

Spain
Credit Analysis

**Banco Bilbao Vizcaya Argentaria
(BBVA)**

Ratings

Foreign Currency	
Long-Term IDR	AA-
Short-Term IDR	F1+
Individual Rating	
Individual Rating	A/B
Support Rating	1
Support Rating Floor	A+
Sovereign Risk	
Foreign-Currency Long-Term IDR	AAA
Local-Currency Long-Term IDR	AAA

Outlooks

Foreign-Currency Long-Term IDR	Positive
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

Banco Bilbao Vizcaya Argentaria (BBVA)

	30 June 09	31 Dec 08
Total assets (USDm)	762,212	755,149
Total assets (EURm)	542,634	542,650
Equity (EURm)	29,901	26,789
Op. profit (EURm)	4,348	7,700
Published net income (EURm)	3,042	5,385
Comprehensive income (EURm)	3,108	2,031
Operating ROAA (%)	1.62	1.50
Operating ROAE (%)	30.93	28.60
Internal capital generation (%)	14.14	13.31
Eligible capital/weighted risks (%)	8.13	7.01
Tier 1 ratio (%)	8.22	7.50

Analysts

Maria Jose Lockerbie, London
+44 20 7417 4318
mariajose.lockerbie@fitchratings.com

Carmen Muñoz, Barcelona
+34 93 323 8408
carmen.munoz@fitchratings.com

Rating Rationale

- The ratings of Banco Bilbao Vizcaya Argentaria (BBVA) reflect its consistent track record of robust operating profitability, its strong retail franchise in its core markets of Spain and Mexico which, along with its South American banks, provides geographic and business diversification and a sound risk management framework and healthy, albeit deteriorating asset quality. They also consider BBVA's exposure to, and significant proportion of earnings from, Latin America.
- BBVA has continued to report strong results for H109, despite the sharp economic deterioration in Spain and Mexico, reflecting recurrent retail banking revenues. High operating revenues are backed by wide margins, good commission income and excellent cost control and are the key drivers behind the resilience of its performance. BBVA's earnings have been moderately affected since 2008 by growing credit provisions, but its operating ROAA remains high at 1.6% and compares very favourably with its international peers. The banking environment remains challenging in BBVA's core markets and revenues and asset quality are under pressure. In Fitch Ratings' view, the bank is well-positioned to manage challenges and its solid performance is sustainable.
- Operations in Latin America (around 20% of the group's total assets and 47% of pre-tax profits in H109) raise BBVA's overall risk profile, but they are well-controlled and subject to group risk management policies. Risk exposure is mainly credit-related, largely to SMEs and residential mortgages, but corporate lending to large Spanish and European names brings in some single name concentration. Asset quality has deteriorated. Its impaired to total loans was 3.4% at end-H109 (67% cover). However, these indicators remain better than the sector average. BBVA has no exposure to complex structured products and negligible exposure to the US subprime market.
- BBVA derives a large proportion of its funding from retail deposits, which have been stable over several years. Wholesale funding is diversified by type of security, maturity, investors and geographical location. Earnings are the primary driver of capital growth. At end H109, BBVA's Tier 1 capital ratio under Basel II was 8.22% and its core capital ratio was 7.1%, which Fitch views as adequate given emerging markets exposure.

Support

- Given BBVA's key position in the Spanish banking system, there is an extremely high probability that support from the Spanish authorities would be forthcoming, if necessary.

What Could Trigger an Upgrade?

- BBVA's core markets are facing economic headwinds. The Positive Outlook on BBVA's IDR reflects Fitch's expectations that the bank is well positioned to manage these challenges and deliver continued solid performance.

Profile

BBVA is Spain's second-largest banking group (one of the 20 largest in Europe by assets). As in Spain, its business in Latin America and in the US focuses on retail and corporate banking, insurance, and investment and pension fund management.

Profile

BBVA is one of the largest European banking groups, with assets dominated by retail banking activities. It is the result of the merger between Banco Bilbao Vizcaya and Argentaria, Caja Postal y Banco Hipotecario in 2000. The group has a well-diversified business mix in all regions in which it operates, with strong retail franchises in Spain and Latin America, particularly in Mexico. BBVA has an extensive geographical presence (see Table 1), a common brand name and IT and risk management systems, and a wide product offering adapted to the character of each market.

BBVA's business units are organised as follows, and performance figures for each of the units are disclosed as in Table 3.

Spain and Portugal

Spain and Portugal is BBVA's main earnings-generating unit (see Table 3). BBVA has a leading retail banking operation in Spain through the parent bank. This unit also includes a small bank in Portugal. Consumer finance activities are conducted mainly through its internet bank and Finanzia, and insurance businesses through BBVA Seguros (mainly pensions and life insurance). The corporate and business banking division (CBB), which accounts for 35% of the business volume of this unit, manages BBVA's business with SMEs, large companies, institutions and real estate developers in the domestic market.

- Focus on retail banking, with strong franchises in Spain, Mexico and South America
- Building presence in new markets: southern US and China

Wholesale Banking and Asset Management

This unit combines all global market activities, corporate and investment banking, industrial and real estate holdings and the group's activities in Asia. In 2008, BBVA increased its stake in China's CITIC Bank and CITIC International Finance Holdings (CIFH) in Hong Kong to 10% and 29.7% respectively to further expand its international trade finance, corporate banking and treasury activities in the growing Asian market. This unit also includes asset management business in Spain. BBVA has an extensive domestic mutual fund management business with EUR32.9bn of funds under management at end-Q109 (which equates to a market share of nearly 22%) and pensions under management of EUR14.5bn (a market share of 19%)

Mexico

Mexico includes the banking, insurance and pension businesses in this country, mainly under the umbrella of BBVA Bancomer, by far BBVA's most important operation in Latin America and outside Spain. BBVA acquired a controlling stake in BBVA Bancomer in 2000 and later became its sole shareholder following a tender offer in 2004. In 2008, the bank's strategy was to focus on promoting greater use of banking products in the country by offering products and services tailored to specific segments. Its customer base increased by 900,000 and reached 15.8 million, with an overall increase of nearly seven million customers over a five-year period. Despite the adverse environment, BBVA Bancomer aims at consolidating its leading

Table 1: BBVA Group and Main Banking Subsidiaries (End-2008)

Bank	Country	Total assets (EURm)	Pre-tax profit (EURm)	Stake (%)	Deposits market share (%)
BBVA (C)	-	542,650	6,926	-	-
BBVA (Parent)	Spain	223,498	3,751	-	9.1
BBVA Portugal	Portugal	6,903	17	100.0	1.2
Compass Bank	US	43,345	309	100.0	n.a.
BBVA Puerto Rico	Puerto Rico	4,317	23	100.0	6.0
BBVA Bancomer	Mexico	60,805	2,499	99.9	24.7
BBVA Chile	Chile	8,821	96	67.8	8.1
BBVA Banco Frances	Argentina	4,475	234	76.1	9.7
BBVA Banco Provincial	Venezuela	9,872	445	55.6	9.9
BBVA Bco Continental	Peru	7,680	263	92.1	22.5
BBVA Colombia	Colombia	6,323	199	95.4	11.6

Source: BBVA

position in the Mexican financial sector through sustained loan growth, although this will be more selective and largely focused on existing customers over the next few years. BBVA Bancomer accounted for about 8% of the group's lending and 12.7% or EUR31.5bn of its deposits at end-H109, and is the second-highest revenue-generating unit of the group (see Table 3). Bancomer is the largest commercial bank in Mexico, with leading positions across a wide range of products.

US

BBVA initially entered the US in 2004 with the purchase of a small bank, Valley Bank, in California. This was followed in the next 3 years by three other small bank acquisitions in Texas. In September 2007, it acquired Compass Bancshares (CBSS), the fourth-largest bank in Texas in terms of deposit market share, for EUR7.4bn. During 2008, it integrated all its US banks – except the Californian bank which is currently called BBVA Bancomer USA – into one unit re-branded BBVA Compass, which is run by a single management team that operates the four banks. At end-2008, BBVA Compass had more than 650 branches throughout Texas, Alabama, Arizona, Florida, Colorado and New Mexico, and about 2.5 million customers and is one of the 25 largest banking groups in the US by total assets. BBVA Compass's exposure to US subprime lending is negligible. The acquisition of CBSS has strengthened BBVA's presence in the faster-growing markets in the southern US states. The group has estimated nearly USD130m in pre-tax revenue synergies and over USD200m in pre-tax cost savings over the next two years.

South America

The South America unit handles the banking, pension and insurance businesses conducted by the group in a wide range of countries in Latin America (excluding Mexico), where most of its banking subsidiaries are among the top players in their relevant domestic markets (see Table 1). BBVA has Latin America's largest private pension fund management business (market share of 23.7% and pensions under management of EUR40.2% at end-Q109), the more important operations being AFP Provida in Chile and Horizonte in Colombia.

Corporate Activities

Corporate activities include centralised services such as equity stakes, certain provisions, and asset and liability management related to structural positions of the parent bank.

Performance

While negatively affected by an increased cost of credit and the global financial and economic crisis affecting business volumes, BBVA's operating performance in 2008 and H109 remained robust, supported by recurring earnings from retail banking and strict cost control. Fitch considers that the overall results of the group

- Solid franchise in its core markets should support revenue generation through the economic cycle
- Cost of credit expected to remain high throughout 2009 and 2010
- Revenue and asset quality challenges likely to weaken earnings

Table 2: Performance

(%)	BBVA			Santander			European peers ^a	
	2008	2007	2006	2008	2007	2006	2008	2007
Net interest revenue/average earning assets	2.6	2.4	2.3	2.2	1.9	1.6	1.6	1.4
Non-interest expense/gross revenues	47.7	46.5	47.1	44.3	47.3	52.4	64.2	60.1
Pre-impairment op. profit/average total assets	2.1	2.1	2.1	2.0	1.7	1.3	0.9	1.1
Operating profit/average total assets	1.5	1.7	1.7	1.3	1.3	1.0	0.5	0.8
Operating profit/average equity	22.3	24.5	29.3	24.2	23.6	19.0	10.5	19.0
Equity/total assets	4.9	5.6	5.4	5.1	5.5	5.6	4.1	4.7

^a France (BNP-Paribas and Société Générale); Italy (Unicredito Italiano and Intesa SanPaolo); Benelux (ING Bank and Rabobank); Spain (Santander and BBVA); and UK (HSBC and Barclays)

Source: Bank financial statements as adapted by Fitch

reflect its good revenue diversification (both geographical and by business), close spread management, strong cross-selling abilities and also its focus on retail banking business in its core markets with very limited exposure to complex assets. The significant rise in its loan impairment charge in 2008 and H109 contributed to a decline in its operating ROAA to 1.5% in 2008, but this rebounded to 1.6% in H109. BBVA's performance indicators continue to compare very favourably with those of its European peers (see Table 2).

The contribution of each business to the group's pre-tax profit is shown in Table 3. Retail business in Spain and Portugal continue to be the main contributors to group earnings and continue to perform well although, H109 pre-tax profit reflected increased credit charges. Volumes have been more muted in this unit but compensated for by active spread management and very strict cost control. The performance of BBVA Bancomer, although affected by increasing credit costs, remains relatively sound, considering the current circumstances. Strong margins and operating efficiency are the key drivers of its good profitability. The US unit increased business volumes significantly in 2008 as lending rose by 12% and customer funds by a similar amount at constant FX rates, while spreads remained largely unchanged. While South American economies are not immune from the global economic crisis, they have benefited from an increase in the price of raw materials and a decline in interest rates, supporting volume growth. BBVA has been able to build good franchises in each of the countries where it is present. The negative contribution of the Corporate Actives unit in 2008 and H109 largely reflects the costs of FX hedging policies (see below), provisions for early retirement as well as liquidity management.

Table 3: Weight of Business Units

(EURm)	Pre-tax profit							
	H109	(%)	2008	(%)	2007	(%)	2006	(%)
Spain and Portugal	1,810	40	3,751	42	3,553	41	2,962	39
Wholesale banking & asset management	744	16	934	11	1,162	13	1,086	15
Mexico	962	21	2,499	28	2,583	30	2,515	33
US	127	3	309	3	297	3	-	-
South America	912	20	1,396	16	1,102	13	955	13
Group total before corporate activities	4,555	100	8,889	100	8,697	100	7,518	100
Corporate activities	-552		-1,963		-202		-488	
Group total	4,003		6,926		8,495		7,030	

Source: BBVA

Operating Revenues

Higher lending volumes, good spread management in core business units and stable commission income, resulted in a 3% increase in operating income in H109 (2008: 12%). In Spain and Portugal, margins have held up well so far, as the bank benefits from a rapid re-pricing of its SME assets, active management of customer spreads and the delay in adjusting mortgage to the current low interest rate, which typically re-price every 12 months. However, the floating rate nature of the Spanish loans and higher funding costs are likely to put pressure on margins in the near future. In Mexico, net interest revenue rose by 6% in H109 (2008: 12%), at constant exchange rates. Bancomer's NIM which has been above 8% in the past few years has been significantly affected in H109, as interest rates have decreased by 350 bp since the beginning of 2009.

Highlighting its retail focus, NIR and commissions account for around 85% of BBVA's operating revenues. As can be seen in Table 4, while contributions from asset management and pension fund activities have remained strong, there were lower commissions from collections and payment handling in H109 as a consequence of the financial crisis.

Non-Interest Expenses

BBVA remains one of the most cost efficient banks internationally with a cost-to-income ratio consistently below 48%. In the current environment, cost control has become an even more important strategic objective for BBVA. The group implemented in previous years several transformation plans in order to significantly reduce its branch network and number of staff. Since H108, BBVA has reduced its branch network by 513 and the number of employees by 8,404, mostly in Mexico, US and Spain. With volumes growth expected to be muted in a recessionary environment, cost control will be key to maintaining high profitability levels.

Table 4: Commission Income

(EURm)	H109	2008	2007	2006
Investment and pension funds	560.0	1,172.0	1,266.0	1,256.0
Securities fees	243.0	578.0	615.0	570.0
Collection and payment handling	876.0	2,150.0	2,066.0	1,801.0
Other	502.0	627.0	776.0	707.9
Net commission income	2,181	4,527.0	4,723.0	4,334.9

Source: BBVA

Loan Impairment Charges

Loan impairment charges rose considerably during the first half of 2009 and during 2008, reflecting asset quality deterioration relating to the global recessionary environment. At group level, impairment charges in H109 represented 1.16% of average loans (2008: 0.81%). Provision levels of around 5% in H109 and 2008 of average loans at BBVA Bancomer are well ahead of levels in Spain. Fitch expects the cost of risk for BBVA to remain high in H209 and 2010 given the depth of the global recession.

Other Income and Expenses (Non-Operating)

In 2008, BBVA set up a special reserve of EUR860m relating to early retirement plans and also EUR302m for client compensation linked to Madoff. These charges were partly compensated by EUR727m in capital gains from the sale of its stake in Banco Bradesco.

In 2008, BBVA posted negative valuation movements on its portfolio of securities classified as available for sale, accounted directly against equity, of EUR2.6bn compared with a reported net profit of EUR5.4bn.

Prospects

As a predominantly retail bank, BBVA has remained relatively immune to the credit market turmoil and has produced very strong results despite the very challenging economic environment. The sharp contraction in the Spanish and Mexican economies will contribute to lower business volumes growth and higher impairment charges and funding costs are expected to remain high. In this complex environment, BBVA is taking action to defend spreads, passing funding costs on to customers and shifting its loan mix towards SMEs and corporate loans. Although growth in lending in Spain and Mexico will slow down, its South American operations should continue to report sound results, although these are also potentially more volatile. The contribution of the US operation to date has not been significant, given that the acquisition of Compass was completed in September 2007 and has demanded strong provisioning and cost reductions. BBVA estimates that its combined US operations should contribute about 5/7% of group earnings in future. BBVA's strong franchises both in Spain and Mexico, together with an adequate pricing policy on risks, should back high revenue generation which, together with active cost management in all units provides the group with significant financial flexibility to absorb higher loan impairment charges in H209 and 2010, while reporting solid operating profits.

Table 5: First-HALF Results

	H109	H108
Net interest revenue	7,106	5,947
Net fees and commissions	2,181	2,348
Net trading income	799	1,159
Other operating income	295	636
Non-interest expenses	4,088	4,652
Pre-impairment operating profit	6,293	5,438
Loan impairment charge	1,945	1,164
Operating profit	4,348	4,274
Other income and expenses	-345	216
Published pre-tax profit	4,003	4,490
Published net income	3,042	3,277

Source: BBVA's financial data under IFRS

- Well-developed risk management systems throughout the group
- Despite global economic slowdown, asset quality indicators remains healthy
- Increased geographical diversification, but dominated by risks in Spain and Mexico

Risk Management

The ultimate authority over risk management strategy, policies and limits is BBVA's board of directors through the permanent delegated committee (PDC), which consists of the bank's president, its CEO and four board members. It meets twice a month. A board risk committee, reporting to the PDC, mainly comprises independent board members. Below board level and reporting directly to the CEO, BBVA has a risk management division (RMD), responsible for ensuring a group-wide approach and consistent treatment for all risks across all businesses, products, clients and geographical areas. The group has opted to implement the advanced measurement approach to calculate credit and operational risk capital requirement under Basel II in Spain and Mexico (about 80% of the group's exposure). In 2008, BBVA received approval from the Bank of Spain to adopt the advanced internal ratings-based approach to calculate capital needs for credit risk. Although other subsidiaries have adopted the standardised approach, they are involved in a roll-out process, the aim being to adopt the internal ratings-based approach by end-2011. The internal models, which are adapted for specific market segments and are generally applied to the companies of the different business divisions, branches and banks abroad, are being used not only for compliance with Basel II but also for risk-management purposes.

At end-June 2009, by risk, economic capital was distributed as follows: credit risk 61%; market risk 22% (of which 9% was from equity investments and 9% from structural risk); operational risk 8%; and other risks 9%. Economic capital by area was distributed as follows: Spain and Portugal 45%; Mexico 15%; the US 14%; global business 15% and South America 11%.

Credit Risk

Risks at BBVA are mainly credit-related. Credit risk is concentrated in its loan book, which accounted for 63% (EUR342.7bn) of consolidated assets at end-2008. Other asset concentration primarily consists of financial investments (EUR53bn), derivatives (EUR44bn), trading assets (EUR34bn) and interbank exposures (EUR34bn). The group also has off-balance-sheet contingent liabilities (EUR135bn), mainly undrawn credit lines and guaranties.

At a consolidated level, loans to customers increased by nearly 8% yoy in 2008, and grew by only close to 1% yoy in H109. By business unit, BBVA's loan portfolio is dominated by Spain and Portugal, which accounted for 58% of the group total. Given the marked slowdown and more cautious lending policies, loans in Spain and Portugal rose by just 0.4% yoy in 2008 compared with 13% in the previous year and remained almost unchanged in H109. The Mexican peso and some of the South American currencies underwent a sharp depreciation against the euro; loan growth in local currency in Mexico thus grew by 14%, while in euros it fell by 5% to EUR32.1bn. South America loans rose by 18% in local currency and by 12% in euros to EUR24.9bn. Overall, Latin America lending accounted for around 16% of the group's total lending at end-H109, of which about 53% related to Mexico, the remainder fairly evenly split between other Latin American countries.

At end-2008 lending to companies (including large corporates, SMEs and micro-business) represented around 47% of the loan portfolio, residential mortgages (mostly in Spain, Mexico and the US) 36%, consumer loans 11% and public sector loans 6%. Secured lending totalled EUR145.5bn (43.3% of total loans) at end-2008. In terms of concentration, the largest 20 risk exposures represented around 9.5% of total risks (loans, equities and fixed-income securities and off-balance-sheet liabilities) or nearly 2.5 times the group's eligible capital, which is high. There is also single name concentration, although this tends to be to large Spanish and European companies. Four risks, an Italy/Spanish utility corporate, a Spanish autonomous community, and two Spanish construction companies were each above 15% of Fitch eligible capital. A further five names exceeded 10%. Other than real

estate/construction sectors, other sector concentrations among these 20 largest exposures are low.

In Spain, BBVA expanded its lending strongly from 2004-2007 (average growth of 19%), aided by a high-growth environment. While this helped support revenue generation, it increased its risk to the housing market, which at end-Q109 amounted to EUR115.7bn and included mortgage to individuals and to the real estate sector. Mortgage loans to individuals totalled EUR75.9bn. At end-Q109, the average LTV of this loan book was low at 52%, but around 20% of this portfolio has a LTV of above 80%. BBVA's domestic mortgage lending is of good quality although deteriorating, in line with economic conditions. The proportion of lending to the construction and real estate sector in Spain (18% of lending) is lower than that normally seen in other Spanish banks. Nevertheless, the portfolio of real estate developers includes several companies that are facing difficulties and some loans have been refinanced.

Asset Quality

Since the beginning of 2008, there has been a significant rise in impaired loans and in the cost of credit, largely as a result of the global economic recession. As shown in Table 6, BBVA's impaired/gross loans ratio has weakened significantly, reaching 3.41% at end-H109, albeit from a very low level in 2007. Although deteriorating, asset quality indicators remained manageable and better than the sector average. Moreover, loan impairment reserve cover remains strong at 67.1% (which included EUR4.5bn of generic reserves required by the Bank of Spain). The deterioration is centred in Spain (impaired/gross loans at end-H109 was 3.6% compared to 0.7% at end-2007), but also considers asset quality deterioration of the loan book the US (4.5%, 1.8% at end-2007) and Mexico (3.9%, 2.1% at end-2007).

Table 6: Asset Quality

	H109 ^a	2008	2007
Gross loan growth (%)	0.9	8.1	21.9
Impaired loans (EURm)	11,449.0	8,437.0	3,358.0
Foreclosed assets (EURm)	546.0	391.0	n.a.
Purchase of assets from distressed customers	1,297.0	629.0	n.a.
Loan impairment reserve (EURm)	7,682.0	7,431.0	7,117.0
Impaired loans/gross loans plus (%)	3.41	2.46	1.06
Loan impairment reserve/gross loans	67.10	88.08	211.94

^a Unaudited figures
Source: BBVA

In Spain, the marked rise in impaired loans is evenly attributed to retail mortgages with weak characteristics (ie, with a LTV above 80% or/and those distributed through the broker channel) and loans to real estate and construction companies, some of which have filed for creditor protection. Spain's deep economic recession, further adjustments in the housing sector and very high unemployment will result in further asset quality deterioration in H209 and 2010. In Mexico, the downturn in the economy has mostly affected consumer and credit card loans. In the US, problem loans have also increased significantly since H108. The deterioration is stemming from the bank's residential construction portfolio. However, BBVA's proactive risk monitoring and recovery and collection processes, and good mortgage collateral (53% of impaired loans at end-H109 were over 100% secured with mortgages) mitigate loss severity. The group has no direct exposure to US subprime mortgages and its exposure to complex structured products is negligible.

Of the EUR41.1bn in government securities at end-2008, 35% was Spanish government debt. Exposure to public-sector debt in Latin America totalled about EUR 16.6bn, nearly 92% of which related to Mexico. BBVA has counterparty inter-bank placement limits based on minimum credit ratings, by banking group, country

and level of capital. At end-2008, inter-bank lending was mostly short-term and the largest exposures were with US/western European banks.

Market Risk

BBVA's appetite for market risk is considered to be low, reflecting a largely customer-driven franchise. Market risk is monitored and controlled by a global market risk management unit within the RMD, which operates independently of the group's trading activities and implements limits for each business area and banking subsidiary set by the board of directors. The unit uses gap, duration and simulation analyses, VaR (a 99% confident interval and a holding period of one day), and stress-testing. The structure for market risk limits includes an overall VaR per business unit and specific sub-limits according to the type of risk, business activity and trading unit. The maximum VaR of trading activities at end-H109 was EUR31m, which is small in relation to BBVA's eligible capital. Most of the VaR related to interest rate risks (including spreads risk) and largely from operations in Europe and the US. An asset and liability committee, which includes the most senior executives of each business area, is responsible for the management of structural interest rate risk and maturity mismatches, and liquidity and FX risks, where exposures are low. Derivatives are used for trading (intermediation and market making), and principally for hedging. BBVA's structural FX risk comes largely from permanent investments financed in euros and from earnings from the subsidiaries outside Europe. Around 30% of capital is invested in other currencies. The largest position at end-H109 related to BBVA's investments in US and Mexico. BBVA also hedges around 70% of its earnings from foreign operations.

BBVA's equity investments totalled EUR9.4bn at end-2008, EUR1.5bn of which represented the group's stakes in associated companies. The group has been reducing the weight of its equity investments. This follows a conscious effort by management to deploy more resources away from equity investment and shift them towards retail banking, reducing its market risk profile. After the sale of its former equity stakes in Iberdrola and in Bradesco, BBVA's 5% stake in Telefónica accounted for a significant proportion of this portfolio. At end-H109, the available-for-sale equity investment portfolio included EUR1.3bn positive valuation adjustments.

- Well-diversified funding base with a stable retail customer deposit base
- Adequate capital

Funding and Capital

Most of BBVA's funding comes from customer balances, which accounted for nearly 72% of total loans and around 50% of consolidated non-equity liabilities (excluding derivatives) at end-H109. Except for Spain and the US, the banks within the BBVA group have loan/deposits ratios of less than 100% reflecting the conservative approach to the way the group likes to fund its lending operations in Latin America. BBVA also accesses a variety of long- and short-term funding instruments in the national and international capital markets, the latter focused on funding the medium- to long-term loan book. At end-H109, the group had outstanding issues of EUR75.6bn in long term borrowing (see Table 7). It is worth noting that all units are funded independently in their home markets.

The maturity of wholesale funding is quite spread over time: about EUR3.1bn will mature in the remaining months of 2009. In terms of maturities from 2010 onwards, EUR13.2bn is expected to mature in 2010, EUR9.1bn in 2011 and EUR5.9bn in 2012. In the first six months of 2009, BBVA has accessed the wholesale markets to raise a total of EUR3bn to date mostly in senior debt. This will entail a higher cost of funds, but it highlights BBVA's capacity to obtain funding even under adverse circumstances. BBVA has not issued under the state-guaranteed issue facility. Although funding needs are managed at group level, BBVA requires each subsidiary to have funding plans in place. Moreover, at end-H109, BBVA had EUR55bn in eligible assets for discounting at the ECB. Use of ECB's liquidity facility has been limited and these securities are mainly used as a back-up facility in case market disruption is protracted.

Table 7: Funding Breakdown

(EURm)	H109	2008	2007
Customer deposits	236,792	239,007	199,604
Deposits with banks	36,177	38,038	38,807
Short-term borrowing	81,236	64,981	72,403
Of which CP	28,190	19,985	5,759
Of which ECB	26,979	16,844	27,326
Of which repos banks	13,763	11,923	21,988
Of which repos customers	12,304	16,229	17,330
Long-term borrowing	75,591	85,205	96,938
Of which securitisation	11,807	14,948	19,249
Of which covered bond	38,360	39,486	39,729
Of which senior debt	24,129	29,738	37,510
Other	1,295	1,033	450
Subordinated debt	11,497	11,523	11,100
Preference shares	5,506	5,464	4,562
Total	446,798	444,218	423,594

Source: BBVA

With a Tier 1 capital ratio of 8.22% (a core capital regulatory ratio of 7.1%) at end-H109 and a total capital ratio of 12.15%, Fitch considers BBVA's capital levels to be adequate given exposure to emerging markets and to the Spanish construction and real estate sectors. Fitch also takes into account the group's strong internal capital generation. At end-H109, BBVA's eligible capital ratio was 8.13% (using Basel II risk-weighted assets). In calculating this ratio, Fitch deducts goodwill (EUR7.8bn, largely stemming from the US bank acquisitions), and certain deferred tax assets/receivables from eligible capital and includes preference shares.

BANCO BILBAO VIZCAYA ARGENTARIA (BBVA)
Income Statement

	30 Jun 2009				31 Dec 2008		31 Dec 2007		31 Dec 2006		31 Dec 2005	
	6 Months	6 Months -	As % of	Average	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	- Interim	Interim	Earning	EURm	EURm	Earning	EURm	Earning	EURm	Earning	EURm	Earning
	USDm	EURm	Assets	Original	Original	Assets	Original	Assets	Original	Assets	Original	Assets
	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original
Income Statement												
1. Interest Income on Loans	9,633.1	6,858.0	2.76	16,207.5	25,557.0	5.43	19,207.0	4.63	13,598.7	3.74	10,190.5	3.05
2. Other Interest Income	n.a.	n.a.	-	n.a.	4,847.0	1.03	6,145.0	1.48	5,611.5	1.54	5,657.1	1.69
3. Dividend Income	348.4	248.0	0.10	347.5	447.0	0.09	348.0	0.08	379.5	0.10	292.5	0.09
4. Gross Interest and Dividend Income	9,981.5	7,106.0	2.86	18,978.5	30,851.0	6.55	25,700.0	6.19	19,589.7	5.38	16,140.1	4.83
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	n.a.	12,556.0	2.67	11,323.0	2.73	7,681.3	2.11	6,344.0	1.90
6. Preferred Dividends Paid & Declared	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Interest Expense	n.a.	n.a.	-	n.a.	6,162.0	1.31	4,608.0	1.11	3,534.3	0.97	2,588.2	0.77
8. Total Interest Expense	n.a.	n.a.	-	n.a.	18,718.0	3.98	15,931.0	3.84	11,215.6	3.08	8,932.2	2.67
9. Net Interest Income	9,981.5	7,106.0	2.86	9,619.5	12,133.0	2.58	9,769.0	2.35	8,374.1	2.30	7,207.9	2.16
10. Net Gains (Losses) on Trading and Derivatives	n.a.	n.a.	-	n.a.	265.0	0.06	680.0	0.16	473.2	0.13	518.6	0.16
11. Net Gains (Losses) on Other Securities	1,122.3	799.0	0.32	939.5	1,080.0	0.23	654.0	0.16	598.3	0.16	428.6	0.13
12. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-17.0	0.00	44.0	0.01	62.1	0.02	33.0	0.01
13. Net Insurance Income	n.a.	n.a.	-	n.a.	616.0	0.13	729.0	0.18	650.4	0.18	486.9	0.15
14. Net Fees and Commissions	3,063.5	2,181.0	0.88	3,354.0	4,527.0	0.96	4,723.0	1.14	4,334.9	1.19	3,940.0	1.18
15. Other Operating Income	376.4	268.0	0.11	530.5	793.0	0.17	649.0	0.16	494.7	0.14	477.0	0.14
16. Total Non-Interest Operating Income	4,562.3	3,248.0	1.31	5,256.0	7,264.0	1.54	7,479.0	1.80	6,613.6	1.82	5,884.1	1.76
17. Personnel Expenses	3,218.1	2,291.0	0.92	3,503.5	4,716.0	1.00	4,335.0	1.04	3,988.6	1.10	3,602.2	1.08
18. Other Operating Expenses	2,524.2	1,797.0	0.72	3,165.0	4,533.0	0.96	3,681.0	0.89	3,077.3	0.85	2,588.7	0.86
19. Total Non-Interest Expenses	5,742.2	4,088.0	1.65	6,668.5	9,249.0	1.96	8,016.0	1.93	7,065.9	1.94	6,460.9	1.93
20. Equity-accounted Profit/ Loss - Operating	37.9	27.0	0.01	201.0	375.0	0.08	430.0	0.10	410.2	0.11	192.7	0.06
21. Pre-Impairment Operating Profit	8,839.5	6,293.0	2.54	8,408.0	10,523.0	2.24	9,662.0	2.33	8,332.0	2.29	6,823.8	2.04
22. Loan Impairment Charge	2,732.0	1,945.0	0.78	2,312.0	2,679.0	0.57	1,902.0	0.46	1,476.7	0.41	813.1	0.24
23. Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	144.0	0.03	0.0	0.00	0.0	0.00	0.0	0.00
24. Operating Profit	6,107.4	4,348.0	1.75	6,024.0	7,700.0	1.64	7,760.0	1.87	6,855.3	1.88	6,010.7	1.80
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	28.8	0.01	n.a.	-
26. Non-recurring Income	n.a.	n.a.	-	n.a.	740.0	0.16	894.0	0.22	1,456.5	0.40	28.5	0.01
27. Non-recurring Expense	269.7	192.0	0.08	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Other Non-operating Income and Expenses	-214.9	-153.0	-0.06	-833.5	-1,514.0	-0.32	-159.0	-0.04	-1,310.3	-0.36	-447.4	-0.13
30. Pre-tax Profit	5,622.8	4,003.0	1.61	5,464.5	6,926.0	1.47	8,495.0	2.05	7,030.3	1.93	5,591.8	1.67
31. Tax expense	1,349.9	961.0	0.39	1,251.0	1,541.0	0.33	2,080.0	0.50	2,059.3	0.57	1,521.2	0.46
32. Net Income	4,273.0	3,042.0	1.23	4,213.5	5,385.0	1.14	6,415.0	1.54	4,971.0	1.37	4,070.6	1.22
33. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
34. Change in Value of AFS Investments	663.0	472.0	0.19	-1,096.5	-2,665.0	-0.57	240.3	0.06	352.9	0.10	682.7	0.20
35. Currency Translation Differences	-570.3	-406.0	-0.16	-547.5	-689.0	-0.15	-1,263.2	-0.30	-426.5	-0.12	583.1	0.17
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
37. Fitch Comprehensive Income	4,365.7	3,108.0	1.25	2,569.5	2,031.0	0.43	5,392.1	1.30	4,897.4	1.35	5,336.4	1.60
38. Memo: Profit Allocation to Non-controlling Interests	341.3	243.0	0.10	304.0	365.0	0.08	289.0	0.07	235.0	0.06	264.2	0.08
39. Memo: Net Income after Allocation to Non-controlling Interests	3,931.6	2,799.0	1.13	3,909.5	5,020.0	1.07	6,126.0	1.48	4,736.0	1.30	3,806.4	1.14
40. Memo: Common Dividends Paid & Declared in the Period	1,328.8	946.0	0.38	1,383.0	1,820.0	0.39	1,661.0	0.40	1,362.7	0.37	1,166.6	0.35
Exchange Rate	USD1 = EUR 0.7119				USD1 = EUR 0.7186		USD1 = EUR 0.6793		USD1 = EUR 0.7593		USD1 = EUR 0.8477	

BANCO BILBAO VIZCAYA ARGENTARIA (BBVA)
Assets & Off-Balance Sheet Items

	30 Jun 2009				31 Dec 2008		31 Dec 2007		31 Dec 2006		31 Dec 2005	
	6 Months		As % of	Average	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	- Interim	- Interim										
	USDm	EURm	Assets	EURm	Assets	Assets	Assets	Assets	Assets	Assets	Assets	Assets
Original	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original	
A. Loans												
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	n.a.	-	121,462.0	24.19	103,918.1	25.23	82,583.3	21.05
3. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	n.a.	-	165,399.0	32.93	115,967.4	28.15	99,915.7	25.46
4. Other Loans	471,412.5	335,608.0	61.85	339,149.5	342,691.0	63.15	31,138.0	6.20	42,488.4	10.31	39,495.6	10.07
5. Less: Reserves for Impaired Loans/ NPLs	10,790.5	7,682.0	1.42	7,556.5	7,431.0	1.37	7,117.0	1.42	5,808.6	1.41	5,144.1	1.31
6. Total Loans Net of Reserves	460,622.0	327,926.0	60.43	331,593.0	335,260.0	61.78	310,882.0	61.90	256,565.3	62.29	216,850.5	55.26
7. Memo: Gross Loans	471,412.5	335,608.0	61.85	339,149.5	342,691.0	63.15	317,999.0	63.32	262,373.9	63.70	221,994.6	56.58
8. Memo: Impaired Loans included above	16,081.9	11,449.0	2.11	9,943.0	8,437.0	1.55	3,358.0	0.67	2,488.7	0.60	2,343.8	0.60
9. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets												
1. Loans and Advances to Banks	34,460.3	24,533.0	4.52	29,194.5	33,856.0	6.24	20,997.0	4.18	17,049.7	4.14	27,470.2	7.00
2. Trading Securities	102,754.5	73,153.0	13.48	53,630.0	34,107.0	6.29	48,739.0	9.71	41,496.4	10.07	32,170.3	8.20
3. Derivatives	n.a.	n.a.	-	n.a.	44,779.0	8.25	15,814.0	3.15	13,379.2	3.25	17,175.4	4.38
4. Available for Sale Securities	80,604.6	57,384.0	10.58	52,582.0	47,780.0	8.80	48,432.0	9.64	42,266.8	10.26	60,033.9	15.30
5. Held to Maturity Securities	7,162.3	5,099.0	0.94	5,190.5	5,282.0	0.97	5,584.0	1.11	5,905.6	1.43	3,959.3	1.01
6. At-equity Investments	1,976.3	1,407.0	0.26	1,437.0	1,467.0	0.27	1,542.0	0.31	889.0	0.22	1,473.0	0.38
7. Other Securities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Securities	192,497.8	137,043.0	25.26	135,229.0	133,415.0	24.59	120,111.0	23.92	103,937.0	25.23	114,811.9	29.26
9. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	41,108.0	7.58	49,007.0	9.76	42,529.3	10.32	54,466.3	13.88
10. Investments in Property	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Insurance Assets	n.a.	n.a.	-	n.a.	29.0	0.01	43.0	0.01	32.0	0.01	235.2	0.06
12. Other Earning Assets	n.a.	n.a.	-	n.a.	822.0	0.15	300.0	0.06	263.4	0.06	2,523.2	0.64
13. Total Earning Assets	687,580.1	489,502.0	90.21	496,442.0	503,382.0	92.76	452,333.0	90.07	377,847.4	91.73	361,891.0	92.23
C. Non-Earning Assets												
1. Cash and Due From Banks	32,381.4	23,053.0	4.25	18,856.0	14,659.0	2.70	22,581.0	4.50	12,515.1	3.04	12,341.3	3.15
2. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	1,066.0	0.20	457.0	0.09	n.a.	-	n.a.	-
3. Fixed Assets	9,133.0	6,502.0	1.20	6,705.0	6,908.0	1.27	5,238.0	1.04	4,527.0	1.10	4,383.4	1.12
4. Goodwill	11,747.1	8,363.0	1.54	8,011.0	7,659.0	1.41	7,436.0	1.48	2,973.4	0.72	1,857.8	0.47
5. Other Intangibles	n.a.	n.a.	-	n.a.	780.0	0.14	808.0	0.16	295.9	0.07	212.2	0.05
6. Current Tax Assets	n.a.	n.a.	-	n.a.	1,266.0	0.23	433.0	0.09	386.8	0.09	254.1	0.06
7. Deferred Tax Assets	n.a.	n.a.	-	n.a.	5,218.0	0.96	4,525.0	0.90	4,891.4	1.19	6,166.6	1.57
8. Discontinued Operations	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Assets	21,370.4	15,214.0	2.80	8,463.0	1,712.0	0.32	8,393.0	1.67	8,479.3	2.06	5,283.1	1.35
10. Total Assets	762,212.0	542,634.0	100.00	542,642.0	542,650.0	100.00	502,204.0	100.00	411,916.3	100.00	392,389.5	100.00
D. Off-Balance Sheet Items												
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Liquidity Lines to SPEs	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	47,343.8	33,705.0	6.21	34,828.5	35,952.0	6.63	61,891.0	12.32	41,448.4	10.06	29,176.8	7.44
4. Acceptances Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	98,897.0	18.22	110,894.0	22.08	104,053.5	25.26	90,183.1	22.98
7. Total Business Volume	809,555.8	576,339.0	106.21	626,919.0	677,499.0	124.85	674,989.0	134.41	557,418.2	135.32	511,749.4	130.42
8. Memo: Total Weighted Risks	405,278.7	288,526.0	53.17	292,094.3	295,662.5	54.48	304,327.0	60.60	252,373.0	61.27	216,890.0	55.27
Exchange Rate	USD1 = EUR 0.7119				USD1 = EUR 0.7186		USD1 = EUR 0.6793		USD1 = EUR 0.7593		USD1 = EUR 0.8477	

BANCO BILBAO VIZCAYA ARGENTARIA (BBVA)
Liabilities and Equity

	30 Jun 2009				31 Dec 2008		31 Dec 2007		31 Dec 2006		31 Dec 2005	
	6 Months		As % of	Average	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	- Interim	- Interim										
	USDm	EURm	Assets	EURm	EURm	Assets	EURm	Assets	EURm	Assets	EURm	Assets
Original	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original	
E. Interest-Bearing Liabilities												
1. Customer Deposits - Current	137,174.1	97,657.0	18.00	79,547.0	61,437.0	11.32	60,660.0	12.08	69,054.1	16.76	63,689.9	16.23
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	47,550.0	8.76	41,944.0	8.35	36,096.1	8.76	31,999.1	8.15
3. Customer Deposits - Term	195,436.3	139,135.0	25.64	134,577.5	130,020.0	23.96	97,000.0	19.31	68,588.0	16.65	65,701.2	16.74
4. Total Customer Deposits	332,610.4	236,792.0	43.64	237,899.5	239,007.0	44.04	199,604.0	39.75	173,738.2	42.18	161,390.2	41.13
5. Deposits from Banks	50,816.1	36,177.0	6.67	37,107.5	38,038.0	7.01	38,807.0	7.73	29,773.0	7.23	52,591.9	13.40
6. Other Deposits and Short-term Borrowings	114,108.3	81,236.0	14.97	73,108.5	64,981.0	11.97	72,403.0	14.42	54,447.0	13.22	42,408.9	10.81
7. Total Deposits, Money Market and Short-term Funding	497,534.8	354,205.0	65.28	348,115.5	342,026.0	63.03	310,814.0	61.89	257,958.2	62.62	256,391.0	65.34
8. Long-term Borrowing	106,179.1	75,591.0	13.93	80,398.0	85,205.0	15.70	96,938.0	19.30	70,700.0	17.16	56,164.4	14.31
9. Subordinated Borrowing	16,149.3	11,497.0	2.12	11,510.0	11,523.0	2.12	11,100.0	2.21	9,571.8	2.32	9,595.5	2.45
10. Other Funding	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Total Long Term Funding	122,328.4	87,088.0	16.05	91,908.0	96,728.0	17.83	108,038.0	21.51	80,271.8	19.49	65,759.9	16.76
12. Derivatives	51,500.2	36,664.0	6.76	39,099.5	41,535.0	7.65	19,347.0	3.85	15,498.3	3.76	16,732.7	4.26
13. Trading Liabilities	3,357.1	2,390.0	0.44	2,545.0	2,700.0	0.50	1,733.0	0.35	1,704.9	0.41	2,408.2	0.61
14. Total Interest Bearing Liabilities	674,720.5	480,347.0	88.52	481,668.0	482,989.0	89.01	439,932.0	87.60	355,433.2	86.29	341,291.8	86.98
F. Non-Interest Bearing Liabilities												
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	12,063.2	8,588.0	1.58	8,459.5	8,331.0	1.54	8,117.0	1.62	8,416.6	2.04	8,554.1	2.18
4. Current Tax Liabilities	574.5	409.0	0.08	696.5	984.0	0.18	582.0	0.12	622.3	0.15	598.3	0.15
5. Deferred Tax Liabilities	1,849.9	1,317.0	0.24	1,431.0	1,545.0	0.28	2,460.0	0.49	1,979.2	0.48	1,648.7	0.42
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	9,582.5	6,822.0	1.26	6,696.5	6,571.0	1.21	9,997.0	1.99	10,120.7	2.46	10,500.6	2.68
9. Other Non-interest Bearing Liabilities	13,688.3	9,745.0	1.80	9,861.0	9,977.0	1.84	8,611.0	1.71	9,000.9	2.19	8,365.9	2.13
10. Total Liabilities	712,478.9	507,228.0	93.48	508,812.5	510,397.0	94.06	469,699.0	93.53	385,572.9	93.60	370,959.4	94.54
G. Hybrid Capital												
1. Pref. Shares and Hybrid Capital accounted for as Debt	7,734.0	5,506.0	1.01	5,485.0	5,464.0	1.01	4,562.0	0.91	4,025.0	0.98	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	n.a.	-	0.0	0.00	n.a.	-	4,127.8	1.05
H. Equity												
1. Common Equity	41,272.9	29,383.0	5.41	27,984.5	26,586.0	4.90	24,811.0	4.94	18,209.6	4.42	13,035.8	3.32
2. Non-controlling Interest	1,712.3	1,219.0	0.22	1,134.0	1,049.0	0.19	880.0	0.18	768.1	0.19	971.5	0.25
3. Securities Revaluation Reserves	1,970.7	1,403.0	0.26	1,167.0	931.0	0.17	3,596.0	0.72	3,355.7	0.81	3,002.8	0.77
4. Accumulated Other Comprehensive Income	-2,956.8	-2,105.0	-0.39	-1,941.0	-1,777.0	-0.33	-1,344.0	-0.27	-15.0	0.00	292.2	0.07
5. Total Equity	41,999.1	29,900.0	5.51	28,344.5	26,789.0	4.94	27,943.0	5.56	22,318.4	5.42	17,302.3	4.41
6. Total Liabilities and Equity	762,212.0	542,634.0	100.00	542,642.0	542,650.0	100.00	502,204.0	100.00	411,916.3	100.00	392,389.5	100.00
7. Memo: Fitch Core Capital	25,210.7	17,948.0	3.31	16,648.0	15,348.0	2.83	17,382.0	3.46	17,705.2	4.30	13,799.4	3.52
8. Memo: Fitch Eligible Capital	32,944.7	23,454.0	4.32	22,096.5	20,739.0	3.82	21,944.0	4.37	21,730.2	5.28	17,927.2	4.57
Exchange Rate	USD1 = EUR 0.7119				USD1 = EUR 0.7186		USD1 = EUR 0.6793		USD1 = EUR 0.7593		USD1 = EUR 0.8477	

BANCO BILBAO VIZCAYA ARGENTARIA (BBVA)

Summary Analytics

	30 Jun 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
	6 Months - Interim	Year End	Year End	Year End	Year End
	EURm	EURm	EURm	EURm	EURm
	Original	Original	Original	Original	Original
A. Interest Ratios					
1. Interest Income on Loans/ Average Net Loans	4.07	7.72	6.76	5.69	5.04
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	5.41	5.41	4.41	4.03
3. Interest Income/ Average Earning Assets	2.89	6.55	6.19	5.38	4.83
4. Interest Expense/ Average Interest-bearing Liabilities	n.a.	4.10	3.98	3.20	2.76
5. Net Interest Revenue/ Average Earning Assets	2.89	2.58	2.35	2.30	2.16
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	2.10	2.01	1.89	1.89	1.91
B. Other Operating Profitability Ratios					
1. Non-interest Income/ Gross Revenues	31.37	37.45	43.36	44.13	44.94
2. Non-Interest Expense/ Gross Revenues	39.48	47.68	46.47	47.14	49.35
3. Pre-impairment Op. Profit/ Average Equity	44.76	39.08	40.13	46.41	42.99
4. Pre-impairment Op. Profit/ Average Total Assets	2.34	2.05	2.11	2.09	1.85
5. Credit Impairment Charges/ Pre-impairment Op. Profit	30.91	26.83	19.69	17.72	11.92
6. Operating Profit/ Average Equity	30.93	28.60	32.23	38.18	37.86
7. Operating Profit/ Average Total Assets	1.62	1.50	1.70	1.72	1.63
8. Taxes/ Pre-tax Profit	24.01	22.25	24.48	29.29	27.20
C. Other Profitability Ratios					
1. Net Income/ Average Total Equity	21.64	20.00	26.64	27.69	25.64
2. Net Income/ Average Total Assets	1.13	1.05	1.40	1.25	1.11
3. Fitch Comprehensive Income/ Average Total Equity	22.11	7.54	22.39	27.28	33.62
4. Fitch Comprehensive Income/ Average Total Assets	1.15	0.40	1.18	1.23	1.45
5. Net Income/ Av. Total Assets plus Av. Managed Assets	n.a.	n.a.	n.a.	n.a.	n.a.
D. Capitalization					
1. Fitch Eligible Capital/ Regulatory Weighted Risks	8.13	7.01	7.21	8.61	8.27
2. Tangible Common Equity/ Tangible Assets	4.03	3.43	3.99	4.66	3.90
3. Tier 1 Regulatory Capital Ratio	8.22	7.50	6.80	7.80	7.50
4. Total Regulatory Capital Ratio	12.15	11.72	10.70	12.00	12.00
5. Fitch Eligible Capital/ Tier 1 Regulatory Capital	98.86	93.81	106.22	111.02	110.12
6. Equity/ Total Assets	5.51	4.94	5.56	5.42	4.41
7. Cash Dividends Paid & Declared/ Net Income	31.10	33.80	25.89	27.41	28.66
8. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	30.44	89.61	30.80	27.82	21.86
9. Net Income - Cash Dividends/ Total Equity	14.14	13.31	17.01	16.17	16.78
E. Loan Quality					
1. Growth of Total Assets	n.a.	8.05	21.92	4.98	19.11
2. Growth of Gross Loans	n.a.	7.76	21.20	18.19	26.43
3. Impaired Loans(NPLs)/ Gross Loans	3.41	2.46	1.06	0.95	1.06
4. Loan Impairment Reserves/ Gross loans	2.29	2.17	2.24	2.21	2.32
5. Reserves for Impaired Loans/ Impaired Loans	67.10	88.08	211.94	233.40	219.48
6. Impaired Loans less Reserves for Imp Loans/ Equity	12.60	3.76	-13.45	-14.88	-16.18
7. Loan Impairment Charges/ Average Gross Loans	1.16	0.81	0.67	0.62	0.40
8. Net Charge-offs/ Average Gross Loans	n.a.	n.a.	0.53	0.30	0.33
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	n.a.	2.76	1.20	n.a.	n.a.
F. Liquidity					
1. Loans/ Customer Deposits	141.73	143.38	159.31	151.02	137.55
2. Loans/ Deposits and Short-term Funding	94.75	100.19	102.31	101.71	86.58
3. Liquid Assets/ Total Assets	13.48	6.29	9.71	13.00	13.91
4. Liquid Assets/ Wholesale Funding	41.51	20.08	26.10	38.13	47.58
5. Wholesale Funding/ Total Funding and Capital	36.78	35.86	41.21	38.34	33.15

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