BBVA

QUARTERLY REPORT

# January-march 2011

1Q11

BBVA

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## Contents

# BBVA Group highlights

## BBVA Group highlights

(Consolidated figures)

| | 31-03-11 | ∆% | 31-03-10 | 31-12-10 |
|---|---|---|---|---|
| **Balance sheet (million euros)** | | | | |
| Total assets | 562,174 | 1.5 | 553,922 | 552,738 |
| Customer lending (gross) | 346,814 | 2.7 | 337,568 | 348,253 |
| Customer funds on balance sheet | 389,731 | 5.0 | 371,116 | 378,388 |
| Other customer funds | 144,230 | 1.6 | 142,026 | 147,572 |
| Total customer funds | 533,961 | 4.1 | 513,142 | 525,960 |
| Total equity | 37,881 | 19.0 | 31,824 | 37,475 |
| Shareholders' funds | 38,107 | 27.9 | 29,805 | 36,689 |
| **Income statement (million euros)** | | | | |
| Net interest income | 3,175 | (6.2) | 3,386 | 13,320 |
| Gross income | 5,263 | (0.7) | 5,301 | 20,910 |
| Operating income | 2,904 | (8.8) | 3,183 | 11,942 |
| Income before tax | 1,659 | (10.9) | 1,862 | 6,422 |
| Net attributable profit | 1,150 | (7.3) | 1,240 | 4,606 |
| **Data per share and share performance ratios** | | | | |
| Share price (euros) | 8.56 | (15.5) | 10.13 | 7.56 |
| Market capitalization (million euros) | 38,447 | 1.3 | 37,967 | 33,951 |
| Net attributable profit per share (euros) | 0.25 | (20.0) | 0.31 | 1.17 |
| Book value per share (euros) | 8.49 | 6.7 | 7.95 | 8.17 |
| P/BV (Price/Book value; times) | 1.0 | | 1.3 | 0.9 |
| **Significant ratios (%)** | | | | |
| ROE (Net attributable profit/Average equity) | 12.8 | | 17.7 | 15.8 |
| ROA (Net income/Average total assets) | 0.95 | | 1.01 | 0.89 |
| RORWA (Net income/Average risk-weighted assets) | 1.67 | | 1.88 | 1.64 |
| Efficiency ratio | 44.8 | | 40.0 | 42.9 |
| Risk premium | 1.20 | | 1.26 | 1.33 |
| NPA ratio | 4.1 | | 4.3 | 4.1 |
| NPA coverage ratio | 61 | | 59 | 62 |
| **Capital adequacy ratios (%)** | | | | |
| BIS Ratio | 13.0 | | 13.4 | 13.7 |
| Core capital | 8.9 | | 8.1 | 9.6 |
| Tier I | 9.8 | | 9.5 | 10.5 |
| **Other information** | | | | |
| Number of shares (millions) | 4,491 | | 3,748 | 4,491 |
| Number of shareholders | 921,650 | | 887,252 | 952,618 |
| Number of employees (1) | 108,594 | | 103,545 | 106,976 |
| Number of branches (1) | 7,412 | | 7,469 | 7,361 |
| Number of ATMs (1) | 17,564 | | 16,016 | 16,995 |

**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) Excluding Garanti.

# Group information

## Relevant events

In **the first quarter of 2011** BBVA dissipated the main doubts regarding growth for the year as a whole:

- Against a backdrop of concerns about the **solvency** of financial institutions, the Group closed as of 31-Mar-2011 with a core capital ratio of 8.9%, having absorbed the amount paid for the purchase of 24.9% of Garanti. This was achieved by the generation of earnings and the implementation of the "dividend option".
- In terms of the capacity for wholesale funding, it is important to note that BBVA was the first bank to move into the **liquidity** market in January 2011 with a new issue of mortgage-covered bonds and a volume of long-term finance that covers a large part of the maturities forecast for this year.
- There has also been positive news in relation to the Bank's **asset quality**. The NPA ratio remained stable at 4.1% at the close of 31-March-2011, and the risk premium improved by 13 basis points over the quarter.
- The capacity to generate **earnings** has remained high and above the levels of the previous two quarters. This is despite the fact that exchange rates have not been favorable in the first three months of 2011.
- Once more, all the **business areas** have contributed positively to generate net attributable profit.

Below are some of the relevant aspects in the Bank's performance and that of its main areas between January and March of this year:

- The **gross income** for the period of €5,263m is above that of the two previous quarters. This positive performance can be explained by two factors: first, a balanced business portfolio that has growth potential, with 51.9% of revenues from emerging countries (as a percentage of the gross income generated by the five business areas); second, the notable contribution net trading income (NTI), with a significant contribution of the Markets unit.
- **Impairment losses on financial assets** were at their lowest figure since the first quarter of 2009 thanks to the good quality of BBVA's portfolio, with an increasing proportion of lower-risk items. This has been possible while maintaining prudent criteria and making additional provisions to increase the Group's balance of generic provisions in Spain.
- In terms of **business activity**, lending continued to reflect the geographical differentiation of previous quarters. It was very strong in Mexico and South America, but stagnant in Spain. In the United States, the trend continues downward, as a result of the gradual change in the portfolio mix towards lines with lower associated risk. In customer funds, customer deposits performed particularly well, basically in the resident sector.
- As of 31-Mar-2011, BBVA continues to have high levels of unrealized **gains** in its most liquid portfolios of equity holdings, at €1,108m.
- BBVA's **Annual General Meeting** was held on March 11, 2011, with a high participation (65.72%), above even the high levels of the previous year. The AGM approved the "dividend option", which allows shareholders to choose how they receive their remuneration: either in new shares, through a capital increase, or in cash by selling the rights assigned under the rights issue. According to this system, on 15-Apr-2011 an amount of €0.149 per share was paid; thus, total shareholders' remuneration for the year was maintained at €0.42 per share.
- By **business areas**, the most important event in the quarter was the payment of €4,391m for the purchase of 24.9% of Garanti. The transaction took place on March 22nd, after which Garanti was incorporated into the group by the proportional consolidation method. This means that BBVA now has a very significant presence in Europe and Asia in terms of its balance sheet and results. For these and other reasons (which are mentioned in the introduction to the business areas) some of the units previously included in Spain and Portugal or Wholesale Banking & Asset Management have been regrouped into Spain and Eurasia.
- The business in **Spain** continues to be affected by the weak economy. However, the net interest income, which is down on a year ago due to the different market conditions in the first half of 2010, has reduced its year-on-year slowdown compared with the previous quarter. NTI was very positive, due to the good performance by Markets. Finally, loan-loss provisions have been held in check. They were €21m above the figure for the fourth quarter of 2010 due to the increased balance of generic provisions. In all, the profit generated by the area in the first quarter was €477m.

- In **Eurasia** there was a notable contribution by China Citic Bank (CNCB) (earnings up 153.2% year-on-year) and the proportional integration of Garanti into the Group. The impact of this integration will become significant over the coming quarters. Between January and March 2011, this area generated earnings of €198m, 13.5% of the total profit of the BBVA business areas, with 10.1% of the Group's assets.

- **Mexico** performed well, with strong business activity, above all in the companies portfolio and consumer finance. There were major year-on-year gains in market share in practically all the items. Earnings generated amounted to €436m, up 17.3% year-on-year at constant exchange rates, thanks to improved revenues and a continuing positive trend in loan-loss provisions.

- Business results in **South America** were excellent. The continued positive economic climate favors activity in the financial sector, in line with what has been observed in recent quarters, with an active participation by the different units in the area. Revenues continue to grow steadily. They pushed the net attributable profit up to €280m (up 17.5% year-on-year at constant exchange rates), thus also helping finance expansion projects that will ensure the growth of future earnings in the area.

- Finally, the **United States** continues with the process of changing the portfolio mix, with a significant growth in residential real estate (up 32.8% year-on-year) and with its repricing effort. The above has had a positive impact both on revenues and loan-loss provisions, and increased the profit in the area to €81m (up 47.5% year-on-year).

## Economic environment

The global economy continued to recover in the **first quarter of 2011**, although the rates varied between the developed zones, which are still growing below their potential, and the emerging economies, which have consolidated their position as the most dynamic; in fact, their high levels of domestic demand are even leading to some overheating. This situation, combined with increased commodity prices (particularly oil), has increased the risk of inflation rising in emerging economies, while delaying recovery in developed ones.

Figures from the **United States** have shown a recovery in consumption, though it is still held back by the deleveraging process underway. The labor and real estate markets also remain weak. Meanwhile, core inflation is still under the Fed's "comfort zone," which suggests there will be few changes in official interest rates in 2011, although the new program of quantitative easing (QE2) is expected to expire in June.

Economic activity in **Europe** as a whole rose surprisingly at the end of 2010 and the first quarter of 2011, but there is a growing difference between the greater strength of core countries and weak economy and confidence in peripherals. The peripheral countries have undoubtedly been affected by the financial tension in Greece, Ireland and Portugal (forced to seek aid from the European Union and the International Monetary Fund). In marked contrast, progress in the structural reform process in **Spain** has led to a positive difference between the country's financial markets and those of the other three. This should be reflected in increased confidence and positive effects on economic activity.

### Interest rates

(Quarterly averages)

| | 2011 | 2010 | | | |
|---|---|---|---|---|---|
| | 1Q | 4Q | 3Q | 2Q | 1Q |
| Official ECB rate | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Euribor 3 months | 1.10 | 1.02 | 0.87 | 0.69 | 0.66 |
| Euribor 1 year | 1.74 | 1.52 | 1.40 | 1.25 | 1.22 |
| USA Federal rates | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| TIIE (Mexico) | 4.85 | 4.87 | 4.91 | 4.94 | 4.92 |

The **Mexican economy** has been stronger than expected throughout the fourth quarter of 2010 and first few months of 2011, in both domestic demand and exports, supported by favorable financing conditions. Steady job creation has reflected this situation. The rise in the oil price so far represents a benign shock, as although it will put upward pressure on inflation, it will also improve the fiscal and external balances. Moreover, it has not led to an economic slowdown in the United States, which is Mexico's main trading partner. In all, the risk of increased inflationary pressures will probably mean that the Central Bank will start on a series of interest rate rises in 2011.

Finally, growth in other emerging economies continues to ease to more sustainable levels, thus limiting the risk of overheating. In **South America** domestic demand has maintained robust growth rates in the first quarter of 2011, while the trend in inflation has been upward. Increased commodity prices have resulted positive for the fiscal and foreign balances, in part offsetting the rise in imports derived from the strong domestic economy. However, inflationary pressures are leading various countries in the region to withdraw their monetary stimuli, although the tone of policies remains accommodative. In **China**, recent indicators of economic activity suggest a renewed surge and increased inflation. This is forcing the authorities to take adjustment measures (which are already beginning to reduce pressures on the real estate market and moderating credit). Finally, **Turkey** closed 2010 as one of the countries with the highest rates of growth. Inflation remains at historically low levels, favored among other factors by stable capacity utilization, despite the rate of economic growth.

In terms of **exchange rates**, the final rates of the Mexican peso and US dollar have depreciated, in both year-on-year and quarter-on-quarter terms. These are the currencies with the biggest influence on the Group's financial statements. This trend has also had an effect on the rest of relevant Latin American currencies, which in general have moved in the same direction. Thus their impact on both the balance sheet and business activity is negative. However, in average exchange rates, the Mexican peso, US dollar, Chilean and Colombian peso and Peruvian sol have all appreciated year-on-year; while the US dollar, the Argentinean and Colombian peso, the Peruvian sol and the Venezuelan bolivar have depreciated over the quarter. Thus their effect is positive in the year-on-year comparison, but negative for the quarter. To sum up, the impact of the exchange-rates over the quarter is negative in both earnings and the balance sheet and volume of business, but positive in year-on-year comparison for earnings.

## Exchange rates

(Expressed in currency/euro)

| | Year-end exchange rates | | | Average exchange rates | |
|---|---|---|---|---|---|
| | 31-03-11 | Δ% on 31-03-10 | Δ% on 31-12-10 | 1Q11 | Δ% on 1Q11 |
| Mexican peso | 16.9276 | (1.6) | (2.2) | 16.5008 | 7.0 |
| U.S. dollar | 1.4207 | (5.1) | (5.9) | 1.3680 | 1.1 |
| Argentinean peso | 5.9066 | (11.3) | (7.1) | 5.6657 | (4.9) |
| Chilean peso | 684.93 | 3.5 | (8.7) | 658.76 | 8.9 |
| Colombian peso | 2,666.67 | (2.6) | (4.1) | 2,570.69 | 4.6 |
| Peruvian new sol | 3.9915 | (4.1) | (6.0) | 3.8017 | 3.7 |
| Venezuelan bolivar fuerte | 6.1014 | (5.1) | (5.9) | 5.8750 | (3.9) |
| Turkish lira | 2.1947 | (6.5) | (5.7) | 2.1591 | (3.4) |
| Chinese yuan | 9.3036 | (1.1) | (5.2) | 9.0028 | 4.9 |

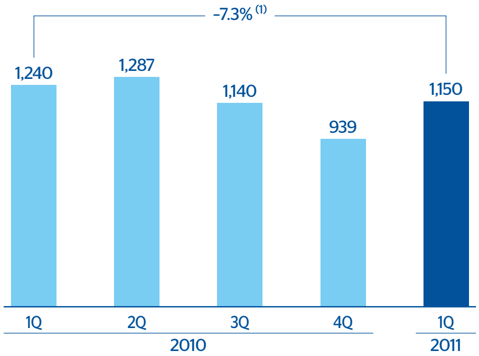
# Earnings

BBVA closed the **first quarter of 2011** with a net attributable profit of €1,150m, practically the same as the average quarterly profit in 2010 (€1,152m), thus demonstrating a high level of resilience. The main aspects to highlight are as follows:

- An excellent performance of the more recurrent **earnings** (net interest income and fees) in the Americas, thus largely compensating for the lower generation of business in Spain.
- Positive contribution from NTI, with a good performance of the Markets units.
- Good performance of equity-accounted income due to the greater contribution from CNCB.

## Net attributable profit

(Million euros)




(1) At constant exchange rate: -9.3%.

## Consolidated income statement: quarterly evolution

(Million euros)

| | 2011 | 2010 | | | |
|---|---|---|---|---|---|
| | 1Q | 4Q | 3Q | 2Q | 1Q |
| **Net interest income** | **3,175** | **3,138** | **3,245** | **3,551** | **3,386** |
| Net fees and commissions | 1,114 | 1,135 | 1,130 | 1,166 | 1,106 |
| Net trading income | 752 | 252 | 519 | 490 | 633 |
| Dividend income | 23 | 227 | 45 | 231 | 25 |
| Income by the equity method | 121 | 124 | 60 | 94 | 57 |
| Other operating income and expenses | 79 | 70 | 85 | 47 | 93 |
| **Gross income** | **5,263** | **4,946** | **5,084** | **5,579** | **5,301** |
| Operating costs | (2,359) | (2,325) | (2,262) | (2,262) | (2,118) |
| Personnel expenses | (1,276) | (1,240) | (1,211) | (1,215) | (1,149) |
| General and administrative expenses | (887) | (887) | (855) | (855) | (796) |
| Depreciation and amortization | (196) | (199) | (197) | (192) | (174) |
| **Operating income** | **2,904** | **2,621** | **2,821** | **3,317** | **3,183** |
| Impairment on financial assets (net) | (1,023) | (1,112) | (1,187) | (1,341) | (1,078) |
| Provisions (net) | (150) | (75) | (138) | (99) | (170) |
| Other gains (losses) | (71) | (273) | 113 | (88) | (72) |
| **Income before tax** | **1,659** | **1,162** | **1,609** | **1,789** | **1,862** |
| Income tax | (369) | (127) | (359) | (431) | (510) |
| **Net income** | **1,290** | **1,034** | **1,250** | **1,358** | **1,352** |
| Non-controlling interests | (141) | (96) | (110) | (70) | (113) |
| **Net attributable profit** | **1,150** | **939** | **1,140** | **1,287** | **1,240** |
| **Basic earnings per share (euros)** | **0.25** | **0.23** | **0.29** | **0.32** | **0.31** |

## Consolidated income statement

(Million euros)

| | 1Q11 | Δ% | Δ% at constant exchange rates | 1Q10 | Δ% | Δ% at constant exchange rates | 4Q10 |
|---|---|---|---|---|---|---|---|
| **Net interest income** | **3,175** | **(6.2)** | **(8.1)** | **3,386** | **1.2** | **0.9** | **3,138** |
| Net fees and commissions | 1,114 | 0.7 | (1.7) | 1,106 | (1.8) | (1.9) | 1,135 |
| Net trading income | 752 | 18.8 | 17.3 | 633 | 198.4 | 198.6 | 252 |
| Dividend income | 23 | (9.2) | (10.1) | 25 | (89.9) | (89.9) | 227 |
| Income by the equity method | 121 | 110.3 | 110.4 | 57 | (2.8) | (2.8) | 124 |
| Other operating income and expenses | 79 | (15.1) | (18.8) | 93 | 13.0 | 13.4 | 70 |
| **Gross income** | **5,263** | **(0.7)** | **(2.7)** | **5,301** | **6.4** | **6.2** | **4,946** |
| Operating costs | (2,359) | 11.4 | 9.4 | (2,118) | 1.4 | 1.5 | (2,325) |
| Personnel expenses | (1,276) | 11.1 | 9.4 | (1,149) | 2.9 | 3.0 | (1,240) |
| General and administrative expenses | (887) | 11.4 | 8.9 | (796) | 0.0 | (0.0) | (887) |
| Depreciation and amortization | (196) | 13.0 | 11.7 | (174) | (1.5) | (1.4) | (199) |
| **Operating income** | **2,904** | **(8.8)** | **(10.7)** | **3,183** | **10.8** | **10.5** | **2,621** |
| Impairment on financial assets (net) | (1,023) | (5.1) | (7.5) | (1,078) | (7.9) | (8.1) | (1,112) |
| Provisions (net) | (150) | (11.7) | (12.6) | (170) | 101.3 | 99.0 | (75) |
| Other gains (losses) | (71) | (1.6) | (1.7) | (72) | (74.0) | (74.0) | (273) |
| **Income before tax** | **1,659** | **(10.9)** | **(12.8)** | **1,862** | **42.9** | **42.2** | **1,162** |
| Income tax | (369) | (27.6) | (29.2) | (510) | 190.2 | 188.5 | (127) |
| **Net income** | **1,290** | **(4.6)** | **(6.6)** | **1,352** | **24.7** | **24.1** | **1,034** |
| Non-controlling interests | (141) | 24.8 | 23.4 | (113) | 46.7 | 47.8 | (96) |
| **Net attributable profit** | **1,150** | **(7.3)** | **(9.3)** | **1,240** | **22.5** | **21.8** | **939** |
| **Basic earnings per share (euros)** | **0.25** | **(20.0)** | | **0.31** | **9.5** | | **0.23** |

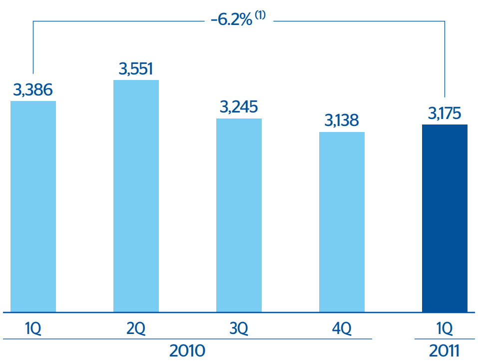
- Increase in **expenses** in line with the final months of 2010, due to the continued development of the Group's various growth and expansion plans, above all those implemented in emerging markets.
- The performance of **impairment losses on financial assets** and the risk premium were very favorable.
- Generation of earnings that were almost entirely **organic** (Garanti was incorporated in March, with a contribution of €12m in net attributable profit).

## Net interest income

**Net interest income** continues to be resilient, thanks to a number of factors, including BBVA's balanced portfolio by geographical areas, customer segments and products. In the first three months of 2011 it amounted to €3,175m, €36m higher than in the fourth quarter of 2010 (€3,138m). Its good performance in Mexico and South America (up 12.0% year-on-year at constant exchange rates) largely offsets the lower contribution by business in Spain resulting from the general fall in this item in the country's financial system. Nevertheless, it is important to

### Net interest income

(Million euros)




(1) At constant exchange rate: -8.1%.

## Breakdown of yields and costs

| | 1Q11 | | 4Q10 | | 3Q10 | | 2Q10 | | 1Q10 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | % of ATA | % yield/ Cost | % of ATA | % yield/ Cost | % of ATA | % yield/ Cost | % of ATA | % yield/ Cost | % of ATA | % yield/ Cost |
| Cash and balances with central banks | 3.7 | 1.30 | 4.0 | 1.17 | 4.2 | 0.99 | 3.7 | 1.16 | 3.4 | 1.19 |
| Financial assets and derivatives | 24.4 | 3.03 | 25.2 | 2.75 | 26.0 | 2.61 | 26.8 | 2.65 | 26.5 | 2.79 |
| Loans and advances to credit institutions | 4.5 | 2.23 | 4.7 | 1.97 | 4.2 | 2.14 | 4.6 | 1.91 | 4.8 | 1.83 |
| Loans and advances to customers | 61.2 | 5.24 | 59.9 | 4.89 | 59.5 | 4.86 | 59.1 | 4.99 | 59.8 | 4.82 |
| Euros | 40.0 | 3.25 | 39.5 | 3.12 | 39.0 | 3.12 | 38.7 | 3.23 | 40.2 | 3.31 |
| Foreign currencies | 21.3 | 8.98 | 20.4 | 8.31 | 20.5 | 8.19 | 20.4 | 8.35 | 19.6 | 7.90 |
| Other assets | 6.1 | 0.44 | 6.2 | 0.46 | 6.1 | 0.43 | 5.7 | 0.30 | 5.5 | 0.77 |
| **Total assets** | **100.0** | **4.12** | **100.0** | **3.79** | **100.0** | **3.73** | **100.0** | **3.81** | **100.0** | **3.79** |
| Deposits from central banks and credit institutions | 11.3 | 2.68 | 12.9 | 2.15 | 15.1 | 1.82 | 15.9 | 1.66 | 13.5 | 1.98 |
| Deposits from customers | 50.6 | 1.77 | 48.1 | 1.63 | 45.6 | 1.51 | 44.9 | 1.25 | 47.0 | 1.07 |
| Euros | 28.1 | 1.35 | 24.6 | 1.40 | 22.5 | 1.23 | 19.6 | 0.74 | 20.5 | 0.58 |
| Foreign currencies | 22.4 | 2.28 | 23.4 | 1.87 | 23.2 | 1.78 | 25.3 | 1.64 | 26.5 | 1.44 |
| Debt certificates and subordinated liabilities | 20.1 | 2.33 | 20.4 | 2.15 | 20.6 | 1.95 | 21.8 | 1.90 | 23.0 | 1.81 |
| Other liabilities | 11.1 | 0.97 | 12.3 | 0.64 | 12.8 | 0.64 | 11.7 | 0.44 | 10.7 | 0.79 |
| Equity | 6.9 | - | 6.3 | - | 5.9 | - | 5.8 | - | 5.7 | - |
| **Total liabilities and equity** | **100.0** | **1.77** | **100.0** | **1.58** | **100.0** | **1.45** | **100.0** | **1.29** | **100.0** | **1.27** |
| **Net interest income/Average total assets (ATA)** | | **2.35** | | **2.21** | | **2.28** | | **2.52** | | **2.52** |

note that its year-on-year fall has slowed from 21.5% in the fourth quarter of 2010 to 14.9% in the first quarter of 2011.

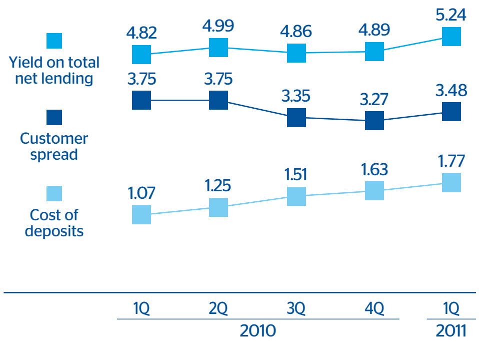
This performance is important, bearing in mind that lending activity has been restricted in Europe, with a reduced proportion of portfolios with greatest risk, high competitive pressure in emerging economies, rising interest rates and more expensive wholesale funds. Despite this, BBVA has managed to keep an active defense of customer spreads and good management of the balance sheet.

In its business with customers in the **euro zone** in the first quarter, the yield on loans grew for the first time in 9 quarters by 12 basis points to 3.25%. The maintenance of spreads continues to be a crucial factor in this performance, with gradual repricing of the loan book and positive spreads in new lending. Cost of deposits fell by 5 points to 1.35%. As a result, the customer spread increased by 18 basis points to 1.91%.

In **Mexico**, interbank interest rates fell slightly compared with the levels at the close of the fourth quarter of 2010 (average TIIE at 4.85%). The cost of deposits fell by 10 basis points over the same period. However, the yield on loans began to rise (up 29 basis points over the

### Customer spread. BBVA Group

(Percentage)

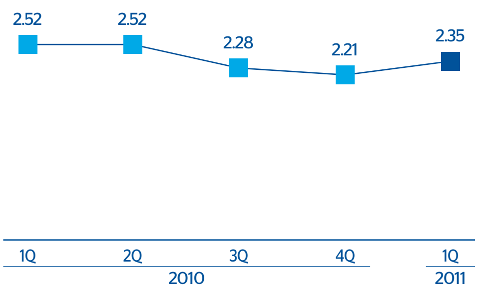



quarter), even though the products with a higher risk and spread, such as consumer finance and credit cards, continue to account for a low proportion of the portfolio as a whole. Thus the customer spread stood at 11.10% at the end of the quarter (10.72% at the close of the fourth quarter of 2010) and the net interest income is up to 5.1% year-on-year at constant exchange rates (up 0.8% over the quarter).

In **South America**, heightened competitive pressure in the region and the impact of the process of interest rate increases continued to limit the strength of spreads. However, the evident increase in activity is still offsetting this effect, and the net interest income in the area was up 23.5% at constant exchange rates.

Finally, in the **United States** the net interest income in the first three months of the year was practically at the same levels of the last quarter of 2010 at constant exchange rates, despite the continued increase in the proportion of lending with a lower risk and lower spread, such as residential mortgages and commercial and corporate loans. Once more, there has been a repricing effort by BBVA Compass.

### Net interest income/ATA BBVA Group (Percentage)




## Gross income

In the first quarter of 2011, **net fees and commissions** stood at €1,114m, a slight year-on-year increase of 0.7%. Once more a distinction has to be made between emerging countries (where this item was up year-on-year by 12.5%) and developed ones (down 8.4% year-on-year). This varying performance has been influenced by the difference in economic activity in the two groups (stagnant in developed economies and more dynamic in emerging ones), loyalty building (basically in Spain, where a reduction in fees has been applied to increasingly more customers) and legal restrictions that entered into force from March 2010 in some American countries. Meanwhile, fees on fund management grew by 2.4%, above all due to pension funds, while those linked to bank services remained very stable.

**Net trading income** performed well, at €752m in the quarter (€633m the previous year), thanks to the significant progress made in the Markets activity, particularly in Spain. One-off sales and valuations of some positions (above all in Mexico and Venezuela) have also given rise to some additional gains.

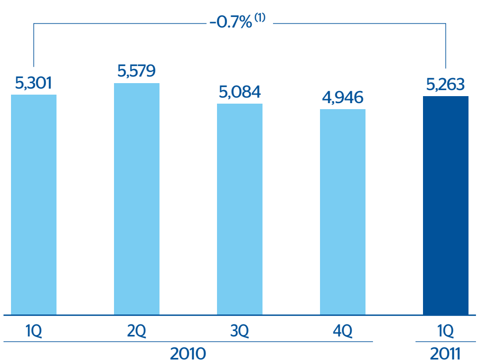
**Dividend** income, at €23m, is well in line with that of the first quarter of 2010 (€25m).

**Equity-accounted income** amounted to €121m, which compares very favorably with the figure of €57m for the first quarter of the previous year. This rise is explained partly by the fact that the purchase option for an additional 5% of CNCB was exercised in the second quarter of 2010 (April 1), and also by the excellent performance of CNCB itself.

Finally, **other operating income and expenses** amounted to €79m (€93m in the same period in 2010). This figure is significantly influenced by increased contributions to deposit guarantee funds in various countries (up 32.2% year-on-year). In contrast, it is worth pointing to the good performance of the insurance business, where revenues grew by 15.0% year-on-year in the first quarter.

As a result, the **gross income** stood at €5,263m in the first quarter. Although this represents a slight fall of 0.7% on the first quarter of last year, when the economic and financial situation was different from the current one, it is very favorable compared with the fourth and third quarters of 2010, with growth of 6.4% and 3.5% respectively.

### Gross income
(Million euros)

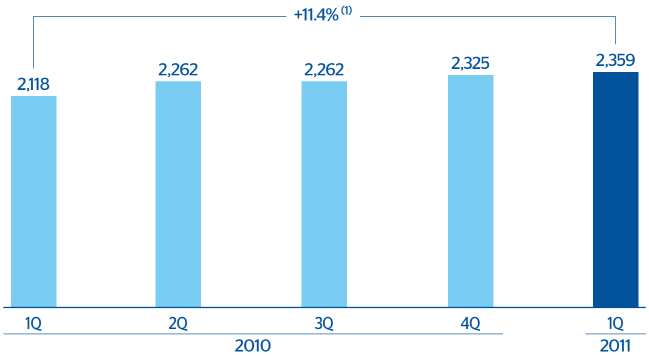



(1) At constant exchange rate: -2.7%.

## Operating income

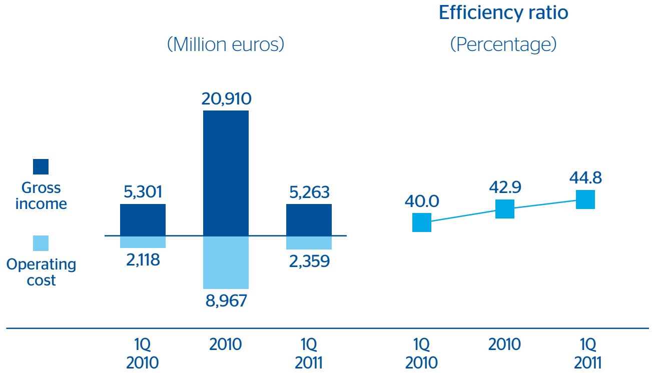
**Operating expenses** continue to increase in line with the previous year, 1.4% up on the fourth quarter of 2010, at €2,359m, and with a year-on-year increase of 11.4%. The investment process continues, mainly in the franchises operating in emerging countries, which are the engines of future global growth. In these areas progress is being made in developing customer products and segments and extending banking penetration to increase growth. In contrast, in developed markets, now that the Transformation Plan begun in 2006 has concluded, the Group is focusing its efforts on extending its relations with customers and improving the efficiency of distribution with the aim of continuing to win market share. Despite this, the **efficiency ratio** for the first three months of 2011 has improved on the previous quarter, and at 44.8% continues to be in a better position than the average for the peers.

### Operating costs
(Million euros)




(1) At constant exchange rate: +9.4%.

### Efficiency




### Breakdown of operating costs and efficiency calculation
(Million euros)

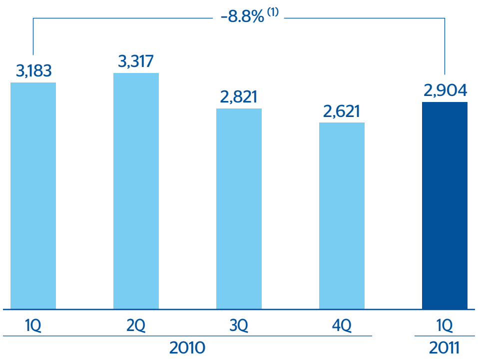
| | 1Q11 | Δ% | 1Q10 | 2010 |
|---|---|---|---|---|
| **Personnel expenses** | **1,276** | **11.1** | **1,149** | **4,814** |
| Wages and salaries | 983 | 11.7 | 881 | 3,740 |
| Employee welfare expenses | 194 | 11.1 | 174 | 689 |
| Training expenses and other | 99 | 6.0 | 94 | 386 |
| **General and administrative expenses** | **887** | **11.4** | **796** | **3,392** |
| Premises | 204 | 11.9 | 183 | 750 |
| IT | 146 | 3.5 | 141 | 563 |
| Communications | 75 | 11.1 | 68 | 284 |
| Advertising and publicity | 86 | 13.1 | 76 | 345 |
| Corporate expenses | 22 | 11.8 | 19 | 89 |
| Other expenses | 261 | 9.6 | 238 | 1,040 |
| Levies and taxes | 92 | 29.7 | 71 | 322 |
| **Administration costs** | **2,163** | **11.2** | **1,945** | **8,207** |
| **Depreciation and amortization** | **196** | **13.0** | **174** | **761** |
| **Operating costs** | **2,359** | **11.4** | **2,118** | **8,967** |
| **Gross income** | **5,263** | **(0.7)** | **5,301** | **20,910** |
| **Efficiency ratio (Operating costs/Gross income, in %)** | **44.8** | | **40.0** | **42.9** |

At the close of March 2011, the Group had 108,594 **employees** (up 4.9% year-on-year), 5,049 more than as of 31-Mar-2010. Its **branch network** decreased by 57 branches over the same period to reach a total of 7,412, with new openings in South America and to a lesser extent in Mexico. It is important to point out that the great efforts made to rationalize the network in previous years have anticipated moves by the rest of the sector, which is currently engaged in similar operations. This has had an effect on the increased market share of BBVA branches in Spain. The number of **ATMs** continues to rise, closing the quarter at 17,564 (up 9.4% year-on-year). Finally, progress continues in promoting multi-channel banking and the implementation of alternative distribution channels, which will have a positive effect on commercial productivity.

To sum up, the **operating income** generated in the quarter was €2,904 million, a very positive, recurrent and solid figure compared with the second half of 2010, at €2,621m in the fourth quarter and €2,821m in the third.

### Operating income

(Million euros)

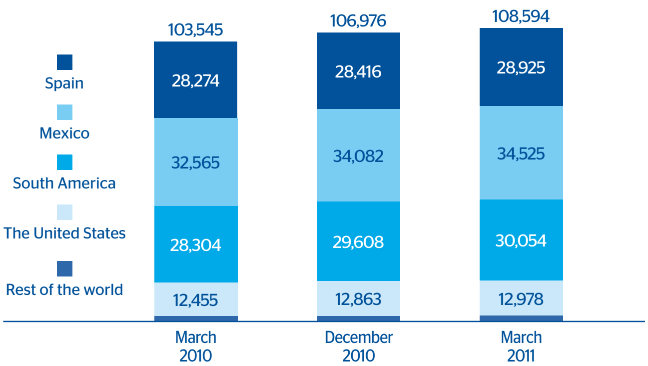



(1) At constant exchange rate: -10.7%.

## Provisions and others

The Group closed the quarter with very good news in terms of loan-loss provisioning. **Impairment losses on financial assets** amounted to €1,023m in January-March 2011,

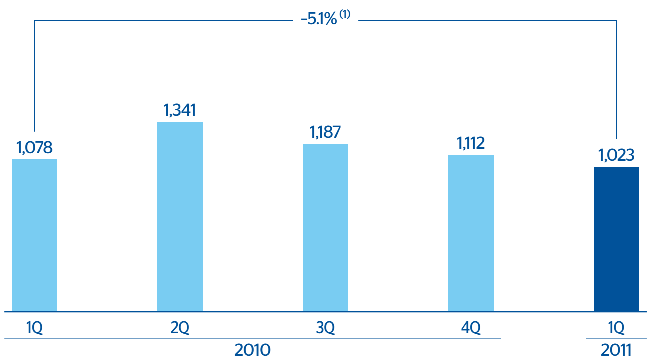
### Number of employees (1)




(1) Excluding Garanti.

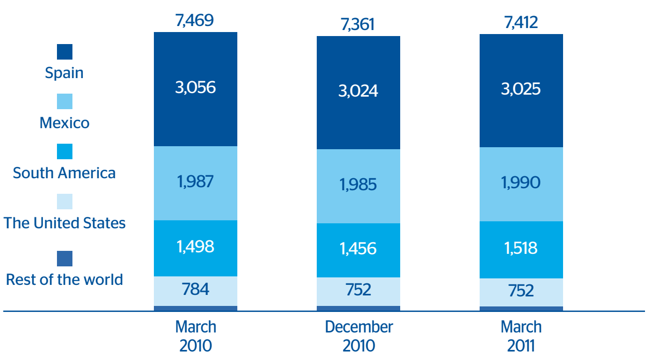
### Impairment losses on financial assets

(Million euros)



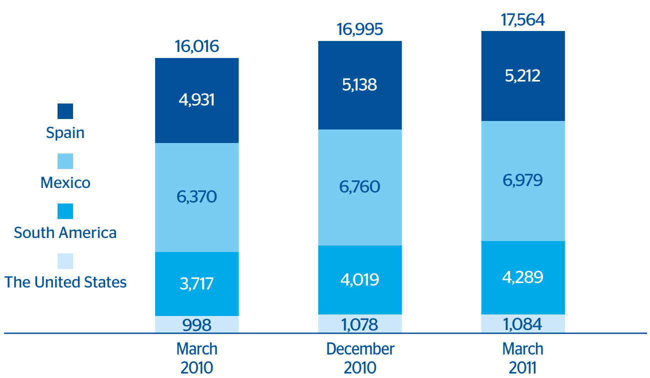

(1) At constant exchange rate: -7.5%.

### Number of branches (1)




(1) Excluding Garanti.

### Number of ATMs (1)




(1) Excluding Garanti.

the lowest figure since the first quarter of 2009. As a result, the Group's risk premium improved 13 basis points in the quarter to 1.20%, while the coverage ratio was hardly affected: as of 31-Mar-2011 it stood at 61%, compared with 62% at the close of 2010. This has been possible thanks to the positive operating profit, which has allowed prudential criteria to be maintained while making additional provisions to increase the Group's balance of generic provisions in Spain; and also to the good credit quality of BBVA's portfolio, which includes an increasingly greater proportion of lower-risk items.

**Provisions** amounted to €150m, compared with €170m in January-March 2010. This includes €73m for early retirement and other contributions to pension funds.

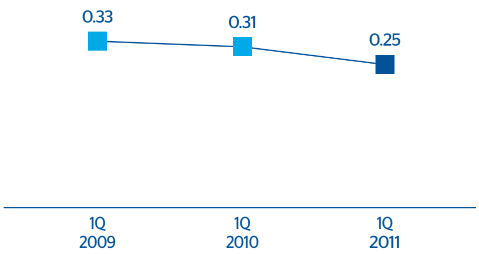
Finally, **other gains (losses)** amounted to practically the same figure as 12 months earlier, at –€71m (–€72m in the first quarter of 2010). They correspond mainly to provisions for real estate assets made to maintain coverage at levels above 30%.

## Net attributable profit

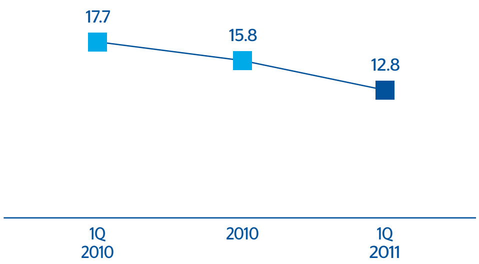
Thus the positive progress of revenues and the excellent trend in provisions allowed BBVA to continue with its expansion plans and lay the foundations for future growth. This has all taken place in a macroeconomic environment that has changed significantly over the last year. From it will emerge a new order of global growth and major changes in the financial industry and at the level of society. Despite this the Group maintains a good level of **net attributable profit**, at €1,150m in the first quarter, with a positive contribution from all areas of business: Spain contributed €477m, Eurasia €198m, Mexico €436m, South America €280m and the United States €81m.

**Earnings per share (EPS)** stand at €0.25 compared with €0.31 in the first quarter of 2010 (the capital increase was carried out in November 2010). The increase in the Group's shareholders' funds has led to an increase in the book value per share of 6.7% year-on-year to €8.49. As a result, the **ROE** has fallen to 12.8%. Such reduction is mainly explained by the fact that Garanti's results have only been considered for 10 days whereas the full effect of the capital increase is included. Return on total average assets (**ROA**) stands at 0.95%. Both ROE and ROA continue to compare very well with BBVA's main peers.

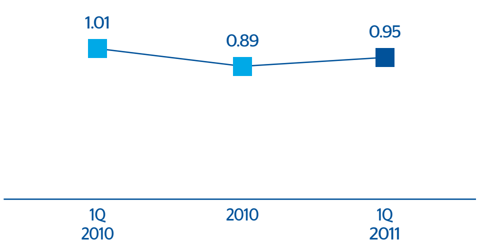
### Earnings per share
(Euros)




### ROE
(Percentage)




### ROA
(Percentage)



# Balance sheet and business activity

BBVA closed the **first quarter of 2011** with total assets at €562 billion, marking a year-on-year increase of 1.5%, and a 1.7% increase as compared to the figure for the close of the previous year. The primary causes behind the progress of the Group's balance sheet and business activity in this period include:

- Incorporation, by proportionate consolidation method, of the holding in **Garanti** in the month of March, which accounted for more than €16,000 million in assets.
- Negative effect of the **exchange rate** in both the last year and also, with greater intensity, in the quarter due to the depreciation of the dollar and its influence on the course of the rest of Latin American currencies. In this regard, at constant exchange rates, the quarter-on-quarter variation of the Group's assets was 3.1%.

## Consolidated balance sheet

(Million euros)

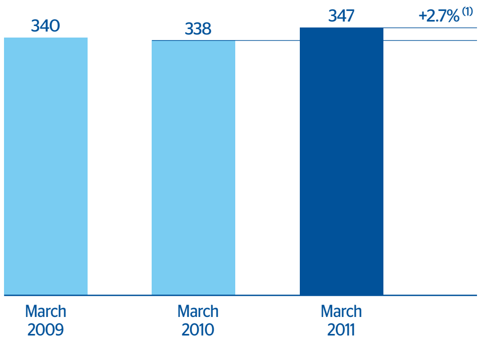
| | 31-03-11 | Δ% | 31-03-10 | 31-12-10 |
|---|---|---|---|---|
| Cash and balances with central banks | 23,002 | 32.7 | 17,337 | 19,981 |
| Financial assets held for trading | 57,801 | (14.0) | 67,188 | 63,283 |
| Other financial assets designated at fair value through profit or loss | 2,709 | 4.2 | 2,600 | 2,774 |
| Available-for-sale financial assets | 63,417 | (8.0) | 68,960 | 56,457 |
| Loans and receivables | 368,344 | 3.6 | 355,526 | 364,707 |
| Loans and advances to credit institutions | 28,465 | 7.6 | 26,466 | 23,636 |
| Loans and advances to customers | 337,590 | 2.8 | 328,516 | 338,857 |
| Other | 2,289 | n.m. | 545 | 2,213 |
| Held-to-maturity investments | 9,230 | 2.3 | 9,024 | 9,946 |
| Investments in entities accounted for using the equity method | 4,435 | 40.3 | 3,161 | 4,547 |
| Tangible assets | 6,819 | 4.6 | 6,520 | 6,701 |
| Intangible assets | 10,101 | 29.6 | 7,794 | 8,007 |
| Other assets | 16,317 | 3.2 | 15,813 | 16,336 |
| **Total assets** | **562,174** | **1.5** | **553,922** | **552,738** |
| Financial liabilities held for trading | 34,290 | (6.1) | 36,521 | 37,212 |
| Other financial liabilities at fair value through profit or loss | 1,604 | 3.6 | 1,549 | 1,607 |
| Financial liabilities at amortized cost | 465,056 | 0.7 | 461,601 | 453,164 |
| Deposits from central banks and credit institutions | 68,430 | (18.2) | 83,608 | 68,180 |
| Deposits from customers | 283,559 | 11.1 | 255,301 | 275,789 |
| Debt certificates | 88,040 | (10.4) | 98,240 | 85,180 |
| Subordinated liabilities | 18,132 | 3.2 | 17,575 | 17,420 |
| Other financial liabilities | 6,895 | 0.3 | 6,877 | 6,596 |
| Liabilities under insurance contracts | 8,129 | 4.7 | 7,765 | 8,033 |
| Other liabilities | 15,215 | 3.8 | 14,663 | 15,246 |
| **Total liabilities** | **524,293** | **0.4** | **522,098** | **515,262** |
| Non-controlling interests | 1,577 | 19.8 | 1,316 | 1,556 |
| Valuation adjustments | (1,803) | n.m. | 702 | (770) |
| Shareholders' funds | 38,107 | 27.9 | 29,805 | 36,689 |
| **Total equity** | **37,881** | **19.0** | **31,824** | **37,475** |
| **Total equity and liabilities** | **562,174** | **1.5** | **553,922** | **552,738** |
| **Memorandum item:** | | | | |
| Contingent liabilities | 36,229 | 9.4 | 33,130 | 35,816 |

- In terms of the **loan-book**, the geographical duality observed in previous quarters continued. Very dynamic, though affected by the exchange rate, in Mexico and South America, in which it grew 13.0% and 27.1%, respectively, in the year (at constant exchange rates). In contrast, Spain remains stagnant, with a variation in the same period of –1.0%. In Eurasia, the increase is justified by the incorporation of Garanti. Finally, in the United States, the trend continues downward, at –10.1%, as a result of the gradual change in the portfolio mix towards lines with lower associated risk.

- Good performance of **customer deposits,** primarily in the resident sector.

- In terms of **off-balance sheet funds,** their positive performance in the rest of the world predominates, in both mutual funds and pensions. In addition, BBVA revalidated its leadership position in pensions in Spain and holds a crucial position for the development of the private pension schemes in Latin America.

### Customer lending (gross)
(Billion euros)




(1) At constant exchange rate: +3.6%.

## Lending to customers

**Gross lending to customers** as of March 31, 2011 stood at €347 billion, a figure that is very similar to that of the previous year but that is up 2.7% year-on-year. Excluding the exchange-rate effect, the increase is 1.0% in the quarter.

Lending has also varied by **geographical area.** It has shown outstanding growth in Latin America. In this regard, in Mexico, loans continue to increase at a strong rate, and the progress of the commercial and consumer portfolios has been excellent. In South America, the continued positive economic climate favors the strong performance of business activity of the financial sector, in line with that observed in recent quarters, with a very active participation of the different BBVA banks. The Group earned 47

### Customer lending
(Million euros)

| | 31-03-11 | Δ% | 31-03-10 | 31-12-10 |
|---|---|---|---|---|
| **Domestic sector** | **193,675** | **(0.8)** | **195,172** | **198,634** |
| Public sector | 25,459 | 14.8 | 22,181 | 23,656 |
| Other domestic sectors | 168,216 | (2.8) | 172,991 | 174,978 |
| Secured loans | 104,391 | (1.1) | 105,573 | 105,002 |
| Commercial loans | 6,032 | (1.8) | 6,140 | 6,847 |
| Financial leases | 5,493 | (11.2) | 6,185 | 5,666 |
| Other term loans | 44,180 | (10.3) | 49,239 | 46,225 |
| Credit card debtors | 1,236 | (6.1) | 1,316 | 1,695 |
| Other demand and miscellaneous debtors | 2,741 | 37.2 | 1,998 | 2,222 |
| Other financial assets | 4,142 | 63.1 | 2,539 | 7,321 |
| **Non-domestic sector** | **137,930** | **8.7** | **126,877** | **134,258** |
| Secured loans | 49,887 | 10.5 | 45,143 | 45,509 |
| Other loans | 88,043 | 7.7 | 81,734 | 88,750 |
| **Non-performing loans** | **15,210** | **(2.0)** | **15,519** | **15,361** |
| Domestic sector | 10,711 | (2.5) | 10,989 | 10,953 |
| Public sector | 121 | 79.5 | 68 | 111 |
| Other domestic sectors | 10,589 | (3.0) | 10,922 | 10,841 |
| Non-domestic sector | 4,499 | (0.7) | 4,530 | 4,408 |
| **Customer lending (gross)** | **346,814** | **2.7** | **337,568** | **348,253** |
| Loan-loss provisions | (9,224) | 1.9 | (9,053) | (9,396) |
| **Customer lending (net)** | **337,590** | **2.8** | **328,516** | **338,857** |

basis points of market share in this area in the last 12 months (according to February 2011 data). In the United States, an area that is still immersed in its process of changing the portfolio mix towards lower-risk items, residential real estate has performed extremely well (up 32.8% year-on-year). Activity in Spain remains stagnant, but BBVA's commercial management has been standout, with a new year-on-year market share gain of 35 basis points (according to the latest data available, from February 2011), in high-loyalty products (mortgages) to the detriment of portfolios with a greater associated risk.

The above explains, therefore, the different progress between the domestic and non-domestic sectors. Of the net loans to **domestic customers**, lending to the public sector increased by 14.8% year-on-year to €25 billion, but loans to the other domestic sectors were down 2.8% to €168 billion as a result of the generalized fall in the lending activity in Spain. However, the items with the least associated risk and greatest relative weight, secured loans, which totaled 104 billion, are highly stable and were those that fell the least (down 1.1% in the year, but barely down 0.6% in the quarter).

Furthermore, net lending to **non-domestic customers** rose to €138 billion as of March 31, 2011, with a year-on-year increase of 8.7% that, excluding the exchange rate effect, was up 11.4%. This increase, which was recorded in both secured loans and in the other loans category, is the result of the great dynamism of the business activity in almost all countries in Latin America and Eurasia, thanks to the recent incorporation of Garanti.

Finally, **non-performing loans** were down 2.0% in the last year. The decreases were generalized and were observed in both the domestic and non-domestic sectors.

## Customer funds

As of March 31, 2011, total **customer funds** increased to €534 billion, marking an increase of 4.1% on the figure 12 months prior and up 1.5% on December 31, 2010.

Once again, a distinction must be made between the course of **on-balance sheet customer funds**, which were up to €390 billion and represent 73% of the total, and other funds, such as mutual funds, pensions and customer portfolios, which totaled €144 billion. The excellent performance of on-balance sheet funds stood out, with growth at 5.0% year-on-year and 3.0% for the quarter. This improvement continues to be based on the strength of customer deposits (up 11.1% year-on-year to 284 billion), which have performed very positively in the domestic sector, while time deposits advanced 3.6% in the quarter. **Non-domestic** deposits fell back 10.9% to 147 billion as a result of the decrease of time deposits (down 26.1% year-on-year), which nevertheless began to slow its slowdown as compared to recent quarters. On the other hand, headings with lower associated costs, like current and savings accounts, grew 12.3% year-on-year, and their less positive trajectory in the quarter is primarily due to the negative effect of exchange rates.

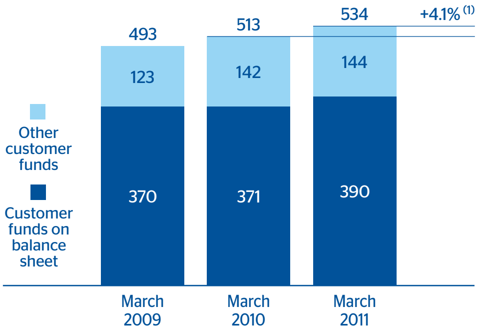
### Customer funds
(Million euros)

| | 31-03-11 | Δ% | 31-03-10 | 31-12-10 |
|---|---|---|---|---|
| **Customer funds on balance sheet** | **389,731** | **5.0** | **371,116** | **378,388** |
| **Deposits from customers** | **283,559** | **11.1** | **255,301** | **275,789** |
| Domestic sector | 136,666 | 51.1 | 90,424 | 133,629 |
| Public sector | 24,894 | n.m. | 3,889 | 17,412 |
| Other domestic sectors | 111,772 | 29.2 | 86,535 | 116,217 |
| Current and savings accounts | 42,790 | (5.4) | 45,247 | 43,225 |
| Time deposits | 50,913 | 60.2 | 31,786 | 49,160 |
| Assets sold under repurchase agreement and other | 18,069 | 90.2 | 9,502 | 23,832 |
| Non-domestic sector | 146,894 | (10.9) | 164,877 | 142,159 |
| Current and savings accounts | 74,056 | 12.3 | 65,939 | 74,681 |
| Time deposits | 67,106 | (26.1) | 90,774 | 61,626 |
| Assets sold under repurchase agreement and other | 5,731 | (29.8) | 8,164 | 5,852 |
| **Debt certificates** | **88,040** | **(10.4)** | **98,240** | **85,180** |
| Mortgage bonds | 44,824 | 16.2 | 38,577 | 40,246 |
| Other debt certificates | 43,216 | (27.6) | 59,663 | 44,933 |
| **Subordinated liabilities** | **18,132** | **3.2** | **17,575** | **17,420** |
| **Other customer funds** | **144,230** | **1.6** | **142,026** | **147,580** |
| Mutual funds | 42,262 | (14.1) | 49,219 | 43,383 |
| Pension funds | 75,764 | 9.9 | 68,919 | 78,763 |
| Customer portfolios | 26,204 | 9.7 | 23,888 | 25,434 |
| **Total customer funds** | **533,961** | **4.1** | **513,142** | **525,968** |

**Off-balance sheet** customer funds amounted to €144 billion as of March 31, 2011, which is slightly over the figure one year prior, but under that at the close of 2010 (up 1.6% and down 2.3%, respectively). Of them, those from **Spain** represent 38%, up to 55 billion that, though down 12.5% year-on-year, are up 1.3% in the quarter. The improved performance in the quarter lies in the customer portfolios, which rose 7.2% to 14 billion.

### Customer funds

(Billion euros)




(1) At constant exchange rate: +4.9%.

Pension funds also grew with respect to the previous quarter, especially in individual pension schemes. The above continues to allow BBVA to maintain its leading position as pension fund manager in Spain, with a market share of 18.3% (latest available data as of December). Finally, mutual funds fell 2.0% in the same period as a result of the increased preference of savers for other products, like time deposits.

Off-balance sheet funds for the **rest of the world**, €90 billion, fell 4.3% in the quarter primarily due to the negative impact of the exchange rate. Excluding the effect of the currencies, its percent change was +1.1%, with very favorable performance in mutual funds and pensions, as well as customer portfolios.

## Statement of changes in equity

At the close of the first quarter of 2011, BBVA's **total equity** came to €37,881 million, marking a new increase since December 31, 2010 despite the negative effect of exchange rates. The net attributable profit for the quarter, €1,150 million, plus the implementation of the "dividend option" justify this progress.

### Other customer funds

(Million euros)

| | 31-03-11 | Δ% | 31-03-10 | 31-12-10 |
|---|---|---|---|---|
| **Spain** | **54,598** | **(12.5)** | **62,415** | **53,874** |
| Mutual funds | 23,244 | (27.0) | 31,856 | 23,708 |
| Pension funds | 17,042 | (2.2) | 17,431 | 16,811 |
| Individual pension plans | 9,876 | (3.0) | 10,182 | 9,647 |
| Corporate pension funds | 7,166 | (1.1) | 7,249 | 7,164 |
| Customer portfolios | 14,312 | 9.0 | 13,128 | 13,355 |
| **Rest of the world** | **89,632** | **12.6** | **79,611** | **93,707** |
| Mutual funds and investment companies | 19,018 | 9.5 | 17,363 | 19,675 |
| Pension funds | 58,722 | 14.0 | 51,488 | 61,952 |
| Customer portfolios | 11,892 | 10.5 | 10,761 | 12,080 |
| **Other customer funds** | **144,230** | **1.6** | **142,026** | **147,580** |

# Capital base

As of March 31, 2011, the BBVA Group's **capital base**, calculated according to the BIS II regulation, reached €41,460m, 3.4% less than at the close of 2010. This decrease is primarily explained by the materialization of the 24.9% acquisition of the Turkish bank Garanti, carried out in March, and by the exchange-rate effect.

**Risk-weighted assets** (RWAs) stood at €319,044m, up 1.8% on the close of December. The increase in RWA due to the entry of Garanti has been partially offset by the generalized depreciation of currencies in the quarter.

The **minimum capital requirements** (8% of RWA) reached, therefore, €25,523m, with a capital base surplus of €15,937m. Therefore, the Group has 62% of capital above the minimum required levels.

**Core capital** reached €28,452m as of March 31, 2011. The ratio, in the same date, is 69 basis points lower compared to December 31, 2010. Organic capital generation contributed 0.2 percentage points, and "dividend option" added another 0.2 percentage points in the quarter, while the effect of the incorporation of Garanti, plus other items, subtracted 1.1 percentage points. Thus, the core ratio stands at 8.9%.

The **Tier I** ratio closed the quarter at 9.8%. Furthermore, preference shares fell slightly to €5,128m due to the aforementioned depreciation of the dollar, and their proportion over Tier I capital stands at 16.5%.

The rest of the eligible capital, **Tier II**, which mainly consists of subordinated debt, surplus generic provisions and unrealized capital gains, came to €10,246m, up 3.5% on the close of the year. Thus, the Tier II ratio stands at 3.2%, same level as of December 31, 2010. This change is due, among other reasons, to the USD 1,250 million subordinated debt issued by BBVA Bancomer, and the currencies depreciation.

To summarize, the **BIS** ratio has absorbed the impact of the Garanti operation, and, as of March

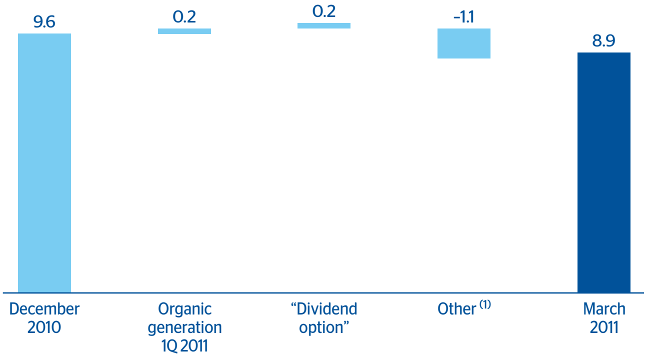
## Capital base (BIS II Regulation)

(Million euros)

| | 31-03-11 | 31-12-10 | 30-09-10 | 30-06-10 | 31-03-10 |
|---|---|---|---|---|---|
| Shareholders' funds | 38,107 | 36,689 | 31,610 | 30,609 | 29,805 |
| Adjustments and deductions | (11,654) | (8,592) | (8,642) | (7,680) | (7,897) |
| Mandatory convertible bonds | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| **Core capital** | **28,452** | **30,097** | **24,969** | **24,929** | **23,908** |
| Preference shares | 5,128 | 5,164 | 5,165 | 5,224 | 5,153 |
| Deductions | (2,367) | (2,239) | (1,900) | (1,803) | (1,194) |
| **Capital (Tier I)** | **31,214** | **33,023** | **28,234** | **28,351** | **27,867** |
| Subordinated debt and other | 12,613 | 12,140 | 12,955 | 12,737 | 12,762 |
| Deductions | (2,367) | (2,239) | (1,900) | (1,803) | (1,194) |
| **Other eligible capital (Tier II)** | **10,246** | **9,901** | **11,055** | **10,935** | **11,568** |
| **Capital base** | **41,460** | **42,924** | **39,289** | **39,285** | **39,435** |
| Minimum capital requirement (BIS II Regulation) | 25,523 | 25,066 | 24,506 | 24,769 | 23,547 |
| **Capital surplus** | **15,937** | **17,858** | **14,783** | **14,516** | **15,888** |
| **Risk-weighted assets** | **319,044** | **313,327** | **306,319** | **309,617** | **294,336** |
| **BIS ratio (%)** | **13.0** | **13.7** | **12.8** | **12.7** | **13.4** |
| **Core capital (%)** | **8.9** | **9.6** | **8.2** | **8.1** | **8.1** |
| **Tier I (%)** | **9.8** | **10.5** | **9.2** | **9.2** | **9.5** |
| **Tier II (%)** | **3.2** | **3.2** | **3.6** | **3.5** | **3.9** |

## Core capital generation

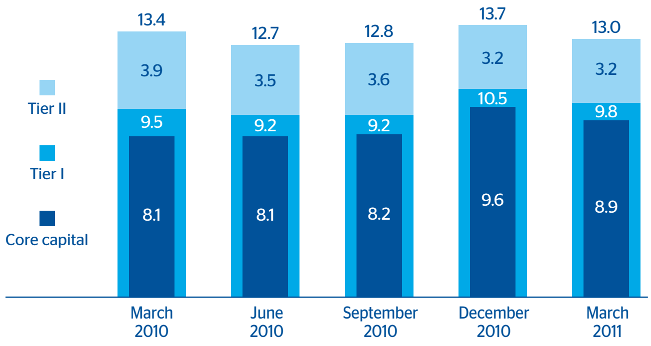
(Percentage)




(1) Garanti + Exchange rate + Other.

## Capital base: BIS II ratio

(Percentage)




31, 2011, stood at 13.0% (13.7% at the close of 2010).

## Ratings

In March, Moody's finalized the period of review for the ratings of the Spanish banking system, which was based on the actions carried out previously on Spain's sovereign rating. In a process in which the agency lowered the scores for 30 entities, BBVA's rating was confirmed at Aa2.

### Ratings

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

# Risk management

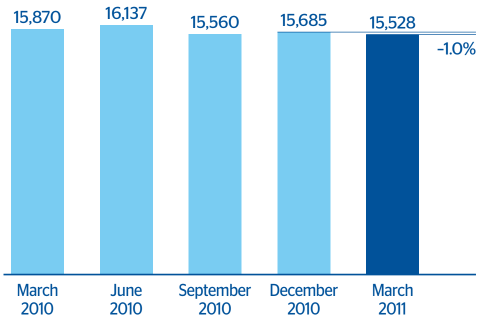
Following the anticipation effort to meet requirements for provisions made at the end of 2009, the **first quarter of 2011** has been the fifth quarter in a row in which BBVA's NPA ratio remains in check. There has also been an improvement in the risk premium, which has fallen to 1.20% (1.33% in the previous quarter). These indicators support the Group's leading position against the system.

In addition, the volume of **total risks** with customers (including contingent liabilities) stood at €383,043m at the end of the quarter, 0.3% down on the figure at the close of 2010. Using a like-for-like comparison without including the Garanti figures, the reduction was 3.1%. This decrease is above all due to the devaluation of the main currencies against the euro, as lending was up 1.0% in the year at constant exchange rates.

**Non-performing assets** as of 31-Mar-2011 stood at €15,528m, 1.0% down on the figure at the close of 2010. This includes €248m corresponding

## Non-performing assets

(Million euros)




## Credit risk management

(Million euros)

| | 31-03-11 | 31-12-10 | 30-09-10 | 30-06-10 | 31-03-10 |
|---|---|---|---|---|---|
| Non-performing assets | 15,528 | 15,685 | 15,560 | 16,137 | 15,870 |
| Total risks (1) | 383,043 | 384,069 | 376,421 | 384,344 | 370,699 |
| Provisions | 9,490 | 9,655 | 9,641 | 9,917 | 9,308 |
| Specific | 6,516 | 6,823 | 6,552 | 6,775 | 6,437 |
| Generic and country-risk | 2,974 | 2,832 | 3,089 | 3,142 | 2,872 |
| NPA ratio (%) | 4.1 | 4.1 | 4.1 | 4.2 | 4.3 |
| NPA coverage ratio (%) | 61 | 62 | 62 | 61 | 59 |

(1) Including contingent liabilities.

## Variations in non-performing assets

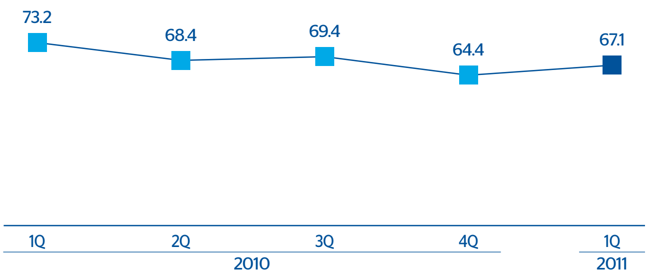
(Million euros)

| | 1Q11 | 4Q10 | 3Q10 | 2Q10 | 1Q10 |
|---|---|---|---|---|---|
| **Beginning balace** | **15,685** | **15,560** | **16,137** | **15,870** | **15,602** |
| Entries | 2,804 | 3,852 | 3,051 | 3,042 | 3,262 |
| Recoveries | (1,882) | (2,479) | (2,116) | (2,080) | (2,388) |
| **Net variation** | **922** | **1,373** | **935** | **962** | **874** |
| Write-offs | (1,140) | (1,269) | (1,119) | (1,034) | (885) |
| Exchange rate differences and other | 61 | 21 | (393) | 339 | 279 |
| **Period-end balance** | **15,528** | **15,685** | **15,560** | **16,137** | **15,870** |
| **Memorandum item:** | | | | | |
| Non-performing loans | 15,210 | 15,361 | 15,218 | 15,781 | 15,520 |
| Non-performing contingent liabilities | 319 | 324 | 342 | 355 | 351 |

to Garanti (the fall over the quarter is 2.6% using a like-for-like comparison). The fall is affected by the exchange-rate impact, but also by the good performance of gross additions in all business areas, with the recoveries rate as a percentage of additions to NPA at 67.1% at the end of the first quarter, compared with 64.4% in the previous quarter.

### Recoveries over entries to NPA

(Percentage)



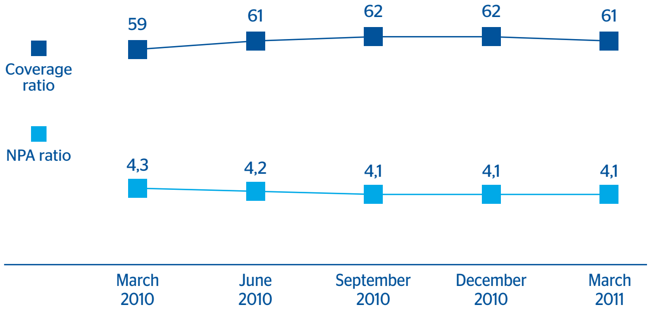

As a result, the Group's **NPA ratio** remains at 4.1%, the same level as at the close of 2010. Broken down by business areas, the ratio remains at 4.8% in Spain, 3.2% in Mexico and 2.5% in South America. In the United States, the ratio increased by only 7 basis points and closed the quarter at 4.5% (4.4% at the close of 2010). In Eurasia, which includes the incorporation of Garanti, the NPA ratio was 1.2% (0.9% at the close of 2010).

**Coverage provisions** for risks with customers amounted to €9,490m, a slight decrease of €165m on the figure at the close of 2010, above all due to the exchange-rate impact. Of this total, generic provisions amount to €2,974m and represent 31.3% of the total.

The NPA **coverage ratio** stands at 61%. By business areas, it has improved in the United States to 64% (61% at the close of 2010) and in South America to 134% (130% as of 31-Dec-2010). In Spain it ended the quarter at 43%, a similar level to the close of 2010 (44%). It has fallen in Mexico to 136% (152% at the close of 2010), basically as a result of the early end of the *Punto Final* plan,

### NPA and coverage ratios

(Percentage)




started by the Federal Government; while in Eurasia it has fallen to 131% from 154% in the previous quarter due to the incorporation of Garanti. Additionally, it is worth noting that 59.8% of the Group's risk is collateralized.

## Economic capital

Attributable economic risk capital (ERC) consumption reached €27,547 million as of March 31, 2011, similar to the figure as of December, 2010 [1].

As is to be expected from BBVA's profile, most of this figure (62.3%) is credit risk on portfolios originated in the Group's branch network from its own customer base. This risk rose in the quarter due to the incorporation of Garanti.

Market risk continues to be the least relevant item (2.2%), given the nature of BBVA's business and its policy of minimal proprietary trading. It remains at a similar level to the previous quarter. Equity risk basically reflects the portfolio of Holdings in Industrial & Financial Companies and the stake in CITIC. Its year-end level is similar to that at the close of December, at 8.5%. Structural balance-sheet risk stood at 10.6% at the end of March 2011. It originates from the management of the Group's structural interest-rate risk and exchange-rate risk. Finally, operational risk remained at 7.2% of total ERC.

(1) This figure includes the annual effects of recalibration and review of the models in January 2011. Comparable figures for the close of December 2010 would be €26,293m, compared with the published figure of €25,481m.

# The BBVA share

In the first quarter of 2011, the **main stock market indices** progressed very unevenly. The Stoxx 50 in Europe and the FTSE in the United Kingdom remained practically flat, while the US market performed positively and its S&P 500 index was up 5.4%. The Ibex 35 in Spain was also up 7.3% thanks to the improved perception of its sovereign risk as compared to other countries in Southern Europe.

Against this backdrop, in the **European banking sector**, factors such as solvency, financing and liquidity continue to be the focus of the market. Certain regulatory uncertainties regarding these topics could be resolved in the coming months. The improved prices on the credit market appear to be influencing the equity market positively. In this regard, the European bank index, Stoxx Banks, presented a slightly positive course in the quarter and was up 1.3%, while this British bank index, FTSE Banks, fell back 2.3%. In the United States, the financial institution index, S&P Financials Index, was up 2.8%, while the regional bank index, S&P Regional Banks, rose 1.2%.

**BBVA's results** for the fourth quarter of 2010 have been in line with or slightly above analysts' expectations. In general, the Group's solid liquidity and solvency position is especially noteworthy. By business areas, Spain and Portugal has performed better than forecasted by the market and produced resilient results, still affected by the difficult economic situation, but keeping its NPA ratio well in check. The results in Mexico once again exceeded expectations and registered better revenues than had been forecasted. The positive NPA ratio is, for analysts, a reflection of the gradual recovery of the Mexican economy. In addition, the standardization of the risk premium and growth of volumes have also been well valued. In South America, the results have again been a pleasant surprise. Some analysts claim that both South America and Turkey will contribute very positively to the Group's profits in 2011.

Against this backdrop, the **BBVA share** has improved 13.2% over the quarter, above the Ibex and European banking sector, and closed at €8.56 per share, for a market capitalization of €38,447 million. This places the price/tangible book value at 1.0, the P/E (calculated on the median estimated earnings for 2011 according to the consensus among Bloomberg analysts) at 8.2 and the dividend yield (also calculated on the median dividends per share estimated by the analysts for 2011 as compared to the quoted price as of March 31, 2011) at 4.9%.

The BBVA share continues to have a notably high level of **liquidity**. In the first quarter of the year, the average trade, in number of shares, was 78 million, for a daily average amount of €658 million.

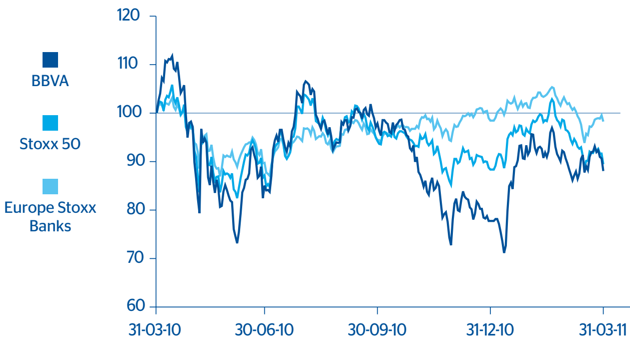
In terms of **shareholder remuneration**, on April 15th, it was distributed €0.149 per share. Thus, total shareholder remuneration corresponding to the year 2010 amounted to €0.42 per share. As agreed in the Annual General Meeting of Shareholders on March 11, 2011, a flexible remuneration system was implemented. Called the "dividend option", it allows given shareholders to benefit from its fiscal benefits and BBVA to strengthen its capital ratios. The percentage of shareholders who have opted to receive BBVA shares reached 79.7%, thus confirming the wide acceptance of this new remuneration system.

## The BBVA share and share performance ratios

| | 31-03-11 | 31-12-10 |
|---|---|---|
| Number of shareholders | 921,650 | 952,618 |
| Number of shares issued | 4,490,908,285 | 4,490,908,285 |
| Daily average number of shares traded | 77,551,482 | 80,198,596 |
| Daily average trading (million euros) | 658 | 704 |
| Maximum price (euros) | 9.49 | 10.17 |
| Minimum price (euros) | 6.87 | 7.00 |
| Closing price (euros) | 8.56 | 7.56 |
| Book value per share (euros) | 8.49 | 8.17 |
| Market capitalization (million euros) | 38,447 | 33,951 |
| Price/Book value (times) | 1.0 | 0.9 |
| PER (Price/Earnings; times) | 8.2 | 7.4 |
| Yield (Dividend/Price; %) | 4.9 | 5.6 |

## Share price index

(31-03-10=100)



# Corporate responsibility

Corporate responsibility (CR) provides BBVA with a way of boosting integrated and cross-cutting **management** in both financial and non-financial business matters, by applying the corporate **principles** of integrity, prudence and transparency. Thus environmental, social and corporate governance criteria become management variables that can respond to the expectations of all stakeholder groups. In line with this commitment, at the recent Davos Summit the Chairman and CEO of BBVA, Francisco González, supported the launch of Global Compact LEAD, a new platform created by the UN Global Compact to promote high levels of corporate performance in environmental, social and governance matters, and to serve as a model for corporate sustainability. The following are the main actions related to CR for the first quarter of 2011:

## Financial literacy

BBVA has signed a collaboration agreement with the OECD to extend the perimeter of the PISA report by including indicators that allow an assessment of the level of financial literacy competence and knowledge by young people aged 15 years in 19 countries starting in 2012.

## Financial inclusion

The BBVA Microfinance Foundation has reached an agreement with Banco Panameño de la Vivienda S.A. to purchase its 70% stake in (Microserfín). With this transaction, the BBVA Microfinance Foundation made further progress in consolidating its project to expand in the microfinance market in Latin America, where it already has 800,000 customers through 275 branches with 3,350 employees.

## Responsible banking

**Responsible finance.** CITIC Carbon Assets Management and BBVA have concluded an exclusive contract to create the Rogers Global Resources Equity Index listing companies dealing in natural resources, such as agriculture, mining and traditional and alternative energy (wind, solar, etc.), and to sell investment products linked to it. The project has been developed jointly by Jim Rogers and CITIC Carbon Assets Management, a new platform created by the CITIC Group to promote the development of low carbon-emission industries and investment in China.

**Human resources.** BBVA Provincial has been included in the ranking prepared by the Great Place to Work Institute of Venezuela, which assesses the best companies to work in, based on their policies, practices, corporate culture strategies and the opinion of the employees themselves. BBVA has also shown its commitment to equality and diversity by signing the "Women's Empowerment Principles," a project developed by the UN Global Compact and the United Nations Development Fund for Women (UNIFEM).

**The environment.** BBVA once more took part in the "Earth Hour" campaign by switching off 123 buildings and 35 branches in 95 cities across 13 countries. It is also worth highlighting BBVA's participation in the presentation of the CDP Report for 2010 in Spain. Its aim is to give investors around the world the tools to discover how the biggest companies have evaluated the risks and opportunities associated with climate change and how they are adapting to them.

## Community involvement

BBVA and ESADE jointly presented the Momentum Project to boost social entrepreneurship in Spain and Portugal. Each year this initiative gives 10 social entrepreneurs the chance to take part in a training, advice and support program that will help their enterprises to grow and become profitable. BBVA has also launched the application *Facebook Lugares* (Facebook Sites) for cell phones. This is a system of geo-location marketing through which customers who are in a BBVA branch can contribute an euro for development projects in Haiti.

## BBVA and sustainability indices

BBVA continues to have a leading position in the main sustainability indices. Their weightings over the quarter were as follows:

### Main sustainability indices in which BBVA participates

| | | Weighting (%) |
|---|---|---|
| Dow Jones Sustainability Indexes | DJSI World | 0.64 |
| | DJSI Europe | 1.37 |
| | DJSI Eurozone | 2.66 |
| vigeo | ASPI Eurozone Index | 2.04 |
| | Ethibel Sustainability Index Excellence Europe | 1.61 |
| | Ethibel Sustainability Index Excellence Global | 1.01 |
| MSCI Indices | MSCI World ESG Index | 0.43 |
| | MSCI World ex USA ESG Index | 0.81 |
| | MSCI Europe ESG Index | 1.42 |
| | MSCI EAFE ESG Index | 0.93 |

# Business areas

In this section we discuss the more significant **aspects** of the activities and earnings of the Group's different business areas, along with those of the main units within each, plus Corporate Activities. Specifically, we deal with the income statement, the balance sheet and the main ratios: efficiency, NPA ratio, NPA coverage ratio and the risk premium.

Following the acquisition of 24.9% of the Turkish bank Garanti and its incorporation into the financial statements of the Group starting in March 2011, BBVA began to have a significant presence in Europe and Asia in terms of its balance sheet and earnings. In addition, since the start of the crisis, the importance of the geographical location of business has been clear for providing a proper perception of risks and an improved estimate of the capacity for future growth. Finally, the new regulations favor a local management of structural risks that avoids possible contagion between financial systems. For these motives, the businesses previously included in Spain and Portugal and WB&AM have been regrouped into the following areas:

- **Spain:** includes BBVA businesses in all segments, within the country.
- **Eurasia:** covers all BBVA activity in the rest of Europe and Asia, including the Group's stake in Garanti.

This responds to the increased demand for geography-specific information from different users, including the regulators.

In addition, it is worth noting that in 2010 liquidity conditions on the financial markets have made access to finance more expensive for Spanish credit institutions. BBVA, S.A. has been no exception to this, and thus since January 2011, and with retroactive effect for 2010 data, the liquidity premium imputed to business areas through the system of internal reference rates has been increased. The aim is to adapt to the new reality of the financial markets.

The **business areas** are now organized as follows:

- **Spain**, which includes: The retail network, with the segments of individual customers, private banking, and small business and retail banking in the domestic market; Corporate and Business Banking (CBB), which handles the needs of SMEs, corporations, government and developers in the country; Corporate and Investment Banking, which includes activity with large corporations and multinational groups; Markets, with the trading floor and distribution business in the domestic market; and other units, among them BBVA Seguros and Asset Management (management of mutual and pension funds in Spain).
- **Eurasia**, which includes business in the rest of Europe and Asia. In 2010 it was reported either in Spain and Portugal (BBVA Portugal, Consumer Finance Italy and Portugal, and the retail business of branches in Paris, London and Brussels), or in WB&AM (Corporate and Investment Banking, Markets, CNCB and CIFH). Additionally, it also includes the information on Garanti.
- **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.

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 aggregate of **Corporate Activities** includes the rest of items that are not allocated to the business areas. These basically include the costs of head offices with a strictly corporate function, certain allocations to provisions such as early retirements and others also of a corporate nature. Corporate Activities also performs financial management functions for the Group as a whole; essentially management of asset and liability positions for interest rates in the euro-denominated balance sheet and for exchange rates, as well as liquidity and capital management functions. The management of asset and liability interest-rate risk 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 real estate businesses.

In addition, **supplementary information** is provided of the global business carried out by the BBVA Group. Homogeneous products and risks, and common characteristics of the customers served, make this aggregate of businesses relevant to better understand the BBVA Group.

Furthermore, as usual in the case of The Americas, both constant and current **exchange rates** have been applied when calculating year-on-year variations.

The Group compiles reporting information on a level as disaggregated 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 areas themselves. Similarly, all the companies making up the Group are also assigned to the different units according to the geographical area of 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 profitability of each business. 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**: Internal transfer rates are applied to calculate the net interest income of each business, on both the assets and liabilities. These rates are composed of a market rate that depends on the revision period of the operation, and a liquidity premium that has been revised as indicated above. 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.

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

## Recurrent economic profit by business area

(January-March 2011. Million euros)

| | Adjusted net attributable profit | Economic profit (EP) |
|---|---|---|
| Spain | 523 | 273 |
| Eurasia | 193 | 99 |
| Mexico | 463 | 348 |
| South America | 223 | 140 |
| The United States | 84 | 14 |
| Corporate Activities | (264) | (263) |
| **BBVA Group** | **1,222** | **610** |

## Mayor income statement items by business area and presence in emerging and developed countries

(Million euros)

| | | Business areas | | | | | | Business areas | |
|---|---|---|---|---|---|---|---|---|---|
| | BBVA Group | Spain | Eurasia | Mexico | The United States | South America | Corporate Activities | Emerging [1] | Developed |
| **1Q11** | | | | | | | | | |
| Net interest income | 3,175 | 1,109 | 104 | 967 | 402 | 694 | (102) | 1,682 | 1,595 |
| Gross income | 5,263 | 1,767 | 337 | 1,437 | 604 | 1,106 | 12 | 2,713 | 2,538 |
| Operating income | 2,904 | 1,062 | 249 | 916 | 229 | 639 | (190) | 1,698 | 1,397 |
| Income before tax | 1,659 | 672 | 226 | 595 | 114 | 503 | (450) | 1,223 | 887 |
| **Net attributable profit** | **1,150** | **477** | **198** | **436** | **81** | **280** | **(322)** | **843** | **628** |
| **4Q10** | | | | | | | | | |
| Net interest income | 3,138 | 1,143 | 98 | 941 | 409 | 652 | (105) | 1,601 | 1,642 |
| Gross income | 4,946 | 1,594 | 337 | 1,370 | 588 | 983 | 74 | 2,510 | 2,362 |
| Operating income | 2,621 | 851 | 257 | 879 | 206 | 529 | (102) | 1,549 | 1,174 |
| Income before tax | 1,162 | 508 | 180 | 565 | 1 | 393 | (485) | 1,077 | 570 |
| **Net attributable profit** | **939** | **374** | **169** | **452** | **16** | **191** | **(264)** | **763** | **440** |
| **1Q10** | | | | | | | | | |
| Net interest income | 3,386 | 1,304 | 81 | 860 | 437 | 556 | 148 | 1,423 | 1,815 |
| Gross income | 5,301 | 1,929 | 230 | 1,288 | 612 | 934 | 308 | 2,297 | 2,696 |
| Operating income | 3,183 | 1,238 | 159 | 840 | 255 | 566 | 125 | 1,467 | 1,591 |
| Income before tax | 1,862 | 1,008 | 149 | 485 | 82 | 446 | (308) | 983 | 1,188 |
| **Net attributable profit** | **1,240** | **714** | **124** | **347** | **56** | **233** | **(235)** | **632** | **842** |

(1) Mexico, South America, Turkey and Asia.

# Spain

## Income statement

(Million euros)

| | Spain | | |
|---|---|---|---|
| | 1Q11 | ∆% | 1Q10 |
| **Net interest income** | **1,109** | **(14.9)** | **1,304** |
| Net fees and commissions | 392 | (11.3) | 442 |
| Net trading income | 173 | 134.6 | 74 |
| Other income/expenses | 93 | (15.0) | 109 |
| **Gross income** | **1,767** | **(8.4)** | **1,929** |
| Operating costs | (705) | 2.1 | (691) |
| Personnel expenses | (434) | 4.3 | (416) |
| General and administrative expenses | (247) | (1.6) | (251) |
| Depreciation and amortization | (24) | 2.4 | (24) |
| **Operating income** | **1,062** | **(14.2)** | **1,238** |
| Impairment on financial assets (net) | (422) | 123.3 | (189) |
| Provisions (net) and other gains (losses) | 32 | n.m. | (42) |
| **Income before tax** | **672** | **(33.3)** | **1,008** |
| Income tax | (195) | (33.5) | (293) |
| **Net income** | **477** | **(33.3)** | **715** |
| Non-controlling interests | - | (54.3) | (1) |
| **Net attributable profit** | **477** | **(33.3)** | **714** |

## Balance sheet

(Million euros)

| | Spain | | |
|---|---|---|---|
| | 31-03-11 | ∆% | 31-03-10 |
| Cash and balances with central banks | 3,367 | 45.4 | 2,316 |
| Financial assets | 55,547 | (18.1) | 67,823 |
| Loans and receivables | 223,368 | (1.3) | 226,391 |
| Loans and advances to customers | 207,547 | (0.7) | 209,025 |
| Loans and advances to credit institutions and other | 15,822 | (8.9) | 17,366 |
| Inter-area positions | - | - | - |
| Tangible assets | 959 | (4.2) | 1,001 |
| Other assets | 2,497 | 10.2 | 2,265 |
| **Total assets/Liabilities and equity** | **285,738** | **(4.7)** | **299,796** |
| Deposits from central banks and credit institutions | 26,492 | (28.8) | 37,198 |
| Deposits from customers | 124,523 | 31.4 | 94,740 |
| Debt certificates | - | - | - |
| Subordinated liabilities | 5,394 | 3.0 | 5,236 |
| Inter-area positions | 71,559 | (31.1) | 103,799 |
| Financial liabilities held for trading | 32,261 | (5.2) | 34,018 |
| Other liabilities | 15,937 | 4.0 | 15,326 |
| Economic capital allocated | 9,571 | 1.0 | 9,478 |

## Significant ratios

(Percentage)

| | Spain | | |
|---|---|---|---|
| | 31-03-11 | 31-12-10 | 31-03-10 |
| Efficiency ratio | 39.9 | 39.9 | 35.8 |
| NPA ratio | 4.8 | 4.8 | 4.9 |
| NPA coverage ratio | 43 | 44 | 47 |
| Risk premium | 0.79 | 0.60 | 0.37 |

## Spain highlights in the first quarter

- Lethargy of business activity in the sector.
- Continued market share gains in key headings.
- Focus on customer loyalty and price over the volume.
- Slowdown of the net interest income decrease.
- Superior performance in risks.

The area of Spain includes all the segments of BBVA's banking and non-banking business in the country.

In the **first quarter of 2011**, the Spanish financial market continued to show sluggish lending activity, with greater competitive pressure in the prices of assets and liabilities and an upturn in the NPA ratio of banks and savings banks. Security and conservative formulas continue to be the most important factor in demand for savings products. They have shown greater returns than those observed before the liquidity squeeze of 2010 in a market with a high level of household saving ratio and that is undergoing a major corporate deleveraging process.

Against this background BBVA continues to prioritize loyalty and price over volume, with the aim of maintaining a profitable customer base in all its segments. Therefore, **gross lending to customers** in the area continues sluggish. As of 31-Mar-2011 it stood at €212,141m, 1.0% down on the figure of 31-Mar-2010, in a quarter that is seasonally lower than the fourth. Despite this, BBVA's **proactive** policy in bringing its commercial networks and central service structures into line with an efficient and productive customer-centric distribution system, as well as its focus on managing prices and a wide range of products and services, has in the first quarter consolidated its competitive advantage in terms of profitability, efficiency and the generation of recurring income. BBVA is also continuing to win market share in products that involve a greater level of customer loyalty. This has consolidated its leading position in the main segments of managed customers.

With regards to **customer funds** under management (deposits, mutual funds and pension funds), the performance was particularly good. They closed the first quarter of 2011 at €158,136m, up 10.0% year-on-year and 1.6% over the quarter. The positive performance has been both in time deposits and those of lower cost.

The Group managed €54,598m in **off-balance-sheet funds** in Spain as of 31-Mar-2011, a slight growth of 1.3% over the quarter. The volume of mutual funds has stabilized at €23,244m. This contrasts with the falls in the second half of 2010. The market share remains at 15.6%, thanks to the positive results from the sale of guaranteed funds, where BBVA's share is 22.7%. Finally, pension funds amounted to €17,042m, a slight growth on the previous quarter, above all in individual pension plans. Thus, BBVA maintains its position as the leading pension fund manager in Spain, with a market share of 18.3% (latest available data as of December).

The following is a summary of the **earnings** in the area:

Net interest income was 3.0% down over the quarter to €1,109m, as a result of the continued sluggishness of business mentioned above, the greater proportion of lower-risk portfolios (which also have a narrower spread), together with increased wholesale-funding costs. However, it is important to note that the decline is slowing, and that the first quarter of 2011 also had two fewer days than the fourth and third of 2010. The area has kept customer spreads in check and thus maintained profitability, measured as the net interest income/ATA ratio, at 1.50%. Net fees and commissions, at €392m, have fallen over the period by 1.7%, also in line with reduced banking activity and as a result of increasing customer loyalty (the area has reduced fees to an increasing number of customers). The greater contribution of NTI is due to the positive business performance in the Markets unit. Finally, the reduction in the other income/expenses item is basically the result of increased contributions to the Deposit Guarantee Fund. As a result of all the above, **gross income** is 10.9% above the level of the fourth quarter of 2010, at €1,767m.

In addition, **operating expenses** have been kept in check. In the first quarter of 2011, they amounted to €705m, a year-on-year increase of 2.1%, slightly below the domestic level of inflation, but a fall over the quarter of 5.0%. This is due to the proactive measures implemented by BBVA with its Transformation Plan of 2006, two years before the trend begun in the sector as a whole.

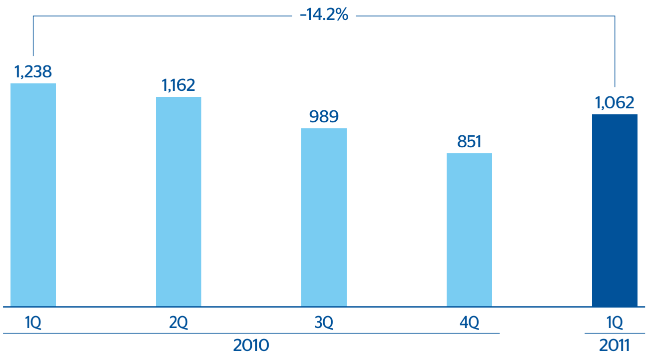
In all, the **operating income** amounted to €1,062m, which compares very favorably with the fourth and third quarters of 2010 (€851m and €989m respectively). As a result, despite the extremely difficult current economic situation that is having clearly negative effects on the country's financial system, the operating income generated by the area in Spain continues to be extremely resistant. This has allowed prudential criteria to be maintained and additional provisions to be allocated to increase the balance of generic provisions. Thus, impairment losses on financial assets increased by €21m over the quarter to €422m.

To sum up, revenues have been higher than the previous quarter, thanks to the maintenance of spreads and the good performance of activity in Markets. At the same time, reduced expenses make a higher level of provisions possible. As a result, the **net attributable profit** in the area was €102m up on the previous quarter, at €477m.

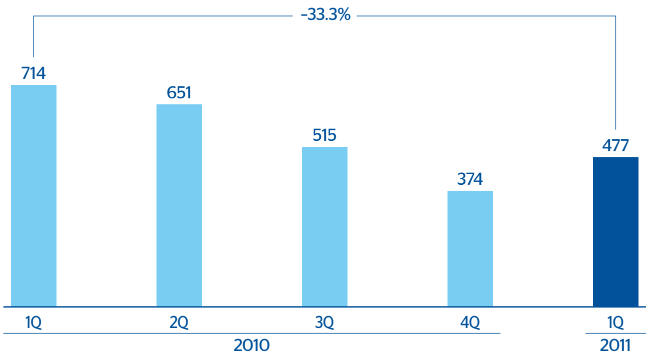
The main indicators of asset **quality** were maintained in the first quarter of 2011. The NPA ratio continued at the levels of the close of 2010 (4.8%) and the coverage ratio stood at 43% (44% at the close of December 2010). This is possible despite the increased NPA ratio in the sector overall, which according to the latest available data stood at 6.2% (NPA ratio figures for banks and savings banks as of February). New NPA fell by 31.5% over the quarter, leaving the recovery rate as a proportion of new NPA at 70.9% (66.8% in the previous quarter) and the balance of NPA as of 31-Mar-2011 at 2.3% below the figure for 31-Dec-2010.

Credit exposure in the developer sector in Spain as of 31-Mar-2011 amounted to €16,235m, a slight fall on the €16,608m as of 31-Dec-2010 and an improvement in its composition, with a greater proportion of completed buildings (mainly dwellings) and a fall in the number of buildings under construction and unsecured transactions. The value of the guarantees covering developer risk, based on up-to-date appraisals, is €24,316 million, with an average LTV of 66.7%, which easily covers the portfolio value. In addition, there are specific and generic provisions covering 29% of NPAs plus substandard impaired assets and 75% of the amount to be provisioned (the value in excess of the guarantees after applying the regulatory criteria that entered into force with Circular 3/2010 of the Bank of Spain). BBVA also maintained a total of €3,502m in real estate assets at gross book value coming from loans to these companies.

## Spain. Operating income
(Million euros)




## Spain. Net attributable profit
(Million euros)



## Detail of real estate developers lending

(Million euros)

| | 31-03-11 | % Weighting | 31-12-10 | % Weighting | Absolute variation |
|---|---|---|---|---|---|
| With collateral | 15,053 | 92.7 | 15,249 | 91.8 | (196) |
| Finished properties | 7,698 | 47.4 | 7,403 | 44.6 | 295 |
| Construction in progress | 3,010 | 18.5 | 3,531 | 21.3 | (521) |
| Land | 4,345 | 26.8 | 4,315 | 26.0 | 30 |
| Without collateral and other | 1,182 | 7.3 | 1,359 | 8.2 | (177) |
| **Total** | **16,235** | **100.0** | **16,608** | **100.0** | **(373)** |

## Coverage of real estate developers exposure

(Million euros at 31-03-11)

| | Risk amount | Shortfall over collateral (1) | Provision | % Coverage over shortfall | % Coverage over risk |
|---|---|---|---|---|---|
| NPL | 3,525 | 1,241 | 863 | 70 | 24 |
| Substandar | 2,399 | 1,045 | 314 | 30 | 13 |
| Generic provision | | | 541 | | |
| **Total** | **5,924** | **2,286** | **1,717** | **75** | **29** |

(1) Shortfall over updated collateral values and additional haircut established by the Bank of Spain regulation.

## Foreclosures and asset purchases

(Million euros at 31-03-11)

| | Gross amount | Provision | % Coverage | Net amount |
|---|---|---|---|---|
| From real estate developers | 3,502 | 1,090 | 31 | 2,412 |
| From Dwellings | 986 | 237 | 24 | 749 |
| Other | 674 | 372 | 55 | 302 |
| **Total** | **5,162** | **1,699** | **33** | **3,463** |

These properties have an average coverage ratio of 31%.

## Retail and Commercial Banking

This unit includes the Retail Network, with the segments of private individual customers, private banking, small companies and retailer segments in the domestic market; Corporate and Business Banking (CBB), which handles the needs of the SMEs, corporations, government and developers in the domestic market; and other businesses, among which are BBVA Seguros.

As of 31-Mar-2011 the **loan book** stood at €195,165m, a fall of barely 0.6% over the quarter (–0.5% over the last 12 months). The following are the most important points in this respect:

- BBVA has once more increased its **residential mortgage lending** share (up 7 bps over the quarter and 35 bps over the 12 months, according to the latest available figures to February). This has been boosted by the personalized and flexible "Home Purchase Loan," which now has more associated advantages. New loans amounted to €1,513m, with yield up by 54 basis points over the quarter (up 56 basis points over the 12 months). Managed loans in residential mortgages thus increased by 2.9% year-on-year to €78,597m. It is a portfolio with a stable and reduced NPA ratio (2.9%) and a high value due to its capacity to build loyalty. It will take a few months before the rise in interest rates begins to be reflected in the yield of this portfolio.

- BBVA is in a leading position by the amount distributed through **ICO finance facilities**, with new lending of €419m over the quarter through 6,932 transactions. Among the new facilities worth mentioning in this respect are the *Plan Avanza Dos*, *Production Cinematográfica* (movie production) and *Sector Manufacturero* (the manufacturing sector).

- BBVA continues to pay particular attention to finance for the segment of the **self-employed, retail trade, agricultural communities and small businesses**. It concluded transactions to the value of €5,868m as of the close of March. In addition, it launched the *Plan Comercios* in order to build loyalty in the retail segment, with lending up by 6% to €1,036m, and the *Plan + Profesional*, whose results are 5,000 new professionals and an increase of €60m in the volume of business. A total of 19,439 applications have been made in the agricultural sector, in the scope of the "Plan Cooperativas", for a total of €85m. This figure is nearly twice that in the first quarter of 2010. The "Plan Franquicias" has involved a new agreement with the Midas Group, the world leader in speedy mechanical repairs. BBVA also consolidated its leading position in the business segment with growth in products such as leasing (up 4.3% year-on-year), leasing including maintenance (up 56.1%), and accounts payable financing (up 16.2%).

- The balance of finance granted to **SMEs, large companies and public and private institutions** by BBVA was €89,870m as of 31-Mar-2011 (€90,245m as of 31-Mar-2010). In general the figure has remained stable, with the most notable factor being positive price management. By segment, there has been a notable increase in finance solutions for public institutions and large companies. Among these, between January and March have been transactions with the Deputation of Aragon, the autonomous region of Madrid and the autonomous region of the Balearic Islands for a total of €256m, as well as a loan to Valladolid Alta Velocidad, the high-speed rail link, for €80m.

Managed customer **funds** have been very stable over the quarter and totaled €144,269m as of 31-Mar-2011, an increase of 6.7% compared with the same date the previous year. Customer deposits performed particularly well, thanks to the strength of time deposits. In a market featuring a high level of competition for attracting lower-cost funds in the **individuals** segment, the promotions for payroll accounts and pensions have won a total of 55,465 new customer accounts, 48,766 payroll and 16,200 pension accounts. In all, the portfolio stock of transactional accounts managed amounts to €28,915, with the market share remaining at 9.6% since August 2010. In time deposits, the Group has a "customer-centric" policy, by which customers receive bigger advantages as they increase their loyalty. Progress continued in the first quarter of 2011 on new developments in the "BBVA UNO" deposit, with new production of €670m. The longer-term "BBVA 18" deposits were also launched to win new customers and accounts. These have accumulated a balance of €442m and provide more stability to the deposits gathered by the commercial network. In all, this line of action has given rise to growth in time deposits of €1,882m compared with the close of December and €14,677m in the last 12 months, at an average cost of 78 basis points below the market.

Customer funds in the segment of **SMEs, large companies and public and private institutions** increased by 20.8% year-on-year to €22,638m. Cost of deposits was 60 basis points below the average in the sector. This is due to the high proportion of current and savings accounts and a price offer that is adjusted to customer needs and their level of loyalty.

**BBVA Banca Privada** (Private Banking) ended the first quarter of 2011 with managed funds in Spain of €39,923m, 10.8% up on the same date the previous year. Its customer base increased by 0.9% and it kept the leading position in SICAVs, with assets under management (€2,988m), a share of 11.4%, and 294 companies managed.

Finally, in the **insurance** business, the new range of BBVA refundable insurance is a pioneering initiative in Spain that returns the amounts of premium paid to those insured while the insurance is current and rewards the loyalty of customers with payroll accounts through a discount of up to 25% in their annual premium. This launch has led to an increase of 4% in written premiums over the last 12 months, as well as a significant reduction in cancellations (down 16% year-on-year). The distribution of insurance business through the commercial networks has made BBVA Seguros the market leader in individual life and accident insurance policies, with a market share of 13.2% of written premiums as of 31-Dec-2010, at €484m (up 59% year-on-year). This positive trend is based on increased activity in insurance savings schemes, which have contributed premiums of €312m (up 139%).

Thus the positive management of volumes and the prices of assets and liabilities have led to stabilization in the net interest income at €951m, and thus a slowdown in its quarterly fall (–2.8%, compared with –5.6% as of 31-Dec-2010 and –7.2% as of 31-Sep-2010). The distribution of more insurance, stability in the volume of mutual funds under management, leadership in pension funds and a positive trend in fees and other income in the institutional and corporate segment has also helped to halt the falling trend of the other revenues in the unit. As a result, the **gross income** for the quarter amounted to €1,389m, 2.5% down on the fourth quarter of 2010. However, because operating expenses fell the operating income increased by 4.0% in the same period to €792m, thus allowing more generic provisions to be made. The **net attributable profit** totaled €285m, slowing its quarterly fall (–11.6% compared with –29.3% in the previous quarter).

## Wholesale Banking & Asset Management

This unit manages the business with large corporations and multinational groups in the domestic market through Corporate and Investment Banking and the activity of Markets in the same geographical area, with their trading floor business and distribution. It is a customer base with diversified business and high cash flows from other countries. BBVA is able to offer a full range of products and services and support through its extensive international presence.

The **managed loan-book** (excluding repos) was €13,038m as of 31-Mar-2011, 13.0% under the figure for 31-Dec-2010, due to the strategy of focusing on those customers with the highest levels of loyalty, profitability and credit quality. It was also affected by the general trend for more restricted activity. It is worth highlighting that it is a portfolio with a low NPA level and low provisioning needs. **Customer funds** ended the quarter at €22,146m, a quarterly increase of 15.2% (up 31.3% year-on-year), mainly as a result of the high levels of new fund gathering.

This has a positive effect on the unit's recurrent revenues (net interest income plus fees), which stand at €247m for the quarter, above the figure registered in the three previous quarters. In addition, the excellent business in Markets has boosted NTI to €123m. **Gross income** thus increased by 15.0% over the first quarter of 2010 and more than doubled the figure for the fourth quarter of last year. Expenses continue with the growth trend started in previous quarters as a result of investments, mainly in systems and the development and expansion of Markets activity. As a result, the **operating income** was €270m, up 12.4% year-on-year, and more than three times the figure for the previous quarter, while the **net attributable profit** was €191m (up 11.4% year-on-year).

# Eurasia

## Income statement

(Million euros)

| | Eurasia | | |
|---|---|---|---|
| | 1Q11 | ∆% | 1Q10 |
| **Net interest income** | **104** | **28.6** | **81** |
| Net fees and commissions | 63 | 12.4 | 56 |
| Net trading income | 31 | (1.3) | 31 |
| Other income/expenses | 139 | 128.5 | 61 |
| **Gross income** | **337** | **47.0** | **230** |
| Operating costs | (88) | 25.9 | (70) |
| Personnel expenses | (53) | 19.6 | (44) |
| General and administrative expenses | (31) | 42.2 | (22) |
| Depreciation and amortization | (5) | 7.0 | (4) |
| **Operating income** | **249** | **56.4** | **159** |
| Impairment on financial assets (net) | (29) | 275.0 | (8) |
| Provisions (net) and other gains (losses) | 6 | n.m. | (2) |
| **Income before tax** | **226** | **51.3** | **149** |
| Income tax | (28) | 7.2 | (26) |
| **Net income** | **198** | **60.6** | **123** |
| Non-controlling interests | – | (100.0) | 1 |
| **Net attributable profit** | **198** | **60.0** | **124** |

## Balance sheet

(Million euros)

| | Eurasia | | |
|---|---|---|---|
| | 31-03-11 | ∆% | 31-03-10 |
| Cash and balances with central banks | 1,440 | (7.0) | 1,548 |
| Financial assets | 10,659 | 115.9 | 4,936 |
| Loans and receivables | 36,051 | 40.4 | 25,683 |
| Loans and advances to customers | 32,209 | 37.5 | 23,433 |
| Loans and advances to credit institutions and other | 3,842 | 70.7 | 2,250 |
| Inter-area positions | 7,254 | (59.4) | 17,887 |
| Tangible assets | 549 | 62.3 | 338 |
| Other assets | 962 | 166.8 | 360 |
| **Total assets/Liabilities and equity** | **56,915** | **12.1** | **50,754** |
| Deposits from central banks and credit institutions | 19,740 | 10.2 | 17,905 |
| Deposits from customers | 28,117 | (0.7) | 28,324 |
| Debt certificates | 602 | n.m. | – |
| Subordinated liabilities | 1,789 | 43.5 | 1,247 |
| Inter-area positions | – | – | – |
| Financial liabilities held for trading | 255 | (29.2) | 360 |
| Other liabilities | 2,104 | 218.7 | 660 |
| Economic capital allocated | 4,309 | 90.8 | 2,258 |

## Significant ratios

(Percentage)

| | Eurasia | | |
|---|---|---|---|
| | 31-03-11 | 31-12-10 | 31-03-10 |
| Efficiency ratio | 26.2 | 27.3 | 30.6 |
| NPA ratio | 1.2 | 0.9 | 0.7 |
| NPA coverage ratio | 131 | 154 | 184 |
| Risk premium | 0.45 | 0.38 | 0.13 |

## Eurasia highlights in the first quarter

- Growing contribution from the strategic holding in China and from the wholesale business in Europe.
- Increased business activity in both geographical regions.
- Incorporation of Garanti by the proportional consolidation method.

This area covers BBVA's activity in Europe (excluding Spain) and Asia. In other words, it includes BBVA Portugal, Consumer Finance Italy and Portugal, the retail business of branches in Paris, London and Brussels (in 2010 these were reported in Spain and Portugal), and WB&AM activity (Corporate and Investment Banking, Markets and CNCB) within this geographical area. It also includes the Group's holding in Garanti.

It is an area with a growing contribution in terms of both earnings and the balance sheet. In the **first quarter of 2011**, Eurasia generated 13.5% of the net attributable profit from the business areas (17.2% of the Group's profit) and accounted for 10.1% of BBVA's total assets.

With respect to the volume of business, **gross lending to customers** as of 31-Mar-2011 amounted to €32,904m. Its increase of 38.1% year-on-year and 35.5% quarter-on-quarter is the result of the recent incorporation of BBVA's stake in Garanti. Excluding the Turkish bank, lending was very stable, and remained practically at the same levels as a year ago, due to the fall in global business; at the same time, retail and commercial banking registered a year-on-year growth of 14.1% (up 2.1% over the quarter).

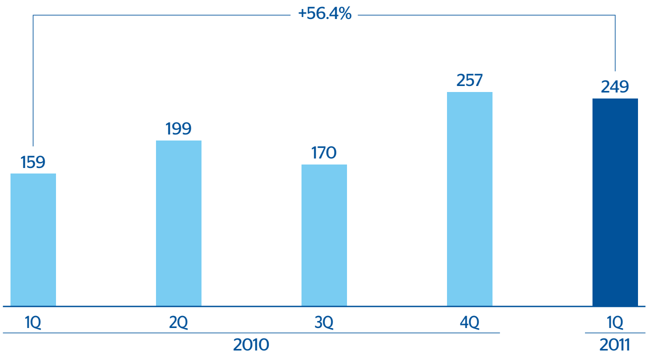
**Customer funds** grew by 36.7% over the quarter to €27,457m. Excluding Garanti, they fell by 7.6%, due mainly to the level of global business in Europe.

In terms of **earnings**, Eurasia generated €198m of net attributable profit over the quarter. Garanti's share in this figure is still slight, as its financial statements were incorporated into the Group in March. Its contribution will thus begin to be more significant over the coming quarters. Net interest income (up 28.6% year-on-year) and fees (up 12.4%) performed well against a background of restricted lending, with the contribution of Wholesale Banking & Asset Management being particularly important in this respect. As a result, and combined with the significant contribution from income by the equity method from CNCB, gross income increased by 47.0% year-on-year to €337m. Operating expenses amounted to €88m and pushed operating income to €249m (up 56.4%). Of this figure, 11.7% is allocated for loan-loss provisions, so the net attributable profit increased by 60.0% over the last twelve months.

Of the above earnings, 58.6% are from **Asia**, and include the contribution from CNCB. Over the first quarter of 2011, this contribution has

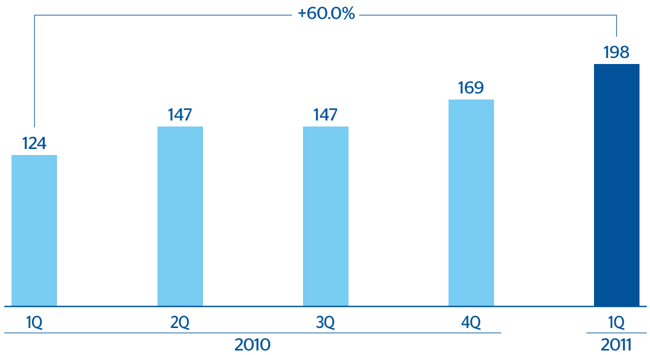
## Eurasia. Operating income

(Million euros)




## Eurasia. Net attributable profit

(Million euros)



been extremely significant, compared with the same period the previous year, for two reasons: first, because the exercise of the additional 5% purchase option for CNCB was made effective in the second quarter of 2010 (April 1); and second, because of the area's excellent performance. In particular, it is worth noting the significant growth of business in CNCB. At the close of December 2010 its loan book was up 18.6% and customer deposits up 29.0%, with earnings above market expectations (2010 earnings were 50.2% above those for 2009).

As of March 22, BBVA executed the acquisition of 24.9% of **Garanti**, the leading bank in Turkey. This is an excellent franchise with 9.8 million customers, a network of 853 branches and over 3,000 ATMs. The results for 2010 show a record profit, with a year-on-year growth of 11.3%, high growth in business and continuous improvement in credit quality. Garanti is also a very solvent bank, with sound capital ratios and low leverage. This puts it in a privileged position for continued strong future growth.

In terms of the composition of its balance sheet, loans and advances to customers amount to 56.4% of the total and are the motor of its business. On the liabilities side, it has a very diversified base of sources of finance, with 58.6% from customer deposits.

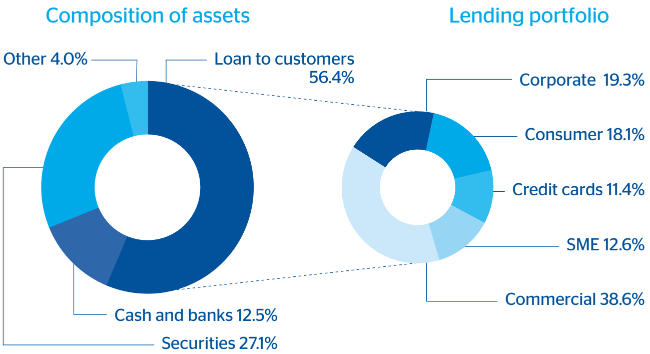
## Garanti. Significant data

| | 31-12-10 |
|---|---|
| **Financial statements (million euros)** | |
| Attributable profit | 1,717 |
| Total assets | 65,619 |
| Loans to customers | 34,354 |
| Deposits from customers | 36,869 |
| **Relevant ratios (%)** | |
| Efficiency ratio | 44.4 |
| NPA ratio | 3.5 |
| **Other information** | |
| Number of employees | 17,660 |
| Number of branches | 853 |
| Number of ATMs | 3,003 |

Garanti has been consolidated into the BBVA Group using the proportional consolidation method. It contributes assets of €16.1 billion, with lending and customer deposits of €8.9 billion each, and a profit of €12m since the date of its acquisition to the end of the month.

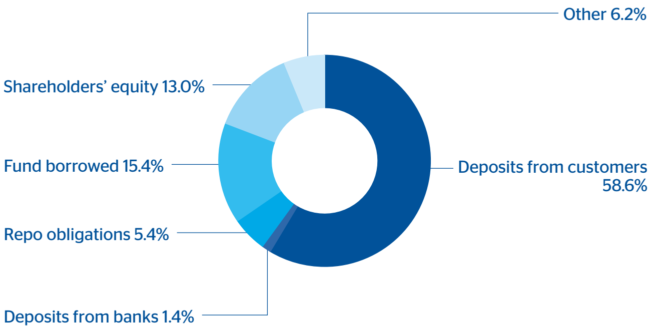
## Garanti. Composition of assets and lending portfolio

(March 2011)




## Garanti. Composition of liabilities

(March 2011)



# Mexico

## Income statement

(Million euros)

| | Mexico | | | | Units: Banking business | | | | Units: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q11 | Δ% | Δ% (1) | 1Q10 | 1Q11 | Δ% | Δ% (1) | 1Q10 | 1Q11 | Δ% | Δ% (1) | 1Q10 |
| **Net interest income** | **967** | **12.4** | **5.1** | **860** | **948** | **12.6** | **5.2** | **842** | **17** | **(3.2)** | **(9.5)** | **17** |
| Net fees and commissions | 299 | 6.8 | (0.2) | 280 | 282 | 6.6 | (0.3) | 265 | 14 | (2.3) | (8.7) | 14 |
| Net trading income | 120 | 10.2 | 3.0 | 109 | 94 | 43.7 | 34.3 | 66 | 26 | (40.4) | (44.3) | 44 |
| Other income/expenses | 51 | 31.6 | 23.0 | 39 | (32) | (16.3) | (21.8) | (38) | 99 | 24.6 | 16.5 | 80 |
| **Gross income** | **1,437** | **11.6** | **4.3** | **1,288** | **1,294** | **14.0** | **6.5** | **1,135** | **156** | **0.7** | **(5.9)** | **155** |
| Operating costs | (521) | 16.5 | 8.8 | (448) | (490) | 19.3 | 11.5 | (411) | (42) | 20.2 | 12.3 | (35) |
| Personnel expenses | (230) | 11.9 | 4.5 | (206) | (211) | 12.0 | 4.6 | (188) | (19) | 11.3 | 4.0 | (17) |
| General and administrative expenses | (266) | 19.0 | 11.2 | (223) | (254) | 24.4 | 16.3 | (204) | (22) | 29.5 | 21.0 | (17) |
| Depreciation and amortization | (26) | 36.5 | 27.5 | (19) | (25) | 37.4 | 28.4 | (18) | (1) | 10.3 | 3.1 | (1) |
| **Operating income** | **916** | **9.0** | **1.8** | **840** | **804** | **11.0** | **3.7** | **724** | **114** | **(5.0)** | **(11.2)** | **120** |
| Impairment on financial assets (net) | (310) | (6.4) | (12.5) | (331) | (310) | (6.4) | (12.5) | (331) | - | - | - | - |
| Provisions (net) and other gains (losses) | (11) | (53.8) | (56.8) | (24) | (10) | (56.1) | (59.0) | (24) | (1) | n.m. | n.m. | - |
| **Income before tax** | **595** | **22.5** | **14.5** | **485** | **484** | **30.8** | **22.3** | **370** | **113** | **(5.4)** | **(11.6)** | **120** |
| Income tax | (158) | 15.1 | 7.6 | (138) | (126) | 24.2 | 16.1 | (102) | (32) | (11.0) | (16.9) | (37) |
| **Net income** | **436** | **25.5** | **17.3** | **348** | **357** | **33.4** | **24.6** | **268** | **81** | **(2.9)** | **(9.3)** | **83** |
| Non-controlling interests | (1) | (5.5) | (11.7) | (1) | - | 26.3 | 18.0 | - | (1) | (7.1) | (13.2) | (1) |
| **Net attributable profit** | **436** | **25.5** | **17.3** | **347** | **357** | **33.4** | **24.6** | **268** | **80** | **(2.9)** | **(9.2)** | **83** |

(1) At constant exchange rate.

## Balance sheet

(Million euros)

| | Mexico | | | | Units: Banking business | | | | Units: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31-03-11 | Δ% | Δ% (1) | 31-03-10 | 31-03-11 | Δ% | Δ% (1) | 31-03-10 | 31-03-11 | Δ% | Δ% (1) | 31-03-10 |
| Cash and balances with central banks | 5,415 | (12.0) | (10.6) | 6,154 | 5,415 | (12.0) | (10.6) | 6,154 | - | - | - | - |
| Financial assets | 25,553 | (0.3) | 1.3 | 25,640 | 20,868 | (2.5) | (0.9) | 21,407 | 4,939 | 10.3 | 12.1 | 4,479 |
| Loans and receivables | 42,705 | 26.0 | 28.1 | 33,882 | 42,379 | 25.8 | 27.8 | 33,686 | 384 | 46.1 | 48.4 | 263 |
| Loans and advances to customers | 34,901 | 12.4 | 14.2 | 31,061 | 34,712 | 12.2 | 14.0 | 30,945 | 224 | 69.1 | 71.8 | 133 |
| Loans and advances to credit institutions and other | 7,804 | 176.7 | 181.2 | 2,821 | 7,667 | 179.7 | 184.2 | 2,741 | 159 | 22.6 | 24.6 | 130 |
| Tangible assets | 864 | 6.5 | 8.3 | 811 | 857 | 6.6 | 8.3 | 804 | 7 | (0.8) | 0.8 | 7 |
| Other assets | 913 | (49.9) | (49.1) | 1,825 | 2,372 | 18.6 | 20.6 | 2,000 | 185 | 95.3 | 98.5 | 95 |
| **Total assets/Liabilities and equity** | **75,451** | **10.4** | **12.2** | **68,312** | **71,891** | **12.2** | **14.1** | **64,050** | **5,514** | **13.9** | **15.7** | **4,843** |
| Deposits from central banks and credit institutions | 13,869 | 40.4 | 42.7 | 9,877 | 13,869 | 40.4 | 42.7 | 9,877 | - | - | - | - |
| Deposits from customers | 36,950 | 7.3 | 9.1 | 34,430 | 36,974 | 7.2 | 9.0 | 34,482 | - | - | - | - |
| Debt certificates | 3,500 | 6.9 | 8.7 | 3,274 | 3,500 | 6.9 | 8.7 | 3,274 | - | - | - | - |
| Subordinated liabilities | 2,164 | 22.7 | 24.7 | 1,765 | 3,787 | 90.5 | 93.6 | 1,988 | - | - | - | - |
| Financial liabilities held for trading | 4,441 | (15.5) | (14.1) | 5,254 | 4,441 | (15.5) | (14.1) | 5,254 | - | - | - | - |
| Other liabilities | 10,727 | 3.7 | 5.3 | 10,349 | 5,906 | (2.7) | (1.2) | 6,072 | 5,178 | 11.9 | 13.8 | 4,625 |
| Economic capital allocated | 3,799 | 13.0 | 14.8 | 3,363 | 3,414 | 10.0 | 11.8 | 3,103 | 336 | 54.3 | 56.8 | 218 |

(1) At constant exchange rate.

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

At the start of 2011, the **Mexican economy** has continued on its growth path that has taken it to GDP rates higher than those before the 2009 crisis. The sustained strength of foreign demand, favorable conditions for finance and a labor market that continues to create jobs all justify prospects for growth of 4.7% in 2011. There could be upward pressure on inflation as a result of increased prices of oil and other commodities. Against this backdrop of increased demand and greater costs, the Central Bank of Mexico (Banxico) could begin to increase interest rates at the end of 2011 and even close the year at nearly 5% (4.5% in April 2011). Banxico's credibility in monetary policy management and several macroeconomic policies designed for stability will prevent the process of increasing rates from reaching the peaks recorded in the previous cycle.

In terms of the **exchange rate**, the abundance of group liquidity and the cyclical moment of the Mexican economy have enabled the appreciation against the dollar to be maintained, which, as a result of the US currency's course, has been lower against the euro. In fact, the Mexican peso has depreciated in the last twelve months, though in average terms, its appreciation has continued. In all, the impact of the currency over the last year is positive in earnings, but negative on the balance sheet and volume of business. As is standard, comments regarding the percent change are expressed in terms of constant exchange rates. The figures with and without the currency effect are shown in the enclosed tables.

## Mexico highlights in the first quarter

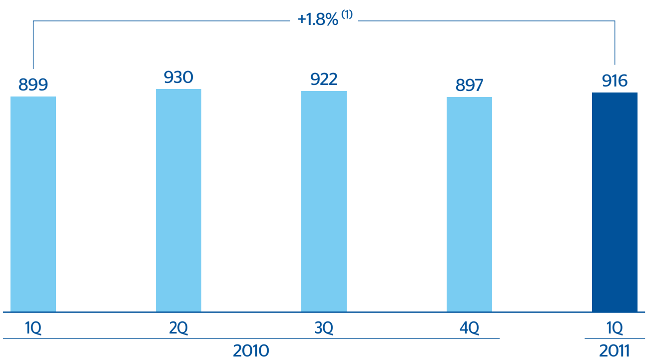
- Strong business activity.
- Record gross income.
- Risk stability.
- Bancomer successfully completes the largest debt issue ever by a Latin American bank.

## Significant ratios
(Percentage)

| | Mexico | | |
|---|---|---|---|
| | 31-03-11 | 31-12-10 | 31-03-10 |
| Efficiency ratio | 36.3 | 34.6 | 34.8 |
| NPA ratio | 3.2 | 3.2 | 4.1 |
| NPA coverage ratio | 136 | 152 | 131 |
| Risk premium | 3.43 | 3.65 | 4.34 |

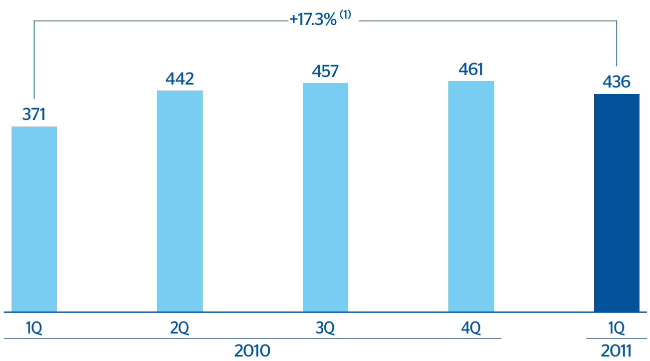
In the first quarter of 2011, the area presented solid earnings. The net interest income reached €967m, with year-on-year growth of 5.1%, which was boosted primarily by the greater volumes of lending and customer funds. In addition, the progress of NTI and revenues from insurance activities has offset the reduced contribution of certain lines of fees and commissions (explained, in part, by the regulatory modifications that took effect in January 2011). Thus, **gross income** closed the quarter at €1,437m, up 4.3% on the same period in 2010.

## Mexico. Operating income
(Million euros at constant exchange rate)




(1) At current exchange rate: +9.0%.

## Mexico. Net attributable profit
(Million euros at constant exchange rate)




(1) At current exchange rate: +25.5%.

BBVA Bancomer continues to take advantage of the opportunities presented by the Mexican market through the development of its Strategic Growth Plan, which was launched in March 2010. This Plan represents a significant effort in investment in infrastructure and is basically the reason for the 8.8% year-on-year increase of operating expenses to €521m. Thus in the last 12 months, the ATM network has grown to 6,979 units (6,370 as of March 2010).

The aforementioned performance of earnings and expenses has led to an **operating income** of €916m, a 1.8% increase on the same period last year.

The improved dynamism of the loan-book has been accompanied by an improvement in the **asset quality** indicators. Thus, impairment losses on financial assets fell back 12.5% year-on-year to €310m. This positive progress improved the risk premium again by 22 basis points to close 31-Mar-2011 at 3.43%. In addition, the NPA ratio remains at 3.2%, while the coverage ratio has fallen to 136% (152% as of 31-Dec-2010). This reduction is due to the early termination of the Federal Government's *Punto Final* program in January 2011. The program provided support for mortgage debtors affected by the 1994 crisis through discounts granted by the Federal Government and banks. The application of a discount by the Federal Government is repayable in equal amounts over 5 years, while the discount corresponding to BBVA Bancomer represents a reduction in the reserves associated with the discount. The result of this has been a fall in the balances of the housing portfolio (1.5% of the total outstanding portfolio as of 31-Dec-2010), with its respective associated income.

As a result, BBVA Bancomer has generated a year-on-year growth in its **net attributable profit** of 17.3%, and closed the quarter at €436m.

## Banking business

In the first quarter of 2011, Bancomer recorded a very positive performance of its commercial activity, which was reflected in a year-on-year growth of the **loan-book** of 12.8% to €36,332m.

By segments, the **commercial portfolio**, which includes lending to the government, corporate clients, small and medium enterprises and micro-enterprises reached €18,069m, up 17.2% on 31-Mar-2010. Particularly noteworthy is the positive performance of loans to small businesses, at €1,289m, which grew at a year-on-year rate of 17.6%. In the first quarter of the year, BBVA Bancomer launched a new product called "Bancomer net cash", which provides a global electronic banking solution for corporate clients, businesses and governments, as it integrates various solutions designed to streamline administrative tasks, payments and collections and the cash flows of these clients.

The **consumer portfolio**, including credit cards, has shown a clear recovery with 20.5% growth with respect to the close of 31-Mar-2010, and reached €7,280m. This has ensured that the joint market share (consumer finance and credit cards) has risen by more than 350 basis points in the last twelve months.

**Mortgage loans**, excluding the old mortgage portfolio, continued to present sustained growth. At the close of March 2011, a sum of €8,502m was recorded, marking a year-on-year increase of 8.2%. For 2011, BBVA Bancomer expects to place 15,000 loans to individual customers in partnership with FOVISSSTE (the institution providing residential loans to civil servants). In the first three months of the year, BBVA Bancomer has already granted 7,381 loans to individual customers. This means that the bank is still granting one of every three new mortgages on the market.

**Customer funds**, including bank deposits, repos, mutual funds and investment companies, grew by 10.7% on 31-Mar-2010 to €53,796m. Their composition is worth mentioning, as it continues to be very profitable: 41.4% are in low-cost funds (current and savings accounts), 15.5% in time deposits, 10.1% in repos and 33.0% in investment companies and other off-balance-sheet funds. Demand funds in the quarter increased thanks in some part to the *Internet Móvil Gratis* campaign among SMEs, which attracted more than €400m from 24,700 customers. Time deposits amounted to €8,078m at the close of the first quarter of 2011, a very similar figure to that at 31-Dec-2010.

In **off-balance-sheet funds**, the assets managed by investment companies presented a year-on-year growth of 12.3% to €17,779m. BBVA Bancomer has been recognized for the fifth year as one of the most outstanding managers in the Mexican market in 2010 by Fund Pro and Latin Asset, due to the positive performance of its mutual funds. It is also important to mention that the bank has one of the most extensive ranges of national and international mutual funds on the Mexican market.

Finally, BBVA Bancomer's excellent **capital** position should also be highlighted, as it recorded a solid capital adequacy ratio of 15.85% as of 31-Mar-2011. As part of its active management of the balance sheet, BBVA Bancomer has successfully made two debt issues in the quarter on the international capital markets (Latin America, United States, United Kingdom and Asia) for 2 billion US dollars: 1,250 million dollars in 10-year capital notes and 750 million in senior 5-year notes. This is the biggest operation in history to be carried out by a bank in Latin America and between institutions operating in emerging markets. The above is a clear reflection of investors' confidence in the business performance and expectations for BBVA Bancomer.

## Pensions and Insurance

In the first quarter of 2011, the pension and insurance business contributed a **net attributable profit** of €80m, which is 9.2% less than in the same period of 2010. This was due, basically, to the lower net trading income generated in comparison with the previous year, a year in which it was exceptionally high.

In the **pension sector**, Afore Bancomer presented a positive quarter in terms of its commercial variables. Thus, at the close of March, the total funds under management were 10.2% up year-on-year to €12,361m, while the receipts for the quarter were up 6.15%. This has boosted fees, which were up 5.1% on the first quarter of 2010. However, as with the sector as a whole, the high level of volatility in the financial markets throughout the quarter has had a very negative effect on NTI. As a result, Afore Bancomer contributed a net attributable profit of €15m.

The **insurance business** generated a net attributable profit of €65m, 8.1% down on the first quarter of 2010. This is mainly due to the extraordinary income included in the first quarter of last year due to a modification of the valuation of the reserves of the auto branch. Without this extraordinary item, the year-on-year growth would be 11.6%. It is also worth highlighting the positive performance of commercial activity. An example of this is the notable launch of the mass *Autoseguro* campaign designed to boost the sale of products of the auto branch sold through the branch network. In addition, the Alternative Channels Department has maintained its positive growth trend by selling 215,258 policies over the quarter (up 25% on the figure for the first quarter of 2010) through external channels.

# South America

## Income statement

(Million euros)

| | South America | | | | Units: Banking business | | | | Units: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q11 | Δ% | Δ% (1) | 1Q10 | 1Q11 | Δ% | Δ% (1) | 1Q10 | 1Q11 | Δ% | Δ% (1) | 1Q10 |
| **Net interest income** | **694** | **24.9** | **23.5** | **556** | **682** | **25.1** | **23.7** | **545** | **12** | **7.3** | **4.8** | **11** |
| Net fees and commissions | 253 | 17.2 | 13.5 | 216 | 180 | 18.2 | 17.0 | 152 | 76 | 12.9 | 4.3 | 67 |
| Net trading income | 201 | 8.7 | 8.7 | 184 | 176 | 11.8 | 12.1 | 157 | 25 | (9.7) | (11.3) | 27 |
| Other income/expenses | (41) | 94.4 | 112.5 | (21) | (83) | 45.8 | 51.0 | (57) | 43 | 16.6 | 16.8 | 37 |
| **Gross income** | **1,106** | **18.4** | **16.4** | **934** | **954** | **19.7** | **18.3** | **797** | **156** | **9.1** | **4.5** | **143** |
| Operating costs | (467) | 26.8 | 25.3 | (368) | (401) | 27.8 | 26.6 | (314) | (62) | 14.1 | 10.2 | (54) |
| Personnel expenses | (238) | 24.2 | 22.5 | (192) | (203) | 24.2 | 22.9 | (163) | (30) | 10.4 | 6.4 | (27) |
| General and administrative expenses | (194) | 30.2 | 28.8 | (149) | (165) | 32.9 | 31.8 | (124) | (30) | 16.6 | 13.0 | (26) |
| Depreciation and amortization | (35) | 26.7 | 25.8 | (27) | (33) | 25.9 | 25.3 | (26) | (2) | 41.9 | 34.8 | (1) |
| **Operating income** | **639** | **12.8** | **10.7** | **566** | **553** | **14.4** | **12.9** | **484** | **95** | **6.2** | **1.1** | **89** |
| Impairment on financial assets (net) | (120) | 12.5 | 9.1 | (107) | (120) | 12.5 | 9.1 | (107) | - | - | - | - |
| Provisions (net) and other gains (losses) | (15) | 17.5 | 17.8 | (13) | (13) | 17.6 | 16.4 | (11) | (2) | (32.5) | (32.4) | (4) |
| **Income before tax** | **503** | **12.8** | **10.9** | **446** | **420** | **14.9** | **13.9** | **366** | **92** | **7.8** | **2.5** | **86** |
| Income tax | (84) | (14.7) | (16.1) | (99) | (69) | (9.0) | (10.1) | (76) | (18) | (17.9) | (20.0) | (22) |
| **Net income** | **419** | **20.6** | **18.5** | **348** | **351** | **21.1** | **20.2** | **290** | **74** | **16.6** | **10.0** | **64** |
| Non-controlling interests | (139) | 21.9 | 20.6 | (114) | (121) | 25.9 | 25.8 | (96) | (18) | 0.5 | (5.9) | (18) |
| **Net attributable profit** | **280** | **19.9** | **17.5** | **233** | **230** | **18.7** | **17.5** | **194** | **56** | **22.9** | **16.2** | **46** |

(1) At constant exchange rate.

## Balance sheet

(Million euros)

| | South America | | | | Units: Banking business | | | | Units: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31-03-11 | Δ% | Δ% (1) | 31-03-10 | 31-03-11 | Δ% | Δ% (1) | 31-03-10 | 31-03-11 | Δ% | Δ% (1) | 31-03-10 |
| Cash and balances with central banks | 7,037 | 35.5 | 42.2 | 5,194 | 7,037 | 35.5 | 42.2 | 5,194 | - | - | - | - |
| Financial assets | 8,808 | (0.8) | 2.1 | 8,883 | 6,998 | (5.2) | (2.4) | 7,381 | 1,768 | 17.7 | 22.3 | 1,502 |
| Loans and receivables | 33,343 | 23.8 | 26.6 | 26,941 | 32,570 | 23.3 | 26.1 | 26,418 | 561 | (14.5) | (10.6) | 657 |
| Loans and advances to customers | 29,909 | 24.8 | 27.6 | 23,966 | 29,745 | 24.9 | 27.6 | 23,816 | 178 | 9.8 | 21.4 | 162 |
| Loans and advances to credit institutions and other | 3,434 | 15.4 | 18.8 | 2,975 | 2,825 | 8.6 | 11.8 | 2,602 | 383 | (22.5) | (20.4) | 494 |
| Tangible assets | 651 | 10.8 | 15.0 | 587 | 599 | 11.9 | 16.6 | 536 | 51 | 0.3 | (1.0) | 51 |
| Other assets | 2,016 | (4.4) | (3.7) | 2,109 | 1,591 | 2.3 | 2.9 | 1,555 | 137 | (4.0) | (1.3) | 143 |
| **Total assets/Liabilities and equity** | **51,855** | **18.6** | **21.8** | **43,715** | **48,795** | **18.8** | **21.9** | **41,084** | **2,517** | **7.0** | **11.2** | **2,352** |
| Deposits from central banks and credit institutions | 4,513 | 56.3 | 57.3 | 2,888 | 4,512 | 56.7 | 57.7 | 2,880 | 4 | (31.0) | (24.7) | 6 |
| Deposits from customers | 32,965 | 14.7 | 18.3 | 28,748 | 33,077 | 14.6 | 18.2 | 28,867 | - | - | - | - |
| Debt certificates | 1,900 | 18.0 | 17.5 | 1,610 | 1,900 | 18.0 | 17.5 | 1,610 | - | - | - | - |
| Subordinated liabilities | 1,458 | 18.1 | 18.0 | 1,234 | 1,076 | 46.2 | 46.1 | 736 | - | - | - | - |
| Financial liabilities held for trading | 727 | 3.5 | 0.9 | 702 | 727 | 3.5 | 0.9 | 702 | - | - | - | - |
| Other liabilities | 7,731 | 24.6 | 29.0 | 6,206 | 5,451 | 21.7 | 25.8 | 4,479 | 2,015 | 10.2 | 14.5 | 1,828 |
| Economic capital allocated | 2,563 | 10.2 | 13.4 | 2,327 | 2,052 | 13.4 | 16.8 | 1,810 | 498 | (3.6) | 0.4 | 517 |

(1) At constant exchange rate.

## South America highlights in the first quarter

- Strong business activity.
- Market share gains in the main headings.
- Excellent results.
- The best risk indicators in the BBVA Group.

## Significant ratios

(Percentage)

| | South America | | |
|---|---|---|---|
| | 31-03-11 | 31-12-10 | 31-03-10 |
| Efficiency ratio | 42.2 | 43.9 | 39.4 |
| NPA ratio | 2.5 | 2.5 | 2.8 |
| NPA coverage ratio | 134 | 130 | 132 |
| Risk premium | 1.55 | 1.52 | 1.75 |

The South America area of the BBVA Group manages the banking, pension and insurance businesses in the countries of the region. The first quarter figures include Crédit Uruguay (an entity acquired at the end of 2010 that will be merging with BBVA Uruguay next quarter), which affects, though insignificantly, the growth rates and financial statements for the area.

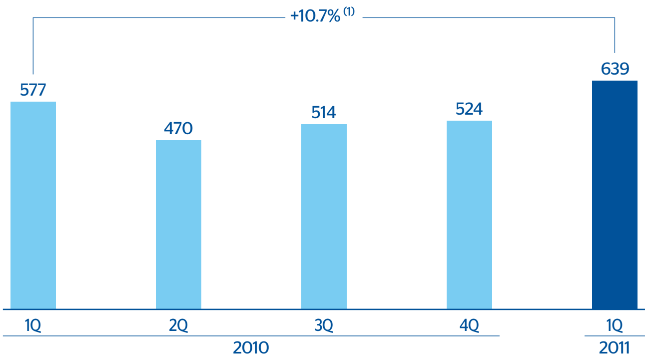
In the first three months of 2011, the **macroeconomic context** remained very positive in the entire region thanks to the boost from internal demand, with a growing role of fixed capital investment and foreign direct investment. Thus, the forecasted growth of the regional GDP for 2011 rose to 4.5%, which was also influenced by the strength of the foreign trade indicators. A less positive aspect that should be mentioned is that the strength of domestic demand, together with rising fuel and food costs, is triggering an increase in the inflation expectations for the entire area. This has led monetary authorities to resume the course of interest rate hikes.

Furthermore, the **exchange rates** of the region's currencies have depreciated with regard to 2010 in terms of both final and average rates (with the exception of the Chilean peso, which appreciated in average terms). However, in the last year, its effect has been positive on earnings (the Chilean and Colombian pesos and the Peruvian nuevo sol have appreciated), but negative on the balance sheet (only the Chilean peso appreciated). As usual, the attached tables include columns with the year-on-year changes at constant exchange rates, to which the following comments refer.

The continued positive economic climate favors activity in the financial sector, in line with what has been observed in recent quarters, with an active participation by the different units in the area. Thus, the **loan book** for South America at the end of March reached €31,036 million for a year-on-year increase of 27.1% and recorded a market share gain of 47 basis points (with data from February, the latest available). As is becoming the norm, the increase in lending was accompanied by an increase in **customer funds**, such that all units maintained comfortable levels of liquidity (the deposit/loan ratio of the banks ended the quarter at 114.4%). Of the customer funds managed by the banks (€38,463 million, including mutual funds, 16.8% more than in March 2010), the performance of lower-cost products (current and savings accounts) was

## South America. Operating income

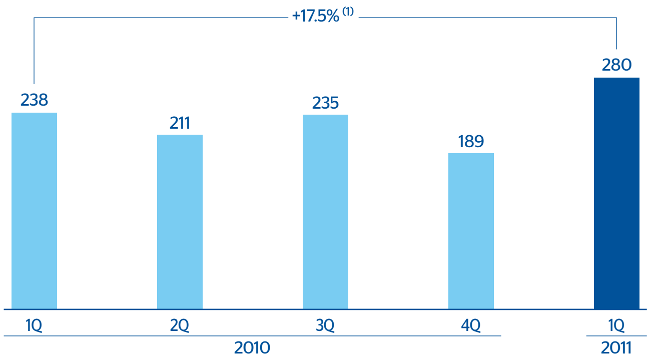
(Million euros at constant exchange rate)




(1) At current exchange rate: +12.8%.

## South America. Net attributable profit

(Million euros at constant exchange rate)




(1) At current exchange rate: +19.9%.

especially noteworthy with a year-on-year growth of 26.3%. Positive progress was also recorded for funds managed by the pension fund managers in the area, which reached €45,969 million (up 14.4%).

As in previous quarters, the heightened competitive pressure in the region and the impact of the interest rate increase process continued to limit the course of the spreads. However, the evident increase in activity continued to offset that effect, and the net interest income in the area was up 23.5% and closed the quarter at €694 million. The increased activity also explains the rise in fees and commissions, which currently stand at €253 million (up 13.5%). Net trading income for the quarter, at €201 million, included (as in the first quarter of 2010) the effect of the revaluation of BBVA Provincial's U.S. dollar positions. **Gross income** for the quarter reached €1,106 million, up 16.4% on the same period in 2010. The other income/expenses items include the adjustment for hyperinflation in Venezuela, which has been more negative in this quarter than in the first quarter of 2010.

The area's expenses, €467 million in the quarter, have been very much influenced by the expansion and differentiation projects launched by the majority of the units, despite which the quarterly efficiency ratio remained very positive (42.2%), while the **operating income** closed at €639 million, marking a year-on-year increase of 10.7%.

In line with the trend started in 2010, the area's assets quality improved in the quarter, and the **NPA ratio** closed at 2.5% and coverage at 134%. Impairment losses on financial assets, €120 million, was up 9.1% year-on-year due primarily to the generic provisions linked to the increase of the balance of lending in recent months.

To summarize, revenues continue to grow steadily. They pushed the **net attributable profit** up to €280m (up 17.5% year-on-year), thus also helping finance expansion projects that will ensure the growth of future earnings in the area.

## Banking business

The banking business generated a net attributable profit of €230 million, 17.5% up on the figure for the previous year. The most significant aspects for each of the entities are detailed below.

In **Argentina**, BBVA Francés maintained the previous year's buoyancy in its activity over the first months of 2011. Thus, lending was up 52.9% year-on-year, with progress in all modalities and a year-on-year market share gain of 71 basis points as of February. Meanwhile, customer funds increased 29.4%, and were greatly influenced by the current and savings accounts (up 26.9%). The positive performance of business with customers boosted revenues, as is reflected in the 15.4% year-on-year growth of the gross income. Furthermore, expenses were affected by the country's level of inflation and the expansion plan adopted by the unit, while the provisions remained moderate (with a risk premium of 1.02%). Consequently, the net attributable profit reached €35 million (up 12.6% year-on-year).

In **Chile**, BBVA and Forum continued focusing their strategy on the increase of the weight of the retail business, which has translated into significant growth of consumer lending (including credit cards) and mortgage lending, within a year-on-year increase of 17.4% of all loans and a market share gain of 14 basis points as of February. There was also favorable progress in low-cost funds (current and savings accounts), which increased 12.7%. This increase in activity is playing a decisive role on the increase of the net interest income (up 34.1% year-on-year) and of commissions (up 4.2%), that remain partially tarnished by the decrease of the net trading income (very positive in the first quarter of 2010 due to gains from the sale of the securities portfolio). Furthermore, expenses were influenced by the expansion projects (7 more branches in the last 12 months) and a clear moderation of provisions (down 41.1%), situated the net attributable profit for the quarter at €32 million (up 6.4%).

In **Colombia**, BBVA has accelerated the rate of growth of its business with customers and reached a year-on-year increase of 22.7% in lending (with elevated increases in all modalities and a market share gain of 38 basis points as of February) and of 16.2% in customer funds, boosted by current and savings accounts (up 12.4%, with 36 more basis points in market share). Furthermore, there was a very favorable volume effect on the net interest income that, nevertheless, remained affected by a high downward pressure on spreads in the entire sector. Also worth mention was the good performance of fees and commissions (up 1.6%), while the net trading income compared poorly with the high figure in 2010. The course of expenses in the quarter (up 16.7%) was negatively affected by the impact of the tax on financial transactions (that did not apply to BBVA in 2010), while provisions (down 29.0%) benefited from the downward trend of non-performing assets (down 15.3%). Consequently, the net attributable profit for BBVA Colombia reached €38 million.

In **Peru**, BBVA Banco Continental's expansion plans are proving beneficial through their elevated increase in activity. Lending was up 19.3% year-on-year (with 40 basis points more of market share as of February), with a noteworthy role of the individuals and SME modalities. Meanwhile, customer funds were up 7.8% with a 20.6% increase in the current and savings accounts. Consequently, the entity's recurring revenues (net interest income and commissions) presented year-on-year growth of 10.0%. The expenses include the effect of the expansion projects launched (16 more branches in the last 12 months), while provisions are down notably, in line with the course of the non-performing assets. The net attributable profit for the quarter closed at €30 million (up 2.4% year-on-year).

Despite the unfavorable course of the Venezuelan economy, **BBVA Provincial** maintained an excellent rate of progress in its business. Thus, lending was up 45.3% year-on-year, with significant increases in all segments and a market share gain of 200 basis points as of February, while customer funds were up 33.0%, thanks to the transactional modalities (up 36.7%). This boosted the net interest income (up 54.1%) and fees and commissions income (up 45.9%). The net trading income includes the effect of the revaluation of part of the entity's U.S. dollar positions (the rest was revaluated in 2010). The high level of inflation continues to negatively affect expenses, while provisions include greater preventive generic provisions. The net attributable profit for the quarter totaled €70 million (up 39.4%).

Finally, the profit for **BBVA Panama** reached €7 million; **BBVA Paraguay** stood at €11 million and **BBVA Uruguay** was at €7 million (including the contribution of Crédit Uruguay).

## Pensions and Insurance

The net attributable profit for the quarter rose to €56 million (up 16.2%), of which €26 million correspond to the **pension business** and €30 million to the **insurance business**.

In Chile, **AFP Provida** generated a net attributable profit of €22 million, despite the negative effect of the performance of the markets on the net trading income for the quarter. In these first months of 2011, Provida maintained the dynamism of its business variables, with 7.0% growth in collections and an 11.3% increase in its funds under management. Furthermore, **AFP Horizonte de Colombia** generated a net attributable profit of €3 million, while **AFP Horizonte de Perú** contributed €2 million, in both cases despite the negative effect of the course of the markets on the net trading income.

In terms of **insurance**, Grupo Consolidar (Argentina) recorded a net attributable profit of €15 million, with a significant increase in commercial variables, in particular in the premiums written (up 31.7%). This has had a very positive effect on the level of revenues, which was accompanied by a moderate level of claims. The strong progress of the insurance business in Chile is also worthy of mention, with a net attributable profit of €10 million (€4 million in the first quarter of 2010). Finally, Colombia contributed €2 million and Venezuela, €3 million.

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

(Million euros)

| | Operating income | | | | Net attributable profit | | | |
|---|---|---|---|---|---|---|---|---|
| Country | 1Q11 | ∆% | % at constant exchange rate | 1Q10 | 1Q11 | ∆% | % at constant exchange rate | 1Q10 |
| Argentina | 85 | 6.0 | 11.5 | 80 | 48 | 29.1 | 35.7 | 37 |
| Chile | 131 | 6.0 | (2.7) | 123 | 65 | 12.6 | 3.4 | 58 |
| Colombia | 77 | (16.4) | (20.1) | 93 | 44 | 1.3 | (3.2) | 43 |
| Peru | 114 | (5.8) | (9.1) | 121 | 32 | 2.0 | (1.6) | 31 |
| Venezuela | 211 | 53.8 | 60.1 | 137 | 73 | 32.7 | 38.1 | 55 |
| Other countries (1) | 21 | 75.8 | 65.8 | 12 | 18 | 105.7 | 94.1 | 9 |
| **Total** | **639** | **12.8** | **10.7** | **566** | **280** | **19.9** | **17.5** | **233** |

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

# The United States

## Income statement

(Million euros)

| | The United States | | | |
|---|---|---|---|---|
| | 1Q11 | Δ% | Δ% [1] | 1Q10 |
| **Net interest income** | **402** | **(8.1)** | **(8.6)** | **437** |
| Net fees and commissions | 155 | (3.3) | (3.7) | 160 |
| Net trading income | 64 | 157.6 | 156.5 | 25 |
| Other income/expenses | (17) | 65.0 | 63.3 | (10) |
| **Gross income** | **604** | **(1.3)** | **(1.9)** | **612** |
| Operating costs | (375) | 4.9 | 4.1 | (357) |
| Personnel expenses | (199) | 12.1 | 11.3 | (177) |
| General and administrative expenses | (132) | 0.4 | (0.5) | (132) |
| Depreciation and amortization | (44) | (9.0) | (10.0) | (48) |
| **Operating income** | **229** | **(10.1)** | **(10.3)** | **255** |
| Impairment on financial assets (net) | (107) | (33.6) | (34.2) | (161) |
| Provisions (net) and other gains (losses) | (8) | (28.9) | (29.6) | (11) |
| **Income before tax** | **114** | **38.9** | **40.8** | **82** |
| Income tax | (33) | 25.3 | 26.8 | (26) |
| **Net income** | **81** | **45.2** | **47.5** | **56** |
| Non-controlling interests | - | 26.6 | 23.2 | - |
| **Net attributable profit** | **81** | **45.2** | **47.5** | **56** |

(1) At constant exchange rate.

## Balance sheet

(Million euros)

| | The United States | | | |
|---|---|---|---|---|
| | 31-03-11 | Δ% | Δ% [1] | 31-03-10 |
| Cash and balances with central banks | 4,834 | 178.8 | 193.9 | 1,734 |
| Financial assets | 7,189 | (11.5) | (6.7) | 8,122 |
| Loans and receivables | 36,355 | (16.3) | (11.8) | 43,441 |
| Loans and advances to customers | 35,041 | (15.1) | (10.5) | 41,278 |
| Loans and advances to credit institutions and other | 1,313 | (39.3) | (36.0) | 2,163 |
| Inter-area positions | 1,109 | (95.7) | (95.4) | 25,601 |
| Tangible assets | 746 | (1.9) | 3.4 | 760 |
| Other assets | 2,249 | (10.3) | (5.5) | 2,507 |
| **Total assets/Liabilities and equity** | **52,481** | **(36.1)** | **(32.7)** | **82,165** |
| Deposits from central banks and credit institutions | 5,549 | (18.9) | (14.5) | 6,844 |
| Deposits from customers | 39,390 | (40.9) | (37.7) | 66,609 |
| Debt certificates | 330 | (39.9) | (36.7) | 550 |
| Subordinated liabilities | 1,073 | (9.7) | (4.8) | 1,188 |
| Inter-area positions | - | - | - | - |
| Financial liabilities held for trading | 385 | 72.3 | 81.6 | 223 |
| Other liabilities | 3,016 | (15.3) | (10.7) | 3,561 |
| Economic capital allocated | 2,739 | (14.1) | (9.5) | 3,190 |

(1) At constant exchange rate.

This area encompasses the Group's business in the United States and in the Commonwealth of Puerto Rico.

The latest U.S. **economic indicators** show growth is continuing to recover, with real **GDP** expected to grow at around 3.0% in 2011, thanks to the positive contribution from private consumption and foreign demand. This is despite the temporary weak growth in the first quarter and the increase in oil prices.

In the first quarter of 2011, there have been positive signs in the index of business confidence and some data on the labor market, such as net job creation and the unemployment rate, which closed March at 8.8%. However, the improvement in the labor market is still weak, and in the short term it may be affected by increased oil prices. The oil price has also affected **inflation**, although the rise is expected to be slight and remain in check. The real estate market continues weak, with renewed falls in housing starts and sales of existing homes.

The quantitative easing program implemented by the Federal Reserve (Fed) at the end of 2010 is expected to expire in June 2011, given the forecasts of economic growth and a contained upturn in inflation in the country. Thus the Fed is not expected to make any changes to official **interest rates** until March 2012.

In terms of the **exchange rate**, the dollar/euro rate has depreciated both over the last 12 months and over the quarter (5.1% and 5.9% respectively), and closed 31-Mar-2011 at 1.42 dollars to the euro. This is having a negative impact on the balance sheet and business activity in the area. However, in terms of average exchange rates, the impact is positive on earnings over the last year, with an appreciation of 1.1% to 1.37 dollars to the euro (although it is negative for the quarter). As is normally the case, the figures below are given at constant exchange rates, unless indicated otherwise, and both scenarios can be seen in the adjoining tables.

**Gross lending to customers** in the area continues to fall, as explained in previous quarters, as a result of the change in the mix towards items with lower associated risk. The quarter closed at €36,161m, a year-on-year fall

## The United States highlights in the first quarter

- Positive signs in business activity, with gradual improvement of the portfolio mix.
- Improved customer spread.
- Strength of the net attributable profit.
- Reduction of the risk premium and increased coverage.

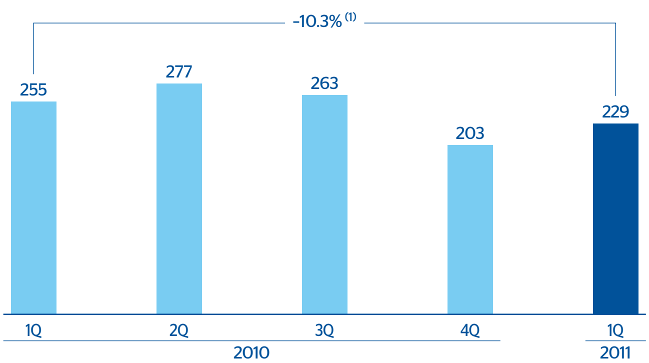
## Significant ratios

(Percentage)

| | The United States | | |
|---|---|---|---|
| | 31-03-11 | 31-12-10 | 31-03-10 |
| Efficiency ratio | 62.1 | 59.5 | 58.4 |
| NPA ratio | 4.5 | 4.4 | 4.4 |
| NPA coverage ratio | 64 | 61 | 56 |
| Risk premium | 1.14 | 1.69 | 1.56 |

## The United States. Operating income

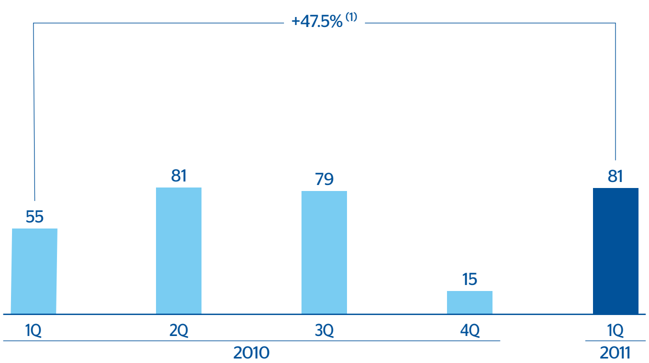
(Million euros at constant exchange rate)




(1) At current exchange rate: -10.1%.

## The United States. Net attributable profit

(Million euros at constant exchange rate)




(1) At current exchange rate: +45.2%.

slightly under that of the previous quarter (down 10.1% compared to 10.7% in the fourth quarter of 2010) and 2.8% down on the figure at the close of 2010. **Customer deposits** stopped their quarterly fall and maintained a figure very similar to that of 31-Dec-2010, at €38,705m. However, this amount still represents a year-on-year fall of 38.1%.

Earnings in the area have performed well compared with the fourth quarter of 2010. **Gross income** amounted to €604m, 4.1% up on the previous quarter (down 1.9% year-on-year). The main reasons behind this trend are: the resilience of net interest income thanks to a maintenance of customer spreads within a context of a changing mix towards lower-risk and lower-spread portfolios; the positive trend in fees over the quarter (up 2.6%) and the excellent performance of NTI. All this, combined with a restriction of operating expenses (down 0.6% on the previous quarter) boosted the **operating income** to €229m, up 12.8% in the first three months of 2011. In addition, the gradual evolution in the asset quality in the area explains the reduction of 46.9% in impairment losses on financial assets (down 34.2% year-on-year) and thus the improved **net attributable profit** of €81m (€15m as of 31-Dec-2010 and €55m as of 31-Mar-2010). It is worth highlighting that the lower provisions have not had a negative effect on the **coverage ratio** in the United States, which increased to 64% at the close of March 2011 (61% as of 31-Dec-2010). The risk premium also improved significantly, falling 55 basis points to 1.14%. Finally, the NPA ratio increased by only 7 basis points and closed the quarter at 4.5% (4.4% at the close of 2010).

## BBVA Compass Banking Group

BBVA Compass represents approximately 77% of assets and 78% of earnings in the United States. It garners the retail and commercial banking business in the country (excluding Puerto Rico).

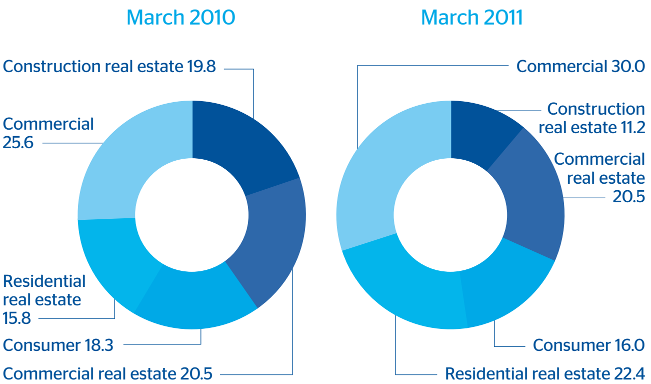
As of 31-Mar-2011, the **loan book** was down 1.0% on the close of 2010, and 4.7% year-on-year to €29,095m. The main reason for this has been the fall in loans in construction real estate, which were down 44.7% year-on-year and 12.2% over the quarter. However, there was a significant advance in mortgages in residential real estate, which were up 38.4% year-on-year and 6.5% over the quarter. It is important to note that in the first three months of 2011 a total of 985 million dollars of new residential mortgages have been written, 2.2% more than in the fourth quarter of 2010 and 133% more than in the same period the previous year. In all, the residential mortgage portfolio represents 22.4% of the total BBVA Compass loan book as of 31-Mar-2011, compared with 15.8% a year earlier. In contrast, construction real estate lending has fallen to 11.2% from 19.8% in March 2010.

**Customer deposits** increased by 2.3% over the quarter to €31,626m as a result of the increase in lower-cost funds, such as current accounts, which were up by 4.7%, and now represent 75.5% of all the unit's funds compared with 69.7% a year earlier.

The gradual change in the mix of the loan portfolio is thus partly offset by the increased proportion of lower-cost deposits and the unit's maintenance of wide spreads. In this respect,

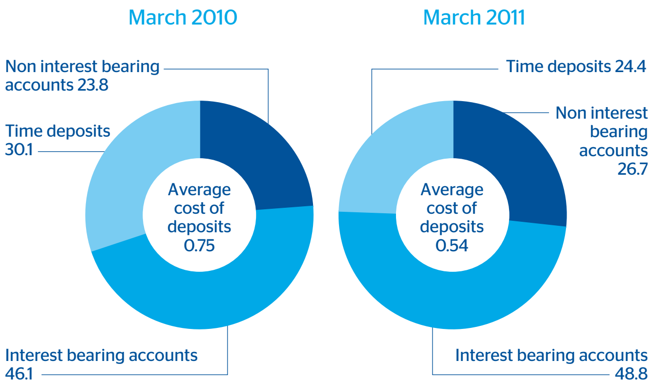
### BBVA Compass Banking Group. Loan mix

(Percentage)




### BBVA Compass Banking Group. Deposit mix

(Percentage)



the yield on loans has barely fallen by one basis point over the quarter to 4.46%, and the cost of deposits has fallen by 3.5 basis points to 0.54%. As a result, the customer spread has improved over the quarter by 2.5 basis points to 3.92%. The above explains the high level of resilience of net interest income over the quarter, which has remained at similar levels to those of the fourth quarter of 2010, at €357m. The improved performance of other income compared with the previous quarter has resulted in **gross income** being 4.7% up at €517m. As a result, with operating expenses being kept in check (down 0.7% on the quarter), **operating income** increased by 16.0% over the last quarter of 2010 to €187m. Finally, **net attributable profit** amounted to €63m. This compares very favorably with the €16m as of 31-Dec-2010 and €26m as of 31-Mar-2010, thanks to a significant reduction in impairment losses on financial assets amounting to 29.7% quarter-on-quarter and 36.2% year-on-year.

Below are the highlights of each of the units making up BBVA Compass:

As of 31-Mar-2011, **Commercial Banking**, the unit that handles business with SMEs, managed a loan portfolio of €12,212m (up 3.8% year-on-year) and customer deposits of €9,424m (up 21.0%). This has been the result of the reduction in finance for construction real estate.

**Retail Banking** has a volume of loans of €10,823m (up 14.9%). The reduction in the auto dealer and student loan portfolios has been more than offset by an increase in residential mortgages. Customer funds increased by 4.9% to €19,993m.

Lastly, the **Wealth Management** unit has a loan portfolio of €1,944m, deposits of €3,807m and assets under management of €10,429m.

# Corporate Activities

## Income statement

(Million euros)

| | Corporate Activities | | |
|---|---|---|---|
| | 1Q11 | ∆% | 1Q10 |
| **Net interest income** | **(102)** | **n.m.** | **148** |
| Net fees and commissions | (47) | (0.9) | (47) |
| Net trading income | 163 | (22.2) | 210 |
| Other income/expenses | (2) | 27.1 | (2) |
| **Gross income** | **12** | **(96.0)** | **308** |
| Operating costs | (202) | 9.9 | (184) |
| Personnel expenses | (122) | 7.8 | (114) |
| General and administrative expenses | (16) | (13.1) | (19) |
| Depreciation and amortization | (63) | 23.3 | (51) |
| **Operating income** | **(190)** | **n.m.** | **125** |
| Impairment on financial assets (net) | (35) | (87.5) | (282) |
| Provisions (net) and other gains (losses) | (225) | 49.2 | (151) |
| **Income before tax** | **(450)** | **46.0** | **(308)** |
| Income tax | 129 | 80.5 | 71 |
| **Net income** | **(321)** | **35.6** | **(237)** |
| Non-controlling interests | - | n.m. | 2 |
| **Net attributable profit** | **(322)** | **37.1** | **(235)** |

## Balance sheet

(Million euros)

| | Corporate Activities | | |
|---|---|---|---|
| | 31-03-11 | ∆% | 31-03-10 |
| Cash and balances with central banks | 908 | 132.7 | 390 |
| Financial assets | 29,836 | (16.0) | 35,528 |
| Loans and receivables | (3,478) | n.m. | (813) |
| Loans and advances to customers | (2,017) | n.m. | (248) |
| Loans and advances to credit institutions and other | (1,461) | 158.8 | (565) |
| Inter-area positions | (8,390) | (80.7) | (43,509) |
| Tangible assets | 3,050 | 0.9 | 3,022 |
| Other assets | 17,808 | 22.3 | 14,561 |
| **Total assets/liabilities and equity** | **39,733** | **n.m.** | **9,180** |
| Deposits from central banks and credit institutions | (1,733) | n.m. | 8,896 |
| Deposits from customers | 21,615 | n.m. | 2,450 |
| Debt certificates | 81,707 | (12.0) | 92,807 |
| Subordinated liabilities | 6,253 | (9.4) | 6,905 |
| Inter-area positions | (71,565) | (31.1) | (103,799) |
| Financial liabilities held for trading | (3,779) | (6.4) | (4,037) |
| Other liabilities | (4,939) | 83.4 | (2,693) |
| Valuation adjustments | (1,803) | n.m. | 702 |
| Shareholders' funds | 36,957 | 29.4 | 28,566 |
| Economic capital allocated | (22,981) | 11.5 | (20,616) |

This aggregate includes all those activities not included in the business areas. These are basically the costs of the headquarters with strictly corporate functions, certain allocations to provisions such as early retirements and others also of a corporate nature. It also includes the assets and liabilities derived from the management of structural liquidity, interest-rate and exchange-rate risks by the Asset/Liability Management unit, as well as their impact on earnings that are not recognized in the business areas via transfer pricing. Finally, it includes certain portfolios and assets, with their corresponding results, whose management is not linked to customer relations, such as Holdings in Industrial and Financial Companies and Real Estate Management.

In the first quarter of 2011, the net interest income from Corporate Activities came to –€102m (compared with €148m in the same period last year). As explained in previous quarters, this is the result of the end of the repricing process for mortgage loans following the fall in interest rates in 2009 and the current rise in the interest-rate curve in the euro area. The above, together with NTI of €163m, which compares negatively with the high figure for the first quarter of 2010 resulting from the capital gains from the portfolio used to manage structural interest rate risk, resulted in **gross income** of €12m (€308m in the same period the previous year). Operating expenses amount to €202m, compared with the €184m in the first three months of 2010. This is the result of the new investments being made in infrastructures (basically technologies and the new corporate headquarters in Madrid). In all, the **operating income** accumulated to March was –€190m (€125m 12 months ago).

Impairment losses on financial assets amounted to €35m, far below the figure of €282m in the first quarter of 2010, which was the result of greater generic provisions made throughout the first half of 2010 as a consequence of the high operating income generated. In addition, provisions (net) and other gains (losses) increased to €225m. This basically includes the provisions for early retirements and the write-downs for acquired and foreclosed assets. As a result, the **net attributable profit** for the period was –€322m (–€235m in January-March of 2010).

## Asset/Liability Management

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

**Liquidity management** helps to finance 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 continues to be to encourage the financial independence of its banking subsidiaries in the Americas. This aims to ensure that the cost of liquidity is correctly reflected in price formation and sustainable growth in the lending business. In the first quarter of 2011, the wholesale long-term and short-term financing markets have remained positive as a result of an improved risk perception in peripheral European countries, the major progress made in economic issues in Europe and the restructuring of the financial sector in Spain. BBVA has not only operated perfectly normally in this environment, but was the first bank to move into the liquidity market in January 2011 with a new issue of mortgage-covered bonds and a volume of long-term finance that has amply covered expiring maturities. The above, together with the favorable development of the weight of retail deposits in the balance sheet structure in all the geographical areas, continues to enable the Group to strengthen its liquidity position. With a view to the whole of 2011, issuance in the first three months meets most of the financing needs for the whole year. In addition, BBVA's current and potential sources of liquidity continue to easily exceed 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 efficient allocation of capital to different units, good management of the balance sheet and appropriate use of the various instruments that comprise the Group's equity: shares, preferred shares and subordinate debt. In the first quarter of the year, BBVA's Annual General Meeting approved the introduction of the "dividend option" to give shareholders the option of a wider range of remuneration on their capital. In conclusion, the current levels of capitalization ensure the Bank's compliance with all of its capital 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 ensure the stability of its income statement. In the first quarter of 2011, BBVA has maintained a policy of actively hedging its investments in Mexico, Chile, Peru and the dollar area, with an aggregate hedging of close to 50%. In addition to this corporate-level hedging, dollar positions are held at a local level by some of the subsidiary banks. The exchange-rate risk of the earnings expected in the Americas for 2011 is also strictly managed. In this quarter, the hedging has led exchange rates to have a slightly positive effect on the capital ratio and the Group's income statement. For 2011 as a whole, the same prudent and proactive policy will be pursued in managing the Group's foreign exchange risk from the standpoint of its effect on capital ratios and on the income statement.

The unit also actively manages the **structural interest-rate exposure** on the Group's balance sheet. This aims to maintain a steady growth in net interest income in the short and long term regardless of interest-rate fluctuations. In the first quarter of 2011, the results of this management have been very satisfactory, with very limited risk strategies maintained in Europe, 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).

## Holdings in Industrial and Financial Companies

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

BBVA applies strict requirements to this portfolio in terms of risk-control procedures, use of economic capital and return on investment, and diversifies investments across different sectors. It also applies dynamic hedging and monetization management strategies to its holdings. In the first quarter of 2011, investments were made totaling €201 million and disinvestment came to €107 million.

As of 31-Mar-2011, the market capitalization of the Holdings in Industrial & Financial Companies portfolio was €4,413m, with unrealized capital gains of €1,108m.

## Real Estate Management

The BBVA Group has always made use of expert teams to manage the developer and real estate sector. The Real Estate Management unit focuses on providing 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.

# Other information: Wholesale Banking & Asset Management

## Income statement

(Million euros)

| | Wholesale Banking & Asset Management | | | |
|---|---|---|---|---|
| | 1Q11 | Δ% | Δ% (1) | 1Q10 |
| **Net interest income** | **365** | **(9.8)** | **(10.6)** | **404** |
| Net fees and commissions | 209 | (1.8) | (2.7) | 213 |
| Net trading income | 243 | 30.9 | 28.0 | 185 |
| Other income/expenses | (5) | n.m. | n.m. | 17 |
| **Gross income** | **811** | **(1.0)** | **(2.2)** | **820** |
| Operating costs | (231) | 18.7 | 17.6 | (195) |
| Personnel expenses | (138) | 16.7 | 15.9 | (118) |
| General and administrative expenses | (90) | 22.0 | 20.4 | (74) |
| Depreciation and amortization | (3) | 15.8 | 14.9 | (3) |
| **Operating income** | **580** | **(7.2)** | **(8.3)** | **625** |
| Impairment on financial assets (net) | (23) | 123.8 | 134.6 | (10) |
| Provisions (net) and other gains (losses) | (6) | n.m. | n.m. | (1) |
| **Income before tax** | **552** | **(10.1)** | **(11.3)** | **614** |
| Income tax | (164) | (6.2) | (7.3) | (175) |
| **Net income** | **388** | **(11.7)** | **(12.9)** | **439** |
| Non-controlling interests | (24) | (22.0) | (22.8) | (30) |
| **Net attributable profit** | **364** | **(11.0)** | **(12.2)** | **409** |

(1) At constant exchange rate.

## Balance sheet

(Million euros)

| | Wholesale Banking & Asset Management | | | |
|---|---|---|---|---|
| | 31-03-11 | Δ% | Δ% (1) | 31-03-10 |
| Cash and balances with central banks | 5,541 | 98.6 | 100.4 | 2,791 |
| Financial assets | 61,210 | (14.3) | (14.0) | 71,392 |
| Loans and receivables | 65,746 | (6.9) | (6.0) | 70,648 |
| Loans and advances to customers | 46,956 | (6.5) | (5.4) | 50,208 |
| Loans and advances to credit institutions and other | 18,790 | (8.1) | (7.5) | 20,440 |
| Inter-area positions | 12,102 | (54.7) | (52.7) | 26,715 |
| Tangible assets | 46 | 4.2 | 4.7 | 44 |
| Other assets | 1,615 | (22.5) | (22.3) | 2,083 |
| **Total assets/liabilities and equity** | **146,260** | **(15.8)** | **(14.8)** | **173,674** |
| Deposits from central banks and credit institutions | 43,918 | (12.2) | (11.9) | 50,030 |
| Deposits from customers | 59,407 | (24.3) | (22.5) | 78,527 |
| Debt certificates | 17 | n.m. | n.m. | - |
| Subordinated liabilities | 1,752 | (9.5) | (8.9) | 1,936 |
| Inter-area positions | - | - | - | - |
| Financial liabilities held for trading | 33,086 | (4.6) | (4.7) | 34,690 |
| Other liabilities | 3,859 | (21.3) | (20.8) | 4,904 |
| Economic capital allocated | 4,221 | 17.7 | 18.6 | 3,587 |

(1) At constant exchange rate.

## Wholesale Banking & Asset Management highlights in the first quarter

- Focus on return on volumes.
- Positive results, higher than in recent quarters.
- Low risk premium due to high asset quality.

The Wholesale Banking & Asset Management (WB&AM) aggregate handles the Group's wholesale businesses and asset management in all of the geographical areas where it operates. It is organized in three main business units: Corporate and Investment Banking, Global Markets and Asset Management.

The BBVA Group's Wholesale Banking & Asset Management continued to show a clear customer focus and a high level of recurrence and quality in its **revenues**. In this regard, in the first quarter of 2011, the gross income for the whole of these businesses stood at €811 million, barely marking a 2.2% year-on-year decrease. The above was despite the exceptionally high revenues in the first quarter of 2010. If this figure is compared with that of the fourth quarter, growth is significant, with a positive percent change of 18.5%.

In terms of geographical areas, the solid performance of **Spain** should be noted, as it recorded a year-on-year increase in operating income of 15.0%, which more than doubled the figure for the previous quarter thanks to the excellent course of the Markets activity. Income from clients (above all from corporates and institutional investors) has continued its upward trend, and trading income has also progressed significantly.

In **Eurasia**, gross income fell 3.3% due to the lower NTI in the first quarter as compared to the same period the previous year. Nevertheless, the Corporate and Investment Banking unit has achieved an increase of 6.7% in its earnings. In Markets, income from clients increased 17% year-on-year. Of this income, income from the institutional customers, which represented 76%, experienced 38% growth.

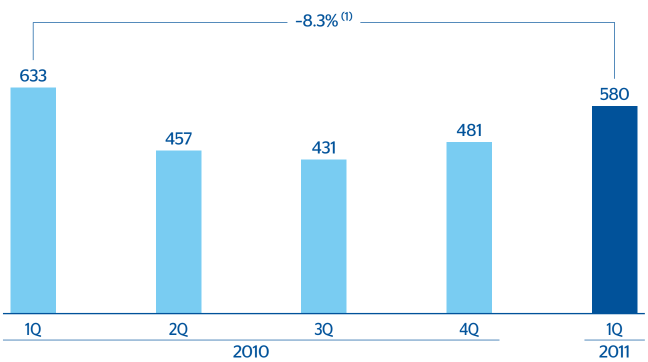
Furthermore, the largest year-on-year decreases were registered in **Mexico** and the **United States** (down 24.6% and 9.1%, respectively), as compared to a very high first quarter of 2010. However, we should highlight the positive performance of income from customers in Mexico (up 33% year-on-year) and the worse trajectory of the trading income, which were due, among other factors, to the increase of interest rates in the country. Finally, **South America** experienced a decrease in gross income of 11.7% year-on-year.

Operating expenses, at €231 million, were up 17.6% on the same period in 2010 due to the investments made in systems and the different growth plans implemented in all geographical areas. Therefore, the **operating income** amounted to €580 million (down 8.3% year-on-year), which compares very favorably with the fourth quarter of 2010 (€481 million).

The Wholesale Banking & Asset Management units continued to demonstrate high asset quality, with a reduced NPA ratio, a high coverage ratio and loan-loss provisions that barely represented 3.9% of the operating

### WB&AM. Operating income

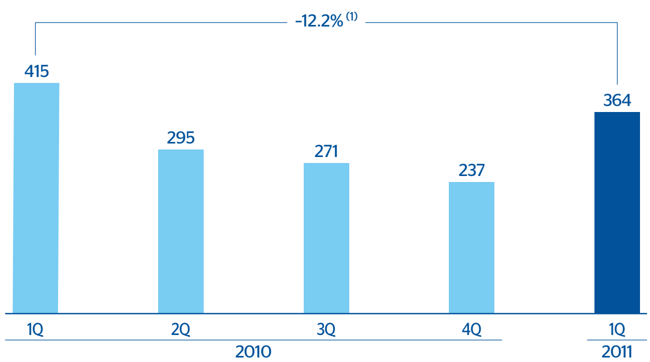
(Million euros at constant exchange rate)




(1) At current exchange rate: -7.2%.

### WB&AM. Net attributable profit

(Million euros at constant exchange rate)




(1) At current exchange rate: -11.0%.

income. Thus, the **attributable profit** stood at €364 million (€415 million and €237 million in the first and fourth quarters of 2010, respectively).

The **lending business** maintained its moderate trend throughout its geographical areas, prioritizing customer loyalty, and price over volume and size. As of March 31, 2011, Wholesale Banking & Asset Management registered gross lending to customers of €48,442 million (down 6.3% year-on-year). Furthermore, **customer funds** stabilized at €58,826 million, marking a slight decrease in the quarter of 1.2%. Mention should be made of the favorable course of fund gathering in Spain, which boosted the growth of funds in the quarter to 5.6% in said country.

The main transactions carried out in the Group's wholesale business are summarized below:

**Structured trade finance** in Spain closed 11 transactions for a total of €75 million to facilitate exports from Spanish companies. In Europe, two transactions were signed brokering exports from Italian groups to Brazil and Panama, and it participated in a borrowing base facility for the Aperam group in Luxembourg. In Asia, among others, various transactions were closed to support the exports from the Huawei group to Spain with the coverage of Sinosure (China). In Mexico, the transaction signed in 2010 with the Mexican subsidiary of the Volkswagen group was recognized as a "Deal of the Year". And in South America, the structuring of various exports from the Samsung group to Petrobrás was also given two "Deal of the Year" awards.

The activity carried out by the **Project Finance** unit continued to consolidate BBVA as one of the top entities in the business worldwide. In Spain, despite the numerous restrictions on the financial markets, BBVA has maintained an intense presence in both the energy and infrastructure sectors. BBVA has likewise been present in the financing of significant acquisitions in the healthcare sector (Capio Sanidad and Grupo Diagnostico Recoletos) and has supported AXA PE in the purchase of a shareholding participation in CLH. As a result of the efforts made in 2010, BBVA received the award "Best Arranger of Spanish Loans" granted by Euroweek magazine. In France, BBVA concluded the financing of the A63 highway connecting Bordeaux with the Spanish border and the €170 million loan for the construction of the new soccer stadium in Nice with Vinci. In Germany, it led the financing of the second gas pipeline that will connect Russia with Germany through the Baltic Sea (Nord Stream 2 Project). Furthermore, Euromoney has distinguished several of the transactions led by the Bank this quarter. The awards received in Mexico should be highlighted: "Latin American Oil & Gas Upstream Deal of the Year" for the transaction with the R Group (Euromoney) and "Structured Finance West 2010" (Marine Money International). And in the United States, the financing of the Long Beach Court House carried out in 2010 was recognized for its innovation by Euromoney with the award "North American PPP Deal of the Year".

In **syndicated loans**, the Group holds an important position in the markets and with the customers with which it operates. Thus, Spain maintained its leadership position in the activity rankings, according to Dealogic. BBVA Bancomer in Mexico was also given several awards ("Latin America Loan of the Year", by International Financial Review, and "Best Syndicated Loan", by LatinFinance) which demonstrated the importance of certain transactions carried out by the bank.

In **Corporate Finance,** BBVA continued to consolidate its leadership position in the Spanish M&A market, as it advised on 3 transactions announced in the first quarter of 2011: the sale of Solán de Cabras by Osborne to the Mahou San Miguel Group, consulting for the Osborne Group in the purchase of Aguas Minerales de Aragón and the sale of the IT and Telecommunications branch of activity by Endesa Servicios (the largest transaction in the IT Outsourcing sector in Spain in the last four years).

In recognition of its excellent work, the **Markets** unit received the "Derivatives Dealers 2011" award from Risk magazine, and won in the categories of: consulting on risk management and transactions with derivatives, organized derivatives, exotic foreign currency derivatives, derivatives research and best structured product for the retail market.

Finally, BBVA continues to hold its leadership position as top broker in Spanish equities, with a market share of 12.8% as of March.

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