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BBVA

QUARTERLY REPORT

January-June 2010

BBVA

Contents

QUARTERLY REPORT 2010

January-June

BBVA GROUP HIGHLIGHTS

BBVA Group Highlights
(Consolidated figures)

	30-06-10	Δ%	30-06-09	31-12-09
Balance sheet (million euros)				
Total assets	568,917	4.8	542,634	535,065
Total lending (gross)	348,884	4.0	335,608	332,162
Customer funds on balance sheet	363,225	(1.5)	368,586	371,999
Other customer funds	145,434	11.7	130,143	137,105
Total customer funds	508,659	2.0	498,729	509,104
Total equity	32,852	9.9	29,901	30,763
Stockholders' funds	30,609	4.2	29,383	29,362
Income statement (million euros)				
Net interest income	6,937	1.2	6,858	13,882
Gross income	10,880	4.8	10,380	20,666
Operating income	6,500	3.3	6,293	12,308
Income before tax	3,651	(8.8)	4,003	5,736
Net attributable profit	2,527	(9.7)	2,799	4,210
Net attributable profit excluding one-offs [1]	2,527	(9.7)	2,799	5,260
Data per share and share performance ratios				
Share price (euros)	8.61	(3.7)	8.94	12.73
Market capitalization (million euros)	32,278	(3.7)	33,507	47,712
Net attributable profit per share (euros)	0.66	(13.3)	0.76	1.12
Net attributable profit per share excluding one-offs (euros) [1]	0.66	(13.3)	0.76	1.40
Book value per share (euros)	8.17	4.2	7.84	7.83
Tangible book value per share (euros) [2]	6.31	7.4	5.88	6.27
P/BV (Price/book value; times)	1.1		1.1	1.6
Price/tangible book value (times) [2]	1.4		1.5	2.0
Significant ratios (%)				
ROE (Net attributable profit/Average equity)	17.9		21.5	16.0
ROE excluding one-offs [1]	17.9		21.5	20.0
ROA (Net income/Average total assets)	0.99		1.12	0.85
ROA excluding one-offs [1]	0.99		1.12	1.04
RORWA (Net income/Average risk-weighted assets)	1.84		2.07	1.56
RORWA excluding one-offs [1]	1.84		2.07	1.92
Efficiency ratio	40.3		39.4	40.4
Risk premium excluding one-offs [1]	1.40		1.11	1.15
NPA ratio	4.2		3.2	4.3
NPA coverage ratio	61		68	57
Capital adequacy ratios (%)				
BIS Ratio	12.7		12.3	13.6
Core capital	8.1		7.1	8.0
Tier I	9.2		8.4	9.4
Other information				
Number of shares (millions)	3,748		3,748	3,748
Number of shareholders	897,894		923,005	884,373
Number of employees	104,372		103,655	103,721
Number of branches	7,407		7,458	7,466
Number of ATMs	20,097		18,765	19,279

General note: These quarterly statements have not been audited. The consolidated accounts of the BBVA Group have been drawn up according to the International Financial Reporting Standards (IFRS) adopted by the European Union and in conformity with Bank of Spain Circular 4/2004, together with the changes introduced therein.

(1) The third quarter of 2009 includes capital gains from the sale-and-leaseback of properties which have been allotted to generic provisions for NPLs, with no effect on net attributable profit, and in the fourth quarter, there was an extraordinary provision and a charge for goodwill impairment in the United States.
(2) Net of goodwill.

GROUP INFORMATION

RELEVANT EVENTS

In the **second quarter of 2010** the downward trend in commercial activity since 2007 appears to have reversed, as can be seen by the positive lending figures. Asset quality indicators are also clearly improving: the Group's NPA ratio is falling for the first time since 2006 and the coverage has increased for the second quarter in a row. There has also been a robust operating result for the quarter, which has enabled the Group to allocate €250m in generic provisions for NPA and still obtain a net attributable profit of €1,287m, 3.8% up on the figure for the first quarter of 2010.

Listed below are the most important aspects of the performance of the Group and its main areas during quarter:

- Positive performance in operating revenues, with **gross income** at an all-time high for the quarter at €5,579m. As well as the good figures from the most stable items derived from the relationship with our customers, the net interest income and income from fees, other forms of income also contributed positively. They include once more the high net trading income, dividends (mainly from Telefónica) and the increased contribution from equity-accounted income, mainly from the profits of China Citic Bank (CNCB). Accumulated gross income amounted to €10,880m, 4.8% up on the same period last year.
- **Operating costs** were €4,380m, 7.1% more than 12 months previously, in part due to the increased rental costs mentioned in the report for the first quarter of 2010. It is important to stress that the Group's financial strength has allowed it to maintain its transformation plans and boost investment in growth plans in the different units.
- The **efficiency ratio** of 40.3% is practically the same as in the first three months of the year, and in line with the figure for 2009, which means that BBVA continues to be a benchmark in the sector.
- The **operating income** of €3,317m is an increase on the figure for the first quarter of the year, Its accumulated figure for the half-year rose 3.3% year-on-year to €6,500m. This shows the resistance, recurrence and sustainability of BBVA's operating income in what is still a difficult economic situation. Among the keys to this performance is appropriate diversification, not only in geographical terms, but also by business (banking, pensions, insurance, etc.) and by segment. This means that income can be dependent on multiple economies, currencies, sectors and risk factors.
- A total of 40% of the operating income generated in the quarter has been allocated to **impairment on financial assets**. This figure is higher than that in previous quarters. The growth is due to additional generic provisions of about €250m, which have improved the Group's coverage for the second quarter in a row, by two percentage points, to 61%. The risk premium continues to be held in check, at around 1.40% for the half year, higher than in the same period of last year due to the greater generic provisions.
- Finally, the Group's **net attributable profit** in the second quarter is greater than that in the first quarter and has been generated with the positive contribution of all the business areas. The accumulated figure for the first half of the year is €2,527m, 9.7% down on the figure for the first half of 2009, which did not include additional generic provisions. This year's amount maintains both ROE and ROA at high levels, at 17.9% and 0.99% respectively.
- In the Group's banking **activity**, lending performed particularly well, and grew in practically all the business units. The quality of this growth is excellent, as in all the geographical areas it mainly comes from more loyal customers and lower risk items, with a steady improvement in spreads. Residential mortgages performed well, as did loans to public institutions and governments. In terms of customer funds, the highlights of the quarter have been the growth of deposits in Spain, based on strong customer

loyalty, and the fall in less profitable term deposits in the United States. Finally, it is important to highlight the stability of the loan-deposit ratio and thus the financing structure. This is a symptom of the BBVA business model characterized by customer bundling.

- There has been a clear improvement in the **asset quality** indicators. The NPA ratio fell for the first time since 2006 and closed the quarter at 4.2%, mainly due to the positive figures from Mexico. Coverage increased for the second quarter in a row to 61%, thus reversing the trend of a gradual deterioration in this ratio. In addition, figures for gross additions to NPA continued favorable, with a quarterly reduction of 6.7%.

- The Bank of Spain Circular 3/2010 of June 29, published on July 13 by the *Boletín Oficial del Estado* (BOE) and applicable from September 30, 2010, modifies Annex IX of 4/2004 (credit analysis and risk). The Bank of Spain states that this amendment aims to improve the calculation of deterioration in credit risk contained in the Annex. The Bank of Spain calculates that the effect of the changes on the system will be of 2% of specific coverage. No significant effects are expected in the case of the BBVA Group, and in any event any such effects would be absorbed by the generic provisions available.

- With regard to its **capital base**, BBVA had a core capital ratio in the second quarter of 2010 of 8.1%. Most of the 20 basis point negative impact of the increased investment in CNCB was offset by organic capital generation. The CNCB purchase was made on April 1 for €1,197m and increased the holding in the bank from 10% to 15%. Tier I stands at 9.2% and the capital base ratio at 12.7%. These figures were affected by 30 and 40 basis points respectively by the CNCB investment explained above.

- On July 14, Standard & Poor's confirmed BBVA's **rating**, positioning the Group as one of the banks with the best ratings at a global level. In the difficult current context, the agency has recognized the Group's excellent financial situation and considers that BBVA will continue to benefit from its positioning in its main markets, Spain and Latin America.

- The results of the stress tests designed by the Committee of European Banking Supervisors (CEBS) for financial institutions in the European Union were published on July 23. As expected, they confirmed BBVA's financial solvency, due to its business model and thus the quality of assets on its balance sheet. The Group can face the adverse scenario of the stress test maintaining its capital ratios.

- As of 30-Jun-2010, BBVA also held €762m in unrealized **capital gains** on its more liquid portfolios of equity holdings.

- As is the custom, on July 12 an initial interim **dividend** of €0.09 **in cash** was paid on 2010 earnings.

- In **Spain and Portugal**, despite a sluggish economy and the restructuring of an important part of the sector, BBVA's performance has been stand-out. The Group has already undertaken the major part of its transformation of the distribution network, while the system has recently begun a process of consolidation that will probably include the closure of branches and staff reductions. The stability of BBVA's commercial policies and its long-term view of customer relations are winning market share in certain products that are key to building customer loyalty, such as residential mortgages and current and savings accounts. In terms of revenues, net interest income has proved resilient (up 0.6% year-on-year) and there was a reduction in operating costs (–1.5%), with loan-loss provisions stable (–0.6%). As a result, the net attributable profit for the half year was €1,186m, 2.2% down on the same period in 2009. Finally, there was a notable reduction in the NPA ratio to 5.0%, with coverage maintained at 48%.

- In **Mexico**, the macroeconomic background was one of gradual recovery during the quarter, giving rise to three very positive elements: clear signs of reactivation in lending; a significant improvement in the NPA, coverage and risk premium rates; and finally, a notable appreciation of the currency against the euro. The effect of greater commercial activity is still not clearly reflected in income, which in local currency terms is stable. It can be more clearly seen in expenses, which accumulated a year-on-year growth of 7.6%. Thus the accumulated operating income was down 4.9%, although this is offset by a reduction in the risk premium. The net attributable profit for the half year was €798m, a year-on-year growth of 0.2%, which would be as high as 10.0% taking into account the very positive effect of the exchange rate.

- In **South America**, the faster rate of growth in volume of business, the defense of spreads despite competitive pressure, containment of costs at under the level of regional inflation and moderation of loan-loss provisions, are all reflected in a half-yearly net attributable profit of €453m, a year-on-year increase of 12.9%. The reactivation of the economy is not leading to worse asset quality, as the NPA rate of 2.7% is under the figure for 31-Mar-2010 (2.8%), with a higher coverage (133% compared with 132% as of 31-Mar-2010).

- The **United States** generated an accumulated net attributable profit of €144m (€138m in the same period of 2009), with a very positive contribution from Guaranty. The process of constructing the USA franchise continued in this quarter. A total of 31 former Guaranty branches in Texas have been integrated or relocated in Compass branches as part of the process of network rationalization. Progress also continued in the development of the corporate Wholesale Banking & Asset Management model.

- The results of **Wholesale Banking & Asset Management** improved by 11.4% year-on-year in the first half of 2010 to €532m, thanks to the outstanding performance of recurrent revenues in Corporate and Investment Banking, the good figures from commercial activity with customers in Global Markets and the increased contribution from CNCB. This is against the background of a fall in lending, as commercial efforts have been focused on those customers with high loyalty, profitability and credit quality. Finally, it is worth noting that this increase in earnings has been despite a lower contribution from net trading income.

ECONOMIC ENVIRONMENT

The macroeconomic data published in the **first half of 2010** confirm that although the recovery is underway worldwide, there is still much uncertainty and the risk balance is weighted slightly to the downside. The Greek crisis and its transfer to other European sovereign debt in recent months has increased tension on the money and debt markets. The impact on the real economy, reflected in a moderation in the indices of consumer and business confidence, has yet to be fully felt. In addition, the implementation of fiscal adjustment and budget plans in a number of developed economies with high levels of debt and

Interest rates
(Quarterly averages)

	2010		2009			
	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	1.00	1.00	1.00	1.00	1.10	1.92
Euribor 3 months	0.69	0.66	0.72	0.87	1.31	2.01
Euribor 1 year	1.25	1.22	1.24	1.34	1.67	2.22
Spain 10-year bond	4.19	3.95	3.83	3.92	4.16	4.17
USA 10-year bond	3.47	3.70	3.45	3.50	3.30	2.70
USA Federal rates	0.25	0.25	0.25	0.25	0.25	0.25
TIIE (Mexico)	4.94	4.92	4.93	4.90	5.89	8.00

deficit, and tough monetary programs in emerging areas with problems of high growth levels and price tensions, could have a short-term effect on their capacity to grow and generate employment.

In the **United States**, following quarterly GDP growth of 0.7% in the first quarter of 2010, the indicators of economic activity and, to a lesser extent, those of demand, remain relatively positive. The labor market is still weak, but it is beginning to show signs of recovery, with the unemployment rate falling. Core inflation has been moving down since the end of last year. This gives some room for maneuver to the Federal Reserve, whose tone appears even more cautious as a result of the problems on the European debt markets.

In contrast, in **Europe** the pace of recovery is considerably slower than in the United States. The slight GDP growth in the euro zone in the first quarter of 2010 confirms a scenario of slower growth than in the American economy. However, the indicators of economic activity, particularly in the industrial sector, were relatively more positive in the second quarter of 2010.

The **Mexican economy** is benefiting from the recovery in external demand in the United States, as this is the main destination of its exports. Growth forecasts for 2010 suggest this trend will continue.

Finally, economic activity in **South America** is continuing to strengthen as a result of the increase in foreign and domestic demand. More recently, domestic demand is also rising as a result of notable growth in credit. However, there are some risks, particularly those derived from an excessively high rate of growth and an upturn in prices. This suggests that the central banks in the region, may follow the path of some Asian economies and start a gradual move towards tougher monetary policies to ensure a more sustainable rate of growth, as is already the case in Brazil and Chile.

In terms of **exchange rates**, there has been a general appreciation of the currencies that affect the Group's financial statements, except in the case of the Venezuelan strong bolivar, which lost value at the start of 2010. The appreciation in other currencies can be seen in both the final exchange rates and the average exchange rates (only the average exchange rate of the Argentinean peso against the euro has depreciated in year-on-year terms). Thus the impact is positive on the activity, balance-sheet and results.

Exchange rates
(Expressed in currency/euro)

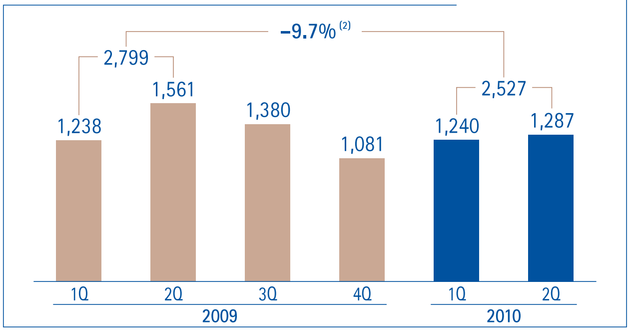
	Year-end exchange rates				Average exchange rates	
	30-06-10	Δ% on 30-06-09	Δ% on 31-03-10	Δ% on 31-12-09	1H10	Δ% on 1H09
Mexican peso	15.7364	17.9	5.9	20.2	16.8070	9.8
U.S. dollar	1.2271	15.2	9.8	17.4	1.3268	0.4
Argentinean peso	4.9084	10.3	6.8	13.2	5.2041	(5.2)
Chilean peso	666.22	12.3	6.5	9.6	695.41	12.3
Colombian peso	2,352.94	29.6	10.4	25.0	2,583.98	19.8
Peruvian new sol	3.4684	22.7	10.3	20.0	3.7760	9.5
Venezuelan bolivar fuerte	5.2700	(42.4)	9.8	(41.3)	5.5512	(48.4)

EARNINGS

BBVA's **net attributable profit** in the second quarter of 2010 was €1,287m, 3.8% higher than in the first quarter. This shows the Group's resistance and capacity to generate positive and recurrent earnings, despite more than two years of an international economic and financial crisis. The main characteristics of the results of the quarter are as follows:

- Sustainability of the **net interest income**, due to a correct pricing policy and good management of structural risks (interest-rate and liquidity) on the balance sheet.
- A significant contribution from **net trading income** due to portfolio sales in the first half of April, although not as high as in the first quarter.

Net attributable profit [1]
(Million euros)



(1) Excluding one-offs.
(2) At constant exchange rate: –11.0%.

Consolidated income statement
(Million euros)

	1H10	Δ%	Δ% at constant exchange rates	1H09
Net interest income	**6,937**	**1.2**	**0.8**	**6,858**
Net fees and commissions	2,272	4.2	1.9	2,181
Net trading income	1,123	40.6	33.2	799
Dividend income	256	3.4	3.1	248
Income by the equity method	151	n.m.	n.m.	27
Other operating income and expenses	140	(47.9)	(50.2)	268
Gross income	**10,880**	**4.8**	**3.5**	**10,380**
Operating costs	(4,380)	7.1	6.4	(4,088)
Personnel expenses	(2,364)	3.2	2.5	(2,291)
General and administrative expenses	(1,651)	14.4	13.0	(1,443)
Depreciation and amortization	(365)	3.2	4.1	(354)
Operating income	**6,500**	**3.3**	**1.6**	**6,293**
Impairment on financial assets (net)	(2,419)	24.4	19.2	(1,945)
Provisions (net)	(270)	76.8	76.2	(153)
Other gains (losses)	(160)	(16.7)	(18.3)	(192)
Income before tax	**3,651**	**(8.8)**	**(9.1)**	**4,003**
Income tax	(941)	(2.1)	(3.9)	(961)
Net income	**2,710**	**(10.9)**	**(10.8)**	**3,042**
Non-controlling interests	(183)	(24.7)	(8.1)	(243)
Net attributable profit	**2,527**	**(9.7)**	**(11.0)**	**2,799**
Earnings per share calculation				
Basic earnings per share (euros)	0.66	(13.3)		0.76

Consolidated income statement: quarterly evolution

(Million euros)

	2010		2009			
	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**3,551**	**3,386**	**3,589**	**3,434**	**3,586**	**3,272**
Net fees and commissions	1,166	1,106	1,163	1,086	1,102	1,079
Net trading income	490	633	420	325	435	364
Dividend income	231	25	153	42	207	41
Income by the equity method	94	57	114	(21)	22	4
Other operating income and expenses	47	93	(149)	128	140	128
Gross income	**5,579**	**5,301**	**5,290**	**4,995**	**5,492**	**4,889**
Operating costs	(2,262)	(2,118)	(2,254)	(2,017)	(2,018)	(2,070)
Personnel expenses	(1,215)	(1,149)	(1,233)	(1,126)	(1,130)	(1,161)
General and administrative expenses	(855)	(796)	(852)	(716)	(710)	(733)
Depreciation and amortization	(192)	(174)	(169)	(174)	(178)	(175)
Operating income	**3,317**	**3,183**	**3,036**	**2,979**	**3,474**	**2,819**
Impairment on financial assets (net)	(1,341)	(1,078)	(1,787)	(1,741)	(1,029)	(916)
Provisions (net)	(99)	(170)	(224)	(82)	(48)	(104)
Other gains (losses)	(88)	(72)	(1,240)	791	(228)	36
Income before tax	**1,789**	**1,862**	**(214)**	**1,947**	**2,168**	**1,834**
Income tax	(431)	(510)	277	(457)	(480)	(480)
Net income	**1,358**	**1,352**	**63**	**1,490**	**1,688**	**1,354**
Non-controlling interests	(70)	(113)	(31)	(110)	(127)	(116)
Net attributable profit	**1,287**	**1,240**	**31**	**1,380**	**1,561**	**1,238**
Net one-offs (1)	-	-	(1,050)	-	-	-
Net attributable profit (excluding one-offs)	**1,287**	**1,240**	**1,081**	**1,380**	**1,561**	**1,238**
Earnings per share						
Basic earnings per share (euros)	0.33	0.32	0.01	0.37	0.42	0.34
Basic earnings per share excluding one-offs (euros)	0.33	0.32	0.29	0.37	0.42	0.34

(1) In the third quarter of 2009, capital gains on the sale-and-leaseback of properties which have been allotted to generic provisions for NPLs with no effect on net attributable profit. In the fourth quarter the extraordinary allocation to provisions and the goodwill impairment, both in the United States.

- A good performance of **other earnings**, due to the positive year-on-year rise in net fee income, the increase in income by the equity method due to the contribution of CNCB and the payment of dividends from the holding in Telefónica.

- As a result of the above, **gross income** was at an all-time high for the quarter.

- The key value of the Group's **diversification**, both geographical and by business (banking, pensions, insurance, etc.) and segment. It is important to point out that BBVA has an increasing importance in developing economies with good growth prospects, as can be seen by the relative increase of revenues from emerging countries. Its presence in other non-banking business, such as pensions, mutual funds and insurance, provides it with stability in the current situation, as its performance is not affected by credit risk or liquidity.

- A total of 40% of the operating income generated in the quarter has been allocated to **impairment on financial assets**. This figure is higher than that in previous quarters. The increase is due to additional generic provisions booked amounting to €250m.

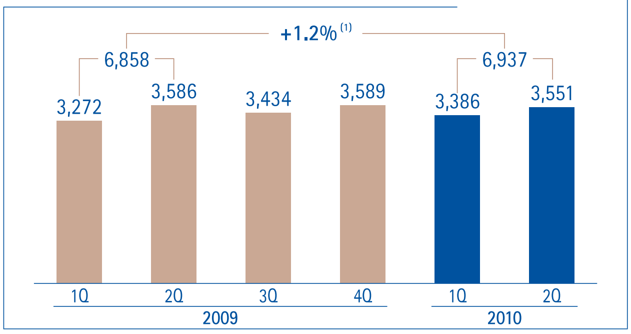
- The positive impact of **exchange rates** since the devaluation of the Venezuelan bolivar was offset by appreciations in the remaining currencies affecting the Group's income statement.
- Generation of earnings that continue to be eminently **organic** in nature.

As a result of the above, the Group's **net attributable profit** stood at €2,527m in the first half, 9.7% down on the same period the previous year, as the results for the second quarter of 2009 did not include generic provisions.

NET INTEREST INCOME

In the second quarter of the year, the **net interest income** continued to perform very well, at €3,551m, a growth of 4.9% on the figure for the first quarter of 2010. The accumulated amount for the first half of the year is €6,937m, a year-on-year increase of 1.2%. This sustainability of the level of net interest income is particularly relevant if we take into account the gradual reduction in the relative weight of the portfolios with greatest spreads, such as consumer finance and credit

Net interest income
(Million euros)



(1) At constant exchange rate: +0.8%.

Breakdown of yields and costs

	2Q10		1Q10		4Q09		3Q09	
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost
Cash and balances with central banks	3.7	1.16	3.4	1.19	3.5	1.08	3.8	1.02
Financial assets and derivatives	26.8	2.65	26.5	2.79	26.7	2.82	25.8	2.88
Loans and advances to credit institutions	4.6	1.91	4.8	1.83	4.6	1.97	4.6	2.14
Loans and advances to customers	59.1	4.99	59.8	4.82	59.8	5.20	60.2	5.09
· Euros	38.7	3.23	40.2	3.31	40.6	3.41	40.9	3.68
- Domestic	35.2	3.27	35.2	3.42	36.0	3.50	36.2	3.82
- Other	3.6	2.81	4.9	2.53	4.5	2.77	4.7	2.64
· Foreign currencies	20.4	8.35	19.6	7.90	19.2	8.97	19.3	8.07
Other assets	5.7	0.30	5.5	0.77	5.5	0.29	5.7	0.37
Total assets	**100.0**	**3.81**	**100.0**	**3.79**	**100.0**	**4.01**	**100.0**	**3.97**
Deposits from central banks and credit institutions	15.9	1.66	13.5	1.98	14.0	2.16	14.1	2.16
Deposits from customers	44.9	1.25	47.0	1.07	46.3	1.11	46.1	1.29
· Euros	19.6	0.74	20.5	0.58	21.3	0.61	21.6	0.85
- Domestic	14.3	0.89	14.6	0.77	14.8	0.83	15.8	1.06
- Other	5.2	0.34	5.9	0.12	6.5	0.12	5.8	0.27
· Foreign currencies	25.3	1.64	26.5	1.44	25.0	1.54	24.5	1.67
Debt certificates and subordinated liabilities	21.8	1.90	23.0	1.81	21.7	1.87	21.7	2.12
Other liabilities	11.7	0.44	10.7	0.79	12.2	1.18	12.5	0.75
Equity	5.8	-	5.7	-	5.7	-	5.7	-
Total liabilities and equity	**100.0**	**1.29**	**100.0**	**1.27**	**100.0**	**1.37**	**100.0**	**1.45**
Net interest income/average total assets (ATA)		**2.52**		**2.52**		**2.64**		**2.52**

cards, in favor of others of a lower spread but also lower risk, such as mortgages, governments and institutions. Factors that have a positive influence on the behavior of net interest income are the good management of customer spreads and the balance sheet, which continues to be focused on the same criteria as those commented in previous quarterly reports. It is also worth highlighting that for the first time for four quarters, there has been a more positive performance in the loan book, which increased by 4.0% year-on-year.

The **management of customer spreads** continues to be characterized by passing on the greater cost of credit and liquidity risk to lending transactions, the containment of the cost of funds and the optimization of their structure and the selection of products or segments with greatest risk-adjusted return.

Management of the balance sheet, focused on a good handling of structural interest-rate and liquidity risk, is characterized by anticipation and prudence, with the aim of generating a sound balance sheet with low leveraging and a reduced risk profile. Knowledge and forward vision with respect to the balance sheet and its sensitivity to the different risks prove an advantage at times of volatility.

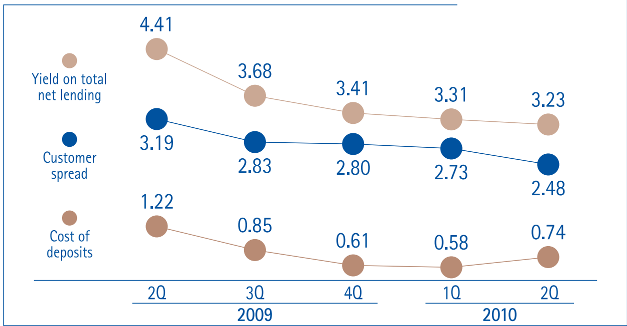
In the **euro zone**, the yield on loans fell 8 basis points to 3.23% in the quarter. This slight fall was due in part to the gradual change in the mix mentioned above towards products with a lower risk and greater bundling, such as mortgages. On the liabilities side, the preference of customers for term deposits rather than other products such as mutual funds, as well as the loyalty-building campaigns, explain the increase in the cost of funds of 16 basis points since the minimum levels of the first quarter of the year. As a result, the customer spread in the euro zone fell to 2.48% from 2.73% in the first quarter of the year. The movement in spreads mentioned above confirms that the balance sheet is very stable and presents an increasingly lower risk and capital consumption.

In **Mexico**, the interbank interest rates have remained at similar levels to those in the first quarter of the year (average TIIE at 4.94%, compared with 4.92% in the first quarter of 2010), so the cost of deposits only increased by 1 basis point compared to 31-Mar-2010. The reduced weight of consumer finance and credit card products was compensated by a proper price management, so the yield on loans increased 31 basis points in the quarter. In all, the customer spread stood at 10.84%, compared with 10.53% in the first quarter of 2010. Despite this improvement in spreads over the quarter, the fall in the balances of previous quarters means that the half-yearly net interest income fell by 1.8% year-on-year in constant terms (the positive exchange-rate effect explains the growth of 7.8% in current euros).

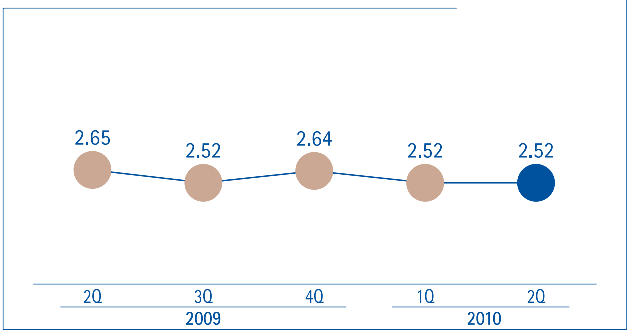
South America posted a record net interest income, with a year-on-year rise in the half-year of 12.3% at constant exchange rates. This good result is based on an overall improvement in lending, growth in customer funds and maintenance of spreads.

Finally, in the **United States**, the accumulated interest income through June 2010 rose by 9.6% year-on-year in dollar terms, primarily sustained by the greater volume of activity due to the incorporation of Guaranty and by the continuing re-pricing effort.

→ Customer spread (euro area)
(Percentage)



→ Net interest income / ATA BBVA Group
(Percentage)



GROSS INCOME

Net fee income in the second quarter of 2010 was €1,166m, €64m more than in the same quarter of 2009 and €60m more than in the previous quarter. This means that in the first half of the year it increased by a year-on-year 4.2%, and thus maintained the rising trend that started in the first quarter of 2010 after a number of quarters of negative rates. This is due to both the stabilization of fees from mutual and pension funds and the growth in those linked to banking services, which increased by 5.7% year-on-year. This increase is based on those stemming from account administration and maintenance, contingent liabilities, availability of lines of credit and securities.

Net trading income amounted to €1,123m in the first half of the year, 40.6% up on the same period in 2009. This was mainly based on a positive result due to the devaluation effect of the bolivar in certain positions and the correct execution of the adjustment of ALCO portfolio durations in the first quarter and completed in the second quarter.

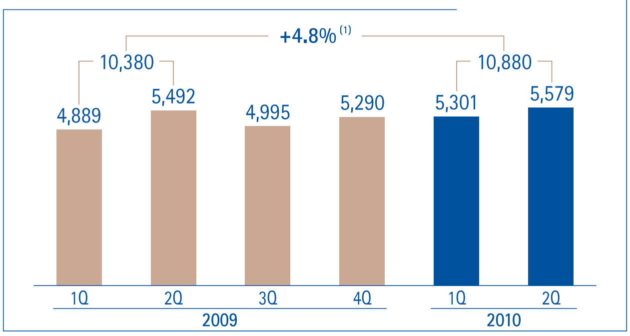
Dividend income was €256m in the first half of 2010, a similar level to that in the first six months of 2009. In the second quarter, it includes the dividends from Telefónica.

Equity-accounted income, at €151m in the first half of 2010, was far above the figure of €27m for the same period in 2009. This is basically due to the consideration of CNCB as one of the Group's subsidiaries since the fourth quarter of 2009. Its profits are therefore now recorded as equity-accounted income. The purchase option to extend its share in CNCB by an additional 4.93% was executed on April 1, 2010, and the positive effects of this increased holding are already included the earnings for the second quarter of this year.

Finally, **other operating income and expenses** posted an accumulated total of €140m through June, down on the figure of €268m a year ago, mainly as a result of the adjustment for hyperinflation in Venezuela, which in 2009 was accounted for entirely in December. The effect on the net attributable profit is not so important, given that the re-expression of the financial statements for hyperinflation affects all the lines in the income statement (income positively and expenses negatively) and the monetary items in the balance sheet with a corresponding item in this line of other operating income and expenses. Also affecting the figure was a greater contribution to deposit guarantee funds by the different countries in which the Group operates, which increased by 3.3% year-on-year.

Thus the **gross income** in the second quarter was €5,579m, 5.2% up on the figure for the previous quarter, and an all-time high. The figure for the first six months was €10,880m, a year-on-year increase of 4.8% (+3.5% at constant exchange rates).

Gross income
(Million euros)

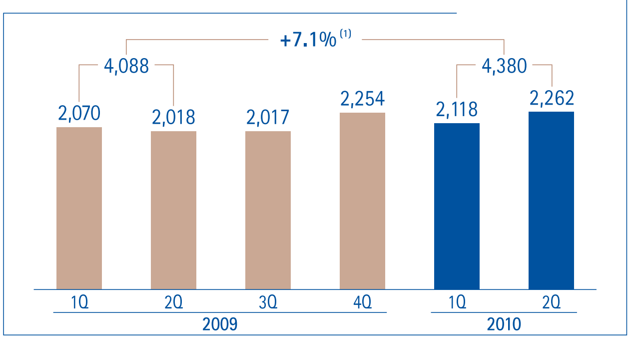


(1) At constant exchange rate: +3.5%.

OPERATING INCOME

Operating expenses in the first half of 2010 were €4,380m (€4,088m in the same period in 2009) and continue to be in check, although they reflect a growth that is partly due to the exchange-rate effect. The biggest increase was in general administration costs.

Operating costs
(Million euros)



(1) At constant exchange rate: +6.4%.

Breakdown of operating costs and efficiency calculation
(Million euros)

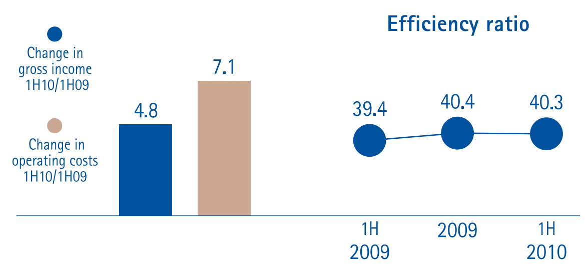
	1H10	Δ%	1H09	2009
Personnel expenses	**2,364**	**3.2**	**2,291**	**4,651**
Wages and salaries	1,821	3.8	1,754	3,607
Employee welfare expenses	341	2.6	332	643
Training expenses and other	202	(1.6)	205	401
General and administrative expenses	**1,651**	**14.4**	**1,443**	**3,011**
Premises	370	19.7	309	643
IT	292	4.6	279	577
Communications	137	7.4	128	254
Advertising and publicity	162	27.7	127	262
Corporate expenses	44	5.0	42	80
Other expenses	501	16.9	429	929
Levies and taxes	145	12.0	129	266
Administration costs	**4,015**	**7.5**	**3,734**	**7,662**
Depreciation and amortization	**365**	**3.2**	**354**	**697**
Operating costs	**4,380**	**7.1**	**4,088**	**8,358**
Gross income	**10,880**	**4.8**	**10,380**	**20,666**
Efficiency ratio (Operating costs/gross income, in %)	**40.3**		**39.4**	**40.4**

This was due partly to increased costs of rentals after the sale and leaseback operation for properties in Spain, and partly to investments that are being made at corporate level, such as the new technological platform, and in the business units, with the implementation of growth plans.

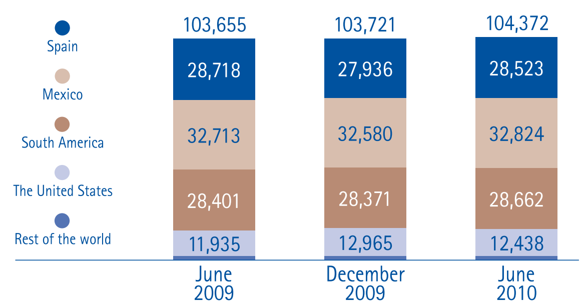
However, the effort made on costs is still most notable in the area of Spain and Portugal, with a new year-on-year reduction of costs of 1.5%. In America, the increase in costs was under the average level of inflation in the area. As a result, the **efficiency ratio** stood at 40.3% in the first half of the year, in line with figure for the first quarter (40.0%) and for the close of 2009 (40.4%). This maintains BBVA as one of the most efficient banks in the international banking system.

As of June 30, 2010, the Group had a **workforce** of 104,372, slightly above the figure of 103,545 at the

Efficiency
(Percentages)

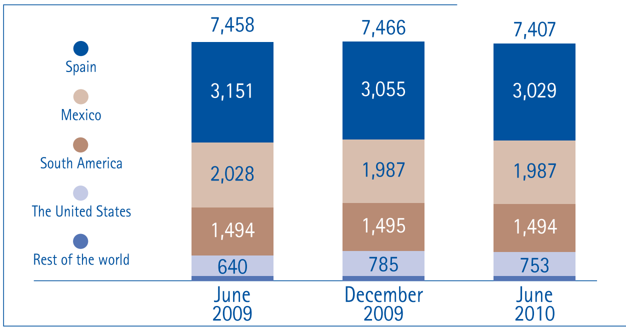


Number of employees



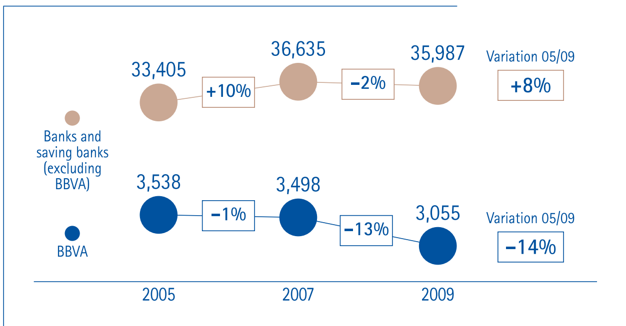
close of March 2010, and thus breaking the falling trend in recent quarters, mainly due to the new growth and development plans which are being implemented in the different business areas. At the close of June, the **branch network** was made up of 7,407 branches, 62 fewer than on 31-Mar-2010, as the process of network rationalization is continuing, above all in the United States, and to a lesser extent in Spain.

Number of branches



It is important to note that in Spain the area has already undertaken the major part of its transformation of the distribution network, while the sector as a whole has only recently begun a process of consolidation that will probably include the closure of branches and staff reductions.

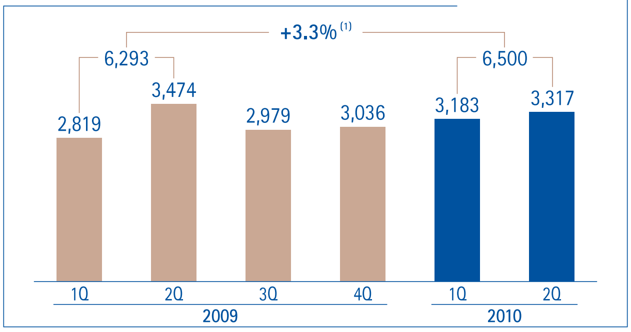
Evolution of the branch network in Spain



As a result of the above, the **operating income** was €3,317m in the second quarter and €6,500m for the half-year to June. This figure is similar to that of last year (which was particularly high), with a year-on-year increase of 3.3%. This confirms the high level of resistance of the Group's operating income in the third year of the international financial and economic crisis.

Operating income

(Million euros)



(1) At constant exchange rate: +1.6%.

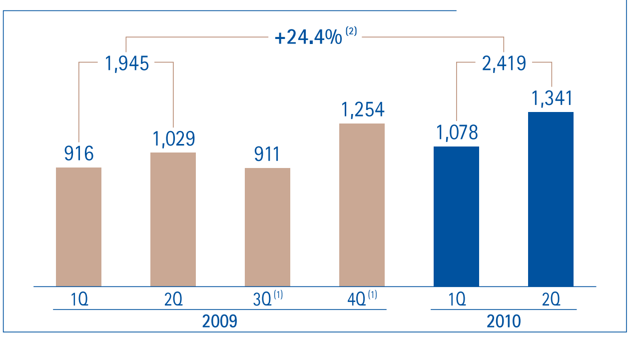
PROVISIONS AND OTHERS

Once more, the excellent level of operating income allows prudential criteria to be maintained and additional provisions to be allocated to reduce the use of generic provisions and improve coverage.

Impairment losses on financial assets include additional generic provisions made in the quarter for €250m. The provisions in the quarter represent 40% of operating income generated in the period. This figure is higher than that in other quarters, which has led to an improvement of two percentage points in the coverage ratio to 61% and explains the increase in the risk premium in the quarter to 1.58%. Overall, the risk premium continues to be stable at around 1.40% in the half-year.

Impairment losses on financial assets

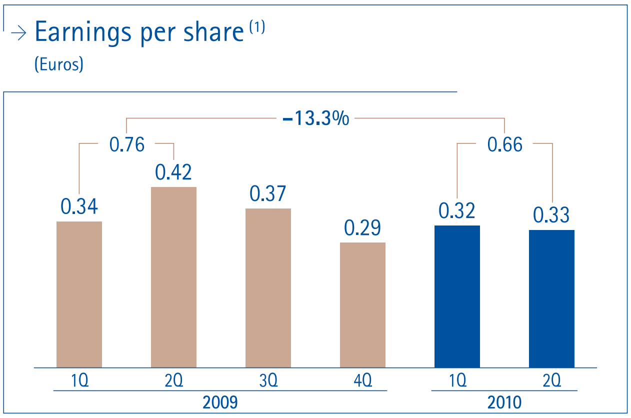
(Million euros)



(1) In the third quarter of 2009, €830m capital gains coming from the sale-and-leaseback of properties which were alloted to NPL generic provisions are not included, nor the €533m extraordinary allocation to USA provisions booked in the fourth quarter.
(2) At constant exchange rate: 19.2%.

Provisions totaled €270m in the first half of the year, higher than the figure of €153m in the same period in 2009. The amount allocated to early retirements remained stable, but the generic provisions for contingent liabilities were increased.

Finally, other gains (losses) totaled –€160m, and continued to include a major effort in provisions for foreclosure and real estate assets in order to maintain coverage around 30%.



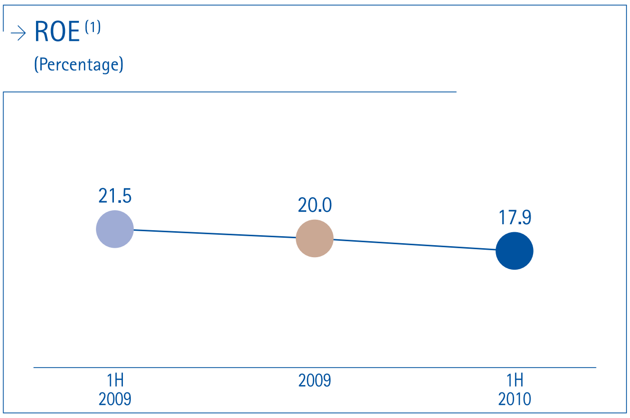
(1) Excluding one-offs.

NET ATTRIBUTABLE PROFIT

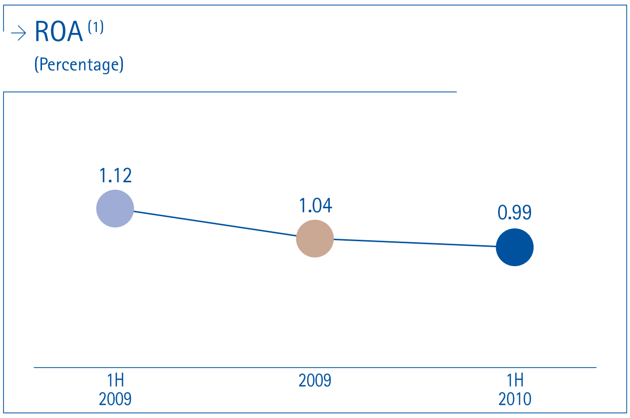
BBVA's **net attributable profit** in the second quarter of 2010 was €1,287m, 3.8% more than in the first quarter. This figure is below that for the same quarter in 2009, as last year's did not include additional provisions. The accumulated result for the half-year was €2,527m, 9.7% down on the same period last year.

All the business areas contributed with positive results to the net attributable profit: Spain and Portugal, €1,186 million; Mexico, €798 million; South America, €453m; the United States, €144 million; and WB&AM which includes the results from Asia, €532 million. Thus, almost 50% of results stem from emerging countries.

Accumulated **earnings per share** (EPS) was €0.66 as of 30-Jun-2010, down on the figure of €0.76 in the first half of 2009. The Group's increased shareholder funds led to a rise in the **book value** per share to €8.17, and in the **tangible book value** per share to €6.31. The main measure of the Group's profitability, the return on equity (**ROE**) improved on the previous quarter (17.7%) to 17.9%, and the return on total average assets (**ROA**) was 0.99%, compared to 1.01% in the first quarter. This maintains BBVA's position as one of the most profitable major banking groups.



(1) Excluding one-offs.



(1) Excluding one-offs.

BUSINESS ACTIVITY

The highlights of the Group's balance and activity performance during **the second quarter of 2010** are as follows:

- The change in the **lending** trend, of which there were signs at the end of the first quarter of 2010, is confirmed. For the first time in four quarters, there is

Consolidated balance sheet

(Million euros)

	30-06-10	Δ%	30-06-09	31-03-10	31-12-09
Cash and balances with central banks	22,298	(3.3)	23,053	17,337	16,344
Financial assets held for trading	73,330	3.2	71,064	67,188	69,733
Other financial assets designated at fair value through profit or loss	2,796	33.9	2,089	2,600	2,337
Available-for-sale financial assets	60,729	5.8	57,384	68,960	63,520
Loans and receivables	361,766	2.5	352,905	355,526	346,117
· Loans and advances to credit institutions	21,846	(11.0)	24,533	26,466	22,239
· Loans and advances to customers	339,258	3.5	327,926	328,516	323,442
· Other	661	48.1	447	545	436
Held-to-maturity investments	9,768	91.6	5,099	9,024	5,437
Investments in entities accounted for using the equity method	4,692	233.4	1,407	3,161	2,922
Tangible assets	6,747	3.8	6,502	6,520	6,507
Intangible assets	8,546	2.2	8,363	7,794	7,248
Other assets	18,245	23.5	14,767	15,813	14,900
Total assets	**568,917**	**4.8**	**542,634**	**553,922**	**535,065**
Financial liabilities held for trading	43,734	16.5	37,529	36,521	32,830
Other financial liabilities at fair value through profit or loss	1,651	27.5	1,295	1,549	1,367
Financial liabilities at amortized cost	466,329	3.1	452,490	461,601	447,936
· Deposits from central banks and credit institutions	94,729	23.2	76,919	83,608	70,312
· Deposits from customers	257,830	3.5	249,096	255,301	254,183
· Debt certificates	86,407	(15.7)	102,486	98,240	99,939
· Subordinated liabilities	18,988	11.7	17,003	17,575	17,878
· Other financial liabilities	8,375	19.9	6,985	6,877	5,624
Liabilities under insurance contracts	8,068	18.3	6,822	7,765	7,186
Other liabilities	16,284	11.5	14,599	14,663	14,983
Total liabilities	**536,065**	**4.6**	**512,734**	**522,098**	**504,302**
Non-controlling interests	1,399	14.7	1,219	1,316	1,463
Valuation adjustments	844	n.m.	(702)	702	(62)
Stockholders' funds	30,609	4.2	29,383	29,805	29,362
Total equity	**32,852**	**9.9**	**29,901**	**31,824**	**30,763**
Total equity and liabilities	**568,917**	**4.8**	**542,634**	**553,922**	**535,065**
Memorandum item:					
Contingent liabilities	35,461	5.2	33,705	33,130	33,185
Memorandum item:					
Average total assets	554,529	1.7	545,350	544,501	542,969
Average stockholders' funds	28,414	8.3	26,234	28,455	26,341
Average risk weighted assets	297,450	0.3	296,491	291,321	294,313

a positive year on year change, with advances in almost all of the business areas and signs of recovery in new production to individual customers.

- This increase in lending is of great **quality** because it is related to high loyalty and lower risk products, such as residential mortgages and loans to public institutions and governments, with loans to developers carrying less weight. This goes together with an improvement in spreads.

- As regards **customer deposits**, the positive performance in the domestic sector in Spain is noteworthy, with significant growth recorded in transactional accounts and term deposits. In the non-domestic sector, current and saving accounts grew considerably, while term deposits declined. This is particularly significant in the United States due to the rollout of high cost term deposits from Guaranty, and to the non-renewal of wholesale balances.

- The drop in the **available-for-sale fixed-income portfolio** is worthy of note, mainly due to sales in Spain in the first part of April.

- The year-end **exchange rates** had a positive impact on the year-on-year comparison of the balance sheet and on the Group's business volumes. This is because, in the last twelve months, the high currency appreciations, affecting the Group's financial statements, comfortably offset the devaluation of the Venezuelan bolivar. We have included rates of change at constant exchange rates for the most important data in order to help the analysis of the business activity.

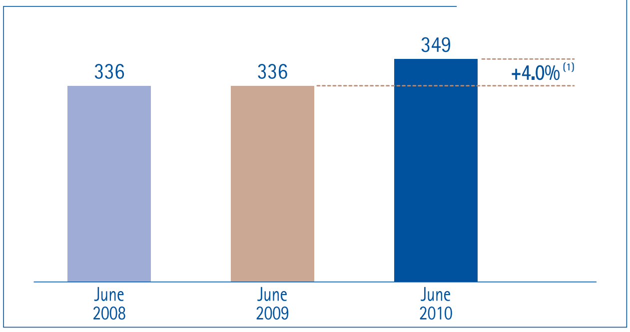
- Finally, it is important to stress the **stability** of the balance sheet, which is only 2.7% higher than 31-3-2010 and 4.8% higher than 30-6-2009. As mentioned earlier, this increase is mainly due to the positive effect of the exchange rate. At constant exchange rates this variation is reduced from +4.8% to +1.3%.

LENDING TO CUSTOMERS

Gross lending to customers as of 30-6-2010 is €349 billion, which represents a year on year increase of 4.0% and is 3.4% up on the previous quarter. This increase during the quarter is partly due to the change in exchange rates and also due to the revival in credit activity (at constant exchange rates the increase is 1.1%).

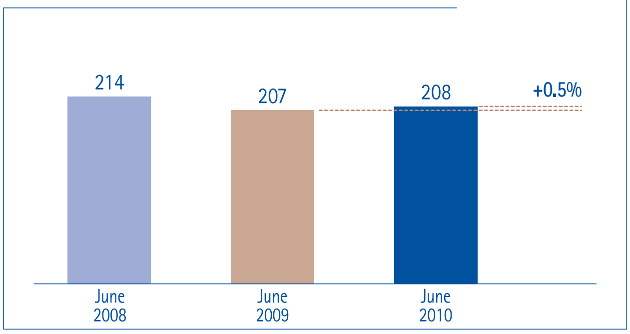
As usual, out of lending to **domestic** customers in Spain, lower risk loans recorded a better performance. Lending to **public sector** stood at €23 billion following a 20.3% year on year increase. Loans to **other**

→ Total lending (gross)
(Billion euros)

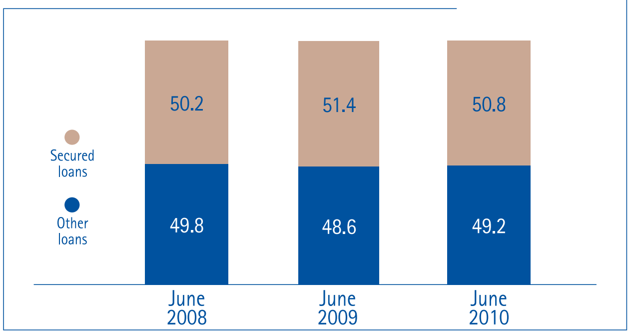


(1) At constant exchange rate: +0.6%.

→ Total lending. Domestic sector (gross)
(Billion euros)



→ Detail of total lending to domestic sector (gross)
(Percentage)



Total lending
(Million euros)

	30-06-10	∆%	30-06-09	31-03-10	31-12-09
Domestic sector	208,447	0.5	207,490	206,161	204,671
Public sector	23,128	20.3	19,219	22,249	20,786
Other domestic sectors	185,319	(1.6)	188,271	183,913	183,886
· Secured loans	105,905	(0.7)	106,615	105,573	106,294
· Commercial loans	6,353	(5.5)	6,724	6,140	7,062
· Financial leases	5,968	(15.8)	7,087	6,185	6,547
· Other term loans	46,546	(9.1)	51,213	49,239	46,407
· Credit card debtors	1,708	(6.7)	1,831	1,316	1,839
· Other demand and miscellaneous debtors	3,572	(14.1)	4,156	1,998	2,296
· Other financial assets	4,340	52.4	2,849	2,539	2,529
· Non-performing loans	10,927	40.1	7,797	10,922	10,911
Non-domestic sector	140,436	9.6	128,118	131,407	127,491
Secured loans	49,224	22.9	40,046	45,143	42,280
Other loans	86,430	2.4	84,420	81,734	80,986
Non-performing loans	4,782	31.0	3,652	4,530	4,225
Total lending (gross)	**348,884**	**4.0**	**335,608**	**337,569**	**332,162**
Loan-loss provisions	(9,625)	25.3	(7,682)	(9,053)	(8,720)
Total net lending	**339,258**	**3.5**	**327,926**	**328,516**	**323,441**

domestic sectors totaled 185 billion and fell 1.6% versus 30-6-2009, although recording a 0.8% rise during the quarter. Secured loans, the heading with lower risk and heaviest relative weight, posted 106 billion which is lower than last year (–0.7%), but slightly higher than the first quarter (+0.3%). Finally, as of 30-6-2010 non-performing loans totaled €11 billion and held onto their trend of a slowdown in rate of variation, reaching a similar level to the end of 2009 and as of 31-3-2010, following the rises in balances in previous years.

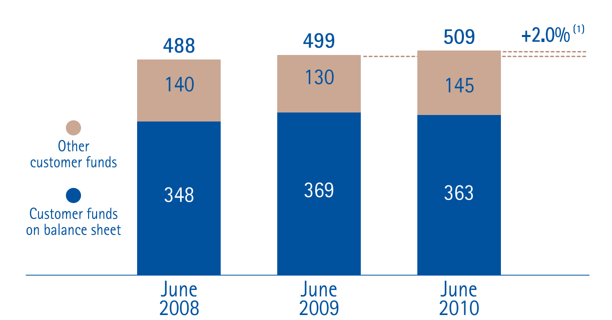
Non-domestic lending recorded a better performance, totaling €140 billion at the end of the first half of 2010, 9.6% up on the €128 billion twelve months earlier (+0.8% at constant rates). It is worth mentioning that this heading has also resumed a growth trend following several quarters of year on year falls, with a particularly positive performance in secured loans, which rose 22.9% to €49 billion. This increase is due to the recovery in the economy and in credit activity in Mexico and South America, and to the positive impact of exchange rates.

CUSTOMER FUNDS

At the end of June 2010, total customer funds on and off the balance sheet came to €509 billion, an increase of 2.0% compared to one year ago (–2.3% not including the effect of exchange rates).

Customer funds on balance sheet stand at €363 billion, with a –1.5% year on year change. Among these, the best performance was recorded in subordinate liabilities,

Customer funds
(Billion euros)



(1) At constant exchange rate: –2.3%.

Customer funds
(Million euros)

	30-06-10	∆%	30-06-09	31-03-10	31-12-09
Customer funds on balance sheet	**363,225**	**(1.5)**	**368,586**	**371,116**	**371,999**
Deposits from customers	**257,830**	**3.5**	**249,096**	**255,301**	**254,183**
Domestic sector	100,516	3.5	97,133	90,424	97,486
Public sector	6,390	56.6	4,080	3,889	4,296
Other domestic sectors	94,126	1.2	93,052	86,535	93,190
· Current and savings accounts	48,312	1.2	47,748	45,247	47,381
· Time deposits	39,052	4.9	37,240	31,786	35,135
· Assets sold under repurchase agreement and other	6,761	(16.2)	8,064	9,502	10,675
Non-domestic sector	157,314	3.5	151,964	164,877	156,697
Current and savings accounts	73,310	27.5	57,486	65,939	63,718
Time deposits	76,078	(14.3)	88,799	90,774	88,114
Assets sold under repurchase agreement and other	7,927	39.6	5,679	8,164	4,865
Debt certificates	**86,407**	**(15.7)**	**102,486**	**98,240**	**99,939**
Mortgage bonds	37,539	(3.2)	38,780	38,577	35,833
Other debt certificates	48,868	(23.3)	63,706	59,663	64,106
Subordinated liabilities	**18,988**	**11.7**	**17,003**	**17,575**	**17,878**
Other customer funds	**145,434**	**11.7**	**130,143**	**142,044**	**137,105**
Mutual funds	47,452	(0.3)	47,613	49,241	47,415
Pension funds	72,964	28.2	56,895	68,915	63,189
Customer portfolios	25,018	(2.4)	25,636	23,888	26,501
Total customer funds	**508,659**	**2.0**	**498,729**	**513,160**	**509,104**

which rose 11.7% to 19 billion, and in customer deposits, both domestic and non-domestic, which rose 3.5% to 258 billion. In the domestic sector, all headings performed well, with substantial increases during the quarter, €10 billion, and far surpassing the decline experienced in the first quarter of 2010. In this sense, it is worth pointing out the increase in term deposits (7 billion), current and saving accounts (3 billion) and public institutions (2.5 billion), and the fall in repos (–2 billion). In the non-domestic sector, there is a positive trend in current and saving accounts, with a 27.5% year on year increase, although this is partly due to the impact of foreign currencies (+19.0% at constant exchange rates). The fall in the term deposits balance is mainly caused by the non-renewal of maturities in the United States.

The aforementioned performance in customer loans and deposits keeps the deposit/loan ratio at a stable level, similar to previous quarters, i.e. 74%.

Off-balance-sheet customer funds (mutual funds, pension funds and customer portfolios) amounted to €145 billion, 11.7% higher than the 130 billion at the end of the first half of 2009. This is due to the positive performance in pension funds. In Spain, off-balance-sheet funds stand at €57 billion, which represents a –7.8% year on year fall. Out of these, mutual funds account for 28 billion, versus 34 billion as of 30-6-2009, because customers revealed a preference for other products, especially term deposits. In addition, in the second quarter of 2010, falling financial markets and the increase in debt spreads had a negative impact on the value of assets under management. However, at the end of June 2010 BBVA was still the leading mutual fund manager in Spain. On the other hand, pension funds recorded an excellent performance, rising €17 billion and recording a 2.3% increase during the year, as did customer portfolios, which rose 8.6% to 13 billion.

→Other customer funds
(Million euros)

	30-06-10	Δ%	30-06-09	31-03-10	31-12-09
Spain	**57,411**	**(7.8)**	**62,285**	**62,427**	**63,194**
Mutual funds	**27,975**	**(18.3)**	**34,241**	**31,868**	**32,945**
Mutual funds (ex real estate)	26,448	(18.9)	32,618	30,321	31,365
· Guaranteed	12,737	(20.6)	16,041	13,086	12,799
· Monetary and short-term fixed-income	8,896	(26.6)	12,123	12,036	13,374
· Long-term fixed-income	823	8.6	757	914	888
· Balanced	1,125	65.3	681	1,041	850
· Equity	1,384	21.0	1,144	1,434	1,375
· Others (1)	1,484	(20.7)	1,872	1,811	2,078
Real estate investment trusts	1,414	(6.7)	1,515	1,439	1,473
Private equity funds	113	4.7	108	108	108
Pension funds	**16,701**	**2.3**	**16,323**	**17,431**	**17,175**
Individual pension plans	9,686	2.2	9,482	10,182	9,983
Corporate pension funds	7,015	2.5	6,842	7,249	7,191
Customer portfolios	**12,735**	**8.6**	**11,721**	**13,128**	**13,074**
Rest of the world	**88,023**	**29.7**	**67,858**	**79,617**	**73,911**
Mutual funds and investment companies	19,477	45.6	13,373	17,373	14,469
Pension funds	56,263	38.7	40,571	51,484	46,014
Customer portfolios	12,283	(11.7)	13,914	10,761	13,427
Other customer funds	**145,434**	**11.7**	**130,143**	**142,044**	**137,105**

(1) Including absolut return and passive management funds.

Off-balance-sheet funds in the rest of the world account for 88 billion, which is 29.7% more than 30-6-2009. They are driven by the positive trend in mutual funds, which have grown 45.6% in the last twelve months, and by the positive performance in the pension fund business (+38.7%), in both cases backed by the aforementioned impact from foreign currencies. On the other hand, customer portfolios, 12 billion, have fallen 11.7% in the last year.

STATEMENT OF CHANGES IN EQUITY

The **total equity** of the BBVA Group came to €32,852 million at the end of the first half of 2010, following growth in the second quarter of more than 1,000 million. This increase is largely due to the generation of attributable profit during the quarter, which was €1,287 million, and after deducting the portion relating to the first interim dividend from the profit for 2010. There was also an increase in valuation adjustments due to the net effect of the positive impact of currency appreciation and the negative impact due to the fall in unrealized capital gains.

CAPITAL BASE

The BBVA Group's **capital base**, calculated according to the BIS II regulation, stood at €39,285m on 30-Jun-2010, similar to the close of the previous quarter. In the second quarter the execution of the purchase option for 4.93% of CNCB took place, which increased BBVA's holding to 15%. The purchase option deal was worth €1,197m; the goodwill generated has an impact on core capital and the remaining amount of the investment impacts both Tier I and Tier II.

Risk-weighted assets (RWA) stand at €309,617m, 5.2% more than at the close of March 2010. Much of this increase is due to the general appreciation of currencies in the second quarter. Moreover, unlike in the first three months of 2010, there was a growth in business activity and this also helped increase RWA.

The **minimum capital requirements** (8% of RWA) therefore come to €24,769m, and the capital base surplus €14,516m, 58.6% above the minimum required levels.

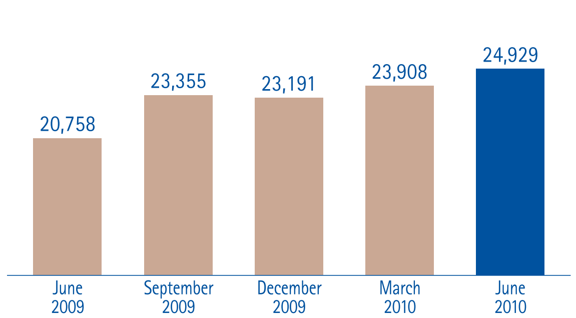
Core capital increased to €24,929m at the close of June, an increase of 4.3% in the quarter. The increase was due to generation of earnings in the quarter, together with the appreciation of foreign currencies, which generated 13 basis points of core capital in the quarter and enabled a substantial part of the impact from the increased holding in CNCB (–20 points) to be absorbed. The core ratio stands at 8.1%.

The **Tier I** ratio fell by 31 basis points with respect to the close in March to 9.2%, basically explained as a

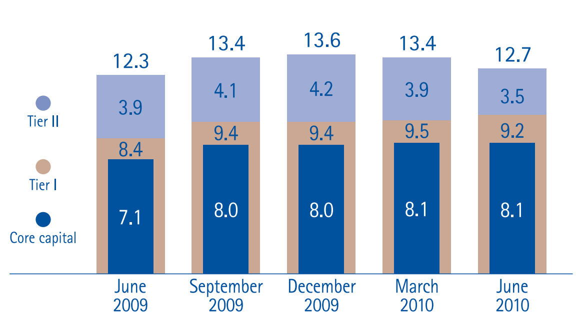
Capital base (BIS II Regulation)
(Million euros)

	30-06-10	31-03-10	31-12-09	30-09-09	30-06-09
Shareholders' funds	30,609	29,805	29,362	29,997	29,383
Adjustments	(7,680)	(7,897)	(8,171)	(8,642)	(8,625)
Mandatory convertible bonds	2,000	2,000	2,000	2,000	
Core capital	**24,929**	**23,908**	**23,191**	**23,355**	**20,758**
Preference shares	5,224	5,153	5,129	5,398	5,433
Adjustments	(1,803)	(1,194)	(1,066)	(1,527)	(1,525)
Capital (Tier I)	**28,351**	**27,867**	**27,254**	**27,226**	**24,666**
Subordinated debt and other	12,737	12,762	13,251	13,304	12,880
Deductions	(1,803)	(1,194)	(1,065)	(1,527)	(1,539)
Other eligible capital (Tier II)	**10,935**	**11,568**	**12,186**	**11,778**	**11,340**
Capital base	**39,285**	**39,435**	**39,440**	**39,004**	**36,006**
Minimum capital requirement (BIS II Regulation)	24,769	23,547	23,282	23,242	23,493
Capital surplus	**14,516**	**15,888**	**16,158**	**15,762**	**12,513**
Risk-weighted assets	**309,617**	**294,336**	**291,026**	**290,521**	**293,661**
Bis ratio (%)	**12.7**	**13.4**	**13.6**	**13.4**	**12.3**
Core capital (%)	**8.1**	**8.1**	**8.0**	**8.0**	**7.1**
Tier I (%)	**9.2**	**9.5**	**9.4**	**9.4**	**8.4**
Tier II (%)	**3.5**	**3.9**	**4.2**	**4.1**	**3.9**

Core capital
(Million euros)



Capital base: BIS II ratio
(Percentage)



result of the CNCB acquisition. Preference shares amounted to €5,224m, with an increase of €72m due to the appreciation of the dollar. As a result, their share of Tier I stood at 18.4%.

The rest of the eligible capital, which mainly consists of subordinated debt, surplus generic provisions and eligible unrealized capital gains, came to €10,935m. The **Tier II** ratio thus stood at 3.5% at the end of the second quarter, compared to 3.9% in the previous quarter. The Tier II ratio has been mainly affected by the increase in the CNCB holding (same as Tier I), lower returns on available-for-sale portfolio and a fall in surplus provisions. Also, in the second quarter BBVA Bancomer completed a $1 billion subordinated debt issue and BBVA Chile one of €32m. Both are included as Tier II at Group level.

As a result, the **BIS** ratio closed June 2010 at 12.7%.

RATINGS

On July 14, Standard & Poor's confirmed BBVA's rating, positioning the Group as one of the banks with the best ratings at a global level. In the difficult current context, the agency has recognized the Group's excellent financial situation and considers that BBVA will continue to benefit from its positioning in its main markets, Spain and Latin America.

Ratings

	Long term	Short term	Financial strength	Outlook
Moody's	Aa2	P-1	B-	Negative
Fitch	AA-	F-1+	A/B	Positive
Standard & Poor's	AA	A-1+	-	Negative

THE BBVA SHARE

The persistent uncertainty on markets linked to poorer perception of sovereign debt risk had a negative effect in the **second quarter** of the year with large downswings across different stock markets as well as a widening in debt securities differentials. In this sense, listed prices of sovereign debt and some financial institutions in southern Europe are the widest in the last decade. In addition, austerity measures announced in different EU nations led to downward revisions in economic growth estimates for 2010 and 2011.

Against this background, the **main stock market indices** in Europe closed the quarter with falls: the Stoxx 50 slipped 10.3% and the FTSE in the UK saw a slightly worse performance (–12.6%). In the same way, the US market fell 11.9% (S&P 500 index). Lastly, in Spain the Ibex 35 was down 14.8% as a result of the possible contagion effect of the Greek crisis and a perception that the country's economic recovery was lagging behind the rest of Europe.

With regards to the European **banking sector**, the announcement of the coming publication of the bank stress tests (set for July) was generally well-received by the market. More specifically, this publication will lead to greater transparency and could be a positive catalyst for the financial system.

In turn, the proposed accounting change for provisions from the Bank of Spain was positively welcomed by analysts: it will increase sector transparency and could be a way to speed up restructuring in the savings bank sector –something seen as necessary.

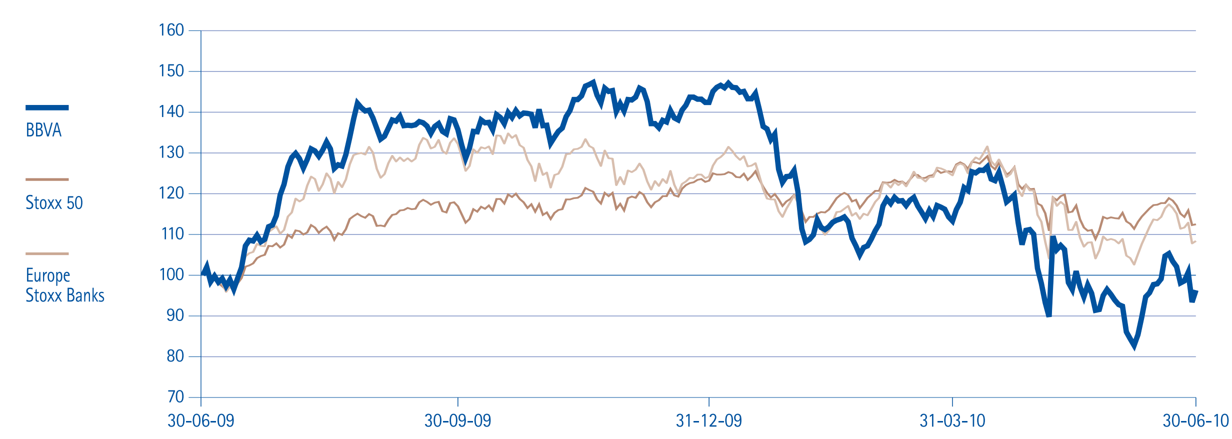
In the second quarter, greater market worries were centered on financial institutions liquidity. The European Central Bank continued its support efforts which were well-received by institutions. However, use of these lines was lower than market expectations.

With this, the European bank index, Stoxx Banks saw a major contraction in the second quarter of 2010 (–12.9%). In turn, the FTSE Banks index for British banks fell 11.9%. Factors such as the concern over liquidity, institutions exposure to sovereign debt and uncertainty as to the consequences of possible regulatory changes were key to the negative quarterly performance.

BBVA results in the first quarter 2010 came in above market forecasts. Analysts highlighted the key points of good operating earnings performance, especially in net interest income in Spain, the good results from the different business areas, the improved asset quality and the solid Group capital situation in the context of European banking.

However, the performance of **the BBVA share** in the second quarter was again penalized by factors

→ Share price index
(30-06-09 = 100)



The BBVA share

	30-06-10	31-03-10	31-12-09	30-09-09	30-06-09
Number of shareholders	897,894	887,252	884,373	896,433	923,005
Number of shares issued	3,747,969,121	3,747,969,121	3,747,969,121	3,747,969,121	3,747,969,121
Quarter daily average number of shares traded	85,118,109	49,389,086	51,014,696	50,638,534	48,989,582
Quarter daily average trading (million euros)	823	535	631	535	399
Maximum price in the quarter (euros)	11.40	13.27	13.28	12.83	9.10
Minimum price in the quarter (euros)	7.28	9.26	11.39	8.51	5.88
Closing price for the quarter (euros)	8.61	10.13	12.73	12.13	8.94
Book value per share (euros)	8.17	7.95	7.83	8.00	7.84
Tangible book value per share (euros) (1)	6.31	6.41	6.27	6.17	5.88
Market capitalization (million euros)	32,278	37,967	47,712	45,463	33,507

(1) Net of goodwill.

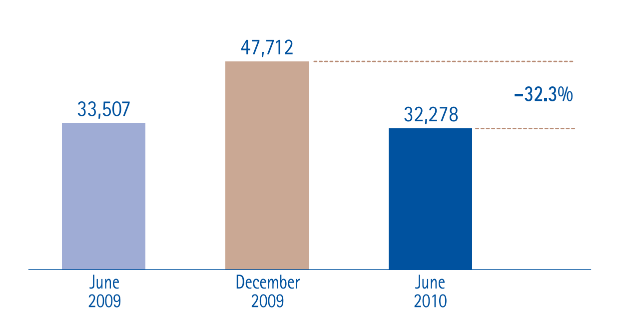
Share performance ratios

	30-06-10	31-03-10	31-12-09	30-09-09	30-06-09
Price/Book value (times)	1.1	1.3	1.6	1.5	1.1
Price/Tangible book value (times) (1)	1.4	1.6	2.0	2.0	1.5
PER (Price/Earnings; times) (2)	6.5	7.7	11.3	10.8	8.0
Yield (Dividend/Price; %) (3)	5.3	4.5	3.3	3.5	4.7

(1) Net of goodwill.
(2) The 30-06-10 P/E is calculated taking into consideration the median of the analysts' estimates (July 2010).
(3) Dividend yield at 30-06-10 is calculated taking into consideration the median of analysts' estimates (July 2010).

unconnected with Group fundamentals. The BBVA share price fell 15.0% from March to June 2010, in line with Ibex 35 performance, and moved between €11.40 and €7.28 over the quarter, closing at €8.61 per share on June 30th. This price means a market capitalization of €32,278 million. At that closing price, the price-earnings ratio (P/E, calculated on average earnings for 2010 estimated by analysts) was 6.5, compared to 7.7 in March (calculated on the closing price for March

Market capitalization
(Million euros)



and estimated earnings from analysts for the close of 2010). At the same time, the price/tangible book value ratio in June 2010 was 1.4, compared with 1.6 at the end of the first quarter 2010. In turn, for 2010 analysts estimate a **dividend yield** of 5.3% (calculated as their estimate of the average dividend per share for 2010 and the share price on June 30).

With regard to the average daily **volume** of shares traded, this saw a considerable increase over the previous quarter, 72% more, with 85 million shares traded compared to 49 million in the first three months of the year. This higher trade weighed more than the BBVA share price fall. Therefore, the average traded amount ran to €823 million.

On July 1, 2010 payment of the first interim dividend for 2010 was announced with regard to **shareholder remuneration**. This confirms the usual dividend payment calendar from recent years. On July 12, 2010 the first interim dividend was paid at €0.09 gross (cash) per share. This meant a payout of €337 million.

RISK AND ECONOMIC CAPITAL MANAGEMENT

RISK MANAGEMENT

CREDIT RISK

All the indicators of credit quality improved in the **second quarter** of the year. It is particularly worth highlighting the reduction in the non-performing asset ratio. This is a result of both the start of a reactivation in lending and the containment of non-performing assets. Also important are the positive figures for new NPA and the further increase in coverage. Both these trends can be seen in general in all the units. Thus BBVA continues to stand out in the banking system for the positive trend of asset quality indicators.

As of June 30, 2010, the volume of **total risks** with customers (including contingent liabilities) stood at €384,344m, an increase of 3.7% on the €370,699m

Credit risk management
(Million euros)

	30-06-10	31-03-10	31-12-09	30-09-09	30-06-09
Total risk exposure (1)					
Non-performing assets	16,137	15,870	15,602	12,500	11,774
Total risks	384,344	370,699	364,776	363,812	369,313
Provisions	9,917	9,308	8,943	8,459	8,023
· Specific	6,775	6,437	5,969	4,422	4,132
· Generic and country-risk	3,142	2,872	2,975	4,037	3,891
NPA ratio (%)	4.2	4.3	4.3	3.4	3.2
NPA coverage ratio (%)	61	59	57	68	68
Memorandum item:					
Foreclosed assets (2)	1,547	1,239	945	773	546
Foreclosed asset provisions	297	269	208	151	123
Coverage (%)	19	22	22	19	20

(1) Including contingent liabilities.
(2) Including foreclosed assets from lease contracts.

Variations in non-performing assets
(Million euros)

	2Q10	1Q10	4Q09	3Q09	2Q09
Beginning balance	**15,870**	**15,602**	**12,500**	**11,774**	**10,543**
Entries	3,042	3,262	6,187	3,573	3,717
Recoveries	(2,080)	(2,388)	(2,035)	(1,611)	(1,650)
Net variation	**962**	**874**	**4,152**	**1,962**	**2,067**
Write-offs	(1,034)	(885)	(1,144)	(1,088)	(819)
Exchange rate differences and other	339	279	94	(148)	(17)
Period-end balance	**16,137**	**15,870**	**15,602**	**12,500**	**11,774**
Memorandum item:					
· Non-performing loans	15,781	15,520	15,197	12,189	11,509
· Non-performing contingent liabilities	355	351	405	311	265

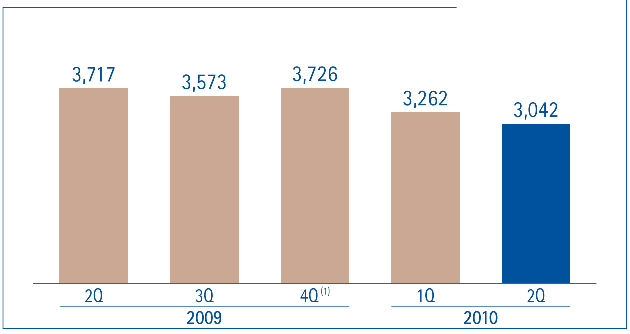
recorded at 31-Mar-2010, due to real growth in lending and the appreciation of the main currencies against the euro. This increased lending is also compatible with a reduction of some portfolios, such as those related to the developer sector in Spain and the United States.

Non-performing assets as of 30-Jun-2010 stood at €16,137m, only €266m more than in the first quarter. This increase can be fully explained by foreign currency movements, as there was a fall in terms of constant euros, and there was no substantial increase in the volume of write-offs. It is important to highlight that the rate of growth of gross additions to NPA continued to slow and, although recoveries this quarter have been down, this is due to the seasonality derived from the Easter holidays. In all, the ratio of recoveries to new NPA continues to be at a good level. Its figure of 68.4% is far higher than in any quarter in 2009.

In all, for the first time since 2006, the **NPA ratio** in the Group has fallen, and now stands at 4.2%. This reduction can mainly be explained by the positive figures from Mexico, where the NPA ratio improved over the quarter by 30 basis points to 3.8% (4.1% on 31-Mar-2010). In the other areas the ratio was maintained or fell slightly. Thus in Spain and Portugal it fell to 5.0%; in the United States it improved from 4.4% in the previous quarter to 4.3%, and in South America from 2.8% to 2.7%. Finally, in WB&AM the ratio stood at 1.4% (1.3% in the first quarter of the year).

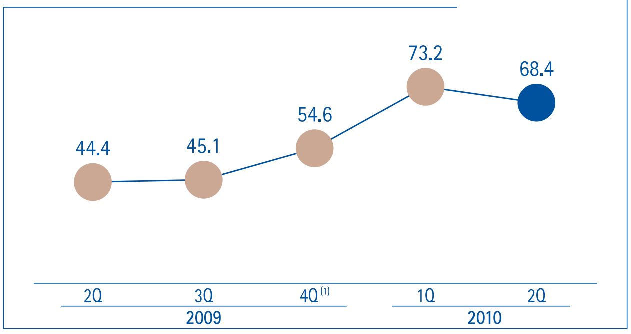
Coverage provisions for risks with customers were €9,917m on 30-Jun-2010, an increase of €609m compared with the figure for March 2010. This can partly be explained by the allocation of generic provisions. Of this sum, €3,142m correspond to generic funds, which increased their share to 31.7% of the total (30.8% in the first quarter of 2010).

Gross additions to NPA
(Million euros)



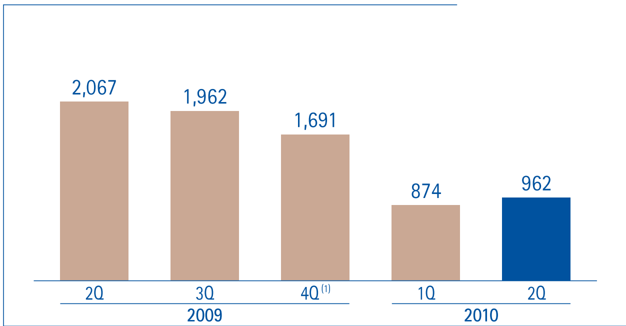
(1) In the fourth quarter of 2009, excluding €2,461 million one-offs, 1,817 of which correspond to Spain and Portugal and 644 to United States.

Recoveries over entries to NPA
(Percentage)



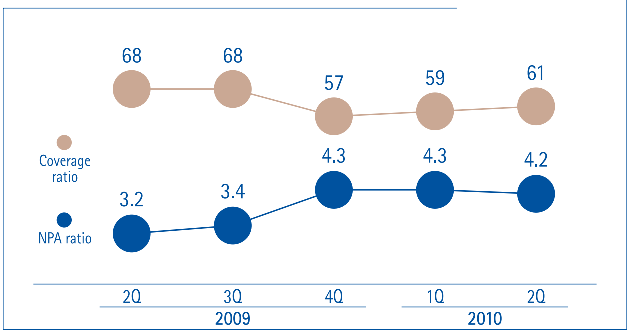
(1) In the fourth quarter of 2009, excluding €2,461 million one-offs, 1,817 of which correspond to Spain and Portugal and 644 to United States.

Net additions to NPA
(Million euros)

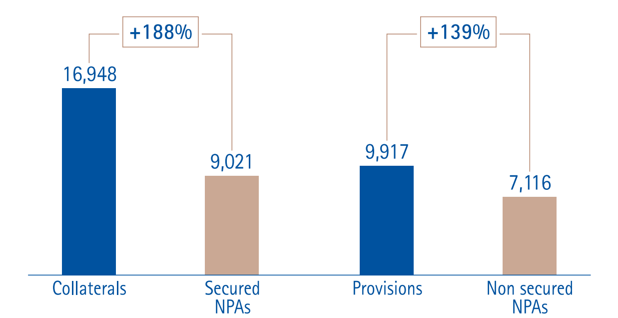


(1) In the fourth quarter of 2009, excluding €2,461 million one-offs, 1,817 of which correspond to Spain and Portugal and 644 to United States.

NPA and coverage ratios
(Percentages)



Coverage including provisions and collaterals
(Million euros)



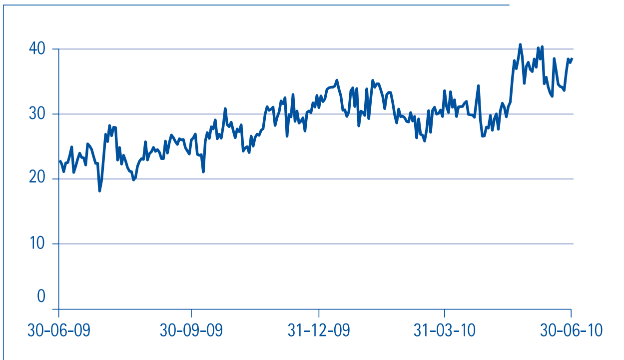
Collaterals were worth 188% of the value of secured doubtful risks and NPA provisions covered 139% of the unsecured doubtful risks. It is important to note the greater importance that collaterals will have after the change in regulation concerning risk coverage, in which the calendar of loan-loss provisions is shortened but the type of admissible guarantees is extended.

As a result of the larger balance of provisions, the **coverage ratio** of doubtful risks improved for the second quarter in a row to 61% at the end of the second quarter of 2010, with progress made in practically all the business areas. In Mexico, it increased from 131% to 136%; in South America from 132% to 133%; in the United States from 56% to 62%; while in Spain and Portugal the ratio remained at 48%.

MARKET RISK

The BBVA Group's market risk continues at reduced levels, as corresponds to its business model. In the second quarter of 2010, the BBVA Group's average market-risk exposure was €33m (referenced to VaR without exponential smoothing). This compares with the figure of €31m for the previous quarter. The increase of risk in Latin America explains most of this slight upward movement. It is due mainly to an increase of interest-rate and foreign-exchange risks in Global Markets Bancomer, and a greater exposure to interest-rate risks in Global Markets Peru and Global Markets Venezuela. At the quarter end, exposure was €39m, having peaked at €41m on May 25.

Trends in market risk [1]
(VaR, million euros)



(1) On 29-02-08 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.

By **geographical area**, risk concentration fell slightly in Europe, where 61.6% of total average exposure was located in the second quarter. The banks in America increased their relative concentration to 38.4%.

In terms of the **types of market risk** on the Group's trading portfolio as of 30-Jun-2010, the greatest exposure was to interest rates and lending spread, which increased by 16% on the close of the previous quarter. Equally, equity risk increased 23% and foreign-exchange risk increased from €3.4m to €9.5m. Volatility risk fell by 9% from €15.4m to €13.9m.

Market risk by risk factors
(2^{nd} Quarter 2010. Million euros)

Risk	30-06-10
Interest + spread	44
Exchange rate	9
Equity	6
Volatility	14
Diversification effect	(35)
Total	**39**
Average	**33**
Maximun	**41**
Minimun	**27**

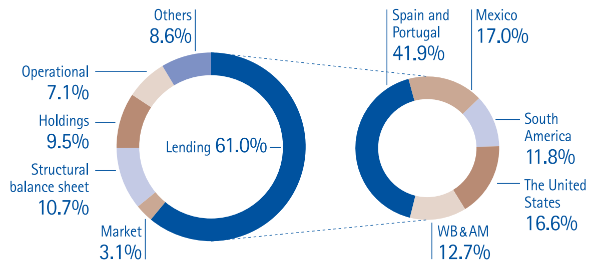
ECONOMIC CAPITAL

Attributable economic risk capital (ERC) consumption was €24,745m at the close of June, an increase of 7.3% on the figure for March 2009. The increase is due to foreign-currency movements during the quarter and the increase in the Group's stake in CNCB.

Although in general the use of ERC has grown in each of the different types of risk as a result of the exchange rate, the weight of each has been slightly modified by the increase in capital to cover stake-holding risk.

The main category (61.0%) was once more credit risk on portfolios originated in the Group branch network from its own customer base.

→ BBVA Group economic risk capital
Distribution by risk type
(Data in attributable terms, 30-06-10)



Market risk was the smallest single item (3.1%), given the nature of BBVA's business and its policy of minimal proprietary trading. Stake-holding risk basically reflects the portfolio of Holdings in Industrial & Financial Companies and the stake in CITIC holding, and it rose to 9.5% due to the mentioned increase in the CITIC holding. Structural balance-sheet risk originates from the management of the Group's structural interest-rate and exchange-rate risk (4.2% and 6.5%, respectively), both stemming from the BBVA's activity in the different countries in which it operates.

Operational risk amounted to 7.1% of total ERC.

ECONOMIC PROFIT AND RISK-ADJUSTED RETURN ON ECONOMIC CAPITAL

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

Calculations are based on the **adjusted profit**, which is obtained by making adjustments to the net attributable profit: substituting generic provisions with an allocation based on expected losses, accounting the changes in unrealised capital gains on the holding portfolios, applying the difference between all the accounting positions of Global Markets and their market value, and reflecting changes in the total net-asset value due to exchange-rate variations on holdings in Group companies. In the first half of 2010, these adjustments reduce earnings by €2,510m, mainly due to adjustments in value changes. Adjusted profit thus stood at €18m.

The medium– and long-term performance of these calculations is very useful for determining the intrinsic value of a business. However, in the short term they can be hit by market volatility. That is why recurrent data becomes so relevant. As these mainly come from customer business, the metrics genuinely reflect the Group's management performance. They are obtained by excluding the earnings of units impacted by changes in capital gains on portfolio investments, and with respect to expected losses, including the loss adjusted to cycle. Such **recurrent adjusted profit** stood at €2,317m at the end of June 2010.

From the adjusted profit a subtraction is made which comes from multiplying the average economic risk capital or ERC for the period (€23,691m at 30-6-10) by the percentage **cost of capital**. The cost of capital is different for each of the Group's business areas and units. Based on information extracted from the analysts' consensus, it is equivalent to the rate of return the market is demanding on investment capital.

The **economic profit** is thus calculated. It amounted to –€1,417m for the first half of 2010. However, the **recurrent** economic profit stood at €1,170m, reflecting the degree to which BBVA's profits exceed the cost of capital employed, and thus create economic value for shareholders.

The **RARoC** figure measures the return earned by the business, adjusted to risks borne. Comparing the adjusted profit against the average economic risk capital (ERC) for the period gives the BBVA Group a RARoC of 0.1%, while its **recurrent RARoC** was 23.8%.

Economic profit and risk adjusted return on economic capital

(Million euros)

	1H10	Δ%	1H09
Net attributable profit	**2,527**	**(9.7)**	**2,799**
Adjustments	(2,510)	n.m.	282
Adjusted net attributable profit (A)	**18**	**(99.4)**	**3,081**
Average economic risk capital (ERC) (B)	23,691	7.0	22,144
Risk-adjusted return on economic capital (RAROC) = (A)/(B) * 100 (1)	**0.1**		**28.1**
Recurrent raroc (%) (1)	**23.8**		**28.0**
ERC x cost of capital (C)	1,434	16.0	1,237
Economic profit (EP) = (A) - (C)	**(1,417)**	**n.m.**	**1,844**
Recurrent economic profit	**1,170**	**(24.9)**	**1,558**

(1) Percentage annualized.

BUSINESS AREAS

Information by area represents a basic tool in the **management** of the BBVA Group's various businesses. In this section we discuss the more significant aspects of the activities and earnings of the Group's five business areas, along with those of the main units within each, plus Corporate Activities. Specifically, it includes the income statement, the balance sheet and a set of relevant management indicators: the loan book, deposits, off-balance sheet funds, efficiency, non-performing assets and coverage.

In 2010, certain changes were made in the criteria applied in 2009 in terms of the composition of some of the different business areas. These changes affected:

- The United States and Wholesale Banking & Asset Management: in order to give a global view of the Group's business in the United States, we decided to include the New York office, formerly in WB&AM, in the United States area. This change is consistent with BBVA's current method of reporting its business units.

- South America. The adjustment for the hyperinflation will be included in 2010 in the accounting statements for Banco Provincial (Venezuela); this will also be carried out for the 2009 statements to make them comparable. At year-end 2009, said impact was included under Corporate Activities.

Likewise, a modification has been made in the allocation of certain costs from the corporate headquarters to the business areas that affect rent expenses and sales of IT services, though to a lesser extent. This has meant that the data for 2009 has been reworked to ensure that the different years are comparable.

The configuration of the business areas and their composition are as follows:

- **Spain and Portugal**, which includes: the Retail Banking network in Spain, including the segments of private individual customers, private banking and small business and retail banking in the domestic market; Corporate and Business Banking, which handles the needs of the SMEs, corporations, government and developers in the domestic market; and all other units, among which are Consumer Finance, BBVA Seguros and BBVA Portugal.

- **Mexico**: includes the banking, pensions and insurance businesses in the country.

- **United States**: encompasses the Group's business in the United States and in the Commonwealth of Puerto Rico.

- **South America**: includes the banking, pensions and insurance businesses in South America.

- **Wholesale Banking & Asset Management**, composed of: Corporate and Investment Banking (including the activities of the European and Asian offices with large corporate customers); global markets (trading floor business and distribution in Europe and Asia); asset management (mutual and pension funds in Spain); the Group's own long maturing equity portfolios and private equity activities (Valanza S.C.R); and Asia (through the Group's holding in the CITIC group). Additionally, WB&AM is also present in the above businesses in Mexico, South America and the United States, but its activity and results are included in these business areas for the purposes of this report.

As well as the units indicated, all the areas also have allocations of other businesses that include eliminations and other items not assigned to the units.

Finally, the area of **Corporate Activities** performs management functions for the Group as a whole, essentially management of asset and liability positions in euro-denominated interest rates and in exchange rates, as well as liquidity and capital management functions. The management of asset and liability interest-rate risks in currencies other than the euro is recorded in the corresponding business areas. It also includes the Industrial and Financial Holdings unit and the Group's non-international real estate businesses.

Furthermore, as usual in the case of the Latin America units, both constant exchange rates and year-on-year current exchange variation rates have been applied.

The Group compiles reporting information on as disaggregated a level as possible, and all data relating to the businesses these units manage is recorded in full. These basic units are then aggregated in accordance with the organizational structure established by the Group at higher level units and, finally, the business segments themselves. Similarly, all the companies making up the Group are also assigned to the different units according to their activity.

Once the composition of each business area has been defined, certain **management criteria** are applied, of which the following are particularly important:

- **Capital:** Capital is allocated to each business according to economic risk capital (ERC) criteria. This is based on the concept of unexpected loss at a specific confidence level, depending on the Group's capital adequacy targets. These targets have two levels: the first is core equity, which determines the capital allocated. This amount is used 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 preferred securities. The calculation of the ERC combines credit risk, market risk, structural balance-sheet risk, equity positions, operational risk and fixed asset and technical risks in the case of insurance companies. These calculations are carried out using internal models that have been defined following the guidelines and requirements established under the Basel II capital accord, with economic criteria prevailing over regulatory ones.

  ERC is risk-sensitive and thus linked to the management policies of the businesses themselves. It standardizes capital allocation between them in accordance with the risks incurred and makes it easier to compare profitability across units. In other words, it is calculated in a way that is standard and integrated for all kinds of risks and for each operation, balance or risk position, allowing its risk-adjusted return to be assessed and an aggregate to be calculated for the profitability by client, product, segment, unit or business area.

- **Internal transfer prices:** the calculation of the net interest income of each business is performed using rates adjusted for the maturities and rate reset clauses of the various assets and liabilities making up each unit's balance sheet. Earnings are distributed across revenue-generating and distribution units (e.g., in asset management products) at market prices.

- **Assignment of operating expenses:** both direct and indirect costs are assigned to the business areas, except where there is no clearly defined relationship with the businesses, i.e. when they are of a clearly corporate or institutional nature for the Group as a whole. In this regard, we should note that the primary change in criteria during 2010 related to the assignment of expenses refers to the allocation of rent expenses in Spain and Portugal. This was formerly carried out based on a percentage over the book value of the real estate property and based on the area occupied. As of 2010, this allocation will be carried out at market value.

- **Cross selling:** in some cases, consolidation adjustments are required to eliminate shadow accounting entries in the results of one or more units as result of cross-selling incentives.

Recurrent economic profit by business area
(1st Half 2010. Million euros)

	Adjusted net attributable profit	Economic profit (EP)
Spain and Portugal	1,138	738
Mexico	900	701
South America	417	248
The United States	173	12
Wholesale Banking & Asset Management	435	216
Corporate Activities	(746)	(746)
BBVA Group	**2,317**	**1,170**

Operating income and net attributable profit by business area
(Million euros)

	Operating income				Net attributable profit			
	1H10	Δ%	Δ% at constant exchange rates	1H09	1H10	Δ%	Δ% at constant exchange rates	1H09
Spain and Portugal	2,200	(2.3)	(2.3)	2,252	1,186	(2.2)	(2.2)	1,212
Mexico	1,795	4.4	(4.9)	1,719	798	10.0	0.2	726
South America	1,059	(0.2)	4.6	1,061	453	7.6	12.9	421
The United States	555	7.4	4.2	516	144	3.9	(2.1)	138
Wholesale Banking & Asset Management	690	3.0	3.0	670	532	11.4	11.4	477
Corporate Activities	201	171.3	171.3	74	(586)	232.1	232.1	(176)
BBVA Group	**6,500**	**3.3**	**1.6**	**6,293**	**2,527**	**(9.7)**	**(11.0)**	**2,799**

SPAIN AND PORTUGAL

Income statement
(Million euros)

	1H10	Δ%	1H09
Net interest income	**2,446**	**0.6**	**2,432**
Net fees and commissions	719	(4.8)	756
Net trading income	102	(6.5)	109
Other income/expenses	192	(17.9)	234
Gross income	**3,460**	**(2.0)**	**3,532**
Administration costs	(1,260)	(1.5)	(1,279)
Personnel expenses	(749)	(0.8)	(755)
General and administrative expenses	(461)	(2.4)	(472)
Depreciation and amortization	(51)	(4.3)	(53)
Operating income	**2,200**	**(2.3)**	**2,252**
Impairment on financial assets (net)	(501)	(0.6)	(504)
Provisions (net) and other gains (losses)	(6)	(73.2)	(22)
Income before tax	**1,694**	**(1.9)**	**1,727**
Income tax	(508)	(1.3)	(515)
Net income	**1,186**	**(2.2)**	**1,212**
Non-controlling interests	-	-	-
Net attributable profit	**1,186**	**(2.2)**	**1,212**

Balance sheet
(Million euros)

	30-06-10	Δ%	30-06-09
Cash and balances with central banks	2,197	(3.6)	2,280
Financial assets	12,211	17.2	10,416
Loans and receivables	202,762	(0.5)	203,798
· Loans and advances to customers	201,981	(0.3)	202,565
· Loans and advances to credit institutions and other	781	(36.7)	1,234
Inter-area positions	-	-	-
Tangible assets	1,283	(2.0)	1,310
Other assets	987	(2.8)	1,015
Total assets/liabilities and equity	**219,440**	**0.3**	**218,819**
Deposits from central banks and credit institutions	206	(78.5)	957
Deposits from customers	93,340	(3.4)	96,636
Debt certificates	126	(80.5)	647
Subordinated liabilities	4,333	8.9	3,980
Inter-area positions	100,496	5.1	95,641
Financial liabilities held for trading	347	216.2	110
Other liabilities	12,905	(6.4)	13,790
Economic capital allocated	7,686	8.9	7,059

Spain and Portugal highlights in the second quarter

- High business volume, particularly in customer fund gathering.
- Increased market share in key products for customer bundling.
- Strict control of operating costs.
- Improved asset quality indicators.

Relevant business indicators

(Million euros and percentages)

	Spain and Portugal		
	30-06-10	31-03-10	30-06-09
Total lending to customers (gross)	207,082	204,692	206,909
Customer deposits (1)	95,201	88,233	97,896
Off-balance-sheet funds	35,626	39,709	40,986
· Mutual funds	25,686	29,210	31,229
· Pension funds	9,940	10,499	9,758
Other placements	8,228	8,287	6,272
Efficiency ratio (%)	36.4	37.1	36.2
NPA ratio (%)	5.0	5.1	3.7
Coverage ratio (%)	48	48	55

(1) Include collection accounts and individual annuities.

The Spain and Portugal Area handles the financial and non-financial needs of individual customers (Spanish Retail Network), including the upper-middle market segment (BBVA Banca Privada, private banking). The area also manages business with SMEs, large corporations and public and private institutions through the Corporate and Business Banking Unit (CBB). Other specialized units handle online banking, consumer finance (the Consumer Finance Unit), the bancassurance business (BBVA Seguros) and BBVA Portugal.

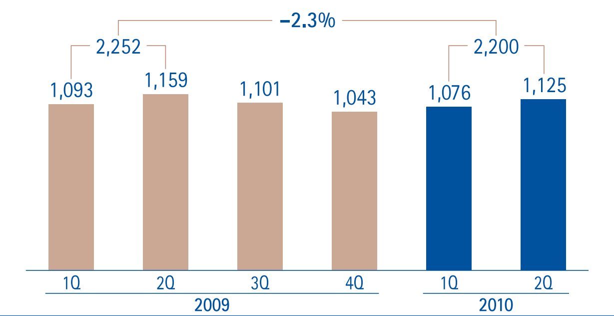
Plan UNO was launched at the start of the year to maximize value sustainability. As was seen in the first quarter of 2010, it represents a major step in BBVA's commercial strategy to put customer focus at the center of the organization. BBVA has a threefold goal in this respect: to be the customer's main financial provider, to increase the level of bundling and to offer tailored solutions that provide advantages for the customer. This will be done through a powerful technological platform.

In the **second quarter of 2010**, the most important aspect of the market has been the reduction in commercial liquidity gaps as a result of the moderate performance of credit and the high rate of new stable deposit gathering at lower prices than those registered in the wholesale markets. The demand from mutual funds has also contracted. With regard to lending activity, mortgage loans have picked up in the home segment, while corporate segment and consumer lending have once more returned to negative figures, at 4.2% and 9.9% respectively, as of 31-May-2010 (the latest available figures). The NPA ratio of banks and savings banks has increased, though at a slower pace than a year ago, to 5.5% (also at 31-May-2010), from 5.0% on 31-Dec-2009.

Gross customer lending as of 30-Jun-2010 stood at €207,082m, a year-on-year and quarterly increase (of 0.1% and 1.2% respectively), after a number of quarters of decline. BBVA continues to gain market share in

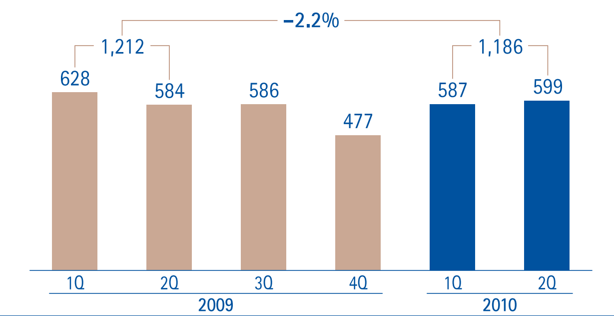
Spain and Portugal. Operating income

(Million euros)



Spain and Portugal. Net attributable profit

(Million euros)



mortgage lending to the household segment (+22 basis points last year and +11 since 31-12-2009) and has grown selectively in the corporate segment. BBVA is one of the most active banks in ICO fund placement, with a 12.7% market share as of 21-Jun-2010, 93 basis points more than in the same period in 2009. Activity is also increasingly diversified, with the new *ICO Directo* line for SMEs and the self-employed that has been granted to BBVA.

Customer funds under management (deposits, mutual and pension funds plus the distribution of BBVA bonds) reached €139,027m, with an increase in the quarter of €8,650m in deposits in the domestic sector, of which around €1,700m were in current accounts, as a result of campaigns to capture payroll and pension deposits and a new savings campaign. In all, BBVA gained 8 basis points of market share in transactional accounts from December in the retail banking segment. It also has a high share of management of corporate liquidity, at 10.2%. In addition, it has gathered some €7,000m in term deposits, of which most are from customers with a high level of bundling. The high proportion of funds in transactional accounts (45%) and the placement of term products linked to the Plan UNO have held back the rising cost of funds. In off-balance sheet funds, the Group has maintained its position as leader in mutual and pension funds under management in Spain, with a share of 17.8% (as of 30-Jun-2010) and 18.6% (as of 31-Mar-2010, the latest available figure), respectively. Mutual fund assets under management by the area totaled €25,686m, 17.7% down on the figure on 30-Jun-2009 as a result of the increase in demand for deposits. Assets in pension funds increased to €9,940m, 1.9% up on the figure at the close of the first half of 2009.

Thus the **net interest income** from the area's commercial activity, €2,446m, increased 1.0% on the first quarter of 2010, with a year-on-year increase of 0.6%. The returns in this line over average assets under management has been maintained, based on profitable growth in lending and the positive performance of transactional accounts, in a context of their increasing costs in the market. Net fee income, at €719m, is down again 4.8% year-on-year, in line with the lethargic banking business and moderate growth of funds. Net trading income, at €102m, together with other income/expenses, at €192m, show a steady growth in the second quarter, although their contribution was lower than in the same period in 2009, when market conditions were more favorable. As a result, the **gross income** for the half year was €3,460m (€3,532m in the first half of 2009).

The strict containment of **operating costs** has led to another year-on-year fall of 1.5%. However, it is important to note that the area has already undertaken the major part of its transformation, while the sector as a whole has only recently begun a process of consolidation that will probably include the closure of branches and staff reductions. The market share of branches has steadily declined to reach 7.9% as of 31-Mar-2010 (latest available data), although this trend will be reversed once the sector starts restructuring the network.

The **operating income** at €2,200m (€2,252m in the first half of 2009) held up well, despite the difficult situation and the duration of the current economic and financial crisis. Impairment losses on financial assets stabilized at similar levels to those of the first half of 2009, at €501m. As a result, the **net attributable profit** of €1,186m continues to be very stable.

Against the background of increased levels of non-performing assets in the market, the unit improved its **NPA ratio** in the quarter to 5.0% (5.1% as of 31-Mar-2010). It is also important to highlight that the rate of growth of gross additions to NPA fell by 5.6% over the quarter. Although recoveries in this period have been down, this is due to the seasonal factor of the Easter holidays. In all, the ratio of recoveries to new NPA continues to be at a good level, at 76.5%. This figure is far higher than in any quarter in 2009.

SPANISH RETAIL NETWORK

This unit services the financial and non-financial needs of households, professional practices, retailers and small businesses, with clearly differentiated products adapted to each segment. The volume of managed business, at €213,010m, represents 61.5% of the area, and the €763m attributable profit in the first half year, 64.4%.

The Spanish Retail Network had practically the same **operating income** in the first half of the year, at €1,253m, as in the same period in 2009. This was the result of the profitable growth of the business which is based on customer bundling and cost control. However, increased loan-loss provisions led to a slight fall in the unit's **net attributable profit** of 4.1%.

Highlights in the second quarter of 2010:

- A further increase in market share to 13.7%, according to the latest available data, in lending to households, professional practices, the self-employed, retailers, the farming community and small businesses.

- A year-on-year increase of 9.5% in new mortgage lending to €5,671m in the half-year (of which 56.6% was in the second quarter), boosted by the commercial campaigns *Sí damos Hipotecas* (Yes, We Give Mortgages), *Ven a Casa* (Come Home) and *Hipoteca Online BBVA* (BBVA Online Mortgage). In all, the portfolio's stock increased by 3.4% in the same period and saw its market share up by 22 basis points, according to the latest available data.

- A year-on-year fall in consumer credit of 16.4% to €6,556m, in a market that continues to show signs of weakness.

- New deposit gathering from customers with high bundling, so the balance of term deposits, at €32,435m, increased notably in the quarter by 17.6%.

As a result, both the **loan book** and **customer funds** in the unit were practically at the same levels as twelve months previously, at €102,558m and €110,452m, respectively. Over the quarter, current and savings accounts amounted to €31,838m, 2.8% more than on the same date the previous year, as a result of the campaigns mentioned above to attract payroll, pensions, the *Quincena del Ahorro* (Savings Fortnight), which has involved a total of 230,191 gifts, and *Jornada de tu Vida* (Day of Your Life).

BBVA Private Banking closed the quarter with funds under management in Spain of €35,155m, up 1.8% year-on-year, and with 1.1% growth in its customer base. The unit closed the half-year as the market leader in SICAV, for both assets under management (€2,943m) with an 11.6% market share, and for number of companies (290).

In the **small business segment** (professional practices, the self-employed, retailers, the farming community and small businesses), a total of 48,350 aid payments from the Common Agricultural Policy totaling €204m were deposited. This increased BBVA's market share in this segment to 6.1% (5.4% a year ago). Also in the second quarter of 2010, new collaboration agreements were signed with Fehrcarem, the biggest association of restaurant franchises, Mail Boxes, the Union of Professionals and Self-Employed Workers, and Pymec. This segment has 17,179 ICO credit line transactions formalized in 2010 (up 14.7% on the same period in 2009) for €463m (up 20.8%). POS terminals were boosted by the *Plan de Choque Comercios* (Retail Action Plan) and totaled €1,717m in the half-year, 14.0% up year-on-year and higher than the 6.3% growth in the market overall. The segment's loan portfolio stood at €13,730m as of 30-Jun-2010 (€15,296m on 30-Jun-2009).

CORPORATE AND BUSINESS BANKING

Corporate and Business Banking (CBB) handles SMEs, large companies, institutions and developers, with specialized branch networks for each segment. It also contains the product management unit that designs and markets specific products for the different market segments.

The unit closed the second quarter with a **loan book** of €91,492m, more than €700m up over the quarter. **Customer deposits** were €23,759m, practically the same as at the close of March 2010. The profitable growth policy, proper management of business opportunities and cost containment have made it possible to maintain the operating income for the half year at what is still a difficult time at €818m, the same levels as 12 months previously. The above, together with a prudent risk management policy that is continuing to increase loan-loss provisions, led to a net attributable profit of €408m (down 7.6% year-on-year).

Although lending to companies continued to suffer from the sluggish market, the unit is still developing new products to help SMEs access funding, such as the loyalty credit account, the flexible account and the uncommitted limit. The Group's activity with ICO funds was €1,463m in the half-year. It has increased the range it offers with the new ICO Icex, *ICO Incendios* (Fire) and *ICO Directo a Pymes y Autónomos* (Direct to SMEs and the Self-Employed). In terms of working capital, there was a notable €5,879m in factoring assignments over the half-year and €5,961m in confirming advances and extensions, which have consolidated the BBVA's leadership position for both products.

The lending volume in the **corporate** segment in the second quarter fell back slightly to €16,791m, while funds grew to €5,987m (up 22.3% quarterly). Thus, the accumulated operating income for the half-year rose by 23.1% to €176m, and the net attributable profit to €122m (€68m in the first half of 2009).

BBVA is still one of the market leaders in the **institutions** segment. Lending once more increased year-on-year to €28,312m (5.5% up), and customer funds fell back by 14.9% to €11,206m. Operating income continued to perform well, closing the half-year at €164m (up 10.4% year-on-year), as did the net attributable profit, which was up 16.9% year-on-year to €114m. In the second quarter of 2010, BBVA strengthened its leading position with major asset transactions, among them €1,000m and €400m with the regional government of Catalonia, €375m with the regional government of Andalusia, a €200m confirming transaction with the Castile-La Mancha regional government, a €125m transaction with the regional government of Valencia, €115m with the regional government of the Balearic Islands and a €160m syndicated loan for the regional government of the Canary Islands, as well as a wide-ranging coverage of the financing needs of the regional government of the Basque Country for 2010 through bilateral loans and private and structured issues. The segment has also been awarded the financial management of the Spanish Social Security system's enforced collection units, has been renewed as a collaborating entity with the regional government of the Madrid region, and with the Tesorería de Loterías y Apuestas del Estado, and collaborates with the Spanish International Cooperation Agency to manage Spanish Emergency Aid.

The **SME segment** is most affected by the current economic situation, although it has still maintained the volume of lending in the second quarter at levels similar to the close of March 2010, at €29,290m. Funds improved over the same period by 10.0% to €7,616m. As a result, operating income came to €383m and net attributable profit was €126m.

Finally, lending in the **developer** segment fell by 4.4% in the first half of 2010. The proportion of public housing program finance now stands at 82% of total business.

OTHER UNITS

The **Consumer Finance** unit manages consumer finance and business fitting through prescribers, as well as equipment leasing activities, through Finanzia, Uno-e and other subsidiaries in Spain, Portugal and Italy. In the first half of 2010, this unit obtained an operating result of €116m, a year-on-year increase of 43.0%. The net attributable profit was €16m, compared with a loss of €61m in the same period in 2009. The unit managed lending of €5,517m in Spain (up 0.6%), €473m in Portugal (up 2.9%) and €580m in Italy (up 49.5%). ASNEF's latest report (31-Mar-2010) shows that BBVA continues as leader in financing volumes for automobiles and equipment goods, leasing of fixtures, renting and leasing of equipment.

BBVA Portugal performed well in lending, which was €6,808m, with a year- on-year growth of 10.5%, due to increases in mortgage loans (up 28.9%), supported by the *Hipoteca Blue BBVA* campaign and lending to companies (up 5.4%). However, the balance of customer funds in the first half of the year was down 4.9% year-on-year to €2,452m. Among the products worth noting in the second quarter are the *Depósito Crescente Semestral 2 años BBVA*, the *Depósito Especial BBVA Privado I*, the *Depósito a Prazo Crescente 2-3-4*, the *Depósito Dual Retorno Garantido BBVA* and the *Depósito BBVA Crescimento EUA BBVA* for more conservative customers. Activities in investment banking include project financing for a motorway for €60m. In insurance, there was the launch of the *Campaña Primavera* (Spring campaign) together with MAPFRE, and in private banking the marketing of health insurance with AXA.

BBVA Seguros is the market leader in individual life insurance policies, with a market share of 12.1% as of March 2010 (the latest data available). It wrote premiums totaling €579m in the half-year. There was a positive performance by life insurance business, with a rise of 11.7% to €197m. Among the highlights in the quarter were the launch of *Seguro Financiado Vivienda* and *Rentas Diferidas BBVA*. Some of its products have incorporated high added-value cover and services, such as *Manitas* in the renewal of household policies and *Pack Dependencia BBVA Class* in new personal insurance, as well as *Más Cobertura Profesional* and *Rentas Vitalicias*. As part of BBVA's sponsorship of the Jacobean Year 2010, it launched the *Seguro del Peregrino*, an accident insurance for pilgrims on the Camino de Santiago. BBVA Seguros has received an award for most innovative product for *Seguro Afición*, in the II Award for Innovation in Insurance granted by ICEA and Accenture. In total, the unit contributed income of €178m from in-house policies and €10m in brokerage on third-party policies. The net attributable profit fell 12.5% year-on-year to €126m for the half-year, largely to the sluggish banking activity.

MEXICO

Income statement
(Million euros)

	Mexico				Units: Banking business				Units: Pensions and Insurance			
	1H10	Δ%	Δ% [1]	1H09	1H10	Δ%	Δ% [1]	1H09	1H10	Δ%	Δ% [1]	1H09
Net interest income	**1,817**	**7.8**	**(1.8)**	**1,686**	**1,773**	**6.6**	**(2.9)**	**1,663**	**41**	**92.6**	**75.5**	**21**
Net fees and commissions	595	11.3	1.4	535	559	10.0	0.2	508	35	33.1	21.2	26
Net trading income	233	5.3	(4.0)	221	152	(9.4)	(17.5)	167	82	52.0	38.5	54
Other income/expenses	79	23.6	12.6	64	(78)	14.1	3.9	(68)	162	17.3	6.8	138
Gross income	**2,725**	**8.7**	**(1.0)**	**2,506**	**2,406**	**6.0**	**(3.5)**	**2,271**	**320**	**33.4**	**21.6**	**239**
Administration costs	(930)	18.1	7.6	(787)	(854)	18.9	8.4	(718)	(74)	12.0	2.0	(66)
Personnel expenses	(428)	14.6	4.4	(374)	(393)	15.3	5.0	(341)	(35)	7.8	(1.8)	(32)
General and administrative expenses	(461)	21.2	10.4	(381)	(422)	22.1	11.2	(346)	(37)	15.7	5.4	(32)
Depreciation and amortization	(40)	23.8	12.8	(33)	(39)	23.8	12.8	(31)	(1)	25.9	14.7	(1)
Operating income	**1,795**	**4.4**	**(4.9)**	**1,719**	**1,552**	**(0.0)**	**(8.9)**	**1,552**	**246**	**41.6**	**29.0**	**174**
Impairment on financial assets (net)	(656)	(11.3)	(19.2)	(740)	(656)	(11.3)	(19.2)	(740)	-	-	-	-
Provisions (net) and other gains (losses)	(38)	154.4	131.8	(15)	(39)	166.5	142.8	(15)	1	n.m.	n.m.	-
Income before tax	**1,100**	**14.1**	**4.0**	**964**	**856**	**7.4**	**(2.2)**	**797**	**247**	**42.3**	**29.7**	**173**
Income tax	(300)	26.7	15.4	(237)	(228)	19.3	8.7	(191)	(74)	53.3	39.6	(48)
Net income	**800**	**10.0**	**0.3**	**727**	**629**	**3.6**	**(5.6)**	**606**	**173**	**38.1**	**25.8**	**125**
Non-controlling interests	(1)	39.4	27.0	(1)	-	-	-	-	(1)	48.5	35.3	(1)
Net attributable profit	**798**	**10.0**	**0.2**	**726**	**628**	**3.6**	**(5.6)**	**606**	**172**	**38.1**	**25.8**	**125**

(1) At constant exchange rate.

Balance sheet
(Million euros)

	Mexico				Units: Banking business				Units: Pensions and Insurance			
	30-06-10	Δ%	Δ% [1]	30-06-09	30-06-10	Δ%	Δ% [1]	30-06-09	30-06-10	Δ%	Δ% [1]	30-06-09
Cash and balances with central banks	6,534	(16.0)	(28.8)	7,780	6,534	(16.0)	(28.8)	7,780	-	-	-	-
Financial assets	29,444	36.0	15.4	21,650	24,718	34.3	13.9	18,400	4,986	43.7	21.9	3,470
Loans and receivables	35,754	14.5	(2.9)	31,232	35,515	14.1	(3.2)	31,125	283	35.6	15.0	208
· Loans and advances to customers	33,781	24.4	5.5	27,146	33,635	24.3	5.5	27,050	169	54.9	31.4	109
· Loans and advances to credit institutions and other	1,973	(51.7)	(59.0)	4,086	1,880	(53.9)	(60.9)	4,075	113	14.3	(3.0)	99
Tangible assets	871	12.2	(4.9)	777	864	12.1	(5.0)	771	7	27.4	8.1	6
Other assets	1,154	(22.4)	(34.2)	1,489	2,141	7.1	(9.2)	2,000	106	5.1	(10.8)	101
Total assets/liabilities and equity	**73,758**	**17.2**	**(0.6)**	**62,927**	**69,772**	**16.1**	**(1.5)**	**60,076**	**5,382**	**42.2**	**20.6**	**3,785**
Deposits from central banks and credit institutions	9,262	(24.9)	(36.3)	12,333	9,262	(24.9)	(36.3)	12,333	-	-	-	-
Deposits from customers	36,518	16.1	(1.5)	31,456	36,542	15.8	(1.7)	31,545	-	-	-	-
Debt certificates	3,744	18.9	0.8	3,149	3,744	18.9	0.8	3,149	-	-	-	-
Subordinated liabilities	1,891	23.5	4.8	1,531	2,932	51.5	28.5	1,935	-	-	-	-
Financial liabilities held for trading	6,258	117.0	84.0	2,884	6,258	117.0	84.0	2,884	-	-	-	-
Other liabilities	12,864	45.3	23.2	8,853	8,117	40.0	18.7	5,800	5,125	45.1	23.1	3,532
Economic capital allocated	3,222	18.4	0.4	2,721	2,917	20.0	1.8	2,431	257	1.4	(14.0)	253

(1) At constant exchange rate.

Mexico highlights in the second quarter

- Reactivation of the loan book.
- Significant improvement in indicators of asset quality.
- Adequate capital management, with the biggest-ever bond issue on international markets by a Mexican bank.
- Bancomer has been recognized by the magazine *Information Week* as one of the most innovative companies in the country.

Relevant business indicators

(Million euros and percentages)

	Mexico		
	30-06-10	31-03-10 (1)	30-06-09 (1)
Total lending to customers (gross)	35,648	34,760	33,828
Customer deposits (2)	36,505	35,243	35,809
Off-balance-sheet funds	27,412	25,776	22,617
· Mutual funds	14,829	13,709	12,408
· Pension funds	12,583	12,066	10,210
Other placements	3,297	3,319	3,512
Efficiency ratio (%)	34.1	34.8	31.4
NPA ratio (%)	3.8	4.1	3.9
Coverage ratio (%)	136	131	137

(1) Figures in € million at constant exchange rate.
(2) Excluding deposits and Bancomer's Market unit repos.

This area comprises the banking, pensions and insurance business conducted in Mexico by the BBVA Bancomer Financial Group.

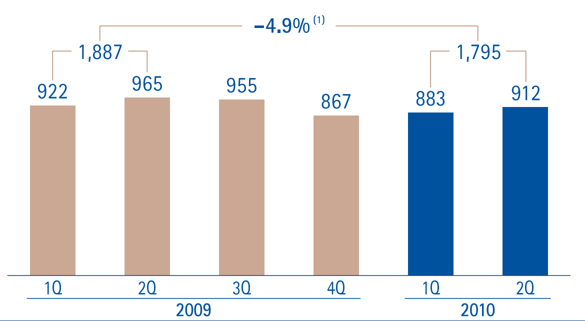
The indicators for the **Mexican economy** show that the recovery has continued in the second quarter of the year, driven by foreign demand rather than domestic demand. Foreign demand was buoyed by signs of improvement in the United States. Domestic demand is sluggish because household disposable income is still reacting slowly. Nevertheless, inflation has been kept in check in the second quarter of 2010 and the outlook is for it to continue downwards. These are elements that support improved household spending for the coming quarters.

Prices continued to behave well in the second quarter of 2010. **Inflation** closed June at 3.7%, 1.3 percentage points below the figure for the end of the previous quarter. This has been possible above all due to the major falls in the more volatile components of the basket of consumer products. Inflation will probably end the year within Banxico's target band. Combined with the gradual recovery in the economy, this could mean that the Bank of Mexico maintains its base lending **interest rate**, currently at 4.5%, for at least the rest of this year.

The final **exchange rate** of the peso against the euro shows a slight appreciation in the quarter of 5.9%. Last year, both the final (17.9%) and average (9.8%) exchange rates appreciated. This has had a positive impact on the financial statements and business in the area. Unless otherwise indicated, all comments below refer to changes at a constant exchange rate. The accompanying tables show both current and constant exchange rates.

Mexico. Operating income

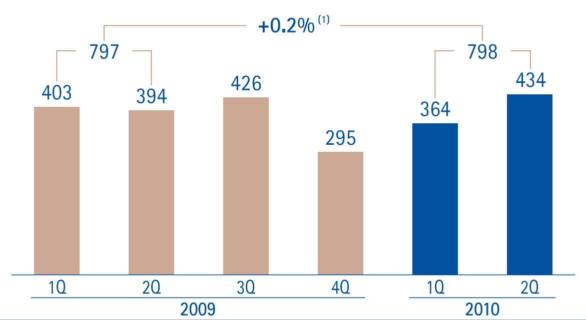
(Million euros at constant exchange rate)



(1) At current exchange rate: +4.4%.

Mexico. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +10.0%.

The net interest income in Mexico was €1,817m, a similar figure to that in June 2009, although taking into account the exchange rate effect the year-on-year change is +7.8%. Income from fees was €595m, higher than the figure a year ago, due to increased fees charged in pension fund administration (Afore BBVA Bancomer) and the activity of investment companies. Net trading income was €233m, 4.0% down on 12 months previously. This was due to the unfavorable environment of the financial markets in the second quarter of 2010. Finally, other income/expenses grew year-on-year by 12.6%, mainly as a result of growth in the insurance business. Thus **gross income** closed the quarter at €2,725m, a slight fall of 1.0% on the same period in 2009.

Operating costs were €930m euros, 7.6% up year-on-year as a result of the Expansion and Growth Plan that BBVA Bancomer has implemented to take advantage of the growth opportunities offered by the Mexican market. Nevertheless, these costs have not had a negative effect on the **efficiency ratio** for the second quarter of 2010, which stood at 34.1%, 64 basis points under the figure at the close of the previous quarter. In all, the **operating income** for the area was €1,795m, 4.9% less than the figure for the first six months of 2009 (+4.4% at the current exchange rate).

The improvement in credit quality continued in the second quarter of the year, as can be seen in the indicators of asset quality. The balance of **impairment losses on financial assets** continued to improve, with a year-on-year fall of 19.2% to €656m. As a result, there was once more a solid improvement in the **cost of risk** over the quarter of 23 basis points. It is also worth pointing out that despite the reduction of loss-loan provisions, coverage in the area improved substantially over the quarter, at 136% on 30-Jun-2010, compared with 131% on 31-Mar-2010. The **NPA ratio** also fell significantly to 3.8% as of 30-Jun-2010, the lowest rate for more than four quarters, and 27 basis points below the figure for the previous quarter.

The maintenance of revenues, together with the limited loss-loan provisions, meant that income before tax increased over the last 12 months by 4.0% to €1,100m. Taxes increase at a year-on-year rate of 15.4%, lower than in the previous quarter. As a result, the **net attributable profit** of €798m was practically the same level as in June 2009.

BANKING BUSINESS

In the second quarter of the year, the gradual economic recovery improved the volume of **business** throughout the financial industry. This recovery has been spearheaded by BBVA Bancomer, which increased its market share in all the strategic lines of business.

Lending to customers, excluding the old mortgage portfolio, shows new dynamism after two quarters in which it had fallen in year-on-year terms, to €35,502m, an increase of 5.3% on 30-Jun-2009. As of June 30, 2010, the **commercial book**, which includes loans to corporations and small and medium-sized companies (SMEs), financial institutions and the government, continued to increase its share of the managed loan-book mix to 46.1%. The total volume was 14.3% up year-on-year to €15,008m. Lending to SMEs and government bodies posted a notable increase, at 20.9% over this period.

Despite the impact of the crisis on household income in Mexico, the **residential mortgage book** continued to increase at a year-on-year rate of 6.6% to €8,578m at the close of June, 26.4% of the managed loan book. In the second quarter of the year, BBVA Bancomer launched a new mortgage product, called *Ahorra y Estrena* (Save and Move In), for people with unstable incomes. It provides them with a mortgage with monthly repayments equivalent to the balance of their monthly savings. Thanks to innovation in mortgage products, BBVA Bancomer has maintained its position as leader in this segment, and grants one in three of all the new mortgages in the market. A total of 14,880 individual mortgages were granted in the first six months of the year and finance has been provided for 47,483 homes through loans to developers.

Consumer finance has improved. The pace of its reduction has slowed compared to previous quarters. As of June 30, 2010 it amounted to €6,669m, 4.5% less than on 30-Jun-2009, but 2.5% more than on 31-Mar-2010. By products, selling of credit cards increased by 51% year-on-year, although revenues increased by only 15%. The number of new paycheck loans and personal loans increased by 47% on the figure for June 2009, while car finance doubled with respect to the close of the previous quarter. This is reflected in an increase of 80 basis points in the market share in the consumer finance business so far this year.

The balance of **customer funds** (including bank deposits, repos, mutual funds and investment companies) closed June at €51,334m, boosted by **current accounts**, which grew year-on-year by 8.8%. In fact, BBVA Bancomer has maintained its leading position in the current account market, with a market share of over 30% at the close of the second quarter. Also worth highlighting is the improved mix of the funds, with current accounts amounting to 36.0% of the total. The positive performance of current accounts has been boosted by the *Quincena del Ahoro* (Two weeks of saving) campaign, through which 1 million prizes were given out for the first time, more than €572m euros of funds were gathered and over 300,000 new accounts opened.

In **off-balance sheet funds**, there was a notable performance by mutual funds, which rose at a rate of 19.5%, thus increasing the market share so far this year by 56 basis points. BBVA Bancomer has increased the investment options for its customers by extending the range of international funds available. In the second quarter of 2010, it launched the BBVANDQ fund, which replicates the Nasdaq in the United States.

As of 30-Jun-2010, BBVA Bancomer had 6,442 **ATMs**, 205 more than those at the close of 2009. During this quarter, Bancomer was recognized by the magazine *Information Week* as one of the most innovative companies in the country for its development of *Practicajas Express Recicladoras*, a new kind of cash recycling ATMs that are located in correspondent partners. These *practicajas* recycle money by re-using the cash deposited by the store for customers to use as they require. In addition to this, booths have been installed in bank branches to allow customers to make certain transactions without using the window, such as balance requests and the printing of recent activity in their accounts. The first branch with a specially efficient model of customer service was opened this quarter. It has *practicajas*, ATMs and booths, as well as offering advice from a staff member to encourage the use of electronic channels. This format is part of the new BBVA Bancomer initiatives to increase the efficiency and productivity of the distribution network. Another example of technological innovation has been the launch of the Bancomer Móvil project, which by the fourth month following its launch has more than 60,000 accounts thanks to the promotional campaign it was given through the virtual channels.

Among the highlights in **investment banking** products was the €953m-euro debt issue by PEMEX (the para-state Mexican oil company), as well as the $450m share offering by Grupo Comercial Chedrau (self-service retail chain).

Finally, it is important to stress BBVA Bancomer's adequate **liquidity and capital** management. Bancomer made the biggest bond issue ever by a Mexican bank on the international markets, at $1 billion with a term of 10 years. The issue was sold to investors in the United States, Europe and Asia at a very attractive price, with a bid-to-cover ratio of 3.5. This reflects the solvency of BBVA Bancomer.

PENSIONS AND INSURANCE

The pensions and insurance business generated a half-yearly **net attributable profit** of €172m, a year-on-year increase of 25.8%.

The incipient economic recovery in some sectors of the Mexican economy, combined with improved confidence, have created a more favorable environment for the pension sector. **Afore Bancomer** had a very positive half-year, closing June with assets under management of €12,583m and a net attributable profit of €35m (up 59.5%). The key to this improved result was the positive performance of its sources of revenue (gross income grew year-on-year by 22.5%) and costs (which fell 8.5%); as a result, the operating income for the half-year was €51m (up 61.9%).

The improvement in the economy has also helped the performance of the **insurance business** in Mexico. The Group's three companies in Mexico contributed a net attributable profit of €137m, an increase of 19.3%. This improvement was the result of the reactivation of the rate of business volumes, with a year-on-year increase in written premiums of 4.0%, continued moderate rates of claims and a good half-year of net trading income (+31.3%). All these positive elements together meant that the operating income increased by 22.5% over the last 12 months to €195m.

SOUTH AMERICA

Income statement

(Million euros)

	South America				Units: Banking businesses				Units: Pensions and Insurance			
	1H10	Δ%	Δ% (1)	1H09	1H10	Δ%	Δ% (1)	1H09	1H10	Δ%	Δ% (1)	1H09
Net interest income	**1,197**	**(3.0)**	**12.3**	**1,235**	**1,173**	**(3.1)**	**12.4**	**1,211**	**26**	**5.2**	**10.4**	**25**
Net fees and commissions	457	7.0	11.2	427	323	0.5	11.5	322	141	36.0	17.8	104
Net trading income	277	4.8	(2.8)	265	240	21.6	12.1	198	37	(44.8)	(48.0)	67
Other income/expenses	(87)	(14.5)	73.5	(102)	(149)	6.2	83.5	(140)	65	49.8	81.0	44
Gross income	**1,844**	**1.1**	**7.7**	**1,824**	**1,588**	**(0.1)**	**8.2**	**1,590**	**270**	**12.7**	**7.5**	**240**
Administration costs	(785)	2.8	12.2	(763)	(665)	3.3	16.0	(644)	(111)	8.5	1.4	(102)
Personnel expenses	(407)	4.0	12.5	(391)	(339)	3.5	15.4	(328)	(57)	6.8	(0.9)	(53)
General and administrative expenses	(317)	0.8	10.4	(314)	(268)	2.1	15.3	(262)	(51)	11.9	5.5	(46)
Depreciation and amortization	(61)	6.3	20.4	(57)	(58)	7.4	23.5	(54)	(3)	(9.2)	(15.6)	(4)
Operating income	**1,059**	**(0.2)**	**4.6**	**1,061**	**923**	**(2.5)**	**3.2**	**946**	**159**	**15.8**	**12.3**	**137**
Impairment on financial assets (net)	(214)	(0.4)	(3.3)	(215)	(214)	(0.4)	(3.3)	(215)	-	-	-	-
Provisions (net) and other gains (losses)	(13)	77.8	30.7	(7)	(12)	108.8	47.0	(6)	(1)	(39.7)	(48.0)	(2)
Income before tax	**832**	**(0.8)**	**6.5**	**839**	**697**	**(3.9)**	**4.9**	**726**	**158**	**16.8**	**13.5**	**135**
Income tax	(185)	(8.6)	(4.4)	(203)	(153)	(13.6)	(8.5)	(178)	(39)	23.5	20.3	(32)
Net income	**647**	**1.7**	**10.1**	**636**	**544**	**(0.8)**	**9.4**	**548**	**118**	**14.7**	**11.4**	**103**
Non-controlling interests	(194)	(9.7)	4.0	(214)	(162)	(11.6)	4.6	(183)	(32)	1.6	0.9	(31)
Net attributable profit	**453**	**7.6**	**12.9**	**421**	**382**	**4.6**	**11.6**	**365**	**86**	**20.5**	**15.8**	**72**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	South America				Units: Banking businesses				Units: Pensions and Insurance			
	30-06-10	Δ%	Δ% (1)	30-06-09	30-06-10	Δ%	Δ% (1)	30-06-09	30-06-10	Δ%	Δ% (1)	30-06-09
Cash and balances with central banks	6,218	11.5	17.4	5,578	6,218	11.5	17.4	5,578	-	-	-	-
Financial assets	8,456	25.9	13.4	6,714	6,875	9.0	(1.5)	6,308	1,599	96.7	70.4	813
Loans and receivables	31,128	8.8	5.8	28,605	30,565	9.1	6.2	28,020	685	(1.2)	(11.4)	693
· Loans and advances to customers	27,693	13.7	7.2	24,347	27,529	14.2	7.6	24,109	177	(34.6)	(41.3)	270
· Loans and advances to credit institutions and other	3,435	(19.3)	(4.1)	4,258	3,036	(22.4)	(5.1)	3,911	509	20.2	7.7	423
Tangible assets	667	34.3	26.9	497	612	37.7	31.3	444	55	5.8	(6.8)	52
Other assets	2,162	13.3	9.0	1,909	1,663	20.5	14.7	1,381	146	129.7	99.7	63
Total assets/liabilities and equity	**48,631**	**12.3**	**8.8**	**43,303**	**45,933**	**10.1**	**6.9**	**41,731**	**2,485**	**53.2**	**34.8**	**1,622**
Deposits from central banks and credit institutions	3,093	(7.8)	(20.1)	3,353	3,087	(7.8)	(20.1)	3,347	6	(21.8)	(30.3)	8
Deposits from customers	32,478	11.3	10.4	29,190	32,588	11.4	10.4	29,266	-	-	-	-
Debt certificates	1,871	24.1	5.0	1,507	1,871	24.1	5.0	1,507	-	-	-	-
Subordinated liabilities	1,292	7.1	(0.5)	1,206	837	15.7	2.7	724	-	-	-	-
Financial liabilities held for trading	768	20.1	5.2	639	767	20.1	5.2	639	-	-	-	-
Other liabilities	6,748	27.8	29.6	5,280	4,940	5.8	9.3	4,669	1,938	81.9	61.9	1,065
Economic capital allocated	2,383	12.0	0.5	2,128	1,842	16.7	6.3	1,579	541	(1.5)	(15.2)	549

(1) At constant exchange rate.

South America highlights in the second quarter

- The rate of growth in lending increases.
- Excellent performance in recurrent revenues: net interest income and fee income.
- Costs remain restricted, despite the upturn in regional inflation.
- Asset quality remains high.

This area manages the BBVA Group's banking, pension and insurance businesses in the region. It is extremely diversified, with units operating in practically all the countries in the region, both in the banking business and in pensions and insurance. Their revenues in recent years have not been affected by the problems resulting from credit or liquidity risks.

The **economic recovery** that began in the second half of last year was consolidated in the second quarter of 2010. In addition to the initial boost derived from fiscal and monetary stimuli in 2009, increases in commodity prices and a general improvement in business and consumer confidence have led to an increase in private sector domestic demand, both at the level of consumption and investment. This has meant an upward revision of the regional GDP growth forecast for 2010 from 4.0% to 4.6%. This improved economic climate is leading to a moderate upturn in inflation in most countries, although in the majority of cases, it is more a case of a normalization process following the major fall in 2009, and it is within the target ranges set by the monetary authorities. The concern about this increase in prices has led the central banks to gradually withdraw monetary stimuli. In the case of Chile and Peru, they have even increased reference interest rates.

Relevant business indicators

(Million euros and percentages)

	South America		
	30-06-10	31-03-10 [1]	30-06-09 [1]
Total lending to customers (gross)	28,783	27,140	26,851
Customer deposits [2]	34,437	33,504	31,438
Off-balance-sheet funds	46,536	45,999	38,913
· Mutual funds	3,203	3,239	2,207
· Pension funds	43,333	42,760	36,706
Efficiency ratio (%)	42.6	39.4	41.8
NPA ratio (%)	2.7	2.8	2.6
Coverage ratio (%)	133	132	129

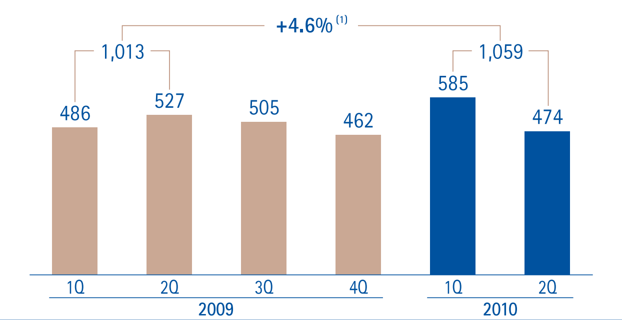
(1) Figures in € million at constant exchange rate.
(2) Including debt certificates.

The start of the upturn in interest rates and moderation in risk premiums is leading to a trend to revalue the **exchange rates** of currencies in the area, except for the Venezuelan bolivar, which is affected by the devaluation last January. The bolivar's devaluation led to the exchange-rate effect continuing to be negative in the financial statements in the area, both in terms of income statement and the balance sheet. As usual, the attached tables include columns with the year-on-year changes at constant exchange rates, which is what the following comments refer to.

The improved economic climate is favoring a gradual increase in the rate of credit activity in most countries, and the area is no exception. At the end of June, the balance of **the loan book** in the banking business stood at €28,613m, a year-on-year increase of 7.6%, and 6.9% up on the close of the previous year, with improvements in all lines of business. There was also a positive performance in **customer funds**, where priority continued to be given to the

South America. Operating profit

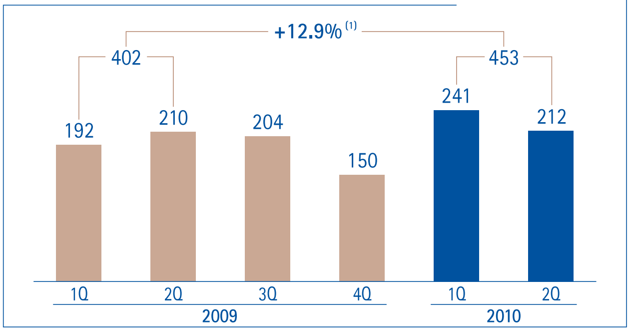
(Million euros at constant exchange rate)



(1) At current exchange rate: –0.2%.

South America. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +7.6%.

commercialization of lower-cost types of account. This has led to a year-on-year growth in current and savings accounts of 24.0%. If mutual fund assets are included, the total customer funds managed by the banks at the close of June amounted to €37,640m, 11.9% up on the same date in 2009. The market volatility of recent months has not prevented the assets administered by pension fund managers from increasing over the last 12 months by 18.1% to €43,333m. Finally, the volume of premiums written by the insurance companies also showed a clear improvement, both in the products linked to banking activity and the rest. All these figures show the low level of leverage of the units in the area, as well as the reduced liquidity risk on their balance sheets, with a high deposit/loan ratio of 119.6% in the area, compared with 117.1% in the first half of 2009.

This increased rate of growth in activity has come about while maintaining the active defense of spreads, despite the growing pressure from the competition. As a result, the **net interest income** for the half year was €1,197 million, an increase of 12.3% over the same period the previous year. Net fee income was also up, with an increase of 11.2% to €457 million. Here, there was a good performance by the transactional accounts and an incipient recovery in those related to securities and the wholesale business. Net trading income, at €277m, was fuelled by the revaluation of BBVA Banco Provincial's U.S. dollar positions as a result of the devaluation of the bolivar. As a result of the above, accumulated **gross income** amounted to €1,844m euros, 7.7% up on the same period last year. Other income/expenses includes the adjustment for hyperinflation in Venezuela, which this half year has been more negative than in the first six months of 2009.

The upturn in prices mentioned above is not affecting the trend in costs in the area, which this half year was €785m, a year-on-year increase of 12.2%. This increase is still lower than the average level of inflation in the region. The **efficiency ratio** has remained at moderate levels, at 42.6%, while the accumulated **operating income** to June was €1,059m, a year-on-year rise of 4.6%.

The reactivation of business activity is not leading to assets in the area losing their quality. The key in this respect continues to be rigorous risk screening and a notable capacity for recovery. The **NPA** ratio of 2.7% closed under the figure for 31-Mar-2010 (2.8%), with a greater coverage ratio (133% compared with 132% as on 31-Mar-2010). **Impairment on financial assets** was 3.3% down on the first half of 2009, at €214m.

In short, the improved rate of growth in revenues, together with the moderation of costs and provisions, led to the **net attributable profit** for the half year in the area to be €453m, a year-on-year growth of 12.9%.

BANKING BUSINESS

In the first half of 2010, the banking business generated a net attributable profit of €382m, 11.6% up on the same period in 2009. Below are most relevant details in the half-year for each bank.

In Argentina, **BBVA Banco Francés** continues to show great strength in its recurring revenues, particularly the net interest income, which increased year-on-year by 19.4%, thanks to increased lending (+19.2%, excluding public-sector lending) and, in particular, consumer finance and credit cards (+37.4%). The 18.1% increase of net fee income was also very positive, boosted by the income from transactional accounts. Operating expenses increased by 23.4%, influenced by inflationary pressure over recent months. This did not prevent the operating income from increasing 2.7%. The high asset quality meant that loan-loss provisions could be lower than in the first half of 2009. In all, pre-tax profit was €115 million, 5.1% up on the first half of 2009, while net attributable profit was affected by the new regulations affecting the tax rate in 2010.

In Chile, **BBVA** and **Forum** had a net attributable profit of €64m, 55.6% more than in the first half of 2009. This growth is based on a notable improvement in the net interest income (+22.3%), in which the retail business is key. In this respect, there was a notable increase in consumer loans and credit cards (+8.9%) and of current accounts (+26.3%). It is also worth highlighting the positive performance of net fee income (+26.1%), and the fall in net trading income (high capital gains from the sale of the securities portfolio in 2009). The above, together with the moderation in costs (+1.3%) and the notable fall in loan-loss provisions (–36.8%), also influenced positively in the half year.

In Colombia, the clearly declining trend in interest rates continues to have a negative effect on the net interest income in the banking sector. **BBVA Colombia** is no exception, although the active maintenance of spreads applied by the bank has largely compensated this effect and limited the fall in net interest income to 3.4%. In year-on-year terms, the comparison is also affected by the capital gains generated by the sale of the portfolio of publicly traded securities in the first half of 2009. In contrast, there are very positive figures for costs, which have been restricted to practically the same level as a year ago (+1.8%), and loan-loss provisions (–24.9%), where the key has been the year-on-year fall in NPA (–27.2%). In all, the half-year net attributable profit of €96m is 13.5% more than the figure 12 months earlier.

In Peru, **BBVA Banco Continental** generated an accumulated net attributable profit of €64m. The half year has been characterized by a notable competitive pressure in the sector. This is affecting the credit spreads and limiting progress in net interest income, thus tarnishing the positive performance of activity, particularly in retail lending (+10.5% year-on-year) and current and savings accounts (+28.3%). Fees also performed well (+11.5%), based mainly on the good figures from transactional accounts. The expansion plans underway have affected the year-on-year figures for operating expenses (9.5%) although they have not prevented the efficiency ratio from continuing at an excellent level (29.6%).

Over the half year, **BBVA Banco Provincial** in Venezuela generated a net attributable profit of €65m, exceeding by 35.7% the figure for the same period in 2009. The first half of the year was marked by the devaluation of the bolivar in January and its effects, particularly the revaluation of the U.S. dollar positions held by the bank, which was reflected in the net trading income. In contrast, the upturn in prices over recent months has led to a more negative adjustment for hyperinflation, with a knock-on impact on all the lines. The most positive aspect of the income statement continues to be the net interest income, which grew in year-on-year terms by 28.6%, thanks to the reactivation of credit (+28.7% in the last 12 months), and the strict management of spreads. Operating expenses have been influenced by the upturn in inflation in the country, although the efficiency ratio continues to be very favorable (45.3%).

Finally, **BBVA Panama** posted a net attributable profit of €16m, **BBVA Paraguay** €19m and **BBVA Uruguay**, €1m.

PENSIONS AND INSURANCE

This unit contributed a net attributable profit of €86m in the half year, 15.8% up on the figure for the first half of 2009. Of this figure, €56m was generated by the **pension-fund business** and €30m by the **insurance business**.

AFP Provida of Chile had a net attributable profit of €44m, 10.4% more than in the first half of 2009, despite the bad performance of the markets in recent months, which had a negative impact on the net trading income. The half-yearly progress is based on the positive performance of collection, which grew year-on-year by 12.0%, and income from fees, which amounted to €108m (+32.3%). This increase in income, together with moderation in costs, resulted in an operating income of €82m (+12.2%).

In Argentina, **Grupo Consolidar** had a net attributable profit of €13m, thanks to dynamic commercial activity by the three insurance companies, improved revenues and moderate claims levels.

Finally, **AFP Horizonte** in Colombia had a net attributable profit of €10m, and **AFP Horizonte** in Peru of €5m, despite the negative impact of the financial markets over the last quarter.

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

(Million euros)

	Operating income				Net attributable profit			
Country	**1H10**	Δ%	Δ% at constant exchange rate	1H09	**1H10**	Δ%	Δ% at constant exchange rate	1H09
Argentina	148	(4.7)	0.5	155	67	(22.4)	(18.2)	86
Chile	219	20.4	7.1	182	116	69.4	50.8	68
Colombia	214	7.1	(10.6)	199	112	37.1	14.4	82
Peru	249	3.2	(5.7)	241	69	1.0	(7.8)	68
Venezuela	203	(22.7)	50.0	262	69	(30.9)	34.1	100
Other countries (1)	27	28.8	16.3	21	21	21.0	9.6	17
Total	**1,059**	**(0.2)**	**4.6**	**1,061**	**453**	**7.6**	**12.9**	**421**

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

THE UNITED STATES

Income statement
(Million euros)

	1H10	Δ%	Δ% (1)	1H09
Net interest income	**919**	**11.7**	**9.6**	**823**
Net fees and commissions	334	9.3	7.4	306
Net trading income	72	(18.5)	(20.6)	88
Other income/expenses	(19)	(16.8)	(16.6)	(23)
Gross income	**1,306**	**9.4**	**7.3**	**1,194**
Administration costs	(751)	10.9	9.7	(677)
Personnel expenses	(377)	6.3	4.9	(355)
General and administrative expenses	(274)	27.2	25.8	(216)
Depreciation and amortization	(100)	(6.6)	(7.1)	(107)
Operating income	**555**	**7.4**	**4.2**	**516**
Impairment on financial assets (net)	(336)	14.7	13.3	(293)
Provisions (net) and other gains (losses)	(17)	(20.0)	(20.4)	(21)
Income before tax	**202**	**(0.3)**	**(5.9)**	**203**
Income tax	(58)	(9.2)	(14.0)	(64)
Net income	**144**	**3.9**	**(2.1)**	**138**
Non-controlling interests	-	-	-	-
Net attributable profit	**144**	**3.9**	**(2.1)**	**138**

(1) At constant exchange rate.

Balance sheet
(Million euros)

	30-06-10	Δ%	Δ% (1)	30-06-09
Cash and balances with central banks	2,396	264.9	216.8	657
Financial assets	8,613	10.7	(3.9)	7,780
Loans and receivables	45,497	13.2	(1.7)	40,191
· Loans and advances to customers	43,961	14.6	(0.5)	38,350
· Loans and advances to credit institutions and other	1,535	(16.6)	(27.6)	1,841
Inter-area positions	14,817	(44.7)	(52.0)	26,775
Tangible assets	898	19.6	3.9	751
Other assets	2,790	98.0	71.9	1,409
Total assets/liabilities and equity	**75,011**	**(3.3)**	**(16.0)**	**77,563**
Deposits from central banks and credit institutions	7,372	(21.8)	(32.1)	9,427
Deposits from customers	58,037	(3.5)	(16.2)	60,146
Debt certificates	545	(41.9)	(49.5)	938
Subordinated liabilities	1,305	1.5	(11.9)	1,286
Inter-area positions	-	-	-	-
Financial liabilities held for trading	324	23.0	6.8	264
Other liabilities	4,308	67.7	45.6	2,570
Economic capital allocated	3,118	6.3	(7.7)	2,932

(1) At constant exchange rate.

→The United States highlights in the second quarter

- Positive contribution by Guaranty to earnings.
- Improvement in asset quality, with a reduction in the NPA ratio and increased coverage.
- The process of construction of the franchise is moving forward and progress made in developing the WB&AM corporate model in the country.

→Relevant business indicators

(Million euros and percentages)

The United States	30-06-10	31-03-10 [1]	30-06-09 [1]
Total lending to customers (gross)	45,270	46,580	45,004
Customer deposits [2]	56,682	72,350	66,703
Efficiency ratio (%)	57.5	58.7	56.7
NPA ratio (%)	4.3	4.4	3.3
Coverage ratio (%)	62	56	52

(1) Figures in € million at constant exchange rate.
(2) Excluding deposits and repos issued by Markets unit.

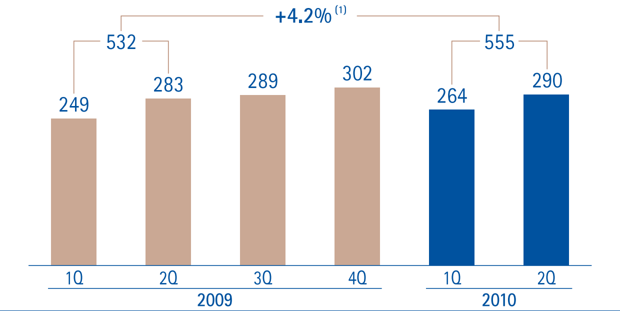
This area encompasses the Group's business in the United States and in the Commonwealth of Puerto Rico. It also incorporates the assets and liabilities of BBVA's office in New York, which garners the activity carried out with large corporations and businesses in New York and the business of markets and distribution in the same area.

The pieces of the **economic recovery** in the U.S. appear to be coming together. The economy grew by a year-on-year 2.7% in the first quarter (+0.7% quarterly), and recent economic data point to ongoing growth in the coming quarters. Much of this improvement can be attributed to fiscal stimuli, which were of such extensive range and duration that they impacted almost every aspect of the economy, either directly or indirectly. However, there are signs that private demand is growing organically, independently of this stimulus, which is what we need to see in order to determine the strength and sustainability of the recovery. Nevertheless, one new external risk has emerged: the sovereign financial crisis in Europe, which could have a negative impact on exports and foreign direct investment in the mid- to long-term.

One of the most positive developments in the first half of 2010 has been the improvement in the **labor market**. After one of the most severe adjustments in the country's history in 2008 and 2009, with more than 8 million jobs destroyed, the trend has reversed in 2010; 882,000 new jobs have been created from January through June, of which 593,000 can be attributed to the private sector. Despite this improvement, the unemployment rate is expected to remain high, at above 9.0%. This is because demand is still not robust, uncertainty remains about the future economic outlook and financing options are still limited for small businesses. Regarding consumption, and as the employment situation continues to improve, it will begin to reactivate, although consumers are still affected by tight credit markets and low household wealth compared to pre-crisis levels. Business conditions are also improving. One of the signs is the rise in the National

→ The United States. Operating profit

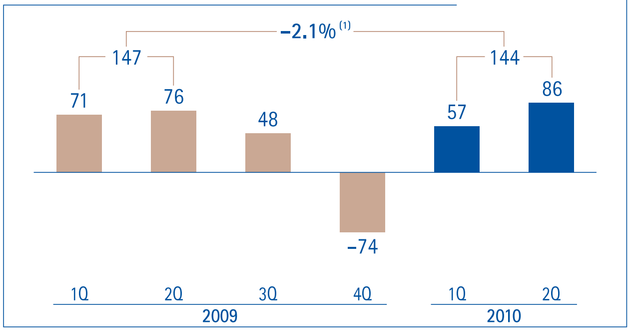
(Million euros at constant exchange rate)



(1) At current exchange rate: +7.4%.

→ The United States. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +3.9%.

Association of Business Economics (NABE) Industry Survey to 51; another is the existence of financing opportunities for large companies in the credit markets. Corporate profits rose in the first quarter of 2010 for the fifth consecutive quarter. While these are favorable conditions for non-residential investment, ongoing declines in the commercial real estate market and limited financing opportunities for small businesses could limit the pace of recovery.

Inflationary pressures remain minimal and are expected to continue to do so while the economic slack remains in the form of capacity underutilization and the high unemployment rate. Core **inflation** is expected to remain low throughout 2010. Given this outlook, the Federal Reserve is expected to hold **interest rates** low for a prolonged period of time.

The final dollar **exchange rate** against the euro has gone down 15.2% in the last twelve months, ending June 30, 2010 at $1.23 to the euro. However, the average exchange rate was flat, at $1.33 to the euro. Thus the exchange rate had a positive impact on activity and financial statements in the area, above all on the balance sheets and business activity. However, unless otherwise indicated, all comments below refer to changes at a constant exchange rate.

The process of constructing the USA franchise continued in the **second quarter of 2010**. A total of 31 former Guaranty branches in Texas have been integrated or relocated in Compass branches as part of the process of network rationalization. Progress continues to be made on the development of the Wholesale Banking & Asset Management (WB&AM) model, in line with the existing models in the Group's other franchises. The Wholesale Banking (WB) unit in the area is divided into three global business units: Corporate and Investment Banking, Global Markets and Asset Management. The New York branch and its corporate, trade finance, investment banking and trading floor operations are already integrated into the WB unit. Work is being done at present to incorporate these operations currently in BBVA Compass into to the cross-section WB&AM model and the area's WB unit.

As of June 30, 2010, the **loan book** in the area was at €45,270m, only 0.6% up on the figure at the close of the first half of 2009. This slight increase is due to the acquisition of the Guaranty business. It is thus important to stress that the growth is in items of lower risk, such as personal mortgage loans, while the consumer, credit card and developer portfolios continue to decline on previous quarters.

Customer deposits were down 15.0% to €56,682m, due mainly to the difficulty in making them profitable in a scenario of low interest rates and greater regulatory capital requirements.

Also worth noting is the positive performance of the **asset quality** ratios. The NPA ratio as of June 30, 2010 showed an improvement of 9 basis points compared to March 31, 2010, to 4.3%. Coverage also improved notably to 62% (56% as of 31-Mar-2010).

Gross income in the area performed well and increased to €1,306m at the close of the half year, 7.3% up on the same period of 2009. This growth is explained by the contribution of Guaranty and is based on the more recurring items, such as net interest income (+9.6% year-on-year) and fee income (+7.4%).

Operating expenses also increased by 9.7% over the last 12 months, as a result of the efforts to integrate Guaranty into the BBVA USA franchise and the amortization of intangibles from this incorporation. Excluding Guaranty, operating expenses would have declined by a year-on-year 1.4%. Thus, **operating income** for the first six months increased in June 2010 by 4.2% year-on-year to $555m, and the efficiency ratio was 57.5%, an improvement on the 58.5% for the first quarter of 2010.

Finally, it is also important to note the clear slowdown of the year-on-year growth of impairment losses on financial assets, which grew by 13.3% year-on-year to €336m. This figure is €39m higher than in the first half of 2009, and is clearly lower than the amounts recorded in the third and fourth quarters of 2009. This established a positive **net attributable profit** of €144m, a fall of 2.1% compared with the first half of 2009.

BBVA COMPASS BANKING GROUP

BBVA Compass represents approximately 64% of total BBVA USA assets and garners the retail and corporate banking business in the United States (excluding Puerto Rico).

The entity's operating result is particularly strong. In this regard, the 12.8% year-on-year increase to €35,183m in lending to customers as of June 30, 2010, together with an excellent growth of deposits of 29.5% to €35,789m, allowed the gross income to reach €1,107m, 12.5% more than at the same time in 2009. Also, **operating income** amounted to €434m, a 14.1% increase. Deducting the impairment losses on financial assets and provisions (net), BBVA Compass closed the first half year with a **net attributable profit** of €80m, a year-on-year growth of 3.3%.

The **Corporate and Commercial Group** unit of BBVA Compass has been realigned into three groups: Commercial Banking, Corporate Banking and Global Markets. The aim is to integrate Corporate Banking and Global Markets into Wholesale Banking over the coming quarters.

As of June 2010, **Commercial Banking** managed a loan portfolio of $19,229m, 20.2% higher than the same date the previous year. This is due to the incorporation of Guaranty. Deposits also increased 16.3% to €9,908m, thanks to the favorable performance of non-interest bearing deposits, which posted a robust growth of 38.2% on the figure for June 2009. This was the result of the notable efforts that BBVA Compass has dedicated to this segment.

Corporate Banking managed a loan portfolio of €2,713m, after a 70.0% increase compared to June 30, 2009, mainly due to the incorporation of Guaranty. Deposits showed strong year-on-year growth and closed June at €776m.

Retail Banking had a loan portfolio of €10,425m, 0.3% more than at the close of the first half of 2009. Planned run-off in the indirect auto dealer and student lending portfolios was offset by an increase in residential real estate. During the first half of the year, €906m in new mortgages were generated, 2.3 times the figure for the first half of 2009. Customer funds totaled €20,943m, with a considerable year-on-year growth of 41.7%.

Finally, **Wealth Management** managed a €2,482m loan portfolio, 7.6% up over the same date last year. Deposits were €3,945m, up 14.6%. The market-linked Standard & Poors Market Link CD product has generated in excess of $181m in new deposits since its launch in March 2009. As of June 30, 2010, assets under management were €13,380m, down 3.0% compared to June 30, 2009.

WHOLESALE BANKING

The Wholesale Banking (WB) business in the United States is currently centered in the Spanish Parent Company's branch in New York and comprises the business with corporates and affiliates, trade finance, investment banking and trading floor operations.

In general, the business in New York follows the pattern of the rest of the WB units in the Group: a focus on customers with the highest added value and bundling, price management and cross-selling, with particular attention to risk-adjusted return over any volume or market share targets. As a result, despite the positive effect of the exchange rate, lending contracted in dollar terms by 31.6% as compared to the figure for 30-Jun-2009, while gross income fell by only 22.0%. The NPA ratio in this unit is still practically non-existent, at 0.5%, and loan-loss provisions, at €5m, are far below the figures for 2009. With these figures, net attributable profit dropped €11m compared to the same period last year.

OTHER UNITS

As of June 30, 2010, **BBVA Puerto Rico** managed a loan portfolio of €3,118m, down 14.2% compared to a year ago. Customer deposits were €1,796m, up 14.3% on last year. Operating income increased 2.0% on the same period in 2009 to €37m, due mainly to the efforts to reduce costs. This, combined with lower impairment losses on financial assets (down 34.0% year-on-year) meant that net attributable profit increased to €9m.

Finally, **BTS** reported a net attributable profit of €6m, €1.4m down on the same period in 2009. Revenues dropped in the half year as the number of transactions declined by 4%.

WHOLESALE BANKING & ASSET MANAGEMENT

Income statement

(Million euros)

	Wholesale Banking & Asset Management			Units: Corporate and Investment Banking			Units: Global Markets		
	1H10	Δ%	1H09	1H10	Δ%	1H09	1H10	Δ%	1H09
Net interest income	**419**	**(15.6)**	**496**	**254**	**17.4**	**216**	**194**	**(37.9)**	**312**
Net fees and commissions	258	9.7	235	177	22.6	145	27	(2.1)	28
Net trading income	37	4.6	36	31	24.4	25	(6)	n.m.	13
Other income/expenses	220	60.1	137	(1)	83.9	-	69	11.7	62
Gross income	**934**	**3.3**	**904**	**462**	**19.7**	**386**	**284**	**(31.4)**	**414**
Administration costs	(244)	4.0	(234)	(70)	7.5	(65)	(109)	(0.6)	(110)
Personnel expenses	(160)	3.9	(154)	(44)	14.0	(39)	(62)	0.0	(62)
General and administrative expenses	(80)	5.7	(76)	(25)	(1.7)	(26)	(47)	(1.3)	(47)
Depreciation and amortization	(4)	(17.3)	(5)	(1)	(11.2)	(1)	(1)	(12.2)	(1)
Operating income	**690**	**3.0**	**670**	**392**	**22.2**	**321**	**175**	**(42.5)**	**304**
Impairment on financial assets (net)	(11)	(13.0)	(13)	-	(95.5)	(7)	(2)	(39.1)	(4)
Provisions (net) and other gains (losses)	2	n.m.	-	2	n.m.	-	-	-	-
Income before tax	**681**	**3.7**	**657**	**394**	**25.5**	**314**	**173**	**(42.6)**	**301**
Income tax	(149)	(15.9)	(177)	(116)	26.0	(92)	(41)	(49.2)	(81)
Net income	**532**	**10.9**	**480**	**278**	**25.3**	**222**	**131**	**(40.2)**	**219**
Non-controlling interests	-	(78.7)	(2)	-	-	-	-	n.m.	(2)
Net attributable profit	**532**	**11.4**	**477**	**278**	**25.3**	**222**	**131**	**(39.6)**	**217**

Balance sheet

(Million euros)

	Wholesale Banking & Asset Management			Units: Corporate and Investment Banking			Units: Global Markets		
	30-06-10	Δ%	30-06-09	30-06-10	Δ%	30-06-09	30-06-10	Δ%	30-06-09
Cash and balances with central banks	3,579	57.7	2,270	128	115.1	60	3,441	56.3	2,201
Financial assets	64,116	4.5	61,380	452	8.0	418	60,581	4.9	57,767
Loans and receivables	46,159	(2.8)	47,485	30,622	(13.9)	35,562	14,212	39.8	10,163
· Loans and advances to customers	32,094	(9.9)	35,628	28,730	(14.7)	33,674	3,161	65.7	1,907
· Loans and advances to credit institutions and other	14,065	18.6	11,857	1,892	0.2	1,888	11,051	33.9	8,255
Inter-area positions	20,050	n.m.	-	-	-	-	37,857	135.2	16,094
Tangible assets	34	(2.3)	35	-	n.m.	1	3	(24.8)	4
Other assets	3,516	77.2	1,984	30	(12.2)	34	1,588	3.5	1,534
Total assets/liabilities and equity	**137,454**	**21.5**	**113,154**	**31,232**	**(13.4)**	**36,074**	**117,682**	**34.3**	**87,613**
Deposits from central banks and credit institutions	53,562	63.3	32,805	1,678	86.9	898	51,638	62.6	31,766
Deposits from customers	31,478	14.2	27,556	10,752	(3.7)	11,169	20,725	26.5	16,383
Debt certificates	2	n.m.	-	2	n.m.	-	-	-	-
Subordinated liabilities	2,423	28.1	1,891	883	2.4	862	574	63.9	350
Inter-area positions	-	n.m.	7,506	15,079	(25.8)	20,326	-	-	-
Financial liabilities held for trading	40,915	16.0	35,286	-	-	-	40,915	16.0	35,285
Other liabilities	5,019	10.5	4,541	1,509	17.3	1,287	2,816	(12.5)	3,217
Economic capital allocated	4,056	13.6	3,570	1,329	(13.2)	1,532	1,014	65.9	611

Wholesale Banking & Asset Management highlights in the second quarter

- Progress in Corporate and Investment Banking results due to focus on customers with greater loyalty, profitability and credit quality.
- Positive performance of business activity with Global Markets customers, despite lower trading income.
- An excellent quarter in terms of awards and recognitions in Global Markets.

Relevant business indicators

(Million euros and percentages)

Wholesale Banking & Asset Management	30-06-10	31-03-10	30-06-09
Total lending to customers (gross)	32,502	32,986	35,972
Customer deposits	31,928	34,617	28,214
· Deposits	25,115	24,825	20,555
· Assets sold under repurchase agreements	6,813	9,792	7,660
Off-balance-sheet funds	10,777	11,069	10,461
· Mutual funds	3,682	3,759	3,548
· Pension funds	7,095	7,310	6,913
Efficiency ratio (%)	26.1	24.3	25.9
NPA ratio (%)	1.4	1.3	0.9
Coverage ratio (%)	60	68	78

The Wholesale Banking & Asset Management (WB&AM) Area handles the Group's wholesale businesses and asset management in all the geographical areas where it operates. For the purposes of this financial report, the business and earnings of the units in the Americas are recorded in their respective areas (Mexico, South America and the United States). WB&AM is organized around three business units: Corporate and Investment Banking, Global Markets and Asset Management. It also includes the Industrial and Real Estate Holdings unit and the Group's holdings in the CITIC financial group.

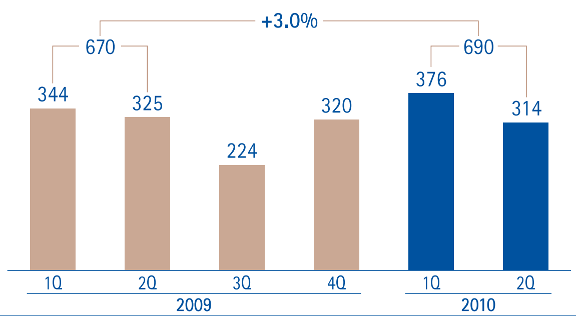
In the first half of 2010, the area continued to show a clear customer focus and a high recurrence and quality in its revenues, in a situation of high market volatility. Gross income in the first six months was €934m, 3.3% up on the first half of 2009. This performance, together with containment of expenses, sound loan-loss provisioning and the favorable tax effect of income by the equity method, led to a year-on-year increase of 11.4% in the **net attributable profit** for the half year to €532m.

By units, there was an increase in the net interest income and fees in Corporate and Investment Banking (year-on-year rates of 17.4% and 22.6% respectively), despite the slowdown in lending.

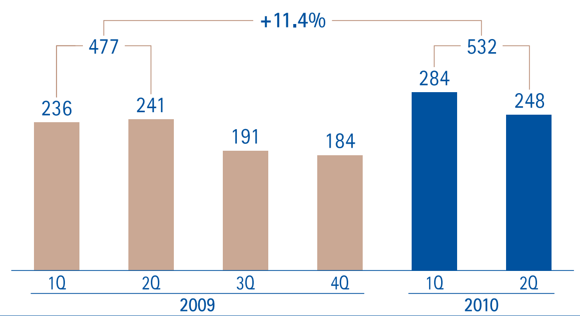
At the close of June, **lending** fell by 9.6% year-on-year to €32,502m, basically in Corporate and Investment Banking, given that the improvement of asset quality means focusing on customers with greater loyalty, profitability and credit quality. For their part, **customer funds** (deposits, mutual funds and pension funds) have performed positively with a year-on-year increase of 15.7% to €35,892m.

WB&AM continues to present excellent **asset quality,** with a low non-performing NPA ratio (1.4%), a coverage

Wholesale Banking & Asset Management Operating income (Million euros)



Wholesale Banking & Asset Management Net attributable profit (Million euros)



ratio of 60%, and lower loan-loss provisions, basically due to the selective customer management policy.

Adding the value for business volumes and earnings of the WB&AM units in the **Americas**, the global perimeter of the area reflects the resilience of revenues through its business model, and lower impairment losses on financial assets. As a result, the net attributable profit was €826m, 0.7% more than the extraordinary first half of 2009. Lending fell back by 6.9% and customer funds by 10.9%.

→ Wholesale Banking & Asset Management including the Americas
(Million euros)

	30-06-10	Δ%	30-06-09
Income statement			
Gross income	1,579	(5.1)	1,663
Administration costs	(386)	6.2	(364)
Operating income	1,192	(8.2)	1,299
Income before tax	1,169	(6.0)	1,244
Net attributable profit	826	0.7	820
Balance sheet			
Total lending to customers (gross)	51,472	(6.9)	55,267
Customer funds on balance sheet	63,856	(11.2)	71,907
Other customer funds	10,283	(9.1)	11,312
Total customer funds	74,139	(10.9)	83,219
Economic capital allocated	4,612	5.8	4,357

CORPORATE AND INVESTMENT BANKING

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

In the first half of the year, the good performance of recurrent revenues (net interest income and fee income) was reflected in the excellent course of the **gross income**, which rose 19.7% year-on-year to €462m. This, combined with the growth of 7.5% in operating expenses, explains how the **operating income** amounts to €392m, 22.2% higher than in the same period of 2009. Furthermore, as provisions were below the levels for last year, there was increased growth in the **net attributable profit**, which increased by 25.3% year-on-year to €278m.

In **fixed-income**, despite the difficult situation in the markets, five transactions were closed with customers in the public sector, three with the Basque regional government and two bond issues for the regional governments of Aragon and Catalonia. BBVA continues to lead the ranking of volume of bond issues in Spain (source: Dealogic). Outside Spain, the Group headed up the bond issues of RCI Banque and National Express; it was chosen as market-maker by Bundesbank; and in Mexico it acted as lead manager in the issue of PEMEX bonds for 15 billion Mexican pesos.

There was great activity in **syndicated loans** in the second quarter, both in Spain and Europe. Among the highlights in Europe were syndicated deals for Enel (€10 billion) and Alstom (€8 billion), the syndicated finance of €4 billion for GDF Suez and that for Vodafone (€4 billion). Among the biggest deals on the Spanish market was the finance provided for the Lactalis group for its acquisition of Forlasa (€900m) and for the Mapfre group (€500m). With regard to the market in the Americas, BBVA has headed up a club deal (uninsured syndicated loan) worth $1,040m for the Brazilian company Votorantim, and it has acted as mandated lead arranger and bookrunner for the financing of Bacardi, at $1,500m.

In **Equity Capital Markets**, the initial public share offering of Amadeus was successfully closed, with BBVA acting as agent bank. As a result of the transaction, Amadeus once more became a traded security on the Madrid stock exchange, after having been excluded in 2004.

Despite the complexity of the environment, in **Corporate Finance** BBVA has strengthened its position as M&A advisor for Spanish companies. Proof of this is that it ended the half-year as second by volume of M&A transactions with Spanish clients, according to *Mergermarket*. Among the most important transactions at a global level were the acquisition of Talecris by Grifols (the biggest M&A transaction by a Spanish company in these six months); the strategic alliance between Mapfre and Banco do Brasil to create two joint ventures in life, general and automobile insurance; and the privatization of Canal de Isabel II (the biggest Spanish privatization in the last 10 years, which is currently underway).

In **structured finance** in the energy sector, of particular note is the financing of an Eolia wind energy project in the provinces of Soria and Lerida, and two photovoltaic plants in Gabaran, France. In the United States deals to finance two wind farm portfolios have been signed: Central States, of the FPL group; and Green Frontier, promoted by Duke Energy. This has strengthened the Group's leadership in wind power projects in the country. Infrastructures include: a highway financed in Portugal as a public-private partnership (PPP); the A21 Pyrenean highway; and the construction of the Palace of Justice in Paterna.

In **Structured Trade Finance**, the rate of activity increased on the previous quarter. Transactions with ECA coverage were worth $675m. In addition, BBVA received an award as the best bank in trade finance in South America for the sixth year in a row from *Trade Finance Magazine* and *Trade & Forfaiting Review*.

Global Transaction Services has strengthened its supply of BBVA net cash products and services with a new module of securities custody and new functions for its clients in the United Kingdom and France. The PIBEE project (Integrated Corporate Electronic Banking) has led to the operation of the Banco Francés net cash service, the corporate e-banking service in Argentina. In Spain, as part of BBVA's Plan Integra, and related to corporate e-banking services, a new security appliance, Token Plus, was developed and launched. This is a twin security device that enables visually impaired people to sign transactions through BBVA net cash, and thus prevent possible fraud by password theft.

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.

In the second quarter of 2010, despite the good performance of business with customers, trading income has performed worse. The Bank also received a large number of awards and recognitions in this quarter. The following are some of the main aspects:

- Increase in **business volumes** as compared to the second half of 2009. Global Markets continued with its customer-based business model, so in the first six months of 2010, it recovered the growth of its business with its retail customers and increased activity with institutional investors. In underlying assets, there was a significant increase in equities business, with a year-on-year growth of over 60%.

- Trading income was down due to the widening credit spreads in southern Europe. This has had a total impact of €75m, against very strong revenues in 2009.

- In the first half of 2010, the unit had a gross income of €284m, 31.4% down on the extraordinary first half of 2009. Operating income was €175m and the net attributable profit, €131m.

- **Geographical diversification** continued. In Latin America, there was double-digit growth in the customer business in Mexico. In Asia, Global Markets consolidated and strengthened its business in the first half of the year with triple-digit growth in customer funds.

- It was an excellent quarter in terms of **awards and recognitions**, among which were the following:

  - First place in the most important categories of pricing and innovation, in the Structured Retail Products 2010 awards.

  - First place in eight categories in the Risk España 2010 awards, including the following: advice on risk management and derivatives transactions, derivatives research, structured products for the retail market and organized derivatives markets.

  - Leadership in equity brokerage on the Spanish Stock Exchange, with an increase in the market share to 18.7% at the close of the first half of the year. No other competitors even reach double digit rates.

  - A rise from 11th place in 2009 to 3rd in the Thomson Extel 2010 ranking for equities in Spain and Portugal.

ASSET MANAGEMENT AND OTHER BUSINESS

Asset Management is BBVA's provider of asset management solutions. It designs and manages mutual funds, pension funds and the third-party fund platform *Quality Funds*. The unit has solutions tailored for each customer segment, based on constant product innovation as the key to success.

In the second quarter of 2010 it launched three new funds: *BBVA Solidez VII*, *BBVA Fon-Plazo 2013* (guaranteed fixed-income funds) and *BBVA Bolsa Plan Dividendo* (domestic equity fund). BBVA Asset Management is the leader in terms of assets gathered through its new launches in the first six months of the year. With respect to *Quality Funds*, the total of funds in the platform grew considerably in the first six months of the year, in particular *funds of funds Quality Funds*, which closed June at €834m. A total of 22 funds corresponding to 4 managers were approved entry into the platform in the second quarter.

As of 30-Jun-2010, the total assets under management in Spain were €44,676m. Of this figure, mutual funds accounted for €27,975m, 18.3% less than 12 months previously, due to the high maturity rates of some funds, the difficult market conditions and customer preference for other products such as term deposits. The Group ended the quarter as the leader in the Spanish market, with a 17.8% market share. The assets under management in pensions funds in Spain were up 2.3% year-on-year to €16,701m. Of this amount, individual plans account for €9,686m and employee and associate schemes, €7,015m. BBVA continues to be leader in pension plans as a whole, with a market share of 18.6%. Its share in employee schemes is 22.8% and in individual plans 16.5% (Source: Inverco, data as of March 2010).

Industrial and Real Estate Holdings diversifies the area, by developing long-maturity projects in order to create value in the medium and long-term through the active management of the portfolio of equity holdings and real estate projects (Duch and Anida Internacional). Some 0.35% of the holding in Técnicas Reunidas was sold in the second quarter.

In **Asia**, the purchase option to extend BBVA's holding in CNCB was exercised on April 1, 2010.

CORPORATE ACTIVITIES

Income statement
(Million euros)

	1H10	Δ%	1H09
Net interest income	**138**	**(25.6)**	**186**
Net fees and commissions	(91)	17.8	(77)
Net trading income	401	n.m.	79
Other income/expenses	163	(30.1)	233
Gross income	**611**	**45.3**	**420**
Administration costs	(410)	18.3	(346)
Personnel expenses	(243)	(7.6)	(263)
General and administrative expenses	(58)	n.m.	15
Depreciation and amortization	(109)	10.3	(99)
Operating income	**201**	**171.3**	**74**
Impairment on financial assets (net)	(701)	288.1	(181)
Provisions (net) and other gains (losses)	(358)	27.9	(280)
Income before tax	**(858)**	**122.1**	**(386)**
Income tax	260	10.5	235
Net income	**(598)**	**295.8**	**(151)**
Non-controlling interests	12	n.m.	(25)
Net attributable profit	**(586)**	**232.1**	**(176)**

Balance sheet
(Million euros)

	30-06-10	Δ%	30-06-09
Cash and balances with central banks	1,374	(69.4)	4,489
Financial assets	28,475	(2.2)	29,104
Loans and receivables	466	(70.8)	1,594
· Loans and advances to customers	(251)	129.5	(109)
· Loans and advances to credit institutions and other	717	(57.9)	1,703
Inter-area positions	(34,933)	30.5	(26,779)
Tangible assets	2,993	(4.5)	3,133
Other assets	16,248	6.0	15,328
Total assets/liabilities and equity	**14,622**	**(45.6)**	**26,868**
Deposits from central banks and credit institutions	21,234	17.7	18,045
Deposits from customers	5,978	45.3	4,113
Debt certificates	80,120	(16.8)	96,246
Subordinated liabilities	7,744	8.9	7,109
Inter-area positions	(100,496)	(2.6)	(103,159)
Financial liabilities held for trading	(4,879)	194.9	(1,654)
Other liabilities	(3,872)	196.9	(1,304)
Valuation adjustments	844	n.m.	(702)
Shareholders' funds	28,415	6.9	26,584
Economic capital allocated	(20,465)	11.2	(18,411)

This area combines the results of two units: Financial Management 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, e.g., for early retirements. In addition, it incorporates the newly created Real-Estate Management unit, which brings together the entire Group's non-international real-estate business.

The **gross income** performed well in the first half of 2010 and was 45.6% up year on year to €611m, due to two factors: a good management of the euro balance and a positive rotation of the ALCO portfolio, in which there have been significant capital gains thanks to the use of price volatility in sovereign bond markets. Operating costs increased by 18.3% year-on-year to €410m as a result of new investments, including the Group's new technological platform. As a result, the **operating income** for the period was €201m, far above the €74m in the first half of 2009.

Impairment losses on financial assets were €701m, compared with €181m in the same period in 2009. There were greater generic provisions thanks to the excellent operating profit, with the aim of continuing to improve the Group's coverage. Additionally, provisions have also increased because of higher generic provisions for contingent liabilities, as well as other gains (losses), through the application of provisions for foreclosed assets and real estate, in order to maintain the coverage rate at around 30%. As a result, the **net attributable profit** for the half year was -€567m (-€176m for the same period in 2009).

ASSET/LIABILITY MANAGEMENT

The Asset/Liability Management unit works through the ALCO, and is responsible for actively managing structural interest-rate and foreign exchange positions, as well as the Group's overall liquidity and shareholders' funds.

Liquidity management helps to fund the recurrent growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of finance. A core principle in the BBVA Group's liquidity management has long been to encourage the financial independence of its subsidiaries in the Americas. This aims to ensure that the cost of liquidity is correctly reflected in price formation and that there is sustainable growth in the lending business. The first half of 2010 has witnessed strong volatility both in the short and long term finance markets, as a result of an acute sovereign risk perception attributable to different European countries. Against this background, BBVA has done business as usual, without affecting either volumes or prices of its sources of wholesale and retail financing. The liquidity gap of the BBVA business stemming from the weight of retail customer deposits in the structure of the balance sheet continues its positive trend, and allows the Group to reinforce its solid liquidity position. For 2010 as a whole, BBVA's current and potential sources of liquidity easily surpass expected drainage.

The Group's **capital management** has a twofold aim: to maintain the levels of capitalization appropriate to the business targets in all the countries in which it operates; and, at the same time, to maximize the return on shareholders' funds through the efficient allocation of capital to the different units, good management of the balance sheet and proportionate use of the various instruments that comprise the Group's equity (stock, preferred stock and subordinate debt). The current levels of capitalization ensure compliance with all these objectives.

Foreign exchange risk management of BBVA's long-term investments, basically stemming from its franchises in the Americas, aims to preserve the Group's capital ratios and give stability to its income statement, while controlling the impact on reserves and the costs of this management. In the first half of the year, BBVA maintained an active hedging policy for its investments in Mexico, Chile, Peru and the dollar area. Its aggregate hedging was close to 30%. In addition to this corporate-level hedging, dollar positions are held at a local level by some of the subsidiary banks. The Group also hedges its foreign exchange exposure on expected 2010 results in the Americas. In the first six months of this year, the favorable performance of most of the currencies in the Americas has had a positive effect on the Group's equity and income statement, although the devaluation of the Venezuelan bolivar in January has reduced this benefit. For the rest of 2010, the same prudent and proactive policy will be pursued in managing the Group's foreign exchange exposure.

The unit also actively manages the **structural interest-rate exposure** on the Group's balance sheet. This keeps the performance of short and medium-term net interest income more uniform by cutting out interest-rate fluctuations. In the first half of the year the results of this management have been highly satisfactory. Strategies had been implemented to provide a hedge against a less positive economic outlook in Europe for the whole of 2010-11, while limiting the risk on the balance sheets in the United States and Mexico. These strategies are managed both with hedging derivatives (caps, floors, swaps, FRAs) and with balance-sheet instruments (mainly government bonds with the highest credit and liquidity ratings). At the close of June the Group held asset portfolios denominated in euros, U.S. dollars and Mexican pesos.

HOLDINGS IN INDUSTRIAL AND FINANCIAL COMPANIES

This unit is responsible for managing the portfolio of industrial and financial investments in companies operating in the telecommunications, media, electricity, oil, gas and financial sectors. Like Asset/Liability Management, this unit lies within the Group's Finance Division.

BBVA applies strict requirements to this portfolio in terms of risk-control procedures, economic capital consumption and return on investment, diversifying investments across different sectors. It also applies dynamic management of monetization and hedging strategies to holdings. In the first half of 2010 it invested €210m and divested €104m.

As of 30-Jun-10, the market value of the portfolio of the unit of Holdings in Industrial & Financial Companies portfolio was €3,905m, with unrealized capital gains of €762m.

REAL ESTATE MANAGEMENT

Given the current economic conditions and the future outlook, BBVA has created a Real Estate Management unit to provide specialized management of the real estate assets it has acquired from foreclosures, repossessions, purchases from distressed customers and the assets in BBVA Propiedad, the real estate fund.

CORPORATE RESPONSIBILITY

In June BBVA published its eighth Corporate Responsibility (CR) report for 2009 which set out the percentage increase in investment on community involvement, running to €79.1 million. The report is presented alongside the new web and blog www.bancaparatodos.com as proof of the new CR communication model based on transparency, simplicity and the involvement of all stakeholders for the Group. This new communication model is part of the Group CR strategy with a vision to universalize access to financial services. In turn, Argentina, Colombia, Mexico, Peru and Venezuela also released their local reports. The main initiatives and aims achieved over the reference period in CR are summarized below:

FINANCIAL LITERACY

Prizes were awarded for the competition "Los 1000 y 1 valores" (1000 and 1 values), part of the education program "Valores de futuro" (Future Values) geared towards promoting financial literacy and developing values linked to using money among students at the Primary and 1st and 2nd Years of Secondary levels. The winning class from the CPR Galen de Lugo school enjoyed a few days at the "Campamento Valores de futuro" (Future Values Camp) – a BBVA and United World Colleges initiative.

FINANCIAL INCLUSION

The BBVA Microfinance Foundation reached an agreement to purchase the microcredit division of the Fundación Grameen Mendoza. As a result of this, the new institution Servicios Microfinancieros S.A. was created. In turn, the investment of the International Finance Corporation (IFC), invested ten million dollars in preference shares of the Banco de Microfinanzas Bancamía; the funds will be used to strengthen its growth and to broaden access to microfinance for the underprivileged in Colombia. Further, BBVA Bancomer launched the *Ahorra y Estrena* (Save and move in) program designed so that customers who work but find it difficult to prove their earnings, or whose credit history is not sufficiently sound can improve their credit profile and, in this way, obtain a mortgage loan.

RESPONSIBLE BANKING

HUMAN RESOURCES. BBVA signed up to the "Plan de Igualdad de Trato y Oportunidades" (Equal Treatment and Opportunities Plan) with worker representatives in Spain. The Plan includes content related to work-life balance, protection for pregnancy and maternity, sexual harassment and gender violence, disabilities, information and disclosure, image and language, equal opportunities for all, as well as how to monitor the agreement through a peer committee.

THE ENVIRONMENT. BBVA signed up to the "CDP Water Disclosure", program an international initiative promoting information transparency and responsible water management at large companies. In turn, BBVA Paraguay earned ISO 14001 certification for environmental management, becoming the first BBVA Group unit in South America to earn this certification.

COMMUNITY INVOLVEMENT

BBVA granted the II INTEGRA Award, worth €200,000 to the Majorcan association AMADIP.ESMET, a special employment center created to promote equal opportunities and improve the quality of life for those with disabilities. In turn, BBVA developed a security tool for Group client company employees with visual impairment. Both initiatives fall in the BBVA "Plan Integra" which promotes the social and labor integration of people with disabilities. Other aligned initiatives with the Group's social commitment were the building of four schools in Paraguay, thanks to the funds collected from employees who signed up to the campaign "Euro Solidario" (Solidarity Euro) and the opening of the Bancomer Education and Production Center in San Lluís Potosí (Mexico) which will run training workshops for those interested in starting a business under the "social incubator" model.

PRIZES AND AWARDS

For the tenth year in a row, BBVA Bancomer received the award for "Socially Responsible Company" from the Centro Mexicano para la Filantropía A.C. (CEMEFI) and Alianza por la Responsabilidad Social, AliaRSE. In turn, Seguros Bancomer and Afore Bancomer received this award for the second time.

BBVA AND THE SUSTAINABILITY INDICES

BBVA maintains a prominent position in the most important sustainability indices. Its rating for the period is shown below:

Main sustainability indices in which BBVA participates

		Weighting (%)
Dow Jones Sustainability Indexes	DJSI World	0.55
	STOXX Europe Sustainability Index [1]	1.29
	STOXX Eurozone Sustainability Index [2]	2.73
vigeo	ASPI Eurozone Index	1.96
	Ethibel Sustainability Index Excellence Europe	1.55
	Ethibel Sustainability Index Excellence Global	0.89
KLD INDEXES / FTSE4Good	FTSE KLD Global Sustainability Index	0.46
	FTSE KLD Global Sustainability Index Ex-US	0.82
	FTSE KLD Europe Sustainability Index	1.44
	FTSE KLD Europe Asia Pacific Sustainability Index	0.95

(1) Formerly, DJSI STOXX.
(2) Formerly, DJSI EURO STOXX.

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BBVA

Dow Jones Sustainability Indexes
Member 2008/09

FTSE4Good

KLD INDEXES

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