$150m loan); a bilateral loan of \$400m in yen for PEMEX; and a bilateral loan of \$500m to CEMEX. In addition Wal-Mart gave BBVA New York a prize for "best new relations bank" and "best debt operation outside the USA" following a 220 billion yen syndicated credit for refinancing its Japanese subsidiary, Seiyu.

Global Trade Finance operations included a \$400m loan to Reliance Industries (an Indian refinery) for the purchase of crude oil; \$300m in finance for Telmex; \$200m in finance for a Netherlands subsidiary of Petrobras; and \$2,686m for Grupa Lotos in Poland to finance modernisation of its refinery.

The **Global Transaction Services** unit signed a partnership agreement with Bradesco and it obtained the funds concentration business for Catenon, which operates in 35 countries. It also launched the double-security "Token Plus" device for online banking in Spain and Portugal, and in Colombia the bank signed agreements for payment collections and electronic services with Petrobras, Icollantas and Amway.

Global Markets

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. Its business model is focused on customers and it offers added-value solutions that capitalise on BBVA's strengths in product management, global reach and distribution via the branch network. The ultimate goal is to generate recurrent earnings.

The market **environment** remains complex with acute levels of economic and financial uncertainty. Negative factors include the inflationary pressures which are pushing up interest rates, the weakness of stock and debt markets, record oil prices and difficulties in the real estate sector. These are accompanied by an economic downturn and recapitalisation of the banking sector with an important impact on earnings.

The **Global Markets** unit has counteracted these difficulties by adapting to the new conditions. It increased penetration of its products through the Group's networks and launched new forms of income synergy by capitalising on the area's global reach. Other actions include adjusting the supply of less sophisticated products to current demand, appropriate management of portfolio positions and containment of expenses. It also offset the drop in business with institutional customers by increasing its operations with large companies and SMEs.

As a result revenues on business with customers is enjoying double-digit growth in all regions – particularly South America and the USA (up 87%). In the first half of 2008 Global Markets generated ordinary revenues of €393m (up 28.9%), operating profit of €269m (up 37.0%) and net attributable profit of €193m (up 39.6%).

BBVA won a prize for the best bank in structured products in the Spanish market. It also won in the equities category as well as in hedge funds, currencies, hybrids, interest rates, structured funds and CPPI.

In **Latin America**, BBVA and Bancomer launched Mexico's first EFT in April. It tracks the biggest companies listed on the Latin-American international market (Latibex). In addition the *Riskpyme Latam* project performed extremely well, with growth of 123%. And in June the unit boosted marketing activity throughout Latin America, especially in the more sophisticated derivatives.

Asset Management

This unit designs and manages mutual funds and pension funds that are marketed through the Group's different branch networks. It tackles these goals through three different channels. They are **traditional asset management** and **alternative asset management**, which are working constantly to optimise the product range, and **Valanza** (the Group's private equity unit).

The current adverse market conditions have a particularly negative effect on this business, leading to lower net fee income. In the first half ordinary revenues came to €91m (down 11.8%) and net attributable profit was €41m (down 14.0%). Total assets under management at 30-Jun-08 stood at €55,584m.

Mutual funds in Spain have been affected by these circumstances and by customers' preference for time deposits. As a result, by the end of the second quarter assets under management fell 13.8% year-on-year to €39,460m. However the sector as a whole declined even further and thus BBVA continued to gain market share.

Negative markets also affected **pension funds** in Spain and associated assets fell 2.1% to €16,124m. Of this amount individual plans account for €9,238m and employee and associate schemes €6,886m.

The traditional asset management unit is working in conjunction with sister units in the Americas to extend the international scope of asset management. This would create value for the Group by capitalising on expertise and latent synergies in different units through the development of global operations.

Industrial and Real Estate Holdings

This unit helps to diversify the area's businesses with the aim of creating medium and long-term value through active management of a portfolio of industrial holdings and real estate projects (Anida and the Duch Project). The fundamental criteria for this purpose are profitability, turnover, liquidity and optimal employment of economic capital.

At the end of June the **industrial holdings** portfolio had latent capital gains of more than €500m. And in **real estate investments**, Anida has a portfolio of land with planning permission for more than 3 million square metres of construction.

Net attributable profit for the entire unit in the first half of 2008 came to €187m compared to €142m for the same period last year. In June BBVA booked the sale of its interest in Hispasat to Abertis. This generated capital gains of €59m, which complemented capital gains of €130m from Gamesa in the first quarter.

Asia

In June BBVA reached a pre-agreement to double its investment in CITIC to about 10.07% of CNCB (China CITIC Bank) and 30% of CIFH (CITIC International Financial Holdings, a Hong Kong subsidiary). It will also increase its presence on both boards to two directors at CNCB and three at CIFH. The agreement entails an investment of about €800m including a commitment to provide future funds to develop CIFH. This will allow BBVA to treat the holding as a strategic one and consolidate it via the equity method. In addition BBVA maintains a two-year option to purchase an additional 5% of CNCB. Thus BBVA has consolidated its position as one of the few international groups with a presence in China. This country's banking system will grow fast as internal consumption increases and it has little exposure to the subprime crisis.

Income statement												
(Million euros)	Mexico				Memorandum item:							
					Banking business				Pensions and Insurance			
	1H08	Δ%	Δ% ⁽¹⁾	1H07	1H08	Δ%	Δ% ⁽¹⁾	1H07	1H08	Δ%	Δ% ⁽¹⁾	1H07
NET INTEREST INCOME	1,810	3.9	15.9	1,742	1,808	3.6	15.7	1,744	3	137.6	165.2	1
Income by the equity method	4	268.3	n.m.	1	4	n.m.	n.m.	1	-	(59.5)	(54.8)	-
Net fee income	619	(6.7)	4.2	663	577	(9.5)	1.0	638	63	(0.1)	11.4	64
Income from insurance activities	164	12.2	25.2	146	-	-	-	-	133	17.5	31.1	114
CORE REVENUES	2,596	1.7	13.5	2,552	2,388	0.2	11.9	2,383	200	11.8	24.8	179
Net trading income	198	130.5	157.2	86	201	154.3	183.8	79	(3)	n.m.	n.m.	7
ORDINARY REVENUES	2,794	5.9	18.2	2,638	2,589	5.2	17.4	2,462	196	6.0	18.3	185
Net revenues from non-financial activities	3	n.m.	n.m.	(3)	5	n.m.	n.m.	-	(2)	(44.9)	(38.5)	(3)
Personnel and general administrative expenses	(846)	(2.2)	9.1	(866)	(778)	(3.8)	7.3	(809)	(88)	(1.5)	10.0	(89)
Depreciation and amortization	(40)	(15.8)	(6.0)	(48)	(39)	(17.0)	(7.4)	(47)	(1)	102.1	125.6	(1)
Other operating income and expenses	(62)	(0.3)	11.2	(62)	(42)	7.8	20.3	(39)	11	10.2	23.0	10
OPERATING PROFIT	1,848	11.4	24.3	1,659	1,734	10.8	23.6	1,566	117	13.9	27.1	102
Impairment losses on financial assets	(455)	6.3	18.7	(428)	(455)	6.3	18.7	(428)	-	-	-	-
• Loan-loss provisions	(449)	7.3	19.7	(418)	(449)	7.3	19.7	(418)	-	-	-	-
• Other	(6)	(36.1)	(28.6)	(9)	(6)	(36.1)	(28.6)	(9)	-	-	-	-
Provisions	(120)	n.m.	n.m.	(14)	(120)	n.m.	n.m.	(14)	-	-	-	-
Other income/losses	49	n.m.	n.m.	(4)	49	n.m.	n.m.	(5)	-	(92.3)	(91.4)	1
PRE-TAX PROFIT	1,322	9.0	21.6	1,213	1,208	8.0	20.5	1,119	117	12.6	25.6	104
Corporate income tax	(372)	12.7	25.8	(330)	(340)	11.7	24.6	(304)	(33)	14.8	28.1	(29)
NET PROFIT	950	7.6	20.0	883	868	6.6	19.0	815	84	11.7	24.7	75
Minority interests	-	(49.6)	(43.7)	(1)	-	(27.6)	(19.2)	-	-	(65.8)	(61.8)	(1)
NET ATTRIBUTABLE PROFIT	950	7.6	20.1	882	868	6.6	19.0	814	84	12.3	25.3	74

(1) At constant exchange rates.

Balance sheet												
(Million euros)	Mexico				Memorandum item:							
					Banking business				Pensions and Insurance			
	30-06-08	Δ%	Δ% ⁽¹⁾	30-06-07	30-06-08	Δ%	Δ% ⁽¹⁾	30-06-07	30-06-08	Δ%	Δ% ⁽¹⁾	30-06-07
Cash and balances at Central Banks	5,226	(2.5)	8.6	5,357	5,225	(2.4)	8.6	5,357	-	(71.6)	(68.4)	-
Financial assets	21,878	4.1	16.0	21,009	19,122	2.8	14.5	18,593	3,104	11.2	23.8	2,791
Loans and receivables	32,327	3.2	14.9	31,330	32,213	3.2	14.9	31,225	177	20.6	34.3	146
• Due from banks	2,658	(33.4)	(25.8)	3,990	2,658	(33.4)	(25.8)	3,990	62	51.2	68.4	41
• Loans to customers	29,092	7.7	19.9	27,021	29,092	7.7	19.9	27,021	-	n.m.	n.m.	-
• Other	577	80.8	101.3	319	463	115.9	140.4	214	115	8.7	21.0	105
Inter-area positions	5	n.m.	n.m.	-	8	77.6	97.7	4	-	-	-	-
Property, plant and equipment	789	(3.1)	7.9	814	784	(3.2)	7.8	810	5	13.7	26.6	4
Other assets	1,904	(5.9)	4.7	2,024	1,514	(3.7)	7.2	1,572	108	49.6	66.6	72
TOTAL ASSETS / LIABILITIES AND EQUITY	62,129	2.6	14.3	60,535	58,867	2.3	13.9	57,561	3,393	12.6	25.4	3,014
Deposits by Central Banks and banks	11,355	(11.2)	(1.1)	12,784	11,355	(11.2)	(1.1)	12,784	-	-	-	-
Due to customers	34,051	0.6	12.1	33,832	34,113	0.7	12.1	33,873	-	-	-	-
Marketable debt securities	3,020	273.6	n.m.	808	3,020	273.6	n.m.	808	-	-	-	-
Subordinated debt	1,696	(11.1)	(1.0)	1,907	1,393	(7.4)	3.1	1,505	-	-	-	-
Inter-area positions	-	(100.0)	(100.0)	5	-	-	-	-	-	-	-	-
Other liabilities	8,991	15.2	28.2	7,806	6,162	12.9	25.8	5,456	3,198	16.2	29.4	2,753
Minority interests	1	(49.5)	(43.7)	2	-	13.2	26.0	-	-	n.m.	n.m.	-
Economic capital allocated	3,015	(11.1)	(1.0)	3,391	2,823	(10.0)	0.3	3,135	195	(25.3)	(16.8)	261

(1) At constant exchange rates.

Relevant business indicators													
(Million euros and percentages)	Mexico				Memorandum item:								
					Banking business				Pensions and Insurance				
	30-06-08	Δ%	Δ% ⁽¹⁾	30-06-07	30-06-08	Δ%	Δ% ⁽¹⁾	30-06-07	30-06-08	Δ%	Δ% ⁽¹⁾	30-06-07	
Customer lending ⁽²⁾	28,135	10.5	23.1	25,458	28,135	10.5	23.1	25,458	-	-	-	-	
Customer deposits ⁽³⁾	31,623	0.8	12.3	31,366	31,623	0.8	12.3	31,366	-	-	-	-	
• Deposits	25,885	0.3	11.6	25,818	25,885	0.3	11.6	25,818	-	-	-	-	
• Assets sold under repurchase agreement	5,738	3.4	15.2	5,548	5,738	3.4	15.2	5,548	-	-	-	-	
Off-balance-sheet funds	20,564	0.9	12.3	20,389	12,064	7.8	20.0	11,193	8,500	(7.6)	2.9	9,196	
• Mutual funds	12,064	7.8	20.0	11,193	12,064	7.8	20.0	11,193	-	-	-	-	
• Pension funds	8,500	(7.6)	2.9	9,196	-	-	-	-	8,500	(7.6)	2.9	9,196	
Other placements	3,149	(8.3)	2.2	3,432	3,149	(8.3)	2.2	3,432	-	-	-	-	
Customer portfolios	6,017	(12.3)	(2.4)	6,864	6,017	(12.3)	(2.4)	6,864	-	-	-	-	
Risk-weighted assets ⁽⁴⁾	37,691	(11.1)	(1.0)	42,382	35,285	(10.0)	0.3	39,189	2,437	(25.3)	(16.8)	3,262	
Efficiency ratio (%)	30.3			32.9	30.0			32.9	45.1			48.9	
Efficiency incl. depreciation and amortization (%)	31.7			34.7	31.5			34.8	45.6			49.1	
NPL ratio (%)	2.37			2.36	2.37			2.36	-			-	
NPL ratio (%)	227			263	227			263	-			-	
Coverage ratio (%)													

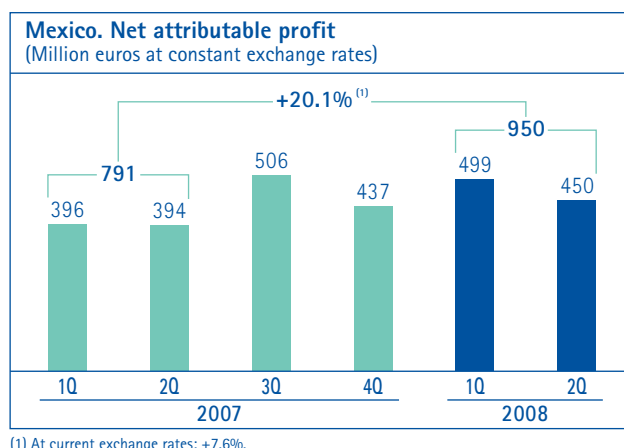
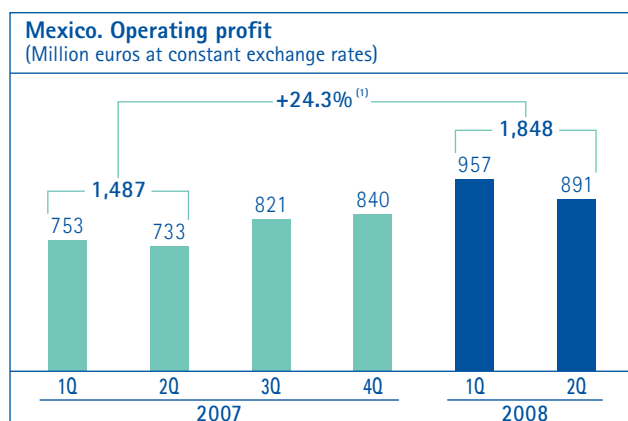
(1) At constant exchange rate. (2) Gross lending excluding NPLs and Bancomer's old mortgage portfolio. (3) Excluding deposits and repos issued by Bancomer Markets unit. (4) According to ERC methodology.

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

The **Mexican economy** has been gradually slowing down during the second quarter of 2008, affected by lower growth in the USA. However, internal sources of growth (consumption and investment) behaved well, sustained by the financial stability achieved by the country and the prudent economic policies implemented. It is still based on sound domestic demand for investment and consumption and strong performance from manufacturing, above all in transport. Although higher commodity prices on

international markets have impacted Mexico less than some of its neighbours in the region, annual inflation went up to around 5.25%. The Bank of Mexico decided to increase its reference rates by a quarter of a point, to 7.75%.

The **interest-rate curve** steepened as long-term yields increased, reflecting possible inflationary pressures in the medium term. This kept the exchange rate around 10.35 pesos/dollar at the end of June. The currency has appreciated 5% in nominal terms against the dollar since the end of 2007, reflecting the low structural risk of the Mexican economy.



However, the peso weakened against the euro over the last twelve months, with the consequent negative impact on the area's consolidated financial statements. The comments below refer to year-on-year changes at **constant exchange rates**, which are always shown in a separate column in the tables. These rates are the most significant benchmarks of underlying business performance.

In the first half of 2008, the Mexico area obtained a €950m **attributable profit**, a year-on-year increase of 20.1%. Net interest income grew 15.9% to €1,810m. Along with the €783m from bank and insurance fees (up 8% year on year) and net trading income, this brought ordinary revenues up to €2,794m, increasing 18.2%. General and personnel costs went up less than revenues, rising 9.1% to €846m. This fed into **operating profit**, which at €1,848m grew 24.3%. The cost-income ratio improved against the 34.7% reported for the first half of 2007, reaching 31.7%.

Allocations to **loan-loss provisions** stood at €449m in the first half of 2008, increasing 19.7%, ie, less than the loanbook. The NPL ratio was 2.37% at 30th June 2008, at similar levels to twelve months earlier. Coverage remained high (227%).

Banking business

Total customer lending showed a balance of €28,135m at the end of June 2008, up 23.1% year on year. Commercial lending recorded a €11,053m balance, 27.8% higher than a year earlier. Medium-sized businesses and government institutions grew most dynamically, up 30% over June 2007. Next highest increases came from housing loans (lending to developers and individual home-buyer, excluding the legacy back-book), which grew 24.8%, recording a balance of €8,698 on 30-Jun-2008. The consumer portfolio (credit cards and personal loans for car and payroll finance) reached €8,384m, 15.7% up on June 2007.

The structure of Bancomer's lending portfolio was well balanced, with commercial lending (to corporations, SMEs, government and financial institutions) contributing 39% of the total, followed by housing finance (31%) while the consumer portfolio accounted for the remaining 30%. At the end of the first half, Bancomer maintained its leadership in all lending segments. Its loan-portfolio represented 29.8% of the total lending on the market.

Customer funds (including customer deposits, funds, investment companies and other intermediation products) reached €46,836m at 31-Jun-08, with a year-on-year increase of 13.4%. Low-cost funding, such as current and savings accounts, grew at a buoyant 14.1% to a balance of €14,645. Mutual funds also showed a healthy 20% growth with assets under management of €12,064m.

The structure of customer funds was positive for profitability. 31% of the total were in current and savings accounts, while investment companies represent 26%, term deposits and other intermediation products a total of 37% and the remaining 6% were in currency deposits. Bancomer strengthened its presence in the deposits business (including repos) over the first six months of the year in all lines, such that it boasted a 26.4% market share in June.

Customer spreads remained high, reaching 12.8% in the second quarter of 2008, as against 12.5% in the previous quarter and 12.7% in the second quarter of 2007. With business volumes performing well, **net interest income** thus grew 15.7% against the first half of 2007, reaching a total of €1,808m. Fee income stood at €577m, showing a slight increase over the first half of the preceding year. **Core revenues** grew 11.9% year on year, up to €2,388m. Net trading income rose to €201m, such that **ordinary revenues** in 1H08 stood at €2,589, with a 17.4% year-on-year increase.

General administrative expenses were kept in check: at €778m, they increased 7.3% year on year with personnel expenses rising 5.2%.

Revenue growth outpaced that of expenses, leading to a 3.3 percentage points improvement in the **cost-income ratio**, which came down to 31.5% in the first six months of 2008. This enabled the **operating profit** to grow 23.6% year on year, reaching €1,734m.

Loan-loss provisions stood at €449m, up 19.7% year on year, growing more slowly than lending. In June 2008, **non-performing loans** (NPL) were stable at 2.37% (2.36% reported in June 2007), improving in commercial and mortgage loan portfolios. The coverage ratio remained high (227%).

Thus, **net attributable profit** went up to €868 in the first half of 2008, up 19.0% on the same period one year earlier.

In the second quarter, **Retail Banking** held its traditional campaign to promote its passbook account, *El Libretón*. The two-week campaign awarded the record figure of 700,000 prizes, enabling it to raise total funding of 4,300 million pesos from savings accounts, 72% more than in the previous year's campaign, with a customer retention of 84.7%.

Mortgage Banking granted more than 47,000 loans to housing developers and almost 31,000 to home buyers during the first half of the year. Its market share in new origination was 36.5% (in May). A campaign in the second quarter to encourage individuals to buy their homes with the bank strengthened the mortgage brand and franchise.

In Global Businesses, **Investment Banking** performed especially well, acting as global coordinator for the Mexican stock-exchange IPO. More than 242 million shares were placed, with more than 4 billion pesos captured and over 12,400 local investors participated.

During the second quarter, Bancomer placed two issues of *certificados bursátiles* on the local market for a combined amount of 7,350m pesos, and with the highest domestic ratings granted by Fitch (AAA mex) and Moody's (AAA.mx).

Pensions and Insurance

The pensions and insurance business in Mexico reported an excellent first semester, with €84m attributable profit, 25.3% more than in 1H07.

Despite volatile financial markets, the **Bancomer Afore** pension business presented a half-year attributable profit of €17m, similar to that achieved by the business in the same period last year. These results were driven by strong sales during this period, which boosted assets under management and thus fee income, which was up 11.4% against 1H07. The moderate 0.2% increase in operating expenses further improved performance figures.

The Group's **insurance companies** in Mexico (Seguros Bancomer, Pensiones Bancomer and Preventis) contributed €67m to the net attributable profit, 34.1% more than in the first half of 2007. This was due to buoyant growth in all business lines, such that the rate of new business underwritten far outgrew that of new claims. **Seguros Bancomer** wrote € 503m in premiums during these six months, 54.5% more than in the same period of the previous year. As in previous quarters, sales of bancassurance and savings products were brisk.

The United States

Income statement				
(Million euros)	1H08	Δ%	Δ% at constant exchange rate	1H07
NET INTEREST INCOME	646	162.4	202.1	246
Income by the equity method	-	-	-	-
Net fee income	269	206.6	253.1	88
Income from insurance activities	-	-	-	-
CORE REVENUES	915	174.0	215.5	334
Net trading income	80	n.m.	n.m.	10
ORDINARY REVENUES	994	188.8	232.6	344
Net revenues from non-financial activities	-	(100.0)	(100.0)	-
Personnel and general administrative expenses	(518)	164.8	204.9	(195)
Depreciation and amortization	(118)	n.m.	n.m.	(26)
Other operating income and expenses	1	3.6	19.3	1
OPERATING PROFIT	359	189.8	233.7	124
Impairment losses on financial assets	(125)	n.m.	n.m.	(25)
• Loan-loss provisions	(113)	n.m.	n.m.	(25)
• Other	(12)	n.m.	n.m.	-
Provisions	6	n.m.	n.m.	1
Other income/losses	3	34.5	54.8	2
PRE-TAX PROFIT	244	140.1	176.4	102
Corporate income tax	(80)	133.1	168.4	(35)
NET PROFIT	164	143.7	180.6	67
Minority interests	-	(96.4)	(95.9)	-
NET ATTRIBUTABLE PROFIT	164	143.5	180.4	67
MEMORANDUM ITEM: NET ATTRIBUTABLE PROFIT EXCLUDING AMORTIZATION OF THE INTANGIBLE ASSETS	216	183.3	226.2	76

Balance sheet				
(Million euros)	30-06-08	Δ%	Δ% at constant exchange rate	30-06-07
Cash and balances at Central Banks	425	124.9	162.5	189
Financial assets	8,030	107.6	142.3	3,869
Loans and receivables	26,944	183.4	230.8	9,508
• Due from banks	627	4.6	22.1	600
• Loans to customers	25,864	196.7	246.4	8,716
• Other	453	137.1	176.7	191
Inter-area positions	-	-	-	-
Property, plant and equipment	666	107.0	141.6	322
Other assets	1,196	203.3	254.1	394
TOTAL ASSETS / LIABILITIES AND EQUITY	37,261	160.9	204.6	14,281
Deposits by Central Banks and banks	7,062	n.m.	n.m.	975
Due to customers	24,640	131.2	169.9	10,658
Marketable debt securities	1,120	36.4	59.2	822
Subordinated debt	933	n.m.	n.m.	168
Inter-area positions	-	(70.7)	(65.8)	1
Other liabilities	1,721	72.5	101.3	998
Minority interests	-	(100.0)	(100.0)	1
Economic capital allocated	1,783	170.6	215.9	659

Relevant business indicators				
(Million euros and percentages)	30-06-08	Δ%	Δ% at constant exchange rate	30-06-07
Customer lending ⁽¹⁾	25,787	192.3	241.1	8,823
Customer deposits ⁽²⁾	23,058	136.0	175.5	9,770
• Deposits	22,757	138.0	177.8	9,562
• Assets sold under repurchase agreement	302	45.4	69.7	207
Off-balance-sheet funds	-	-	-	-
• Mutual funds	-	-	-	-
• Pension funds	-	-	-	-
Other placements	-	-	-	-
Customer portfolios	5,825	n.m.	n.m.	-
Risk-weighted assets ⁽³⁾	22,292	170.6	215.9	8,238
ROE (%)	18.9			20.7
Efficiency ratio (%)	52.1			56.8
Efficiency incl. depreciation and amortization (%)	64.0			64.3
NPL ratio (%)	2.37			2.02
Coverage ratio (%)	75			118

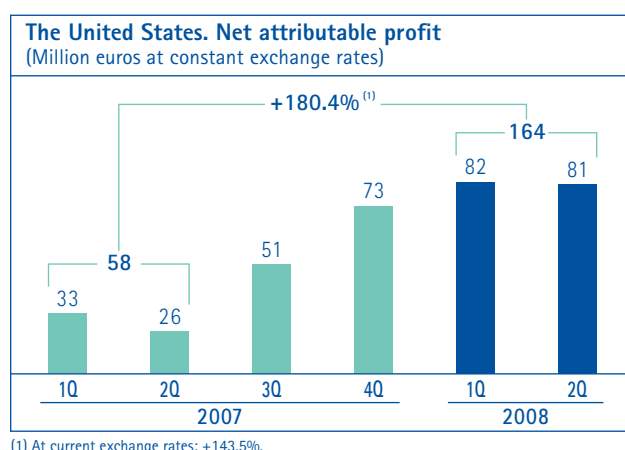
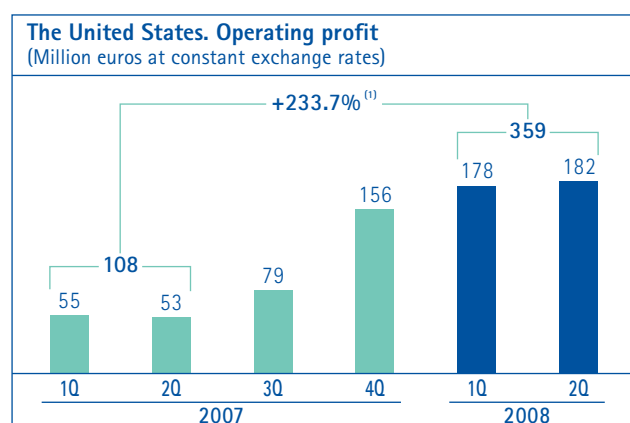
(1) Gross lending excluding NPLs. (2) Excluding deposits and repos issued by Markets units. (3) According to ERC methodology.

U.S. economic activity remained weak in the second quarter of 2008. Consumer sentiment declined sharply and the labour market continued to soften. As a result, demand for durable goods –mainly autos– deteriorated significantly. However, consumer spending in non-durables and services proved more resilient due to tax rebates and lax monetary policy. Once more, residential investment subtracted from GDP growth as home prices continued to fall and inventories remained at historically high levels. Non-residential investment remained stable, outperforming overall GDP. International trade contributed positively to GDP growth as exports benefited from a weak exchange rate and sustained economic growth overseas. The dollar/euro exchange rate stabilized during the second quarter, although it remained historically depressed.

Headline inflation rose significantly, caused by a sharp increase in global commodity prices. In contrast, core inflation

(excluding food and energy) remained contained due to the slower pace of economic activity and lack of wage pressures. In **financial markets**, extreme stress seems to be vanishing. While banks experienced substantial write-downs, they were able to raise large amounts of capital. Strains persist, however, as banks continue to tighten their lending standards. At the end of April, the FOMC lowered its target **interest rate** to 2%, keeping it steady through quarter end. Although unlikely to raise rates in the short term, the Fed communicated increasing concerns about inflation and greater downside risks to economic growth. Consequently, both short-term inflation expectations and the implied probability of rate hikes increased during the quarter.

The incorporation of **Compass** in the BBVA Group last September 2007 had a marked impact on the area's year-on-year comparison. All comments below give annualised figures from a comparison between balances and results for periods not affected



by the perimeter change. These offer a more meaningful guide to management performance. All year-on-year and quarter-on-quarter changes are given at **constant exchange rates** better to reflect the most significant aspects of the business.

From March to June 2008, **BBVA USA** recorded increases of 0.1% in customer deposits and 3.3% in total loans (2.7% in commercial loans, 4.8% in consumer loans and cards, and 3.6% in residential mortgages). Since December 2007, customer deposits have grown 3.8% while total loans were up 5.6%, with an increasing contribution of the lower risk types.

Higher volumes led to ordinary revenues of €508m in the second quarter, 4.5% higher than in the first quarter. Operating profit grew slightly less (2.3%), reaching €182m, impacted by the merger and integration costs. Attributable profit stood at €81m, a level similar to the €82m reported in the first quarter and still higher than the €73m from the final quarter of 2007. In the first half of the year, BBVA USA contributed an operating profit of €359m and net attributable profit of €164m. Excluding the amortization of intangible assets, this figure rises to €216m.

Compass banking group

Compass Bank ended June with €21,825m in **customer deposits**, 0.3% more than March 2008 and 4.2% up since December 2007. The total **loan-book** stood at €23,015m, 3.7% greater than at the end of March 2008. Consumer loans and cards grew 5.5%, residential mortgages grew 5.0% and commercial loans grew 2.8%. Since December 2007, total loans have increased 6.4%.

Much of the second-quarter growth was driven by the **Corporate Banking** unit. Its total loan book increased 5.6% during the quarter as a result of strong lending activities in the municipal/public funding arena and the energy sector, some of which derived from the new relationship with BBVA. The unit is also experiencing strong non-credit revenues resulting from sales of interest-rate derivative products and bond investment sales.

In the **Community Banking** unit, business activity was driven by an emphasis on larger, tax-exempt credit opportunities, the introduction of new products (interest-rate derivatives, mortgages and insurance) and the penetration in the former Texas State Bank markets. Revenue synergies have been above expectations.

A further step in the integration with the BBVA Group was taken with the announcement that the **Retail Banking** unit will combine with the **Consumer Finance** unit to provide a superior platform to deliver a customer-centric business model in these

segments. During the quarter, customer deposits have grown by about €200m and lending by almost €400m. The Group also made strong progress toward the integration of the TriStar banks during the quarter, including completion of product mapping and pricing, and launching of new brand advertising in these new markets.

The **Wealth Management** unit experienced loan growth of 10.0% over March 2008, partly the result of receiving notable referral business from both BBVA Bancomer and the Community Banking unit –more examples of beginning to realize the synergies brought on by the combination of BBVA and Compass.

During the second quarter, Compass produced ordinary revenues of €460m, growing 4.0% over the preceding quarter. With the merger and integration expenses and amortization of intangible assets, **operating profit** stood at €160m, similar to the first quarter of 2008 but 12.0% higher than the fourth quarter of 2007. In the wake of industry-wide asset-quality issues, loan-loss provisions increased by 14.5% during the quarter. The accelerated provisioning efforts aim to stay ahead of the declining asset quality being experienced in the industry. These efforts kept Compass favourably positioned compared to its peers.

Net attributable profit actually declined 2.0% against the first quarter, although it was 3.1% up on the fourth quarter of 2007. Half-year net operating profit was €320m and net attributable profit was €149m (€201m excluding the amortization of intangible assets).

Other units

BBVA Puerto Rico managed customer loans of €2,736m at 30-Jun-2008. This was up 3.5% year on year, while customer deposits, at €1,152m, declined 3.3% over June 2007. First-half ordinary revenues rose 15.0% against the first half of 2007, reaching €77m, while expenses grew only 1.9% over the same period. This enhanced the efficiency ratio and improved operating profit by 29.5% to €38m. Attributable profit stood at €14m (up 38.2% year on year).

BTS processed over 7.6 million transfers during the second quarter of 2008. This is 11.0% more than during the same period 2007. Of these, 6.1 million went to Mexico and 1.5 million to other countries. Half-year net attributable profit went down 27.0% year on year to €4m, as margins continue to compress under intense competition both locally and globally. **BBVA Bancomer USA** saw its deposits increase 38.0% over June 2007 and opened 7,000 new accounts during the second quarter of the year, handling over 130,000 money transfers.

Income statement

(Million euros)	South America				Memorandum item:							
					Banking businesses				Pensions and Insurance			
	1H08	Δ%	Δ% ⁽¹⁾	1H07	1H08	Δ%	Δ% ⁽¹⁾	1H07	1H08	Δ%	Δ% ⁽¹⁾	1H07
NET INTEREST INCOME	964	26.1	36.1	765	959	26.0	36.0	761	5	11.6	26.7	5
Income by the equity method	1	n.m.	n.m.	-	1	55.3	63.4	-	-	n.m.	n.m.	-
Net fee income	442	(1.6)	5.1	449	257	2.3	10.8	251	134	0.3	4.4	134
Income from insurance activities	4	n.m.	n.m.	(17)	-	n.m.	n.m.	-	58	14.4	31.2	51
CORE REVENUES	1,411	17.9	27.2	1,197	1,216	20.1	29.8	1,013	197	4.7	12.0	189
Net trading income	129	(5.4)	3.7	136	130	22.2	37.0	107	(2)	n.m.	n.m.	30
ORDINARY REVENUES	1,540	15.5	24.9	1,333	1,347	20.3	30.4	1,119	196	(10.2)	(4.6)	218
Net revenues from non-financial activities	2	n.m.	n.m.	-	1	n.m.	n.m.	-	1	n.m.	n.m.	-
Personnel and general administrative expenses	(622)	9.5	17.5	(568)	(494)	12.2	20.8	(440)	(115)	(2.1)	4.6	(118)
Depreciation and amortization	(48)	12.5	19.9	(43)	(41)	0.8	7.8	(40)	(7)	232.9	231.1	(2)
Other operating income and expenses	(25)	5.7	16.6	(23)	(24)	7.2	17.7	(22)	1	52.2	36.7	1
OPERATING PROFIT	847	21.3	31.8	699	789	27.9	39.4	617	76	(23.0)	(18.9)	99
Impairment losses on financial assets	(149)	104.2	111.3	(73)	(149)	104.6	111.6	(73)	-	(100.0)	(100.0)	-
• Loan-loss provisions	(142)	107.4	114.6	(69)	(142)	107.4	114.6	(69)	-	-	-	-
• Other	(6)	52.0	57.2	(4)	(6)	57.1	61.8	(4)	-	(100.0)	(100.0)	-
Provisions	5	n.m.	n.m.	(20)	10	n.m.	n.m.	(21)	(4)	n.m.	n.m.	1
Other income/losses	(10)	9.3	10.0	(9)	(10)	26.5	26.3	(8)	2	n.m.	n.m.	(1)
PRE-TAX PROFIT	694	16.2	27.1	597	639	24.1	36.3	515	74	(25.2)	(21.3)	99
Corporate income tax	(169)	37.2	48.4	(123)	(152)	44.1	56.4	(105)	(23)	(0.3)	4.1	(23)
NET PROFIT	525	10.8	21.4	474	488	19.0	31.1	410	51	(32.7)	(29.0)	76
Minority interests	(175)	18.0	29.9	(148)	(158)	24.9	38.7	(127)	(16)	(23.5)	(20.3)	(21)
NET ATTRIBUTABLE PROFIT	351	7.5	17.6	326	329	16.4	27.7	283	35	(36.2)	(32.4)	55

(1) At constant exchange rates.

Balance sheet

(Million euros)	South America				Memorandum item:							
					Banking businesses				Pensions and Insurance			
	30-06-08	Δ%	Δ% ⁽¹⁾	30-06-07	30-06-08	Δ%	Δ% ⁽¹⁾	30-06-07	30-06-08	Δ%	Δ% ⁽¹⁾	30-06-07
Cash and balances at Central Banks	3,837	38.6	56.8	2,768	3,836	38.6	56.8	2,768	-	(31.7)	(21.4)	-
Financial assets	4,497	9.8	24.9	4,095	3,648	11.9	26.8	3,260	1,046	2.2	17.7	1,023
Loans and receivables	24,766	6.0	20.9	23,358	24,191	6.0	20.8	22,832	649	9.1	26.0	595
• Due from banks	2,352	(22.6)	(11.1)	3,040	2,024	(26.6)	(15.6)	2,756	382	24.4	43.5	307
• Loans to customers	21,666	9.6	24.8	19,770	21,475	9.6	24.8	19,595	195	(2.7)	12.7	200
• Other	748	36.5	57.0	548	692	43.8	65.3	482	72	(17.7)	(5.0)	88
Inter-area positions	-	-	-	-	3	(62.9)	(57.3)	9	-	-	-	-
Property, plant and equipment	437	(12.6)	(0.1)	500	374	(11.9)	0.5	425	62	(16.4)	(3.9)	75
Other assets	1,640	(7.6)	(0.6)	1,775	1,020	22.3	40.0	834	146	(9.7)	3.9	162
TOTAL ASSETS / LIABILITIES AND EQUITY	35,177	8.3	22.9	32,496	33,073	9.8	25.0	30,128	1,903	2.6	18.2	1,855
Deposits by Central Banks and banks	3,107	31.4	48.7	2,365	3,086	32.6	50.0	2,327	24	(61.2)	(55.4)	62
Due to customers	23,389	1.4	15.6	23,055	23,444	1.6	15.7	23,079	-	n.m.	n.m.	-
Marketable debt securities	929	103.2	131.4	457	929	103.2	131.4	457	-	-	-	-
Subordinated debt	1,077	(17.8)	(13.5)	1,309	590	14.2	30.4	517	-	-	-	-
Inter-area positions	16	131.0	96.4	7	-	-	-	-	-	-	-	-
Other liabilities	4,244	45.4	66.8	2,918	3,106	80.1	105.5	1,724	1,388	(2.3)	12.6	1,421
Minority interests	501	13.5	29.1	442	430	11.4	26.6	386	63	1.5	17.0	62
Economic capital allocated	1,914	(1.5)	12.4	1,943	1,490	(9.1)	3.5	1,639	427	38.2	59.0	309

(1) At constant exchange rates.

Relevant business indicators												
(Million euros and percentages)	South America				Memorandum item:							
					Banking businesses				Pensions and Insurance			
	30-06-08	Δ%	Δ% ⁽¹⁾	30-06-07	30-06-08	Δ%	Δ% ⁽¹⁾	30-06-07	30-06-08	Δ%	Δ% ⁽¹⁾	30-06-07
Customer lending ⁽²⁾	21,879	9.3	24.5	20,013	21,879	9.3	24.5	20,013	-	-	-	-
Customer deposits ⁽³⁾	24,720	2.3	16.6	24,157	24,720	2.3	16.6	24,157	-	-	-	-
• Deposits	24,415	5.0	19.6	23,242	24,415	5.0	19.6	23,242	-	-	-	-
• Assets sold under repurchase agreement	305	(66.6)	(61.2)	915	305	(66.6)	(61.2)	915	-	-	-	-
Off-balance-sheet funds	34,314	(7.6)	5.6	37,135	1,627	(15.8)	(4.6)	1,933	32,687	(7.1)	6.1	35,202
• Mutual funds	1,627	(15.8)	(4.6)	1,933	1,627	(15.8)	(4.6)	1,933	-	-	-	-
• Pension funds	32,687	(7.1)	6.1	35,202	-	-	-	-	32,687	(7.1)	6.1	35,202
Customer portfolios	-	-	-	-	-	-	-	-	-	-	-	-
Risk-weighted assets ⁽⁴⁾	23,929	(1.5)	12.4	24,290	18,622	(9.1)	3.5	20,484	5,343	38.2	59.0	3,866
ROE (%)	37.8			36.1	44.6			37.2	18.3			37.4
Efficiency ratio (%)	40.4			42.6	36.6			39.3	58.4			53.9
Efficiency incl. depreciation and amortization (%)	43.5			45.8	39.7			42.9	62.0			54.9
NPL ratio (%)	2.22			2.52	2.24			2.54	-			-
Coverage ratio (%)	141			131	141			131	-			-

(1) At constant exchange rate. (2) Gross lending excluding NPLs. (3) Including marketable debt securities. (4) According to ERC methodology.

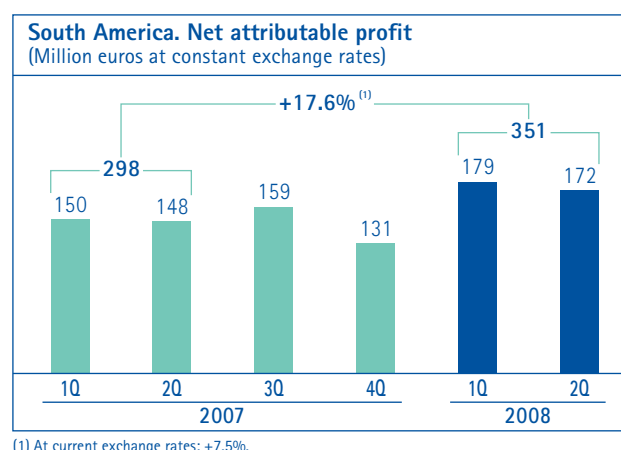
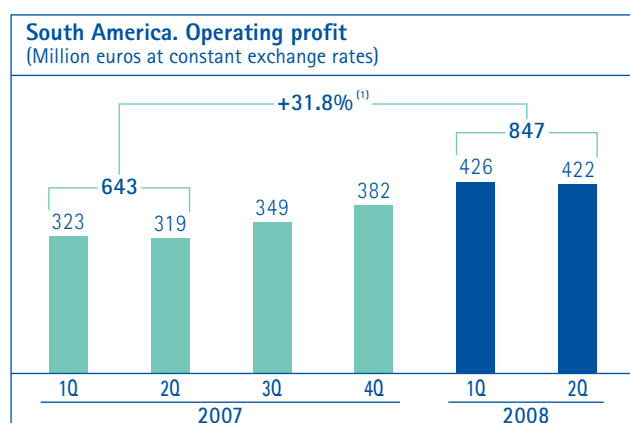
The South America area manages the BBVA Group's banking, pension and insurance businesses in the region. During the fourth quarter of 2007, the Group sold its holdings in the AFP Crecer pension fund and in BBVA Seguros, both of them established in the Dominican Republic.

Against the backdrop of an international credit crisis, the **economic situation** in the Latin-American countries remained relatively buoyant. Higher commodity prices continued to swell the region's tax revenues and improve its balance of payments, whilst macroeconomic stability and still-low interest rates stimulated domestic demand. Increased demand pushed up business volumes in the finance industry, although on occasions some countries noticed temporary squeezes on liquidity. However, higher inflation was not exclusive to the developed countries. It also had an impact on Latin America,

where it is a key problem for central banks. These are tightening monetary policy in most of the countries. As interest rates crept up, the region's currencies strengthened against the US dollar, despite endeavours to avoid the loss of competitiveness that this entailed.

The region's **currencies** continued to depreciate against the euro. This had a negative impact on the area's consolidated accounts. The attached tables contain columns with the year-on-year changes at **constant exchange rates**. Unless otherwise indicated, the following remarks refer to these figures as they provide a better picture of underlying management performance.

In this context, all units in the BBVA South America area continued to perform well. They booked an **attributable**



profit of €351m in the first half of 2008, 17.6% up on the same period in 2007 (up 7.5% at current exchange rates). This increase pushed the area's return on equity (ROE) up to 37.8%, as against the 36.1% reported for the first half of 2007.

The area's performance was enhanced by higher revenues, especially **net interest income**, which reached €964m in the first half, rising 36.1% against the January-June figure for 2007. This was largely fuelled by excellent volume growth in all units, alongside widening spreads in most of them. At the end of June, the **lending portfolio** showed a balance of €21,879m, a year-on-year increase of 24.5%. Business with individual customers grew most, especially consumer finance and cards (up 40.6%), although mortgages picked up again in the second quarter, growing 22.1% year on year.

Customer funds (including mutual funds) ended June with a balance of €26,347m, growing 15.0% year on year, whilst the **pension managers** increased their assets under management to €32,687m. These rose 6.1%, despite the sluggish performance of financial markets.

Fee income and revenues from the **insurance business** reached €446m over the first six months, 11.3% more than in the same period of 2007, although lines that track market performance most closely (fees on securities, mutual funds and pensions) performed only moderately. **Net trading income** recorded a year-on-year growth of 3.7%, despite the high capital gains obtained from divesting public assets in Argentina during the first quarter of 2007 and market volatility in the first half of 2008. **Ordinary revenues** stood at €1,540m (up 24.9% year on year).

Higher inflation throughout much of the region and various units' sales drives pushed **general and personnel expenses** up by 17.5% against the previous year. However, this was still below the growth in revenues, such that the **cost-income ratio** (including depreciation) continued to improve, ending the half-year at 43.5% (as compared to 45.8% for the first six months of 2007). **Operating profit** grew 31.8% to €847m.

Active risk management by all units kept the **non-performing loan ratio** at comfortable levels. It ended June at 2.22%, coming down from the 2.52% recorded twelve months earlier. The significant rise in business volumes over recent years and the change in the lending mix increased loan-loss provisions. At the end of June, the **coverage ratio** stood at 141%, considerably higher than the 131% from a year earlier.

Banking businesses

In the first half of 2008, the area's banking business generated an attributable profit of €329m, 27.7% up on the same period of 2007. The performance of the main units is indicated below.

In Argentina, **BBVA Banco Francés** reported a half-year attributable profit of €74m. This was 8.0% down on the figure booked for January to June 2007, which had reflected high capital gains from the divestment of public assets. Excluding this effect, the six months showed good performance, especially in net interest income, which rose 33.3%. It was fuelled by higher lending (up 22.6%) above all in higher-yield loan types, and by less costly funding, as transactional customer funds accounted for a higher percentage of the total funding structure. Fee income showed especially significant growth (up 20.4%), while general and personnel expenses remained high, largely due to inflation and the costs earmarked to plans for increasing banking penetration. Loan-loss provisions were very low in the period, requiring few allocations, whilst the level of recoveries remained stable.

BBVA Chile presented a €29m attributable profit during the six months, growing 95.9% year on year. The bank continued to restructure its loanbook, focusing on more loans to individuals, above all in consumer credit and cards. This business, which is run both by the bank and by the Forum finance company, grew 20.4% year on year. The larger share of retail business in the mix drove net interest income up 32.8% above the first-half of 2007. With fee income and net trading income buoyant and expenses rising only moderately, operating profit reached €72m, up 71.3% year on year. Loan-loss provisions were 15.7% above the level in the first half of 2007.

In this first half-year, **BBVA Colombia** reported an attributable profit of €64m (up 17.3% year on year). This stemmed from a 28.8% rise in net interest income. The figure reflected positive growth in retail business, especially consumer credit, driven by the campaign that ended in May, offsetting the negative impact of stricter regulatory provisioning obligations. Higher revenues and moderation in general administration expenses, which only went up 7.2%, pushed the operating profit up 49.0% to €155m. High loan-loss provision allocations were the outcome of the low provisioning figure for the first half of 2007, higher business volumes and regulatory changes in provisioning requirements.

In Peru, **BBVA Banco Continental's** attributable profit for the half year was €40m (up 39.3% year on year), with all revenue streams performing strongly, especially net interest income. This grew 19.2%, driven by higher business volumes (lending was up 23.9% and customer funds up 25.5%), despite the negative impact of a depreciating dollar on dollar-denominated revenue streams. The marketing and sales costs of the plan to bank more customers impacted expenses. Nonetheless, the cost-income ratio continued to improve (31.5% compared to 35.1% in the first half of 2007).

Operating profit stood at €151m (up 35.8%). The increase in loan-loss provisions was impacted by the comparatively low level of the previous year and the aforementioned rise in business volumes.

BBVA Banco Provincial in Venezuela recorded an attributable profit of €94m, 61.5% above the figure from the first half of 2007. Net interest income was a significant part of this rise (up 55.6%), boosted by higher business volumes (albeit not growing quite as fast as in previous quarters) and a defence on spreads. Rising fee income and net trading income offset the sharp increase in general and personnel expenses, influenced by high inflation in the country. Thus, the half-year operating profit grew 74.2% year on year, to reach €270m. Loan-loss provisions grew in line with the lending portfolio.

In the rest of the banking businesses, **BBVA Panama** showed an attributable profit of €15m for the half year (up 51.5% year on year); **BBVA Paraguay** €11m (up 31.3%) and **BBVA Uruguay** €3m (down 15.7%).

Pensions and Insurance

During the first half year, the markets have not been favourable for the pensions & insurance business in South America. This reported an attributable profit of €35m, 32.4% below the year-to-date profit at end of June 2007. €18m of this growth came from the **pension business** and €17m from the **insurance business**. The performance of the main companies is described below.

Intense sales activity in **AFP Provida** in Chile boosted its revenues by 11.5% year on year. However, bearish markets and volatile interest rates meant that the excellent sales performance was not reflected in the figure for assets under management (which went up a mere 5.4%) and also dragged down financial revenues. Attributable profit stood at €13m, 40.1% down on the first half of 2007.

The Consolidar Group in Argentina (including the AFJP pension business and the insurance companies) obtained a €14m attributable profit during these six months. This was 13.3% more than the same period of 2007, due to dynamic sales both in insurance (writing 16.2% more business year on year) and in the AFJP (despite the negative impact of the new pension law, which came into force in the second half of 2007).

The pension fund **AFP Horizonte** in Peru brought in an attributable profit of €3m and the Colombia **AFP Horizonte** €1m. These figures were down on the first half of 2007, reflecting the bearish financial markets.

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

(Million euros)	Operating profit				Net attributable profit			
	1H08	Δ%	Δ% at constant exchange rates	1H07	1H08	Δ%	Δ% at constant exchange rates	1H07
Argentina	128	(23.9)	(10.4)	169	88	(19.4)	(5.1)	109
Chile	103	11.9	12.8	92	45	19.4	20.3	38
Colombia	161	42.1	41.7	113	62	0.2	(0.1)	62
Panama	16	(0.1)	15.0	16	15	31.5	51.5	12
Paraguay	14	50.9	47.9	10	11	33.9	31.3	8
Peru	158	26.6	30.7	125	43	20.1	23.9	36
Uruguay	4	10.6	7.3	4	3	(13.1)	(15.7)	3
Venezuela	279	51.6	74.4	184	97	41.0	62.2	69
Other countries ⁽¹⁾	(17)	23.3	19.4	(14)	(13)	33.2	30.5	(10)
TOTAL	847	21.3	31.8	699	351	7.5	17.6	326

(1) Bolivia, Ecuador and Dominican Republic. Additionally, it includes eliminations and other charges.

Income statement

(Million euros)	1H08	Δ%	1H07
NET INTEREST INCOME	(374)	82.1	(205)
Income by the equity method	(2)	137.7	(1)
Net fee income	(8)	n.m.	20
Income from insurance activities	(26)	112.8	(12)
CORE REVENUES	(410)	107.0	(198)
Net trading income	252	(13.3)	291
ORDINARY REVENUES	(157)	n.m.	93
Net revenues from non-financial activities	(15)	n.m.	(1)
Personnel and general administrative expenses	(338)	22.3	(276)
Depreciation and amortization	(69)	(4.2)	(72)
Other operating income and expenses	(7)	1.9	(7)
OPERATING PROFIT	(586)	122.9	(263)
Impairment losses on financial assets	(24)	n.m.	(5)
• Loan-loss provisions	(6)	20.8	(5)
• Other	(19)	n.m.	-
Provisions	(29)	(78.6)	(137)
Other income/losses	9	n.m.	(4)
PRE-TAX PROFIT	(630)	54.3	(409)
Corporate income tax	192	26.0	152
NET PROFIT	(439)	71.0	(257)
Minority interests	9	258.4	2
NET ATTRIBUTABLE PROFIT (excluding one-offs)	(430)	69.2	(254)
Net of one-off operations ⁽¹⁾	180	(76.0)	750
NET ATTRIBUTABLE PROFIT	(250)	n.m.	496

(1) In 2008, capital gains from Bradesco and extraordinary charges for early retirements. In 2007, capital gains from Iberdrola, capital gains on the sale of buildings and the endowment for the BBVA Microcredit Foundation.

Balance sheet

(Million euros)	30-06-08	Δ%	30-06-07
Cash and balances at Central Banks	(304)	n.m.	5,660
Financial assets	16,458	(3.1)	16,978
Loans and receivables	7,192	25.7	5,722
• Due from banks	5,249	65.4	3,174
• Loans to customers	815	(3.5)	845
• Other	1,127	(33.8)	1,703
Inter-area positions	(7,329)	n.m.	(1,215)
Property, plant and equipment	1,841	8.5	1,697
Other assets	9,569	71.3	5,586
TOTAL ASSETS / LIABILITIES AND EQUITY	27,427	(20.3)	34,428
Deposits by Central Banks and banks	5,402	176.8	1,951
Due to customers	16,260	(18.8)	20,021
Marketable debt securities	72,809	(4.5)	76,264
Subordinated debt	5,752	(2.9)	5,925
Inter-area positions	(81,843)	2.7	(79,669)
Other liabilities	3,381	(31.1)	4,909
Minority interests	334	5.7	316
Valuation adjustments	(756)	n.m.	2,832
Shareholders' funds	23,361	35.5	17,241
Economic capital allocated	(17,272)	12.4	(15,364)

This area includes 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.

Net interest income performance continued to be brought down by the Compass acquisition funding structure and higher wholesale-funding costs. This, plus lower net trading income, generated an **operating profit** of –€586m, as compared with the –€263m generated in the same Jan-Jun period of 2007.

Attributable profit excluding one-offs was –€430m (–€254 in 1H07). First half 2008 **one-off earnings** were €180m net of tax. This figure reflects capital gains on the Bradesco divestment in the first quarter (€509m) and one-off provisions for early retirement under the Spain & Portugal area's transformation plan in the second quarter (€329m). In comparison, €750m were recorded under this item in the first half of 2007 (capital gains from the Iberdrola divestment and building sales minus the endowment for the BBVA Microcredit Foundation).

Attributable profit for the area thus stood at –€250m in the first half of 2008, as compared with the +€496m booked to the same period in 2007.

Financial Planning

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 & Liabilities Committee.

Managing **structural liquidity** helps to fund growth in the recurrent banking business at suitable costs and maturities, using a wide range of instruments that tap several alternative sources of finance. The Group encourages its American subsidiaries to be financially independent. The second quarter of 2008 was marked by strong volatility on wholesale markets and tight interbank markets: liquidity continued to be concentrated in short-term instruments. However, BBVA's comfortable liquidity position meant it did not need to call on the medium- to long-term funding markets and could keep its funding requirements with the European Central Bank at low levels. The amount of wholesale funding maturing in 2008 is limited, while current and potential sources of liquidity inflows far surpass the outflows.

The BBVA Group's **capital management** pursues two key goals: to maintain capital levels appropriate to the Group's business targets in all the countries where it operates while at the same time maximising returns on shareholder funds through efficient capital allocation to the different businesses, active 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.

Actively managing **exchange-rate exposure** on its long-term investments (basically stemming from its franchises in the Americas) helps BBVA 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 second quarter of 2008, BBVA pursued an active policy to hedge its investments in Mexico, Chile, Peru and the dollar area. Its aggregate hedging was close to 50%, with 100% hedging in the dollar area. Apart from corporate-level hedging, some subsidiary banks hold dollar positions at local level. Additionally, the Group hedges exchange-rate exposure on expected earnings from the Americas. During the first half of 2008 such hedging has mitigated the impact of the American currencies weakening against the euro, with a forex hedge of over 50%.

The Financial Planning unit also actively manages the Group's **structural interest-rate exposure** on its balance sheet. This maintains more uniform short and medium-term net interest income growth by cutting out interest-rate fluctuations. During 2008, its strategies focused on hedging a less positive economic scenario in Europe for 2008-2010, with higher short-term inflation. The risk on the Mexico and USA balance sheets stands well within the area's comfort zone. The unit works both with hedging derivatives (caps, floors, swaps, FRA's, etc) and with balance-sheet instruments. At 30-Jun-08, the Group had asset portfolios denominated in euros, US dollars and Mexican pesos.

Holdings in Industrial and Financial Companies

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

The unit invested €749m in the first half of 2008, while divesting €1,648m. The largest single operation was the sale of the 2.5% holding in Bradesco in March for €875m, which triggered net capital gains of €509m.

At the end of June 2008, the market value of the holdings in industrial and financial companies was €4,640m, with unrealised capital gains of €1,515m before tax.

Information by secondary segments

1 st Half 2008				
(Million euros)				
Geographical zone	Ordinary revenues	Operating profit	Net attributable profit	Total assets
Spain	4,807	2,998	1,547	269,315
The United States	1,151	493	262	72,650
Mexico	2,706	1,760	888	62,203
South America	1,492	793	299	35,145
Other	276	178	112	65,677
TOTAL	10,431	6,222	3,108	504,990

1 st Half 2007				
(Million euros)				
Geographical zone	Ordinary revenues	Operating profit	Net attributable profit	Total assets
Spain	4,857	3,253	2,140	288,399
The United States	374	126	57	40,231
Mexico	2,539	1,561	814	60,733
South America	1,300	662	300	32,531
Other	202	116	64	44,550
TOTAL	9,272	5,719	3,374	466,443

Corporate responsibility

The following significant events related to the Group's corporate responsibility (CR) occurred during the second quarter of 2008:

Access to finance

The BBVA Microcredit Foundation signed an agreement with the Economic Development Bank to help the poor and another with the International Finance Corporation to develop the microfinance sector in Latin America.

Responsible finance

BBVA announced financing of €4 billion for projects in accordance with the Ecuador Principles. These principles emphasise the social and environmental risks of projects in underdeveloped countries.

Responsible products and services

The bank launched the first mortgage for young people with limited resources. The interest rate is euribor less 0.25% points and there is a 1% cash incentive. It also launched a new ETF (*Acción FTSE4Good Ibex ETF*), which is the first traded fund to invest according to socially responsible criteria. Furthermore BBVA will chair a Spanish forum on socially responsible investment (SpainSIF), which will promote such investment in Spain.

Responsible HR management

The +Familia Foundation awarded BBVA Spain a certificate for being a family-conscious company that helps employees reconcile work with family commitments. BBVA also tops a list of "the best companies to work for" according to *Informe Merco Personas 2008*.

Environmental management and climate change

Five of BBVA Spain's major buildings have achieved ISO certificates for reducing their environmental impact through lower consumption of resources. BBVA's asset manager launched a campaign to reduce paper use. It is encouraging customers to check their accounts on-line and will set up the *BBVA Asset Management Forest* in conjunction with the Apadrina un Arbol Foundation. And in Mexico the BBVA Bancomer Foundation organised a conference on climate change to raise awareness on environmental issues.

Commitment to society

COMMUNITY SUPPORT. BBVA donated a million dollars to the Chinese Red Cross to help victims of the recent earthquake in China. The money will be used to build schools. BBVA Colombia distributed 1,500 study grants (with meal allowance) for poor children.

EDUCATION. The bank signed an agreement with the Organization of Ibero-American States to improve the education of children in Latin America and another with an international students association (AIESEC) to reward projects by youths on financial awareness and education. Moreover BBVA Bancomer recently started a series of workshops on financial education in conjunction with the Interactive Economics Museum in Mexico. It is also encouraging a culture of saving among children through an activity called *Viernes de marketing*. BBVA Chile took part in the first national meeting on "quality education as a counter to poverty" in that country.

Social Action Plan for Latin America

The number of children who benefit from BBVA Bancomer's plan increased from 5,600 to 10,600 and those in BBVA Panama's plan doubled to 4,500.

CR reports





BBVA Banco Continental (Peru) presented its third CR report, which was verified by an external auditor and rated B+ by the Global Reporting Initiative.

Prizes and recognition

BBVA Bancomer was hailed as a socially responsible company for the eighth year running and the bank's parent company won the Prince Felipe Prize for brand management. It was also recognised by an association of handicapped persons (COCEMFE) for its work in improving the quality of life of such people.

BBVA in the sustainability indices

BBVA is one of the heavyweights in the FTSE4Good Ibex. Its presence in other sustainable indices is as follows:

Main sustainability indices in which BBVA participates		BBVA's participation (%)
	DJSI World	0.70%
	DJSI STOXX	1.51%
	DJSI EURO STOXX	3.00%
	FTSE4Good Global	0.62%
	FTSE4Good Europe	1.24%
	FTSE4Good Europe 50	1.98%
	FTSE4Good IBEX	6.73%
	ASPI Eurozone Index	2.19%
	Ethibel Sustainability Index Excellence Europe	1.75%
	Ethibel Sustainability Index Excellence Global	1.06%
	KLD Global Sustainability Index	0.64%
	KLD Global Sustainability Index Ex-US	1.10%
	KLD Europe Sustainability Index	1.84%
	KLD Europe Asia Pacific Sustainability Index	1.27%

INVESTOR RELATIONS

- MADRID 28046 - Pº Castellana, 81 - 19th floor
Tel: 34-91 374 62 01
Fax: 34-91 537 85 12
e-mail: inversoresbbva@grupobbva.com
- NEW YORK - 1345 Av. of the Americas, 45th floor, NY 10105
Tel: 1-212-728 16 60 - Fax: 1-212-333 29 05
e-mail: ricardo.marine@bbvany.com

INTERNET INFO (<http://www.bbva.com>)

