BBVA's Profit Surges on Pensions Sales, Lower Impairments (2)
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(Updates with closing share price in fifth paragraph.)

By Charles Penty

July 31 (Bloomberg) -- Banco Bilbao Vizcaya Argentaria SA, Spain's second-biggest bank, said quarterly profit more than doubled after it sold pension units in South America and set aside less money for souring real-estate assets.

Second-quarter net income rose to 1.15 billion euros ($1.5 billion) from 505 million euros a year ago, the Bilbao, Spain-based bank said in a filing to regulators today. That matched the average estimate of 12 analysts in a Bloomberg survey.

BBVA has forecast profit to climb as it completes the cleanup of its Spanish real estate assets and divisions such as its U.S. bank join Latin American units in contributing to earnings. Profit was boosted by 471 million euros of gains from the sale of pensions businesses in Colombia and Peru.

"BBVA showed a decent performance from international businesses but conditions in Spain are still putting profitability under pressure," said Daragh Quinn, an analyst at Nomura International in Madrid with a neutral recommendation on the stock.

BBVA shares rose 0.5 percent to 7.12 euros in Madrid, extending this year's advance to 2.3 percent compared with an 8.3 percent gain for the 44-member Bloomberg Europe Banks and Financial Services Index. Shares of Banco Santander SA, Spain's biggest bank that yesterday said second-quarter profit jumped eightfold to 1.05 billion euros, have declined 9.9 percent.

Dividend Policy

The bank is sticking to its policy of paying two dividends in cash and two mostly in shares a year and will review it toward the 2013, Chief Operating Officer Angel Cano said on a webcast today. The Bank of Spain told lenders in June that dividend distributions for 2013 should be "limited."

Bad loans as a proportion of lending rose to 5.5 percent from 5.3 percent in March and 4 percent a year ago as loans newly classed as in default advanced to 4.1 billion euros in the second quarter from 3.6 billion euros in the first. BBVA is still in talks with the Bank of Spain about how it will comply with an April order to review loans that have been refinanced to see whether more provisions should be set aside, Cano said.

Loan provisioning costs dropped to 1.34 billion euros from 2.18 billion euros a year earlier. First-half losses from BBVA's

Spanish real estate unit fell to 629 million euros from 1.43 billion euros as net property exposure decreased to 15.1 billion euros from 15.4 billion euros in March, the bank said.

Capital Ratio

BBVA's core capital ratio was 11.3 percent, up from 11.2 percent in March, and its leverage ratio under full Basel III rules was 4.8 percent. Net interest income declined 1.7 percent to 3.68 billion euros in the year and was up from 3.62 billion euros in the first quarter. Gross lending dropped 1.1 percent.
The Mexican unit reported an increase in net income to 441 million euros at constant exchange rates from 434 million euros a year ago as lending climbed at an annual rate of 7.3 percent, the bank said. Earnings from Spanish banking fell to 173 million euros from 413 million euros a year earlier as the bad-loan ratio rose to 4.7 percent from 3 percent.
BBVA's South American banks reported net income of 265 million euros, down from 273 million euros a year ago. Profit from its Eurasian business, with stakes in lenders such as in Turkey and China, fell to 250 million euros from 279 million euros.

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