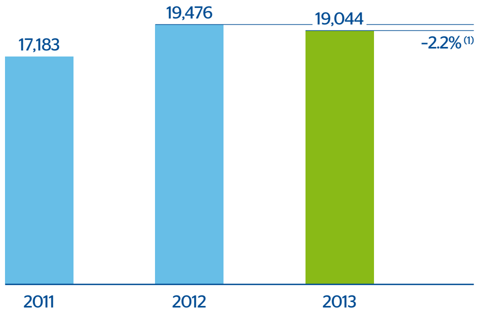
BBVA in 2013

We work for a better future for people

BBVA Group Highlights

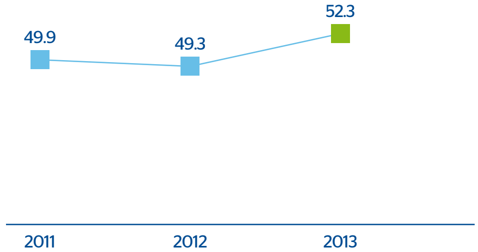
Net interest income plus fees and commissions (Million euros)



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

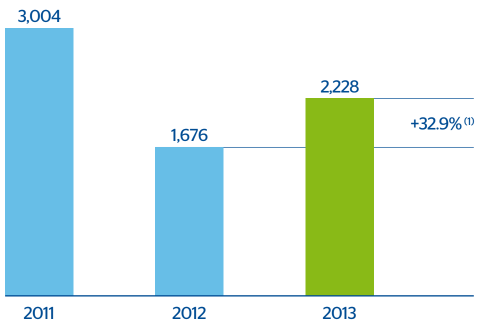
Efficiency ratio

(Percentage)



Net attributable profit

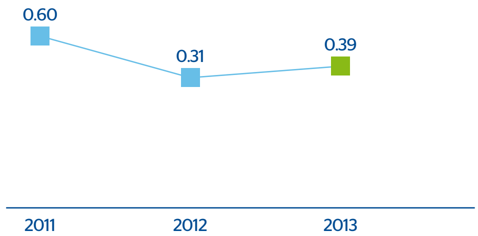
(Million euros)



(1) At constant exchange rates: +55.1%.

Net attributable profit per share [(1)]

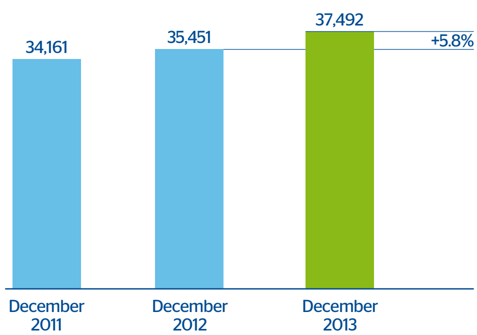
(Euros)



(1) Basic earnings per share which includes the eventual dilution of the contingent convertible securities into shares, issued in the second quarter of 2013.

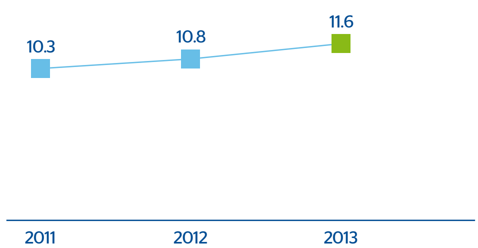
Core capital

(Million euros)



Core capital ratio

(Percentage)



BBVA Group Highlights

(Consolidated figures)

	31-12-13	Δ%	31-12-12	31-12-11
Balance Sheet (million euros)				
Total assets	599,482	(6.0)	637,785	597,688
Loans and advances to customers (gross)	350,110	(4.7)	367,415	361,310
Deposits from customers	310,176	6.0	292,716	282,173
Other customer funds (1)	99,213	8.1	91,774	85,962
Total customer funds (1)	409,389	6.5	384,491	368,135
Total equity	44,815	2.3	43,802	40,058
Income Statement (million euros)				
Net interest income	14,613	(3.4)	15,122	13,152
Gross income	21,397	(2.3)	21,892	19,528
Operating income	10,196	(8.2)	11,106	9,791
Income before tax	2,750	267.3	749	2,946
Net attributable profit	2,228	32.9	1,676	3,004
Data per share and share performance ratios				
Share price (euros)	8.95	28.6	6.96	6.68
Net attributable profit per share (euros) (2)	0.39	24.3	0.31	0.60
Book value per share (euros)	8.18	1.8	8.04	8.35
P/BV (Price/book value; times)	1.1		0.9	0.8
PER (Price/earnings; times)	23.2		21.5	10.9
Yield (Dividend/price; %)	4.1		6.0	6.3
Significant ratios (%)				
ROE (Net attributable profit/average equity)	5.0		4.0	8.0
ROTE (Net attributable profit/average tangible equity)	6.0		5.0	10.7
ROA (Net income/average total assets)	0.48		0.37	0.61
RORWA (Net income/average risk-weighted assets)	0.91		0.70	1.08
Efficiency ratio	52.3		49.3	49.9
Risk premium	1.59		2.15	1.20
NPA ratio	6.8		5.1	4.0
NPA coverage ratio	60		72	61
Capital adequacy ratios (%)				
Core capital	11.6		10.8	10.3
Tier I	12.2		10.8	10.3
BIS II Ratio	14.9		13.0	12.9
Non financial indicators (3)				
Global employee satisfaction index (%)	76		76	73
Gender diversity (ratio of women in the staff; %)	53		53	52
Socially responsible mutual funds (SRI) (%)	5.1		2.6	2.4
Attributable profit dedicated to social programs (%)	4.4		4.8	2.5
Number of beneficiaries of the financial literacy program	256,359		251,637	123,768
Number of microentepreneurs supported by the BBVA Microfinance Foundation	1,493,709		1,293,514	948,508
Other information				
Number of shares (millions)	5,786	6.2	5,449	4,903
Number of shareholders	974,395	(3.8)	1,012,864	987,277
Number of employees (4)	109,305	(5.7)	115,852	110,645
Number of branches (4)	7,512	(5.8)	7,978	7,457
Number of ATMs (4)	20,415	1.2	20,177	18,794

General note: 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. As for the stake in Garanti Group, the information is presented on an on-going basis, accounted for by the proportional consolidation method and, therefore, without early application of the IFRS 10, 11 and 12.

(1) They do not include the assets under management by pension fund administrators in Chile, Mexico, Colombia and Peru.
(2) Basic earnings per share which includes the eventual dilution of the contingent convertible securities into shares, issued in the second quarter of 2013.
(3) More details are provided in the information on corporate responsibility 2013 included in the web page www.bancaparatodos.com.
(4) Excluding Garanti.

Profit-adjusted information (1)	31-12-13	Δ%	31-12-12	31-12-11
Net attributable profit	3,195	(28.9)	4,490	4,127
Net attributable profit per share (euros) (2)	0.56	(29.7)	0.80	0.81
ROE	7.1		10.7	10.9
ROTE	8.6		13.4	14.7
ROA	0.64		0.82	0.81
RORWA	1.20		1.54	1.43

(1) Adjusted excluding the results from corporate operations (2013, 2012 and 2011), the classification of refinanced loans (2013), the result of real-estate activity in Spain (2013, 2012 and 2011) and the United States goodwill impairment (2011).
(2) Basic earnings per share which includes the eventual dilution of the contingent convertible securities into shares, issued in the second quarter of 2013.

"Although the macroeconomic situation in 2013 was difficult, it improved during the year. In this context, the Group increased its annual net attributable profit to €2,228m. This is the result of good management of our business model"

Francisco González, Chairman and CEO

Contents

2 Letter from the Chairman

6 Executive summary

- About BBVA 8
- Principles and values in BBVA 10
- Corporate Governance System 11
- The economic, banking and regulatory backgroung 14
- Strategic positioning 22
- BBVA brand 28
- Primary stakeholders 32
  - The BBVA share and shareholders structure 33
  - The team 38
  - Customers 41
  - Society 46
- Performance in 2013 47

58 Group financial information

- Earnings 61
- Balance sheet and business activity 73
- Capital base 78

82 Risk management

- Global Risk Management: BBVA Group's risk management function 84
- Integration of risks and overall risk profile 86
- Credit risk 88
- Structural risks 105
- Risks in market units 110
- Operational risk 116
- Risk management in non-banking activities 120
- Management of ESG risks 122

124 Business areas

- Spain 129
- Real-estate activity in Spain 144
- The United States 149
- Eurasia 159
- Mexico 171
- South America 184
- Corporate Center 204
- Additional information: Corporate & Investment Banking (CIB) 209
- Additional information: Retail Banking 227

230 Supplementary information

Cross-reference table

Key word	Page number
Asset quality review (AQR)	21.
Basic earnings per share (EPS)	C, 62-63 and 72.
BBVA in the world	9.
BBVA Panama	2, 8, 33, 57, 61, 68, 70-71, 78, 126-127, 185, 205 and 207.
BIS Ratio	C, 4, 50 and 78-80.
BIS III fully-loaded core capital	4, 23 and 80.
Book value per share	C and 34.
CITIC	2, 8, 23, 33, 55, 61, 66, 70, 77, 127, 160, 162, 205 and 207.
Core capital	C, 4, 60 and 78-80.
Corporate operations	C, 24, 49, 60-64, 66, 70-71, 79, 126-127, 204-205 and 234.
Coverage ratio (Group)	C, 4, 50, 96, 103 and 126.
Credit risk	24, 87-97, 99, 101, 111, 113-114, 120, 122 and 127.
Customer deposits / customer funds	C, 65, 73-74, 76, 232 and 235.
Customer funds	C, 60, 74, 76-77, 126 and 232.
Deferred tax assets (DTA)	80 and 207.
Economic risk capital (ERC)	87- 88 and 127.
Equador principles	122.
Efficiency ratio	C, 67, 69 and 126.
Exchange rate	60, 87, 96, 102, 107, 127 and 205-206.
Garanti	8, 126-127, 160-170 and 234-235.
Gross income	C, 2, 22, 49, 62, 64, 67, 128, 232 and 234.
IRC	122.
Income before tax	C, 49, 62-64, 109, 128, 232 and 234.
Leverage ratio	80.
Liquidity	15, 16, 17, 18, 20, 27, 33, 36, 51, 60, 107, 108, 109, 113, 127, 138, 161, 162, 193, 201, 205, 206, 211, 213 and 225.
Market capitalization	33 and 34.
Market share	23.
Net attributable profit	C, 2, 33, 47, 49, 60-64, 71, 75, 128, 232 and 234.
Net attributable profit (adjusted)	C, 62-64 and 71.
Net interest income	C, 2, 18, 49, 61-65, 105-106, 128, 232 and 234.
Non-performing loans	74-75, 99 and 101-102.
NPA ratio	C, 4, 51, 60, 96, 99, 101, 103 and 126.

Key word	Page number
Number of ATMs	C, 9, 69 and 114.
Number of branches	C, 9, 68 and 232.
Number of employees	C, 5, 9, 68 and 232.
Number of shareholders	C, 11, 26-27, 34- 36 and 232.
Number of shares	C, 34-36, 207 and 232.
Operating income	C, 4, 49, 61-64, 67, 69, 128-129, 232 and 234.
Pension business	8, 33, 57, 61, 68, 70, 78, 127, 141, 185, 205 and 207.
PER (earnings per share)	C and 34.
Loan book/lending	15, 18, 60, 73, 87, 96-97, 103, 108, 126, 139 and 235.
Price/book value	C and 33-34.
Risl premium	C, 4, 15, 33, 96, 101-102 and 126.
Ratings	81.
Real-estate exposure	146-147.
Recurring earnings	27, 66, 190 and 196.
Refinanced loans	C, 2, 50, 60, 62-64, 70, 71, 74-75, 96 and 101.
Risk appetite	84- 85, 106 and 108.
Risk-weighted asset (RWA)	78, 79 and 199.
ROA	C, 63-64 and 72 .
ROE	C and 72 .
RORWA	C.
ROTE	C and 72 .
Share price	C, 33-34, 109 and 18.6
Shareholder remuneration	4 and 35.
Shareholder structure	11, 33 and 35-36.
Stress test	4, 20-21, 108-109, 112, 115 and 153.
Sustainability indexes	31 and 36-37.
Tier I	C, 78-80 and 206-207.
Tier II	78-80 and 207.
Total Assets	C, 4, 9, 63-64, 73-74, 232 and 235.
Total equity	C, 65, 73, 77, 109 and 235.
Unnim	8, 68, 70-71, 99, 205 and 232.
Yield (dividend/price)	C and 34-35.

Letter from the Chairman

Dear Shareholder:

Although the macroeconomic situation in 2013 was difficult, it improved during the year.

The emerging markets where BBVA operates grew strongly, at 6.2%, a rate similar to that of 2012. Despite recent increased volatility, these economies have great potential and everything suggests that they will continue to drive global growth in 2014.

The United States grew by 1.8%, slightly below the rate posted in 2012, but it consolidated a positive growth trend that accelerated in the latter part of 2013 and will continue in 2014.

Although growth was negative in Europe, the trend shifted over 2013 and the prospects for 2014 suggest a 1.1% increase in the Eurozone's gross domestic product.

In Spain, 2013 was a difficult year, but the country initiated a recovery in the latter part of the year and we believe that in 2014 GDP will grow by around 1%, or even more if the positive trends are confirmed.

In this context, BBVA's net attributable profit in 2013 amounted to €2,228m, up 33% in current euros on the previous year, or 55% after adjusting for the exchange-rate effect. This is the result of good management of our business model, which is based on geographical diversification, customer focus and prudent management based on our corporate principles.

During this crisis, not all financial institutions behaved the same way and achieved the same results. BBVA has managed to maintain a trend of good results and is one of the few large banks in the world that did not have to resort to state aid. This can be summed up in a single concept: our principles.

In 2013 BBVA's earnings were affected by a series of external factors, such as the environment of very low interest rates in the United States and Europe, and hyperinflation and devaluation in Venezuela. In Spain, such factors included the court decision on floor clauses in mortgage loan contracts, the classification of refinanced loans and an extraordinary contribution to the Deposit Guarantee Fund.

In addition, in 2013 we adopted measures affecting the structure of our balance sheet in order to rearrange our business portfolio: the sale of non-strategic assets, such as the pension fund administrators in Latin America and BBVA Panama, the reinsurance operation on the individual life and accident insurance portfolio in Spain and the new agreement signed with the CITIC Group, which included the sale of part of our stake in CNCB.

Despite all this, the more recurring revenue, namely net interest income plus income from fees and commissions, performed exceptionally well and amounted to over €19,000m, while gross income was €21,397m. Excluding the exchange-rate effect, net interest income plus income from fees and commissions would have increased by 3.5% and gross income by 2.6%. Gross income originated in emerging markets increased by 16% and already accounts for 60% of the total amount generated by all of the Group's business areas. Very few banks in the world can boast such a well-diversified geographical profile with such growth potential.

At the same time, we continue to apply prudent, forward looking cost management, tailored to each business. Expenses increased by 3.8%, compared with an average inflation rate of 6.4% in the markets where we operate.

"The more recurring revenue performed exceptionally well and we continue to apply prudent cost management that is tailored to each business and forward-looking. As a result, we have maintained our leadership in profitability and retain our position among the top three in the efficiency ranking"

"In terms of solvency, BBVA is stronger than ever and we are well prepared for the upcoming stress test"

BBVA generated operating income of nearly €10,200m, which enabled it to maintain its leadership in profitability, measured as operating income over average total assets, and retain its position among the top three banks in the efficiency ranking within its peer group.

Risk indicators began to return to normal. At the close of the year the NPA ratio, excluding real-estate activity in Spain, stood at 4.6%, with a coverage ratio of 59%, and the risk premium at 1.5%.

To sum up, in 2013 BBVA posted good results that reveal a balanced and efficient business model, managed actively to maximize its future growth potential.

As for solvency, BBVA is stronger than ever. The BIS III fully-loaded core capital ratio was 9.8% at the close of the year, while the core capital ratio under the BIS II regulations stood at 11.6%, compared with 10.8% in 2012. We are thus well prepared for the upcoming stress test.

In 2013 BBVA made two relevant decisions concerning dividends. The first one was not to pay the interim dividend against 2013 earnings that would have been paid in January 2014 and increase the shareholders remuneration to be paid in April 2014 to €0.17 per share, through the remuneration scheme called "dividend option". The second decision refers to the announcement of BBVA's intention to replace the current shareholder remuneration policy with another one fully in cash and linked to the Group's earnings. The goal is to pay out every year between 35% and 40% of each year's earnings, in a process that is planned to be implemented gradually over the next few years depending on market and regulatory circumstances.

As a result of the above and of the improvement in the financial markets, the price of the BBVA share rose by 28.6% in 2013. Including the dividend, total shareholder return was 36.3% over the year, higher than the average for the peer group.

In 2013 we continued to *work for a better future for people*, strengthening BBVA's distinctive responsible banking model, a model based on best practices that includes all the stakeholders.

A new Responsible Business Plan was launched during the year, with three priorities: education, with particular emphasis on finance; transparent, clear and responsible communication with our customers; and the development of products with a high social impact.

2013 was a very busy year due to the many initiatives carried out by the BBVA Foundation, the Microfinance Foundation and the Bank itself in the social, economic, cultural, artistic, scientific, environmental and research areas worldwide. All these initiatives reaffirm our commitment to the United Nations Global Compact.

In 2013 we also continued to make progress in our transformation.

The financial sector is at a crossroads. Our industry is being reshaped by demanding changes in regulation, the shift of economic weight toward emerging markets and, above all, an unprecedented technological revolution.

We are already witnessing the emergence of new digital competitors; others, much bigger, will no doubt arrive. Banks that are not prepared to compete with fully integrated technological platforms, with an innovative range of digital products and services and with a distinctive and improved customer experience, face an uncertain future.

"In 2013 we continued to *work for a better future for people*, strengthening BBVA's distinctive responsible banking model"

“In 2013 we continued to make progress in our transformation. BBVA is reinventing itself, building on the three pillars of our strategy, Principles, People and Innovation, and underpinned by a diversified business model, with growth potential and prudent management. It is changing from an analog bank to a 21st-century digital knowledge services company”

As of today, the new entrants are more flexible and efficient; but banks have a significant advantage: a vast amount of information originated by their activity. The great challenge is to turn this information into knowledge and give customers what they demand. Digital customers want to operate in real time from any mobile device and access new contents and products seamlessly across the various channels. This requires Big/Smart Data technologies and large processing capabilities.

To tackle all these demands, banks need to design new platforms, built and developed under today’s new paradigms, such as the one we have already built at BBVA. In 2013 these platforms enabled us to launch new digital products, such as BBVA Wallet and Wizzo and develop new ones, currently in the pilot stage, with a planned 2014 launch date.

BBVA is reinventing itself, building on the three pillars of our strategy, Principles, People and Innovation, and underpinned by a diversified business model, with growth potential and prudent management. It is changing from an analog bank that is highly efficient and profitable by 20th century standards to a 21st-century digital knowledge services company. We have made great progress, but we still have a long way to go.

I would like to thank the nearly 110,000 BBVA employees for their efforts, and I encourage them to continue working with the same dedication, enthusiasm and responsibility that make BBVA a distinctive bank.

And to you, shareholders, thank you very much once again for your support. I assure you that the Group will continue to work hard to improve every day in order to build the best universal bank in the world.

March 1, 2014
Francisco González Rodríguez

Executive summary

8 About BBVA
10 Principles and values in BBVA
11 Corporate Governance System
14 The economic, banking and regulatory backgroung
22 Strategic positioning
28 BBVA brand
32 Primary stakeholders
47 Performance in 2013

About BBVA

BBVA, a global financial group with a customer-centric business model

BBVA is a global financial group founded in 1857. It has a customer-centric retail business model leveraged on innovation and technology. Customers are provided with a complete range of financial and non-financial products and services wherever the Group operates around the world.

The Group is made up of sound franchises that have leading positions in all the markets where it operates

BBVA enjoys a position of leadership in the Spanish market, is the biggest financial institution in Mexico and has leading franchises in South America and the Sunbelt region in the United States. Its diversified business is focused on high-growth markets. Corporate responsibility is inherent in its model, it promotes financial inclusion and literacy and supports scientific research and culture.

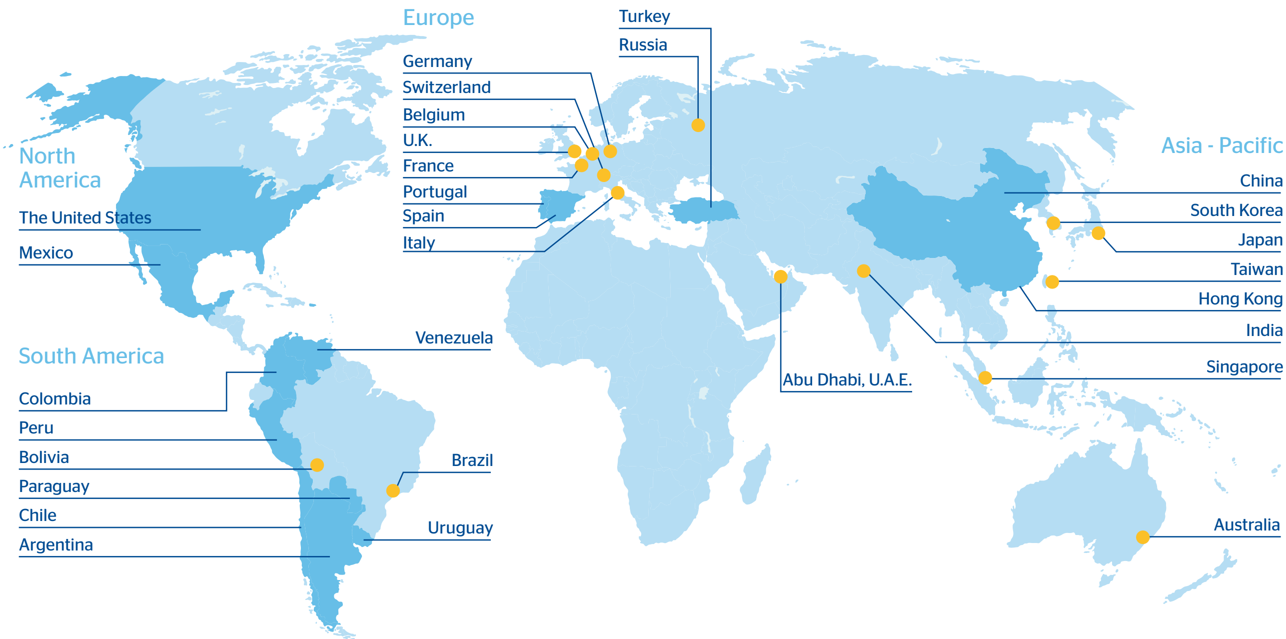
BBVA has developed a strong growth process since 1995...

1995	Banco Continental (Peru) Probursa (Mexico)
1996	Banco Ganadero (Colombia) B. Cremi & B. Oriente (Mexico) Banco Francés (Argentina)
1997	Banco Provincial (Venezuela) B.C. Argentino (Argentina)
1998	Poncebank (Puerto Rico) Banco Excel (Brazil) Banco BHIF (Chile)
1999	Provida (Chile) Consolidar (Argentina)
2000	Bancomer (Mexico)
2004	Valley, Laredo (The United States) Bancomer buy-out
2005	Granahorrar (Colombia) Hipotecaria Nacional (Mexico) Laredo (The United States)
2006	Texas Regional Bancshares (The United States) Forum Servicios Financieros (Chile)
2007	CITIC (China) Compass (The United States) State National Bancshares (The United States)
2008	Extended CITIC agreement
2009	Guaranty Bank (The United States)
2010	New extension CITIC agreement
2011	Extension Forum SF agreement (Chile) Turkiye Garanti Bankasi (Turkey) Credit Uruguay (Uruguay)
2012	Sale of Puerto Rico Business Unnim Banc (Spain)
2013	Sale of BBVA Panama Sale of Pension Business in Latin America New agreement with the CITIC group including the sale of 5.1% in CNCB

...and today is a major player in the financial industry

Present in more than 30 countries, as of 31-Dec-2013 it has 109,305 employees, 7,512 branches and 20,415 ATMs, and providing a service for over 50 million customers around the world.

BBVA in the world



Total assets	Customers	Countries	Branches	ATMs	Employees
599 billion euros	50 millon	30	7,512	20,415	109,305

Principles and values in BBVA

At BBVA, we do business responsibly, guided by principles of integrity, prudence and transparency

BBVA has a differential way of banking based on a strategy of principles adjusted return, that is: integrity, prudence and transparency.

- **Integrity**, as an expression of ethics in the Group's activity and in its relations with stakeholders.
- **Prudence**, understood basically as the principle of caution in risk-taking.
- **Transparency**, as a rule that offers access to clear and truthful information within the bounds of the law.

In conclusion, BBVA operates with the utmost integrity, long-term vision and best practices. This is our way of doing responsible business.

The **vision** of the BBVA Group, "we work for a better future for people" is our why it is based on three pillars: people, principles and innovation.

The vision forms the basis for our **mission** as a bank: "we provide the best financial products and services." And doing so simply and responsibly is our **positioning**.

Simplicity for BBVA means ease, proximity, accessibility and clarity. We understand responsibility as a long-term process, a balanced relationship with customers and a commitment to control our impact on local people, companies and communities and to the development of the countries in which we operate.

Corporate Governance System

Banco Bilbao Vizcaya Argentaria S.A. (BBVA) has a Corporate Governance System that is line with international recommendations and trends for large listed companies. It is tailored to its business reality, marked by a very diversified shareholder structure, with nearly one million shareholders, both retail and institutional, and develops its business in 30 countries.

The **principles** and elements comprising the Bank's Corporate Governance System are set forth in its Board Regulations, which govern the internal procedures and the operation of the Board and its committees as well as the directors' rights and duties as described in their Charter.

BBVA's Corporate Governance System is fundamentally based on the distribution of functions between the Board of Directors, the Executive Committee and the other Board committees, on the composition of its corporate bodies and on an appropriate decision-making procedure.

Pursuant to the Company Bylaws, the **Board of Directors** constitutes the natural body to perform the Company's representation, administration, management and oversight. Its own Regulation reserves the most relevant decisions affecting the Company to it, when they do not fall to the Annual General Meeting.

The BBVA Board of Directors comprises an ample majority of independent directors. It is currently made up of fourteen members, three of whom are executive directors. The remaining eleven members are external directors, ten of whom are independent. This ensures an adequate balance between the Board of Directors' management and supervision functions.

In the performance of their duties, the directors are aware at all times of the most relevant aspects of corporate management that the Bank's main executives put forward to the corporate bodies; and any of them may also request the inclusion in the Board's agenda of any matters they deem advisable in the corporate interest. Likewise, directors representing one quarter of the Board may, in accordance with its Regulations, request the holding of a meeting of the Board of Directors.

In order to better perform its management and control duties, the BBVA Board of Directors has established five specialist committees with a broad range of duties in its Regulations, to help the Board on matters falling within their remit. A working scheme is coordinated among the committees and between the committees and the Board. In doing so**,** they ensure the corporate bodies know of matters relevant to the Group and reinforce the control environment existing in BBVA.

The Board of Directors has set up an **Executive Committee**, which has a majority of external directors and performs executive duties, such as approving certain transactions, determining risk limits or proposing general policies, as well as duties of analysis and supervision of the Bank's results and activity, the evolution of the environment in which the businesses are developed, and monitoring of the Group's risks.

In addition, the Board has set up another **four committees** (Audit & Compliance Committee, Appointments Committee, Remuneration Committee and Risks Committee), composed exclusively of external directors and with a majority of independent directors, whose duties and operating rules are set out in the Board Regulations. Two of these committees (Audit & Compliance and Risks Committees) also have specific Regulations approved by the Board of Directors.

These committees are chaired by independent directors with broad experience in the matters falling within their remit who. In accordance with the Board Regulations, they have extensive powers and autonomy in managing their committees, convene meetings as they see fit for the performance of their duties, decide the agenda, and hire external experts when they deem it appropriate. They also

have direct access to the Bank's executives, who report on an ongoing basis both to the committees and to the Board of Directors.

The quality and efficiency of the operation of the Board and of its committees is evaluated on annual basis by the full Board of Directors based on the reports developed for the purpose.

The proper operation of this organization system for the BBVA Board of Directors requires a high level of dedication by all of the Bank's directors [1], who are also subject to strict rules governing incompatibility and conflicts of interest set out in the Board Regulations.

The Board Regulations and the specific Regulations of these committees can be consulted on the Corporate website www.bbva.com. The composition of the Board of Directors and of its various committees is detailed below.

Composition of the Board of Directors and the Board Committees

Full name	Executive Committee	Audit & Compliance	Appointments	Remuneration	Risks
González Rodríguez, Francisco	•				
Cano Fernández, Ángel	•				
Alfaro Drake, Tomás		•	•		
Álvarez Mezquíriz, Juan Carlos	•		•		
Bustamante y de la Mora, Ramón		•			•
Fernández Rivero, José Antonio			•		•
Ferrero Jordi, Ignacio	•			•	
Garijo López, Belén		•			
González-Páramo, José Manuel					
Loring Martínez de Irujo, Carlos		•		•	
Maldonado Ramos, José	•		•	•	
Palao García-Suelto, José Luis		•			•
Pi Llorens, Juan				•	•
Rodríguez Vidarte, Susana	•		•	•	

(1) In 2013 the BBVA Board of Directors held a total of 12 meetings, the Executive Committee 21 meetings, the Audit & Compliance Committee 12 meetings, the Risks Committee 43 meetings, the Remuneration Committee 6 meetings and the Appointments Committee 5 meetings.

The economic, banking and regulatory background

The economic background

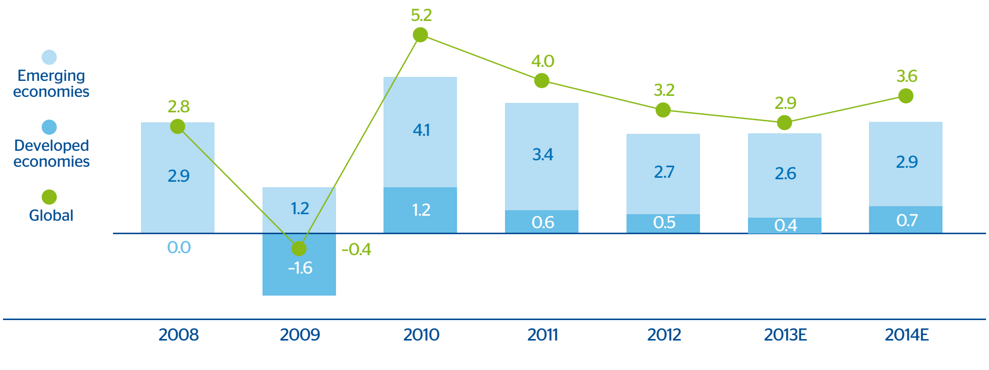
In 2013

Optimism recovers

The **global economy** closed 2013 with a growth of nearly 3%, a few tenths of a percentage point below the figure for 2012. The slowdown was caused by the weakness of developed economies in the first part the year, particularly in Europe, as emerging markets continued to grow at a relatively strong pace. However, this trend began to change halfway through the year, when there was a significant improvement in the global mood, above all after Europe began to show some signs of recovery and of emerging from the recession.

The **financial markets** also performed better in 2013 than the previous year. Europe has not been a source of systemic financial tension, and confidence in the currency has been restored. The euro has emerged strengthened after the reforms adopted and the commitment to move toward banking union in the zone. In contrast, there have been some difficulties in the United States in reaching long-term agreements to resolve the fiscal deficit crisis, leading to the "fiscal cliff" at the start of the year (with the resulting rise in taxation and general reduction in public spending) and the temporary shutdown of the federal government in the fall. Globally, markets (particularly assets in emerging markets) were affected by the announcement by the Federal Reserve that it was considering gradually withdrawing its monetary expansion policy in a process known as "tapering". As a result, global financial conditions are now tighter, and emerging countries have been affected by reductions in asset prices, capital outflows and currency depreciation.

Global GDP growth
(Percentage)



Less global risk from Europe

The recession that hit **Europe** in 2012 (a GDP fall of 0.6% year-on-year) extended through much of 2013, so this year as a whole the European economy has declined by around 0.4% year-on-year. However, its tone has improved steadily over the year all across the board, i.e. not only limited to core countries. In fact, the peripherals have also improved their activity and some have even emerged from the recession and posted positive growth rates. Two factors lie behind this improvement.

One is that the process of fiscal consolidation has been less of a drain on the economy following the relaxation of the fiscal deficit targets. The second reason is that financial tensions have been kept tightly in check. It is worth noting that part of the improvement in confidence with respect to the euro has come from the efforts to improve governance in Europe; in particular, the attempts to create a real banking union on which the European authorities have been working throughout 2013 and which will be established over various stages over the next few years. However, the situation is still weak, inflation continues to be very low and there is significant financial fragmentation. As a result, the European Central Bank (ECB) has lowered interest rates to all-time lows and declared it would take into consideration new measures to provide long-term liquidity for the financial system if necessary. This is closely related to a test in 2014 of the soundness of the European banking system, both in terms of the quality of its capital, the sufficiency of its provisions and its resilience to stress scenarios.

The beginning of the recovery in Spain

In the latter part of 2013 the **Spanish economy** put an end to the long period of recession that has led it to accumulate a further year-on-year fall of 1.2%. The incipient recovery is based on sustained growth in exports and on a less contractionary domestic demand. The fiscal consolidation targets have been relaxed, while market confidence has improved. As a result, there has been no major financial tension, the risk premium on sovereign debt has fallen significantly and the economy has opened up to international financial flows. Even so, the recovery has started from low levels, particularly in terms of unemployment, which is still over 25% of the active population.

The United States face the end of its extraordinary monetary and fiscal policies

Economic activity in the **United States** has also gained strength over 2013, although the less positive figures at the start of the year have led to a slowdown in GDP in year-on-year terms from 2.8% in 2012 down to a figure of 1.8%. Nonetheless, the trend is positive. Consumption and residential lending remain solid, while in the labor market employment continues its moderate growth, and thus unemployment is falling. However, uncertainties have continued to affect the economy, in particular about how soon the authorities were going to limit the expansive tone of fiscal and monetary policies. In fiscal policy, negotiations have been prolonged throughout the year to achieve a comprehensive plan that can address fiscal consolidation with a long-term perspective. This has increased uncertainty and led to a partial shutdown of the federal government in the fall, although in the end the impact on the economy was limited. In monetary policy, tapering was accompanied by an upturn in market interest rates in the United States, which limited the strength of investment in housing. This is despite the fact that the Fed was very clear that this process would only be introduced if the economy continued on a path of sustained growth. In the end, the start of tapering has been postponed until January 2014, and the Fed has been particularly careful to emphasize its intention of keeping interest rates firmly anchored at low levels until it is sure that the improvement underway is sustainable and strong.

The emerging economies: between the volatility caused by tapering and robust growth

For **emerging economies**, 2013 has been similar to 2012, with some occasional exceptions. Overall, growth in Latin America has remained at 2.2%, with the slowdown of the Mexican economy being offset by the partial recovery of Brazil. At the same time, the Asia/Pacific region has once more recorded growth at a few tenths of a percentage point above 5% (or around 3.5% excluding China). However, the positive growth data cannot conceal the fact that the region has been affected by the volatility derived from the announcement of a possibly lower pace of monetary expansion in the United States. This has resulted in reductions in asset prices, currency depreciations and capital outflows, particularly in countries with structural weaknesses and high short-term foreign-currency funding needs. Nevertheless, part of these capital outflows reversed once the Fed conveyed more information on its plans.

Outlook for 2014

Economic recovery in 2014 will continue to gain strength thanks to the range of measures taken. Growth of the **global economy** is expected to accelerate to around 3.6%, mainly due to the improved outlook of developed economies. Both the **United States** and the **Eurozone** will make greater progress in 2014; the United States by 2.5% and the Eurozone by around 1% (similar to the increase expected for the Spanish economy). In addition, **emerging regions**, which will continue to be the greatest contributors to progress in global growth, will remain at their current rates of growth. Latin America will accelerate its growth to rates of around 2.5%, while Asia will continue to grow at

Global economic growth is speeding up, with a greater contribution from developed regions

above 5%, driven by China, where a rise of more than 7.5% is expected. The growth in Turkey will go slower at levels of 1.5%.

Global GDP growth and inflation in 2013 and the outlook for 2014

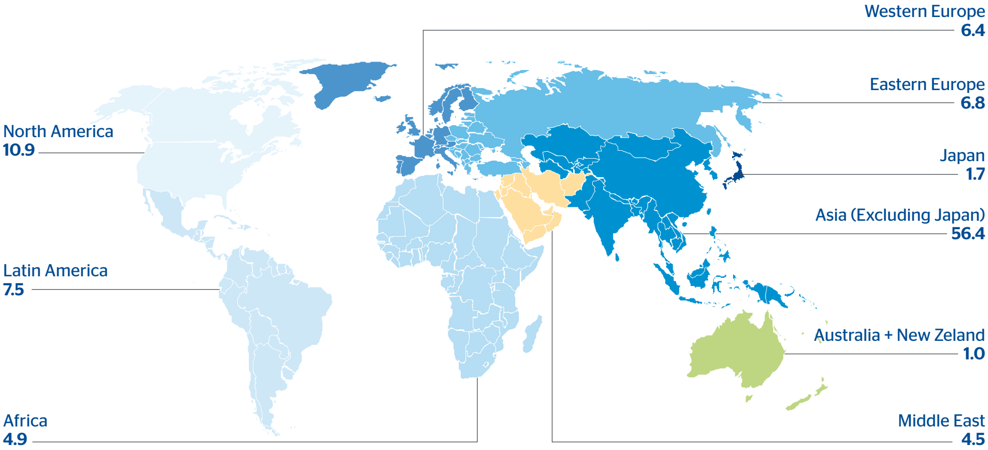
(Percentage of real growth)

	2013		2014E	
	GDP	Inflation	GDP	Inflation
Global	2.9	3.8	3.6	4.1
Euro Zone	(0.4)	1.4	1.1	1.0
Spain	(1.2)	1.4	0.9	0.5
The United States	1.8	1.5	2.5	2.3
Mexico	1.2	3.8	3.4	4.3
Latin America (1)	2.2	8.9	2.5	11.6
Turkey	3.9	7.6	1.5	8.2
China	7.7	2.6	7.6	3.3

Source: BBVA Research.
(1) Includes Mexico, Brazil, Argentina, Venezuela, Colombia, Peru and Chile.

Contribution to global growth between 2011 and 2021

(Percentage of total)



Source: BBVA Research and International Monetary Fund (IMF) -WEO-.

Exchange rates

Throughout this year, currency movements have been determined by expectations of the withdrawal of monetary stimuli by the main central banks and its impact on global liquidity. Thus, the liquidity injections by the Fed and the Bank of Japan maintained the trend for appreciation of most currencies with a significant positive impact on the Group's financial statements in the initial months of the year. The only exceptions were the Argentinean peso, the Venezuelan bolivar (which suffered a devaluation in February) and, to a lesser extent, the U.S. dollar.

However, starting in May 2013 the Fed suggested the possibility of a gradual reduction of monetary stimuli. This fact led to a reversal of part of the capital flows that had been entering emerging markets over recent years, with the resulting depreciation of their currencies. In contrast, the reduction in financial tensions in the Eurozone meant that the area became one of the major recipients of flows, leading to a further appreciation of the euro in the second half of 2013.

In all, in terms of **final exchange rates**, the euro has appreciated against the main currencies in both developed and emerging countries. In terms of **average exchange rates**, there has also been a general appreciation of the euro against nearly all of the currencies that affect the Group's financial statements, except for the Mexican peso, whose rate remained practically stable, as can be seen in the accompanying table. In short, the impact of currencies is negative on both the income statement and BBVA Group's balance sheet and activity.

In **2014** the dollar is expected to appreciate slightly against the euro, and in general against the currencies of emerging regions. This appreciation could be more pronounced against the currencies of countries with less solid fundamentals.

Exchange rates

(Expressed in currency/euro)

	Year-end exchange rates				Average exchange rates			
	31-12-13	Δ% on 31-12-12	31-12-12	Δ% on 31-12-11	2013	Δ% on 2012	2012	Δ% on 2011
Mexican peso	18.0731	(4.9)	17.1845	(0.1)	16.9627	(0.3)	16.9033	1.9
U.S. dollar	1.3791	(4.3)	1.3194	(6.2)	1.3281	(3.2)	1.2850	4.8
Argentinean peso	8.9890	(27.9)	6.4768	(38.1)	7.2767	(19.7)	5.8434	(21.0)
Chilean peso	722.54	(12.3)	633.31	(6.6)	658.33	(5.1)	625.00	2.1
Colombian peso	2,659.57	(12.4)	2,331.00	(5.5)	2,481.39	(6.9)	2,309.47	3.6
Peruvian new sol	3.8535	(12.6)	3.3678	(9.5)	3.5903	(5.6)	3.3896	6.7
Venezuelan bolivar fuerte	8.6775	(34.8)	5.6616	(36.0)	8.0453	(31.4)	5.5187	(25.7)
Turkish lira	2.9605	(20.4)	2.3551	(17.5)	2.5339	(8.7)	2.3139	(7.7)
Chinese yuan	8.3491	(1.5)	8.2207	(2.3)	8.1644	(0.7)	8.1063	10.2

Banking sector

The general improvement in the conditions of financial markets mentioned above has had a clear impact on the banking sector throughout 2013.

The progress made in achieving banking union in Europe has reduced tensions

In **Europe** the financial systems have strengthened their capital and liquidity overall. The progress made in the Single Supervisory Mechanism and, in general, in the consensus on banking union has reduced tension and also market fragmentation to some extent. On October 23, the ECB started the process of a comprehensive assessment of the balance sheets of the nearly 130 banks it will supervise from the second half of 2014. The results of this process will be of great importance in clearing doubts about the solvency of the European banking system, recovering investor confidence and quantifying the problems inherited from the crisis, which will have to be resolved at national level.

Spain has practically concluded its banking sector restructuring process

In **Spain**, the process of restructuring the financial system has been practically completed. Moreover, at the start of January 2014, the program of European financial assistance to the Spanish banks came to a close. All the banks that needed capital have been recapitalized, the assets linked to the real-estate sector have been transferred to the asset management company SAREB, a process for managing hybrid instruments has been implemented and the framework of governance, regulation and supervision in the sector has been reinforced. In addition, the aforementioned improvement in the financial markets has made it possible for Spanish banks to place issues in wholesale markets. Lastly, there has been a reduction in net liquidity demand from the ECB. At the close of December 2013 the amount borrowed was €202,000 million from a high of around €400,000 million in the summer of 2012.

The United States has steadily improved the health of its financial system

In the **United States**, the health of its financial system continued to improve throughout 2013, and the number of institutions with problems has fallen. Despite the low interest rates in the country, the profitability of banks has risen due to the reduced needs for provisions and higher non-financial income.

In Mexico the sector has continued strong

In **Mexico** the banking system remained strong throughout 2013, as highlighted by the Committee for the Stability of the Financial System (CESF) at its meeting held on September 30. In its statement it highlighted the strength of the Mexican financial system and the existence of clear, transparent and predictable policies. Particularly outstanding in 2013 was the initiative for financial reform launched in May by the Mexican government, and passed in November. It consists of 13 decrees making up a reform package that will improve the legal and regulatory framework based on the following four core thematic areas:

- A new mandate for development banks to boost the growth of the financial sector.
- Promotion of competitiveness in the banking and financial system to bring down fees and costs.
- Generation of additional incentives for the banks to increase lending.
- Strengthening of the financial and banking system to ensure sustained growth (improving prudential regulation).

The strength of the South American economies has had a positive impact on their financial systems

The banking industry also maintained its soundness in most of the countries of **South America**. Given the strength of the economies in the region, its financial systems have posted robust levels of profitability and moderate NPA ratios.

In Turkey, banks remain at good levels of capitalization and profitability, despite the recent toughening of monetary policy

In **Turkey**, the sector has maintained sound levels of capitalization and a high level of profitability, although the recent toughening of monetary policy measures may put downward pressure on the margins of banking institutions. The high level of exchange-rate volatility starting in the second half of the year, together with the need to maintain inflationary expectations anchored, have led to an increase in the interest rate corridor. This has led to a significant rise in the average cost of finance, which at the end of 2013 stood at 6.4%. At the end of the year, credit also appeared to moderate its rate of year-on-year growth. However, the sector's asset quality does not seem to be worsening and the NPA ratio remained low.

Profits in the Chinese banking sector are still rising at double-digit rates

With respect to the **Chinese** banking sector, the rate of growth in profits slowed in 2013, although it is still high (up 13.6% for listed banks, according to the latest figures available as of June 2013). This is basically due to the increase in income from fees and commissions, as the steady liberalization of interest rates has had a negative impact on net interest income, above all on the smallest banks, which have risen the remuneration on deposits to attract liquidity. The Chinese policies are expected to remain unchanged, although with a slight adjustment to slow loan growth and reduce existing financial fragility.

The regulatory environment

The regulatory response to reinforce the financial system, initiated after the outbreak of the financial crisis in **2008** and led by the G-20, is forcing financial institutions to adapt to the numerous reforms already introduced and to those that will come into force soon. Although many of the changes have already materialized, the regulatory response is not complete. This means that the regulatory uncertainty with which financial institutions have had to live in recent years has not yet been fully dispelled.

In 2013 progress continued to be made on regulatory reforms, with some aspects still pending completion

In **2013** progress was made in developing macroprudential policies and strengthening the institutional framework for identifying systemic risks. Measures were also adopted for the resolution of credit institutions that allow swift action and a minimization of the costs to taxpayers.

In addition, the adoption by most of the countries of the new solvency regulation (**Basel III**) will serve to strengthen the capital of banks, as it is a stricter and more complete framework than the previous one. Its transposition to European law was completed in June. As this regulation is now directly applicable in all European Union countries, it promotes the harmonization of European prudential rules, which is a necessary requirement for the existence of a banking union in the region.

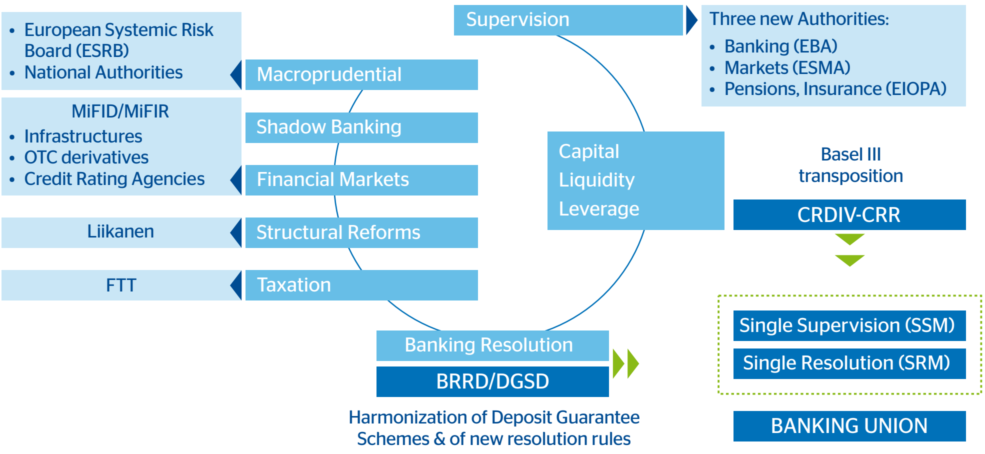
Even though the G-20 does not consider **structural reforms** as a specific part of its financial reform program, the national and European authorities have been very active in this field, making recommendations or suggesting the adoption of regulatory initiatives that impose new restrictions on the structure of their banks.

Structural reforms can be addressed from two different perspectives: by imposing a ban or through a separation of activities. On the one hand, the U.S. authorities have adopted the Volcker Rule, which prohibits proprietary trading activities for credit institutions. On the other, Europe is moving toward the separation between risky trading activities and traditional banking activities. In this regard, there has been a proliferation of divergent national initiatives in Europe: a) The United Kingdom is transposing into its Banking Act the Vickers recommendations, which propose a strict separation between wholesale and traditional banking activities, b) France and Germany have adopted a mild reform that limits the separation to proprietary trading for a limited sample of banks. In order to harmonize national initiatives and preserve the Single Market, the European Commission (EC) has published its own proposal. On the one hand, it prohibits the proprietary trading business and, on the other, it encourages a potential separation of trading activities. This proposal will be negotiated with the Parliament and the European Council, and an agreement is not expected to be reached before 2015. The reform would mainly affect investment banking.

At the same time, some **regulatory proposals** that have been put forward still have to be implemented. Among them are some aspects of the framework for resolution of systemic banks, the requirements for the capacity of absorbing losses, the mitigation of the systemic risks associated with shadow banking and the strengthening of security in derivatives markets.

The accompanying chart includes the main regulatory initiatives currently being implemented in the **European Union**. However, from a European perspective, some uncertainties still have to be resolved, probably in 2014.

Regulatory initiatives in the European Union



The latter part of the year saw approval of the **Spanish laws** needed for the coming into force of the new prudential framework on January 1, 2014. This included approval of Royal Decree-Law 14/2013, while the law of regulation and solvency of credit institutions is in the process of being approved and the Bank of Spain has already issued its Circular 2/2014.

With the progress made in most of the regulatory proposals, the challenge will now be monitoring their implementation.

European banking union

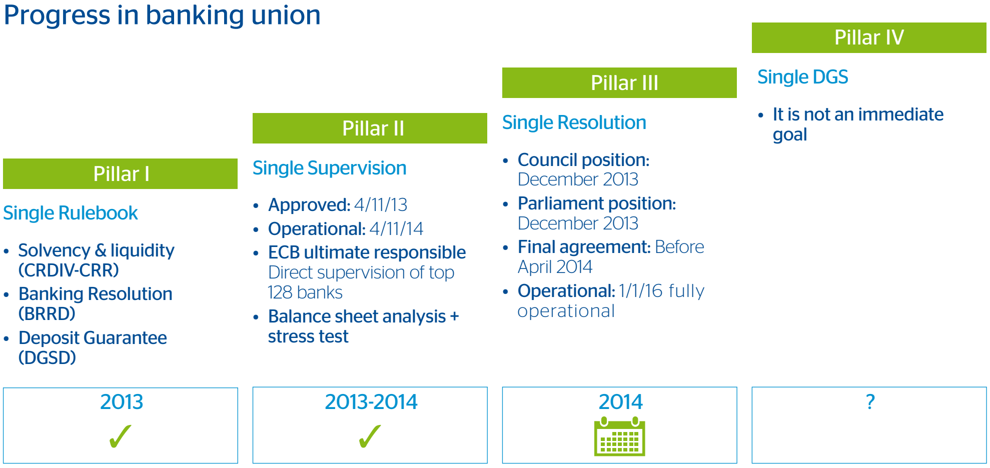
In 2013, Europe has made firm progress in record time toward banking union

The **European banking union** is a historic and decisive project to halt financial fragmentation and guarantee the integrity of the Monetary Union. Now that the first two pillars (regulation and supervision) have been established, and with good prospects on a final agreement regarding the third (resolution, expected for the spring of 2014), the banking union should take off strongly in the second half of 2014, when the ECB takes on full supervision of the banking system.

The first pillar of the banking union (**a single rulebook**) was established with publishing the new package of capital requirements (the CRD IV Directive and the associated CRR Regulation) in June 2013, as well as the Recovery and Resolution Directive and the Deposit Guarantee Scheme Directive, both approved in December 2013.

The second pillar (**a single supervisor**) was implemented in November 2013 with the historic approval in record time of the Single Supervisory Mechanism (SSM), headed by the ECB.

Progress in banking union



The third pillar (single resolution) is the most difficult to achieve, but here too there has been very significant progress. The political agreement in the European Council, forged in December 2013, has moved matters into the final phase of the legislative process, which should conclude with an agreement between the European Council and Parliament by April 2014. The approval of the Single Resolution Mechanism (SRM) is fundamental for restoring the credibility and strength needed for the European project, and to generate financial integration, stability and economic growth.

Before the ECB takes on direct supervision of the 128 most important banks in the Eurozone, a satisfactory and final solution must be found to the question of legacy assets. To do so, the ECB is carrying out a sequential risk assessment exercise, a review of asset quality and, finally, a stress test, together with the European Banking Authority (EBA).

The results of the asset quality review and of the stress test will be published in October 2014 and will give rise to the mandatory recapitalization of any banks falling short of capital requirements, thus allowing the ECB to take on its new functions without legacy problems that could undermine its credibility as a supervisor. The final goal of the exercise is to bolster confidence in the banks and restore the normal flow of credit, drawing a clear dividing line between the problems of the past and the future (for which the SRM offers optimal management at European level of any banking resolution process). Aware of this, the European authorities aim to carry out a credible exercise, robust and transparent (in other words, it can be replicated by the markets). Also key for maintaining positive expectations regarding the success of the exercise has been the agreement reached at the ECOFIN meeting in November 2013 on the existence of public support of last resort. This covers cases when the various private forms of resolution (take-over of losses by shareholders and subordinate creditors, balance sheet restructuring or recourse to the markets) are insufficient to face the capital requirements estimated in the asset valuation exercise and the stress test. Thus, progress is being made on the roadmap to banking union. It is a historic project because of the surrender of sovereignty it implies, comparable to that involved with the creation of the euro. With it, the Eurozone is strengthening its integration and the future of the euro.

Strategic positioning

The banking model in BBVA

The standout performance of BBVA continued in 2013 thanks to its approach to banking

Despite the difficult environment in some markets in 2013, the standout performance of BBVA Group has continued thanks to its approach to banking, which is based on four pillars, with very clear mandates.

BBVA, a banking model based on 4 pillars

1	2	3	4
A diversified portfolio model with leading franchises	A customer-centric business model	A prudent and cross-sectional management model	A model based on Return Adjusted to Principles
To keep constructing a well-balanced business portfolio with future growth	To be the first digital bank and the best valued in customer satisfaction	To boost the best practices and synergies maximizing the value of the Group	To reinforce our commitment to the societies where BBVA operates

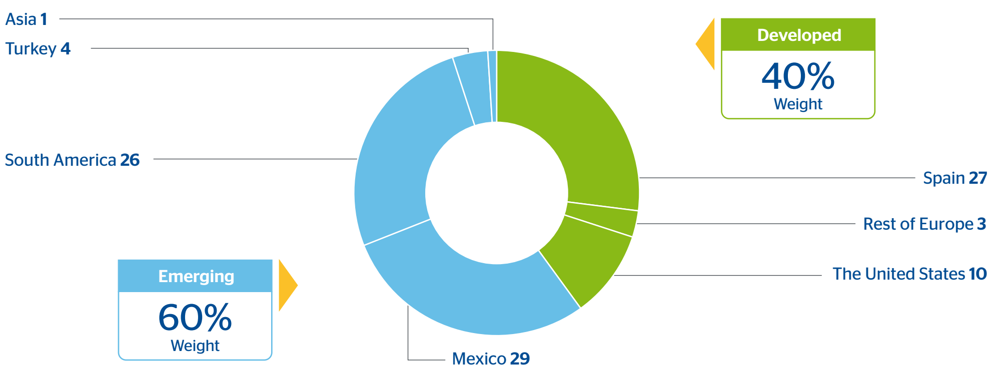
Portfolio model

BBVA, a balanced and diversified portfolio model based on solid franchises

Diversification is essential for ensuring resilience in any environment. The BBVA's model offers a highly balanced mix in terms of geographical areas, businesses and segments. This diversification has enabled it to maintain a high level of recurrent income, despite the environment and the economic cycle. In 2013, 60% of the Group's gross income was originated in emerging countries.

BBVA Group. Gross income breakdown by geographical areas [1]

(Percentage)



(1) Excludes the Corporate Center.

The Group is made up of sound **franchises**, with a sufficiently large customer base, leadership positions in all markets (Spain, Mexico, South America and the Sunbelt region in the United States) and major stakes and strategic alliances in Turkey and in China, in addition to two global franchises: Retail Banking (retail business) and CIB (wholesale business).

BBVA is continuously analyzing the market in search of attractive and profitable **investment opportunities** as part of its policy of active portfolio management, in order to generate maximum shareholder value. The Bank has a clearly defined plan for analyzing such opportunities and carrying out transactions based on certain requirements and with minimum criteria in terms of return, size and stability, among the main ones.

The implementation of this mid and long-term strategy carried out BBVA to realize several **transactions**. The Group completed the sale of its pensions business in Latin America, which it announced in 2012. The last transaction was closed in October with the sale of the entire stake in the Chilean company Administradora de Fondos de Pensiones Provida S.A. to MetLife Inc. subsidiaries. Furthermore, BBVA sold its subsidiary in Panama to Leasing Bogotá S.A., a subsidiary of Grupo Aval Acciones y Valores S.A. And in October 2013, the Group signed a new agreement with CITIC Group which includes the sale of 5.1% of the stake in China Citic Bank Corporation Limited (CNCB) to its partner, CITIC Group. After this sale, BBVA remains a major shareholder in CNCB with a 9.9% stake. This transaction enables the Group to anticipate future regulatory requirements, improving its fully-loaded BIS III core capital ratio by 71 basis points.

BBVA actively manages its portfolio with the aim of maximizing shareholder value

BBVA is very clear about its strategic roadmap for the **future**: to make the most of its businesses, customers and footprint. Diversification will continue to be the catalyst that fuels the Group's income, taking advantage of growth in emerging markets and gaining market share in developed regions. The goal is to continue to build a well-balanced business portfolio, with growth potential, consistent with the size, growth and risk/return targets set and taking into account that resources are limited.

Business model

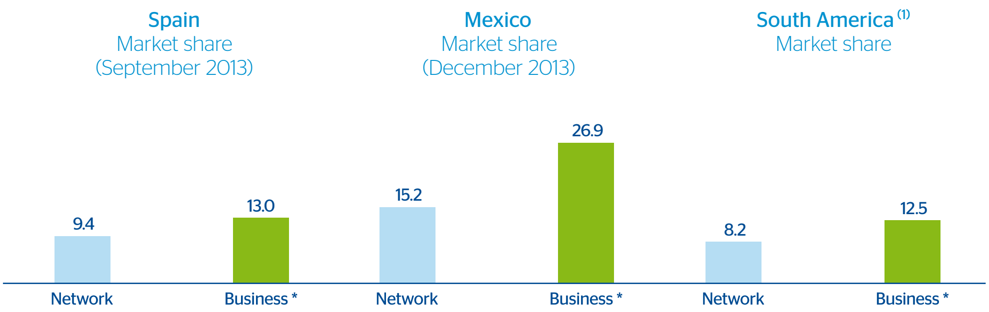
BBVA's business model is focused on the **customer**, not only in the retail world, but also in wholesale banking, i.e. it is based on stable and lasting relationships with the Group's approximately 50 million customers across the world. This ensures a high level of recurrence in earnings and very stable funding in the form of customer deposits.

The Group also has a high-capillarity **distribution network** which is also the market leader in terms of efficiency. Indeed, once again this year BBVA's share of business has been greater than its network share in its main franchises.

BBVA's customer-centric approach ensures recurrence in earnings and stability in funding

Business and network shares in the main BBVA franchises

(Percentage)



* Loans + Customer funds.
(1) Not including market share from Paraguay and Uruguay; all the figures are at December 2013 except for Chile, Colombia and Venezuela (November 2013) and Argentina (October 2013).

Business share > network share

To achieve good efficiency levels, BBVA has been firmly committed to **technology and innovation** for several years. The Bank invests mainly in four core areas within its technological plan: :

- Improving customer experience.
- Increasing commercial productivity.

- Encouraging operational efficiency.
- Reducing risk.

BBVA wants to achieve a customer-centric business model which is more innovative, more efficient and of higher quality. To this end it has implemented very significant **investment plans**, such as those announced for Mexico and South America this year, focused on growth, technological development and improving and expanding its distribution networks. These investments are in addition to those already made in Spain and the United States. BBVA has launched a number of initiatives in 2013, including the following:

- "BBVA Wallet", an app that allows BBVA's mobile banking customers in Spain to manage all his credit cards, check balances, finance purchases, create virtual cards and pay by phone, among other features, in an easy and safe way.
- "ABIL 2", the new ATM in Spain, a state-of-the-art terminal, which can be accessed with the national identity card or introducing the username and password of bbva.es, operate with contactless cards (NFC), etc.
- Mobile banking in several Southern American countries.
- "Mobile Deposit" and "Picture Bill Pay" in the United States. These two initiatives are targeted at the SME segment. Through "Mobile Deposit", users can make deposits simply by taking a picture of their checks with their smartphones. "Picture Bill Pay" refers to bill payment, also through taking pictures of printed bills.
- "Proyecto Ulises" in Mexico, a branch model based on self-service and multi-channel banking with differentiated customer service.

BBVA is evolving toward a more digital Organization because it wants to lead the banking of the future

Here, the Group has set itself two very ambitious goals:

- To become the most recommended bank of our customers.
- To double the online customer base and increase the number of mobile banking users fourfold by 2016.

BBVA has set very ambitious goals

Nº 1	Web customers	Mobile customers
In customer satisfaction	x2	x4

Management model

A prudent and cross-cutting management model

BBVA has implemented a management model based on prudence, anticipation and a global outlook.

Prudence is materialized basically in structural and credit risk management, capital management and corporate operations management.

Anticipation is also crucial in terms of the need to anticipate events and to have the flexibility to easily adapt to them. This ability to anticipate has been key to the Bank's performance over these difficult years, and will continue to be essential in an increasingly global and complex future.

Lastly, the **global vision**, and the underlying cross-cutting approach, involves exploiting all the potential of BBVA's businesses, customers and current footprint.

A more global and cross-cutting organization

In 2013, the Group has continued to promote the **cross-cutting management** of its businesses to generate significant synergies, through:

- The Group's wholesale businesses, Corporate & Investment Banking (**CIB**), with a customer-centric, diversified, efficient and low-risk model and with a strategy that will enable the Bank to offer a differential service to its customers, leading to:
  - A global and specialized coverage model.
  - A value offer for all customer segments.
  - A comprehensive catalog of high value-added products and services and a high-level platform.
- Retail businesses, through **Retail Banking**, responsible for identifying best practices and spreading them from one geographical area to another. It also has the aim of boosting the development of the Group's global business lines (consumer finance, insurance, asset management and payment channels). It is also in charge of designing the Bank's omni-channel strategy, carrying out global initiatives and promoting innovation beyond the borders of conventionalism.

Principles adjusted return model

The current **environment** undoubtedly represents a challenge for the financial sector. The social legitimacy of financial activity has been eroded on a global scale, and this is combined with a growing demand for accountability. In addition, there is increasing regulatory pressure in the sector, particularly in customer protection. Against this backdrop, BBVA believes in a differential approach to banking. The Entity is aware that there is much room for improvement, but also that being profitable does not mean doing business at all costs. That is why principles adjusted return is important.

BBVA firmly believes that putting **principles** first in the Group's governance management is a competitive advantage in itself. Principles are vital to maintaining trust and the value of the franchise, thus ensuring long-term sustainability. It is important to achieve the goals set by the Group every year. But it is even more important to do so playing by the rules, following very sound principles and putting people at the heart of the business.

A return model adjusted to the principles of integrity, prudence and transparency

For BBVA, the crucial asset in the banking business is the trust of its customers, shareholders, employees, regulators and society at large. The Bank has a very clear vision, "Working for a better future for people". This has motivated BBVA to work hard on a strategy of **responsible business**, approved in 2013. This new strategy has been created to meet a challenge: to set us apart and win back society's trust. The Responsible Business Plan establishes three strategic priorities:

- **Transparent, clear and responsible communication** ("TCR" communication). The crisis has undermined people's trust in banks, complaints about misleading information have surged and tougher regulation has been introduced in the sector on customer protection and transparency. Customers perceive that we use terms which are overly technical and difficult to understand. It is not simply a question of making sure customers are told everything - they have to be told everything in a clear way. Communicating with customers in a transparent, clear and responsible language helps them make an informed decision and is a key lever for winning back and maintaining their trust. This is why BBVA is developing a policy and working on various initiatives in order to make the bank-customer relationship "more TCR" before, during and after the contract is signed.

- **Education.** Education is the main strategic priority of the Group's social programs. Within this line, three areas are distinguished:

  - Financial literacy, which together with "TCR" communication is the other element that helps customers make informed decisions.

  - Training for SMEs, which play an important role in the development of the country's economic-business network.

  - Education for social integration and training on values for children and young people.

- **Products with a high social impact.** A great social impact is already being generated through daily activity. Think about all the people who are financed with mortgages from the Bank or the growth and employment created by companies with funding from BBVA. The Group thus has a great opportunity to design products and services with a greater social impact, taking into account customers' needs and the context in which they live.

Responsible Business Plan

At closing 2013...

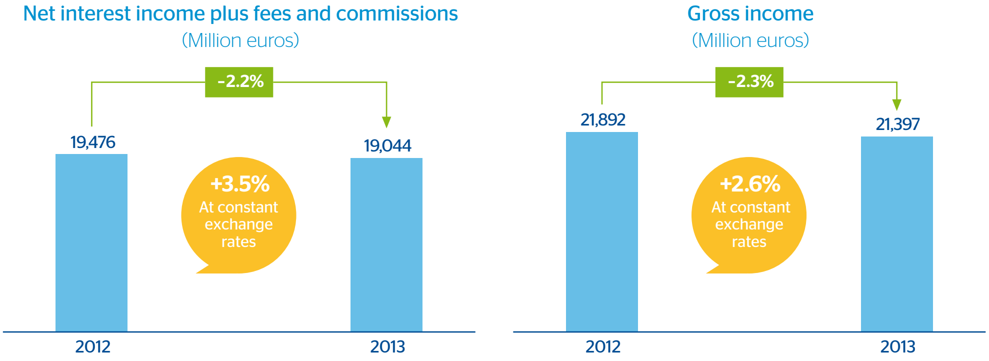
- Around **4.9 million people** worldwide live in BBVA- financed houses.
- **348,445 SMEs** financed (49,521 in Spain).
- BBVA has allocated **97 million euros to social programs**.
- **9,848 million euros of paid and collected taxes** by BBVA (3,130 million in Spain).
- Much of our shareholder base is BBVA customer.
- Most of BBVA employees are both customers and shareholders.

Competitive advantages

BBVA's banking model translates into three competitive advantages: recurrence in earnings, structural soundness and a single model of principles adjusted return

- **Recurrence**, because BBVA continues to show year after year a strong capacity to generate recurrent income to absorb the demanding requirements imposed by the different supervisors.

Recurrent earnings



- Structural **soundness**, because the Group maintains a balanced and well-capitalized balance sheet with risks that are well-known and under control, and with an adequate funding structure relying on its broad base of customer relations. BBVA also has a comfortable liquidity position, and its capacity to generate capital organically is among the soundest in its peer group. In addition, BBVA has been one of the few banks in the world that has continued to pay dividends during these years of crisis.

- And a unique principles adjusted **return** model based on absolute principles of integrity, prudence and transparency, the main object of which is to create value for its shareholders.

In short, community involvement, principle-based management and technological leadership, together with the strength and balance of its business model, define BBVA's DNA. All of these factors continue to make the Group stronger and place it in a good position to lead the banking industry of the future.

BBVA is ready to lead the banking of the future

BBVA brand

BBVA brand's value lies in the perception its stakeholders have of it

BBVA brand is one of the Group's intangible assets whose value lies in the perception the Bank's various groups of stakeholders have of it. This perception is based on the promise they receive from the Bank. The Group therefore identifies the BBVA brand with the promise it makes to its stakeholders and the experiences they share with it.

Simplicity and responsibility, the keys to our brand positioning: "BBVA: a Bank that makes life easier for its customers"

Based on this brand concept the Bank has worked to understand the most relevant aspects of this promise. This is how the **BBVA brand positioning** originates: a Bank that makes life easier for its customers. And simplicity and responsibility are the differential ways we have of being customer-centric.

Simplicity as synonymous for agility, flexibility, accessibility, convenience and closeness

The commitment to **simplicity** is based, above all, on the core elements that play a decisive role in each point of contact with our customers, both current and potential: branches, remote customer service, communication, etc.:

- **Agility and flexibility**, which have to do with simplifying paperwork, expediting procedures, offering solutions to customer problems and cutting waiting times.
- **Accessibility and convenience**, i.e. an extensive branch network and a physical and remote distribution model tailored to the needs of our customers.
- **Closeness**: more customized service.

One of the main tools that help to address these aspects is the commitment to **innovation**. This commitment is reflected not only in the constant search for improvements for customers through new technologies, but also in all the processes related to work practices, product design, customer relations, channels, etc.

BBVA wants to stand out as a responsible Bank that conducts its financial activity really thinking about people

BBVA is committed to a different approach to banking. We want to be profitable, but that does not mean doing business at all costs. At BBVA we talk about "principles adjusted return". And this desire to be different as a responsible Bank is embodied in our 2013 **Responsible Business Plan.**

Consumers want more balanced relationships with their bank. Speaking to them clearly and transparently is essential

But, what do we mean by responsible business? We have asked customers and non-customers (people who use banking services) in the main countries in which we operate, and they have spoken out very clearly. Being perceived as a responsible Bank means it is essential to focus on building more balanced relationships with our customers. The starting-point is being clearer and more transparent and encouraging informed decision-making. Closely related to this idea is employee management. Consumers remind us of the importance of having trained, motivated and principled employees, since they are the main ambassadors of our brand.

As explained in the “Strategic positioning” chapter, the new Responsible Business Plan is based on three core **strategic lines**:

- **Transparent, clear and responsible communication** (TCR) to help our customers make informed decisions.
- **Education** as a single umbrella for social programs, including financial literacy as a priority.
- The development of **products with a high social impact**, bearing in mind the needs of the customers and the circumstances they are living in.

Our communication in **2013** has continued to make progress in the implementation of this BBVA brand positioning and of our corporate identity.

In **advertising communication**, the priority goals have been to consolidate the brand at a global level and align BBVA's message and presence around the world with the pillars of customer-centric and simplicity. Other key goals have been to achieve a greater level of efficiency/profitability with our partners and make the most of cross-cutting best practices that can contribute value to the Group.

BBVA's advertising communication is focused on using its positioning as a base for consolidating the brand at a global level

New forms of communication proliferate in today's world, and digital channels and the penetration of social media are becoming increasingly important. In order to adapt to this environment, BBVA has revised and created a new **Advertising Communication Management Model**. This new model has been developed as a global strategy that is applied locally, according to the needs of each market. Under this model, the first global campaign in the Group's history was launched in 2013: “BBVA donde estés” (BBVA wherever you are), which features the best players (Iker Casillas, Andrés Iniesta, Kevin Durant and James Harden) from the two best leagues in the world (Liga BBVA and the NBA) in a spot where they make what seems difficult easy. BBVA offers its customers the best way to access its financial products and services, quickly, easily, wherever they are and through all the channels: website, mobile apps, tablets, ATMs, branches, etc.

In addition, progress has been made to implement the **corporate identity** at all the points of contact, paying special attention to the digital world and physical spaces, such as the new “Ciudad BBVA” headquarters in Madrid.

A single corporate identity that enables the brand to be identified quickly and clearly

The communication strategy through **Internet and social networks** reinforces BBVA's brand positioning. The new media are fundamental to improve customer relations. This means that in pursuit of simplicity, users are given the best possible service, wherever they are, through the social media. That is why the Bank's constantly developing presence in the new media is the responsibility of everyone in BBVA. Many teams specialized in various areas (Communication and Brand content generation, development of innovative formats in New Digital Channels, marketing departments in the different countries and customer service areas, Human Resources, BBVA Research, Innovation, etc.) contribute to improving the service provided through these channels. Collaboration among experts in various areas leads to effective management and coordination of communication in today's changing and difficult environment. The BBVA community on the social media is growing every day and already has more than 10 million followers. The Group's latest news on these media is available in real time on the corporate blog bbvasocialmedia.com. Currently, 168 profiles are included under the umbrella of the BBVA brand on Facebook, Twitter, Linkedin, YouTube and Google+ in 11 countries. Lastly, it is worth noting that BBVA has closed the year with several awards for its work in communication via the social media, reinforcing even further the Bank's benchmark position in this area. According to PRNoticias, BBVA was the most innovative company in financial communication in 2013 “for its commitment to new channels and new media that bring it even closer to its target audiences.” In addition, the company specialized in social network analytics Alianzo published a study on the position of Spanish banks in this type of media, highlighting BBVA's leadership in an area where much still remains to be done and awarding the Entity as the “Best bank in social network” in Spain in 2013. The key of BBVA to success lies in the interest and use of published contents for the stakeholders, emphasizing the diffusion of advices to improve the management of domestic economy and promote sport and brand sponsorship. This is with a clear focus on the advantages provided by the use of new technologies. Other recognitions include: the TNS Spain award for the best sports page on Facebook for “Yo subo con Carlos Soria” (I climb with Carlos Soria) and the “Corporate Communications Awards” nominations for the crisis management system.

BBVA, a benchmark in financial communication through Internet and social media

Sponsorship reinforces the brand's attractiveness by associating BBVA with universal domains of global scope which share values with its corporate culture

Sponsorships are another channel used by BBVA to reinforce the brand's attractiveness, through a strategy based on three pillars: recognition, positioning in values and commercial operation. Soccer and basketball are the most important universal domains with which BBVA is associated. Worth mentioning again are the sponsorships of the Professional Soccer League in Spain, officially known as Liga BBVA and Liga Adelante; and of the NBA, which includes the WNBA and the NBA Development League in the United States, Mexico, South America, Spain, Portugal and Turkey.

In **soccer**, BBVA has carried out a number of initiatives, such as the brand's presence in all Liga BBVA broadcasts worldwide; the development of a digital ecosystem, "Liga BBVA", with content of interest to users that integrates the brand in an effective and natural way; and links with soccer-related social projects. In addition, BBVA is also active in soccer at local level in the markets in which it operates, including the recent sponsorship of Liga BBVA Bancomer MX in Mexico and the two greatest clubs in the history of soccer in Argentina (Boca and River).

Several initiatives are worth mentioning in **basketball**, such as "NBA Banking", launched in early 2013 in the United States. It includes a package of products that creates a differential banking experience for customers, leveraged on elements they love about the NBA competition. It effectively combines competitive financial products and services with NBA contents, such as the times of basketball games, relevant news, the chance to win NBA products, and the option to customize debit cards with the image of the holder's favorite team. For yet another year it has continued to support the "NBA Cares" social program to reach thousands of children through financial literacy programs. BBVA Compass has also partnered the home team, the Houston Dynamo, in the "Building a Better Community" project. This includes rebuilding homes and revitalizing the green areas around the stadium, as well as improving children's education. BBVA has also continued to sponsor the "BBVA Compass Rising Stars".

In 2013, BBVA has continued to support the "**BBVA Ambassadors**" project, which brings together famous people from various walks of life who share fundamental BBVA values, such as the spirit of self-improvement, integrity, cooperation, humility and responsibility. The collaboration between BBVA and its brand ambassadors extends beyond the use of their image in advertising campaigns. It also includes their participation in activities related to corporate responsibility. BBVA began this program with Iker Casillas and Andrés Iniesta, who were later joined by the NBA players Kevin Durant (Oklahoma City Thunder) and James Harden (Houston Rockets). Carlos Soria continues to be another ambassador. At 74 years of age, this mountaineer has set himself the challenge of climbing the 14 highest mountains in the world. Carlos continues to participate in the "Momentum Himalaya" project, an initiative in the Nepali village of Sama (at 3,500 meters above sea level) that is

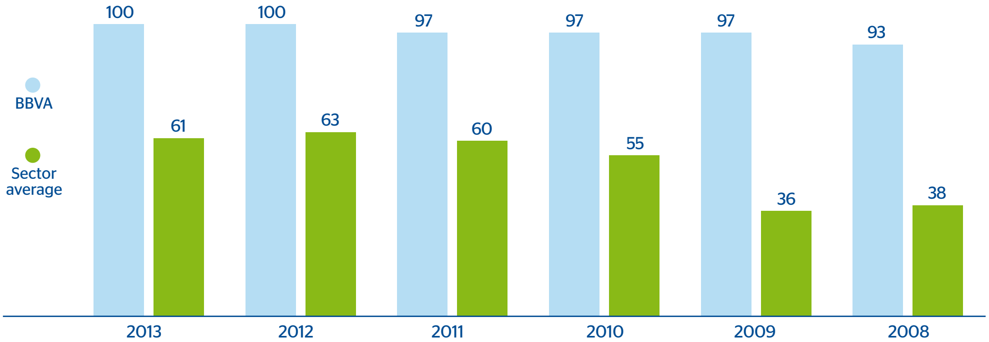
developing various methods of sustainable finance for a local school providing a home for 120 children in the area.

This year, the sustainability analysis agency SAM (Sustainable Asset Management) has maintained the overall **ranking** of BBVA brand management. It has once again granted the BBVA brand the top score, well above the average for the financial sector. This agency evaluates the companies listed on one of the most prestigious sustainability indices, DJSI (Dow Jones Sustainability Index).

For yet another year, BBVA brand management has been recognized by experts with the top score

BBVA's brand management score in 2013

(Scale 1-100)



Source: SAM.

One of BBVA's key **strengths** which is most highly valued by experts is the system of standardized measurement tools to monitor how the brand is perceived in the main countries in which the Group operates. Awareness of the BBVA brand and its reputation continue to be high in all the countries in which the Bank operates.

BBVA brand awareness

(Scale 1-100)

	Spain		Mexico		Argentina		Chile		Peru		Colombia		Venezuela		The United States	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Awareness	**68.7**	68.4	**87.8**	88.7	**62.2**	77.3	**27.4**	19.0	**74.6**	74.0	**35.3**	20.9	**59.4**	67.8	**12.5**	14.2
Awareness (ranking position)	**2nd**	1st	**1st**	1st	**3rd**	3rd	**5th**	5th	**2nd**	2nd	**4th**	6th	**2nd**	2nd	**6th**	6th
Reputation with customers	**73.5**	73.8	**67.8**	68.9	**76.0**	78.5	**67.8**	64.9	**75.5**	77.0	**69.2**	65.5	**76.8**	80.5	**73.1**	74.0

Awareness is a percentage of people who mention being aware of the BBVA brand spontaneously. Reputation is a grade from 0 to 100.
The data for awareness and reputation are for the first nine months (January to September) for 2013.
Statistically significant changes: positive in green and negative in orange.

Awareness data source: Advance Tracking Programme, MillwardBrown.
Reputation data source: RepTrak, Reputation Institute.

Spain: Santander, La Caixa, Banesto, ING Direct, Bankia, Banco Popular, Bankinter and Banca Cívica.
Mexico: Santander, Banamex, HSBC, Banorte, Scotiabank, Inbursa and Banco Azteca.
The United States: Bank of America, Capital One, Chase, Regions, Wells Fargo, Citibank and Wachovia.
Argentina: Santander Río, Banco Galicia, Banco Provincia, Standard Bank/ICBC, Citibank, Banco Nación, Banco Patagonia/Sudameris, HSBC, Banco Ciudad e Itaú/Buen Ayndre, Banco Macro.
Chile: Banco de Chile, Santander, Scotiabank, Itaú, BCI, Falabella, Eduardsciti, Banco Estado, HSBC, Corpbanca and BICE.
Colombia: Banco de Bogotá, Bancolombia, Citibank, Colmena BCSC, Davivienda, AV Villas, Banco de Occidente, Banco Caja Social, Colpatria, Grupo Aval, Éxito, Santander and Corpbanca.
Peru: Banco de Crédito, Interbank, Banco de la Nación, HSBC, Scotiabank, Citibank, Banco Falabella, Banco Azteca, Crediscotia, Banco Financiero, Banbif.
Venezuela: Banesco, Banco Mercantil, Banco de Venezuela and BOD.

Primary stakeholders

The tools for communication and dialog ensure that stakeholders have appropriate channels to be listened to by the Bank and that BBVA has the sources of information needed to meet their needs

Tools for communication and dialog with stakeholders

BBVA has a wide collection of **tools** for communication and dialog with its stakeholders. These tools guarantee two things: that stakeholders have the appropriate channels available to be listened to, and that BBVA has adequate sources of information to understand their priorities and expectations and, therefore, meet their needs.

BBVA has five main ways of analyzing and integrating stakeholder expectations:

- First, there is **the specific work of each area and/or unit** in its day-to-day relationship with each stakeholder group. This includes specific communication tools, such as the employee satisfaction survey, managed by Human Resources or the customer satisfaction/recommendation surveys and the mechanisms for dealing with complaints, coordinated by the Customer Experience teams.

- Second, the work carried out by the **Customer Management** unit, which involves listening to our customers and integrating their opinions into the processes for developing new solutions for all the segments. This is done by using multidisciplinary methodologies, such as solution co-creation, ethnography and netnography or big data.

- Third, the work conducted by the **Brand and Communication** area, which has global, consolidated communication tools in place that serve a twofold purpose:

  - To enable better management of BBVA's brand and reputation.

  - To gain a deeper knowledge of the social contexts in which the Bank operates so the Group is able to incorporate a vision more focused on people into its business decisions.

  The **tools** used by Brand and Communication include: the annual internal reputation survey (among employees) the on-going external reputation and brand surveys (trackings) for customers and the community in general; the measuring of online reputation and on-going communication and dialog via social networks (customers and the community in general) and the analysis of the expectations and priorities of specific groups, such as sustainability analysts, for example.

  This year we have supplemented these tools with specific global research to better understand what a bank that conducts responsible business means to people who use banking services. The goal is to be able to better focus the Bank's responsible business strategy in order to win back the trust of society.

- Fourth, the Bank has several **channels for dialog** with social organizations particularly concerned about certain controversial issues for the financial industry, such as financing of the defense industry, large investment projects and housing in Spain.

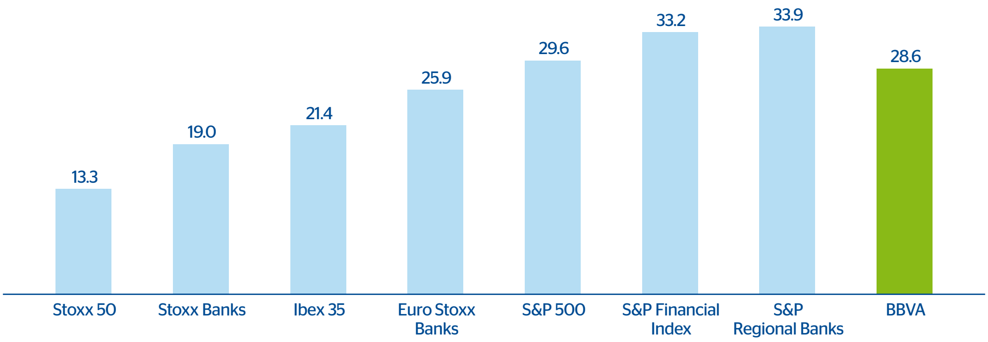
- Lastly, it should be mentioned that there is the permanent analytical work, the reports and working documents of the **BBVA Research** unit, which are very important to have a macro and overall view of what is happening in the communities where BBVA operates.

The BBVA share and shareholder structure

In 2013 there was confirmation of recovery in the United States and improved market sentiment about the Eurozone. This marks the start of the transition period of the Fed's expansive monetary policy strategy, as well as the relaxation of sovereign tension in Europe, and thus a reduction in risk premiums in peripheral Eurozone countries. This has been reflected in the good performance of **stock market indices** in the main developed economies. In the United States, the S&P 500 index rose by 29.6% since the close of 2012, while the Stoxx 50 index in Europe gained 13.3%. In Spain, the Ibex 35 index increased 21.4% over the same period. In fact, the **banking sector** has posted the biggest increases with respect to the general indices. The S&P Regional Banks index gained 33.9%, while the Euro Stoxx Banks index, which includes banks in the Eurozone, rose by 25.9%. In both cases, the increase was higher than that of the S&P 500 and Stoxx 50 indices.

2013 marked the start of the transition towards a new cycle in the United States and the Eurozone

Year-on-year evolution of the principal stock-market indexes and the BBVA share
(Percentage)



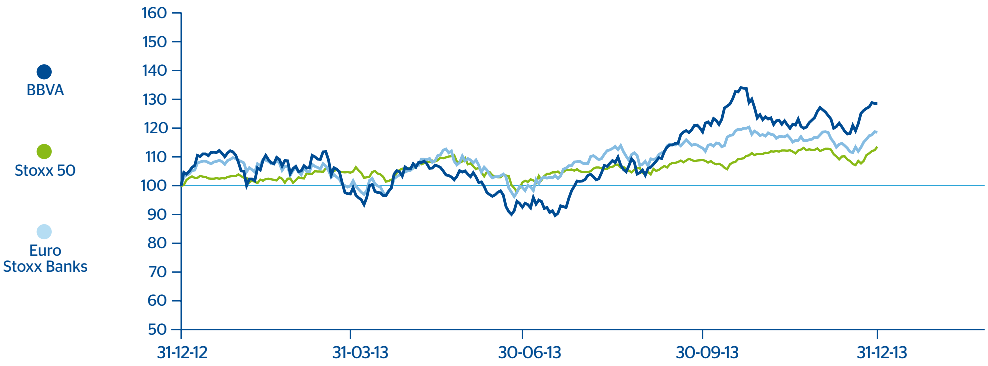
BBVA earnings for 2013 once more stand out by their high level of solvency and sound liquidity position. Market analysts have mainly highlighted the balanced diversification of revenue between developed and emerging regions. By areas, Spain is considered the market with the highest potential for recovery in the medium term, while Mexico and South America are still rated better. In addition, analysts have made a positive assessment of the Group's divestment of non-strategic assets, such as the sale of the pension businesses in Latin America and of BBVA Panama. In addition, in Asia, BBVA has signed a new agreement with CITIC Group, which includes the sale of 5.1% of its stake in CNCB and helps assign the Group's capital more efficiently within the Basel III regulatory framework, as this stake has been reduced below 10%. Following these operations, BBVA maintains its strategic commitment in both regions (Latin America and Asia) and is still a significant shareholder in CNCB, with 9.9% of the share capital. Strategically, analysts have understood the reason behind these divestments, as they are businesses whose synergies with the Group's core business are very limited, or in markets where there was no possibility of achieving a critical mass.

BBVA earnings have once again stood out among Spanish banks

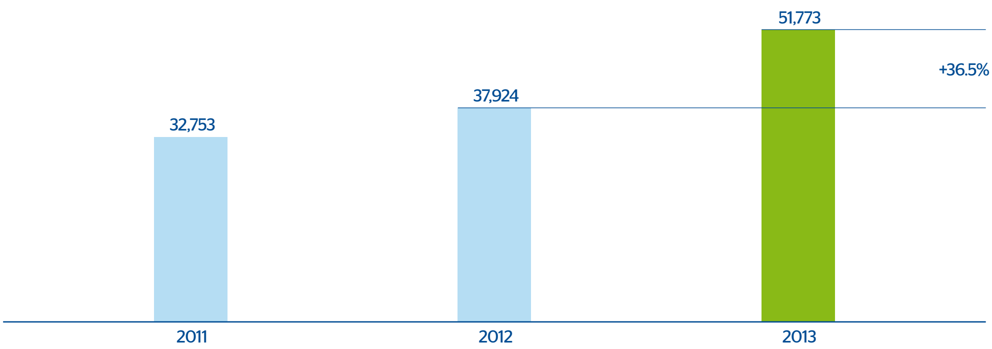
The **BBVA share** has performed extraordinarily well over the year. Its price has risen since the end of 2012 by 28.6%, closing as of 31-Dec-2013 at €8.95 per share. This price represents a market capitalization of €51,773m, a price/book value ratio of 1.1, and a P/E ratio of 23.2 (calculated on the BBVA Group's net attributable profit for 2013). In these conditions, the BBVA share continues to be attractive at its current levels, based on its potential for revenue growth and excellent capital position.

The BBVA share outperforms the Ibex 35 and Euro Stoxx Banks indices

Share price index
(31-12-2012=100)



BBVA's market capitalization
(Million euros)



The BBVA share and share performance ratios

	31-12-13	31-12-12	31-12-11
Number of shareholders	974,395	1,012,864	987,277
Number of shares issued	5,785,954,443	5,448,849,545	4,903,207,003
Daily average number of shares traded	55,515,852	68,701,401	60,363,481
Daily average trading (million euros)	411	406	452
Maximum price (euros)	9.40	7.35	9.49
Minimum price (euros)	6.18	4.31	5.03
Closing price (euros)	8.95	6.96	6.68
Book value per share (euros)	8.18	8.04	8.35
Market capitalization (million euros)	51,773	37,924	32,753
Price/book value (times)	1.1	0.9	0.8
PER (Price/earnings; times)	23.2	21.5	10.9
Yield (Dividend/price; %)	4.1	6.0	6.3

As regards **shareholder remuneration** in 2013, on July, 10 an interim dividend was paid in cash for a gross €0.10 per share. In addition, in October the flexible "dividend option" remuneration system was carried out, for a gross €0.10 per share, which offers shareholders the option to receive the dividend either in newly issued BBVA shares or, under their choice, in cash. The percentage of shareholders choosing to receive new BBVA shares was 88.3%, higher than on previous occasions, thus again confirming the confidence of shareholders in the future evolution of the shares. Furthermore, a proposal will be made to the next Annual General Meeting on March 14, 2014 to implement again the "dividend option" remuneration system. If this proposal is approved, BBVA's intention is to increase, up to a gross €0.17 per share, the shareholder remuneration payable in April 2014 through the "dividend option" system, which will replace the traditional final dividend. The approval of this proposal would bring the total shareholder remuneration to a gross €0.37 per share, equivalent to a dividend yield of 4.1%, one of the most attractive in the sector in Spain and the rest of Europe.

BBVA announces its intention to replace gradually the current shareholder remuneration policy

On October 25, 2013 BBVA announced its intention to replace gradually the current shareholder remuneration with another one fully in cash and linked to the Group's earnings. The final goal is to pay out every year between 35% and 40% of each year's earnings depending on market and regulatory circumstances.

The **number of BBVA shares** as of 31-Dec-2013 stood at 5,786 million compared with the figure of 5,449 million at the close of 2012. This increase is the result of the execution of the "dividend option" and conversion on 30-Jun-2013 of the outstanding subordinate mandatory convertible bonds issued in December 2011.

Increased participation by foreign shareholders in BBVA's capital

The number of **BBVA shareholders** as of 31-Dec-2013 stood at 974,395, compared with 1,012,864 as of 31-Dec-2012, a slight decline of 3.8%. The main reason for this fall is sales by new shareholders after voluntary or mandatory conversions of subordinate bonds in 2012. The granularity of shareholders has remained at similar levels in 2013, with no significant holding.

Shareholder structure

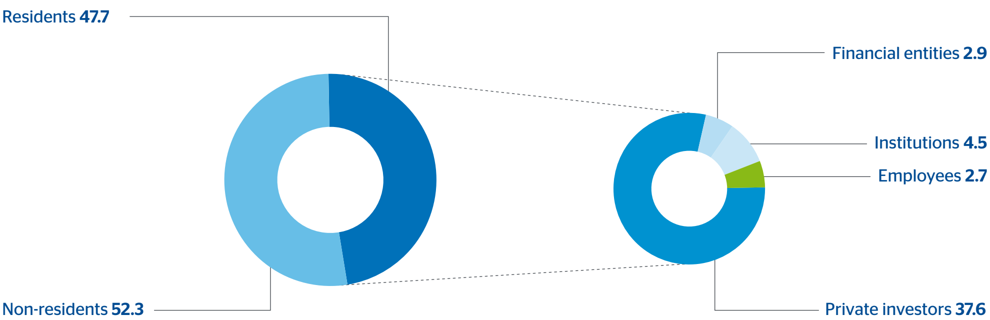
(31-12-2013)

	Shareholders		Shares	
Number of shares	Number	%	Number	%
Up to 150	253,046	26.0	18,113,667	0.3
151 to 450	214,245	22.0	58,100,378	1.0
451 to 1,800	278,268	28.6	258,981,483	4.5
1,801 to 4,500	119,812	12.3	343,106,916	5.9
4,501 to 9,000	55,680	5.7	351,596,874	6.1
9,001 to 45,000	46,925	4.8	822,302,489	14.2
More than 45,001	6,419	0.7	3,933,752,636	68.0
Total	**974,395**	**100.0**	**5,785,954,443**	**100.0**

In addition, 47.7% of the share capital belongs to investors resident in Spain, while the percentage owned by non-resident shareholders has increased to 52.3% (compared with 46.9% in 2012). This demonstrates once more the renewed confidence and recognition of the BBVA brand among foreign investors, even after the recent period of heightened uncertainty in financial markets and the banking sector.

BBVA Group. Shareholder structure 31-12-2013

(Percentage)



High liquidity of the BBVA share

BBVA **shares** are traded on the stock exchange market in Spain and, also, on the stock exchange markets of London and Mexico. The BBVA American Depositary Shares (ADS) trade in New York and in the Stock Exchange of Lima (Peru) through a swap agreement in both markets. The BBVA share was traded on each of the 256 days in the stock market year of 2013. A total of 14,157 million shares were traded on the stock market in this period, representing 245% of the Groups' share capital. Thus, the daily average volume of traded shares has been 56 million, 0.96% of the total number of shares making up the share capital and a daily average of €411m.

BBVA is listed on the main stock market and sustainability indices

Lastly, BBVA shares are included in the key Ibex 35 and Euro Stoxx 50 **indices**, with a 12.3% weighting in the Ibex 35 and 2.9% in the Euro Stoxx, as well as in several banking industry indices, most notably the Stoxx Banks, with a weighting of 5.9%, and the Euro Stoxx Banks, with a weighting of 12.8%. In addition, BBVA's presence on the main sustainability or ESG (environmental, social and governance) indices which evaluate the performance of the companies in this matter is increasingly significant. At global level, institutional investors assign increasing importance to inclusion in these ESG indices (based on environmental, social, ethical and corporate governance ratings), as well as to financial fundamentals, when it comes to making an investment decision. The permanence and punctuation in those stock market indices depend on how the steady progresses in sustainability can be demonstrated. BBVA is one of the highest-rated shares by nearly all the ESG analysts and indices, such as the Dow Jones Sustainability, the FTSE4Good and the MSCI indices, maintaining an outstanding presence among the main international sustainability indices. Its weighting as of 31-Dec-2013 in each of these indices is shown in the following table:

Main sustainability indexes with BBVA presence

(Data as of 31-12-2013)

		Weighting (%)
	DJSI World	0.75
	DJSI Europe	1.53
	DJSI Eurozone	3.12
	Euronext Vigeo Europe 120 Index	0.80
	Euronext Vigeo Euro 120 Index	0.83
	MSCI World ESG Index	0.46
	MSCI World ex USA ESG Index	0.98
	MSCI Europe ESG Index	1.63
	MSCI EAFE ESG Index	1.08
	FTSE4Good Global	0.43
	FTSE4Good Global 100	0.73
	FTSE4Good Europe	1.04
	FTSE4Good Europe 50	1.73

In view of the many indexes currently available in the market, PricewaterhouseCoopers (PwC) has developed a synthetic sustainability index. This pioneering methodology provides aggregate information on the Bank's position in relation to the 19 global institutions that make up its peer group in matters related to sustainability. According to the latest analysis conducted, in 2012, BBVA has moved from third to first place in this index and is the leader among its main competitors.

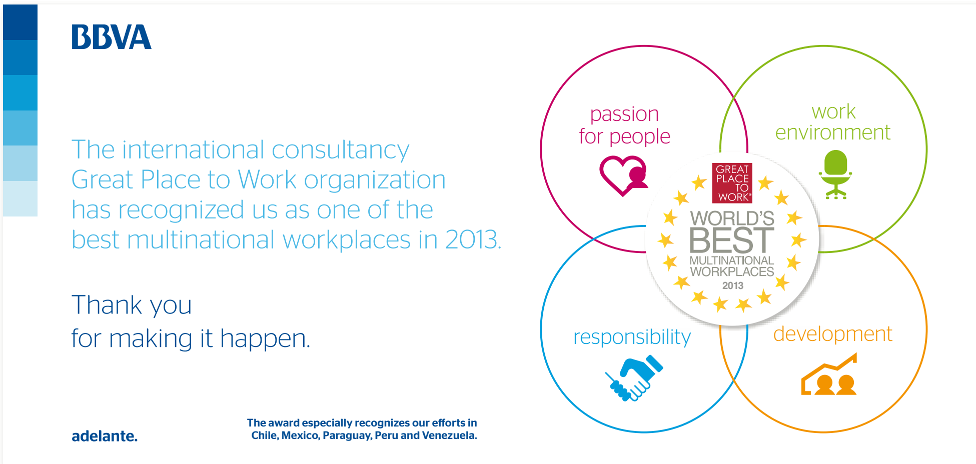
The team

A human resources management model based on a threefold commitment that enables us to work as one team

BBVA's corporate culture can be summed up in the vision "we work for a better future for people." In line with this aspiration, over recent years the Group has developed a **management model** based on a threefold commitment to transparency, objectivity and equal opportunity. This means we work as one team.

One immediate result of this management model has been the **recognition** obtained by BBVA Group in 2013 as the 13th best multinational in the world to work for from the international consultancy GPTW. BBVA's place in the ranking as the best financial company has been the result of the excellent positioning of the Bank in countries such as Chile, Mexico, Paraguay, Peru and Venezuela. In addition, in the second quarter of the year, BBVA has been chosen as one of the three most attractive companies to work for in the banking sector in Spain in the "Randstad Employer Branding"

BBVA, 13th best multinational in the world to work for, according to GPTW



The opening of new headquarters is the best reflection of BBVA's commitment to adapt resources to people's needs

One of the projects BBVA has been working on relentlessly is the creation of working environments that promote greater communication and collaboration among the teams. Among other initiatives, this commitment can be seen in the construction and opening of the new **"Ciudad BBVA" (BBVA City) in Madrid**, where 1,600 employees are already working and a total of nearly 6,000 will move by 2015. The setting, the design of the common areas and the firm commitment to make the workplace a place for sharing and collaboration, here become a new concept of location focused on efficiency and comfort. This means the new working methods, whether face-to-face or teleworking, are used as flexibly as possible according to the needs of people, who can make use of the new technologies to reconcile professional and personal life. The headquarters in London, New York, Houston and Madrid have been followed by offices in Mexico DF, currently under construction.

One of the aspects highly rated by GPTW is the Group's commitment to transparency, objectivity and equal opportunities in our employee's professional development. One key element of the model is the **mobility policy**, which establishes, among other measures, the publication of vacancies through the "Apúntate+" application, the Group's internal job-posting tool. "Apúntate+" has the following objectives:

- To provide BBVA employees with an additional channel for managing their professional careers that makes the internal opportunities for development more transparent.
- To streamline the hiring of specific profiles, covering current or expected needs for positions associated with these profiles using internal staff, rather than making use of the external labor market.
- And in this way, to optimize vacancy management.

In fact, this year work has continued to promote **transversality**. The vast majority of positions are currently published at global level, making it possible for all the Bank's professionals to be aware of any current vacancy and apply for it, regardless of the geographical area in which the position or the employee in question is located. Over 5,000 publications, practically half of which have been filled through this tool, are proof of this commitment.

In 2013 a further step was taken in the process of increasing the skills of BBVA's professionals with the **Competencies Assessment Process**. This year a new support application has been used, called the Self-Development Plan (SDP). This tool helps each employee to interpret the results of their report, offers a diagnosis of the knowledge and skills that they can improve and gives access to all the elements for development that the Group has available (training, coaching, mentoring, specialized publications, best practices, etc.) so that each person can prepare a tailored work-plan.

With respect to **training**, in 2013 the main focus was on optimizing customer relations. Progress was also made in designing and distributing global know-how in response to the new personnel profiles demanded by the Bank and the industry. The distribution channels have been diversified and updated with new forms of access to training. E-learning is key to distribution and has accounted for 51% of the Group's total training. In addition, in 2013 a special effort was made to provide training on the specific legal requirements of each country, which has accounted for around 22.5% of global training. There has also been a significant boost to training in risk through the Risk Learning Program.

An important element that should also be mentioned in this section is the launch of the **Responsible Business Plan**, which aims to increase the awareness of the Group's professionals of corporate responsibility, seeking to convey BBVA's commitment to society through the exercise of responsible banking. The e-learning program "Responsible Business" has been designed for this purpose, and will be made available to all employees in 2014.

Another aspect that BBVA is openly committed to is the development of **diversity**. Work is being done in two directions through a committee structure in which the highest levels of responsibility are fully involved:

- First, in 2013 work continued on the **Global Gender Diversity Plan**, a project that focuses on three lines of action: maternity, professional development and awareness. Eight corporate initiatives have already been implemented in this area.
  - **Maternity**: coverage of vacancies due to maternity leave by people with similar skills levels; a corporate model of mentoring to make return easier after maternity leave; and a post-maternity monitoring interview nine months after returning to work.
  - **Promotion and development**: metrics for monitoring the professional development of women and identification and development of the talent of women in the Group.
  - **Awareness**: incorporation of gender diversity in the assessment of the actions of supervisors; inclusion of key diversity concepts into leadership training programs; global e-learning courses to raise awareness of diversity targeted at executives, team leaders and the rest of the workforce.

Our model of people management is geared above all to professional development

Training continues to play a key role in BBVA as a response to the new profiles required by the industry and to increase awareness of corporate responsibility

Diversity, a competitive advantage that enables talent to hold positions of responsibility and decision-making

- In addition, within the framework of the Group's Diversity Plan, BBVA Spain has a position of head of equality in the different areas of human resources management, in order to streamline and guarantee the principles of **gender equality**. All employees also have a protocol for action in the area of psychological harassment, and awareness raising campaigns have been conducted to prevent gender violence, as a result of the Collaboration Agreement with the Ministry of Health, Social Services and Equality.

Customers

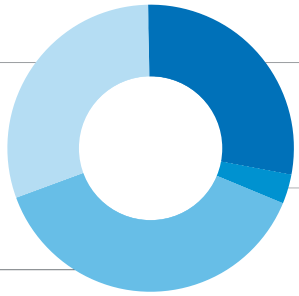
Quality and customer service

As **customers** are at the Group's strategic core, BBVA's main goal is to gain an insight into them, provide them with products and services they need and establish lasting relations of trust. With nearly 50 million customers around the world, the Group aims to provide an outstanding service for which it can be recognized worldwide. That is the task of the Quality and Customer Experience units in the banks that make up BBVA Group. They all make an effort to maintain ongoing dialog with their customers, while transmitting to employees the importance of providing service with a standout quality.

Customers are at the core of BBVA Group's strategy

Customer breakdown

(31-12-2013. Percentage)



Every year over 1.2 million customer **contacts** are carried out to discover opinions on the service received and the products and services offered. Since 2012, BBVA has had its own measurement architecture that provides it with harmonized information across the whole Group. The information obtained in this way forms the basis of many projects for transformation, developed at both local and global level, aimed at simplifying working methods and making life simpler for all customers.

BBVA has its own architecture for measuring quality and customer experience in a harmonized way for the whole Group

Regarding to the **professionals** making up BBVA Group, specific programs have been developed for the sale networks, as they are the main point of contact with customers; but the rest of the employees have not been neglected. The most common tools for them are training and the development of a corporate customer-centric culture.

"**Frontline Friday**" is a program that has been in place since 2010 at BBVA Compass. Every quarter, a group of unit supervisors finds out about the daily work of branches and call centers to see how their decisions impact on the customer experience. Suggestions for improvements are made as a result of these visits, and many of them have led to improved response times and more efficient information flows between units.

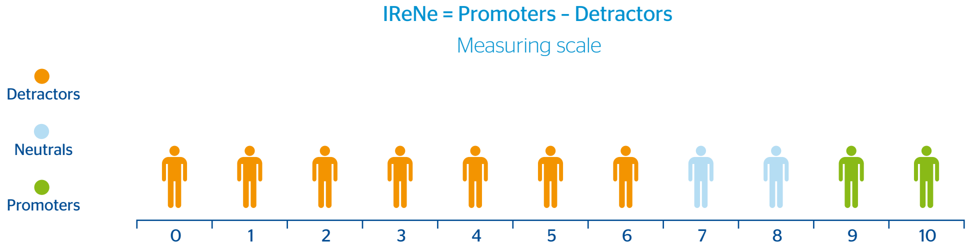
Similar initiatives are being carried out in South America. One example is the "**Un día en la Red**" (A day in the network) program in BBVA Chile.

Customer insight

Our goal is to set the benchmark as a banking group in terms of customer experience, and so become the bank that is most recommended by its customers in all the geographical areas in which it operates. BBVA can do this using a global recommendation-based methodology called **IReNe** (Net Recommendation Indicator). It was launched in 2012 and has continued to develop in all the Group's divisions this year. IReNe, inspired by global benchmark methodology Net Promoter ® Score (NPS), asks to what extent our customers would recommend BBVA's products or services, classifying their willingness to recommend on a scale of 0 to 10. The level of recommendation provides a measure of how satisfied they are with us.

Our goal: being the most recommended Bank by our customers

IReNe methodology



The customers' replies are analyzed to infer what the reasons are for recommending us, their negative experiences and to what extent we are meeting their expectations. To understand them better, "**listening workshops**" are carried out with those responsible for the products or the segment, analyzing the most important drivers.

The **promoting customers**, in other words those who are inclined to recommend BBVA services, are a very important asset for the Group. Their opinions are of great value to the Bank so it can continue to offer them a service of quality. But the most relevant source of information is the **detracting customers**, because they indicate how BBVA needs to improve to comply with its aim of becoming an exemplary bank in terms of service quality.

Since the level of customer recommendation began to be measured, the trend has been very positive in practically all the countries where BBVA operates

Since the level of recommendation began to be measured and customer answers to be analyzed to find areas for improvement, the trend in the IReNe indicator has been positive in practically all the countries where BBVA works.

The IReNe indicator by bank

	Spain	Mexico	The United States	Argentina (1)	Chile	Colombia	Peru	Venezuela
Second half of 2013 compared with the second half of 2012	9	8	(2)	(39)	4	7	2	15

Note: The difference between the value of the IReNe in the second half of 2013 and the second half of 2012, expressed in percentage points.
(1) Despite the decline in the value of the indicator, BBVA Francés continues to hold a prominent position in its market.

	Spain	Mexico	The United States (1)	Argentina	Chile	Colombia	Peru	Venezuela
Gap to the peer evolution. Second half of 2013 compared with the second half of 2012	+3	+2	-18	-7	+4	+1	+8	+13

Note: The gap to the peer is the difference between the Bank's IReNe value and the average IReNe values of the peer group. A peer group has been defined for each country.
(1) Value affected by the reconfiguration and expansion of the peer group in the second half of 2013.

Thanks to this methodology, and taking into account the latest measurements made in 2013, the Bank has become a benchmark in customer valuations in Argentina, Peru and the United States, while progress has been made in Venezuela and Spain.

Success cases

Over 2013, BBVA has received the following **recognitions** for quality:

- BBVA Continental has been recognized as the best financial institution for quality of customer service, according to the analysis by Ipsos Apoyo in Peru.
- BBVA Frances has achieved leadership in quality of service in the Argentinean market, according to the consultancy Knack. Its study analyzes the level of willingness to recommend the bank and the level of satisfaction. BBVA is in first place in both rankings due to the "good service offered by staff in branches."
- BBVA Provincial has been named "Best Bank in Venezuela" by the magazine *Euromoney* at the 2013 Excellence Awards. The award recognizes the solid leading position of BBVA Provincial in the Venezuelan financial system.

Omni-channel strategy

BBVA has worked in recent years to create a **multi-channel distribution model**, with a greater importance given to non-physical channels, mainly digital, thus responding to current demands by most of its customers. The new technological possibilities have made BBVA a pioneer in establishing new models of customer relations, taking advantage of all the channels of interaction. This transformation has had clear effects in 2013, with initiatives such as:

BBVA is working on a multi-channel distribution model to respond to its customers' current demands

- Launch of new **websites** in the main markets (Spain, Mexico and the United States), with a more user-friendly contextual navigation that not only satisfies but exceeds customer needs and expectations, going beyond what is simply conventional.
- Launch of new **mobile banking** applications, with a very significant growth in the number of users, and incorporation of innovative functionalities. In 2013, BBVA Compass mobile application received first prize in the "Mobile Banking Functionality" award from the prestigious company Javelin Strategy & Research. In addition, *American Banker* has put it among the 10 best applications on the market based on its functionalities, design and ease of use. BBVA is making a firm strategic commitment to cell phones, as it considers this is the best way of connecting with customers and helping them in their day-to-day needs.
- Boost to new formats in **branches** that are more innovative, modular and adapted to customer needs.

BBVA has decided to extend this **transformation** with a plan for the period 2013-2016, with three main objectives:

- Being the best valued bank in customer experience, and specifically head up experience in digital channels (Internet and mobile), measured in terms of recommendations (IReNe methodology) provided by customers.
- Increasing the penetration of digital channels and lead our competitors.
- Achieving a real omni-channel system by increasing sales and transactions in different distribution formats that provide an alternative to branches, with particular emphasis on sales by digital channels.

Initiatives for quality

The **quality plans** are prepared taking into account all the information gathered through IReNe. They are a very important part of the BBVA strategy, given that they contribute to the aim of being the most recommended bank by our customers.

The quality plans are a very important part of BBVA's customer strategy

In **2013** the different Quality and Customer Experience units have continued to develop quality programs for the branch network, training actions for the whole workforce and improvement projects. The following table sums up the most important of these:

Spain	Improvement plans based on recommendation surveys.
	Technological improvements and training plans aimed at continuous improvement of service quality.
	Development of customer service and management protocols.
Mexico	Design of a model of service in sale networks.
	Specific training plan for employees in BBVA products, services and culture.
	Standardized and simple communication.
	Lean process and simplicity.
	Guarantee of continuous operation and user-friendliness in remote channels.
Argentina	"Elijo la Excelencia" (I choose excellence) quality program focused on improving the service provided by the sales force.
	Customer recommendations form part of the incentives for the Bank's professionals.
Chile	Development of quality models for the Bank's different units, with tools for measuring performance, and recognizing the best performers.
Colombia	New service model focused on the IReNe measurements, which directly affects the team's incentives.
	Network quality plan. CEVALE certification for branches.
Peru	2.0 quality model, with the commitment to "make the lives of customers easier, with quality and simpler use."
	Training plans and specific programs for promoting a culture of quality.
Venezuela	Quality plan "Haz la mejor jugada con Calidad de servicio" (Make the best play with Service Quality) aimed at the branch network, and focused on the training of teams.
	"Migration and Extension of Claims to Alternative Channels", which allows customers to use a sophisticated digital platform to fill in claims easily and simply, while providing a swift response thanks to automatic scoring.
The United States	Strengthening the Customer Experience team.
	Incorporation of the IReNe methodology in all the business lines, with weighting in employee incentives.
	Setting up a Client Advocacy Oversight Committee.
	"Frontline Friday" program.

Complaints and claims management

A **complaint or claim** is an important milestone in customer relations; it is when we have to make the greatest effort possible to provide customers with service, demonstrate our commitment to them and the importance they have for us.

The current **economic situation**, growth in the business in some regions and the changes to financial rules and regulations, which are more demanding for financial institutions, is forcing us to make a bigger effort to manage any request, suggestion or disagreement from customers.

Average resolution times

(Calendar days)

	2013	2012	2011	2010
Spain	12 (1)	7	5	8
Mexico	8	7	7	7
Argentina	19	12	14	18
Chile	8	9	12	7
Colombia	7	7	12	14
Peru	12	16	11	10
Portugal	6	6	10	12
Venezuela	6	6	7	16

(1) The particular complexity in the analysis of the claims related to the floor clauses in mortgage loans has led to an increase in the average response times, which nevertheless meet the quality standards and timeframes required by the Ministerial Order.

Throughout BBVA Group **management models** are being revised and developed with an emphasis on swift and flexible response, and providing an immediate resolution, using more efficient channels for receiving and resolving the cases presented, and in general simplifying the processes. As a result of this work the average times for managing claims are being reduced and customer perceptions on the quality of the process are improving.

One of the most important landmarks in claims management has been the adoption of the **First Contact Resolution** (FCR) methodology, which means some kinds of claims are resolved at the time they are put forward by the customer. Initially implemented by BBVA Bancomer, it has been extended to all the Group's divisions, and led to improved customer satisfaction.

Claims presented by our customers to supervisory bodies are handled by the Bank's specialized units and monitored closely by claims management teams, to ensure they are resolved in as satisfying way as possible for all the parties involved.

By understanding that complaints and claims are a way of listening to the customers' voice and strengthening the service, work has been done in 2013 to develop the corporate claims management model and achieve a greater level of optimization and transfer of knowledge between the different areas and units of the Group, with the aim of implementing it fully in 2014.

The complaints and claims management models are considered a great opportunity for listening to the voice of customers and strengthening our service

Claims resolved by First Contact Resolution (FCR) in 2013

	Spain	Mexico	Argentina	Chile	Colombia	Peru	Venezuela
% of claims resolved by FCR	n.m.	16	33	30	82	37	23

Note: FCR is applied in Spain to credit and debit cards' complaints, not to claims. This kind of management is not applied in Portugal.

Number of claims filed at the Banking Supervisory Authority

(For each 1,000 million euros of activity)

	2013	2012	2011	2010
Spain	4	1	2	3
Mexico	394	302	412	425
Argentina	160	96	85	100
Colombia	142	114	192	231
Chile	16	19	29	26
Peru	41	39	30	27
Portugal	21	15	12	5
Venezuela	88	60	69	209

Notes:
Activity: Loans and advances to customers (gross) + customer funds.
Banking Supervisory Authority: generic name for the external body to which customers can present claims against BBVA. The body varies according to the market, ranging from the Bank of Spain or the CMNV to the *Superintendencia Financiera* in Colombia or CONDUSEF in Mexico..

Society

BBVA, a Group concerned with maximizing the positive impacts and minimizing the negative effects of its activity on society

One of the main **commitments** of the BBVA corporate responsibility policy is to maximize the positive impacts of its business on society and minimize any possible negative effects.

The main **positive impacts** of BBVA's financial business on society are:

- Contribution to the development of the communities where the Bank operates through funding and support for the productive fabric and financial inclusion.
- Improvement of the social well-being of the people who receive loans for buying a home or durable consumer goods.
- Generation of wealth for stakeholders, such as that resulting from the payment of dividends to shareholders, payments made to suppliers, wages earned by employees, taxes accrued and paid, etc.
- Job creation, both directly through hirings in the Group and by initiatives that support employment generation. One example is the launch of the "Yo Soy Empleo" (I am employment) program.
- Contribution to society through social programs with direct investment that benefit various groups, focused on education.

At the same time, BBVA strives to minimize the **social costs** related to the environment and the negative effects originated, among others aspects, by default and the loss of homes, with refinancing or aid for families.

To measure the Group's impact on society, a number of key indicators that give an idea of BBVA's social impact have been developed

To measure BBVA's impact on society, a number of simple and easy to understand **indicators** related to traditional financial activity have been designed, including the following ones:

Key social impact indicators

	2013	2012	2011
Number of people who live in BBVA-financed houses	4,939,731	4,742,622	4,744,654
Number of SMEs supported or funded by BBVA [(1)]	348,445	321,918	300,759
Number of micro-enterprises and self-employed people supported or financed by BBVA	1,117,412	999,107	993,489
Number of people who find a job through the "Yo Soy Empleo" program [(2)]	3,472	n.m.	n.m.
Global tax contribution (million euros) [(3)]	9,848	9,408	8,012

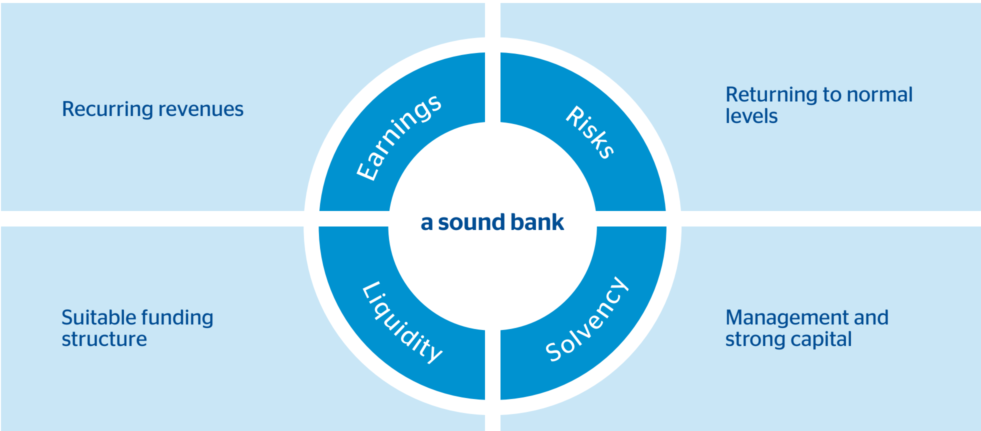
(1) Number of active customers in the BBVA SME segment. The criteria for allocating companies in the Group's customer segmentation were changed in 2013. The data for 2012 and 2011 have been recalculated based on these criteria.
(2) People hired by a company which has been granted the financial support and/or the Infoempleo recruitment service.
(3) Includes payments for corporate tax, own VAT and third party VAT, local taxes and fees, income tax withholdings and other third party taxes, employer and employee Social Security payments and those in 2013 for tax litigation.

BBVA began referring to the social impact of its business activity in 2012, with one goal and one challenge: to be increasingly transparent on relevant subjects and make progress in winning back the trust lost in the financial sector.

Performance in 2013

BBVA posts net attributable profit up 32.9% in a complex environment

2013: solid fundamentals



Net attributable profit

2,228
million euros

Notable aspects of 2013

External factors

- Low interest environment and deleveraging.
- Mortgage floor ruling.
- Extraordinary contribution to the Deposit Guarantee Fund in Spain.
- Hyperinflation and devaluation in Venezuela.
- Classification of refinanced assets.

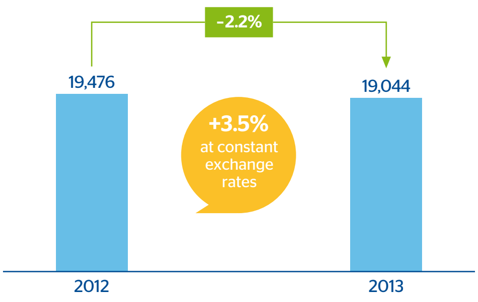
Internal activity

- Portfolio management: corporate operations.
  - Sale of the pension business in Latin America.
  - Sale of BBVA Panama.
  - Reinsurance agreement on the individual life and accident insurance portfolio in Spain.
- Agreement with CITIC group.
- Change in dividend policy.
- Additional Tier I issuance.

Recurring revenues...

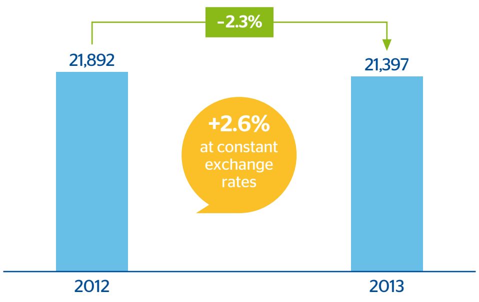
Net interest income plus fee income

(Million euros)



Gross income

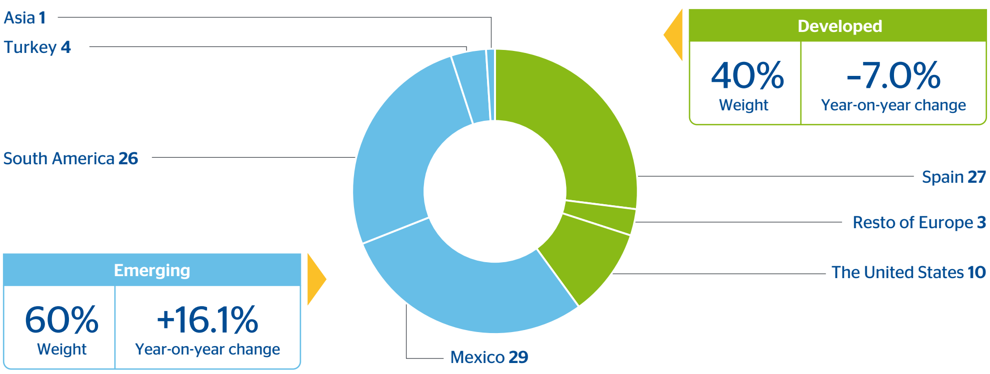
(Million euros)



...supported by diversification

Breakdown of gross income by geography (1)

(Percentage)



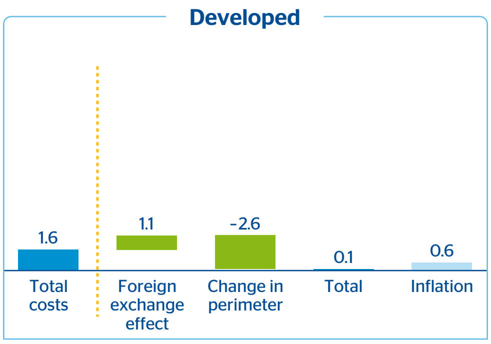
(1) Excludes the Corporate Center. Year-on-year change at constant exchange rates.

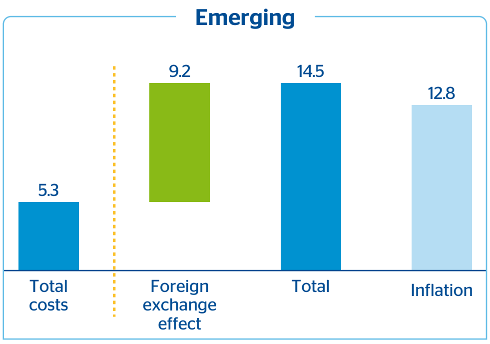
Costs management adapted to each region

Operating expenses evolution (1)

(Year-on-year changes, percentage)

+3.8% (At current exchange rates)	Costs	+8.4% (At constant exchange rates)

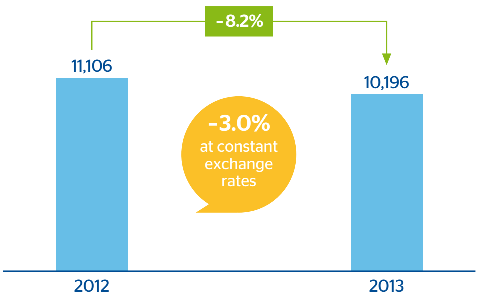




(1) Excludes the Corporate Center.

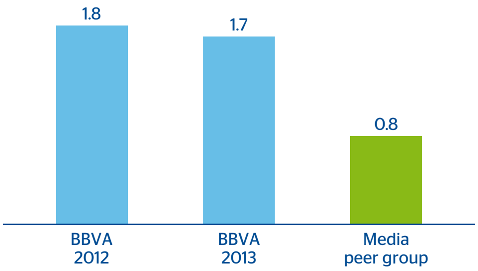
Operating income

(Million euros)



Net income/average total assets (ATA) BBVA *versus* peer group [1]

(Percentage. September 2013)



(1) Peer group: includes BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCI.

Highly resilent operating income, able to absorb provisioning which positions BBVA as a leader in profitability

Income statement

(Million euros)

BBVA Group	Accumulated 2013	Year-on-year change 2013-2012 Absolute	Δ % at current exchange rates	Δ % at constant exchange rates
Net interest income	14,613	(509)	(3.4)	2.7
Gross income	21,397	(495)	(2.3)	2.6
Operating income	10,196	(910)	(8.2)	(3.0)
Income before tax	2,750	2,002	n.m.	n.m.
Results from corporate operations	823	(480)	(36.8)	(36.2)
Net attributable profit	2,228	552	32.9	55.1

In summary, resilience in a difficult year

The Group's main asset quality indicators have evolved according to forecast

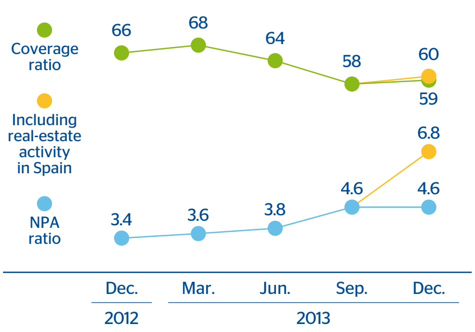
NPA ratio **6.8%**

Coverage ratio **60%**

Cost of risk in Spain moving towards normal condition, after the impact of classifying refinanced loans

Coverage and NPA ratios [1]

(Percentage)

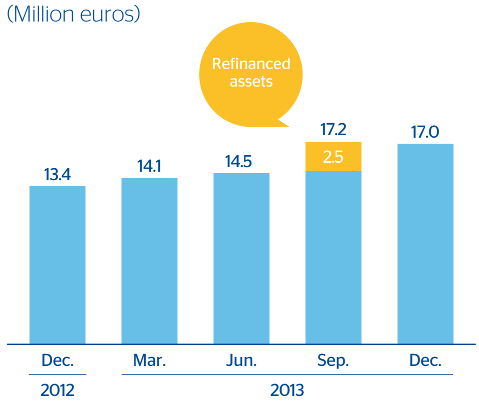


Cost of risk (YTD)	1.2%	1.4%	1.4%	1.6%	1.5%

(1) Risk figures exclude real-estate activity in Spain.

Non-performing assets balance

(Million euros)



The Group's capital ratios have performed well

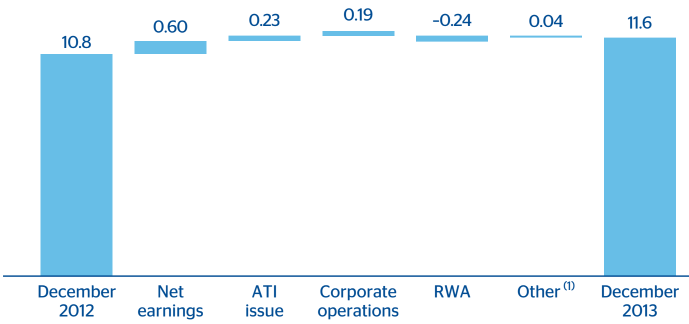
Core capital - BIS II **11.6%**

+81 in basis points year-on-year

Comfortable capital position

Core capital ratio evolution

(Percentage)



In addition ...

BIS III fully loaded
(December 2013)

9.8%	5.6%
Core ratio	Leverage ratio

(1) Mainly includes: losses on available for sale equity portfolio, non-controlling interests and exchange rates impact.

BBVA has improved his balance sheet structure in a complex environment

Solid liquidity position

Reduced financing requirements	• Liquidity gap –33 billion euros (Euro balance sheet, 2013)
Change in funding mix	• Higher proportion of customers funds +8.3 billion euros • Reduction LTRO [1] –20 billion euros
Issuance activity	• Issues with longer tenors and lower cost • Pioneers in Additional Tier I issue under BIS III

(1) LTRO: Long-term refinancing operation.

Once again, strong fundamentals

Solid earnings

Strong revenues	21 billion euros
Diversified revenues	60% Emerging
Net attributable profit	2.2 billion euros

Strong structure

Solvency

BIS II	BIS III fully loaded	Leverage ratio
11.6%	9.8%	5.6%

Liquidity

∇ liquidity gap 33 billion euros

Risks

NPA ratio	Coverage ratio
6.8%	60%

Banking activity in Spain

Highlights in 2013

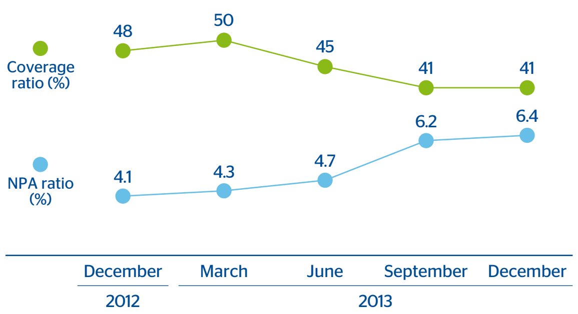
- Management in a complex environment.
- Increases in market share of lending and customer funds.
- Risk indicators reflect impact of classifying refinanced loans and deleveraging.
- Moving towards normal conditions in terms of costs of risks.
- Reinsurance agreement on the individual life and accident insurance portfolio.

Business activity (1)

Year-on-year change, balance sheet at 31-12-2013

-10.2%	+10.4%
Lending	Customer funds

Risks



Results

2013. Million euros

Net interest income	3,830	-19.3%
Gross income	6,095	-8.5%
Operating income	3,081	-18.4%
Net attributable profit	583	-49.8%

Improved outlook

(1) Performing loans and customer deposits under management (excluding repos , including promissory notes sold by the retail network and collection accounts).

Real-estate activity in Spain

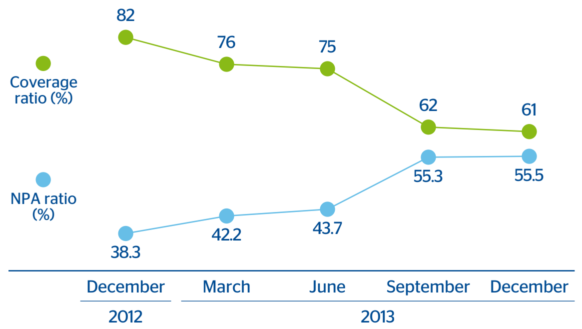
Highlights in 2013

- The improved economic climate has started to be reflected in the stabilization of sales and prices in the sector.
- Another reduction in BBVA's net exposure to the real-estate sector.
- Increased rate of growth in sales of real-estate assets.
- Limited risks, but affected by refinanced assets.

Net exposure [(1)]

Billion euros

Risks



Results

2013. Million euros

Net interest income	-3	-87.1%
Gross income	-38	-55.0%
Operating income	-190	-9.7%
Net attributable profit	-1,254	-69.0%

Focus on sales

(1) Transparency scope according to Bank of Spain Circular 5/2011 dated November 30. The figures include Unnim but exclude the investment in Metrovacesa.

The United States

Highlights in 2013

- Growth of lending, particularly in the commercial and residential estate portfolios.
- Increase of lower-cost customer funds.
- Revenue significantly affected by the current interest-rate environment.
- Costs in check.
- Another improvement in risks indicators.

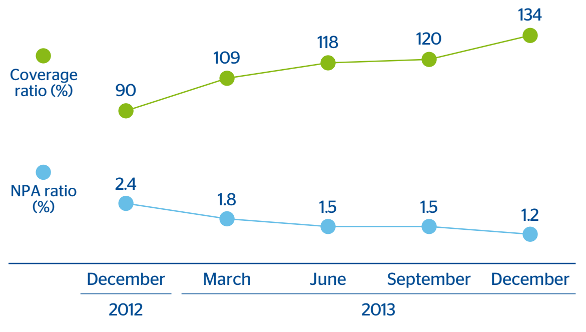
Business activity (1)

Year-on-year change at constant exchange rate
Balance sheet at 31-12-2013

+9.4% Lending

+6.5% Customer funds

Risks



Results

2013. Million euros
Year-on-year change at constant exchange rate

Net interest income	1,407	-6.2%
Gross income	2,101	-3.1%
Operating income	627	-12.1%
Net attributable profit	390	-8.8%

Fast pace
of new business

(1) Performing loans and customer deposits under management (excluding repos).

Eurasia

Highlights in 2013

- Customer lending at very similar levels to those reported at the end of 2012.
- Excellent performance of customer funds, both retail and wholesale.
- In Turkey, impacts stemming from the depreciation of the Turkish lira and interest-rate movements.
- Slight deterioration of the risk indicators.
- Signing of a new agreement with the CITIC group.

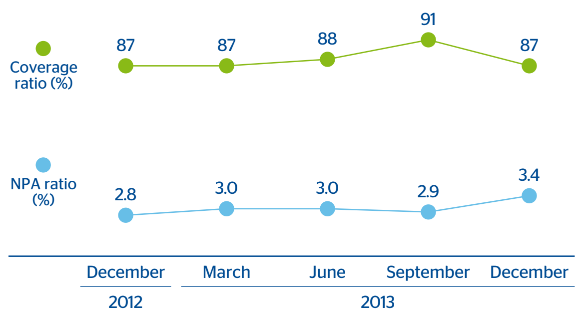
Business activity [(1)]

Year-on-year change at constant exchange rates
Balance sheet at 31-12-2013

+0.9% Lending

+12.6% Customer funds

Risks



Results

2013. Million euros
Year-on-year change at constant exchange rates

Net interest income	911	+14.7%
Gross income	1,721	+8.6%
Operating income	987	+17.5%
Net attributable profit	454	+20.7%

Solid contribution despite environment

(1) Performing loans and customer deposits under management (excludes repos).

Mexico

Highlights in 2013

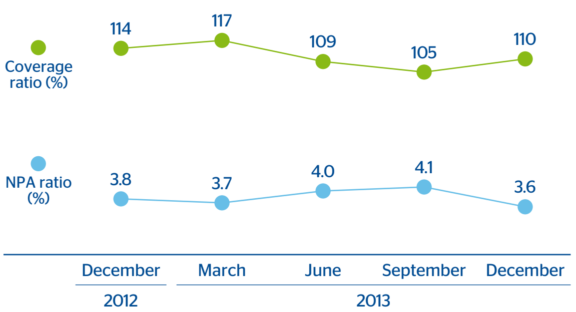
- Buoyant activity transferred to revenues.
- Good management of customer spreads.
- BBVA Bancomer, one of the most efficient banks in the Mexican financial system.
- Stability in risk indicators.
- Sale of Afore Bancomer.

Business activity [1]

Year-on-year change at constant exchange rate
Balance sheet at 31-12-2013

+9.8%	+6.2%
Lending	Customer funds

Risks



Results

2013. Million euros
Year-on-year change at constant exchange rate

Net interest income	4,484	+7.7%
Gross income	6,201	+8.1%
Operating income	3,865	+8.0%
Net attributable profit	1,805	+7.2%

The leading franchise

(1) Performing loans and customer deposits under management (including all the repos).

South America

Highlights in 2013

- Positive performance of activity, both in lending and customer funds, in almost every country in the region.
- Maintenance of spreads.
- Favourable performance of revenue.
- Stability of risk indicators.
- Sale of the pension business and BBVA Panama.

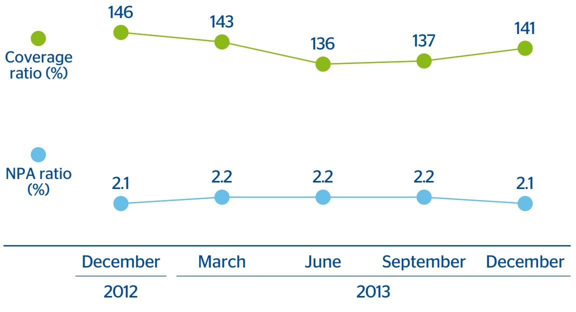
Business activity (1)

Year-on-year change at constant exchange rates
Balance sheet at 31-12-2013

+21.7% Lending

+30.0% Customer funds

Risks



Results

2013. Million euros
Year-on-year change at constant exchange rates

Net interest income	4,703	+33.6%
Gross income	5,630	+25.3%
Operating income	3,244	+27.0%
Net attributable profit	1,249	+22.6%

Key role in diversification and income contribution

(1) Performing loans and customer deposits under management (excluding repos and including specific marketable debt securites).

Group financial information

61 Earnings
73 Balance sheet and business activity
78 Capital base

Group financial information

Recurrence in revenue, strong lending in emerging economies, deleveraging of the Spanish economy, favorable performance of customer funds, improved liquidity ratios and sound solvency ratios have once again been the most relevant aspects of BBVA Group's **2013 results**.

1. Worth noting in **earnings** is the positive performance of recurring income, the slowdown in the year-on-year growth of operating expenses, the loan-loss provisions more contained than in 2012, despite the impact of the classification of refinanced loans, and the effect of the corporate operations carried out throughout the year. All this has led to the generation of net attributable profit of €2,228m, which is up 32.9% year-on-year.

2. In business **activity**, lending has declined in Spain, and has remained flat in Eurasia, in contrast with the growth seen in the rest of geographical areas. However, customer funds have performed very well in all areas, strongly supported by the performance of transactional accounts.

3. The Group's **liquidity** and the commercial gap have improved over the year, particularly in the euro balance sheet, whose gap has been reduced by €33 billion over the last twelve months.

4. In terms of **solvency**, the Group's ratios are also favorable, with core capital reaching 11.6% at the end of the year, according to Basel II regulations, 81 basis points up on the ratio posted at the end of 2012.

5. From the point of view of **risks**, performance is in line with expectations, with a slight uptick in the NPA ratio in Spain, as a result of two factors: the impact of the classification of refinanced loans and a fall in the volume of the loan book. In the rest of the areas there has been an improvement in Mexico and the United States, a slight deterioration in Eurasia (due to lower leverage and the negative exchange-rate effect) and stability in South America.

Earnings

The keys to **earnings in 2013** for the BBVA Group are basically the strength of revenue and the impact of the corporate operations. The strength of earnings is underpinned by the good performance of the more recurring items, i.e. net interest income plus income from fees and commissions, which have moved favorably over the year, despite the complex environment. The other keys to earnings in the year are summed up below:

1. **Net interest income** affected by the elimination of the so-called "floor clauses".

2. Significant contribution from net trading income (**NTI**).

3. Receipt, in November 2013, of the Telefónica **dividend**, which had been suspended temporarily since July 2012.

4. Reduction in the other **operating income and expenses** heading, due to a more negative impact than in 2012 of the adjustment for hyperinflation in Venezuela and the accounting for the exceptional payment to the Deposit Guarantee Fund (DGF) in Spain in compliance with Royal Decree-Law 6/2013.

5. In **operating expenses** BBVA has continued to apply a cost control policy and maintained the investment effort in emerging regions.

6. The level of **provisions** was below that of 2012.

7. Closing of several **corporate operations**: the sale of the various pension businesses in Latin America (Mexico in the first quarter, Colombia and Peru in the second and Chile in the fourth); the sale of BBVA Panama (fourth quarter); the reinsurance operation on the individual life and accident insurance portfolio in Spain (first quarter); and the signing of a new agreement with CITIC Limited (fourth quarter) that included the sale of 5.1% in CNCB. As a result, all of BBVA's stake in CNCB was marked to market. With the aim of guaranteeing a homogenous comparison of the accounts, all the effects derived from these Group's decisions (and of similar decisions from previous periods) have been transferred to a new heading, called "results from corporate operations", and the historical series have been reconstructed.

8. Negative effect of **exchange rates**.

As a result of the above, the **net attributable** profit generated in the year totaled €2,228m, up 32.9% on the figure reported in 2012.

Consolidated income statement [(1)]

(Million euros)

	2013	Δ%	Δ% at constant exchange rates	2012	2011
Net interest income	**14,613**	**(3.4)**	**2.7**	**15,122**	**13,152**
Net fees and commissions	4,431	1.8	6.4	4,353	4,031
Net trading income	2,527	43.0	49.3	1,767	1,481
Dividend income	365	(30.7)	(30.4)	527	601
Income by the equity method	72	75.8	83.1	41	57
Other operating income and expenses	(612)	n.m.	n.m.	82	206
Operating income	**21,397**	**(2.3)**	**2.6**	**21,892**	**19,528**
Operating expenses	(11,201)	3.8	8.4	(10,786)	(9,737)
Personnel expenses	(5,788)	2.2	6.3	(5,662)	(5,191)
General and administrative expenses	(4,280)	4.3	9.3	(4,106)	(3,707)
Depreciation and amortization	(1,133)	11.3	16.3	(1,018)	(839)
Operating income	**10,196**	**(8.2)**	**(3.0)**	**11,106**	**9,791**
Impairment on financial assets (net)	(5,776)	(27.6)	(26.6)	(7,980)	(4,226)
Provisions (net)	(630)	(3.2)	6.8	(651)	(509)
Other gains (losses)	(1,040)	(39.7)	(39.6)	(1,726)	(2,110)
Income before tax	**2,750**	**267.3**	**n.m.**	**749**	**2,946**
Income tax	(593)	n.m.	n.m.	276	(206)
Net income from ongoing operations	**2,158**	**110.6**	**214.9**	**1,024**	**2,740**
Results from corporate operations	823	(36.8)	(36.2)	1,303	745
Net income	**2,981**	**28.1**	**51.0**	**2,327**	**3,485**
Non-controlling interests	(753)	15.6	39.8	(651)	(481)
Net attributable profit	**2,228**	**32.9**	**55.1**	**1,676**	**3,004**
Adjusted [(2)]	(967)	(65.6)	(65.6)	(2,814)	(1,123)
Net attributable profit (adjusted) [(2)]	**3,195**	**(28.9)**	**(24.8)**	**4,490**	**4,127**
Basic earnings per share (euros)	**0.40**			**0.31**	**0.60**
Basic earnings per share diluted (euros) [(3)]	**0.39**			**0.31**	**0.60**
Adjusted earnings per share diluted (euros) [(2-3)]	**0.56**			**0.80**	**0.81**

(1) Pro forma financial statements with Garanti Group accounted for by the proportional consolidation method, without early application of the IFRS 10, 11 and 12.
(2) Adjusted excluding the results from corporate operations (2013, 2012 and 2011), the classification of refinanced loans (2013), the result of real-estate activity in Spain (2013, 2012 and 2011) and the United States goodwill impairment (2011).
(3) Basic earnings per share which includes the eventual dilution of the contingent convertible securities into shares, issued in the second quarter of 2013.

Consolidated income statement: quarterly evolution (1)

(Million euros)

	2013				2012			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**3,760**	**3,551**	**3,679**	**3,623**	**3,910**	**3,877**	**3,741**	**3,594**
Net fees and commissions	1,139	1,114	1,126	1,052	1,126	1,104	1,061	1,062
Net trading income	609	569	630	719	646	319	461	340
Dividend income	114	56	176	19	17	35	447	27
Income by the equity method	53	9	11	(1)	22	(3)	7	15
Other operating income and expenses	(353)	(113)	(153)	7	(32)	6	57	51
Operating income	**5,321**	**5,186**	**5,470**	**5,419**	**5,690**	**5,340**	**5,774**	**5,089**
Operating expenses	(2,852)	(2,777)	(2,814)	(2,758)	(2,855)	(2,771)	(2,633)	(2,528)
Personnel expenses	(1,423)	(1,452)	(1,454)	(1,458)	(1,472)	(1,447)	(1,396)	(1,347)
General and administrative expenses	(1,134)	(1,042)	(1,080)	(1,025)	(1,089)	(1,064)	(1,001)	(951)
Depreciation and amortization	(295)	(283)	(279)	(276)	(294)	(259)	(236)	(230)
Operating income	**2,469**	**2,410**	**2,656**	**2,661**	**2,835**	**2,569**	**3,141**	**2,562**
Impairment on financial assets (net)	(1,210)	(1,854)	(1,336)	(1,376)	(2,675)	(2,038)	(2,182)	(1,085)
Provisions (net)	(196)	(137)	(130)	(167)	(228)	(195)	(98)	(130)
Other gains (losses)	(382)	(198)	(172)	(287)	(310)	(881)	(311)	(223)
Income before tax	**682**	**221**	**1,017**	**831**	**(378)**	**(546)**	**549**	**1,123**
Income tax	(114)	(13)	(261)	(205)	220	275	3	(223)
Net income from ongoing operations	**568**	**208**	**756**	**626**	**(158)**	**(270)**	**552**	**901**
Results from corporate operations	(1,245)	160	593	1,315	348	575	108	272
Net income	**(677)**	**368**	**1,349**	**1,941**	**190**	**305**	**659**	**1,173**
Non-controlling interests	(172)	(172)	(202)	(206)	(170)	(159)	(154)	(168)
Net attributable profit	**(849)**	**195**	**1,147**	**1,734**	**20**	**146**	**505**	**1,005**
Adjusted (2)	(1,633)	(479)	223	921	(1,001)	(728)	(1,034)	(51)
Net attributable profit (adjusted) (2)	**783**	**674**	**924**	**813**	**1,021**	**875**	**1,540**	**1,055**
Basic earnings per share (euros)	**(0.15)**	**0.03**	**0.20**	**0.30**	**0.01**	**0.03**	**0.09**	**0.19**
Basic earnings per share diluted (euros) (3)	**(0.14)**	**0.03**	**0.20**	**0.30**	**0.01**	**0.03**	**0.09**	**0.19**
Adjusted earnings per share diluted (euros) (2-3)	**0.13**	**0.11**	**0.16**	**0.14**	**0.18**	**0.15**	**0.27**	**0.19**

(1) Pro forma financial statements with Garanti Group accounted for by the proportional consolidation method, without early application of the IFRS 10, 11 and 12.
(2) Adjusted excluding the results from corporate operations (2013, 2012 and 2011), the classification of refinanced loans (2013), the result of real-estate activity in Spain (2013, 2012 and 2011) and the United States goodwill impairment (2011).
(3) Basic earnings per share which includes the eventual dilution of the contingent convertible securities into shares, issued in the second quarter of 2013.

As regards **profitability**, measured in terms of average total assets (ATA) over the main items of the income statement, the messages remain the same:

- Resilient gross income, which as a percentage over ATA has remained practically stable in recent years, with a decline of 4 basis points on the figure for 2012 (a rise of 3 basis points compared to the figure for 2011).
- Operating expenses over ATA increased 9 basis points as a result of the investment effort made in emerging economies. Consequently, operating income over ATA stands at 1.65% (1.78% in 2012).
- However, the decline in impairment losses on financial assets compared with the figure for 2012 has pushed ROA up to 0.48% (0.37% the previous year).

Consolidated income statement: percentage of ATA [1]

	2013	2012	2011
Net interest income	**2.37**	**2.42**	**2.31**
Net fees and commissions	0.72	0.70	0.71
Net trading income	0.41	0.28	0.26
Other operating income and expenses	(0.03)	0.10	0.15
Gross Income	**3.47**	**3.51**	**3.43**
Operating expenses	(1.82)	(1.73)	(1.71)
Personnel expenses	(0.94)	(0.91)	(0.91)
General and administrative expenses	(0.69)	(0.66)	(0.65)
Depreciation and amortization	(0.18)	(0.16)	(0.15)
Operating Income	**1.65**	**1.78**	**1.72**
Impairment on financial assets (net)	(0.94)	(1.28)	(0.74)
Provisions (net) and other gains (losses)	(0.27)	(0.38)	(0.46)
Income before tax	**0.45**	**0.12**	**0.52**
Income tax	(0.10)	0.04	(0.04)
Net income from ongoing operations	**0.35**	**0.16**	**0.48**
Results from corporate operations	0.13	0.21	0.13
Net income (ROA)	**0.48**	**0.37**	**0.61**
Net income adjusted (ROA adjusted)	**0.32**	**0.72**	**0.73**
Non-controlling interests	(0.12)	(0.10)	(0.08)
Net attributable profit	**0.36**	**0.27**	**0.53**
Net attributable profit (adjusted)	**0.52**	**0.72**	**0.73**
Memorandum item:			
Average total assets (million euros)	617,122	623,895	568,579

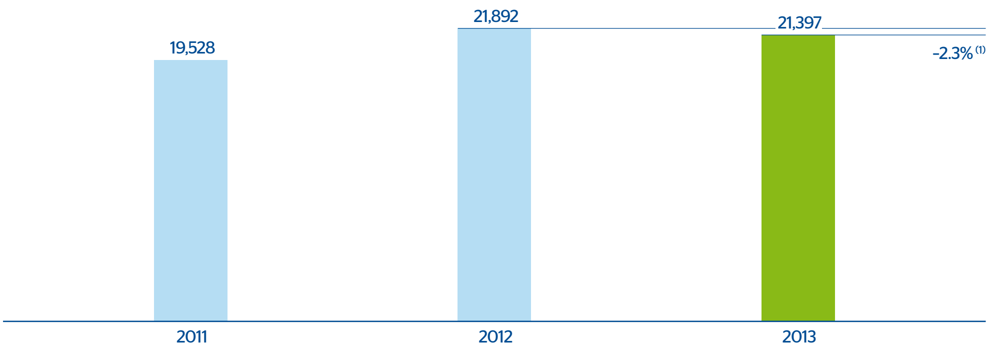
(1) Pro forma financial statements with Garanti Group accounted for by the proportional consolidation method, without early application of the IFRS 10, 11 and 12.
(2) Adjusted excluding the results from corporate operations (2013, 2012 and 2011), the classification of refinanced loans (2013), the result of real-estate activity in Spain (2013, 2012 and 2011) and the United States goodwill impairment (2011).

Gross income

BBVA's **gross income** was €21,397m between January and December 2013, a year-on-year decline of 2.3%, but an increase of 2.6% excluding the depreciation of currencies against the euro. This positive performance was underpinned, as mentioned above, by strong recurring revenue (net interest income plus income from fees and commissions).

BBVA Group. Gross income

(Million euros)

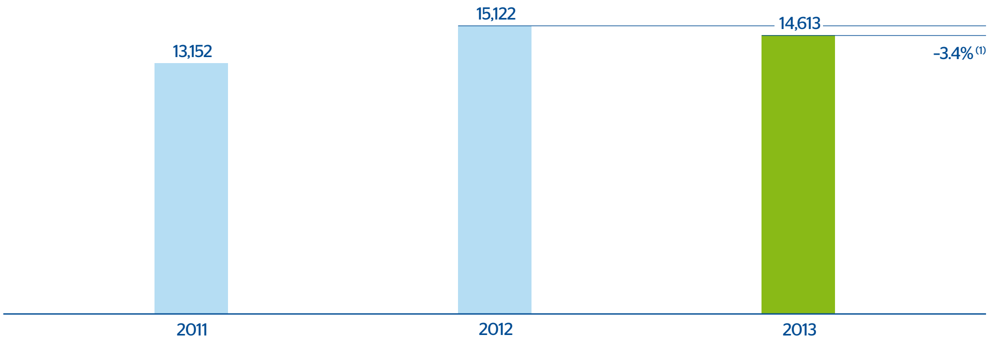


(1) At constant exchange rates: +2.6%.

Net interest income exhibits solid resilience, despite the negative impact of the elimination (mentioned above) of the "floor clauses" on May 9. The improvement in the cost of funding (wholesale and retail), strong activity in emerging markets and the United States, and the maintenance of customer spreads are behind this resilience in net interest income. This heading stands at €14,613m, a decline of 3.4% on the figure for the same period in 2012. Excluding the exchange-rate effect, it grew by 2.7% over the same period.

BBVA Group. Net interest income

(Million euros)



(1) At constant exchange rates: +2.7%.

Breakdown of yields and costs

	2013		2012		2011	
	% s/ATA	% yield/Cost	% s/ATA	% yield/Cost	% s/ATA	% yield/Cost
Cash and balances with central banks	4.6	0.92	4.2	0.99	3.7	1.18
Financial assets and derivatives	27.0	2.82	26.8	2.87	24.9	2.99
Loans and advances to credit institutions	4.4	1.59	4.2	1.79	4.6	2.42
Loans and advances to customers	56.2	5.57	57.5	5.72	60.1	5.51
Euros	33.3	2.84	34.8	3.34	38.7	3.40
Domestic	27.5	3.26	28.8	3.79	33.8	3.69
Other	5.9	0.86	6.1	1.22	4.9	1.40
Foreign currencies	22.9	9.55	22.7	9.39	21.5	9.31
Other assets	7.8	0.28	7.3	0.44	6.5	0.58
Total assets	**100.0**	**4.02**	**100.0**	**4.21**	**100.0**	**4.25**
Deposits from central banks and credit institutions	14.7	1.90	17.3	2.14	13.6	2.63
Deposits from customers	48.7	1.67	45.4	1.84	48.7	2.04
Euros	25.2	1.26	23.5	1.34	27.0	1.58
Domestic	18.0	1.44	15.3	1.57	16.9	1.66
Other	7.1	0.80	8.2	0.90	10.1	1.43
Foreign currencies	23.7	2.01	21.9	2.38	21.7	2.62
Debt certificates and subordinated liabilities	15.5	2.74	16.7	2.71	19.3	2.38
Other liabilities	13.5	1.06	13.8	0.94	11.6	1.11
Equity	7.6	-	6.9	-	6.8	-
Total liabilities and equity	**100.0**	**1.66**	**100.0**	**1.79**	**100.0**	**1.94**
Net interest income/Average total assets (ATA)		**2.36**		**2.42**		**2.31**

Income from fees and commissions totaled €4,431m in the year, up 1.8% in year-on-year terms. This is despite laws restricting some types of fees coming into force in certain geographical areas, with a negative impact on this heading.

Net fees and commissions

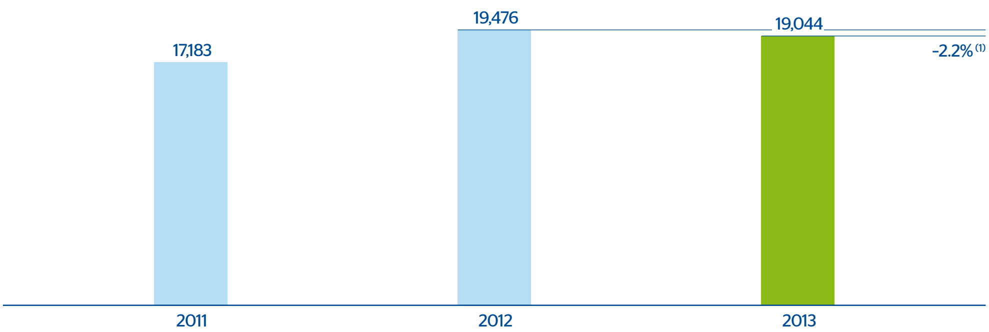
(Million euros)

	2013	Δ%	2012	2011
Mutual funds, pension funds and customer portfolios	**715**	**5.2**	**680**	**689**
Banking services	**3,716**	**1.2**	**3,674**	**3,342**
Maintenance, collection and payment services	1,125	(1.0)	1,137	1,058
Credit and debit cards	1,292	11.7	1,157	1,030
Securities	506	(3.8)	526	499
Contingent liabilities	307	(4.8)	322	289
Insurance	212	6.4	199	168
Other fees and commissions	275	(17.7)	334	298
Net fees and commissions	**4,431**	**1.8**	**4,353**	**4,031**

Overall, the Group has demonstrated a high level of resilience and great capacity to generate **recurring revenues**, which over the year as a whole amounted to €19,044m. This figure is 2.2% down on the same period in 2012, but up 3.5% excluding the exchange-rate effect.

BBVA Group. Net interset income plus fees and commissions

(Million euros)



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

Thanks to positive market activity and good management of structural risks, **NTI** stands at €2,527m, 43.0% above the figure for the same period the previous year.

The **dividends** heading stood at €365m, 30.7% below the figure for 2012, as a result of the temporary suspension in July 2012 of the dividend from the stake in Telefónica. This remuneration was resumed in November 2013, as planned.

Income by the equity method stands at €72m for 2013. This figure does not include the earnings from CNCB, as with the aforementioned signing of the agreement with CITIC, BBVA's current stake in CNCB is now classified as available-for-sale. To guarantee a homogenous comparison the historical series have been reconstructed, transferring income by the equity method (excluding dividends) from CNCB corresponding to periods previous to the signature of the sale agreement to the new heading of earnings from corporate operations, as mentioned at the start of this chapter.

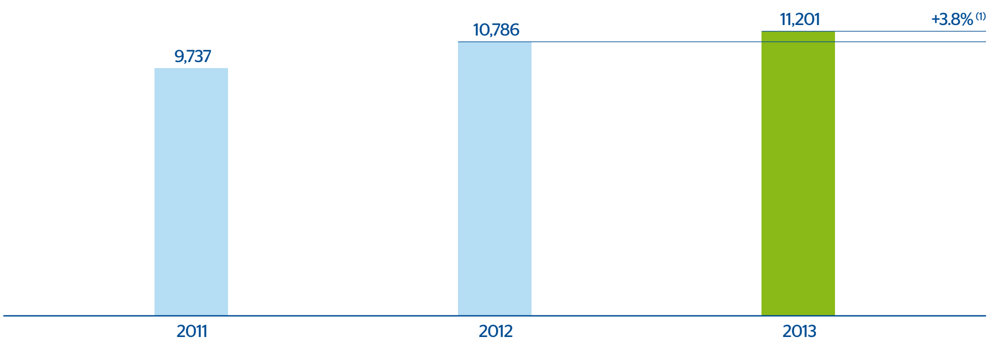
Lastly, **other operating income and expenses**, at a negative €612m for the year, reflect the good performance of the insurance business in all the geographical areas, although also a more negative effect than in 2012 of hyperinflation in Venezuela. Another negative influence is the increased contribution to the deposit guarantee schemes in the different regions where BBVA operates, including the one-off payment in the fourth quarter to the Spanish Deposit Guarantee Fund in compliance with Royal Decree-Law 6/2013, dated March 22.

Operating income

Operating expenses in 2013 totaled €11,201m, up 3.8% year-on-year (up 8.4% at constant exchange rates). The policy of cost control applied in developed countries has largely offset the execution of plans for investment in technology and the expansion projects in emerging areas. The following are two examples of this: the announcement in the first quarter of 2013 of an investment plan in Mexico of around €2,700m for the period from 2013 to 2016 with the aim of improving customer relations and experience, and thus continuing to offer a quality service, boosted by the range of innovative and specialized products offered; and the launch in the third quarter of 2013 of a new expansion program in South America which envisages an investment of around €1,900m until 2016, aimed basically at boosting online banking in the region.

BBVA Group. Operating expenses

(Million euros)



(1) At constant exchange rates: +8.4%.

Breakdown of operating expenses and efficiency calculation

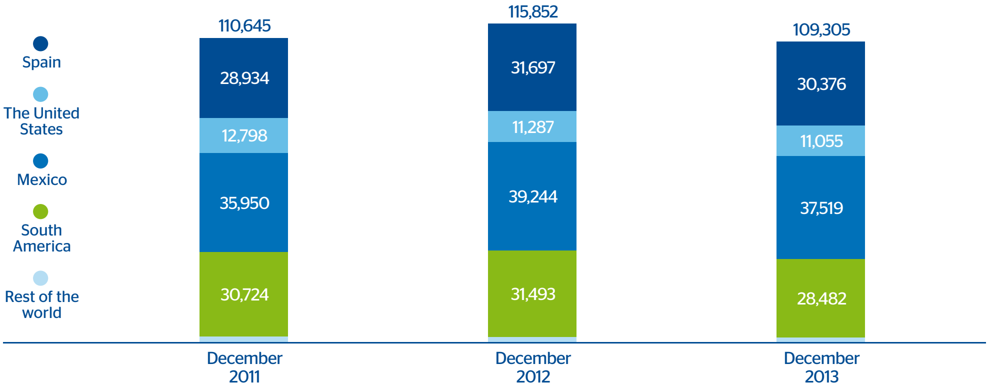
(Million euros)

	2013	Δ%	2012	2011
Personnel expenses	**5,788**	**2.2**	**5,662**	**5,191**
Wages and salaries	4,392	1.0	4,348	4,022
Employee welfare expenses	866	5.8	819	746
Training expenses and other	530	6.9	495	423
General and administrative expenses	**4,280**	**4.3**	**4,106**	**3,707**
Premises	966	5.5	916	839
IT	801	7.4	745	647
Communications	313	(5.4)	330	289
Advertising and publicity	391	3.3	378	369
Corporate expenses	106	3.8	102	103
Other expenses	1,268	5.6	1,201	1,104
Levies and taxes	437	0.7	433	356
Administration expenses	**10,068**	**3.1**	**9,768**	**8,898**
Depreciation and amortization	**1,133**	**11.3**	**1,018**	**839**
Operating expenses	**11,201**	**3.8**	**10,786**	**9,737**
Gross income	**21,397**	**(2.3)**	**21,892**	**19,528**
Efficiency ratio (Operating expenses/gross income, in %)	**52.3**		**49.3**	**49.9**

The number of **employees, branches** and **ATMs** has been affected by the changes in the scope of consolidation during the year (the sale of BBVA Panama and the pension business in Latin America).

- The number of people working in BBVA as of 31-Dec-2013 was 109,305, a year-on-year decrease of 5.7% explained, mainly, by the sale of the pension businesses and BBVA Panama and the integration of Unnim

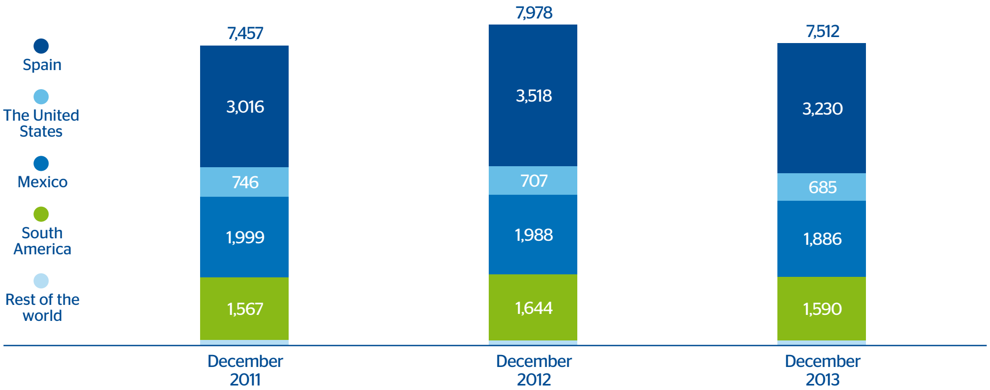
BBVA Group. Number of employees [1]



(1) Excluding Garanti.

- The total number of branches at the close of December was 7,512 units. By geographical areas the number has risen in the majority of the South American countries, above all in Colombia, Peru and Venezuela, and fallen in Spain (the process of integrating Unnim), and has remained without significant changes in the rest of the areas.

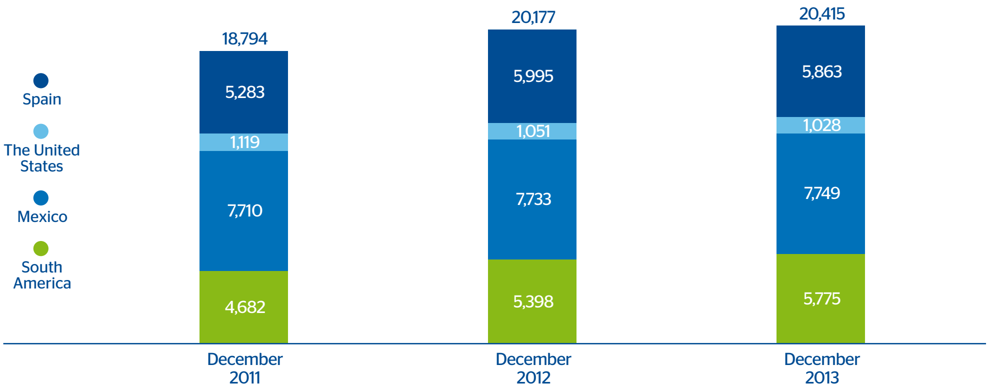
BBVA Group. Number of branches [1]



(1) Excluding Garanti.

- The number of ATMs at the end of the year stood at 20,415 units. Over the year, their number has increased in South America and, to a lesser extent, in Mexico.

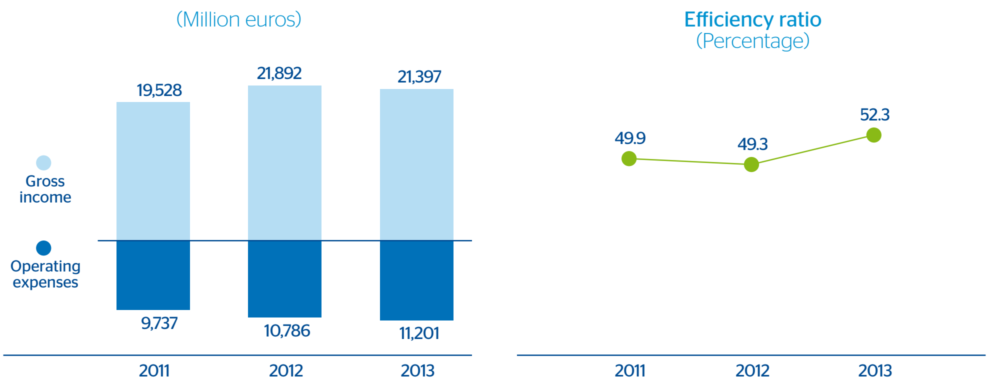
BBVA Group. Number of ATMs [1]



(1) Excluding Garanti.

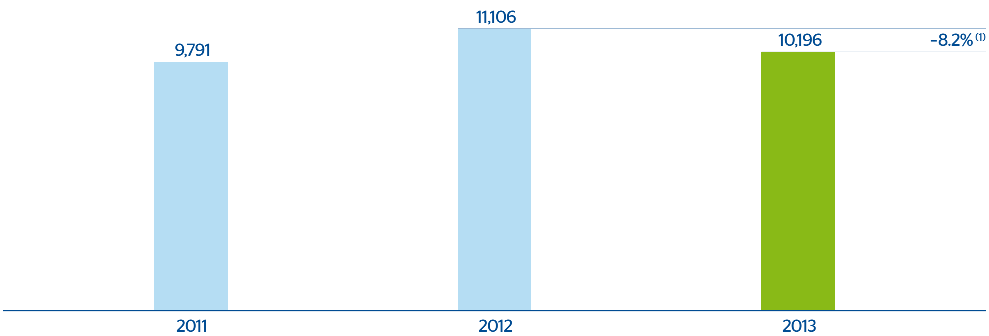
Despite this, the **efficiency** ratio closed December at an outstanding 52.3%, one of the lowest among BBVA's peer group, while operating income was €10,196m, 8.2% below the figure for the same period in 2012 (down 3.0% excluding the exchange-rate effect).

BBVA Group. Efficiency



BBVA Group. Operating income

(Million euros)



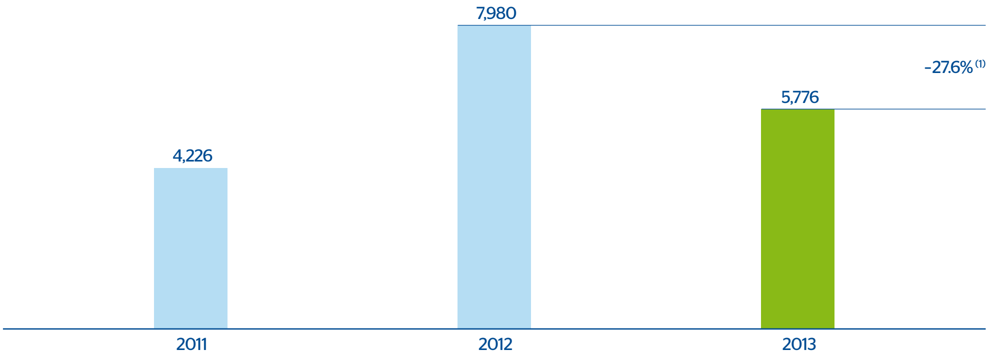
(1) At constant exchange rates: -3.0%.

Provisions and others

Impairment losses on financial assets totaled €5,776m, down 27.6% on the figure for 2012, which included impairment on assets related to the real-estate sector in Spain. This is despite the fact that in the third quarter of 2013 this heading registered a one-off increase due to the effect of the classification of refinanced loans.

BBVA Group. Impairment losses on financial assets

(Million euros)



(1) At constant exchange rates: -26.6%.

Provisions totaled €630m for the year, down €21m on the figure for 2012. This heading includes, among other items, early retirement costs, provisions for contingent liabilities, contributions to pension funds and other commitments to staff.

Other gains (losses) include various items, such as the provisions made for real-estate and foreclosed or acquired assets in Spain. It totaled a negative €1,040m in the year as a whole (a negative €1,726m in 2012).

Lastly, the new heading **results from corporate operations** includes the following items in 2013: results from the Group's pension businesses in Latin America, including the capital gains from the sale of the different companies (Mexico in the first quarter, Colombia and Peru in the second, and Chile in the fourth); the capital gains from the sale of BBVA Panama (fourth quarter); the capital gains generated by the reinsurance operation on the individual life and accident insurance portfolio in Spain (first quarter); and the effect of the new agreement with CITIC Group (fourth quarter), basically valuing BBVA's stake in CNCB marked to market and accounting for earnings from CNCB using the equity method until the moment of the sale agreement (not including dividends). In 2012, this item includes the badwill generated in the Unnim operation, the result from the sale of BBVA Puerto Rico and the historical figures of the pension business and the income by the equity method of CNCB. Lastly, 2011 includes the earnings from the pension business and the income by the equity method of CNCB, as the historical series have been reconstructed to make them more homogenous and comparable.

Breakdown of results from corporate operations

(Million euros)

	2013	2012	2011
Results and net capital gains from the pensions business in Latin America	1,866	392	246
CNCB impacts [1]	(2,374)	550	499
Sale of BBVA Panama	230	-	-
Reinsurance agreement on the individual life and accident insurance portfolio in Spain	630	-	-
Unnim badwill (net)	-	376	-
Sale of BBVA Puerto Rico [1]	-	(15)	-
Income tax from corporate operations	471	-	-
Results from corporate operations	**823**	**1,303**	**745**

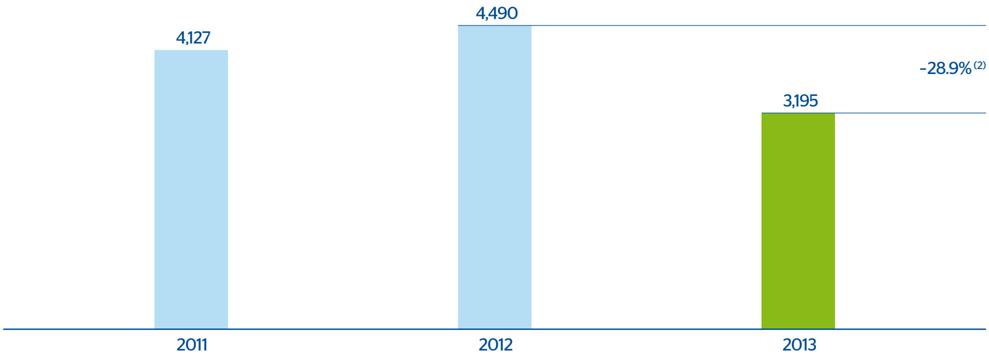
(1) Includes the mark-to-market valuation of BBVA's stake in CNCB and income by the equity method (net of dividends).
(2) Exempt of tax.

Net attributable profit

In 2013 BBVA generated a **net attributable profit** of €2,228m, above the figure of €1,676m in 2012. If the effect of corporate operations, earnings from the real-estate activity in Spain and the provisions made in the third quarter of 2013 as a result of the classification of refinanced loans are not included in this figure, the Group's adjusted net attributable profit in 2013 would be €3,195m, compared with €4,490m in 2012.

Net attributable profit [1]

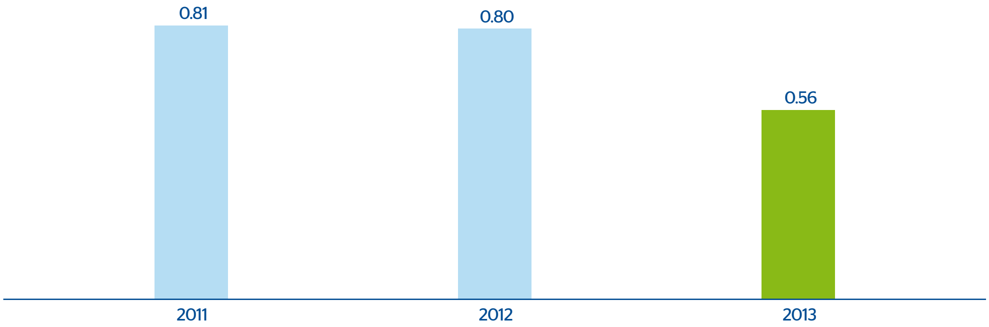
(Million euros)



(1) Adjusted.
(2) At constant exchange rates: -24.8%.

BBVA Group. Earnings per share [1]

(Euros)

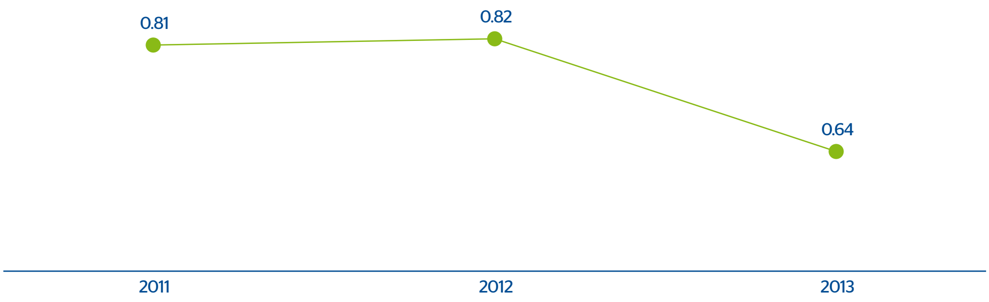


(1) Adjusted.

As a result, earnings per share (**EPS**) stand at €0.39 (€0.56 adjusted), return on total average assets (**ROA**) 0.48% (0.64% adjusted), return on equity excluding goodwill (**ROE**) 5.0% (7.1% adjusted) and return on tangible equity (**ROTE**) 6.0% (8.6% adjusted).

BBVA Group. ROA (1)

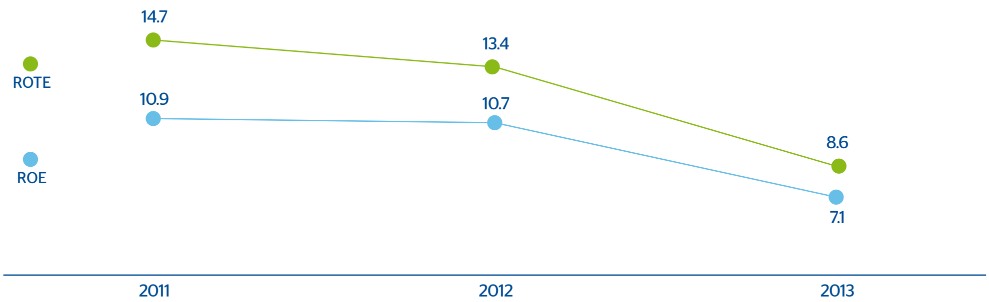
(Percentage)



(1) Adjusted.

BBVA Group. ROE (1) and ROTE (1)

(Percentage)



(1) Adjusted.

By **business area**, Spain has contributed €583m, real-estate activity in Spain generated a loss of €1,254m, the United States contributed €390m, Eurasia €454m, Mexico €1,805m and South America €1,249m.

Balance sheet and business activity

The main trends in BBVA Group's balance sheet and business activity in **2013** are summed up below:

1. The **exchange rates** that influence the Group's financial statements lost against the euro throughout 2013. As a result, their impact on the balance sheet and activity is negative in the year-on-year comparison of both aggregates.

2. **Loans and advances to customers (gross)** have fallen on the figure at the end of 2012. This fall was influenced by two elements: first, the negative impact of exchange rates, as already mentioned; second, the decline of lending in Spain, due to the necessary process of

Consolidated balance sheet [1]

(Million euros)

	31-12-13	Δ%	31-12-12	31-12-11
Cash and balances with central banks	37,064	(1.0)	37,434	30,939
Financial assets held for trading	72,301	(9.6)	79,954	70,602
Other financial assets designated at fair value	2,734	(4.2)	2,853	2,977
Available-for-sale financial assets	80,848	13.1	71,500	58,144
Loans and receivables	363,575	(5.2)	383,410	381,076
Loans and advances to credit institutions	24,203	(8.7)	26,522	26,107
Loans and advances to customers	334,744	(5.2)	352,931	351,900
Other	4,628	16.9	3,957	3,069
Held-to-maturity investments	-	n.m.	10,162	10,955
Investments in entities accounted for using the equity method	1,497	(78.0)	6,795	5,843
Tangible assets	7,723	(0.8)	7,785	7,330
Intangible assets	8,165	(8.4)	8,912	8,677
Other assets	25,576	(11.7)	28,980	21,145
Total assets	**599,482**	**(6.0)**	**637,785**	**597,688**
Financial liabilities held for trading	45,782	(18.1)	55,927	51,303
Other financial liabilities at fair value	2,772	10.2	2,516	1,825
Financial liabilities at amortized cost	480,307	(5.2)	506,487	479,904
Deposits from central banks and credit institutions	87,746	(17.6)	106,511	92,503
Deposits from customers	310,176	6.0	292,716	282,173
Debt certificates	65,497	(24.9)	87,212	81,930
Subordinated liabilities	10,579	(10.6)	11,831	15,419
Other financial liabilities	6,309	(23.2)	8,216	7,879
Liabilities under insurance contracts	9,844	9.0	9,032	7,737
Other liabilities	15,962	(20.3)	20,021	16,861
Total liabilities	**554,667**	**(6.6)**	**593,983**	**557,630**
Non-controlling interests	2,371	(0.1)	2,372	1,893
Valuation adjustments	(3,866)	77.0	(2,184)	(2,787)
Shareholders' funds	46,310	6.2	43,614	40,952
Total equity	**44,815**	**2.3**	**43,802**	**40,058**
Total equity and liabilities	**599,482**	**(6.0)**	**637,785**	**597,688**
Memorandum item:				
Contingent liabilities	36,437	(7.8)	39,540	39,904

(1) Pro forma financial statements with Garanti Group accounted for by the proportional consolidation method, without early application of the IFRS 10, 11 and 12.

deleveraging in the country's economy and the early repayment under the Supplier Payment Fund in November.

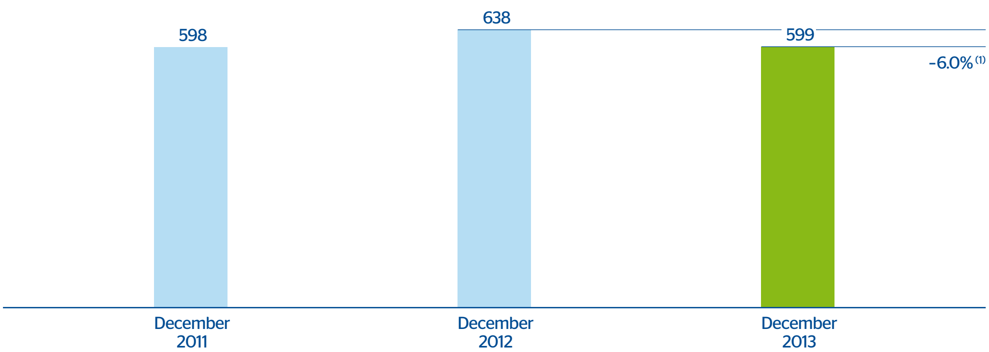
3. In 2013, **non-performing loans** increased significantly, basically in Spain and to a large extent due to the classification of refinanced loans which took place in the third quarter of 2013.

4. **Customer funds** continued to report an excellent performance throughout the year in all geographical areas, with a favorable impact on the Group's commercial gap.

   - Of these funds **deposits from customers** were particularly strong, thanks above all to the retail sector and the recovery of wholesale balances.
   - The different headings of **off-balance-sheet funds** also performed positively.

BBVA Group. Total assets

(Billion euros)



(1) At constant exchange rates: –2.1%.

Loans and advances to customers

Loans and advances to customers (gross) closed December 2013 at €350 billion. This represents a decline over the year of 4.7% (a fall of 0.8% at constant exchange rates).

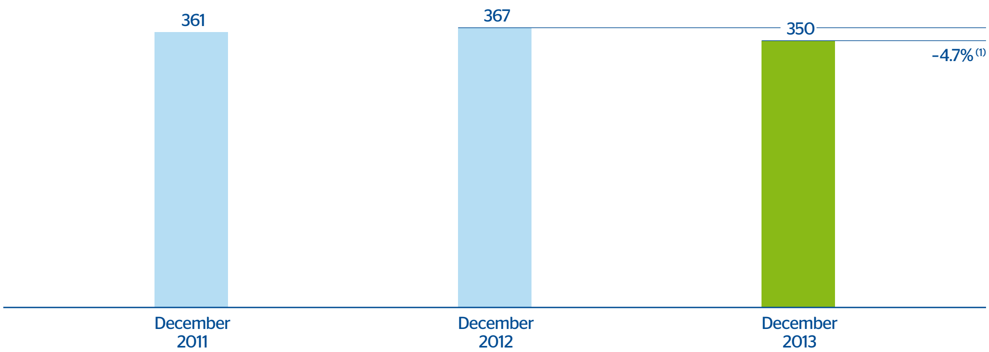
Loans and advances to customers

(Million euros)

	31-12-13	∆%	31-12-12	31-12-11
Domestic sector	**167,670**	**(12.1)**	**190,817**	**192,442**
Public sector	22,128	(12.9)	25,399	25,509
Other domestic sectors	145,542	(12.0)	165,417	166,933
Secured loans	93,446	(11.6)	105,664	99,175
Other loans	52,095	(12.8)	59,753	67,758
Non-domestic sector	**156,615**	**0.2**	**156,312**	**153,222**
Secured loans	62,401	1.0	61,811	60,655
Other loans	94,214	(0.3)	94,500	92,567
Non-performing loans	**25,826**	**27.3**	**20,287**	**15,647**
Domestic sector	20,985	38.4	15,159	11,042
Non-domestic sector	4,841	(5.6)	5,128	4,604
Loans and advances to customers (gross)	**350,110**	**(4.7)**	**367,415**	**361,310**
Loan-loss provisions	(15,366)	6.1	(14,484)	(9,410)
Loans and advances to customers	**334,744**	**(5.2)**	**352,931**	**351,900**

BBVA Group. Loans and advances to customers (gross)

(Billion euros)



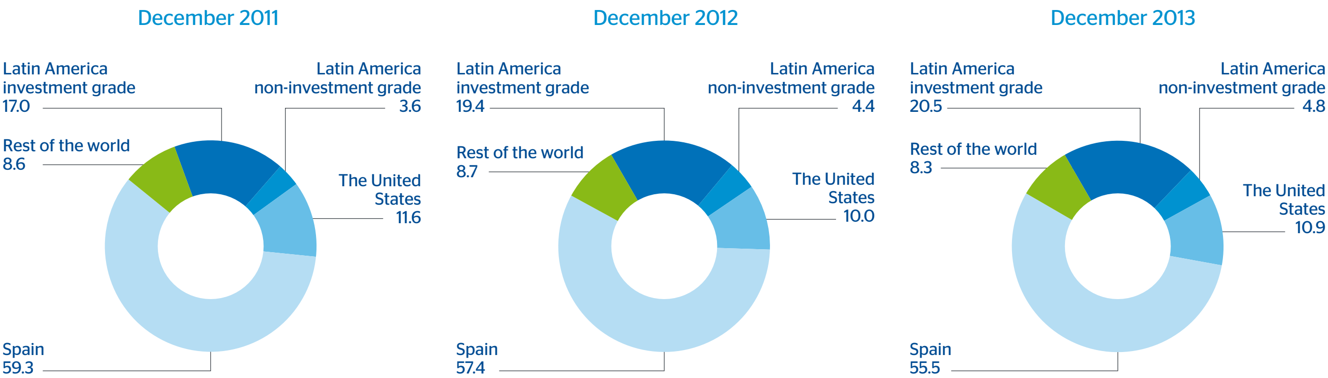
(1) At constant exchange rates: -0.8%.

By headings there has been a general decline in each of the items of the **domestic sector**, as a result of the deleveraging process in the Spanish economy mentioned above and the early repayment under the Supplier Payment Fund. The **non-domestic sector** was negatively affected by the depreciation of exchange rates over the year.

By **geographical areas** there was a decline in Spain and in the wholesale business in Europe, but an increase in the United States (thanks to the good performance of the target portfolios: commercial, residential real estate and, to a lesser extent, consumer finance), renewed progress in Turkey, as well as the strength of Mexico and South America.

BBVA Group. Geographical breakdown of loans and advances to customer (gross)

(Percentage)



Finally, **non-performing loans** increased by 27.3% since 2012 up to €26 billion. This rise is above all the result of increased balances in the domestic sector (up 38.4% year-on-year), which has been strongly influenced by the classification of refinanced loans made in the third quarter in Spain. The impact of the classification has been felt particularly strongly in the retail mortgage portfolio, even though at the present date a high percentage of that portfolio is held by customers who are up to date with their payments. The volume in the non-domestic sector has fallen by 5.6% due once more to the influence of exchange rates.

Customer funds

Total **customer funds** amounted to €409 billion at the close of December 2013, with a year-on-year increase of 6.5% over the year.

Customer funds

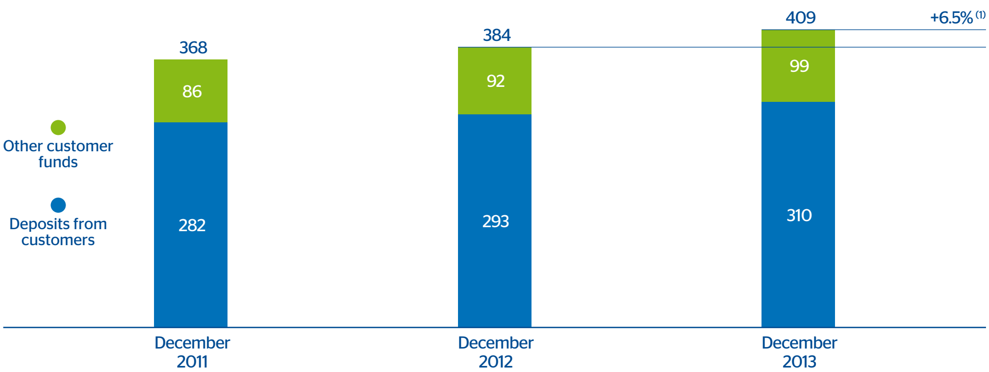
(Million euros)

	31-12-13	∆%	31-12-12	31-12-11
Deposits from customers	**310,176**	**6.0**	**292,716**	**282,173**
Domestic sector	**151,070**	**7.0**	**141,169**	**136,519**
Public sector	14,435	(33.8)	21,807	28,302
Other domestic sectors	136,635	14.5	119,362	108,217
Current and savings accounts	53,558	11.1	48,208	44,215
Time deposits	69,977	12.9	61,973	49,105
Assets sold under repurchase agreement and other	13,100	42.7	9,181	14,897
Non-domestic sector	**159,106**	**5.0**	**151,547**	**145,655**
Current and savings accounts	101,515	3.4	98,169	85,204
Time deposits	49,266	1.2	48,691	53,399
Assets sold under repurchase agreement and other	8,325	77.6	4,688	7,051
Other customer funds	**99,213**	**8.1**	**91,774**	**85,962**
Spain	**59,490**	**14.0**	**52,179**	**50,399**
Mutual funds	22,298	16.6	19,116	19,598
Pension funds	20,428	10.0	18,577	17,224
Customer portfolios	16,763	15.7	14,486	13,578
Rest of the world	**39,723**	**0.3**	**39,596**	**35,563**
Mutual funds and investment companies	21,180	(4.8)	22,255	19,697
Pension funds (1)	4,234	14.8	3,689	3,135
Customer portfolios	14,309	4.8	13,652	12,731
Total customer funds	**409,389**	**6.5**	**384,491**	**368,135**

(1) They do not include the assets under management by pension fund administrators in Chile, Mexico, Colombia and Peru.

BBVA Group. Customer funds

(Billion euros)



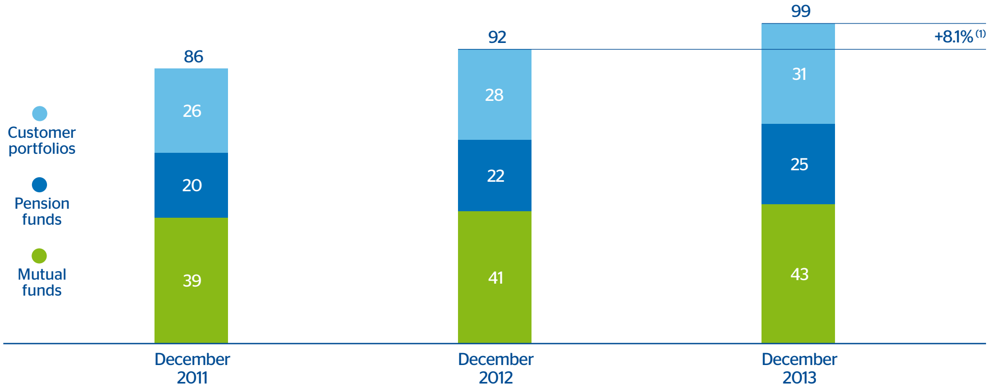
(1) At constant exchange rate: +12.2%.

Customer deposits as of 31-Dec-2013 amounted to €310 billion, a year-on-year rise of 6.0%. There was an increase in deposits in the domestic sector, which have risen by 7.0% over the year (a rise of 14.5% not taking into account the balance of the public sector) and in the non-domestic sector, which rose by 5.0% over the same period.

Off-balance-sheet customer funds totaled €99 billion, an increase of 8.1% on the figure 12 months previously. Within this heading the different sub-segments in Spain performed particularly well: mutual funds, pension funds and customer portfolios. In the existing environment of very low interest rates in Spain, BBVA is actively marketing a diversified mutual fund catalog to customers with the right investor profile.

BBVA Group. Other customer funds

(Billion euros)



(1) At constant exchange rates: +11.6%.

Other balance sheet headings

Financial assets held for trading closed as of 31-Dec-2013 at €72 billion, of which €38 billion correspond to derivatives positions, practically the same figure as for the derivatives positions included in financial liabilities held for trading. To sum up, the net position in the trading portfolio as of 31-Dec-2013 (assets minus liabilities) was €27 billion, compared with €24 billion the previous year (up 10.1%). This increase is due to the rise in debt securities and capital instruments entries in the Global Market units.

The increase of 13.1% in **available-for-sale financial assets** to €81 billion is due to two factors: first, the reclassification in the third quarter of 2013 of the balance of the held-to-maturity investments in order to establish uniform management criteria for all the ALCO (Assets and Liabilities Committee) portfolios; and second, the conclusion of the agreement with CITIC group, which includes the sale of 5.1% of CNCB, has meant that the remaining stake in the group has been classified as available for sale.

Investment in entities accounted for using the equity method has fallen by 78.0% to €1.5 billion due to the aforementioned reclassification of BBVA's remaining stake in CNCB.

Finally, BBVA's **total equity** as of 31-Dec-2013 was €45 billion, an increase of 2.3% on the figure as of 31-Dec-2012, despite the negative impact of exchange rates (incorporated in valuation adjustments). This increase is basically due to the generation of earnings (after dividend payments) and the conversion of the outstanding mandatory convertible bonds issued in 2011, which took place on June 30.

Capital base

The most significant events that influenced the Group's capital base in **2013** are:

1. Organic generation of **earnings** and capital gains obtained on the sale of the pension business in Latin America and BBVA Panama and for the reinsurance operation on the individual life and accident insurance portfolio in Spain.

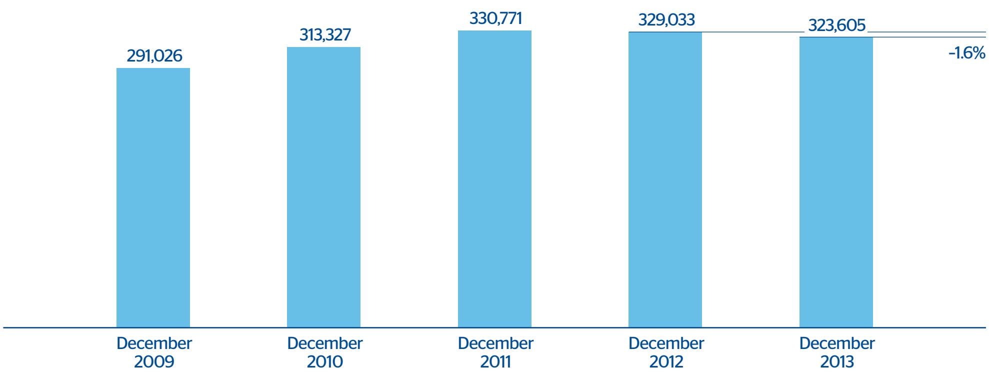
2. A USD 1,500m **issuance** of contingent convertible securities into ordinary shares. BBVA is the first European bank to strengthen its Tier I capital position through this type of instrument. This issuance was placed entirely among institutional investors. It is eligible as additional Tier I (ATI) capital under Basel III (CRDIV). In addition, it was chosen as the best issue of the year in the Financial Bond category in the awards granted by the prestigious magazine *International Financing Review* (IFR).

3. Sale of 5.1% of the stake in **CNCB**, which brings BBVA's current holding in this bank to 9.9%. Although this had a negative impact on core capital, it has a positive effect in capital base. Such positive effect is further heightened under the new Basel III regulation in which BBVA's fully-loaded core capital ratio improves 71 basis points.

4. Reduction in risk-weighted assets (**RWA**) due largely to the exchange rates and lower activity in Spain. As the remaining stake in CNCB is not deducted, it increases the RWA and partially offsets the aforementioned reduction.

BBVA Group. RWA Evolution

(Millon euros)



Capital base (BIS II Regulation)

(Million euros)

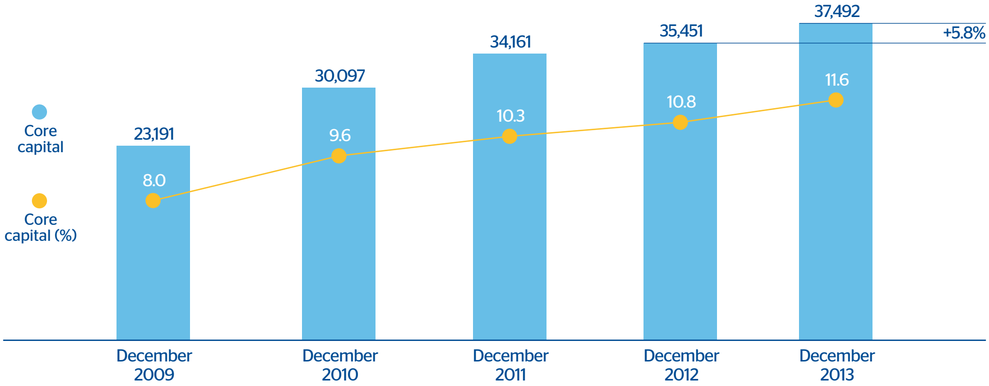
	31-12-13	31-12-12	31-12-11
Core capital	37,492	35,451	34,161
Capital (Tier I)	39,611	35,451	34,161
Other eligible capital (Tier II)	8,695	7,386	8,609
Capital base	48,306	42,836	42,770
Risk-weighted assets	323,605	329,033	330,771
BIS ratio (%)	14.9	13.0	12.9
Core capital (%)	11.6	10.8	10.3
Tier I (%)	12.2	10.8	10.3
Tier II (%)	2.7	2.2	2.6

As a result, at the end of December 2013 the Group's **capital base** stood at €48,306m, up 12.8% over the year. Of this amount, €37,492m correspond to core capital, which is up 5.8% over the same period thanks to earnings generation in the year, net of dividends, which offsets the negative impact of currencies during the period. Tier I capital as of 31-Dec-2013 totals €39,611m, up 11.7% over the same period in 2012, due to the inclusion of the aforementioned issuance of contingent convertible securities into ordinary shares and the effect of the sale of the 5.1% stake in CNCB. Lastly, Tier II capital amounts to €8,695m, up 17.7% year-on-year, also as a result of the aforementioned sale of the 5.1% stake in CNCB and other factors of less importance (including an issuance of subordinate bonds completed in Colombia in the first quarter of 2013).

The above, combined with the performance of RWA over the period, has strengthened the Group's capital **ratios**. The core capital ratio closed the year at 11.6%, 81 basis points above the figure posted at the end of December 2012. The Tier I ratio ended at 12.2% (10.8% as of 31-Dec-2012) and the Tier II ratio at 2.7% (2.2% the previous year).

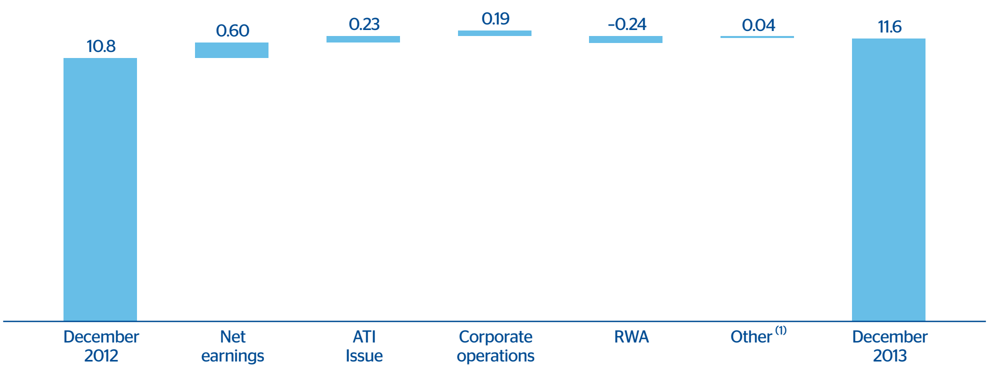
BBVA Group. Core capital evolution (BIS II Regulation)

(Million euros and percentage)



BBVA Group. Core capital ratio evolution

(Percentage)

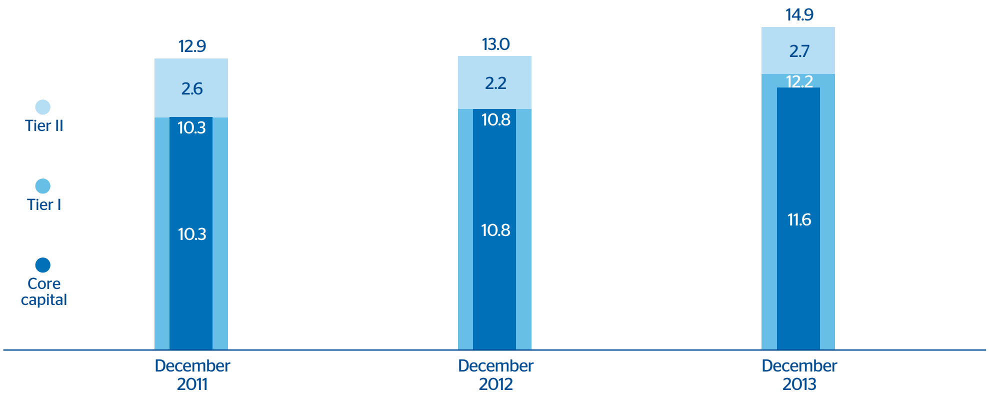


(1) Mainly includes: losses on available for sale equity portfolio, non-controlling interests and exchange rates impact.

To sum up, the BBVA Group's **BIS II ratio** as of December 31, 2013 stands at 14.9%, a year-on-year improvement of 191 basis points.

BBVA Group. Capital Base. BIS II Ratio

(Percentage)



Lastly, the new capital requirements set out in the European CRDIV directive, commonly known as **Basel III** (BIS III), came into force in January 2014. It should be noted that the Group is very well positioned under this new regulation:

- The reduction in BBVA's stake in CNCB below 10% means a 71 basis point improvement in the Group's fully-loaded core capital, according to BIS III, as aforementioned.
- Royal Decree 14/2013, dated November 29, which establishes that certain deferred tax assets are to be converted into accounts receivable from the Tax Authority, implies that they do not have to be deducted from the BIS III core ratio. This new regulation is estimated to have a positive effect on the Group's BIS III fully-loaded core capital ratio of between 60 to 70 basis points.
- The above has resulted in a BIS III fully-loaded core capital ratio as of December 31, 2013 of 9.8% and a leverage ratio of 5.6%.

In short, BBVA continues to manage its solvency ratios adequately, leading to a strong and adequate capital position.

Ratings

In the fourth quarter of 2013, the rating agencies Moody's, Standard & Poor's and Fitch improved the outlook on the Kingdom of Spain from negative to stable. This has, also, meant an improvement in the outlook of the Group. In the case of Moody's, it took place in February 2014 and in March, 4, the rating agency announced a 1 notch upgrade in BBVA's rating to Baa2, and the outlook changed to positive. Consequently, the ratings of BBVA have been as follow:

Ratings

	Long term	Short term	Financial Strength	Outlook
Moody´s	Baa2	P-2	C-	Positive
Fitch	BBB+	F-2	bbb+	Stable
Standard & Poor´s	BBB-	A-3	-	Stable
DBRS	A	R-1 (low)	-	Negative

Risk management

84 Global Risk Management: BBVA Group's risk management function
86 Integration of risks and overall risk profile
88 Credit risk
105 Structural risks
110 Risks in market units
116 Operational risk
120 Risk management in non-banking activities
122 Management of ESG risks

Global Risk Management: BBVA Group's risk management function

The BBVA Group considers the **risk function** to be one of the essential and distinguishing elements of its business strategy. Within this function, the Board of Directors is responsible for approving the risk control and management policy, as well as periodically monitoring the internal reporting and control systems. In order to perform this duty as well as possible, the Board is supported by the Executive Committee and the Risk Committee. Both the corporate Global Risk Management (GRM) area and the risk units of the business areas also play an essential role in the Group's risk management, each with well defined roles and responsibilities. The objectives of the corporate GRM area include maintaining the solvency of BBVA Group and collaborating on the definition of its strategy in relation to the risks it assumes. The risk units of the business areas propose and maintain the risk profile of each customer independently, but within the corporate framework for action.

The Group's risk function is a unique, independent and global area whose **principles** are:

- The assumed risks must be compatible with the target capital adequacy and must be identified, measured and assessed. Monitoring and management procedures and sound control and mitigation systems must likewise be in place.
- All risks must be managed in an integrated way during their life cycle. They must be treated differently depending on their type and with active portfolio management based on a common variable: economic capital.
- It is each business area's responsibility to propose and maintain its own risk profile both independently and within the corporate action framework (defined as the set of risk policies and procedures established by the Group), using an adequate risk infrastructure.
- The risk infrastructure must be suitable in terms of people, tools, databases, information systems and procedures so that there is a clear definition of roles and responsibilities, ensuring efficient allocation of resources between the corporate area and the risk units of the business areas.

The Group has developed a comprehensive risk management system based on these principles and structured around five **core elements**:

1. A system of governance and organization for the risk function that takes into account:
    - The definition of roles and responsibilities in the different functions.
    - An organizational structure of the corporate GRM area and the risk units of the business areas, including relationship and codependence mechanisms.
    - A set of committees at corporate and business area level.
    - A structure for delegating risks and functions.
    - A system of internal controls in line with the nature and size of the risks assumed.
2. A general framework of risk appetite that defines the profile of the Group's target risks and the levels of tolerance that the Bank is willing to assume to undertake its strategic plan without significant deviations, even in situations of stress.

3. A corporate risk management scheme that includes:

    - A set of regulations governing policies and procedures, tolerance and corrective actions.
    - A scheme for annual planning of risk that incorporates risk appetite into the Group's business decisions.
    - Ongoing management of financial and non-financial risks.

4. A framework for identifying, evaluating, monitoring and reporting the risks assumed in baseline and stress scenarios, which allow a prospective and dynamic assessment of risk.

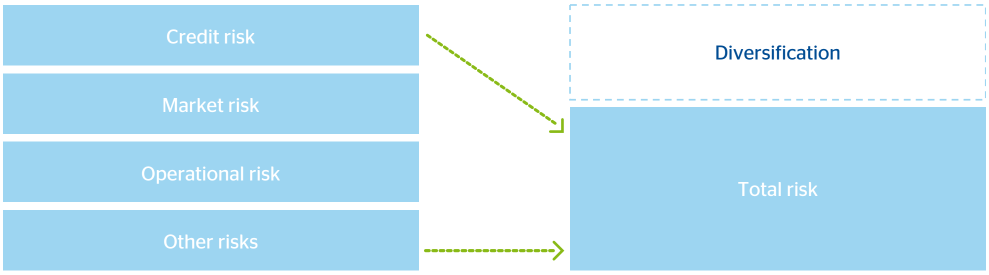
5. An infrastructure that includes all the risk tools, methodologies and culture making up the foundations on which the differential risk management scheme is organized.

Integration of risks and overall risk profile

Integration of risks

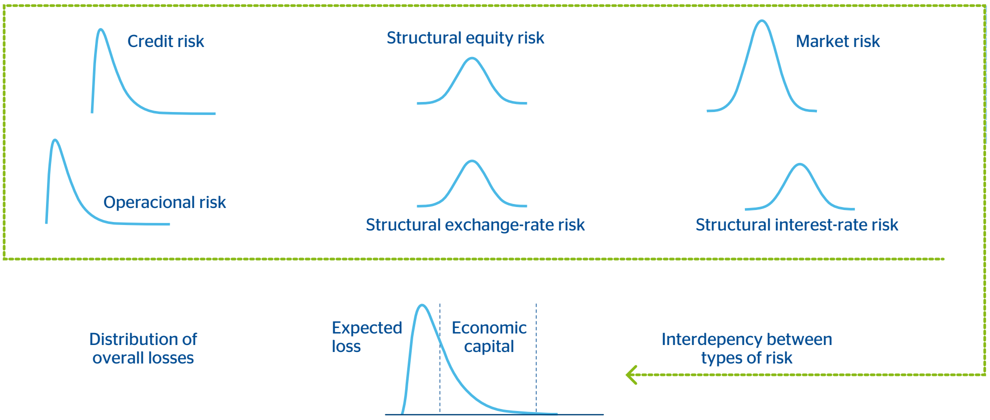
The economic capital required to cover the Group's losses is calculated by integrating the various risks managed by the Entity. The difference between this economic capital and the sum of the individual capital amounts is known as the **benefit of diversification**.

Sum of risks and diversification



BBVA Group's risk integration model recognizes diversification among the various types of risks. The calculation process is divided into two stages. In the first stage, each of the risks is modeled individually (credit, market, structural and operational), taking the special features of each case into account. In the second stage, they are added to a common measure through a model that looks at the structure of dependency between risks.

BBVA Group. Risk integration diagram



In this framework, the diversification level of each risk depends mainly on the relative size of the risk against global risk, as well as on the correlation among different risks and the characteristics of individual loss distributions.

Overall risk profile

Economic risk capital (**ERC**) consumption reached €30,034m as of December 31, 2013, a decrease of 15.6% over the year, using comparable data[1]. The main risk continues to be credit risk on portfolios originated in the Group branch networks from its own customer base. This accounted for 57.1% of the total amount, with a year-on-year decrease of 14.3%, due mainly to the decline in lending activity in Spain. The ERC for equity reaches a relative weight of 18.4%, with a decrease of 20.4% influenced by the sale of 5.1% of BBVA' stake in CNCB. Structural interest-rate and exchange-rate ERC fell jointly by 26.4%. This performance is explained by the impact of the sale of the stake in CNCB on the exchange-rate risk. Lastly, the relative weight of ERC from market operations remains unchanged, with a year-on-year decline of 14.9%.

BBVA Group. Economic risk capital. Breakdown by type of risk

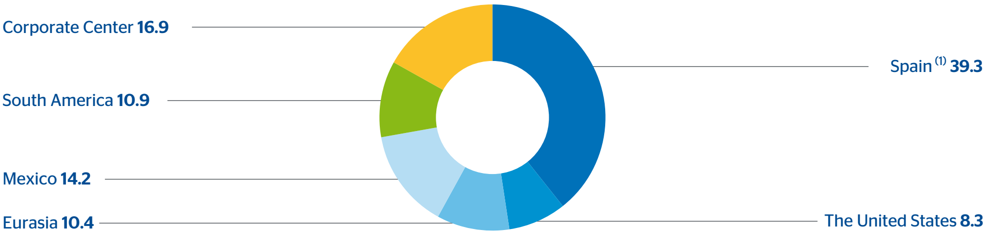
(Data in attributable terms as of 31-12-2013. Percentage)

(1) Data for Spain include real-estate activity.

In the **breakdown by area**, Spain registers a 16.3% fall in ERC due to the decline in the loan portfolio, highly influenced by the financial deleveraging process underway in the country. Eurasia has reduced its consumption by 31.6% compared to the previous year, due to the reduction in the equity risk following the sale of 5.1% of the stake in CNCB. In Mexico, ERC has declined 6.9%, due mainly to the reduced structural interest-rate risk. The United States, which increases its relative weight in ERC as a whole, has decreased its amount by 4.4% in year-on-year terms due to the area's improved credit risk profile and a lower interest-rate risk. ERC in South America has increased by 3.2% due to strong lending activity in all the countries in which the Group operates, despite the depreciation of its currencies against the euro during the year.

BBVA Group. Economic risk capital. Breakdown by business area

(Data in attributable terms as of 31-12-2013. Percentage)



(1) Data for Spain include real-estate activity.

Lastly, the Group's recurrent **risk-adjusted return** (RAR), i.e. that generated from customer business and excluding one-offs, stood at 17.7%, and remains at high levels in all business areas.

(1) The growth rates presented are calculated against the close as of the same time in December 2012 (€35,594m), which includes the annual effects of the updates carried out at the end of the year (Mexico, South America and the United States) in the credit risk parameters and the review of other risk models, as compared to the figure for end of 2013 (€30,034m).

Credit risk

Credit risk quantification methodologies

The risk measurement and management models used by BBVA have made it a leader in best practices in the market and in compliance with Basel III guidelines.

The Bank quantifies its credit risk using two main metrics: **expected loss** (EL) and risk **economic capital** (ERC). The expected loss reflects the average value of the estimated losses and is considered the cost of the business, while economic capital is the amount of capital needed to cover unexpected losses (i.e. if actual losses are higher than expected losses).

These risk metrics are combined with information on profitability in the **value-based management** framework, incorporating the profitability-risk binomial into the decision-making process, from the definition of business strategy to the approval of individual loans, price setting, assessment of non-performing portfolios, incentives to the different areas in the Group, etc.

There are three risk **parameters** that are essential in the process of calculating the EL and ERC measurements: the probability of default (PD), loss given default (LGD) and exposure at default (EAD). They are generally estimated using the available historical information and are assigned to transactions and customers according to their particular characteristics.

In this context, the credit **rating tools** (ratings and scorings) assess the risk in each transaction/customer according to their credit quality by assigning them a score. This score is then used in assigning risk metrics, together with additional information such as transaction seasoning, loan-to-value ratio, customer segment, etc. The increase in the number of default events in the current economic situation reinforces the soundness of the risk parameters by adjusting their estimates and refining methodologies. The incorporation of data from a period of economic slowdown is particularly important for enriching the analyses of the cyclical behavior of credit risk. The effect on PD estimates and the credit conversion factor (CCF) is immediate. An analysis of the impact on LGD, however, depends on the maturity of the recovery processes associated with those default events.

Probability of default (PD)

PD is a measure of credit rating that is assigned internally to a customer or a contract with the aim of estimating the probability of non-compliance within a year. It is obtained through a process using **scoring** and **rating** tools.

Scoring

These tools are statistical instruments designed to estimate the probability of default according to features of the contract-customer binomial. They are focused on management of retail credit: consumer finance, mortgages, credit cards of individuals, SME's, etc. There are different types of scoring: reactive, behavioral, proactive and bureau.

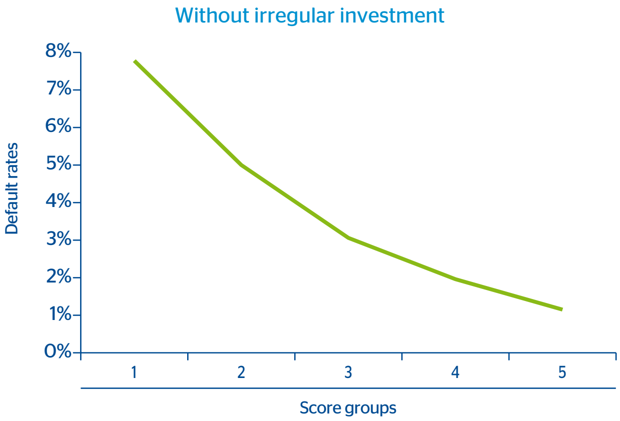
The main aim of **reactive scoring** is to assess the credit quality of loan applications submitted. It attempts to predict the applicant's probability of default if the application were accepted (applicants may or may not be BBVA customers at the time of application).

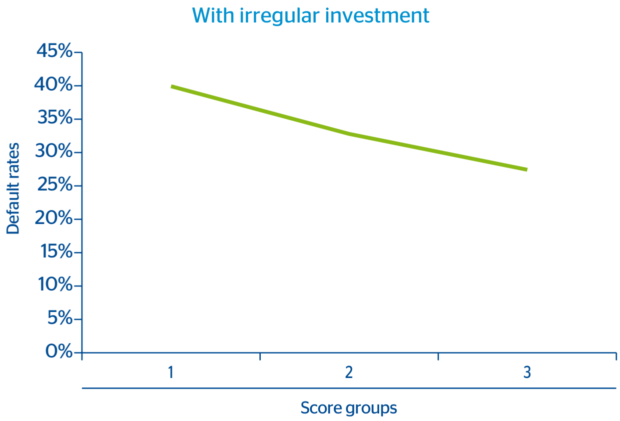
The level of sophistication of the scoring model and its capacity to adapt to the economic context produce more accurate customer profiles and improve the Bank's capacity to identify different levels of creditworthiness within specific groups (young people, customers, etc.). The result is a significant improvement in the discrimination capacity of tools in groups of particular interest to the business.

The charts below show the default rates of some of the reactive scoring tools used by the Group.

Consumer finance tool calibration, BBVA in Spain

(Default rates for the domestic customer segment, excluding young people and refinancing, based on scoring and irregular investment)[1]

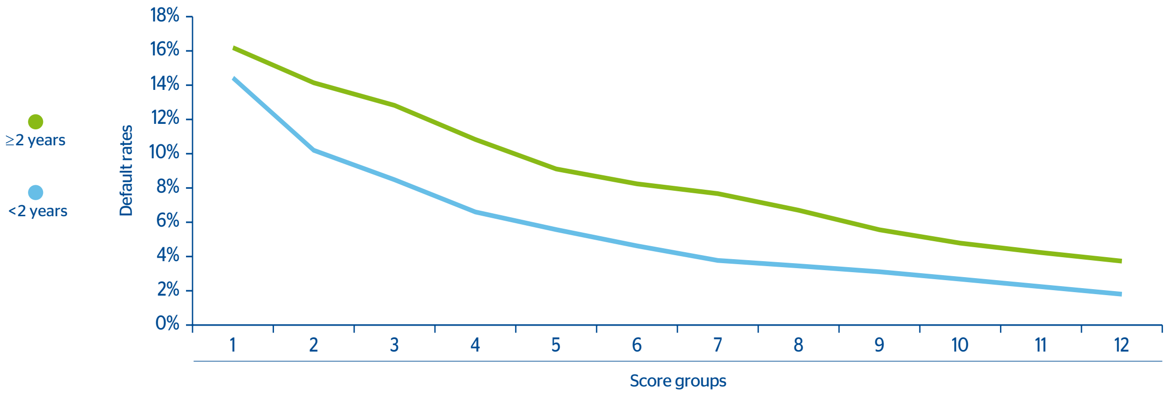




(1) Irregular investment: those are not current of payment but less than 90 days to be considered in default.

Reactive scoring tool calibration for BBVA's Autos Finanzia in Spain

(Default rates based on score and original term of the transaction)



They show how different axes can serve to assess the risk of a retail-type transaction. The Chart "Consumer finance tool calibration of BBVA in Spain" presents the different one-year consumer default rates based on scoring and irregular investment for the domestic customer segment, excluding young people and refinancing. The Chart "Reactive scoring tool calibration for BBVA's Autos Finanzia in Spain" presents the different default rates for transactions of BBVA in Spain granted for a period of less than two years and those for two years or more. As expected, the highest probabilities of default are observed for transactions granted for a longer term.

A distinguishing feature of reactive scorings is that the default rates of the various segments tend to converge over time. In BBVA, this loss of screening capacity is mitigated by combining reactive with behavioral and proactive scorings.

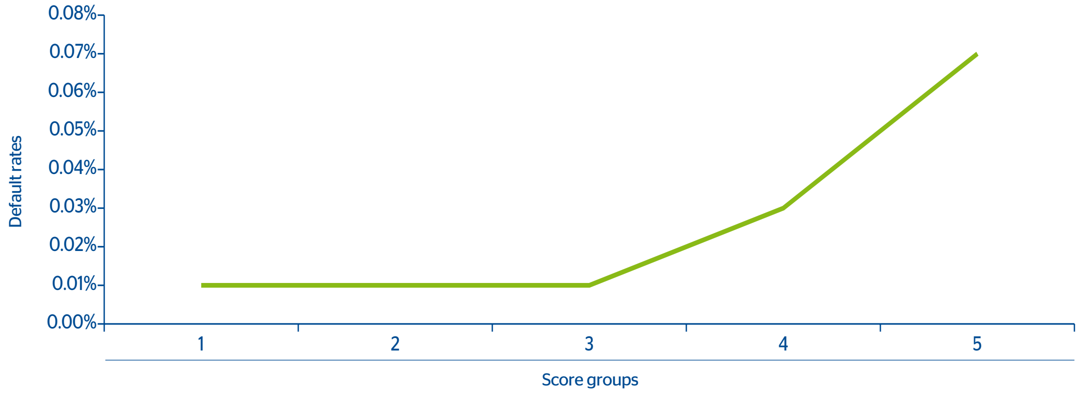
Behavioral scoring is used to review contracts that have already been formalized by incorporating information on customer behavior and on the contract itself. Unlike reactive scoring, it is an *a posteriori* analysis, i.e. once the contract has been granted. It is used to review credit card limits, monitor risk, etc., and takes into account variables directly linked to the transaction and the customer that are available internally: the behavior of a particular product in the past (delays in payments, default, etc.) and the customer's general behavior with the Entity (average balance on accounts, direct debit bills, etc.).

Proactive scoring tools take into account the same variables as behavioral scorings, but they have a different purpose, as they provide an overall ranking of the customer, rather than of a specific transaction. This customer perspective is supplemented by adjustments that depend on the type of product. The availability of proactive scorings has enabled the Group to monitor customers' credit risk more precisely, to improve risk screening processes and to manage the portfolio more actively by offering credit facilities adapted to each customer's risk profile.

Below are the probability of default curves of the proactive scoring tool for BBVA in Spain mortgages in the domestic "positive experience" segment with high loyalty, excluding refinancing and API[(1)], according to the score. The "positive experience" segment covers customers with good payment behavior over the previous 24 months and with loyalty to the Bank. The behavioral scoring for BBVA Bancomer credit cards is also shown.

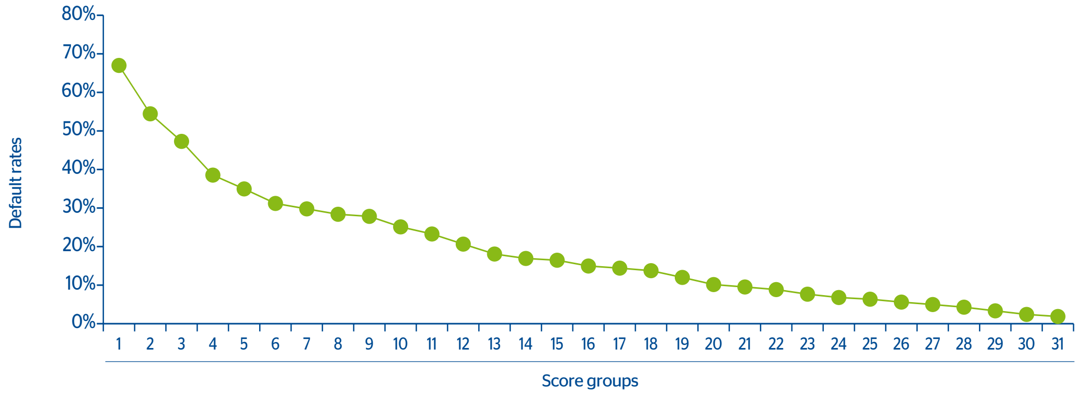
Scoring tool calibration for mortgages of individuals, BBVA in Spain

(Default rates for the domestic "positive experience" segment with high loyalty, excluding API and refinancing, based on scoring)



Credit card behavioral scoring tool calibration, BBVA Bancomer

(Default rates by score group)



(1) API (Spanish acronym): Real-estate agent. Operations granted by a real-estate company or a real-estate agent on behalf of the Bank. This is a different input channel for the operation and it seems to be a discriminant factor in estimating some risk parameters.

The so-called **bureau scoring** models, widely used in the Americas, are also of great importance. This kind of tool is similar to the scorings explained above, except that while the former are based on the Bank's internal information, bureau scoring requires credit information from other credit institutions or banks (on default events or customer behavior). In countries with positive bureau information, existing external and internal information is combined. This information is provided by specialized agencies that compile data from other entities. Not all banks collaborate in supplying this information, and usually only participating entities have access to it. In Spain, the Bank of Spain's Risk Information Center (CIRBE) makes such information available. Bureau scorings are used for the same purpose as the other scorings: i.e. authorizing transactions, setting risk limits and monitoring risk.

An adequate management of the reactive, behavioral, proactive and bureau tools by the Group means that updated risk parameters can be obtained and are adapted to economic reality. This results in precise knowledge of the credit health of transactions and/or customers. This task is particularly relevant in the current economic situation, as it makes it possible to identify the contracts or customers that are in difficulties, and thus take the necessary measures to manage risks that have already been assumed.

Rating

These tools focus on wholesale customers: companies, corporations, SMEs, the public sector, etc. In such cases, default events are predicted at the customer level rather than at the contract level.

The risk assumed by BBVA in the wholesale customer portfolio is classified in a standardized way by using a single **master scale** in economic terms for the whole Group that is available in two versions: a reduced one with 22 degrees and an extended one with 34. The master scale allows discrimination amongst credit quality levels, taking into account geographical diversity and the different types of risk in the different wholesale portfolios in the countries where the Group operates.

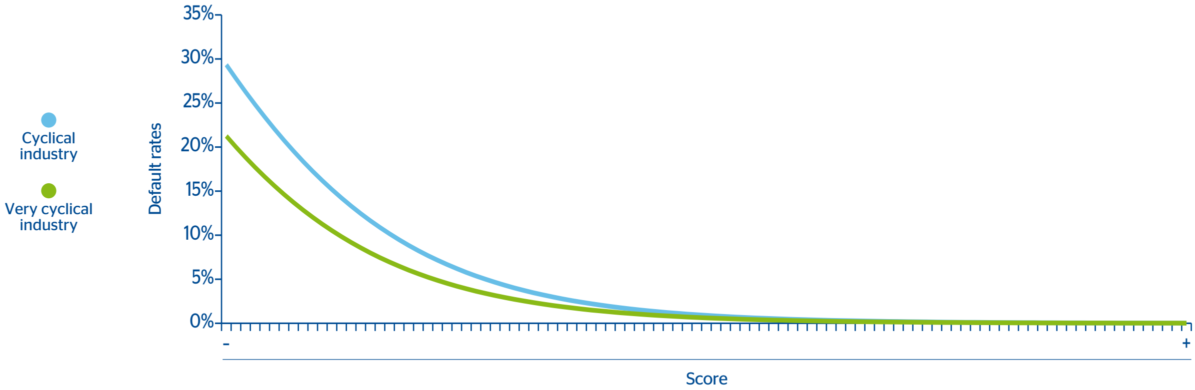
The information provided by the rating tools is used when deciding on accepting transactions and reviewing limits.

Some of the wholesale portfolios managed by BBVA are low default portfolios, in which the number of default events is low (sovereign risks, corporations, etc.). To obtain PD estimates in these portfolios, the internal information is supplemented by external data, mainly from external rating agencies and the databases of external suppliers.

There are different axes that permit the risk of different customers to be assessed. Below is an example of a rating tool calibration curve for BBVA in Spain companies based on the internal scoring assigned and the sector groups, which show a different cyclicality.

Rating tool calibration for companies, BBVA in Spain

(Default rates based on score and sector groups, with different cyclicality)



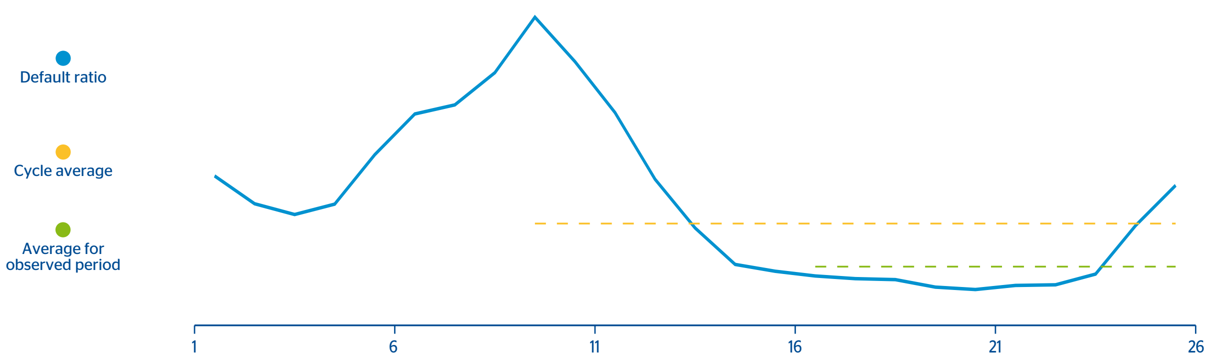
The economic cycle in PD

The current economic crisis has revealed the importance of a proper anticipation in risk management. In this context, excess cyclicality of risk measurements has been identified as one of the causes of the instability of the metrics of financial institutions. BBVA has always been committed to estimating average cycle parameters that mitigate the effects of economic-financial turbulence in credit risk measurement.

The probability of default varies according to the cycle: it is greater during recessions and lower during expansions. In general, financial institutions do not have internal information on defaults covering a sufficiently long period of time to serve as an observation of the behavior of portfolios over a complete cycle. That is why adjustments have to be made to the internal data. The adjustment process to translate the default rates observed empirically into average default rates is known as cycle adjustment. The **cycle adjustment** uses sufficiently long economic series related to the default of portfolios, and their behavior is compared with that of the default events in the Entity's portfolios. Any differences between past and future economic cycles may also be taken into account, thus resulting in a certain prospective approach.

The chart below illustrates how the cycle adjustment mechanism works. It shows the hypothetical evolution of a series of default events over a sufficiently long period of time to be considered to include at least one economic cycle. The cycle adjustment model used by BBVA extrapolates the performance of this series of default events to internal data, based on the relationship between the series over one entire cycle and the observation period.

Cycle adjustment mechanism



Loss given default (LGD)

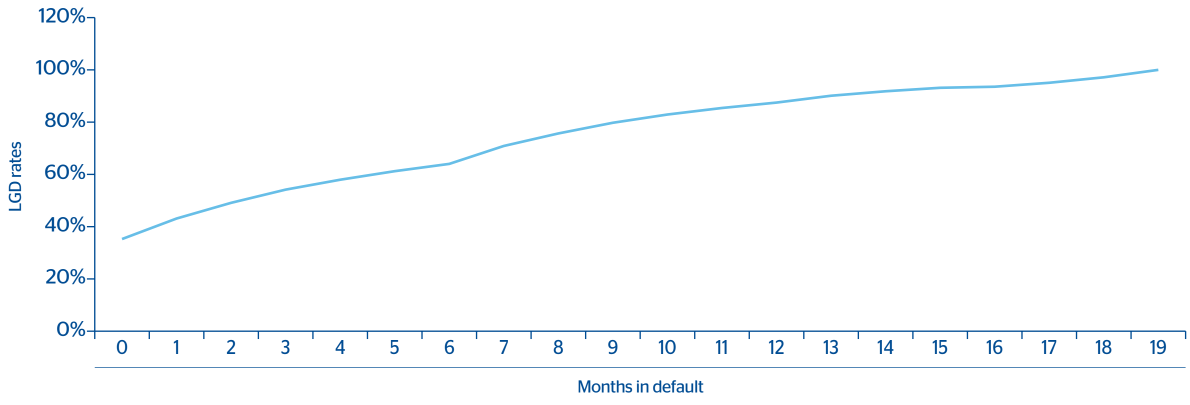
Loss given default (LGD) is another of the key metrics used in quantitative risk analysis. It is defined as the percentage exposure at risk that is not expected to be recovered in the event of default.

BBVA basically uses two **approaches** to estimate LGD. The most common one is known as "workout LGD", in which estimates are based on the historical information observed by the entity, by discounting the flows observed throughout the recovery process of the contracts that have been in default at some point. In portfolios with a low rate of default (low default portfolio, or LDP), there is insufficient historical experience to make a robust estimate using the workout LGD method, so external sources of information have to be combined with internal data to obtain a representative rate of loss given default.

LGD estimates are carried out by segmenting operations according to different factors that are relevant for its calculation, such as the default period, seasoning, the loan-to-value ratio, type of customer, score, etc. The factors considered may be different according to the portfolio being analyzed. Some of these are illustrated below with examples.

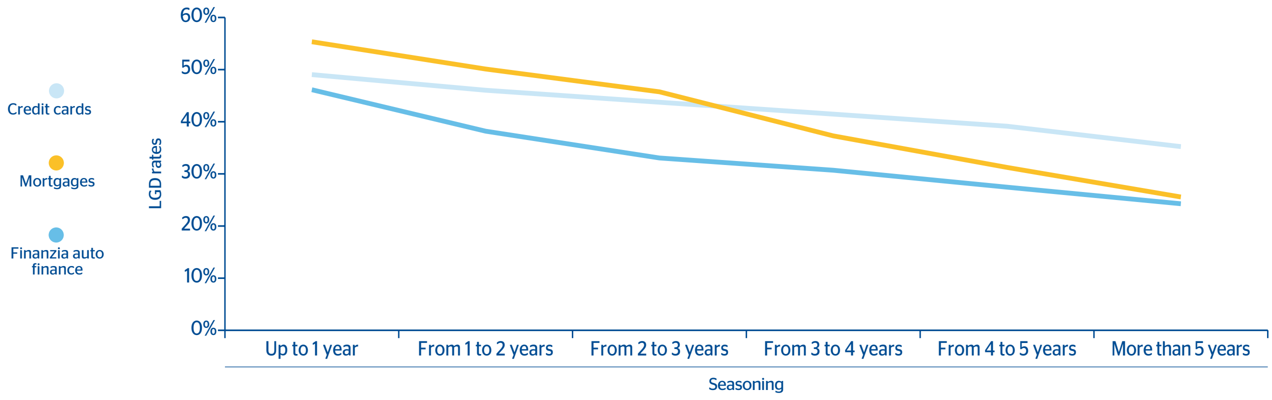
- For contracts already in default, an important factor is **the time elapsed since the default**. The longer the contract has been in default, the lower the recovery of the outstanding debt. For the purposes of calculating the expected loss and economic capital, the contracts that are not in default are also attributed an LGD comparable to contracts that have just defaulted.

LGD of BBVA credit cards in Spain (for domestic customers and by time in default)



- The **seasoning of a transaction** is the period elapsed from the origination of the contract to the default date. This is also relevant, as there is an inverse relationship between LGD and seasoning: the longer the contract persists without defaulting, the greater its recovery.

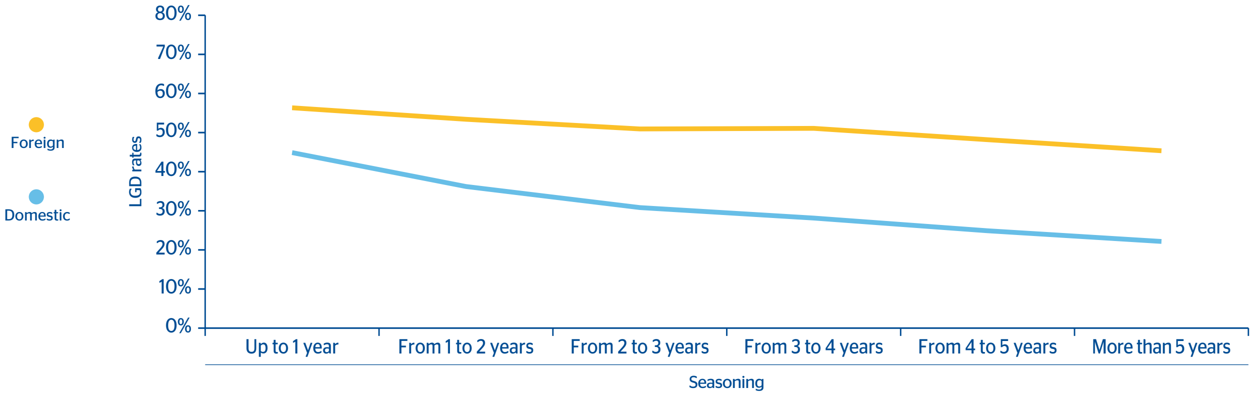
LGD curves by seasoning for various products in Spain



There are portfolios in which LGD changes when combining the aforementioned axes.

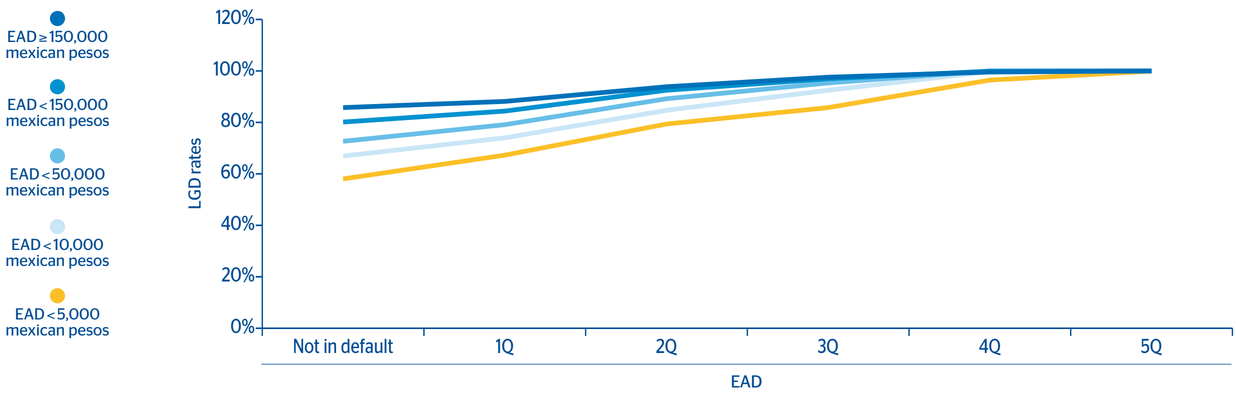
- **Nationality and seasoning**. In recent years, nationality has been a relevant factor in LGD in BBVA's retail portfolios in Spain.

LGD for Autos Finanzia by nationality and seasoning, BBVA in Spain



- **Time elapsed between the default event and EAD (exposure at default)**. There are portfolios in which LGD depends on several axes, as is the case of credit cards in BBVA Bancomer, where the LGD grows with the time in default and the greater the amount of EAD.

BBVA Bancomer's credit card LGD, based on the quarter in default and exposure at the time of default (EAD)



Progress in building LGD scorings and ratings is becoming increasingly important in order to adapt LGD estimates to social changes and the economic situation. These estimates allow new factors to be included without losing the robustness of the information and make it possible to obtain models that are more sensitive to improvements or deterioration in the portfolio.

In the BBVA Group, different LGDs are attributed to the outstanding portfolio (default and non-default), according to **combinations of all the significant factors**, depending on the features of each product and/or customer. This can be seen in the Chart "LGD for Autos Finanzia, BBVA in Spain by nationality and seasoning", where LGD is explained according to the seasoning of the contract and its nationality.

Lastly, it is important to note that LGD varies with the **economic cycle**. Hence, two concepts can be defined: long-run LGD (LRLGD) and LGD at the worst moment in the cycle, or downturn LGD (DLGD).

LRLGD represents the average long-term LGD corresponding to an acyclical scenario that is independent of the time of estimation. DLGD represents the LGD at the worst time of the economic cycle, so it should be used to calculate economic capital, because the aim of EC is to cover possible losses incurred over and above those expected.

Every estimate of loss given default (LGD, LRLGD and DLGD) is performed for each portfolio, taking into account all the aforementioned factors. However, no LRLGD or DLGD estimates are made in portfolios in which the loss given default is not significantly sensitive to the cycle, as they are recovery processes that cover extended periods of time in which the isolated situations of the economic cycle are mitigated.

In addition to being a basic input for quantifying losses (both expected and capital losses), LGD estimates have other internal management purposes. For example, LGD is an essential factor to discriminate prices, in the same way that it can determine the approximate value of a defaulted portfolio in the hypothetical event of outsourcing recoveries or defining which potential recovery actions have the highest priority.

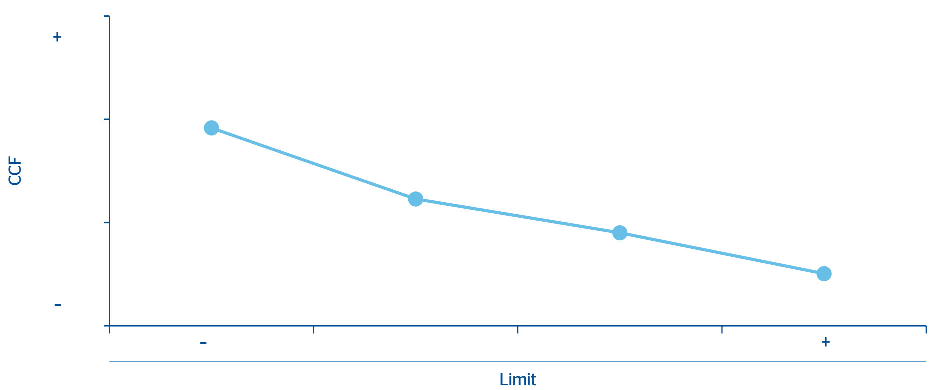
Exposure at default (EAD)

Exposure at default (EAD) is another of the inputs required to calculate expected loss and capital. It is defined as the outstanding debt at the time of default.

The exposure of a contract tends to be the same as its balance, although for products with explicit limits, such as cards or credit lines, exposure should include the potential increase in the outstanding balance from a reference date to the time of default. The EAD is therefore obtained by adding the risk already drawn on the transaction to a percentage of undrawn risk. This percentage of the undrawn balance that is expected to be used before default occurs is known as the **CCF**. Thus, the EAD is estimated simply by calculating this conversion factor. In addition, the relevance of adding to EAD the possibility of using an additional percentage of the limit for transactions that exceed it on a reference date is assessed, according to the risk policy for each product.

The estimate of these conversion factors also includes distinguishing factors that depend on the characteristics of the transaction. For example, in the case of BBVA in Spain company credit cards, the conversion factor is estimated based on card activity, the amount of its limit, and the initial usage percentage, which is defined as the ratio between current risk and limit. The chart below shows the CCF for active company credit cards based on their limit, in such a way that a reverse relationship can be seen between the limit and the conversion factor.

CCFs for company credit cards of BBVA in Spain (active cards by limit)



In order to obtain CCF estimates for low-default portfolios, the LDPs, external studies and internal data are combined, or behavior similar to other portfolios is assumed and their CCFs are assigned in this way.

The portfolio model and concentration and diversification effects

Credit risk for the global portfolio of the BBVA Group is measured through a **portfolio model** where the effects of concentration and diversification are considered. Its purpose is to study the entire loan book as a whole, by analyzing and capturing the effect of interrelations between the various portfolios.

In addition to enabling a more comprehensive calculation of capital needs, this model is a key tool for credit risk management, as it establishes loan limits based on the contribution of each unit to total risk in a global, diversified setting.

The portfolio model considers that risk comes from various sources (it is a multi-factor model). This feature implies that economic capital is increasingly sensitive to geographic diversification, a crucial aspect in a global entity like BBVA. These effects have become more apparent against the current backdrop in which, despite the stress undergone by the markets and the different rates of recovery in the countries where the Group operates, they have contributed to lessening the impact of this situation on BBVA.

The tool is also sensitive to the concentration that may exist in certain credit exposures, such as the Institution's large customers. Apart from geography, industry factors are now key to business concentration analyses.

Credit risk in 2013

At the end of **2013**, the Group's main asset quality indicators have evolved as forecast:

- Uptick in the NPA ratio in Spain to 10.3% (6.4% excluding real-estate activity) due, on the one hand, to the classification of refinanced loans in the third quarter of 2013 and, on the other, to the decline in the loan book. The coverage ratio stands at 50% (41% without taking into account real-estate activity).

- In the rest of the geographical areas, improvement in the asset quality indicators in the United States and Mexico, slight deterioration in Eurasia (due to the deleveraging process in Europe and the exchange-rate effect in Turkey) and stability in South America.

As a result, the Group ended 2013 with its main risk indicators as expected and comparing positively with those of most of its peers. As of 31-Dec-2013, the NPA ratio stood at 6.8% (4.6 % excluding the real-estate activity in Spain), the coverage ratio at 60% (59% excluding the real-estate activity in Spain) and the cumulative risk premium at 1.59% (1.50% excluding the real-estate activity in Spain).

BBVA's **exposure** to credit risk stood at €627,273m at the close of December 2013, with a year-on-year decrease of 3.2%. Customer credit risks (including contingent liabilities), which account for 61.6% of total credit risk, decreased by 5.1% over the same time period. This decrease was due to the aforementioned decline in the loan book in Spain and in the wholesale portfolios in Europe, which has been partly offset by the growth in lending activity in the emerging economies and in the United States. Potential exposure to credit risk in market activities (23.9% overall), including potential exposure to derivatives (once netting and collateral agreements are considered), declined by 3.1%, while undrawn facilities (14.5% of the total) increased by 5.5%.

BBVA Group. Exposure to credit risk

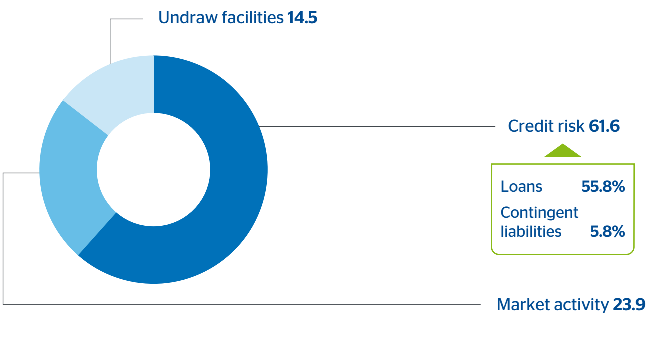
(Million euros)

	31-12-13								31-12-12	31-12-11
	Banking activity in Spain	Real-estate activity in Spain	The United States	Eurasia (1)	Mexico	South America	Corporate Center	Total Group	Total Group	Total Group
Gross credit risk (drawn)	**194,099**	**16,684**	**41,166**	**39,529**	**40,963**	**53,493**	**467**	**386,401**	**407,126**	**400,709**
Customer lending (gross)	178,335	16,085	38,173	28,117	40,610	48,466	431	350,218	367,719	361,310
Contingent liabilities	15,764	599	2,992	11,412	353	5,027	36	36,183	39,407	39,398
Market activity	**91,837**	**234**	**8,762**	**5,795**	**27,275**	**14,576**	**1,457**	**149,935**	**154,689**	**134,937**
Credit entities	14,376	232	1,179	1,763	2,407	2,229	2,016	24,203	26,522	26,107
Fixed income	64,870	2	7,282	4,031	24,094	10,193	(559)	109,913	110,505	88,621
Derivatives	12,591	0	301	0	774	2,153	0	15,820	17,662	20,209
Undrawn facilities	**31,043**	**4,746**	**24,568**	**15,272**	**15,933**	**6,290**	**(6,915)**	**90,937**	**86,223**	**88,978**
Maximum exposure to credit risk	**316,978**	**21,664**	**74,496**	**60,595**	**84,172**	**74,359**	**(4,991)**	**627,273**	**648,039**	**624,624**

(1) Data with Garanti Group accounted for by the proportional consolidation method.

BBVA Group. Exposure to credit risk Breakdown by type of risk

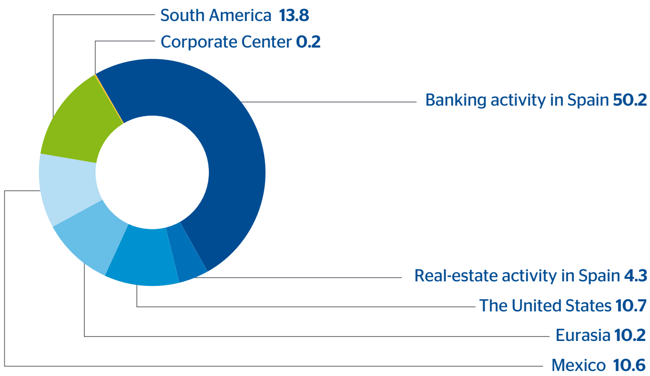
(31-12-2013. Percentage)



Exposure: 627,273 million euros

BBVA Group. Gross exposure to credit risk Breakdown by business area

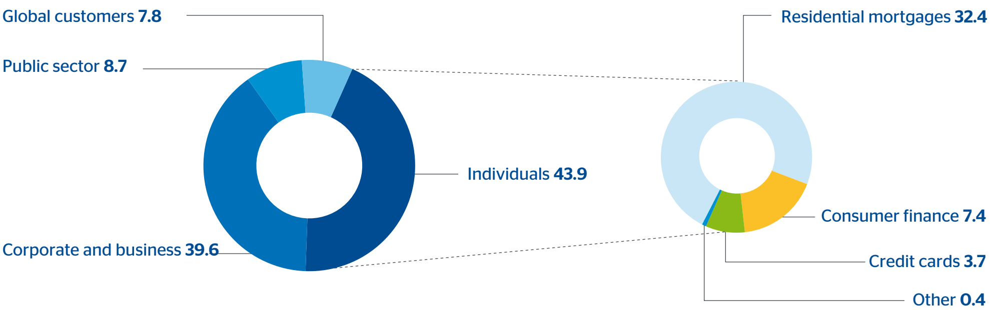
(31-12-2013. Percentage)



Credit risk: 386,401 million euros

BBVA Group. Loan book exposure. Breakdown by portfolio

(31-12-2013. Percentage)

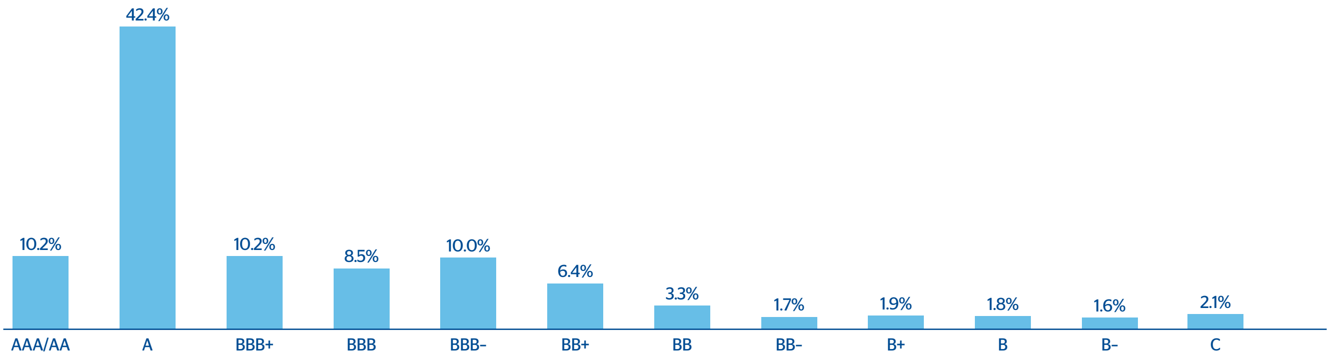


Credit risk: 350,218 million euros

The exposure **breakdown by rating** of the parent company and subsidiaries in Spain (including real-estate activity), which comprises corporations, financial institutions, and sovereign institutions and customers, shows 52.6% of A or better ratings. Also shown is the breakdown by rating of the business and developer segments in Spain, and of the loan book with corporates and financial institutions in Mexico.

Breakdown by rating in Spain [1]

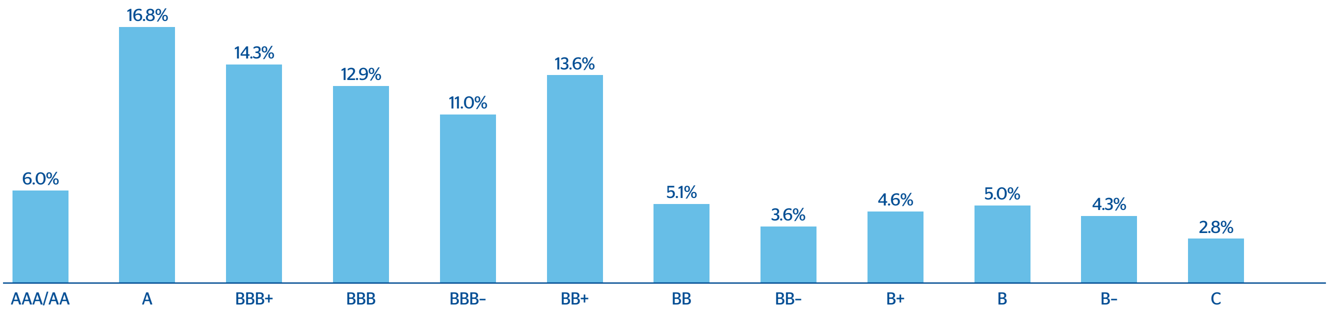
(Exposure as of 31-12-2013)



(1) Include companies, financial institutions, public institutions and sovereign risks.

Breakdown by rating. Corporates and developers in Spain [1]

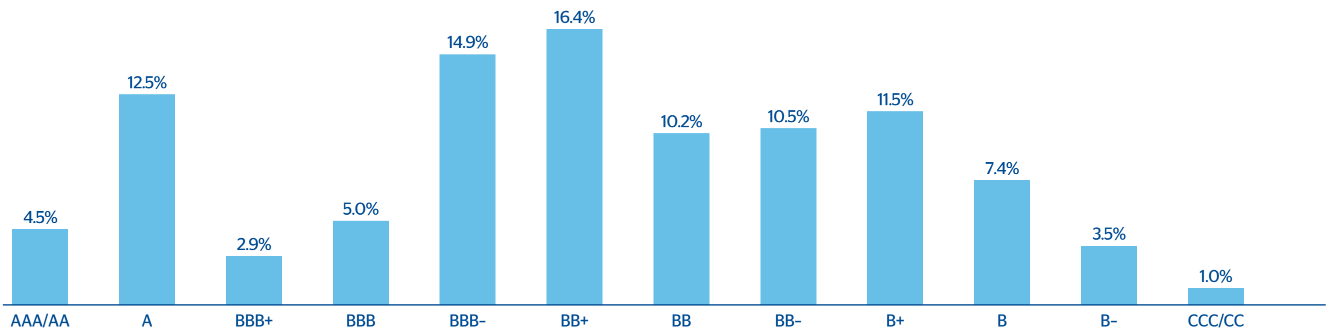
(Exposure as of 31-12-2013)



(1) Includes only the banking book.

Breakdown by rating in Mexico

(Exposure as of 31-12-2013)



Exposure to the real-estate sector in Spain

BBVA's gross **exposure** to the real-estate sector in Spain is limited, totaling €26,470m (out of which 51% are developer loans and 49% buildings), and declined by €947m last year. It is worth noting that the acquisition of Unnim Banc, completed in July 2012, includes an asset protection scheme (APS). Thus, the risk of incorporating the Unnim portfolios into the BBVA Group is very limited.

By the **status** of assets, 88% are classified as problematic (38% NPA, 6% substandard and 56% foreclosed assets) and 12% are outstanding risk.

The breakdown by **type** of assets is: 54% finished housing, 9% housing under development, 27% land and 10% other assets, including those with personal guarantee.

For further information on this subject, refer to the chapter Business areas, Real-estate activity in Spain.

Refinancing and restructuring operations

BBVA's business model is one that aims to forge and maintain lasting relations with its customers. Because of this, the basic **goal** of preparing refinanced or restructured operations it to provide customers with a lasting financial viability over time in the face of temporary difficulties, and to adapt debt payments to the Bank to the customers' new situation of fund generation. In other words, this tool is used to resolve problems of temporary liquidity, and not solvency, that customers may have with the Bank at any given time. Refinancing and restructuring is therefore a management tool; its use for other purposes, such as delaying loss recognition, is against the BBVA Group's policy. It should be noted that BBVA has always had each of the refinancing/restructuring operations it has carried out duly identified and classified. These operations are monitored closely and, depending on their development, the Group's philosophy on this question is to classify refinanced risks as non-performing, substandard or normal according to the recommendations issued by the supervisor for these operations.

With respect to the classification of refinanced loans, the supervisor's recommendations have been applied in the third quarter. It is important to note that this application has entailed no changes in BBVA's management criteria, as it only involves the implementation of stricter accounting standards that will enable greater comparability with the system as a whole, once the banks have implemented these changes. The main impacts of the application of these recommendations are described below:

- Increase of €3,864m in the balance of non-performing loans in Spain due to this classification of refinanced loans. This increase is concentrated mainly on the retail mortgage and real-estate portfolios.
- The volume of loans classified as non-performing is classified as subjective non-performing loans, as they correspond to customers who are currently up to date with their payments.
- In terms of loan-loss provisions, the application of this recommendation has resulted in an additional provisioning of €600m against impairment losses on financial assets, which has been registered in the third quarter.

Expected losses

Expected losses not attributed in the performing portfolio, adjusted to the economic cycle average, stood at €3,623m as of the close of December 2013, a year-on-year decrease of 6.7% using comparable data[1]. In attributable terms, and not including the non-performing portfolio, the

(1) The change rates presented are calculated against the expected losses in the performing portfolio as of December 31, 2012 (€3,882 million in unattributable terms and €3,543m in attributable terms), which includes the annual effects of the update carried out in the credit risk parameters at the end of the year (Mexico, South America and United States).

expected loss as of December 2013 stood at €3,283m, 7.3% less than the previous year, considering comparable data.

The main portfolios of the BBVA Group experienced use of expected loss and economic capital as shown in the following table.

BBVA Group. Risk statistics for the main performing portfolios

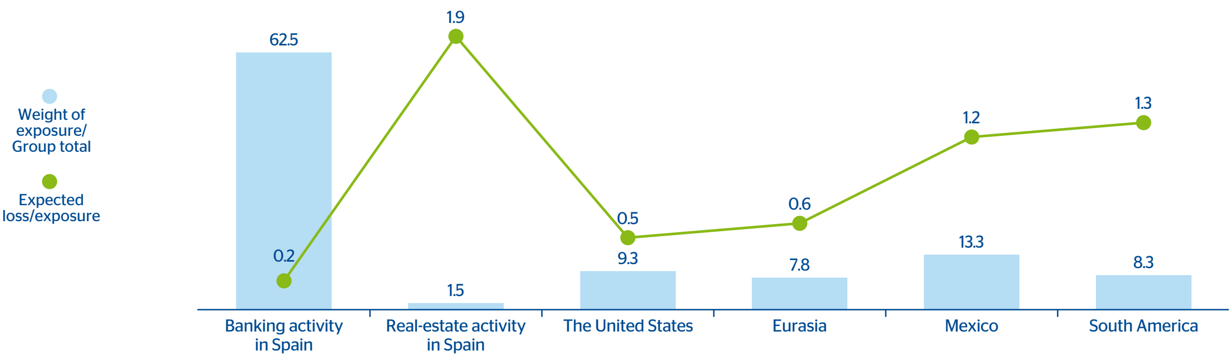
	Exposure (1)	Expected loss (2)		Economic capital	
Portfolios	Million euros	Million euros	%	Million euros	%
Retail Mortgage					
Spain	82,566	56	0.07	1,201	1.45
Mexico	9,708	138	1.42	379	3.90
Other	24,600	81	0.33	576	2.34
Total	**116,874**	**276**	**0.24**	**2,156**	**1.84**
Other retail portfolios (3)					
Spain	30,305	181	0.60	1,022	3.37
Mexico	15,072	654	4.34	1,110	7.36
Other	29,847	843	2.82	1,583	5.30
Total	**75,224**	**1,678**	**2.23**	**3,715**	**4.94**
Companies and institutions (4)					
Spain	93,782	546	0.58	3,334	3.56
Mexico	21,595	231	1.07	1,285	5.95
Other (5)	109,407	714	0.65	4,350	3.98
Total	**224,784**	**1,491**	**0.66**	**8,969**	**3.99**

(1) Includes off-balanced sheet positions to which the corresponding conversion factors are applied.
(2) Excludes non-performing portfolios.
(3) Other retail portfolios = Consumer finance + credit and debit cards + SMEs + other retail.
(4) Companies and institutions = corporate + companies + developer + institutions.
(5) Includes Real-estate activity in Spain.

The chart below shows expected losses by business area as of the close of December 2013. Banking activity in Spain, with an attributed exposure which accounts for 62.5% of the total, has an expected loss-to-exposure ratio of 0.2%; the real-estate activity accounts for 1.5% of total exposure, with a ratio of 1.9%. The United States has a weight of 9.3% and expected losses of 0.5%. Eurasia accounted for 7.8% of the exposure, with a ratio of 0.6%; Mexico has a weight of 13.3% and a ratio of 1.2%; and South America a weight of 8.3% and a ratio of 1.3%.

BBVA Group. Attributable expected losses (balances not in default) by business area

(Percentage over exposure as of 31-12-2013)

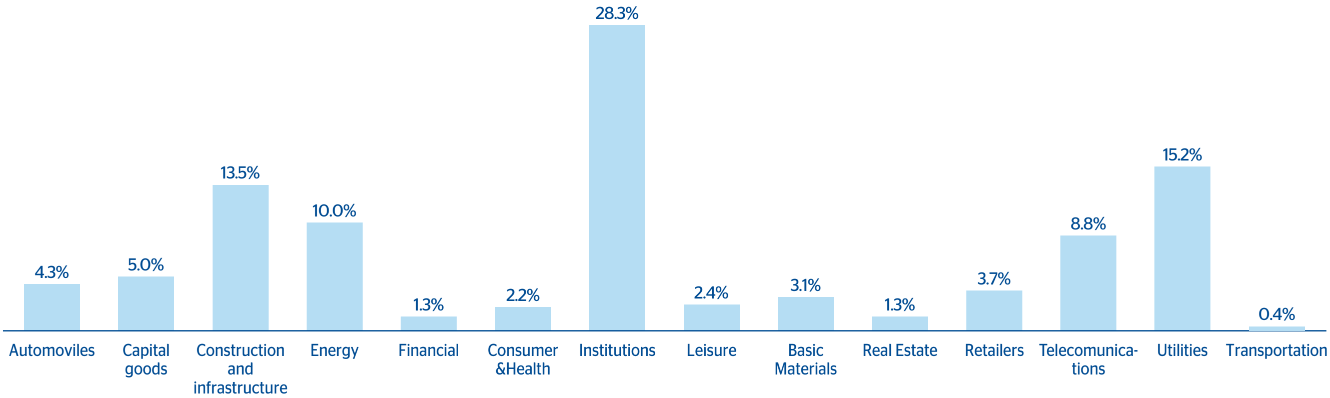


Concentration

Excluding sovereigns and financial institutions, there are 113 holding groups in BBVA Group's clients (129 in 2012), with risk drawn (loans, contingent liabilities, credit derivatives and fixed-income issues) exceeding €200m, of which 77% hold investment grade rating. The credit risk (loans plus guarantees) of these groups accounted for 22% of the BBVA Group's total risk (20% in 2012). This risk can be broken down as follows: 87% in Europe and 13% in the Americas (47% in Mexico). Risk is diversified among the main sectors of economic activity, with the most important being: institutions 28.3%, utilities 15.2%, construction and infrastructure 13.5%, energy 10.0% and telecommunications 8.8%.

Concentration. Breakdown by sectors

(Risks above €200m as of 31-12-2013)

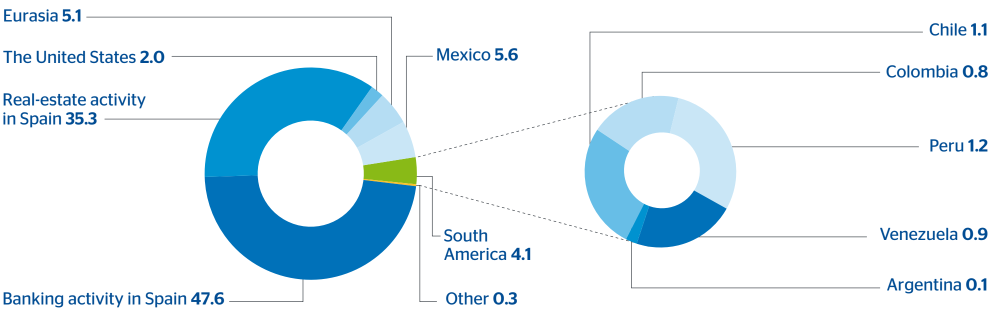


Non-performing assets and risk premium

The balance of **non-performing assets** as of 31-Dec-2013 is €26,243m, €5,640m higher than the figure at the close of December 2012. This was due to the effect of exchange rates and to the fact that the level of non-performing loans in Spain increased significantly over the year as a result of the classification of refinanced loans in both banking and real-estate activity. In terms of variations in NPA, gross additions increased over the last twelve months. Recoveries show a slight decline, with net additions ending the year at €10,187m, up 63.7% on the figure registered at the close of December 2012. As a result, the ratio of recoveries to gross additions to NPA stood at 43.5% in 2013.

BBVA Group. Non-performing assets. Breakdown by business area

(31-12-2013. Percentage)



Non-performing assets: 26,243 million euros

The following tables show the changes in the period from January 1 to December 31, 2013 for impaired loans and non-performing contingent liabilities, both for the BBVA Group and for each business area.

BBVA Group. Variation in non-performing assets

(Million euros)

	2013	2012	2011
Beginning balance	**20,603**	**15,866**	**15,685**
Entries	18,027	14,525	13,045
Recoveries	(7,840)	(8,291)	(8,992)
Net entry	**10,187**	**6,234**	**4,053**
Write-offs	(3,856)	(4,395)	(4,093)
Exchange differences and others	(691)	2,899	221
Final balance	**26,243**	**20,603**	**15,866**

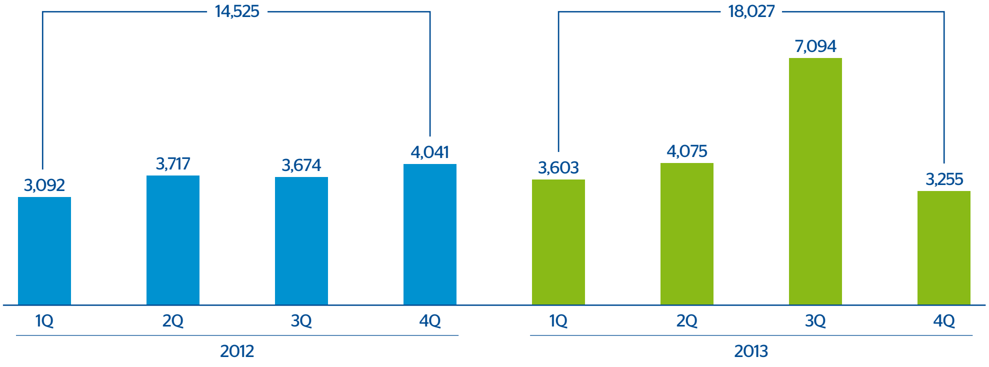
BBVA Group. Variation in non-performing assets by business area

(Million euros)

	Banking activity in Spain		Real-estate activity in Spain		The United States		Eurasia		Mexico		South America	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Beginning balance	**8,552**	7,874	**7,229**	3,294	**978**	1,616	**1,160**	701	**1,489**	1,275	**1,122**	996
Entries	**5,453**	2,973	**2,397**	769	**(41)**	(84)	**305**	594	**1,395**	1,370	**680**	543
Write-offs	**(1,255)**	(1,978)	**(673)**	(266)	**(213)**	(346)	**(60)**	(137)	**(1,190)**	(1,212)	**(451)**	(437)
Exchange differences and others	**(269)**	(317)	**307**	3,432	**(211)**	(208)	**(56)**	3	**(226)**	56	**(243)**	20
Final balance	**12,480**	8,552	**9,259**	7,229	**513**	978	**1,349**	1,160	**1,469**	1,488	**1,108**	1,121

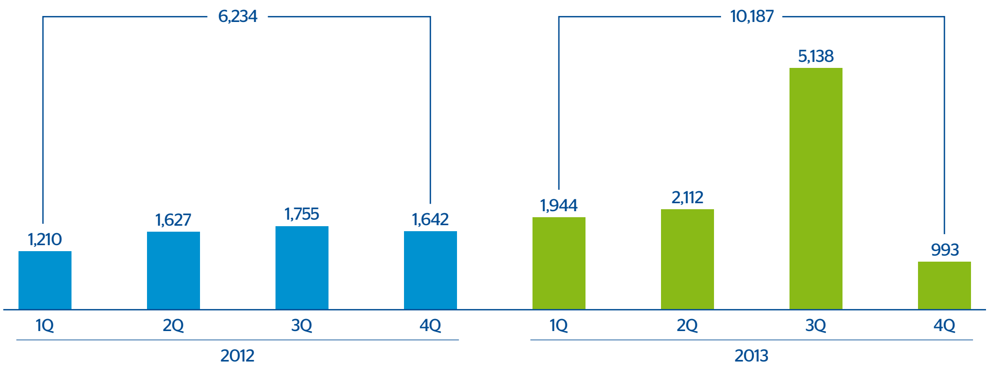
BBVA Group. Gross additions to NPA

(Millon euros)



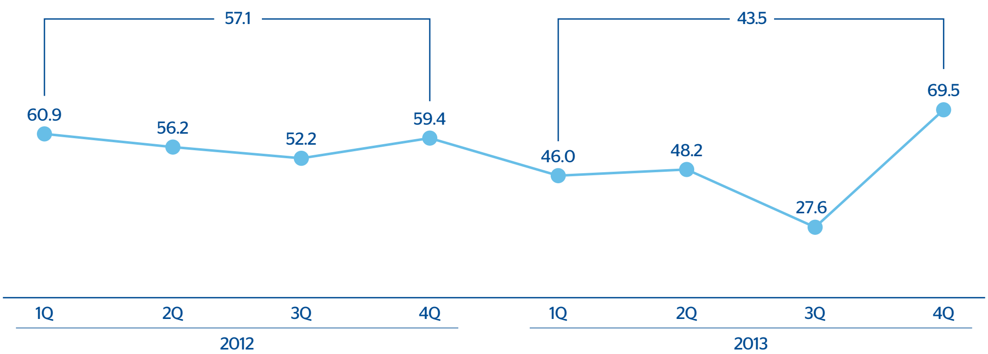
BBVA Group. Net additions to NPA

(Million euros)



BBVA Group. NPA Recoveries

(Percentage)



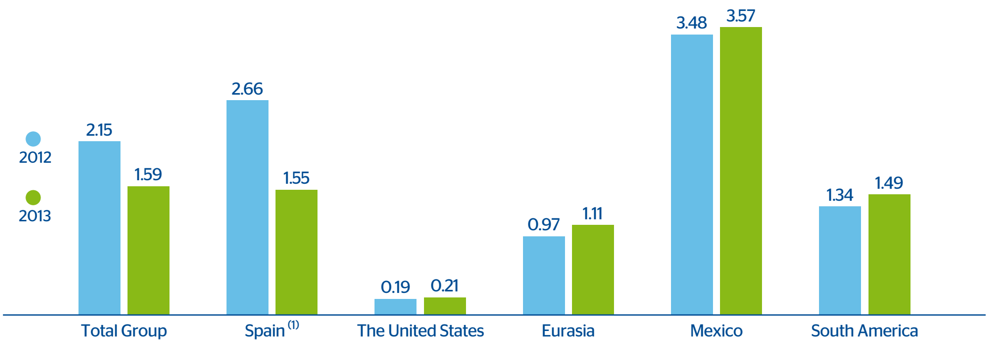
The Group's **NPA ratio** ended December 2013 at 6.8% (4.6% excluding real-estate activity in Spain), an increase of 1.7 percentage points over the last twelve months. The NPA ratio for the banking business in Spain stands at 6.4%, up 2.4 percentage points over the year. The ratio in real-estate activity in Spain closed at 55.5% (38.3% as of 31-Dec-2012). In Eurasia, the NPA ratio closed December at 3.4% (2.8% as of 31-Dec-2012). In the United States and Mexico, this ratio improved over the year to 1.2% and 3.6%, respectively, as of 31-Dec-2013. Lastly, in South America, the NPA ratio remained stable and closed 2013 at the same level as of 31-Dec-2012, 2.1%.

The Group's **risk premium**, which measures the charge against earnings made for net loss provisioning per lending unit, decreased by 57 basis points in 2013 to 1.59%. By geographical area, the risk premium in Spain (including real-estate activity) decreased by 111 basis points to 1.55%, in Eurasia it increased by 14 basis points to 1.11%, in Mexico it stands at 3.57% (3.48% as of 31-Dec-2012) and in South America at 1.49% (1.34% one year before), while in the United States it remains stable at 0.21% (0.19% at the end of 2012).

Lastly, **provisions** for customer risk totaled €15,715m as of 31-Dec-2013, with the Group's coverage ratio standing at 60%. By business area, the ratio increased significantly in the United States, from 90% to 134%, while in Eurasia it remained stable (87% at the end of both 2012 and 2013). Slight decreases have been registered in the rest of the geographical areas: in Mexico and South America the ratio closed the year at 110% and 141%, respectively (114% and 146% as of 31-Dec-2012); in banking activity in Spain at 41% (48% at the end of 2012); and in real-estate activity in Spain at 61% (82% as of December 31, 2012).

BBVA Group. Risk premiums by business area

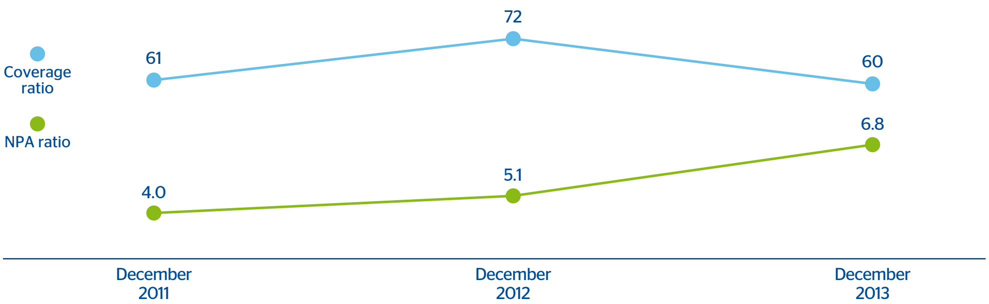
(Percentage)



(1) Includes real-estate activity.

BBVA Group. NPA and coverage ratios

(Percentage)



Structural risks

Structural interest-rate risk

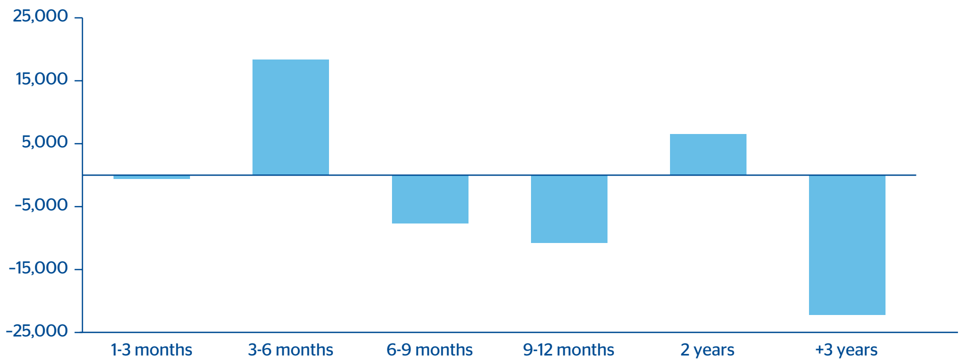
In **2013**, interest rates in Europe and the United States stood at all-time lows. In this situation, BBVA Group's structural interest-rate risk remained under control within the limits established by the Executive Committee. These exceptionally low interest rates also constitute a defense of the Group's exposure and position it favorably in the event of interest-rate rises.

The **management** of structural interest-rate risk on the balance sheet aims to maintain BBVA Group's exposure to market interest-rate fluctuations and movements at levels in accordance with its strategy and risk profile. With this aim, the Bank actively manages the balance sheet through operations that aim to optimize the level of risk assumed in relation to expected earnings while respecting the maximum tolerable risk levels. The ALCO is the body that takes the decisions to act according to the proposals made by the Asset/Liability Management unit. This unit designs and executes the strategies to be implemented, using internal risk metrics that have to be aligned with the corporate model.

The changes in market interest rates affect net interest income and the book value of entities. This potential impact is included in the structural interest-rate risk. Its main source of risk arises from different maturities or repricing of assets and liabilities in the banking book and off-balance-sheet positions. The accompanying chart shows the gaps in BBVA's structural balance sheet in euros.

Maturity and repricing gaps of BBVA's structural balance sheet in euros

(Million euros)



A financial institution's exposure to adverse changes in market rates is a risk inherent in its business, and at the same time represents an opportunity to generate value. That is why structural interest-rate risk should be managed effectively and must retain a reasonable relation to the entity's equity and expected earnings.

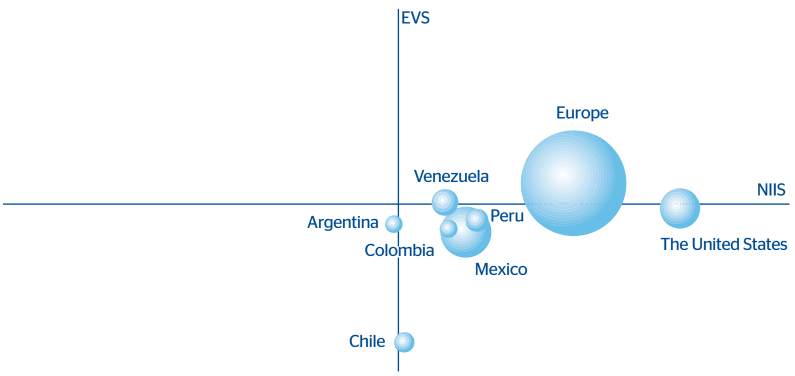
The management of structural risks in BBVA Group is handled by the **Asset/Liability Management** unit, within the Financial Management area. Through ALCO, the unit is in charge of maximizing the Bank's economic value, preserving net interest income and guaranteeing the generation of recurring earnings. With this aim, the Financial Management area assesses possible alternatives and proposes the most appropriate actions based on its expectations, balancing expected economic results and the impact on the risk level. This is done while adapting to the established risk profile, as well as the management strategy and policies defined by the Group's management bodies. BBVA has a transfer pricing system that centralizes Bank's interest-rate risk on ALCO's books and is designed to facilitate this task.

Within the Global Risk Management corporate area, the **Corporate Risk Management** (CRM) unit is responsible for controlling and monitoring structural interest-rate risk with the aim of preserving the Group's solvency, supporting its strategy and ensuring the successful carrying out of its business. To do so it acts as an independent unit, which guarantees a proper separation between the risk management and control functions, as recommended by the Basel Committee on Banking Supervision. CRM designs the measurement models and systems, develops the monitoring, information and control policies, and prepares the structural interest-rate risk measurements used by the Group's management. At the same time and through the Risk Management Committee (RMC) it carries out the function of risk control and analysis, reporting to the main management bodies such, as the Executive Committee and the Board of Directors' Risk Committee.

BBVA Group's structural interest-rate risk management procedure has a sophisticated set of **metrics and tools** that enable its risk profile to be monitored precisely. The model is based on a series of deeply analyzed assumptions designed to characterize the balance sheet more accurately. Interest-rate risk measurement includes probabilistic metrics as well as calculations of the sensitivity to a parallel shift of +/- 100 basis points in the market interest-rate curves. The model regularly measures the Bank's earnings at risk (EaR) and economic capital (EC), defined as the maximum adverse deviations in net interest income and economic value, respectively, for a given confidence level and time horizon. These deviations are obtained by applying a simulation model of interest-rate curves that takes into account other sources of risks apart from directional movements, such as changes in the slope and curvature, and also the diversification between currencies and business units. The model is regularly subjected to internal validation that includes backtesting.

The accompanying chart shows the sensitivity profile of the main entities of the BBVA Group.

BBVA Group. Structural interest-rate risk profile



NIIS: Net interest income sensitivity (in percentage) of the franchise to +100 basis points.
EVS: Economic value sensitivity (in percentage) of the franchise to +100 basis points.
Size: Core capital to each franchise.

The risk appetite of each entity is determined by the Executive Committee through the **limits structure**. Thus the maximum negative impacts in terms of both net income and value, are defined in each entity. In 2013, active balance-sheet management has enabled exposure to remain aligned with the Group's target risk profile.

Interest-rate risk measurements are supplemented by BBVA Research's analysis of specific and forecast scenarios, as well as stress testing, which evaluates extreme scenarios of a possible break-off in both interest-rate levels and historical correlations and volatility.

Structural exchange-rate risk

Structural exchange-rate risk is originated basically through the exposure to changes in exchange rates in BBVA Group's companies abroad and in the endowment funds of foreign subsidiaries in a currency other than that of the investment.

BBVA's structural exchange-rate risk **management** aims to minimize the potential negative impact of fluctuations in exchange rates on the solvency ratios and on the contribution to earnings of the Group's long-term international investments.

The **GRM** corporate area acts as an independent unit that is responsible of monitoring and analyzing risks, integrating risk metrics into management and providing tools that can anticipate potential deviations from the targets set. It also monitors the level of compliance with established risk limits, and reports regularly to the Risk Management Committee, the Board of Directors' Risk Committee and the Executive Committee, particularly in the case of deviation or tension in the levels of risk assumed.

The **Asset/Liability Management** unit, through ALCO, designs and executes the hedging strategies with the main purposes of minimizing the potential negative impact of exchange-rate fluctuations on capital ratios, as well as ensuring the equivalent value in euros of the foreign-currency earnings of the Group's subsidiaries, adjusting transactions according to market expectations and hedging costs. The Asset/Liability Management unit carries out this work by ensuring that the Group's risk profile is at all times adapted to the framework defined by the limits structure authorized by the Executive Committee. To do so, it uses risk metrics obtained according to the corporate model designed by the GRM area.

The **corporate measurement model** uses a simulation of exchange-rate scenarios based on their historical trends. This allows a quantification of the changes in value that can take place with a given confidence level and a predetermined time horizon. The impacts are also evaluated on three core management elements: the capital ratio, equity and the Group's income statement. The calculation of the risk estimates takes into account the risk mitigation measurements aimed at reducing exposure to exchange-rate risk. It also takes into account the diversification from investments in different geographical areas. Lastly, the risk measurements are supplemented by analyses of scenarios, stress testing and backtesting, thus giving a more complete view of the Group's exposure to structural exchange-rate risk.

As well as **monitoring** exposure and sensitivity to different currencies, risk control and management are based on probabilistic metrics that estimate maximum impacts for different confidence levels in each of the core elements. Limits and alerts are set for these according to the tolerance levels established by the Group. Structural exchange-rate risk control is completed by an analysis of the marginal contributions to risk from currencies, diversification effects, the effectiveness of hedging and analysis of different scenarios. This gives a complete overview of the Group's exposure to structural exchange-rate risk.

In **2013**, in an environment characterized by uncertainty and volatility in the foreign-currency markets, the level of risk mitigation of the book value of BBVA Group's foreign-currency holdings has remained at an average of 39%. Hedging of the estimated exposure of foreign-currency earnings in 2013 has been at a level of 43%. The average sensitivity of equity exposure to a 1% depreciation in exchange rates against the euro of the main currencies to which BBVA is exposed amounts to €200m, of which 34% corresponds to the Mexican peso, 26% to South American currencies, 23% to Asian currencies and the Turkish lira, and 15% to the U.S. dollar.

Liquidity and funding risk

Liquidity and funding risk **management** aims to ensure that in the short term a bank does not have any difficulties in meeting its payment commitments in due time and form, and that it does not have to make use of funding under burdensome terms, or conditions that deteriorate its image or reputation.

In the medium term, it aims to ensure that the financial structure of the company is appropriate now and in the future, within the context of the economic situation, markets and regulatory changes. Management of structural funding and short-term liquidity in BBVA Group is decentralized to prevent possible contagion from a crisis affecting only one or a few geographical areas. BBVA Group has continued to strengthen its medium-term liquidity strategy, which is based on the following principles:

- Decentralized management.
- Independence of subsidiaries.
- Combination of self-funding of lending activity by business areas with policies of selective issuance to ensure diversified funding. The aim of all this is to preserve solvency, sustained growth and recurrence of earnings.

The Financial Area, through the **Asset/Liability Management** unit, manages liquidity and funding in BBVA Group, according to the policies and limits set by the Executive Committee at the proposal of the **GRM** corporate area. This area carries out independent measurement and control in each entity according to a corporate scheme that periodically includes stress analyses and establishes contingency plans. The Asset/Liability Management unit plans and executes the funding of the long-term structural gap in each balance sheet, supported by the internal risk metrics in accordance with the corporate model, and proposes the actions to be adopted on this matter to ALCO. Once the proposals are agreed by ALCO, the Asset/Liability Management unit guarantees the coordination and standardization of the processes in all the geographical areas. The results of the stress tests carried out regularly by the GRM show that BBVA has a sufficient buffer of liquid assets to deal with liquidity outflows estimated in a scenario resulting from a combination of a systemic crisis and an internal crisis, with a notable reduction of the Entity's rating of up to three notches.

In **2013**, one of the most significant aspects has been a steady improvement in the stability of the wholesale funding markets in Europe as a result of the positive development of sovereign risk premiums in an environment of improved growth expectations in the Eurozone and high liquidity levels. In this situation, BBVA has managed to strengthen its liquidity position and improve its funding structure on the basis of growth in self-funding from stable customer funds.

With respect to the new **regulatory framework**, BBVA Group is continuing to develop an orderly plan to adapt to the regulatory capital ratios in a way that ensures it can adopt the best practices and most efficient and rigorous criteria for their implementation sufficiently in advance. In January 2013, some of the aspects of the document published by the Committee on Banking Supervision in December 2010 in relation to the Liquidity Coverage Ratio (LCR) were updated and adapted. Among them, the ratio will become a regulatory requirement on January 1, 2015, associated with a 60% requirement for compliance, which should reach 100% in January 2019. In addition, the Committee on Banking Supervision has begun a new review of the Net Stable Funding Ratio (NSFR), which aims to increase the weight of medium and long-term funding in bank balance sheets. The review process will last until mid-2016 and become a regulatory requirement starting on January 1, 2018.

Structural equity risk

Exposure to structural equity risk is mainly derived from BBVA's holdings in industrial and financial companies with a medium and long-term investment horizon. Some of these holdings are consolidated in the Group accounts, although in this case changes in value do not have an immediate effect on equity. This exposure is reduced through net short positions held in derivatives on the same underlying assets, with the aim of limiting the portfolio's sensitivity to potential falls in prices.

The **GRM** corporate area acts as an independent unit that is responsible for monitoring and analyzing risks, driving integration in the management of risk metrics and providing tools that can anticipate potential deviations from the targets set. In addition, it monitors the level of compliance with the limits set and authorized by the Executive Committee, according to risk appetite, and reports regularly on changes to these to the Risk Management Committee, the Board of Directors' Risk Committee and the Executive Committee, above all in the case of significant levels of risk assumed, in accordance with current corporate policy.

The mechanisms of **risk control** and limitation focus on the core aspects of exposure, earnings and economic capital. The metrics of structural equity risk designed by GRM according to the corporate model contribute to the effective monitoring of risk through estimates of the sensitivity and capital needed to cover possible unexpected losses. These losses may occur due to changes in the value of the companies making up the Group's investment portfolio, with a level of confidence that corresponds to the Entity's target rating, taking into account the liquidity of the positions and statistical behavior of the assets being considered. Stress tests and analyses of sensitivity to different simulated scenarios are carried out periodically to analyze the risk profile in more depth. They are based on both past crisis situations and forecasts made by BBVA Research. In addition, backtesting is carried out monthly on the risk measurement model used.

The aggregate sensitivity of the Group's consolidated equity to a fall of 1% in the share price stood at €31m as of December 31, **2013**, and the sensitivity of pre-tax profit is estimated at €1m. These figures include exposure in shares valued at market price or, where applicable, fair value (except for the positions held by the trading floor units) and the net positions in options on the same underlying assets in terms of delta equivalent.

Risks in market units

The financial markets performed better in **2013** than previous year, thanks to a reduction in the sovereign risk premiums, above all in European countries. However, volatility remained high, mainly in the first half of the year, with equity prices falling in the Spanish and European markets, although they picked up in the second half of the year. Against this backdrop, the function of risk control in market activities has taken on a special importance.

The activity of each of the Group's trading floors is controlled and monitored from the risk unit in terms of the possible impact of negative market conditions, both under ordinary circumstances and in situations of heightened risk factors.

Market risk in market activities

The basic measurement model used to assess market risk is **Value at Risk** (VaR), which provides a forecast with a 99% probability of the maximum loss that can be incurred by trading portfolios in a one-day horizon, stemming from fluctuations in equity prices, interest rates, foreign exchange rates and commodity prices. In addition, for certain positions, other risks also need to be considered, such as credit spread risk, basis risk, volatility and correlation risk. The VaR is calculated by using a historical period of two years of observation of the risk factors.

Currently, BBVA, S.A. and BBVA Bancomer have been authorized by the Bank of Spain to use their **internal model** to determine capital requirements deriving from risk positions in their trading book, which jointly accounts for 80-90% of the Group's trading-book market risk. Furthermore, and following guidelines established by Spanish and European regulators, BBVA has created additional metrics to comply with the regulatory requirements issued by the Bank of Spain. The new market risk measures for the trading book include the calculation of the stressed VaR (to quantify the risk level in extreme historical or market conditions), the quantification of non-performing risks, and of downgrade risks in the rating of some positions held in the portfolio, such as bonds and credit derivatives; they also quantify securitization and correlation portfolio charges, using the standard model.

The **market-risk limits** model currently in force consists of a system of VaR and economic capital limits and VaR sub-limits, as well as stop-loss limits for each of the Group's business units. The global limits are approved annually by the Executive Committee at the proposal of the market risk unit, following presentation to the GRMC and the Board of Directors' Risk Committee. This limits structure is developed by identifying specific risks by type, trading activity and trading desk. The market risk unit maintains consistency between the limits. The structure of control is supplemented by limits on loss and a system of warning signals to anticipate the effects of adverse situations in terms of risk and/or result.

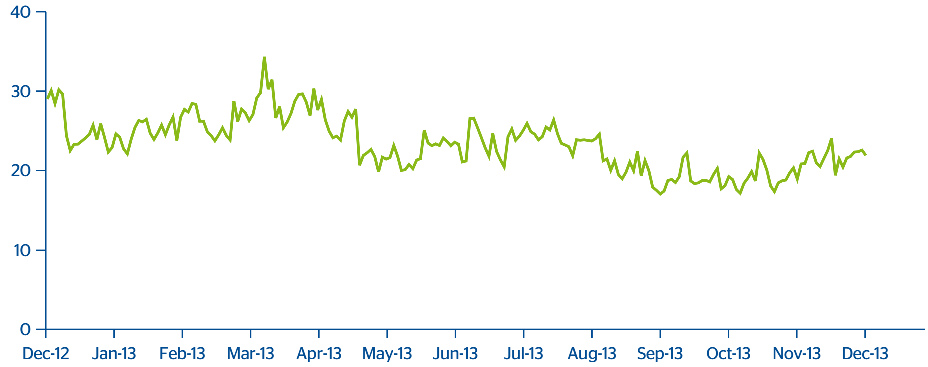
Validity tests are performed regularly on the risk measurement models used by the Group. They estimate the maximum loss that could occur in the positions taken in consideration with a determined level of probability (backtesting), as well as measurements of the impact of extreme market movements in the risk positions held (stress testing). Backtesting is also carried out as an additional control measure at the level of trading desks with the aim of a more specific monitoring of the validity of the measurement models.

Market risk in 2013

The Group's market risk remains at low levels compared with the aggregates of risks managed by BBVA, particularly in terms of credit risk. This is due to the nature of the business and the Group's policy of minimal proprietary trading. In **2013**, the market risk of the Group's trading book increased slightly on the previous year to an average economic capital of €233m.

BBVA Group. Market risk evolution in 2013

(VaR, million euros)



The main risk factor in the Group continues to be linked to interest rates, with a weight of 55% of the total at the end of 2013, according to data at the close of 2013 (this figure includes the spread risk). Volatility and correlation risk accounts for 27%, exchange-rate risk for 10% and equity risk, 8%.

BBVA Group. Market risk by risk factor in 2013

(Million euros)

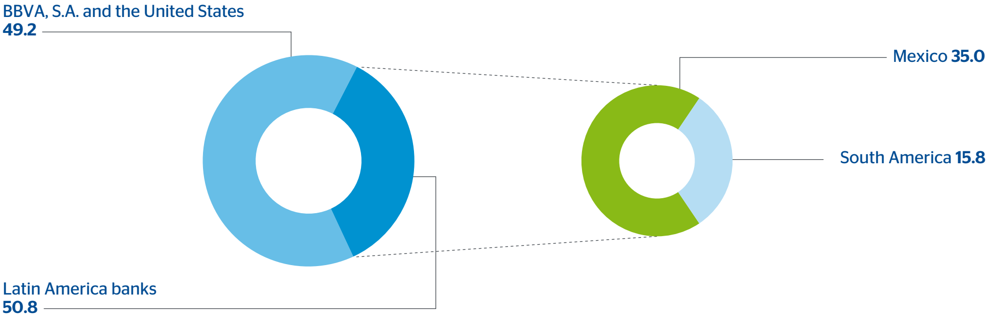
VaR by risk factor	Interest/Spread risk	Interest-rate risk	Equity risk	Vega risk/ correlation	Diversification effect [1]	Total
Average VaR						23
Maximum VaR	39	4	2	13	(24)	34
Minimum VaR	19	3	2	11	(18)	17
End-of-period VaR	**22**	**4**	**3**	**11**	**(18)**	**22**

(1) The diversification effect is the difference between the agregation of each risk factor individually measured and the total VaR figure which reflects the implicit correlation among all the variables and scenarios used in the measurement.

By **geographical areas**, and as an annual average, 49.2% of the market risk corresponds to the Global Markets in Europe and Global Markets BBVA Compass trading floors and 50.8% to the Group's banks in Latin America, of which 35.0% is in the Global Markets unit in Mexico.

BBVA Group. Market risk by geographical area

(Average 2013. Percentage)



Validation of the model

The internal market risk model is validated regularly through **backtesting**, both in BBVA, S.A. and BBVA Bancomer. The aim of these tests is to check the quality and precision of the internal model used by BBVA Group to estimate the maximum daily loss of a portfolio, with 99% of confidence and a time horizon of 250 days, through a comparison of the Group's results and the risk measurements generated by the model. These tests have shown that the internal market risk model of BBVA, S.A. and BBVA Bancomer is adequate and precise.

Two types of backtesting were performed in **2013**:

- "Hypothetical" backtesting: the daily VaR is compared with the results obtained without taking into account the intraday results or changes in the portfolio positions. This validates the appropriateness of the market risk metric for the end-of-day position.

- "Real" backtesting: the daily VaR is compared with total results, including the intraday operations, but discounting the possible charges or fees generated. This type of backtesting incorporates the intraday risk in the portfolios.

In addition, each of these two types of backtesting has been carried out at the risk factor or business type level, thus comparing in more details the results obtained and the risk measurements.

Stress-test analysis

Several different stress-test exercises are carried out on BBVA Group's trading portfolios. First, global and local historical scenarios are used to replicate the behavior of an extreme past event, such as the Lehman Brothers collapse or the "tequilazo" crisis. These stress tests are supplemented by simulations in which the aim is to generate scenarios that have a significant impact on different portfolios, but without being anchored to any specific historical scenario. Finally, fixed stress tests are performed for certain portfolios or positions that significantly affect the market variables involved in these positions.

Historical scenarios

The benchmark historical stress scenario for the BBVA Group is Lehman Brothers, whose bankruptcy in September 2008 had a significant impact on the behavior of financial markets around the world. The most relevant **effects** of this historical scenario are as follows:

- Credit shock, mainly reflected in the increase of credit spreads and downgrades of credit ratings.

- Increased volatility in many of the financial markets, giving rise to major price changes in the different assets (foreign currency, equity, debt).

- Liquidity shock in the financial systems, reflected by a significant movement in the interbank curves, particularly in the shortest ends of the euro and dollar.

Simulated scenarios

Unlike the historical scenarios, which are fixed and thus do not adapt to the composition of portfolio risks at any time, the scenario used for the economic stress tests is based on resampling methodology. This methodology uses dynamic scenarios that are recalculated regularly according to the main risks held in the trading portfolios. In a sufficiently broad data window that can include different stress periods (data are taken from 1-Jan-2008 to date), a simulation exercise is carried out through resampling historical observations. This generates a distribution of losses and gains that allows an analysis of events that are more extreme than those occurring in the selected historical window. The advantage of this methodology is that the stress period is not pre-established. It is a function of the portfolio held at any time, and as there is a high number of simulations (10,000) an analysis of the expected shortfall can be made with greater richness of information than the information available in the scenarios included in the VaR calculation.

The main **characteristics** of this methodology are as follows:

- The simulations generated respect the correlation structure of the data.

- Flexibility in the inclusion of new risk factors.

- Allows a great deal of variability to be introduced in the simulations (desirable when considering extreme events).

Credit risk in market activities

The credit risk assessment in OTC financial instruments is made by means of a **Monte Carlo simulation**, which calculates not only the current exposure of the counterparties, but also their possible future exposure to fluctuations in market variables.

The model combines different credit risk factors to produce distributions of future credit losses and thus allows a calculation of the portfolio effect; in other words, it incorporates the term effect (the exposure of the various transactions presents potential maximum values at different points in time) and the correlation effect (the relation between exposures, risk factors, etc. are normally different from 1). It also uses credit risk mitigation techniques such as legal netting and collateral agreements.

The **maximum credit risk** exposure in derivatives with counterparties in the Group as of 31-Dec-2013 stood at €42,318m. Excluding intra-group counterparties, the maximum risk in derivatives is €41,294m.

Maximum exposure to credit risk in derivatives at BBVA, S.A. is estimated at €37,720m (€37,113m excluding intra-group counterparties). BBVA S.A.'s overall reduction in terms of exposure due to netting and collateral agreements is €24,522m (not including intra-group counterparties).

Therefore, the net risk in derivatives at BBVA, S.A. as of December 31, 2013 is €13,198m. Excluding the exposure with intra-group counterparties, the net risk in derivatives at BBVA, S.A. as of December 31, 2013 is €12,591m.

The adjoining table shows the **distribution by sectors and by products** of the amounts of maximum credit risk exposure in financial instruments in BBVA, S.A. Exposure is mainly concentrated in financial institutions (43.5%).

Counterparty net risk by type of product and by sector. Maximum exposure at BBVA, S.A. excluding intra-group counterparties (Million euros)

	Derivates	Depos	Repos	Rest	Total
Financial sector	5,304	69	365	(88)	5,650
Corporate	4,528	-	-	6	4,534
Branches	2,166	-	-	-	2,166
Sovereign	593	39	8	(3)	638
Total	**12,591**	**109**	**373**	**(85)**	**12,988**

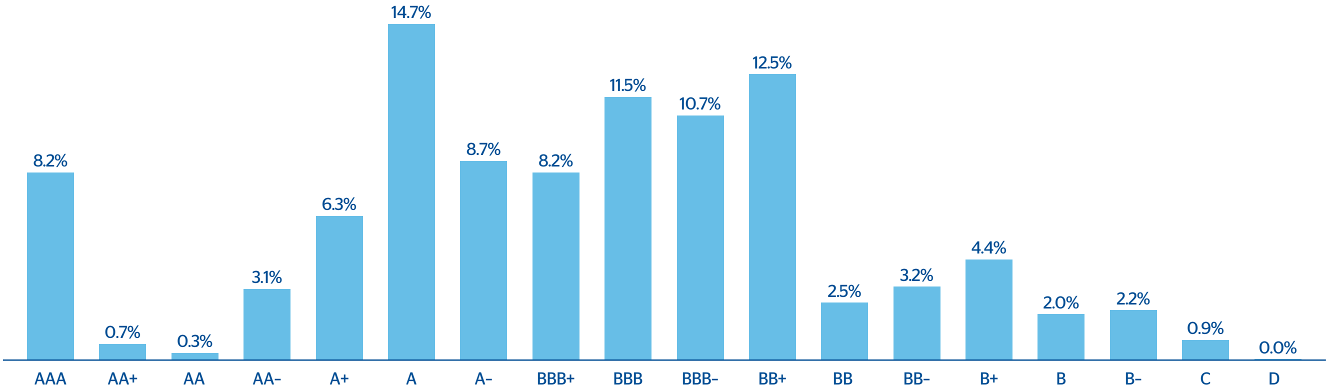
The table below shows the **distribution by maturities** of the maximum exposure amounts in financial instruments. Maturity index is 3.5 years.

Maturity vector by rating and tranches at BBVA, S.A. (excluding intra-group counterparties. Data as of December 2013) (Million euros)

	Up to 3 months	Up tp 12 months	Up to 3 years	Up to 6 years	Up to 10 years	More than 10 years
AAA	-	63	222	65	180	456
AA	187	100	66	81	65	10
A	305	860	820	439	626	391
BBB	69	705	386	354	953	545
Non-investment grade	-	1,321	593	306	371	241
NR	21	69	9	8	9	15
D	-	134	19	22	106	109

The **counterparty risk** assumed in this activity involves entities with a high credit rating (equal to or above A- in 42% of cases).

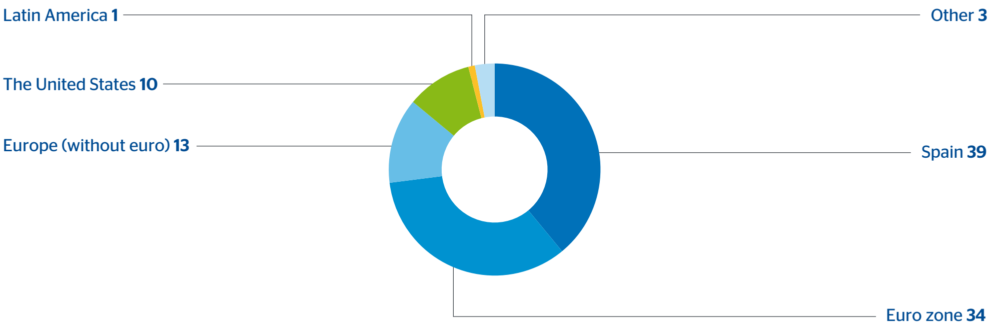
Distribution by rating of maximum exposure at BBVA, S.A. (Excluding intra-group counterparties)



By **geographical areas**, the maximum exposure of BBVA, S.A. is in counterparties in Europe (86%) and the United States (10%), which together account for 96% of the total.

Geographical distribution of maximum exposure at BBVA, S.A. (Excluding intra-group counterparties)

(Percentage)



Operational risk

Operational risk is defined as the one that could potentially cause losses due to human error, inadequate or faulty internal processes, system failures or external events. This definition includes legal risk, but excludes strategic, business and reputational risk.

Operational risk is inherent in all banking activities, products, systems and processes. Its origins are diverse (processes, internal and external fraud, technology, human resources, commercial practices, disasters, providers). Operational risk **management** is integrated into BBVA Group's global risk management structure.

Characteristics of BBVA's operational risk management model

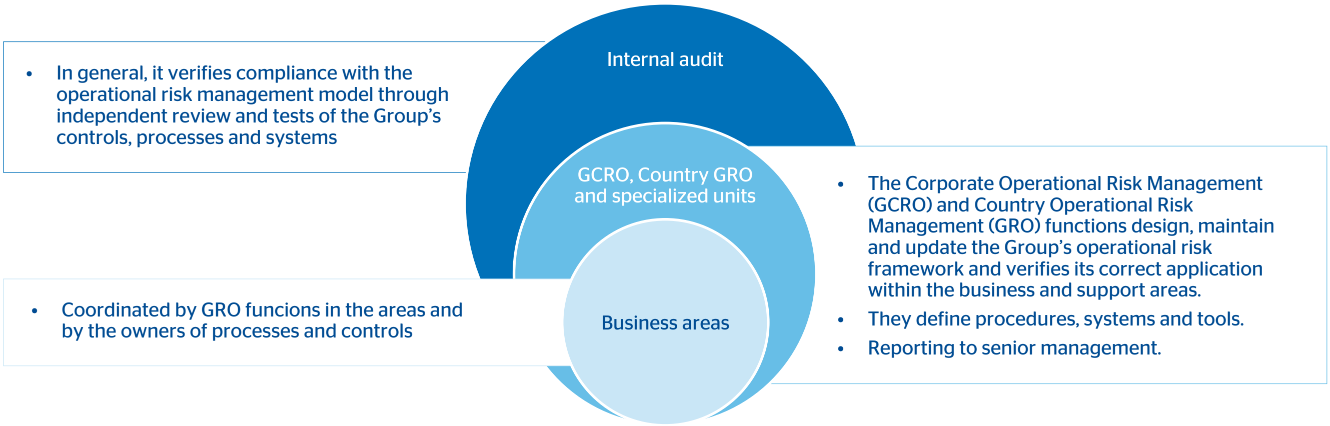
Soundness	Board - Holding - Country - Unit
Depth	Model created in 1999 using a database since 2002
Integrated into management	Capital, budgets, incentives, internal benchmark, culture
Forward looking	Uses future variables for analysis, calculation and mitigation
Proactive focus	Identifies and prioritizes relevant risks in order to mitigate them
Continuos improvement	Best practices function and continuous updating

The Group has implemented an integrated internal control and operational risk **methodology**. The methodology identifies risks in organizational units, generates analyses that prioritize the risks according to their estimated residual risk (after including the effect of the controls), links the risks to the Bank's processes, and establishes a target level for each risk to identify and manage gaps by comparing it with the residual risk level. To provide the necessary support to this methodology, the Group has a corporate application, STORM (Support Tool for Operational Risk Management), that includes indicator and scenario modules.

Operational risk management framework

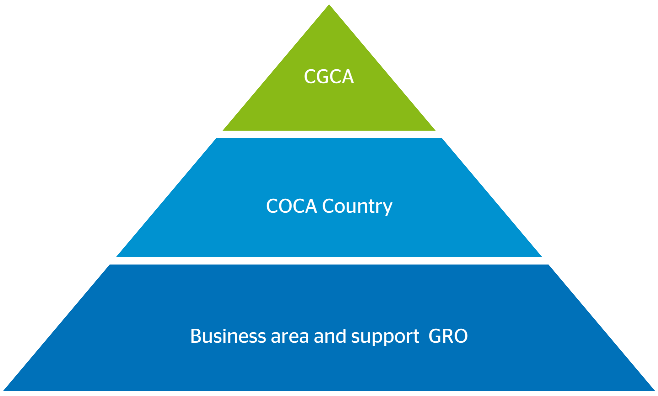
BBVA Group's operational risk management framework includes a governance structure based on three lines of defense, with clear specification of responsibilities: a) policies and procedures that are common to the whole Group; b) systems to identify, measure, monitor, control and mitigate operational risks and losses; and c) tools and methodologies that quantify operational risk in terms of capital.

Operational risk management framework: three lines of defense



Operational risk management in BBVA is designed and coordinated from the **Corporate Operational Risk Management** (GCRO) unit, belonging to GRM, and from the **Operational Risk Management** units, located in the Risks departments of the different countries and business areas (Country GRO). The support areas, in turn, have operational risk managers (Business GRO) who report to the units of Country GRO and are responsible for implementing the model in the areas on a daily basis. This gives the Group a view of risks at the process level, where risks are identified and prioritized and mitigation decisions are made. Following a bottom-up approach, this system provides an overall view at each level.

Operational risk management framework: organizational structure



Each business and support unit has one or more GRO **committees** that meet on a quarterly basis. These committees analyze operational risks and take the appropriate mitigation decisions. Above these GRO committees is the Corporate Assurance Operating Committee (COCA), while at holding level the Global Corporate Assurance Committee (CGCA) undertakes a general monitoring of the Group's main operational risks. The Board of Directors is responsible for setting the risk control and management policy and for periodically monitoring the internal reporting and control systems.

BBVA has worked in 2013 to improve the operational risk **management model** along two lines:

- Incorporating specialist control units to obtain a more independent and expert overview and to unify governance of the Group's control functions.
- Bolstering the operational risk scenarios with a scenario database that can be updated each year. Exhaustive quantification reports are built for them under different environments, with the help of independent experts and specialists.

Operational risk management in the Group is based on the value-adding drivers generated by the **advanced measurement approach** (AMA), as follows:

1. Active management of operational risk and its integration into day-to-day decision-making means:

   - Knowledge of the real losses associated with this risk (SIRO, or Integrated Operational Risk System).
   - Identification, prioritization and management of real and potential risks.
   - The existence of indicators that enable the Bank to analyze operational risk over time, define warning signals and verify the effectiveness of the controls associated with each risk.

   The above helps create a proactive model for making decisions about control and business, and for prioritizing the efforts to mitigate relevant risks in order to reduce the Group's exposure to extreme events.

2. Improved control environment and strengthened corporate culture.

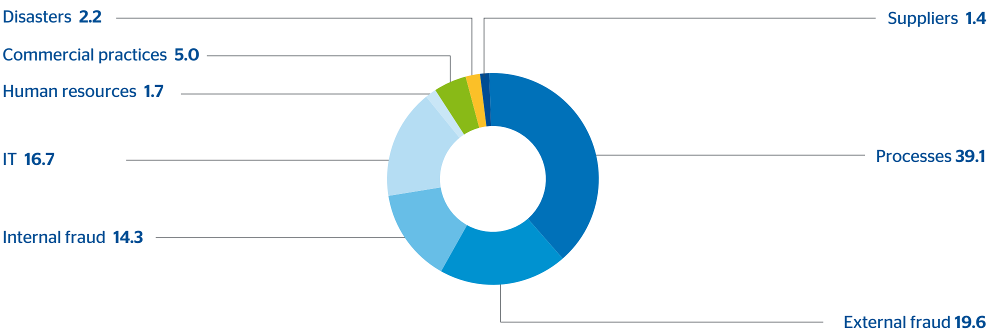
3. Generation of a positive reputational impact.

The Group's operational risk profile

The charts below provide a historical **distribution** of losses in the different geographical areas where BBVA operates, classified by type of risk.

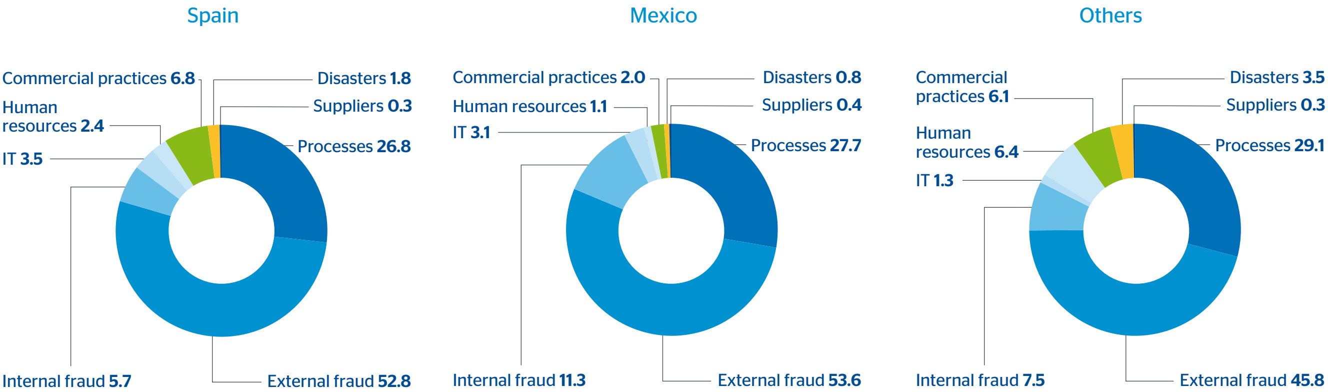
BBVA Group. Risk assessed with the STORM tool. Distribution by type of risk

(Percentage)



Historical distribution of losses by type of risk

(Percentage)



Operational risk capital

The **methodology** used by BBVA to calculate capital using advanced internal models (AMA) is the so-called loss distribution approach (LDA), considered the most robust from a statistical point of view among those permitted by the Basel Committee. This methodology is fed by three data sources: the Group's internal operational loss database (SIRO), events occurring in the domestic and international financial sector (external databases), and simulated events (also called scenarios). BBVA's application of AMA models has been approved for Spain and Mexico.

The **capital** resulting from the application of the advanced models is adjusted by factors related to the country environment and by internal control factors that depend on the level of mitigation of the weaknesses identified by the controls.

Economic operational risk capital

(Million euros)

Risk class	Capital	Method
Spain	694	AMA
Mexico	432	AMA
Others	975	Standard
Total	**2,101**	

Approval of new businesses, products and services

The GCRO function has implemented a new **procedure** for approval of new businesses, products and services as part of its work focused on the continuous improvement of the operational risk admission phase. It will be fully implemented throughout the Group in 2014. The new procedure allows BBVA to integrate operational risk management more fully into the Group's day-to-day business and adopt best practices and recommendations made recently by European organizations and regulators. The improvements introduced into the approval of businesses, products and services are as follows:

- A clearer distinction between business and product and/or service.
- Simpler governance through committees with a greater level of representation, which unifies the global overview of businesses and products in the business areas and geographies.
- A definition of the stages and tasks that the approval processes must achieve, as well as the persons responsible for them.
- Enhanced monitoring of new businesses and products after their approval.
- A leading role for the operational risk function as a coordinator and guarantor of the application of criteria and processes, and the involvement of different specialists who make decisions within their fields of expertise.

Risk management in non-banking activities

Insurance and fund administration activities

The risk **functions** in the insurance activities and mutual fund administration are integrated into the Retail Banking GRM unit in order to assist the business in managing its risks, while supporting its strategy and development. Hence, Retail Banking GRM centralizes the management of these risks through the corporate Insurance & Prevision and Asset Management & Fiduciary Risk units, whose main task is to establish the risk strategy for these activities.

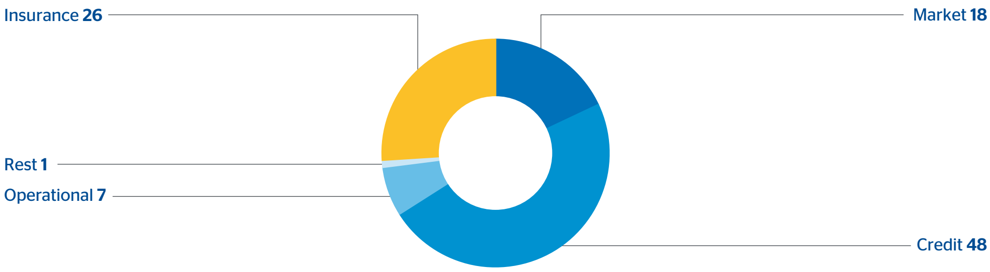
Management of these risks is carried out according to the general principles of GRM: single, independent and global function, following the relationship model between the corporate area and the risk units of the business areas. Under this model, Insurance & Prevision and Asset Management & Fiduciary Risk are global risk units responsible for determining the risk policies, methodologies and tools. They also monitor risks in close cooperation with the business units, with whom they collaborate and coordinate risk-related activities. The risk units of the business areas develop the procedures aligned with the established corporate policies, adapting them to the specific nature of the local markets and the characteristics of their own activity. They also execute the processes and controls needed to verify their implementation and the effectiveness in mitigating and controlling the risks.

Economic capital is the standard metric for estimating risk in the BBVA Group and the basis for calculating attributable profit and risk-adjusted return.

The economic capital of the **insurance activity** in 2013 stood at €864m. Of this amount, credit risk accounts for 48%, insurance risk for 26% and market risk for 18%.

Insurance companies. Economic capital breakdown by type of risk

(31-12-2013. Percentage)

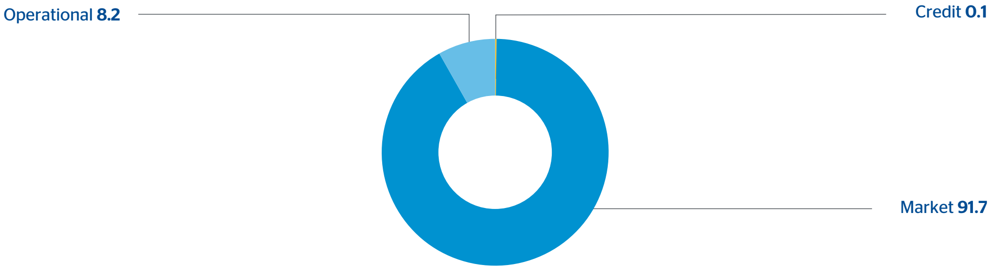


Total economic capital: 864 million euros

In the area of **mutual and pension fund administration**, economic capital at the close of 2013 stood at €259m, being market risk the most relevant and guarantee risk its main component.

Asset Management & Fiduciary Risk. Economic capital breakdown by type of risk

(31-12-2013. Percentage)



Total economic capital: 259 million euros

Management of ESG risks

Together with the traditional financial variables, BBVA's risk management takes into consideration the environmental, social, ethical and corporate governance aspects (ESG). These extra-financial risks can affect the credit profile of the borrowers or projects financed by the Group and, therefore, the quality of the risk taken and, in short, the repayment of the loans. Their integration into risk management is consistent with the principle of prudence that governs BBVA's activity.

These risks materialize in various lines of action:

- In 2011, BBVA set up its SAR Committee, Social, Environmental and Reputational Risk Committee. Its mission is to drive and monitor actions that promote the integration of social and environmental risks into the Group's activities, as well as to manage crucial reputational risks.

- The Equator Principles (EPs), a set of global standards for determining, assessing and managing environmental and social risks when providing finance for investment projects with a capital cost of over USD 10m. They are based on the International Finance Corporation's Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's Environmental, Health and Safety general guidelines. Since its adoption of the EPs in 2004, BBVA has applied them with a broader scope than the standard, extending them to projects in the operational stage and those funded with other financial products: project bonds, assignment of credit rights and project-linked guarantees. In addition, BBVA does not apply the minimum threshold established, USD 10m, and reviews all operations under the EPs, irrespective of their amount.

- The Ecorating tool, which evaluates the environmental risk of companies. Each customer is assigned a credit risk rating according to a combination of various factors such as location, polluting emissions, consumption of resources, potential to affect the environment or applicable legislation. The ratings obtained are used to manage, with each customer, measures aimed at mitigating their level of environmental risk. In 2013, BBVA has analyzed the environmental risk of 215,026 customers in Spain using the Ecorating tool.

- Defense policy, whereby BBVA does not finance, invest in, or provide any financial services to companies engaging in the manufacture, development, maintenance or trading of controversial weapons. Neither does BBVA participate in armament-related operations that originate in or are targeted at countries where there is a high risk of human rights violation.

For more information, please check the corporate responsibility annual information, available in this link:

http://bancaparatodos.com/en/irc/informacion-de-responsabilidad-corporativa-2013/otras-lineas-estrategicas/riesgos-sociales-ambientales-y-reputacionales/

Business areas

129 Spain
144 Real-estate activity in Spain
149 The United States
159 Eurasia
171 Mexico
184 South America
204 Corporate Center
209 Additional information: Corporate & Investment Banking
227 Additional information: Retail Banking

Business areas

This section presents and analyzes the most relevant aspects of the Group's different areas. Specifically, it shows the income statement, the balance sheet, the business activity and the most significant ratios in each of them: performing loans, customer funds (on and off-balance-sheet), efficiency ratio, NPA ratio, coverage ratio and risk premium.

In the first quarter of 2013 changes were made to the **geographical reporting structure** of the BBVA Group's business areas. Consequently, banking activity in Spain includes the portfolios, finance and structural euro balance-sheet positions managed by ALCO that were previously reported in Corporate Activities. In addition, because of the particular nature of their management, the assets and results pertaining to the real-estate business in Spain are presented separately. This covers lending to real-estate developers (previously integrated in Spain) and foreclosed real-estate assets which were included in Corporate Activities in the years prior to 2013.

As a result, the composition of the **business areas** in 2013 is different from that presented in 2012, and is now as follows:

- **Banking activity in Spain** (from now on, Spain), which as in previous years includes: The Retail Network, with the segments of individual customers, private banking, and small businesses; Corporate and Business Banking (CBB), which handles the SMEs, corporations and institutions in the country; Corporate & Investment Banking (CIB), which includes business with large corporations and multinational groups and the trading floor and distribution business in the same geographical area; and other units, among them BBVA Seguros and Asset Management (management of mutual and pension funds in Spain). In addition, starting in 2013 it also includes the portfolios, finance and structural interest-rate positions of the euro balance sheet.

- **Real-estate activity in Spain**. This new area has been set up with the aim of providing specialized and structured management of the assets of the real-estate area accumulated by the Group as a result of the crisis in Spain. Therefore, it mainly includes loans to real-estate developers (previously reported in Spain) and foreclosed real-estate assets (previously reported in Corporate Activities).

- The **United States** encompasses the Group's businesses in the United States. The historical series in this area has been reconstructed to exclude the business in Puerto Rico, which was sold in December 2012, and include it in the Corporate Center.

- **Eurasia**, which as in 2012 includes the business carried out in the rest of Europe and Asia, i.e. the retail and wholesale businesses of the Group in the area. It also includes BBVA's stakes in the Turkish bank Garanti and the Chinese banks CNCB and CIFH. The equity-accounted income of CNCB (excluding the dividends) has been reclassified from Eurasia to the Corporate Center under the heading 'Results from corporate operations'.

- **Mexico**, which includes the banking and insurance businesses in the country (the pensions business was sold in the first quarter of 2013 and its earnings were registered in the Corporate Center under the heading 'Results from corporate operations').

- **South America** includes the banking and insurance businesses that BBVA carries out in the region. In the first half of 2013 it closed the sale of its stake in the pension fund administrators in Colombia and Peru, while in the last quarter it completed the sale of Provida Chile and BBVA Panama, whose earnings have been registered in the Corporate Center under the heading 'Results from corporate operations'.

In addition to the above, all the areas include a remainder made up of other businesses and of a supplement that includes deletions and allocations not assigned to the units making up the above areas.

Lastly, the Corporate Center is an aggregate that contains the rest of the items that have not been allocated to the business areas, as it basically corresponds to the Group's holding function. It groups together the costs of the headquarter that have a corporate function; management of structural exchange-rate positions, carried out by the Financial Area; specific issues of capital instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with pensioners; goodwill and other intangibles. In addition, it also comprises the result from certain corporate operations carried out over this and previous years, such as that from the pension business in Latin America, including the capital gains from the sale of the businesses in Mexico (first quarter), Colombia and Peru (second quarter) and Chile (fourth quarter), those resulting from the sale of BBVA Panama (fourth quarter); the effect of the repricing of the stake in CNCB to market value following the signing in the fourth quarter of the new agreement with CITIC Group, that includes the sale of 5.1% of the stake in CNCB. It also includes the equity-accounted earnings from CNCB (excluding the dividends) for the years 2013, 2012 and 2011. Lastly, the data for the previous years includes the financial statements of BBVA Puerto Rico until its sale, which was completed in December 2012.

In addition to this geographical breakdown, supplementary information is provided for all the global businesses carried out by BBVA: Retail Banking (retail business) and CIB (wholesale business).

The figures corresponding to 2012 and 2011 have been restated according to the same criteria and the same structure of areas as explained above in order to offer homogeneous year-on-year comparisons.

Lastly, as usual, in the case of the Americas and Eurasia (basically Garanti), the results of applying constant exchange rates are given in addition to the year-on-year variations at current exchange rates.

The Group compiles information by areas based on units at the same level, and all the accounting data related to the business managed are recorded in full. These basic units are then aggregated in accordance with the organizational structure established by the Group for 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. The calculation of the ERC combines credit risk, market risk, structural balance-sheet risk, equity positions, operational risk, fixed-asset risk 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. 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 profitability by client, product, segment, unit or business area.

- Internal transfer prices. Within each geographical area, internal transfer rates are applied to calculate the net interest income of its businesses, under both the asset and liability headings. These rates are composed of a market rate that depends on the operation's revision period, and a liquidity premium that aims to reflect the conditions and outlook for the financial markets in each area. Earnings are distributed across revenue-generating and distribution units (e.g., in asset management products) at market prices.

- **Allocation of operating expenses**. Both direct and indirect costs are allocated 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 earnings of two or more units as a result of cross-selling incentives.

Mayor income statements items by business area

(Million euros)

		Business areas							
	BBVA Group [1]	Spain	Real-estate activity in Spain	The United States	Eurasia [1]	Mexico	South America	∑ Business Areas	Corporate Center
2013									
Net interest income	14,613	3,830	(3)	1,407	911	4,484	4,703	15,332	(719)
Gross income	21,397	6,095	(38)	2,101	1,721	6,201	5,630	21,711	(314)
Operating income	10,196	3,081	(190)	627	987	3,865	3,244	11,614	(1,419)
Income before tax	2,750	222	(1,840)	534	593	2,362	2,387	4,257	(1,507)
Net attributable profit	**2,228**	**583**	**(1,254)**	**390**	**454**	**1,805**	**1,249**	**3,227**	**(999)**
2012									
Net interest income	15,122	4,748	(20)	1,551	851	4,178	4,288	15,596	(473)
Gross income	21,892	6,665	(84)	2,243	1,665	5,756	5,360	21,604	288
Operating income	11,106	3,778	(211)	737	886	3,590	3,066	11,847	(741)
Income before tax	749	1,652	(5,705)	619	508	2,229	2,271	1,575	(826)
Net attributable profit	**1,676**	**1,162**	**(4,044)**	**443**	**404**	**1,689**	**1,199**	**853**	**823**
2011									
Net interest income	13,152	4,248	104	1,518	806	3,782	3,159	13,618	(465)
Gross income	19,528	6,246	124	2,182	1,467	5,323	4,099	19,440	88
Operating income	9,791	3,408	23	762	821	3,392	2,215	10,621	(830)
Income before tax	2,946	1,515	(1,216)	(1,053)	722	2,153	1,677	3,798	(852)
Net attributable profit	**3,004**	**1,075**	**(809)**	**(713)**	**563**	**1,638**	**898**	**2,653**	**351**

(1) Pro forma financial statements with Garanti Group accounted for by the proportional consolidation method, without early application of the IFRS 10, 11 and 12.

Recurrent economic profit by business area

(January-December 2013. Million euros)

	Adjusted net attributable profit	Economic profit (EP)
Spain	1,149	124
Real-estate activity in Spain	(39)	(159)
The United States	240	(19)
Eurasia	451	(142)
Mexico	1,939	1,384
South America	1,008	579
Corporate Center	(339)	(442)
Total Group	**4,409**	**1,324**

Spain

Income statement
(Million euros)

	Spain			
	2013	∆%	2012	2011
Net interest income	**3,830**	**(19.3)**	**4,748**	**4,248**
Net fees and commissions	1,376	2.5	1,342	1,291
Net trading income	807	215.2	256	238
Other income/expenses	82	(74.2)	318	468
Gross income	**6,095**	**(8.5)**	**6,665**	**6,246**
Operating expenses	(3,014)	4.4	(2,887)	(2,837)
Personnel expenses	(1,851)	3.1	(1,795)	(1,781)
General and administrative expenses	(1,052)	5.9	(993)	(955)
Depreciation and amortization	(111)	12.2	(99)	(101)
Operating income	**3,081**	**(18.4)**	**3,778**	**3,408**
Impairment on financial assets (net)	(2,577)	39.1	(1,853)	(1,619)
Provisions (net) and other gains (losses)	(282)	3.3	(273)	(274)
Income before tax	**222**	**(86.5)**	**1,652**	**1,515**
Income tax	(60)	(87.8)	(487)	(438)
Net income from ongoing operations	**163**	**(86.0)**	**1,165**	**1,077**
Results from corporate operations	440	-	-	-
Net income	**603**	**(48.3)**	**1,165**	**1,077**
Non-controlling interests	(20)	n.m.	(3)	(2)
Net attributable profit	**583**	**(49.8)**	**1,162**	**1,075**

Balance sheet
(Million euros)

	Spain			
	31-12-13	∆%	31-12-12	31-12-11
Cash and balances with central banks	11,389	6.1	10,736	12,321
Financial assets	99,483	(8.0)	108,190	88,816
Loans and receivables	189,558	(7.6)	205,163	204,675
Loans and advances to customers	173,047	(8.5)	189,065	190,906
Loans and advances to credit institutions and others	16,510	2.6	16,098	13,769
Inter-area positions	13,859	(24.7)	18,408	15,105
Tangible assets	781	(5.7)	828	909
Other assets	492	(75.9)	2,037	1,423
Total assets/Liabilities and equity	**315,561**	**(8.6)**	**345,362**	**323,249**
Deposits from central banks and credit institutions	57,562	(13.2)	66,321	52,158
Deposits from customers	157,466	8.5	145,164	146,054
Debt certificates	49,281	(28.3)	68,748	64,882
Subordinated liabilities	2,411	(31.7)	3,531	5,299
Inter-area positions	-	-	-	-
Financial liabilities held for trading	38,435	(20.6)	48,377	44,012
Other liabilities	814	(31.9)	1,195	2,086
Economic capital allocated	9,592	(20.2)	12,027	8,757

Highlights in 2013

- Management in a complex environment.
- Increases in market share of lending and customer funds.
- Risk indicators reflect impact of classifying refinanced loans and deleveraging.
- Moving towards normal conditions in terms of costs of risks.
- Reinsurance agreement on the individual life and accident insurance portfolio.

Improved outlook

Relevant business indicators

(Million euros and percentage)

	Spain		
	31-12-13	31-12-12	31-12-11
Performing loans	165,813	184,697	187,339
Customer deposits under management [(1)]	147,782	133,802	109,160
Mutual funds	22,298	19,116	19,598
Pension funds	20,428	18,577	17,224
Efficiency ratio (%)	49.5	43.3	45.4
NPA ratio (%)	6.4	4.1	3.1
NPA coverage ratio (%)	41	48	51
Risk premium (%)	1.36	0.95	0.83

(1) Excluding repos. Including promissory notes sold by the retail network and collection accounts.

Definition of the area

This area includes the banking business of BBVA Group that carries out in the country, including insurance business and management of mutual and pension funds. It also includes the portfolios, finance and structural interest-rate positions of the euro balance sheet managed by ALCO.

Banking activity in Spain serves 9.9 million customers. It has an appropriate distribution network, with 3,230 branches and 5,863 ATMs.

Macro and industry trends

Toward the end of 2013 the Spanish **economy** put an end to a long process of recession that had accumulated a fall in GDP of 1.2% in 2013, following a contraction of 1.6% in 2012. This incipient recovery is underpinned by sustained growth in exports thanks to the continuous improvement in competitiveness and a less contractive domestic demand which has in turn benefited from two factors. Firstly, a more limited fiscal effort was made in 2013. Secondly, in 2013 there was a clear change in the perception of prospects for the Spanish economy and an improvement in market confidence. This led to financial tension easing, a reduction of the sovereign risk premium and an opening up to international financing flows. This is simply a reflection of the progress made by the Spanish economy in correcting the imbalances accumulated during the previous expansive phase, some of which are close to completion. The process of restructuring and reorganizing the weakest part of the financial system has continued at a steady pace. In addition, the gradual process of reducing the high levels of debt in the private sector is speeding up, although it is still far from the European average. Even so, the starting point for this recovery is modest, particularly in terms of unemployment, which is still over 25% of the active population.

As far as the **financial system** is concerned, the restructuring and reorganization process has continued at a good pace, and in late 2013 it was confirmed that the financial assistance program agreed with the European Commission, European Central Bank and International Monetary Fund (IMF), known as the "Troika", would be ended. In November, the IMF and the European Commission separately published the fourth monitoring report on the restructuring of the sector, highlighting the progress made in bank recapitalization and restructuring and in reinforcing the system's supervision and monitoring. At the same time, the financial sector has continued with its deleveraging process, although the flow of new credit transactions granted in recent months in Spain shows an improvement driven by the corporate portfolio. However, the outstanding balance of loans continues to decline, having a negative impact on the sector's NPA ratio, which at the end of November 2013 amounted to 13% for the system as a whole. This figure has also been influenced by the decline in lending as well as the classification of refinanced loans.

Lastly, the following points are worth noting with regard to BBVA:

- In the first half of 2013, the integration of the Unnim Banc network into BBVA was completed, thus ending the process of integration which began in July 2012. The balance for the first year with Unnim as part of the Group is very positive: the swap of Unnim's preferred and subordinated securities, for BBVA shares, the labor agreement with Unnim's staff and the partnership agreement signed with Unnim's social projects area have all been successfully completed.

- The court ruling on May 9 on the elimination of the "floor clauses", which prevented BBVA from applying them in residential mortgage loans.

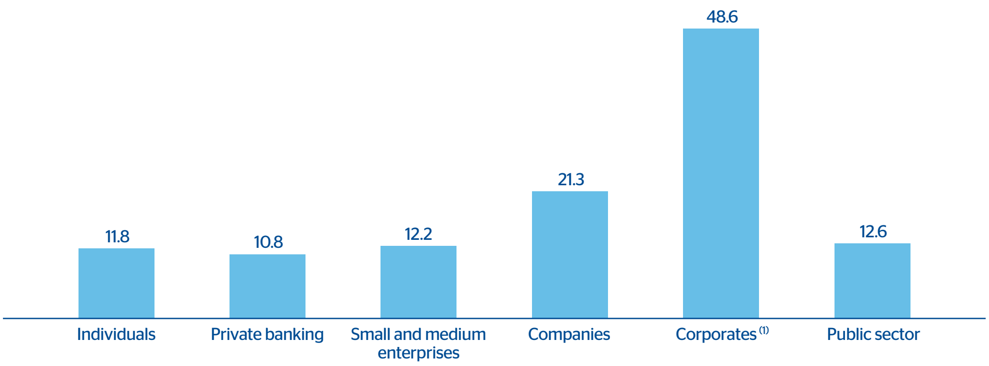
- The impact on loan-loss provisions and the NPA ratio of the classification of refinanced loans carried out in the third quarter.

- The accounting for the exceptional payment to the Deposit Guarantee Fund in compliance with Royal Decree-Law 6/2013.

Management priorities

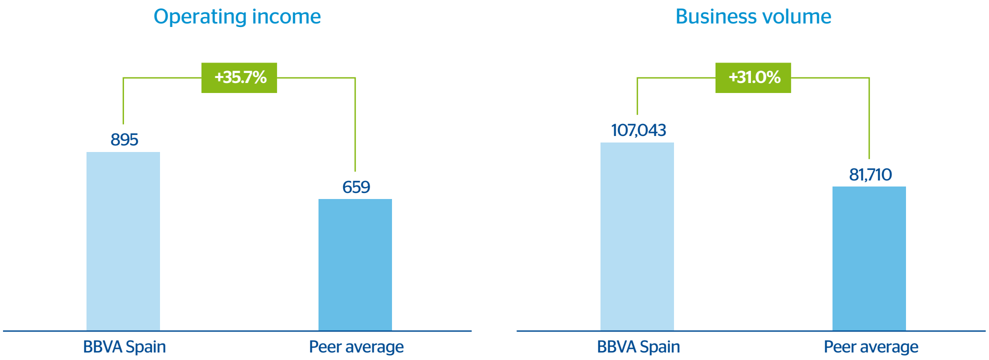
Against the background of a restructuring financial system, BBVA's strategy in Spain has remained focused on strengthening the franchise and making the most of opportunities to gain market share and extend the customer base. In 2013, BBVA once more confirmed its leading position in the Spanish financial system. This leadership is once again demonstrated by the Bank's competitive positioning, profitability, efficiency and asset quality.

Spain. Banking activity. Competitive positioning. Leadership by segment
(Percentage)



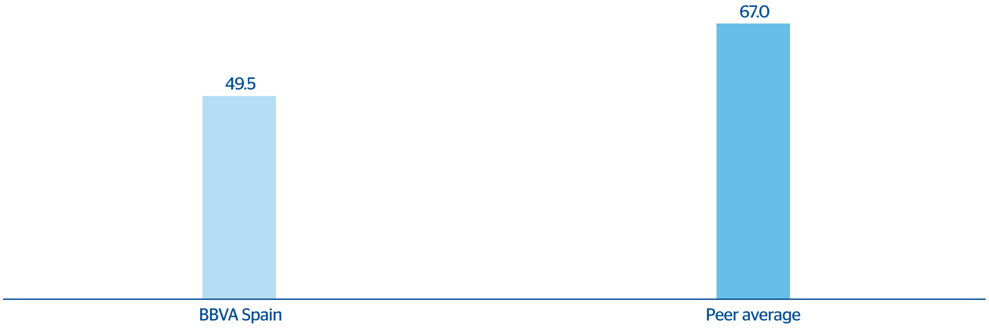
(1) Source: ASAP.

Spain. Banking activity. Operating income and business volume per branch *versus* peer group [1] (Thousand euros)



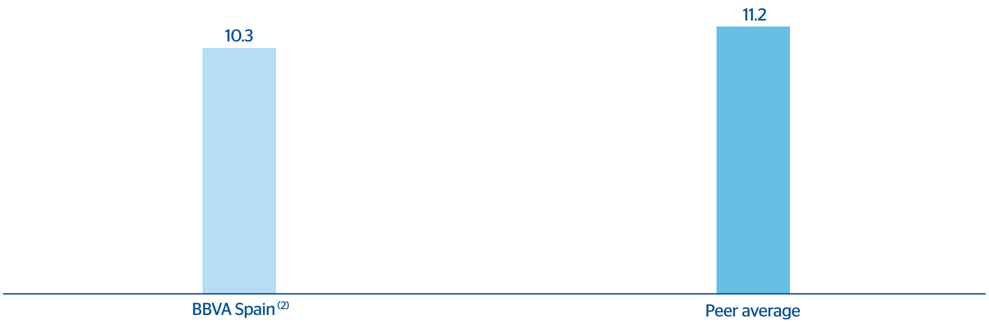
(1) Peer Group: Santander Spain, Caixabank, Popular, Sabadell and Bankinter.

Spain. Banking activity. Evolution of efficiency ratio *versus* peer group [1] (Percentage)



(1) Peer Group: Santander Spain, Caixabank, Popular, Sabadell and Bankinter.

BBVA Spain NPA ratio *versus* peer group [1] (Percentage)



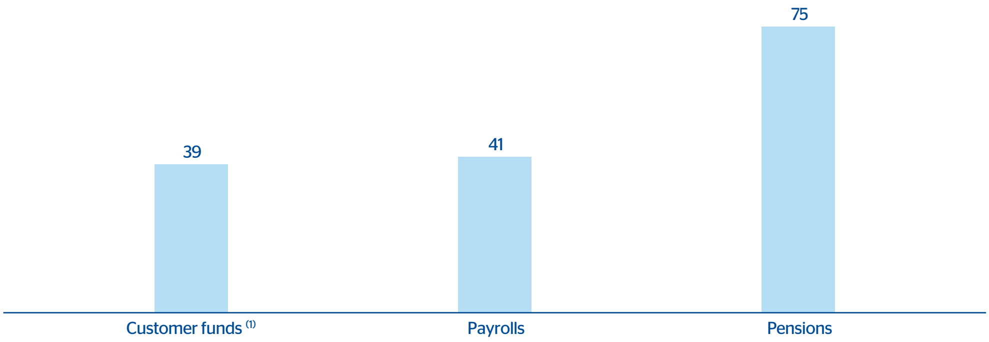
(1) Peer Group: Santander Spain, Caixabank, Popular, Sabadell and Bankinter.
(2) Including real-estate activity.

Four management keys are still at the root of the area's performance in **2013**:

- First, BBVA has maintained its strategy of increasing its customer base, using customer funds and transactional banking as key levers. Over €15,000m have been gathered in customer funds, consisting of deposits and promissory notes. BBVA has also continued to gain market share in payrolls and pensions and has increased the number of bundled customers by more than 150,000 in 2013. This strategy of growth in customers is very selective and focused on the highest-value sectors. Over two thirds of net new customers are Premium customers.

Spain. Banking activity. Market share gain

(Basis points from December 2012 to December 2013)

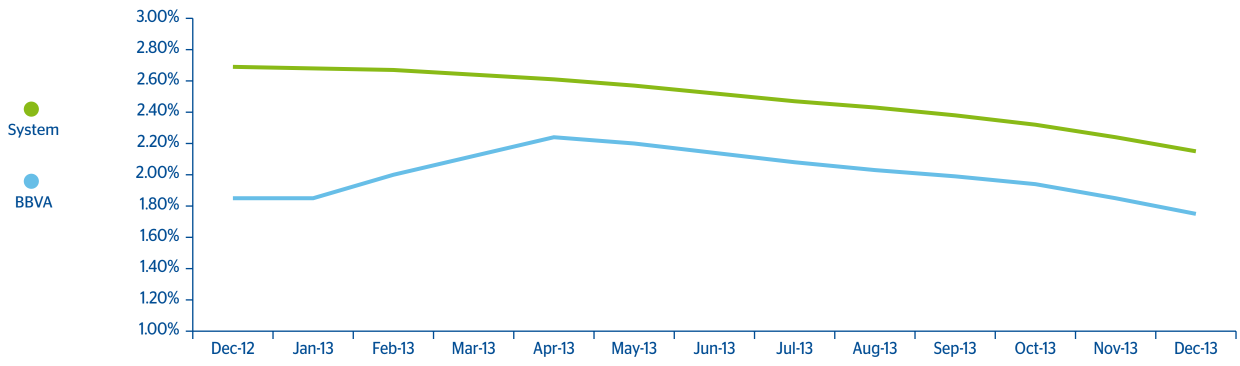


(1) Including public sector, commercial activity deposits and promissory notes.

- Second, there has been good pricing management in the liability side and more than 80% of the deposits maturing each month have been renewed.

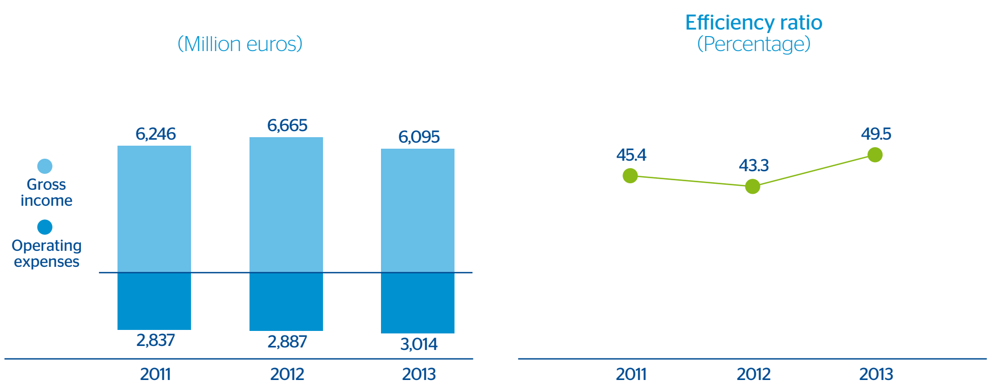
Spain. Banking activity. Time stock cost compared with the system

(Percentage)



- Third, operating expenses have continued to be kept in check. Some years ago, BBVA moved ahead of times by reducing its branch network. Now, in an environment of high growth in the number of customers, it is continuing to develop its multi-channel distribution model with the aim of extending and facilitating contact with its customers.

Spain. Banking activity. Efficiency



- Fourth, despite the deleveraging underway and the accounting effect of classifying the refinanced loans (most of which are up-to-date with payments) and their consequent impact on the NPA ratio, BBVA is in an outstanding position compared with its competitors as a result of a risk policy that is characterized by an ongoing effort of transparency, anticipation and prudence. In this respect, it is worth noting that in the last quarter of the year, the balance of non-performing loans declined compared with the figure for previous quarters, as a result of a better performance of gross NPA entries.

Looking ahead to the **future**, and continuing with its strategy to set it apart from its peers, BBVA's actions in Spain will continue to be focused on three fronts:

- The commercial strategy will continue to be focused on increasing the customer base, using fund gathering and transactional banking as key levers.

- Providing the best customer experience in the market through better quality service, and extension of BBVA's lead on its competitors. BBVA looks for customers who arrive due to restructuring in the banking sector, or attracted by the solvency and security of the Bank, to remain because of the outstanding service it offers.

- Investment will continue in innovation and technology to offer customers an outstanding omni-channel experience that is more flexible, more accessible and more adapted to their needs. This will increase contact with customers and enable BBVA to be more efficient, as future improvements in efficiency will come about through changes in the Bank's relationship and distribution models.

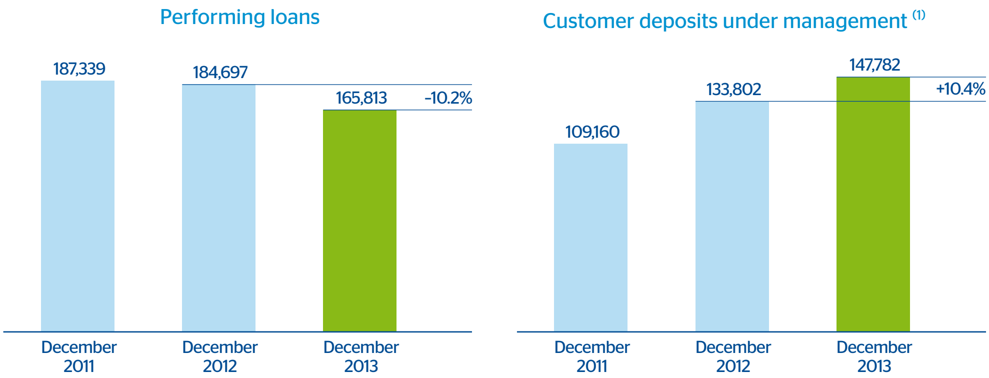
BBVA will continue to invest in the development of a franchise that maintains its differential strength within the country's financial sector and its leadership in the technological transformation of the industry.

Activity

Banking activity in Spain has been largely conditioned by the country's economic environment, which has led to a general deleveraging of the economy. Together with the early repayment in November under the Supplier Payment Fund, this has generated a reduction of **performing loans** in the area of 10.2% in the last 12 months to €165,813m at the close of the year.

Spain. Banking activity. Key activity data

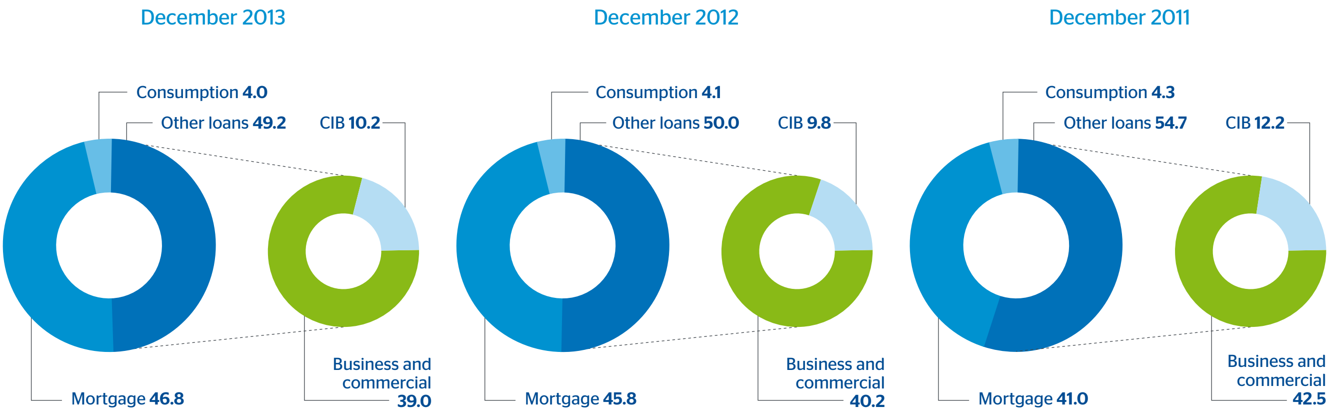
(Million euros)



(1) Excluding repos and including promissory notes sold by the retail network and collection accounts.

Spain. Banking activity. Performing loans breakdown

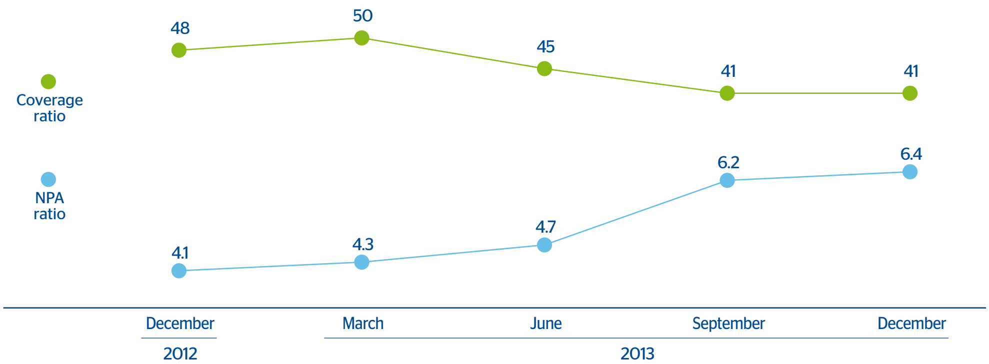
(Percentage)



The main **risk** indicators have evolved as expected over the year. The NPA ratio has continued to rise, mainly due to the impact of the classification of refinanced loans on the volume of non-performing loans. In the third quarter of 2013, non-performing loans totaled €2,778m, although most of this amount (88%) corresponded to loans that are up-to-date with payments. Together with the decline in lending, this explains why the NPA ratio ended 2013 at 6.4%, with a coverage ratio of 41%.

Spain. Banking activity. NPA and coverage ratios

(Percentage)

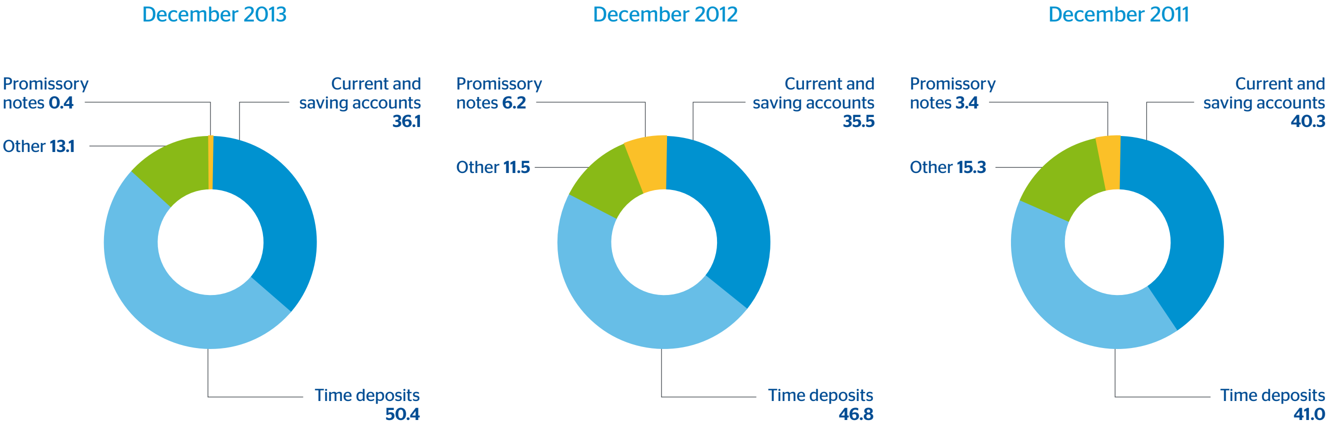


From the standpoint of liabilities, the performance of **customer funds** is still very positive. As of 31-Dec-2013, BBVA managed a volume of €190,508m in customer deposits, promissory notes, mutual funds and pension funds, a rise of 11.1% year-on-year.

Customer deposits under management increased by 10.4% year-on-year. By type of product, time deposits have reported the highest growth over the last 12 months (up 18.9%). An adequate commercial strategy in the area and the high capillarity of the network, as well as the promotion of multi-channel banking, have enabled BBVA to cope with a very demanding year in terms of maturities, and achieve deposit renewal rates of over 80% every month, as commented above. It also gained 39 points in market share in customer funds over the year, according to the latest available information as of December 2013.

Spain. Banking activity. Breakdown of customer deposits under management

(Percentage)



These results in lending and on-balance-sheet customer funds have cut the **loan-to-deposits** ratio [1] in the domestic sector to 124%, according to data as of 31-Dec-2013, from 134% as of 31-Dec-2012. Including Spanish covered bonds, the ratio stands at 99%.

In **off-balance-sheet funds**, BBVA has performed well in both mutual and pension funds, which increased by 16.6% and 10.0%, respectively, over the year. In an environment of very low interest rates, BBVA is actively selling a diversified mutual fund catalog to customers with the right investor profile. In addition, the Bank continues committed to offer customers pension savings products with the aim of promoting long-term savings for retirement designed as a complement to retirement pensions. For this purpose, it has made available a wide range of pension funds and individual insurance savings schemes.

Lastly, the number of customers using **alternative channels** other than branches continues to increase significantly. This is part of an ambitious transformation plan designed to improve the value offer of products for customers, optimizing a multi-channel relational model that is a clear advance in operational processes and makes BBVA an easier bank that is close to customers and their needs.

(1) The ratio excludes securitizations and repos and includes all promissory notes

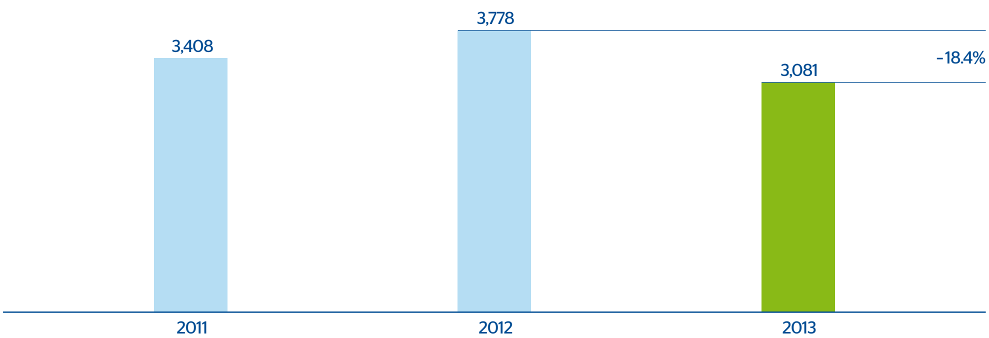
Earnings

Earnings for the BBVA banking business in Spain in 2013 have been influenced by four exceptional factors. First, the elimination in May 9 of the so-called "floor clauses" from existing mortgage loans. Second, the temporary increase in loan-loss provisions as a result of the classification of refinanced loans in the third quarter. Third, the accounting for of the exceptional payment to the Deposit Guarantee Fund (FGD) in the fourth quarter in order to comply with Royal Decree-Law 6/2013. Lastly, the capital gains generated in the first quarter by the reinsurance operation on the individual life and accident insurance portfolio.

The area's **gross income** totaled €6,095m in 2013 (down 8.5% year-on-year). At €3,830m, net interest income declined 19.3% year-on-year due to the elimination of "floor clauses", weaker lending activity and the current environment of low interest rates, and thus narrow spreads. This has meant that earnings for the year clearly show the good price management in new lending operations and in renewals of deposits, which will lay the foundations for recovery in this margin in the coming years. Income from fees and commissions is up 2.5% during the same period to €1,376m, thanks to the positive performance of fees from fund management and wholesale banking transactions with clients. Lastly, the positive performance of the markets unit and good management of structural risks on the balance sheet against a background of low interest rates have had a positive impact on NTI generation in 2013. This strong performance has offset the decline in the "Other income and expenses" heading due to the one-off insurance operation performed in early 2013 and the exceptional payment made to the Deposit Guarantee Fund in the fourth quarter.

Operating expenses remain under control and show a substantial slowdown in their year-on-year rate of change. For the year as a whole, this heading amounts to €3,014m, up 4.4% on 2012, the year Unnim was incorporated (late July). As a result, **operating income** for the year totals €3,081m, compared to €3,778m in 2012.

Spain. Banking activity. Operating income
(Million euros)

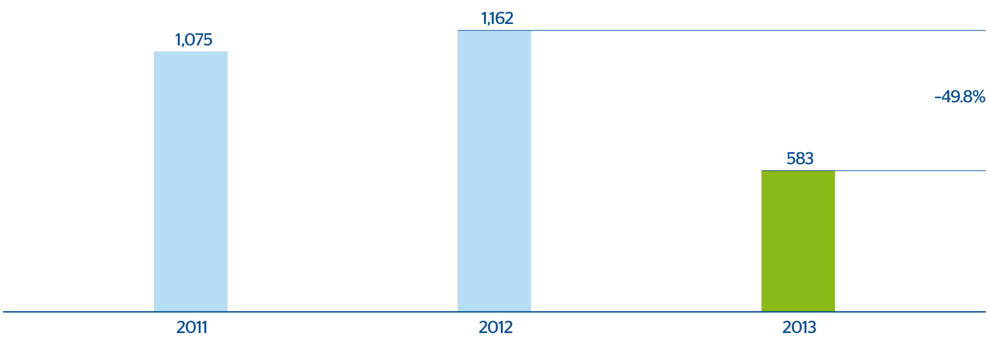


Impairment losses on financial assets for the year total €2,577m, a rise of 39.1% year-on-year, due to the additional charge from classification of refinanced loans that reduces the future need for loan-loss provisions.

Lastly, the "Results from corporate operations" heading includes the capital gain from the reinsurance operation carried out in the first quarter of the year. Overall, banking activity in Spain generated a **net attributable profit** of €583m in 2013.

Spain. Banking activity. Net attributable profit

(Million euros)



Retail and Commercial Banking

This unit includes the Retail Network, with the individual customer, private banking and small businesses in the Spanish market; Corporate and Business Banking (CBB), which handles the needs of the SMEs, corporations and institutions; and other businesses, including BBVA Seguros.

Retail and Commercial Banking managed a volume of performing loans of €147,998m at the close of 2013, down 11.0% on the end of the previous year. On-balance-sheet customer funds amounted to €129,556m, a rise of 7.9% over the year.

Within this unit, the **Retail Network** closed the year with a balance of performing loans of €92,414m (down 8.8% year-on-year), and on-balance-sheet customer funds of €104,768m, a rise of 6.7% on the figure for 31-Dec-2012.

Commercial actions carried out by this unit in 2013 have been geared toward increasing the customer base and its bundling and providing a service with the highest quality standards. The following aspects are of note:

- In an environment of a growing customer base, the definition and structuring of the welcome process for new customers has been tackled. Following the current protocol, the Bank is formally presented with its institutional strength, complete range of products and services, and an explanation of the advantages for customers and the benefits of being a loyal customer.
- One of the chief asset products is the “Préstamo Inmediato” (Immediate Loan). This is a pre-authorized loan that can be arranged via multi-channel banking, with the amount and price personalized on the basis of a behavioral analysis of each customer. In consumer finance, the “Pack Dúo” offers a “Después” card that postpones payment for ordinary purchases, and the complementary “A tu Ritmo” revolving payment card for purchases that the customer prefers to finance, as well as a series of discounts for purchases at retailers which are part of the scheme.
- On the liabilities side, a variety of products have been developed this year to attract customers and reward their loyalty. Among them are the “Depósito Creciente (Growing Deposit), which offers liquidity and an interest rate that grows over time; the “Depósito 12/18/24”, which applies preferential interest rates in cases where the customer’s positions increase under the terms regulated by the product; and the “Depósito BBVA Tranquilidad” (BBVA Peace of Mind Deposit), which rewards loyalty, basically in terms of deposits and regular payments, automatic deposit of pay checks and pensions, and pre-authorized debits of bills and credit cards. In addition, in an environment of very low interest rates, and for customers with the right investor profile, a diversified catalog of mutual funds is being sold made up of mixed funds, equity, short-term fixed-income and long-term fixed-income.

These commercial actions are increasingly attracting more new **customers** and strengthening banking relations with them. Proof of this is that the Bank's market share as main provider of financial services has risen by 40 basis points to 11.8% according to FRS (data as of June 2013, the latest available).

A clear reflection of the high level of customer **loyalty** is that 61% of them are benefiting from the financial advantages of the program "Adiós Comisiones" (Goodbye, Fees); and thanks to the program, BBVA's market share in payrolls and pensions has increased by 41 and 75 basis points, respectively, over the year (figures as of December 2013).

BBVA continues to be very active within the Retail Network on the development of products and services for **Premium** customers, a segment in which the Bank is growing significantly in Spain. As well as the sale of savings, investment or pension products specifically designed for their needs, a variety of initiatives and privileges have been developed for this segment. First, in order to improve customer experience, relationships with the bank manager by scheduled appointments are being encouraged, which enables the Bank to save a significant amount of time, offer greater dedication and provide a better advice. In the area of non-financial services, the "Family Wealth Community" has established itself as the first closed community for "BBVA Patrimonios" customers with content on different areas of interest: the economy, taxation, regulation, legal news, investment, insurance and family enterprises. This community is making specialized knowledge available to customers, promoting debate and exchange of opinions within a forum for people with similar interests.

CBB manages a loan book of €52,162m (down 14.4% year-on-year) and on-balance-sheet customer funds of €23,578m (up 5.5%). This unit has set itself the target of meeting solvent loan demand in a proactive way. This has been achieved through the "Plan + Negocio" plan, based on appropriate management, proximity and analysis of the investment projects of customers and non-customers with proven solvency. In addition, BBVA has confirmed its leading role in distributing ICO (Official Credit Institute) credit lines, which reflect lending activity in this unit. The signing of the 2013 Agreement has boosted several different lines under preferential conditions. Of particular note are the lines "Companies and Entrepreneurs" "International", "Long and Short-term Exporters" and "SGR Guarantee", as well as others aimed at foreign and domestic trade and tourism. BBVA has also signed the new lines "Film Production", "Natural Disasters" and "Promissory Notes and Corporate Bonds". According to cumulative data through 31-Dec-2013, the Bank arranged 24,257 operations for €1,743m, 21% higher than the amount arranged as of the same date in 2012.

In this environment, being close to customers implies being up to date with their **collections and payments.** This is why in 2013 the product and service range offered by the "Negocio Inteligente" (Intelligent Business) scheme was completed. In addition to the POS terminal capabilities, an option has been added to offer advance payments to customers who have been with the Bank for some time. As well as creating a closer relationship with them, the management of collections and payments can identify potential new customers. Specifically, in 2013 a range of products and services has been designed for suppliers of BBVA customers. For large companies there is a promotion for syndicated factoring and accounts payable funding. As the procedure is channeled through a single agent bank, the operation is simplified and the quality of the funding granted and the image of the company for third parties are enhanced.

Customers are also taking advantage of the opening up of markets and the renewed international investor appetite for **bond issuances** as an alternative to traditional banking funding. The search for increased profitability has led to an increase in both investment grade and high-yield bond issues. The participation of BBVA in nearly all these kinds of operations is consolidating its leading position in the fixed-income market in Spain.

The **foreign sector**, has become one of the essential levers for economic recovery in Spain. BBVA continues with the strong commitment to supporting its customers in their process of internationalization. First, it has expanded and boosted the network of foreign trade specialists, with a highly significant exercise of customized segmentation. In 2013 the project "Sinergias Internacionales" (International Synergies) was established with the aim to build a global range of products and services for the Bank's customers in all the countries where the Group is present.

In the **public sector** segment there has been collaboration on the development of Phase I of the new Supplier Payment Fund, with a figure of over €4,000m, although at the end of the year this amount has been significantly reduced as a result of the partial early repayment in November. Another highlight in 2013 has been the renewal for the fourth year in a row of the collaboration agreement with the National Federation of Associations of Self-Employed Workers (ATA). This is a key organization that represents 500,000 self-employed people and 824 professional associations. At present it has 80 offices in Spain. BBVA works closely and maintains more than 120 commercial agreements with trade associations, 20 agreements with local governments, 30 with chambers of commerce, 15 with reciprocal guarantee companies and more than 40 with business groups at regional and national level, with the aim of providing access to credit facilities and supporting employment through business associations.

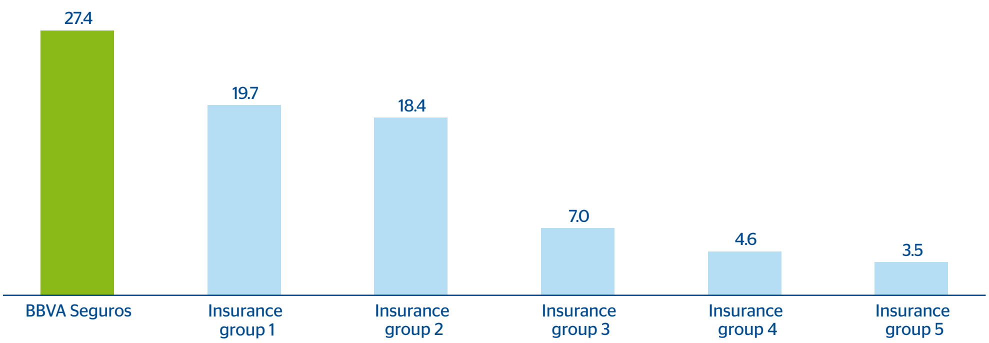
The "**BBVA Contigo**" service, offering remote personalized advice, continued to consolidate its position in 2013. At the end of the year, the number of users was around half a million.

The **Insurance** unit comprises several companies with the strategic goal of becoming the benchmark in the insurance business among the different BBVA customer segments. It manages an extensive range of insurance products through direct insurance, brokerage and reassurance, using various networks.

In insurance activity, the premiums written by BBVA insurance companies in Spain amounted to €2,319m (up 9.0% year-on-year). This implies a growing positive contribution to earnings in the area. Life-savings insurance has contributed premiums of €1,796m (up 11.7% year-on-year). The growing amount of savings, together with the integration of the Unnim insurance business, has led to a year-on-year increase of 29% in managed customer funds to €12,348m as of 31-Dec-2013. This shows the confidence customers have in BBVA Group's capability to manage their savings. Along these lines, it is worth noting that at the close of the third quarter of 2013 (latest available figures, Source: ICEA), BBVA was leader in written premiums for PIAS Scheduled Savings Plans, with a market share of 27.4% of premiums amounting to €369m through September. Activity in risk insurance, both life and non-life, amounted to €523m in written direct insurance premiums (up 0.6% year-on-year). The unit has also brokered premiums for other companies for €198m.

Market shares in PIAS as of 31-Sep-2013. BBVA Seguros and main competitors

(Percentage)

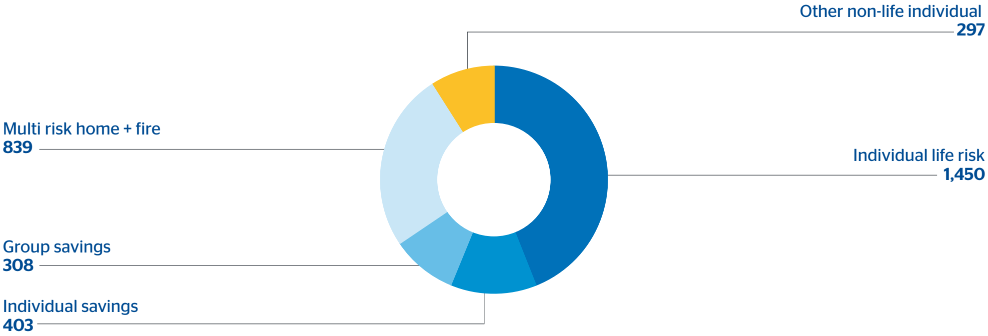


Source: ICEA.

As of 31-Dec-2013, the Insurance unit had 3.3 million **policyholders**, maintaining a high quality of service, as reflected by the complaint-free resolution of more than 90% of life insurance claims reported and 99% of home insurance policies. Periodic independent measurements granted the home insurance policies a score of 8.2 out of 10 for service received during the claims process.

BBVA Seguros. Policyholder breakdown

(Thousands policies. 31-12-2013)



Policyholders total: 3,297,963

In its **insurance catalog**, BBVA continues to redefine certain products in order to tailor them to customer needs, and to make them simpler and more competitive. It has launched the "Seguro de Vivienda BBVA" (BBVA Home Insurance), a modular and flexible product through which customers can contract what they really need, from basic protection to total protection, according to the characteristics of their home.

The end-of-year campaign in the **pension business** has focused on the "PPA BBVA" (Guaranteed Pension Plan), which offers customers a guaranteed minimum annual return of 3.25% over a 10-year investment horizon. If they transfer their plan to the PPA BBVA from another entity, customers obtain a special bonus of up to 3%, depending on the amount contributed. A "Mi Jubilación" (My Retirement) plan has also been launched. This is a pioneering initiative in financial literacy that aims to increase knowledge among the population of economic aspects related to pension systems. The project is focused on three lines of action: first, the creation of the BBVA Pensions Institute, which will bring together the knowledge and intellectual rigor of a forum of independent experts from the academic world and socioeconomic research; second, promotion of financial literacy; and lastly, customer guidance through pension simulations and a value proposition tailored to their needs. BBVA has made available the "BBVA Mi Jubilación" application for mobile devices, for customers and non-customers alike. It estimates simply and intuitively the income that will be received on retirement.

Progress has also continued to be made in the **multi-channel strategy** in 2013, with a firm commitment to innovation and digital channels, in order to bring financial products and services to customers no matter where they may be. The new website bbva.es has been launched in the second quarter of 2013, leading to a notable increase in the functionalities available in the channel. As well as guaranteeing the highest levels of security, the design of this website simplifies all the operations. At the same time, the website bluebbva.com has been launched, providing content and information that respond to what young people are demanding. Mobility is another priority in multi-channel distribution. "BBVA Wallet" addresses this need, as it allows customers to carry out transactions with their credit cards from cell phones, or make payments from their cell phones using contactless technology. All these initiatives are being warmly received, as shown by the fact that the Bank's digital channels already have two million active users. Lastly, the development of technological channels is also a priority for the SME segment. In 2013 progress was made in increasing the capacity of "BBVA Net Cash", focused on the incorporation of questions related to foreign trade and online guidance for international business.

Corporate & Investment Banking

This unit is responsible for the global businesses within Spain. As of 31-Dec-2013 it managed performing loans of €16,838m and customer deposits under management of €12,131m.

Performing loans have continued to decline, basically as a result of the aforementioned deleveraging process. This heading has registered an accumulated decline over the last year of 7.2%.

On-balance-sheet **customer funds** are up 32.2% over the same period. Worth noting are the deposit gathering efforts carried out to win back the trust of corporate and institutional depositors, following the successive rating downgrades of both BBVA and the Kingdom of Spain in 2012. Thus, the current levels of customer funds are even higher than those registered prior to these downgrades.

The following are worth highlighting as regards **earnings**:

- 18.8% year-on-year increase in gross income to €1,008m, underpinned mainly by good performance of revenue from Global Markets, revenue generated by the Global Transaction Banking unit and, in general, revenue from activity with customers.

- Operating expenses have increased to €347m, fueled mainly by expenses in technology and the depreciation and amortization associated with ongoing investment in technology.

- As a result, operating income is up 23.7% on 2012 to €661m.

- Lower volume of impairment losses on financial assets, which are down 49.4% on the figure for 2012.

- As a result, the accumulated net attributable profit is at levels much higher than the figure registered the previous year: €431m vs. €300m in 2012.

The most significant transactions and highlights for the period are detailed in the CIB section at the end of this chapter.

Corporate responsibility

In corporate responsibility BBVA continues to strengthen its commitment to the societies where it is present through a variety of initiatives. The Bank is aware of the need for programs that boost the creation of employment in Spain, and has launched the "**Yo Soy Empleo**" (I Am Employment) plan to support the creation of jobs by SMEs and the self-employed.

It is a pioneering initiative in which BBVA has wanted to move beyond a simple direct financial incentive for hiring. Instead, it also offers a free job placement service provided by "infoempleo" to help the recruitment process, as well as free training, for those requesting it, through a program for companies at different prestigious business schools.

These are the results as of December 31, 2013:

- 3,658 companies have benefited from the program.

- 3,397 people hired with financial assistance. 73.6% of hirings on permanent contracts. On average, those hired had been unemployed for 13.21 months and 38% were under the age of 30.

- 2,544,750 euros paid as financial assistance for hiring.

- 39,477 people registered in the job bank, with 2,124 vacancies published and 158 selection consulting processes carried out.

- 1,414 people received training in person at the best business schools in Spain, with a very high level of student satisfaction (3.73 on a scale of 1 to 4).

In response to the economic crisis, which has led many people to lose their only **home**, BBVA has contributed 900 homes to the Social Housing Fund. At the same time, BBVA has implemented a plan together with the Adecco Foundation whose core element is employment. It offers financial assistance to people who lose their only home, after January 2013, as a result of a legal mortgage foreclosure initiated by BBVA.

The following is also of note:

- The fourth edition of "**Valores de Futuro**" (Future Values) program, aimed at promoting values related to the use of money in Spanish schools.

- The second edition of "**Territorios Solidarios**" (Solidarity Territories) program, through which BBVA employees in Spain are offered the chance to participate actively in the selection and granting of aid to social projects carried out by non-profit organizations.

- The fifth edition of the "**Premio Integra BBVA**" award, which recognizes the effort of organizations that work to integrate people with disabilities into the labor market.

Prizes and awards

Lastly, the following prizes and awards are worth highlighting, apart from those already mentioned in this report:

- In November, BBVA was awarded the "**Impulso al Autónomo**" ("Promoting Self-Employed Workers") prize, organized by the ATA (National Federation of Self-Employed Workers) and the Joly Group, for the "Yo Soy Empleo" ("I Am Employment") program. This award underlines the Bank's commitment to helping create jobs for self-employed workers and SMEs.

- For the fourth year in a row, BBVA Banca Privada has been chosen as the "**Best Private Bank in Spain**" at the 2013 "The Global Private Banking Awards", granted every year by *The Banker*, the prestigious Financial Times Group journal specializing in international banking. This award is another recognition of BBVA's business model, based on personal advice, with proposals adapted to customers' current and future circumstances. It is an integrated management service that combines confidence and transparency thanks to a single dedicated contact person who is always available, the Private Banking manager.

- According to a survey carried out by *Risk España*, BBVA has for the sixth year in a row been chosen by its customers as the "**Best Derivatives House**" in Spain.

Real-estate activity in Spain

Income statement

(Million euros)

	Real-estate activity in Spain			
	2013	∆%	2012	2011
Net interest income	**(3)**	**(87.1)**	**(20)**	**104**
Net fees and commissions	8	(54.0)	18	22
Net trading income	67	n.m.	(29)	12
Other income/expenses	(111)	108.1	(53)	(14)
Gross income	**(38)**	**(55.0)**	**(84)**	**124**
Operating expenses	(152)	20.5	(126)	(101)
Personnel expenses	(86)	44.9	(60)	(43)
General and administrative expenses	(43)	0.6	(43)	(45)
Depreciation and amortization	(23)	(4.7)	(24)	(13)
Operating income	**(190)**	**(9.7)**	**(211)**	**23**
Impairment on financial assets (net)	(643)	(83.1)	(3,799)	(481)
Provisions (net) and other gains (losses)	(1,008)	(40.6)	(1,695)	(757)
Income before tax	**(1,840)**	**(67.7)**	**(5,705)**	**(1,216)**
Income tax	595	(64.1)	1,659	405
Net income	**(1,245)**	**(69.2)**	**(4,046)**	**(810)**
Non-controlling interests	(9)	n.m.	3	2
Net attributable profit	**(1,254)**	**(69.0)**	**(4,044)**	**(809)**

Balance sheet

(Million euros)

	Real-estate activity in Spain			
	31-12-13	∆%	31-12-12	31-12-11
Cash and balances with central banks	6	73.9	4	-
Financial assets	1,159	3.4	1,121	1,144
Loans and receivables	10,540	(14.9)	12,384	13,788
Loans and advances to customers	10,559	(14.7)	12,384	13,788
Loans and advances to credit institutions and others	(19)	-	-	-
Inter-area positions	-	-	-	-
Tangible assets	1,661	(10.0)	1,846	1,566
Other assets	7,196	9.6	6,568	6,059
Total assets/Liabilities and equity	**20,563**	**(6.2)**	**21,923**	**22,558**
Deposits from central banks and credit institutions	-	-	-	-
Deposits from customers	103	(78.6)	479	241
Debt certificates	-	-	13	-
Subordinated liabilities	556	(14.7)	651	2,097
Inter-area positions	17,677	(1.0)	17,857	16,407
Financial liabilities held for trading	-	-	-	-
Other liabilities	-	-	-	-
Economic capital allocated	2,227	(23.8)	2,922	3,812

Highlights in 2013

- The improved economic climate has started to be reflected in the stabilization of sales and prices in the sector.
- Another reduction in BBVA's net exposure to the real-estate sector.
- Increased rate of growth in sales of real-estate assets.
- Limited risks, but affected by refinanced assets.

Focus on sales

Definition of the area

This new area was set up with the aim of providing specialized and structured management of the real-estate assets accumulated by the Group as a result of the crisis in Spain. Therefore it mainly combines foreclosed real-estate assets from the individual and developer mortgage portfolios, loans to developers and other related assets. Management of properties for the Group's own use is excluded from its scope.

Industry trends

The **real-estate industry in Spain** has been affected by a bubble whose main impact affected the residential construction sector and loans to developers. In 2013, real-estate activity in Spain underwent an adjustment process to tackle the imbalances that had accumulated over the former years. Some of them have already been significantly corrected, above all those relating to the significant weight of residential construction as a proportion of the Spanish GDP, which has declined from its peak in 2007.

As regards **construction**, the number of housing starts in 2013 registered an all-time low with 31,400 units according to the latest available information in 2013, although there are already clear signs of it having bottomed out, thus completing the adjustment in residential construction. Consequently, the existing housing stock is expected to be absorbed and the balance sheets of financial institutions will finally be restructured. Proof of this is that, in 2013, sales, although weak and below the figures for the same period in 2012, exceeded the number of new finished houses within that timeframe.

The fact that sales have exceeded housing construction has contributed to a decline in the stock, which is easing pressure on **prices**. In fact, in those regions where there was less excess supply, residential depreciation is milder. In the third quarter of the year, prices have varied by geographical area, with slight increases in some markets, especially along the coast, while the adjustment continued in inland regions. At the end of 2013, prices had already been adjusted by 36% from their all-time highs, and the trend points to price stabilization in 2014.

Despite the fact that sales continue to be weak, there are elements in **demand** that suggest potential improvements in the medium and long term. One example is that cash purchases by Spaniards are increasing gradually. Moreover, at current prices, the Spanish market is becoming increasingly attractive for foreign investors, whose presence is increasing.

Overall, the residential real-estate sector has undergone a significant adjustment and the economic recovery that appears to have begun in Spain in the second half of the year 2013 should result in a gradual increase of demand, with prices stabilizing in those markets more geared to Spanish buyers.

Management priorities

This business area, since it was set up, has the following management priorities:

- Consolidation and optimization of its structure.
- Reduction of real-estate exposure in terms of both lending and foreclosed assets, combined with a proper balance in loss absorption.
- Development and implementation of tools to help manage and implement strategies (centralized price setting, land development, application orders, etc.).

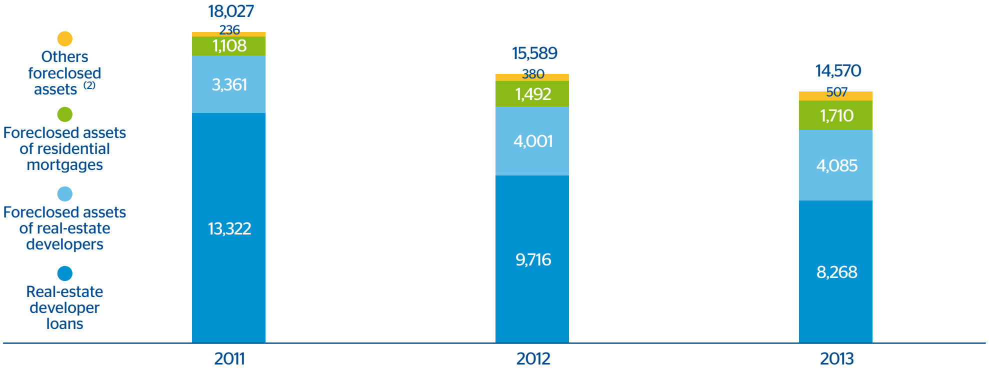
Activity

There are two very different realities for the Group within the real-estate sector. On the one hand, net exposure to the developer segment (lending to developers plus the foreclosed assets resulting from this lending) has been falling every quarter and will continue to decline in the future. On the other, are the retail foreclosures, i.e. the foreclosed assets from the residential mortgage sector, whose increase is linked to the rise in gross additions to NPA in this portfolio in 2008 and 2009.

After complying with the requirements imposed by Royal Decree-Laws 2/2012 and 18/2012 in 2012, BBVA's **net exposure** to the real-estate sector in Spain is declining. As of 31-Dec-2013, the balance stood at €14,570m, down 6.5% on the figure at the close of 2012 and 19.1% below the figure at the close of 2011.

Spain. Real-estate activity. Net exposure to real estate (1)

(Million euros)

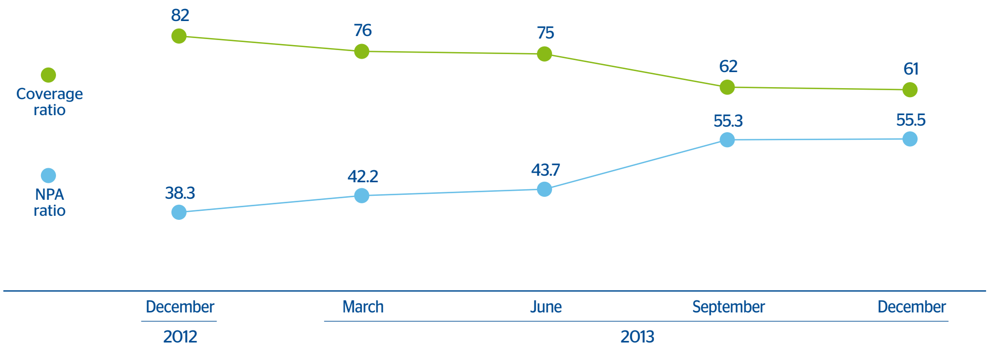


(1) Transparency on like-for-like basis: the figures include Unnim but exclude the investment in Metrovacesa.
(2) Other foreclosed assets include foreclosed assets that do not stem from financing family home buying.

In 2013 there was an increase in the balance of **non-performing** developer loans, basically due to the application of the classification of refinanced loans in the third quarter. In fact, a significant percentage of the volume of loans reclassified as non-performing as a result of this classification corresponds to customers who are up-to-date with their payments.

Spain. Real-estate activity. NPA and coverage ratios

(Percentage)



Within the exposure to the Spanish real-estate sector, **property** securing mortgage loans to private individuals has increased year-on-year by 14.6%. As has been noted, this rise is closely linked to the increase in gross additions to NPA in this mortgage portfolio during 2008 and 2009.

At the close of 2013, **coverage** of non-performing and substandard loans (51%) and of assets from foreclosures and purchases (also 51%), improved compared with the data for the previous year. Overall coverage of real-estate exposure closed the year at 45% (43% at the end of 2012).

Coverage of real-estate exposure in Spain

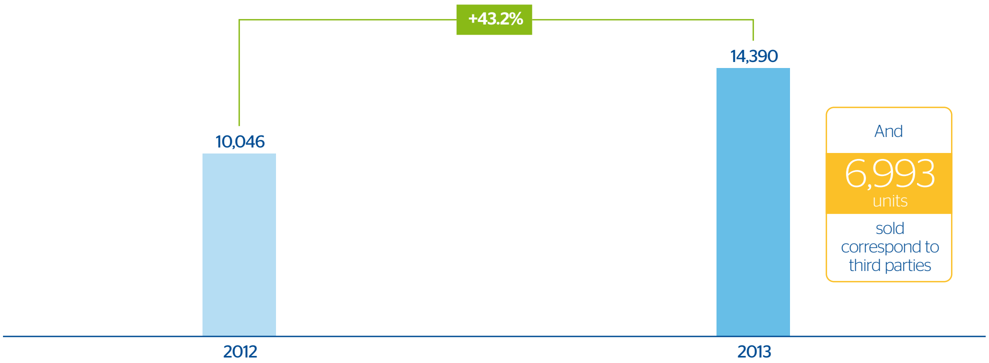
(Million euros as of 31-12-13)

	Risk amount	Provision	% Coverage over risk
NPL + Substandard	10,283	5,237	51
NPL	8,838	4,735	54
Substandard	1,445	502	35
Foreclosed real-estate and other assets	12,965	6,663	51
From real-estate developers	9,173	5,088	55
From dwellings	2,874	1,164	41
Other	918	411	45
Subtotal	**23,248**	**11,900**	**51**
Performing	3,222		
With collateral	2,851		
Finished properties	2,058		
Construction in progress	401		
Land	392		
Without collateral and other	371		
Real-estate exposure	**26,470**	**11,900**	**45**

Note: Transparency scope according to Bank of Spain Circular 5/2011 dated November 30.

Sales of owned real-estate assets picked up pace year-on-year, at 14,390 units over the twelve months of 2013, a rise of 43.2% on the previous year. If third-party sales are added to the total, for the year as a whole cumulative sales amount to 21,383 units, of which 6,993 were on behalf of third parties.

Spain. Real-estate activity. Sales evolution
(Units)



Earnings

There are two significant elements in the income statement for the area: first, the impact of loan-loss provisions in the developer book and the decline in the value of foreclosed real-estate assets; and second, the effect of the sale of properties.

Other factors also influencing the situation, although to a lesser extent, are: the consolidation by the equity method of the stake in Metrovacesa, which is registered under the "Other income/expenses" heading; the positive results from portfolio sales of stakes in associated companies; income from rentals; and the year-on-year increase in operating expenses, due to greater staff numbers assigned to the area to carry out separate and specialized management of this business and deal with increased activity.

In 2013, BBVA's real-estate activity in Spain registered a **loss** of €1,254m, notably less than the loss of €4,044m the previous year, when there was an increase in impairment losses on financial assets and other negative results from the deterioration in assets related to this industry.

The United States

Income statement

(Million euros)

	The United States				
	2013	∆%	∆% (1)	2012	2011
Net interest income	**1,407**	**(9.3)**	**(6.2)**	**1,551**	**1,518**
Net fees and commissions	557	(4.0)	(0.8)	581	611
Net trading income	139	(8.6)	(5.4)	153	132
Other income/expenses	(3)	(93.9)	(93.7)	(41)	(79)
Gross income	**2,101**	**(6.3)**	**(3.1)**	**2,243**	**2,182**
Operating expenses	(1,475)	(2.1)	1.3	(1,506)	(1,420)
Personnel expenses	(812)	(3.4)	(0.1)	(840)	(787)
General and administrative expenses	(484)	0.7	4.1	(481)	(466)
Depreciation and amortization	(179)	(3.0)	0.2	(185)	(166)
Operating income	**627**	**(15.0)**	**(12.1)**	**737**	**762**
Impairment on financial assets (net)	(78)	8.7	12.7	(72)	(320)
Provisions (net) and other gains (losses)	(14)	(69.1)	(68.1)	(46)	(1,496)
Income before tax	**534**	**(13.7)**	**(10.8)**	**619**	**(1,053)**
Income tax	(144)	(18.5)	(15.8)	(177)	340
Net income	**390**	**(11.8)**	**(8.8)**	**442**	**(713)**
Non-controlling interests	-	-	-	0	-
Net attributable profit	**390**	**(11.8)**	**(8.8)**	**443**	**(713)**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	The United States				
	31-12-13	∆%	∆% (1)	31-12-12	31-12-11
Cash and balances with central banks	3,362	(37.6)	(34.7)	5,384	3,295
Financial assets	7,231	(4.7)	(0.3)	7,584	7,641
Loans and receivables	39,673	3.6	8.2	38,312	39,328
Loans and advances to customers	37,433	3.8	8.5	36,068	37,763
Loans and advances to credit institutions and others	2,240	(0.2)	4.3	2,244	1,564
Inter-area positions	-	-	-	29	-
Tangible assets	672	(9.9)	(5.8)	745	802
Other assets	2,104	14.5	19.7	1,837	2,024
Total assets/Liabilities and equity	**53,042**	**(1.6)**	**2.9**	**53,892**	**53,090**
Deposits from central banks and credit institutions	4,662	(32.4)	(29.4)	6,898	6,735
Deposits from customers	39,844	1.8	6.4	39,132	36,041
Debt certificates	-	-	-	-	-
Subordinated liabilities	651	(23.3)	(19.8)	848	1,120
Inter-area positions	684	-	-	-	2,528
Financial liabilities held for trading	168	(52.3)	(50.1)	352	446
Other liabilities	4,546	12.9	18.1	4,024	3,138
Economic capital allocated	2,488	(5.7)	(1.4)	2,638	3,081

(1) At constant exchange rate.

Highlights in 2013

- Growth of lending, particularly in the commercial and residential estate portfolios.
- Increase of lower-cost customer funds.
- Revenue significantly affected by the current interest-rate environment.
- Costs in check.
- Another improvement in risks indicators.

Fast pace of new business

Relevant business indicators

(Million euros and percentage)

	The United States		
	31-12-13	31-12-12	31-12-11
Performing loans (1)	39,272	35,886	35,365
Customer deposits under management (1-2)	38,448	36,088	32,957
Mutual funds	-	-	-
Pension funds	-	-	-
Efficiency ratio (%)	70.2	67.1	65.1
NPA ratio (%)	1.2	2.4	3.2
NPA coverage ratio (%)	134	90	75
Risk premium (%)	0.21	0.19	0.88

(1) Figures at constant exchange rate.
(2) Excludes repos.

Definition of the area

This area encompasses the business conducted by the Group in the United States through BBVA Compass, BBVA Bancomer USA and BBVA Ventures, as well as the assets and liabilities of the office in New York. BBVA Compass is the banking unit and it has 685 branches and is among the 25 largest banks in the United States. BBVA Bancomer USA is responsible for international transfer services and BBVA Ventures is a recently created unit designed to invest in start-ups that aim to transform the financial services industry.

In the second half of 2013, BBVA transferred all of the outstanding stock of its subsidiary BBVA Securities Inc. (BSI) to BBVA Compass. BSI is a registered broker-dealer and engages in investment banking and sales of fixed-income securities. In November 2013, BBVA Compass Bancshares Inc., the bank holding company, filed a registration statement with the U.S. Securities and Exchange Commission (SEC) to voluntarily become a public listed company. The registration statement became effective in January 2014 and BBVA Compass is now subject to filing periodic reports and other information to the SEC.

Macro and industry trends

Economic activity in the United States started out soft in the first half of the year, as cuts to government spending weighed on GDP growth. Nevertheless, the steady improvement in the labor market throughout the year has led to the economy picking up during the second half of 2013 as private consumer spending increased at a faster pace and exports rose. Modest income gains and a high savings rate held back consumption, but it did pick up strongly in the fourth quarter as consumer confidence improved.

Residential activity contributed to GDP growth during the first three quarters of the year, because historically low mortgage rates supported a high pace of home sales and thus rising home prices. Furthermore, limited housing stock resulted in an improvement in new construction activity.

However, uncertainty continued to affect the economy, in particular due to doubts about how soon the authorities were going to limit the expansive tone of fiscal and monetary policies. In **fiscal policy**, intensive negotiations were held throughout the year aimed at bringing the deficit accumulated during the expansionary stage under control. These negotiations failed to achieve a comprehensive plan to tackle fiscal consolidation in the long term. Instead, there have been partial solutions such as tax increases and an across-the-board reduction in spending (which prevented the so-called fiscal cliff). The negotiations were also conditioned by the U.S. government's limited capacity to increase its debt levels, causing a partial federal government shutdown in October, though this had a limited impact on economic activity.

The second source of uncertainty in 2013 came from "tapering", i.e. the announcement by the Fed that it was considering slowing the pace of monetary expansion, as a first step towards the normalization of **monetary policy**, prior to a possible interest rate rise and subsequent reduction of the balance sheet. The Fed was very clear that the process would only be introduced if the economy continued on a path of sustained growth. Even so, the announcement in spring was accompanied by a strong upturn in interest rates in the United States, which partially put a halt to the strong investment in housing. Although the U.S. economy has continued to recover, in the end the start of the tapering process has been postponed until January 2014, and the Fed has been particularly careful to emphasize its intention of keeping interest rates firmly anchored at low levels until it is sure that the improvement underway is sustainable and strong.

The United States is in the early stages of a transformation of its **energy sector**, because the ability to tap its oil and natural gas reserves has enabled the country to become an exporter of petroleum derivative products. Thus, the U.S. is benefiting directly from the high growth levels in many emerging markets and improving economic activity in Europe.

As for **exchange rate**, the dollar depreciated against the euro in 2013, which had a negative impact on the Group's financial statements in the year as a whole. To better understand the changes in the figures, the percentages given below refer to constant exchange rate, unless otherwise indicated.

As regards the country's **financial sector**, banks have continued to improve their balance sheets, with a reduction in NPA rates and non-performing loans. At the same time, confidence has increased and both consumers and businesses feel comfortable and willing to take on more debt. Interest rates and lending conditions remain favorable for borrowers, while improvements in household finances are positive news for banks searching for more creditworthy customers.

To sum up, the figures confirm the improvement in the country's banking system over the year, with a positive trend in both profits and the sector's NPA ratio (3.8% at the close of September for commercial banks, compared with 4.7% at the close of 2012). This improvement in bank earnings continues to be supported by higher non-financial revenue (low interest rates are still having a negative effect on net interest income) and reduced needs for provisions due to the improvement of asset quality across all the portfolios. Lastly, the rate of growth of domestic deposits picked up in the second half of the year.

Management priorities

In **2013**, the United States continued its focus on completing the transformation process toward a customer-centric organization and thus on laying the foundations for future growth.

The main highlight of the year is the successful completion of the final phase of the **transformation process** of the franchise, which ended with the migration of credit cards, consumer loans and mortgages to the new Alnova platform.

With the migration completed, BBVA Compass turned its attention to designing a differentiated range of **products and services** adapted to the needs of each segment, with the aim of providing greater added value to its customers. It has launched a new digital NBA-themed deposit that allows customers to open an account online. A number of enhancements have also been added for mobile banking customers, which is the fastest-growing customer segment. BBVA Compass has rolled out a redesigned online platform which provides access to a broader array of services and information presented in a much more consumer-friendly format.

BBVA Compass also continued to build its **brand awareness** with actions such as the construction of the BBVA Compass Tower, the first high-rise to go up in Houston's Galleria area in 30 years. The new building has an open workspace design instead of offices and cubicles to encourage collaboration. Bluetooth and Wi-Fi-enabled phones let employees work in a large number of different environments. The Tower has received the LEED Gold certification, a global recognition granted to environmentally friendly buildings made with sustainable materials. Teleconferencing technology and a variety of meeting spaces also reduce the need for employees to travel, thus minimizing the Bank's carbon footprint. Also worth noting is the launch of a new advertising campaign to promote the brand in the United States, called "The Anywhere Banking", which has been designed to showcase the Bank's range of operations with distinguishing features that combine simplicity with flawless execution.

The organic **expansion** of BBVA Compass continued in 2013. Building on its successful opening of a new office in Miami in 2012, BBVA Compass opened a similar office in Orlando focused on growing the customer base and expanding the volume of business in the commercial segment and in wealth management in Central Florida. Additionally, a loan origination office was opened in Tampa. BBVA Compass also expanded its SME banking capabilities with the addition of an experienced team located in Cleveland, Ohio, specializing in financial leases for machinery and equipment.

With regards to the **distribution model**, the bank continues to improve its remote distribution capabilities. In 2013, BBVA Compass launched a new online banking website that has been redesigned to offer customers a more friendly, visual experience, as well as access to a broader range of information and services. As a result, the percentage of active Internet users has increased from 44% in 2012 to 50% at the end of 2013.

BBVA Compass also continued to expand its **mobile banking** capabilities, with the number of active customers increasing by 69% in 2013. Worth mentioning is the addition of the services Pay People with Popmoney to its apps for iPhone and Android, through which customers can send money anywhere in the United States by simply using the payee's e-mail address or cell-phone number. It has also developed Mobile Deposit for SMEs, which enables users to make deposits by simply taking a picture of their checks with their smartphones. The Bank's app for Android has also been upgraded to include Picture Bill Pay (previously available for iPhone only) for paying bills, also by taking a picture of the printed bills.

Lastly, as part of the **omni-channel** strategy of the Group and the franchise, BBVA Compass began testing a new drive-thru technology in Houston that provides customers with access to a customer service representative via a built-in screen, without leaving their vehicle.

Now that the transformation process has been completed, in **2014** the focus will clearly be on customers. The actions planned are:

- Improve customer satisfaction levels and staff productivity.
- With the completion of the new core operating system, BBVA Compass will focus on providing solutions in the following areas:
  - Creation of a differential digital value proposition, which it started with the NBA and ClearConnect deposit products.
  - Continuing to build its distribution channels and synchronize real-time delivery in all of its channels: branches, online banking (through the use of apps), mobile banking, drive-thru, etc.
- Growth will continue to be boosted. The expansion of loan origination branches in strategic U.S. markets is expected to continue in 2014, as regulatory approval has been received for opening offices in Charlotte and Raleigh (North Carolina), Nashville (Tennessee), San Francisco (California) and Seattle (Washington). Teams in these markets will concentrate on strategic sectors such as healthcare and public finance.

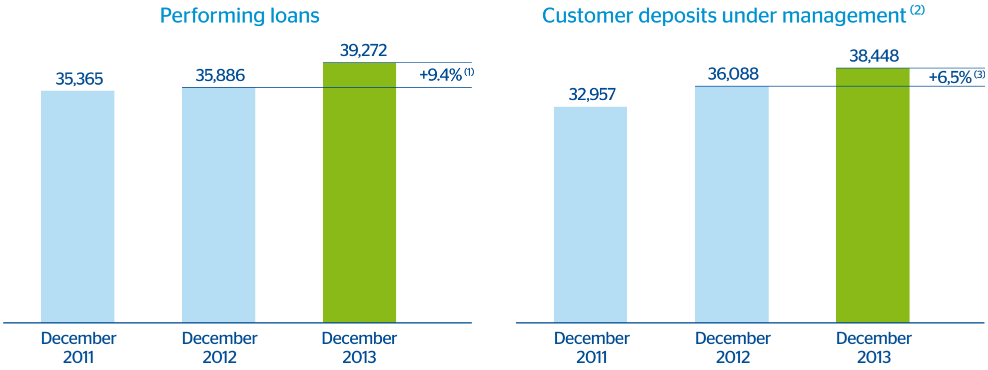
- Lastly, in 2012 and 2013, BBVA Compass participated in the Federal Reserve Board's Capital Plan Review. Starting in 2014, BBVA Compass will participate in the Comprehensive Capital Analysis and Review for large banks. In addition to submitting a capital plan, BBVA Compass will be subject to its own stress tests and an annual supervisory stress test conducted by the Federal Reserve Board.

Activity

As of 31-Dec-2013 the area's **performing loans** totaled €39,272m, rising again by 9.4% over the year. This increase was widespread across all of the Bank's portfolios. Lending to corporates (commercial) increased by 14.7% since the end of 2012, while residential mortgages (residential real estate) grew by 10.1% over the same period. There was also an increase in consumer loans (5.9% over the year) and a recovery in the construction real-estate portfolio, up 4.6% in the quarter, after several quarters of falling balances, which meant a year-on-year decrease of 4.6%.

The United States. Key activity data

(Million euros at constant exchange rate)

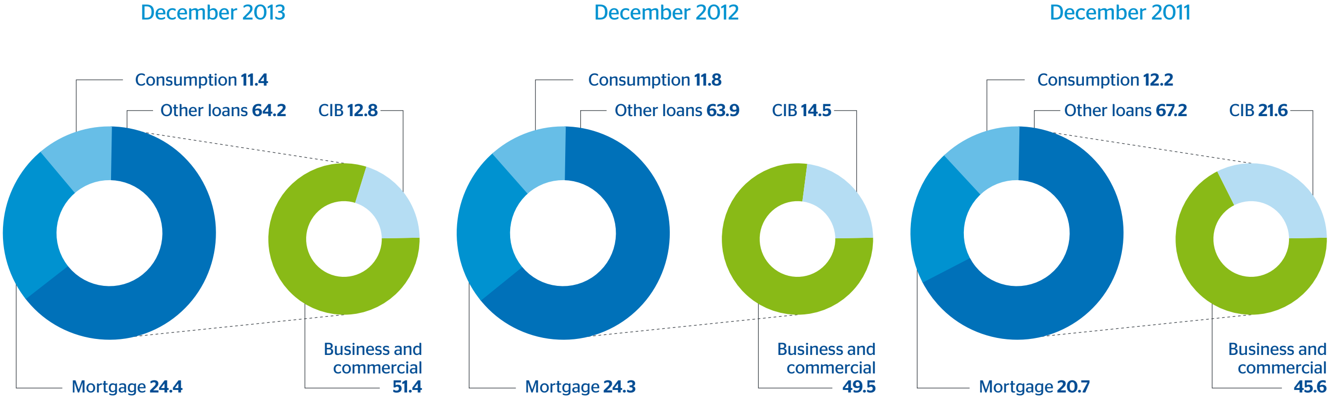


(1) At current exchange rate: +4.7%.

(2) Excluding repos.
(3) At current exchange rate: +1.9%.

The United States. Performing loans breakdown

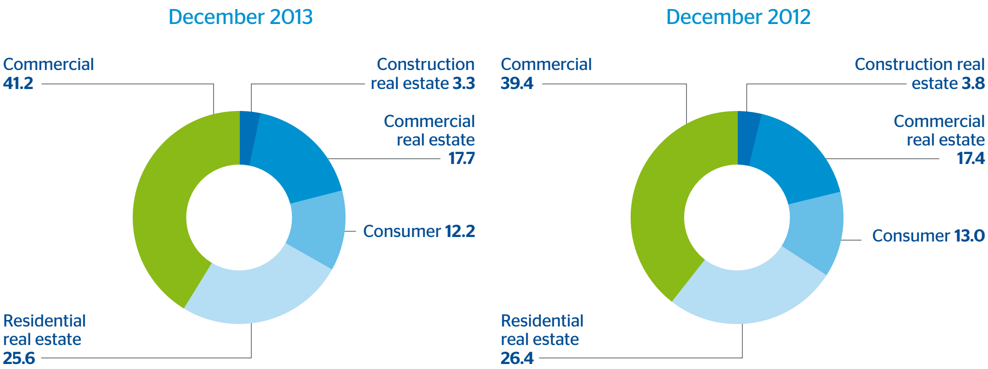
(Percentage)



BBVA Compass accounts for 95% of the all performing loans. This means the aforementioned evolution of the various loan portfolios of this franchise is highly influenced by the trends of each of them in it.

BBVA Compass. Loan mix

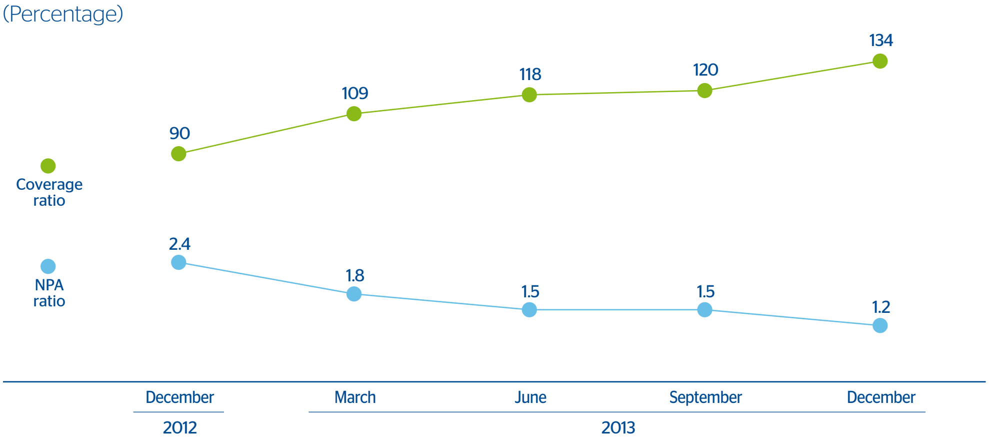
(Percentage)



The main indicators of the area's asset quality and **risk** management improved significantly in the year, with the NPA ratio down 111 basis points to 1.2% and the coverage ratio up 44 percentage points to 134%. Moreover, BBVA Compass achieved its goal of continuing to reduce the amount of problem portfolios, particularly those related to the construction real-estate sector. This was achieved while also expediting the origination process and maintaining the same quality standards in control and monitoring. As a result, a record level of new loans was granted during the year.

The United States. NPA and coverage ratios

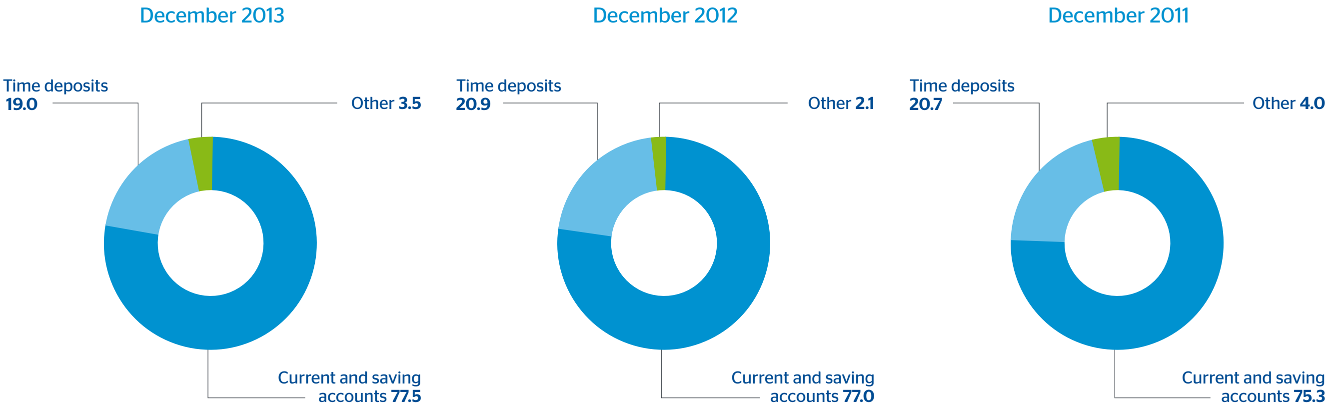
(Percentage)



Customer deposits under management, €38,448m as of 31-Dec-13, increased by 6.5% if compared with the existing volume as of 31-Dec-12. This favorable trend is due to the good performance of the modalities of lower cost, represented by current and savings accounts, which experienced a rise of 7.2% from the end of December 2012. By contrast, time deposits decrease 3.2% over the year.

The United States. Breakdown of customer deposits under management

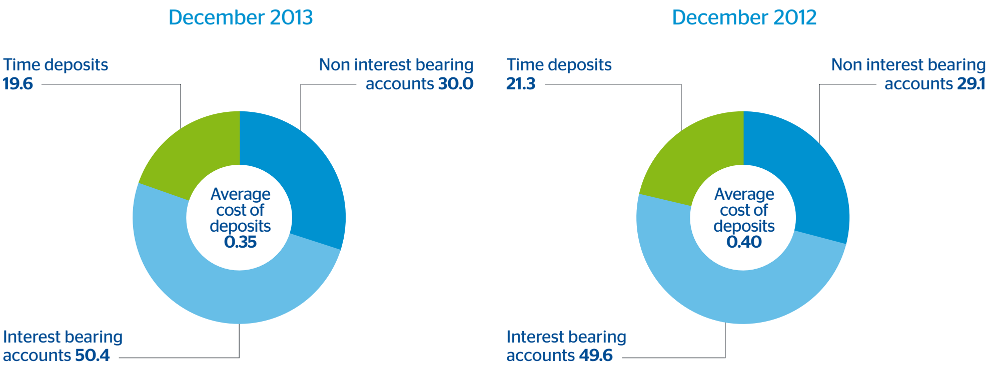
(Percentage)



As the case of the performing loans, BBVA Compass provides almost all of the volume of customer funds in the area (96% of customer deposits under management). The breakdown of customer deposits in the bank is exposed, distinguishing between time deposits, interest bearing accounts and not interest bearing accounts.

BBVA Compass. Deposit mix

(Percentage)

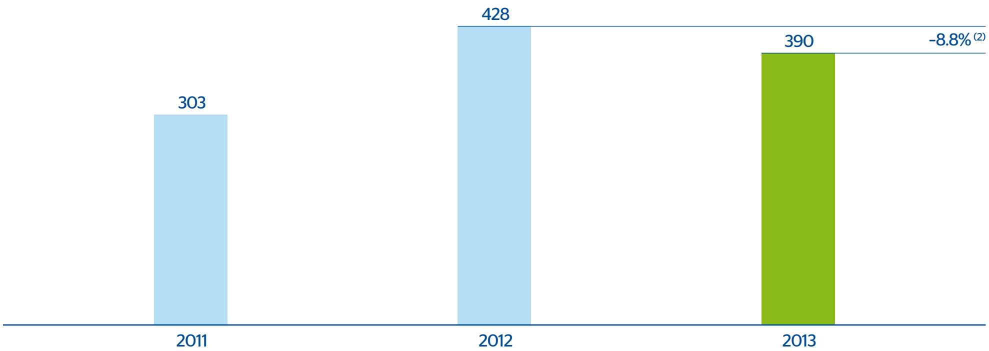


Earnings

The area's earnings in 2013 were strongly influenced by the impact of the current environment of low interest rates on revenue, the control of operating expenses and the increase in loan-loss provisions, very much in line with the upward trend seen in business activity. As a result, the area generated a **net attributable profit** of €390m in 2013 (down 8.8% year-on-year), of which 86% came from BBVA Compass.

The United States. Net attributable profit (1)

(Million euros at constant exchange rate)



(1) Adjusted.
(2) At current exchange rate: -11.8%.

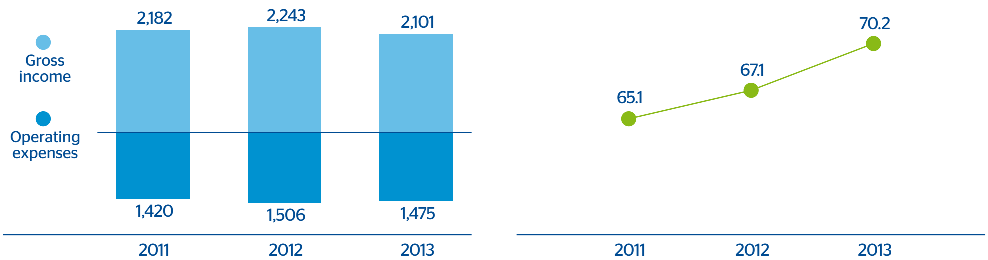
As mentioned above, the performance of revenue in 2013 was strongly affected by the scenario of low interest rates. This impact has offset the positive effect of the improvement of activity in the year. As a result, net interest income declined by 6.2% over the year to €1,407m. However, this trend began to revert and in the last quarter net interest income registered an improvement of 2.1% on the third quarter of 2013. Income from fees and commissions, at €557m, remained practically flat in 2013 (down 0.8%), influenced by regulatory changes and the sale of the insurance business in 2012. NTI is down 5.4% over the same period, while the other income/expenses shows a less negative amount. As a result, the area's **gross income** stands at €2,101m, down 3.1% year-on-year.

The area continues to manage its operating expenses efficiently by applying a strict cost control policy. As a result, this heading totaled €1,475m in 2013, with a year-on-year rate of change of 1.3%. Overall, **operating income** generated in the year was €627m, 12.1% less than in 2012, strongly influenced by the performance of net interest income.

The United States. Efficiency

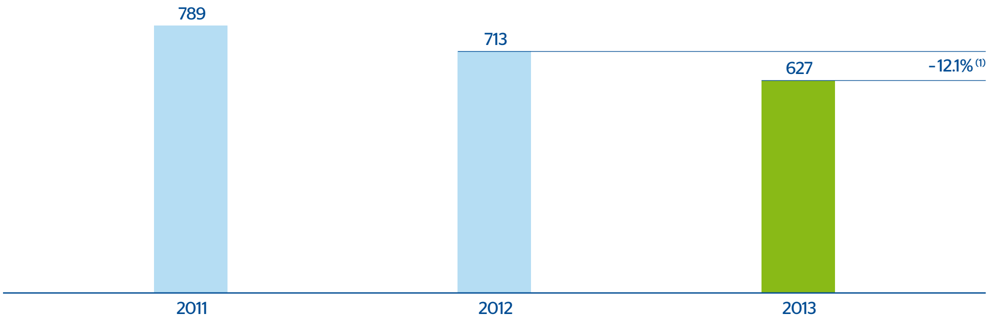
(Million euros)

Efficiency ratio
(Percentage)



The United States. Operating income

(Million euros at constant exchange rate)



(1) At current exchange rate: –15.0%.

Lastly, **impairment losses on financial assets** detracted €78m from the 2013 income statement and increased by 12.7% due, above all, to the absence of recoveries and atypical items (unlike in 2012). Excluding these effects, this heading grew in line with business activity.

Commercial Banking

This unit, which manages SMEs, has posted year-on-year growth in loans and deposits. Specialized services, mainly in oil and gas, healthcare, dealer financial services and public finance, drove balance sheet growth in this unit. While Commercial Banking continues to expand its presence in those areas where it is already active, it is also focused on accessing new sectors and expanding into new markets with the opening of commercial loan production offices. This expansion is expected to boost activity and support access to other segments.

Corporate & Investment Banking

Working in tandem with the Commercial Banking unit, Corporate & Investment Banking provides services to large corporations, not only through lending, but also by offering other more sophisticated wholesale and investment banking services, such as foreign exchange, derivatives and various cash management products and financial advice. It has also begun to attract international customers, while allowing other business units to provide products and services to their customers.

Retail Banking & Wealth Management

In 2013, the Retail Banking & Wealth Management divisions of BBVA Compass were combined into a single unit. This new area posted strong results over the year thanks to the significant growth of its loan portfolio, due to an increase in residential real-estate loans. Customer funds have also grown, above all lower-cost items.

Retail Banking & Wealth Management has played a key role in developing the most innovative and interactive technology. The first new product launched using the Bank's new technology system and under the new platform was an NBA-branded online account known as NBA Banking. It was presented at the NBA All-Star game in Houston. The NBA current and savings accounts are the first wholly digital banking products of BBVA Compass. They allow the Bank to expand beyond its retail geographic footprint while capitalizing on its role as the official bank of the NBA. NBA Banking also allows users to display their favorite NBA team logo on the accompanying debit card, view game scores and headlines via the account interface, and check schedules and scores via mobile devices. It also adds a layer of gamification, giving customers the chance to earn NBA merchandise by processing transactions online. This new product has been very successfu, as a large number of accounts were opened during the year.

Four new current account products have also been launched, incorporating feedback from both customers and employees to improve on the value and variety of the Bank's deposits. These accounts are part of a comprehensive redesign of this product aimed at offering straightforward and transparent banking options. Shortly after the launch of these new accounts, BBVA Compass also developed a new premium current account and three new savings options. Like the accounts noted previously, these have been designed with the customer's specific banking habits in mind.

Lastly, Business Mobility Bundle was presented in the third quarter of 2013, designed to provide micro-businesses everything they need to manage their finances on the go. The new bundle includes an e-business current account, online and mobile banking features and a retailer Mobility Pack® with a secured card reader for processing debit and credit card payments.

Main highlights

The most relevant **awards and recognitions** received are outlined below:

- BBVA Compass was the winner of the 2013 Best in Mobile Functionality Award at the 6th annual Mobile Banking Financial Institution Awards of Javelin Strategy & Research. Javelin's scorecard compares the 25 top retail financial institutions in the U.S. in a number of areas such as: mobile banking functionality, mobile banking accessibility, mobile banking tablet ratings, mobile banking smartphone ratings, text banking and alert platforms. The award recognizes the range that the Bank offers in mobile banking, which is one of the most comprehensive on the market.

- American Banker has chosen the BBVA Compass mobile banking app as one of the 10 most advanced banking applications in terms of functions, design and ease of use. The magazine also noted that the Bank is already offering the second generation app for iPad and was one of the first to offer an app for Amazon Kindle Fire.

- Celent, an international consultancy group specializing in information technology for the financial services industry, granted the Model Bank Award to BBVA Compass for the implementation of its new core technology platform. Its banking transformation has been praised as a radical change when it was presented. The Bank's technology upgrade marked one of the first successful core infrastructure replacements for a major U.S. bank in more than a decade.

In the area of **corporate responsibility**, BBVA Compass has continued to support education, particularly in low-income communities, through its collaboration with NBA Cares, EverFi, the Houston Dynamo and Junior Achievement. In 2013, the initiative NBA Cares "Team. Works. In Schools" presented NBA Legends, through which more than 190 BBVA Compass volunteers gave interactive online lessons in financial literacy via the EverFi platform to over 4,400 students from seven schools. Through the "Business of Sports" program, more than 150 high-school students in Houston benefited from information given by executives from BBVA Compass and the Houston Dynamo about jobs in the sports management sector and the training and qualifications needed to work in this field. In addition, in September 2013 BBVA Compass sponsored the BBVA Compass Concert for Human Rights in support of 50 Years Forward, a year-long celebration in Birmingham commemorating the 50th anniversary of what many see as the turning point in the civil rights movement. Hosted by Jamie Foxx, the concert served as a global call to action for communities to work toward equality for all. BBVA Compass also signed a long-term contract to bring renewable energy (solar and wind power) to more than 300 of the Bank's branches, offices and ATMs in Texas.

Eurasia

Income statement (1)

(Million euros)

	Eurasia				
	2013	Δ%	Δ% (2)	2012	2011
Net interest income	**911**	**7.0**	**14.7**	**851**	**806**
Net fees and commissions	391	(13.4)	(10.1)	451	391
Net trading income	194	47.8	54.2	131	114
Other income/expenses	225	(2.7)	(1.8)	232	156
Gross income	**1,721**	**3.4**	**8.6**	**1,665**	**1,467**
Operating expenses	(733)	(5.8)	(1.4)	(779)	(646)
Personnel expenses	(381)	(5.8)	(1.5)	(404)	(348)
General and administrative expenses	(301)	(5.8)	(1.5)	(320)	(254)
Depreciation and amortization	(51)	(6.7)	(0.3)	(54)	(44)
Operating income	**987**	**11.4**	**17.5**	**886**	**821**
Impairment on financial assets (net)	(330)	0.5	3.8	(328)	(111)
Provisions (net) and other gains (losses)	(65)	31.5	33.1	(49)	13
Income before tax	**593**	**16.6**	**25.0**	**508**	**722**
Income tax	(139)	32.6	41.9	(105)	(159)
Net income	**454**	**12.4**	**20.7**	**404**	**563**
Non-controlling interests	-	-	-	-	-
Net attributable profit	**454**	**12.4**	**20.7**	**404**	**563**

(1) Pro forma financial statements with Garanti Group accounted for by the proportional consolidation method, without early application of the IFRS 10, 11 and 12.
(2) At constant exchange rates.

Balance sheet (1)

(Million euros)

	Eurasia				
	31-12-13	Δ%	Δ% (2)	31-12-12	31-12-11
Cash and balances with central banks	2,596	10.6	33.2	2,346	1,340
Financial assets	7,085	(41.1)	(36.2)	12,027	11,538
Loans and receivables	30,004	(6.5)	1.4	32,088	38,837
Loans and advances to customers	27,247	(6.8)	0.8	29,245	33,942
Loans and advances to credit institutions and others	2,757	(3.0)	7.6	2,843	4,895
Inter-area positions	-	-	-	-	-
Tangible assets	273	(11.9)	2.5	309	605
Other assets	1,267	(18.5)	(9.7)	1,554	1,120
Total assets/Liabilities and equity	**41,223**	**(14.7)**	**(7.0)**	**48,324**	**53,439**
Deposits from central banks and credit institutions	9,725	(28.8)	(23.8)	13,665	18,038
Deposits from customers	17,292	(1.0)	12.1	17,470	21,786
Debt certificates	1,201	24.6	56.3	964	818
Subordinated liabilities	575	(36.0)	(35.8)	899	2,097
Inter-area positions	5,911	8.0	8.2	5,471	1,852
Financial liabilities held for trading	327	(21.1)	(17.1)	414	401
Other liabilities	3,078	(36.3)	(27.1)	4,835	4,160
Economic capital allocated	3,115	(32.4)	(29.0)	4,607	4,288

(1) Pro forma financial statements with Garanti Group accounted for by the proportional consolidation method, without early application of the IFRS 10, 11 and 12.
(2) At constant exchange rates.

Highlights in 2013

- Customer lending at very similar levels to those reported at the end of 2012.
- Excellent performance of customer funds, both retail and wholesale.
- In Turkey, impacts stemming from the depreciation of the Turkish lira and interest-rate movements.
- Slight deterioration of the risk indicators.
- Signing of a new agreement with the CITIC group.

Solid contribution despite environment

Relevant business indicators

(Million euros and percentage)

	Eurasia		
	31-12-13	31-12-12	31-12-11
Performing loans (1)	27,505	27,256	32,452
Customer deposits under management (1-2)	16,475	14,626	18,899
Mutual funds	1,332	1,408	1,255
Pension funds	634	608	474
Efficiency ratio (%)	42.6	46.8	44.1
NPA ratio (%)	3.4	2.8	1.5
NPA coverage ratio (%)	87	87	118
Risk premium (%)	1.11	0.97	0.33

(1) At constant exchange rates.
(2) Excludes repos.

Definition of the area

This area covers BBVA's activity in Europe (excluding Spain) and Asia. Specifically, it includes BBVA Portugal, Consumer Finance Italy and Portugal, the retail business of the branches in Paris, London and Brussels, and the wholesale banking activity carried out in the area. It also covers the Group's stake in Garanti (Turkey) and in CNCB and CIFH (China).

Macro and industry trends

The **European economy** has steadily improved over the course of 2013. Although in year-on-year terms GDP has declined by 0.4%, positive growth rates have been registered at the end of the year. One favorable aspect worth noting in the European recovery process is that it has not been limited to the core countries only; economic activity has also improved in the peripheral countries thanks to the reduced drain caused by the fiscal consolidation measures, and because financial tensions have been kept tightly in check, despite the existence of various factors that could have generated an upturn in sovereign risk premiums. These include: instability in some governments in southern Europe, reservations about the need to extend certain financial programs (offset in part by the completion of the Spanish and Irish programs) and problems managing the financial program in Cyprus.

As regards the **banking sector**, as explained in the "Economic, banking and regulatory background" section, the European political leaders have continued to make progress toward banking union. On October 23, the ECB released information on the process for comprehensive assessment of the balance sheets of the nearly 130 banks it will supervise in the second half of 2014. The results of this process will be of great importance in allaying doubts about the solvency of the European banking system, recovering investor confidence and quantifying the problems inherited from the crisis, which will have to be resolved at national level.

In **Turkey**, 2013 has been a year of two different macroeconomic settings . In the first half of the year, the Central Bank's loose monetary policy resulted in the yield of the 10-year bond falling to all-time lows, around 6.2%, and economic growth recovering after the soft landing in 2012. This scenario, together with the structural reforms implemented, such as the pension reform, paved the way for the upgrading of the Turkish credit rating, with Moody's rating the country's debt as investment grade and Standard & Poor's giving a rating one notch below. In contrast, the second half of the year was marked by social protests and the international markets anticipating a possible withdrawal of monetary stimuli by the Fed in the United States. In this situation, even though Turkey performed well in terms of GDP, interest rates rose, with the yield of the 10-year bond exceeding the 10% mark. This caused an outflow of capital from the country, stock market declines and a significant depreciation of the Turkish lira, which led the Central Bank of Turkey (CBT) to apply a more restrictive policy on the use of reserves and liquidity injections. This, in turn, increased the cost of finance for companies in general, and for the financial sector, in particular. Against this background, both the government and the CBT opted for a strategy to increase savings and stimulate the productive fabric, through a number of measures to slow down lending growth and improve financing to SME and export sector. The most relevant measures include: an increase in generic provisions for credit cards and consumer finance (to a lesser extent financing for exports and SMEs); an increased risk weighting in credit cards and loans for the auto industry; shorter maturities for consumer finance; and shorter payment periods for credit cards.

In this context, the Turkish **financial sector** maintains sound levels of capitalization and a high level of profitability, although the recent monetary policy tightening measures and interest rate movements are putting downward pressure on the margins of banking institutions. In recent months, the year-on-year rate of growth of lending seems to be slowing down, although it remains at levels above 20%, while gathering of customer funds continues to improve, but at a slower pace than lending. Lastly, the sector's asset quality does not seem to be worsening and the NPA ratio remains contained.

In 2013, the **Chinese** economy continued to grow strongly in year-on-year terms, at 7.7%, similar to the figure registered in 2012, despite the "soft patch" seen in the first half of the year. The fast growth in the second half of 2013 has been underpinned by a number of piecemeal fiscal stimulus measures and increased confidence after the uncertainty surrounding the economic policies derived from the political transition in the country was dispelled. The new authorities remain committed to institutional reforms, but also to the maintenance of the growth targets, and seem to be more determined to tackle some of the problems afflicting the economy. In particular measures are being taken to address the financial weaknesses stemming from the shadow banking sector. Worth mentioning in this regard is the audit conducted on local financial institutions as well as the plans to liberalize interest rates open the country up to foreign banks and introduce a deposit guarantee scheme.

The strong growth in **lending** has continued in recent months, despite the government's efforts to limit the risks of high indebtedness, which has led to moments of liquidity tension in the interbank market. There has also been a moderate upturn in the NPA ratio, particularly in small and medium-sized banks, in which small companies have a greater weight (and which are therefore more vulnerable to a less favorable economic environment).

Lastly, regarding the **exchange rate**, the Turkish lira depreciated strongly in the second half of the year, although this was partially offset by the measures applied by the Central Bank of Turkey. In order to provide a better understanding of trends in business and earnings in the area, the figures below on percentage changes refer to constant exchange rates, unless indicated otherwise.

Management priorities

In 2013

In terms of business in **Europe**, in 2013 the area focused its efforts on managing prices and the liquidity gap, prioritizing both the relationship with customers and cross-selling over volume growth.

In **Turkey**, BBVA continued to focus its attention on managing the relationship with Garanti in 2013. Garanti and the Group have continued to exchange know-how and work closely in order to gain a better understanding of each other and increase the exchange of information. One aspect worth noting is the collaboration between BBVA Global Markets and Garanti for the distribution of Turkish assets to international institutional customers. Garanti has also set up a new Consumer Finance unit according to the new strategy defined by BBVA Consumer Finance. In addition, Garanti Payment Systems is carrying out many payment projects together with various Group banks, BBVA Bancomer being one of the most important. Garanti has also handled many local relationships of BBVA CIB corporate customers and launched in Luxembourg several mutual funds that invest in Turkey under the BBVA Asset Management platform. Lastly, Garanti has been involved in the global campaign conducted by BBVA to promote its alternative distribution channels, with the participation of top players from the Spanish soccer league (sponsored by BBVA) and the U.S. (BBVA Compass) and Turkish (Garanti) basketball leagues.

The main challenge faced by **Garanti** has been managing the profitability of its balance sheet in a scenario of high market volatility and complexity, especially in the second half of the year. The Turkish bank has continued to be at the forefront of new technologies and committed to launching new products aimed at integrating the social networks, in order to maintain its leadership position in these media in Turkey.

Lastly, as regards BBVA's stake in **CNCB**, a new collaboration agreement has been signed with CITIC Group in the fourth quarter of 2013, which included the sale of part of BBVA's stake in CNCB to its main partner, CITIC Limited. Specifically, 5.1% of the capital held by BBVA was sold. After this sale, the Group remains a large shareholder in CNCB, with a 9.9% stake, and continues to be committed to China. However, this transaction enables the Bank to anticipate future regulatory requirements and adequately and efficiently manage a relatively scarce resource such as capital.

In 2014

Management priorities in 2014 will continue to be focused on:

- In **Europe**, the focus in terms of lending growth will continue to be selective in specific portfolios and customers. On the liabilities side, customer fund gathering will continue to be boosted. The aim is to properly manage the area's liquidity. Price management will also be important, as well as promoting cross-selling and controlling costs, in order to maintain the value of the franchise.

- In **Turkey**, managing the BBVA-Garanti relationship will continue to be critical, particularly in those fields where they have an extensive knowledge base and/or a leadership position. On the technological front, BBVA will continue leveraging on Garanti's technological platform in different areas. Collaboration among the work teams of the various units will also continue to be encouraged.

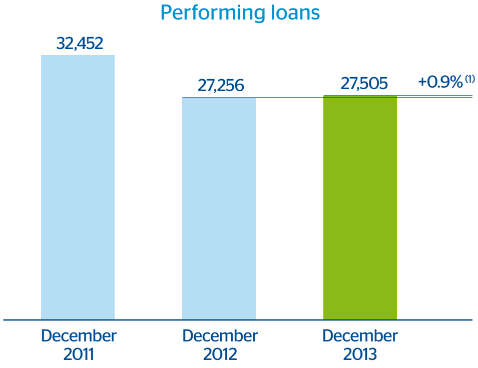
- As regards **Garanti**, the focus will be on price management, particularly the optimization of the interest-rate spread and customer spreads. In line with the commitment to organic growth announced in 2013, attracting business through alternative channels will be a fundamental instrument for increasing efficiency in retail banking. Combined with a more rigorous cost policy, Garanti will continue to monitor the NPA flows in order to maintain the levels of asset quality. Lastly, in payment systems, the key will be to maintain profitability and adapt the business model to the new regulations approved at the end of 2013.

Activity

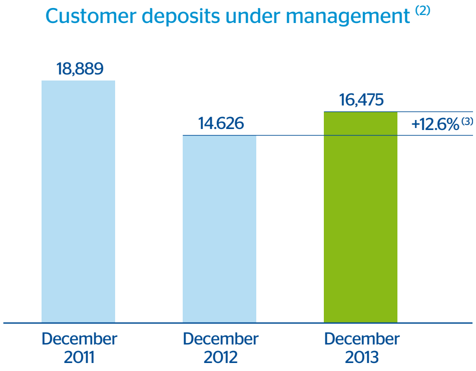
One highlight in the area's activity is the changing mix seen in 2013. Performing loans are very much supported by the retail business, thanks to their positive performance in Garanti, while they have declined in wholesale portfolios. One highlight in customer funds is the positive performance of retail customer deposits and the recovery of deposits in the wholesale segment.

Eurasia. Key activity data

(Million euros at constant exchange rates)



(1) At current exchange rates: -6.6%.

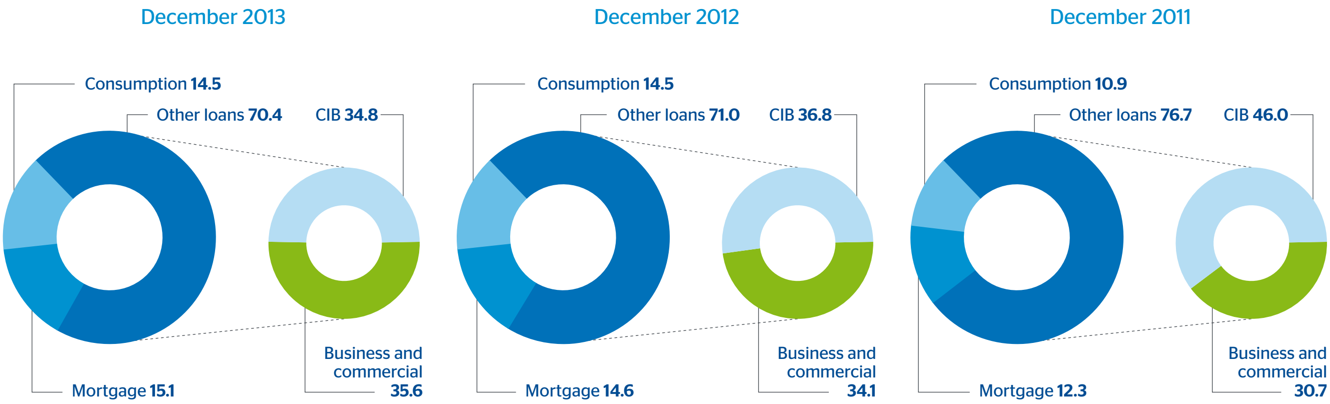


(2) Excluding repos.
(3) At current exchange rates: -0.1%.

In the aforementioned context, the area's balance of **performing loans** as of 31-Dec-2013 is very similar to the close of the preceding year, €27,505m (up 0.9% year-on-year). This is due to the deleveraging process underway among the customers of the wholesale business in the region, since retail activity continues to perform well. Worth noting is the strong performance of Garanti Bank's portfolios, particularly those of Turkish lira-denominated loans, which are up 27.3% in year-on-year terms. There has also been an improvement in the foreign-currency portfolio, geared to project finance (up 9.9% year-on-year).

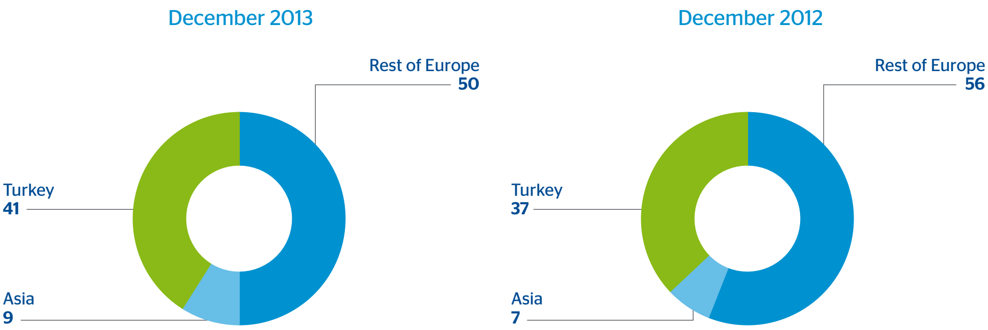
Eurasia. Performing loans breakdown

(Percentage)



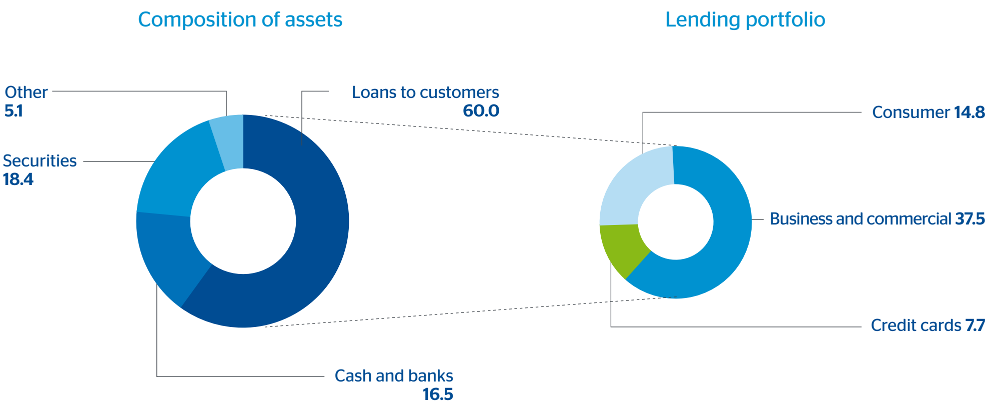
Eurasia. Performing loans breakdown by geographical area

(Percentage)



Garanti. Composition of assets and lending portfolio [1]

(December 2013. Percentage)

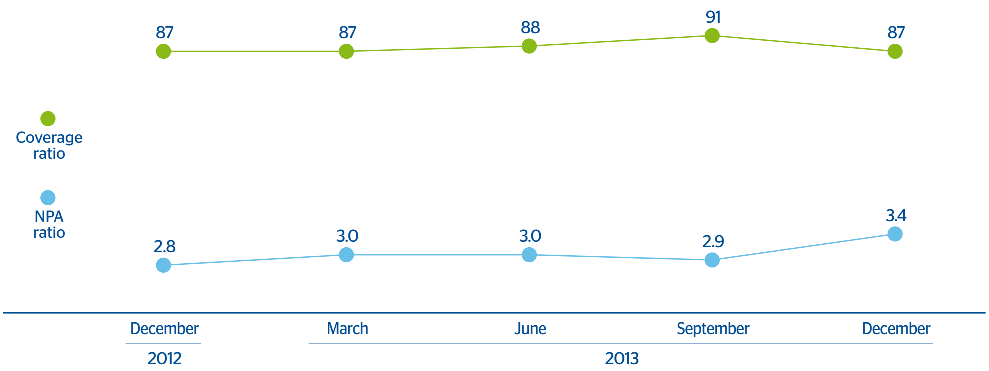


(1) BRSA data for the Garanti Bank. There has been a new classification in the composition of the lending portfolio which affects consumer and the business and commercial aggregate.

As regards the area's **asset quality**, there has been a slight upward movement in the NPA ratio in the year (from 2.8% as of 31-Dec-2012 to 3.4% as of 31-Dec-2013) due to the deleveraging process in Europe and the exchange-rate effect in Turkey. The area's coverage ratio closed the year at the same levels as in 2012, at 87%.

Eurasia. NPA and coverage ratios

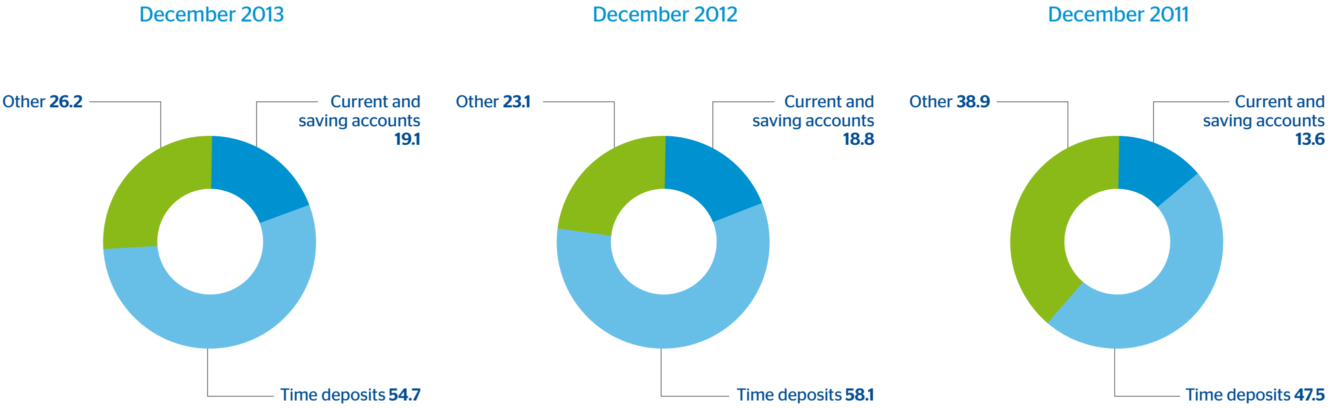
(Percentage)



Customer deposits under management closed 2013 at €16,475m, up 12.6% on the figure at the end of 2012. Noteworthy is the increase in the balances of wholesale banking customers, which were up 9.3% over the year, and in the retail business, which registered year-on-year growth rates of 13.6%. In customer funds, Garanti Bank's local-currency deposits have performed well (up 20.6% year-on-year), well above the sector average (up 14.6%), which has resulted in a year-on-year increase in market share of around 50 basis points, according to the latest information available as of 31-Dec-2013. The year-on-year increase in foreign-currency deposits has been 3.5%.

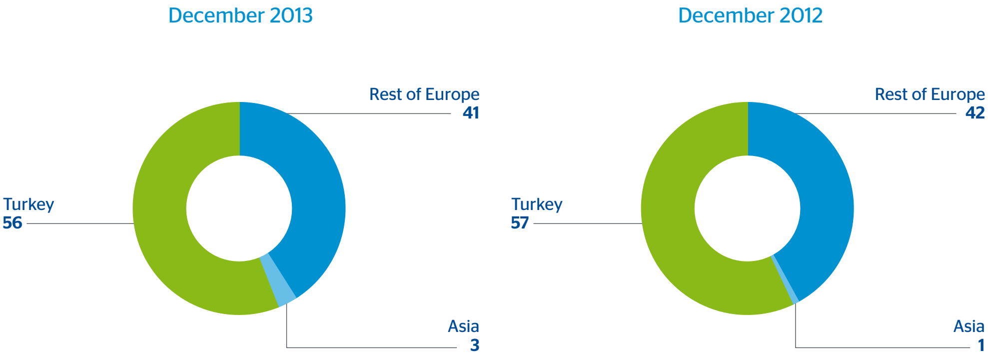
Eurasia. Breakdown of customer deposits under management

(Percentage)



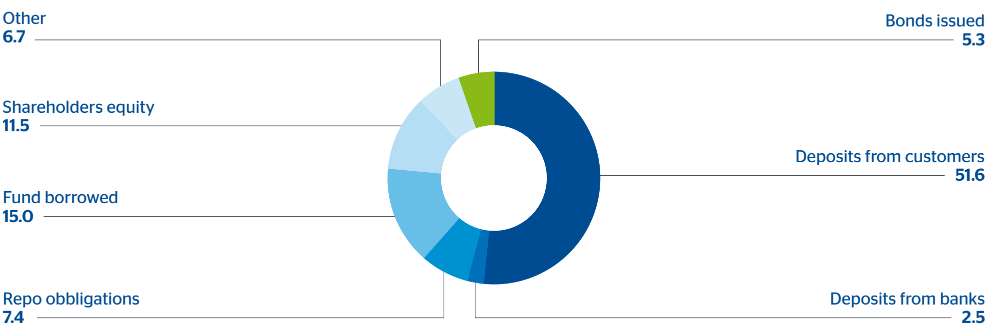
Eurasia. Breakdown of customer deposits under management by geographical area

(Percentage)



Garanti. Composition of liabilities [(1)]

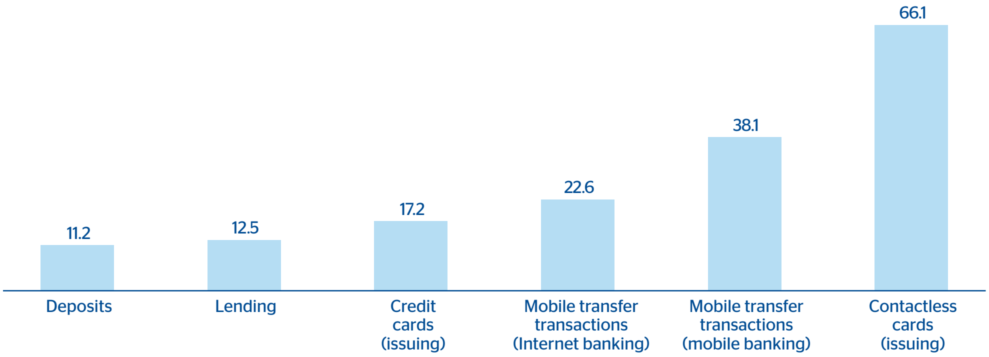
(December 2013. Percentage)



(1) BRSA data for the Garanti Bank.

Garanti Bank. Market shares

(Percentage)



Note: Figures at 31-12-13 for deposits, lending and credit cards (issuing). Figures at 30-09-13 for mobile transfer transactions (Internet banking), mobile transfer transactions (mobile banking) and contactless cards (issuing).
Source: BRSA/Bank Association of Turkey (TBB).

From the point of view of **solvency**, Garanti Bank continues to have sound levels of capitalization (CAR at 14.4% as of December 31), despite the aforementioned impact of the lira depreciation.

Earnings

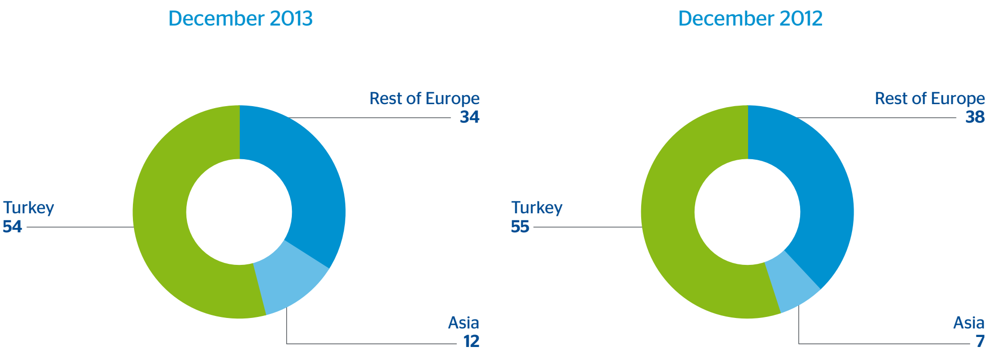
With the aim of providing a better understanding of the area's recurrent business, the results in the fourth quarter from the mark to market valuation of BBVA's current stake in CNCB and the income by the equity method (excluding dividends) have been classified as results from corporate operations within the Corporate Center.

Earnings in the year have been affected by the negative impact of the depreciation of the Turkish lira, which has distorted the year-on-year comparison in all the lines, particularly net interest income. This heading has also been affected by the reduction in the customer spread in Garanti caused by the interest rate increase in Turkey in the second half of the year. Apart from the foregoing, the most significant aspects of Eurasia's income statement in 2013 are as follows.

In the second half of the year, net interest income continued to be negatively affected by interest-rate movements in Turkey during that period and their impact on customer spreads in Garanti. This is despite the slight improvement seen in the last weeks of the year, due to better performance in new loan origination and the easing of the increase in deposit costs. Nevertheless, the area's net interest income increased by 14.7% compared to the figure for the same period in 2012, to €911m. Net income from fees and commissions stands at €391m, down 10.1% over the year, influenced by lower revenue from wholesale banking customers. This heading has improved steadily throughout the year due to the more positive performance of Garanti, especially in those headings most closely related to business activities with its customers. A good performance by NTI, which totals €194m in 2013, up 54.2% on the amount for 2012, thanks to the excellent performance of the area's Global Markets unit. As a result of the above, **gross income** in Eurasia stands at €1,721m in 2013, up 8.6% year-on-year.

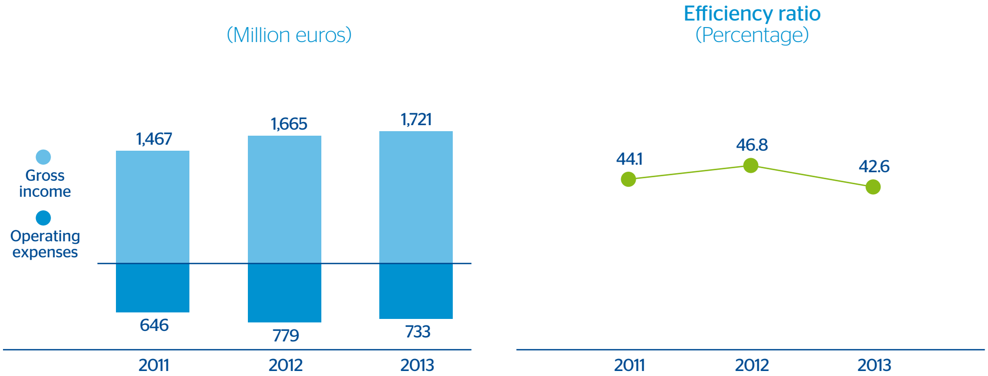
Eurasia. Gross income breakdown by geographical area

(Percentage)



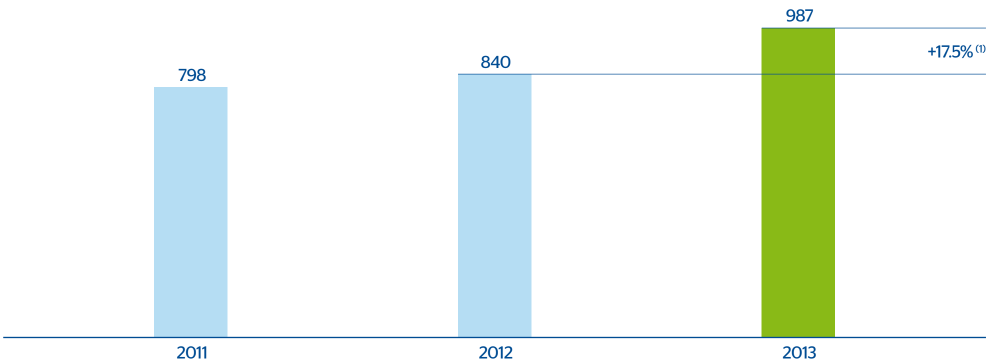
Operating expenses continue to be held in check. They declined 1.4% over the last twelve months to €733m, despite the effect of the expansion plans implemented by Garanti during the year. In fact, since the close of 2012, Garanti Bank's branch network has increased by 65 and the number of ATMs by 495; the expenses resulting from the launch of i-Garanti before the summer should also be taken into account. This performance of revenues and expenses has led to an improvement in the area's efficiency ratio, which closed as of 31-Dec-2013 at 42.6%, and a year-on-year increase in **operating income** of 17.5% to €987m.

Eurasia. Efficiency



Eurasia. Operating income

(Million euros at constant exchange rates)



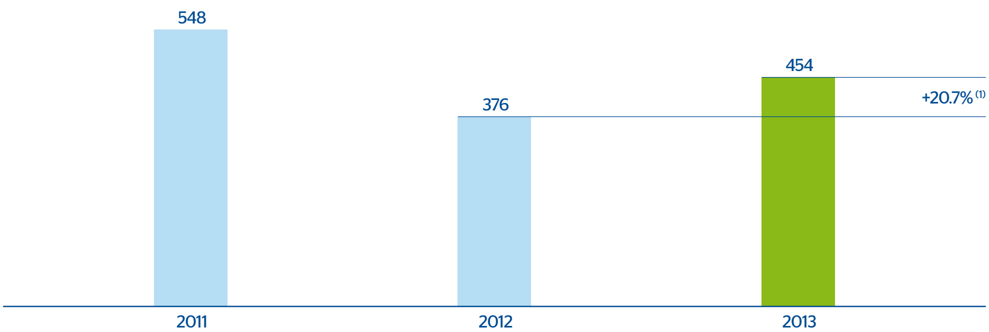
(1) At current exchange rates: +11.4%.

Impairment losses on financial assets as of December stand at €330m, up 3.8% on the amount for the same period in 2012. This rise was due to the greater generic provisions arising from increased activity in Garanti and new regulations in Turkey, which came into force recently, increasing the percentage of generic provisions for the credit card and consumer loan portfolios.

Overall, Eurasia generated a net **attributable profit** in 2013 of €454m, up 20.7% on 2012. Of this figure, €267m (58.9%) comes from Garanti's contribution.

Eurasia. Net attributable profit

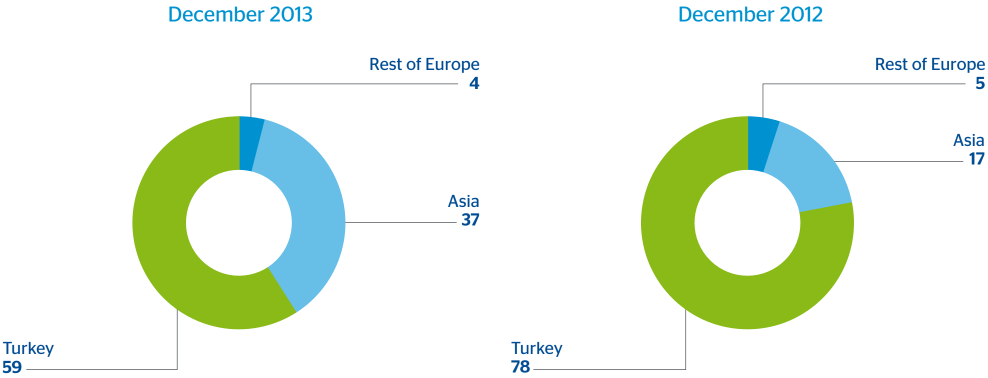
(Million euros at constant exchange rates)



(1) At current exchange rates: +12.4%.

Eurasia. Net attributable profit breakdown by geographical area

(Percentage)



Garanti Bank provides service to 12.4 million customers through a staff of 18,738 people across a network of 1,001 branches and has 4,003 ATMs, according to data available at the close of 2013. The main highlights of its earnings are summarized below:

- Net interest income performance closely linked to the country's macroeconomic situation. In the first half of the year, Garanti experienced a significant reduction in the cost of its liabilities in liras. However, market conditions led to an upturn in the cost of deposits, particularly in the third quarter. But the bank's reaction, raising the interest rates for its loans, has enabled it to recover its income in the latter part of 2013. Thus, Garanti Bank's net interest income increases by 13.6% on the figure for the same period the previous year .

.

- Good performance of income from fees and commissions, underpinned by stronger activity and the high capillarity of the branch network.

- Higher level of loan-loss provisions as a result of the increase in generic provisions due to stronger activity and the new regulations that have been introduced.

- To sum up, increased activity and a diversified revenue base have enabled Garanti Bank to generate a net attributable profit of €1,186m in 2013 (€1,214m in 2012). Combined with the contribution from the other subsidiaries which belong to Garanti Group, the net attributable profit amounts to €1.344m, compared with the €1,326m registered in 2012.

Garanti. Significant data at December 2012 and 2013 [1]

	31-12-13	31-12-12
Financial statements (million euros at constant exchange rate)		
Attributable profit	1,186	1,214
Total assets	66,508	54,110
Loans and advances to customers	40,085	30,880
Deposits from customers	34,309	28,265
Relevant ratios (%)		
Efficiency ratio [2]	46.7	46.3
NPA ratio	2.1	2.3
Other information		
Number of employees	18,738	17,285
Number of branches	1,001	936
Number of ATMs	4,003	3,508

(1) BRSA data for the Garanti Bank.
(2) Normalized figure excluding the effect of regulatory and non-recurrent items.

Main highlights

The main highlights in 2013 refer to **Garanti**. The most relevant highlights are summarized below:

- International investor confidence in Turkey and, therefore, in Garanti, as one of the leading financial institutions in the country, led the Turkish bank to complete its first **Eurolira issuance** in early March of long-term Turkish lira-denominated bonds. The issue placed a total of 750 million Turkish lira in 5-year bonds, basically in the United Kingdom and the United States. This international investor confidence was again clear with the renewal and extension, at a lower cost, in the fourth quarter of 2013 of the **syndicated loan** with 35 banks closed in 2012.

- Following the launch in January of the new private **pension** system with direct government incentives, Garanti Pension became the market leader in terms of number of participants, with a 18.5% market share at the end of December 2013 (latest available figure). The subsidiary of the Garanti Group has made a notable effort to attract customers at a time when the sector is experiencing a boom period (240,000 new contracts in 2013).

- In the area of **corporate responsibility**, Garanti's policy has been focused on two issues: the role of women in the business world, and providing improved accessibility for the disabled. The bank has been part of the Turkish delegation that explained the progress made in the field of accessibility at one of the forums held during the recent United Nations General Assembly. In addition, Garanti has adapted over 100 ATMs and 30 branches to provide improved access for the disabled. In addition, Garanti was also the host bank for the 12th annual summit of the Global Banking Alliance for Women, where there were representatives from 30 financial institutions from 24 countries. These summits aim to develop programs that provide women entrepreneurs with training and access to markets. Its projects focused on education and support for women entrepreneurs include: The first class graduated at the Women Entrepreneur Executive School, where 264 women received classes in innovation and sustainable company management and more than 240 graduated. The Women Entrepreneur Executive School will be extended to new cities in 2014. Lastly, also in education, and in partnership with Unicef, conditions have been improved at four schools in Istanbul and Ankara to reach international primary education standards.

- Under the awards and recognitions heading, the magazine *Bloomberg Markets* has put Garanti in the "Top 20" of its global list of the soundest banks. The ranking includes around 80 banks with assets valued at over USD 100 billion. It is the first time that a Turkish financial institution has appeared on this list. In addition, the magazine *Global Finance* named Garanti "Best Bank in Turkey" in its Best Global Banks 2013 rating, while the 2012 Annual Report (and its interactive version) of its Investor Relations team has received a prize at the ARC Awards. These awards are organized by MerComm, a U.S. organization that defines standards of excellence in the field of communication. In addition, Global Banking & Finance named Garanti "Best Internet Bank" and "Best Project Finance House" in Turkey in 2013. As for awards for specific products, Garanti's subsidy search tool, which provides assistance and information to SMEs on subsidies available, received the "Best Customer Focus" prize at the British Best Business Awards. "Esparacard", Garanti's contactless payment card, was awarded the "Best use of contactless/NFC technology" prize in the "Transportation and Ticketing" category at the Contactless and Mobile Awards 2013 sponsored by VISA and held in London. Lastly, Garanti was awarded the Best Financial Institution Bond prize by EMEA Finance for the Eurobond issue completed at the end of 2012 (USD 1,350 million).

- In the area of new technologies, Garanti has reinvented the concept of mobile banking through a new application for smartphones. "i-Garanti" integrates the social media into banking transactions made through mobile devices and gives users the opportunity to access important promotions. At the end of 2013, i-Garanti registered over 140,000 downloads.

Mexico

Income statement

(Million euros)

	Mexico				
	2013	∆%	∆% (1)	2012	2011
Net interest income	**4,484**	**7.3**	**7.7**	**4,178**	**3,782**
Net fees and commissions	1,184	10.3	10.7	1,073	1,015
Net trading income	208	(4.6)	(4.3)	219	296
Other income/expenses	325	13.4	13.7	286	229
Gross income	**6,201**	**7.7**	**8.1**	**5,756**	**5,323**
Operating expenses	(2,335)	7.8	8.2	(2,166)	(1,931)
Personnel expenses	(996)	9.4	9.8	(910)	(820)
General and administrative expenses	(1,176)	4.8	5.2	(1,122)	(1,006)
Depreciation and amortization	(163)	22.1	22.5	(133)	(105)
Operating income	**3,865**	**7.7**	**8.0**	**3,590**	**3,392**
Impairment on financial assets (net)	(1,439)	9.0	9.4	(1,320)	(1,180)
Provisions (net) and other gains (losses)	(64)	56.9	57.5	(41)	(59)
Income before tax	**2,362**	**5.9**	**6.3**	**2,229**	**2,153**
Income tax	(557)	3.2	3.5	(539)	(514)
Net income	**1,805**	**6.8**	**7.2**	**1,690**	**1,639**
Non-controlling interests	(1)	2.3	2.7	(1)	(1)
Net attributable profit	**1,805**	**6.8**	**7.2**	**1,689**	**1,638**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	Mexico				
	31-12-13	∆%	∆% (1)	31-12-12	31-12-11
Cash and balances with central banks	6,175	3.5	8.8	5,968	5,503
Financial assets	29,528	0.4	5.6	29,396	25,961
Loans and receivables	40,940	(2.9)	2.1	42,165	37,759
Loans and advances to customers	38,517	3.1	8.4	37,364	32,926
Loans and advances to credit institutions and others	2,423	(49.5)	(46.9)	4,801	4,833
Tangible assets	1,292	10.6	16.3	1,168	984
Other assets	4,235	40.0	47.3	3,025	1,950
Total assets/Liabilities and equity	**82,171**	**0.5**	**5.7**	**81,723**	**72,156**
Deposits from central banks and credit institutions	11,209	(18.1)	(13.8)	13,680	10,368
Deposits from customers	40,304	10.1	15.8	36,602	35,583
Debt certificates	3,917	(0.9)	4.2	3,952	3,889
Subordinated liabilities	3,627	(14.6)	(10.2)	4,249	2,399
Financial liabilities held for trading	5,784	(0.8)	4.3	5,830	5,438
Other liabilities	13,060	4.5	9.9	12,498	10,312
Economic capital allocated	4,270	(13.1)	(8.6)	4,912	4,168

(1) At constant exchange rate.

Highlights in 2013

- Buoyant activity transferred to revenues.
- Good management of customer spreads.
- BBVA Bancomer, one of the most efficient banks in the Mexican financial system.
- Stability in risk indicators.
- Sale of Afore Bancomer.

The leading franchise

Relevant business indicators

(Million euros and percentage)

	Mexico		
	31-12-13	31-12-12	31-12-11
Performing loans [1]	38,678	35,217	32,613
Customer deposits under management [1-2]	40,809	38,417	37,085
Mutual funds	16,896	17,492	15,612
Pension funds	-	-	-
Efficiency ratio (%)	37.7	37.6	36.3
NPA ratio (%)	3.6	3.8	3.6
NPA coverage ratio (%)	110	114	120
Risk premium (%)	3.57	3.48	3.48

(1) Figures at constant exchange rate.
(2) Including all the repos.

Definition of the area

This area comprises the banking and insurance businesses conducted in Mexico by BBVA Group (hereinafter, "BBVA Mexico").

On January 9, 2013, BBVA Group successfully concluded the sale of its stake in the Mexican company Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. to Afore XXI Banorte, S.A. de C.V. The total adjusted price was USD 1,735m and the capital gain, net of tax, around €800m.

Macro and industry trends

The Mexican **economy** slowed significantly in 2013, although mainly in the first half of the year, as the pace of growth picked up in the second half. Overall, GDP barely grew by just above 1%. This sluggish growth was due to the weak performance of the industrial sector linked to foreign demand, but also to the decrease in public investment. Moreover, Mexico has not been isolated from the volatility caused by the tapering in the United States, although it has resisted better than other emerging economies. Despite the upturn in the fourth quarter, inflation has remained under control, particularly in its core component. The Central Bank of Mexico (Banxico) was therefore able to make a further cut in its rates in the second half of the year to boost growth, thus applying a more expansive monetary policy. In 2013, Banxico cut rates by 100 basis points. A reform package was also presented as part of the Pact for Mexico promoted by the new government. In general, the reforms put forward up to the end of 2013 (labor, telecommunications, financial, fiscal and energy) have been well received, although many of the details of their implementation still have to be made known. An appropriate implementation would increase the growth potential of the Mexican economy.

Against this background, the final **exchange rate** of the Mexican peso against the euro depreciated by 4.9% over the year, leaving the average rate at a very similar figure to that of 2012, with only a slight year-on-year depreciation of 0.3%. This pattern has a negative effect on the comparison of the balance sheet and activity of the area, although in earnings the effect is practically neutral over the year. As in previous reports, all the comments that refer to percentage changes will be expressed at constant exchange rates, unless expressly stated otherwise.

The country's **banking system** has remained strong in 2013, with good asset quality, sound capitalization levels and good indicators of profitability and efficiency. Moreover, most of the industry's funding comes from local-currency deposits. This has protected the sector from the turbulence in international financial markets. In a statement published following its meeting on September 30, the Financial System Stability Council (CESF) pointed out that although Mexico has not escaped the volatility of the international financial markets in the second half of 2013, the strength of its financial system and clear, transparent and predictable policies have combined to ensure a more limited impact and milder adjustments than in other emerging economies.

Lastly, on November 22, 2013, Banxico published its report on the Mexican banking system, highlighting its strength, high level of solvency and profitability, but also lower rate of growth. The lagging growth in the first part of 2013 prompted a slowdown in credit growth (a rise of 7.8% year-on-year as of December 2013, compared with 11.2% on the same date the previous year, according to figures by the National Banking and Securities Market Commission CNBV), and an upturn in the NPA ratio, largely concentrated among companies in the residential construction sector and in certain consumer finance segments.

Management priorities

BBVA in Mexico engages in **banking activity** through BBVA Bancomer S.A., a universal bank that offers specialized and personalized service for its customers, who are at the core of its customer-centric business

BBVA Bancomer is the **leader** in the main lines of banking business. It is present across the whole country and is in the leading position in most of the states of the Mexican Republic.

BBVA Bancomer's **business model** is based on offering banking products and services to retail and wholesale customers through networks specialized in each segment. Its priority is to improve the quality of the service offered to its customers through a strategy levered on technology, innovation and multi-channel distribution. It also has a philosophy of prudent risk control and maintains a long-term goal of growth and profitability.

In 2013 BBVA Bancomer implemented an important **Transformation Plan** that covers a range of subjects:

- Modification of the organizational structure, with the creation of two main areas: the first is Commercial Development and Payment Channels and Transformation; the second, Quality and Corporate Development.

- Changes in the networks' geographical distribution, ensuring territories and divisions are uniform in the Commercial Network, Wealth Management Network and Corporate & Government Network.

- Transformation of the business model with the "Experiencia Única" (Unique Experience) project, which modifies branch management and customer service. It also includes the transformation of customer-facing processes in order to increase efficiency. The aim is to standardize the front-office protocols to improve the experience and quality of the service. It also seeks to avoid saturation in branches by boosting the multi-channel model and improving operational processes within the branch to reduce the time elapsed in concluding contracts for products and services. The Unique Experience was implemented in 1,300 branches in 2013, amounting to 70% of the Commercial Network and 100% of the branches of the Wealth Management and Corporate & Government Networks.

Other management priorities in **2013** have been as follows:

- Execution of the Investment Plan, aimed at remodeling the branch network, the launch of investment projects in technology and the construction of the new corporate headquarters, as well as the implementation of other strategies to boost commercial activity.

- Maintenance of a high rate of business profitability, despite moderate economic growth and reduced interest rates, through appropriate risk management.

- Boost to commercial activity through modification of the strategy in marketing campaigns and commercial management in branches, with the chief aim of increasing the profitability of credit portfolios and customer deposits.

- Maintenance of the bank's leading position without compromising business profitability.

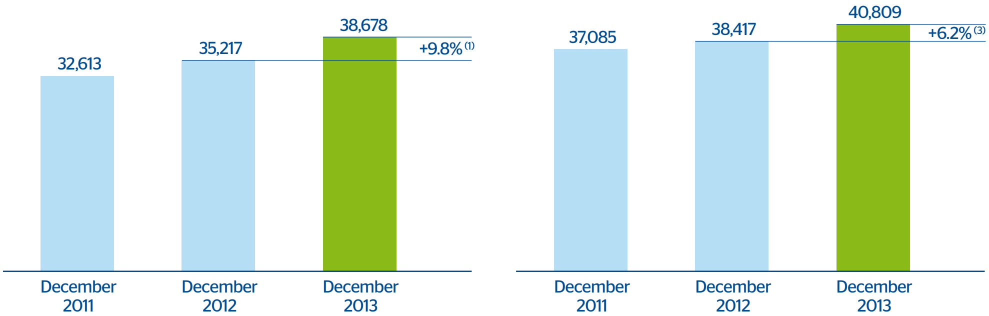
Management priorities in **2014** will focus on:

- Continuing to improve customer service.
- Increasing the use of digital channels to streamline the service offered in branches and increase the profitability of the customer base.
- Continuing to boost commercial activity, but without neglecting quality. The commercial and management initiatives already implemented in 2013 will remain in place, and new projects will be launched with the aim of increasing commercial activity and improving processes and service quality.
- Maintaining high levels of recurring earnings with appropriate cost control.

Activity

There has been an upturn in BBVA's commercial activity in Mexico during 2013, despite the slower growth in GDP. **Performing loans** have risen in the latter part of the year, and at the close of 2013 stood at €38,678m, up 9.8% on the close of 2012.

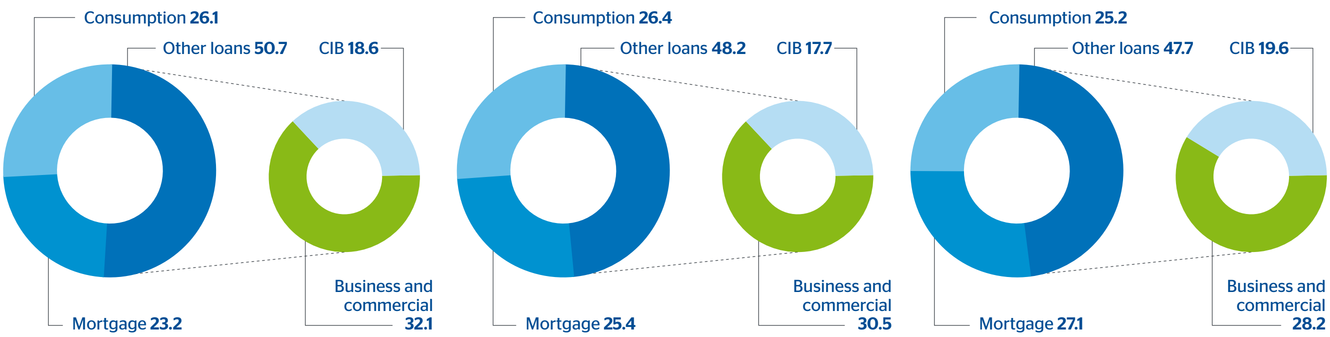
Mexico. Key activity data
(Million euros at constant exchange rate)



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

(2) Including all the repos.
(3) At current exchange rate: +1.0%.

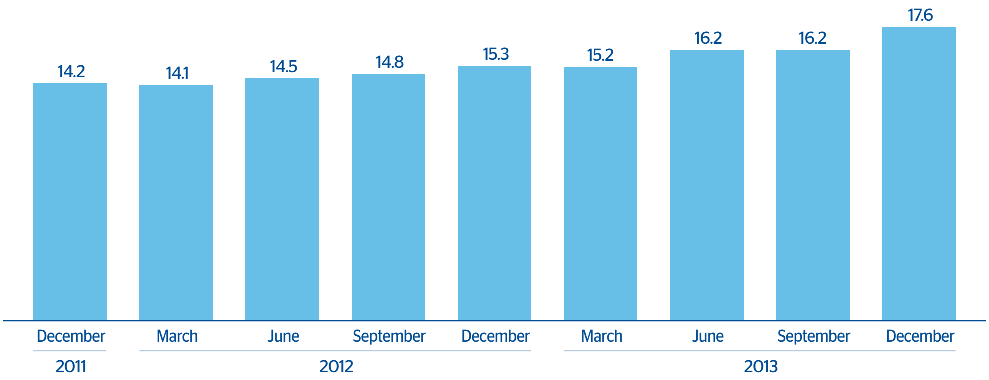
Mexico. Performing loans breakdown
(Percentage)



The biggest growth in the latter part of the year was posted by the **wholesale portfolio**, at 14.7% year-on-year. Outstanding in this portfolio is the increase in financing to medium-sized enterprises (up 20.2%). Corporate lending also performed well. In addition, the area has played an active role in placing its customer' shares and fixed-income instruments. As a result, BBVA Bancomer has maintained its leading position in the Mexican capital market, with a market share of 15% in local issues, according to cumulative data through December 2013 from the Mexican Stock Exchange (BMV). As a result, it has been named "Best Investment Bank in Mexico" by Latin Finance magazine. Lastly, there has also been a marked recovery in lending to government bodies, above all in the last two quarters of 2013, with growth of 5.3% year-on-year.

Mexico. Wholesale portfolio evolution

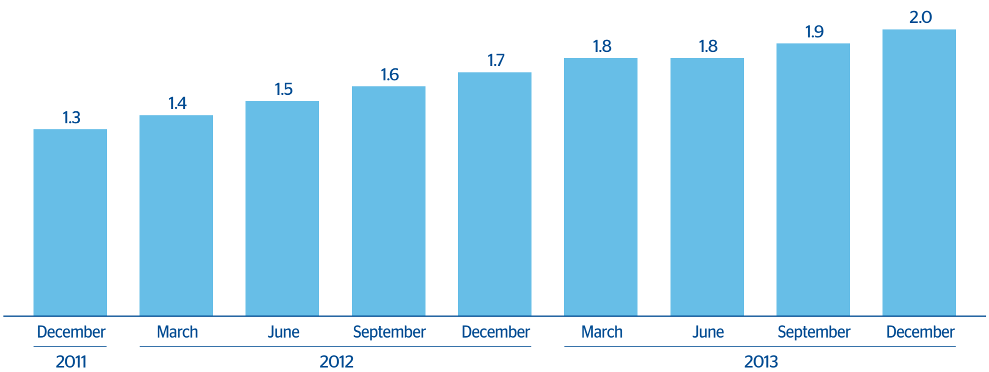
(Billion euros at constant exchange rate)



The **retail portfolio** segments reported growth of 6.7% over the year, with financing to small businesses performing particularly well, up 21.9% year-on-year. The Bank has launched the new "Red PyME" (SME Network) in this segment, which has extended the specialized business centers to cover the whole of Mexico. This new service model includes commercial alliances to drive lending and, using BBVA Group's customer-centric approach, offer customers products that best fit their needs. Within the consumer portfolio, the successful pre-approved loan campaigns significantly boosted lending, above all in the second half of the year. 2013 closed with a rise of 15.3% on the previous year's balance and a rise in market share of over 50 basis points since June 2013, according to the latest information available from the CNBV as of December 2013.

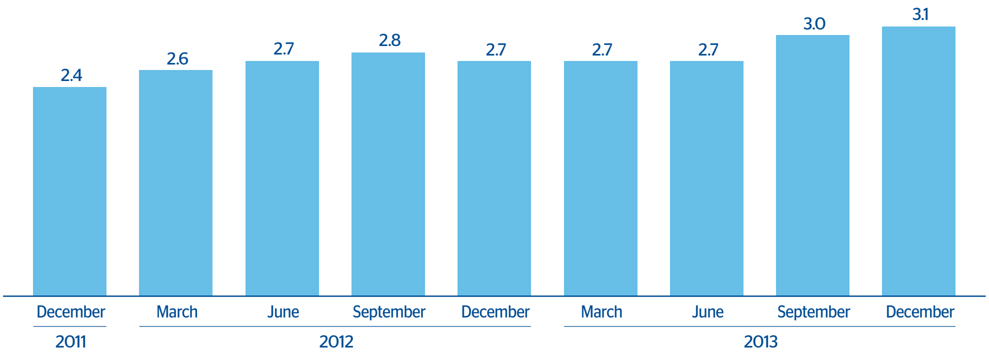
Mexico. Lending to small businesses evolution

(Billion euros at constant exchange rate)



Mexico. Consumption portfolio evolution

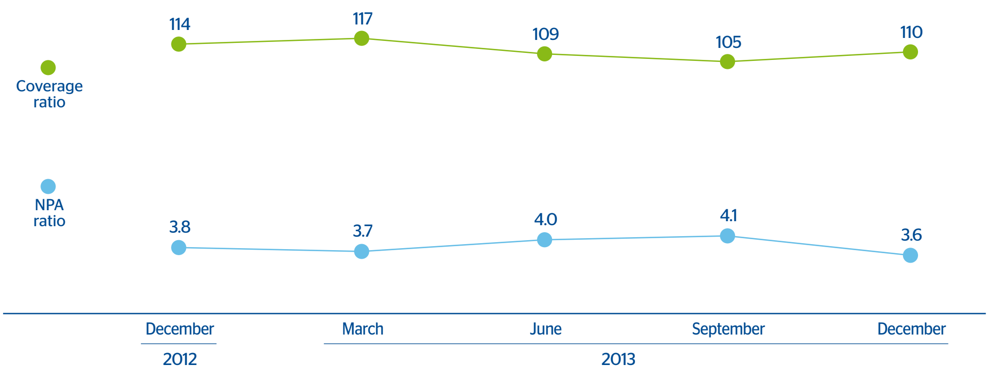
(Billion euros at constant exchange rate)



The area's **asset quality** indicators have also been positive, and improved over the year. At year end, the NPA ratio was 3.6% (3.8% at end of December 2012) and the coverage ratio stood at 110% (compared with 114% as of 31-Dec-2012).

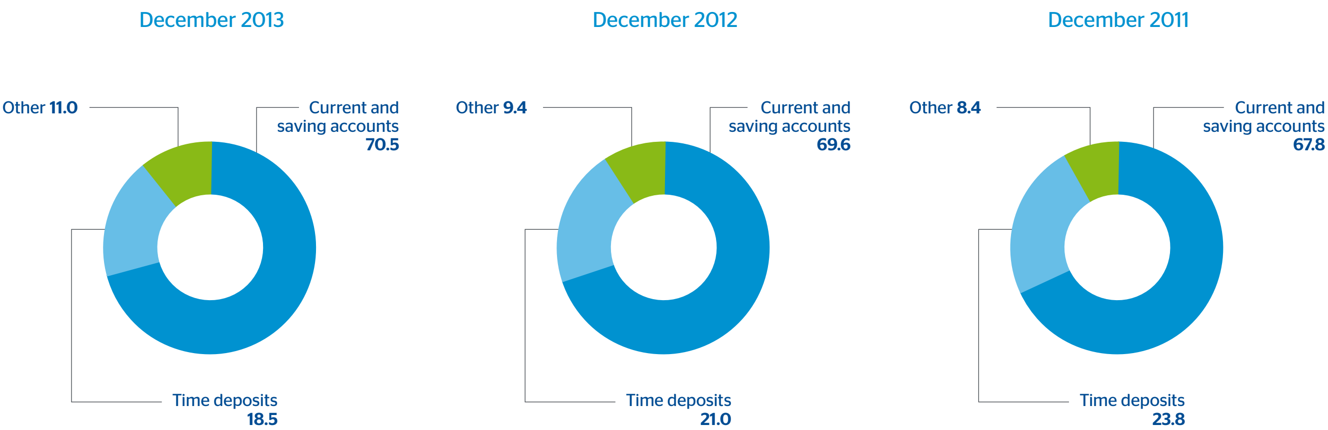
Mexico. NPA and coverage ratios

(Percentage)



Customer funds, which include demand deposits, time deposits, repos, mutual funds and other off-balance-sheet funds, totaled €60,489m at the end of 2013, with a year-on-year rise of 5.5%. This amount has been highly conditioned by the area's policy in 2013 of increasing the profitability of liabilities. As a result, BBVA in Mexico has an adequate fund mix, with a higher relative weight of demand deposits, which have performed well with growth of 10.6% over the year.

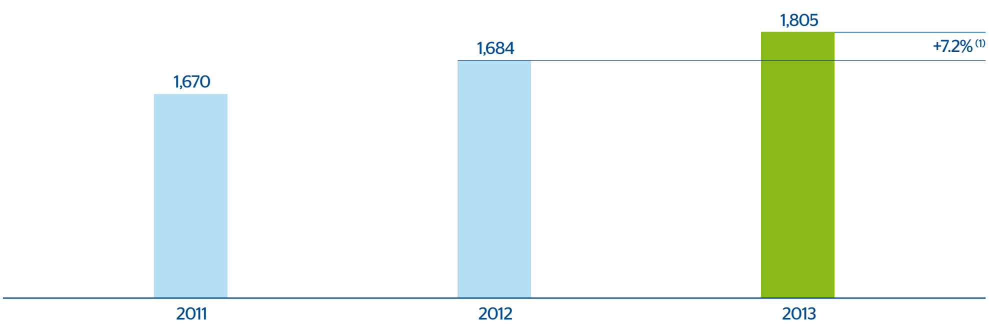
Mexico. Breakdown of customer deposits under management
(Percentage)



Earnings

At the end of 2013, BBVA in Mexico reported a **net attributable profit** of €1,805m, a year-on-year growth of 7.2%. Some of the most important factors accounting for this performance are given below.

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

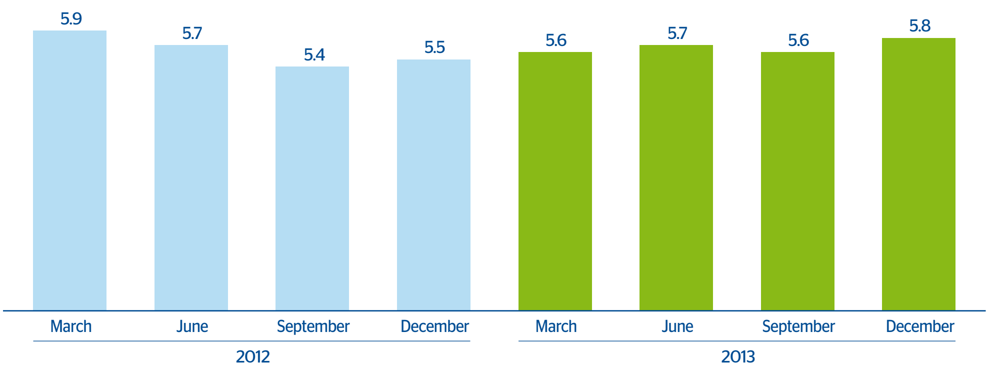


(1) At current exchange rate: +6.8%.

Cumulative net interest income amounts to €4,484m, up 7.7% year-on-year, on the back of higher lending volumes and good management of customer spreads. This performance in net interest income by BBVA Bancomer compares positively with that of its main peers. In fact its net interest income over ATA (according to local accounting data) stands at 5.6%, more than 80 basis points above the market average, according to CNBV figures for the close of December 2013. Income from fees and commissions is up 10.7% over the year, boosted by more credit card transactions and increased revenue from the Bank's participation in market issuance by its corporate customers. It was a positive year for NTI, albeit more moderate than in 2012 (down 4.3%). Lastly, the other income/expenses heading, which basically includes revenue from the insurance business, has increased by 13.7% during the year. As a result, **gross income** amounted to €6,201m, an increase of 8.1% on 2012.

Mexico. Net interest income over ATA

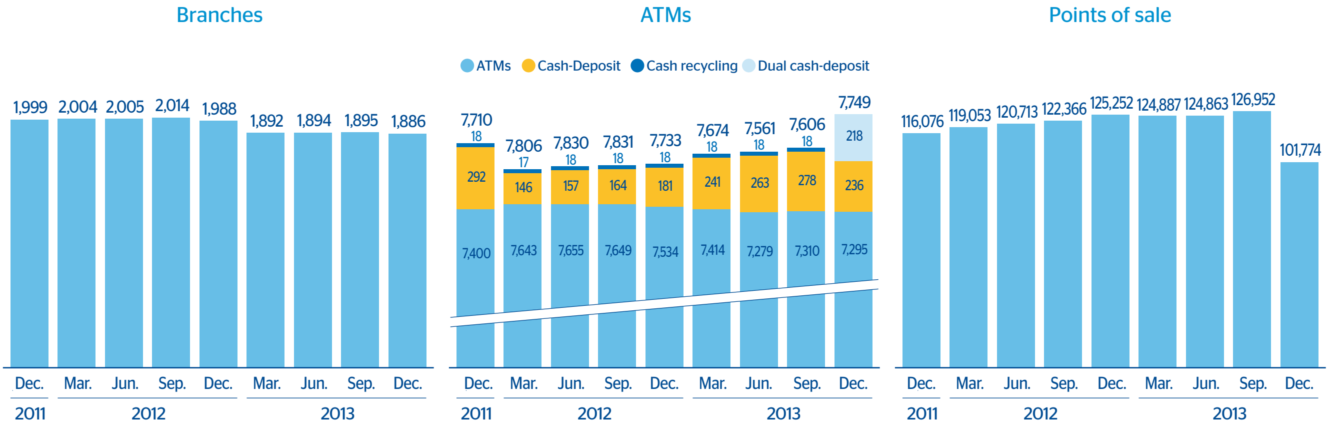
(Percentage)



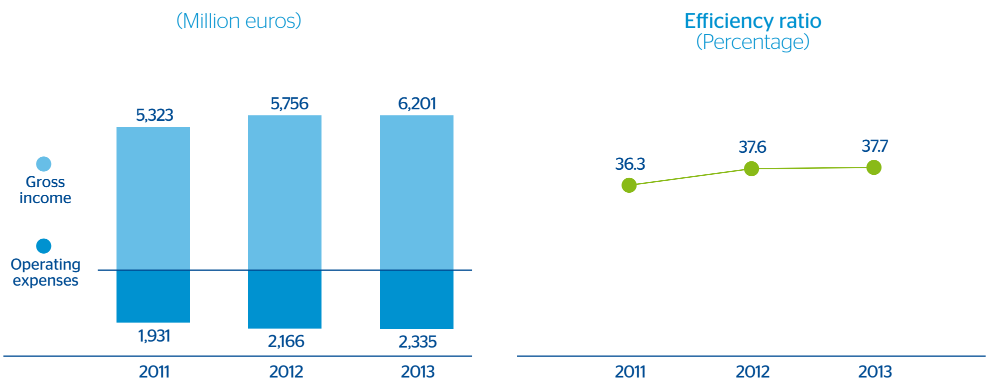
Operating expenses rose by 8.2% in 2013 to €2,335m. This increase is largely the result of the implementation of the area's Investment Plan mentioned above. Despite this, the efficiency ratio remained practically unchanged over the year (37.7% compared with 37.6% in 2012), making the bank one of the most efficient in the Mexican banking sector. These income and expenses figures have resulted in **operating income** ending the year at €3,865m, up 8.0% on the 2012 figure.

Mexico. Distribution network evolution

(Branches, ATMs and points of sale)

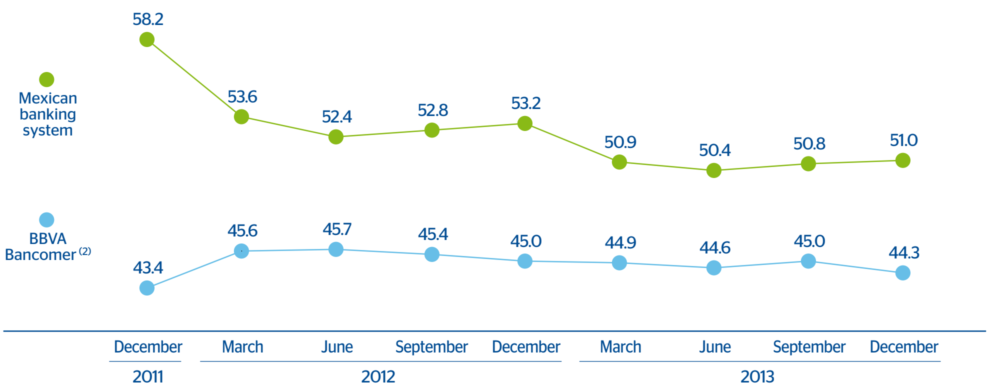


Mexico. Efficiency



BBVA Bancomer and Mexican banking system Efficiency (1)

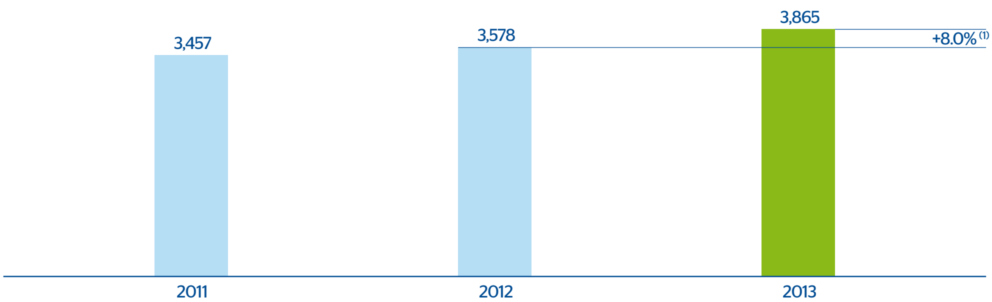
(Percentage)



(1) Mexican banking system formed by 5 banks: Banamex, Santander, Banorte-Ixe, HSBC and Scotiabank.
(2) Data collected under local accounting principles.
Source: CNBV. Data from banks without subsidiaries.

Mexico. Operating income

(Million euros at constant exchange rate)



(1) At current exchange rate: +7.7%.

Lastly, **impairment losses on financial assets** stood at €1,439m, an increase of 9.4%, very much in line with the growth in activity over the year.

Below are some of the most important aspects of the performance of the various business units in 2013.

Commercial Banking

At the start of 2013, Commercial Banking was divided into two areas:

1. The **Commercial Network**, which includes BBVA's whole retail distribution network in Mexico, apart from the private banking and wealth management segments, for which the Bank has 88 specialized branches across the whole country. The division of the commercial network has boosted the activity of the branches through a customer-centric model, whose main focus is increased loyalty and specialized management by customer segment.

2. The **Commercial Development and Payment Channels** unit, whose main objectives are to design and develop banking products for each segment, and enhance brand and customer insight.

This business unit serves BBVA Bancomer's retail customer base in a segmented and specialized manner. This retail customer base represents approximately 80% of all the Bank's customers, including the private and wealth management, individual, banking and express segments, as well as small and medium-sized enterprises (SMEs).

At the close of 2013, **Commercial Banking** managed 49.5% of the total performing loans in the area, with a balance of €19,403m, 6.5% more than on the same date the previous year, while customer deposits under management amounted to €39,409m, equivalent to a year-on-year increase of 7.9%.

A total of 240 branches were renovated over the year, amounting to 13% of the branch network. This renovation aims to change the format of the traditional branch to include specialized spaces and staff for each customer segment. In addition, the self-service areas are being extended, with the installation of "practicajas", cash recycling machines and ATMs that boost the use of digital channels to improve the handling of traffic in branches.

The **products and services** launched during the year include the following:

- Significant initiatives have been launched for private banking and wealth management customers. More diversified investment options are being offered for this segment, including more sophisticated products, such as structured bills. There has also been innovation in the service model to provide comprehensive solutions that offer not only diverse investment alternatives, but also pre-approved loans.

- Personal banking already has around 1,395 personal bankers who provide a specialized service for this segment. The new distribution channels have allowed the pre-approved loan scheme to be boosted for these customers as part of the new service model.

- For the express segment (customers with significant current and savings accounts, but a low bundled level), BBVA in Mexico has focused on boosting the use of digital channels such as the "Cuenta Express" account, the bank's website (Bancomer.com), the cellphone banking platform (Bancomer Móvil) and banking operations through banking correspondents, which numbered 24,013 points of sale at the close of 2013. The aim of all the above is to contribute to reduce the traffic in branches and improve service quality and efficiency.

- For the small business segment, the bank has launched the new "Red PyME" (SME Network), which has extended the specialized business centers from 14 to 91. They now cover the whole of Mexico and serve 100% of customers in this segment. The aim is to provide a multi-product range which includes loans, fund gathering, collection solutions, online banking and insurance, and which can increase the loyalty and profitability of the segment. The new strategy for SMEs will also be focused on strategic sectors such as entrepreneurs, agrobusiness and construction companies, with products tailored to their needs.

Government & Corporate Banking

Government & Corporate Banking serves its customers through 86 branches for companies, 36 branches for the public sector and 14 branches for real-estate developers. At the close of the year the unit managed a loan book of €11,805m and €15,387m in customer funds.

This business unit focuses on medium-size and large companies, with an annual volume of sales of between 100 and 250 million pesos, including public-sector customers, real-estate developers and the automotive sector, both automobile retailers and private individuals. It also includes the financial leasing business.

Specific actions have been taken within the **corporate** segment in 2013 to boost lending. There has been an increase in promotion campaigns and a fall in the response time for loan applications. This is reflected in the strength of lending to this segment, which has grown at double-digit rates and above the market average.

The **government** portfolio has increased its rate of growth, particularly at the close of the year, strongly underpinned by greater investment and the rise in public spending starting in the second half of 2013.

The most notable aspect of the **developer** segment has been the proactive management of risks since 2010. The strategy for serving and financing this group has also been redesigned, with specific admission controls established in order to preserve the quality of the portfolio.

The steady growth of the **financial leasing** segment has continued, and its range is being improved with products that include car leasing, as well as specialized leasing for equipment and fleets.

Corporate & Investment Banking (CIB) and Global Markets

CIB specializes in the management of global corporate customers who are offered value-added investment banking and cash management products. Global Markets originates, structures, distributes and manages the risk of market products with a customer-based model, meeting their investment and risk coverage needs.

It is worth noting that 2013 has been a year with a high level of activity in these business units. BBVA in Mexico has financially supported Mexican companies with more than €7,100m through bank loans and the debt and capital markets.

There have been two major operations on the **capital markets**, such as initial public offerings by IEnova, the first-ranking energy company in Mexico, which trades on the Mexican Stock Exchange, and Lala, a leading food company at an international level. On the debt markets there was the placement of an international bond by Pemex for USD 2,100m, and the inaugural issue by Femsa on the international markets for USD 1,000m. This high level of activity has gained BBVA Bancomer recognition as the "Best Investment Bank in Mexico" from *LatinFinance* magazine.

This unit has also continued to work to consolidate its **M&A** franchise, which at the close of 2013 led the ranking in terms of number of deals, with operations such as the repurchase of Office Depot Mexico.

In foreign **currency** operations, the bank leads the market by volume of operations and innovation of structures, while the high level of operations in structured bills has gained it recognition through various awards, including: "Best Sales in Latin America" and "House of the year in Latin America" from Structured Retail Product.

Lastly, BBVA in Mexico has been the chief market maker for government debt for 18 months in a row, in the program of the Secretariat of the Treasury and Public Credit (SHCP) and the Bank of Mexico.

The success achieved by each of these departments is based on long-term vision, close relations with the customers and experienced teams made up of specialist professionals in a variety of areas, to meet all customer needs.

Insurance business

BBVA in Mexico also offers insurance products through BBVA Seguros Bancomer S.A., the second largest insurer in the bancassurance market and the sixth biggest including the whole insurance sector in terms of written premiums.

In **2013**, the quality of the sale of insurance has improved. Also in 2013 a new technological platform was deployed that provides a new range of products and services, improved customer service and a reduction in costs.

In this context, the insurance business has continued to perform well, with a positive impact on **earnings** in the area. Profits in this unit amounted to €291m in 2013, up 6.5% on the previous year.

Main highlights

Other milestones during the year are summarized below:

- BBVA in Mexico has created **Consumer Finance Mexico**, aimed at reinforcing the franchise's leadership in car loans. This unit will provide an innovative strategy for financing vehicle distribution and acquisition that will meet the needs of both auto dealers and retail customers.

- The signing of a strategic agreement to sponsor the **Mexican soccer league**, which since 2013 and for the next three years will be called Liga BBVA Bancomer. This agreement not only supports sport, but also strengthens the Group's commitment to Mexico.

- Creation of the **Bancomer University** to enable the bank's partners to increase their educational quality and level and to complete their high-school, graduate and even post-graduate studies. This initiative will undoubtedly result in an increase in professionalism and thus in an improvement of the range of products and services offered.

- BBVA has been chosen as one of the "**Best Companies to Work for**" in Latin America by the international consultancy Great Place To Work (GPTW), in the multinationals category. This ranking only includes the 25 best companies out of over 2,200 participating companies from 20 countries. In Mexico, the award has been granted to BBVA Bancomer, Seguros Bancomer and Multiasistencia.

- BBVA in Mexico has strengthened its commitment to **SMEs** by concluding a strategic alliance with Banco Nacional de Comercio Exterior (Bancomext) to offer loans in dollars to exporters and local currency finance for direct and indirect exporters and importers at very competitive rates. As a result, BBVA Bancomer has become a major lender to SMEs in Mexico. It has received an award for its efforts from the National Institute for Entrepreneurs (INADEM), which has also recognized it as the bank that lends most money to entrepreneurs. Bancomer has also signed an agreement with FedEx, Microsoft and the Monterrey Institute of Technology to offer SMEs the first integrated range of financial services, advice on transactions and logistics, promotion of the use of information technology and training for employees. This alliance came into force on June 1, 2013.

- In **mutual and pension fund** products, BBVA Bancomer has worked in partnership with Franklin Templeton to develop a mutual fund that allows customers to diversify their investments in shares and ETFs (exchange-traded funds) and participate in other asset classes with great growth potential. In partnership with Pioneer Investments, it has also launched another fund that invests in shares listed on the U.S. NASDAQ index. In addition, BBVA Bancomer has launched a new family of mutual funds, called "Fondos Vida+", targeted at companies with employee pension funds. This has allowed BBVA Bancomer to consolidate its position as the institution with the greatest cover and variety of mutual funds, broadening its range of pension cover with these four new types.

- In the area of **corporate responsibility**, BBVA Bancomer has continued in 2013 with its financial literacy program "Adelante con tu futuro" (Forward with your Future), which has completed its fifth year, with major progress being made in consumer behavior and the level of banking penetration among the population. Through this initiative, a total of 2,323,949 workshops have been given, with a number of 676,341 partecipants. The BBVA Bancomer Foundation also continues to be very active with its educational support programs. Through these initiatives, more than 43,650 scholarships have been granted over the last 10 years, making the Foundation the only private institution in the country that offers an extensive educational support program. In the first quarter of 2013 it signed an agreement with Colegio de México whereby it will provide financial aid packages for the best students in the graduate, master's and PhD programs offered by this institution. The “Por los que se quedan” (For those left behind) program has been strengthened and expanded with the creation of the “Becas Adelante” scholarships, whose aim is to support secondary school students to continue with their high-school studies.

- Lastly, with regard to **prizes and awards** (apart from those already mentioned in this chapter), the investment bank JP Morgan has awarded BBVA Bancomer the “Quality Recognition Award” for its international transfers, where it achieved an accuracy rate of 99.54% in deliveries. This award underlines the efficiency and customer-centric approach of BBVA Bancomer. It is also the only Latin American bank to receive this award for the tenth year in a row.

South America

Income statement

(Million euros)

	South America				
	2013	Δ%	Δ% (1)	2012	2011
Net interest income	**4,703**	**9.7**	**33.6**	**4,288**	**3,159**
Net fees and commissions	976	6.9	27.7	913	722
Net trading income	764	72.3	100.7	443	485
Other income/expenses	(812)	185.8	n.m.	(284)	(267)
Gross income	**5,630**	**5.0**	**25.3**	**5,360**	**4,099**
Operating expenses	(2,386)	4.0	23.2	(2,293)	(1,884)
Personnel expenses	(1,184)	3.1	20.9	(1,148)	(958)
General and administrative expenses	(1,029)	5.9	25.9	(972)	(774)
Depreciation and amortization	(173)	(0.5)	23.5	(173)	(152)
Operating income	**3,244**	**5.8**	**27.0**	**3,066**	**2,215**
Impairment on financial assets (net)	(701)	18.3	39.2	(593)	(449)
Provisions (net) and other gains (losses)	(157)	(22.6)	12.8	(202)	(89)
Income before tax	**2,387**	**5.1**	**24.8**	**2,271**	**1,677**
Income tax	(530)	7.4	24.6	(494)	(346)
Net income	**1,856**	**4.5**	**24.8**	**1,777**	**1,332**
Non-controlling interests	(608)	5.1	29.5	(578)	(434)
Net attributable profit	**1,249**	**4.1**	**22.6**	**1,199**	**898**

(1) At constant exchange rates.

Balance sheet

(Million euros)

	South America				
	31-12-13	Δ%	Δ% (1)	31-12-12	31-12-11
Cash and balances with central banks	13,507	4.6	37.0	12,908	8,335
Financial assets	9,765	(3.8)	18.8	10,146	8,389
Loans and receivables	51,881	0.5	23.4	51,638	42,939
Loans and advances to customers	46,962	(0.4)	21.8	47,146	38,824
Loans and advances to credit institutions and others	4,919	9.5	40.4	4,492	4,114
Tangible assets	943	7.1	37.4	881	759
Other assets	2,043	7.5	30.3	1,901	2,229
Total assets/Liabilities and equity	**78,141**	**0.9**	**25.2**	**77,474**	**62,651**
Deposits from central banks and credit institutions	4,589	(22.8)	(11.1)	5,947	5,205
Deposits from customers	55,167	2.4	29.7	53,870	42,468
Debt certificates	3,556	9.0	24.9	3,263	2,282
Subordinated liabilities	1,252	4.7	19.6	1,196	1,568
Financial liabilities held for trading	1,069	11.9	27.8	955	1,006
Other liabilities	9,302	2.5	25.5	9,074	7,323
Economic capital allocated	3,205	1.1	25.5	3,169	2,798

(1) At constant exchange rates.

Highlights in 2013

- Positive performance of activity, both in lending and customer funds, in almost every country in the region.
- Maintenance of spreads.
- Favourable performance of revenue.
- Stability of risk indicators.
- Sale of the pension business and BBVA Panama.

Key role in diversification and income contribution

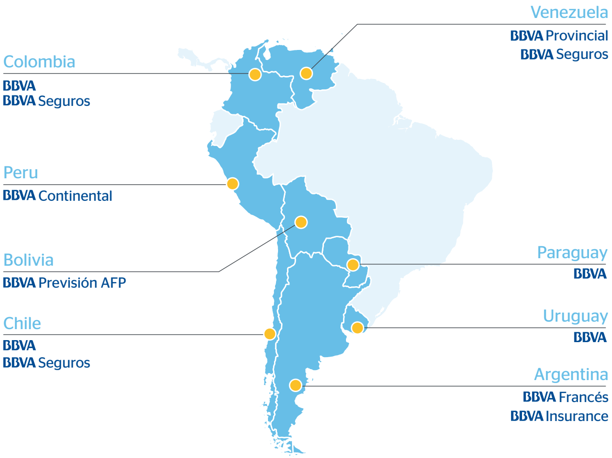
Relevant business indicators

(Million euros and percentage)

	South America		
	31-12-13	31-12-12	31-12-11
Performing loans [1]	47,753	39,241	33,479
Customer deposits under management [1-2]	58,881	45,306	36,846
Mutual funds	2,952	3,355	2,829
Pension funds	3,600	3,081	2,661
Efficiency ratio (%)	42.4	42.8	46.0
NPA ratio (%)	2.1	2.1	2.2
NPA coverage ratio (%)	141	146	146
Risk premium (%)	1.49	1.34	1.31

(1) Figures at constant exchange rates.
(2) Excluding repos and including specific marketable debt securites.

BBVA footprint in South America



7 Banks

4 Insurance companies

	Banks	Insurance companies	AFPs
Argentina	•	•	
Bolivia			•
Chile	•	•	
Colombia	•	•	
Paraguay	•		
Peru	•		
Uruguay	•		
Venezuela	•	•	

Definition of the area

South America manages the Group's banking and insurance businesses in the region. The area is quite diversified and has units operating in practically every South American country.

In 2013 a number of agreements were concluded to sell BBVA's stake in the different pension fund administrators (AFPs) in the area. In April 2013 the sale of the AFPs in Colombia and Peru (both called Horizonte) were concluded, and so was the sale of the AFP in Chile (Provida) in October. In addition, the sale of BBVA Panama was concluded in December. BBVA Panama accounted for just under 0.3% of the Group's total assets. It had 19 branches and 391 employees according to data as of the close of June 2013. Its small size, with a market share of around 3% as of December 31, 2012, limits the possibility of implementing the BBVA model, which aims for large markets and requires a bigger market share.

BBVA has been selected as the best financial institution to work for in Latin America within the multinational corporations category, according to the Great Place To Work® 2013 ranking. The more than 2,200 companies participating have been assessed by their workers, in total, nearly 3.5 million people from over 20 countries.

Macro and industry trends

In South America **economic growth** has been hampered by Brazil, which has hovered around stagnation during most of 2013. In most South American countries, however, growth has been even higher than expected, despite the steady deterioration on the international front, as commodity prices have remained high and financial tensions have eased toward the end of the year. Both consumption and investment have been supported by the strength of the labor and credit markets and by monetary policies that are still expansive.

The **financial system** in most countries in South America remains sound. Both the delay in the withdrawal of its monetary expansion policy announced by the Fed and the consolidation of growth in China have generated a stability in capital flows in the region in the final months of the year, after the outflows seen earlier. There has also been a recovery in the stock markets, a narrowing of sovereign spreads and appreciation in interest rates but, in general, without returning to pre-May levels when Fed announced the withdrawal of the monetary stimuli.

Lending continues to grow at a fast pace (though the trend is declining in some countries), boosted by economic policies focused on encouraging domestic activity and by the structural changes undertaken in recent years, which are underpinning sustainable growth in most of these countries.

In fact, the financial systems in the area have high **profitability** ratios, while **NPA ratios** are being kept in check, though they are likely to increase due to the moderation in the growth of lending and the levels of debt that are currently higher than in previous periods.

It is also worth noting the advances made in the **regulatory framework** of the banking sector in the region, with several countries (such as Colombia and Peru) making progress in implementing international regulations.

There has been a general depreciation in both the final and average exchange rates of the different **currencies**. As a result, the impact of currencies on the year-on-year changes in the Group's financial statements is negative (particularly due to the devaluation of the Venezuelan bolivar in February 2013). Unless indicated otherwise, all comments below on percentage changes refer to constant exchange rates, with the aim of providing a better understanding of the performance of the business in South America.

Exchange rates

(Expressed in currency/euro)

	Year-end exchange rates				Average exchange rates			
	31-12-13	∆% on 31-12-12	31-12-12	∆% on 31-12-11	2013	∆% on 2012	2012	∆% on 2011
Argentinean peso	8.9890	(27.9)	6.4768	(38.1)	7.2767	(19.7)	5.8434	(21.0)
Chilean peso	722.54	(12.3)	633.31	(6.6)	658.33	(5.1)	625.00	2.1
Colombian peso	2,659.57	(12.4)	2,331.00	(5.5)	2,481.39	(6.9)	2,309.47	3.6
Peruvian new sol	3.8535	(12.6)	3.3678	(9.5)	3.5903	(5.6)	3.3896	6.7
Venezuelan bolivar fuerte	8.6775	(34.8)	5.6616	(36.0)	8.0453	(31.4)	5.5187	(25.7)

Management priorities

In **2013** South America has continued to show strong activity and earnings. It has also maintained its risk quality indicators very stable, All this was possible thanks to the business plans implemented in the region. One example of these is the business plan being implemented to boost the generation of value in the area. Its main objectives are growth in activity, increased market share and improved service quality. In addition, the area has strengthened its commitment to the region with the launch of its 2013-2016 Strategic Plan, whose main aim is to turn BBVA into the first digital financial group in the region and the most preferred bank by customers. The Bank has announced an investment of USD 2.5 billion (around €1.9 billion), of which 40% will be allocated to technological projects and 60% to improving infrastructure and distribution networks. BBVA is investing in the expansion of its branch network, particularly in Colombia, Chile and Peru, and in the development of alternative distribution channels, such as mobile banking, online banking and the extension and renewal of the ATM network. Progress has also been made in changing the focus of how banking is carried out, shifting from product-centered management to a customer-centric approach. Lastly, a cross-cutting development plan is being undertaken in some businesses, such as payment channels, private banking, consumer finance and asset management.

The focus for **2014** and the following years will therefore be on implementing the Strategic Plan for 2013-2016. Other management priorities will be:

- In the field of innovation, each country has defined the strategic segments on which it will focus its business model, taking advantage of the different experiences within the Group and supported by a unique project management tool and a very simple methodology, project manager. The challenge for 2014 will now be the consolidation of this pioneering and innovative way of working.

- With respect to brand image, advertising and corporate social responsibility, work will continue on a coordinated and coherent strategy that is in line with the business model in each geographical area. In 2014 the image of a simple, innovative and flexible bank will continue to be strengthened, with alternative products, services and channels that can cover and meet the needs of customers and that have a positive impact on the societies where BBVA operates.

- Major progress has already been made in the commercial planning models of each country. Next year the review of the organizational models will be concluded and the commercial models will be strengthened to increase customer loyalty and retention. Progress will also be made to:

  - Guarantee compliance with the objectives of the recently launched Strategic Plan in commercial planning.

  - Ensure a process of business planning that is coordinated with all the geographical areas.

  - Prioritize initiatives focused on customers/segments.

  - Define key performance indicators (KPI) and simple metrics to assist in measuring the impact of the business on society.

- In terms of quality, there has been a shift from managing metrics to managing processes focused on customer experience, using an Integrated Quality Model. The challenge for 2014 will be to continue with the implementation and development of this model as defined in each country.

- In commercial intelligence, once the basic elements have been grounded in each geographical area, and the Commercial Trend Models, Proactive and Reactive Retention Models and Loyalty Models have been created, the aim is to set up an integrated plan for each country and boost the contribution of commercial intelligence to business generation.

Activity

At the close of 2013, activity in South America was once more buoyant in practically all the countries where BBVA operates, both with respect to the loan book and in on-balance-sheet customer funds.

BBVA Group. Business share ranking in South America in 2013 (1)

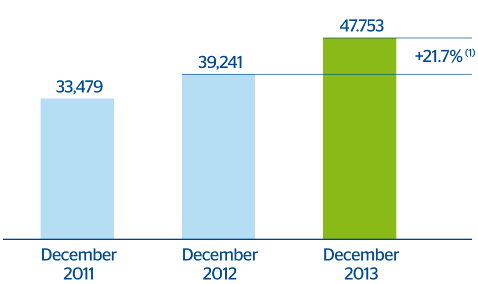
	Loan	Deposit
Argentina	4th	3rd
Chile	5th	5th
Colombia	4th	4th
Paraguay	4th	4th
Peru	2nd	2nd
Uruguay	2nd	3rd
Venezuela	3rd	3rd

(1) Data as of November 2013.

South America. Key activity data

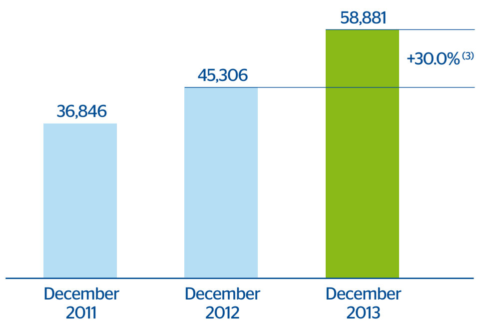
(Million euros at constant exchange rates)

Performing loans



(1) At current exchange rates: -0.5%.

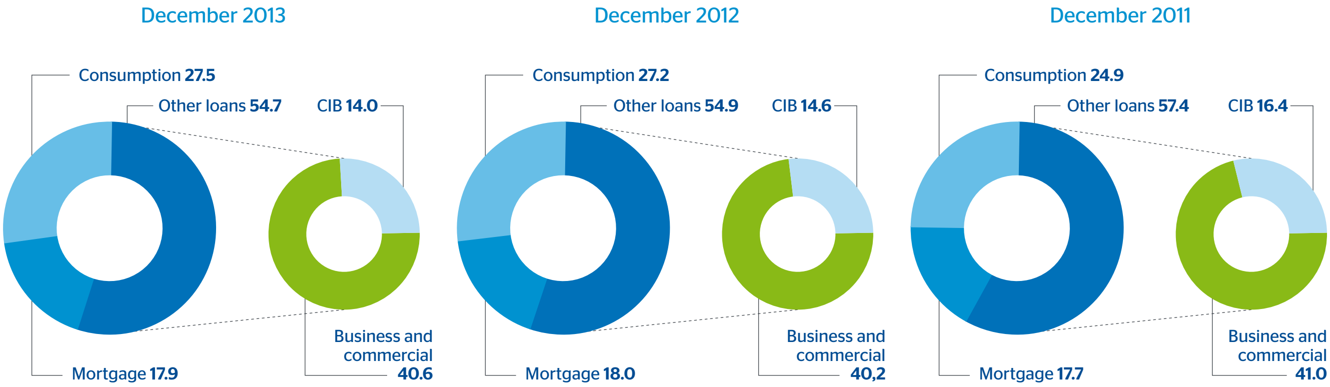
Customer deposits under management (2)



(2) Excluding repos and including specific marketable debt securities.
(3) At current exchange rates: +3.4%.

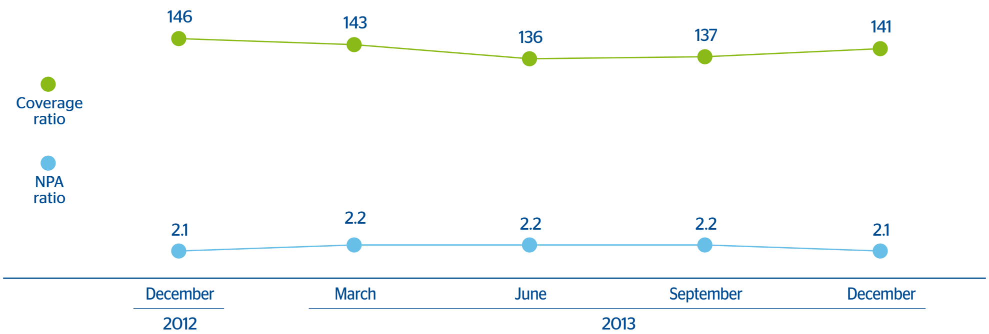
The balance of **performing loans** as of 31-Dec-2013 closed at €47,753m, a year-on-year growth of 21.7%. Lending to the retail segment performed outstandingly well, particularly consumer finance (up 23.6%), credit cards (up 43.5%) and to a lesser extent mortgage lending (up 14.2%). This is reflected in a year-on-year gain in market share of 24 basis points in the individual segment, according to the latest available information as of November 2013.

South America. Performing loans breakdown
(Percentage)



This rise in lending activity has been coupled with strict **risk** admission policies and a good management of recoveries. These lines of action, which are closely in line with those for the corporate segment, have maintained the main risk indicators stable over the year. The NPA ratio as of 31-Dec-2013 stood at 2.1% and the coverage ratio at 141% (2.1% and 146%, respectively, at the close of December 2012).

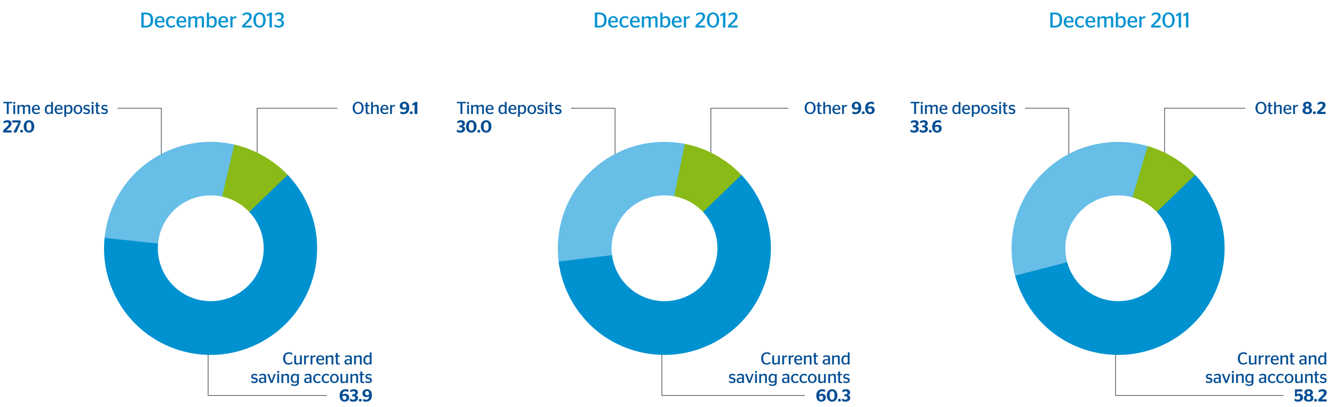
South America. NPA and coverage ratios
(Percentage)



Customer deposits under management closed December at €58,881m, and have continued to increase their year-on-year rate of growth to 30.0%. Lower-cost transactional items (current and savings accounts) have driven this growth, with a rise of 42.6% over the period and a market share gain of 37 basis points from November 2012 to November 2013. Including assets under management by mutual funds, customer funds managed by the banks in South America totaled €61,833m, up 28.3% on the same date the previous year, with a rise in market share over the year of 10 basis points, again using data for November 2013, the latest information available.

South America. Breakdown of customer deposits under management

(Percentage)



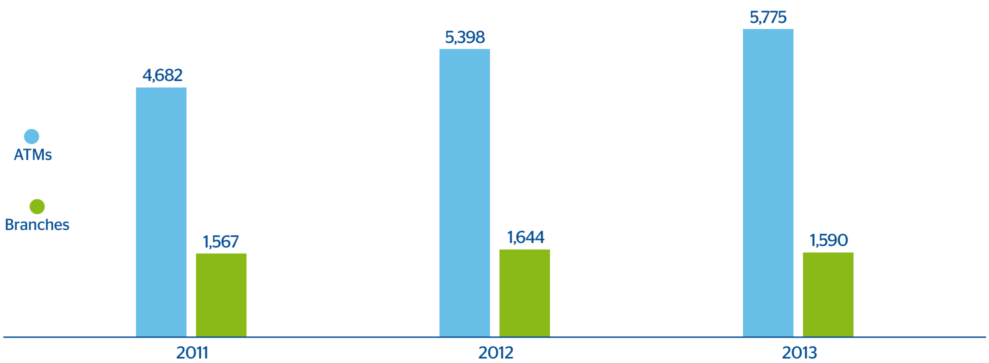
With respect to activity related to **corporate responsibility** in the region, it is worth highlighting the significant work carried out by the BBVA Microfinance Foundation in the area. This entity continues to contribute with its activity to boost the economic and social development of the countries in South America where it operates. The goal is to provide access to financial services for the most disadvantaged members of society so that they can undertake sustainable productive activities that allow them to improve their own standard of living and that of their families. As of 31-Dec-2013, it had 1,493,709 customers, with an impact on the lives of 6 million people. It has granted €1,016m in microcredits over the year, and a cumulative total since 2007 of €4,416m.

Earnings

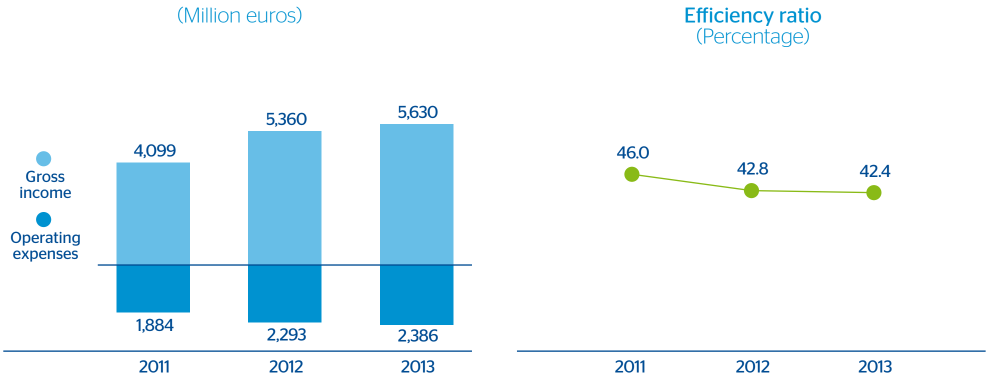
Gross income for 2013 amounted to €5,630m, 25.3% up on the figure for the same period the previous year. This positive performance is a result of the area's capacity to generate recurring revenue, thanks to the boost to activity in all geographical areas and the maintenance of customer spreads. Net interest income for 2013 stood at €4,703m (up 33.6% year-on-year) and income from fees and commissions is up 27.7% to €976m. NTI also performed very well, doubling the figure for the previous year, largely influenced by the revaluation of BBVA Provincial's U.S. dollar positions in Venezuela, due to the aforementioned devaluation of the bolivar. Lastly, other income/expenses has been weaker in the year as the adjustment for hyperinflation in Venezuela was more negative than in 2012, which offset the good performance in the insurance business in the area.

On the side of costs, South America is continuing with its expansion and technological transformation plans in order to make the most of the growth opportunities presented by the region. An example of this is the launch of the new Strategic Plan for 2013-2016. These factors, combined with the inflation in the area, explain why operating expenses have remained high, with a year-on-year increase of 23.2% to €2,386m. The efficiency ratio has remained at levels similar to those registered in 2012, ending at 42.4% (42.8% one year previously). Finally, **operating income** stands at €3,244m, up 27.0% on the figure reported in the same period in 2012.

South America. Evolution of branch network and ATMs

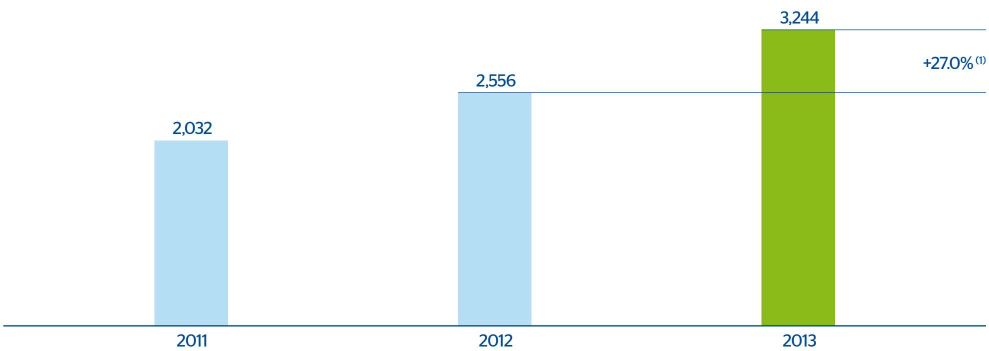


South America. Efficiency



South America. Operating income

(Million euros at constant exchange rates)



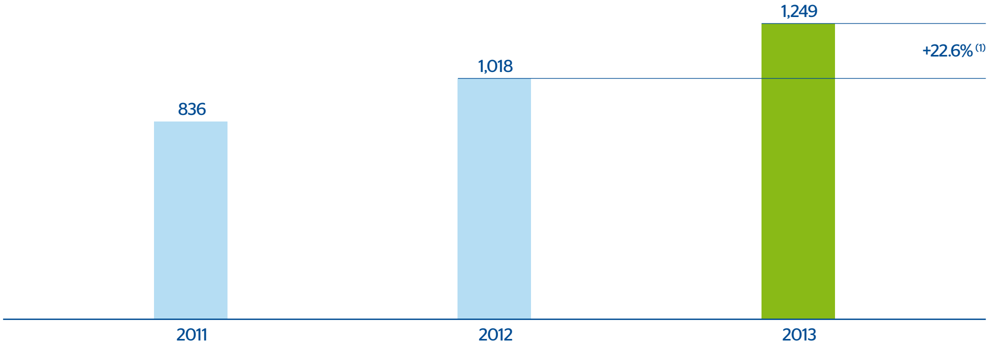
(1) At current exchange rates: +5.8%.

Impairment losses on financial assets increased significantly to €701m, due to the high level of recoveries and one-off items booked in 2012. Not including these effects, the growth of 26% is in line with the strength of activity.

Overall, South America generated a **net attributable profit** in 2013 of €1,249m, a year-on-year rise of 22.6%.

South America. Net attributable profit

(Million euros at constant exchange rates)



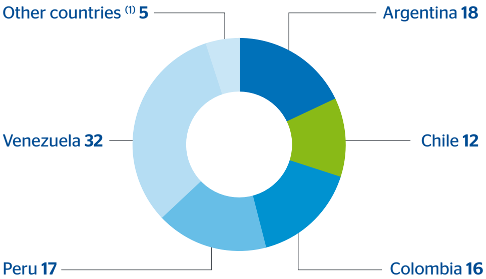
(1) At current exchange rates: +4.1%.

Below are some of the most important aspects of the performance of the various countries in 2013.

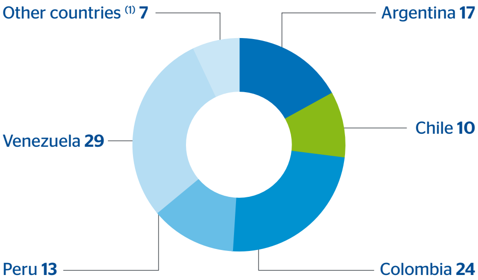
South America. Breakdown of gross income and net attributable profit by countries

(2013. Percentage)

Gross income
5,630 million euros



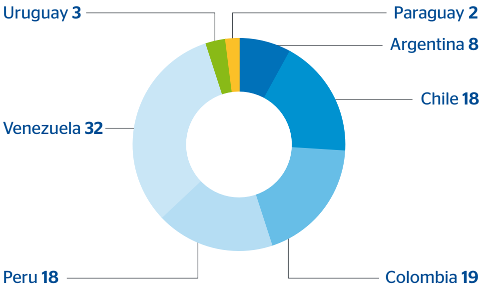
Net attributable profit
1,249 million euros



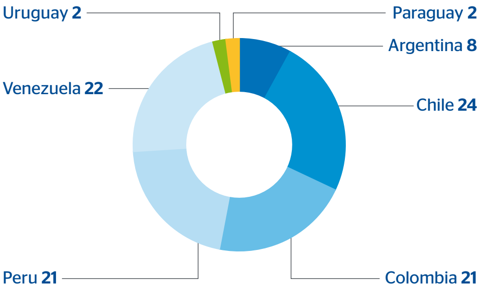
(1) Panama, Paraguay, Uruguay and Bolivia. Additionally, it includes eliminations and other charges.

South America. Breakdown of performing loans and customer deposits under management by countries (2013. Percentage)

Performing loans
47,753 million euros



Customer deposits under management
58,881 million euros



Argentina

Economic activity in Argentina has been positive and grown steadily in 2013. According to the National Institute for Statistics and the Census (INDEC), in the second quarter of 2013 (latest available information), GDP grew by 8.3% in year-on-year terms, due to the better performance of the primary and construction sectors.

The Argentinean **financial system** has in general posted good solvency and liquidity indicators. However, the liquidity ratio has been declining due to the slowdown in the growth of deposits. As a result of the foreign currency shortage, the Central Bank has still not applied an expansionary monetary policy as in recent years. Loans to the private sector have also posted slower growth than in the previous year. However, the commercial segment has been stronger as a result of the Central Bank's policy of promoting productive credit facilities at a fixed interest rate.

The **foreign-exchange market** has maintained the restrictions on the purchase and sale of foreign currencies and new regulations have been put into place to reduce demand for foreign currency. This has had an impact on the depreciation of the exchange rate of the Argentinean peso against the dollar and the euro. The peso/euro fixing price has fallen by 27.9% year-on-year and the average exchange rate by 19.7%.

In this situation, **BBVA Francés** has once again proved its great flexibility and capacity to adapt quickly to market conditions, developing new products and services and managing its funds very efficiently.

Thus **performing loans** in the unit as of 31-Dec-2013 are up 24.6% in year-on-year terms. Private-sector loans, which have a significant weight in the portfolio, have performed very positively, particularly credit cards (up 55.5%). This has led to a gain in market share in this portfolio of 73 basis points in the previous 12 months (according to the latest available information as of November 2013).

With respect to **asset quality indicators**, the prudent risk management of BBVA Francés has maintained its ratios at a good level and the bank has kept its leading position in the sector, with a high positive gap compared with its peer group, as in the Argentinean financial sector as a whole the main metrics of asset quality deteriorated in 2013.

On-balance-sheet customer funds increased by 27.8% year-on-year thanks to the good performance of transactional accounts and time deposits.

As regards **earnings** in 2013, BBVA in Argentina improved its net attributable profit by 39.2% on the figure for the previous year to €214m. This positive performance is basically due to the increase in net interest income from the business with customers and NTI, together with the favorable performance of net income from services. This is despite the significant current restrictions in Argentina on the collection and increase of fees. Operating expenses increased 27.5% year-on-year due to higher activity and inflation. Lastly, impairment losses on financial assets also rose, in line with the aforementioned increase in activity.

In Argentina BBVA has made progress in its relationship and management model, with a clear aim of improving service quality in all the segments, within its commitment to being a universal customer-centric bank. The main **initiatives** carried out in 2013 are summarized below.

- BBVA Francés has become the "soccer bank" through boosting the strategic alliance with the most important clubs in Argentina. As a result the customers receive benefits such as the "River" and "Xeneize" cards.
- The high-net-worth customer segment has begun the process of installing the "BBVA Francés VIP spaces" with the aim of providing the exclusive environment of privacy and personalized service required by customers in this area.

South America. Financial statements of the main countries

Income statement

(Million euros)

	Argentina				Chile			
	2013	Δ%	Δ% [1]	2012	2013	Δ%	Δ% [1]	2012
Net interest income	**557**	**(3.2)**	**20.5**	**575**	**482**	**6.4**	**12.1**	**453**
Net fees and commissions	220	(3.8)	19.8	229	90	6.3	12.0	85
Net trading income	153	153.6	215.8	60	60	159.0	172.8	23
Other income/expenses	83	19.9	49.3	69	27	(60.3)	(58.2)	67
Gross income	**1,013**	**8.5**	**35.1**	**934**	**659**	**4.9**	**10.5**	**628**
Operating expenses	(503)	2.4	27.5	(492)	(323)	2.5	7.9	(316)
Personnel expenses	(277)	2.4	27.5	(270)	(176)	(1.1)	4.2	(178)
General and administrative expenses	(208)	3.2	28.5	(202)	(135)	7.1	12.8	(126)
Depreciation and amortization	(19)	(5.8)	17.3	(20)	(12)	6.7	12.4	(11)
Operating income	**509**	**15.3**	**43.6**	**442**	**336**	**7.4**	**13.2**	**313**
Impairment on financial assets (net)	(67)	22.4	52.5	(55)	(158)	76.3	85.7	(89)
Provisions (net) and other gains (losses)	(16)	6.3	32.3	(15)	10	44.4	52.1	7
Income before tax	**426**	**14.6**	**42.7**	**371**	**188**	**(18.2)**	**(13.8)**	**230**
Income tax	(148)	21.9	51.8	(121)	(31)	(12.9)	(8.2)	(35)
Net income	**278**	**11.0**	**38.3**	**250**	**157**	**(19.2)**	**(14.8)**	**195**
Non-controlling interests	(64)	8.6	35.2	(59)	(38)	(13.2)	(8.6)	(44)
Net attributable profit	**214**	**11.8**	**39.2**	**191**	**119**	**(20.9)**	**(16.7)**	**151**

(1) At constant exchange rates.

Balance sheet

(Million euros)

	Argentina				Chile			
	31-12-13	Δ%	Δ% [1]	31-12-12	31-12-13	Δ%	Δ% [1]	31-12-12
Cash and balances with central banks	1,434	7.0	48.5	1,341	419	10.1	25.7	381
Financial assets	362	(36.4)	(11.7)	569	1,599	20.9	37.9	1,323
Loans and receivables	4,328	(8.9)	26.4	4,753	12,512	(2.9)	10.8	12,883
Loans and advances to customers	3,786	(10.0)	24.9	4,208	11,253	(5.9)	7.4	11,958
Loans and advances to credit institutions and others	542	(0.5)	38.1	544	1,258	36.0	55.1	925
Tangible assets	152	39.2	93.2	109	86	(8.4)	4.5	94
Other assets	167	(8.9)	26.4	183	592	15.9	32.2	511
Total assets/Liabilities and equity	**6,443**	**(7.4)**	**28.6**	**6,954**	**15,209**	**0.1**	**14.2**	**15,192**
Deposits from central banks and credit institutions	35	(56.6)	(39.8)	80	1,924	(27.5)	(17.3)	2,654
Deposits from customers	4,860	(7.9)	27.8	5,280	7,977	1.9	16.3	7,829
Debt certificates	71	(8.2)	27.4	78	1,717	10.2	25.8	1,557
Subordinated liabilities	-	-	-	-	577	(11)	1	650
Financial liabilities held for trading	9	-	-	-	862	13	28	766
Other liabilities	1,097	(5.0)	31.8	1,155	1,637	32.1	50.7	1,240
Economic capital allocated	370	2.2	41.9	362	515	3.6	18.2	497

(1) At constant exchange rates.

Colombia				Peru				Venezuela			
2013	Δ%	Δ% (1)	2012	2013	Δ%	Δ% (1)	2012	2013	Δ%	Δ% (1)	2012
728	**7.0**	**15.0**	**681**	**678**	**1.9**	**7.9**	**665**	**2,060**	**19.7**	**74.6**	**1,720**
100	(12.8)	(6.3)	115	182	2.9	9.0	177	323	26.8	84.8	255
57	(33.3)	(28.3)	85	140	9.0	15.5	128	336	195.0	n.m.	114
26	223.9	248.0	8	(13)	5.8	12.0	(13)	(938)	131.9	238.1	(404)
911	**2.5**	**10.2**	**889**	**986**	**3.0**	**9.1**	**958**	**1,781**	**5.7**	**54.1**	**1,685**
(386)	3.4	11.1	(373)	(335)	6.3	12.6	(316)	(665)	6.8	55.6	(623)
(176)	5.1	12.9	(167)	(176)	4.3	10.4	(169)	(276)	3.9	51.4	(266)
(178)	2.1	9.7	(175)	(136)	9.4	15.9	(124)	(312)	13.0	64.7	(276)
(31)	1.7	9.2	(31)	(23)	4.0	10.2	(22)	(77)	(5.0)	38.6	(81)
525	**1.9**	**9.4**	**516**	**651**	**1.4**	**7.4**	**642**	**1,116**	**5.1**	**53.2**	**1,061**
(126)	11.1	19.3	(113)	(145)	4.3	10.5	(139)	(187)	1.2	47.6	(185)
17	59.5	71.4	10	(9)	120.2	133.2	(4)	(164)	(15.5)	23.3	(194)
416	**0.8**	**8.3**	**413**	**497**	**(0.4)**	**5.5**	**499**	**764**	**12.0**	**63.3**	**682**
(107)	2.6	10.2	(105)	(133)	0.9	6.9	(132)	(101)	15.3	68.1	(87)
309	**0.2**	**7.6**	**308**	**364**	**(0.8)**	**5.0**	**367**	**663**	**11.6**	**62.6**	**595**
(13)	(2.2)	5.1	(13)	(198)	0.4	6.4	(197)	(295)	11.2	62.1	(265)
296	**0.3**	**7.8**	**295**	**167**	**(2.3)**	**3.5**	**170**	**369**	**11.9**	**63.1**	**329**

Colombia				Perú				Venezuela			
31-12-13	Δ%	Δ% (1)	31-12-12	31-12-13	Δ%	Δ% (1)	31-12-12	31-12-13	Δ%	Δ% (1)	31-12-12
876	(43.0)	(34.9)	1,537	2,829	(20.6)	(9.2)	3,565	7,257	31.2	101.1	5,531
2,474	6.4	21.4	2,325	1,201	20.4	37.7	998	2,753	(14.8)	30.5	3,232
9,666	5.2	20.1	9,185	10,203	5.7	20.9	9,655	12,798	12.4	72.3	11,385
9,520	6.4	21.4	8,947	9,861	5.2	20.3	9,377	10,412	7.4	64.6	9,693
146	(38.5)	(29.9)	238	342	22.8	40.5	278	2,386	41.0	116.2	1,691
121	2.6	17.1	118	212	4.3	19.3	203	335	8.9	66.9	307
352	19.0	35.8	296	573	64.8	88.6	347	360	(5.0)	45.7	379
13,489	**0.2**	**14.3**	**13,461**	**15,017**	**1.7**	**16.3**	**14,769**	**23,502**	**12.8**	**72.9**	**20,834**
436	7.9	23.1	404	1,728	(21.7)	(10.4)	2,206	246	10.4	69.3	223
10,506	2.4	16.9	10,256	9,331	(0.0)	14.4	9,335	19,774	13.3	73.7	17,449
250	(53.4)	(46.8)	536	1,443	45.5	66.5	992	-	-	-	-
275	76	101	157	365	4	19	352	-	-	-	-
50	(34)	(25)	76	138	39	59	100	5	-	-	-
1,128	(4.7)	8.7	1,184	1,524	15.6	32.3	1,319	2,690	12.2	71.9	2,399
843	(0.5)	13.5	848	487	4.9	20.0	465	786	3.0	57.8	763

- In mobile banking, BBVA Francés Móvil has implemented tools for BlackBerry, iPhone and Android devices that allow operations to be conducted with the bank simply, quickly and securely using smartphones.

- In the SME segment, the bank has focused on incorporating new functionalities to e-banking. The aim is to become the most transactional online banking service in the market, through which customers can carry out most of their operations. An example of this is the new "Avisos y Mensajes" (Alerts and Messages) service that provides users with more detailed information on their transactions. A new customer service center has also been launched for companies to optimize the service provided for customers of SME and corporate banking segments.

- In consumer services, the bank has continued with the advertising campaigns for credit cards and "Préstamos Simples" (Simple Loans) to boost the sale of personal loans and position BBVA Francés as the bank that makes life easier for its customers. The creativity and teamwork of the Advertising unit have won significant recognition. The campaign "Préstamos Simples - Estás Dulce" (Simple Loans - You're sweet) won the "Lápiz de Plata" award in August. This award is granted by the specialized publishing house Dossier, which chooses the three best advertising spots each month.

Lastly, as in the case of the rest of the franchises in the area, Argentina has been very active in **social responsibility** initiatives. Particularly outstanding in 2013 has been the new "Becas de Integración" (Integration Scholarships), whose aim is to help students complete their secondary-school studies, improve financial literacy and boost basic values.

Chile

Chile's **macroeconomic data** have also been positive in 2013. The good levels of activity in the country have led to year-on-year growth in GDP in 2013 of 4.2%, in an environment of reduction of the unemployment rate to 5.8% and inflation controlled at 3.0%, within the lower range of the target band established by the Central Bank of Chile. However, in the last quarter of 2013, signs of a slowdown began to appear. Combined with a reduction in inflation expectations, this has led the Central Bank to adjust its level of monetary policy rate down by 50 basis points to 4.5%.

In this context, Chile's **financial system** has performed well, in terms of both activity and earnings. Lending has grown over the last year by 10.9% (according to the latest available data as of November 2013) thanks to the strength of mortgage loans, consumer finance and commercial loans. Net income in the sector, according to figures as of November 2013, increased by 7% over the last 12 months, strongly leveraged on higher revenue. The more contained increase in expenses compared with revenue has led to a slight improvement in the efficiency levels of the system (48% compared with 49% in 2012).

BBVA in Chile maintains its firm commitment. Its strategic plan has focused on selective growth, specifically in the retail segments. Major investment has already been undertaken to extend the branch network. It is worth noting that the market share of **BBVA Chile** in loans to private individuals has increased by 12 basis points over the last 12 months to 10.1%. A significant item on the liabilities side in 2013 is undoubtedly the increase in fund gathering activities in demand deposits, whose balance in year-on-year terms rose by 17.2%, with a gain in market share of 36 basis points over the year (according to information as of November 2013).

The year has also been very positive for **Forum** in terms of activity, as the automobile market has been strong (sales of new cars increased by 11.6% over the year, according to information as of January 2014). Forum has increased its market penetration from 13.5% of the total of new cars sold in Chile to 14.0% (latest figures as of December 2013), leading the loan book stock to increase by 12.1% over the same period.

As regards the **earnings** of BBVA in Chile, the year has ended with a generation of a net attributable profit of €119m, strongly supported by the good performance of recurring revenue (net interest income plus income from fees and commissions increased by a year-on-year 12.1%) and NTI (up 172.8%), despite the impact of the low inflation rate on the performance of index-linked assets.

The following are the main **initiatives** carried out in 2013 by BBVA in Chile::

- The opening of the first flagship branch under a model that aims to improve customer experience significantly. It includes interactive elements and major technological features such as biometric ATMs.

- In mobile banking, BBVA Chile has grown significantly. It is one of the channels that has progressed most in 2013, and thus gained a significant advantage over the competition.

- The launch of credit cards with smart chips, which has positioned the bank at the cutting edge in customer-service technology.

BBVA in Chile is strongly committed to education as part of its **responsible business**. The bank is supporting comprehensive education for students from the University of the Andes through a donation that aims to promote the interests and abilities of students beyond the academic field through cultural, artistic and sporting activities, innovation, entrepreneurship, volunteer work and social responsibility. It is also collaborating on the financial literacy of children aged 7 to 15 through the online "AgentPiggy" platform. In the last quarter, BBVA Chile has set up the "Educación Financiera para Jóvenes" ("Financial Literacy for Young People") program to help children and young people take informed financial decisions. The Chilean government has honored the Group's company Forum with the "Más por Chile" (More for Chile) seal for its "Niños Adelante" (Forward, Children) program, recognizing its contribution to the self-improvement and social integration of the most vulnerable individuals in the country.

Colombia

Colombia's **macroeconomic performance** continues to meet the expectations of market analysts and agents and is posting good results in indicators such as inflation, employment, the fiscal deficit and GDP growth. Private consumption is continuing to grow, accompanied by a significant boost in investment, mainly in the construction sector. To sum up, the macro environment has been positive in 2013, allowing the progress made in previous years to be consolidated.

The Colombian **financial system** performed very favorably over the year, with lending growing at 14.5% and deposits at 19%. The progress in lending has been fueled by the mortgage segment, which is up 15%, followed by corporate lending (up 13.1%) and consumer loans (up 12.6%). The increase in customer funds is due to the good performance of the more transactional items: savings accounts are up 23% and current accounts 17%.

2013 has been an excellent year for **BBVA in Colombia**, not only from the point of view of earnings and activity, but also in terms of awards and recognition. The favorable macroeconomic environment, the expansion plans carried out and the commercial boost from its network have led to significant growth in activity and earnings and thus gains in market share in terms of business volume. In retail banking, there have been initiatives with specific customers that have allowed a greater depth of products and a high degree of cross-selling.

Performing loans as of 31-Dec-2013 are up 21.1% compared with the close of 2012, with a very good performance from the portfolios of consumer finance, mortgages and commercial loans. This has led to a year-on-year gain in market share in the loan book of 53 basis points, according to the latest available figures as of November 2013. Loans to retail clients, and specifically consumer finance, in which BBVA closed 2013 as the second biggest lender in the country, have performed particularly well, with gains in market share of 45 and 91 basis points, respectively. There have also been significant gains in market share in the commercial segment (up 48 basis points).

The **risk** profile is also outstanding. BBVA Colombia is the best bank within its peer group in terms of the NPA ratio, which is 77 basis points below the sector average.

With respect to **fund** gathering, the balance of BBVA Colombia's customer deposits posted a year-on-year increase of 14.7% as of 31-Dec-2013 and a rise in market share over this period of 84 basis points. In transactional items there was a rise of 94 basis points and in time deposits of 54 basis points (also with data as of November 2013).

The bank in Colombia closed 2013 with **solvency** levels that have absorbed the greater capital requirements imposed by the regulator through changes to the law.

These factors have had a favorable impact on the franchise's **earnings**, which in 2013 generated €296m of net attributable profit, a year-on-year rise of 7.8%. Net interest income has increased significantly, thanks to the boost from activity and maintenance of customer spreads, increased spending due to expansion plans underway and improved loan-loss provisions, strongly influenced by the good performance of activity.

The main **highlights** in 2013 have been the issuance of bonds in the first quarter, the awards and recognitions received, the significant number of new products and services launched on the market and the social responsibility initiatives designed by the unit:

- A successful placement of subordinate bonds on the international markets for COP 365 billion at 10 and 15 years. The issue was oversubscribed by two times and received an AAA rating from Fitch.

- As regards awards and recognitions, the bank has for the third year in a row received the PCI Payment Card Industry Data Security Standard certification. This is a security standard required from organizations that process, transport or store card users' data. BBVA Colombia is the only bank in the Colombian market with this recognition. Also for the third year in a row, it has received the Euromoney Cash Management award. In addition, it has been granted the "Emisor BVC Comprometido IR" (Colombian Stock Exchange 'Issuer Committed to Investor Relations') seal, which rewards issuers whose relations with investors are classified as excellent. Lastly, the bank's customers have also recognized the bank's management, as reflected in the IReNe index, which in 2013 increased to 60 (46 in 2012).

- In new products and services, BBVA Colombia and BBVA Asset Management have launched the portal www.bbvaassetmanagement.co, a website that provides specialized information on a broad portfolio of products and services. It offers customers a very complete value offer, with profitable and sound solutions tailored to their needs.

- In corporate responsibility, BBVA Colombia has subscribed to the National Reading Plan, which aims to provide seed libraries for more than 2,500 educational institutions across the country. It has also continued with the "Cuento Contigo" (I Count on You) program in partnership with the Ministry of Education, under which customers and the bank itself make contributions to buy books for children without resources.

Peru

In 2013, the Peruvian **economy** has also performed well, with GDP growing at around 5.0%, thanks to the strength of domestic demand, which has offset weak exports. Specifically, there was outstanding expansion in consumption, within a favorable labor and credit context for household spending.

In this situation of moderate strength in economic activity and favorable financing conditions, **lending** to the private sector has increased in 2013 by around 14%, also boosted by the positive labor conditions. The segment with the best performance has once more been mortgages, with an increase over the same time period of 19.5%. It is important to note that to moderate loan growth and support its sustainability, the Superintendency of Banking, Insurance and AFPs (SBS) has introduced new capital adequacy requirements for mortgage and consumer loans, considering elements such as the currency, the residual maturity, whether it is for a first residence or not, and other factors.

With respect to sources of **funding**, customer deposits in the sector have grown year-on-year by 18.7%, especially in foreign-currency deposits.

The average profitability of the banking industry, measured as net annualized profit over average equity (ROE), has exceeded 20%, supported by a limited, though rising, NPA ratio.

It is also important to mention that the country's banking industry has easily met the capital requirements imposed by its regulator (14% of risk-weighted assets, compared with the required 10%).

In this context, BBVA in Peru has increased its activity in 2013 at a significant rate. The bank's performing loans as of 31-Dec-2013 are up 20.0% compared with the amount reported 12 months earlier. Mortgages have been outstanding, with an increase of 18.1%. On-balance-sheet customer funds have increased by 21.9%, thanks to the boost in transactional items, which have risen by 25.4% year-on-year.

This performance in activity has been reflected in the progress in net interest income (up 7.9% year-on-year). Combined with increased income from fees and commissions (up 9.0%), despite the new regulatory requirements, and growth in NTI (up 15.5%), the result has been a 9.1% increase in gross income. Expenses and loan-loss provisions have also increased, the latter in line with activity growth, resulting in a net attributable profit of €167m, up 3.5% year-on-year.

A key objective of BBVA Continental is to be the leading bank in Peru in multi-channel experience. This goal is in line with that of being the most useful bank for businesses and satisfying customer needs. This multi-channel strategy is based on actions aimed at:

- Standardizing and integrating customer experience through the various contact channels.

- Strengthening interaction between the bank and each customer.

- Simplifying the multi-channel experience for customers, maintaining high standards in information security.

- Expanding this multi-channel experience to the wide range of tools and platforms available to customers.

In 2013, BBVA Continental has also maintained its commitment to innovation and the continuous improvement of its products. Thus, the bank has launched two major campaigns during the year, with the aim of making its customer experience simpler:

- The first was aimed at small and medium-sized enterprises. With the slogan "No soy Pyme, soy empresario" (I'm Not an SME, I'm a Businessperson) the bank has given a new twist to communication, considering customers in this segment as "businesspeople", and thus recognizing their efforts and achievements.

- The second campaign has focused on boosting the use of channels other than branches. With the slogan "Ir al banco no es divertido" (It's No Fun Going to the Bank), customers who at present carry out their operations at the traditional window are encouraged to switch to alternative channels (ATMs, correspondents, online banking and/or mobile devices).

Other highlights in 2013 in Peru are:

- BBVA Continental has successfully placed several international issues of subordinated bonds in 2013, which were heavily oversubscribed. This proves the confidence of investors in Peru and the soundness of BBVA in the country.

- The magazine *Global Finance* has once more chosen BBVA Continental as Best Bank in Peru in its new 2013 edition of "The Best Banks in Latin America". BBVA Continental has now been in top spot for 10 years. The publication highlights that the winning banks offer the best solutions to customers combined with an excellent service.

- The magazine *Euromoney* has named BBVA "Best Bank in Peru" at the Euromoney Awards for Excellence 2013. The magazine has highlighted that BBVA Continental is in first place in terms of efficiency an d profitability and emphasizes that the bank has a loan book of greater quality than its competitors.

- BBVA Continental has been recognized as the best financial institution for quality of customer service, according to the analysis conducted by Ipsos Apoyo among the main banks operating in Peru.

- BBVA Continental has also received the "Good Corporate Governance 2013" award from the Lima Stock Exchange for appearing on the list of 10 companies with the best corporate governance policies for the sixth year in a row. It also received recognition for its 60 years in the stock market.

- In social responsibility initiatives, BBVA Asset Management Continental has launched the BBVA "Leer Es Estar Adelante" (Reading Means Keeping Ahead) fund, the first of its kind set up in the country to support a social cause: helping to improve children's education.

Venezuela

The latest official **economic** data for Venezuela show a slowdown in growth due to a contraction in domestic demand resulting from lower investment. This has been accompanied by an upturn in inflation as a result of rising food and beverages prices.

In **foreign exchange** policy, the authorities devalued the Venezuelan bolivar in February from 4.3 to the US dollar to 6.3. The complementary mechanism of SITME currency deliveries was also replaced by another, the SICAD, which began to operate fully in October.

In this context, the loan book in the **banking sector** has grown significantly by 62%, supported by credit cards and commercial, which are up 79% and 68%, respectively, according to data available as of November 2013. Customer funds, as a result of the high level of liquidity in the system, have increased at higher rates than loans (up 67%), thanks to the excellent performance of current and savings accounts.

In this economic scenario, **BBVA in Venezuela** has performed well, in terms of both activity and in earnings, and maintained profitable and sustained growth as its core value. This has been achieved with a management model aimed at providing an extensive range of commercial products and services, tailored to the financial needs of its customers, which position the bank as a benchmark in technology.

Performing loans as of 31-Dec-2013 posted an increase of 64.5% on the figure for the close of 2012. By portfolios, there was an increase in credit cards (up 77.4% and 78 basis points from November 2012 to November 2013) and commercial loans, which increased almost tenfold on the figure for the close of 2012, with a gain in market share of 49 basis points. Customer funds increased by 76.3% thanks to the strength of the more transactional items (current and savings accounts), which increased by 90.6% and posted a gain in market share of 2 basis points over the last 12 months.

These figures for activity have been reflected in the positive performance of recurring revenue. Net interest income plus income from fees and commissions have increased 75.9% over the last 12 months and offset the increase in expenses and loan-loss provisions. As a result, the **net attributable profit** for 2013 is €369m, up 63.1% on the figure the previous year.

The main **highlights** for 2013 are given below. Most of them are closely related to the development of new technologies and alternative channels to branches. As a result, the bank has been named "Best Internet Bank" in 2013 by *Global Finance*. The bank has consolidated its use of multi-channel banking and is now one of the most innovative in the country, attracting an average of 5,000 new customers every month via the Internet. The most relevant highlights are described below:

- Development of a set of initiatives that have allowed multi-channel management through a single tool called "Gestor de Campañas" (Campaign Manager). This tool has been the basis of the "Motor de Gestión" (Management Engine), which uses previously established business criteria to prioritize, select, distribute and control traffic between channels, thus guaranteeing a more efficient customer service through the most convenient channel with the most appropriate products according to customer needs.

- A boost to the call-center management channel, aimed at encouraging cross-selling of lending products, such as credit cards, consumer, and payroll loans, thus guaranteeing greater customer loyalty and a reduction of branch-based operations.

- Use of the promotions mailbox in Provinet (web portal) to boost the bank's commercial growth. It informs customers of personalized products and services, pre-approved loans and commercial campaigns. A new version of Provinet Empresas for companies has also been launched, with new functionalities.

- In mobile banking services, the technological platform of Provinet Móvil has been extended to the iPad, thus providing the possibility of accessing a broad range of online functions: balance inquiries, transfers between own and third-party accounts and payment of services, among others.

- Opening of new agencies and incorporation of "express zones". This offers more spaces provided with cutting-edge technological equipment to provide customers with the possibility of making more self-service transactions in a shorter time, with the level of security that characterizes BBVA Provincial.

- Increase in the number of ATMs, most of them multi-functional, meaning they provide customers with the means to make their banking transactions easily without the need to go to the branch. This makes BBVA Provincial a pioneer and leader in this area, with a market share of 17.5% in ATMs as of December 2013 and a volume of over 18 million monthly transactions.

- A number of campaigns have been launched as part of the marketing strategy that links the bank with sports. They offer customers the possibility of attending and enjoying the most important sporting events in the world.

In addition, BBVA Provincial has celebrated the 60th anniversary of its foundation with major **recognitions** that confirm its leading position in the Venezuelan financial system. The international publication *Global Finance* has for the seventh year named it "Best Bank in Venezuela in 2013" as part of the awards to the "Best Emerging Market Banks in Latin America". The bank has also received for the seventh year in a row the "Best Bank in Venezuela" award from Euromoney at the 2013 Excellence Awards, among the most important in the global financial industry. Exceptionally, it has also received for the second time the "Great Place to Work 2013®" award, ranking second out of 18 companies providing the best place to work in Venezuela, and first among financial institutions in the country.

Lastly, in **social responsibility**, as in the rest of the area, the bank has reinforced its commitment to financial literacy. Through its Foundation, it has launched the "Adelante con tu Futuro" (Forward With Your Future) portal, which offers public access to information of interest and news related to basic financial knowledge.

Paraguay

In 2013, the Paraguayan **economy** has shown strength in the productive sectors, as the good weather conditions have led to a substantial harvest that has generated good results in industries related to the sector. The recovery in meat exports following the foot-and-mouth crisis at the end of 2011 has been another factor explaining this positive performance. As a result, GDP grew year-on-year by 12.5%, compared with a rise of 5.3% the previous year.

BBVA Paraguay has implemented an ambitious business plan to boost the growth of banking activity. In addition, the process of restructuring the bank started years ago has finally concluded satisfactorily. This has improved the service provided to customers, which in turn has had a favorable impact on the bank's activity in the country. **Performing loans** have increased by 26.8% since the close of 2012, customer funds by 22.0% and the net attributable profit by 57.5% in the last 12 months to €22m.

At the local level, the rating agency Feller-Rate has ratified the local rating of the bank at AA, modifying the outlook from sensitive to stable. At the international level, Standard & Poor's has maintained the **rating** at BB–, with a stable outlook, in line with the sovereign rating. Moody's has upgraded BBVA Paraguay from Ba3 to B1 with a stable outlook. These improvements reflect the good position of the bank in the market, and place it among the four main banks in the Paraguayan financial system, with favorable efficiency indicators as a result of the progress made in strengthening its internal processes.

Lastly, BBVA Paraguay is among the ten **best companies to work for** in the country, according to the "Great Place to Work® 2013" ranking, and is the bank that has obtained the best rating from its employees.

Other significant **highlights** in 2013 are:

- The individual customers business has continued to consolidate the integration of credit card customers acquired from Citigroup and the creation of the "BBVA Experience" product, a credit card that incorporates a points program for travelers. Another significant highlight in payment channels is the renewal of the affinity agreement with one of the main retail outlets in the country. With respect to segments, the launch of personal banking has provided mass-affluent customers with a specific range of products and services tailored to their needs.

- In the wholesale business the loyalty plan has been implemented through credit lines and a more comprehensive customer management.

- In addition, work has been carried out to improve the current range and structure of transactional services with the aim of increasing the loyalty of customers in all segments.

- Lastly, a new website for individual customers and mobile banking has been launched, representing a major landmark in improving the features provided by digital channels.

Uruguay

The Uruguayan **economy** slowed slightly in 2013. However, on the demand side, private consumption has grown strongly and investment is at all-time highs. Inflation stands at 9%.

BBVA Uruguay remains in second place in the ranking of private banks by volume of lending, with a year-on-year growth of 34.6% in performing loans and a market share of 20.3% according to the latest available information. Customer funds have increased year-on-year by 17.9%, positioning BBVA in third place in the ranking. The net attributable profit of BBVA Uruguay in 2013 is €19m, a decline of 7.9%, which is explained by the increase in impairment losses on financial assets, as revenue increased by 5.1% and operating income by 4.8%.

The most relevant **highlights** this year are summarized below:

- In the corporate segment, the conclusion of an alliance with one of the main importers of agricultural machinery, which has extended the customer base and volume of business through the funding provided.

- In the segment of private individuals, several actions have been carried out: Re-segmentation of the customer portfolio and improvement of cross-selling and productivity. In credit cards, a commercial agreement has been signed with the biggest retailer in Uruguay, which has increased the number of new customers and thus extended coverage across the country. In mortgage loans, a new line has been incorporated under an agreement with the National Housing Agency (a government body) and Banco Hipotecario del Uruguay, which allows finance for up to 90% of the home. This has given the bank access to social housing projects. In loans for car purchases, a number of alliances have been made with the main car manufacturers, through products designed for each segment. Lastly, a campaign called "AhorroMás" was launched in November to gather time deposits in local currency.

- In channels, the design of the "Cliente Digital" (Digital Customer) project began, involving the development of the public website and BBVA Net, as well as a boost to mobile banking. In addition, the campaign "Un Cliente, Un Cliente Digital" (One Customer, One Digital Customer) was launched to promote the use of digital channels.

- In insurance, a new platform has been developed to manage and launch new products, such as MediMapfre, 24-hour assistance, new life and savings insurance and fraud insurance, among others, which explains the year-on-year growth recorded in insurance premiums (up 92%) and fees generated (up 119%).

South America. Data per country

(Million euros)

	Operating income					Net attributable profit				
Country	2013	Δ%	Δ% at constant exchange rates	2012	2011	2013	Δ%	Δ% at constant exchange rates	2012	2011
Argentina	509	15.3	43.6	442	315	214	11.8	39.2	191	156
Chile	336	7.4	13.2	313	299	119	(20.9)	(16.7)	151	139
Colombia	525	1.9	9.4	516	379	296	0.3	7.8	295	230
Peru	651	1.4	7.4	642	492	167	(2.3)	3.5	170	141
Venezuela	1,116	5.1	53.2	1,061	670	369	11.9	63.1	329	201
Other countries (1)	108	15.9	19.7	93	60	84	36.5	41.2	62	31
Total	**3,244**	**5.8**	**27.0**	**3,066**	**2,215**	**1,249**	**4.1**	**22.6**	**1,199**	**898**

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

Corporate Center

Income statement

(Millon euros)

	Corporate Center			
	2013	∆%	2012	2011
Net interest income	**(719)**	**51.9**	**(473)**	**(465)**
Net fees and commissions	(61)	142.4	(25)	(21)
Net trading income	347	(41.6)	594	204
Other income/expenses	119	(38.2)	192	371
Gross income	**(314)**	n.m.	**288**	**88**
Operating expenses	(1,105)	7.4	(1,029)	(918)
Personnel expenses	(477)	(5.4)	(504)	(453)
General and administrative expenses	(194)	10.9	(175)	(207)
Depreciation and amortization	(434)	24.1	(350)	(259)
Operating income	**(1,419)**	**91.5**	**(741)**	**(830)**
Impairment on financial assets (net)	(8)	(48.5)	(15)	(66)
Provisions (net) and other gains (losses)	(80)	14.6	(70)	44
Income before tax	**(1,507)**	**82.3**	**(826)**	**(852)**
Income tax	241	(42.4)	418	505
Net income from ongoing operations	**(1,266)**	**210.2**	**(408)**	**(347)**
Results from corporate operations	383	(70.6)	1,303	745
Net income	**(883)**	n.m.	**895**	**398**
Non-controlling interests	(116)	60.8	(72)	(47)
Net attributable profit	**(999)**	n.m.	**823**	**351**

Balance sheet

(Million euros)

	Corporate Center			
	31-12-13	∆%	31-12-12	31-12-11
Cash and balances with central banks	29	(67.3)	88	146
Financial assets	3,130	11.8	2,799	5,031
Loans and receivables	979	(41.0)	1,660	3,751
Loans and advances to customers	979	(41.0)	1,660	3,751
Loans and advances to credit institutions and others	-	-	-	-
Inter-area positions	-	-	-	-
Tangible assets	2,101	4.7	2,006	1,706
Other assets	16,403	(21.8)	20,970	15,019
Total assets/Liabilities and equity	**22,641**	**(17.7)**	**27,523**	**25,652**
Deposits from central banks and credit institutions	-	-	-	-
Deposits from customers	-	-	-	-
Debt certificates	7,541	(26.6)	10,273	10,058
Subordinated liabilities	1,507	229.5	458	838
Inter-area positions	(10,413)	112.9	(4,892)	(5,681)
Financial liabilities held for trading	-	-	-	-
Other liabilities	4,055	(53.4)	8,700	8,276
Shareholders' funds	44,847	3.7	43,261	39,064
Economic capital allocated	(24,897)	(17.8)	(30,275)	(26,904)

Definition of the area

The Corporate Center is an aggregate that contains the rest of the items that have not been allocated to the business areas, as it basically corresponds to the Group's holding function. As explained in the introduction to this chapter, it groups together the costs of the headquarter that have a corporate function; management of structural exchange-rate positions; specific issues of capital instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with pensioners; goodwill and other intangibles. In addition, it also comprises the result from certain corporate transactions carried out over the year and in previous years, such as that from the pension business in Latin America, including the capital gains from their sale, those resulting from the sale of BBVA Panama, and the effect of the repricing of the stake in CNCB to market value following the signing of the new agreement with the CITIC group, which includes the sale of 5.1% of the stake in CNCB. It also includes the equity-accounted earnings from CNCB (excluding the dividends). Lastly, the data for the previous years includes the financial statements of BBVA Puerto Rico until its sale, which was completed in December 2012.

Earnings

In **2013**, the Corporate Center's results were a loss of €999m, compared with earnings of €823m the previous year. These figures are heavily conditioned by the closing of several corporate operations carried out by the Group throughout the year. As already stated on several occasions in this report, with the aim of guaranteeing a homogenous comparison of the accounts, all the effects derived from these Group decisions have been transferred to a new heading, called "results from corporate operations". In 2013, this heading registered €383m and basically includes the effects of the following items:

- Earnings from the Group's pension business in Latin America and the capital gains from the sale of the different companies (Mexico in the first quarter, Colombia and Peru in the second, and Chile in the fourth).
- The capital gain from the sale of BBVA Panama (fourth quarter).
- The impact of the new agreement with CITIC Group (fourth quarter), basically the mark to market of BBVA's stake in CNCB and the equity-accounted earnings from CNCB (not including dividends) from previous quarters.

In **2012**, results from corporate operations amounted to €1,303m and included:

- The badwill generated in the Unnim operation.
- The earnings from the sale of BBVA Puerto Rico.
- And the figures from the pension business and the equity-accounted earnings from CNCB (not including dividends) for that year.

In **2011**, this heading stood at €745m thanks to the results from the pension business and the equity-accounted earnings from CNCB (also excluding dividends).

Asset/Liability and Capital Management and Wholesale Funding

The Asset/Liability and Capital Management and Wholesale Funding unit in BBVA's Financial Area is responsible for managing structural interest-rate and foreign-exchange positions, as well as the Group's overall liquidity and shareholders' funds. Earnings from the management of liquidity and the structural interest-rate positions in each balance sheet are registered in the corresponding areas. With respect to the management of exchange-rate risk of BBVA's long-term investments, the results are included in the Corporate Center. Likewise, this aggregate includes the earnings from specific issues of capital instruments to ensure adequate management of the Group's global solvency.

Liquidity management helps to finance the recurring 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 is the financial independence of its subsidiaries abroad. This principle prevents the propagation of a liquidity crisis among the different areas and guarantees correct transmission of the cost of liquidity to the price formation process and to the sustainable growth of lending activity.

In 2013, short and long-term wholesale financial markets performed very well in Europe and in Spain as a result of the measures adopted by the ECB, the significant progress made in European construction and in banking union, and the improvement in the outlook for economic growth and in risk perception among the European countries. The rate of activity in the primary issuance market has been steady and stable. This situation has enabled the reopening of the market in early 2013 for the main Spanish financial institutions.

Against this backdrop, BBVA has been able to access the markets with complete normality, as demonstrated by the successful issues of covered bonds, senior debt and regulatory capital (eligible as additional Tier I). In the first quarter, the Group completed three public senior debt and covered bond issues on the wholesale markets for a total amount of €4 billion (€3 billion in senior debt and €1 billion in covered bonds), with a very high level of demand and acceptance among foreign fixed-income investors.

Outside Europe, the situation has also been positive in the geographical areas where BBVA operates, enabling the Bank to strengthen its liquidity position in all the regions where it is present.

To sum up, BBVA's proactive policy in its liquidity management, the growth in customer funds in all geographical areas, its proven ability to access the market, even in difficult environments, its retail business model and the relatively small size of its balance sheet, all give it a comparative advantage against its peers. Moreover, the increased proportion of retail deposits on the liability side of the balance sheet continues to strengthen the Group's liquidity position and to improve its financing structure.

Foreign-exchange risk management of BBVA's long-term investments, basically stemming from its franchises abroad, aims to preserve the Group's capital adequacy ratios and ensure the stability of its income statement.

In 2013, BBVA maintained a policy of actively hedging its investments in Mexico, Chile, Peru and Colombia and the dollar area, at close to 50% in aggregate terms. In addition to this corporate-level hedging, dollar positions are held at a local level by some of the subsidiary banks. The foreign-exchange risk of the earnings expected from abroad for 2013 is also strictly managed. The impact of variations in exchange rates in 2013 has been partly offset by the hedging positions held, which have counteracted a possibly more negative effect on the Group's income statement and capital ratios. For 2014, 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 adequacy 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 medium term, regardless of interest-rate fluctuations.

In 2013, the results of this management have been very satisfactory, with extremely limited risk strategies in Europe, the United States and Mexico. These strategies are managed both with hedging derivatives (caps, floors, swaps and FRAs) and with balance-sheet instruments (mainly government bonds with the highest credit and liquidity ratings).

The Bank's **capital management** has a twofold aim: to maintain levels of capitalization appropriate to the business targets in all the countries in which it operates and, at the same time, to maximize return on shareholders' funds through the efficient allocation of capital to the various units, good management of the balance sheet and proportionate use of the various instruments that comprise the Group's equity: common stock, preferred securities, conditional convertible bonds and subordinated debt.

The highlights as regards capital management in 2013 are summarized below:

- In April, BBVA carried out the system of remuneration known as the "dividend option" at €0.12 gross per share, offering shareholders the chance to receive the amount equivalent to the traditional final dividend, either in newly issued BBVA shares or if they prefer in cash. Owners of 85.7% of the free allotment rights opted to receive new shares. Therefore, the number of ordinary BBVA shares issued in the free-of-charge capital increase was 83,393,714. This resulted in capital savings of 16 basis points. Additionally, in October BBVA implemented again the "dividend option" remuneration system for a gross €0.10 per share. On this occasion, the holders of 88.3% of free allotment rights opted to receive new shares. Therefore, the number of ordinary BBVA shares issued under the paid-up capital increase was 61,627,952, with a capital saving of 15 basis points.

- On June 30, when the mandatory subordinated convertible bonds, which were issued in December 2011, matured, BBVA carried out the mandatory conversion of outstanding bonds. As a result, 192,083,232 new shares have been issued.

- The Bank successfully completed an issue of contingent convertible securities into shares for the amount of USD 1,500m, with final demand exceeding USD 9,000m. BBVA has thus become the first European issuer of the new generation of Tier I instruments that will be eligible as additional Tier I capital under Basel III.

- In addition, BBVA Colombia has issued 365,000m Colombian pesos (around €155m) of subordinated debt, which has strengthen the Group's Tier II capital. Furthermore, the Bank has exercised the call on a subordinated debt issue by BBVA Bancomer for 3,000m Mexican pesos. Lastly, in Peru, Banco Continental has completed a 15-year $45m issue.

- BBVA has also materialized the capital gains from the completion of the sale of its pension business in Latin America and of BBVA Panama, which have had a very positive effect on the Group's capital.

- In the fourth quarter of 2013, BBVA closed the sale of 5.1% of its stake in CNBC as part of the new agreement signed with CITIC Group. This sale has a positive impact on the Group's solvency, particularly under the new BIS III regulations.

- Lastly, turning to regulation, Royal Decree 14/2013, dated November 29, which aims to adapt the European regulations CRR 575/2013 and CRD 2013/36, both dated June 26, came into effect as Spanish Law in January 2014. It includes a change in the treatment of deferred tax assets, in line with the regulation in force in other States of the European Union. The latter improves the forecast for core equity Tier I under BIS III regulations for the BBVA Group.

In conclusion, the current levels of capitalization enable the Bank to fulfill all of its capital objectives.

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 Financial Area.

BBVA applies strict requirements to this portfolio regarding risk-control procedures, economic capital consumption and return on investment, diversifying investments across different sectors. It also applies dynamic hedging and monetization management strategies to its holdings. In 2013 it invested €173m and divested €286m.

As of December 31, 2013, the market value of the holdings in the Industrial & Financial Companies portfolio is €3,125m.

Additional information: Corporate & Investment Banking

Income statement

(Milllon euros)

	Corporate & Investment Banking				
	2013	∆%	∆% [1]	2012	2011
Net interest income	**1,642**	**(0.5)**	**4.7**	**1,650**	**1,637**
Net fees and commissions	733	2.4	5.5	716	652
Net trading income	655	162.9	222.4	249	191
Other income/expenses	6	(87.2)	(90.6)	44	81
Gross income	**3,036**	**14.2**	**20.2**	**2,659**	**2,561**
Operating expenses	(900)	0.9	4.0	(892)	(845)
Personnel expenses	(481)	(4.3)	(2.5)	(503)	(483)
General and administrative expenses	(398)	7.8	12.6	(369)	(355)
Depreciation and amortization	(21)	4.5	11.5	(20)	(7)
Operating income	**2,136**	**20.9**	**28.6**	**1,767**	**1,716**
Impairment on financial assets (net)	(94)	(43.3)	(43.1)	(165)	(48)
Provisions (net) and other gains (losses)	(34)	147.8	241.6	(14)	(13)
Income before tax	**2,008**	**26.5**	**35.2**	**1,588**	**1,655**
Income tax	(582)	26.6	35.5	(460)	(459)
Net income	**1,426**	**26.4**	**35.0**	**1,128**	**1,196**
Non-controlling interests	(159)	23.2	48.9	(129)	(83)
Net attributable profit	**1,267**	**26.9**	**33.4**	**999**	**1,112**

(1) At constant exchange rates.

Balance sheet

(Milllon euros)

	Corporate & Investment Banking				
	31-12-13	∆%	∆% [1]	31-12-12	31-12-11
Cash and balances with central banks	2,724	(79.2)	(78.5)	13,075	13,187
Financial assets	79,266	(5.8)	(4.4)	84,153	64,738
Loans and receivables	64,134	(3.3)	(0.8)	66,313	71,717
Loans and advances to customers	45,592	(5.8)	(2.4)	48,403	53,048
Loans and advances to credit institutions and others	18,542	3.5	3.4	17,910	18,669
Inter-area positions	12,486	(15.9)	(9.4)	14,840	11,466
Tangible assets	47	17.8	21.6	40	28
Other assets	2,650	(22.0)	(18.8)	3,399	2,643
Total assets/Liabilities and equity	**161,308**	**(11.3)**	**(9.0)**	**181,820**	**163,779**
Deposits from central banks and credit institutions	59,350	(21.9)	(20.9)	76,037	67,879
Deposits from customers	45,132	23.0	33.9	36,690	38,826
Debt certificates	(128)	(43.8)	(43.8)	(228)	(70)
Subordinated liabilities	1,253	(21.1)	(19.3)	1,588	2,149
Inter-area positions	-	-	-	-	-
Financial liabilities held for trading	46,608	(17.6)	(17.3)	56,550	45,012
Other liabilities	5,176	(15.7)	(13.8)	6,142	5,861
Economic capital allocated	3,917	(22.3)	(19.7)	5,041	4,121

(1) At constant exchange rates.

Highlights in 2013

- New improvement of the commercial and liquidity gaps.
- Strength and quality of revenue.
- Cost control.
- Reduction in loan-loss provisions.
- High contribution from Global Transaction Banking and Global Markets.

Relevant business indicators

(Million euros and percentage)

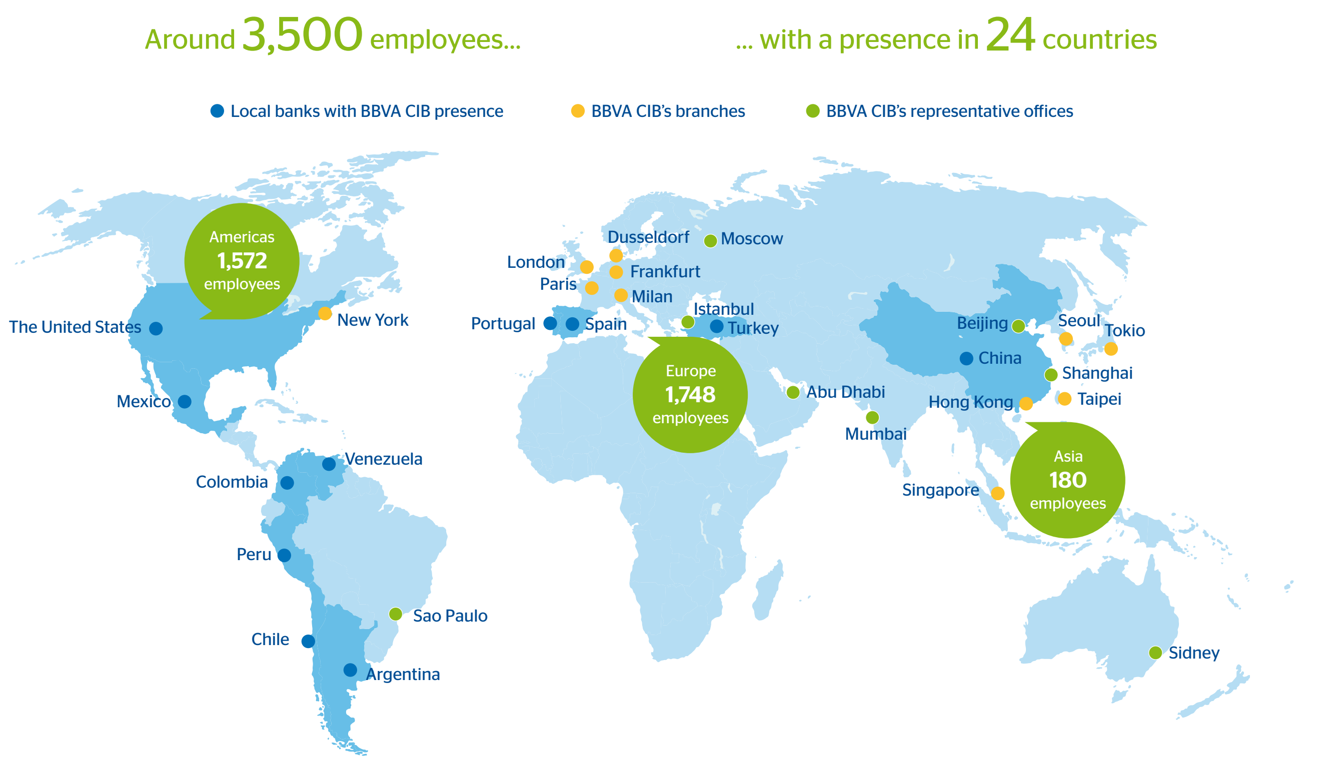
	Corporate & Investment Banking		
	31-12-13	31-12-12	31-12-11
Performing loans [1]	45,355	46,301	58,158
Customer deposits under management [1-2]	34,750	26,605	30,744
Mutual funds	713	858	839
Pension funds	0	0	0
Efficiency ratio (%)	29.6	33.6	33.0
NPA ratio (%)	1.6	1.5	0.8
NPA coverage ratio (%)	80	71	103
Risk premium (%)	0.19	0.29	0.09

(1) Figures at constant exchange rates.
(2) Excluding repos.

Definition

Corporate & Investment Banking (CIB) comprises the Group's wholesale businesses in all the geographical areas where it operates. Its function is to develop products and offers services that provide added-value solutions for wholesale customers, i.e. large corporations and institutional investors, and retail customers, i.e. SMEs, large companies and institutions. These products and services include: Structured & Syndicated Lending (financing activity), Global Transaction Banking (transactional business), Corporate Finance (financial advice and investment banking) and Global Markets (trading and distribution business).

CIB. A global unit and a diversified business



Macro and industry trends

After the slowdown seen in the first half of the year, the global **economy** picked up again in the second half of 2013. This has had a positive impact on financial markets in late 2013, once uncertainty, particularly regarding the expansive monetary policy applied by the Fed, was dispelled. Overall, there was an improvement in funding costs and a reduction in liquidity tensions during the year. The deleveraging process and implementation of regulatory reforms in the European Union also continued.

Wholesale banking activity continued with the structural change to its business model, including the withdrawal (or reduction) of those geographical areas and products that are not critical for banking activity, particularly in the case of European banks; a greater use of flow products such as foreign currency or transactional banking; containment of credit; and general reduction in costs.

The breakdown of the activity and earnings of the BBVA wholesale business is shown below. Unless otherwise indicated, all the comments on changes below refer to constant **exchange rates**. Due to the widespread depreciation against the euro of currencies with an impact on the Group's financial statements, the effect of exchange rates is negative in both earnings and in the balance sheet and activity.

Management priorities

In **2013** BBVA CIB continued to improve its customer-centric approach, geographical and product and service diversification, efficiency in costs and capital consumption, and prudent risk management. Work has been carried out in three main lines:

- Simplification of the organizational structure and business management, ensuring a more customer-centric approach, thus gaining in efficiency and responsiveness. This has been done by boosting cross-border business and collaborating with the Group's local networks in all the geographical areas; in other words, by using the Bank's networks as the basic lever to make the business structure more profitable. In addition, the migration toward a less capital-intensive model continued.

- A boost to strategic growth plans in the area, particularly in terms of the development of flow products (foreign currency, cash management and foreign trade), to the consolidation of the value chain integration model (origination, structuring, distribution and trading) and to the strengthening of certain geographical areas such as the United States, where a new strategic plan was launched. BBVA CIB operates in core markets for the Group as a key element of differentiation. It also continues to make the most of the Bank's competitive advantages in emerging countries.

- Investment in innovation and technology as a key element for implementing the business transformation plans, closely aligned to the Group's transformation and productivity programs.

Looking to the **future**, BBVA CIB will continue committed to this customer-centric, diversified, efficient, low risk business model that is underpinned by four pillars:

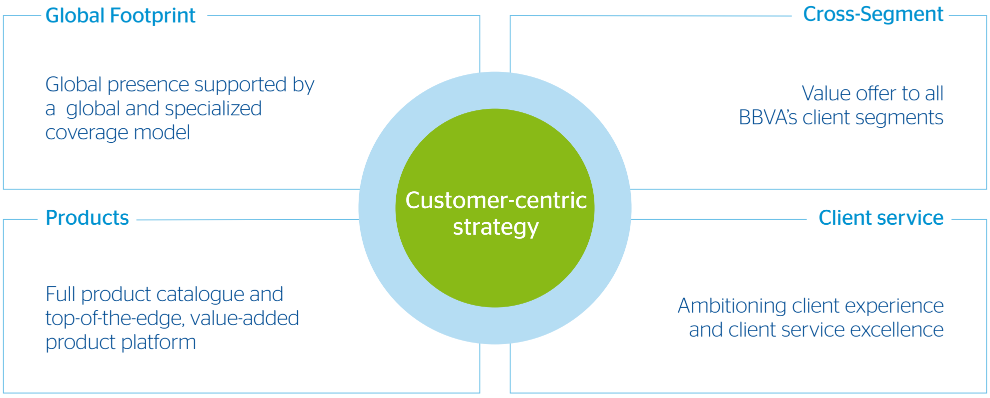
- International presence supported by a model of global and specialized coverage.

- A value offer for all the Group's customer segments (transversality).

- A complete catalog of great added-value products and services and a high-level platform, paying special attention to flow products (foreign currency, cash management and foreign trade).

- Aspiration to excellence in customer experience.

CIB. A strategy that allows offering all BBVA's customers the highest value-added service

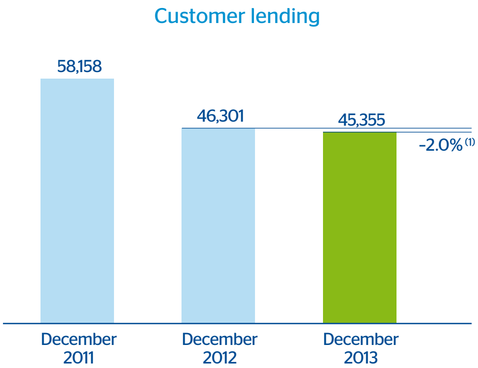


Activity

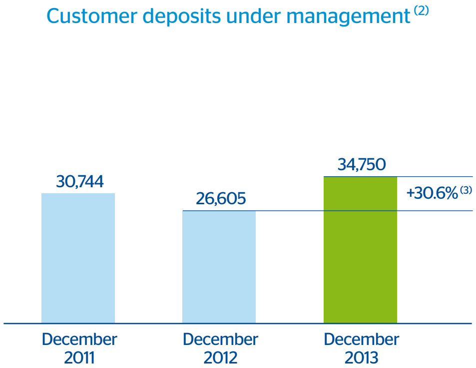
CIB has been able to revise, adequately, its lending policies in line with the current environment. **Performing loans** closed 31-Dec-2013 with a year-on-year decline of 2.0% to €45,355m. This performance is due to the lower balances in Europe and, to a lesser extent, in the United States. Wholesale customers in Spain have reduced their exposure with BBVA by 7.2% since the end of 2012. In Eurasia, the year-on-year decline has been 11.9% and in the United States, 2.8%. In contrast, there was positive performance in Mexico, with a particularly buoyant wholesale portfolio in the latter part of the year, showing year-on-year growth of 14.7%, and also in South America (up 14.0%).

CIB. Key activity data

(Million euros at constant exchage rates)



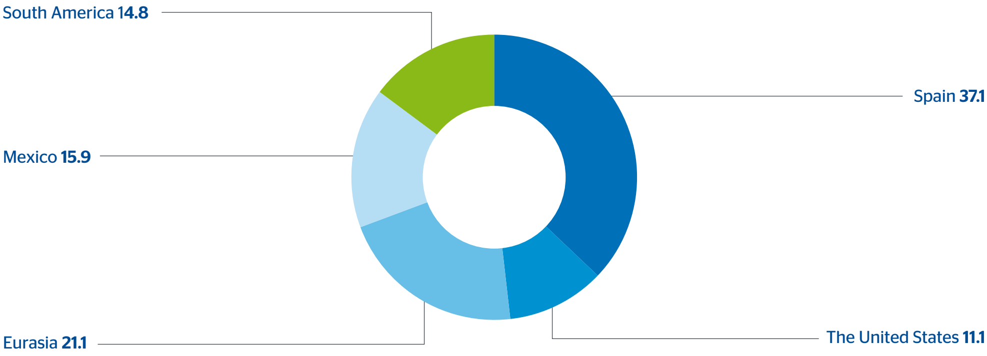
(1) At current exchange rates: -5.5%.



(2) Excludes repos.
(3) At current exchange rates: +17.7%.

CIB. Performing loans breakdown by countries

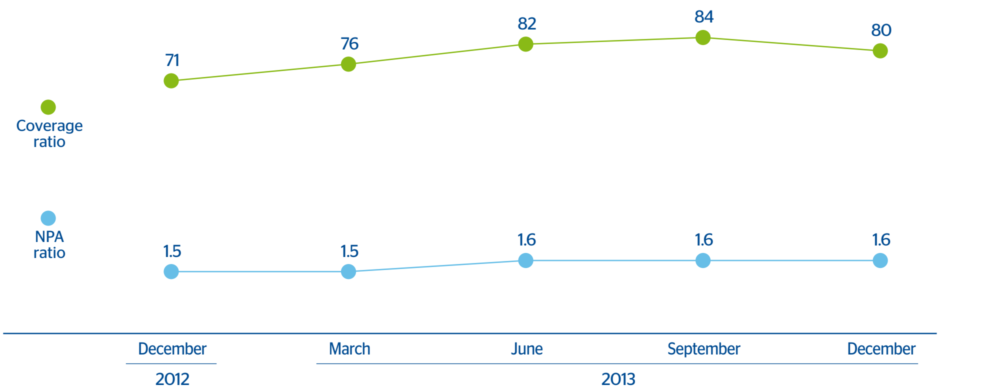
(December 2013. Percentage)



The **asset quality** of the portfolios forming part of this business shows good levels in both NPA and coverage. The NPA ratio closed the year at 1.6%, a very stable level compared with the end of 2012 (1.5% as of 31-Dec-2012), while the coverage ratio improved to 80% (71% as of 31-Dec-2012).

CIB. NPA and coverage ratios

(Percentage)

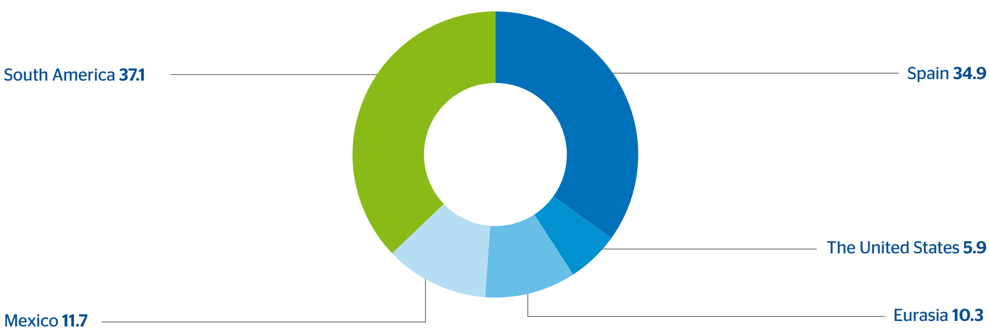


The performance in **customer deposits** under management improved and picked up pace over the last 12 months (up 30.6%). As of 31-Dec-2013 they amounted to €34,750m. The main reasons for this strong performance were again the diversification in geographical areas and products, as well as the increase in the customer base of deposit holders.

These factors have led to further improvement in the commercial and liquidity gap of the Group's wholesale business.

CIB. Breakdown of customer deposits under management by countries

(December 2013. Percentage)

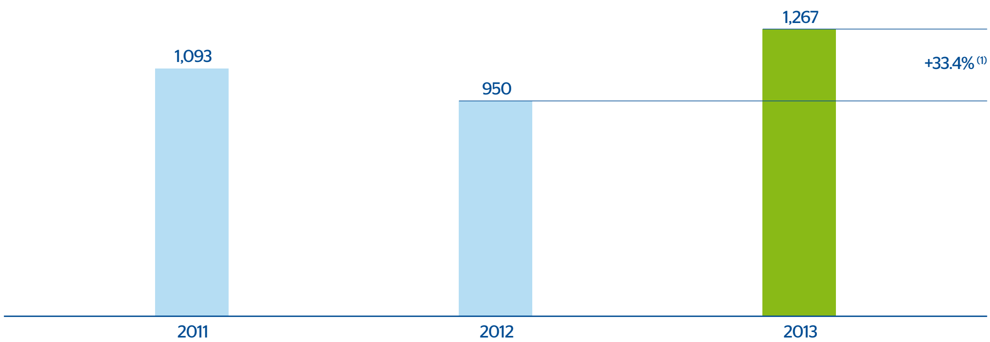


Earnings

Earnings in this area in 2013 show great strength in each one of the lines of the income statement. This is once more the result of a strategy based on prioritizing profitability over volume, efficient management, and an increase in transversality and diversification of geographical areas, products and customers. All this has led to a cumulative **net attributable profit** of €1,267m, a year-on-year increase of 33.4%.

CIB. Net attributable profit

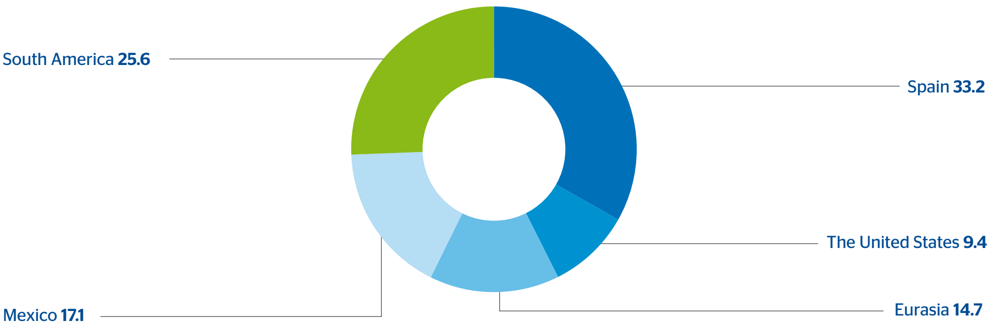
(Million euros at constant exchange rates)



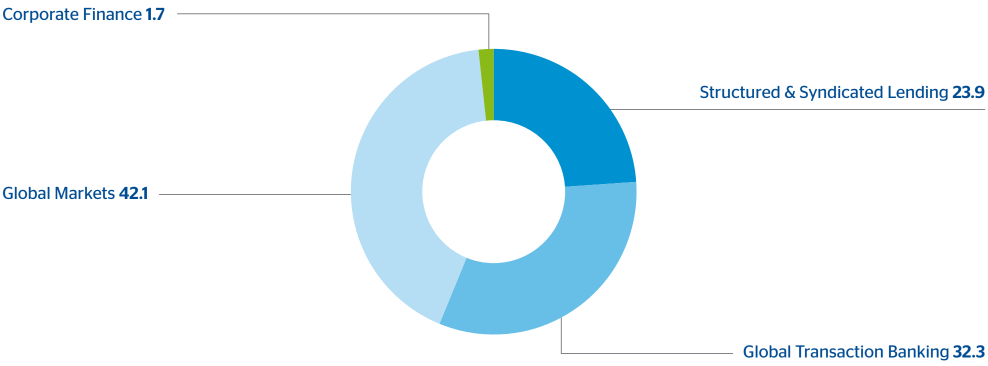
(1) At current exchange rates: +26.9%.

On the revenue side, **gross income** amounts to €3,036m, a 20.2% increase over the same period the previous year. Most of this growth stems from the Global Transaction Banking and Global Markets units.

CIB. Gross income breakdown by geographies
(December 2013. Percentage)

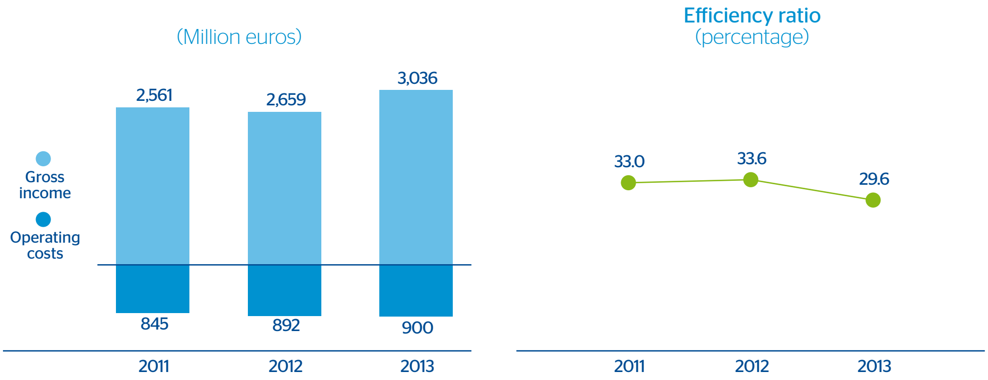


CIB. Gross income breakdown by business lines
(December 2013. Percentage)



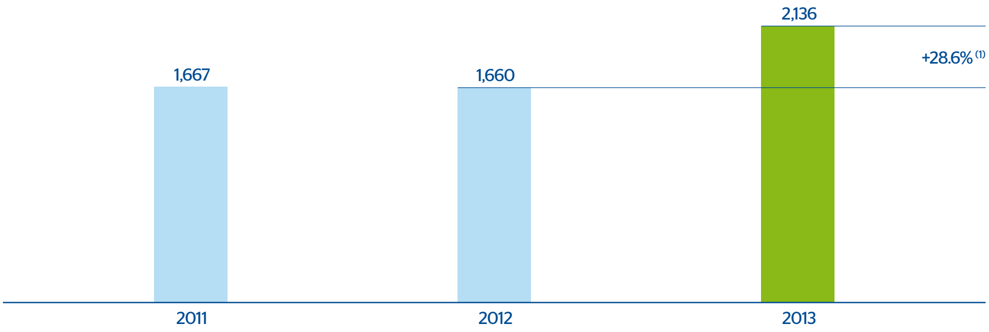
Another reason for the improved earnings in CIB has been the efforts made to control costs. At year-end, total operating expenses stood at €900m, a year-on-year increase of 4.0%. These efforts to keep expenses under control are even more relevant taking into account the Bank's ongoing commitment to innovation and, thus, the investments it makes to be at the cutting edge of technology. In addition, BBVA carries out this activity not only in mature markets, but also in emerging geographical areas with high inflation rates and which are undergoing various expansion and development plans. Thus, **operating income** totals €2,136m, up 28.6% on the figure for the same period in 2012, which brings the efficiency ratio to 29.6%, an improvement of 3.9 percentage points over the ratio reported in 2012.

CIB. Efficiency



CIB. Operating income

(Million euros at constant exchage rates)



(1) At current exchange rates: +20.9%.

Lastly, **impairment losses on financial assets** declined year-on-year by 43.1% to €94m.

Below are some of the highlights and most important deals carried out by the different CIB business units in 2013.

Corporate Finance

This unit provides financial advice on operations such as mergers, acquisitions and sales of companies and assets.

BBVA has consolidated its position as leading financial adviser in the **Spanish** mergers and acquisitions (M&A) market, with a total of 76 deals since 2009, according to Thomson Reuters. The following are some of the most important deals in 2013: the sale by CEPSA of 5% of CLH to Ardian; the sale of the stake held by FCC in Proactiva Medioambiente to Veolia Environment; and the advice given to the Board of Directors of Vueling in relation to IAG's takeover bid.

BBVA also plans to replicate in **Latin America** the success of the Corporate Finance unit in the Spanish market and has reinforced its teams in the region in recent years. Of the operations carried out in 2013 in Latin America, the following are particularly worth highlighting: the acquisition of 50% of Office Depot by Grupo Gigante and the sale by ICA of 18.7% of the RCO network of toll roads to various Goldman Sachs funds. BBVA has also positioned itself as a benchmark in the Mexican M&A market and has just been named "Best Investment Bank in Mexico in 2013" by *LatinFinance*.

Main Corporate Finance transactions in 2013

Spain CEPSA Financial advisor in the sale of a 5.0% stake in CLH to ARDIAN Confidential Corporate Finance	Spain GRIFOLS Fairness Opinion provider in the acquisition of the diagnostics division of NOVARTIS 1,675,000,000 USD Corporate Finance	Spain FCC Financial advisor in the 50% sale of PROACTIVA MEDIO AMBIENTE to VEOLIA ENVIRONNEMENT 150,000,000 EUR Corporate Finance	Spain SEPI Valuation report provider in connection with the sale of a 16.42% stake in Hispasat to abertis 173,000,000 EUR Corporate Finance
Spain vueling Fairness Opinion provider in IAG's takeover bid at EUR 9.25 per share IAG INTERNATIONAL AIRLINES GROUP 277,000,000 EUR Corporate Finance	Spain VEOLIA ENVIRONNEMENT Financial advisor in the sale of Veolia Water Portugal to 北控水務集團有限公司 BEIJING ENTERPRISES WATER GROUP LIMITED 95,000,000 EUR Corporate Finance	Mexico GRUPO GIGANTE Financial advisor in the acquisition of a 50% stake in the Mexican franchise of Office DEPOT 688,000,000 USD Corporate Finance	Mexico renovalia energy Financial advisor in the expansion of its strategic alliance for the addition of wind assets in Mexico FIRST RESERVE CORPORATION Confidential Corporate Finance
Mexico Alsea Financial advisor in the acquisition of the remaining stake in Starbucks Mexico Confidential Corporate Finance	Mexico ICA Financial advisor in the sale of a 18.7% stake in the highways network RCO to various funds of Goldman Sachs 1,100,000,000 MXN Corporate Finance	Peru Colfax Financial Advisor in the acquisition of SOLDEXA 235,000,000 USD Corporate Finance	Colombia Gobierno de Colombia Financial Advisor in the privatization process of EBSA through the 99.41% sale to Brookfield EBSA 420,000,000 USD Corporate Finance

Equity Capital Markets

There was notable activity in equity in 2013, i.e. issues in equity markets. BBVA has participated in 29 deals and reinforced the Group's leadership in key markets. In **Europe** major operations have been carried out, such as the IPO of CTT (the Portuguese mail company) and the share capital increases of Commerzbank and Barclays; in fact, the Barclays operation was the biggest equity operation in the world in 2013. Other operations worthy of note are: the repurchase of Repsol preferred securities, in which BBVA has worked as agent bank; and the advice to SEPI on the purchase of 20% of Indra from Bankia.

Outside Europe activity in **Mexico** was outstanding. BBVA has led the IPOs of IEnova, Fibra Danhos, Grupo Lala and the issue of CKDs by Artha, as well as the follow-on of Fibra Uno, Cultiba, OHL Mexico, Grupo Financiero Inbursa, FibraHotel, Banorte, OMA and Actinver. In Chile, BBVA has participated in the share capital increases with subscription rights of Enersis and Quiñenco. In Colombia, the Group has acted as a broker in the share capital increase of Cementos Argos, while in Peru BBVA has been involved in the share capital increase of Graña and Montero.

Main Equity Capital Markets transactions in 2013

Mexico FIBRA UNO 1,734,000,000 USD Follow on Equity Capital Markets Bookrunner	Mexico CULTIBA 291,000,000 USD Follow on Equity Capital Markets Bookrunner Lead manager	Mexico IEnova 598,000,000 USD IPO Equity Capital Markets Bookrunner Lead manager
Chile enersis endesa 2,377,000,000 USD Rights issue Equity Capital Markets Bookrunner	Colombia ARGOS 879,000,000 USD Follow on Equity Capital Markets Co-manager	Germany COMMERZBANK 2,500,000,000 USD Rights issue Equity Capital Markets Co-manager
Mexico FibraHotel 380,000,000 USD Follow on Equity Capital Markets Global coordinator	Mexico OHL 530,000,000 USD Follow on Equity Capital Markets Global coordinator	Mexico INBURSA 824,000,000 USD Follow on Equity Capital Markets Bookrunner
Mexico OMA 213,000,000 USD Follow on Equity Capital Markets Joint bookrunner	Peru Grupo Graña y Montero 413,000,000 USD Follow on Equity Capital Markets Co-manager	Mexico BANORTE 2,504,000,000 USD Follow on Equity Capital Markets Bookrunner
Luxembourg aperam 200,000,000 USD Convertible Equity Capital Markets Co-bookrunner	United Kingdom BARCLAYS 5,955,000,000 GBP Rights issues Equity Capital Markets Sub-underwriter	Mexico DANHOS 396,000,000 USD IPO Equity Capital Markets Global coordinator
Mexico LALA 939,000,000 USD IPO Equity Capital Markets Global Coordinator (L) Bookrunner	Chile QUIÑENCO S.A. 498,000,000 USD Rights issue Equity Capital Markets Bookrunner	Portugal ctt 580,000,000 EUR IPO Equity Capital Markets Co-lead manager

Structured & Syndicated Lending

Corporate Lending

The BBVA Corporate Lending team is worldwide recognized for its excellence in structuring, assurance and placement of syndicated loans for corporative clients. BBVA remains the leader in this business on the **Iberian Peninsula**. In 2013 it led the syndicated finance of EDP, Iberdrola, El Corte Inglés and the inaugural syndicated loan to Enagas, among others. It has also led the syndicated bridge to bond loans to refinance Adif and Antolin. In addition, it has been one of the three institutions leading the financing for the acquisition by Grifols of the vaccines and diagnostics division of Novartis in the United States.

In the **rest of Europe** there has been the closing of revolving credit facilities for large European companies such as Daimler, Evonik, Carrefour, ENEL, Siemens, Unilever and Nestlé. In addition, BBVA has been coordinator of the demerger operation of World Duty Free from the Autogrill group.

In **Latin America** BBVA has led the main operations in 2013. The Group has had significant success in acquisition finance activity, leading some of the major deals in the region, such as Grupo Gigante, Alsea and American Tower in Mexico, CFR in Chile and Hochschild in Peru.

In the **United States**, BBVA Compass has acted as joint lead arranger in a number of operations, among them the acquisition of Strike LLC by One Equity Partners and loans for Best Buy, Avon and Chicago Bridge & Iron.

Main Corporate Lending transactions in 2013

Germany 1,750,000,000 EUR Revolving credit facility Corporate Lending MLA / Bookrunner	France 1,458,000,000 EUR Revolving credit facility Corporate Lending MLA / Bookrunner	Spain 2,250,000,000 EUR Revolving credit facility / Term loan Corporate Lending MLA / Bookrunner
Italy 9,440,000,000 EUR Revolving credit facility Corporate Lending MLA / Bookrunner	Portugal 1,600,000,000 EUR Term loan facility Corporate Lending Documentation agent / MLA / Bookrunner	Italy 1,250,000,000 EUR Term & Revolving credit facilities Corporate Lending Global coordinator
Spain 4,909,210,351 EUR Refinancing credit facility Corporate Lending MLA / Bookrunner / Coordinador	Spain 1,200,000,000 EUR Revolving credit facility Corporate Lending Documentation agent / MLA / Bookrunner	Spain 2,000,000,000 EUR Revolving credit facility Corporate Lending Agent & coordinator / MLA / Bookrunner
Germany 9,000,000,000 EUR Revolving credit facility Corporate Lending MLA / Bookrunner	Peru 340,000,000 USD Corporate Lending Joint bookrunner	Mexico 5,200,000,000 MXN Corporate Lending Joint lead arranger
Mexico 5,200,000,000 MXN Corporate Lending Joint bookrunner	Mexico 700,000,000 USD Corporate Lending Joint bookrunner	The United States 500,000,000 USD Revolver Corporate Lending Joint lead arranger / Co-documentation agent
The United States 1,000,000,000 USD Revolver Corporate Lending Joint lead arranger / Co-documentation agent	The United States 275,000,000 USD Revolver, TLA Corporate Lending Lead arranger / Administrative agent	The United States 1,350,000,000 USD Revolver Corporate Lending Joint lead arranger / Co-syndication agent

Project Finance and Leveraged Finance

In Project Finance **Europe**, BBVA has consolidated a high-value support model for its customers through advice and finance in more than 20 operations in the sectors of infrastructure (N636, A66, Euroports, Vigo Hospital, the City Hall in Vitoria, Saba, etc.), energy (Bahía de Bizkaia Gas, Madrileña Red de Gas, etc.), telecommunications (Hispasat), etc. It has also developed pioneering initiatives such as project bonds. Leveraged acquisition finance includes that for the purchase of Marelli Motori in Italy by the Carlyle Group and the purchase of Clínica Teknon in Spain by the consortium formed by Quiron and DoughtyHanson.

In **Latin America**, BBVA has continued to be extremely active in 2013, closing a number of deals and executing significant advice mandates. In the energy sector there was the finance for the Chaglla hydroelectric plant, the Ancoa-Alto Jahuel transmission line in Chile and the portfolio of the Chihuahua gas pipeline assets in Mexico. In infrastructures there has been finance for the Port of Callao in Peru, the acquisition of the Intercontinental, Ritz and Crowne Plaza hotels in Chile and the underwater fiber optic cable company Globenet in Brazil. In addition, the loan for the acquisition of Atento has been financed with bonds. Lastly, also noteworthy is the operation for the acquisition of a company of oil extraction services in Colombia by SouthernCross.

In the **United States** BBVA has led the finance for the expansion of the Sabine Pass gas liquefaction project, as well as the NET Mexico natural gas pipeline for Pemex and ArcLight.

Main Project Finance transactions in 2013

Spain
Loan 325,000,000 EUR
Bond 500,000,000 EUR
Project Finance
Mandated lead arranger & active bookrunner

Spain
A-66 PPP
Benavente-Zamora
160,400,000 EUR
Project Finance
Mandated lead arranger & financial advisor

Spain
AP8 Highway
Geregiaga-Elorrio
245,580,000 EUR
Project Finance
Mandated lead arranger

Italy
Quadrilatero Marche-Umbria
General contractor novation
189,500,000 EUR
Project Finance
Mandated lead arranger

Spain-Mexico
Cross-border deal hotels refinancing
210,000,000 USD
Project Finance
Mandated lead arranger

Spain
Amazonas 4A & 4B
Bridge to ECA Facilities
80,000,000 EUR
Project Finance
Mandated lead arranger

Spain
230,000,000 EUR
Project Finance
Mandated lead arranger

Spain
Regasification Plant
132,000,000 EUR
Project Finance
Mandated lead arranger

Peru
756,000,000 USD
Project Finance
Bookrunner

Mexico
663,924,330 USD
Project Finance
Joint lead arranger, co-documentation agent and hedge provider

Mexico
Pipeline in Chihuahua
490,000,000 USD
Project Finance
Bookrunner, MLA & agent

Peru
100,000,000 USD
Project Finance
MLA and hedge provider

Mexico
Restructuring
210,000,000 USD
Project Finance
Mandated lead arranger

Spain
LBO bridge financing
150,000,000 EUR
Project Finance
Mandated lead arranger

Colombia
LBO financing
109,468,000,000 COP
Project Finance
Mandated lead arranger

Brazil
638,000,000 USD
Project Finance
Mandated lead arranger

Mexico/Spain
50,000,000 EUR
300,000,000 USD
Project Finance
Bookrunner & agent

Chile
Hotels Intercontinental, Crowne Plaza & Ritz-Carlton
143,000,000 USD
Project Finance
Bookrunner & MLA

Global Transaction Banking

In 2013, Global Transaction Banking has continued with its strategic plan focused on the development of new products and solutions in all the lines of transactional business and for all customer segments.

Several **products** have been launched that strengthen the interest of BBVA in innovation, offering increasing benefits to its customers, such as: the completion of the implementation of version 5.1 of "BBVA net cash" at global level; in Europe, the launch of the "BBVA net cash" app for smartphones and the "SEPA file test", which checks file formats before making submissions; in Mexico, the integration of "Filters for OPIs (international payment orders), which will optimize network management and make it more profitable; in Argentina, the new "Comunidades Online" platform for non-customers and the "Avisos y Mensajes" (Alerts and Messages) service to make it easier to monitor transactions from phones or PCs; in Chile, the "BBVA net cash móvil" application; in Colombia, the "Adenda Créditos" service, which provides information on account activity; in Peru, "Interconexión en Línea", which simplifies online reconciliation of accounts receivable; and in the United States, the implementation of the "Spend Net Payable" service as a new payment solution.

Outstanding among **commercial operations** have been the increase in the acquirer business (assignment of POS terminals, credit cards and other business with retailers) in Europe, Mexico and the United States, due to the comprehensive range of cross-border solutions and to the factoring operations for wind energy projects in Brazil and Mexico. Outside Europe, there has been the issue of guarantees for the construction of the Sydney Tunnel, three advance payment bonds for the construction of the Riyadh Metro in Abu Dhabi, UAE; a credit facility for the construction of the North Tarrant highway in Dallas; and two stand-by letters of credit for the purchase of two fuel ships. In Mexico, operations included the issue of guarantees with SACE cover for Etileno XXI, the biggest financing project in the petrochemical industry in the country, and the management of accounts receivable and payable of the country's main vehicle insurance company. Finally, in Venezuela all the machinery for the construction of a steel plant has been financed.

In **awards and recognitions**, *Global Finance* has named BBVA "Best Sub-Custody Bank in Spain and Mexico", and the magazine *Euromoney* has granted BBVA the award of "Best Cash Management Provider" in Colombia and Venezuela. BBVA has also been chosen as "Top Rated" in the "Agent Banks in Major Markets survey 2013" conducted by Global Custodian in all the categories, "Cross Border/Non Affiliated", "Domestic" and "Leading", for its securities services.

Main Global Trade Finance transactions in 2013

Country	Client	Product	Amount	Supplier / ECA	Tenor	Covered amount	Area	Role
Hong Kong	Telefónica	Buyer's credit	1,200,000,000 USD	Supplier: Huawei; Sinosure			Global Transaction Banking	Arranger & Agent
Hong Kong	Jazztel	Structured leasing import finance facility	60,000,000 EUR	Supplier: Huawei; Sinosure			Global Transaction Banking	Arranger
Spain	Telefónica	Buyer's credit	734,000,000 USD	FINNVERA	8.5 years		Global Transaction Banking	Arranger & Agent
Angola		Buyer's credit	168,874,412 EUR	CESCE	13 years	26,114,774 EUR	Global Transaction Banking	MLA
Indonesia		Buyer's credit	24,860,001 EUR	CESCE	10 years	12,430,000 EUR	Global Transaction Banking	MLA
Spain	TSK	Bond	35,953,635 EUR	CESCE	3 years	11,944,972 EUR	Global Transaction Banking	MLA
Mexico	FAGOR	Buyer's credit	5,074,430 USD	CESCE	5 years	5,074,430 USD	Global Transaction Banking	MLA
Sri Lanka	CENTUNION	Bond	6,215,000 EUR	CESCE	3 years	6,215,000 EUR	Global Transaction Banking	Arranger
Spain	FCC	Bond	120,000,000 USD	CESCE	5 years	32,000,000 EUR	Global Transaction Banking	Arranger
Spain	FCC	Bond	222,195,982 USD	CESCE	5 years	22,221,959 EUR	Global Transaction Banking	Arranger
Spain	FCC	Bond	55,731,780 GBP	CESCE	5 years	22,293,342 GBP	Global Transaction Banking	Arranger
Spain	FCC	Bond	26,666,352 USD	CESCE	5 years	26,666,352 USD	Global Transaction Banking	Arranger
Sri Lanka		Buyer's credit	21,930,000 EUR	CESCE	10 years	21,930,000 EUR	Global Transaction Banking	MLA
Italy	LM	Buyer's credit	10,970,000 USD	SACE	7 years	10,970,000 USD	Global Transaction Banking	MLA
Germany		Buyer's credit	5,000,000 USD	EULER HERMES	5 years	5,000,000 USD	Global Transaction Banking	MLA
Italy	nemak	Buyer's credit	80,000,000 USD	SACE	10 years	17,000,000 USD	Global Transaction Banking	MLA
Angola		Buyer's credit	137,887,998 EUR	CESCE	13 years	25,000,000 EUR	Global Transaction Banking	MLA

Global Markets

Global Markets ended 2013 with a year-on-year significant increase in gross income of 26.1% to €1,282m. This increase is largely the result of its customer-centric business model, whereby customers are able to make the most of the business opportunities that arise, within the broad range of markets in which BBVA operates. It also carefully examines the sustainability of each proposal using stringent risk control and an efficient use of liquidity. The success of the Global Markets strategy has been recognized by a number of awards. *Euromoney* recently ranked BBVA CIB as the "Best Investment Bank in Spain" and *Latin Finance* chose BBVA Bancomer as the "Best Investment Bank in Mexico" (as mentioned in the section on Mexico).

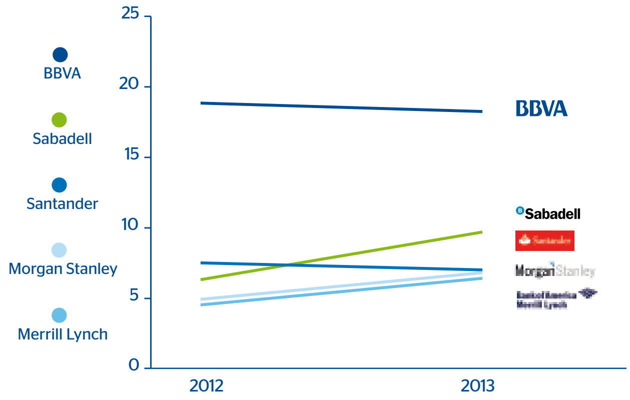
By geographical areas, in **Europe** there has been excellent performance in the equity business and increased activity in the global public finance segment (up 73% year-on-year) thanks mainly to the increasingly sound customer franchises built in France and Great Britain.

In **Spain**, BBVA is once again at the top of the Spanish Stock Market ranking, with a market share of more than 18%, and is the leader in debt capital markets, with a market share of 14% in total issues and 24% in public sector issues. *Structured Products* has also ranked it as the "Best Financial Institution in Spain for Structured Products". Gross income has risen 14.1% in Spain over the last twelve months to €425m. In the **rest of Europe** the volume of revenue (gross income) was €180m, equivalent to a year-on-year growth of 25.2% at constant exchange rates.

CIB. Market shares evolution in Spanish equities brokerage

(Percentage)

	Institutions	2012	2013	Market share 12-13
1	BBVA	18.9	18.3	-0.6
2	Sabadell	6.3	9.7	3.4
3	Santander	7.5	7.0	-0.5
4	Morgan Stanley	4.9	6.8	1.9
5	Merrill Lynch	4.5	6.4	1.9
6	Credit Suisse	5.5	5.8	0.3
7	Societé Genérale	6.6	5.6	-1.0
8	BNP Paribas	n.m.	4.4	n.m.
9	Deutsche Bank	n.m.	4.2	n.m.
10	Banco Espirito Santo	5.0	4.2	-0.8



In **Asia**, the level of activity with corporates was outstanding (up 12% year-on-year) and income from lending was up 14%, which has generated cumulative gross income through December 2013 of €27m (€3m in 2012).

In **Mexico**, Global Markets has consolidated its leadership in the country and has reported positive performance in customer revenue, thanks to the synergies with the networks. By product, equity brokerage revenue has been outstanding (up 75% year-on-year). Thus, Mexico closed the year with gross income of €300m and year-on-year growth of 18.4% at constant exchange rates.

In **South America**, Global Markets continues to develop its local capabilities to make the most of the region's growth and increased activity. This effort has been reflected in a significant year-on-year increase in gross income to €374m, up 53.3% on the figure for 2012 at constant exchange rates. The strong performance in foreign-exchange revenue (up 67% year-on-year) and the growing penetration in the institutional customers (up 10%) and corporates (up 9%) segments are particularly noteworthy.

Lastly, in the **United States** there has been a significant increase in the contribution from the institutional customers segment (up 42% year-on-year in revenue). Gross income in the geographical area was €82m (a year-on-year decline of 11.1%).

Main Deb Capital Markets transactions in 2013

Country	Amount	Details	Area	Role
Mexico	1,500,000,000 USD	7NC4 & 5 years floating rate note	Debt Capital Markets	Joint bookrunner
Mexico	1,000,000,000 USD	10 & 30 years	Debt Capital Markets	Joint bookrunner
The United States	282,000,000 USD	7 years	Debt Capital Markets	Placement agent and financial advisor
The United States	521,000,000 USD	8/10/12/15 years	Debt Capital Markets	Co-placement agent
Spain	4,000,000,000 EUR	30 years	Debt Capital Markets	Joint bookrunner
Spain	3,500,000,000 EUR	15 years	Debt Capital Markets	Joint bookrunner
Spain	2,000,000,000 EUR	2 years	Debt Capital Markets	Joint bookrunner
Luxembourg	250,000,000 EUR	7 years floating rate note	Debt Capital Markets	Joint bookrunner
Spain	1,750,000,000 EUR	NC5 & NC8 8 years	Debt Capital Markets	Bookrunner
France	6,962,000,000 EUR	Fixed spread tender offer	Debt Capital Markets	Structuring bank & dealer manager
Italy	1,000,000,000 EUR	NC5y4m 60 years	Debt Capital Markets	Bookrunner
Portugal	500,000,000 EUR	L5 years	Debt Capital Markets	Bookrunner
Switzerland	1,500,000,000 USD	Tier 2 10y Coco	Debt Capital Markets	Bookrunner
France	1,000,000,000 EUR	Tier 2 10y Bullet	Debt Capital Markets	Joint-lead manager
France	1,000,000,000 EUR	10 years Covered bond	Debt Capital Markets	Bookrunner
Spain	500,000,000 EUR	3.5 years Covered bond	Debt Capital Markets	Bookrunner

Additional information: Retail Banking

Highlights in 2013

- Launch of “Plan Uno” to promote cross-selling in the mass-affluent segment.
- Definition and implemention of standard metrics to ascertain customer satisfaction levels and design quality plans.
- Launch of new online banking websites and mobile banking apps.

Definition

Retail Banking aims to boost a global and cross-cutting approach in managing the retail businesses within BBVA Group. Therefore, its mandates basically include the following:

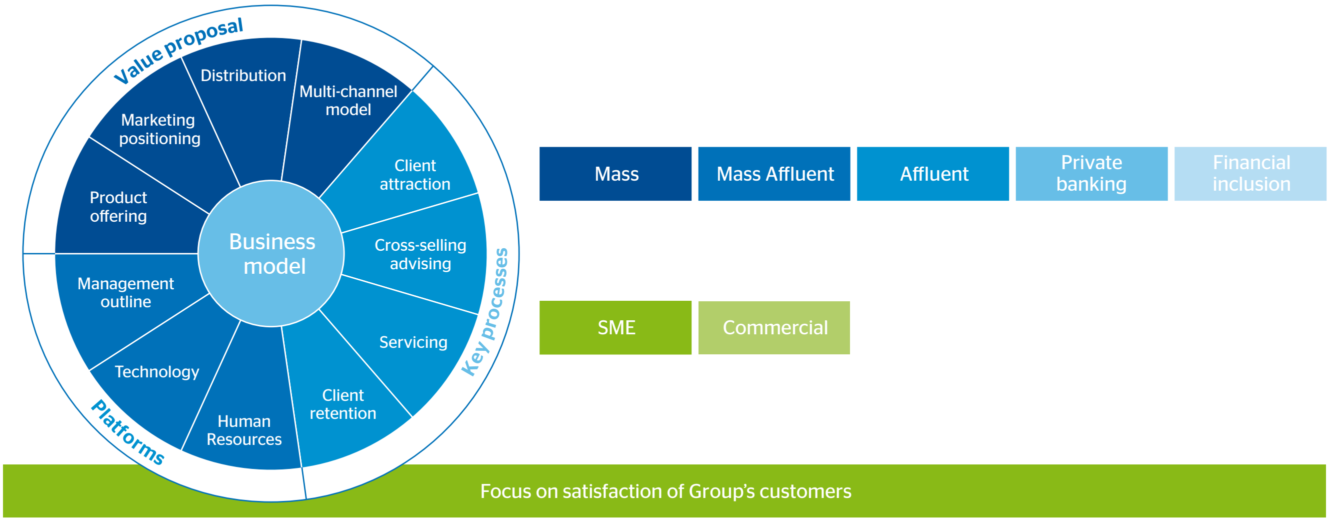
- To connect the teams working in the retail business, identifying and sharing best practices among the different geographical areas.
- To manage the global business lines of Insurance, Consumer Finance, Asset Management and Payment Channels.
- To boost omni-channel and innovation process in the Group.

Retail Banking, a business unit with three clear guidelines

Management priorities

Retail Banking has the aim to make BBVA the leading Bank in customer satisfaction. As a result, the customer segmentation criteria have been standardized in the Group and the benchmark business models for serving each segment have been defined. These models are based on three levers: value proposition, key processes and the platform.

Retail Bankinng. A segment business model



In addition, the area is globally working in the following **disciplines**: Business Models, responsible for aligning corporate governance with the customer-centric model; Customer Experience, listening to customers in order to become the most highly rated Bank in this area; Business Intelligence, increasing commercial effectiveness; and Marketing, as the strategic driver of the business.

In the aforementioned segments and disciplines, teams from all the areas and countries are connected via networks that guarantee the flow of knowledge and best practices between all the geographical areas.

In addition, as the unit responsible for managing the aforementioned **global business lines** (Insurance, Consumer Finance, Asset Management and Payment Channels) and designing their strategy and business model, Retail Banking shares the income statement management with the local teams. These businesses offer a growth opportunity for BBVA. Because of their high specialization and potential synergies in terms of products, processes, risks, human resources and technology, this global vision provides value to the local units for capturing this potential growth.

Develop specialized business lines with high growth potential

Main highlights

Worth highlighting as regards **segment management** is the launch of "Plan Uno", one of the Group's best practices in Spain for managing customers in the mass-affluent segment. It aims to promote cross-selling through transactional banking and digitalization. This management model has been successfully exported to Mexico, and work is underway to apply it to other geographical areas like Turkey, tailored to the specific local conditions.

Standard metrics have been defined and implemented in the **Customer Experience** discipline in order to ascertain the customer satisfaction levels and design quality plans. This will enable the Bank to become the leader in satisfaction in every segment, product and priority channels (for further information on this discipline, refer to the chapter "Customers" in the Executive Summary).

As for the **global business lines**, in 2013 work has been carried out in Insurance to ensure proper integration between the insurance company and the banking network, with a view to optimizing commercial effectiveness in the sale of insurance. Agreements are also being concluded with insurance companies to consolidate a leading global bancassurance franchise.

The **Consumer Finance** global unit has transformed its strategic and organizational model in every local unit into a so-called dealer-centric model which is global, standardized and specialized in opinion-forming channels. In 2013, this business model was implemented in seven geographical areas. The global experience of this business line revolves around the use of the common term "Consumer Finance", global marketing campaigns for customers, promotion of BBVA sponsorships, commercial agreements with various partners (17 new alliances concluded in 2013 with carmakers) and the quest for excellence in customer service, measured through the NPS indicators for dealers and retail customers in all the countries.

The **Asset Management** unit is one of the leading fund managers in both Spain and Latin America. It is worth highlighting that in 2013, 81% of its funds performed better than the benchmark.

The **Payment Channels** global unit seeks to develop a highly profitable business by integrating the issue and acquisition business, boosting innovation at the point of sale and developing value-added services (solutions for retailers and end customers). Along these lines, "BBVA Wallet" was launched in Spain at the end of 2013. This innovative application enables customers to perform transactions and make payments from their phones and shop online, securely and conveniently.

Lastly, with the aim of boosting **omni-channel** in 2013, new online banking websites were launched in 2013 in Spain, Mexico and the United States, offering a superior customer experience, new contextual navigation and value-added functions and services. A qualitative leap forward has also been made in mobile banking apps in terms of functionality, design and ease of use, with the launch of solutions for the main mobile devices, both smartphones and tablets.

Supplementary information

232 Consolidated time series
234 Conciliation of BBVA Group financial statements
236 Glossary

Consolidated time series

Income statements

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)						
	2013	2012	2011	2010	2009	2008	2007
Net interest income	13,900	14,474	12,724	13,316	13,882	11,686	9,628
Gross income/ordinary revenues	20,958	21,824	19,640	20,333	20,666	18,978	17,271
Operating income/operating profit	10,162	11,450	10,196	11,573	12,308	10,523	9,441
Income before tax	1,160	1,582	3,398	6,059	5,736	6,926	8,495
Net income	2,981	2,327	3,485	4,995	4,595	5,385	6,415
Net attributable profit	2,228	1,676	3,004	4,606	4,210	5,020	6,126

Balance sheet

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)						
	31-12-13	31-12-12	31-12-11	31-12-10	31-12-09	31-12-08	31-12-07
Loans and advances to customers	323,607	342,163	342,543	338,857	323,441	335,260	313,178
Total assets	582,575	621,072	582,838	552,738	535,065	542,650	501,726
Total customer funds	398,973	373,721	357,683	421,977	389,815	372,715	369,177
Deposits from customers	300,490	282,795	272,402	275,789	254,183	255,236	219,609
Other customer funds (1)	98,483	90,926	85,281	146,188	135,632	117,479	148,532
Debt certificates	64,120	86,255	81,124	99,939	99,939	104,157	102,247
Subordinated liabilities	10,556	11,815	15,303	17,878	17,878	16,987	15,662

Additional information

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)						
	31-12-13	31-12-12	31-12-11	31-12-10	31-12-09	31-12-08	31-12-07
Number of shareholders (thousands)	974	1,013	987	953	884	904	890
Number of shares (millions) (2)	5,786	5,449	4,903	4,491	3,748	3,748	3,748
Number of employees (3-4)	109,305	115,852	110,645	106,976	103,721	108,972	111,913
Spain (3)	30,376	31,697	28,934	28,416	27,936	29,070	31,106
Abroad (4)	78,929	84,155	81,711	78,560	75,785	79,902	80,807
Number of branches (3-4)	7,512	7,978	7,457	7,361	7,466	7,787	8,028
Spain (3)	3,230	3,518	3,016	3,024	3,055	3,375	3,595
Abroad (4)	4,282	4,460	4,441	4,337	4,411	4,412	4,433

General note: The BBVA Group's financial statements for the years 2013, 2012 and 2011 show the stake in Garanti Group consolidated using the equity method.

(1) The years 2013, 2012 and 2011 exclude the assets under management by pension fund administrators in Chile, Mexico, Colombia and Peru and Garanti Group's mutual and pension funds..

(2) The data for the year 1999 were re-calculated based on the share exchange ratio 5 BBV shares for 3 Argentaria shares.

(3) Including Unnim since 2012.

(4) Excluding Garanti.

IFRS (Bank of Spain's Circular 4/2004)					Bank of Spain's Circular 4/1991					
2008	2007	2006	2005	2004	2004	2003	2002	2001	2000	1999
11,891	9,769	8,374	7,208	6,160	7,069	6,741	7,808	8,824	6,995	5,760
19,853	18,133	15,701	13,024	11,120	11,053	10,656	12,241	13,352	11,143	9,108
11,279	10,544	8,883	6,823	5,591	5,440	4,895	5,577	5,599	4,376	3,457
6,926	8,495	7,030	5,592	4,137	4,149	3,812	3,119	3,634	3,876	2,902
5,385	6,415	4,971	4,071	3,108	3,192	2,897	2,466	3,009	2,914	2,168
5,020	6,126	4,736	3,806	2,923	2,802	2,227	1,719	2,363	2,232	1,746

IFRS (Bank of Spain's Circular 4/2004)					Bank of Spain's Circular 4/1991					
31-12-08	31-12-07	31-12-06	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00	31-12-99
333,029	310,882	256,565	216,850	172,083	170,248	148,827	141,315	150,220	137,467	113,607
543,513	502,204	411,916	392,389	329,441	311,072	287,150	279,542	309,246	296,145	238,166
493,324	485,621	425,709	401,907	329,254	321,038	295,906	289,385	323,982	304,549	242,611
267,140	236,183	192,374	182,635	149,892	147,051	141,049	146,560	166,499	154,146	105,077
119,017	150,777	142,064	142,707	121,553	121,553	113,074	108,815	124,496	118,831	102,677
90,180	82,999	77,674	62,842	45,482	44,326	34,383	27,523	25,376	26,460	31,552
16,987	15,662	13,597	13,723	12,327	8,108	7,400	6,487	7,611	5,112	3,305

IFRS (Bank of Spain's Circular 4/2004)					Bank of Spain's Circular 4/1991					
31-12-08	31-12-07	31-12-06	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00	31-12-99
904	890	864	985	1,081	1,081	1,159	1,179	1,204	1,300	1,268
3,748	3,748	3,552	3,391	3,391	3,391	3,196	3,196	3,196	3,196	2,931
108,972	111,913	98,553	94,681	87,112	84,117	86,197	93,093	98,588	108,082	88,556
29,070	31,106	30,582	31,154	31,056	30,765	31,095	31,737	31,686	33,733	37,052
79,902	80,807	67,971	63,527	56,056	53,352	55,102	61,356	66,902	74,349	51,504
7,787	8,028	7,499	7,328	6,751	6,848	6,924	7,504	7,988	8,946	7,491
3,375	3,595	3,635	3,578	3,385	3,375	3,371	3,414	3,620	3,864	4,336
4,412	4,433	3,864	3,750	3,366	3,473	3,553	4,090	4,368	5,082	3,155

Conciliation of BBVA Group financial statements

Below are the Group's financial statements with and without the early application of IFRS 10, 11 and 12. The early application of these standards means consolidating the stake in Garanti Group by the equity method instead of by the proportional consolidation method. In terms of reporting to the market, the proportional consolidation method is better for evaluating the nature and financial effects of Garanti Group's business activities, consistent with the information from previous periods, and more coherent in its effects on capital adequacy. Moreover, the inclusion under the heading "Results from corporate operations" of all the impacts of such operations (which are described in this report) on the BBVA Group's earnings and the reconstruction, where applicable, of the historical series to guarantee a homogeneous comparison of the accounts.

Consolidated income statement BBVA Group

(Million euros)

	Garanti Group consolidated using the proportional consolidation and with new heading "Results from corporate operations"			Garanti Group consolidated using the equity method		
	2013	2012	2011	2013	2012	2011
Net interest income	**14,613**	**15,122**	**13,152**	**13,900**	**14,474**	**12,724**
Net fees and commissions	4,431	4,353	4,031	4,250	4,156	3,894
Net trading income	2,527	1,767	1,481	2,511	1,705	1,480
Dividend income	365	527	601	235	390	562
Income by the equity method	72	41	57	694	1,039	787
Other operating income and expenses	(612)	82	206	(632)	60	193
Gross income	**21,397**	**21,892**	**19,528**	**20,958**	**21,824**	**19,640**
Operating expenses	(11,201)	(10,786)	(9,737)	(9,701)	(9,396)	(8,634)
Personnel expenses	(5,788)	(5,662)	(5,191)	(5,588)	(5,467)	(5,053)
General and administrative expenses	(4,280)	(4,106)	(3,707)	(4,113)	(3,929)	(3,581)
Depreciation and amortization	(1,133)	(1,018)	(839)	(1,095)	(978)	(810)
Operating income	**10,196**	**11,106**	**9,791**	**10,162**	**11,450**	**10,196**
Impairment on financial assets (net)	(5,776)	(7,980)	(4,226)	(5,612)	(7,859)	(4,185)
Provisions (net)	(630)	(651)	(509)	(609)	(641)	(503)
Other gains (losses)	(1,040)	(1,726)	(2,110)	(2,781)	(1,368)	(2,110)
Income before tax	**2,750**	**749**	**2,946**	**1,160**	**1,582**	**3,398**
Income tax	(593)	276	(206)	(46)	352	(158)
Net income from ongoing operations	**2,158**	**1,024**	**2,740**	**1,114**	**1,934**	**3,240**
Net income from discontinued operations	-	-	-	1,866	393	245
Results from corporate operations	823	1,303	745	-	-	-
Net income	**2,981**	**2,327**	**3,485**	**2,981**	**2,327**	**3,485**
Non-controlling interests	(753)	(651)	(481)	(753)	(651)	(481)
Net attributable profit	**2,228**	**1,676**	**3,004**	**2,228**	**1,676**	**3,004**

Consolidated balance sheet BBVA Group

(Million euros)

	Garanti consolidated using the proportional consolidation			Garanti Group consolidated using the equity method		
	2013	2012	2011	2013	2012	2011
Cash and balances with central banks	37,064	37,434	30,939	34,903	35,494	29,841
Financial assets held for trading	72,301	79,954	70,602	72,112	79,829	70,471
Other financial assets designated at fair value	2,734	2,853	2,977	2,413	2,530	2,773
Available-for-sale financial assets	80,848	71,500	58,143	77,774	67,500	54,641
Loans and receivables	363,575	383,410	381,077	350,945	371,347	369,916
Loans and advances to credit institutions	24,203	26,522	26,107	22,862	25,448	24,503
Loans and advances to customers	334,744	352,931	351,900	323,607	342,163	342,543
Other	4,628	3,957	3,069	4,476	3,736	2,870
Held-to-maturity investments	-	10,162	10,955	-	10,162	10,955
Investments in entities accounted for using the equity method	1,497	6,795	5,843	4,742	10,782	9,299
Tangible assets	7,723	7,785	7,330	7,534	7,572	7,126
Intangible assets	8,165	8,912	8,677	6,759	7,132	6,880
Other assets	25,576	28,980	21,145	25,393	28,724	20,936
Total assets	**599,482**	**637,785**	**597,688**	**582,575**	**621,072**	**582,838**
Financial liabilities held for trading	45,782	55,927	51,303	45,648	55,834	51,178
Other financial liabilities at fair value	2,772	2,516	1,825	2,467	2,216	1,621
Financial liabilities at amortized cost	480,307	506,487	479,904	464,141	490,605	465,717
Deposits from central banks and credit institutions	87,746	106,511	92,503	83,315	102,150	89,478
Deposits from customers	310,176	292,716	282,173	300,490	282,795	272,402
Debt certificates	65,497	87,212	81,930	64,120	86,255	81,124
Subordinated liabilities	10,579	11,831	15,419	10,556	11,815	15,303
Other financial liabilities	6,309	8,216	7,879	5,659	7,590	7,410
Liabilities under insurance contracts	9,844	9,032	7,737	9,834	9,020	7,729
Other liabilities	15,962	20,021	16,861	15,636	19,595	16,535
Total liabilities	**554,667**	**593,983**	**557,630**	**537,725**	**577,270**	**542,780**
Non-controlling interests	2,371	2,372	1,893	2,371	2,372	1,893
Valuation adjustments	(3,866)	(2,184)	(2,787)	(3,831)	(2,184)	(2,787)
Shareholders' funds	46,310	43,614	40,952	46,310	43,614	40,952
Total equity	**44,815**	**43,802**	**40,058**	**44,850**	**43,802**	**40,058**
Total equity and liabilities	**599,482**	**637,785**	**597,688**	**582,575**	**621,072**	**582,838**
Memorandum item:						
Contingent liabilities	36,437	39,540	39,904	33,543	37,019	37,629

Glossary

Adjusted net attributable profit	The attributable profit adjusted to risk (credit, market and operational) and to the capital base. The net attributable profit is adjusted by two factors: one of them is the cost of risk, in order to take into account current non-performing loans, and which affects the loan-loss provisions item; the other is the capital base, which impacts the net interest income of the different business areas, but is neutral at Group level. The aim is to include in the net interest income basically the financial effect corresponding to: a) the differences between the generic loan-loss provisions and the expected loss fund; b) the differences between the economic capital at risk and the book equity, in those units that are a legal entity; and c) profit elimination (attributed profit - dividends). In addition, the change in the value of the Entity's different portfolios is also taken into account when calculating the economic profit.
Amortized cost	The amortized cost of a financial asset is the amount at which it was measured at initial recognition minus principal repayments, plus or minus, as warranted, the cumulative amount taken to profit or loss using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or change in measured value.
Available-for-sale financial assets	Available-for-sale (AFS) financial assets are debt securities that are not classified as held-to-maturity investments or as financial assets designated at fair value through profit or loss (FVTPL) and equity instruments that are not subsidiaries, associates or jointly controlled entities and have not been designated as at FVTPL.
Basel II (BIS II)	This is the second of the Basel accords, which established the international standards for bank regulators in terms of the capital requirements needed to ensure the survival of entities in the face of financial and operational risks.
Basel III (BIS III)	This is the third of the Basel accords. It arose as a response to the financial crisis of 2008, and thus establishes new requirements in terms of capital composition, counterparty risk, liquidity and leverage ratios.
Basic earnings per share	Calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period
Basic earnings per share diluted	This calculation is similar to that used to measure basic earnings per share, except that the weighted average number of shares outstanding is adjusted to reflect the potential dilutive effect of any stock options, warrants and convertible debt instruments outstanding the year. For the purpose of calculating diluted earnings per share, an entity shall assume the exercise of dilutive warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period shall be treated as an issue of ordinary shares for no consideration. Such shares are dilutive and are added to the number of ordinary shares outstanding in the calculation of diluted earnings per share.
Capital base	The sum of eligible Tier I and Tier II capital, in accordance with the Basel II accords.
Commissions and fees	Income and expenses relating to commissions and similar fees are recognized in the consolidated income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are: - Fees and commissions relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected. - Fees and commissions arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services. - Fees and commissions arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services.
Core capital	Funds freely available to a bank to cover the risks it has taken. According to Basel II regulations, it includes shareholders' funds (including paid-up share premiums), reserves, minority interests, positive earnings generated over the year, after deducting paid-up dividends, intangible assets, treasury shares and equity shares available for sale, in the percentages established for such purpose.

Core Capital (under BIS III)	Funds freely available to a bank to cover the risks it has taken. The new regulations maintain the same criteria set out in Basel II, in addition to including part of the deferred tax assets and deducting financial and insurance holdings above 10%. It also establishes the following regulatory adjustments: deduction of the software balance, those deferred tax assets whose materialization depends on the bank's future profitability and the deficit of provisions for expected market losses by the IRB approach.
Correlation risk	Correlation risk is related to derivatives whose final value depends on the performance of more than one underlying asset (primarily, stock baskets) and indicates the existing variability in the correlations between each pair of assets.
Counterparty rsik	The risk derived from the possibility of incurring in losses as a result of unforeseen default or deterioration in solvency of the Entity's counterparties and debtors.
Coverage ratio	Impairment allowances (generic, specific and country risk allowance) as a percentage of the non-performing assets (the sum of impaired loans and advances to customers and impaired contingent liabilities to customers).
Customer deposits under management	Apart from customer deposits, this includes the repayable balances received in cash as a result of the exclusively retail banking activity.
Customer spread	Difference between the average return on customer loans and the average cost of customer deposits in a determined period.
Deferred tax assets	Taxes recoverable in future years, including loss carryforwards or tax credits for deductions and tax rebates pending application.
Deposits from customers	Redeemable cash balances received by the entity, with the exception of debt certificates, money market operations through counterparties and subordinated liabilities, are not received from either central banks or credit entities. This category also includes cash deposits and consignments received that can be readily withdrawn.
Early retirements	Employees that no longer render their services to the entity but which, without being legally retired, remain entitled to make economic claims on the entity until they formally retire.
Economic profit	This metric measures the part of attributable adjusted profit (attributable profit + adjustment for expected loss, net income and valuation) in excess of the cost of equity employed, and measures the profits generated in excess of market expectations of returns on equity capital. This is used at the management level; for annual public reporting; for incentives in some operating segments.
Efficiency ratio	The percentage of gross income consumed by an entity's expenses.
Emerging economy	An economy with a GDP per capita that is substantially below the average for the developed world, and normally with a growth potential above the global average.
Equity	The residual interest in an entity's assets after deducting its liabilities. It includes owner or venturer contributions to the entity, at incorporation and subsequently, unless they meet the definition of liabilities, and accumulated net profits or losses, fair value adjustments affecting equity and, if warranted, non-controlling interests.
Equity method	Consists of an update of the accounting value of the securities portfolio that includes the stake in the entity.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Foreclosed assets	Assets under the control of an entity which it receives from its debtors or from third parties as replacement, subrogation or compensation (total or partial) for financial assets representing collection rights against its debtors, irrespective of how they are acquired.
Held for trading (assets and liabilities)	Financial assets and liabilities acquired or incurred primarily for the purpose of profiting from variations in their prices in the short term. This category also includes financial derivatives not qualifying for hedge accounting, and in the case of borrowed securities, financial liabilities originated by the firm sale of financial assets acquired under repurchase agreements or received on loan ("short positions").
Impairment losses on financial assets	Amounts allocated by the Bank to cover, totally or partially, the possible impairment of its financial assets. It includes loan-loss provisions, i.e. those amounts allocated to cover the impairment of its loan portfolios.
Internal prices/internal transfer prices	These are monetary values assigned to products or services exchanged between the different areas, units or divisions that make up the Organization.
Leverage ratio (under CRD IV)	This is the ratio of core capital under Basel III as a proportion of all off-balance-sheet assets and items not deducted when calculating this core capital.

Loans and advances to customers (gross)	Loans and receivables, irrespective of their type, granted to third parties that are not credit entities.
Loans and receivables	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity (amounts of cash available and pending maturity by customers as a loan or deposits lent to other entities, and unlisted debt certificates), as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the consolidated subsidiaries act as lessors.
Marketable debt securities	Debt instruments that can be easily sold or converted into cash.
NPA ratio	Represents the sum of impaired loans and advances to customers and impaired contingent liabilities to customers divided by the sum of Loans and advances to customers and Contingent liabilities to customers.
Net trading income	This heading reflects fair value changes in financial instruments - except for changes attributable to accrued interest upon application of the interest rate method and asset impairment losses (net) recognized in the income statement - as well as gains or losses generated by their sale - except for gains or losses generated by the disposal of investments in subsidiaries, jointly controlled entities and associates an of securities classified as held to maturity.
Performing loans	Loans which heve not been classified as non-performing.
Personnel expenses	All compensation accrued during the year in respect of personnel on the payroll, under permanent or temporary contracts, irrespective of their jobs or functions, irrespective of the concept, including the current costs of servicing pension plans, own share based compensation schemes and capitalized personnel expenses. Amounts reimbursed by the state Social Security or other welfare entities in respect of employee illness are deducted from personnel expenses.
Proportional consolidation method	The method used to consolidate the accounts of jointly controlled entities in the consolidated financial statements. The different items on the balance sheet and income statement consolidated by this method are aggregated to the financial statements in the proportion represented by the Group's participation in their capital, excluding the part corresponding to own equity instruments. Mutual credits and debits will be eliminated at the same proportion, as will income, expenses and earnings from internal operations.
Provisions for credit losses	Provisions recognized during the year, net of recoveries on amounts provisioned in prior years, with the exception of provisions for pensions and contributions to pension funds which constitute current or interest expense.
Refinanced operation	An operation which is totally or partially brought up to date with its payments as a result of a refinancing operation made by the entity itself or by another company in its group.
Restructured operation	An operation whose financial conditions are modified for economic or legal reasons related to the holder's (or holders') current or foreseeable financial difficulties, in order to enable payment of the debt (principal and interest), because the holder is unable, or is expected to be unable, to meet those conditions in a timely and appropriate manner, even if such modification is provided for in the contract. In any event, the following are considered restructured operations: operations in which a haircut is made or assets are received in order to reduce the debt, or in which their conditions are modified in order to extend their maturity, change the amortization table in order to reduce the amount of the installments in the short term or reduce their frequency, or to establish or extend the grace period for the principal, the interest or both; except when it can be proved that the conditions are modified for reasons other than the financial difficulties of the holders and, are similar to those applied on the market on the modification date for operations granted to customers with a similar risk profile.
Risk premium	This indicator is used to monitor the situation and performance of credit risk quality through the annual cost of each unit of customer loans, in terms of impairment losses.
Risk-weighted assets (RWA)	All the assets of an entity to which a weighting is assigned according to the risk associated with each type of asset and the associated counterparty risk, as established under the Basel II agreements.
Shareholders' funds	Contributions by shareholders, accumulated earnings recognized in the income statement and the equity components of compound financial instruments.
Social impact	A set of indicators that convert the balance sheet and income statement metrics into indicators that anyone can understand, regardless of their financial literacy. The aim is to make it easier to understand the overall contribution of a company in the societies in which it operates.

SRI (Socially Responsible Investment)	It consists of the integration of environmental, social, ethical and corporate governance (ESG) criteria into the saving and investment portfolios. The aim of SRI is to achieve greater profitability through a proactive management of these ESG variables.
Subordinated liabilities	Financing received, regardless of its instrumentation, which ranks after the common creditors in the event of a liquidation.
Substandard risk	All debt instruments and contingent risks which do not meet the criteria to be classified individually as non-performing or written-off, but show weaknesses that may entail for the entity the need to assume losses greater than the hedges for impairment of risks subject to special monitoring.
Sustainability indices	It includes those stock market indices that evaluate ESG (environment, social, ethical and corporate governance) performance in companies and how these variables are integrated into the management of the business and for business.
Tier I	Also known as basic bank capital. According to Basel II regulations, in addition to the funds and deductions established for core capital, it includes certain hybrid capital instruments, such as preference shares or contingent convertible securities into ordinary shares and financial and insurance holdings, in the percentages established for such purpose.
Tier II	Also known as complementary capital. According to Basel II regulations, this consists of the excess of the generic provisions over the bank's associated coverage and subordinated debt, to which certain deductions are applied.
Total Shareholder Return (TSR)	The total return of a stock to an investor (capital gain plus dividends)

All the Group **financial information** is available in the shareholders and investors' web

http://shareholdersandinvestors.bbva.com

Group financial information

BBVA in 2013	Consolidated financial statements, management report and auditors' report 2013
• Highlights • Letter from the Chairman • Executive summary • Financial information • Risk management • Business areas • Supplementary information	

Shareholders information

- Financial benefits
- Shareholders club
- Notification service. Subscribe here:

http://shareholdersandinvestors.bbva.com

Home > Shareholders > Shareholders information > Notification service

Corporate responsibility information

http://bancaparatodos.com/en/

More information:

Shareholder's helpline +34 902 200 902

accionistas@bbva.com

http://shareholdersandinvestors.bbva.com

Notification service: Home > Shareholders > Shareholders information

Shareholder office: Pº de la Castellana, 81. 28046 Madrid. Spain

Banco Bilbao Vizcaya Argentaria, S.A. has its registered address in Bilbao (Vizcaya - Spain), at Plaza de San Nicolás, number 4, and is registered at the Vizcaya Mercantile Registry, in volume 2,083, sheet 1, page BI-17-A, entry no. 1. Its tax identification number is A-48265169.

Banco Bilbao Vizcaya Argentaria is registered in the Bank of Spain's Special Banks and Bankers Register under number 0182, and is a member of the Deposit Guarantee Fund.

BBVA INVESTOR RELATIONS

Headquarters
Paseo de la Castellana, 81 – 17th floor
28046 Madrid
SPAIN
Telephone: +34 91 374 65 26
E-mail: bbvainvestorrelations@bbva.com

New York Office
1345 Avenue of the Americas, 44th floor
10105 New York, NY
Telephones: +1 212 728 24 16 / +1 212 728 16 60

London Office
One Canada Square, 44th floor
Canary Wharf, London E14 5AA
Telephone: +44 207 648 7671

Hong Kong Office
Level 95, International Commerce Centre
One Austin Road West, Kowloon,
Hong Kong
Telephone: +852 2582 3229

More information at:
http://shareholdersandinvestors.bbva.com

BBVA

adelante.