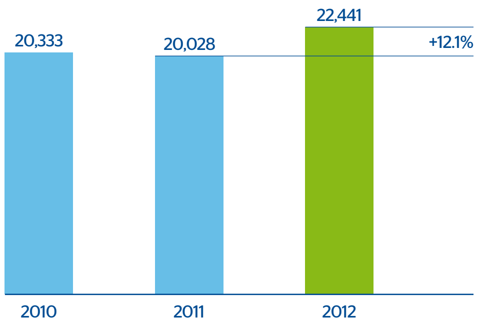
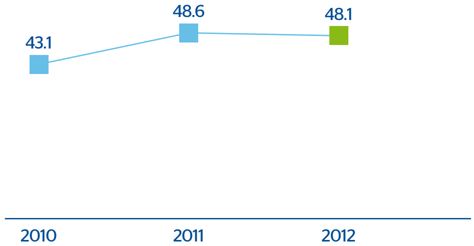
BBVA in 2012

BBVA Group Highlights

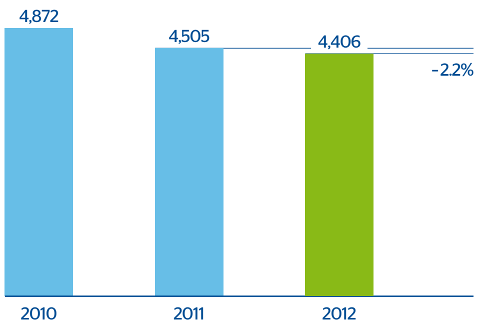
Gross income
(Million euros)



Efficiency ratio
(Percentage)

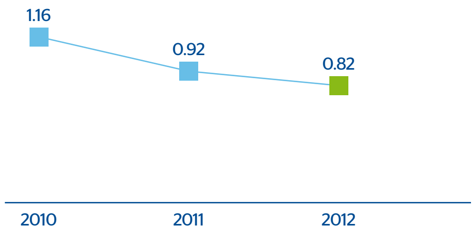


Net attributable profit [1]
(Million euros)



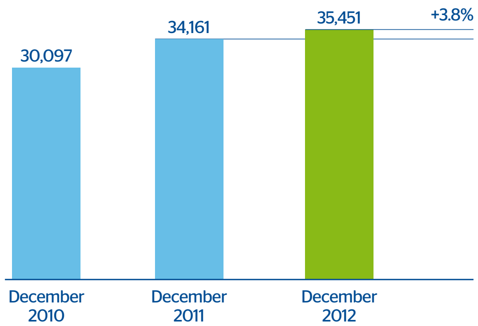
(1) Adjusted.

Earning per share [1]
(Euros)

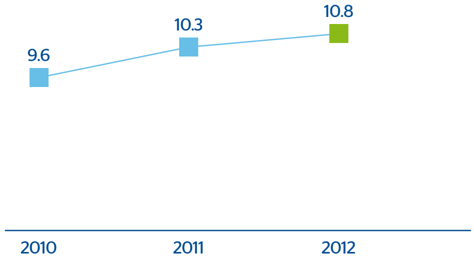


(1) Adjusted.

Core capital
(Million euros)



Core capital ratio
(Percentage)



BBVA Group Highlights

(Consolidated figures)

	31-12-12	Δ%	31-12-11	31-12-10
Balance sheet (million euros)				
Total assets	637,785	6.7	597,688	552,738
Customer lending (gross)	367,415	1.7	361,310	348,253
Deposits from customers	292,716	3.7	282,173	275,789
Other customer funds	159,285	10.4	144,291	146,188
Total customer funds	452,001	6.0	426,464	421,977
Total equity	43,802	9.3	40,058	37,475
Income statement (million euros)				
Net interest income	15,122	15.0	13,152	13,316
Gross income	22,441	12.1	20,028	20,333
Operating income	11,655	13.3	10,290	11,573
Income before tax	1,659	(51.9)	3,446	6,059
Net attributable profit	1,676	(44.2)	3,004	4,606
Net attributable profit adjusted (1)	4,406	(2.2)	4,505	4,872
Data per share and share performance ratios				
Share price (euros)	6.96	4.2	6.68	7.56
Earning per share adjusted (euros) (1)	0.82	(10.3)	0.92	1.16
Book value per share (euros)	8.04	(3.8)	8.35	8.17
P/BV (Price/book value; times)	0.9		0.8	0.9
PER (Price/earnings; times)	21.5		10.9	7.4
Yield (Dividend/price; %)	6.0		6.3	5.6
Significant ratios (%)				
ROE (Net attributable profit adjusted/average equity) (1)	10.5		11.9	16.6
ROTE (Net attributable profit adjusted/average tangible equity) (1)	13.2		16.0	23.3
ROA (Net income adjusted/average total assets) (1)	0.81		0.88	0.94
RORWA (Net income adjusted/average risk-weighted assets) (1)	1.51		1.55	1.73
Efficiency ratio	48.1		48.6	43.1
Risk premium	2.16		1.20	1.33
NPA ratio	5.1		4.0	4.1
NPA coverage ratio	72		61	62
Capital adequacy ratios (%)				
Core capital	10.8		10.3	9.6
Tier I	10.8		10.3	10.5
BIS II ratio	13.0		12.9	13.7
Non financial indicators				
Individual customer satisfaction rate (%) (2)	7.1		7.5	7.5
Number of jobs created (net) (3)	3,773		3,200	3,255
Global employee satisfaction index (4)	76		n.a.	73
Diversity: Ratio of men to women in the staff (%)	47/53		48/52	48/52
Socially responsible mutual funds (SRI) (%) (5)	2.6		2.4	2.1
Attributable profit dedicated to community involvement programs (%) (6)	4.8		2.5	1.7
Number of beneficiaries of the Global Financial Literacy Plan	1,159,032		814,483	416,325
Number of *microentepreneurs* supported by the BBVA Microfinance Foundation	1,293,514		948,508	620,584
Other information				
Number of shares (millions)	5,449	11.1	4,903	4,491
Number of shareholders	1,012,864	2.6	987,277	952,618
Number of employees (7)	115,852	4.7	110,645	106,976
Number of branches (7)	7,978	7.0	7,457	7,361
Number of ATMs (7)	20,177	7.4	18,794	17,055

General note: These consolidated accounts of the BBVA Group have been drawn up according to the International Financial Reporting Standards (IFRS) adopted by the European Union and in conformity with Bank of Spain Circular 4/2004, together with the changes introduced therein.

(1) In 2011, during the fourth quarter, United States goodwill imparment charge. In 2010, 2011 and 2012, impairment charge related to the deterioration of the real-estate sector in Spain. And in 2012, impact of Unnim badwill.
(2) 1 - 10 scale. Only for Spain, according to the consolidation scope of each year. Source: FRS Inmark.
(3) Staff variation, without considering the inclusion of Unnim and the sale of Puerto Rico in 2012.
(4) Biannual survey. Without considering Unnim employees, as the survey was carried out before its incorporation to BBVA Group.
(5) As percentage of total investment and pension funds under management.
(6) Attributable profit allocated, according to the LBG model for measuring and communicating corporate community investment.
(7) Excluding Garanti.

“In 2012 the Group generated a net attributable profit of €1,676m in a very difficult environment. This figure highlights that BBVA has a well-balanced business model, with a capacity to generate recurring revenue and future growth potential”

Francisco González, Chairman and CEO

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BBVA

Executive summary

Letter from the Chairman

> “BBVA’s principles of integrity, transparency and prudence set us apart and are a source of value for the societies where we operate”

Dear Shareholder:

2012 was marked once again by diverging forces behind the global economy’s growth. The emerging markets where BBVA operates posted strong growth, 6.5% overall, while the U.S. economy expanded 2.2% and GDP in Europe declined by 0.5%.

2012 has been an extremely difficult year due to the crisis in Europe and, particularly, in Spain. However, major progress has been made.

In Europe, those who one year ago predicted the end of the euro have been proven wrong. They underestimated the political will and the huge economic capacity of the European Union. Now we need to continue moving toward a greater economic and monetary union, and this can only be achieved through further integration.

In Spain, the intense adjustment and reform process undertaken is beginning to bear fruit. A turn for the better can be seen in the perception of our economy, which represents a window of opportunity. If Spain takes advantage of this opportunity, there could soon be an upward revision of our economy’s growth prospects.

But there is still a long way to go. Unemployment is Spain’s main drama. There are businesses and sectors that are already creating jobs, although not in a sufficient number to absorb the employment that is still being destroyed in the construction, financial and public administration sectors.

We must all join forces to reverse this situation. This is precisely what we are doing at BBVA, creating net employment in Spain during the 2010-2012 period and promoting programs as important as “Yo soy Empleo” (I’m Employment), a comprehensive plan to promote the creation of 10,000 new jobs in small and medium-sized enterprises and with the self-employed, which includes training initiatives and an employment intermediation service.

Major progress has also been made in the Spanish financial sector in 2012. The banks that created the problem in the first place have already been taken into government administration. Now, once they have been recapitalized, they need to be privatized as soon as possible.

Bad practices by some institutions have caused considerable damage to the sector’s image. But this crisis has also shown that not all banks are the same, and that BBVA’s principles of integrity, transparency and prudence set us apart and are a source of value for the societies where we operate. Throughout the crisis, BBVA has cost the State zero euros, and we have continued to grow, paying taxes and dividends, creating jobs and investing in social projects.

“Our principles, people and innovation, combined with a diversified business model and very sound fundamentals, place BBVA at the start of a new profit growth cycle in 2013”

BBVA’s earnings in 2012 show that our model, based on balanced diversification and differential management, works.

Gross income, i.e. the Group’s revenue, grew 12.1% in 2012, exceeding that of our peer group. 56% of the revenue was generated in emerging markets and 44% in developed economies. Looking toward the future, we are in a unique position as a result of our presence in regions that are leading global growth, such as Mexico, Turkey, South America and China.

As for expenses, as we have always done, we are prudent in their management, adapting their growth to the needs in each market. In 2012 they rose 10.8%, less than the 12.1% increase in revenue. Of this increase, 2.8% is related to the change in the perimeter, basically owing to the consolidation of Unnim, 3.0% to the exchange-rate effect, and 5.1% to growth in emerging markets, due to our investment and expansion plans. In contrast, in the more developed markets, expenses have been contained and fell by 0.1%.

As a result of the increase in revenue and proper cost control, BBVA maintains a position of leadership in efficiency, with a 48.1% ratio as of 31-Dec-2012, and generated very significant operating income of €11,655m, which is up 13.3% on 2011.

This operating income has enabled us to absorb in full the significant loan-loss and real-estate provisions for 2012, which amounted to €9,518m, without having to sell strategic assets, resort to one-off items or change our business strategy.

Thus, in 2012 the Group generated a net attributable profit of €1,676m in a very difficult environment. This figure highlights that BBVA has a well-balanced business model, with a high capacity for generating recurring revenue and future growth potential.

As regards to risks, they are under control and well hedged. As of December 31, 2012, the Group’s NPA ratio stood at 5.1% and the coverage ratio was up 11 percentage points during the year to 72%, which compares very favorably with our peers.

Liquidity has been no problem for BBVA in 2012, despite the moments of tension seen in the markets. We were able to issue nearly €14,000m and we reduced the liquidity gap by an additional €23,000m on the euro balance sheet, improving even further its structure. In 2013 we were the first to tap the market with several issues, one for 10-year covered bonds, the first one of its kind by a Spanish issuer since 2007.

As for solvency, in 2012 we generated 45 basis points of capital, complying with the new requirements, passing the stress tests, maintaining our dividend and without having to sell strategic assets.

In short, high-quality earnings, above our peer group, in a very difficult environment, and growing revenue that enabled us to comfortably absorb the loan-loss provisions, generate earnings and capital, and protect our dividends, while maintaining risks under control and improving our funding structure.

As you can see, very sound fundamentals which, combined with the improved prospects for Spain and the easing of the uncertainties surrounding the euro, are driving a gradual upward revision of the BBVA share-price targets.

All this is the result of a strategy based around three pillars, i.e. principles, people and innovation, on which the Group has been building its competitive advantage for a long time.

As for our principles of integrity, prudence and transparency, they translate into very specific commitments in terms of regulatory compliance, standards of conduct, responsible commercial practices and effective corporate governance.

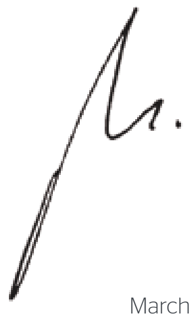
People are the most important element because they determine how we carry out our business. At BBVA, we work for a better future for people. In 2012 we have carried out many actions in the social, scientific and cultural areas, including the “Integra Awards” and the “Frontiers of Knowledge Awards”, programs like “Momentum Project”, the Microfinance Foundation and the financial literacy programs in Latin America, the “Ruta Quetzal”, as well as other important initiatives, such as the aforementioned “Yo soy Empleo”, which we are implementing in 2013 and will have a significant social impact. Furthermore, those reassert our constant commitment to the United Nations Global Compact.

Innovation and technology are no doubt the key to the future of the financial sector. Technology is transforming the world. Being competitive in this new environment requires a great deal of transformation, combining the physical and digital worlds, transforming the distribution models and generating new contents, products and services. To do so it is essential to have modern, integrated, modular and flexible technological platforms in place. BBVA is one of the few banks that has embraced this all-around concept. We have one of the most advanced technological banking platforms in the world. It is already operating in Spain, and also in the United States.

Our principles, people and innovation, combined with a diversified business model and very sound fundamentals in terms of capital, risks and capacity to generate earnings, place BBVA at the start of a new profit growth cycle in 2013.

Lastly, I would like to thank the more than 115,000 BBVA employees for their effort, and I encourage them to continue working with the same dedication and enthusiasm that have turned BBVA into a different 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 and build the best universal bank in the world.



March 1, 2013
Francisco González Rodríguez

BBVA values and principles

Vision and mission

BBVA's main commitment is to provide its customers with the best solutions possible

BBVA is a global financial services Group committed to providing the best solutions to its customers, profitable and sustained growth to its shareholders and progress in the societies where it operates. This is the Organization's **mission** and *raison d'être*.

Based on a clear vision: "At BBVA, we work for a better future for people"

In addition, BBVA Group has a **vision** as a company, an aspiration that drives its ambition as a bank and which is summarized in one idea: **we work for a better future for people.** BBVA views its future as part of the future of all those related to its activity. It believes that its business development is linked to the prosperity of the people who live in the societies and countries where it operates and, therefore, seeks to contribute to build a better future for all of them. This way, the Group is committed to the people related to its activity and, particularly, to its customers, who are at the core of its business (customer-centric approach). This determination defines the identity and positioning of the BBVA brand, as a benchmark of responsible business conduct.

Principles and values

BBVA is an organization based on the principles of integrity, prudence and transparency

Working for a better future for people is a commitment that the Group defines from the most basic fundamentals of responsible business conduct: **principles**. BBVA is an organization driven by the principles of integrity, prudence and transparency.

- **Integrity**, as an expression of ethics in the Group's activity and in its relations with stakeholders (customers, employees, shareholders, suppliers and society at large).
- **Prudence**, understood basically as the principle of caution in risk-taking.
- **Transparency**, as the maxim that prevails throughout its activity to offer access to clear and truthful information within the bounds of the law.

In short, this way of working can be summarized in a business model based not only on the traditional risk-adjusted return, but also on the principle-adjusted return.

1 Vision, principles and values

A vision:
Working towards a better future for people

Principles

Integrity	Prudence	Transparency

Corporate principles

1. Customer	2. Creation of value	3. Team	4. Management style
5. Ethics	6. Innovation	7. Corporate social responsibility	

Management systems

Compilance system and function	Corporate Governance System
Risk management system	Corporate responsibility management
Standards of conduct and other commitments	

A way of operating:
Return adjusted to principles

As the main expression of these principles, BBVA Group has defined seven corporate **values** that sum up the application of its principles in the Organization's daily activity.

2 BBVA's seven corporate values

1	The client as the focus of our business
2	Value creation for our shareholders as a result of our activity
3	The team as a key contributor to value creation
4	Management style as a generator of enthusiasm
5	Ethical behavior and personal and professional integrity as a way of understanding and developing our business
6	Innovation as a progress lever
7	Corporate social responsibility as a commitment to development

BBVA brand

The brand's value lies in the perception people have of it

BBVA brand is one of the Group's intangible assets. It is intangible because the brand's value lies in the perception that our stakeholders have of us. It is these perceptions which give value to our brand, they are the reason why our customers prefer to work with us. This perception that our stakeholders have is based on the promise they receive from the Group. The promise becomes a perception when it is delivered consistently through the various points of contact between the Bank and our stakeholders. And it is because of this idea they have of us that our customers recommend us to their friends. The Group therefore identifies BBVA brand with the promise its makes to its stakeholders and the experiences they share with it.

BBVA: a Bank that makes life easier for its customers

Based on this idea we have 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.

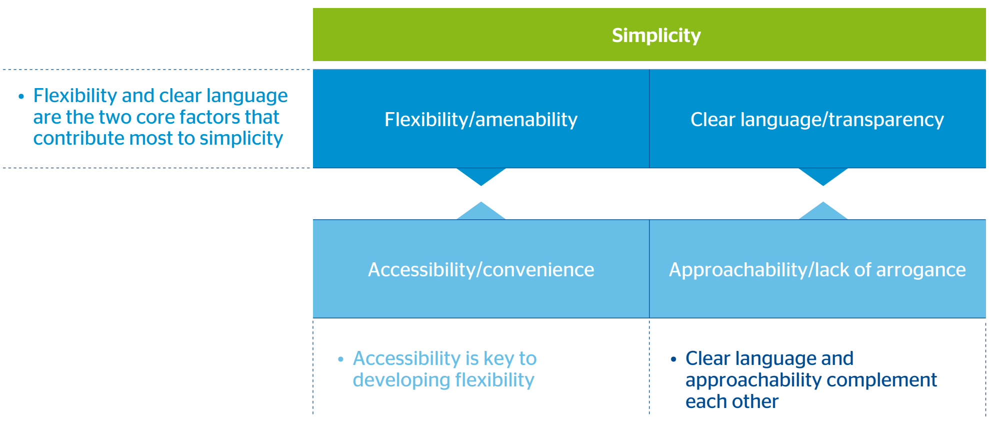
At BBVA we are committed to simplicity

Simplicity is the differential way we have of being customer-centric. We want to change the banking world by offering our customers the financial products they need in a language they understand; we want to help them manage their money efficiently, without having to devote more time than necessary to this task, knowing that they understand down to the last detail what they are signing.

This commitment to simplicity is based, above all, on four **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.:

1. **Flexibility and agility**, which have to do with simplifying paperwork, expediting procedures, offering solutions to their problems and cutting waiting times.
2. **Accessibility and convenience**, i.e. an extensive branch network and a physical and remote distribution model tailored to the needs of our customers.
3. **Closeness**: more personalized service.
4. **Clear and transparent language**: more and clearer information.

3 Simplicity in communication



Our communication in **2012** has continued to make progress in the implementation of the BBVA brand positioning and of its corporate identity.

We have continued to develop the new **communication model**. As was mentioned in last year's report, the Bank has shifted from a product-based communication model to one that gives the brand the leading role. It communicates a unique and global positioning based on simplicity for all areas and business units and for the Bank's target audience. The worldwide result is:

- A unique BBVA positioning.
- A single message, adaptable to each area and/or business unit ("glocal" approach).
- A single advertising culture throughout the Group.
- With this new positioning, products become instruments for communicating the brand's values.

A new communication model that gives BBVA brand the leading role

As well as this, progress has been made to build the new **corporate identity**, which aims for:

- A simple and differential style of communication, in line with the brand positioning.
- The use of clear and transparent language.
- A single visual image identifying the brand quickly in all its applications and distribution channels.

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

This new corporate identity has been implemented across all online and offline advertising communication. It is also being incorporated into all the means of payment, corporate equipment, branches and corporate buildings.

For BBVA, the **social media** are fundamental to improve customer relations. For this reason, the Bank's presence in the new media, always underdevelopment, is everyone's responsibility. 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 communication strategy through Internet and social media reinforces the brand's positioning

On the premise that there is not only one, but several BBVAs that specifically address the needs of each customer, the best way of serving users wherever they are is through social media. BBVA community in the social media is growing every day and already has more than 3.7 million followers. This data, which is updated on a daily basis, is available via new visual graphics on the corporate blog bbvasocialmedia.com. These visual graphics are designed to be interactive, so the user can access the BBVA profiles listed by country in a highly visual and intuitive way. It is also dynamic, since the global data and the information posted on the social medias are updated automatically every 24 hours. Currently, 131 profiles are included under the umbrella of the BBVA brand on Facebook, Twitter, Linkedin, YouTube and Google+ in 12 countries around the world.

Sponsorships are another channel used by BBVA to reinforce the brand's attractiveness, by associating BBVA with universal domains of global scope which share values with the Bank's corporate culture. All this under a strategy that should be based on three basic pillars: recognition, positioning in values and commercial operation.

BBVA's sponsorship strategy is 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. It is worth mentioning again the following sponsorships: the Professional Soccer League in Spain, officially known as Liga BBVA and Liga Adelante; BBVA Francés' sponsorship of the two greatest clubs in the history of soccer in Argentina (Boca and River); and sponsorship of the NBA, which includes the WNBA and the NBA Development League in the United States, Mexico, South America, Spain, Portugal and Turkey.

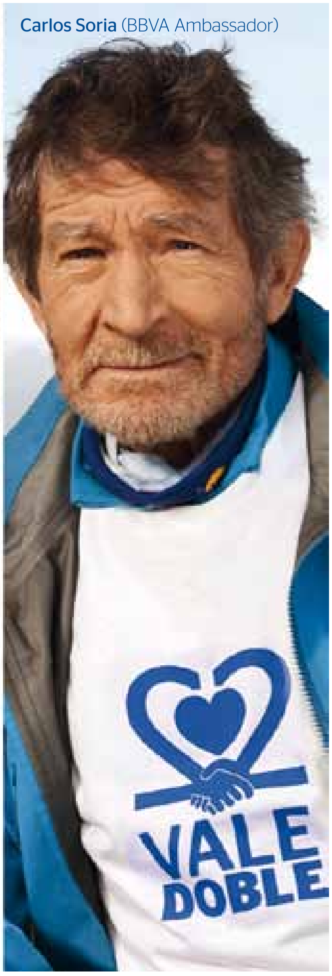
In **soccer**, BBVA has developed a number of initiatives, such as the brand's presence in all Liga BBVA broadcasts worldwide; the development of a digital ecosystem, "Liga BBVA", with content of interest to users that integrates the brand in an effective and natural way; the creation of experiences such as "La Jornada de Tu Vida" (The Day of your Life); and links with soccer-related social projects.

Several initiatives are worth mentioning in **basketball**, such as the "NBA blue experience", which rewards "blue customers" with trips to the United States to watch an official NBA game; BBVA's involvement with the social program "NBA Cares"; and the naming of BBVA and its subsidiary BBVA Compass as "NY Sports Marketer of the Year" for their commitment to the NBA and BBVA Compass Bowl. 2012 also saw the inauguration of the BBVA Compass soccer stadium in Houston. This event was mentioned more than 1,800 times in the media following its opening ceremony, equivalent to nearly 29 million dollars of advertising value, and resulted in many soccer fans opening credit card accounts. BBVA Compass also partners 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.

In addition, BBVA has launched the "**BBVA Ambassadors**" project, which brings together famous people from various walks of life through aspects that 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. They also participate in activities related to corporate responsibility, particularly in the most disadvantaged parts of the world, and support initiatives with children and young people. BBVA began the "BBVA Ambassadors" program with Iker Casillas and Andrés Iniesta, two of the stars of Liga BBVA and champions of the world and of Europe with the Spanish National Soccer Team. Carlos Soria is the latest addition to "BBVA Ambassadors". At 74 years of age, this mountaineer has set himself the challenge of climbing the 14 highest mountains in the world. The program is also accompanying him on 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.

Andrés Iniesta (BBVA Ambassador)

Iker Casillas (BBVA Ambassador)



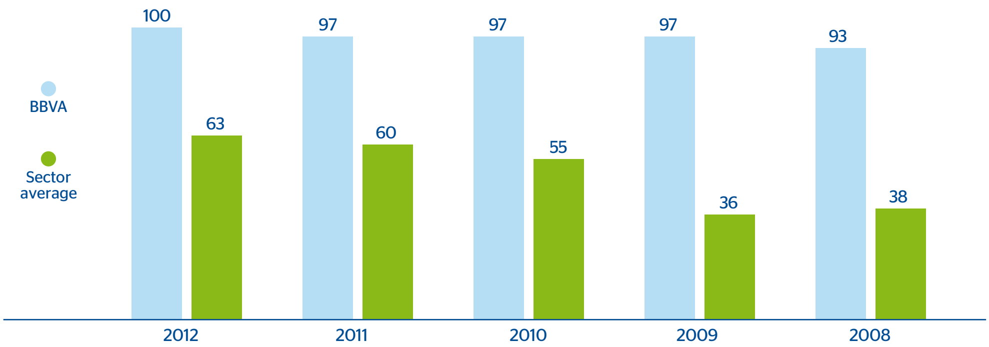
Carlos Soria (BBVA Ambassador)

Brand **management** in 2012 was highly valued by experts for yet another year. In 2012, the sustainability analysis agency SAM (Sustainable Asset Management) improved its overall ranking of BBVA brand management, granting the Bank a 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).

BBVA brand management, once more, highly valued by experts

4 BBVA brand management score in 2012

(Scale 1 to 100)



Source: SAM.

One of the aspects that continues to be 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 has stabilized or improved in most countries in which the Bank operates.

BBVA brand awareness

(Scale 1 to 100)

	Spain		Mexico		Argentina		Chile		Peru		Colombia		Venezuela		The United States	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Awareness	**68.4**	64.6	**88.7**	88.8	**77.3**	78.9	**19.0**	19.8	**74.0**	77.0	**20.9**	28.2	**67.8**	62.8	**14.2**	15.9
Awareness (ranking position)	**1st**	1st	**1st**	1st	**3rd**	3rd	**5th**	5th	**2nd**	2nd	**6th**	5th	**2nd**	2nd	**6th**	7th
Reputation with customers	**73.8**	74.5	**68.9**	70.7	**78.5**	75.7	**64.9**	71.0	**77.0**	73.8	**65.5**	69.1	**80.5**	71.9	**74.0**	71.5

The data for awareness and reputation are for the whole year (January to December).
A variation between two years is only statistically significant when it is greater than or equal to 2.1 for reputation and 4 for awareness.

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, Citi, Banco Nación, Banco Patagonia/Sudameris, HSBC, Banco Ciudad and Itaú/Buen Ayre.
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 and Corpbanca.
Peru: Banco de Crédito, Interbank, Banco de la Nación, HSBC, Scotiabank, Citibank, Banco Falabella, Banco Azteca, Crediscotia and Banbif.
Venezuela: Banesco, Banco Mercantil, Banco de Venezuela and BOD.

Corporate Governance System

Banco Bilbao Vizcaya Argentaria, S.A. has a Corporate Governance System that is in line with international recommendations and tendencies. It is tailored to its business environment and incorporates best market practices.

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, and on an appropriate decision-making procedure.

BBVA Board of Directors

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 Regulations reserve the most relevant decisions affecting the Company to it.

The BBVA Board of Directors comprises an ample majority of independent directors. It is currently made up of fourteen members, two of whom are executive directors. The remaining twelve are external directors, eleven of whom are independent.

BBVA Board Committees

In order to better perform its duties, the BBVA Board of Directors has established five specialist Committees with a broad range of duties, to help the Board on matters falling within their remit.

The BBVA thus has an Executive Committee, an Audit & Compliance Committee, a Remuneration Committee, an Appointments Committee and a Risks Committee. Except for the Executive Committee, whose membership includes the executive directors with a majority of external directors, these are composed exclusively of external directors with a majority of independent directors.

All the Committees, except for the Executive Committee are chaired by independent directors and their operating rules are established in the Board Regulations. The Audit & Compliance and the Risks Committees each have a specific set of regulations, approved by the Board of Directors. The Board Regulations and the specific regulations of these two Committees can be consulted on the Corporate website: www.bbva.com.

Composition of the Board of Directors and the Board Committees

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

The Board of Directors system of organization requires intense engagement with Bank matters from all the directors, due to the high number of Board and Committee meetings.

For more information, see the website:
http://shareholdersandinvestors.bbva.com/TLBB/tlbb/bbvair/ing/governance/index.jsp

Corporate responsibility

BBVA works for a better future for people following the principles of integrity, prudence and transparency

Corporate responsibility (CR) principles, policies and governance

The **mission** of BBVA's corporate responsibility policy is to define and promote behavior that generates value for all its stakeholders (customers, employees, shareholders, suppliers and the community).

The Group's CR **commitments** are aligned with our vision of "Working for a better future for people", based on rigorous principles of integrity, prudence and transparency. The most important of these commitments are:

- Uphold excellence at all times in its core business operations.
- Maximize the positive impacts of the business in the community, while minimizing any possible negative impacts.
- Create "social business opportunities" to generate social and economic value for BBVA.
- Invest in the communities where the Group operates through support to various initiatives, particularly in the field of education.

In BBVA CR functions are supervised and promoted by the Bank's highest executive body. In 2012 the Responsible Business Committee was created to assist it

With respect to **organization**, there was a major landmark in 2011 in the system of governance of corporate responsibility: the Group's Management Committee itself became the main body supervising and promoting the functions of corporate responsibility and reputation (CRR). In other words, the Bank's highest executive body was entrusted with responsibility for these issues.

Since late 2012 the Responsible Business Committee has assisted the Management Committee in this task. This committee plans to meet three times a year. It is made up of the Chairman and CEO, the President and COO; and the heads of the Bank's two global lines of business (Retail Banking and Corporate & Investment Banking) and Brand & Communication, Human Resources and Services, Legal Services, Audit and Compliance, and Corporate Responsibility and Reputation (which functions as secretary).

As a result of these changes, the system of **governance** of CRR is now organized as follows:

- Board of Directors: responsible for approving and monitoring corporate responsibility policy.
- Management Committee, supported by the Responsible Business Committee: with the main role of promoting, supervising and coordinating the Group's CRR programs and those developed by local banks and their foundations.
- Local and business area management committees: responsible for promoting and monitoring CRR programs at a local or business area level. These committees are chaired by the country manager or manager of the business area in question (some of the Group's banks, such as BBVA Bancomer in Mexico and BBVA Provincial in Venezuela, have decided to keep the previous system of local CRR committees).

- Across-the-board operational committees: responsible for implementing and executing the CRR programs. These committees, whose secretariat corresponds to the Corporate Responsibility and Reputation department, were created in 2011 and have been operational since 2012. They are as follows:

  - The Social, Environmental and Reputational Risk Committee, chaired by the Group's Risk Manager.

  - The Eco-efficiency and Responsible Procurement Committee, chaired by the Group's Procurements, Premises and Services Manager.

  - The ESG Investment Committee, chaired by the Analyst, Investor and Shareholder Relations Manager.

CR management system and strategic focus

In **2012** progress has continued to be made on initiatives based on the four pillars elements of our policy:

1. **Financial literacy**

   Informed decision-making helps people improve their personal financial situation, makes risk management easier for financial institutions, encourages saving and strengthens the financial system as a whole. For BBVA, financial literacy means more consistent savers and more responsible debtors. This commitment is activated through the Global Financial Literacy Plan "El dinero en nuestras vidas" (Money in our lives). The main programs in this plan are "Adelante con tu Futuro" (Forward with your future) in Mexico and South America and "Valores de Futuro" (Future values) in Spain and Portugal.

2. **Financial inclusion**

   The fight against financial exclusion is for BBVA an objective that is in keeping with its business targets and ethical and social commitment. The star project in this core element is the BBVA Microfinance Foundation. The Foundation works 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 and to promote their economic and social development.

3. **Responsible banking**

   BBVA works to integrate responsible management across the value chain, from product design, advertising and sales to management of risks. This element includes programs that help integrate this aspect of sustainability into the Group's day-to-day activities.

4. **Community involvement**

   This commitment is focused on supporting education, social enterprise, research and culture. The main lines of activity are the "Community Investment Plan for Latin America", the "Momentum Project" and the program of BBVA Foundation activities.

Over recent years, and particularly in 2012, the social legitimacy of financial activity has been eroded on a large scale. This is a global loss that is permanent in nature, and is combined with a growing demand for accountability. This has been the major motivation behind BBVA's work in 2012 on its new **CRR Strategic Plan 2013-2015**, also known as the Responsible Business Plan. This new plan aims to integrate the impact made by our financial activity on the life of people into the Group's key decision-making processes, with the aim of making a difference and putting people at the core of the Group's activity.

Financial literacy makes for dependable savers and more responsible debtors

The financial inclusion facilitates access to financial services

In BBVA, responsible business development is one of the critical and main aims in the CR policy

BBVA is committed to the development of the communities in which it operates

The Responsible Business Plan 2013-2015 will be published in the first half of 2013

The main **objectives** proposed for this plan are:

- Promote a cultural change with people at the core.
- Improve external and internal reputation.
- Increase customer satisfaction.
- Extend the generation of shared value in communities where we are present.

The Responsible Business Plan 2013-2015 will be published in the first half of 2013.

BBVA maintains its commitment to the main international agreements on corporate responsibility and sustainability

BBVA also maintains its commitment to the main **international agreements** on corporate responsibility and sustainability, such as the United Nations Global Compact and the Millennium Development Goals, the UN Environment Programme Finance Initiative (UNEP FI), the Equator Principles, the UN Principles for Responsible Investment (PRI) and the Carbon Disclosure Project. At the same time, the Group publicly recognizes its respect for the United Nations Declaration on Human Rights, the basic labor standards of the International Labour Organization and the OECD guidelines for multinational companies. It is also aligned with the corporate social responsibility policy published in 2011 by the European Commission.

BBVA continues to participate actively in the **International Integrated Reporting Council** (IIRC), within the framework of the IIRC Pilot Program. It therefore plays a key role in the implementation of a global and common framework for integrated corporate reporting.

For the first time in 2012 BBVA became part of the **Thun Group**, a financial sector initiative that brings together the following institutions: Barclays, BNP Paribas, Credit Suisse, Deutsche Bank, ING, ROBS, UBS, Unicredit and WestLB, with the support of the Competence Center for Human Rights of the University of Zurich. The group aims to contribute toward implementing guiding principles on business and human rights in the financial sector. The result of this working group has been an initial draft of a practical document that is a guide for focusing and implementing these principles in the financial sector. Currently the relevant UN agencies, organizations and stakeholders in general are being asked for their contributions for integration into the final document. It will be published in 2013.

Lastly, also worth noting is BBVA's presence in 2012 at the **Rio+20 Summit**, the United Nations conference on sustainable development. The summit was held 20 years on from the first in Rio de Janeiro in 1992. It provided another opportunity to renew the global political commitment to sustainable development and act to eradicate poverty and environmental destruction, while constructing a bridge toward the future and analyzing the progress made in sustainable development.

For more information on local initiatives in each of the core corporate responsibility policy areas, see the website www.bancaparatodos.com/en/.

Primary stakeholders

Introduction: tools for communication and dialog with stakeholders

In each country where it operates, BBVA has a wide range of tools available for consultation and dialog with stakeholders. These tools guarantee two things: that customers, employees and shareholders have the appropriate channels available to be assisted; and that BBVA has adequate sources of information to understand the priorities and expectations of these stakeholders in relation to the Entity. BBVA also remains constantly aware of those institutions and individuals that, together with public opinion, set out the agenda for a financial institution such as ours. Specifically, there are three main ways through which stakeholder expectations are analyzed and integrated:

BBVA looks after its stakeholder through specific activity of each area or unity and the regular assessment of its performance. This is carried out by the periodic analysis of CCR from the constant analytic work of BBVA Research

First, there is the specific work of each area in its day-to-day relations with each stakeholder group and the regular assessment of its performance. This is where tools such as the employee satisfaction poll (every two years) and the customer satisfaction surveys come into play. Also included would be the tasks carried out by units such as Institutional Relations. Of particular importance this year was the activity carried out by the European Agencies Coordination Unit (UCOE). The unit coordinates the Bank's participation in a variety of formal and informal groups in order to improve understanding of the concerns of regulators. These forums aim to create and develop a constructive dialog with regulators on markets and regulatory policies, as well as contributing to the achievement of a balanced regulatory framework. They are a clear example of a tool which enables dialog with regulators, who are increasingly important stakeholders for the financial industry.

Second, and complementary to the above, the Corporate Responsibility and Reputation department (CRR) provides regular analyses of stakeholder demands, priorities and perceptions. At this level are the internal (employees) and external (customers and non-customers) surveys of reputation, public opinion polls (GlobeScan), brand tracking and analyses of BBVA's online reputation and presence in the media. The latter two complement the polls and public opinion expectations on key issues.

Third is the ongoing analytical work, reports and working documents provided by BBVA Research.

Global and local reports are prepared by aggregating information from different sources, combining the results of a variety of qualitative and quantitative tools. This analyzes what stakeholders expect of us, how they perceive us and the various reasons lying behind these perceptions. This work is reviewed locally and globally with the different units that have the greatest impact on the perceptions of these groups. The aim of the whole process is to identify and implement action plans for improvement.

BBVA Group is always in contact with its stakeholders to assist them properly and to meet their priorities and expectations

Share and shareholder structure

Stock-market indexes perform better in the United States than in Europe in 2012

Following a 2011 marked by a slowdown in macroeconomic indicators, global economic activity once again weakened in the first half of 2012, when risks materialized related, above all, to continued sovereign tensions in Europe. This led to a downward review of macroeconomic growth outlook throughout the first part of the year. In the summer there was a significant decrease in the risk premiums thanks to the reduction of tail risks, following decisive action by the U.S. Federal Reserve (FED) with its QE3 program, and the European Central Bank (ECB), with the implementation of a sovereign bond buyback program, under strict conditionality and subject to previous request by the country involved. The result was a recovery of growth expectations for the U.S. economy and, to a lesser extent, for the European economy. This positively affected the performance of the **stock market indexes** in the different regions. In the United States, the S&P 500 index increased 13.4% since the close of 2011, while the Stoxx 50 index in Europe rose by 8.8%. In Spain, the Ibex 35 index fell back 4.7% over the same period.

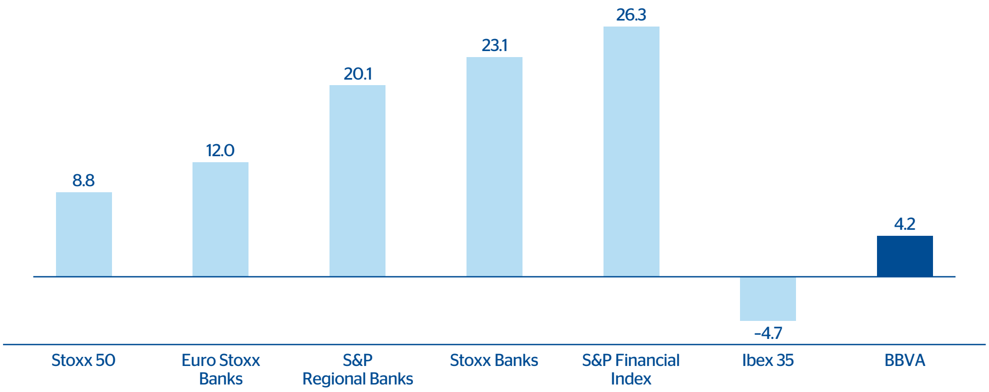
In Europe, the Stoxx Banks index performs better than the Euro Stoxx Banks index

In Europe, the financial tensions associated with resolving the economic and institutional crisis have been the main barrier to the area's economic recovery in recent quarters. Although it is undeniable that significant measures have been taken to resolve it, there are still no signs of a clear roadmap for greater fiscal and financial integration. Given this, the **financial sector** has continued to reflect the differences in Europe, apparent in the better relative performance of the Stoxx Banks index, which includes non-euro zone banks, and which in 2012 rose 23.1%, compared with the Euro Stoxx Banks index (up 12.0% over the same period). Also of note is the recovery of the peripheral banks in the second half of the year, following the announcement of outright monetary transactions (OMT) by the ECB. In the United States, the S&P Financials Index and the S&P Regional Banks Index outperformed the European indexes, at 26.3% and 20.1%, respectively, for the year.

In Spain, BBVA share outperforms the Ibex 35 index

In Spain, the year was marked by unfavorable macroeconomic data, the implementation of structural reforms and austerity measures, and the high cost of financing, though it fell significantly following the announcement by the ECB of the implementation of the sovereign bond buyback program, which was conditional on requesting a bailout. In the Spanish financial sector, significant progress has been made in the coverage of "toxic" assets (with the publication of two Royal Decree-Laws which require banks to increase coverage for real-estate exposure) and also in the identification of undercapitalized banks (publication of "bottom-up stress test" results conducted by Oliver Wyman). Details of the structure and funding of the so-called "bad bank" (SAREB) have also been outlined. A credible and satisfactory completion of this process can be crucial in shaping a positive market feeling of the financial sector and its future growth potential. Given this, BBVA share has outperformed the Ibex 35 index in 2012.

5 Evolution of the principal stock-market indexes and the BBVA share
(Percentage)



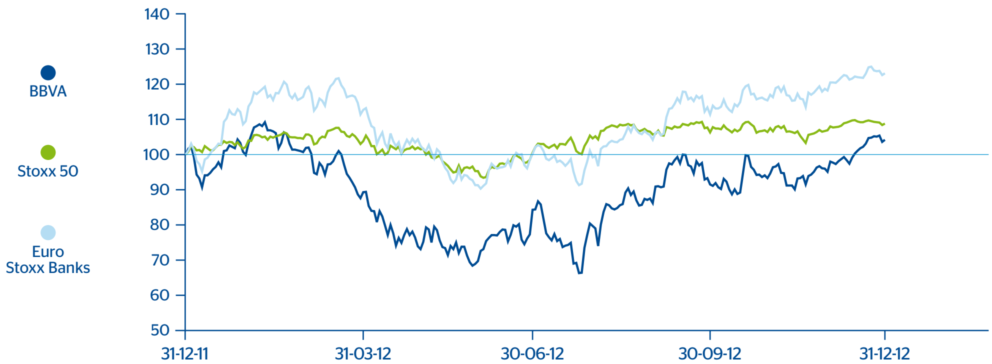
BBVA earnings figures presented in 2012 have, in general, been favorably received. At the operational level, analysts took a positive view of the Bank's strong revenue figures. The Group once more surprised by its capacity to generate earnings in its international businesses and its solvency and liquidity levels. In Spain, net interest income performance has been positively highlighted. Analysts have also underlined the strength of earnings in South America and Mexico, and in particular the trend in recurring revenue. In addition, the announcement of the agreements reached for the sale of Administradora de Fondos para el Retiro, Bancomer S.A. de C.V. in Mexico, BBVA Horizonte Sociedad Administradora de Fondos de Pensiones y Cesantías S.A. in Colombia and Administradora de Fondos de Pensiones Provida S.A. in Chile, have in general been received positively. From a strategic point of view, analysts consider that the sale of the pension business makes sense, since its synergies with the Group's core business are very limited, and because investors have shown a strong buying interest.

BBVA's earnings are notable for the strength of recurring revenue and the Group's good solvency and liquidity levels

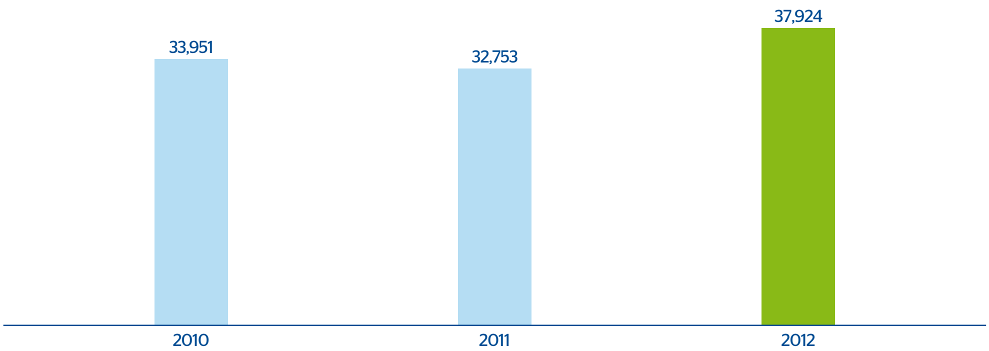
BBVA's share price fluctuated over the year between €4.31 and €7.35, and closed as of 31-Dec-2012 at €6.96 per share (€6.68 a year earlier), which represents a market capitalization of €37,924m. The price/earnings ratio is 21.5, compared with 10.9 in December 2011 (both figures have been calculated using the price and net attributable profit at the close of the year taken into account). The price/book value ratio is 0.9 (0.8 in 2011).

The BBVA share ends the year above the price levels posted at the end of 2011

6 Share price index
(31-12-2011=100)



7 BBVA's market capitalization
(Million euros)



The BBVA share and share performance ratios

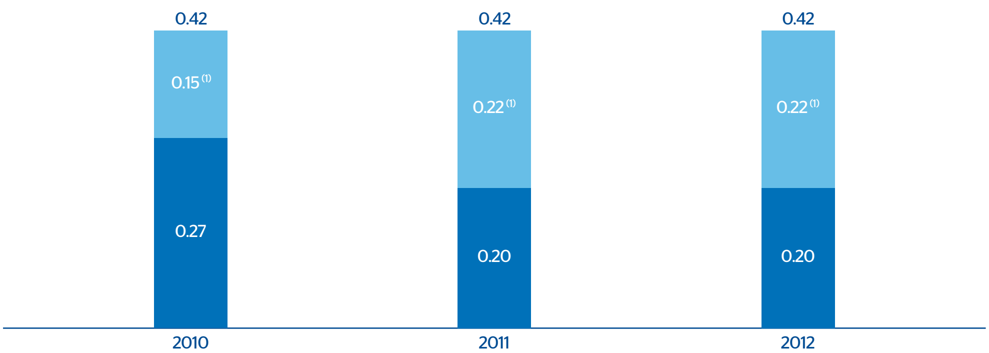
	31-12-12	31-12-11	31-12-10
Number of shareholders	1,012,864	987,277	952,618
Number of shares issued	5,448,849,545	4,903,207,003	4,490,908,285
Daily average number of shares traded	68,701,401	60,363,481	68,197,775
Daily average trading (million euros)	406	452	655
Maximum price (euros)	7.35	9.49	13.27
Minimum price (euros)	4.31	5.03	7.00
Closing price (euros)	6.96	6.68	7.56
Book value per share (euros)	8.04	8.35	8.17
Market capitalization (million euros)	37,924	32,753	33,951
Price/book value (times)	0.9	0.8	0.9
PER (Price/earnings; times)	21.5	10.9	7.4
Yield (Dividend/price; %)	6.0	6.3	5.6

BBVA maintains its shareholder remuneration policy

Shareholder remuneration for 2012 remains at €0.42 per share. In other words, both the amount registered in recent years and the current dividend scheme are being maintained. The decision by the Bank's management to maintain the dividend paid in previous years sends out a clear statement of confidence despite the complicated setting. Two cash dividends have been paid out for a gross amount of €0.10 per share (on 10-Jul-2012 and 10-Jan-2013, respectively). In addition, payment of €0.10 per share has been made under the "dividend option" flexible remuneration system agreed at the Annual General Meeting (AGM) on March 16, 2012. This program offers shareholders the option to receive the dividend in newly issued BBVA shares or in cash. Around 80% of shareholders opted to receive newly issued BBVA shares, which once more confirms the success of this new remuneration system. A proposal will also be made to the next AGM to be held on March 15, 2013 in relation to the payment of a final dividend for a gross amount of €0.12 per share. This dividend will mean a slight increase of the pay-out ratio, which will be 51% compared with 46% in the previous year (on the adjusted net attributable profit), and a dividend yield of 6%, one of the most attractive in the sector. Finally, it is worth noting that BBVA not only offers attractive and differential shareholder remuneration, but also renders to shareholders a variety of exclusive products and services under very advantageous conditions.

8 BBVA Group. Dividend per share

(Euros)



(1) "Dividend option".

At the close of 2012, the **number of BBVA shares** stood at 5,449 million. The increase on the figure recorded at the end of 2011 (4,903 million) is due to the implementation of the so-called "dividend option" and the issue of ordinary BBVA shares carried out to pay for the voluntary conversion on March 30 and for the mandatory conversion on June 30 of the mandatory convertible subordinated bonds issued in December 2011.

BBVA capital ownership remains well diversified

The **number of BBVA shareholders** as of 31-Dec-2012 stood at 1,012,864, compared with 987,277 on 31-Dec-2011, a 2.6% increase. Shareholder dispersion was maintained in 2012, with no significant holding. 89.4% of the shareholders own fewer than 4,500 shares (compared with 90.6% on 31-Dec-11), representing 12.85% of the capital stock (compared with 13.0% on 31-Dec-12) and an average investment per shareholder of 5,380 shares (4,966 in 2011).

Shareholder structure

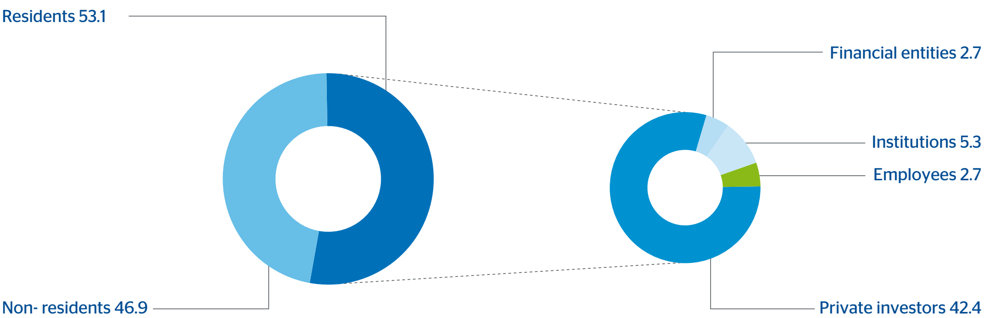
(31-12-2012)

	Shareholders		Shares	
Number of shares	Number	%	Number	%
Up to 150	265,660	26.2	19,171,852	0.4
151 to 450	228,712	22.6	61,702,640	1.1
451 to 1800	286,960	28.3	267,103,613	4.9
1,801 to 4,500	123,687	12.2	352,158,649	6.5
4,501 to 9,000	55,657	5.5	349,939,412	6.4
9,001 to 45,000	46,058	4.5	804,116,358	14.8
More than 45,001	6,130	0.6	3,594,657,021	66.0
Total	**1,012,864**	**100.0**	**5,448,849,545**	**100.0**

A total of 53.1% of the Group's shareholders' equity belongs to residents in Spain. In terms of type of shareholder, 42.4% belongs to private investors, 2.7% to employees and the remaining 8.0% to institutional investors. There is a high percentage of non-resident shareholders, who own 46.9% of the capital stock (in December 2011 they owned 43.5% of BBVA capital). This once more reflects the confidence in and recognition of the BBVA name on the international markets in the current difficult environment.

9 BBVA Group. Shareholder structure 31-12-12

(Percentage)



As in 2011, the shares trade on the continuous market in Spain, on the New York Stock Exchange (as ADSs represented by ADRs) and on Mexico stock market.

High liquidity of BBVA share

The BBVA share was traded on each of the 256 days in the stock market year of 2012. A total of 17,596 million shares were traded on the stock exchange in this period, representing 323% of shareholders' equity. Thus the daily average volume of traded shares was 69 million, 1.27% of the total number of shares and an effective daily average of €406m.

BBVA is part of the main stock indexes and sustainability

BBVA shares were included in the Ibex 35 and Stoxx 50 reference indexes, with a 12.075% weighting in the former and 2.59% in the latter, as well as in several banking industry indexes, most notably the Stoxx Banks, with a weighting of 5.54%, and the Euro Stoxx Banks, with a weighting of 13.77%.

Finally, BBVA is also increasingly represented in the leading **sustainability indexes** worldwide, such as the Dow Jones Sustainability, FTSE4Good and the MSCI indexes. More and more institutional investors use ESG (environmental, social, ethical and corporate governance) ratings in addition to financial fundamentals when making investment decisions. BBVA has been given one of the best ratings by nearly all analysts and ESG indexes.

Main sustainability indexes with BBVA presence

(Data as of 31-12-2012)

		Weighting (%)
Dow Jones Sustainability Indexes	DJSI World	0.59
	DJSI Europe	1.38
	DJSI Eurozone	2.86
vigeo rating	ASPI Eurozone Index	2.13
	Ethibel Sustainability Index Excellence Europe	1.45
	Ethibel Sustainability Index Excellence Global	1.02
MSCI	MSCI World ESG Index	0.42
	MSCI World ex USA ESG Index	0.84
	MSCI Europe ESG Index	1.45
	MSCI EAFE ESG Index	0.94
FTSE4Good	FTSE4Good Global	0.37
	FTSE4Good Global 100	0.60
	FTSE4Good Europe	0.85
	FTSE4Good Europe 50	1.40

The team

It is **people** who make the real difference between companies. That is why there is no doubt they are the key to the success the BBVA Group's differentiation. The three key features that set us apart most as an Organization are:

- A well defined **corporate culture**, which can be summed up in the Group's vision, as mentioned earlier: "At BBVA, we work for a better future for people."
- A model of **people management** geared above all to professional development.
- A **way of doing things** that is characterized by an explicit commitment to transparency, objectivity and equal opportunity as basic principles in BBVA's management style.

It is people who make the difference

Corporate culture

The main **features** that BBVA aims to promote are a customer-centric approach, teamwork, healthy ambition, high ethical standards, focus on results, humility and simplicity.

These characteristics make BBVA one of the **best companies to work for**, and the proof is:

- More than 270,000 **CVs** received in 2012 (over 250,000 in 2011), resulting in 15,565 new employees joining the Group during the year. This also makes clear the interest generated by the BBVA brand.
- The external **awards and recognition** received. Some of them will be highlighted in this section. The awards received by the Bank as a good employer include the following:
  - BBVA as "Best People Bank", according to *Banca 15*. The award, granted every three years, was received in September 2011 for "the special dedication shown by BBVA in recent times to spread and make possible this great idea of a bank based on the development of personal and human relations."
  - BBVA, chosen as "Best European and Spanish Company in Leadership Development," according to the ranking published every two years (the last was in September 2011) by *Fortune* magazine (and which was discussed at length in the 2011 Financial Report).
- But most important of all: our opinion, the opinion of the BBVA team, which is expressed through the **Satisfaction Poll**.

  Every two years BBVA conducts a Satisfaction Poll. This participative process is a way of discovering the opinion of the team on professional matters, such as relations with co-workers or immediate superiors, the balance between professional and personal life and the level of knowledge of human resources policies.

  Of the more than 105,000 people who took part in the poll in 2012, 77% completed it fully, a figure that is one percentage point above participation in 2010. The rate of overall satisfaction was 76%, three percentage points above the previous poll and seven more than in 2008. There were also rises in almost all the areas in the Group, and in the main indicators of the poll.

  As in the previous poll, the most valued aspects in 2012 have been those related to the treatment of people in BBVA, the sense of pride in belonging to the Group, and above all the potential for future growth offered by the Bank to all its team. This growth is the result of more than 150 improvement plans implemented by the various units over the last two years. After analyzing the results, it is now time to repeat the cycle: in other words, new projects have to be identified with the same aim of improvement. They must be developed before the next poll, which will take place in 2014.

BBVA, one of the best companies to work for

Management model

A model of people management geared to professional development

The model of people management at BBVA is geared above all to **professional development**. It is a model whose target is to generate the appropriate conditions for professional growth.

But it is not enough to provide opportunities and challenges. There has to be support for people during their growth process. **Training** plays a key role here. It is in fact another differentiating feature of BBVA and a basic element for the development of talent. Training is conceived of in the Group as an investment, with a two-fold objective:

- As a response to customer needs, within the BBVA customer-centric corporate culture.
- As a response to the individual needs of all the professionals who work in the Group, with the aim of promoting their professional development.

In 2012, training in the Group became more focused on the lines for action that make up the **Campus BBVA** model. A specialized and global training system has been designed, continuously aligned with and adapted to the Bank's strategy. The importance given by BBVA to training is clear from the more than €40m invested in 2012. At the same time, the global nature of the Organization means that training in languages is an essential element, with investment of more than €3m. The interest of people in their training is reflected by the more than 400,000 individual development actions implemented in the last competence assessment process, thus demonstrating that the commitment to professional development is mutual. In the final analysis, it also materializes in tangible aspects, such as:

- Around 20% of the people in BBVA are promoted every year.
- Campus BBVA received the award for "Innovation in Training in Innovation and Technology (IT)" from the consultancy Greenlight Project Management in March 2012. The award recognizes BBVA's innovative IT courses, which makes Campus BBVA a benchmark for training in the global financial industry.
- BBVA Group has received the award for "Best Trainer of Professionals in China" in January 2012 from the China Club. It recognizes the Bank as the best trainer of Chinese professionals, highlighting BBVA's work in attracting talent in the Asian country.

In addition, making use of the advantages offered by new technologies, **e-learning** is becoming the main training channel in the Group. In 2012, it provided 5.4 million hours of training, 63% of the total. Technology is thus becoming increasingly important, and is ensuring a more efficient and flexible distribution of content. This medium gives the Group a tool for global learning, with the efficiency derived from mass distribution, but with content developed or adapted locally.

It allows attention to be given to the specific needs of each employee by designing individual training plans that match each personal profile.

A way of doing things

Transparency, objectivity and equal opportunity

Within these basic principles of the BBVA management style, it is important to note that all human resources processes are global, standardized and cross-cutting. In other words, they cover all the people who work at BBVA, thus guaranteeing their objectivity and effectiveness.

First, we have the commitment to make public all the internal selection processes, so that the best professionals fill the most important positions. A further element that enhances both objectivity and professional transparency and development is BBVA's job-posting tool "**Apúntate**". Thanks to this, professionals in the Group are able to manage their development by applying for positions generated and made public from time to time in all the geographical areas. In 2012 over 4,000 positions were offered through this mechanism, with a coverage ratio of 79%.

Second, on the question of equal opportunity, BBVA has a firm commitment to **gender diversity**. A clear example of this is the proportion of women in the Group: 53% of the professionals are female. This drive is organized through a global diversity plan, which aims to boost the role of women in the Group by making it easier for them to work and laying the foundations for a harmonious balance between work and family life. The program is focused on 3 key areas for action (maternity, promotion and development and awareness). It has led to the launch of 8 corporate initiatives so far, as well as others at a local level. It is worth noting here that BBVA has obtained the "Equality in the Company" award in June 2012. The award is a recognition granted by the Ministry of Health, Social Services and Equality, which considers BBVA as a model for the incorporation of good practices in gender equality.

Third, BBVA's commitment to its professionals can also be seen in a number of actions within the "**Pasión por las Personas**" (Passion for People) program, which is a fundamental element of the Group's value offer to its employees, whether active or retired. This program includes initiatives such as the system of flexible remuneration, which has been defined and designed for all the Group's employees in Spain regardless of their level in the Organization; measures for reconciling work and family life; social volunteering activities; and the relationship model for early-retired employees, those who are retired and widows or widowers of the Group's employees.

Lastly, BBVA considers the **remuneration policy** to be a key element for value creation. That is why it has an advanced remuneration system based on reciprocal generation of value for employees and the Group, in line with shareholder interests and based on prudent risk management. It is guided by the following principles:

- Creation of long-term value.
- Compensation for the achievement of results based on prudent and responsible assumption of risks.
- Attraction and retention of the best professionals.
- Compensation for the level of responsibility and professional career.
- Internal equity and external competitiveness.
- Use of market references through analyses carried out by prestigious companies
- Transparency in the remuneration policy.

The system of remuneration is adapted at all times to what is established by law. It also aims to incorporate the standards and principles of best domestic and international practices generally accepted in the matter of remuneration and good corporate governance at any time, making it a dynamic system in constant evolution and improvement.

To sum up, the combination of the above elements makes up a balanced system of remuneration which is consistent with the Group's strategy and its values, and with the interests of its shareholders.

Volunteer work and corporate responsibility initiatives for employees

BBVA, very active in promoting volunteer activities among their employees

The BBVA Group develops initiatives that make it possible for the team to participate in social projects requiring technical know-how and personal skills. A total of 4,334 employees have taken part in volunteer work which represents the 4% of the total employees.

In **Spain**, the BBVA Volunteer Office, which is run by early-retired and retired employees, maintains the commitment to collaborate with the most disadvantaged groups and other community, educational or environmental initiatives. The main volunteer projects carried out in 2012 have been the "Valores de futuro" (Future values) financial literacy program; the Sixth BBVA Charity Run; literacy and computing courses; and environmental reforestation initiatives such as the "Bosques BBVA" (BBVA forests) project. The "Territorios Solidarios" (Solidarity territories) program has also been launched as an initiative organized by people for people. It is a program in which BBVA employees in Spain propose and select social projects with which they feel involved or identified from among those developed by non-profit organizations. The projects selected are then given financial assistance. In the first edition in 2012, a total of €1.9m went to support projects presented by 202 selected organizations in areas such as education, community support, culture, the environment and care for the most disadvantaged groups in society.

In **Latin America** similar reforestation activities have been undertaken with volunteers, with a very good uptake by the employees taking part. In Argentina BBVA Francés has started the "Concurso de Proyectos Solidarios" (Charity project competition) as part of the corporate volunteer program "Territorios Solidarios" to support the best ideas in partnership with its employees. Finally, the Sixth BBVA Charity Run was held in Mexico, Colombia, Chile and Venezuela.

In the **United States**, BBVA Compass offers its workforce the opportunity to work together in "BBVA Compass Volunteers." The program has given employees the chance to participate in activities such as financial training or book donations, the latter through the "Leer es importante" (Reading is important) literacy initiative. BBVA Compass Charity also guarantees control and transparency with respect to voluntary charity contributions. Employees can choose up to four organizations from the complete IRS database of more than 2 million existing NGOs. Finally, the Sixth BBVA Charity Run was also held in the United States.

The client

BBVA is constantly researching and developing global strategies designed to improve the customer experience in all the geographical areas in which it operates, in all the products it offers and in all the sales and contact channels that it makes available to them.

BBVA customer experience, a lever for growth

Transversality plays a key role in all the objectives. Consequently, the best practices obtained in day-to-day experience with customers flow across and are present in each of the quality and customer experience models in the countries where the Group operates.

2012 has been a year in which the Group, in an environment of global crisis, has been able to adequately respond to customer demands. Clients have asked for superior quality in customer service, while requiring security for their savings and a strong capital position that makes BBVA trustworthy.

BBVA integrates customers in its core business in all the countries where it operates to ensure that their experience is as positive as possible, and that as a result they recommend the Bank to families and friends, thus making recommendations a lever for growth**.** To meet this challenge, BBVA has deployed a "**Customer Experience**" model across the whole Group, based on three pillars:

- In-depth customer knowledge and experience assessment in each contact, service and product.
- Implementation of plans to improve and guarantee the best service possible and thus an outstanding experience.
- An appropriate attitude and commitment on the part of all the BBVA team.

Customer insight

In each country and business where it operates, BBVA also has a broad range of tools for consultation and dialog with stakeholders, as mentioned above. To give it insight into its customers, BBVA has a global architecture in place to measure quality and customer experience. Leveraged on the **Net Promoter Score** (NPS) methodology, it allows to collect ongoing information on customer experience with the products, services and contact with the Bank's staff.

BBVA has a global architecture in place for measuring quality and customer experience, leveraged on the Net Promoter Score methodology

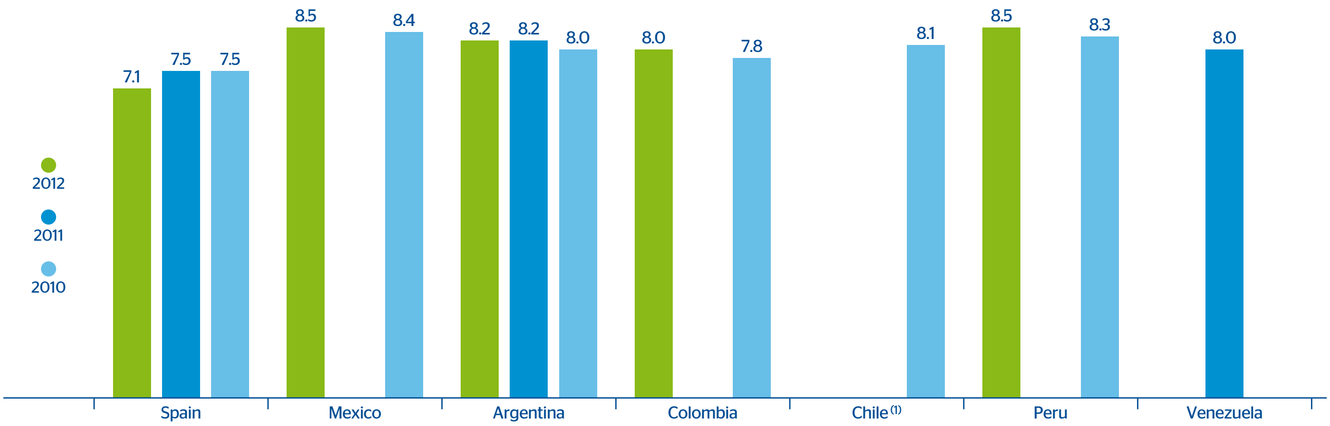
The NPS program provides the degree to which customers recommend BBVA (they are classified as promoters, passive customers and detractors), an understanding of the factors influencing the decision to recommend, and an overview of BBVA's position in the industry.

Apart from using it as a metric, BBVA applies this methodology as a **management model** to generate specific action plans designed to build and maintain customer loyalty, involving the whole Organization in this purpose.

As a supplement to the NPS system, each entity in the Group carries out regular customer **satisfaction surveys** and additional studies that reflect customer expectations regarding the products and the perception of BBVA's service quality.

10 Customer satisfaction indicators

(Scale 1 to 10)



Notes:
Dates according to the scope of consolidation at the close of each year.
(1) The study planned for 2012 has been postponed until the following year.
Source: FRS Inmark, except in the case of Argentina, carried out by Knack.

Quality, the key element to improving customer experience

Spain: a unique experience

Quality plans

The goal of the Group's customer strategy is based on considering quality a key element for transforming the Organization. It requires prior identification of the main areas for improvement or opportunities of a general nature, based on customer insight. BBVA develops a number of quality plans designed to improve the customer experience.

Spain

For the last decade, BBVA branch network has, year after year, carried out its activity based on quality plans designed to ensure that customers receive a better service. During this time, BBVA has adapted quality plans to the changing economic environment, while always seeking to meet customers' needs.

In 2012, with the opportunity offered by the in-depth knowledge the branches have gained of their customers, BBVA launched **CalidadX3.** Since its launch in May 2012, all the branches, managers and BBVA head office have been involved in a dynamic program focused on attitude and commitment, using advanced tools to:

- Promote the customer care model, attitude and commitment to customers.
- Offer customers the best service and the best management of their financial needs.
- Promote and guarantee transparent and personalized communication with each customer at all times.
- Develop schemes that encourage and create incentives for managers to offer a special customer experience in each branch backed by the BBVA guarantee.

South America

In 2012, a common system at regional level has been developed, based on four core elements:

South America: standardized model for a region that is clearly growing

- Implement the NPS corporate architecture in all the businesses, with continuous systematic measurement to check customer experience and identify the results of the improvements implemented at the process and customer care level.
- Design/review experiences that are gratifying for the customer, developing and implementing customer care protocols in the branch networks, particularly at key moments such as the arrival of a new customer or claims management.
- Improve quality performance in the network, including customer referral in the system of incentives, and carrying out priority monitoring of quality indicators.
- Boost the culture of quality and customer experience, based on the definition of what service and customer commitment means, by developing a training plan for quality in customer service skills and implementing tools aimed at identifying quality actions.

With respect to the last point, in 2012 progress was made in the deployment of the "**Quality Culture Model for South America".** Focused on the value proposition, role modeling, tools and training, this model has a twofold objective: First, to make the head office aware of customer needs, and second, to provide the branch network with appropriate and sufficient resources to manage quality.

Mexico

The quality strategy in this area for 2012 and 2013 is focused on improving the customer experience at any of the points of contact they choose and/or use: Bancomer.com, Línea Bancomer, the branch network, ATMs, "practicajas", kiosks, etc. The following lines are taken into account:

Mexico: improve customer experience at the points of contact

- Flexibility and speed.
- Friendliness and service attitude.
- Infrastructure.

In **2012**, BBVA worked on the following in Mexico: training, through e-learning courses dealing with quality and service; implementation of the "Sucursales Limpias" (Clean branches) program; distribution of quality materials and tools; and introduction of the "router" position, etc.

In **2013**, the Quality Plan in this area aims to boost a change in service culture in order to improve customer satisfaction. It will include behavior such as: friendliness, correct advice to customer, consistency, empathy and quick service.

Service models have been generated to comply with the above, and they will be implemented in the branch network. At the same time, we are working in cutting waiting time. Pilot schemes for ticket dispenser queuing systems have been carried out, and they are planned to be expanded to 430 branches. This will give customers the new experience of announcing their arrival through an electronic touchscreen that prints the ticket on entry to the branch and offers a variety of possible services (cash desks segmented according to customer needs).

Other targets for 2013 are: to reduce the number of complaints, bring the resolution mechanism closer to the point of contact and reduce response times; bring the Línea Bancomer service model in line with that of the bank; provide correct advice on any subject; standardize the customer service and care protocols in insurance; readdressing certain clients to other segments; and, as part of customer insight, rethink the existing indicators according to a more customer-based vision.

BBVA commitment

BBVA employees are the brand voice and the creators of BBVA experience in their daily interactions with customers. That is why they are undoubtedly the key to the success of our differentiation.

All the Group's workers have to be involved to offer customers the best possible experience, regardless of whether they are in direct contact with customers or not. Based on this premise, BBVA has created a **customer-oriented incentive system** that assesses employee contribution to customer satisfaction.

In line with the NPS methodology, the incentive systems of the business units have been reviewed in 2012 to take recommendations into account.

Complaints management

BBVA is committed to a complaints management model aimed at serving customers flexibly, efficiently and through their channel of choice

In recent years, clear and determined progress has been made in all the countries where BBVA operates toward a model of centralized claims management, based on swift personalized response, taking into account the circumstances of each individual customer.

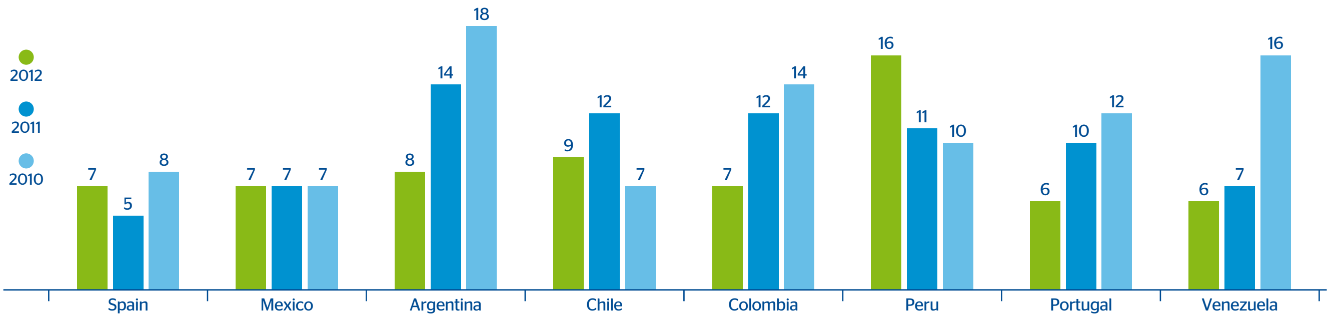
In a distribution model such as that of BBVA, which is committed to multi-channel operations, the consolidation of the incident resolution scheme at first contact has been key, but some local models are going even further and manage claims by trying to provide a superior experience to their customers.

At BBVA, claims are considered an opportunity for continuous improvement of customer experience in their relations with the Bank. As a claim is a critical moment, an immediate resolution generates greater customer satisfaction and demonstrates the Bank's know-how; at the same time, an analysis of the incident will provide a diagnosis and action plan to root out the cause of the problem.

As a result of the efforts made, in 2012 BBVA customers have shown themselves more satisfied with the service they have received.

11 Average incident resolution time

(Number of days)



Number of claims filed at the Banking Supervisory Authority for each 1 billion euros of activity [(1)]

	2012	2011	2010
BBVA Spain	3	2	3
BBVA Bancomer (Mexico)	302	421	425
BBVA Francés (Argentina)	96	91	100
BBVA Continental (Peru)	39	31	27
BBVA Colombia	114	207	231
BBVA Chile	19	30	26
BBVA Portugal	15	11	5
BBVA Provincial (Venezuela)	60	74	209

Activity = gross customer lending + customer funds.

Society

BBVA, a Group concerned with key issues that impact society

BBVA wants to find out what the key issues of concern to society are in the different countries where it operates. To do so, it makes use of a variety of research tools. The Bank regularly determines whether the key issues are still current, or there have been any changes to them. BBVA also identifies any other new aspects of relevance to society.

As a result of the economic crisis, society's main concern is unemployment...

This year, due to the persistent crisis, public opinion is giving increasing importance to the economic situation and unemployment, which are the two most important problems for citizens in most of the analyzed countries. The third most important is crime/safety (in Mexico, it is the greatest concern).

...the priority in the financial sector is for banking functions to be carried out with integrity

The issues that citizens consider a bank should address as a priority are related to carrying out the normal financial business correctly. Specifically, the main demands are related to the ethical behavior of financial institutions (mainly in Europe), their real focus on customers (in particular greater demands with respect to prices, especially, in Latin America) and access to credit as a way of boosting economic growth and employment in the current crisis.

Bearing in mind these factors, the list of relevant issues for both BBVA and its stakeholders is as follows:

Ranking	Issue	Main increases in importance
1	Working in accordance with the highest ethical standards	▲
2	Value for money (fees, interest rates)	▲
3	Quality of products and services	▲
4	Access to loans (individuals and companies)	
5	Contribution to a strong economy/job creation	
6	Financial profitability and sustainability of the Institution	
7	Transparency/accountability	
8	Clear and transparent language	
9	Banking penetration into the low income population	
10	Support for governments regarding most significant issues for the population	
11	Marketing products with complexity adapted to target audience	
12	Financial literacy	
13	Responsible project finance	
14	Remuneration for executives and board members	
15	Fraud prevention measures	
16	Working on employee development and motivation	
17	Promoting equality and diversity	
18	Community involvement actions	
19	Using technology to benefit people: multi-channel banking	
20	Protecting privacy	
21	Work-life balance	
22	Ecoefficiency	
23	Design of socially and environmentally responsible products	
24	Humanitarian aid	

BBVA has worked intensely in 2012 to prepare a new Strategic Corporate Responsibility and Reputation Plan designed to integrate stakeholder expectations into the Group's key management processes.

Environment and BBVA positioning

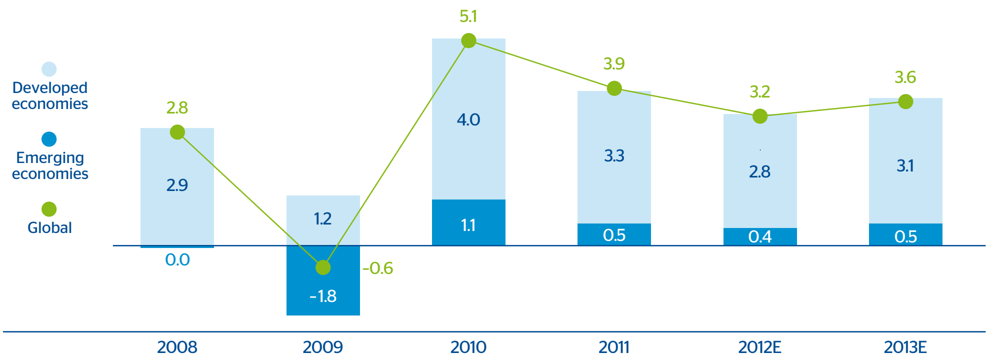
The economic background

In 2012

The **global economy** has grown just over 3%, a year-on-year rate which is slightly lower than the average for the last three decades (3.5%). This slowdown in world growth is largely due to further flaring up of financial tensions in Europe. The rest of the slowdown has been caused by the contagion from Europe to other geographical areas, limited support from demand policies in emerging markets and uncertainties about how to define such policies in the United States.

The slowdown has intensified in 2012

12 Global GDP growth
(Percentage)



Many events have occurred in 2012 in **Europe** which have triggered unease in the markets. Firstly, uncertainties about how to reach fiscal austerity targets without hampering growth. Secondly, uncertainties arising from the state of the financial system in certain countries, which is subject to pressure due to lack of growth and suspicion spreading about the solvency of the public sector. Lastly, the degree of commitment of certain countries toward the common European project, which at some points during 2012 has prompted fears of a break-up of the euro (fears which were later dispelled).

Europe is on the road toward closer economic and monetary union

However, 2012 has also been a year marked by essential steps taken to resolve the financial crisis in Europe. The commitment toward the euro has been reinforced, once the Greek elections led to the formation of a government which took a responsible view of the adjustments needed for it to remain in the common monetary area. Secondly, peripheral countries have carried out major structural reforms. Thirdly, significant process has been made in restructuring the financial systems which were hardest hit by the crisis that began in late 2008 -such as Spain's- with the approval of a credit facility for the recapitalization of the most vulnerable institutions. Lastly, Europe has also worked on its governance, with the establishment of a fiscal agreement, the setting-up of the European Stability Mechanism (ESM), the first steps taken toward banking union, and (a decisive factor) the commitment of the ECB to do whatever is necessary to eliminate the risk of euro convertibility by announcing the launch of a sovereign public debt repurchase program on the secondary market of those countries which request assistance from the ESM. Financial tensions have eased considerably in the latter part of 2012 thanks to the adoption of these measures. Nonetheless, these measures have not been enough to prevent the European economy from gradually slowing over the course of the year to the point of stagnation. Overall, the GDP of the Eurozone has decreased by 0.5%, compared with the positive growth of 1.5% it posted in 2011.

Spain has been the focus of financial tensions, though important steps forward have been taken

Meanwhile, the **Spanish economy** has been the focus of financial tensions, at their highest in spring 2012, when spreads were at their widest, while access to wholesale funding from the different sectors was severely restricted. However, important steps forward have also been taken. On the one hand, measures have been taken to reach fiscal targets, through a combination of tax hikes and reduced public spending. Evident progress has been made in the latter part of 2012, though probably not sufficient to offset the accumulated deviations. Secondly, the Spanish financial restructuring map is almost complete. For that purpose, the Spanish economy has obtained an advantageous credit facility from the ESM, enabling it to recapitalize institutions with solvency problems in stress scenarios. Critical structural reforms have also been implemented, such as in the labor market, thereby increasing the growth capacity of the Spanish economy. Spain has also benefited from decisions taken within the European framework, particularly the start-up of the ESM and the ECB's commitment toward supporting the financing of Spanish sovereign debt through the purchase of Spanish public debt once the authorities agree to request funds from the ESM. Overall, with the measures taken by the Spanish authorities and the support from Eurozone measures, there has been a partial easing of financial tensions, despite the contraction in the economy in 2012 (-1.3%), following on growth of a mere 0.4% the previous year.

Advances in recovery in the United States

Economic recovery has continued in the **United States** throughout 2012, albeit at a slower pace than that reported in similar cyclical stages in the past. In fact, although GDP has grown in the region by just over 2%, there has been a marked slowdown in the latter part of the year. Private demand has remained feeble throughout the period, due to the high levels of uncertainty abroad and also to how the question of the so-called fiscal cliff would be resolved: the automatic activation of a tax hike and spending cuts program which might be on a sufficient scale to push the US economy into recession. However, there has been a certain degree of recovery in some sections of economic activity, such as the housing market, for example. At the same time, monetary policy has helped to keep expectations through a new quantitative easing program and the commitment toward continuing with a low interest rate scenario for the time it takes to reduce the unemployment rate.

Emerging markets are not immune to the global deterioration, but they continue to report significant growth rates

Emerging markets in both Latin America and Asia have also felt the effects of the global financial tensions and the stagnation in the European economy, even though domestic demand in these countries has remained sound. Exports, however, have been adversely affected. As a result, growth in Latin America has slowed to 2.8% in 2012 (due particularly to the poor performance in Brazil), while Asia (not including China) has grown a few tenths of a point below 4%.

Despite the weakness shown by its main foreign market (the United States), the **Mexican economy** has reported above-average growth rates in the region and has also outstripped its own average for the last decade. In fact, growth has continued close to 2011 levels, at around 4%. This is largely due to sound domestic demand, underpinned by the rise in employment and the availability of credit, but also to the greater foreign competitiveness of the Mexican economy. As for inflation in Mexico, although it stands above the target set by the Central Bank, this is due to temporary factors affecting the prices of certain products.

In **South America**, growth has been hampered by Brazil, which has hovered around stagnation during most of 2012. In most South American countries, however, growth has been even higher than expected, despite the deterioration abroad, given that commodity prices have remained high and financial tensions have eased. In this context, both consumption and investment have continued to be shored up by the strength of the labor and credit markets and by still expansive monetary policies.

Turkey has been affected by European tensions, not only in its financial markets, but also from the knock-on effect of lack of external demand. Activity has also slowed down due to the measures taken to correct imbalances accumulated on Turkey's current account balance and in inflation. In any event, Turkey grew by 2.6% in 2012. The authorities continue to push through measures designed to reduce the economy's traditional imbalances (such as energy dependence). In fact, there are clear signs of improvement in the external deficit.

Lastly, the gentle slowdown in which **China** has been immersed for some time, largely due to the economic policy measures taken to minimize the risks of overheating, has been heightened as the foreign setting has weakened. This has sparked fears of a hard landing of the Chinese economy. Nevertheless, activity has stabilized in the latter part of 2012 and the authorities have stated that they will continue to use both monetary policy and fiscal stimulus measures to keep China's growth at acceptable levels. Even though GDP has slowed to 7.7% in 2012 (from rates of between 9% and 10% in the three preceding years), there have been signs of an upturn in activity at the tail end of 2012.

Outlook for 2013

Measures taken by central banks in the United States and in the Eurozone have brightened the outlook, reducing the likelihood of an extreme scenario, but have been unable to prevent the advanced world economies from being mired in adjustment processes and low growth. In 2013, the **Eurozone** is only expected to grow 0.3%, while the **United States** should grow 1.8% (as long as the fiscal cliff is avoided, at least partially). **Spain**, meanwhile, is expected to undergo a contraction similar to that observed in 2012. Emerging markets are expected to be on a firmer footing. In **China**, growth is expected to rise a few tenths (to 8.0%), fueled by stimulus policies. The rest of the **emerging markets in Asia** and in **Latin America** are expected to see similar levels of growth. Latin America should grow by 3.5% in 2013. Lastly, the **Turkish economy** is expected to quicken in 2013 to 4.4%. Consequently, the world economy is expected to grow 3.6%.

Brighter outlook for the global economy thanks to the emerging markets

Global GDP growth and inflation rate in 2012 and perspectives for 2013

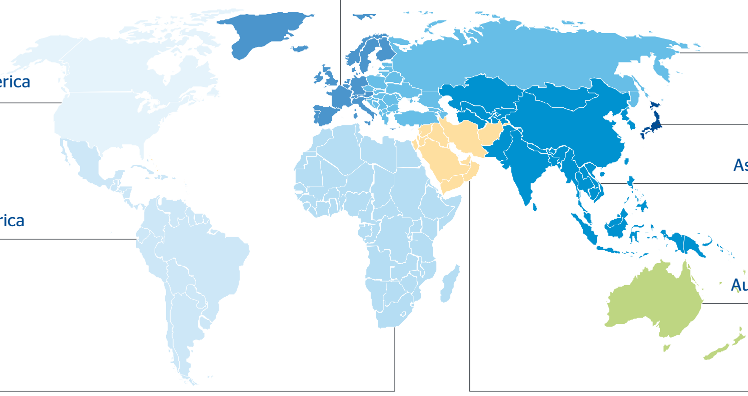
(Percentage real growth)

	2012		2013 [e]	
	GDP	Inflation	GDP	Inflation
Global	3.2	n.a.	3.6	n.a.
Euro Zone	(0.5)	2.5	0.3	1.6
Spain	(1.3)	2.4	(1.1)	2.0
The United States	2.2	2.1	1.8	2.1
Mexico	3.9	4.1	3.1	3.5
Latin America [(1)]	2.8	7.5	3.5	8.1
China	7.7	2.6	8.0	3.3
Turkey	2.6	8.5	4.4	5.3

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

13 Contribution to world growth between 2011 and 2021

(Percentage of the total)



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

Exchange rates

In the currency markets, the euro depreciated significantly against the dollar in the first half of the year due to the heightened perception of risk regarding the European debt crisis. Nonetheless, the steps taken by the ECB during the summer designed to reduce fragmentation in the Eurozone's financial markets helped strengthen the euro in the second half of the year. In sum, the dollar gained 8.3% against the euro. Currency movements against the dollar in the emerging markets have also been determined by perceived risk. Given that the problems were focused on the Eurozone, however, global liquidity has continued to rise and, as a result, the perception in these economies is of a sounder macro-economic environment. Thus, relatively speaking, their currencies have been less affected by episodes of risk, resulting in favorable overall performance of the currencies with the greatest weight in BBVA's financial statements. As a result, exchange rates had a positive impact on the year-on-year comparison of the Group's financial results.

Regarding year-end exchange rates, the dolar lost 1.9% against the euro over the last twelve months. The Chilean peso has also appreciated against the euro (6.5%), as have the Colombian peso (7.8%), the Mexican peso (5.0%), the Peruvian nuevo sol (3,6%) and the Turkish lira (3.7%). However, the Argentinean peso and the Venezuelan bolivar fuerte have depreciated. To sum up, the exchange-rate effect is also positive on the balance sheet and activity.

In 2013, the dollar is expected to continue appreciating slightly against the euro, while the currencies of emerging economies will have some room for appreciation against the dollar.

Exchange rates

(Expressed in currency/euro)

	Year-end exchange rates				Average exchange rates			
	31-12-12	Δ% on 31-12-11	31-12-11	Δ% on 31-12-10	2012	Δ% on 2011	2011	Δ% on 2010
Mexican peso	17.1845	5.0	18.0512	(3.7)	16.9033	2.3	17.2906	(1.0)
U.S. dollar	1.3194	(1.9)	1.2939	1.3	1.2850	8.3	1.3916	3.2
Argentinean peso	6.4768	(14.0)	5.5679	(15.3)	5.8434	(1.7)	5.7467	(9.8)
Chilean peso	633.31	6.5	674.76	(1.3)	625.00	7.5	672.04	8.1
Colombian peso	2,331.00	7.8	2,512.56	9.7	2,309.47	11.3	2,570.69	9.1
Peruvian new sol	3.3678	3.6	3.4890	11.4	3.3896	13.1	3.8323	10.5
Venezuelan bolivar fuerte	5.6616	(1.9)	5.5569	1.4	5.5187	8.3	5.9765	1.9
Turkish lira	2.3551	3.7	2.4432	(12.1)	2.3139	1.1	2.3383	(13.7)
Chinese yuan	8.2207	(0.8)	8.1588	7.3	8.1063	10.9	8.9932	10.7

Banking sector

Turning now to the banking sector, for **Europe** 2012 has been a year of great financial tensions, as mentioned before. These tensions meant that the positive effect on risk premiums of the ECB's liquidity injections have virtually disappeared.

In the second half of the year, it was again the ECB which took a decisive step to bring the debt crisis in Europe to an end by announcing a new program to buy sovereign public debt. Following the Eurogroup summit in late June, Europe has been working on designing a roadmap toward banking and fiscal union, conditions which are considered to be necessary to make the European project credible.

In **Spain**, significant progress has been made in restructuring the financial system, with the implementation of major reforms, while evidencing the diverse nature of the Spanish banking sector. Some of the most important achievements are as follows:

- Enactment of the two Royal Decre-Laws in February and May designed to provision for the risk of real-estate assets (problematic and non-problematic).
- Granting by the European authorities of a loan of up to €100,000m to bolster the solvency of the Spanish financial system.
- Approval of Royal Decree-Law (and subsequent Act) for the Restructuring and Resolution of Credit Institutions, which is an essential tool for managing crises in financial institutions. This is a major step forward in reforming the system, given that it reinforces the instruments, the role of public institutions and the procedures for the restructuring and resolution of financial institutions.
- Publication of the results of the stress tests carried out on Spanish banks by two independent international consultants (top-down tests). The stress tests identified capital requirements of between €51,000m and €62,000m. Then the results of the stress tests on the same 14 Spanish banking groups carried out using individual analysis of each institution were published (bottom-up tests). The results revealed capital requirements of €54,000m limited to institutions which account for around 30% of the system's assets, and concentrated in those controlled by the Orderly Bank Restructuring Fund (FROB).
- Creation of the Asset Management Company for Assets Arising from Bank Restructuring (SAREB), controlled by the FROB with a minority stake. The SAREB will be responsible for managing assets linked to the real-estate sector transferred to it by nationalized banks and those requiring public funds.

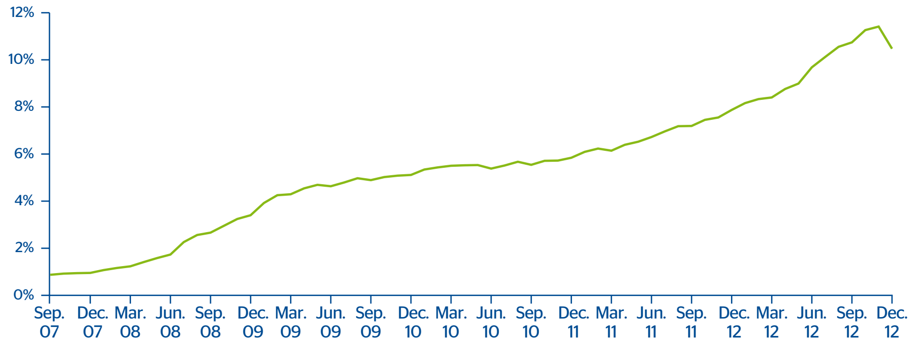
In the midst of all these achievements, the financial industry has continued with its deleveraging process, leading to a reduction in business volume and a negative impact on the NPA ratio of the sector, which at the end of December amounted to 10.4% for the system as a whole.

The achievement of banking and fiscal union in Europe will be decisive for giving greater credibility to the European project

In Spain, there has been significant progress on the restructuring of the financial system

14 NPA ratio of the Spanish private sector [1]

(Percentage)

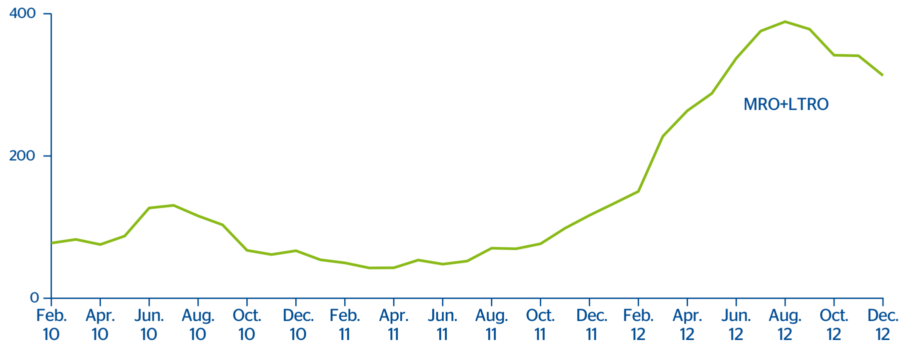


(1) Including banks, savings banks and credit intermediaries.
Source: Bank of Spain.

The easing of financial tensions in the closing months of 2012 has prompted a reduction of the funds requested from the ECB to €313,109m in December, after a high of €388,736m in August.

15 ECB net funding for Spanish credit institutions

(Billion euros)



Source: Bank of Spain.

The health of the banking system continues to improve in the United States

In the **United States**, the banking system continues to recover, and there are now fewer institutions facing problems. The NPA ratio of commercial banks has decreased over the course of 2012 in all segments, although it flared up slightly in the residential real-estate segment in the third quarter. Lending conditions are likely to remain strict in 2013, particularly for residential loans, in light of the high financial burden of households.

In Latin America, the sector remains very sound

In **Mexico,** the financial system is in an enviable situation, with a capital ratio far above the required minimum of 10%. As a result, it will be one of the first countries to adopt the Basel III accords. Lending is growing strongly, and has reported 20 successive months of double-digit year-on-year growth. Growth is evident in all components of bank lending, and this dynamic mood is expected to continue due to the favorable macroeconomic environment. Growth has slowed in traditional customer funds, due to the less dynamic role played by time deposits in the light of the strong growth in investment companies (SID, non-banking savings instruments which are a substitute for time deposits). However, there are no liquidity tensions.

In **South America**, the financial system in most countries remains sound and there is strong growth in lending, fueled by monetary policies geared towards boosting economic activity. Faced with external monetary expansion and the ensuing increase in capital flows, many central banks have chosen to apply macroprudential measures to discourage capital inflows and to control the rise in domestic lending (particularly in Brazil and Peru).

In Turkey there has been a notable growth in credit while NPA ratios have remained low. Reforms continue in China

In **Turkey**, lending to the private sector has risen considerably (+16.0 year to year), although the percentages are lower than the figures of 2011. This is, mainly, due to the increase in the official interest rates in the second half of the year (for the first time in over a year). Finally, the NPA ratio remains at low levels.

Lastly, in **China**, the authorities have launched several reforms since the start of the year, including measures designed to liberalize interest rates and provide greater flexibility in exchange rates. In June and July, the Central Bank broadened the range of discounts permitted in interest rates for loans to 30%, and introduced a 10% premium on the benchmark interest rate for deposits. It also reduced the reserve requirement by 150 basis points. In September, the financial sector plan was published, following on from the Five-Year Plan (2011-2015), restating the intention of abolishing interest rate controls, opening the capital account, promoting financial innovation and reinforcing the financial regulation framework. The Plan also sets quantitative targets for the added value of the financial sector (up to 5.0% of GDP in 2015, compared with 4.4% in the last decade). In this context, growth in bank lending remains relatively stable, although the proportion of long-term loans has increased, showing that credit flows are being drawn to public infrastructure projects and business investments.

Regulatory environment

Since 2008 the international financial system has been hit by a regulatory tsunami. The extent of the crisis has led international authorities to adopt a tough and firm response to avoid past errors. Three major economic policy objectives can be identified in the measures adopted for global regulatory reform:

- Strengthening the solvency and resilience of banks.
- Mitigating systemic risk.
- Minimizing the burden sustained by taxpayers.

The extent of the crisis has led the authorities to implement a broad-based regulatory reform

16 Objectives of the regulatory reform

Tough response: measures adopted to meet three main objectives

		Strengthening the solvency and resilience of banks	Mitigating systemic risk	Minimizing the burden sustained by taxpayers
GLOBAL	Basel III	●	●	
	SIFIs	●	●	
	OTC derivates	●	●	
	Shadow banking	●	●	
	Effective supervision	●	●	
	Macroprudential		●	●
	Rating agencies		●	
	Crisis management		●	●
EU	Structural reforms		●	●
	Financial transaction tax		●	●

Once the measures have been adopted and the technical outlines and design of the regulations are approaching conclusion, the authorities of the countries involved immersed in their practical implementation. The Financial Stability Board monitors the situation to ensure the measures are being implemented appropriately in each of the jurisdictions. The banks will have to make internal changes to adapt to the regulatory reform. This could lead to a new banking system defined by the following parameters:

- A stronger risk culture.
- A return to the core banking activity and social function.
- Stronger corporate governance.
- Business structures and models with simpler resolution plans.

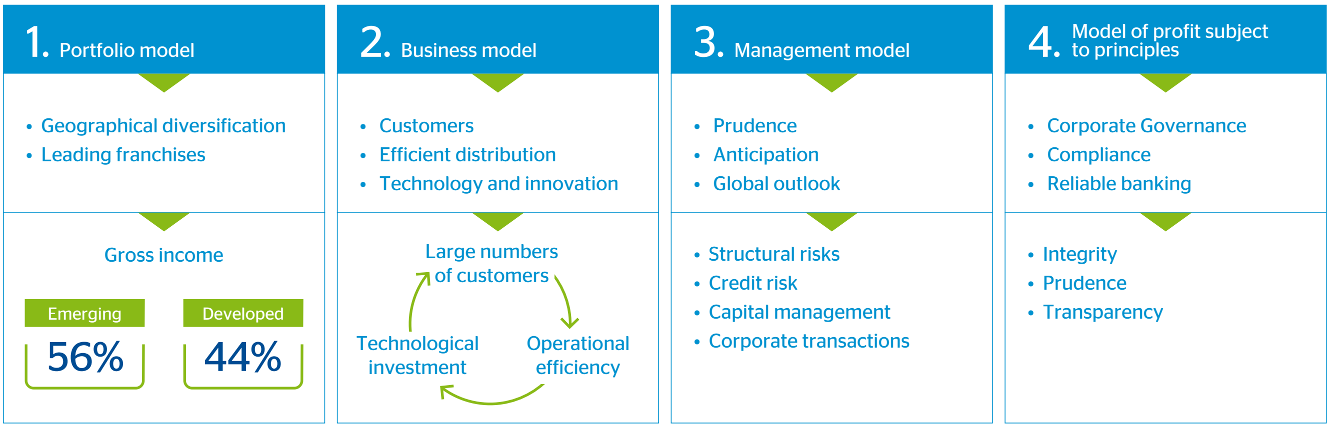
Positioning of BBVA Group

BBVA continues to perform well in a still difficult environment

The banking model in BBVA

In the context described above, one more year the Group has continued to show its high capacity for generating recurrent earnings, as well as its great structural strength. This standout performance is due to BBVA's unique approach to banking based on four pillars:

17 BBVA, a banking model based on four pillars

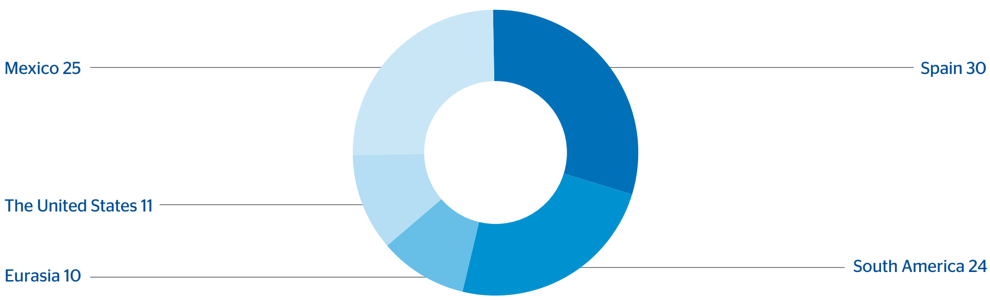


1. A **portfolio model** characterized by:

- A very balanced **diversification** in terms of geographical areas, businesses and segments, which is essential for ensuring resilience in any environment. This diversification has continued to be important in 2012. It has ensured the maintenance of a high level of recurrent earnings, as well as meeting the high loan-loss provision requirements in Spain. In this regard, 56% of gross income originated in emerging countries.

18 BBVA Group. Gross income breakdown by geographical area (1)

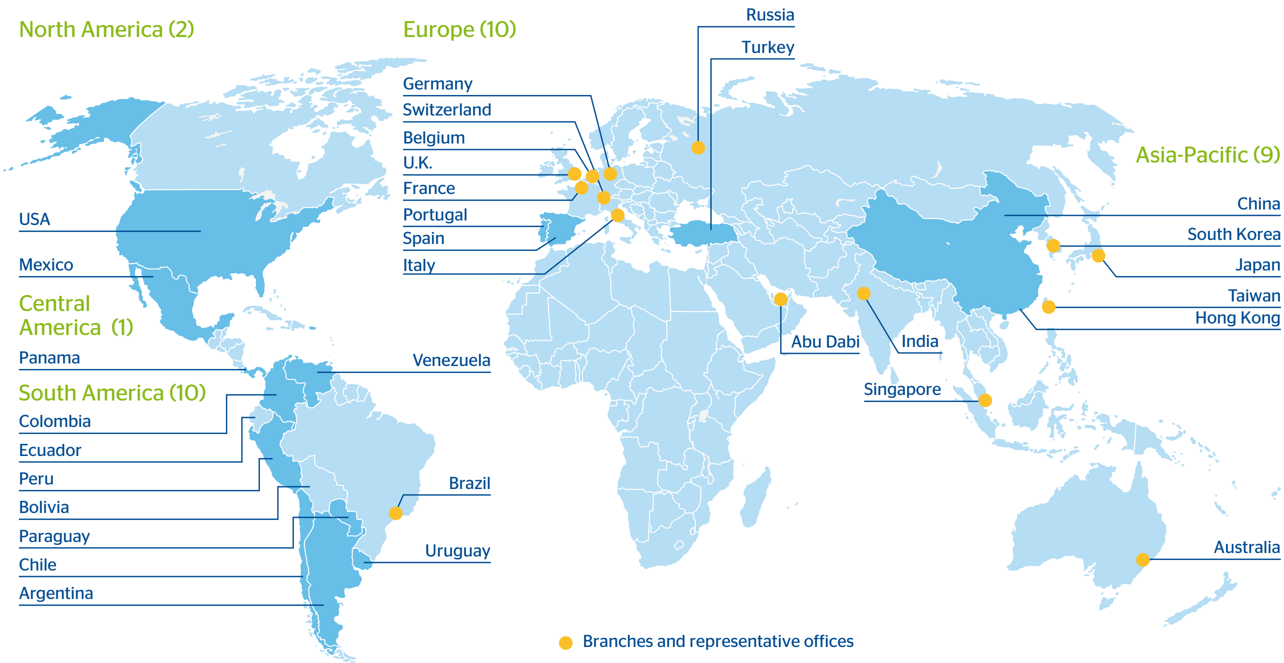
(Percentage)



(1) Sum of business areas excluding Corporate Activities.

- **Franchises** with a sufficiently large customer base, holding leading positions in all the markets (1st/2nd in Spain, market leader in Mexico, 1st/2nd in South America, leadership position in the US Sunbelt) and with important holdings and strategic alliances in Turkey and China.

19 BBVA in the world



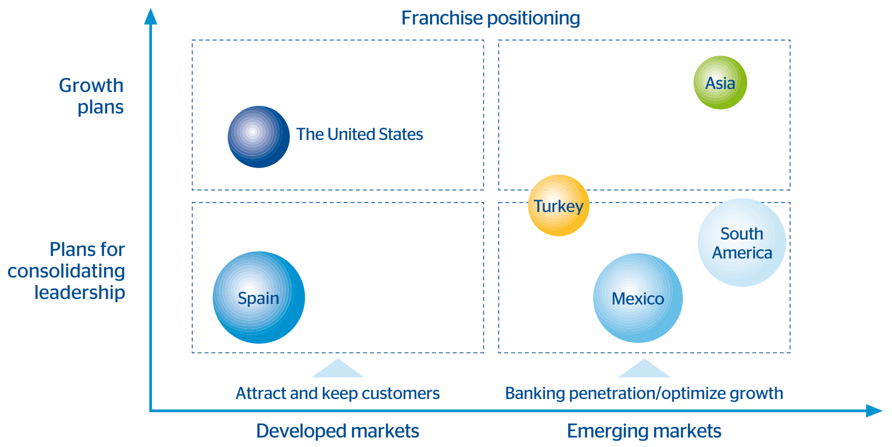
Assets	Customers	Countries	Branches	ATMs	Employees
638 billion	53 million	32	7,978	20,177	115,852

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.

In July 2012, BBVA completed the purchase of **Unnim Banc S.A.** This has strengthened its commitment to Catalonia, doubling its share in one of the most attractive markets and of the biggest growth potentials in Spain. Unnim brings a million customers to the Group and a business that complements the current franchise in the region perfectly. It makes BBVA the second biggest bank by loans and the third by deposits in the area.

BBVA is very clear about its strategic roadmap for the future: to make the most of its businesses, customers and footprint. In other words, to keep constructing a **balanced business portfolio with future growth**. This is done by consolidating its leadership within the respective geographical areas, profiting from growth in emerging markets and gaining market share in developed areas. The process will require taking a step forward in service quality, being able to widen the financial products and services offered in line with increasing customer sophistication and demands.

20 A more balanced business portfolio with future growth



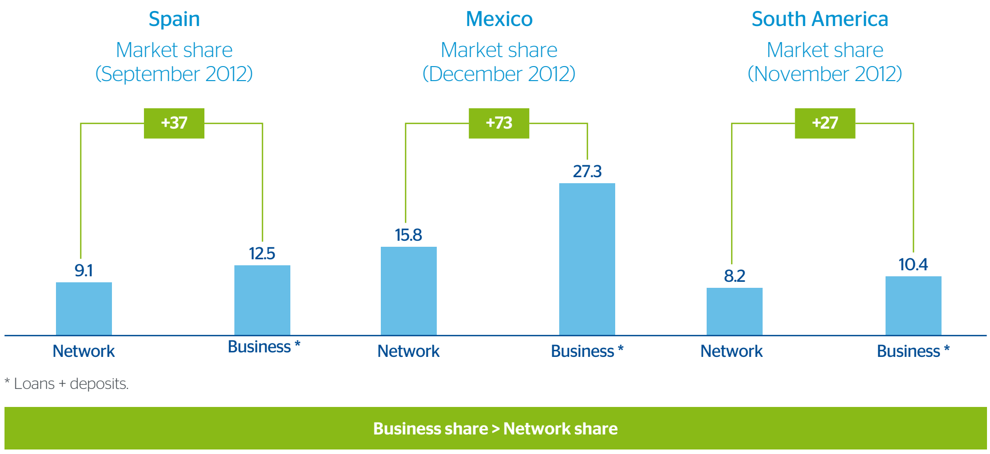
2. A **business model** based on three elements:

- A **retail banking** model focused on lasting relationships with a very broad customer base (over 53 million customers worldwide). This ensures highly recurrent earnings and very stable funding sources in the form of customer deposits.

- A **distribution network** of great capillarity that leads the market in terms of efficiency. It should be mentioned that once more this year BBVA's share of business has been greater than its network share in every franchise.

21 Network and business shares in the main BBVA franchises

(Percentage)



- **Technology** is a pillar that has been strongly supported by BBVA in recent years to improve efficiency. The size and scale of the Group have enabled it to undertake significant investments in global technology projects, particularly in the area of transformation and innovation. They have positioned the Bank at the head of technological innovation in the sector.

  BBVA invests mainly in four core elements within its technological plan:

  a) Improvement of customer experience.
  b) Increase in commercial productivity.
  c) Risk reduction.
  d) Improvement in operational efficiency.

In 2012, BBVA has implemented numerous projects to ensure that these four core elements become a reality. Among them are:

- The implementation of the new BBVA Compass technological platform in all its branches in the United States. This allows processing of transactions in real time, and thus gives this franchise a clear competitive advantage in the US market. The new platform will improve the service provided through differentiated, efficient, faster and customer-centric processes.

- Progress in the Group's multi-channel distribution model. In Spain the number of customers choosing "BBVA Contigo" as their main channel for relations with the Bank has continued to increase. More than 360,000 customers are already remotely managed by approximately 350 specialized advisers. In Mexico the "Dinero Móvil" BBVA Bancomer plan is boosting access to banking for new users, thus contributing to increase financial inclusion and the level of banking penetration in the country.

BBVA wants to take advantage of all the opportunities technology presents to build a more innovative, more efficient, more customer-centric, and better-quality model. That is why it will continue its commitment to technology, which is the main driver of future change in the industry. The next leaps in efficiency in terms of both revenue and costs will not be through incremental adjustments, but rather through a new model in which the role of remote channels, *customization* of products and services and the role of the branch will be radically different.

3. A **management model** based on three elements: prudence, anticipation and a global outlook.

    - **Prudence** with respect to the decisions made on structural risks, credit risk, capital management and corporate transactions.

    - **Anticipation** in terms of the need to anticipate events and to have the flexibility to adapt easily to them.

    The strategy of prudence and anticipation has allowed BBVA to easily pass the stress test conducted by Oliver Wyman. Its results were published in September and placed it among the limited number of banks that do not need additional capital, even in the most adverse scenario. This capacity of anticipation has been key to the Bank's performance over these difficult years. It will continue to be so in the increasingly global and uncertain future.

    - The third element in the management model refers to the **global outlook**, including the concept of cross-cutting approach, which consists of exploiting all the current potential of BBVA's businesses, customers and footprint. In 2012 the Group has continued to boost the cross-cutting management of its businesses to generate significant synergies, through:

        a) The Group's **wholesale businesses**, Corporate & Investment Banking (CIB). A new organizational structure has been announced for this area, designed to boost the strengths of the business and maximize the opportunities provided by the new environment. The new organization strengthens the strategic priorities of BBVA CIB: a greater focus on clients as the core element of its value proposition, as well as optimization of its competitive advantages by boosting cross-border business and maximizing wholesale activity in partnership with the Group's banks and local networks.

        b) The **Retail Banking business**, created last year, has also been transformed in 2012, by combining the Group's businesses in South America with Global Retail Banking and Innovation. This new area has the following objectives:

            – Increase the growth of the franchises in South America and make the most of the opportunities in the region with the support of the corporate units.

            – Connect the retail businesses within the Group so that best practices can be easily transferred and boost the development of the global business lines of consumer finance, insurance, asset management and payment channels.

- Innovate with teams dedicated exclusively to constructing the retail banking of the future, and provide global business solutions closely linked to technology.

In short, the retail banking business responds to BBVA's vision of a customer-centric organization that promotes multi-channel products and services and innovates to offer value solutions and differentiated experiences to its customers. The global management and cross-cutting nature of the retail businesses can be seen in initiatives such as:

- A "Cross-border Synergies project" in CBB, which has established a network of coordinators in 20 countries and provides immediate cross-referencing for customers with international expansion needs and a flexible account opening process across the Group's various banks. More than 600 companies have benefited from this service so far.

- A "Personal Banking project", based on a differentiated value proposition adapted to the mass-affluent customer segment, which provides preferential service to the segment's customers. It has already been launched in Spain, Mexico and Colombia in 2012. It will be launched in Uruguay and Paraguay in the first quarter of 2013 and extended to other geographical areas throughout this year and the start of 2014.

22 Global outlook in BBVA Group

4. A **model of profit subject to principles** founded on the absolute principles of integrity, prudence and transparency, whose primary objective is to create value for its shareholders.

BBVA firmly believes that putting principles first in the Group's governance management is a competitive advantage in itself. One of the values that has become of greatest importance at the present time is being a reliable bank, in other words, a bank that customers, shareholders, employees and citizens can trust. Not only because it meets the targets it sets itself, but also because of the way it does so: by respecting regulations, principles and people.

In a crisis situation like today's, in which the reputation of the sector has been more negatively impacted than ever, acting and communicating are essential. BBVA has implemented numerous plans and initiatives to this end, including the "Community Impact" project, which aims to improve understanding of BBVA's impact on the community. To do so it has searched for simple and comprehensible indicators of initiatives in traditional financial activity, such as net jobs generated, the number of people who live in housing financed by the Bank, micro-entrepreneurs funded through BBVA Microfinance Foundation microcredits, etc. These indicators have been presented by the Group's President and COO at the 2012 AGM and during the presentation of first quarter 2012 results. Moreover, the project only works with indicators verified by BBVA's external financial auditors. The goal is to be increasingly transparent on relevant subjects and to make progress in recovering the trust lost by some of the stakeholders in the financial sector.

23 Commitment to the community in which we operate

At closing 2012...

- Around **4,7 million people** worldwide live in BBVA- financed houses.
- **504,251 SMEs** financed (88,406 in Spain).
- BBVA created **3,773 new jobs** in 2012 (59% of new recruits is less than 30 years old).
- **9,408 million euros of paid and collected taxes** by BBVA (3,009 million in Spain).
- Much of **our shareholder base is BBVA customer**.
- Most of **BBVA employees are both customers and shareholders**.

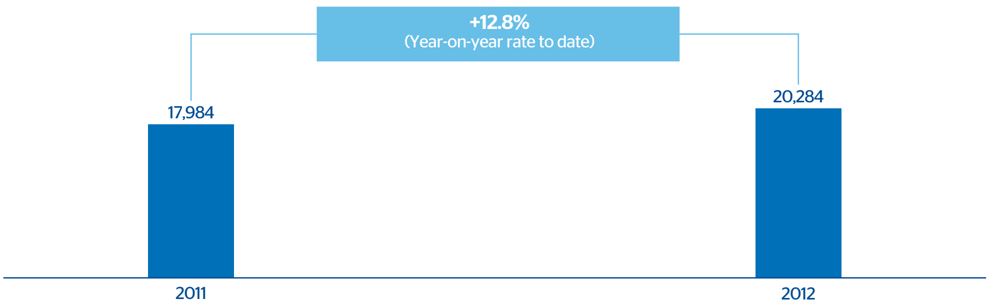
In conclusion, this banking model is based on the four pillars explained above and translates into two competitive advantages: recurrent earnings and structural strength.

1. **Recurrence**, because BBVA continues to demonstrate a strong capacity to generate recurrent earnings year after year; earnings that have also allowed it to absorb high levels of loan-loss provisions in 2012 in Spain.

BBVA's banking model translates into two competitive advantages: recurrent earnings and structural strength

24 Earnings recurrence

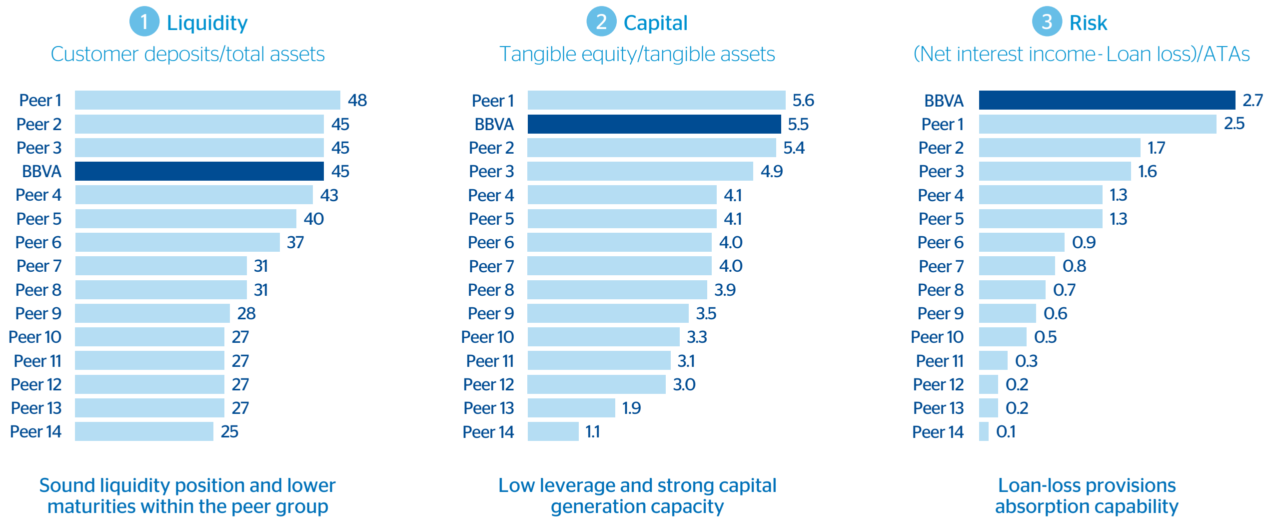
Gross income net of NTI and dividends
(Million euros)



2. **Structural strength,** 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 customer base. BBVA is in a comfortable liquidity position as well as its capacity to generate capital organically is among the soundest in its peer group. As a result, it has continued to comply with the capital recommendations issued by the European Banking Authority (EBA). And it has done so as one of the few banks in the world that has continued to pay dividends during these crisis years.

25 Structural strength. BBVA Group versus peer group*

(Percentage. September 2012)



* Peer Group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LLOYDS, RBS, SAN, SG, UBS, UCI.

In short, this banking model has not only allowed BBVA to record a standout performance during the crisis while maintaining a very sound financial profile and demonstrating a great capacity for resilience in each of its franchises; it has also meant that it can now successfully face the upcoming changes in the short and long term, and continue to be one of the main players in the global financial industry.

BBVA is prepared for leading the new phase of the financial system

Performance in 2012

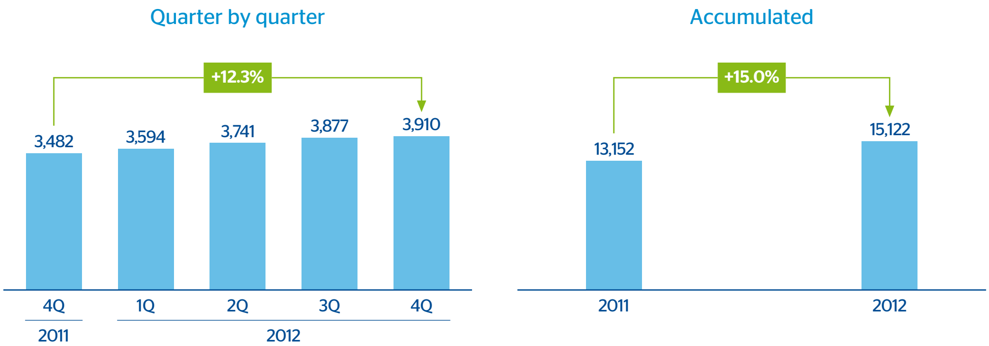
BBVA Group

26 2012 Highlights

BBVA generates high recurring revenues to absorb the year's provisioning effort

Operating income	11.7 billion euros	+13.3% (year-on-year rate)

27 Net interest income
(Million euros)



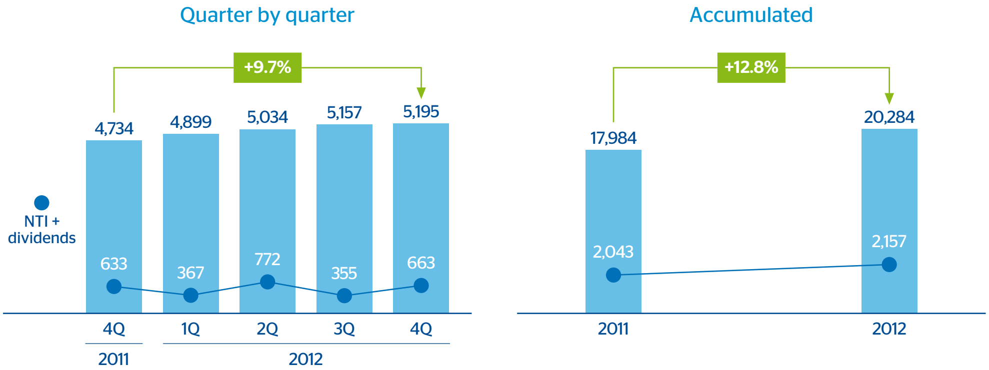
Balanced growth in all regions

1. Highly positive trend of net interest income during the year...

2. ...reflected in gross income...

28 Recurring gross income [1]

(Million euros)



	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012
Gross income	5,368	5,265	5,806	5,512	5,858

Gross income **+12.1%** (year-on-year rate)

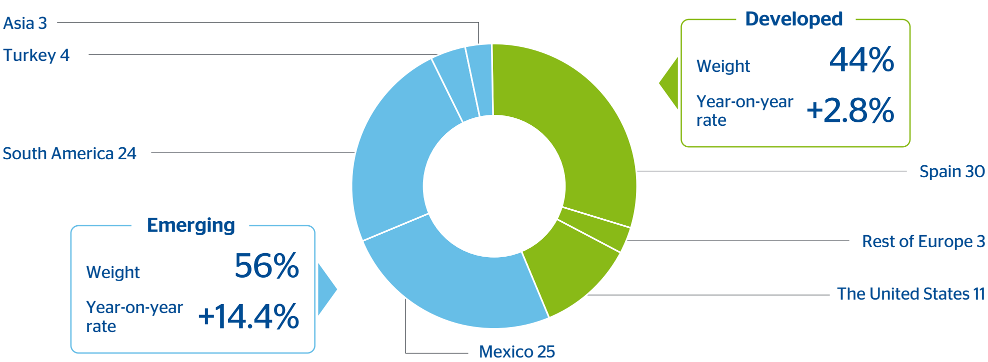
(1) Recurring = net of NTI and dividends.

Net fees and commissions: +8.0% year-on-year rate

3. ...thanks to adequate diversification across emerging and developed markets

29 Gross income breakdown [1]

(Percentage)



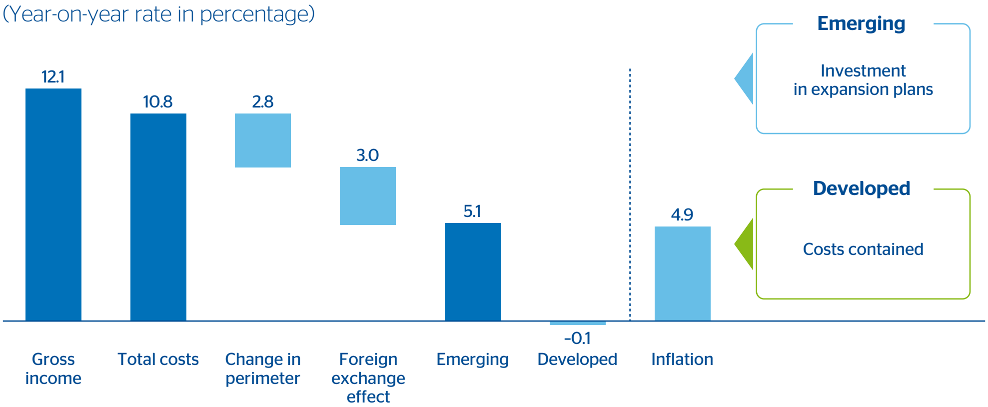
(1) Excludes Corporate Activities. Year-on-year variation at constant exchange rates.

Presence in under-banked countries with high growth potential

4. This, combined with suitable cost management tailored for the needs of each region...

30 Gross income and operating costs

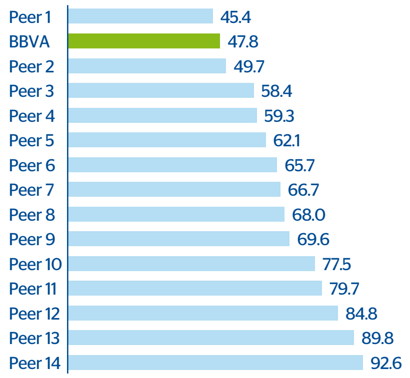
(Year-on-year rate in percentage)



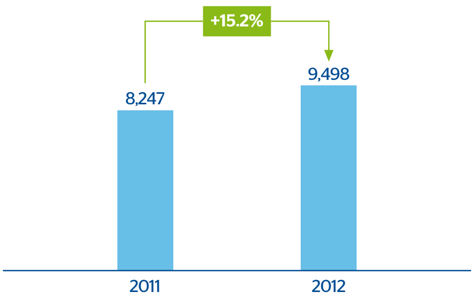
Costs are growing slower than gross income

31 Efficiency and recurring operating income

Efficiency. BBVA and peer group [1]
(Percentage)



Recurring operating income
(Million euros)



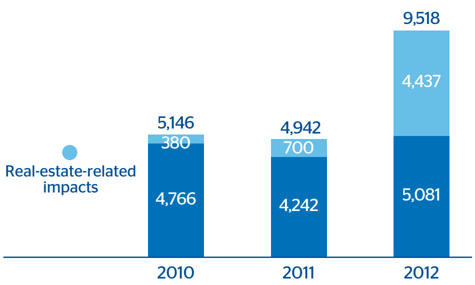
Operating income +13.3% (year-on-year rate)

(1) Peer group: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCI. Figures at September 2012, including BBVA.

5. ...means to remain one of the top banks in efficiency with high recurring operating income...

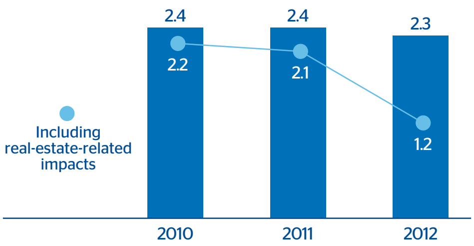
32 Loan-loss and real-estate provisioning

(Million euros)



Operating income/loan-loss and real-estate provisioning

(Times)



Provisioning for impairment of the real-estate portfolio meets regulatory requirements

6. ...that can support the year's provisioning effort without any difficulty

Income statement

(Million euros)

	Accumulated	Year-on-year change 2012-2011	
	2012	Absolute	Percentage
Net interest income	15,122	+1,970	15.0
Gross income	22,441	+2,414	12.1
Operating income	11,655	+1,365	13.3
Provisions related to real estate in Spain	-4,437	-3,737	n.m.
Rest of provisions	-5,559	+585	-9.5
Income before tax	1,659	-1,787	-51.9
Net attributable profit	1,676	-1,328	-44.2

7. In summary, a solid income statement

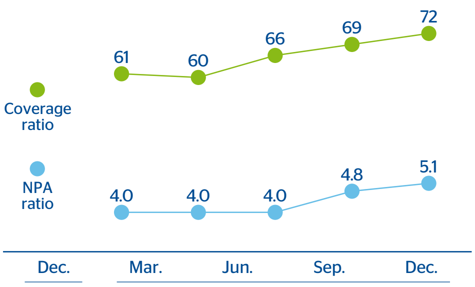
Risk under control

BBVA NPAs *versus* peer group average

5.1% *vs* **6.0%**

33 NPA and coverage ratios

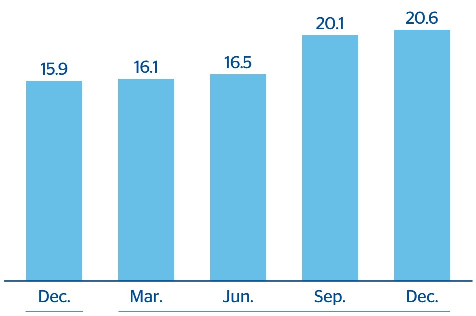
(Percentage)



Cost of risk (YTD)	1.2%	1.2%	1.8%	1.9%	2.2%

NPAs

(Billion euros)



3.1 billion euros for Unnim with 71% coverage

In line with expectations

Core capital ratios improved and dividend maintained

Core capital BIS II

+45 basis point (year-on-year change)

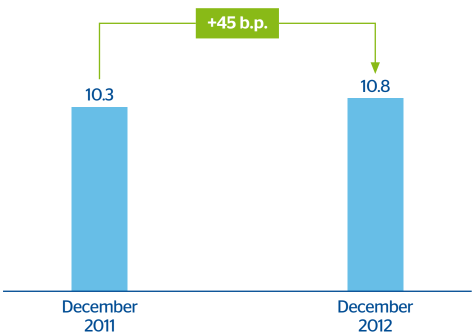
Cash dividend

1.3 billion euros

1. Solid position and the ability to generate more

34 Core capital ratio (BIS II)

(Percentage)



- Generation of capital
- Compliance with capital requirements
- Without selling strategic assets
- Absorption of real-estate-related losses and Unnim's incorporation in Spain

All without reducing dividends

Continuous improvement in funding structure

Liquidity gap narrows in euro balance sheet

23
billion euros

1. Excellent balance sheet management in a complex enviroment

35

1	**Active in issues in 2012: 14 billion euros**
2	**Liquidity gap narrows: 23 billion euros** euro balance sheet
3	**And in 2013, progressive LTRO reduction**

Note: total 2012 issues do not include 1.3 billion euros issued by Garanti.

In short, solid fundamentals

36

Strong earnings

Recurring gross income	+12.8% year-on-year rate
Recurring operating income	+15.2% year-on-year rate
Provisioning	≈10 billion euros
Diversified revenues	+56% Emerging

Solid structure

Capital	
BIS II 10.8%	EBA ratio >9%
Liquidity	
Total issues 14 billion euros	Liquidity gap improves in euro balance sheet 23 billion euros
Risk	
NPA ratio 5.1%	Coverage ratio 72%

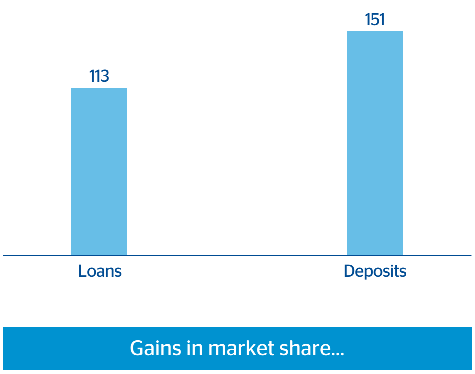
Dividend policy maintained

Spain

Strong franchise, helps us outperform

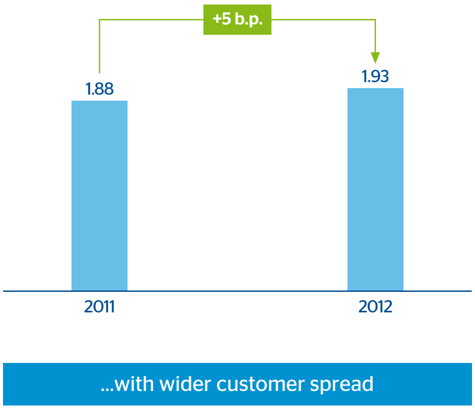
37 Market share. Lending and deposits

(Year-on-year change. Figures as of November 2012, in basis points)



Customer spread

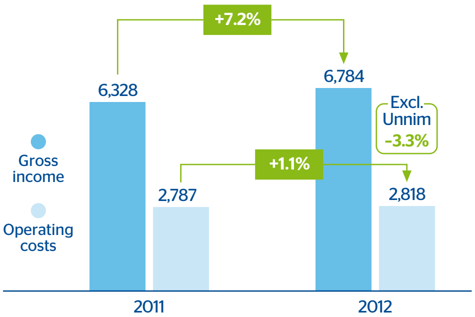
(Percentage)



Containment of costs, which grew slower than revenue

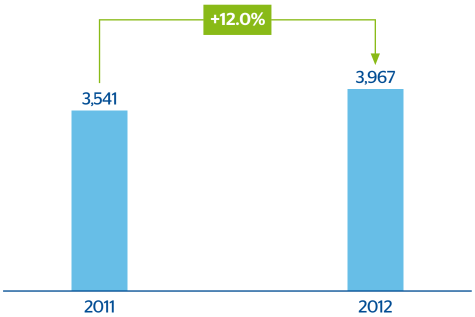
38 Gross income and operating costs

(Million euros)



Operating income

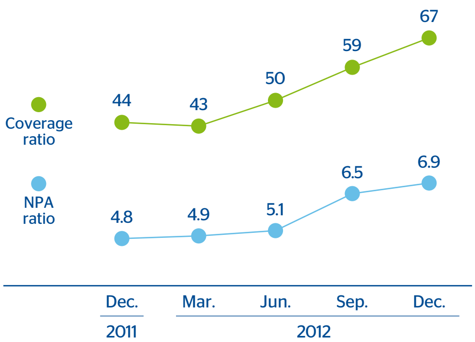
(Million euros)



Operating income strengthening and improvement in efficiency (-3 b.p.)

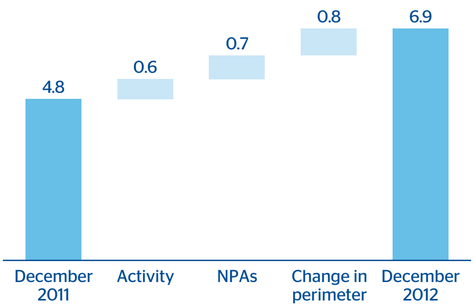
39 NPA and coverage ratios

(Percentage)



NPA ratio breakdown

(Percentage)



Better performance than the system

NPAs are in line with expectations

Income statement

(Million euros)

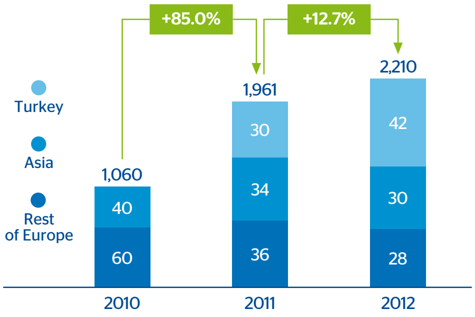
	Accumulated	Year-on-year change 2012-2011	
	2012	Absolute	Percentage
Net interest income	4,836	+445	10.1
Gross income	6,784	+457	7.2
Operating income	3,967	+426	12.0
Income before tax ex provisions related to real estate	1,699	-382	-18.4
Net attributable profit (adjusted)	1,211	-267	-18.2
Net attributable profit	-1,267	-2,619	n.m.

Eurasia

An area of growth and positive contribution

40 Gross income breakdown

(Percentage)



Highlights

- Buoyant retail business
- Deleveraging of wholesale business

Turkey as the growth driver of the area

Income statement

(Million euros)

	Accumulated	Year-on-year change 2012-2011	
	2012	Absolute	Percentage
Net interest income	847	+44	5.5
Gross income	2,210	+249	12.7
Operating income	1,432	+119	9.0
Income before tax	1,054	-122	-10.4
Net attributable profit	950	-81	-7.8

Mexico

Business activity

(Year-on-year rate as at 31-12-12)

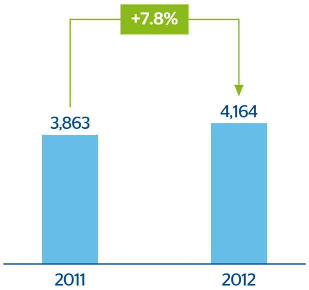
Lending **+8.6%**

Customer funds **+4.8%**

Leading franchise with solid indicators

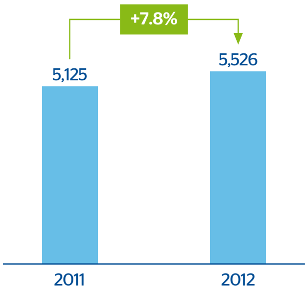
41 **Net interest income**

(Million euros at constant exchange rate)



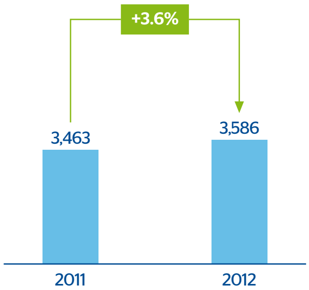
Recurring gross income

(Million euros at constant exchange rate)



Operating income

(Million euros at constant exchange rate)



Net fees and commissions: +4.0%

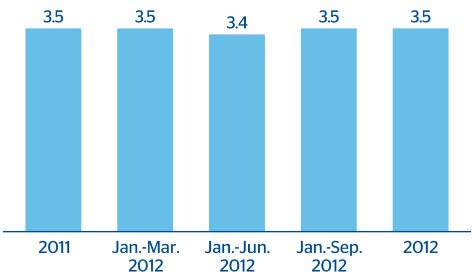
Gross income: +5.8%

42 **NPA and coverage ratios**

(Percentage)

Cost of risk, YTD

(Percentage)



Risk indicators are stable

Income statement

(Million euros at constant exchange rate)

	Accumulated	Year-on-year change 2012-2011	
	2012	Absolute	Percentage
Net interest income	4,164	+302	7.8
Gross income	5,758	+315	5.8
Operating income	3,586	+124	3.6
Income before tax	2,225	+30	1.4
Net attributable profit	1,821	+71	4.0

South America

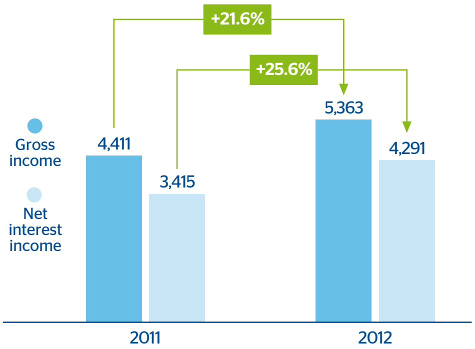
Business activity
(Year-on-year rate as at 31-12-12)

Lending **+18.6%**

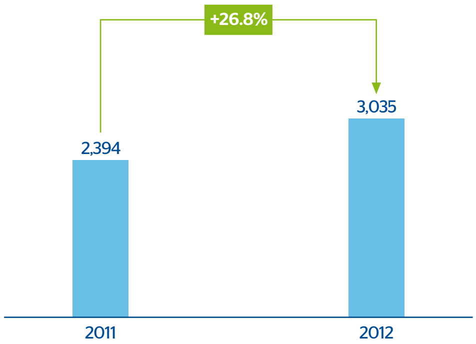
On-balance-sheet customer funds **+24.1%**

Buoyant business that is reflected by income

43 Net interest income and gross income
(Million euros at constant exchange rates)

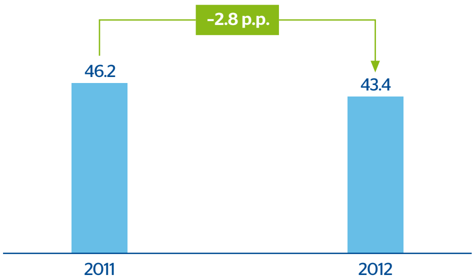


Operating income
(Million euros at constant exchange rates)



Improvement in efficiency and stable risk indicators

44 Efficiency
(Percentage)



NPA and coverage ratios
(Percentage)

Sustainable growth

Income statement
(Million euros at constant exchange rates)

	Accumulated	Year-on-year change 2012-2011	
	2012	Absolute	Percentage
Net interest income	4,291	+876	25.6
Gross income	5,363	+952	21.6
Operating income	3,035	+641	26.8
Income before tax	2,240	+429	23.7
Net attributable profit	1,347	+257	23.6

The United States

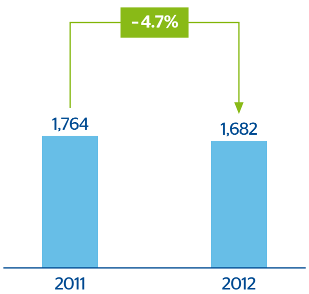
BBVA Compass business activity
(Year-on-year rate as at 31-12-12)

Lending **+4.1%**

Customer funds **+11.7%**

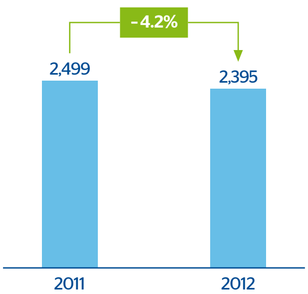
Selective growth of lending and improvement in mix activity

45 **Net interest income**
(Million euros at constant exchange rate)



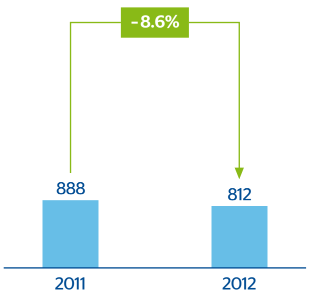
Local businesses: +6.3%

Gross income
(Million euros at constant exchange rate)



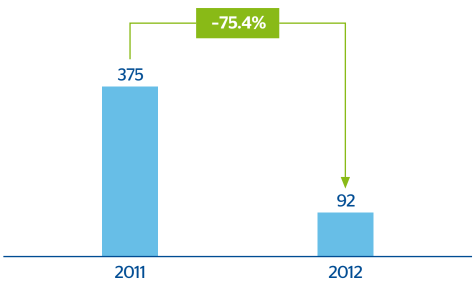
Local businesses: +6.9%

Operating income
(Million euros at constant exchange rate)



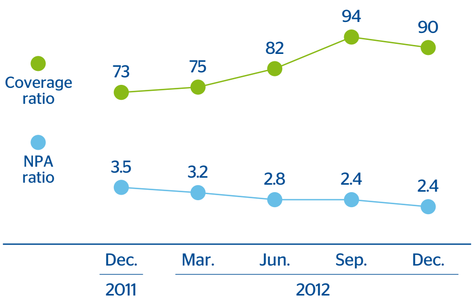
Local businesses: +14.1%

46 **Loan-loss provisions**
(Million euros at constant exchange rate)



	2011	2012
Cost of risk (YTD)	0.9%	0.2%

NPA and coverage ratios
(Percentage)



Positive evolution of the asset quality

In short, a business transformation reflected in the area's profit

47 Net attributable profit

(Million euros at constant exchange rate)

Highlights

- Selective growth of portfolio
- Stable income in low-interest rate environment
- Cost discipline
- Technology projects to improve business
- Solid liquidity position

Note: December 2011 excludes goodwill impairment.

Income statement

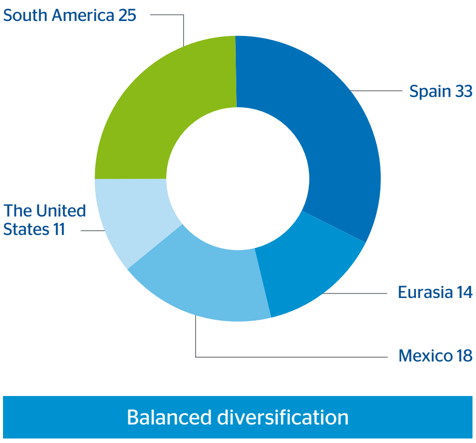
(Million euros at constant exchange rate)

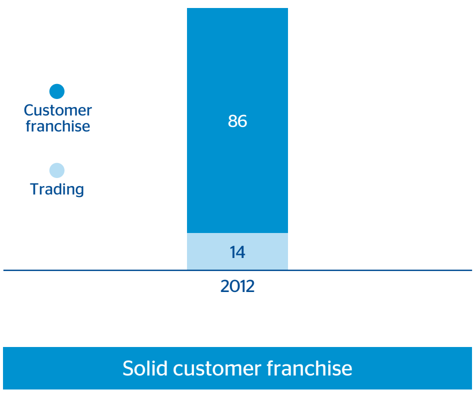
	Accumulated	Year-on-year change 2012-2011	
	2012	Absolute	Percentage
Net interest income	1,682	- 82	-4.7
Gross income	2,395	- 104	-4.2
Operating income	812	- 76	-8.6
Income before tax	667	+1,779	n.m.
Net attributable profit	475	+1,229	n.m.

Additional information: Corporate & Investment Banking

48 Gross income breakdown

(Percentage)





Diversified business and a solid customer franchise

Income statement

(Million euros at constant exchange rates)

	Accumulated	Year-on-year change 2012-2011	
	2012	Absolute	Percentage
Gross income	2,767	+234	9.2
Operating income	1,878	+203	12.1
Income before tax	1,655	+85	5.4
Net attributable profit	1,049	-1	-0.1

Group financial information

Group financial information

BBVA has completed a hugely difficult and demanding year **2012** with:

1. High generation of **recurrent revenue** and a large contribution from net trading income (NTI).

2. This has enabled BBVA to absorb a significant increase in **provisions** in Spain to cover the gradual impairment in real-estate portfolios and assets.

3. In terms of **solvency**, the Bank improved core capital ratio under Basel II compared with the figure at the close of the previous year and it continues to comply with the recommendations of the European Banking Authority (EBA).

4. Very good news from the standpoint of **liquidity**, with positive performance in retail customer deposits in Spain particularly noteworthy.

5 In **activity** , key points are the buoyant lending in emerging economies and the necessary deleveraging of the Spanish economy. By segments, BBVA continues to grow mainly in retail portfolios and deposits.

6. In the second quarter of 2012, BBVA announced it was starting a process to study strategic alternatives for its **pension business** in Latin America. On December 24, 2012 BBVA signed a sale agreement for the stake in its subsidiary in Colombia, on January 9, 2013 it closed the sale of the Afore in Mexico and on February 1 it signed another sale agreement for the stake in its subsidiary in Chile. The earnings from this business in the region are therefore classified as discontinued operations. The historical series have also been reconstructed to ensure they are comparable.

7. On July 27, 2012, **Unnim** was incorporated into the Group's financial statements.

8. In addition, on December 16, the sale of **BBVA Puerto Rico** was closed.

9. Finally, as regards **shareholder remuneration**, BBVA is maintaining the current dividend policy.

Earnings

In **2012**, BBVA Group reported a net attributable profit of €1,676m. The main feature of this result is the high quality of revenue, despite the hugely difficult and demanding background in which it has been generated. The Group has thus demonstrated for yet another year its high capacity to generate recurrent earnings, which have increased quarter-on-quarter, with an accumulated growth of 12.8% over the year. This standout performance is due to BBVA's approach to banking, as described in the "Environment and positioning" section of this report.

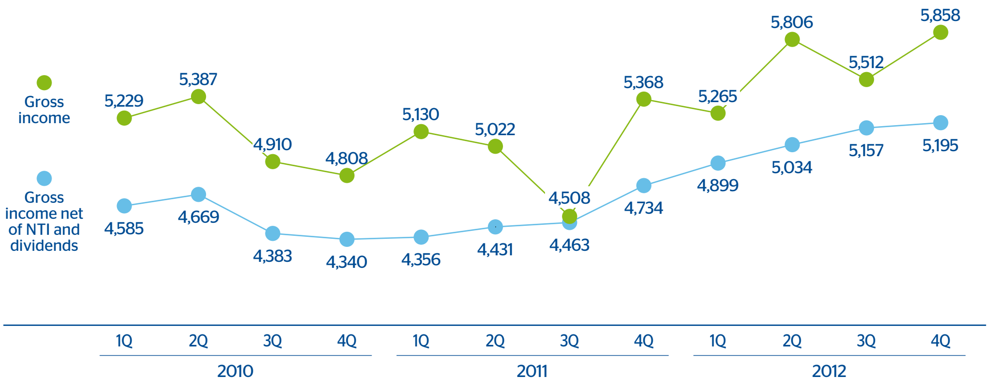
The most significant aspects of 2012, from the standpoint of earnings, are:

- Sound **recurrent revenue**. Net interest income is above the level of 2011, while net fees and commissions are also up on the previous year, despite the regulatory restrictions that came into force in some geographical areas and lower activity in Spain.

- Significant contribution from **NTI**, particularly in the last two quarters of the year.

1 BBVA Group. Income evolution

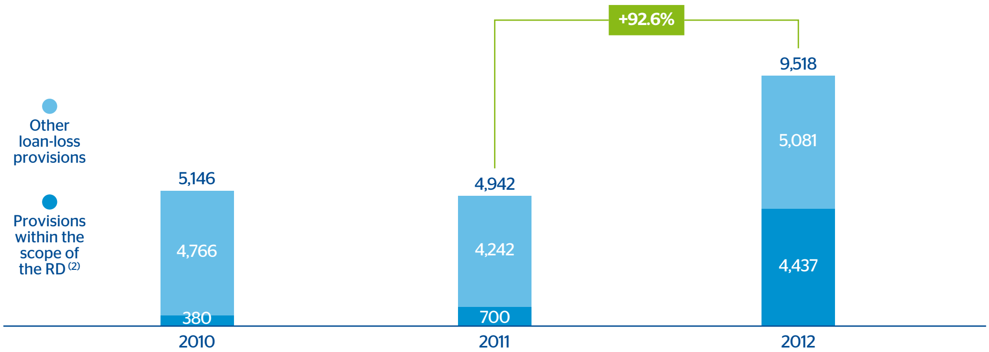
(Million euros)



A significant increase in **provisions** in Spain to cover the gradual impairment in real-estate portfolios and assets.

2 BBVA Group. Loan-loss and real-estate provisioning (1)

(Million euros)



(1) Includes total loan-loss provisions and foreclosed and/or asset purchases in Spain.
(2) Includes loan-loss provisions and provisions related to foreclosed and asset purchases within the scope of the Royal Decree-Laws 02/2012 and 18/2012 (RD).

Consolidated income statement

(Million euros)

	2012	Δ%	Δ% at constant exchange rates	2011	2010
Net interest income	**15,122**	**15.0**	**11.0**	**13,152**	**13,316**
Net fees and commissions	4,353	8.0	4.9	4,031	4,034
Net trading income	1,767	19.3	15.3	1,481	1,827
Dividend income	390	(30.6)	(30.9)	562	529
Income by the equity method	727	22.1	22.1	595	331
Other operating income and expenses	82	(60.3)	(53.1)	206	297
Gross income	**22,441**	**12.1**	**8.7**	**20,028**	**20,333**
Operating costs	(10,786)	10.8	7.6	(9,737)	(8,761)
Personnel expenses	(5,662)	9.1	6.2	(5,191)	(4,698)
General and administrative expenses	(4,106)	10.8	7.4	(3,707)	(3,309)
Depreciation and amortization	(1,018)	21.4	17.2	(839)	(754)
Operating income	**11,655**	**13.3**	**9.8**	**10,290**	**11,573**
Impairment on financial assets (net)	(7,980)	88.8	84.6	(4,226)	(4,718)
Provisions (net)	(651)	28.2	25.6	(509)	(475)
Other gains (losses)	(1,365)	(35.3)	(38.8)	(2,110)	(320)
Income before tax	**1,659**	**(51.9)**	**(53.2)**	**3,446**	**6,059**
Income tax	275	n.m.	n.m.	(206)	(1,345)
Net income from ongoing operations	**1,934**	**(40.3)**	**(41.9)**	**3,240**	**4,714**
Net income from discontinued operations	393	59.8	50.3	245	281
Net income	**2,327**	**(33.2)**	**(35.1)**	**3,485**	**4,995**
Non-controlling interests	(651)	35.3	24.2	(481)	(389)
Net attributable profit	**1,676**	**(44.2)**	**(45.3)**	**3,004**	**4,606**
Adjusted (1)	(2,730)	-	-	(1,501)	(266)
Net attributable profit (adjusted) (1)	**4,406**	**(2.2)**	**(5.2)**	**4,505**	**4,872**
Basic earnings per share (euros)	**0.32**			**0.62**	**1.10**
Basic earnings per share adjusted (euros) (1)	**0.82**			**0.92**	**1.16**

(1) In 2011, during the fourth quarter, US goodwill imparment charge. In 2010, 2011 and 2012, impairment charge related to the deterioration of the real-estate sector in Spain. And in 2012, impact of Unnim badwill.

Consolidated income statement: quarterly evolution

(Million euros)

	2012				2011			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**3,910**	**3,877**	**3,741**	**3,594**	**3,482**	**3,284**	**3,213**	**3,173**
Net fees and commissions	1,126	1,104	1,061	1,062	1,004	1,007	1,035	985
Net trading income	646	319	461	340	403	(5)	331	751
Dividend income	17	35	311	27	230	50	259	23
Income by the equity method	191	169	175	191	205	149	122	119
Other operating income and expenses	(32)	6	57	51	42	23	62	79
Gross income	**5,858**	**5,512**	**5,806**	**5,265**	**5,368**	**4,508**	**5,022**	**5,130**
Operating costs	(2,855)	(2,771)	(2,633)	(2,528)	(2,597)	(2,408)	(2,426)	(2,307)
Personnel expenses	(1,472)	(1,447)	(1,396)	(1,347)	(1,372)	(1,294)	(1,277)	(1,247)
General and administrative expenses	(1,089)	(1,064)	(1,001)	(951)	(1,000)	(899)	(943)	(865)
Depreciation and amortization	(294)	(259)	(236)	(230)	(225)	(214)	(206)	(194)
Operating income	**3,003**	**2,741**	**3,173**	**2,738**	**2,770**	**2,100**	**2,596**	**2,824**
Impairment on financial assets (net)	(2,676)	(2,038)	(2,182)	(1,085)	(1,337)	(904)	(962)	(1,023)
Provisions (net)	(227)	(195)	(98)	(130)	(182)	(93)	(83)	(150)
Other gains (losses)	(269)	(561)	(311)	(223)	(1,719)	(166)	(155)	(71)
Income before tax	**(168)**	**(53)**	**582**	**1,299**	**(466)**	**937**	**1,397**	**1,579**
Income tax	220	275	3	(223)	385	(77)	(167)	(347)
Net income from ongoing operations	**52**	**222**	**584**	**1,076**	**(81)**	**860**	**1,229**	**1,232**
Net income from discontinued operations	138	83	75	96	74	48	66	58
Net income	**190**	**305**	**659**	**1,173**	**(7)**	**907**	**1,295**	**1,290**
Non-controlling interests	(170)	(159)	(154)	(168)	(132)	(103)	(106)	(141)
Net attributable profit	**20**	**146**	**505**	**1,005**	**(139)**	**804**	**1,189**	**1,150**
Adjusted (1)	(1,042)	(825)	(742)	(122)	(1,166)	(173)	(82)	(80)
Net attributable profit (adjusted) (1)	**1,061**	**971**	**1,247**	**1,127**	**1,026**	**978**	**1,271**	**1,229**
Basic earnings per share (euros)	**0.01**	**0.03**	**0.10**	**0.19**	**(0.03)**	**0.16**	**0.24**	**0.23**
Basic earnings per share adjusted (euros) (1)	**0.19**	**0.18**	**0.23**	**0.21**	**0.20**	**0.20**	**0.26**	**0.25**

(1) In 2011, during the fourth quarter, US goodwill imparment charge. In 2011 and 2012, impairment charge related to the deterioration of the real-estate sector in Spain. And in 2012, impact of Unnim badwill.

BBVA's **profitability** improves in terms of gross income over average total assets (ATA) from 3.52% in 2011 to 3.60% in 2012. This is due to the aforementioned strength and high quality of revenue. Compared to the previous year, net interest income and NTI increase their contribution while fees and commissions and other income reduce it.

Costs over ATA slightly increase due to a greater weight of emerging countries. However, the growth is lower than the trend shown in the revenues. This produces operating income over ATA improves 6 basis points in the last twelve months reaching 1.87%.

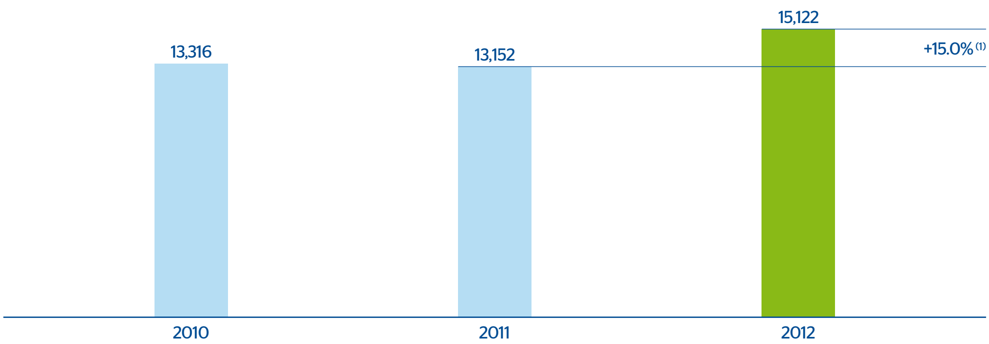
This positive performance has enabled the Group to absorb the significant increase in provisions made to cover the impairment of assets related to the real-estate sector in Spain, which in turn resulted in a decline of ROA to 0.37%. Excluding these provisions and the badwill from Unnim, ROA stands at 0.81%, i.e. 7 basis points less than in 2011 (excluding the goodwill impairment charge in the United States posted in the fourth quarter of 2011).

Consolidated income statements (% over ATA)

	2012	2011	2010
Net interest income	**2.42**	**2.31**	**2.38**
Net fees and commissions	0.70	0.71	0.72
Net trading income	0.28	0.26	0.33
Other operating income and expenses	0.19	0.24	0.21
Gross income	**3.60**	**3.52**	**3.63**
Operating costs	(1.73)	(1.71)	(1.57)
Personnel expenses	(0.91)	(0.91)	(0.84)
General and administrative expenses	(0.66)	(0.65)	(0.59)
Depreciation and amortization	(0.16)	(0.15)	(0.13)
Operating income	**1.87**	**1.81**	**2.07**
Impairment on financial assets (net)	(1.28)	(0.74)	(0.84)
Provisions (net) and other gains (losses)	(0.32)	(0.46)	(0.14)
Income before tax	**0.27**	**0.61**	**1.08**
Income tax	0.04	(0.04)	(0.24)
Net income from ongoing operations	**0.31**	**0.57**	**0.84**
Net income from discontinued operations	0.06	0.04	0.05
Net income (ROA)	**0.37**	**0.61**	**0.89**
Net income adjusted (ROA adjusted)	**0.81**	**0.88**	**0.94**
Non-controlling interests	(0.10)	(0.08)	(0.07)
Net attributable profit	**0.27**	**0.53**	**0.82**
Net attributable profit (adjusted)	**0.71**	**0.79**	**0.87**
Memorandum item:			
Average total assets (million euros)	623,894	568,579	559,558

Net interest income

3 BBVA Group. Net interest income
(Million euros)



(1) At constant exchange rates: +11.0%.

The Group's cumulative **net interest income** as of December 2012 amounted to €15,122m, up 15.0% on the same period the previous year. This rise takes place in virtually all geographical areas. It is due, once again, to the maintenance of customer spreads and positive levels of activity in emerging economies. By business areas, the following is worth highlighting:

- Resilience in **Spain**, in a context of lower volumes, low interest rates and high competition for customer fund gathering, thanks to BBVA's relatively better liquidity and solvency position. Overall, this area generated cumulative net interest income of €4,836m, with a rise of 10.1% compared with the figure for the same period in 2011.

- **Eurasia** grew 5.5% year-on-year to an accumulated total of €847m in 2012. The incorporation of Garanti on March 22, 2011, the strong activity with retail customers and the favorable trend in customer spreads, particularly in Turkey (largely due to the reduction in the cost of liabilities), are behind this good performance.

- **Mexico** reported net interest income of €4,164m in 2012, 7.8% higher than in 2011 at constant exchange rates. Increased activity and adequate price management have enabled BBVA to offset the impact of interest rates, which are at record lows.

- Net interest income in **South America** continues to perform strongly, benefiting from buoyant activity and the maintenance of customer spreads. Overall, the cumulative figure for the area as of December 2012 is €4,291m, up 25.6% on the same period the previous year (excluding the exchange-rate effect).

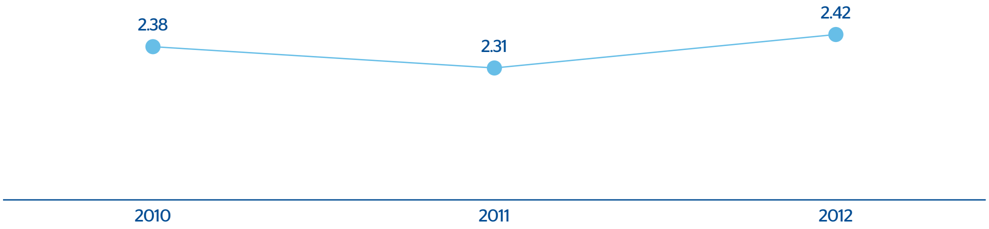
- In the **United States** net interest income continued to be negatively affected by the Guaranty run-off, lower business volume in CIB and the current environment of low interest rates with a practically flat curve. In contrast, the increase in the volume of loans and the year-on-year reduction in the cost of deposits had a positive impact. As a result, this heading stood at €1,682m in 2012, down 4.7% at constant exchanges rates.

Breakdown of yields and costs

	2012		2011		2010	
	% over ATA	% yield/Cost	% over ATA	% yield/Cost	% over ATA	% yield/Cost
Cash and balances with central banks	4.2	0.99	3.7	1.18	3.8	1.12
Financial assets and derivatives	26.8	2.87	24.9	2.99	26.1	2.70
Loans and advances to credit institutions	4.2	1.79	4.6	2.42	4.6	1.96
Loans and advances to customers	57.5	5.72	60.1	5.51	59.6	4.89
Euros	34.8	3.34	38.7	3.40	39.3	3.19
Domestic	28.8	3.79	33.8	3.69	35.6	3.30
Other	6.1	1.22	4.9	1.40	3.7	2.18
Foreign currencies	22.7	9.39	21.5	9.31	20.3	8.19
Other assets	7.3	0.44	6.5	0.58	5.9	0.48
Total assets	**100.0**	**4.21**	**100.0**	**4.25**	**100.0**	**3.78**
Deposits from central banks and credit institutions	17.3	2.14	13.6	2.63	14.3	1.89
Deposits from customers	45.4	1.84	48.7	2.04	46.4	1.37
Euros	23.5	1.34	27.0	1.58	21.8	1.02
Domestic	15.3	1.57	16.9	1.66	15.8	1.28
Other	8.2	0.90	10.1	1.43	6.0	0.33
Foreign currencies	21.9	2.38	21.7	2.62	24.6	1.68
Debt certificates and subordinated liabilities	16.7	2.71	19.3	2.38	21.4	1.95
Other liabilities	13.8	0.94	11.6	1.11	11.9	0.62
Equity	6.9	-	6.8	-	5.9	-
Total liabilities and equity	**100.0**	**1.79**	**100.0**	**1.94**	**100.0**	**1.40**
Net interest income/Average total assets (ATA)		**2.42**		**2.31**		**2.38**

4 BBVA Group. Net interest income over ATA

(Percentage)



Gross income

Positive performance in **income from fees and commissions**, which totaled €4,353m, an increase of 8.0% on the figure for 2011. This result is underpinned by expanding activity in emerging economies and also the incorporation of Garanti. It is worth noting that this good result came despite new regulatory limitations in some geographical areas and the economic weakness in developed countries.

Net fees and commissions

(Million euros)

	2012	∆%	2011	2010
Mutual funds, pension funds and customer portfolios	**529**	**1.2**	**522**	**551**
Banking services	**3,825**	**9.0**	**3,509**	**3,482**
Collection and payment services	1,097	8.4	1,012	1,059
Credit and debit cards	1,155	14.3	1,010	935
Securities	583	7.6	542	551
Contingent liabilities and back-up lines	538	14.3	471	410
Other fees and commissions	451	(4.8)	474	528
Net fees and commissions	**4,353**	**8.0**	**4,031**	**4,034**

NTI for the twelve months of 2012 amounted to €1,767m, up 19.3% year-on-year, due mainly to the inclusion of capital gains from buybacks of securitization bonds and subordinated debt in the second and fourth quarters, respectively.

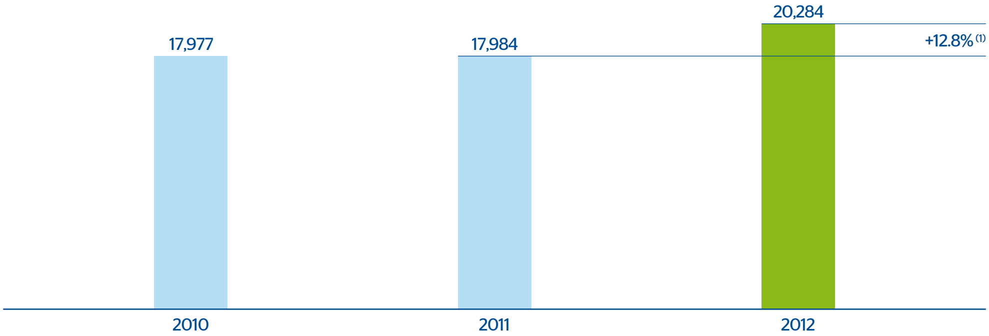
Revenue from **dividends** amounted to €390m, 30.6% down on the figure posted 12 months earlier. This heading basically includes the remuneration from the Group's stake in Telefónica (temporarily suspended until November 2013) and, to a lesser extent, the dividends collected in the Global Markets area.

Income by the equity method which, basically, includes BBVA's stake in CNCB, amounts to a total of €727m, 22.1% up on the figure for the same period in 2011.

Other operating income and expenses amounted to €82m. This heading has benefited from the positive performance of the insurance business. However, as it also includes the increased allocations to the deposit guarantee funds, especially in Spain, it declined 60.3% over the last twelve months.

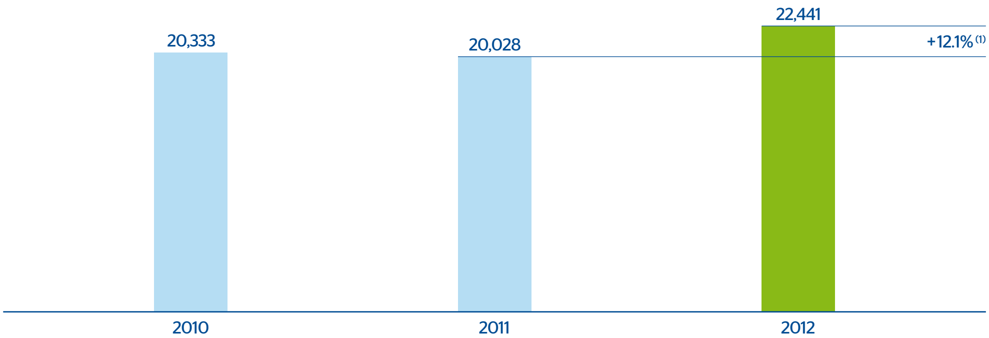
Finally, **gross income**, which has been growing quarter to quarter, stood at €22,441m in 2012, up 12.1% year-on-year. Without taking into account the less recurrent items from NTI and dividends, this figure would be €20,284m, up 12.8% over the same period.

5 BBVA Group. Gross income net of NTI and dividends
(Million euros)



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

6 BBVA Group. Gross income
(Million euros)



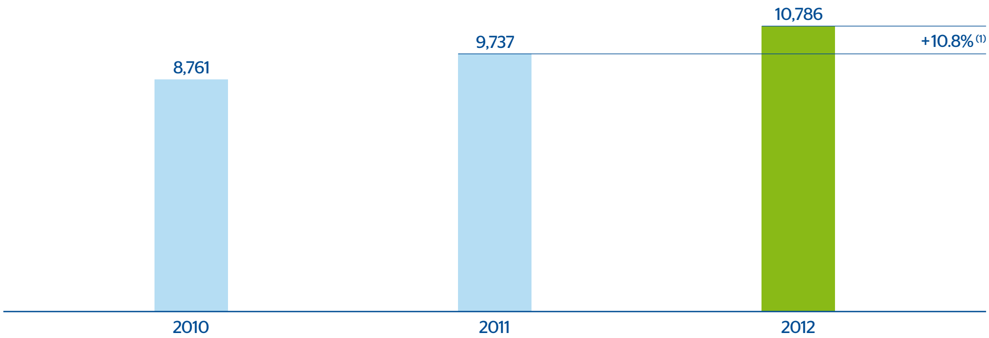
(1) At constant exchange rates: +8.7%.

Operating income

The most significant aspect of **operating expenses** is their control in developed countries and their growth in emerging areas, in line with the figures mentioned in the quarterly reports for 2012. Between January and December 2012, they totaled €10,786m, with a year-on-year increase of 10.8%. This is due to the investment efforts being made, basically in emerging geographical areas and in technology. The size and scale of the Group have enabled it to undertake significant investments in global technology projects, particularly in the area of transformation and innovation. They have positioned the Bank at the forefront of technological investment in the sector. BBVA started up a number of projects in 2012, including the implementation of the new BBVA Compass technological platform in all its branches in the United States. Progress has also been made in the Group's multichannel distribution model, of which one example is the launch of "Dinero Móvil BBVA Bancomer" in Mexico.

7 BBVA Group. Operating costs

(Million euros)



(1) At constant exchange rates: +7.6%.

Breakdown of operating costs and efficiency calculation

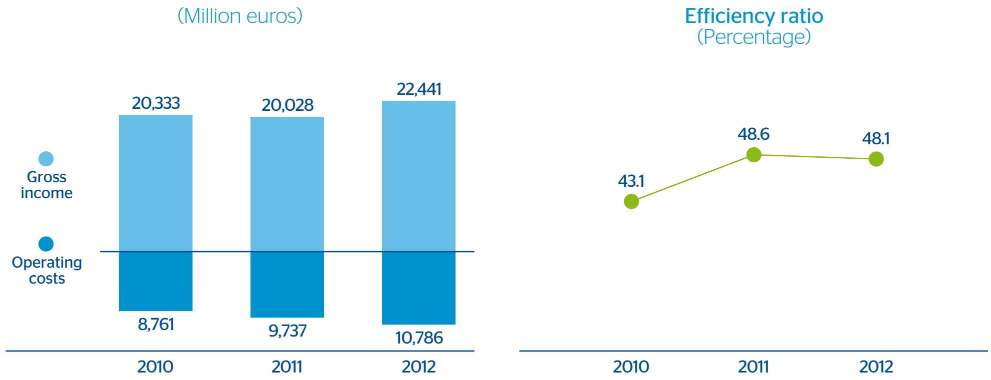
(Million euros)

	2012	Δ%	2011	2010
Personnel expenses	**5,662**	**9.1**	**5,191**	**4,698**
Wages and salaries	4,348	8.1	4,022	3,642
Employee welfare expenses	819	9.8	746	677
Training expenses and other	495	17.1	423	379
General and administrative expenses	**4,106**	**10.8**	**3,707**	**3,309**
Premises	916	9.2	839	739
IT	745	15.2	647	551
Communications	330	14.5	289	274
Advertising and publicity	378	2.4	369	336
Corporate expenses	102	(1.5)	103	86
Other expenses	1,201	8.8	1,104	1,005
Levies and taxes	433	21.8	356	318
Administration costs	**9,768**	**9.8**	**8,898**	**8,007**
Depreciation and amortization	**1,018**	**21.4**	**839**	**754**
Operating costs	**10,786**	**10.8**	**9,737**	**8,761**
Gross income	**22,441**	**12.1**	**20,028**	**20,333**
Efficiency ratio (Operating costs/Gross income, in %)	**48.1**		**48.6**	**43.1**

This heading has grown well below revenue, making it possible to:

- Improve in the efficiency ratio, which at the end of December stood at 48.1%.

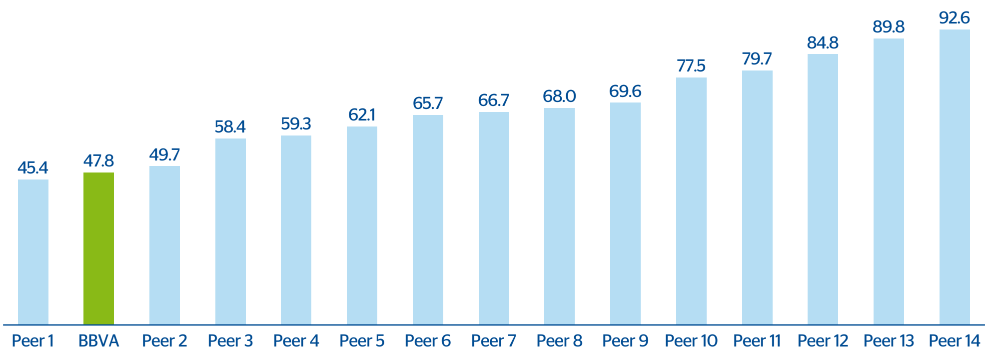
8 BBVA Group. Efficiency



- Maintain its leadership position in efficiency among its peers.

9 Efficiency. BBVA and peer group [(1)]

(Percentage)

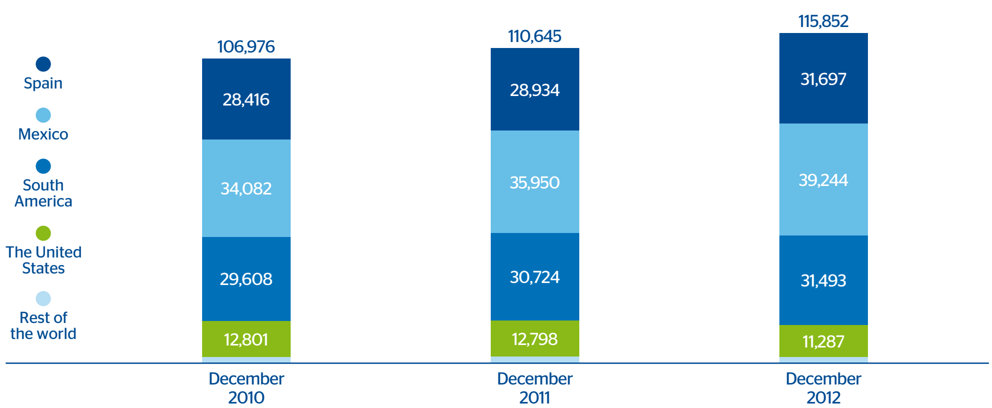


(1) Peer group: BARCL, BBVA, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCI. Figures at September 2012, including BBVA.

The following are worth highlighting in terms of number of **employees**, **branches** and **ATMs**:

- The number of Group employees as of December 31, 2012 totaled 115,852, an increase of 5,207 people throughout the year.

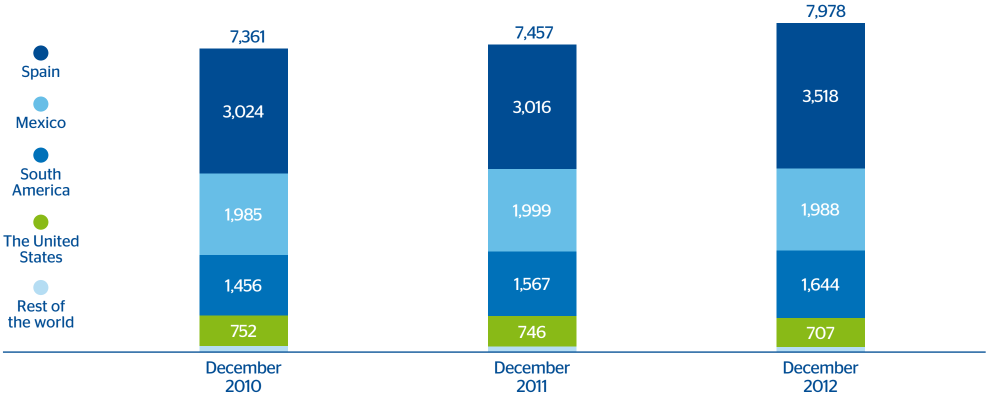
10 BBVA Group. Number of employees [(1)]



(1) Excluding Garanti.

- The number of branches also increased by 521 over the year and totaled 7,978.

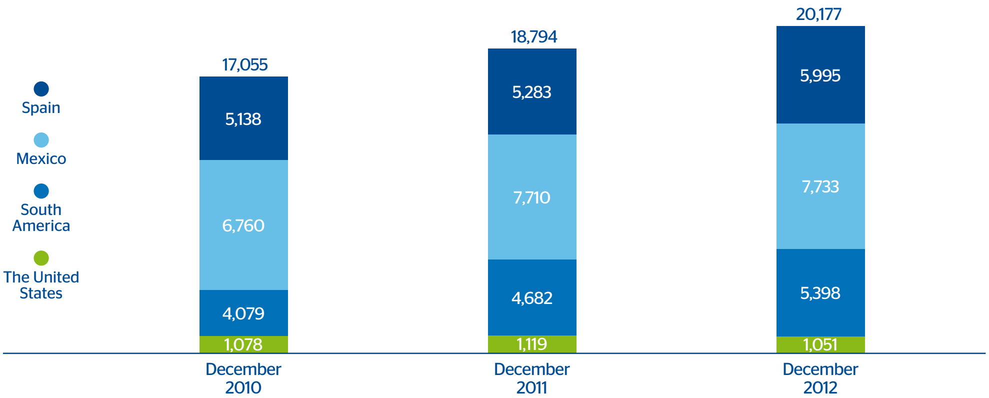
11 BBVA Group. Number of branches [1]



(1) Excluding Garanti.

- Lastly, 1,383 new ATMs were installed over the last twelve months, bringing the total number to 20,177 as of 31-Dec-2012. The investment effort made by the Bank in ATMs continues to be notable, as they are considered one of the key differentiating elements in BBVA's multichannel strategy.

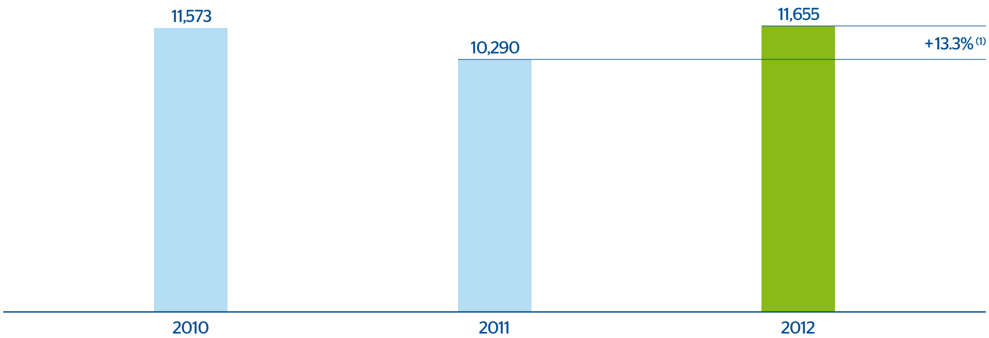
12 BBVA Group. Number of ATMs [1]



(1) Excluding Garanti.

As a result, **operating income** is up 13.3% over the year to €11,655m. This recurring generation of operating income has laid the sound foundations that have enabled the Bank to absorb the provisions for additional impairment in the value of its real-estate assets in Spain.

13 BBVA Group. Operating income
(Million euros)

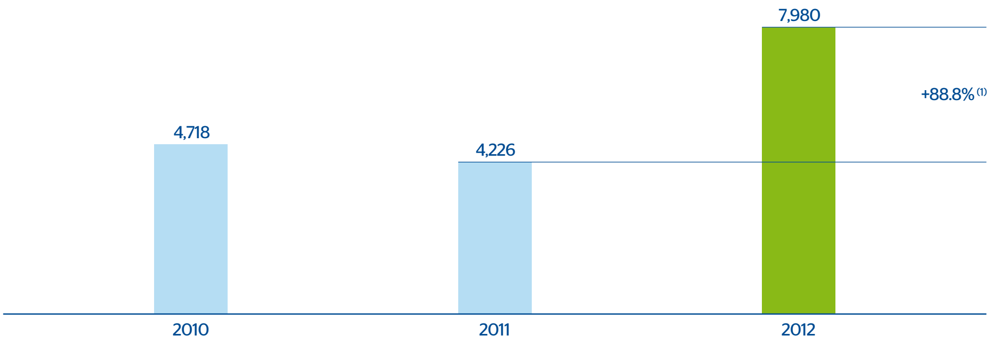


(1) At constant exchange rates: +9.8%.

Provisions and others

Cumulative impairment losses on financial assets in 2012 totaled €7,980m, 88.8% higher than those posted 12 months earlier.

14 BBVA Group. Impairment losses on financial assets
(Million euros)



(1) At constant exchange rates: +84.6%.

Provisions amounted to €651m (–€509m 12 months earlier). They basically cover early retirement costs and, to a lesser extent, transfers to provisions for contingent liabilities, allocations to pension funds and other commitments to staff.

The heading **Other gains/losses** amounted to a negative €1,365m, basically consisting of the provisions made for real-estate and foreclosed or acquired assets in Spain, and the badwill generated with the Unnim operation.

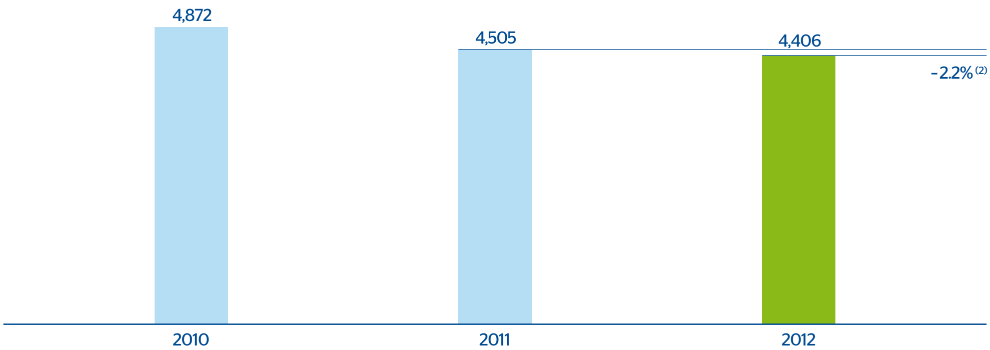
In conclusion, if we add the provisions made to cover the impairment of the assets related to the real-estate sector in Spain, accounted for under the headings "Impairment losses on financial assets" and "Other gains (losses)", the total amount allocated by BBVA in 2012 is €4.4 billion, which means that the Bank complies with the requirements set out in the Royal Decree-Laws 02/2012 and 18/2012.

After announcing in the second quarter of 2012 that it was looking into strategic alternatives for its pension business in Latin America, BBVA has already signed sale agreements for Afore Bancomer in Mexico, AFP Horizonte in Colombia and AFP Provida in Chile (having concluded the sale of Afore Bancomer in January 2013). The results of this activity are therefore classified as **discontinued operations**. The historical series have also been reconstructed to ensure they are comparable.

Net attributable profit

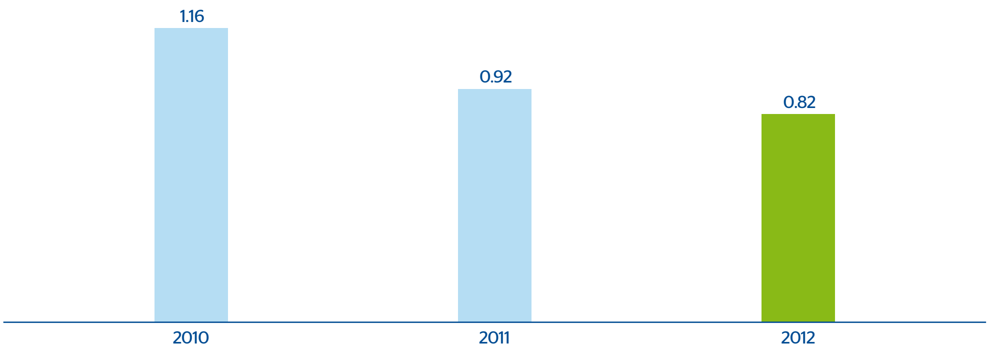
The Group's **net attributable profit** stood at €1,676m. Excluding the charge for impairment of the assets related to the real-estate sector in Spain and the badwill generated by the Unnim operation, the adjusted net attributable profit amounts to €4,406m (€4,505m in 2011, after also deducting the charge for goodwill impairment in the United States). To sum up, the BBVA Group continues to generate sound earnings despite the difficult environment.

15 BBVA Group. Net attributable profit (1)
(Million euros)



(1) Adjusted.
(2) At constant exchange rates: -5.2%.

16 BBVA Group. Earnings per share (1)
(Euros)



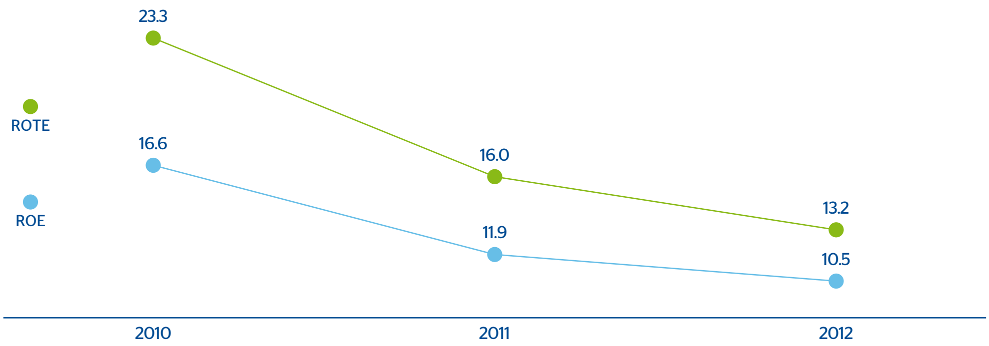
(1) Adjusted.

By **business areas**, Spain posted a €1,267m loss. Excluding the charge for the impairment of real-estate assets, the area generated adjusted earnings of €1,211m. Eurasia contributed €950m, Mexico €1,821m, South America €1,347m and the United States €475m.

Lastly, earnings per share (**EPS**) from January to December 2012 stood at €0.32 (€0.82 in terms of adjusted EPS); return on equity (**ROE**), 4.0% (10.5% adjusted); and return on tangible equity excluding goodwill (**ROTE**), 5.0% (13.2% adjusted).

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

(Percentage)



(1) Adjusted.

Balance sheet and business activity

At the close of **2012**, BBVA's balance sheet and activity were characterized by:

- A year-on-year increase of 1.7% in **gross customer lending**. Growth in activity in emerging markets and the incorporation of Unnim have offset lower lending in Spain and in CIB loan portfolios in developed countries.
- Positive performance in **on-balance-sheet customer funds** due mainly to the performance of the retail segment.
- Growth of **debt certificates**, basically due to new issues and promissory notes placed in the retail network.
- Positive impact of **exchange rates**.

Consolidated balance sheet

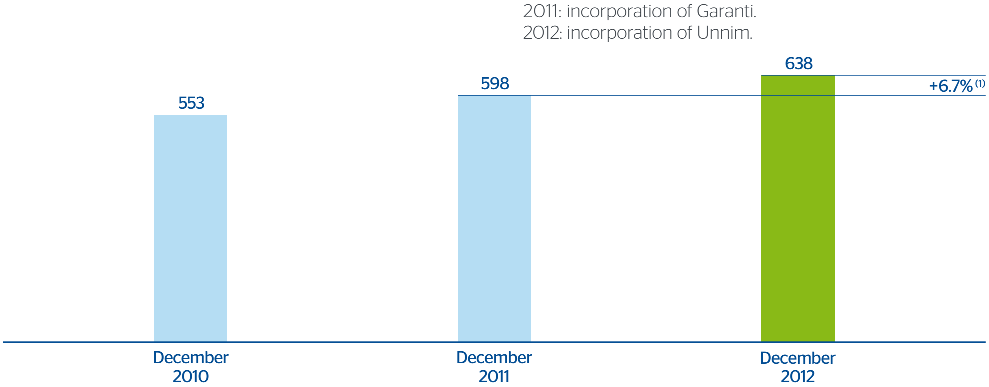
(Million euros)

	31-12-12	Δ%	31-12-11	31-12-10
Cash and balances with central banks	37,434	21.0	30,939	19,981
Financial assets held for trading	79,954	13.2	70,602	63,283
Other financial assets designated at fair value through profit or loss	2,853	(4.2)	2,977	2,774
Available-for-sale financial assets	71,500	23.0	58,144	56,456
Loans and receivables	383,410	0.6	381,076	364,707
Loans and advances to credit institutions	26,522	1.6	26,107	23,637
Loans and advances to customers	352,931	0.3	351,900	338,857
Other	3,957	28.9	3,069	2,213
Held-to-maturity investments	10,162	(7.2)	10,955	9,946
Investments in entities accounted for using the equity method	6,795	16.3	5,843	4,547
Tangible assets	7,785	6.2	7,330	6,701
Intangible assets	8,912	2.7	8,677	8,007
Other assets	28,980	37.1	21,145	16,336
Total assets	**637,785**	**6.7**	**597,688**	**552,738**
Financial liabilities held for trading	55,927	9.0	51,303	37,212
Other financial liabilities at fair value through profit or loss	2,516	37.9	1,825	1,607
Financial liabilities at amortized cost	506,487	5.5	479,904	453,164
Deposits from central banks and credit institutions	106,511	15.1	92,503	68,180
Deposits from customers	292,716	3.7	282,173	275,789
Debt certificates	87,212	6.4	81,930	85,179
Subordinated liabilities	11,831	(23.3)	15,419	17,420
Other financial liabilities	8,216	4.3	7,879	6,596
Liabilities under insurance contracts	9,032	16.7	7,737	8,034
Other liabilities	20,021	18.7	16,861	15,246
Total liabilities	**593,983**	**6.5**	**557,630**	**515,263**
Non-controlling interests	2,372	25.3	1,893	1,556
Valuation adjustments	(2,184)	(21.6)	(2,787)	(770)
Shareholders' funds	43,614	6.5	40,952	36,689
Total equity	**43,802**	**9.3**	**40,058**	**37,475**
Total equity and liabilities	**637,785**	**6.7**	**597,688**	**552,738**
Memorandum item:				
Contingent liabilities	39,540	(0.9)	39,904	36,441

In short, a year in which there has been improvement in the Group's **liquidity** and funding structure.

18 BBVA Group. Total assets

(Billion euros)



(1) At constant exchange rates: +5.9%.

Loans and advances to customers

At the close of 2012, **gross customer lending** amounted to €367 billion, up 1.7% on the figure at the end of 2011. Apart from the buoyant activity in emerging geographical regions, the incorporation of the balances from Unnim and the positive exchange-rate effect have also had a positive impact on year-on-year growth. These effects outweigh the reduced activity in Spain and in the Group's CIB portfolios.

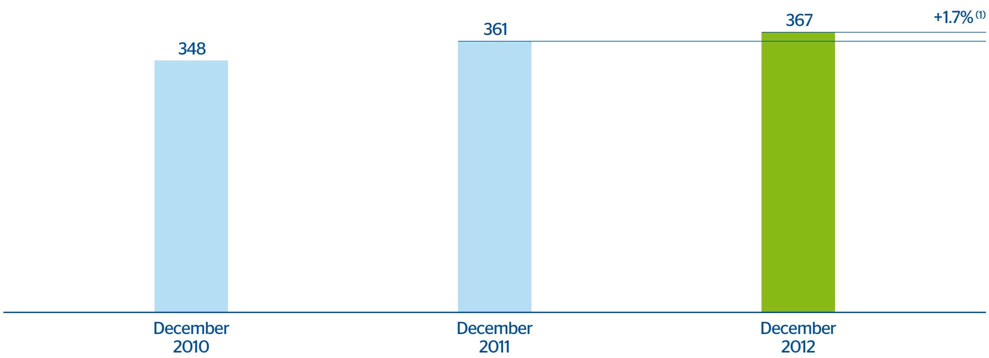
Customer lending

(Million euros)

	31-12-12	Δ%	31-12-11	31-12-10
Domestic sector	**190,817**	**(0.8)**	**192,442**	**198,634**
Public sector	25,399	(0.4)	25,509	23,656
Other domestic sectors	165,417	(0.9)	166,933	174,978
Secured loans	105,664	6.5	99,175	105,002
Commercial loans	5,926	(10.5)	6,620	6,847
Financial leases	4,245	(14.3)	4,955	5,666
Other term loans	36,457	(12.9)	41,863	46,225
Credit card debtors	1,666	3.1	1,616	1,695
Other demand and miscellaneous debtors	2,857	(2.8)	2,939	2,222
Other financial assets	8,603	(11.9)	9,766	7,321
Non-domestic sector	**156,312**	**2.0**	**153,222**	**134,258**
Secured loans	61,811	1.9	60,655	45,509
Other loans	94,500	2.1	92,567	88,750
Non-performing loans	**20,287**	**29.7**	**15,647**	**15,361**
Domestic sector	15,159	37.3	11,042	10,953
Public sector	145	11.8	130	111
Other domestic sectors	15,014	37.6	10,913	10,841
Non-domestic sector	5,128	11.4	4,604	4,408
Customer lending (gross)	**367,415**	**1.7**	**361,310**	**348,253**
Loan-loss provisions	(14,485)	53.9	(9,410)	(9,396)
Customer lending (net)	**352,930**	**0.3**	**351,900**	**338,857**

19 BBVA Group. Customer lending (gross)

(Billion euros)



(1) At constant exchange rates: +1.0%.

The trends in lending seen in 2012 in the **business areas** are summed up below:

- The deleveraging process taking place in **Spain**, and which has been more acute in the latter part of the year, has been partly offset by the incorporation of Unnim balances at the end of July 2012, and the setting up of the fund to finance payments to suppliers. Overall, gross customer lending in the area is down 1.5% over the previous 12 months.

- Performance in **Eurasia** has been mixed: on the one hand, the wholesale segment in Europe and Asia, and, on the other hand, the retail portfolio, mainly focused on BBVA's stake in Garanti. Lending activity in CIB declined by 29.9% over the year, due to the economic slowdown and its selective growth strategy focused on certain customers and portfolios. In contrast, gross lending to customers from Garanti is up 15.1% in the same period. At year-end, the loan book for the area had declined 13.0%.

- **Mexico** has maintained the rate of growth, largely stemming from retail portfolios. Growth is particularly significant in consumer finance and cards and in small businesses. As a result, the area's lending has shown a positive rise of 8.6% year-on-year (at constant exchange rate).

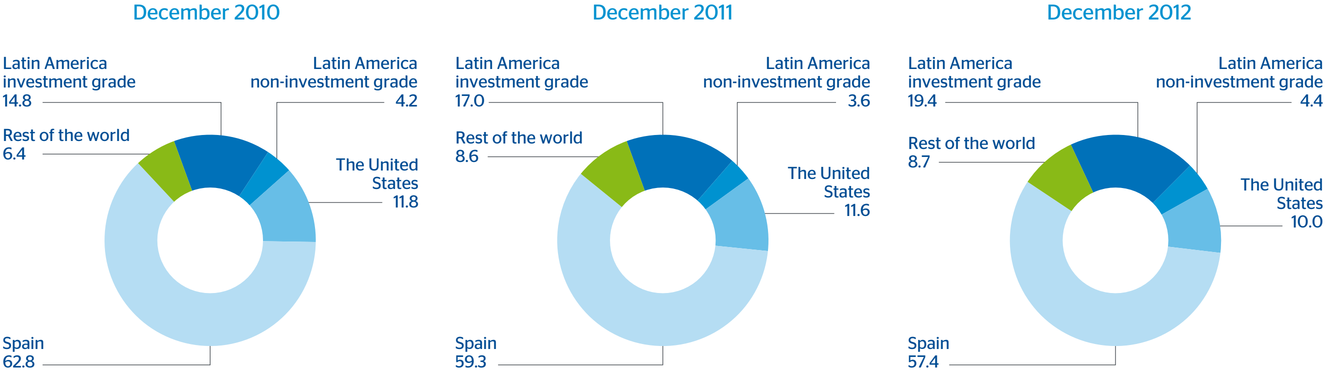
- **South America** continues to post significant growth in all geographical areas and in practically all portfolios, although the excellent performance in the retail segment is also worth pointing out. Overall, lending rose 18.6% over the year (at constant exchange rates).

- The **United States** has once again performed strongly, underpinned by the positive trend in new loan production reported by BBVA Compass in its target portfolios, i.e. in commercial loans and residential real estate. Therefore, and despite the continued slump in the construction real-estate sector, the loan book in BBVA Compass has grown 4.1% since the end of 2011 (also at constant exchange rates).

In short, a **domestic sector** undergoing steadily declining quarter after quarter, against a **non-domestic sector** benefiting from the good performance in emerging economies.

20 BBVA Group. Geographical breakdown of customer lending (gross)

(Percentage)



Lastly, **non-performing loans** have shown an upward trend since the end of 2011, with a rise of 29.7% year-on-year. This trend is caused above all by the performance in the domestic sector, which is strongly impacted by the deterioration in the euro zone economy and, particularly, in Spain. Furthermore, since the end of July this heading has also included Unnim balances, although it is important to stress once again that they have a high coverage ratio, and part of them are guaranteed by an asset protection scheme (EPA). The year-on-year increase in NPA ratios in the non-domestic sector is mainly due to the exchange-rate effect and the classification, in the last quarter of 2012, of specific risks in Portugal as subjective non-performing loans.

Customer funds

As of 31-Dec-2012, **customer funds** totaled €452 billion, an increase of 6.0% year-on-year.

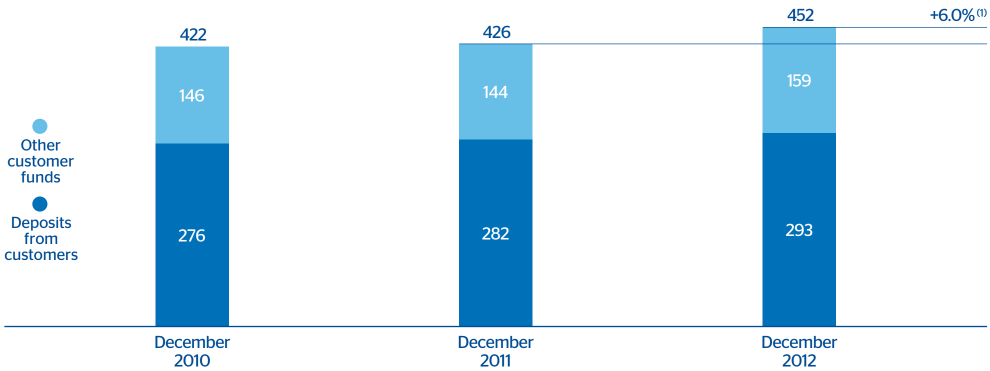
Customer funds

(Million euros)

	31-12-12	∆%	31-12-11	31-12-10
Deposits from customers	**292,716**	**3.7**	**282,173**	**275,789**
Domestic sector	141,169	3.4	136,519	133,629
Public sector	21,807	(22.9)	28,302	17,412
Other domestic sectors	119,362	10.3	108,217	116,217
Current and savings accounts	48,208	9.0	44,215	43,225
Time deposits	61,973	26.2	49,105	49,160
Assets sold under repurchase agreement and other	9,181	(38.4)	14,897	23,832
Non-domestic sector	151,547	4.0	145,655	142,159
Current and savings accounts	98,169	15.2	85,204	74,681
Time deposits	48,691	(8.8)	53,399	61,626
Assets sold under repurchase agreement and other	4,688	(33.5)	7,051	5,852
Other customer funds	**159,285**	**10.4**	**144,291**	**146,188**
Mutual funds	41,371	5.3	39,294	41,991
Pension funds	89,776	14.1	78,648	78,763
Customer portfolios	28,138	6.8	26,349	25,434
Total customer funds	**452,001**	**6.0**	**426,464**	**421,977**

21 BBVA Group. Customer funds

(Billion euros)



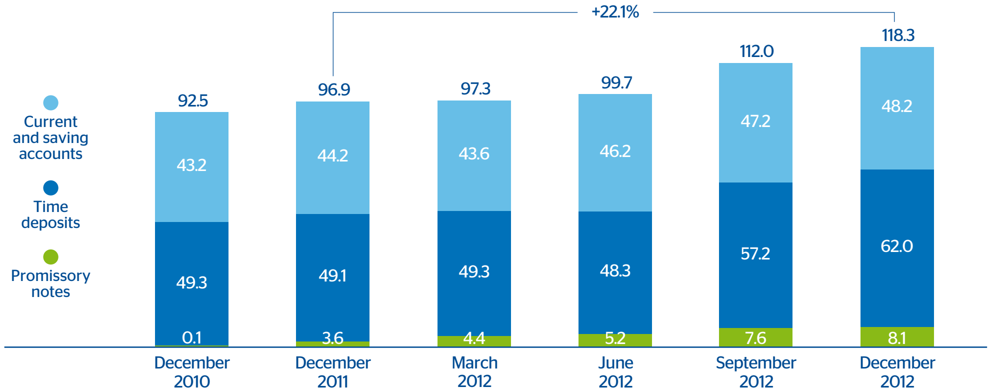
(1) At constant exchange rates: +4.3%.

The most relevant aspect is the positive performance of **on-balance-sheet customer funds**, i.e. customer deposits plus promissory notes, in practically all geographical areas where BBVA operates, and above all from the retail segment.

As of 31-Dec-2012, BBVA managed a volume of €298 billion in **customer deposits**, excluding promissory notes, which means growth of 3.7% year-on-year. These balances have grown each quarter of 2012 in both the domestic and non-domestic sectors, fueled by the strong performance in the typical headings of the retail segment, i.e. current and saving accounts and time deposits. Consequently, and despite the difficult economic environment, BBVA continues to demonstrate its great capacity to gather customer funds thanks to the high capillarity of its commercial network.

22 BBVA Group. On-balance-sheet customer funds. Other domestic sectors [1]

(Billion euros)



(1) Including promissory notes sold by the retail network and excluding repos and other.

Off-balance-sheet customer funds stood at €159 billion at the end of December, up 10.4% year-on-year.

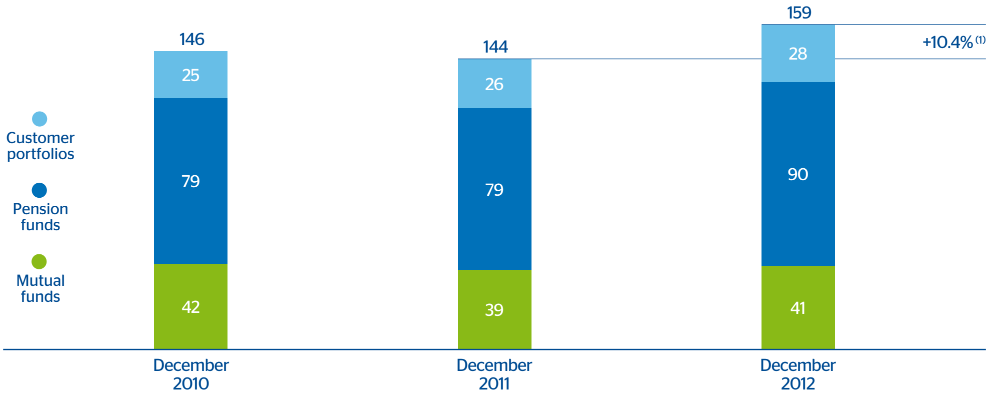
Other customer funds

(Million euros)

	31-12-12	Δ%	31-12-11	31-12-10
Spain	**51,915**	**3.0**	**50,399**	**52,482**
Mutual funds	19,116	(2.5)	19,598	22,316
Pension funds	18,313	6.3	17,224	16,811
Individual pension plans	10,582	6.6	9,930	9,647
Corporate pension funds	7,731	6.0	7,294	7,164
Customer portfolios	14,486	6.7	13,578	13,355
Rest of the world	**107,370**	**14.4**	**93,892**	**93,707**
Mutual funds and investment companies	22,255	13.0	19,697	19,675
Pension funds	71,463	16.3	61,424	61,952
Customer portfolios	13,652	6.9	12,771	12,080
Other customer funds	**159,285**	**10.4**	**144,291**	**146,188**

23 BBVA Group. Other customer funds

(Billion euros)



(1) At constant exchange rates: +6.7%.

In **Spain**, BBVA still holds the leading position in assets under management, in both pension and mutual funds. In pension funds, its market share stands at 19.9%, according to the latest information available as of December 2012. Its market share in mutual funds stands at 17.4%, according to December data, i.e. 42 basis points above the figure on the same date in 2011.

In the **non-domestic** sector, there continue to be widespread increases in assets under management in funds and customer portfolios.

Other balance sheet headings

The balance of **financial assets held for trading** as of 31-Dec-2012 stood at €80 billion. Of this amount, €49 billion correspond to derivatives positions, which is practically the same figure as for the derivatives positions included in financial liabilities held for trading. To sum up, the net position of financial assets held for trading as of 31-Dec-2012 is €24 billion, with a rise of €4.7 billion on the figure at the close of 2011. This increase is therefore the result of the increase in the debt securities item.

Available-for-sale financial assets and **held-to-maturity investments** basically include portfolios built in order to stabilize the value of the balance sheet and make lower-cost funds profitable in the geographical areas in which the Group operates. As of 31-Dec-2012 the two items totaled €82 billion, a rise of 18.2% on the figure the previous year. This is mainly the result of Unnim's incorporation and the general increase in lower-cost deposits in all the geographical areas.

Most of the amount under the heading of **investments in associates** is due to BBVA's holding in CNCB being accounted for as income by the equity method.

Debt certificates amounted to €87 billion at the close of 2012, a year-on-year rise of 6.4% that is due basically to the new issues over the year and a greater volume of promissory notes placed in the retail network.

Finally, BBVA's **equity** as of 31-Dec-2012 amounted to approximately €44 billion euros, a rise of 9.3% on the figure as of 31-Dec-2011. The higher level of shareholders' funds, at €2.7 billion, is basically due to March and June capital increases, following the conversion of convertible bonds issued in December 2011 and to the net attributable profit generated, minus the part used to pay in cash for shareholder remuneration.

Capital base

The main highlight in **2012** with respect to the capital base was compliance with the **EBA capital recommendations** without having to sell any strategic assets, with no public aid and without any change in the current dividend policy.

In December 2012, **core capital ratio** reached 10.8% under Basel II. It means 45 basis points up on the figures at the close of 2011.

Other notable aspects with respect to the capital base are as follows:

- BBVA comfortably passed the **theoretical stress test** carried out by Oliver Wyman, once again underlining its capacity to generate capital, even in very adverse economic scenarios.
- The generation of **operating income** has enabled the Bank to absorb loan-loss provisions aimed at addressing the impairment of assets related to the Spanish real-estate sector.
- **Risk-weighted assets** (RWA) have declined as a result of the sale of the business in Puerto Rico, lower activity in Spain and the reduction in portfolios with CIB customers. These effects have not been offset by the incorporation of Unnim or the growth of business in Latin America.
- The impact of the inclusion of **Unnim** has been practically neutral in terms of core capital. The negative effect of 10 basis points has been offset by the exchange of hybrid capital instruments in the hands of Unnim customers offered in October.
- **Tier II capital** has decreased, due to the repurchase of subordinated debt carried out by the Group.

Capital base (BIS II Regulation)

(Million euros)

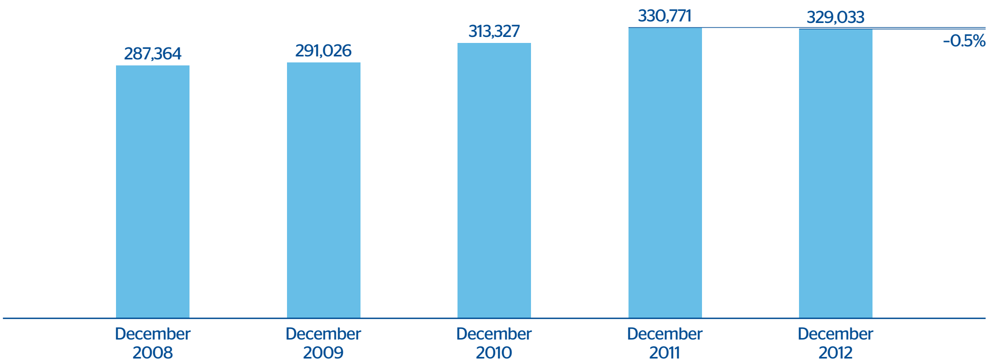
	31-12-12	31-12-11	31-12-10
Core capital	35,451	34,161	30,097
Capital (Tier I)	35,451	34,161	33,023
Other eligible capital (Tier II)	7,386	8,609	9,901
Capital base	42,836	42,770	42,924
Risk-weighted assets	329,033	330,771	313,327
BIS ratio (%)	13.0	12.9	13.7
Core capital (%)	10.8	10.3	9.6
Tier I (%)	10.8	10.3	10.5
Tier II (%)	2.2	2.6	3.2

At the close of 2012, the Group's **capital base** was at practically the same level as at the close of 2011, at €42,836m. The main factor to take into account is the aforementioned repurchase of subordinated debt in the fourth quarter of 2012, which affects Tier II.

RWA totaled €329,033m, a year-on-year decline of 0.5%. The deleveraging process in Spain, reduced activity with wholesale customers and the sale of the Puerto Rico subsidiary have countered the positive effects on this heading, such as the strength of the banking business in emerging countries and the incorporation of Unnim.

24 BBVA Group. RWA evolution

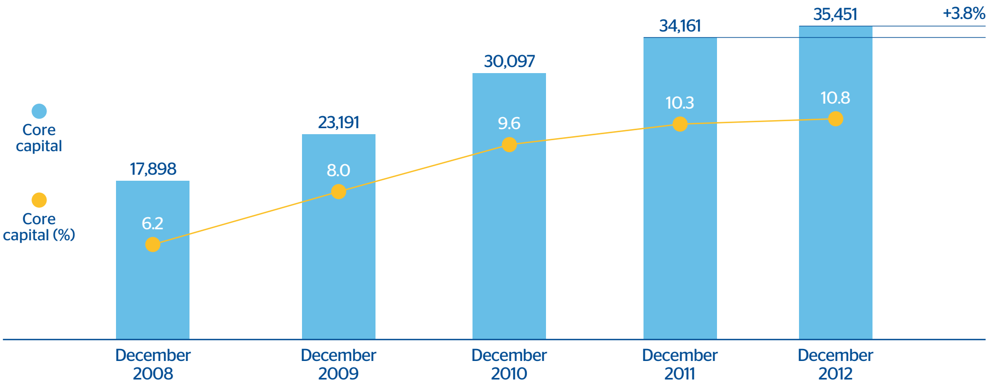
(Million euros)



By the different components of the capital base, **core capital** amounts to €35,451m, an increase of 3.8% on the figure 12 months previously. The core and Tier I capital ratios thus increased by 45 basis points on the figure at the close of 2011 to 10.8%.

25 BBVA Group. Core capital evolution (BIS II Regulation)

(Million euros and percentage)

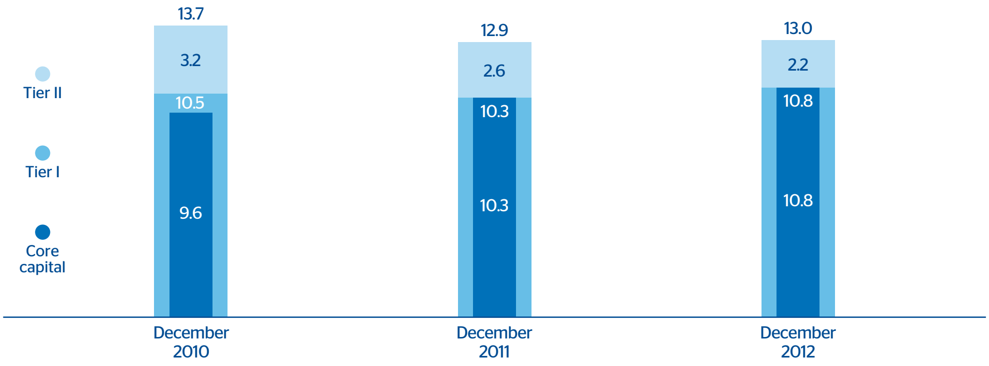


Finally, **Tier II** amounted to €7,386m as of 31-Dec-2012, with a decline of €1,223m on the figure as of 31-Dec-2011 due to the aforementioned repurchase of subordinated debt, closing the year at 2.2%.

To sum up, the BBVA Group's **BIS II ratio** closed 2012 at 13.0%.

26 BBVA Group. Capital base. BIS II ratio

(Percentage)



Ratings

In 2012, BBVA's ratings have been penalized significantly, due mainly to the multiple downgrades of Spanish sovereign debt. Although the rating agencies recognize the Group's strengths and its geographical diversification, in the opinion of some of them BBVA's rating cannot be higher than Spain's.

The various downgrades by the agencies, all of them linked to similar downgrades of the sovereign rating, have been as follows:

- Fitch: two notches, from A to BBB+. However, with this agency the Bank remains one notch above the sovereign rating (BBB).
- DBRS: two notches, from AA (low) to A. BBVA has its best rating with this agency, also one notch above the sovereign rating (A low).
- Moody's: six notches, from Aaa3 to Baa3. This is the agency that has penalized the Group most in 2012, down to a level equal to the sovereign rating.
- Standard&Poor's: five notches, from A+ to BBB–, also at the same level as Spain's sovereign rating.

Ratings

	Long term	Short term	Financial strength	Outlook
Moody's	Baa3	P-3	D+	Negative
Fitch	BBB+	F-2	bbb+	Negative
Standard&Poor's	BBB–	A-3	-	Negative
DBRS	A	R-1 (low)	-	Negative

Risk management

Global Risk Management: BBVA Group’s risk management function

In the field of **risk management**, the Board of Directors is responsible for approving the risk control and management policy, as well as periodically monitoring internal reporting and control systems. In order to properly perform this duty, the Board is supported by the Executive Committee and a Risk Committee. Both the corporate Global Risk Management (GRM) area and the risk units in the business areas also play an essential role in the Group’s risk management, each with well defined roles and responsibilities. The corporate GRM area establishes the global risk management strategies and policies, while the risk units in 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 function 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 integrally 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), 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 in the business areas.

The Group has developed an integrated risk management system based on these principles and structured around three main **core elements**:

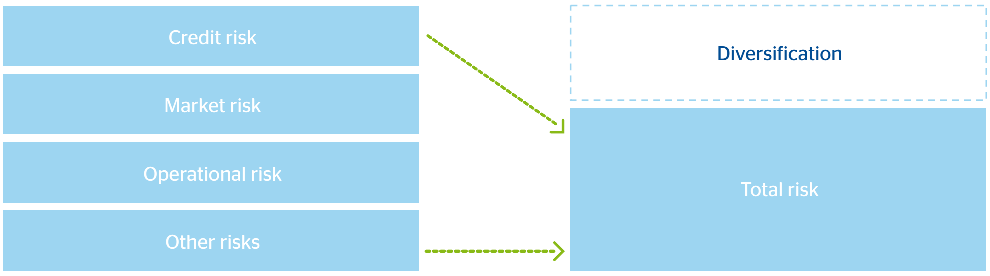
- A set of tools, circuits and procedures that make up different management schemes.
- A system of internal controls.
- A corporate risk governance plan which separates functions and responsibilities.

Integration of risks and overall risk profile

Integration of risks

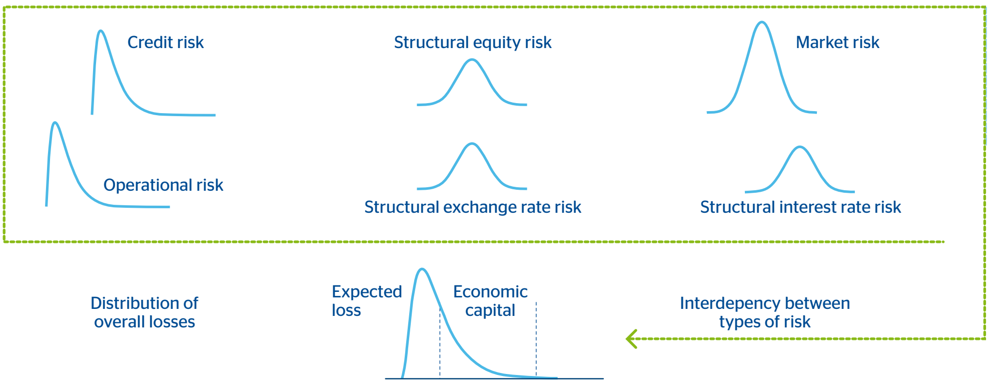
The economic capital required to cover the Group's losses is calculated by integrating the various risks managed by the Entity. The difference between this economic capital and the sum of the individual capital amounts is known as the **benefit of diversification**.

1 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.

2 Risk integration diagram

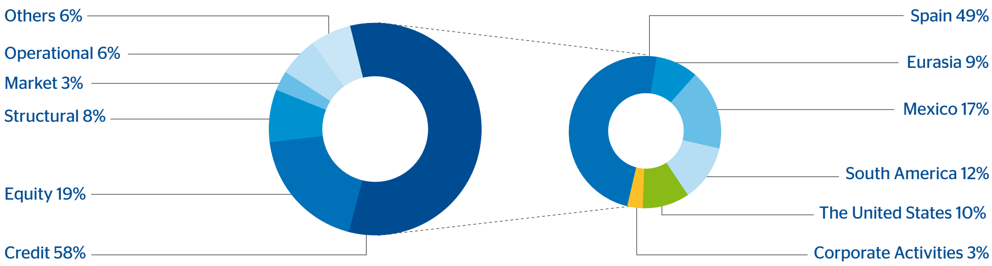


In this framework, the diversification level of each risk depends mainly on the relative size of the risk against global risk, as well as on the correlation among risks and the characteristics of individual loss distributions.

Overall risk profile

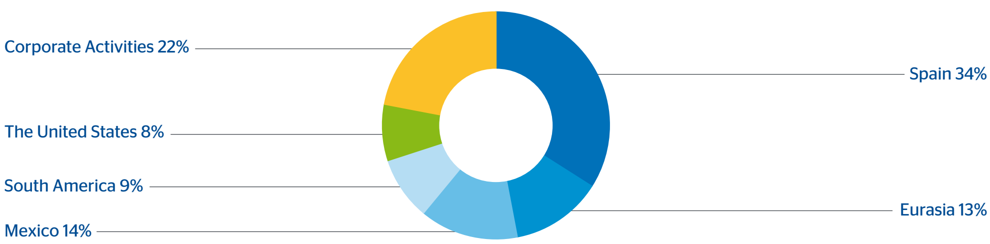
Attributable **economic risk capital** (ERC) consumption reached €36,062m as of December 31, 2012, an increase of 29.4% over 2011 figures, using comparable data[1]. The main risk continues to be credit risk on portfolios originated in the Group branch networks from its own customer base. This accounted for 58.3% of the total with a year-on-year increase of 15.8%, due mainly to the incorporation of Unnim, the increased credit risk on the trading floors of the Assets and Liabilities Committee (ALCO) and the recalibration of parameters carried out in Spain. The ERC for equity reaches a relative weight of 19.4%, up 126.5%, as the calculation of the goodwill generated by stakes in the credit institutions making up the Group has been included in its estimate. Structural interest-rate and exchange-rate ERC is up 58.7%, due to the impact of the inclusion of the goodwill on the foreign-exchange risk. The relative weight of ERC from market operations increases after posting a 78.4% increase due to the incorporation of the elements of Basel 2.5 (stress VaR and IRC).

3 **BBVA Group's economic risk capital. Distribution by type of risk**
(Data in attributable terms 31-12-2012)



In the **breakdown by area**, Spain registers an ERC increase of 14.7% due to the incorporation of Unnim, the recalibration of the models included in mid-year, the increased credit risk on the trading floors of the ALCO and the increased market risk resulting from the application of Basel 2.5. Eurasia grows 8.5% over the previous year due to the trend in the credit risk parameters in Turkey and the increase in the value of the stake in China Citic Bank (CNCB), which increases equity risk. In Mexico, ERC is up 13.8%, due mainly, as regards credit risk, to the recalibration of the parameters and lending growth. As for market risk, ERC in Mexico is up due to the application of the Basel 2.5 criteria. United States reduces its relative weight in global ERC, which is down 10.2% year-on-year due to the improved credit risk profile in the area. ERC in South America grows 12.5%, basically as a result of the general and strong lending growth in all the countries and the appreciation of the currencies in the region.

4 **BBVA Group's economic risk capital. Distribution by business area**
(Data in attributable terms 31-12-2012)



In conclusion, the Group's **recurrent risk-adjusted return** (RAR), i.e., that generated from customer business and excluding one-offs, stood at 18.9%, remaining at high levels in all business areas.

(1) The growth rates presented are calculated against the close as of the same time in December 2011 (€27,874m), 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 revision of other risk models, as compared to the official figure for 2012 (€36,062m).

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 II guidelines.

The Bank quantifies its credit risk using two main metrics: **expected loss** (EL) and **economic capital** (EC). The expected loss reflects the average value of the estimated losses (i.e. the cost of the business) and is associated with the Group's policy on provisions, 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, including 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 EC 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 refining 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, corporate loans, etc. There are different types of scoring: reactive, behavioral, proactive and bureau.

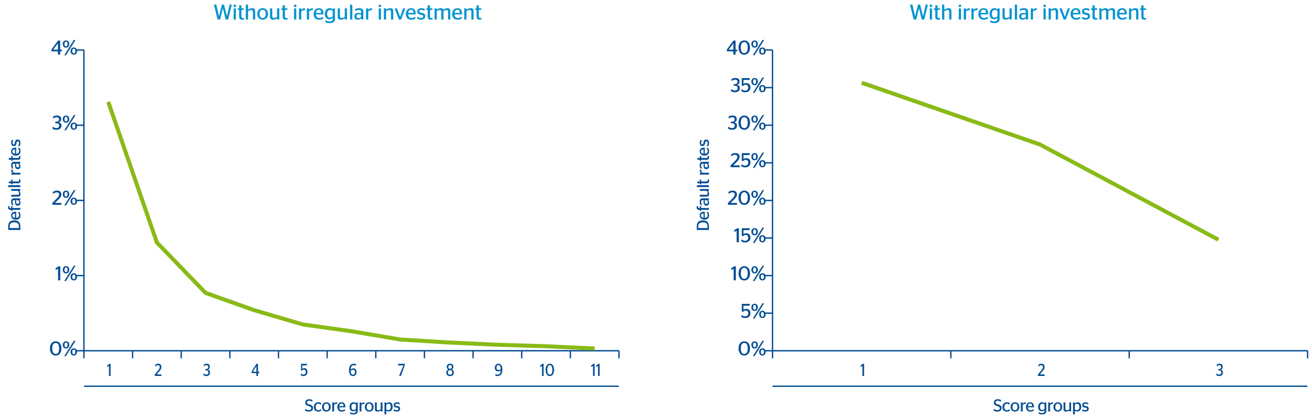
The main aim of **reactive scoring** is to forecast the credit quality of loan applications submitted by customers. It attempts to predict the applicant's probability of default if the application were accepted (applicants may or may not be BBVA customers at the time of application).

The level of sophistication of the scoring model and its capacity to adapt to the economic context enables it to give 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 accompanying charts 5 and 6 show the default rates of some of the reactive scoring tools used by the Group.

5 BBVA Spain consumer finance tool calibration

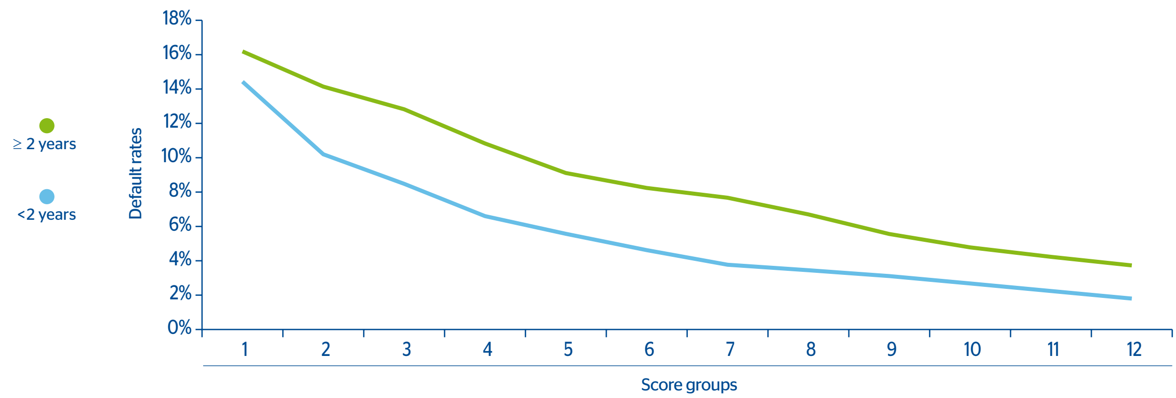
(Default rates for the domestic customer segment, excluding young people and refinancing, based on scoring and irregular investment)[1]



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

6 Reactive scoring tool calibration for Autos Finanzia, BBVA Spain

(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. Chart 5 presents the different one-year consumer default rates of BBVA Spain based on scoring and irregular investmentfor the domestic customer segment, excluding young people and refinancing. Chart 6 presents the different default rates for transactions granted for a period of less than 2 years and those for 2 years or more in BBVA Spain Autos Finanzia. 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.

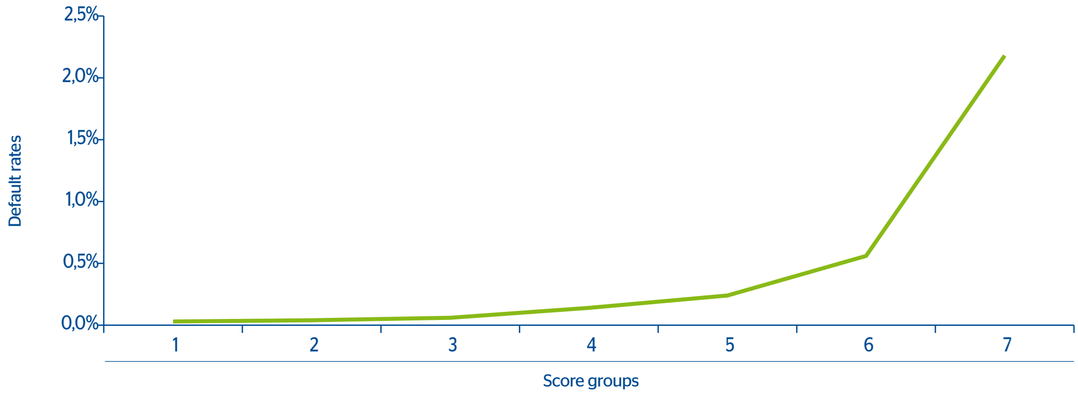
Behavioral scoring is used to review contracts that have already been formalized by incorporating information on customer behavior and on the contract itself. Unlike reactive scoring, it is an analysis, i.e. once the contract has been granted. It is used to review credit card limits, monitor risk, etc., 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.

Chart 7 presents the probability of default curves of the proactive scoring tool for BBVA Spain mortgages in the domestic "positive experience" segment with low loyalty, and excluding refinancing, 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. Chart 8 depicts the behavioral scoring for BBVA Bancomer credit cards.

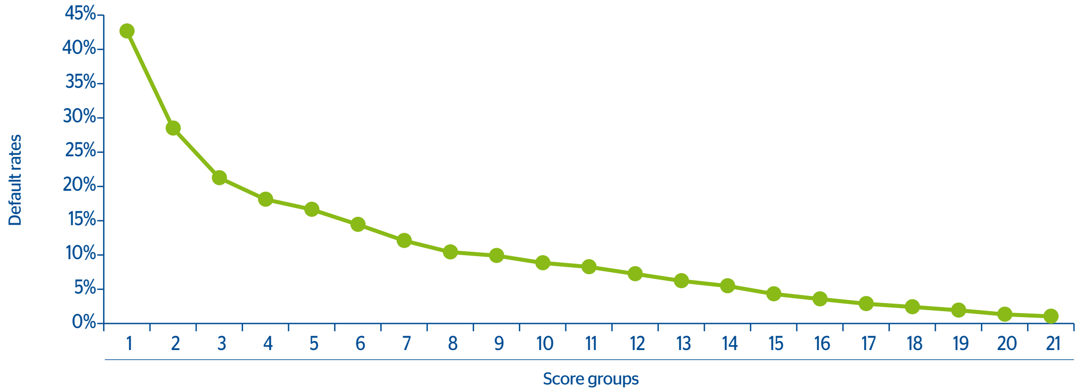
7 Proactive scoring tool calibration for mortgages of individuals in BBVA Spain

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



8 Credit card behavioral scoring tool calibration, BBVA Bancomer

(Default rates by score)



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 latter 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.

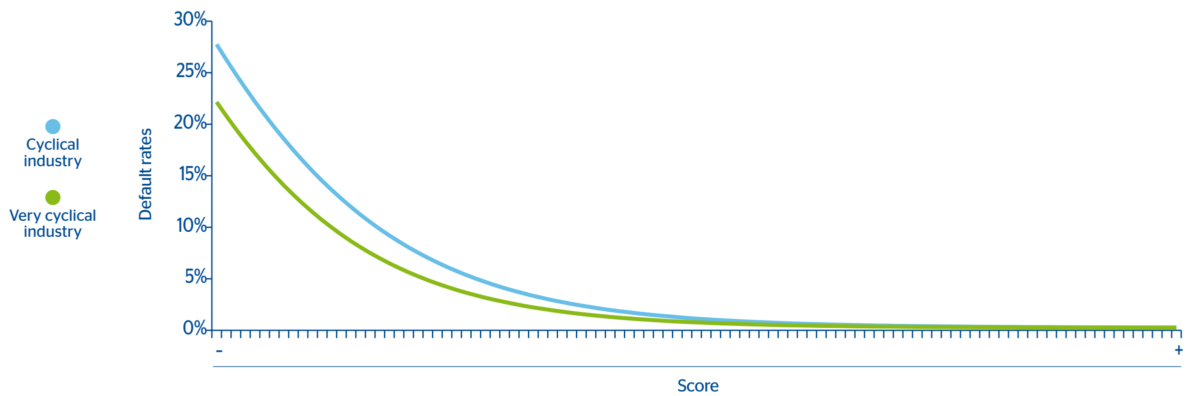
The information provided by the rating tools is used when deciding on accepting transactions and reviewing limits.

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. Chart 9 is an example of a rating tool calibration curve for BBVA Spain companies based on the internal scoring assigned and the sector groups, which show a different cyclicality.

9 Rating tool calibration for BBVA Spain companies

(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.

10 Cycle adjustment mechanism

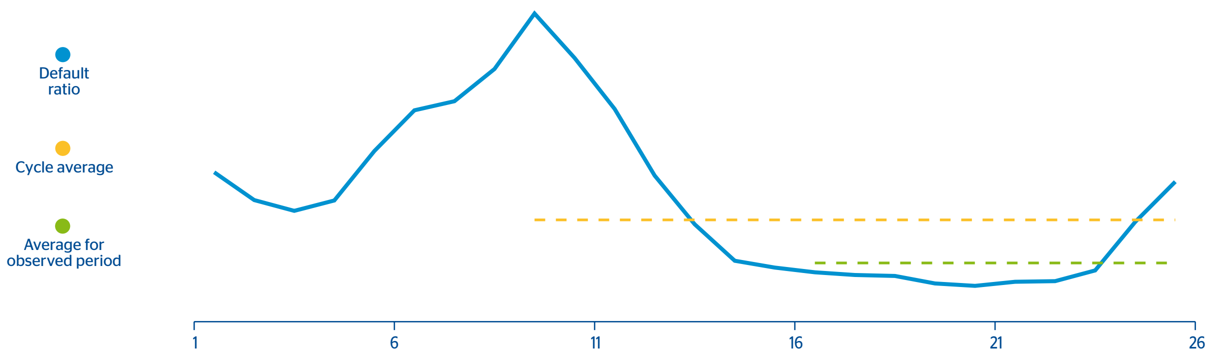


Chart 10 illustrates how the cycle adjustment mechanism works. It shows the hypothetical evolution of a series of default events over a sufficiently long period of time to be considered to include at least one economic cycle. The cycle adjustment model used by BBVA extrapolates the performance of this series of default events to internal data, based on the relationship between the series over one entire cycle and the observation period.

Loss given default (LGD)

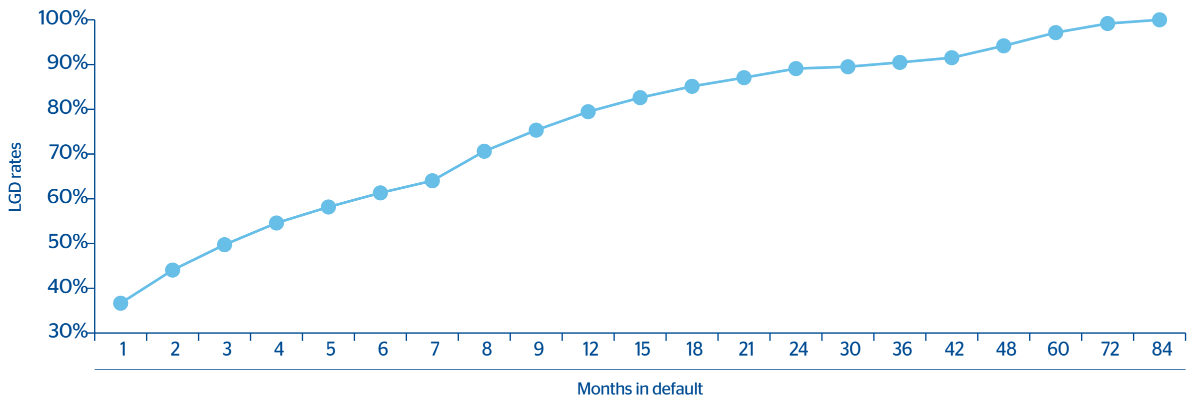
Loss given default (LGD) is another of the key metrics used in quantitative risk analysis. It is defined as the percentage exposure at risk that is not expected to be recovered in the event of default.

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.

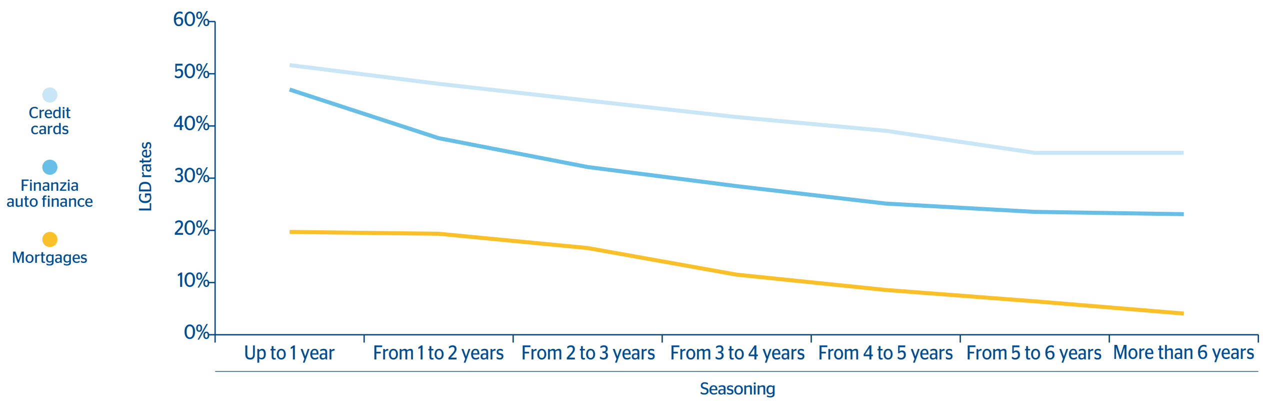
- For contracts already in default, an important factor is **the time elapsed since the default**. The longer the contract has been in default, the lower the recovery of the outstanding debt. For the purposes of calculating the expected loss and economic capital, the contracts that are not in default are also assigned a LGD comparable to contracts that have just defaulted (Chart 11).

11 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 (Chart 12).

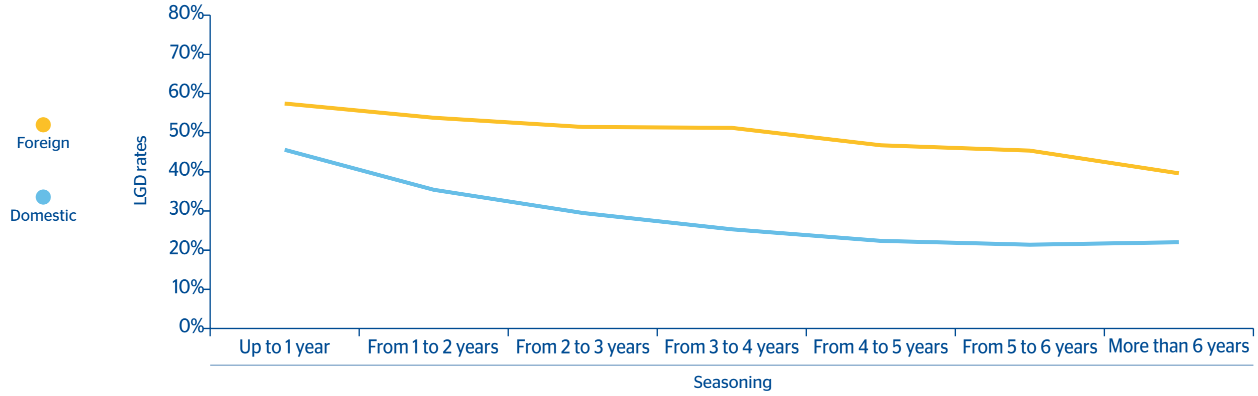
12 LGD curves by seasoning for various products in Spain



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

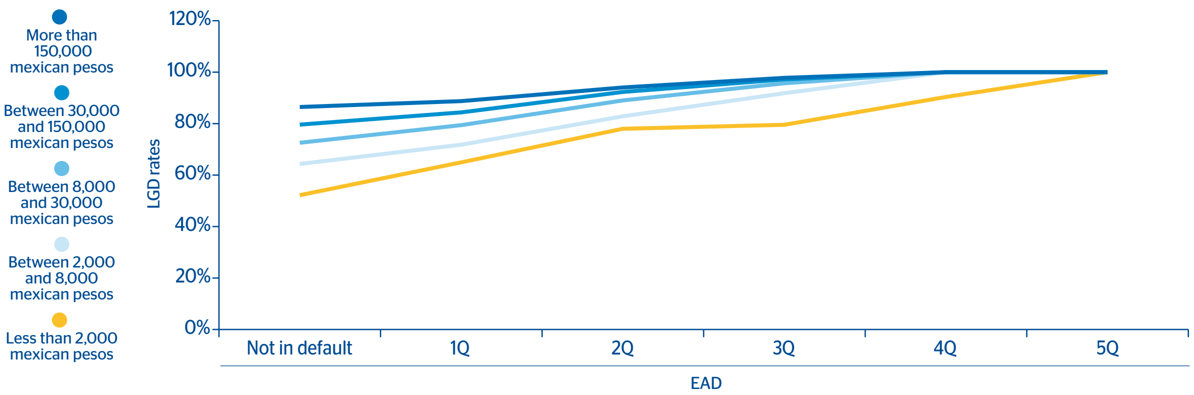
- **Nationality and seasoning.** In recent years, nationality has been a relevant factor in LGD in BBVA Spain retail portfolios (Chart 13).

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



- **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 BBVA Bancomer, where the LGD of credit cards grows with the time in default and increased EAD (Chart 14).

14 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 Chart 13, where LGD is explained according to the seasoning of the contract and its nationality.

Finally, 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.

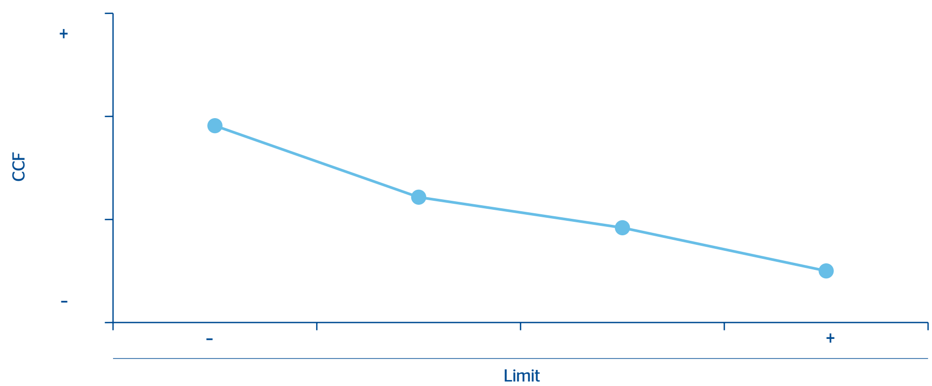
Exposure at default (EAD)

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 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. Chart 15 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.

15 CCFs for BBVA Spain company credit cards (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 2012

The most significant aspects in **2012** regarding credit risk are summarized below:

- The Group's NPA ratio rose due to the macroeconomic situation previously mentioned, together with the decline in lending in Spain and in the Bank's CIB portfolios, mainly in developed countries.

- There was also a new increase in provisions in Spain to cover the gradual impairment of real-estate portfolios and assets within the scope of the Royal Legislative Decrees 02/2012 and 18/2012, in order to comply with the provisions of these two laws.

- In the rest of the geographical areas, asset quality was stable or improved.

As a result, the Group ended 2012 with its main risk indicators as expected and comparing positively with those of most of its peers. As of 31-Dec-2012, the NPA ratio stood at 5.1%, the coverage ratio at 72% and the cumulative risk premium at 2.16%.

BBVA's maximum **exposure** to credit risk stood at €648,039m at the close of December 2012, with a year-on-year increase of 3.7%. Customer credit risks (including contingent liabilities), which account for 62.8% of total credit risk, increased by 1.6% over the same time period. This increase was due mainly to two factors: the incorporation of Unnim and the growth in lending in emerging countries. Potential exposure to credit risk in market activities (23.9% overall), including potential exposure to derivatives (once netting and collateral agreements are considered), also rose by 14.6%, particularly in fixed-income, while undrawn facilities (13.3% overall) fell by 3.1%.

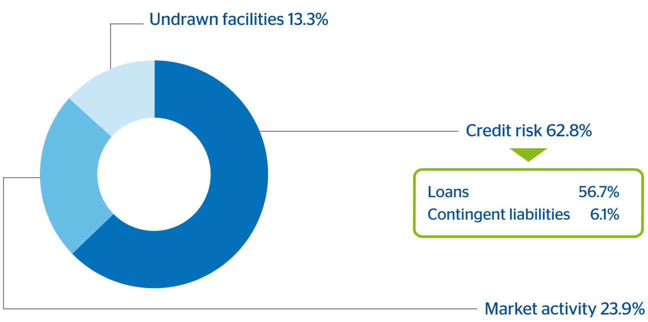
Maximun exposure to credit risk

(Million euros)

	31-12-12							31-12-11	31-12-10
	Spain	Eurasia	Mexico	South America	The United States	Corportate Activities	Total Group	Total Group	Total Group
Gross credit risk (drawn)	**229,290**	**41,960**	**39,542**	**53,672**	**41,505**	**1,158**	**407,126**	**400,709**	**384,069**
Customer lending (gross)	210,828	30,228	38,995	48,728	37,136	1,804	367,719	361,310	348,253
Contingent liabilities	18,463	11,732	547	4,944	4,369	(646)	39,407	39,398	35,816
Market activity	**50,878**	**7,608**	**28,504**	**16,230**	**9,125**	**42,344**	**154,689**	**134,937**	**129,398**
Credit entities	12,463	2,327	4,808	3,332	1,368	2,224	26,522	26,107	23,636
Fixed income	25,275	5,280	22,460	10,107	7,263	40,120	110,505	88,621	88,081
Derivatives	13,141	-	1,235	2,792	494	-	17,662	20,209	17,680
Undrawn facilitites	**27,241**	**16,769**	**13,366**	**6,521**	**22,157**	**168**	**86,223**	**88,978**	**86,790**
Maximum exposure to credit risk	**307,410**	**66,337**	**81,412**	**76,424**	**72,787**	**43,669**	**648,039**	**624,624**	**600,257**

16 BBVA Group. Maximum exposure to credit risk Distribution by type of risk

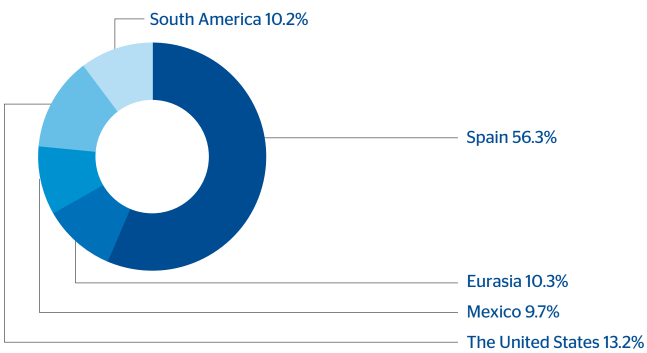
(31-12-2012)



Exposure: 648,039 million euros

17 BBVA Group. Gross exposure to credit risk Distribution by business area

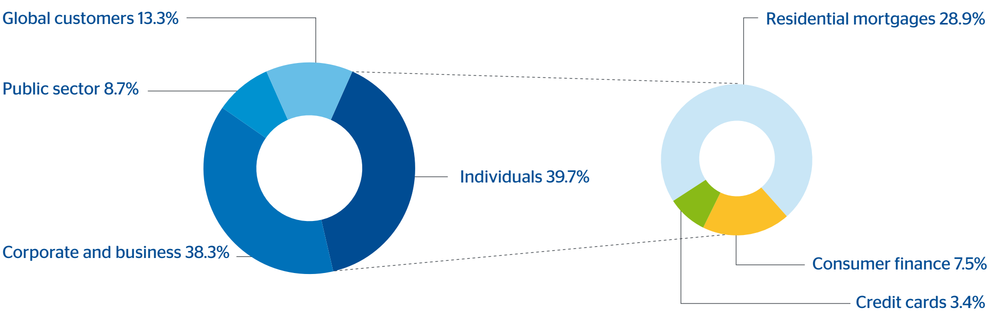
(31-12-2012)



Credit risk: 407,126 million euros

18 BBVA Group. Exposure to customer lending (gross). Distribution by portfolio

(31-12-2012)

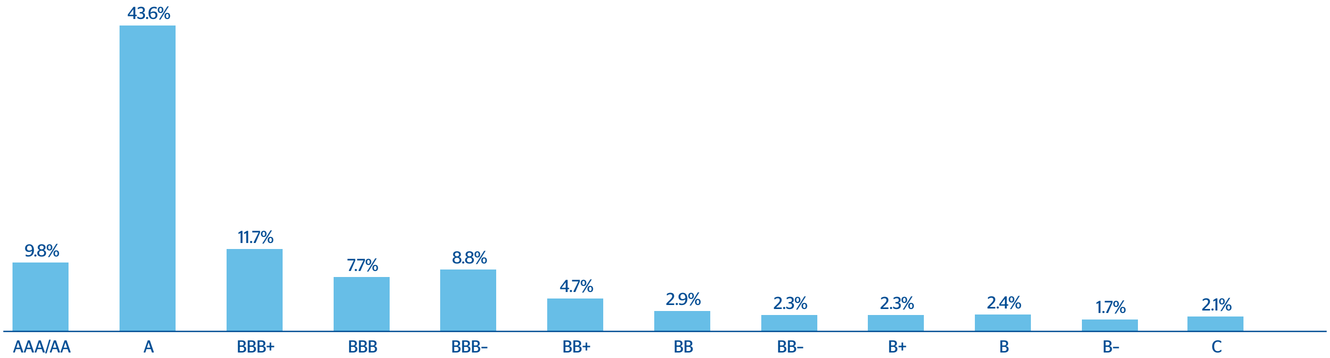


Credit risk: 367,719 million euros

The **exposure breakdown by rating** of the parent company and subsidiaries in Spain, including corporations, financial institutions, and sovereign institutions and customers, shows 53.4% of A or better ratings. Also shown is the breakdown by rating of the business and developer segments handled by BBVA Spain, and of the loan book with corporates and financial institutions in Mexico.

19 Distribution by rating in Spain [1]

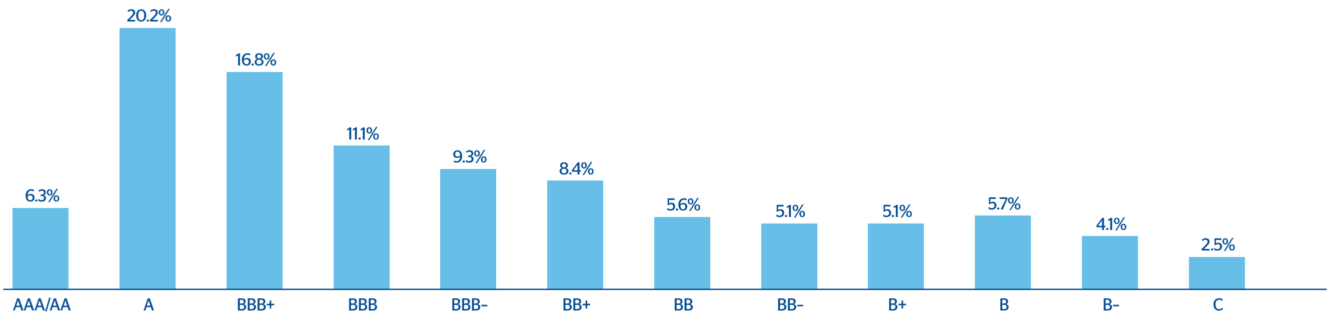
(Exposure as of 31-12-2012)



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

20 Distribution by rating. Corporates and developers in Spain [1]

(Exposure as of 31-12-2012)

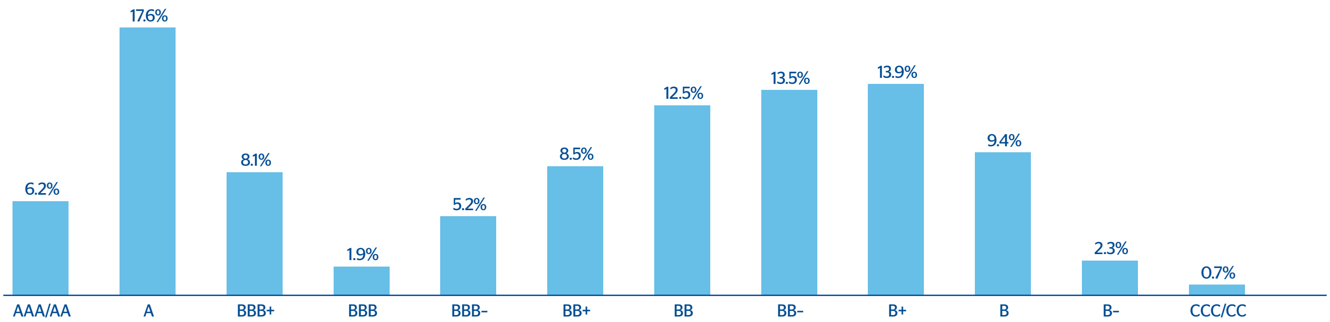


(1) Including only the banking book.

The breakdown of the loan book in Mexico with corporates and financial institutions by rating in Mexico is shown in Chart 21.

21 Distribution by rating in Mexico

(Exposure as of 31-12-2012)



Exposure to the real-estate sector in Spain

BBVA's exposure to the real-estate sector in Spain is limited, and amounts to €27,417m (out of which 56% are developer loans and 44% buildings). The year-on-year increase of €5,501m is basically the result of the incorporation of Unnim, which as of 31-Dec-2012 had an exposure to this sector of €5,791m, or 21% of BBVA Group's total exposure. It should be pointed out that the Unnim deal includes an asset protection scheme (APS) by which the Deposit Guarantee Fund (DGF) will take on 80% of any losses of a predetermined asset portfolio for a period of 10 years, after making use of existing provisions. The risk of incorporating Unnim portfolios into BBVA Group is therefore extremely limited, not only due to their high coverage ratio, but also because of the existence of the APS.

By status of the assets, 76% are classified as problematic (32.5% NPA, 10.0% substandard and 57.5% foreclosed assets) and 24% are performing risk.

The breakdown of the developer loans by type of assets is: 53.2% finished housing, 11.2% housing under development, 26.3% land and 9.4% other assets, including those with personal guarantee.

The most relevant aspect in 2012 is the increase in funds used to cover the additional impairment in the value of assets associated with the real-estate industry owing to the country's worsening macroeconomic situation. As a result, additional funds have been set aside, resulting in an increase over the year of coverage for non-performing and substandard assets, together with assets from foreclosures and purchases, to 43%. Following the effort made in provisions, at the close of 2012 the Group has met the requirements imposed by Royal Decree-Laws 02/2012 and 18/2012.

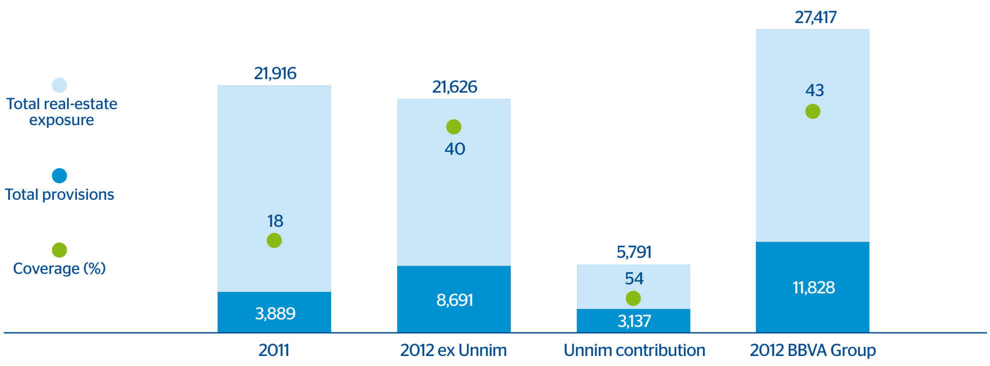
Coverage of real-estate exposure in Spain

(Million of euros as of 31-12-12)

	Risk amount	Provision	% Coverage over risk
NPL + Substandard	8,906	3,854	43
NPL	6,814	3,123	46
Substandard	2,092	731	35
Foreclosed real-estate and other assets	12,059	6,186	51
From real-estate developers	8,894	4,893	55
From Dwellings	2,512	1,020	41
Other	653	273	42
Subtotal	**20,965**	**10,040**	**48**
Performing	6,452	1,788	28
With collateral	5,839		
Finished properties	3,573		
Construction in progress	854		
Land	1,412		
Without collateral and other	613		
Real-estate exposure	**27,417**	**11,828**	**43**

22 Real-estate exposure and coverage in Spain

(Million euros)



Refinancing and restructuring operations

BBVA's business model is to forge and maintain lasting relationships with its customers. Because of this, the basic **goal** of a refinanced or restructured operation is to provide the customer with a lasting financial viability over time to face temporary difficulties, and to adapt debt repayments to the Bank to the customer's new situation of fund generation. In other words, this tool is used to resolve problems of temporary liquidity, and not of solvency, that Bank customers may have with the Bank at any given time. Refinancing and restructuring are 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. A detailed follow-up is conducted and, depending on their evolution, the Group's philosophy on this matter is to classify refinancing risks as **non-performing, substandard or performing loans**, according to the following features:

- Although the customers may be up to date with payments, these operations are classified as impaired for reasons other than default, when there are significant doubts regarding whether the terms of the refinancing will be met.

- They are classified as substandardloans when there is some material uncertainty regarding a possible non-compliance.

- Finally, the others are considered performing risk. However, it should be noted that even if they are considered performing risk, they are classified as performing risk with special monitoring.

Expected losses

Expected losses in the performing portfolio, expressed in consolidated terms and adjusted to the economic cycle average, stood at €3,859m as of the close of December 2012, a year-on-year increase of 10.2% on comparable data. In attributable terms, and also not including the non-performing portfolio, the expected losses as of December 2012 stood at €3,541m, 9.0% higher than the previous year, on comparable data.

The BBVA Group main portfolios show expected losses and economic capital as are detailed in the table Risk statistics for the BBVA Group's main performing portfolios".

Risk statistics for the BBVA Group's main performing portfolios

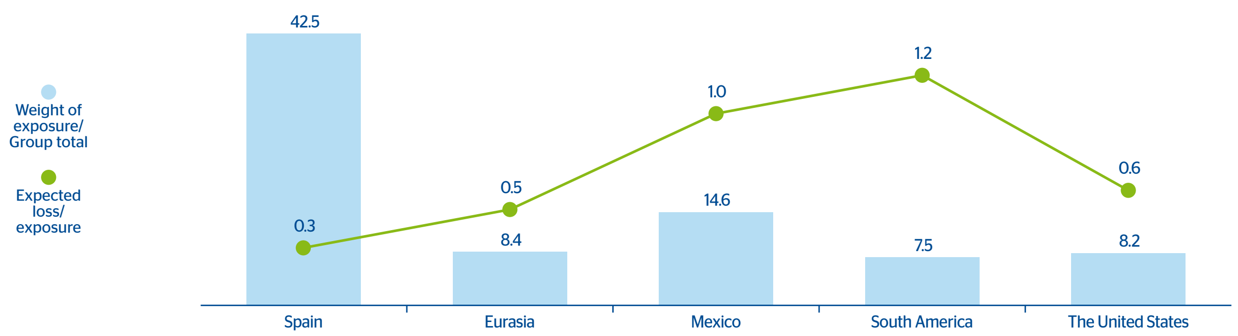
Portfolios	Exposure [1]	Expected loss [2]		Economic capital	
	Million euros	Million euros	%	Million euros	%
Retail mortgage					
Spain	91,010	99	0.11	1,322	1.45
Mexico	10,132	264	2.60	426	4.21
Other	20,691	109	0.53	449	2.17
Total	**121,833**	**471**	**0.39**	**2,197**	**1.80**
Other retail portfolios [3]					
Spain	27,156	205	0.75	1,452	5.35
Mexico	14,940	601	4.02	1,690	11.31
Other	32,194	770	2.39	2,429	7.54
Total	**74,291**	**1,576**	**2.12**	**5,571**	**7.50**
Companies and institutions [4]					
Spain	105,331	708	0.67	4,832	4.59
Mexico	23,450	252	1.07	1,122	4.78
Other	114,452	695	0.61	4,036	3.53
Total	**243,232**	**1,655**	**0.68**	**9,990**	**4.11**

(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 + SME´s + Other retail.
(4) Companies and institutions = Corporate + Companies + Developer + Institutions.

Chart 23 shows expected loss by business area as of 31-12-2012. Spain, with an exposure amounting to 42.5% of the total, has an expected loss-to-exposure ratio of 0.3%; Eurasia, with an exposure of 8.4%, has a ratio of 0.5%; Mexico has a weight of 14.6% and a ratio of 1.0%; South America a weight of 7.5% and a ratio of 1.2%; and the United States, a weight of 8.2% and a ratio of 0.6%.

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

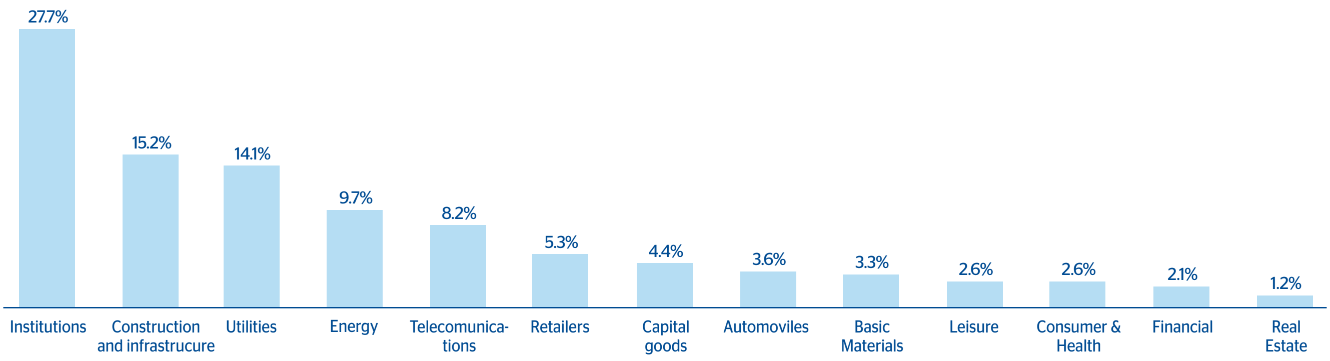
(Percentage over exposure as of 31-12-2012)



Concentration

Excluding sovereign risks and financial institutions, there are 129 holding groups among the Group's clients (135 in 2011), with risk drawn (loans, contingent liabilities, credit derivatives and fixed-income issues) exceeding €200m, of which 71% hold investment grade rating. The credit risk (loans plus guarantees) of these groups accounted for 20% of BBVA Group's total risk (19% in 2010). This risk can be broken down as follows: 80% in Europe and 17% in the Americas (74% in Mexico). Risk is diversified among the main sectors of economic activity, with the most important being: institutions 28%, construction and infrastructure 15%, utilities 14%, energy 10% and telecommunications 8%, as can be seen in Chart 24.

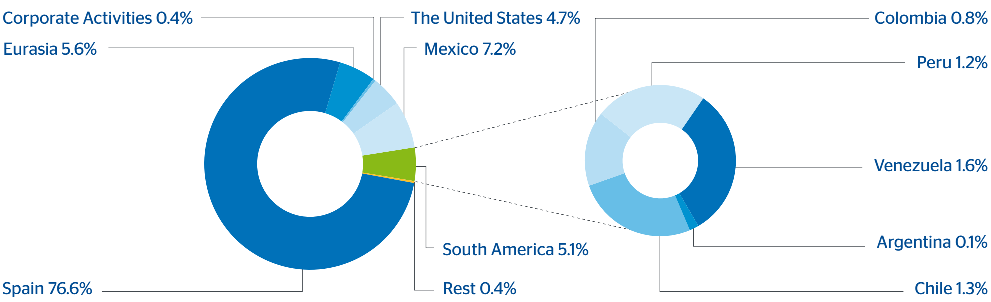
24 Concentration. Distribution by sectors in the BBVA Group
(Risks above €200 million. 31-12-2012)



Non-performing assets and risk premium

Non-performing risks closed as of 31-12-2012 at €20,603m, a rise of over €4.737m over the year. Part of this increase is basically due to the integration of the Unnim balances. At the close of December Unnim's NPA figure stood at €3,122m, but with a high coverage ratio. The rest of the increase can be explained by the worsening NPA ratio in Spain, in line with existing forecasts. With respect to changes in non-performing assets, over 2012 there was a higher level of gross additions to NPA and a slightly lower level of recoveries. As a result, the ratio of recoveries over entries to NPA in 2012 was 57.1%. Many of the additions to NPA were subjective in nature.

25 BBVA Group. Non-performing loans. Distribution by business area
(31-12-2012)



Non-performing risks: 20,603 million euros

The following tables show the changes in the period from January 1 to December 31, 2012 for impaired loans and non-performing contingent liabilities, both for the BBVA Group as a whole and for each business area.-

BBVA Group. Variation in non-performing assets

(Million euros)

	2012	2011	2010
Beginning balance	**15,866**	**15,685**	**15,602**
Entries	14,525	13,045	13,207
Recoveries	(8,291)	(8,992)	(9,063)
Net entry	**6,234**	**4,053**	**4,144**
Write-offs	(4,395)	(4,093)	(4,307)
Exchange differences and others	2,899	221	246
Final balance	**20,603**	**15,866**	**15,685**

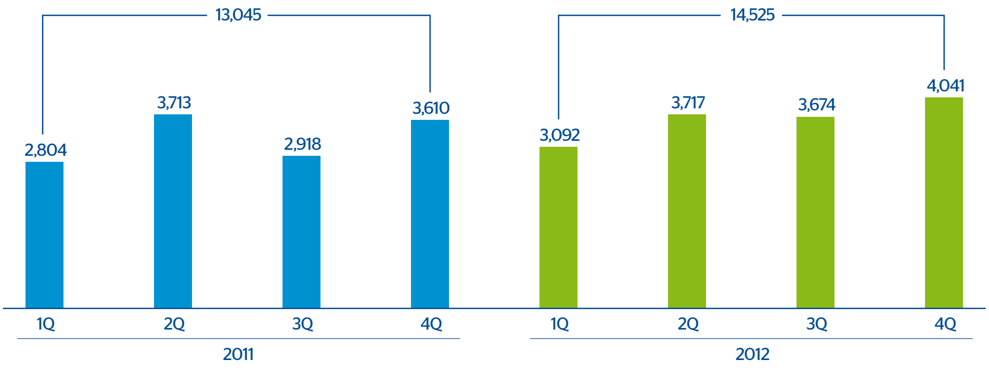
BBVA Group. Variation in non-performing assets by business area

(Million euros)

	Spain		Eurasia		Mexico		South America		The United States	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Beginning balance	**11,176**	11,289	**701**	311	**1,275**	1,181	**996**	880	**1,616**	1,964
Entries	**3,754**	1,998	**594**	200	**1,370**	1,317	**543**	363	**(84)**	113
Write-offs	**(2,249)**	(2,151)	**(137)**	(46)	**(1,212)**	(1,126)	**(437)**	(263)	**(346)**	(496)
Exchange differences and others	**3,098**	40	**3**	236	**56**	(97)	**20**	16	**(208)**	35
Final balance	**15,778**	11,176	**1,160**	701	**1,488**	1,275	**1,121**	996	**978**	1,616

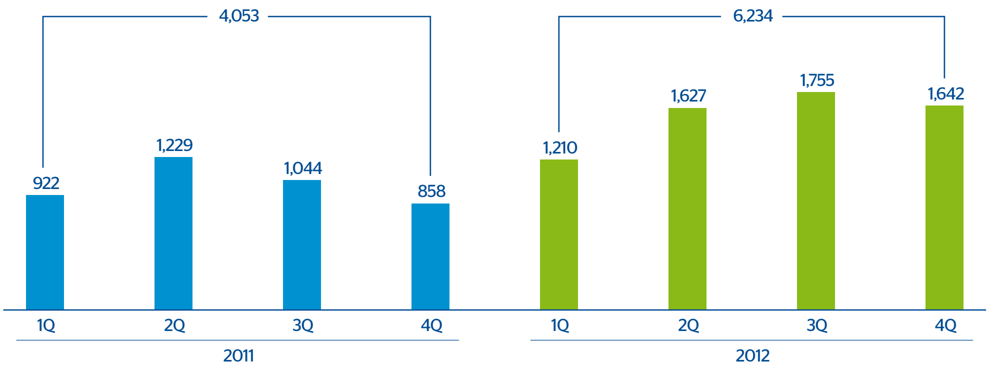
26 BBVA Group. NPA entries

(Million euros)



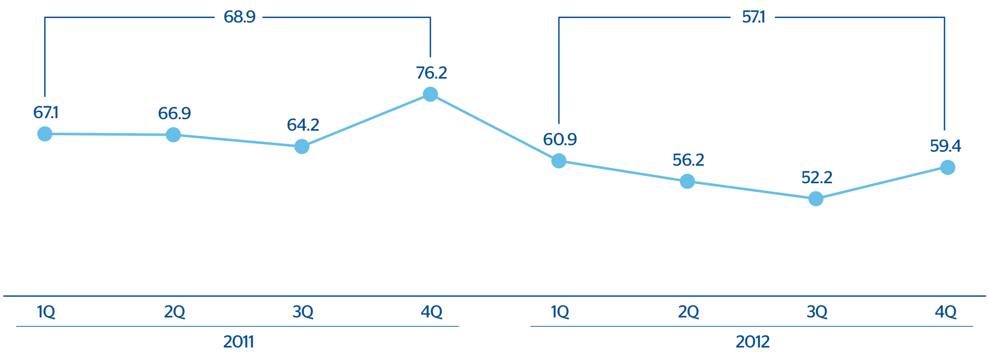
27 BBVA Group. Net NPA entries

(Million euros)



28 BBVA Group. NPA recoveries

(Percentage)



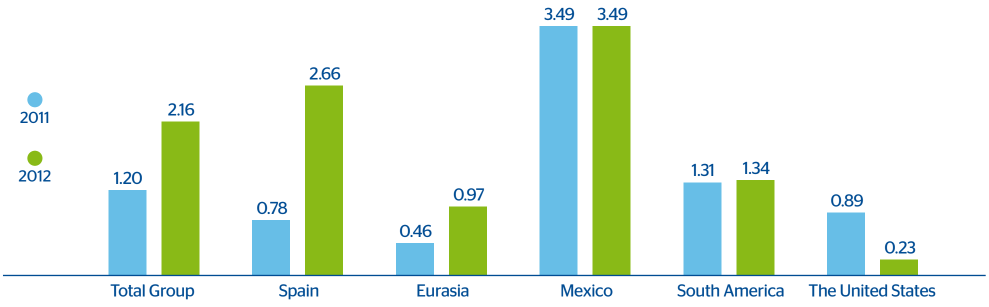
The Group's **NPA ratio** at the end of December 2012 stood at 5.1%, up 110 basis points over the year. Of this rise, 56 basis points are the result of the aforementioned integration of Unnim. The rest is mainly the result of the deterioration of the economic situation in Spain, combined with the financial deleveraging process underway, as a result of which the ratio in the area amounted to 6.9% at the close of December 2012. In Mexico, the NPA ratio was stable over the year and closed at 3.8%. In Eurasia, it rose to 2.8%. In the United States it fell significantly once again to 2.4%, thanks to another improvement in the franchise's asset quality. Finally, the ratio in South America dropped slightly from 2.2% at the end of 2011 to 2.1% at the close of December 2012.

The Group's **risk premium**, which measures the charge against earnings made for net loss provisioning per lending unit, increased by 96 basis points in 2012 to 2.16%. By business area, the risk premium increased to 2.66% in Spain and 0.97% in Eurasia, while in Mexico it remained at 3.49% and in South America at 1.34%. In the United States it fell by 66 basis points to 0.23%.

Provisions for customer risk increased to €14,804m over the year. This represents an increase of 52.8% on the figure at the close of December 2011, mainly due to a significant increase in provisions in Spain and, to a lesser extent, to the incorporation of Unnim. As a result, the Group's **coverage ratio** has improved by 11 percentage points to 72%. By business area, Spain and the United States increased their ratios to 67%, 90%, respectively. South America maintained its ratio at 146%. Mexico closed the year at 114% and Eurasia at 87%.

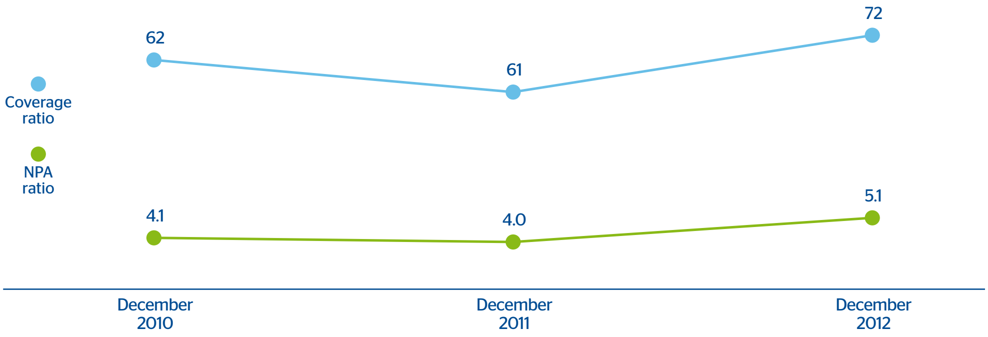
29 BBVA Group. Risk premiums by business area

(Percentage)



30 BBVA Group. NPA and coverage ratios

(Percentage)



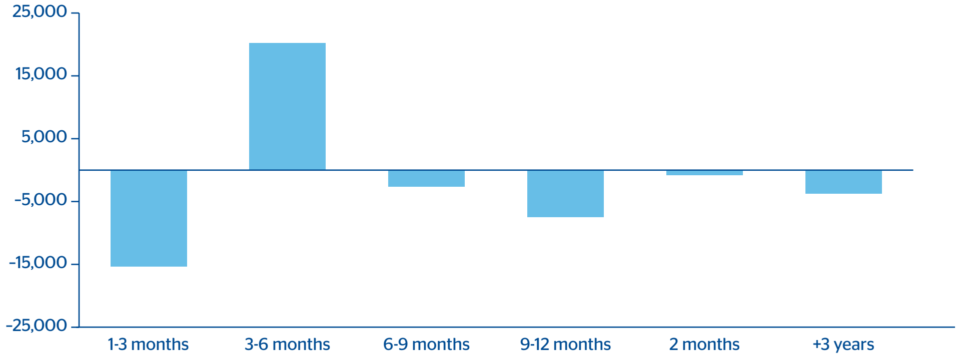
Structural risks

Structural interest-rate risk

In **2012** the economic slowdown became more pronounced, particularly in the Euro Zone, where the crisis was aggravated by the doubts regarding the capacity of the peripheral countries to undertake fiscal and structural reforms. This situation led to new falls in interest rates in Europe, where they stood at all-time lows, as well as in the United States and Mexico. In South America, central banks maintained an expansive policy, despite upward pressure on inflation.

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 depreciation in 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.

31 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 to its business, while at the same time represents an opportunity to generate value. That is why structural interest-rate risk should be managed effectively and retains a reasonable relation to its equity and expected earnings.

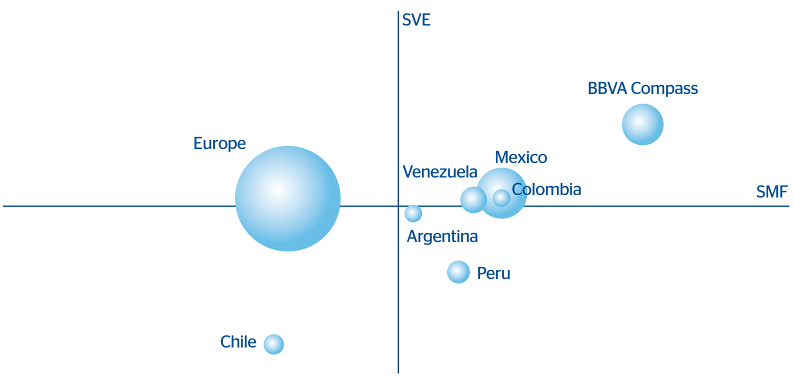
The **management** of structural risks in BBVA Group is handled by the **Balance-Sheet Management** unit, within the Financial Management area. Through the Asset and Liability Committee (ALCO), the unit is in charge of maximizing the Bank's economic value, preserving net interest income and guaranteeing the generation of recurrent 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 strategy and policies defined by the Group's management bodies. BBVA has a transfer pricing system that centralizes the 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 keeping the Group's solvency, supporting its strategy and ensuring the successful development 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) 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 sensibility measures in response to a parallel shift of +/- 100 basis points of 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 particular 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.

Chart 32 shows the sensitivity profile of the main franchises of BBVA Group.

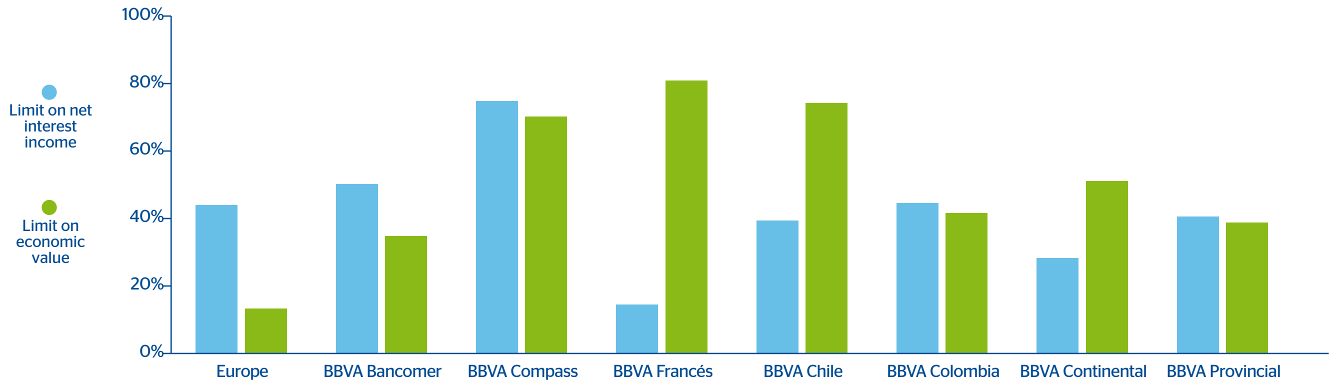
32 BBVA Group. Structural interest-rate risk profile



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

The risk appetite of each franchise is determined by the Executive Committee through the **limits structure**. Thus the maximum negative impacts, in terms of both earnings and value, are controlled in each entity. In 2012 active balance-sheet management has enabled exposure to remain aligned with the Group's target risk profile, as shown in Chart 33.

33 Structural interest-rate risk. Average use of limits in 2012



Interest rate risk measurement is supplemented by analysis of BBVA Research's scenarios, as well as stress testing, which evaluates extreme scenarios of a possible breakthrough in both interest-rate levels and historical correlations and volatility.

Structural exchange-rate risk

The **foreign exchange market** has been volatile throughout the year. It has been affected by the uncertainty surrounding the crisis evolution in the Euro Zone. This situation has led to the general appreciation in Latin American currencies against the euro, particularly in the case of Mexico and Chile. As a result, exchange rate fluctuations have contributed to BBVA Group closing the year on a positive note in capital ratios and in equity terms.

BBVA's **structural exchange-rate risk** management aims to minimize the potential negative impact from fluctuations in exchange rates on the book value 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 for monitoring and analyzing risks, standardizing risk management metrics and providing tools that can anticipate potential deviations from targets. 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 **Balance Sheet Management** unit, through ALCO, designs and executes the hedging strategies with the main purpose of minimizing the potential negative impact of exchange-rate fluctuations on capital ratios, as well as hedging 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 Balance Sheet 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.

Apart from monitoring exposure and sensitivity to different currencies, risk control and management are based on probabilistic metrics that estimate maximum impacts for different confidence levels. Limits and alerts are established 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 scenarios and stress. This gives a complete overview of the Group's exposure to structural exchange-rate risk.

In **2012**, in an environment that has once again been marked by uncertainty and market volatility, a policy of prudence was maintained. This has moderated the risk assumed, despite the growing contribution of "non-euro" results to the Group's earnings and equity. The hedging level of the carrying value in books of BBVA Group's holdings in foreign currency has remained at an average of 42%. Hedging of foreign-currency earnings has been at levels of close to 50%. At the end of the year, there was still significant hedging of the foreign-currency earnings forecast for 2013.

Liquidity and funding risk

Liquidity and funding risk management aims to ensure that a bank does not have any difficulties in meeting its payment commitments, and that it does not have to make use of funding under onerous conditions. The 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.

Movements on international financial markets in **2012** continued to be conditioned by the sovereign debt crisis in the Euro Zone. During the second half of the year, the main risks were the fiscal situation in the United States and Japan, together with greater vulnerability in some other countries with a lower than expected rate of growth. Between May and the end of July there was a further tightening of financial conditions in the Euro Area, above all in Spain and Italy. This led to tougher funding conditions for both public and private sectors, and in particular for credit institutions.

Although tensions in financial markets in the Euro Area have eased since the end of July, the situation has not fully returned to normal and the level of uncertainty remains high. In this environment of extreme pressure in both the wholesale and retail businesses, BBVA has continued with its sound structural liquidity position, supported by the strengths and proactive management of its balance sheet. The Bank has carried out the following actions:

- Ongoing maintenance of a sufficient buffer of liquid assets, fully available to cover the Entity's main short-term commitments, in line with regulatory proposals.

- Significant improvement in the self-funding ratio of commercial activity.

- Diversification of the different sources of funding available in terms of instruments, markets and maturities.

- Broad base of highly stable on-balance-sheet deposits and funds.

- Optimization of the generation of collateral available for dealing with situations of market tension.

Despite the context outlined above, in 2012 BBVA has taken advantage of all the windows of opportunity and issued wholesale senior debt and mortgage-covered or public-covered bonds, with a good uptake and a spread that was always below the credit default swap (CDS) level. Over the year as a whole issuance amounted to more than €14,000m. It is worth noting that BBVA has a good medium and long-term funding structure with good product diversification (senior debt, subordinated debt, covered bonds, etc.). In this way, the Bank has also been able to minimize the level of use of short-term funding and strengthen its funding structure.

BBVA Group has continued to strengthen its medium-term liquidity strategy, based on the principles that govern liquidity management in the Bank:

- Decentralized management.

- Independence of subsidiaries.

- Combination of self-funding of investment 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 recurrent earnings.

The Finance Division, through the Balance-Sheet 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 Balance-Sheet Management unit plans and executes the funding of the structural long-term gap in each balance sheet, and proposes to the ALCO the actions to adopt with respect to this matter. Once the proposals are agreed by ALCO, the Balance-Sheet Management unit guarantees the coordination and standardization of the processes in all the geographical areas.

Structural risk in the equity portfolio

The **GRM** corporate area undertakes ongoing monitoring of structural risk in its equity portfolio in order to limit the potential negative impact that an adverse performance by its holdings may have on the Group's solvency and earnings recurrence. This also ensures that the risk is kept within levels that are compatible with BBVA's target risk profile.

The **scope of monitoring** includes the investments in capital held by the Group in industrial or financial companies and accounted as investment portfolio. These holdings include those consolidated in the Group, although in this case changes in value do not have an immediate effect on equity. Positions held in derivatives whose underlying assets are of this type are also taken into account in order to limit the portfolio sensitivity to potential falls in prices.

The GRM corporate area estimates the risk levels assumed and monitors the level of compliance with the limits set, according to the risk appetite and as authorized by the Executive Committee, and periodically informs the Group's senior management of these aspects. The mechanisms of risk control and limitation hinge on the key aspects of exposure, earnings and economic capital. Economic capital measurement is also built into the risk-adjusted return metrics to ensure efficient capital management in the Group. Within GRM, CRM is the unit responsible for informing the Executive Committee and the Risk Committee of the effect on BBVA Group of any critical market conditions that may occur in the future. Stress tests and sensitivity analyses 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.

In **2012**, structural equity risk management has been aimed at safeguarding the book value of the Group's holdings, taking into account the current context of financial crisis. Thus, active management, together with a hedging policy, has enabled the Group to maintain the risk taken, measured in terms of economic capital, at moderate levels.

Risk in market units

For yet another year, **2012** was characterized by the continuing economic crisis in Spain, with continued market instability and pressures on prices. This has caused continuing market instability and pressures on prices. 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 desks is controlled and monitored 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 2 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 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 (Value at Risk) 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 proposed by the corporate GRM area and approved by the Executive Committee on an annual basis, once they have been submitted to the Board's Risk Committee. This limits structure is developed by identifying specific risks by type, trading activity and trading desk. The market risk units maintain consistency between the limits. This system of limits is supplemented by measures of the impact of extreme market movements on risk positions held.

The **stress analysis** is currently carried out based on historical crisis scenarios. The reference historical scenario today is the collapse of Lehman Brothers in 2008. Economic crisis scenarios are also prepared, which are updated on a monthly basis and drawn up *ad hoc* for each one of the Group's trading floors. These scenarios identify the most significant market risk positions and assess the possible impact that fluctuations in market variables may have on such positions.

BBVA continues working to improve and enrich the information provided by the stress tests, drawing up scenarios to detect the possible combinations of impacts on the market variables that might have a significant effect on the performance of trading portfolios, completing the information provided by VaR and the historical scenarios and acting as a warning indicator that supplements the policies for measuring and controlling normal risks.

In order to assess business unit performance over the year, the accrual of negative earnings is linked to the reduction of the VaR limits that have been set. The control structure in place 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. All the tasks associated with stress testing, methodologies, scenarios of market variables and reports are coordinated among BBVA Group's various risk areas.

Finally, the market risk measurement model includes **backtesting**, or *ex-post* comparison, which helps to refine the accuracy of the risk measurements by comparing day-on-day management results with their corresponding VaR measurements.

Market risk in 2012

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 **2012**, the market risk of the Group's trading book decreased on the previous year to an average economic capital of €242m.

34 BBVA Group. Market risk evolution in 2012

(VaR, million euros)

The main risk factor in the Group continues to be linked to interest rates, with a weight of 72% of the total at the end of 2012 (this figure includes the spread risk). Equity risk accounts for 5%, a decrease on the figure 12 months prior. The exchange-rate risk also decreased its weight slightly to 5%. Finally, the volatility risk increased and accounts for 18% of the total portfolio risk.

BBVA Group. Market risk by risk factor in 2012

(Million euros)

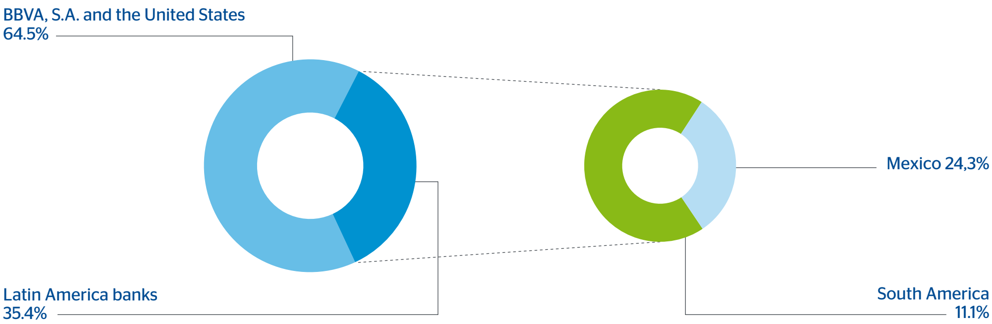
VaR by risk factor	Interest/ Spread risk	Currency risk	Stock-market risk	Vega/ Correlation risk	Diversification effect (*)	Total
Average VaR						22
Maximum VaR	35	2	3	11	(21)	31
Minimum VaR	21	3	1	11	(21)	15
End-of-period VaR	**35**	**3**	**3**	**9**	**(19)**	**30**

(*) 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, 64.5% of the market risk corresponded to the BBVA, S.A and the United States trading floors and 35.4% to the Group's banks in Latin America, of which 24.3% is in Mexico.

35 BBVA Group. Market risk by geographical area

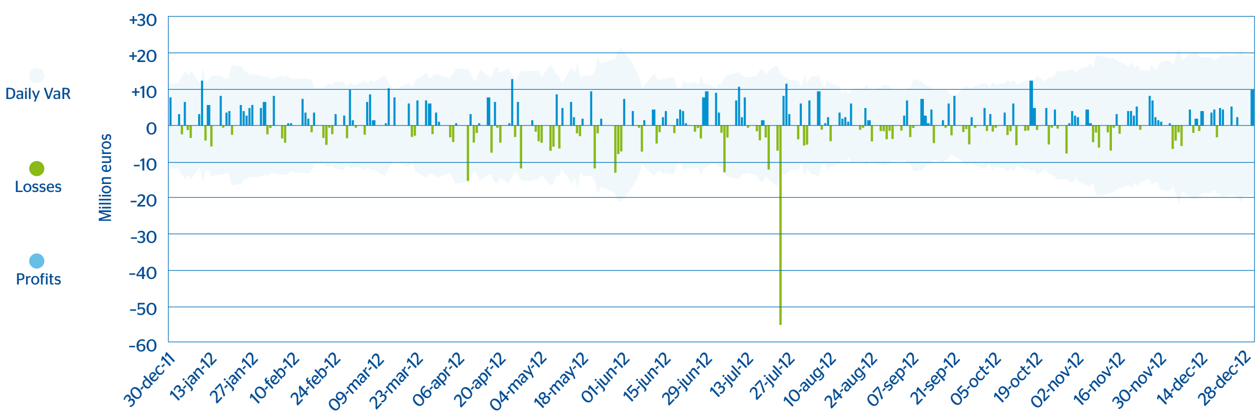
(Average 2012)



The **backtesting** comparison performed with market risk management results for the parent company (which accounts for most of the Group's market risk) follows the principles set out in the Basel Accord. It makes a day-on-day comparison between actual risks and those estimated by the model, and proved that the risk measurement model was working correctly throughout 2012 (Chart 36).

36 BBVA, S.A. internal backtesting model in 2012

(Estimated VaR without smoothing versus daily results)



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-2012 stood at €60,796m, an increase of 4% on 2011 year-end. Excluding intra-group counterparties, the maximum risk in derivatives is €59,755m.) Maximum exposure to credit risk in derivatives at BBVA, S.A. is estimated at €55,516m (€55,081m excluding intra-group counterparties). BBVA S.A.'s overall reduction in terms of exposure due to netting and collateral agreements is €42,375m.

Therefore, the net risk in derivatives at BBVA, S.A. as of December 31, 2012 is €13,123m. Excluding the exposure with intra-group counterparties, the net risk in derivatives at BBVA, S.A. as of December 31, 2012 is €12,707m.

Counterparty risk by type of product and by sector. Maximum exposure in BBVA, S.A.

(Million euros)

	Derivatives	Depos	Repurchases	Rest	Total
Financial sector	4,788	231	162	53	5,234
Corporate	5,245	-	-	(50)	5,195
Sovereign	80	17	-	3	100
Branches	2,594	-	-	-	2,594
Total	**12,707**	**248**	**162**	**6**	**13,123**

The table above shows the **distribution by sectors and by products** of the amounts of the maximum credit risk exposure in financial instruments in BBVA, S.A. By sectors, exposure is mainly concentrated in financial institutions (40%) and corporates (40%).

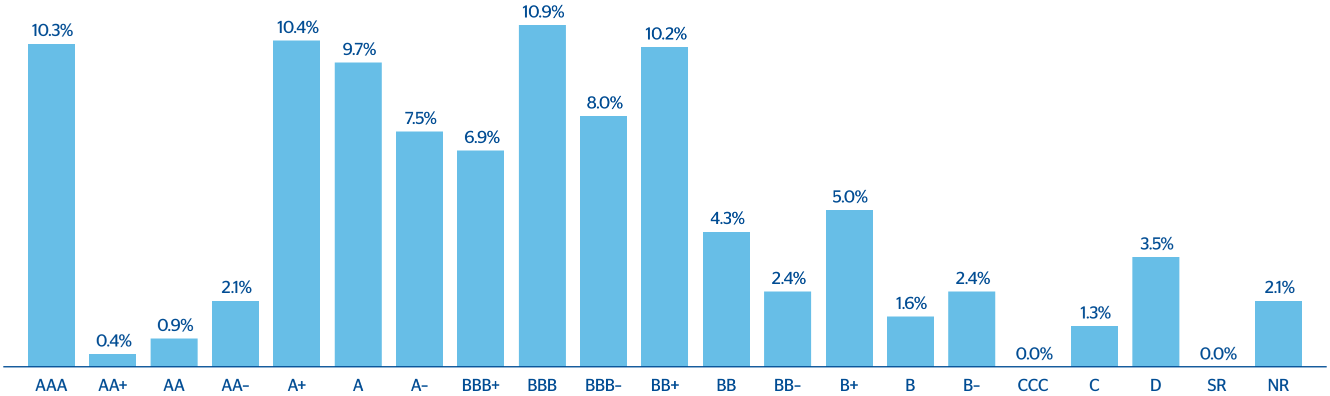
The table below shows the **distribution by maturity** of the maximum exposure amounts in financial instruments. Maturity index is 3.5 years.

Maturity vector by rating and tranches at BBVA, S.A. (excluding intra-group counterparties. Data as of december 2012) (Million euros)

	Up to 3 months	Up to 12 months	Up to 3 years	Up to 5 years	Up to 10 years	More than 10 years
AAA	-	108	-	-	439	681
AA	19	45	133	75	75	37
A	1,171	808	758	310	612	370
BB	136	960	717	218	368	288
Non investment grade	94	430	549	329	336	510
NR	5	24	60	36	44	36
D	-	6	12	15	115	174

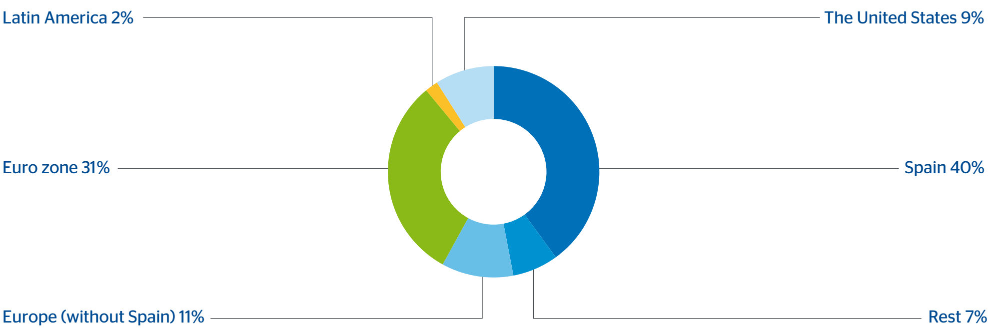
The **counterparty risk** assumed in this activity involves entities with a high credit rating (equal to or above A- in 41% of cases).

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



By **geographical areas**, the maximum exposure of BBVA, S.A. is in counterparties in Europe (82%) and the United States (9%), which together account for 91% of the total.

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



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

39 Characteristics of BBVA's operational risk management model

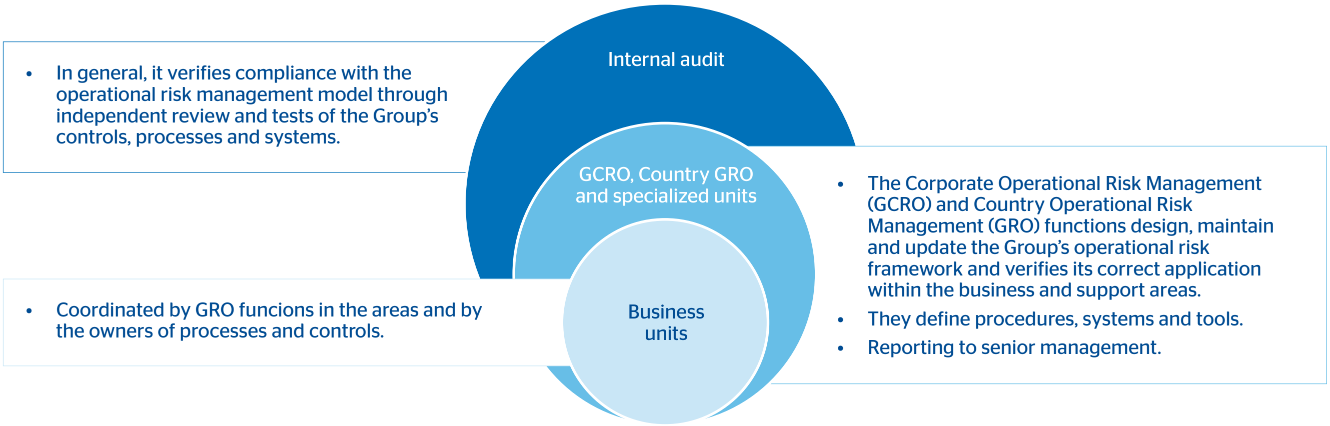
Soundness	Board - Holding - Country – Unit
Depth	Model created in 1999 using a database since 2002
Integrated into management	Capital, budgets, incentives, internal benchmark, culture
Forward looking	Uses future variables for analysis, calculation and mitigation
Proactive focus	Identifies and prioritizes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

In **2012** an integrated internal control and operational risk methodology was implemented across the Group as a development of the self-assessment Ev-Ro tool, which in 2012 has been updated in the same time. The methodology identifies risks in organizational units, generates exercises which 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. In order to provide the required support for this methodology, the Group has developed a new corporate IT system: STORM (Support Tool for Operational Risk Management), which includes indicators and scenarios modules.

Operational risk management framework

BBVA Group's operational risk management model 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 prepared to identify, measure, monitor, control and mitigate operational risks and losses; and c) tools and methodologies that quantify operational risk in terms of capital.

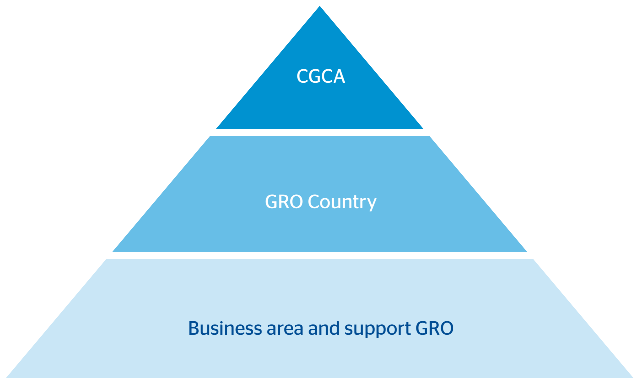
40 Operational risk management framework: Three lines of defense



Operational risk management in BBVA is designed and coordinated from the Corporate Operational Risk Management (GCRO) function, belonging to the GRM area, and from the Operational Risk Management (GRO) units, located in the Risk departments of the different countries and business areas. In turn, business or support areas have operational risk managers who report to the aforementioned units, and who 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.

Each business and support unit has one or more GRO committees that meet on a quarterly basis. These committees analyze the information provided by the Group's risk tools and make the appropriate mitigation decisions. Above these GRO committees is the country-level GRO Committee, which deals with the most significant risks and their corresponding mitigation plans, as well as risks that cut across different areas. The Global Corporate Assurance Committee (CGCA) is the highest-level body in the parent company, and undertakes a general monitoring of the Group's main operational risks. The Board of Directors is responsible for establishing the risk control and management policy and for periodically monitoring the internal reporting and control systems.

41 Operational risk management framework: Organizational structure



BBVA is working 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 constructed 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 type (SIRO database).
   - 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 as well as reducing the Group's exposure to extreme events.

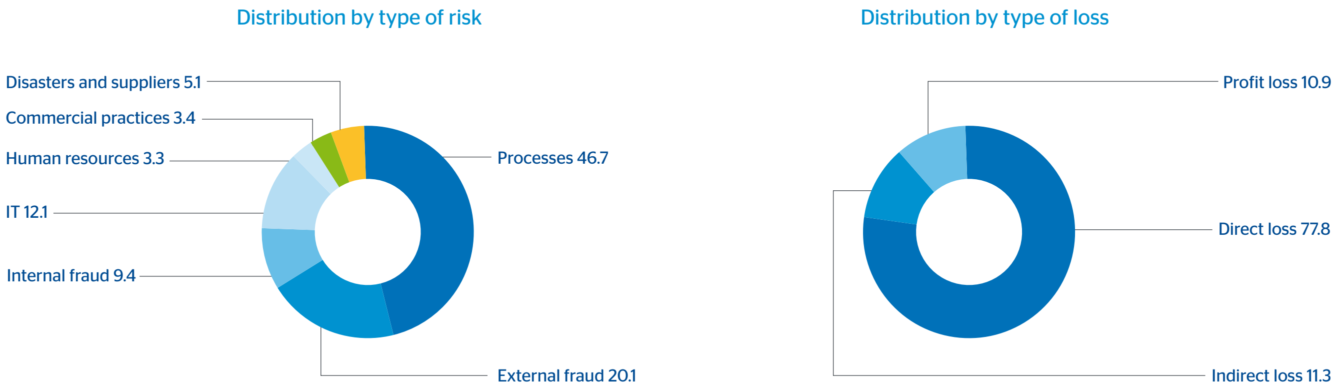
2. Improved control environment and strengthened corporate culture.
3. Generation of a positive reputational impact.

The Group's operational risk profile

Below are two charts that show BBVA's operational risk profile. Chart 42 shows the Group's risk as assessed through the Ev-Ro tool. Chart 43 provides a historical distribution of losses in the different geographical areas where BBVA operates, classified by type of risk.

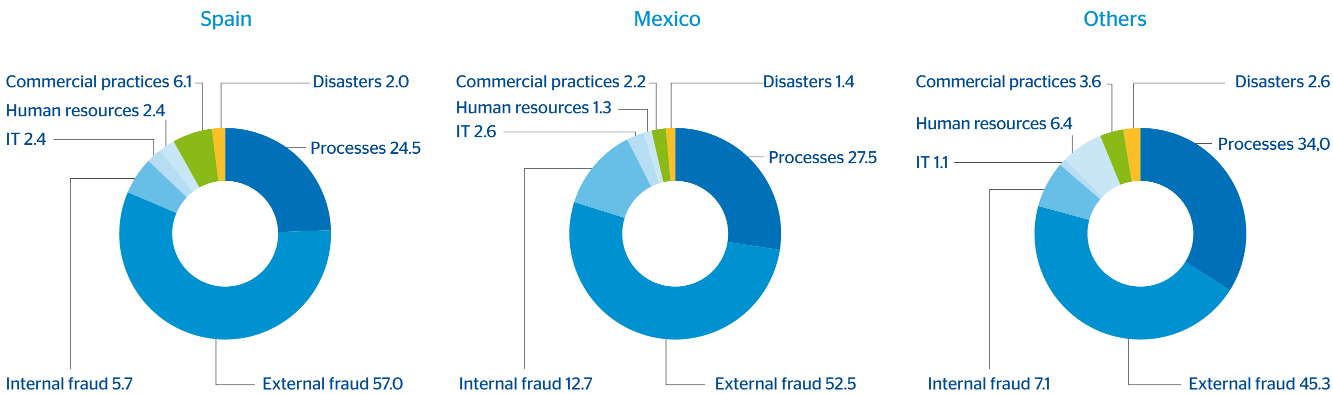
42 BBVA Group. Risk assessed with the Ev-Ro tool

(Percentage)



43 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, the Integrated Operational Risk System), 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	701	AMA
Mexico	441	AMA
Others	867	Standard
Others	205	Basic
Total	**2,214**	

Approval of new Businesses, products and services

In 2012, the Corporate Operational Risk Management (*Gestión Corporativa de Riesgo Operacional*, GCRO) function prepared 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 in 2013. 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 and geographical areas.
- A definition of the stages and tasks that the approval processes must achieve, as well as the people 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.

Reputational risk

This is another type of risk that is defined as the risk associated with changes in the perception that stakeholders (customers, stockholders, employees, etc.) have of the Group and its component brands. Credit, market and operational risk may generate reputational risk.

Reputational risk is analyzed and measured at the country level using a methodology developed jointly by GCRO and by the Brand and Communication/Corporate Responsibility and Reputation units. Each country has a Corporate Responsibility and Reputation Committee to assess and oversee the management of this type of risk. However, the action plans themselves belong to the business and support areas. There is also a Social, Environmental and Reputational Risk Committee in the parent company to enhance and coordinate management of this type of risk at the Group level.

Risk management in non-banking activities

Insurance and fund administration activities

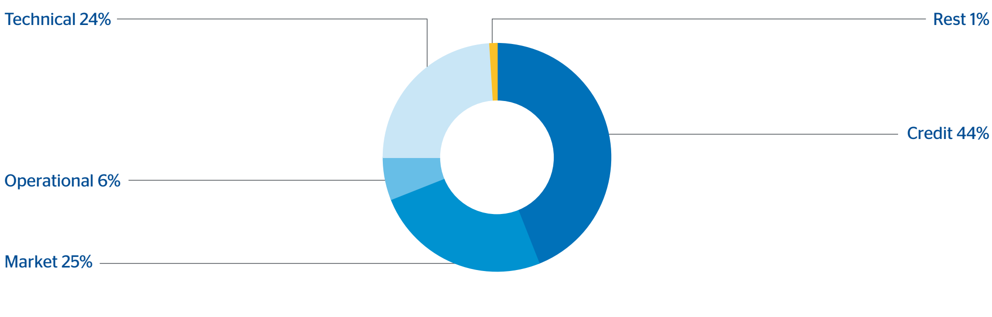
The risk **functions** in the insurance and mutual and pension fund administration activities are integrated into the Retail Banking GRM unit in order to assist the business in managing its risks, while supporting its strategy and development. Therefore, Retail Banking GRM centralizes the management of these risks through the Insurance & Prevision and Asset Management & Fiduciary Risk corporate 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: unique, independent and global function following the relationship model between the corporate area and the risk units of the business areas. Therefore, 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, but adapted 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 BBVA Group and the basis for calculating attributable profit and risk-adjusted return.

The economic capital of the **insurance activity** in 2012 stood at €913m. Of this amount, credit risk accounts for 44%, market risk for 25% and technical risk for 24%.

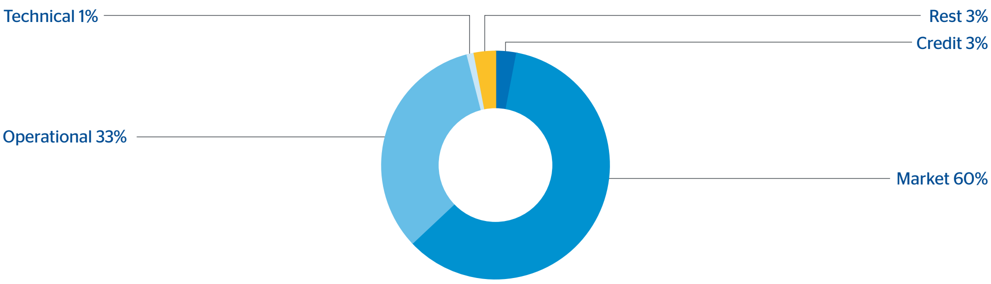
44 Insurance companies. Economic capital breakdown by type of risk
(31-12-2012)



Total economic capital: 913 million euros

The economic capital of the **Pensions business in the Americas** is estimated at €168m. Market risk, essentially resulting from the regulatory reserve requirement (related to the volume of assets under management), accounts for 60% of total economic capital, and as second in relevance, operational risk accounts for 33%. The BBVA Group is currently undergoing a divestiture process in these businesses.

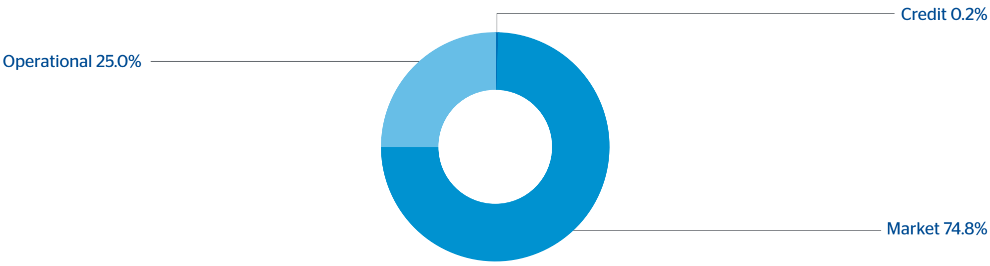
45 Pensions in the Americas. Economic capital breakdown by type of risk
(31-12-2012)



Total economic capital: 168 million euros

In **mutual fund administration**, the economic capital at the end of 2012 stood at €234m, guarantee risk being the main component.

46 Asset Management. Economic capital breakdown by type of risk
(31-12-2012)



Total economic capital: 234 million euros

Real-estate business risk

Because of the current economic background, **improvement** in this area has been necessary, adapting risk models of BBVA's real-estate activities to the current market situation. This adjustment largely consists of calculating the fair value of these assets, according to the corporate methodology, with the aim of estimating potential losses.

Risk is estimated by simulating variations in the price of housing while taking into account the appraisal value and the main drivers identified (volatility, project delays, liquidity, etc.) for the defined time horizon. The model also has a portfolio focus, segmenting the information of each project and asset.

The result obtained, which is called **economic capital** (the standard metric with the rest of the Group's risks), is integrated into the BBVA capital map.

Management of ESG risks

BBVA integrates "**ESG**" variables into its risk management system. The ESG (environment, social and corporate governance) variables aim to manage extra-financial risks that can affect the credit profile of a borrower or financing project and may threaten the repayment of the debt. This is summed up in the following lines of action:

- **Ecorating**: BBVA uses the Ecorating tool to value the risk portfolio of companies from an environmental point of view. It assigns each customer a level of credit risk according to a combination of various factors such as location, polluting emissions, consumption of resources, potential to affect the environment or applicable legislation. In 2012, BBVA has analyzed the environmental risk of 200.771 customers in Spain using the Ecorating tool

- **Equator Principles**. These are global standards for determining, assessing and managing ESG risks when providing finance and advice for investment projects with a capital cost of over USD 10m. The criteria emanate from the performance standards of the International Finance Corporation and have been developed by the most active banks in project finance worldwide. BBVA does not take into consideration this minimum threshold, but rather applies the principles to all transactions, irrespective of the amount and the destination or allocation of the funds: not only to new projects or significant expansions, but also to project funding, acquisitions, refinancing, etc. As for the scope by product, BBVA extends them to consulting, bridge loans, projects in operation, project bonds, assignment of credit rights and buyer's credit.

- Activity with **multilateral banks** for regional development. In 2012, BBVA maintained close institutional and business relations with Multilateral Financial Institutions (MFI) which contribute to regional development, including the World Bank, the European Investment Bank (EIB), the Inter-American Development Bank (IDB), the Andean Development Corporation (ADC) and the European Bank for Reconstruction and Development (EBRD). These institutions require that the recipients of their funds have in place environmental, social, ethical and corporate governance risk management systems. The activities carried out during the year include: international trade financing, co-financing of projects, financial intermediation transactions, debt issues on local capital markets and trading floor operations.

- **Sector policies**. Since 2005, BBVA had a policy on the financing of the defense sector which underwent a major review in 2011. All of the Group's areas involved took part in the process, with advice from worldwide experts in the field and dialog with the most relevant stakeholders. The result of this work has been the defense-related policy approved in 2012, which expands the scope of the previous one and enhances it in terms of clarity and simplicity, guaranteeing compliance and traceability in line with the needs revealed by the Bank's internal audit.

Categories of financing and advice projects according to the Equator Principles

(Million euros)

		2012			2011			2010		
	Category	Number of operations	Total amount	Amount financed by BBVA	Number of operations	Total amount	Amount financed by BBVA	Number of operations	Total amount	Amount financed by BBVA
Europe and North America	A	-	-	-	-	-	-	-	-	-
	B	18	9,550	1,071	43	23,060	3,069	37	14,344	1,593
	C	8	1,482	271	26	1,687	572	30	3,679	963
Total Europe and North America		**26**	**11,033**	**1,341**	**69**	**24,748**	**3,641**	**67**	**18,023**	**2,555**
Latin America	A	4	1,380	135	1	158	53	-	-	-
	B	19	3,652	781	13	5,381	1,245	22	4,379	975
	C	7	438	190	4	275	120	2	211	84
Total Latin America		**30**	**5,470**	**1,106**	**18**	**5,814**	**1,419**	**24**	**4,590**	**1,059**
Rest of Group	A	1	6,615	78	-	-	-	-	-	-
	B	2	56	28	2	690	161	4	1,625	206
	C	-	-	-	2	1,905	184	-	-	-
Total Rest of Group		**3**	**6,670**	**106**	**4**	**2,595**	**345**	**4**	**1,625**	**206**
Total Group		59	23,173	2,553	91	33,157	5,404	95	24,238	3,820

Category A: projects with a significant negative impact that may affect a wider area than that considered by the project.
Category B: projects with a minor negative impact on the human population or on areas of environmental importance.
Category C: projects with a very small or no impact on the environment.
Scope: BBVA Group

Business areas

Business areas

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

In 2012 the main change in the **reporting structure** of the business areas of the BBVA Group has been the transfer to the United States of the assets and liabilities of a branch in Houston, which previously belonged to Mexico (BBVA Bancomer). This has been done taking into account the geographical nature of the Group's reporting structure. In addition, other changes have been made that affect other areas and which owing to their irrelevant nature need no comment.

Thus, the composition of the **business areas** in 2012 is very similar to that existing in the previous year:

- **Spain**, which includes: The retail network, with the segments of individual customers, private banking, and small businesses in the domestic market; Corporate and Business Banking (CBB), which handles the needs of SMEs, corporations, government and developers in the country; Corporate & Investment Banking (CIB), which includes activity with large corporations and multinational groups; Global Markets (GM), with the trading floor and distribution business in the domestic market; and other units, among them BBVA Seguros and Asset Management (management of mutual and pension funds in Spain).

- **Eurasia**, which includes business in the rest of Europe and Asia. Europe includes BBVA Portugal, Consumer Finance Italia and Portugal, the retail business of the branches in Paris, London and Brussels, the wholesale activity carried out in the region (excluding Spain) and Turkey (including the stake in Garanti). Asia includes all the retail and wholesale business in that continent and the stake in CNCB and CIFH.

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

- **United States**: encompasses the Group's business in the United States.

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

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

Finally, the **Corporate Activities** area includes the rest of items that are not allocated to the business areas, as in previous years. These basically include the costs of headquarters with a strictly corporate function, certain allocations to provisions such as early retirements and others also of a corporate nature. Corporate Activities also performs financial management functions for the Group as a whole; essentially management of asset and liability positions for interest rates in the euro-denominated balance sheet and for exchange rates, as well as liquidity and capital management functions. The management of asset and liability interest-rate risk in currencies other than the euro is recorded in the corresponding business areas. Lastly, it includes certain portfolios and assets not linked to customers, with its corresponding revenues and costs, such as the industrial and financial holdings and the Group's real-estate assets in Spain assigned to headquarter services and foreclosed or purchased assets.

In addition, **supplementary information** is provided of the global business (formerly called Wholesale Banking & Asset Management –WB&AM– and now Corporate & Investment Banking) carried out by the BBVA Group. This aggregate does not include the asset management business. This aggregate of businesses is considered relevant to better understand the BBVA Group because of the customers served, the type of products offered and the risks undertaken.

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

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

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

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

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

- **Internal transfer prices**: Internal transfer rates are applied to calculate the net interest income of each business, on both the assets and liabilities. These rates are composed of a market rate that depends on the revision period of the operation, and a liquidity premium that reflects the conditions and prospects of the financial markets in this area. Earnings are distributed across revenue-generating and distribution units (e.g., in asset management products) at market prices.

- **Assignment of operating expenses**: Both direct and indirect costs are assigned to the business areas, except where there is no clearly defined relationship with the businesses, i.e. when they are of a clearly corporate or institutional nature for the Group as a whole.

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

Recurrent economic profit by business area

(January-December 2012. Million euros)

	Adjusted net attributable profit	Economic profit (EP)
Spain	1,840	619
Eurasia	984	378
Mexico	1,853	1,245
South America	1,081	684
The United States	283	(36)
Corporate Activities	(864)	(884)
BBVA Group	**5,177**	**2,006**

Mayor income statements items by business area

(Million euros)

	BBVA Group	Business areas					Corporate Activities
		Spain	Eurasia	Mexico	South America	The United States	
2012							
Net interest income	15,122	4,836	847	4,164	4,291	1,682	(697)
Gross income	22,441	6,784	2,210	5,758	5,363	2,395	(69)
Operating income	11,655	3,967	1,432	3,586	3,035	812	(1,176)
Income before tax	1,659	(1,841)	1,054	2,225	2,240	667	(2,686)
Net attributable profit	**1,676**	**(1,267)**	**950**	**1,821**	**1,347**	**475**	**(1,649)**
Net attributable profit (adjusted) (1)	**4,406**	**1,211**	**950**	**1,821**	**1,347**	**475**	**(1,397)**
2011							
Net interest income	13,152	4,391	802	3,776	3,161	1,635	(614)
Gross income	20,028	6,328	1,961	5,321	4,101	2,324	(8)
Operating income	10,290	3,541	1,313	3,385	2,208	827	(984)
Income before tax	3,446	1,897	1,176	2,146	1,671	(1,020)	(2,425)
Net attributable profit	**3,004**	**1,352**	**1,031**	**1,711**	**1,007**	**(691)**	**(1,405)**
Net attributable profit (adjusted) (1)	**4,505**	**1,480**	**1,031**	**1,711**	**1,007**	**320**	**(1,043)**
2010							
Net interest income	13,316	4,898	333	3,648	2,494	1,825	117
Gross income	20,333	7,072	1,060	5,278	3,402	2,583	939
Operating income	11,573	4,211	769	3,452	1,877	1,061	202
Income before tax	6,059	3,127	660	2,137	1,424	336	(1,625)
Net attributable profit	**4,606**	**2,210**	**575**	**1,683**	**889**	**260**	**(1,011)**
Net attributable profit (adjusted) (1)	**4,872**	**2,151**	**575**	**1,683**	**889**	**260**	**(649)**

(1) In 2011, during the fourth quarter, US goodwill imparment charge. In 2010, 2011 and 2012, impairment charge related to the deterioration of the real-estate sector in Spain. And in 2012, impact of Unnim badwill.

Spain

Income statement

(Million euros)

	Spain			
	2012	∆%	2011	2010
Net interest income	**4,836**	**10.1**	**4,391**	**4,898**
Net fees and commissions	1,607	10.0	1,461	1,673
Net trading income	(13)	n.m.	11	3
Other income/expenses	355	(23.6)	464	497
Gross income	**6,784**	**7.2**	**6,328**	**7,072**
Operating costs	(2,818)	1.1	(2,787)	(2,861)
Personnel expenses	(1,679)	(0.5)	(1,687)	(1,723)
General and administrative expenses	(1,043)	4.0	(1,002)	(1,040)
Deprecation and amortization	(96)	(1.9)	(98)	(97)
Operating income	**3,967**	**12.0**	**3,541**	**4,211**
Impairment on financial assets (net) (1)	(5,710)	233.6	(1,711)	(1,321)
Provisions (net) and other gains (losses) (1)	(98)	n.m.	68	236
Income before tax	**(1,841)**	**n.m.**	**1,897**	**3,127**
Income tax	575	n.m.	(546)	(914)
Net income	**(1,267)**	**n.m.**	**1,352**	**2,212**
Non-controlling interests	(1)	106.4	(0)	(3)
Net attributable profit	**(1,267)**	**n.m.**	**1,352**	**2,210**
Adjusted (2)	(2,478)	n.m.	(128)	58
Net attributable profit (adjusted) (2)	**1,211**	**(18.2)**	**1,480**	**2,151**

(1) The third quarter of 2010 includes €223 million, respectively stemming from the sale-and-leaseback of retail branches, and their allocation to generic provisions for NPA for the same amount.
(2) In 2010, 2011 and 2012, impairment charge related to the deterioration of the real-estate sector in Spain.

Balance sheet

(Million euros)

	Spain			
	31-12-12	∆%	31-12-11	31-12-10
Cash and balances with central banks	11,427	(14.5)	13,373	4,026
Financial assets	77,867	12.9	68,974	62,438
Loans and receivables	221,906	(1.6)	225,480	229,112
Loans and advances to customers	200,568	(4.3)	209,543	213,768
Loans and advances to credit institutions and others	21,338	33.9	15,937	15,344
Inter-area positions	-	-	-	-
Tangible assets	823	(8.9)	903	952
Other assets	5,127	57.4	3,257	2,658
Total assets/Liabilities and equity	**317,151**	**1.7**	**311,987**	**299,186**
Deposits from central banks and credit institutions	52,274	17.2	44,592	29,242
Deposits from customers	126,777	10.4	114,832	127,445
Debt certificates	8,235	124.6	3,668	105
Subordinated liabilities	2,986	(48.4)	5,788	5,600
Inter-area positions	44,251	(32.4)	65,471	75,024
Financial liabilities held for trading	53,157	9.9	48,351	34,757
Other liabilities	17,360	(7.3)	18,727	16,914
Economic capital allocated	12,110	14.7	10,558	10,100

Significant ratios

(Percentage)

	Spain		
	31-12-12	31-12-11	31-12-10
Efficiency ratio	41.5	44.0	40.5
NPA ratio	6.9	4.8	4.8
NPA coverage ratio	67	44	44
Risk premium	2.66	0.78	0.60

Spain highlights in 2012

- Favorable positioning in the sector's restructuring.
- Overall increases in market share.
- Positive performance of customer deposits.
- Strong operating income.
- Increased impairment of assets related to the real-estate sector.
- BBVA Spain named best global bank by *The Banker*.

Definition of the area

This area includes BBVA Group's businesses in all the segments it manages in the country. From July 27 2012, it also includes the activities of Unnim Banc, S.A.

Spain serves 9.8 million customers through its 31,697 employees and a solid distribution network, with 3,518 branches and 5,995 ATMs.

Macroeconomic and industry trends

The **Spanish economy** is in the midst of a far-reaching adjustment process of its activity and employment, a process which in the most likely scenario will extend to the first half of 2013 and will reduce GDP by 1.3%, in 2012 and by 1.1% in 2013. In 2012, the Government has implemented a broad agenda of structural reforms focused mainly on making the economy more competitive. Some of the most important reforms are as follows:

- A labor reform to make the job market more flexible and stimulate the growth of the most dynamic companies and sectors.
- An unprecedented fiscal adjustment to enable the deficit to be reduced to 3% of GDP in 2014.
- Public administrations' suppliers payment mechanism which has meant a liquidity injection into the Spanish productive system.
- Lastly, financial system restructuring aimed at reestablishing and reinforcing its soundness.

In this context, Spanish financial institutions have carried out their banking activity in a context of necessary credit deleveraging (more pronounced in the business segment), low credit demand, liquidity tensions in the wholesale funding markets and impairment in asset quality.

As far as the **Spanish financial system** is concerned, the most important step is to complete the restructuring process which is being carried out. In 2012, as was explained in the BBVA Positioning and Environment section of the Executive Summary chapter, significant progress has been made in restructuring the financial system, with the implementation of major reforms. The most relevant reforms and the results achieved are outlined below:

- The coming into force of Royal Decree Laws 2/2012 and 18/2012 has meant the coverage of the total real-estate portfolio stands at 45% (74% for the problematic portfolio).
- In June, a top-down analysis of the Spanish financial system was conducted, in which capital requirements for the sector were established at between €51,000m and €62,000m under the most adverse scenario.

- On July 20, the Government requested external financial assistance in order to recapitalize the Spanish banking sector. This financial aid, set out in a Memorandum of Understanding (MoU), was established at up to €100,000m.

  - First, the MoU covered the requirement of determining each bank's capital requirements through an analysis of the asset quality on its balance sheet, and also carrying out stress tests in the event of a hypothetical extremely adverse macroeconomic environment. In September, the bottom-up exercise was carried out by Oliver Wyman. The study again showed the disparity within the Spanish financial system, with a core of strong banks while vulnerability is limited to a specific part of the industry.

  - Second, it included the form of recapitalizing, restructuring or, as the case may be, winding up weak banks in an orderly way, on the basis of the plans established to address the capital deficits detected in previous tests. Last November, the European Commission approved the restructuring plans of the four Spanish banks taken into administration. According to the Commission, all four will need an injection of €37,000m in public funds. The bank taking most of the public aid is Bankia, which requires 49% of the total. In exchange, the Commission has required on a 60% reduction of their existing assets as of December 2010, to be carried out by 2017. The banks included initially in Group 3 have managed to meet their capital needs independently. December 20 saw the approval of the recapitalization plans of the banks included in Group 2. The capital they will receive as a whole is estimated at €1,865m. As in the case of the banks taken into administration, they will have to reduce the assets on their balance sheets as of December 31, 2010 by between 25% and 40% (depending on the bank) by 2017.

  - Third, the creation of the Asset Management Company (SAREB), which would take over the State aided banks' impaired assets. SAREB was set up on November 28, and the transfer of toxic assets by the nationalized banks was completed on December 31. Specifically, it has received €36,695m from BFA Bankia, Catalunya Banc, NCG Banco and Banco de Valencia, which in exchange have received senior debt issued by SAREB and guaranteed by the government. The transfer of assets for Group 2 took place on February 28 and required a new capital increase and the issue of subordinated debt, subscribed by the current shareholders and by new ones who joined.

In short, the restructuring process will enable a reduction of the installed capacity in the industry and lead to a financial system with fewer but solvent, healthy and more efficient banks.

Lastly, with regard to **BBVA**, it is worth noting:

- The top-down analysis carried out in June revealed that BBVA is one of the few Spanish banks that does not need additional capital under any stress scenario.

- The bottom-up stress test carried out by Oliver Wyman confirmed that BBVA will not need any additional capital, even in the most adverse macroeconomic scenario, thanks to the recurrence and soundness of its business model. It clearly shows the strength of the Group's model in situations of extreme difficulty.

- On July 27, BBVA completed the acquisition of 100% of the capital stock of Unnim Banc, S.A. It contributes a loan book of €18 billion, 25% of which is regulated by an asset protection scheme (EPA), and includes customer funds of around €11 billion. This operation has great strategic meaning for the Bank, because it completes the franchise in Catalonia, where the market share is lower than the natural share in Spain. It will also add value once the BBVA business model is implemented. Lastly, it is a transaction with limited risks, given that 80% of the losses derived from exposure to the developer sector and to real-estate assets are covered through an asset protection scheme. The consolidation of Unnim continued in the fourth quarter of 2012 with significant progress being made:

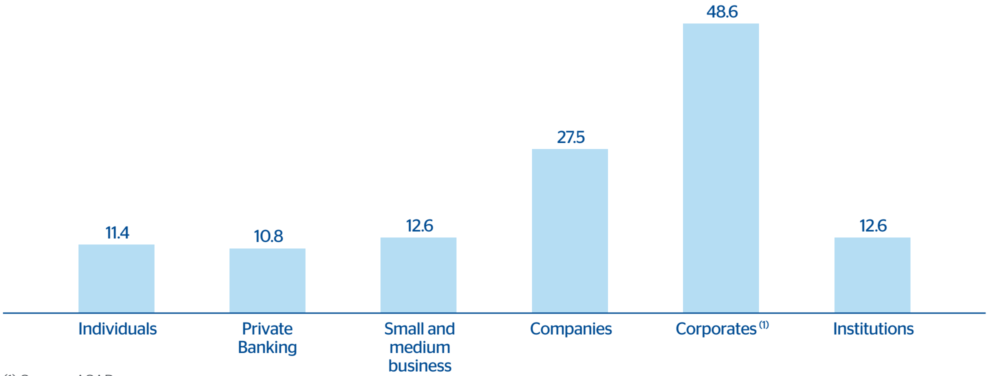
- An agreement has been reached with the labor unions on the closing of branches and staff reductions. The agreement, which establishes a reduction of 600 employees through early retirement, mutually agreed leaves of absence, voluntary termination of employment contracts or resignations, has been favorably received. As of the close of December 2012, the total number of employees who had left the bank was 618.
- The offer to exchange Unnim preferred shares for BBVA shares has been very well received: 99.3% of the holders have opted for this advantageous offer, as it provides them with immediate liquidity through BBVA shares.
- An agreement was signed with the Unnim Social Project area to sponsor those projects which are in line with BBVA's philosophy.

Management priorities

In a context shaped by adjustment plans and economic slowdown, BBVA confirms its leading position within the Spanish financial system. This leadership is evidenced in terms of its competitive positioning, profitability, efficiency and asset quality.

1 Spain. Competitive positioning. Leadership by segment

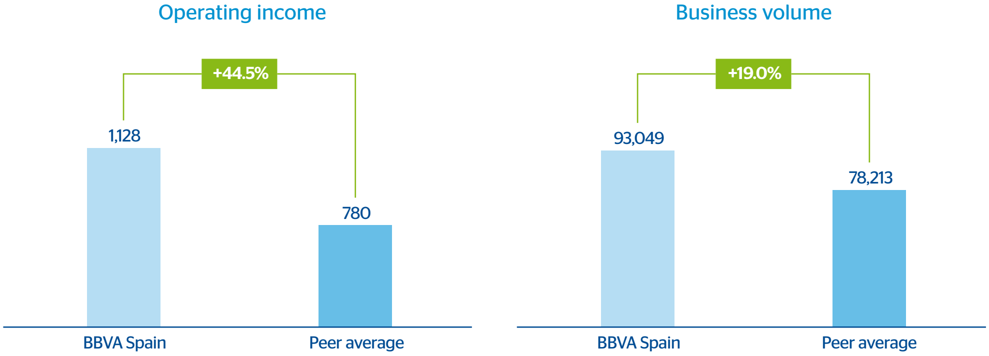
(Percentage)



(1) Source: ASAP.

2 Spain. Operating income and business volume per branch *versus* peer group [(1)]

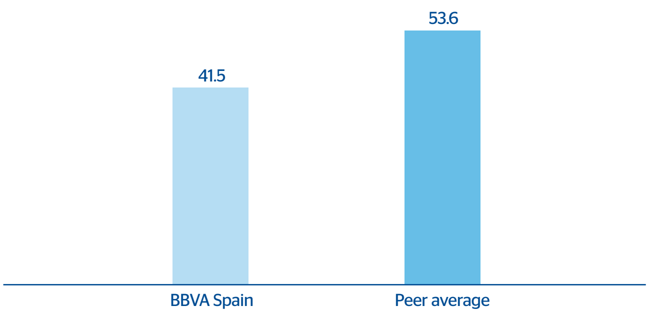
(Thousand euros)



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

3 **Spain. Efficiency ratio *versus* peer group [1]**

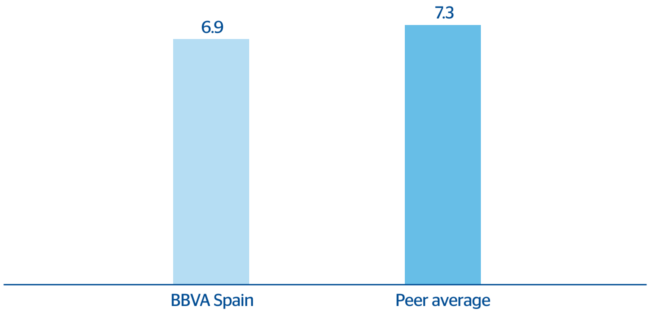
(Percentage)



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

4 **BBVA Spain NPA ratio *versus* peer group [1]**

(Percentage)



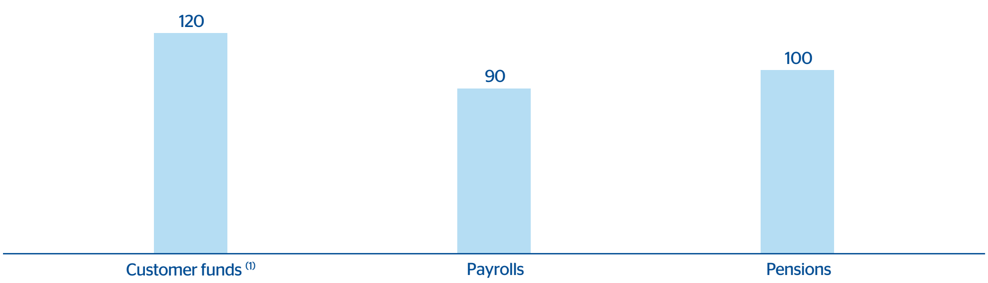
(1) Peer group: Santander Spain, Caixabank, Popular, Sabadell and Bankinter.

Four management keys are at the root of the area's performance during **2012**:

- First, against a fiercely competitive background, BBVA has maintained its strategy of increasing its customer base, using the key levers of funds and transactional banking. Over €45,000m have been gathered in customer funds, consisting of deposits and promissory notes; the bank has continued to gain market share in payrolls and pensions and, according to FRS, it has grown 20 basis points in the first supplier share, to 10.6% (not including Unnim). BBVA has launched the "2012 Customer Strategy Plan" with a twofold objective: 1) to attract new customers and 2) to increase the loyalty of existing customers. The following are some of the actions undertaken to achieve these objectives: The start of the "Plan Sinergias" to attract new customers. The aim is to attract individual customers from among the employees of institutional and corporate clients.

5 **Spain. Market share gain**

(Basis points from December 2011 to December 2012)

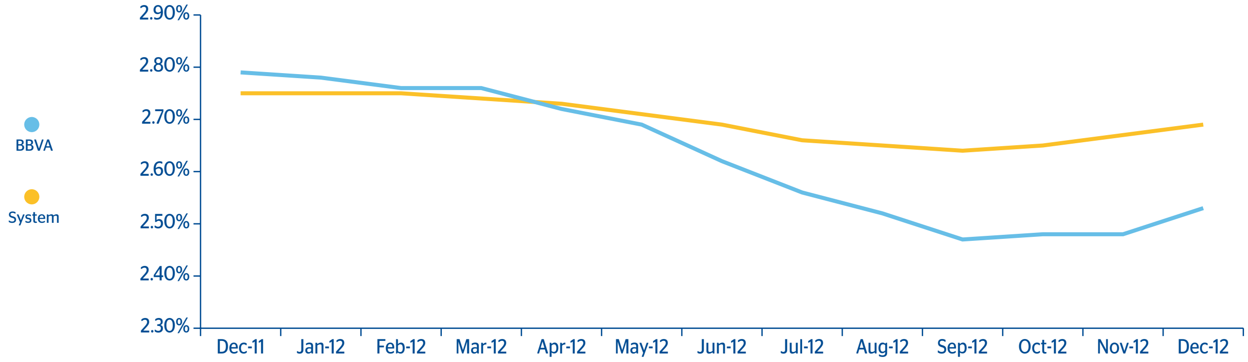


(1) Including public sector, commercial activity deposits and promissory notes.

- Second, there has been good pricing management, with strict control of liability costs and major repricing efforts in asset products.

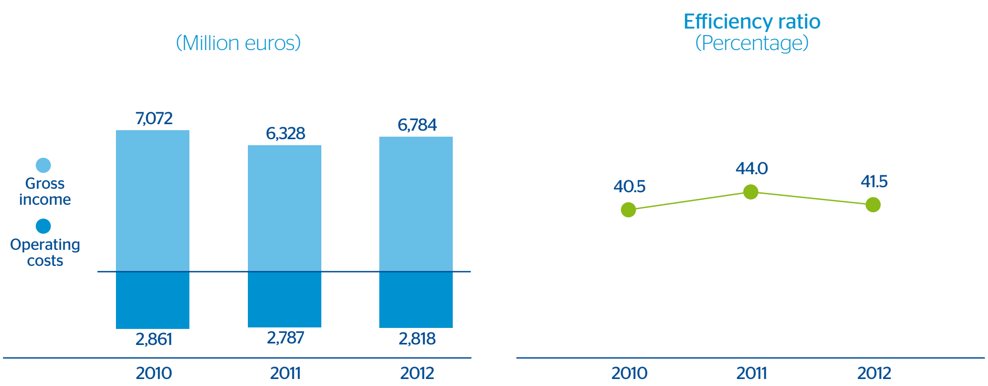
6 Spain. Time stock cost compared with the system

(Percentage)



- Third, the strict cost control policy, which is critical for recurrence of operating income.

7 Spain. Efficiency



- Fourth, although the impairment in asset quality has continued in the system, BBVA has managed to set itself apart from the competition, as shown in chart 4, thanks to a risk policy based on permanent efforts in anticipation and control.

Looking ahead to the **future**, and continuing with its differentiation strategy from the competition, BBVA's actions in Spain will be carried out on three fronts:

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

- Second, other activities which can generate extra revenue in an environment of falling lending volumes will be boosted, especially sale of insurance products.

- Third, BBVA's leading position in the system will allow it to continue investing: in quality, to develop a service centered on improving the customer's experience, and in technology to continue to transform its distribution model and integrate physical and virtual banking, on the one hand, and to increase the automation and digitizing of processes in order to enhance their efficiency and reliability, on the other hand.

These lines axes of action will continue to reinforce the Group's presence in Spain and BBVA's leadership in the technological transformation of the industry.

In conclusion, thanks to its positioning and differential strength, BBVA is managing to exploit the opportunities arising in a market undergoing a far-reaching process of transformation.

Activity

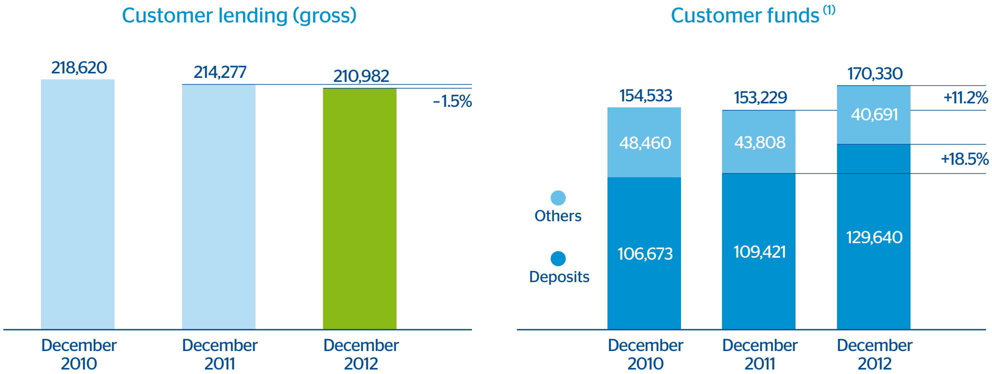
The credit deleveraging process in Spain brought about by the current economic situation continued in 2012. However, from the point of view of liabilities, there is a new favorable trend in on-balance-sheet customer deposits, with BBVA steadily gaining 70 basis points in market share in total customer funds last year, according to the data available as of December 2012. Therefore, the commercial gap and liquidity position of the area continue to improve.

Gross lending to customers as of 31-Dec-2012 amounted to €210,982m, down 1.5% over the last 12 months.

As of December 31, 2012 BBVA managed a volume of €170,330m in **customer funds**, including customer deposits, promissory notes and off-balance-sheet funds, up 11.2% year-on-year. **On-balance-sheet deposits and promissory notes** account for €129,640m of this amount, having risen 18.5% over the last twelve months. This increase confirms the excellent management of deposit gathering and the renewals carried out by the commercial network.

8 Spain. Key activity data

(Million euros)



(1) Excluding assets sold under repurchase agreements and including promissory notes.

These results in lending and customer funds have cut the loan-to-deposits ratio[1] in the domestic sector from 148% (data as of December 2011) to 135% at the close of 2012. Including mortgage-covered bonds, the ratio stands at 104%.

Off-balance-sheet funds managed by BBVA in Spain amounted to €51,915m, up 3.0% on 2011. Of this figure, €19,116m correspond to mutual funds, with a decrease of 2.5% over the year, due basically to the turmoil on the markets during this period. The rest are distributed among other off-balance-sheet funds and pension funds, which as of 31-Dec-2012 amounted to €18,313m, a rise of 6.3% since the end of December 2011, thanks to the positive management of renewals and new accounts gathered, very much supported by the new range of products developed by BBVA. Specifically, in the fourth quarter of 2012, the Group launched six new products that complete the range of pension plans and Basque social insurance entities available for its customers. The Bank also offers bonuses for contributions or transfers from other banks.

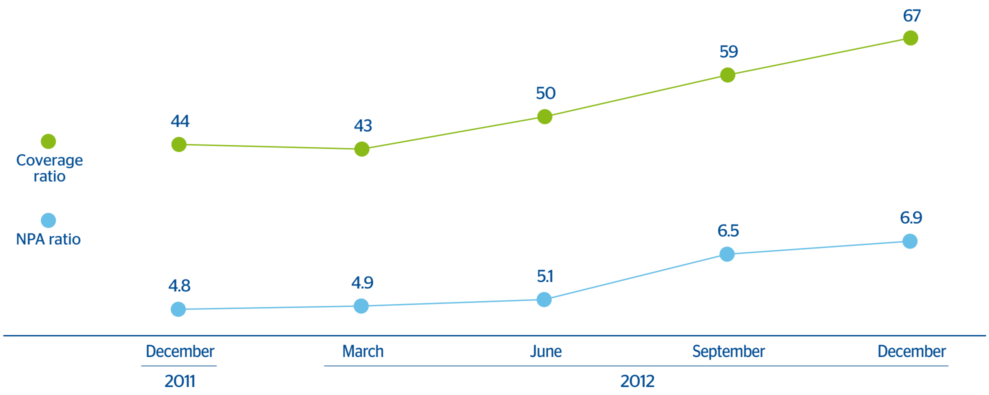
(1) The ratio does not include securitizations or repos, but includes promissory notes distributed through the retail network.

This has enabled BBVA to maintain its position as the number one manager in both mutual and pension funds in Spain, with market shares of 17.4% in mutual funds (according to the latest information available as of December) and 19.9% in pensions (according to data published by Inverco in December).

With respect to **asset quality**, the slight upward movement in the NPA ratio has continued, due to the difficult macroeconomic situation and the reduced volumes of lending activity. Despite this, the ratio is still far below that reported in the sector overall, and closed December at 6.9%, including the Unnim figures. The significant provisions made explain the improvement in the coverage ratio, which increased from 44% as of 31-Dec-2011 to 67% at year-end.

9 Spain. NPA and coverage ratios

(Percentage)



Earnings

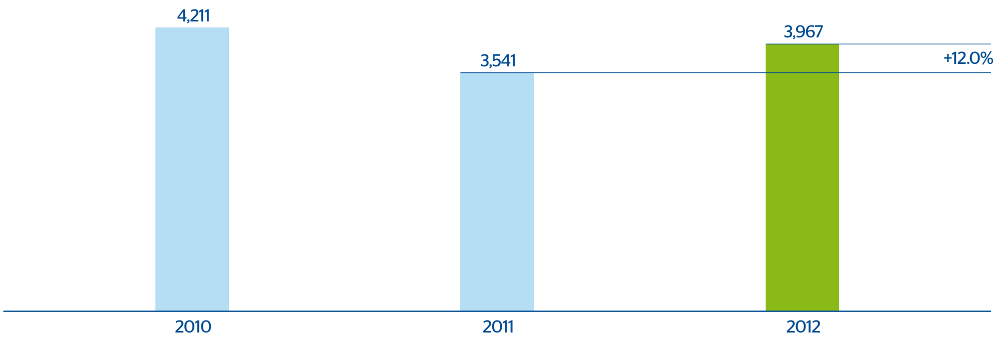
The most significant aspect of earnings in the area in 2012 is the resilience of income, in an environment marked by very low activity and fierce competition to attract customer funds, strict cost control and a significant increase in provisions to cover the impairment of assets related to the real-estate sector in Spain.

Cumulative net interest income stands at €4,836m, which confirms the high resilience shown from quarter to quarter, resulting in a 10.1% year-on-year growth in this heading. Good price management, and the protection of the residential mortgage portfolio against changes in interest rates, have contributed to this positive trend. Fees and commissions have also performed well, growing by 10.0% year-on-year. This, together with negative NTI (though it improved in the fourth quarter) and a lower amount of other income/expenses compared with the figure for the previous year, has resulted in a year-on-year increase of 7.2% in **gross income** to €6,784m. This trend is very significant given the economic context in which it has taken place.

Operating expenses are up 1.1% over the previous year due to the incorporation of Unnim. Even so, their rate of increase has been below inflation as a result of continued strict control. The efficiency ratio thus improves on the figure posted in 2011, thanks to the better performance of revenue. It closed 2012 at 41.5% (44.0% in 2011). As a result, **operating income** has risen 12.0% to €3,967m.

10 Spain. Operating income

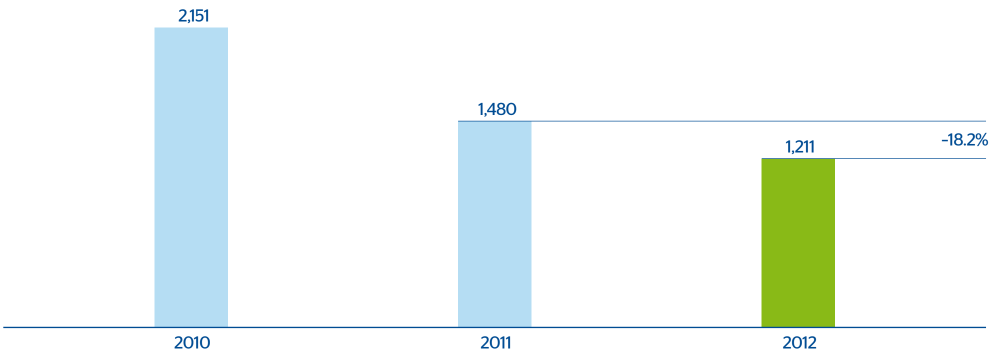
(Million euros)



The strength of operating income mentioned above has made it possible to absorb the increase in loan-loss provisions. In 2012, significant provisioning was made against impairment losses on financial assets and provisions to offset the deterioration in assets related to the real-estate sector in Spain, thus complying with the requirements of Royal Decree-Laws 02/2012 and 18/2012. These increased provisions have enabled an improvement of the coverage ratio in the area, as mentioned above, resulting in a negative **net attributable profit** of €1,267m (a positive €1,211m not taking into account the higher loan-loss provisions resulting from the scope of the aforementioned Royal Decree-Laws).

11 Spain. Net attributable profit (adjusted)

(Million euros)



Retail and Commercial Banking

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

As of 31-Dec-2012, Retail and Commercial Banking manages a **loan book** of €192,076m, up 0.6% on the figure posted in 31-Dec-2011, and **on-balance-sheet customer funds**, including promissory notes, of €120,465m, a 21.1% increase compared with the previous year. Thus there is a clear improvement in the unit's liquidity gap.

Within the **Retail Network**, at the end of 2012 the loan book stood at €96,655m, down 5.4% on the figure in December 2011, and on-balance-sheet customer deposits totaling €85,970m, i.e. an 11.3% increase over the same period.

Marketing actions worth mentioning in the unit in 2012 includes:

- BBVA anticipates the effects of the crisis and continues to offer its customers a range of financial solutions geared toward preventing any possibility of those customers willing to pay, but facing difficulties, from ceasing to pay their loans and, ultimately, perhaps losing their homes. To date, over 53,000 families have benefited from these measures.

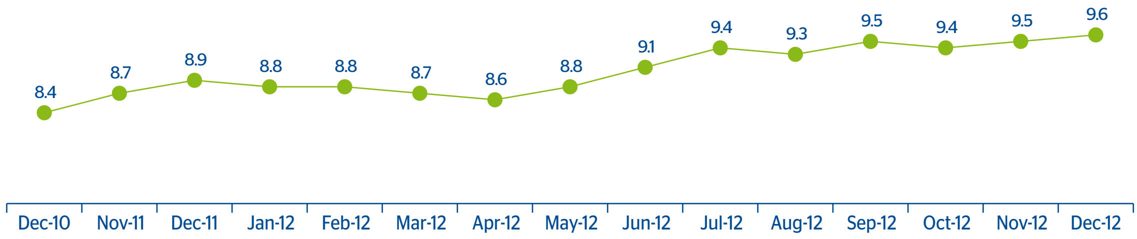
- Two new "Quincenas de Cuentas Abiertas" (Open Account Fortnights) have been carried out that allowed access to a promotional gift for opening deposits and arranging loans, setting up direct deposits for payroll and pension payments, in addition to signing insurance and pension plans. A total of 404,000 gifts were given, and €1,183m in funds and 7,000 new policies were gathered.

- As part of the area's policy of increasing the customer base using funds and transactional banking as key levers, the "Adiós Comisiones" campaign was launched, which eliminates account fees charged to customers whose pensions or salaries are paid directly into their accounts, offers free-of-charge debit or credit cards, and also provides additional benefits to customers in other financial products as a reward for their loyalty to the Bank.

- In time deposits, throughout 2012 BBVA has focused on launching products which link return to the degree of loyalty to the Bank. Star products are "Depósito BBVA UNO", "Depósito BBVA Tu Banco" and "Depósito creciente 1-2-3". Furthermore, management of maturities in time deposits was particularly successful throughout the year, with retention rates of over 88%.

In short, this strategy focused on growth through funds and transactional banking has enabled the Bank to increase the number of non-basic customers by over 89,000 in 2012 and the share in payrolls and pensions by 50 basis points over the course of the year.

12 Spanish Retail Network. Market share in public administrations, commercial activity and promissory notes *versus* the system
(Percentage)



Several relevant **projects** were carried out in 2012, including:

- Progress in the "**internetization**" of the customer relations model with the implementation of a number of initiatives, including the following:

  – Launch of "BBVA Game." This is a game for BBVA Net users that aims to promote the use of on-line banking. It allows customers to win points they can exchange for gifts and entries to prize draws.

- Creation of a SICAV module on the customer website, which allows shareholders to monitor their investments in real time.

- Significant increase in the number of users of native applications for smartphones and tablets. By the end of 2012, BBVA had nearly 2 million active users on the Internet. Currently over 3,000 customers a day are registering on the BBVA Internet service.

• Highlights in **innovation** include:

  - Deployment of the pioneering contact-less technology for non-contact payments. This system allows customers to carry out transactions of up to €20 by simply bringing a card close to a reader without signing or entering the PIN number. As part of the plan, and to make it easier to pay for taxis in Madrid, BBVA and Radioteléfono Taxi in Madrid have presented the new point-of-sale (POS) terminals that passengers can use to pay for taxis in the fleet using contact-less cards.

  - Development of the remote customer relation model, specifically with the BBVA Contigo initiative launched last year and based on a remote relationship with customers who require personalized advice as a complement to the use of non-personal channels. As of today it provides service to over 300,000 customers. In the last quarter of 2012 alone, 90,000 customers have signed up for "BBVA Contigo".

  - BBVA has also continued with its developments for mobile devices, adding new features to mobile banking, such as top-up of cards, and adapting to the new devices that have come on to the market, such as the version for the Windows 8 platform launched in October. The number of customers actively using cell phones to check their accounts and operate has increased threefold during 2012.

Within the Retail Network, a number of initiatives have been carried out with the aim of improving the quality of the service provided to the customers in the **premium segment**:

• Process for reclassifying customers in the "value" segment (over €60,000 in funds, or monthly net salaries of over €3,000) and "high value" segment (over €300,000 in funds or monthly net salaries of over €6,000) to adapt the quality of service and value offer to the specific needs of each person and each situation.

• Presentation of the exclusive "The Family Wealth Community", an on-line platform that offers this segment a unique and private service, with up-to-date information prepared by specialists on topics that have the most relevance for their interests. This is part of the Bank's firm commitment to innovation, the use of new technologies, multi-channel banking and new digital media that enable a closer relationship with the customer.

This segment continues the strategic approach started two years ago in Private Banking, with special emphasis on capturing and retaining customers, in addition to differentiation. The result of this strategy has been year-on-year growth of 4.8% in customers (latest available figure, November 2012) and of 4.5% in funds managed. This year, in terms of assets under management, BBVA Partrimonios remained the leading bank in the segment, according to the latest figures released by Inverco, with more than €2,810m (13.4% market share) corresponding to 287 SICAVs.

Corporate and Business Banking (**CBB**), which manages a loan book of €85,650m (down 2.9% year-on-year) and on-balance-sheet customer funds of €22,470m (up 5.2%), has also been closely focused on retaining and gathering customer funds as a way of consolidating and boosting customer loyalty. To do so, it has offered a full range of products with competitive remuneration and great flexibility, which has made it possible to gather over €12,000m in time deposits over the last quarter of the year. The following are the most important points in this respect in 2012:

• Supporting Spanish companies has been a priority for the Bank. In this regard, BBVA has confirmed its leading role in the distribution of credit lines under preferential conditions with the signing of the **ICO-2012 Agreement**, with lines such as "Investment", "Internationalization", "Liquidity", "Entrepreneurs", "Home Restoration", "SGR Guarantee" and others intended for segments such as foreign trade, the domestic market and tourism. In addition, BBVA has also signed the new lines "Film Production", "Emprendetur" and "Lorca Earthquake and Isla del

Hierro". Lastly, BBVA has signed a new line for local administrations in order to provide them with liquidity for paying the outstanding debts they have with businesses and self-employed workers. The Bank has signed 21,673 operations amounting to €1,438m, i.e. a share of 12.5%.

- In **corporations**, BBVA is the absolute market leader and the benchmark in this segment, with a 95.6% penetration share and 48.6% first supplier share, thanks to the Group's outstanding service and customer relations model.

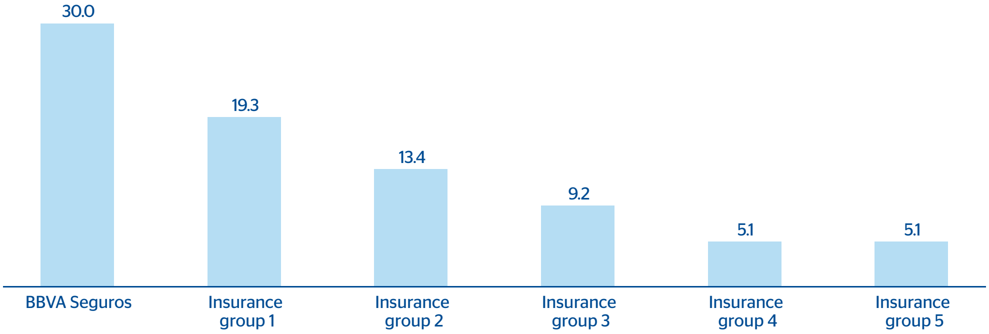
- The new "Smart Business" campaign has been launched for **SMEs and self-employed workers,** aimed at offering better service and making the most appropriate offer for each client. Working with POS terminals, it offers a number of special services such as point-of-sale finance, for customers with BBVA cards, with the possibility of advancing part of the revenues collected by the terminals. In the present adverse environment, an increase of 6% has been achieved in POS terminal revenues from the SME segment.

- **Agreements** were renewed with: the National Association of Self-Employed Workers (ATA), with 450,000 members; the National Federation of Lottery Associations (ANAPAL), with more than 5,000 members; the Spanish Hotel Trade and Modern Catering Association (FEHRCAREM), with more than 3,000 franchises; the Spanish Trade Confederation (CEC), with 450,000 members; IAC Automoción, with 1,500 members; the Union of Tobacco Dealers (UAEE), with 11,000 members; and FEHR (Spanish Hotel Trade and Restaurants Federation), with 270,000 members in the sector. Furthermore, 15 partnership agreements have been signed with Chambers of Commerce across Spain, which will BBVA offer its products to over 1 million companies and self-employed workers associated with these organizations.

- In **Public sector**, it is important to highlight BBVA's participation in the supplier payment mechanism –with a contribution of €2,600m– implemented by the government in late February. This measure was designed to inject liquidity into the Spanish productive system as a whole. Also noteworthy is the Bank's advisory services given to the Ministry of Economy and Competitiveness and the Ministry of Finance and Public Administrations for the creation and development of the Regional Liquidity Fund (FLA). The Spanish banking system will contribute €8,000m to this initiative, and BBVA's contribution will be €1,600m.

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. Insurance reported a positive trend during 2012, with written premiums totaling €2,128m (up 13% year-on-year). This increase is largely due to the €1,608m contributed by the life-savings business (up 21% year-o-year), bringing the funds managed by the Bank in savings insurance to €9,501m (up 8% year-o-year). According to ICEA, at the end of the third quarter of 2012 (latest available figures), BBVA Seguros was the leader in the issue of premiums for Individual Systematic Savings Plans products (PIAS), having reached a 30% market share in premiums, after issuing €372m. Risk businesses for both life and non-life amounted to €520m in premiums issued. The unit has also brokered premiums for other companies for €178m.

13 Market shares in PIAS as of 31-Sep-2012. BBVA Seguros and main competitors (1) (Percentage)

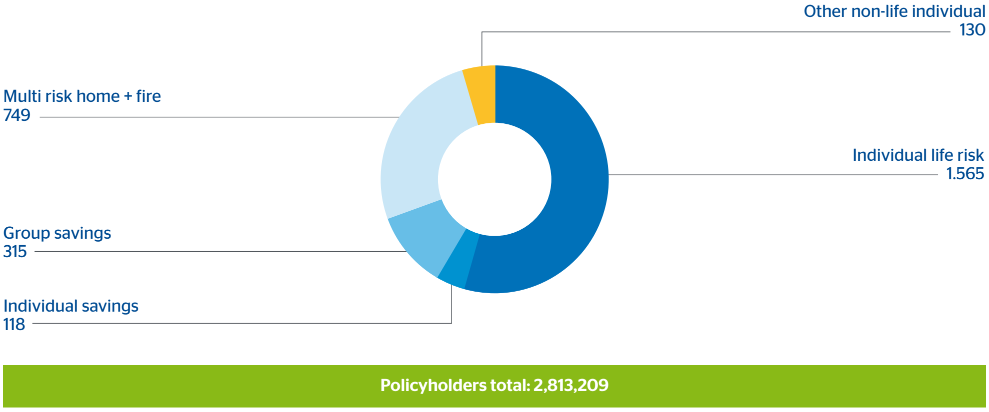


(1) Market share in issued premiums.

As of 31-Dec-2012, BBVA Seguros has over 2.8 million policyholders, who receive a very high service quality. Periodic independent measurements granted the home insurance policies an average score of 7.8 out of 10 for service received during the claims process, due to resolving over 95% of life claims and 99% of home claims without complaints.

14 BBVA Seguros. Policyholder breakdown

(Thousands policies. 31-12-2012)



In 2012, BBVA Seguros has improved the offering of "Seguros Remunerados" (remunerated insurance), with the aim of attracting new customers and rewarding the loyalty of existing policyholders, offering discounts of up to 35%. Following the customer-centric approach to business, the Bank launched the new "BBVA Car Insurance Policy" in the third quarter of 2012. This is a flexible product which can be adapted to the customer's needs and allows BBVA Seguros to continue diversifying its lines of business. The Bank began marketing a new life insurance catalog in the last quarter of the year which enables a high degree of customization, as it can be adapted to the type of protection each customer needs, thanks to the modular nature of the product in terms of arranging insurance and the flexibility in adapting it later.

Corporate & Investment Banking

This unit is responsible for the global businesses within Spain. It managed **gross lending to customers** as of 31-Dec-2012 of €18,906m and **on-balance-sheet deposits** of €9,175m. Gross lending to customers has continued to fall, basically as a result of the aforementioned deleveraging process. This heading has registered an accumulated decline over the last year of 18.9%. On-balance-sheet customer funds are down 7.8% over the same period. On-balance-sheet customer funds grew significantly in the last three months of 2012 by 29.5%, thanks to the ongoing efforts made to attract deposits.

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

- 16.7% year-on-year increase in gross income to €927m, underpinned mainly by good performance of revenue from customers and, in particular, revenue generated by the Global Transactional Banking unit. In the last part of the year, a better market mood has also made a positive contribution to the generation of gross income.
- Control of operating expenses, which have grown well below the inflation rate (up 1.2% year-on-year) to €323m.
- Operating income is up 27.1% on 2011 to €603m.
- Greater volume of impairment losses on financial assets as a result of the current situation. Even so, the NPA ratio in this segment continues to be low.

- As a result, the accumulated net attributable profit is at levels similar to those posted the previous year: €325m vs. €324m in 2011.

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

Highlights

BBVA made significant progress in developing a **multi-channel model** designed to be a pioneer in the industry. The most outstanding points include:

- Transformation of the physical distribution model, giving rise to the opening of the "flagship" branch. This is a new concept that consists of large branches with specialized sales forces that are able to provide personalized advice. It will also have a marketing area to increase loyalty and attract new customers. The space aims to be a center for experiences that will include exhibitions, talks and other possible activities. The new model of physical distribution is complemented with a smaller and simpler "EasyBank" branch, designed to meet the most basic financial requirements. The model of customer relations in this branch is leveraged on self-service, but without losing the feeling of approachability and convenience.

Highlights in **corporate responsibility** include:

- The Territorios Solidarios (Solidarity Territories) project. This program offers BBVA employees in Spain the chance to participate actively in the selection and granting of aid to social projects carried out by non-profit organizations. In 2012, 202 projects received funding of €1.9m in all, with a maximum of €10,000 for each project.

- Adherence to the Code of Good Practices.

- BBVA also maintains its commitment to the communities where it operates. One example is the launch of the 3rd "Valores de futuro" (Future values) educational program, which aims to promote financial literacy in Spanish schools and instill values such as prudence, responsibility and solidarity.

A number of **awards and special mentions** were received, of which we may highlight:

- BBVA Spain was recognized as the Best Global Bank at the 2012 awards organized by the British publication *The Banker,* which is part of the Financial Times group. The magazine highlighted BBVA's capacity to continue growing organically by making the most of the opportunities arising from the restructuring of the Spanish financial sector. In the current adverse environment, the Bank has continued to increase its customer base and win market share in payroll and pensions.

- The Private Banking unit has been named the best private bank in Spain for the third year in a row at the 2012 "Global Banking Awards", granted each year by *The Banker* magazine.

Eurasia

Income statement

(Million euros)

	Eurasia			
	2012	Δ%	2011	2010
Net interest income	**847**	**5.5**	**802**	**333**
Net fees and commissions	451	15.4	391	228
Net trading income	131	16.4	113	132
Other income/expenses	781	19.2	655	367
Gross income	**2,210**	**12.7**	**1,961**	**1,060**
Operating costs	(778)	20.0	(648)	(291)
Personnel expenses	(404)	12.7	(359)	(176)
General and administrative expenses	(319)	30.1	(246)	(98)
Deprecation and amortization	(54)	23.6	(44)	(17)
Operating income	**1,432**	**9.0**	**1,313**	**769**
Impairment on financial assets (net)	(328)	120.8	(149)	(89)
Provisions (net) and other gains (losses)	(50)	n.m.	11	(20)
Income before tax	**1,054**	**(10.4)**	**1,176**	**660**
Income tax	(103)	(28.6)	(145)	(85)
Net income	**950**	**(7.8)**	**1,031**	**575**
Non-controlling interests	-	-	-	1
Net attributable profit	**950**	**(7.8)**	**1,031**	**575**

Balance sheet

(Million euros)

	Eurasia			
	31-12-12	Δ%	31-12-11	31-12-10
Cash and balances with central banks	2,346	75.1	1,340	344
Financial assets	11,986	3.9	11,538	6,285
Loans and receivables	32,088	(17.2)	38,754	26,158
Loans and advances to customers	29,245	(13.7)	33,905	23,441
Loans and advances to credit institutions and others	2,843	(41.4)	4,850	2,716
Inter-area positions	-	-	-	12,397
Tangible assets	309	(48.8)	604	372
Other assets	1,553	38.8	1,119	425
Total assets/Liabilities and equity	**48,282**	**(9.5)**	**53,354**	**45,980**
Deposits from central banks and credit institutions	13,665	(24.2)	18,038	19,624
Deposits from customers	17,470	(19.8)	21,786	20,884
Debt certificates	964	17.8	818	0
Subordinated liabilities	899	(57.1)	2,097	1,409
Inter-area positions	5,473	193.2	1,867	-
Financial liabilities held for trading	414	3.3	401	161
Other liabilities	4,791	16.8	4,104	1,356
Economic capital allocated	4,607	8.5	4,245	2,546

Significant ratios
(Percentage)

	Eurasia		
	31-12-12	31-12-11	31-12-10
Efficiency ratio	35.2	33.1	27.4
NPA ratio	2.8	1.5	0.9
NPA coverage ratio	87	123	154
Risk premium	0.97	0.46	0.38

Eurasia highlights in 2012

- Deposit gathering recovery in the corporate segment in the latter part of the year.
- Reduction in CIB portfolios.
- Growing and balanced revenue.
- Favorable performance by Garanti and CNCB.
- Strong capital and liquidity position in Garanti.

Definition of the area

This area covers BBVA's business in Europe (excluding Spain) and Asia. Specifically, it includes BBVA Portugal, Consumer Finance Italia and Portugal, the retail business of the branches in Paris, London and Brussels, and the wholesale banking activity carried out by the Bank in the region. It also includes the Group's stake in Garanti (Turkey) and in CNCB (China).

Industry trends

In 2012, the macroeconomic environment in **Europe** continued to be very difficult, although clear progress has been made throughout the year toward banking and fiscal integration. In fact, the first steps were already taken to set up single banking supervision, which is considered key to breaking the link between sovereign and banking risk.

In **Turkey**, the prospects for a more moderate inflation rate, a steadily improving current-account deficit and a slight slowdown in growth of domestic demand, have in the second half of 2012, led to a fall in the official interest rate for the first time in a year and a reduction in the overnight rate. The year-on-year growth in lending has remained high (16%), although below 2011 figures, and the NPA ratio remains low. Basel II regulations began to be applied in July. The impact has been slightly negative on the capital ratio of the sector as a whole, but positive in the case of Garanti. Finally, it should be noted that in November Fitch credit rating agency upgraded Turkey from speculative (BB+) to investment grade (BBB–) with a stable outlook. Among the reasons given for this are the Turkish economy's sound banking sector and favorable growth prospects in the medium and long term.

In **China**, the two consecutive interest rate cuts (in June and July), the reduction of 150 basis points in the reserve ratio announced in December 2011, and increased regulatory flexibility, all helped boost bank lending in the first half of the year. This in turn helped moderate credit growth in the informal financial industry. In addition, the financial sector plan was published in September, following on from the twelfth Five-Year Plan (2011-2015). The new plan restates the intention to abolish interest-rate controls, promote financial innovation and bolster the framework of financial regulation. The Plan also establishes the goal of increasing the weight of the financial sector as a proportion of GDP in terms of added value from 4.4% in the last decade to 15% by 2015. Against this background, growth in the banking sector remained relatively stable in the second half of 2012. However, the proportion of long-term loans increased, reflecting the fact that credit flows are already moving toward public infrastructure projects and corporate investment.

Management priorities

In **2012**, the Eurasia area focused on:

- In terms of business in **Europe**, managing prices and liquidity tensions appropriately by prioritizing both the relationship with customers and cross-selling over volumes.

- In **Turkey**, managing the relationship with Garanti has continued to be essential to BBVA. In addition, Garanti has focused on selective activity growth and prioritized profitability over volume. In terms of the loan book, the Turkish bank has concentrated on boosting more profitable products, mainly within the retail segment and in local currency, such as mortgages, in so-called "general purpose loans" (personal loans) and auto-finance. On the liabilities side, the focus was on more stable and lower-cost sources of funding. In other words, lira deposit growth was boosted throughout most of the year, thus avoiding the price competition existing in deposits in other currencies. However, this trend shifted towards the end of the year due to greater pressure for customer fund raising in Turkish lira.

Management priorities in **2013** will focus on:

- In **Europe** the focus in terms of lending will continue to be on selective growth in specific portfolios and customers. On the liability side, customer fund raising will continue to be boosted. The aim is to properly manage the area's liquidity. Price management will also be important, just as promoting cross-selling and controlling costs. They will be used to maintain the value of the franchise. In addition, BBVA will exploit the opportunities developed by its business model in an environment that will remain difficult and with low growth.

- In **Turkey**, managing the BBVA-Garanti relationship will continue to be critical in boosting the synergies between the two banks, particularly in those fields where they have an extensive knowledge base. On the technological front, the aim is to take advantage of Garanti's technological platform in different areas within BBVA. Likewise, collaboration will be encouraged between working teams from different units, such as insurance, payment channels, trading floor, asset management or investment banking. Garanti's strategic lines for 2013 include the steady development of new products, such as gold deposits, and boosting business among young people, especially college students. Regarding credit cards, new forms of collaboration will be sought, linking their use to day-to-day payments such as transportation as well as growing in the corporate credit card market. Two new investment centers have been planned in the investment banking segment, which will begin operating in new markets to attract more foreign institutional investors. While doing so, the Bank will continue to stand behind its commitment to being at the cutting edge of new technologies.

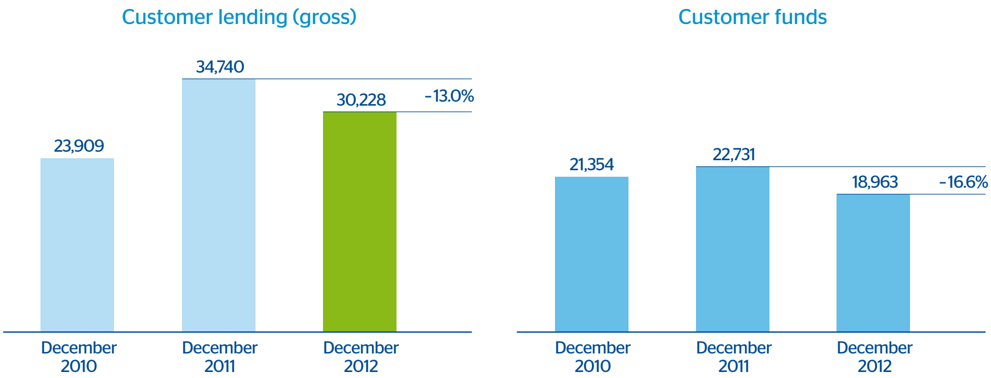
Activity

This area managed **gross customer lending** of €30,228m at the close of 2012, down 13.0% year-on-year. The fall is a result of the reduction in the loan portfolio of wholesale customers due to the deleveraging process underway in Europe. In contrast, lending activity in the retail business performed well. The volume of residential mortgage lending, consumer finance and loans to small businesses has risen over the last 12 months by 11.3%. There was a notable contribution from the balances in Turkey, which account for 36.8% of gross customer lending in the area. They increased by 15.1% on the figure at the same date the previous year.

The balance of **customer funds** (including repos and off-balance-sheet funds) as of 31-Dec-2012 was €18,963m, a year-on-year fall of 16.6%. However, over the last three months the decline was barely 2.0%. The recovery in deposits in the wholesale sector in the fourth quarter explains this improvement toward the end of the year, after being very weak in the first nine months due to the downgrades in Spain and BBVA's credit ratings.

15 Eurasia. Key activity data

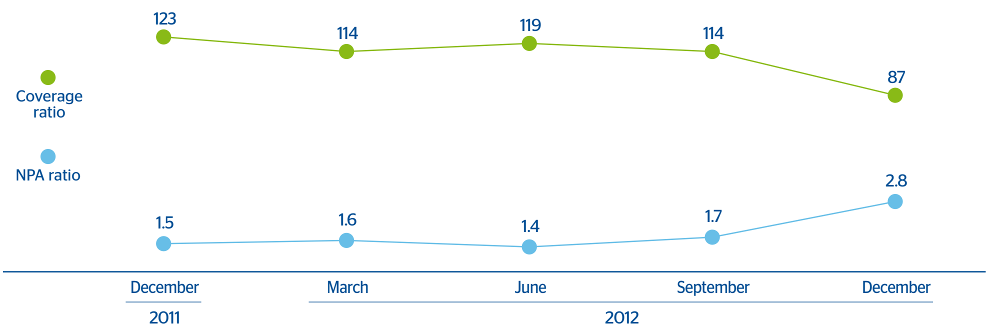
(Million euros)



With respect to **risk indicators**, there was a slight increase in the NPA ratio, which closed as of 31-Dec-2012 at 2.8%. However, the ratio continues low, mainly due to the lower volume of lending. The coverage ratio ended the year at 87% and the risk premium at 0.97%.

16 Eurasia. NPA and coverage ratios

(Percentage)

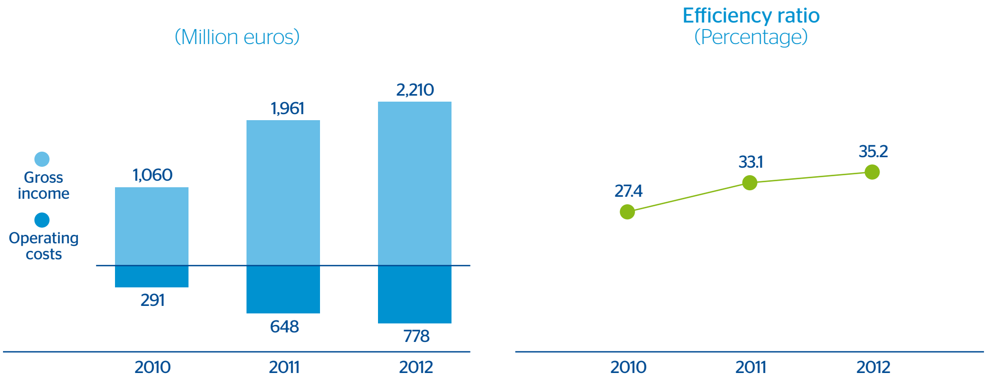


Earnings

Both Garanti and CNCB continued to perform well in 2012. They helped Eurasia post a **gross income** in 2012 of €2,210m, a rise of 12.7% year-on-year, through their capacity to generate recurring revenue.

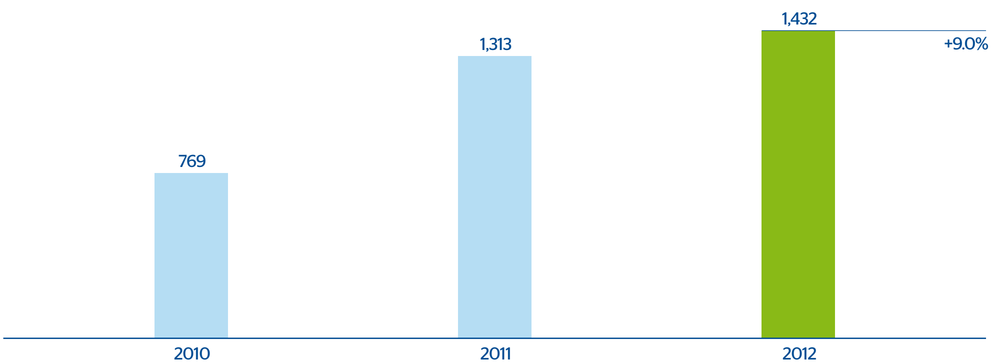
Operating expenses increased by 20.0% in the same period, as a result of continued investments, mainly in emerging countries. As a result, **operating income** increased by 9.0% on the figure posted 12 months previously to €1,432m.

17 Eurasia. Efficiency



18 Eurasia. Operating income

(Million euros)

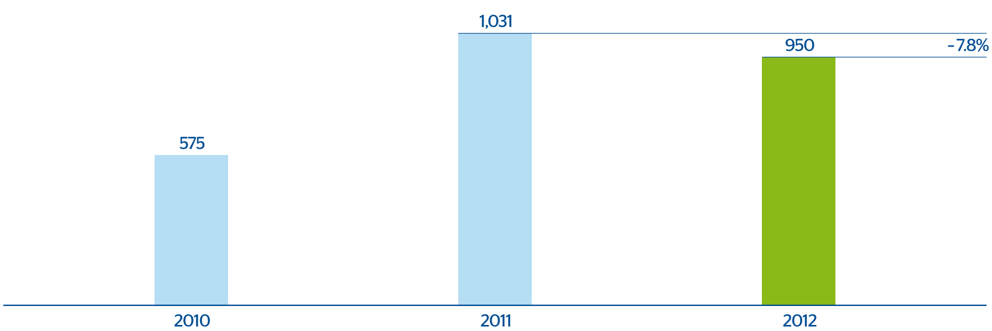


Impairment losses on financial assets and provisions reduced the area's income statement by €328m. In fact, this heading rose significantly in the fourth quarter of 2012 due to one-off provisions made in Portugal.

As a result, Eurasia generated a cumulative **net attributable profit** of €950m, with a year-on-year fall of 7.8% on the same period in 2011.

19 Eurasia. Net attributable profit

(Million euros)

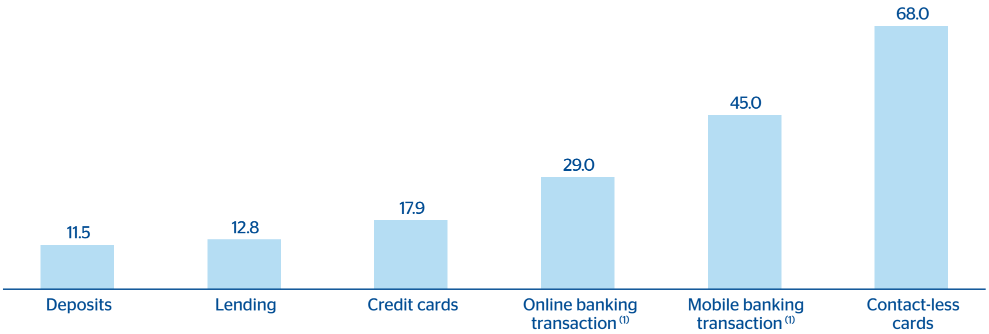


Europe has contributed 34.8% to the above result, i.e. €331m (down 28.8% year-on-year). Of particular note is the continued excellent performance of Turkey, whose earnings stand at €314m, a rise of 62.8% on the previous year (partly because Garanti contributed for the 12 months in 2012, while in 2011 it began to contribute at the end of March). In the rest of Europe, the net attributable profit fell 93.9% in the same period to €17m. This is due to reduced activity with wholesale customers, turbulence in the markets and the aforementioned loan-loss provisions made in Portugal.

Garanti is a bank that serves 11.7 million customers with a workforce of 20,318 people. It has a network of 936 branches and 3,508 ATMs. It covers all business segments, ranging from retail to investment banking, and including the service it provides to small businesses and large corporations. Garanti's dynamic business model is founded upon the continued development of technologies to make customer transactions easier. For that reason, innovative payment systems and mobile and online banking are flagships for the Bank's identity.

20 Garanti Bank. Market shares as of 31-Dec-2012

(Percentage)



(1) Data as of 30-Sep-2012, latest available data.
Source: BRSA.

Garanti works to create value for its customers and shareholders, in addition to society as a whole. It therefore supports initiatives in areas such as childhood, the environment, equality and culture. Support program for women entrepreneurs, helping them access to loans and hosting various events to increase their visibility, were distinguished among social responsibility projects of 2012. Also, in association with the Turkish basketball federation, for which it is the leading sponsor, Garanti has financed programs to promote access to this sport in schools across the country. In addition, it supports cultural foundations such as SALT, and organizations that seek to preserve the ecosystem and biodiversity, such as WWF.

The most notable aspects of the Turkish bank in **2012**, are as follows (data for Garanti Bank, unless otherwise indicated):

- Continued progress in **lending** (up 9.4% year-on-year), particularly in the local currency (up 16.0%). There has been a notable boost in the retail portfolio, with positive growth rates that are above the sector average, in highly profitable products such as loans to the automobile sector (up 10.6% year-on-year at Garanti versus 2.9% in the sector) and mortgages (up 15.4% at Garanti and 13.4% in the sector).

- **Customer deposits** have continued to rise (up 1.4% in the year) thanks to the strong growth in Turkish lira-denominated deposits (up 4.3%).

- Excellent management of **customer spreads**, thanks mainly to a reduction in the cost of liabilities. In the fourth quarter of 2012 this cost fell once more, leading to an additional increase in the spread and thus an improvement in the bank's profitability ratios.

- The above, together with the high yield generated by inflation-linked **bonds**, has helped strengthen the bank's gross income.

- In addition, Garanti Group is notable for its high core Tier I **capital** ratio (16.9% as of December 2012) under Basel II, where it leads the field among its peers.

- To sum up, increased activity, a diversified revenue base and disciplined cost management have allowed the Garanti Group to generate a **net attributable profit** of €1,453m in 2012 (€1,327m in Garanti Bank).

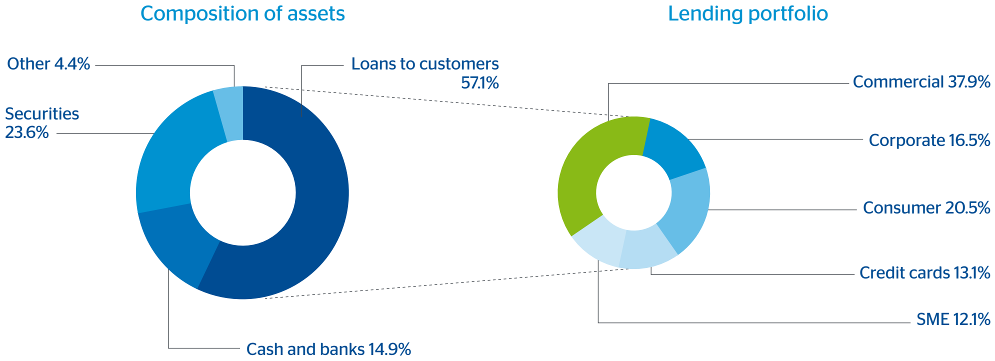
Garanti. Significant data as of December 2011 and 2012 (1)

	31-12-12	31-12-11
Financial statements (million euros)		
Attributable profit	1,327	1,313
Total assets	68,019	60,020
Loans to customers	38,990	34,305
Deposits from customers	35,530	33,791
Relevant ratios (%)		
Efficiency ratio	46.7	44.3
NPA ratio	2.3	1.8
Other information		
Number of employees	20,318	16,775
Number of branches	936	918
Number of ATMs	3,508	3,268

(1) BRSA data for the Garanti Bank.

21 Garanti. Composition of assets and lending portfolio (1)

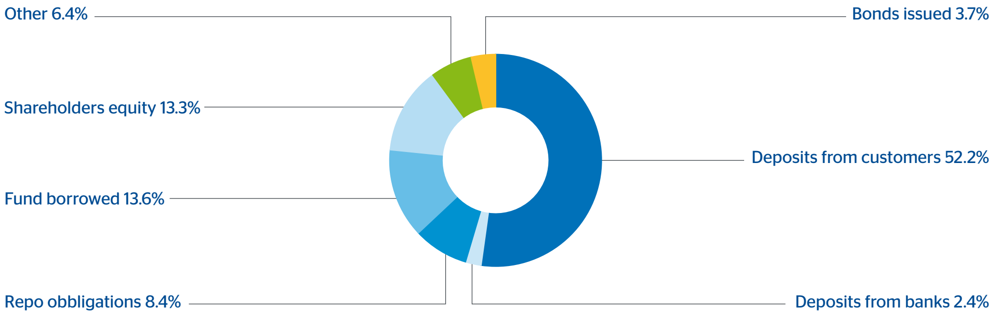
(December 2012)



(1) BRSA data for the Garanti Bank.

22 Garanti. Composition of liabilities (1)

(December 2012)

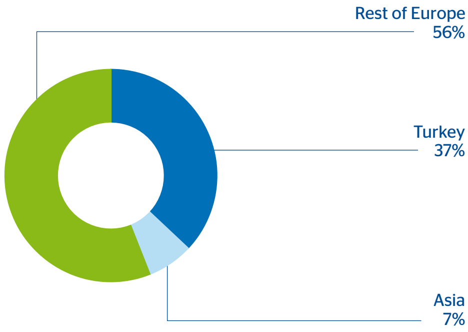


(1) BRSA data for the Garanti Bank.

Finally, **Asia** has posted a cumulative net attributable profit of €620m, accounting for 65.2% of earnings in the area. Most of this amount comes from the contribution from CNCB. According to the latest data published as of September 2012, the bank's cumulative net attributable profit increased by 12.4% year-on-year. With respect to activity, deposit gathering stands out, with a bigger increase than in lending (up 19.7% and 15.3% in year-on-year terms, respectively). Finally, CNCB improved its capital ratio to 13.7% at the close of the third quarter of 2012 (under local criteria).

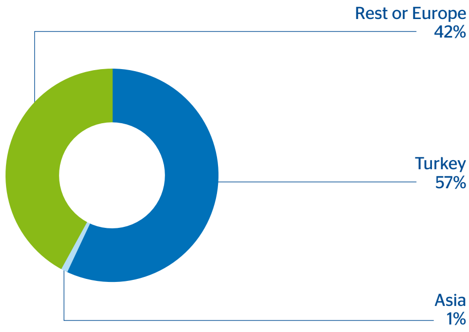
23 Eurasia. Lending breakdown by geographical area

(31-12-2012)



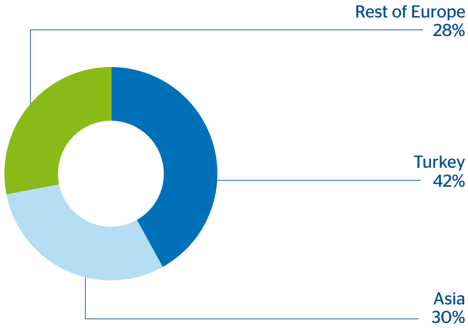
24 Eurasia. Customer deposits breakdown by geographical area

(31-12-2012)



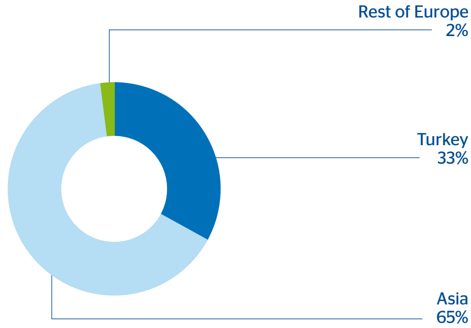
25 Eurasia. Gross income breakdown by geographical area

(31-12-2012)



26 Eurasia. Net attributable profit breakdown by geographical area

(31-12-2012)



Highlights

- The Bank has been recognized as the "Best Trainer of Chinese Professionals" by the prestigious association China Club. The award recognizes the Group's work to attract talent in the Asian country.

- The appointment of Mehmet Sezgin, formerly from Garanti, as global director for Means of payments at BBVA led to new projects being started. These initiatives are focused on increasing the profitability of the POS network, as well as increasing the penetration of contact-less payment channels, where Garanti is an international benchmark.

- BBVA has obtained authorization from the United Arab Emirates Central Bank to open a representative office in Abu Dhabi where it will serve large corporate and institutional clients. This office represents BBVA's entry into the Middle East and will provide support mainly to global businesses. Furthermore, the Group has transformed the representative office it has had in Taiwan since 2006 into a commercial branch. This country is considered as one of the most important markets and a key springboard for BBVA's expansion plans in Asia.

- Garanti successfully completed the biggest Eurobond issue (USD 1,350m) with the lowest coupon by a Turkish bank. While European financial markets have gone through an extraordinarily difficult period, international investors are looking to credit markets in emerging countries and have placed a great deal of confidence in the bank and the Turkish financial sector as a whole.

- The most relevant **awards and recognitions** received are outlined below:

  - Garanti was one of the first Turkish companies to receive an Investors in People (IIP) certification, rising from "Silver" in 2009 to "Gold" status in 2012. This makes it one of the 615 companies with this status out of a sample of over 24,000. The award recognizes the values that it shares with BBVA: superior customer-centric management, a highly qualified team, and efficient management of the organization.

  - Garanti was named "Best Turkish Bank", "Best Central European and Eastern European Bank" and "Best Turkish Trade Finance Bank" by *Global Finance*. It was also recognized as "Best Turkish Bank" by *Euromoney*, and is the only bank in Turkey to receive awards in five different categories.

  - The outstanding management of Garanti was awarded three new international recognitions in the fourth quarter of 2012. First, it has been chosen "Best Bank in Turkey" for the third year in a row by *The Banker*, the magazine specialized in international banking and part of the FT Business Group. Second, in the area of environmental protection, the Carbon Disclosure Project (CDP) has granted the Turkish bank the Carbon Performance Leadership Award. Finally, Garanti's 2011 Annual Interactive Report received a Platinum Spotlight Award from the League of American Communication Professionals.

  - Likewise, the Garanti's MoneyCard loyalty program has been named "Visa Best Customer Experience".

  - The Garanti Securities subsidiary took the awards for "Best Investment Bank of 2011" granted by World Finance and "Best Equity House of 2012" by *EMEA Finance*.

  - BBVA Portugal has been named for the second year in a row by the magazine *Euromoney* as one of the best providers of cash management services for companies in Portugal. The results reflect BBVA's capacity to offer solutions adapted to customer needs in what is an increasingly competitive and specialized market.

- Garanti was chosen together with BBVA by the Chinese company UnionPay as a founding member of UnionPay International, a subsidiary created with the aim of expanding this company's payment channels internationally. Currently it has a market share of around 30% of all credit cards issued worldwide. The alliance will allow Garanti and BBVA to participate actively in part of the administration and creation of the rules and standards needed to expand this business.

- Garanti has renewed its alliance with Turkish Airlines to issue the airline's official credit card linked to its customer loyalty program for another five years.

- In 2012, Garanti has marketed or renewed its various mobile applications for iPhone, iPad, Blackberry and Android and incorporated new functions. It has also developed an application for all of the above devices called *e-trader*, which allows customers to monitor their portfolios and movements in the markets in real time. The result of these innovations has been a 141% increase, from the start of 2012 to September, in the number of users of Garanti mobile banking. In addition, from the beginning of the year until the third quarter, market shares in the mobile segment have risen significantly, both in terms of number of customers (from 32.0% to 36.5%) and in financial transactions (from 41.5% to 45.0%).

- Another field in which the Turkish bank has carried out major developments is in the services rendered through the social media, in line with the strategy for attracting business from the youngest segment of the population. Customers can apply for loans by simply providing some personal and contact details through Garanti's Facebook page or using the Garanti Kredi application.

Mexico

Income statement

(Million euros)

	Mexico				
	2012	Δ%	Δ% [1]	2011	2010
Net interest income	**4,164**	**10.3**	**7.8**	**3,776**	**3,648**
Net fees and commissions	1,087	6.4	4.0	1,022	1,066
Net trading income	218	(26.3)	(27.9)	296	384
Other income/expenses	288	27.0	24.2	227	180
Gross income	**5,758**	**8.2**	**5.8**	**5,321**	**5,278**
Operating costs	(2,172)	12.2	9.7	(1,936)	(1,826)
Personnel expenses	(912)	11.0	8.5	(822)	(819)
General and administrative expenses	(1,126)	11.6	9.1	(1,009)	(923)
Deprecation and amortization	(133)	27.0	24.1	(105)	(85)
Operating income	**3,586**	**5.9**	**3.6**	**3,385**	**3,452**
Impairment on financial assets (net)	(1,320)	11.9	9.4	(1,180)	(1,229)
Provisions (net) and other gains (losses)	(41)	(30.5)	(32.1)	(59)	(85)
Income before tax	**2,225**	**3.7**	**1.4**	**2,146**	**2,137**
Income tax	(538)	4.7	2.4	(513)	(530)
Net income from ongoing operations	**1,688**	**3.4**	**1.0**	**1,633**	**1,607**
Net income from discontinued operations	136	69.1	65.4	81	80
Net income	**1,824**	**6.4**	**4.1**	**1,714**	**1,687**
Non-controlling interests	(3)	20.6	17.9	(3)	(4)
Net attributable profit	**1,821**	**6.4**	**4.0**	**1,711**	**1,683**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	Mexico				
	31-12-12	Δ%	Δ% [1]	31-12-11	31-12-10
Cash and balances with central banks	5,968	8.5	3.2	5,503	6,121
Financial assets	29,463	12.7	7.3	26,138	25,721
Loans and receivables	42,058	12.1	6.7	37,522	38,505
Loans and advances to customers	37,249	14.4	8.9	32,560	32,971
Loans and advances to credit institutions and others	4,809	(3.1)	(7.7)	4,961	5,535
Tangible assets	1,168	18.5	12.8	986	887
Other assets	3,774	61.4	53.6	2,339	2,087
Total assets/Liabilities and equity	**82,432**	**13.7**	**8.3**	**72,488**	**73,321**
Deposits from cental banks and credit institutions	13,927	33.9	27.4	10,403	11,909
Deposits from customers	36,602	3.0	(1.9)	35,524	36,450
Debt certificates	3,952	1.6	(3.3)	3,889	3,861
Subordinated liabilities	4,249	77.1	68.6	2,399	2,014
Financial liabilities held for trading	5,830	7.2	2.1	5,438	4,855
Other liabilities	12,882	21.5	15.7	10,599	10,942
Economic capital allocated	4,991	17.8	12.2	4,236	3,290

(1) At constant exchange rate.

Significant ratios

(Percentage)

	Mexico		
	31-12-12	31-12-11	31-12-10
Efficiency ratio	37.7	36.4	34.6
NPA ratio	3.8	3.7	3.3
NPA coverage ratio	114	120	152
Risk premium	3.49	3.49	3.74

Mexico highlights in 2012

- Sustained growth in activity, particularly in the retail portfolio.
- Positive growth in revenue, above all in recurring revenue.
- Implementation of expansion plans to make the most of market opportunities, focused mainly on technology and infrastructure.
- Stable risk indicators.
- Successful issuance of capital notes on international markets.
- Conclusion of the Afore Bancomer sale in January 2013.

Definition of the area

This area comprises the banking, pensions and insurance business conducted in Mexico by BBVA Group (hereinafter, BBVA Mexico). It should be mentioned that on January 9, 2013 the Group successfully concluded the sale of its entire stake in the company Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. The total adjusted price was USD 1,735m, representing capital gains of approximately €800m, net of tax.

Industry trends

In 2012, the **Mexican economy** maintained a strong rate of growth. Of particular interest was the domestic market strength, which has been underpinned by the progress of employment, improved competitiveness and increased capital flows. Inflation has begun to revert to 4% levels. The supply shocks prevalent in the third quarter have subsided.

In 2012, more than 700,000 jobs were created in the formal private sector, which marks the strongest average rate of growth in the last four years. The good job market performance was reflected in the positive performance of private consumption. In this way, both consumer finance and investment benefitted from financial stability and a greater flow of credit.

In the foreign sector, Mexico's contribution to US manufacturing imports amounted to 12.6%, the highest figure in history. Despite the difficult foreign situation, Mexico has kept its fiscal and monetary policies geared towards stability, which has allowed it to rein in public deficit and keep inflation and debt low.

The year 2013 is expected to be more positive, with new opportunities arising for the approval of key reforms that, as they materialize, would represent an additional boost to the internal sources of growth.

As far as the **financial sector** is concerned, Mexico has continued to show a high degree of strength, with a capital ratio that is far above the minimum required (10%). As a result, it has been one of the first systems to adopt Basel III regulations.

With respect to banking activity, the loan book remains robust and has recorded 20 consecutive months of growth. All the portfolios have grown, and this dynamic mood is expected to continue due to the favorable macroeconomic environment. Customer fund gathering is also positive, so there are no liquidity tensions.

With respect to the **exchange rate**, the peso has appreciated over the year, both in terms of the fixing and average rates. This means its impact on the balance sheet, activity and earnings in the area has been positive year-on-year. To assist in the understanding of the business figures, the percentage rates given below refer to constant exchange rates, unless otherwise indicated.

Management priorities

BBVA Mexico offers a broad range of financial services and products through its extensive network and infrastructure. Its primary activity is carried out through the bank, BBVA Bancomer, S.A., which holds a leading position in Mexico in terms of deposits, loan book, number of ATMs and branches. Its business model is based on a segmented distribution by customer type, with a philosophy of prudent risk control, and long-term growth and profitability.

BBVA Group in Mexico works for a better future for people and offers its customers a mutually beneficial relationship, proactive service, advisory services and comprehensive solutions.

In **2012**, the business area focused on:

- Developing profitability strategies for the business against a low interest rates scenario.
- Maintaining a profitable mix of gathering deposits, with growth in the lower-cost customer funds.
- Implementing a cost optimization plan focused on controlling recurrent expenses without affecting the expansion plans.
- Making advances in the segmentation process and customer support in branches, after the good results of the project's tests carried out throughout 2012.
- Maintaining adequate control of risk.

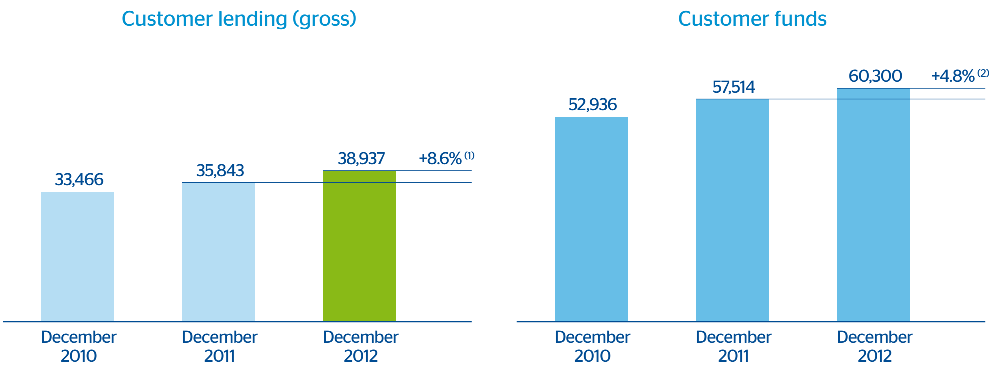
Management priorities in **2013** will focus on:

- Increasing marketing activity in all business units.
- Strengthening income, with a focus on fees and profitability per product.
- Continuing efforts to control recurrent expenses.
- Maintaining the growth policy together with a good asset quality.
- Achieving greater customer loyalty through a multi-channel offer that helps make the customer base more profitable while improving customer-service quality

Activity

As of the close of the year, **gross customer lending** in Mexico was up year-on-year by 8.6% to €38,937m. **Customer funds** (on-balance sheet deposits, repos, mutual funds and other off-balance funds) closed the year up 4.8% year-on-year to €60,300m.

27 Mexico. Key activity data
(Million euros at constant exchange rate)

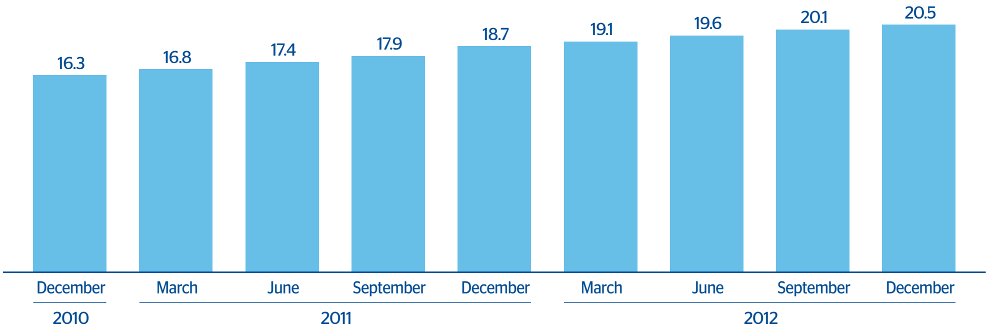


(1) At current exchange rate: +13.9%.
(2) At current exchange rate: +10.1%.

The **retail portfolio,** which includes consumer finance, credit cards, residential mortgages and loans to small businesses, performed very well, with a balance of €20,481m, equivalent to an increase of 9.6% compared with the figure for the close of 2011.

28 Mexico. Retail portfolio evolution

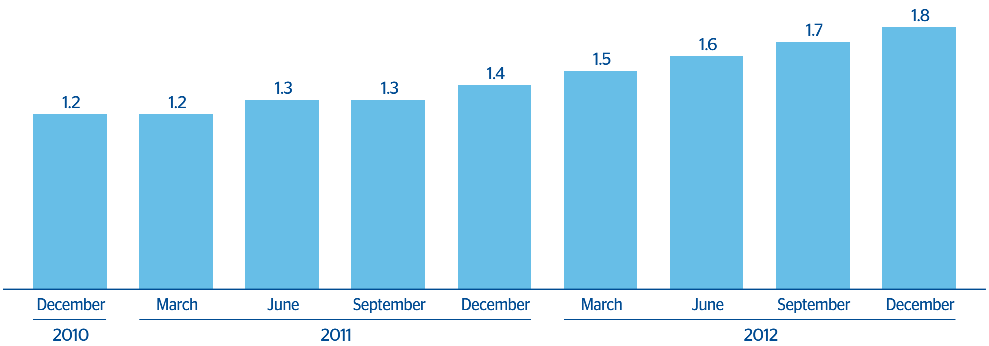
(Billion euros at constant exchange rate)



Outstanding within this portfolio was lending to small businesses, which increased 26.5% on the figure for 2011.

29 Mexico. Lending to small businesses evolution

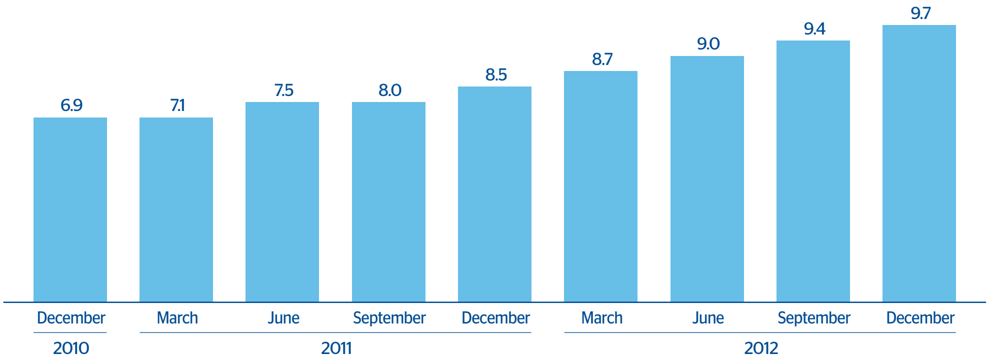
(Billion euros at constant exchange rate)



Consumer finance and credit cards rose by 13.3% to €9,675m. It is worth highlighting that over a million consumer loans were sold during the year, including payroll, auto and personal loans. Credit card lending has continued to perform well, with a year-on-year increase of 14.1%.

30 Mexico. Consumer finance plus credit cards evolution

(Billion euros at constant exchange rate)

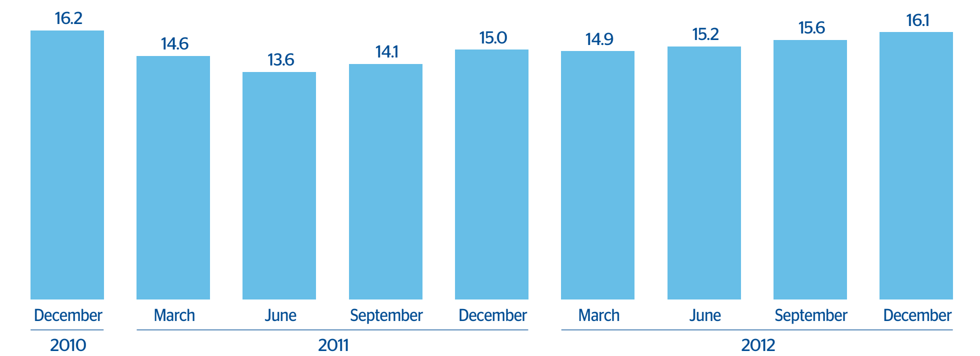


Residential mortgages increased by 3.0% to €8,911m. Over 28,300 new mortgages were granted in 2012. This has maintained BBVA's leadership in Mexico in the private sector, signing one out of three of new mortgages granted by banks and Sofoles.

The **wholesale portfolio**, which includes loans to corporations, SMEs, financial institutions and the public sector, is up 7.4% year-on-year to €16,084m. There was a particularly good performance in lending to SMEs, which has grown year-on-year at double-digit rates throughout the last twelve months, closing December at 12.2%. Loans to the public sector amounted to €3,590m. In 2012, lending to corporates through CIB continued to increase. This has been reflected in the bank's active participation in corporate debt issues on capital markets, where BBVA has maintained its lead in Mexico, with a market share of 25.1% as of the close of December 2012, according to *Dealogic*.

31 Mexico. Wholesale portfolio evolution

(Billion euros at constant exchange rate)

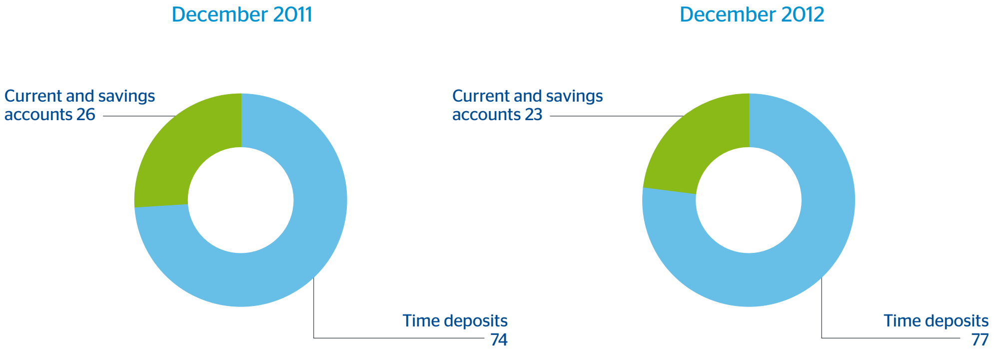


In **customer funds**, demand deposits increased by 6.9%, with a notable performance by customer funds from the retail network, which increased by 7.3% compared with the close of 2011. BBVA continues to lead the demand deposit segment, with a third of the market, making it the favorite bank for savers in the country. Throughout the year, BBVA Group in Mexico has maintained its strategy of ensuring a profitable mix of liabilities, as reflected in the 7.9% year-on-year fall in time deposits. This fall has been offset by the increase in the assets under management in mutual funds (up 6.7%) and other more sophisticated products such as repos and other fixed-income products.

These figures mean that the mix of customer funds continues to maintain a profitable structure. A total of 77% of all deposit gathering was in low-cost deposits, while the remaining 23% was in time deposits.

32 Mexico. Structure of customer funds. Deposit gathering [1]

(Percentage)



(1) Including current and saving accounts, time deposits both in local currency and dollar.

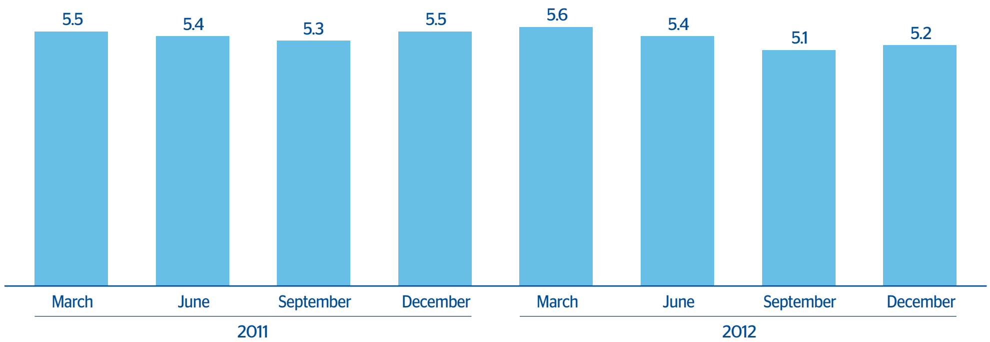
Earnings

2012 was a year in which investment in Mexico continued to take advantage of market opportunities in order to maintain a sound financial position.

Net interest income in the area amounted to €4,164m, 7.8% up on 2011. The activity volume, combined with good price management, have offset the impact of low interest rates throughout the year. As a result, despite the interest-rate environment mentioned above, profitability, calculated as the net interest income over average total assets, showed a stable trend.

33 Mexico. Net interest income over ATA

(Percentage)

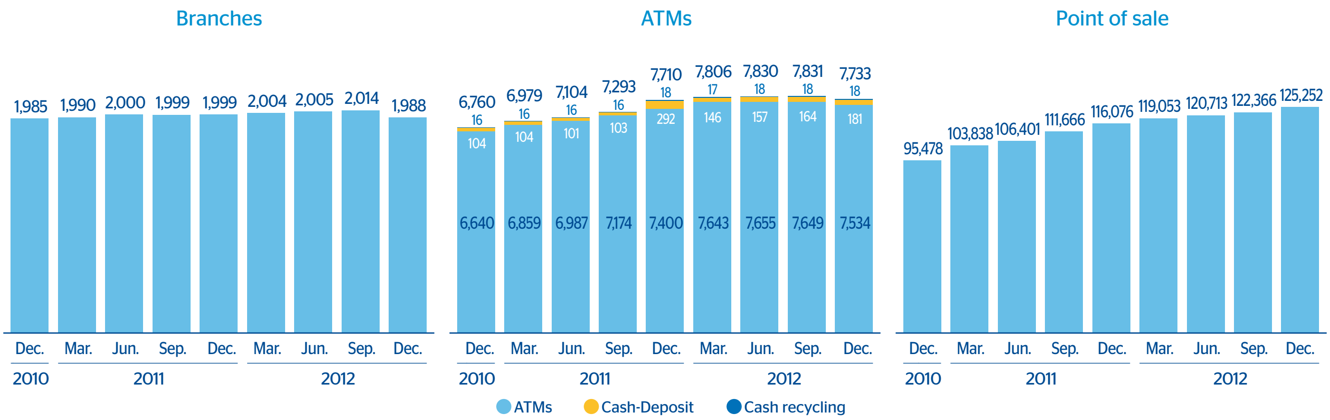


Income from fees and commissions increased by 4.0% to €1,087m, due to increased transactions by customers with credit and debit cards, and a higher volume of assets under management in mutual funds. In contrast, NTI registered a fall because of the comparison with the high level of income in 2011. The trend in other income and expenses continued to be positive, thanks above all to the favorable performance of the insurance business. As a result of the above, **gross income** was €5,758m, 5.8% up on the figure for 2011.

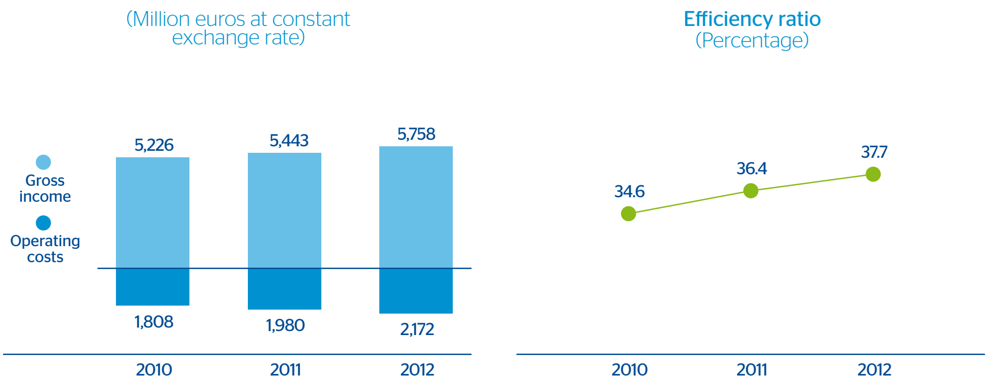
The increase of operating expenses is the result of the investment in technology and infrastructure over recent years. Because of this, operating expenses in 2012 were up 9.7% to €2,172m. The number of ATMs continued to grow over the year to 7,733 units, while POS terminals increased by 9,176 units over the last twelve months. With these figures for revenue and costs, the efficiency ratio remains one of the best in the Mexican system, at 37.7% as of the close of 2012. **Operating income** totaled €3,586m, 3.6% up on the figure for 2011. Excluding the most volatile revenues from NTI, operating income increased over the year by 6.6%.

34 Mexico. Distribution network evolution

(Branches, ATMs and points of sale)

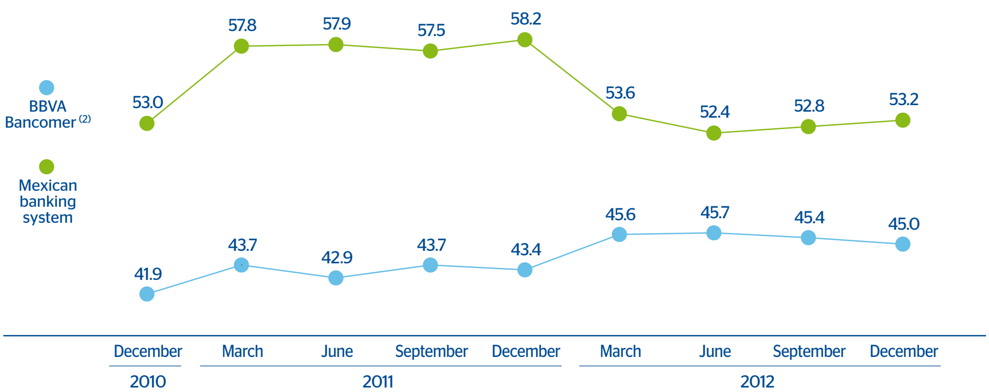


35 Mexico. Efficiency



36 BBVA Bancomer and Mexican banking system efficiency (1)

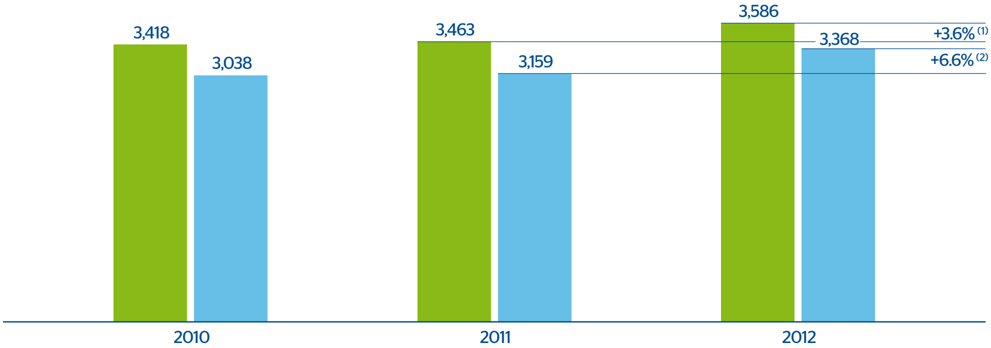
(Percentage)



(1) Mexican banking system formed by 5 banks: Banamex, Santander, Banorte-Ixe, HSBC and Scotiabank.
Source: CNBV. Data from banks without subsidiaries.
(2) Data collected under local accounting principles.

37 Mexico. Operating income and operating income net of NTI

(Million euros at constant exchange rate)

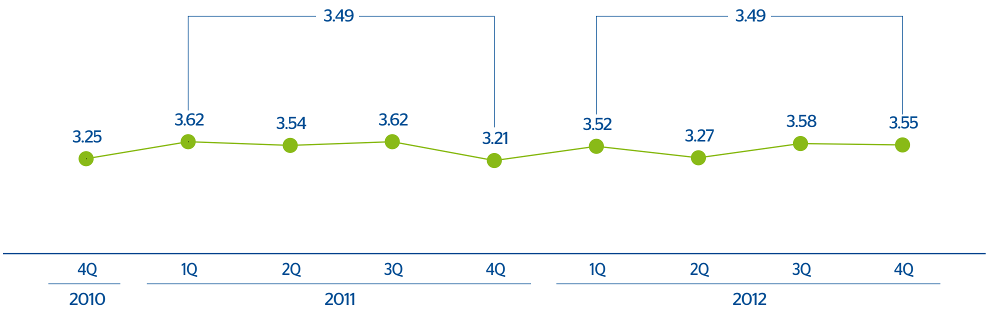


(1) At current exchange rate: +5.9%.
(2) At current exchange rate: +9.0%.

Impairment losses on financial assets increased in line with activity in the area, at 9.4% year-on-year to €1,320m. As a result, the cumulative risk premium has been stable on the figure for last year, at 3.49%. The **NPA ratio** closed at 3.8% as of 31-Dec-2012, and the **coverage ratio** at 114%.

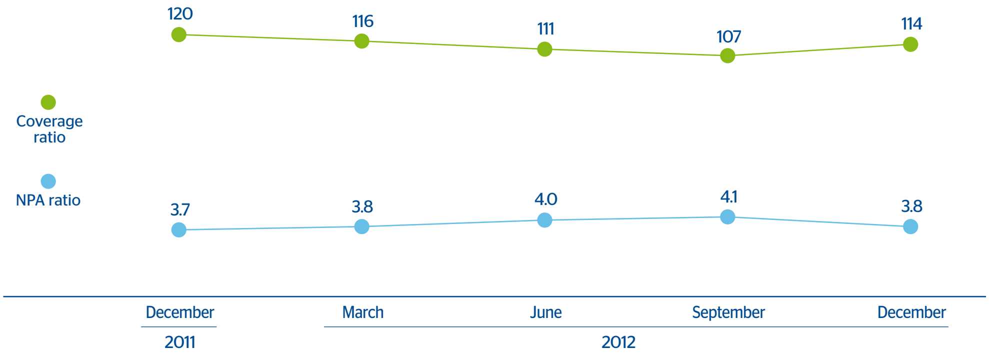
38 Mexico. Risk Premium

(Percentage)



39 Mexico. NPA and coverage ratios

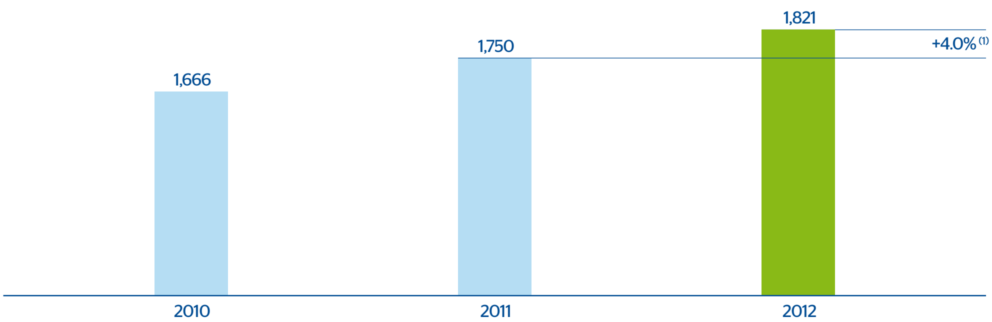
(Percentage)



As a result of the above, the **net attributable profit** increased by 4.0% on the 2011 figure to €1,821m.

40 Mexico. Net attributable profit

(Million euros at constant exchange rate)



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

Below are some of the most important aspects of the performance of the various business units in 2012.

Commercial Banking

Commercial Banking manages a **loan book** of €20,481m and **total customer funds** of €38,451m. Moreover, it serves seven of the nine customer segments. It does so through an extensive distribution network which has tested the new service model consisting of a total renovation of the branch and personalized attention by segment. So far, positive results have been observed in the 7 offices where this new model has been introduced in terms of profitability, loyalty, greater use of transactional services and improved perception of customer support service.

Different products designed for each one of the segments managed in this unit have been launched over 2012. For instance, it is worth mentioning the sale of structured bills for customers in the **private and wealth management segment**, in line with the strategy for making the institution's liabilities more profitable and offering customers products with greater value. This segment has also been offered pre-approved loans for credit cards, mortgages and consumer loans, which have contributed to the growth of gross lending to customers in the area. In turn, BBVA Bancomer Asset Management has signed a strategic alliance with BlackRock to launch the B+RVUSA fund, the first and only fund in its category in Mexico. The fund expands the range of funds for private banking customers and it invests in equity instruments, mainly international stocks. In addition, the "B-Estratega" application for iPad, which can be used to access financial information, was launched.

The number of managers was increased to attend **personal banking customers**. This enables differentiated products and services to be offered, such as the "DIVER-C" mutual fund, which includes the option of investing in a fund made up of several funds. Consumer loans were also granted for this segment through Bancomer.com with excellent price differentiation.

Lending to **small businesses** has been very intense, and led BBVA in Mexico to earn the "Pyme 2012" (SME 2012) award as the bank granting the most loans to SMEs and entrepreneurs. The successful "Membresías pyme" (SME Membership) program was launched for this segment. This program promotes added-value solutions so that businesses can more efficiently manage their cash, for example, through payroll administration, mutual funds, making tax payments, etc. This initiative attracted 100,000 customers over 2012.

With the aim of boosting banking services penetration, a new business segment named "**express**" was developed. Convenient, easy-access products were created for this specific segment, such as the "Cuenta Express" (Express Account), the first mobile account in Mexico. Moreover, the promotion of the new correspondent network was also given new momentum, which enabled points of sale to continue growing. At the end of the year, more than 20,000 stores were registered, with over 52 million basic transactions carried out. In addition, the "Dinero Móvil BBVA Bancomer" (BBVA Bancomer Mobile Money) plan was launched in September 2012 to foster access to banking for new users, and thus contribute to increase financial inclusion and the level of banking penetration in the country. The innovation introduced by the service is the ability to send money to any part of Mexico via the Internet, ATMs or cell phones. The recipient of the deposit receives a message with a password giving access to the cash through ATMs in BBVA Bancomer's network, without the need for a debit card or a bank account. Finally, a strategy to enhance service quality through self-service channels was implemented with the incorporation of "second generation" ATMs called "practicajas" and "recyclers", through which loan, credit card and service payments, as well as deposits in BBVA Bancomer accounts, can be made.

Consumer Finance Unit

This unit manages the consumer and credit card portfolio, which was one of the highest growth portfolios in 2012. This boost in lending resulted from alternative channels other than branches and pre-approved loans through the multi-channel distribution network. The percentage of loans issued through alternative channels reached 9% in 2012. In 2012, more than 80,000 pre-approved loans were granted through BBVA Bancomer's ATMs.

In **consumer finance**, more than 929,200 loans (excluding auto) were granted. Payroll loan performance was outstanding. Moreover, the positive alliance with car dealers contributed to an increase in loans for car purchase. At the end of 2012, more than 90,300 loans of this type were granted.

The **credit card** portfolio saw a year-on-year increase of 14% in revenues from purchases. In 2012, more than 1.8 million credit cards were issued through the branch network, in the case of bank cards, and through the stands set up by commercial partners for *finanzia* cards. This progress has enabled BBVA Group to keep its leading position in Mexico in both consumer finance and in credit cards.

Government & Corporate Banking

This unit has specialized offices to serve each one of its customer segments: 87 branches for companies, 36 branches for the public sector and 14 branches for real-estate developers. As of 31-Dec-2012, the unit managed a loan-book volume of €10,430m and customer funds totaling €14,400m.

The **Corporate** segment serves 40,949 customers, 12% more than in 2011. In 2012, 1,344 customers who were not previously loan customers became so, making the total number of loan users total 8,899, or 22% of the total customer base in this unit. This unit also continued to support its customers through its range of solutions to make their operations much easier and faster. Currently, customers in this unit use 5.04 groups of products on average per corporate group, and 66% of the groups are linked to the entity with 5 or more products.

The real-estate **developers** portfolio redesigned its strategy and customer-support model to incorporate new acceptance and monitoring processes to maintain portfolio quality.

Throughout 2012, the **government** segment experienced constant growth in the number of customers. At the end of the year, it reached 3,232, representing 58% of all offices in the Mexican government. Both innovation and the extensive range of services offered, like payrolls for government employees and tax collection solutions for states and municipalities, have resulted in one of the highest rates of bank loyalty: 4.57 product families on average per customer.

The **financial leasing** business was strengthened buy the purchase of FacilLeasing in 2011. It also extended its product range to include not only auto leases, but also specialized leases (planes, boats), for equipment and fleets.

Corporate & Investment Banking (CIB)

This unit specializes in the management of global corporate customers who are offered value added investment banking and cash management products.

The three CIB business lines are:

- Client Coverage, managing the BBVA Group's relationship with large global corporations.
- Global Markets, providing investment and risk management solutions for corporate and institutional customers.
- Transactional Banking, offering products and services for attracting competitive, innovative funds.

CIB in Mexico has implemented a solid business model that has provided an excellent capacity to generate recurring revenues and to create value sustainably. This model has three basic pillars: 1) a clear customer focus, 2) investment in talent and 3) discipline in risk management. The effectiveness of this business model has withstood the test even in complex financial contexts, as reflected in the maintained leadership position of the unit in several market segments, such as: debt capital markets (28% share, according to the latest data available from *Dealogic*), project finance (27% share, according to *Negocio*), structured bills (37% share, according to *Negocio*) and exchange rates and foreign currencies (21% share, according to Banxico).

In 2012, CIB in Mexico took part in a number of significant cross-border deals, such as the IPOs of Cemex in Colombia, FibraHotel and Alsea, as well as in diverse foreign-trade finance transactions with Cemex, Ebramex, IBM and América Móvil.

In terms of commercial activity, it strengthened its collection products with new solutions including: "CIE Interbancario", which allows corporate customers to extend the collection points for its invoices to the networks of other banks, with BBVA Bancomer as the collection consolidator, and "Cobranza Referenciada CIE", which offers the possibility of receiving payments via credit cards, even over months with no interest.

Insurance business

In 2012, the insurance business experienced positive commercial growth, with a total of €1,014m premiums issued. This figure was boosted by the extraordinary earnings from the ILP (Free Equity Investment), as well as a strong performance of the "VidaSegura", "HogarSeguro" and "Transacción Segura" products.

The low claims rate in the car insurance segment is the reflection of the excellent results obtained in the recovery of units and sale of auto salvages.

Highlights

A number of **awards and special mentions** were received, of which we may highlight:

- BBVA Bancomer received the award for "Socially Responsible Company" from the Centro Mexicano para la Filantropía (Cemefi) in recognition of its extraordinary social work as "good citizen". Worth mentioning is the implementation of a number of banking penetration actions which have generated a range of low-cost services within a framework of ongoing innovation, using high-technology channels, and the progress made by the financial literacy program "Adelante con tu Futuro" (Forward with your Future).

- The Mexican Center for Philanthropy (Cemefi), Alliance for Social Responsibility in Mexico (AliaRSE) and Forum Empresa granted BBVA Bancomer the "Best Corporate Social Responsibility Practice" award in the "Community engagement" category for the mutual fund B+Educa, the first of its kind created by Mexico to support the "Por los que se quedan" (For those left behind) social integration scholarship program.

- The financial magazine *World Finance* has recognized BBVA Bancomer's Asset Management unit as the Best Asset Management Institution in Mexico due to its positive earnings figures and effective management of mutual funds.

Some innovative **campaigns and products** worth mentioning are:

- The development of the "Dinero móvil" product, which allows customers to withdraw money from ATMs and make payments without having to use a card. Cell phones are therefore the main channel for operating with this product, which works with any operator.

- The successful launch of the "Sí, acepto" (Yes, I accept) campaign that aims to support customers by granting instant loans that are individually tailored to each of them, simply for having their salaries paid directly into their accounts. It is a quick, customer-friendly product with added advantages.

Finally, BBVA Bancomer successfully issued two 10-year additional **capital notes** for USD 1,500m on the international markets. The issue was 3 times oversubscribed, once more confirming the confidence of investors in both the growth prospects and positive performance of BBVA's franchise in Mexico and the country overall.

South America

Income statement

(Million euros)

	South America				
	2012	Δ%	Δ% [1]	2011	2010
Net interest income	**4,291**	**35.7**	**25.6**	**3,161**	**2,494**
Net fees and commissions	910	26.4	18.3	720	620
Net trading income	443	(8.6)	(14.9)	485	458
Other income/expenses	(281)	6.4	(4.3)	(264)	(170)
Gross income	**5,363**	**30.8**	**21.6**	**4,101**	**3,402**
Operating costs	(2,328)	23.0	15.4	(1,893)	(1,524)
Personnel expenses	(1,165)	21.6	14.5	(958)	(774)
General and administrative expenses	(989)	26.3	18.4	(783)	(624)
Deprecation and amortization	(173)	14.3	5.7	(152)	(126)
Operating income	**3,035**	**37.4**	**26.8**	**2,208**	**1,877**
Impairment on financial assets (net)	(593)	32.1	21.6	(449)	(419)
Provisions (net) and other gains (losses)	(202)	127.7	110.8	(89)	(35)
Income before tax	**2,240**	**34.1**	**23.7**	**1,671**	**1,424**
Income tax	(486)	41.6	30.8	(343)	(347)
Net income from ongoing operations	**1,754**	**32.2**	**21.9**	**1,327**	**1,077**
Net income from discontinued operations	241	51.2	39.2	160	195
Net income	**1,995**	**34.2**	**23.7**	**1,487**	**1,273**
Non-controlling interests	(649)	35.1	24.0	(480)	(383)
Net attributable profit	**1,347**	**33.8**	**23.6**	**1,007**	**889**

(1) At constant exchange rates.

Balance sheet

(Million euros)

	South America				
	31-12-12	Δ%	Δ% [1]	31-12-11	31-12-10
Cash and balances with central banks	12,908	54.9	55.8	8,335	7,064
Financial assets	10,144	13.8	10.9	8,912	8,550
Loans and receivables	51,638	19.9	17.7	43,069	33,845
Loans and advances to customers	47,146	21.4	18.9	38,831	30,408
Loans and advances to credit institutions and others	4,492	6.0	6.3	4,238	3,437
Tangible assets	881	9.4	8.9	805	652
Other assets	2,848	22.6	19.7	2,322	1,559
Total assets/Liabilities and equity	**78,419**	**23.6**	**21.6**	**63,444**	**51,671**
Deposits from central banks and credit institutions	5,947	14.3	9.1	5,205	4,299
Deposits from customers	53,870	26.8	25.5	42,468	33,496
Debt certificates	3,263	43.0	35.7	2,282	1,864
Subordinated liabilities	1,196	(23.7)	(26.7)	1,568	1,331
Financial liabilities held for trading	955	(5.0)	(10.7)	1,006	876
Other liabilities	9,913	23.9	22.9	8,002	7,381
Economic capital allocated	3,275	12.5	10.3	2,912	2,423

(1) At constant exchange rates.

Significant ratios
(Percentage)

	South America		
	31-12-12	31-12-11	31-12-10
Efficiency ratio	43.4	46.2	44.8
NPA ratio	2.1	2.2	2.5
NPA coverage ratio	146	146	130
Risk premium	1.64	1.85	2.27

South America highlights in 2012

- Very strong business activity.
- Excellent price management.
- Positive performance of the insurance business.
- Efficiency improvement.
- Stable risk indicators.
- Agreement reached on the sale of AFP Horizonte in Colombia and AFP Provida in Chile.

BBVA footprint in South America
(31-12-2012)

	Banks	Pension fund managers	Insurance companies
Argentina	•		•
Bolivia		•	
Chile	•	•	•
Colombia	•	•	•
Ecuador		•	
Panama	•		
Paraguay	•		
Peru	•	•	
Uruguay	•		
Venezuela	•		•

Definition of the area

South America manages the Group's banking, pension and insurance businesses in the region. The area is quite diversified and has units operating in practically every South American country.

In the last quarter of 2012 and so far in 2013 major progress has been made in the conclusion of agreements for the sale of the pension business in Latin America. Specifically, on December 24, 2012 an agreement was signed for the sale of the stake in the Colombian subsidiary and on February 1, 2013 a second agreement was concluded for the sale of the stake in the Chilean subsidiary.

Industry trends

In 2012, the **economic growth** in the region boosted lending activity and customer funds in South America. This growth was supported, particularly in the first half of the year, by new local regulations, mainly related to provisioning and capital requirements. The new regulations aim to implement international standards in the region to maintain quality growth while remaining highly competitive.

The **financial system** remains sound in most countries. Lending continues to increase at high rates, boosted by monetary policies focused on supporting economic activity. It has been growing significantly in all the countries in the region, particularly in Venezuela, Uruguay and Argentina, and also in Colombia, Chile and Peru, although at a slower pace. Customer deposits are robust, advancing together with economic activity, and with annual growth similar to that for lending. Faced with external monetary expansion and the ensuing increase in capital flows, many central banks have chosen to apply prudential measures to discourage capital inflows and to control domestic lending growth (particularly in Brazil and Peru).

Exchange rates in the region have appreciated in most countries over the last twelve months, in both average and final terms. As a result, the impact of foreign currencies on the Group's balance sheet, activity and earnings is positive in the year. The comments below on business activity and earnings refer to constant exchange rates, unless otherwise indicated.

Management priorities

South America maintained its growth levels in both business activity and earnings throughout **2012**. It also improved its asset quality indicators against a background of severe financial turmoil at a global level and high competition in the region. This has been possible thanks to the plans implemented in the area, focused on: growth in key segments (individuals and corporates), customized value-added products for each segment, and improvements in customer service, productivity and efficiency.

The same strategic focus will be maintained in **2013**. The business strategy in South America will be based mainly on the following pillars:

1. Promote a cross-cutting approach in the Group's business initiatives.
2. Make the most of the Group's strengths and experience in each country in terms of segments, products and geographical areas.
3. Achieve the right balance between specialization by geographical area and by business (banking, segment, product, multi-channel service, etc.).

In addition, **simplicity** will be present in each one of the 5 priority dimensions for the area:

1. Innovation: to define a value proposition adapted to customer needs and to the Bank's abilities.
2. Branding: to reinforce the image of an easy, innovative and flexible bank, with products and channels designed to offer a better customer service. The Bank will also continue to promote a coordinated and consistent strategy regarding advertising, communication and corporate social responsibility.
3. Planning: especially in relation to organizational and commercial models.
4. Quality: to move from managing metrics to managing processes focused on the customer's experience, using a "Comprehensive Quality Model" that each country must put in place and execute.
5. Intelligence: to build commercial trend models in all the countries that contribute to increasing productivity and making better use of the multi-channel service, in order to develop both proactive and reactive customer retention models, design customer loyalty models, and implement a segmentation model according to the Group's criteria.

Lastly, with the launch of the **GPS Plan** (Growth, Performance and Stability), the Global Risk Management area has set out the main risk management lines for South America for the period 2012-2013. The aim is to make the most of the opportunities afforded by the region within the prudent framework that characterizes BBVA.

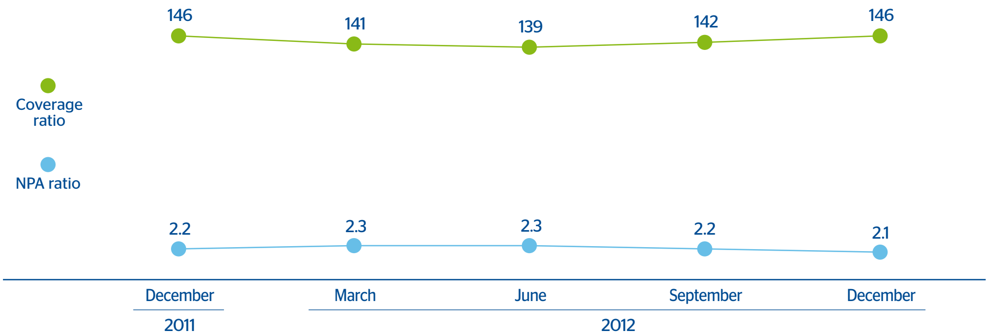
Activity

At the close of 2012, both the loan book and customer deposits in the area show high growth rates. **Gross customer lending** closed December with a balance of €48,721m, a year-on-year growth of

18.6%. The biggest increases have been posted in the retail segment (up 38.6%), thanks to the positive trend in lending to small businesses (up 105.8%) and consumer loans and credit cards (up 29.5%).

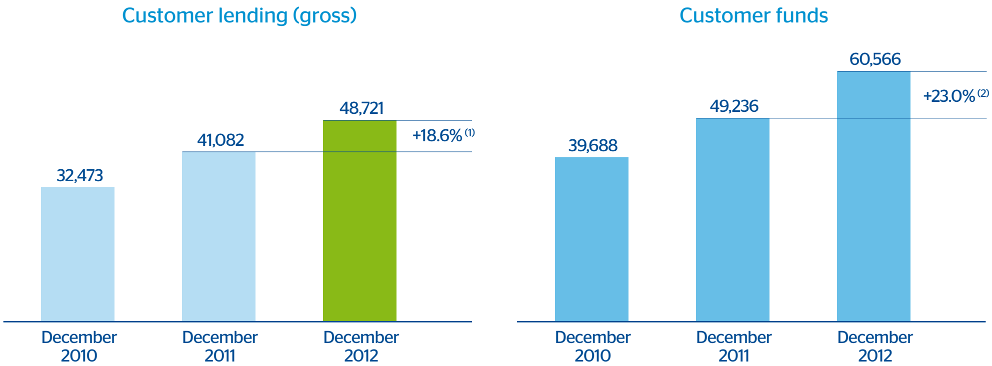
As regards **risk indicators** in the area, the NPA ratio has improved to 2.1% as of December 2012 (from 2.2% on the same date of the previous year), thanks to the rigorous risk admission and recovery policies applied in the region, in line with corporate guidelines. The coverage ratio remains at the same levels as the previous year, at 146%.

41 South America. NPA and coverage ratios
(Percentage)



On-balance-sheet **customer deposits** (excluding repos) have grown 24.1% year-on-year to €56,937m. This has resulted in a market share gain of 15 basis points over the last 12 months (according to the latest information available as of November 2012). Lower-cost transactional items (current and savings accounts) rose 30.6% and have seen their market share increase by 53 basis points from the end of November 2011 to the close of November 2012. Customer funds managed by the banks in South America, including the assets under management in mutual funds and repos, stood at €60,566m, up 23.0% on the figure as of 31-Dec-2011.

42 South America. Key activity data
(Million euros at constant exchange rates)



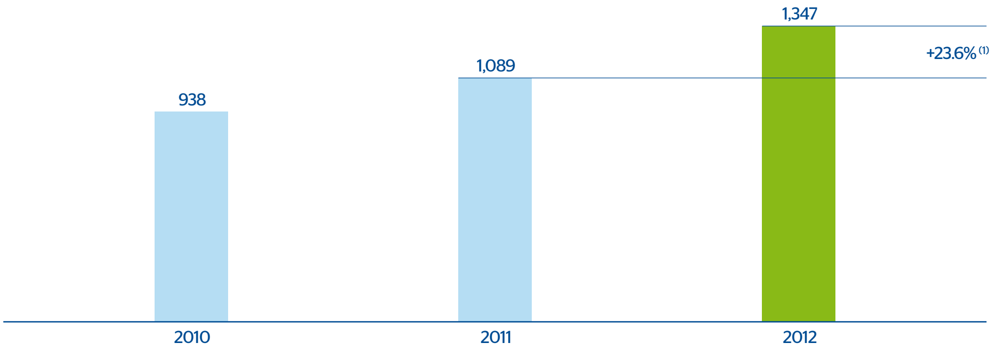
(1) At current exchange rates: +21.1%.
(2) At current exchange rates: +24.9%.

Earnings

South America closed the year with a significant increase in earnings of 23.6%, reaching a **net attributable profit** of €1,347m.

43 South America. Net attributable profit

(Million euros at constant exchange rates)



(1) At current exchange rates: +33.8%.

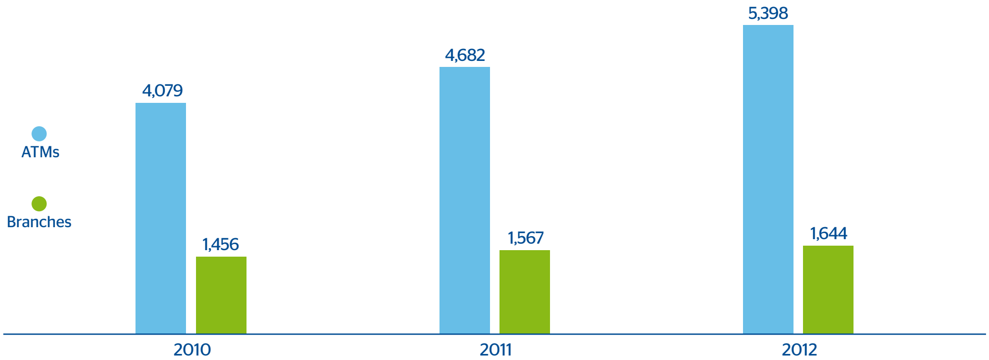
Recurring revenues have continued to grow thanks to growing activity and good price management, which is reflected in higher spreads. As a result, net interest income closed the year at €4,291m, up 25.6% on the figure posted in 2011. Fees and commissions were up 18.3% to €910m.

NTI is down 14.9% on the previous year, since 2011 earnings included the effect of the revaluation of USD positions of BBVA Provincial in Venezuela. The other income/expenses heading amounts to a negative €281m, despite the favorable performance of the insurance business in the region, due to the negative effect of hyperinflation in Venezuela and the greater contribution of the deposit guarantee funds in the countries where the Bank operates.

As a result of the above, the cumulative **gross income** for the area increased by 21.6% year-on-year to €5,363m.

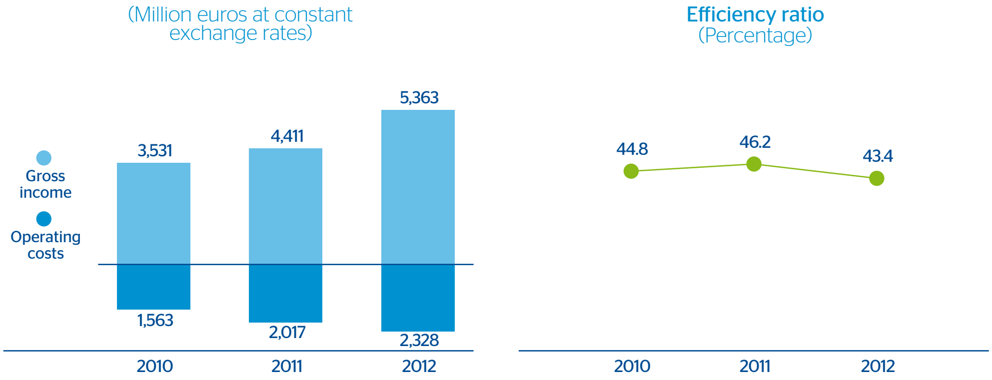
Operating costs have remained high and stand at €2,328m, up 15.4% on the figure for the same period in the previous year. This increase is the result of the high inflation recorded in the area and the investments made to implement the expansion and technological transformation plans. The investment plan seeks to make the most of the growth opportunities in the region, due both to buoyant activity and the possibilities for bank penetration. It also seeks to improve the quality of customer service, based on the corporate customer-centric policy.

44 South America. Evolution of branch network and ATMs



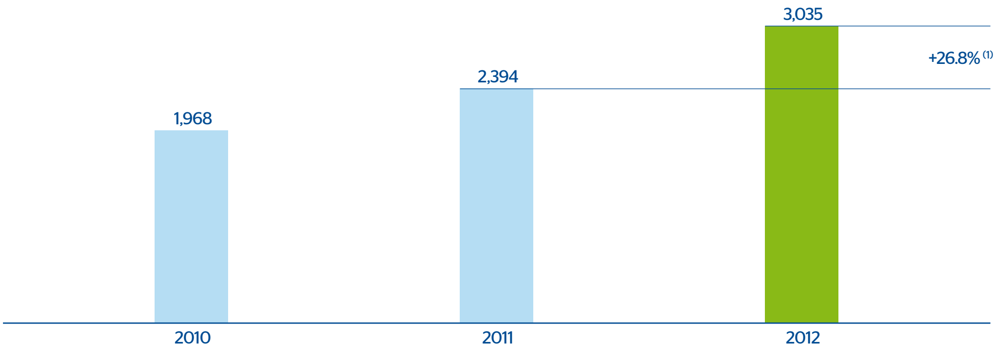
This performance of revenues and expenses has resulted in an improvement of the efficiency ratio in the area, which closes the year at 43.4% (46.2% the previous year), and a 26.8% increase in **operating income** to €3,035m.

45 South America. Efficiency



46 South America. Operating income

(Million euros at constant exchange rates)



(1) At current exchange rates: +37.4%.

Finally**,** impairment losses on financial assets are up 21.6%, in line with increased activity, and stand at €593m. As a result, the risk premium stands at 1.64% (1.85% as of 31-12-2012).

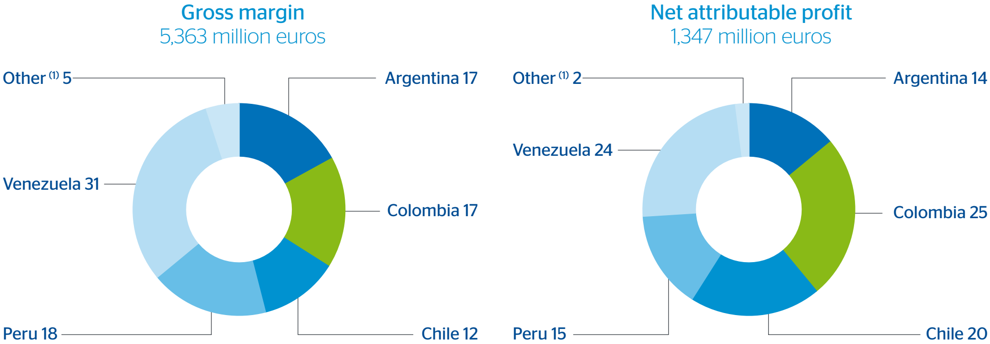
To sum up, strong activity, combined with good price management, has resulted in notable growth in the revenue lines. This, together with expenses that include expansion plans (though they are growing slower than revenue), and improved asset quality, has resulted in a 23.6% increase in net attributable profit in the year.

Below are some of the most important aspects of the performance of the various countries and the insurance activity in 2012.

Grupo BBVA. Business share ranking in South America in 2012

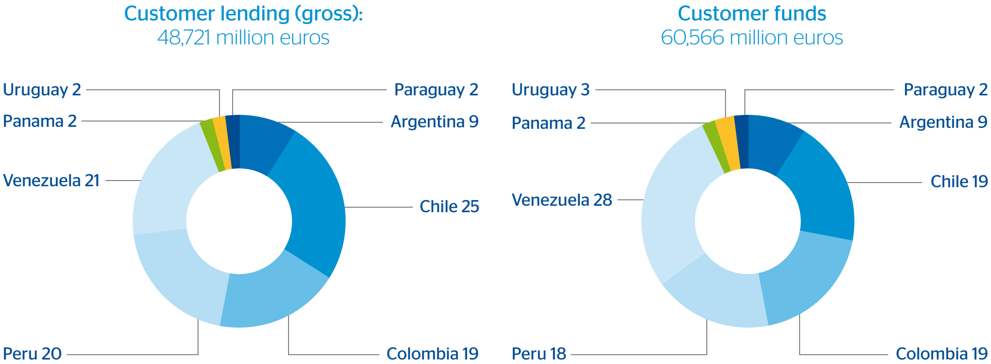
	Loan	Deposit	Pensions
Argentina	4th	3rd	-
Bolivia	-	-	1st
Chile	5th	5th	1st
Colombia	4th	4th	3rd
Ecuador	-	-	1st
Panama	5th	4th	-
Paraguay	4th	4th	-
Peru	2nd	2nd	3rd
Uruguay	2nd	3rd	-
Venezuela	3rd	2nd	-

47 South America. Breakdown of gross income and net attributable profit by country (Year 2012. Percentage)



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

48 South America. Breakdown of gross customer lending and on-balance-sheet customer funds by country (31-12-12. Percentage)



South America. Financial statements of the main countries

Income statement
(Million euros)

	Argentina				Chile			
	2012	∆%	∆% (1)	2011	2012	∆%	∆% (1)	2011
Net interest income	**575**	**42.0**	**44.4**	**405**	**462**	**10.4**	**2.7**	**419**
Net fees and commissions	229	31.4	33.6	174	85	0.9	(6.2)	84
Net trading income	60	(32.3)	(31.2)	89	26	(16.4)	(22.3)	32
Other income/expenses	69	(2.4)	(0.8)	71	71	44.2	34.1	49
Gross income	**934**	**26.3**	**28.4**	**739**	**645**	**10.4**	**2.7**	**584**
Operating costs	(492)	15.8	17.8	(425)	(324)	16.5	8.4	(278)
Personnel expenses	(270)	12.5	14.4	(240)	(179)	19.5	11.2	(150)
General and administrative expenses	(202)	19.1	21.1	(169)	(135)	19.9	11.5	(112)
Deprecation and amortization	(20)	32.0	34.2	(15)	(10)	(36.8)	(41.2)	(16)
Operating income	**442**	**40.5**	**42.8**	**315**	**321**	**4.9**	**(2.4)**	**306**
Impairment on financial assets (net)	(55)	48.9	51.4	(37)	(89)	40.5	30.7	(64)
Provisions (net) and other gains (losses)	(15)	n.m.	n.m.	1	7	n.m.	n.m.	(4)
Income before tax	**371**	**33.1**	**35.4**	**279**	**239**	**0.3**	**(6.7)**	**238**
Income tax	(121)	56.2	58.8	(78)	(37)	(5.7)	(12.3)	(39)
Net income from ongoing operations	**250**	**24.3**	**26.3**	**201**	**202**	**1.5**	**(5.6)**	**199**
Net income from discontinued operations	-	-	-	-	168	39.0	29.3	121
Net income	**250**	**24.3**	**26.3**	**201**	**370**	**15.7**	**7.6**	**320**
Non-controlling interests	(59)	32.8	35.0	(44)	(102)	6.6	(0.9)	(96)
Net attributable profit	**191**	**21.8**	**23.9**	**157**	**268**	**19.6**	**11.2**	**224**

(1) At constant exchange rates.

Balance sheet
(Million euros)

	Argentina				Chile			
	31-12-12	∆%	∆% (1)	31-12-11	31-12-12	∆%	∆% (1)	31-12-11
Cash and balances with central banks	1,341	0.9	17.3	1,329	381	8.3	1.7	352
Financial assets	569	(35.0)	(24.4)	875	2,499	(14.7)	(19.9)	2,930
Loans and receivables	4,753	3.1	20.0	4,609	12,907	21.5	14.0	10,627
Loans and advances to customers	4,208	5.9	23.2	3,974	11,974	24.6	17.0	9,607
Loans and advances to credit institutions and others	544	(14.2)	(0.2)	635	933	(8.5)	(14.2)	1,020
Tangible assets	109	(4.9)	10.6	115	94	(26.5)	(31.0)	128
Other assets	183	14.6	33.3	160	1,199	59.3	49.5	753
Total assets/Liabilities and equity	**6,954**	**(1.9)**	**14.1**	**7,088**	**17,080**	**15.5**	**8.4**	**14,790**
Deposits from central banks and credit institutions	80	(54.3)	(46.8)	174	2,654	11.0	4.2	2,391
Deposits from customers	5,280	1.3	17.8	5,213	7,829	11.9	5.0	6,997
Debt certificates	78	77.0	105.9	44	1,557	35.1	26.8	1,153
Subordinated liabilities	-	-	-	-	650	8.2	1.6	601
Financial liabilities held for trading	-	-	-	4	766	(6.1)	(11.9)	815
Other liabilities	1,155	(10.6)	4.0	1,292	3,074	30.7	22.7	2,352
Economic capital allocated	362	0.5	16.9	361	550	14.3	7.3	481

(1) At constant exchange rates.

Colombia				Peru				Venezuela			
2012	Δ%	Δ% (1)	2011	2012	Δ%	Δ% (1)	2011	2012	Δ%	Δ% (1)	2011
684	**24.5**	**11.8**	**549**	**665**	**28.0**	**13.2**	**520**	**1,720**	**57.4**	**45.3**	**1,093**
112	13.0	1.5	99	177	24.1	9.8	142	255	48.4	37.0	172
85	119.0	96.7	39	128	38.6	22.6	93	114	(46.6)	(50.7)	214
8	n.m.	n.m.	(7)	(13)	8.2	(4.3)	(12)	(404)	13.3	4.7	(357)
889	**30.7**	**17.4**	**680**	**958**	**28.9**	**14.0**	**743**	**1,685**	**50.2**	**38.7**	**1,121**
(373)	23.7	11.2	(302)	(316)	25.9	11.3	(251)	(623)	38.0	27.4	(452)
(167)	22.4	10.0	(137)	(169)	25.5	11.0	(135)	(266)	40.3	29.5	(189)
(175)	26.7	13.8	(138)	(124)	25.7	11.2	(99)	(276)	43.2	32.2	(193)
(31)	15.3	3.6	(27)	(22)	29.1	14.1	(17)	(81)	17.3	8.4	(69)
516	**36.2**	**22.3**	**379**	**642**	**30.5**	**15.4**	**492**	**1,061**	**58.5**	**46.3**	**670**
(113)	41.5	27.1	(80)	(139)	71.4	51.6	(81)	(185)	10.3	1.8	(168)
10	(31.9)	(38.8)	15	(4)	(31.8)	(39.7)	(6)	(194)	111.9	95.7	(92)
413	**31.5**	**18.1**	**314**	**499**	**23.2**	**8.9**	**405**	**682**	**66.2**	**53.5**	**410**
(105)	39.6	25.4	(75)	(132)	29.0	14.1	(102)	(87)	90.7	76.0	(46)
308	**29.0**	**15.8**	**239**	**367**	**21.2**	**7.2**	**303**	**595**	**63.2**	**50.7**	**364**
36	66.0	49.1	22	37	119.1	93.8	17	-	-	-	-
344	**32.0**	**18.6**	**261**	**404**	**26.4**	**11.8**	**320**	**595**	**63.2**	**50.7**	**364**
(13)	30.7	17.5	(10)	(209)	25.6	11.1	(166)	(265)	62.2	49.7	(163)
331	**32.1**	**18.7**	**251**	**195**	**27.1**	**12.5**	**154**	**329**	**64.0**	**51.4**	**201**

Colombia				Peru				Venezuela			
31-12-12	Δ%	Δ% (1)	31-12-11	31-12-12	Δ%	Δ% (1)	31-12-11	31-12-12	Δ%	Δ% (1)	31-12-11
1,537	67.8	55.7	916	3,565	56.2	50.7	2,283	5,531	86.1	89.6	2,971
2,325	17.3	8.8	1,982	998	9.6	5.8	911	3,232	82.1	85.5	1,775
9,185	23.0	14.1	7,467	9,655	13.1	9.2	8,535	11,385	42.6	45.3	7,983
8,948	22.9	14.0	7,280	9,377	14.1	10.2	8,216	9,693	43.3	46.0	6,766
238	26.8	17.7	187	278	(12.7)	(15.8)	319	1,691	39.0	41.6	1,217
118	9.6	1.6	108	203	15.8	11.8	175	307	34.0	36.6	229
530	74.2	61.6	304	465	46.1	41.0	318	379	30.8	33.3	289
13,695	**27.1**	**17.9**	**10,778**	**14,886**	**21.8**	**17.6**	**12,222**	**20,834**	**57.3**	**60.2**	**13,248**
404	(54.0)	(57.4)	880	2,206	73.5	67.5	1,272	223	13.2	15.4	197
10,256	40.8	30.6	7,286	9,335	9.5	5.7	8,527	17,449	63.4	66.5	10,677
536	13.7	5.5	471	992	127.4	119.5	436	-	-	-	-
157	7.7	(0.0)	145	352	(0.1)	(3.5)	352	-	-	-	-
76	(29.2)	(34.4)	108	100	28.8	24.3	77	-	-	-	-
1,380	36.8	26.9	1,009	1,421	26.1	21.8	1,127	2,399	31.7	34.2	1,822
886	0.9	(6.4)	878	480	11.5	7.6	430	763	37.9	40.5	553

Argentina

Economic activity in Argentina has slowed in 2012, following the strong performance seen in 2011. It has been affected by the drought, low growth in Brazil and the impact of recent restrictions imposed on the foreign-exchange market. GDP over the first nine months of 2012 posted a 1.8% increase on the same period the previous year (latest public data available).

The Argentinean **financial system** has maintained good liquidity and solvency indicators, although growth has been more sluggish compared with the previous year, as it was affected by various regulatory changes. In the foreign exchange market, the limits imposed on foreign exchange trading and capital movement have been tightened up. New regulations have also been issued on the establishment of reserve coefficients and the interest rate and allocation of funds for financing investment projects.

In this new scenario, **BBVA in Argentina** has once again proved its great flexibility and capacity to adapt quickly, not only developing new products and services, but also managing its resources more efficiently. The bank's loan portfolio has increased 23.8%, fueled mainly by consumer finance and lending to businesses, achieving a market share of 7.5% (data as of November 2012). As for risks, the quality indicators for the financial system's portfolio have deteriorated. However, prudent risk management has enabled BBVA Francés to maintain its ratios at optimal levels and maintain its leading position in this respect. Customer funds are up 16.9% in year-on-year terms. It is important to point out that following the regulations imposed on the forex market, there has been a major outflow of deposits in dollars. For this reason, the bank has posted a 38.8% reduction in its balance of deposits in foreign currencies. However, deposits denominated in pesos have grown at a rate of 31.0%, driven by the increase in lower-cost deposits (up 39.2%).

In earnings, Argentina has improved its net attributable profit by 23.9% thanks to the increase in net interest income, fees and commissions, and the excellent performance of the insurance business. This is despite the increase in operating expenses, which is mainly the result of the general increase in prices.

Chile

The **macroeconomic environment** in Chile has been favorable in 2012. The economy grew at a good pace thanks to strong investment and domestic demand. In 2012, GDP is expected to grow slightly above 5%. Full employment has been maintained, since the unemployment rate is expected to close the year at 6.2%, and inflation remains low, at around 1.5%, according to the country's Central Bank forecasts. Against this background, the main risks the local economy faces continue to come from abroad. Nevertheless, the economic outlook for 2013 continues to be favorable, with growth rates expected to once again reach 5% and inflation well within the Central Bank's target range (3%). The monetary policy rate should remain at current levels (5%).

In an environment of strong economic activity, the **financial system** has seen a significant expansion in lending in 2012, concentrated mainly in consumer finance and mortgage loans. According to November figures released by the Superintendency of Banks and Financial Institutions, lending is growing year-on-year at 14.3% (at constant exchange rates), with strong activity in the consumer portfolio (up 17.7%) and accelerating growth in corporate loans (up 15.6%). The earnings posted by the local banks show a 1.1% contraction compared with the previous year (figures as of November), due in part to the negative impact of the increase in expenses (up 10.3%) and loan-loss provisions (up 14.2%). The levels of return on equity have therefore been adjusted downward: from 17.4% as of November 2011 to 15.1% as of November 2012. However, the capitalization ratios of the banks in Chile have increased.

The macroeconomic and competitive environment in Chile have been favorable for **BBVA**. Lending grew 16.5% year-on-year, focused mainly on the private individual segment, and a market share gain of 4 basis points to 7.8%, according to the latest data for November. This improvement in the competitive position can be seen basically in mortgage loans and consumer finance, which increased in the year by 29 and 39 basis points, respectively. These results have been achieved by the successful development of the strategic plan, with strong growth in the installed capacity that additionally allows for the increase in the customer base. Forum, the unit specializing in consumer finance and leader in the automotive sector in Chile, has also benefited from strong car sales and has increased its market penetration rate in new car sales to 13.4%. The trend in the insurance business has also been positive thanks to contained levels of claims. With respect to on-balance-sheet customer funds, Chile has posted a year-on-year increase of 10.2%.

From the point of view of earnings, this year has been more difficult for Chile than the previous one as a result of investor perception of the macroeconomic situation in Europe and, particularly, in Spain. The uncertainty in the euro zone has resulted in an increase in the cost of funding, which has slowed down growth in more recurring revenue. However, net attributable profit stood at €268m, 11.2% up on the same period in 2011.

In addition, BBVA Chile has made progress in its social responsibility plan. For the third year in a row, it has been ranked as one of the most socially responsible companies in the country, according to the "2012 National Business Responsibility Ranking" published by Fundación Prohumana and the magazine *Qué Pasa*. The main factors contributing to the award have been: the Niños Adelante (Forward, children) program; the work of the "Corporate Volunteer"; the application of strict principles and ethical standards in its activity; the global Eco-efficiency plan; continuous improvement in professional standards; and the creation of an equality plan and diversity committee. BBVA Chile has also been recognized by the Chilean-US Chamber of Commerce with the "Good Corporate Citizen Award" for its program "Niños Adelante", which provides quality nursery education to children suffering from poverty.

Finally, BBVA Chile has for the first time been listed in the Business Corporate Reputation Monitor (Merco) as one of the leading and most respected companies in the country.

Colombia

2012 has been a very good year for Colombia in terms of **macroeconomic indicators**: high economic growth, in line with recent years, inflation at an all-time low, fiscal deficit reduction, and improved unemployment rates. This has enabled Colombian companies to benefit from strong domestic demand and new trade agreements, maintaining a high rate of activity, particularly in key sectors such as services, construction and mining.

In this context, in **Colombia**, **BBVA Group** closed 2012 with excellent earnings figures, above those achieved by its competitors. The lending business once again saw significant growth. Lending to individuals is up 23.2% year-on-year, with a significant contribution from all of its lines: consumer lending, including credit cards, and mortgage loans (up 29.2% and 16.9% year-on-year, respectively), which has enabled the bank to post, once again, gains in its market shares: 112 basis points in consumer lending, 60 in cards and 32 in mortgage loans. This has resulted in an overall increase of 42 basis points in the private individual portfolio (data as of November). The performance of the loan book has been accompanied by a strong boost in new customer funds, which are up 27.3% on the closing figure for 2011. Year-on-year gains in the market share of all customer fund lines have also been posted: up 57 basis points in demand deposits, 131 points in savings accounts, and 169 points in time deposits. Once again, asset quality indicators posted an excellent performance, which has enabled the bank to lead the sector. The insurance business has also performed well, driven by bancassurance and NTI. As a result, the country's net attributable profit continued to grow at a year-on-year rate of 18.7% to €331m.

Peru

The Peruvian **economy** has also performed remarkably well, despite the uncertainty surrounding the international financial situation, which has affected global economic activity. GDP grew by 6.0%, due mainly to strong domestic demand.

As a result, the Peruvian **banking system** has performed very well. At the close of 2012, lending by depository institutions to the private sector has grown 15.3% year-on-year, driven by the aforementioned strong economic activity, employment and attractive financing conditions.

BBVA's activity in Peru has increased significantly, in line with the country's strong economic performance. This can be seen in the growth of the loan book (up 10.5% year-on-year), and the market share in credit cards, customer deposits (up 8.8% year-on-year) and current and savings accounts. This trend is reflected in the country's net interest income (up 13.2% year-on-year), which combined with the increase in fees and commissions (up 9.8%), despite the new regulations, and strong growth in NTI (up 22.6%), has resulted in a 14.0% increase in gross income. Expenses and loan-loss provisions are up, the latter in line with the increase in activity, resulting in a net attributable profit of €195m, up 12.5% on the figure for the previous year.

In recent years, BBVA Continental has been developing products and services adapted to the new requirements of the modern and competitive Peruvian market with a worldwide reach. With the aim of becoming an easy bank, the "Nuevo Perú, Nuevo Banco" (New Peru, New Bank) concept has been launched. This institutional campaign seeks to explain to the country in clear and simple language why the bank is a new bank, as well as the various changes made as an organization. The campaign has enabled the bank to improve its simplicity, innovation and transparency indicators. BBVA Continental has also continued to focus its strategy on the "customer experience" culture, with commercial and customer service protocols that have enabled it to close 2012 as leader in service quality.

In the third quarter of 2012, BBVA Continental raised USD 500m in a successful 10-year bond issue at one of the lowest yields in the Peruvian market. This demonstrates its soundness and the confidence of international markets in the Peruvian franchise. The funds obtained will be used to meet demand for credit in the country.

The good performance of BBVA Continental is reflected in the awards granted in 2012. For the ninth year in a row, the bank has received the "Best Bank in Peru" award from *Global Finance* magazine. This same recognition was also granted by the Euromoney Awards for Excellence and *Latin Finance*. It has also been chosen as the third best Latin American bank by *América Economía* magazine, two positions up on the rating obtained in 2011. In addition, BBVA Continental won the "Luis Hochschild Plaut 2012" award during the Annual Conference of Executives (CADE) for its promotion of quality education through the implementation of the program "Leer es estar adelante" (Reading means keeping ahead).

Finally, BBVA Research team in Peru has received the "Best Financial Institution in the Terms of Research" award at the Latin America's Investor Relations Awards (LIRA) 2011. This recognition aims to reward best practices in investor relations and corporate governance at companies in Chile, Colombia and Peru, as well as to improve the quality of economic and capital markets analysis by those financial institutions in an advisory relationship with investors.

Venezuela

In 2012, the growth of the Venezuelan **economy** has been driven by strong performance in the construction and service sector. This buoyant domestic demand has resulted in a remarkable increase in imports. In the second half of the year, the country's GDP grew by 4.7%. The largest part of this growth is due to non-oil activity, which has expanded by 5.3%.

Inflation slowed in the first part of the year as a result of the enactment of the Fair Price and Cost Act, but began increasing in August. Year-on-year inflation stood at 19.9% as if the end of December, down 7.7 percentage points on the figure for 2011.

Throughout the year, **BBVA Provincial** has aimed its efforts at boosting the profitable and sustained growth seen in recent years. Business activity has been very strong. Lending has grown 45.4% year-on-year and customer funds at a rate of 60.6%, resulting in a 45.3% increase in net interest income. Fees and commissions are up 37.0% as a result of the good performance of the banking and insurance business. In contrast, NTI fell, as the figures for 2011 had reflected the effect of the revaluation of US dollar positions. Together with the increase in expenses and loan-loss provisions, all of the above has resulted in a rise of 51.4% in the net attributable profit to €329m.

BBVA Provincial continues to provide the widest range of financial products and services adapted to the needs of each customer segment. This is based on ongoing innovation and the development of new technologies, with improvement in the bank's image, which is closely linked to sport. It has continued to be the pioneer in mobile banking in Venezuela. Finally, BBVA Provincial's sound position and leadership in the Venezuelan financial system has been confirmed once again by the various awards received during the period. For the sixth year running, it has received the "Best Bank in Venezuela" award granted by the prestigious magazine *Global Finance*. Also for the sixth year in a row, it received the "Best Bank in Venezuela" award granted by the international publication *Euromoney*. For the fourth time in the last six years, *The Banker* granted BBVA Provincial the "Best Bank in Venezuela" award, one of the most important accolades in the financial industry. In addition, for the second year, the bank received the "Best Online Bank" award granted by *Global Finance* and was selected as the "Most effective online bank" and the "Bank offering the most effective response" by the corporation Suiche 7B.

Panama

The Panamanian **economy** has continued to perform strongly, with economic growth for 2012 estimated at around 11%, putting it among the top 5 in Latin America. The unemployment rate continues to fall, closing the year below 5%.

BBVA Panama ended the year with positive earnings and a net attributable profit of €27m. In addition, specific provisions have been increased by more than €3m during the period.

Paraguay

2012 has been a difficult year for the country's **economy**, with its main drivers affected. Meat exports have fallen in the farming sector due to two outbreaks of foot-and-mouth disease in the second half of 2011. In the agricultural sector, the severe drought at the beginning of 2012 affected crops. Given the weight of the primary sector in the country's economy, the latest GDP estimate released by the Central Bank suggests a 1.5% contraction for 2012. At 4%, the CPI is within the inflation target.

BBVA has not been immune to the country's situation, since around 45% of its lending portfolio corresponds to the agricultural and farming sector. The bank's activity has been adversely affected. This, combined with the increase in funding costs, has had a negative impact on net interest income and on fees and commissions. As a result, the unit's net attributable profit has declined to €14m, 39.8% down on the 2011 figure.

At a local level, the rating agency Feller-Rate maintained the bank's AA rating, with a negative outlook, while at the international level Standard&Poor's has kept its BB– rating, with a stable outlook, in line with the sovereign rating.

In 2012, BBVA has improved its tools and carried out the actions needed to make the most of the business opportunities that will arise in 2013, when the economy is expected to perform more strongly. For example, BBVA has boosted its retail business with the purchase of the credit card portfolio of Citibank NA, Paraguay Branch. With this acquisition, BBVA will become one of the main banks in this market and improve its position as a comprehensive bank for the preferred customer segment. It has also launched new mortgage products in a sector that is undergoing significant growth in the country. Lastly, BBVA has started to operate as an insurance broker in Paraguay in association with the country's most renowned insurance companies, thus completing the range of products and services available to its customers.

Uruguay

In 2012, the Uruguayan **economy** posted solid growth (up 4%, according to estimates), thanks to strong domestic demand in both consumption and investment. The annual inflation rate stood at around 7.5%.

BBVA Uruguay has kept its second place in the private bank ranking for the loan volume produced, with year-on-year growth of 13.6% in gross lending to customers and a 20% market share. Customer funds are up 2.4% of which lower-cost funds have performed strongly (current and savings accounts are up 7.0%). In conclusion, the net attributable profit stands at €27m (up 196.6%).

The highlights of the year have been the major effort made in the retail segment, supporting banking penetration in the country, and the growth in credit cards, through alliances with distributors and differential promotions. The call center has also been resized and a "serves to sale" concept has been adopted, developing the distribution channel and adding quality certifications and complaints service.

Regarding asset/liability management, 2012 has been characterized by positive handling of liquidity and strong activity in local currency operations, where the bank has been extremely active in the primary and secondary markets, both with its own portfolio and customer brokerage.

Insurance

The insurance business continued to perform well in 2012, despite the lower NTI. The unit posted net attributable profit of €87m, thanks mainly to strong activity and cost control.

Major marketing efforts have been made in 2012 aimed at improving and expanding the distribution channels, developing a wide range of products and promoting interrelation with other BBVA Group businesses. The bancassurance channel continues to drive the insurance business. The initiatives implemented in partnership with BBVA Microfinance Foundation have been very productive, and today all the microfinance institutions in South American countries where BBVA has insurance companies are distributing its products. Progress will continue to be made next year in the design of specific products for this sector of the population.

By companies, Seguros **Argentina**, following the sale of ART and Retiro, contributes a net attributable profit of €7m, significantly improving its high level of activity. Strong growth has also been posted in **Chile**, which contributes €42m, and **Colombia,** with €30m in earnings, while Seguros Provincial in **Venezuela** closed with €8m.

South America. Data per country

(Million euros)

	Operating income					Net attributable profit				
País	2012	Δ%	Δ% at constant exchange rates	2011	2010	2012	Δ%	Δ% at constant exchange rates	2011	2010
Argentina	442	40.5	42.8	315	299	191	21.8	23.9	157	132
Chile	321	4.9	(2.4)	306	255	268	19.6	11.2	224	223
Colombia	516	36.2	22.3	379	383	331	32.1	18.7	251	223
Peru	642	30.5	15.4	492	480	195	27.1	12.5	154	149
Venezuela	1,061	58.5	46.3	670	399	329	64.0	51.4	201	123
Other countries (1)	54	12.7	1.3	48	62	31	55.2	33.7	20	39
Total	**3,035**	**37.4**	**26.8**	**2,208**	**1,877**	**1,347**	**33.8**	**23.6**	**1,007**	**889**

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

The United States

Income statement

(Million euros)

	The United States					BBVA Compass (Units)			
	2012	Δ%	Δ% [1]	2011	2010	2012	Δ%	Δ% [1]	2011
Net interest income	**1,682**	**2.8**	**(4.7)**	**1,635**	**1,825**	**1,467**	**4.3**	**(3.2)**	**1,400**
Net fees and commissions	603	(4.8)	(11.1)	633	651	511	(2.3)	(10.0)	525
Net trading income	160	14.5	7.5	140	156	120	24.9	17.9	94
Other income/expenses	(49)	(41.8)	(46.3)	(84)	(50)	(44)	(41.5)	(50.2)	(83)
Gross income	**2,395**	**3.1**	**(4.2)**	**2,324**	**2,583**	**2,054**	**5.5**	**(2.0)**	**1,936**
Operating costs	(1,583)	5.8	(1.7)	(1,497)	(1,521)	(1,394)	6.5	(1.0)	(1,300)
Personnel expenses	(875)	6.7	(0.8)	(820)	(753)	(770)	7.0	(0.5)	(715)
General and administrative expenses	(521)	2.8	(4.5)	(507)	(569)	(442)	4.6	(2.9)	(420)
Deprecation and amortization	(188)	10.4	2.0	(170)	(199)	(182)	9.5	2.1	(165)
Operating income	**812**	**(1.8)**	**(8.6)**	**827**	**1,061**	**659**	**3.3**	**(4.2)**	**636**
Impairment on financial assets (net)	(90)	(73.8)	(75.9)	(346)	(703)	(53)	(75.5)	(85.1)	(332)
Provisions (net) and other gains (losses)	(54)	(96.4)	(96.7)	(1,501)	(22)	(45)	(87.3)	(97.2)	(1,480)
Income before tax	**667**	**n.m.**	**n.m.**	**(1,020)**	**336**	**561**	**n.m.**	**n.m.**	**(1,175)**
Income tax	(192)	n.m.	n.m.	329	(76)	(174)	n.m.	n.m.	362
Net income	**475**	**n.m.**	**n.m.**	**(691)**	**260**	**387**	**n.m.**	**n.m.**	**(814)**
Non-controlling interests	-	-	-	-	-	-	-	-	-
Net attributable profit	**475**	**n.m.**	**n.m.**	**(691)**	**260**	**387**	**n.m.**	**n.m.**	**(814)**
Adjusted [2]	-	-	-	(1,011)	-	-	-	-	(1,011)
Net attributable profit (adjusted)	**475**	**48.4**	**39.6**	**320**	**260**	**387**	**96.1**	**81.1**	**197**

(1) At constant exchange rate.
(2) In 2011, during the fourth quarter, US goodwill imparment charge.

Balance sheet

(Million euros)

	Estados Unidos					BBVA Compass (Unidades)			
	31-12-12	Δ%	Δ% [1]	31-12-11	31-12-10	31-12-12	Δ%	Δ% [1]	31-12-11
Cash and balances with central banks	5,384	59.3	62.4	3,380	2,527	4,339	95.7	110.4	2,103
Financial assets	7,584	(9.9)	(8.1)	8,418	7,486	7,508	0.3	2.3	7,486
Loans and receivables	38,311	(9.6)	(7.9)	42,397	41,286	34,945	4.7	7.2	33,228
Loans and advances to customers	36,068	(11.3)	(9.6)	40,677	39,964	33,018	2.5	4.8	32,118
Loans and advances to credit institutions and others	2,243	30.4	33.0	1,720	1,321	1,927	66.2	77.0	1,110
Inter-area positions	-	-	-	-	4,625	416	-	-	-
Tangible assets	745	(10.5)	(8.8)	833	796	729	(7.3)	(6.4)	794
Other assets	1,825	(16.2)	(14.6)	2,179	2,453	1,704	(10.4)	(9.8)	1,927
Total assets/Liabilities and equity	**53,850**	**(5.9)**	**(4.0)**	**57,207**	**59,173**	**49,641**	**8.1**	**11.2**	**45,538**
Deposits from central banks and credit institutions	6,652	(8.6)	(6.8)	7,278	7,714	3,901	(4.6)	(3.3)	4,112
Deposits from customers	39,132	1.9	4.0	38,384	42,905	38,378	9.7	12.9	34,659
Debt certificates	-	-	-	363	501	-	-	-	-
Subordinated liabilities	848	(30.0)	(28.6)	1,211	1,072	800	(15.2)	(15.3)	963
Inter-area positions	203	(91.8)	(91.6)	2,466	-	-	-	-	-
Financial liabilities held for trading	352	(22.6)	(21.0)	454	360	351	(18.2)	(18.6)	440
Other liabilities	4,025	9.6	11.7	3,673	3,793	3,837	32.7	39.0	2,814
Economic capital allocated	2,638	(21.9)	(20.4)	3,379	2,827	2,374	(6.2)	(5.0)	2,549

(1) At constant exchange rate.

Significant ratios

(Percentage)

	The United States		
	31-12-12	31-12-11	31-12-10
Efficiency ratio	66.1	64.4	58.9
NPA ratio	2.4	3.5	4.3
NPA coverage ratio	90	73	61
Risk premium	0.23	0.89	1.65

The United States highlights in 2012

- Positive trend in activity, strongly supported by local businesses.
- Costs kept in check.
- Outstanding asset quality.
- Implementation of the technological platform in all the branches.
- Significant progress in brand recognition.
- Sale of the Puerto Rico business.

Definition of the area

This area currently encompasses the Group's business in the United States and the assets and liabilities of the BBVA office in New York, which specializes in transactions with large corporations.

In the second quarter of 2012, BBVA reached an agreement with Oriental Financial Group for the sale of its business in Puerto Rico for USD 500m. The transaction was closed on December 16, 2012. BBVA Puerto Rico accounted for less than 1% of the Group's total assets and, according to data as of the end of June 2012, had 36 branches and 912 employees. Its small size (it is the seventh bank by deposits on the island, with a market share of under 6% according to the latest available information) limits the possibility of implementing the BBVA model, which aims for large markets and requires a bigger market share. The deal has had a positive effect on the Group's capital.

Industry trends

Economic activity in the United States in 2012 has been uneven. The year began with relatively strong activity. Business confidence and industrial output had been gaining momentum since the end of 2011. However, in the second quarter, growth was slowed by weak consumption and high oil prices. The situation was worsened by the heightened sovereign debt crisis in Europe in the first half of the year. In the third quarter, economic conditions improved significantly. However, growing uncertainty surrounding the imminent fiscal reform had an adverse effect on activity toward the end of 2012. The latest data also suggest the negative impact of Hurricane Sandy, which has added further pressure on output and expenditure in the fourth quarter.

The concerns about inflation diminished considerably when oil prices increased in early 2012. With stable inflation expectations in the long run, the Federal Reserve (Fed) has shifted its main focus of attention to boosting employment through additional quantitative easing, anticipating that the exceptionally low federal funds rate will probably be justified until at least mid-2015. Ultimately, the Fed is willing to accept higher inflation in the short term in order to reach a point where the economy is sufficiently strong to generate employment on its own.

The prospects for 2013 are modest, due to possible tax hikes and spending cuts, which will probably have a negative impact on business expansion plans and consumer spending. In general, the risks for 2013 have a negative bias and include, among other factors, the fiscal reforms, the European crisis, ongoing household deleveraging and geopolitical conflicts.

As regards the **financial sector**, the health of the U.S. banking system has continued to improve in 2012, and there are now fewer institutions facing problems. Most banks are increasing earnings, asset quality, capital and liquidity.

The main reason for better earnings is the improvement in asset quality, which has had a positive impact on loan-loss provisions, as it has freed up loan-loss reserves. However, revenue growth has been limited due to the current environment of low interest rates and a relatively flat curve which increased pressure on net interest income in the sector.

In lending sticks out the corporate and industrial sectors which continued to perform well, despite the uncertainty regarding fiscal policy. This growth is even clearer in the fourth quarter in commercial real estate (companies with collateral) and in credit card balances (due to the Christmas holiday season). Lending conditions are likely to remain strict in 2013, particularly for residential loans, in light of the high financial burden of households.

The main indicators of asset quality show a positive trend. However, the NPA ratio in the residential portfolio rose slightly in the third quarter of 2012.

Deposits remained robust throughout the year, helped by the lack of high-yielding investment alternatives and the recent uncertainty regarding the fiscal cliff.

The dollar's final **exchange rate** against the euro depreciated on a year-on-year basis, but the average rates appreciated year-on-year. Therefore, the impact of the currency on the Group's balance sheet and business activity is negative, but positive on earnings. To assist in the understanding of the area's business figures for the year, unless otherwise indicated, the comments below refer to percentage changes at constant exchange rates.

Management priorities

In **2012**, the United States has focused on completing the transformation process toward a customer-centric organization and thus on laying the foundations for future growth.

The main highlight in the year has been the successful implementation of the new **banking platform** in all BBVA Compass branches in the 7 states where it operates. This complex conversion process was executed seamlessly and according to the originally planned timeline. It has received very positive feedback from users and customers. Benefits include an enhanced customer experience through differentiated, efficient, faster and customer-centric processes.

From the point of view of **risks**, and in order to strengthen their monitoring and control, a corporate risk management (ERM) program has been implemented which includes the upgrade and enhancement of several tools, processes and controls. A new commercial lending origination platform for SMEs, a new loan grading system and several enhanced processes and methodologies designed to better estimate and forecast of loan-loss provisions and economic capital needs under different scenarios are just some examples of the key accomplishments achieved in 2012.

In 2012 BBVA Compass began the migration to the new Alnova IT platform in order to build and strengthen the **franchise** in the country. The migration of the deposit module was completed before the end of the year. In addition to increased levels of internal control and providing more productive and efficient processes, the platform allows BBVA Compass to evolve from a product-oriented organization toward a customer-centric institution. It also enables the bank to be the first in its area of influence to process information in real time. BBVA Compass has also continued to use sponsorships to reinforce the brand awareness and generate business opportunities in all the segments. The inauguration of the BBVA Compass Stadium in Houston is an example of this. Brand recognition has increased considerably in Southeast Texas following the inauguration of this stadium and the partnership with the Houston Dynamo, a Major League Soccer team. BBVA Compass has also continued to make the most of its relationship with the NBA to promote the franchise in all the markets. In addition, it has created local business opportunities in key markets through sponsorships of specific teams. Staff commitment to the bank has been boosted, paying special attention to talent retention.

The organic **expansion** of BBVA Compass continued in 2012. It opened its first branch in Miami in order to expand its activities in the business and wealth management segments in South Florida. New loan production offices were also opened in the third and fourth quarters in California, Illinois and Florida. The Bank has trained new teams specializing in loan origination in strategic sectors such as healthcare and public finance.

As regards the **distribution model**, the bank continues to improve its remote distribution capabilities, as shown by the increase in the percentage of active Internet users over the year, which now amounts to 44% of the total number of customers. In less than one year, there have been more than 200,000 downloads of BBVA mobile banking applications for the most popular cell phones and devices. Lastly, the number of active mobile banking users has practically doubled over the last twelve months, and now accounts for nearly one third of the customer base. Part of the increase is related to the release of the new remote banking application for IPhone.

In **2013**, the focus will clearly be on customers, once the franchise transformation process has been completed. The actions planned in the above strategic areas cover the following:

- Risks:
  - Continue reducing the problem portfolios, particularly those from the construction real-estate sector.
  - Expedite the origination procedures, while maintaining the same quality standards in control and monitoring.
- BBVA Compass will complete the final phase of the transformation process of the franchise in the country with:
  - The migration of debit cards, consumer loans and mortgages to the Alnova platform.
  - The development and implementation of new technological enhancements to boost aspects such as multi-channel banking and efficiency.
- Differentiation, the most relevant information is summed up bellow:
  - Focus on a differentiated range of products and services adapted to each segment needs, and continue aiming added-value customers.
  - Improve customer satisfaction levels and staff productivity.
  - Increase revenue through synergies with other areas and units in the Group.
- Lastly, growth:
  - Increase the diversification of activity and speed up the franchise's organic expansion.
  - Explore and execute innovative alternatives to access new markets.

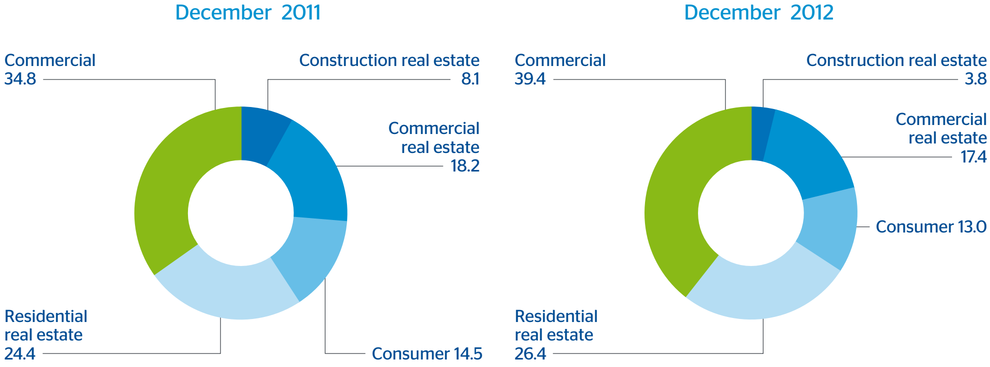
Activity

Activity in the United States is carried out mainly by BBVA Compass, which accounts for 95% of the business volume and 81% of earnings in the area. Due to the relative contribution of BBVA Compass, most comments in this section refer to this business unit.

At the close of December 2012, **gross customer lending** in BBVA Compass was up 4.1% to €33,753m. The bank continues to focus its commercial effort on its targeted portfolios. Construction real estate fell year-on-year by 48.2%. In contrast, commercial loans increased by 24.5% year-on-year and residential mortgages by 19.0% over the same period.

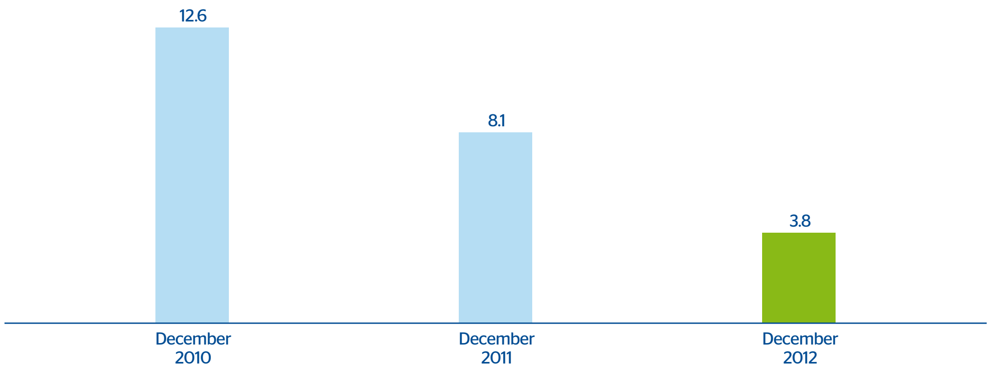
49 BBVA Compass. Loan mix

(Percentage)



50 Developer loans over total BBVA Compass loan portfolio

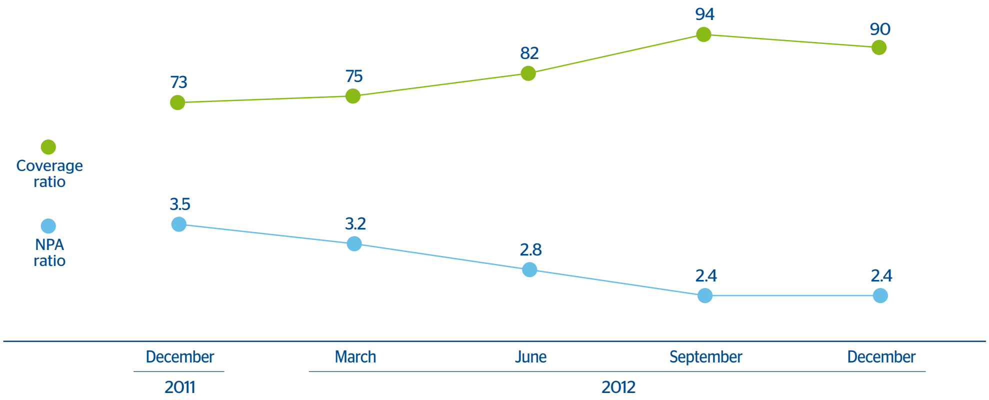
(Percentage)



Asset quality in the area improved considerably during the year. Total non-performing loans decreased by 39.5% compared with the figure for 2011 (at current exchange rates). Thus the NPA ratio improved 114 basis points, closing the year at 2.4%. The coverage ratio reached 90% and the accumulated risk premium at year end, 0.23% (0.89% at the close of 2011).

51 The United States. NPA and coverage ratios

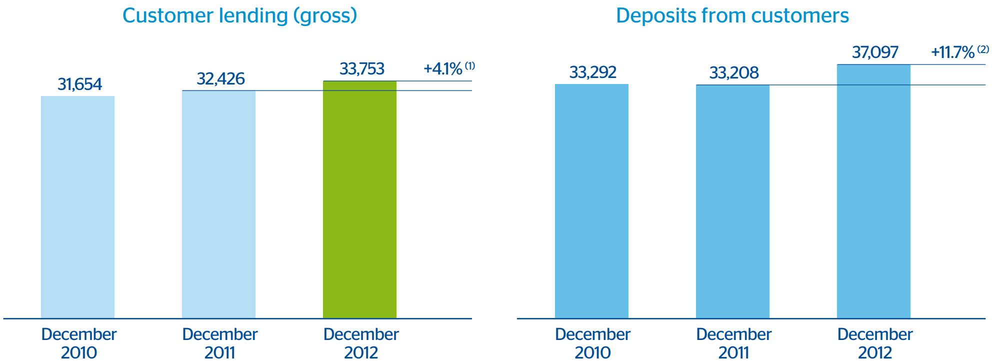
(Percentage)



Customer deposits in BBVA Compass also grew by 11.7% over the last 12 months. As of 31-Dec-2012 they stood at €37,097m. Of this total, 29.1% are non-interest bearing deposits, which performed better over the year, with a growth of 12.3%.

52 BBVA Compass. Key activity data

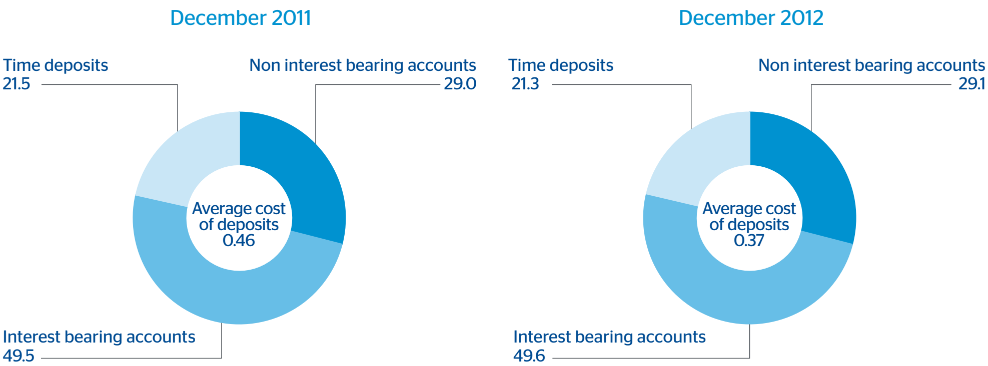
(Million euros at constant exchange rate)



(1) At current exchange rate: +2.1%.
(2) At current exchange rate: +9.6%.

53 BBVA Compass. Deposit mix

(Percentage)

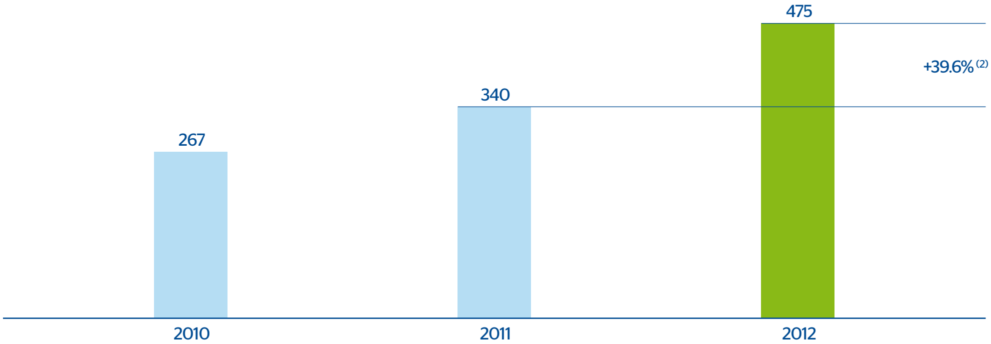


Earnings

The United States ended the year with a **net attributable profit** of €475m, well above the previous year, when it totaled €320m, excluding the goodwill impairment. Thus, the area's earnings grew 39.6% compared with 2011, if the aforementioned goodwill impairment is excluded. This improvement is related to enhanced asset quality, and containment of operating costs.

54 The United States. Net attributable profit (1)

(Million euros at constant exchange rate)



(1) Adjusted.
(2) At current exchange rate: +48.4%.

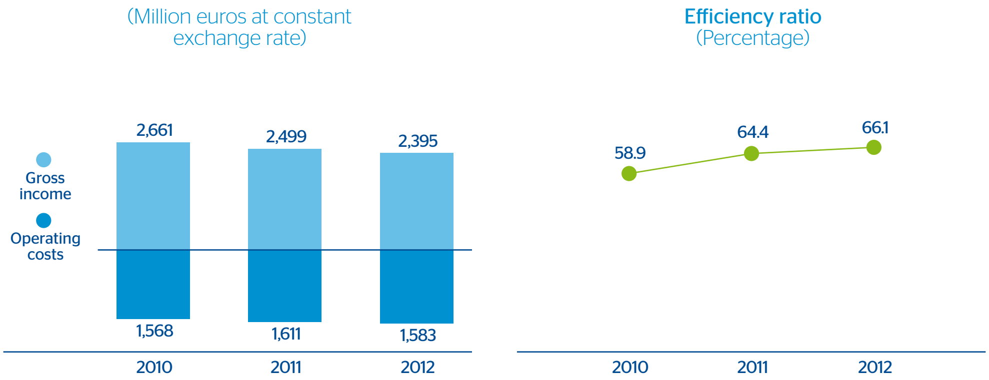
Gross income in the area amounted to €2,395m in 2012, a year-on-year decline of 4.2%. The low interest rate environment and flat curves, together with the run-off of the Guaranty portfolio, affected the net interest income, which was down 4.7% in the same period. The reduction of interest bearing deposits and lending activity increase that did not offset the negative figures mentioned above. Regulatory pressures also had a negative impact on income from fees, which fell by 11.1%. BBVA Compass has implemented a number of measures designed to mitigate the adverse effects of the new regulatory environment (Durbin). An example of this is the increase in fees and commissions from the new residential real-estate loans.

55 BBVA Compass. Customer spread

(Percentage)

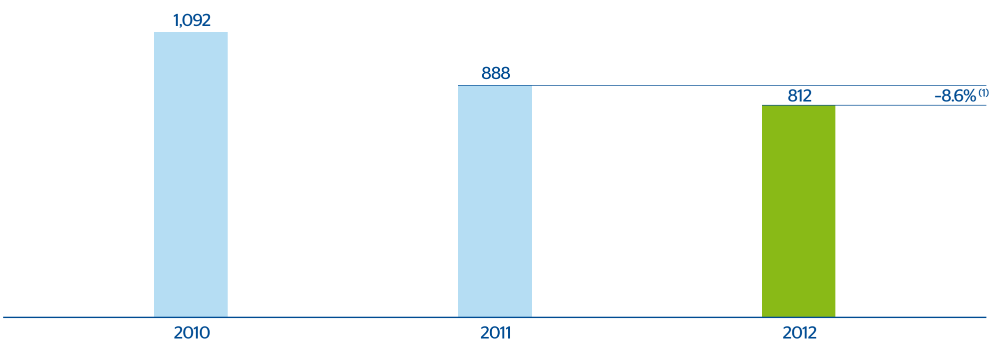
The area was able to successfully manage operating expenses which declined by 1.7% year-on-year. This improvement is largely attributable to the streamlining of operating expenses due to the implementation of the technological platform in all BBVA Compass branches. As a consequence, **operating income** amounted to €812m, 8.6% down on 2011.

56 The United States. Efficiency



57 The United States. Operating income

(Million euros at constant exchange rate)



(1) At current exchange rate: -1.8%.

Impairment losses on financial assets fell by 75.9% year-on-year to €90m.

Finally, the **capital ratios** of BBVA Compass remained solid, according to local criteria: a Tier I Ratio of 11.7% and a Tier 1 Common of 11.4%.

Below are some of the most important aspects of the performance of the various BBVA Compass business units in 2012.

Commercial Banking

This unit, which manages SMEs, has once again posted year-on-year growth in loans and deposits. Commercial Banking has recently accessed new sectors, while expanding its presence in those where it was already active. A food franchise segment has been set up to meet the credit, cash management and capital market needs of the owners of restaurant franchises in the United States. In addition, equipment finance and leasing activities began in the fourth quarter of 2012, which will be focused primarily on companies with sales in excess of USD 100m. This new activity will boost and support the planned access to other segments, such as transportation, agribusiness and healthcare. The business is currently in its initial stages and is expected to begin its production activity by the end of the second quarter of 2013.

Corporate Banking

This unit, which specializes in large corporations, has increased the size of its loan portfolio by more than 40% over the last twelve months. Corporate Banking is planning to expand its presence in various activities and businesses, such as foreign exchange, derivatives and commercial credit card products, in order to create a more robust market segment and a more comprehensive range of products with greater added value for customers, as well as starting to attract international customers.

Retail Banking

The Retail Banking division of BBVA Compass has seen its loan portfolio grow significantly in 2012 thanks to the increase in residential real-estate loans. Customer funds have also grown above all lower-cost items.

This area has played a key role in offering the most innovative and interactive technology to provide greater convenience to its customers. Nearly 6% of new customers have been attracted online, and this figure is expected to increase with the investments planned for the online channel.

Following the strategy to increase customer loyalty, the Retail Banking unit launched products and services that include price differentiation, financial advisory service, discounts on certain services, as well as units that are fully dedicated to customer service (more personalized and faster, and with extended hours).

Regarding liability products, BBVA Compass launched a campaign to attract money-market accounts in the second quarter of 2012, which has resulted in the opening of many accounts and an increase in customer deposits over the year. In addition, through the "Everyday Hero" program, customers who qualify, such as fire departments, police stations and hospitals, are offered build-to-order checking accounts with no monthly service charge.

Wealth Management

The lending growth of this division has benefited from the low rates environment. Demand deposits have also grown over the last twelve months. This increase is partially related to the new products launched in 2012, including a national structured note solution, an international integrated account product and several creative solutions aimed meeting customer needs. Wealth Management has started to expand its sales force and expects to treble the number of financial advisors by the end of 2013 in order to meet the needs of customers.

Highlights

The most relevant **awards and recognitions** received by this area are outlined below.

- The US bank was recognized for the third year in a row by the Financial Services Roundtable with the 2011 Community Service Leadership Award. This recognition has been possible thanks to the efforts made in community involvement, including financial literacy programs, children's reading initiatives and projects to revitalize schools.

- *American Banker* magazine has recognized BBVA Compass for its consumer-friendly, web-based collections approach.

- BBVA Compass joined the ranks of Apple, Coca-Cola and some of the country's most prestigious companies as a "Dale Carnegie Leadership Award" recipient. This important award recognizes those companies which place an emphasis on human resources, innovation and organizational creativity in order to achieve their business objectives. Specifically, it highlighted the bank's commitment to providing excellent service and quality products to its customers, its constant dedication to the professional development of its employees and the sense of responsibility that drives a high level of community involvement.

As for **reputation and brand awareness**, BBVA Compass is one of the highest reputation brands in the US financial sector. It occupies third place according to *American Banker* and the Reputation Institute.

- BBVA Compass climbed two steps to third place in *American Banker's* report on the reputation of the 30 leading banks in the U.S. In the three years that *American Banker* has conducted the survey, BBVA Compass has gone from sixteenth to third, reflecting the bank's commitment to becoming a standard-bearer for outstanding corporate reputation.

- Brand recognition has also increased significantly. The BBVA Compass Stadium in Houston opened in May, with over 22,000 soccer fans opening almost 1,000 credit card accounts. The inauguration was mentioned more than 1,800 times in the media in the months following its opening ceremony, equivalent to nearly 29 million dollars of advertising value. BBVA Compass also partners with the home team, the Houston Dynamo, in the "Building a Better Community" project. This includes rebuilding homes and revitalizing the green areas surrounding the stadium, as well as improving children's education.

- In addition, from December 16 to March 31, it will be sponsoring the first-ever exhibition showcasing the Prado Museum in the United States, to be held at one of America's most important museums, the Museum of Fine Arts, Houston (MFAH).

Corporate Activities

Income statement

(Million euros)

	Corporate Activities			
	2012	∆%	2011	2010
Net interest income	**(697)**	**13.4**	**(614)**	**117**
Net fees and commissions	(304)	55.6	(196)	(205)
Net trading income	828	89.7	436	695
Other income/expenses	105	(71.2)	366	332
Gross income	**(69)**	**n.m.**	**(8)**	**939**
Operating costs	(1,107)	13.5	(976)	(737)
Personnel expenses	(627)	14.8	(546)	(453)
General and administrative expenses	(107)	(32.9)	(160)	(55)
Deprecation and amortization	(373)	38.1	(270)	(230)
Operating income	**(1,176)**	**19.5**	**(984)**	**202**
Impairment on financial assets (net)	60	n.m.	(392)	(957)
Provisions (net) and other gains (losses)	(1,569)	49.7	(1,049)	(870)
Income before tax	**(2,686)**	**10.7**	**(2,425)**	**(1,625)**
Income tax	1,020	0.8	1,012	608
Net income from ongoing operations	**(1,665)**	**17.8**	**(1,413)**	**(1,017)**
Net income from discontinued operations	15	177.3	5	6
Net income	**(1,651)**	**17.2**	**(1,407)**	**(1,011)**
Non-controlling interests	2	(26.1)	2	0
Net attributable profit	**(1,649)**	**17.3**	**(1,405)**	**(1,011)**
Adjusted [(1)]	(252)	(30.4)	(362)	(362)
Net attributable profit (adjusted) [(1)]	**(1,397)**	**33.8**	**(1,043)**	**(649)**

(1) In 2011 and 2012, impairment charge related to the deterioration of the real-estate sector in Spain. And in 2012, impact of Unnim badwill.

Balance sheet

(Million euros)

	Corporate Activities			
	31-12-12	∆%	31-12-11	31-12-10
Cash and balances with central banks	(600)	(39.5)	(992)	(101)
Financial assets	34,219	39.4	24,539	26,527
Loans and receivables	(2,591)	(57.8)	(6,145)	(4,199)
Loans and advances to customers	2,656	n.m.	(3,615)	(1,696)
Loans and advances to credit institutions and others	(5,246)	107.4	(2,530)	(2,504)
Inter-area positions	(357)	(18.1)	(437)	(17,283)
Tangible assets	3,857	20.6	3,199	3,042
Other assets	23,122	21.4	19,044	15,421
Total assets/Liabilities and equity	**57,652**	**47.0**	**39,208**	**23,407**
Deposits from central banks and credit institutions	14,046	101.0	6,987	(4,607)
Deposits from customers	18,865	(35.3)	29,180	14,608
Debt certificates	70,798	(0.2)	70,910	78,848
Subordinated liabilities	1,654	(29.8)	2,355	5,993
Inter-area positions	(49,962)	(28.4)	(69,803)	(75,024)
Financial liabilities held for trading	(4,780)	10.0	(4,347)	(3,797)
Other liabilities	(6,426)	(1.8)	(6,541)	(3,419)
Valuation adjustments	(2,184)	(21.6)	(2,787)	(770)
Shareholders´funds	43,261	12.1	38,583	32,761
Economic capital allocated	(27,620)	9.0	(25,329)	(21,186)

Definition of the aggregate

Corporate Activities basically includes the costs of the headquarters with strictly corporate functions, certain allocations to provisions such as early retirements and others of a corporate nature. The area also performs financial management functions for the Group as a whole, essentially management of asset and liability positions for interest rates in the euro-denominated balance sheet and for exchange rates, as well as liquidity and capital management functions. The management of asset and liability interest-rate risk in currencies other than the euro is recorded in the corresponding business areas. Finally, it includes certain portfolios and assets not linked to customers, with their corresponding revenues and costs, such as the industrial and financial holdings and the Group's real-estate assets in Spain assigned to holding services and foreclosed or purchased assets.

Earnings

The most relevant aspects of earnings in this area in **2012** are summarized below:

- Net interest income was slightly less negative than in 2011, at –€697m compared with –€614m, due to the increased wholesale-funding costs arising from the current situation in the euro zone. However, all the issues have been placed at below the price of the Spanish sovereign.
- Favorable performance of NTI, basically as a result of the capital gains registered on the repurchase of securitization bonds in the second quarter of 2012 and of subordinated debt in the fourth quarter. As a result, there has been significant growth of 89.7% in NTI in 2012 to €828m.
- **Gross income** is a negative €69m (–€8m a year ago).
- Operating expenses continue to reflect the Group's investment effort in staff training, technology, brand and infrastructure. They increased by 13.5% year-on-year to €1,107m.
- There has been a significant increase in provisions to absorb the impairment on the real-estate and foreclosed assets in Spain, though this was offset in part by the badwill generated from the Unnim operation. As a result, provisions and other gains/losses are a negative €1,569m (– €1,049m in 2011).
- As a result, the **net attributable profit** in 2012 is –1,649m, compared with –€1,405m in 2011. This more negative performance compared with the previous year is mainly due to the aforementioned provisioning effort.

Asset/Liability Management

The Assets and Liabilities Management unit is responsible for managing structural interest-rate and foreign-exchange positions, as well as the Group's overall liquidity and shareholders' funds.

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 continues to be to encourage the financial independence of its subsidiaries in the Americas. This aims to ensure that the cost of liquidity is correctly reflected in price formation and that there is sustainable growth in the lending business. Short-term and long-term wholesale financial markets were affected by heightened uncertainty in 2012, showing mixed performance:

- Positive performance in the first quarter, as result of both the extraordinary measures adopted by the ECB, including two long-term liquidity auctions, and improved risk perception in European countries.

- Less favorable performance from April to the summer months, due to doubts regarding the viability of the Spanish economy and the rating downgrades of sovereign debt and financial institutions.

- Lastly, since the end of August and as a result of new measures adopted by the ECB with the outright monetary transactions (OMT), the long-term funding markets have performed better, enabling top-level financial institutions like BBVA to resort to them on a recurring basis for the issue of both senior debt and covered bonds.

Short-term funding markets have been affected by the lack of investor appetite as a result of the rating downgrades, although the trend improved toward the end of the year, with growth in the volume of amounts gathered.

Against this background, BBVA has been one of the few European banks with access to the market, as demonstrated by the successful issues completed in 2012. Thus, over the first quarter, BBVA operated as usual, with an issue of senior debt for €2,000m. In the third quarter, the Group successfully completed several senior debt deals, with a very significant level of demand. Lastly, in the fourth quarter BBVA successfully completed two senior debt deals in Europe for a total of €2,500m, one senior debt deal in the US market for €2,000m and one 5-year mortgage-covered bond deal for €2,000m, all with a very significant demand. This demonstrates how BBVA is able to access the markets under very successful conditions in terms of price and amount.

The environment outside Europe has also been very constructive. BBVA has successfully completed issues in the Mexican and Peruvian markets, among others, and strengthened its liquidity position in all the areas in which the Group operates.

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 in difficult environments, its retail business model, its lower volume of debt redemptions compared with its peers and the relatively small size of its balance sheet, all give it a comparative advantage against its European peers. Moreover, the increased proportion of retail deposits on the liability side of the balance sheet in all the geographical areas continues to strengthen the Group's liquidity position and to improve its financing structure.

BBVA's **capital management** has a twofold aim: to maintain the levels of capitalization appropriate to the business targets in all the countries in which it operates and, at the same time, to maximize the return on shareholders' funds through the efficient allocation of capital to the various units, good management of the balance sheet and proportionate use of the different instruments that comprise the Group's equity: common stock, preferred shares and subordinated debt.

The main highlights in 2012 as regards the Group's capital management are summarized below:

- In the first quarter of 2012, BBVA's Annual General Meeting once more approved the "Dividend Option" program, which offers shareholders a wider range of remuneration alternatives for their shares. Two of the four dividends paid out in 2012 have been paid under the "dividend option" system and in both cases the success ratio has been close to 80%. This mechanism also allows the Group to accumulate capital through a higher proportion of retained earnings in the current year.

- In addition, March 30 marked the beginning of the period for voluntary conversion of the convertible bonds issued in December 2011 as a result of an exchange of the preferred shares held by retail investors. The conversion was taken up by 27.84% of the issue (€3,430m), and as a result 158 million new shares were issued.

- Subsequently, on June 30, 2012 BBVA carried out a mandatory partial conversion of the outstanding convertible bonds through a reduction of 50% in their nominal value. In order to carry out this conversion, BBVA issued 239 million new shares.

- The acquisition of Unnim was completed in the third quarter of 2012. This deal has enabled BBVA to double its presence in Catalonia. This acquisition consumed around 10 basis points of core capital. In the fourth quarter there was the tender offer to repurchase 15 issues of preferred securities and subordinated bonds distributed through Unnim's retail network (T1, UT2 and LT2) at 95% of their nominal value for €490m, in exchange for the Bank's treasury stock. BBVA has thus offered a solution to Unnim customers and provided them with liquidity. In addition, the deal has protected the interests of BBVA shareholders, since this exchange is not dilutive, and has had a positive impact on the Group's generation of core capital. BBVA's offer was accepted by 99.3% of the preferred securities and 82.0% of the subordinated bonds. In exchange, they received 64,229,358 ordinary BBVA shares from its treasury stock. To sum up, the Unnim deal has therefore been practically neutral in terms of capital consumption, as the effect in capital consumption has been offset by the tender offer mentioned above.

- The Bank also conducted two additional liability management exercises. First, in the second quarter of 2012 BBVA repurchased €638m of securitization bonds and generated €250m of capital gains that have been used to strengthen the Group's provisions. It also repurchased LT2 subordinated debt, resulting in capital gains of €194m and improving the quality of its capital with only a limited impact on liquidity. These operations have generated capital for BBVA thanks to active and efficient liability management.

Finally, the analysis conducted by Oliver Wyman has confirmed BBVA's sound capital position that places it in Group 0 (banks with no capital requirements). The EBA has confirmed that BBVA fulfilled its capital recommendations in June, according to the schedule set for this purpose.

In conclusion, the current levels of capitalization enable the Bank to fulfill all of its capital objectives.

Foreign-exchange risk management of BBVA's long-term investments, basically stemming from its franchises in the Americas, aims to preserve the Group's capital adequacy ratios and ensure the stability of its income statement. In 2012, BBVA maintained a policy of actively hedging its investments in Mexico, Chile, Peru and the dollar area, with aggregate hedging of close to 50%. In addition to this corporate-level hedging, dollar positions are held at a local level by some of the subsidiary banks. The foreign-exchange risk of the earnings expected in the Americas for 2012 is also strictly managed. In 2012, hedging generated negative impacts recognized in Corporate Activities, which have been more than offset by the positive effects that the appreciation of the foreign currencies against the euro has generated in the income statements of the various countries. For 2013, the same prudent and proactive policy will be pursued in managing the Group's foreign-exchange risk from the standpoint of its effect on capital ratios and on the income statement.

The unit also actively manages the **structural interest-rate exposure** on the Group's balance sheet. This aims to maintain a steady growth in net interest income in the short and medium term, regardless of interest-rate fluctuations. In 2012, 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, FRAs) and with balance-sheet instruments (mainly government bonds with the highest credit and liquidity ratings).

Holdings in Industrial and Financial Companies

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

BBVA applies strict requirements to this portfolio 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 2012 it invested €460m and divested €484m.

As of December 31, 2012, the market value of the holdings in the Industrial & Financial Companies portfolio is €2,811m.

Additional information: Corporate & Investment Banking

Income statement

(Million euros)

	Corporate & Investment Banking				
	2012	∆%	∆% [1]	2011	2010
Net interest income	**1,713**	**9.3**	**7.1**	**1,567**	**1,556**
Net fees and commissions	713	11.9	10.4	637	628
Net trading income	274	36.6	27.6	201	292
Other income/expenses	67	(12.1)	(9.2)	76	134
Gross income	**2,767**	**11.6**	**9.2**	**2,481**	**2,609**
Operating costs	(889)	5.1	3.5	(846)	(738)
Personnel expenses	(498)	1.6	0.6	(490)	(441)
General and administrative expenses	(375)	7.5	5.1	(349)	(289)
Deprecation and amortization	(16)	130.1	125.4	(7)	(7)
Operating income	**1,878**	**14.9**	**12.1**	**1,635**	**1,871**
Impairment on financial assets (net)	(191)	114.2	113.2	(89)	(202)
Provisions (net) and other gains (losses)	(31)	126.3	120.2	(14)	4
Income before tax	**1,655**	**8.1**	**5.4**	**1,532**	**1,673**
Income tax	(479)	13.9	10.9	(421)	(447)
Net incomes	**1,176**	**5.9**	**3.3**	**1,111**	**1,225**
Non-controlling interests	(127)	56.5	44.0	(81)	(98)
Net attributable profit	**1,049**	**1.9**	**(0.1)**	**1,030**	**1,128**

(1) At constant exchange rates.

Balance sheet

(Million euros)

	Corporate & Investment Banking				
	31-12-12	∆%	∆% [1]	31-12-11	31-12-10
Cash and balances with central banks	13,029	(1.2)	(1.1)	13,187	3,699
Financial assets	83,867	12.5	11.3	74,518	65,421
Loans and receivables	59,264	(14.6)	(14.9)	69,382	68,468
Loans and advances to customers	48,592	(16.2)	(16.6)	57,963	55,927
Loans and advances to credit institutions and others	10,671	(6.5)	(6.1)	11,418	12,540
Inter-area positions	14,974	88.1	87.6	7,960	25,078
Tangible assets	41	38.6	38.5	29	23
Other assets	3,396	28.6	28.4	2,641	1,656
Total assets/Liabilities and equity	**174,572**	**4.1**	**3.4**	**167,717**	**164,345**
Deposits from central banks and credit institutions	68,835	12.8	11.6	61,030	49,323
Deposits from customers	36,442	(11.9)	(12.7)	41,387	65,385
Debt certificates	(228)	226.1	226.1	(70)	1
Subordinated liabilities	1,655	(26.5)	(27.3)	2,250	1,691
Inter-area positions	-	-	-	-	-
Financial liabilities held for trading	56,201	13.7	13.6	49,429	35,699
Other liabilities	6,290	(32.4)	(32.3)	9,305	9,191
Economic capital allocated	5,378	22.6	22.1	4,386	3,055

(1) At constant exchange rates.

CIB highlights in 2012

- Lending activity continues strong in Latin America and reduction in Europe and the United States.
- Favorable trend in fund gathering in the fourth quarter, which represents a turning point following the rating downgrades announced during the year.
- Diversified revenue.
- Resilience and recurrence of earnings in a very complex environment.
- Leadership positions in M&A and in equity market in Spain.
- Several awards and recognitions received.

Definition

Corporate & Investment Banking (CIB) embraces the Group's wholesale businesses in all the geographical areas where it operates. The area develops products and services that provide added-value solutions for wholesale customers, i.e. large corporations and institutional investors, and retail (customers, i.e. SMEs, companies and institutions. These products include: global lending (financing activity), global transactional banking (transactional business), corporate finance (financial advice and investment banking) and global markets (trading and distribution business).

Industry trends

The **environment** of economic crisis prevailing in 2012 has affected the wholesale business activity, which closed the year with a decline in both volumes and number of transactions, particularly in the developed countries. For instance, Spain's rating downgrades, especially in the second quarter of 2012, had a negative impact on the business, mainly in Europe.

In addition, the large number of regulatory reforms implemented as a reaction to the financial crisis, both in the United States and in Europe, is resulting in a decrease in income due to the tightening of capital requirements, greater operating complexity and various restrictions to wholesale banking activity.

This situation is leading to a structural change in the wholesale business, which is shifting toward a model with greater disintermediation, with more widespread use of digital platforms. Furthermore, a more demanding and meticulous regulatory environment, due to the proliferation of protectionist legislation at the local level, can give rise to a fragmentation of the industry.

Against this background, **competitors** have reacted by focusing on their core products and markets, reducing costs, restricting lending and cutting back on operations with high capital consumption products.

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 BBVA's wholesale business.

Management priorities

In the above situation, **Corporate & Investment Banking** has continued to show highly resilient earnings, leveraging its relationship with key customers and its geographical diversification. In other words, thanks to its customer-centric and diversified business model, greater efficiency, cost control and prudent risk management, this area has managed to maintain the net attributable profit generated in 2011. To do so, the management priorities in **2012** have focused on:

- Boosting geographical and product diversification in the markets where BBVA has competitive advantages.
- Offering added-value services to customers.
- Growing in profitable products within the new regulatory context, where optimizing capital consumption is a key aspect.
- Developing technological platforms and products focused on meeting the transactional needs of customers. In this regard, progress has been made in the development of the transactional platform, with the launch of "BBVA Global Net Cash".
- Developing liabilities products that adapt better to the economic context and customer needs, making a distinction between BBVA risk and Spain risk.

Regulatory pressure will continue to increase in the **future** and the economic recovery will take place unevenly and at a different pace in the various geographical areas. Facing this situation, BBVA CIB will continue to boost the customer-centric approach, geographical and product and service diversification, efficiency in cost and capital consumption, and prudent risk management. To do so, actions will be carried out on the following points:

- Boosting the cross-border business and collaboration with the Group's local networks in all geographical areas.
- Operating in core markets as a key differentiation element.
- Making the most of BBVA's competitive advantages in emerging markets.
- Using the Bank's networks as a key lever to make the business structure more profitable.
- Investing in growth in transactional products and strengthening the value chain integration model: origination, structuring, distribution and trading.
- Moving towards a less capital-intensive model.
- Simplifying business management to become more efficient and flexible in relations with customers.
- Continuing to invest in technological platforms.

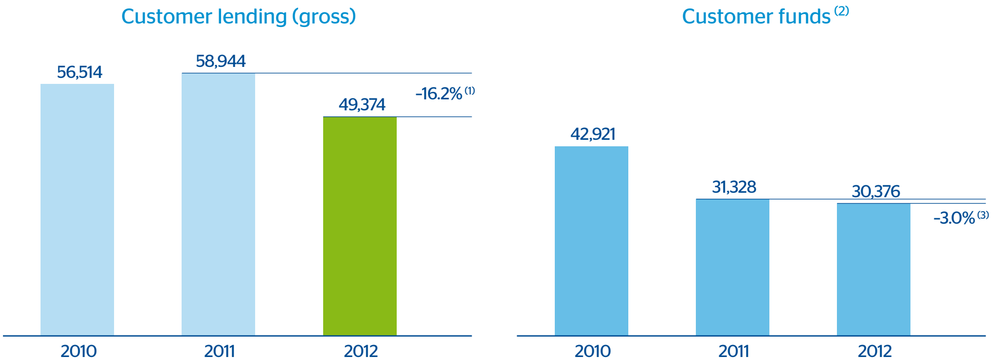
Activity

The BBVA Group has not been immune to the aforementioned situation and the CIB portfolios have been adversely affected in 2012. **Gross lending to customers** has declined due to the deleveraging process underway in the European and U.S. economies, together with CIB's strategy of selective growth in certain customers and portfolios. It fell by 16.2% over the year to €49,374m. By geographical areas, the balances are down in Europe, Asia and the U.S., they have remained stable in Mexico (down 1.3% year-on-year) and increased in South America (up 5.6%).

From the point of view of **liabilities**, the effort made by CIB to adequately manage liquidity is reflected in the reverse of the trend in customer funds. Following the outflows seen mainly in the first half of 2012 as a result of the downgrade of the credit rating of Spain and BBVA, on-balance-sheet customer funds, excluding repos, increased by 7.3% in the last quarter and decreased by 3.0% year-on-year. Finally, the balance stood at 30,376m as of 31-12-2012.

58 CIB. Key activity data

(Million euros at constant exchage rates)



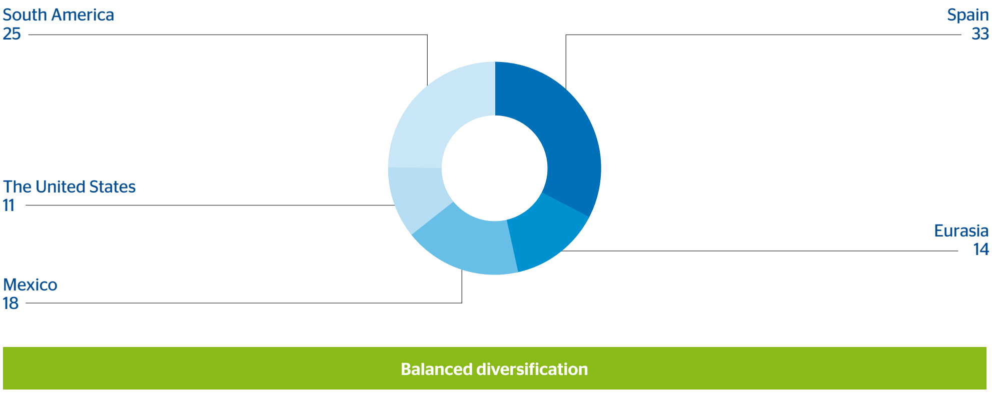
(1) At current exchange rates: -15.8%.
(2) Excluding assets sold under repurchase agreements.
(3) At current exchange rates: -2.2%.

Earnings

CIB continues to show highly recurrent and resilient earnings. In 2012 it generated **gross income** of 2,767m, 9.2% up on the figure for the previous year. By geographical areas, revenue grew in South America, Mexico and Spain (up 32.6%, 27.1% and 16.7%, respectively) and fell in Eurasia and the United States (down 27.3% and 9.9%, respectively).

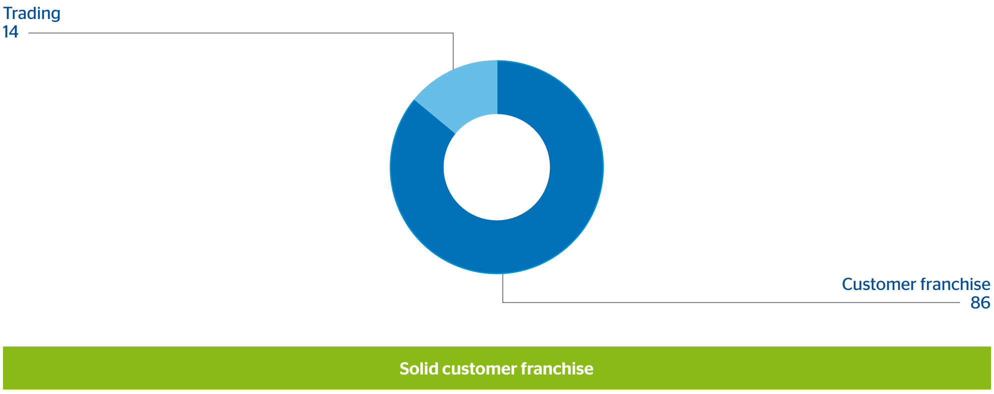
59 CIB. Gross income by geographic area

(Percentage)



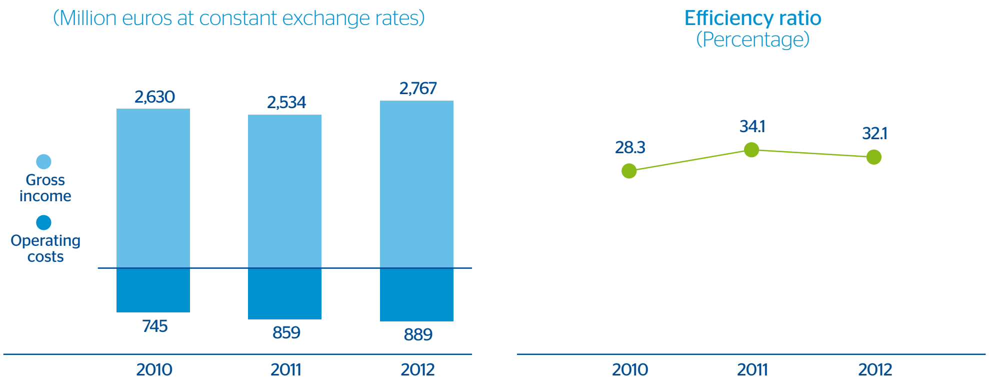
60 CIB. Gross income breakdown by trading and customer franchise

(Percentage)



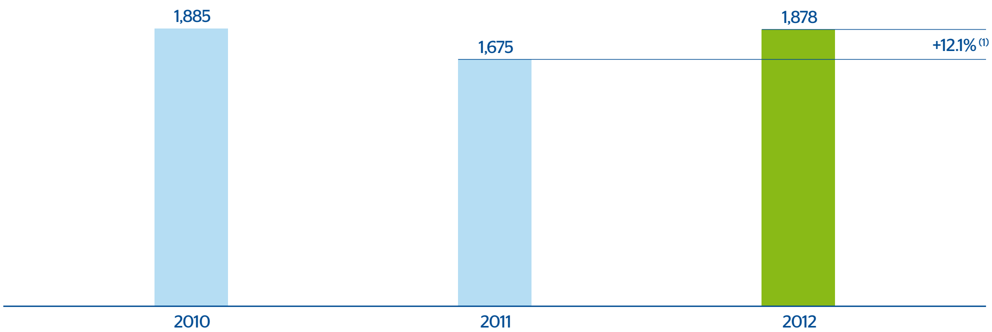
The trend in operating expenses shows the effort made by CIB to contain and control costs. This heading grew by only 3.5% over the previous year, despite the substantial investments made in systems and growth plans in emerging economies. As a result, **operating income** increased by 12.1% year-on-year to €1,878m.

61 CIB. Efficiency



62 CIB. Operating income

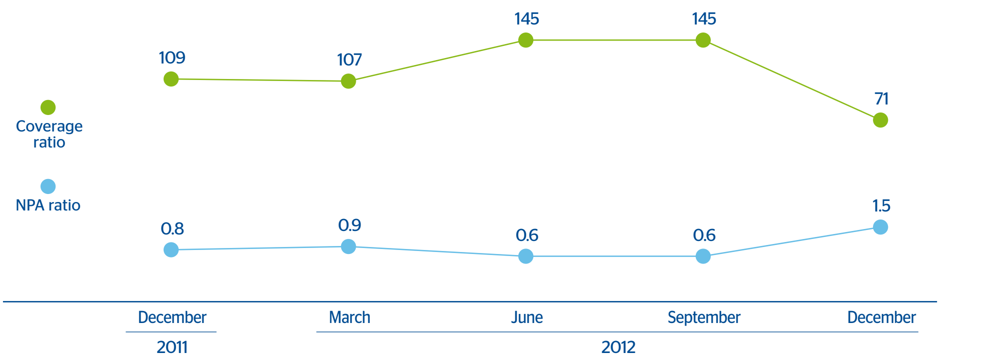
(Million euros at constant exchage rates)



(1) At current exchange rates: +14.9%.

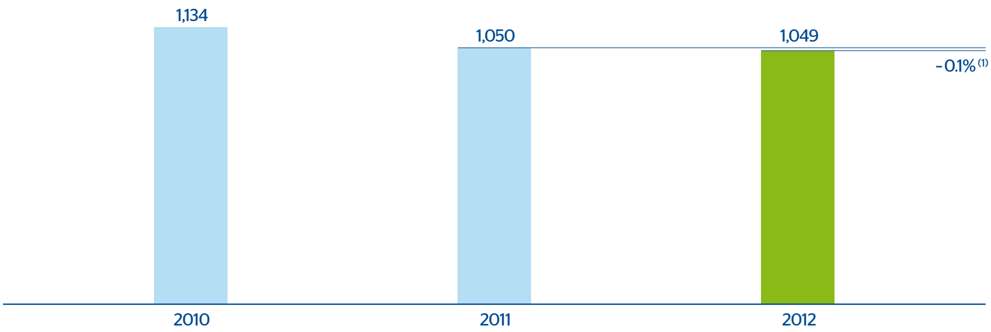
Impairment losses on financial assets amounted to €191m and show the deterioration in the asset quality of certain counterparties due to the current economic downturn. However, the **NPA ratio** remains low, at 1.5% at the end of 2012.

63 CIB. NPA and coverage ratios
(Percentage)



Net attributable profit has continued at similar levels to the previous year, at €1,049m.

64 CIB. Net attributable profit
(Million euros at constant exchange rates)



(1) At current exchange rates: +1.9%.

Below are some of the highlights and most important transactions of the various CIB business units in 2012.

Corporate finance

In the Corporate Finance unit, BBVA consolidated its position as leading financial adviser in the **Spanish** mergers and acquisitions (M&A) market, with a total of 55 deals since 2009, according to Thomson Reuters. Of the transactions carried out in 2012, the following are worth highlighting: The private placement of Cementos Portland, underwritten by Blackstone; the acquisition of 90% of Naturgas Energa Transporte by Enags from EDP; the sale of Inima, the OHL environmental division, to the Korean group GS E&C; and the sale of Torre Picasso by FCC to Amancio Ortega.

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. The acquisition of San Martn by ICA and of Soldexa by Colfax are worth highlighting in Latin America in 2012. BBVA has become the second biggest financial adviser in the Peruvian M&A market in terms of transaction numbers, according to Thomson Reuters.

Main Corporate Finance transactions in 2012

Spain/The United States Financial advisor in the private placement of senior debt 430,000,000 USD Corporate Finance	Spain/Portugal Exclusive financial advisor in the 90% acquisition of "Naturgas Energía Transporte" ("NET") 241,000,000 EUR Corporate Finance	Spain/South Korea Financial advisor in the sale of "OHL Inima" to " GS E&C" 231,000,000 EUR Corporate Finance
Portugal/Spain Exclusive financial advisor in the acquisition of Bodegas LAN to Mercapital Confidencial Corporate Finance	Spain Financial advisor in the sale of "Torre Picasso" to "Pontegadea Inversiones" (Amancio Ortega) 400,000,000 EUR Corporate Finance	Oman/Portugal Exclusive financial advisor in the 15% acquisition of 205,000,000 EUR Corporate Finance
Spain Financial advisor in the acquisition of concessions from 430,000,000 EUR Corporate Finance	Mexico/Peru Exclusive financial advisor in the acquisition of 123,000,000 USD Corporate Finance	The United States/Peru Exclusive financial advisor in the acquisition of 235,000,000 USD Corporate Finance

Equity Capital Markets

Despite the difficult environment, BBVA's activity in equity capital markets has been quite intense. It participated in 20 equity deals and reinforced the Group's leadership in key markets. As for **IPOs**, BBVA participated as co-lead manager in the initial public offering of the German company Telefnica Deutschland, the biggest operation of this kind in Europe in 2012 and in Germany since 2007. BBVA also participated as joint-bookrunner in the domestic tranche of the Santander Mexico IPO, the year's third biggest worldwide and the second biggest ever in Latin America. Other noteworthy IPOs have been Cemex Latinoamrica Holdings in Colombia and Fibra Macquarie and FibraHotel in Mexico, where BBVA was the global coordinator.

The participation in the **share capital increases** of UniCredit, Banco Sabadell, BES, Peugeot and Banco Popular are worth highlighting in Europe. It also took part in the share capital increases of Cencosud in Chile and of Fibra Uno and Mexichem in Mexico. Lastly, BBVA participated as bookrunner in the fast-track placing of Repsol shares.

Main Equity Capital Market transactions in 2012

Country	Company	Amount	Transaction	Area	Role
Chile	Quiñenco S.A.	520,000,000 USD	Follow on	Equity Capital Markets	Bookrunner Lead manager
Chile	SK	388,000,000 USD	Follow on	Equity Capital Markets	Bookrunner Lead manager
Portugal	Banco Espirito Santo	1,016,000,000 EUR	Rights issue	Equity Capital Markets	Co-manager
France	PSA Peugeot Citroën	1,000,000,000 EUR	Rights issue	Equity Capital Markets	Co-manager
Spain	Sabadell	811,000,000 EUR	Rights issue	Equity Capital Markets	Co-lead manager
Italy	UniCredit	7,499,000,000 EUR	Rights issue	Equity Capital Markets	Co-lead manager
Spain	Repsol	1,364,000,000 EUR	Accelerated bookbuild	Equity Capital Markets	Bookrunner
Mexico	FibraHotel	3,597,000,000 MXN	IPO	Equity Capital Markets	Global coordinator
Chile	Cencosud	1,265,000,000 USD	Follow on & ARDs listing in NYSE	Equity Capital Markets	Bookrunner
Mexico	Santander	53,059,000,000 MXN	IPO	Equity Capital Markets	Bookrunner
Mexico	Fibra Uno	8,876,000,000 MXN	Follow on	Equity Capital Markets	Bookrunner
Mexico	Alpek	10,430,000,000 MXN	IPO	Equity Capital Markets	Co-manager
Mexico	Mexichem	15,600,000,000 MXN	Follow on	Equity Capital Markets	Bookrunner
Colombia	Cemex LatAm Holdings	993,000,000 USD	IPO	Equity Capital Markets	Global coordinator
Germany	Telefónica Deutschland	1,449,000,000 EUR	IPO	Equity Capital Markets	Co-lead manager
Spain	Banco Popular	2,500,000,000 EUR	Rights issue	Equity Capital Markets	Joint lead-manager
Mexico	Macquarie	12,796,000,000 MXN	IPO	Equity Capital Markets	Global coordinator

Corporate Lending

Corporate Lending in **Spain** continues to be the leader in syndicated loans. The most significant transactions in **Europe** include the financing deals with Enel, Fresenius, Glencore, Volkswagen and Pernod Ricard, and the participation as bookrunner in the financing of the acquisition of International Power by GDF Suez.

In **Latin America**, BBVA led the main transactions carried out in the region in 2012. The deals with Pemex, Nemak, Frisa and Cemex are of note in Mexico. The financing of Cencosud for the purchase of the Carrefour assets in Colombia is worth mentioning in Chile.

Finally, in the **United States** it financed the purchase of Charter International by Colfax and participated in the most important deals in the oil and gas sector, including the Kinder Morgan and El Paso Energy deals.

Main Corporate Lending transactions in 2012

Country	Company	Amount	Facility	Product	Role
Spain	Telefónica	4,200,000,000 EUR		Corporate Lending	MLA / Active bookrunner
Spain	PROSEGUR	200,000,000 EUR	Revolving credit facility	Corporate Lending	MLA / Active bookrunner
Spain	ACS	1,675,000,000 EUR		Corporate Lending	MLA / Bookrunner
Spain	Telefónica	3,466,000,000 GBP	Adquisition finance	Corporate Lending	MLA / Active bookrunner
Spain	abertis	561,250,000 EUR		Corporate Lending	MLA / Bookrunner
Spain	FCC	508,884,615 EUR		Corporate Lending	MLA / Bookrunner / Coordinator
Italiy	Enel	3,200,000,000 EUR		Corporate Lending	MLA / Bookrunner
Germany	DUFRY	650,000,000 CHF	Revolving credit facility	Corporate Lending	Bookrunner
Germany	FRESENIUS	3,100,000,000 EUR	Adquisition finance	Corporate Lending	MLA
The United States	BEST BUY	1,000,000,000 USD	Revolving credit facility	Corporate Lending	Joint lead arranger / Co-documentation agent
The United States	AVON	500,000,000 USD	Term loan and revolving credit facility	Corporate Lending	Joint lead arranger / Co-documentation agent
Colombia	une	320,000,000 USD	Club deal	Corporate Lending	Bookrunner
Mexico	Comex	6,064,132,739 MXN		Corporate Lending	Joint bookrunner
Mexico	KALUZ	2,000,000,000 MXN		Corporate Lending	Joint bookrunner
Mexico	FRISA	150,000,000 USD		Corporate Lending	Joint bookrunner

Project Finance

BBVA Project Finance in **Europe** continues to be the benchmark in renewable energy, environmental and infrastructure project finance. Nearly 20 deals have been closed in 2012 in Spain, France, Italy and the United Kingdom, including the one carried out with the Carrington combined-cycle power plant in the UK. In social infrastructures, BBVA provided structured finance for the Tribunal de Grande Instance de Paris and four hospitals in Tuscany.

Main Project Finance transactions in 2012

France
3,485,000,000 EUR
Project Finance
Mandated lead arranger

France
Tribunal de Grande Instance
685,000,000 EUR
Project Finance
Mandated lead arranger

Italy
Tuscany Hospitals
172,000,000 EUR
Project Finance
Mandated lead arranger

Spain
245,000,000 EUR
Project Finance
Mandated lead arranger & advisor

France
Nimes-Montpellier
High speed railway
1,804,000,000 EUR
Project Finance
Mandated lead arranger

United Kingdom
IPP Project
880 MW
465,000,000 GBP
Project Finance
Mandated lead arranger

Australia
Gunning windfarm
69,185,000 AUD
Project Finance
Mandated lead arranger

Peru
Cerro del Águila
590,343,858 USD
Project Finance
Mandated lead arranger

Mexico
Farac I Occidente
31,000,000,000 MXN
Project Finance
Participant bond bookrunner

Colombia
Oleoducto bicentenario (phases 0 and 1)
2,100,000,000,000 COP
Project Finance
Mandated lead arranger

Mexico
Línea 12
300,000,000 USD
Project Finance
Advisor, bookrunner & MLA

Mexico
Oaxaca II project bond
148,469,000 USD
Oaxaca IV project bond
150,231,000 USD
Project Finance
Joint bookrunner

Peru
La Chira
250,000,000 PEN
Project Finance
Sole, mandated lead arranger

Mexico
Atento acquisition financing
88,000,000 EUR
1,100,000,000 MXN
Project Finance
Bookrunner & agent

Mexico
ION
8,885,647,821 MXN
Project Finance
Joint MLA, hedge coordinator

Mexico
Energy Finance Salamanca
320,000,000 USD
Project Finance
Mandated lead arranger

The United States
Ohio State University Parking
285,000,000 USD
Project Finance
Administrative agent, joint bookrunner, joint lead arranger, depositary bank and hedge provider

The United States
Presidio Parkway
316,622,973 USD
Project Finance
Administrative agent, joint bookrunner and mandated lead arranger

The United States
Sabine Pass Liquefaction
3,626,000,000 USD
Project Finance
Mandated lead arranger, co-agent, hedge provider, accounts (depositary) bank

In **Latin America**, the funding of Line 12 of the Mexico City subway is of note. In energy, it financed Cerro del guila, the second largest hydropower plant in Peru. A milestone in renewable energy has been the issue of project bonds for Oaxaca II and IV, the first such issues for wind power projects in Latin America distributed outside the region, as well as the ION project, which will become the largest wind farm in Latin America. BBVA has continued to boost its diversification across different sectors, with the funding of the La Chira sewage treatment plant in Peru and the acquisition of Atento by Bain Capital. It also received one of the "Deals of the Year" awards from *Euromoney* for the Hospital Maipand La Florida deals in Chile and Refinera de Cartagena in Colombia.

In the **United States**, BBVA participated in the privatization of the Ohio State University Parking as administrative agent and was named "Non-Traditional Financing of the Year 2012" by Bond Buyer.

Lastly, activity in the renewable energy sector has been boosted in the **Asia-Pacific** region. BBVA has strengthened its financial advisory skills, basically for Asian companies, moving their business to Europe and Latin America and focusing on project bonds.

Structured Trade Finance

A total of 56 deals have been arranged in Structured Trade Finance in 2012, and unfunded operations have increased significantly, both in finance and ECA-backed guarantees. BBVA received the "Best Trade Finance Bank in Latin America 2012" award from *Global Trade Review* for the fourth year in a row.

Main Project Finance transactions in 2012

Brasil State of Tocantis 143,198,163 USD Buyer's credit SACE 8.5 years 85,918,898 USD Structured Trade Finance MLA	Spain FCC 450,000,000 USD Bonds line CESCE 5 years 225,000,000 USD Structured Trade Finance MLA	Italy ASTALDI 60,000,000 EUR ECA untied facility SACE 5 years 30,000,000 EUR Structured Trade Finance MLA
Mexico Cormin Mexico, S.A. de C.V. 350,000,000 USD Borrowing base facility 3 years 30,000,000 USD Structured Trade Finance MLA	Saudi Arabia Al - Shoula Consortium 664,433,279 EUR Advanced payment & performance bonds CESCE 3 years 105,052,554 EUR Structured Trade Finance Arranger	South Korea HYUNDAI 34,200,000 USD Issuance of performance bond Ksure 3.25 years 17,000,000 USD Structured Trade Finance MLA
Colombia reficar 210,000,000 USD Buyer's credit SACE 16 years 70,000,000 USD Structured Trade Finance MLA	Venezuela Gobierno Bolivariano de Venezuela 283,703,528 EUR Buyer's credit EULER HERMES 8.5 years 113,481,411 EUR Structured Trade Finance Agent & global MLA	Portugal galp energia 560,001,286 EUR Buyer's credit CESCE 8.5 years 75,000,000 USD Structured Trade Finance Lead arranger

Global Transactional Banking

In 2012, Global Transactional Banking continued to implement its 2015 Strategic Plan, focused on a cross-country and customer-centric approach. New products and solutions have been developed in all the transactional business lines and for all customer segments. BBVA Net Cash received the "Best Web Design in Latin America" award. It has also been named "Best Sub-Custodian Bank in Spain" thanks to the custody services provided. *Euromoney* magazine has named BBVA "Best Cash Management Provider in Venezuela" and "Best Cash Management Provider in euros in Latin America for International Financial Institutions". BBVA has also been chosen as "Top Rated" in the "Agent Banks in Major Markets" survey conducted by Global Custodian in the "Cross Border/ Non-Affiliated" and "Domestic" categories for custody services.

Global Markets

Global Markets closed 2012 with revenue growth in its main products and geographical areas (except for rest of Europe and Asia). Gross income in 2012 stood at €1,152m, up 18.0% year-on-year. These good earnings figures are the result of an adequate strategy of geographical and customer diversification.

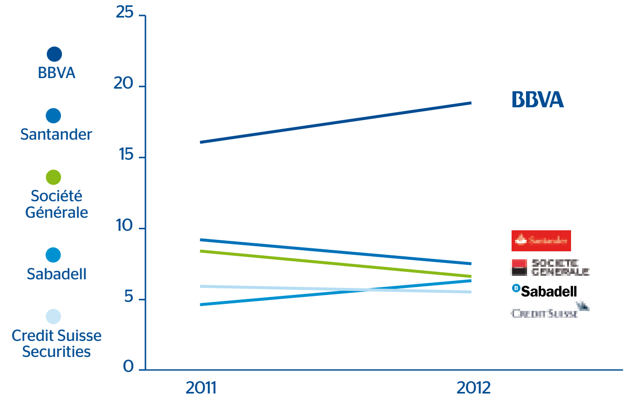
The business model of Global Markets continues to reinforce customer focus as the core element of its value proposition. This has been recognized by the specialized media. BBVA was chosen best bank in Spain in exchange rates at the IAIR Awards, and tops the Bloomberg ranking for the best exchange rate forecasts of Latin American currencies against the dollar.

In **Spain**, revenue from customers is up 5% year-on-year, with growth, above all, in strategic businesses such as exchange rates and lending, where the increases are over 15%. Revenue from SMEs and retail customers rose by more than 50%, thanks to the close collaboration of Global Markets with the commercial network. By products, exchange rates and lending have grown at double-digit rates year-on-year. In equity, BBVA continues to hold first place in stock market brokerage, with an 18.9% market share according to December 2012 data, more than 11 percentage points above the nearest competitor. In bond issues, BBVA tops the ranking with all types of customers in Spain.

65 CIB. Market shares evolution in Spanish equities brokerage

(Percentage)

	Institutions	2011	2012	Market share 11-12
1	BBVA	16.1	18.9	2.8
2	Santander	9.2	7.5	-1.7
3	Société Générale	8.4	6.6	-1.8
4	Sabadell	4.6	6.3	1.7
5	Credit Suisse Securities	5.9	5.5	-0.4
6	Banco Espirito Santo	7.7	5.0	-2.7
7	Morgan Stanley	5.4	4.9	-0.5
8	Merrill Lynch Capital Markets	3.5	4.5	1.0
9	Intermoney	n.d.	3.7	n.d.
10	UBS	n.d.	3.6	n.d.



In the **rest of Europe and Asia**, revenue from customers in Lisbon and Milan rose by more than 25%. London consolidated its position in 2012 as the strategic hub of the credit business, a product that has doubled the earnings posted in the previous year.

Geographical diversification has enabled Global Markets to ensure recurrent earnings in Mexico and South America, offsetting the slowdown and volatility seen in developed markets.

In **Mexico**, Global Markets maintains a clear leading position in the following products: leader as bond market maker, number one bank by currency volume, first place in equity notes and number one in the MXN bond origination ranking, well above its competitors. Revenue from customers continues to grow at a fast pace, with gross income growing by 47.1% over the previous year.

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 can be seen in the 27% year-on-year increase in gross income. Revenue from customers is up 21%. By countries, practically all franchises have performed well.

Lastly, in the **United States**, revenue from customers has grown by around 2% year-on-year. Revenue from retail customers has increased significantly, strongly supported by BBVA Compass distribution network. By type of product, interest rates maintain their positive trend. Of particular note is the performance of revenue from exchange rates, which more than doubles the figure for the same period the previous year.

Main Debt Capital Markets transactions in 2012

Spain 4,000,000,000 EUR 10 years Debt Capital Markets Bookrunner	Spain ICO Instituto de Crédito Oficial 1,000,000,000 EUR +22 deals 5 years Debt Capital Markets Bookrunner	Spain FADE 1,750,000,000 EUR +7 deals 3 years Debt Capital Markets Bookrunner	Luxembourg European Investment Bank 250,000,000 EUR Bono a tipo variable 4 years Debt Capital Markets Bookrunner
Italy TELECOM ITALIA 1,000,000,000 EUR 5 years Debt Capital Markets Bookrunner	Ireland ESB 600,000,000 EUR 5 years Debt Capital Markets Bookrunner	Germany 2,250,000,000 EUR 3 & 7 years Debt Capital Markets Bookrunner	Spain IBERDROLA 4,235,000,000 EUR Intermediated tender offer & new issue Debt Capital Markets Dealer manager
France SOCIETE GENERALE 1,500,000,000 EUR 5 years Covered bonds Debt Capital Markets Bookrunner	France Crédit Mutuel Arkéa 750,000,000 EUR 5 years Senior unsecured Debt Capital Markets Bookrunner	Spain BBVA 2,369,000,000 EUR 250,000,000 GBP 30,000,000,000 JPY LT2 unmodified Dutch auction Debt Capital Markets Dealer manager coordinator	Spain iberCaja 3,274,433,490 EUR LT2, Tier I and ABS unmodified Dutch auction Debt Capital Markets Dealer manager
Mexico américa móvil 15,000,000,000 MXN 10 years Debt Capital Markets Joint bookrunner	Mexico GRUPO BIMBO 800,000,000 USD 10 years Debt Capital Markets Joint bookrunner	The United States Bostongas 500,000,000 USD 30 years Debt Capital Markets Joint bookrunner	The United States PACCAR FINANCIAL 500,000,000 USD 3 years Debt Capital Markets Joint bookrunner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Supplementary information

Consolidated time series

Income statements

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)					
	2012	2011	2010	2009	2008	2007
Net interest income [1]	15,122	13,152	13,316	13,882	11,686	9,628
Gross income/ordinary revenues [1]	22,441	20,028	20,333	20,666	18,978	17,271
Operating income/operating profit [1]	11,655	10,290	11,573	12,308	10,523	9,441
Income before tax [1]	1,659	3,446	6,059	5,736	6,926	8,495
Net income	2,327	3,485	4,995	4,595	5,385	6,415
Net attributable profit	1,676	3,004	4,606	4,210	5,020	6,126

Balance sheet

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)					
	31-12-12	31-12-11	31-12-10	31-12-09	31-12-08	31-12-07
Customer lending	352,931	351,900	338,857	323,441	335,260	313,178
Total assets	637,785	597,688	552,738	535,065	542,650	501,726
Total customer funds	452,001	426,464	421,977	389,815	372,715	369,177
Deposits from customers	292,716	282,173	275,789	254,183	255,236	219,609
Other customer funds	159,285	144,291	146,188	135,632	117,479	148,532
Debt certificates	87,212	81,930	99,939	99,939	104,157	102,247
Subordinated liabilities	11,831	15,419	17,878	17,878	16,987	15,662

Additional information

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)					
	31-12-12	31-12-11	31-12-10	31-12-09	31-12-08	31-12-07
Dividends (million euros) [2]	2,229	2,016	1,752	1,574	2,361	2,717
Number of shareholders (thousands)	1,013	987	953	884	904	890
Number of shares (millions) [3]	5,449	4,903	4,491	3,748	3,748	3,748
Number of employees [4]	115,852	110,645	106,976	103,721	108,972	111,913
Spain [5]	31,697	28,934	28,416	27,936	29,070	31,106
Abroad [4]	84,155	81,711	78,560	75,785	79,902	80,807
Number of branches [4]	7,978	7,457	7,361	7,466	7,787	8,028
Spain [5]	3,518	3,016	3,024	3,055	3,375	3,595
Abroad [4]	4,460	4,441	4,337	4,411	4,412	4,433

(1) In these margins, the results related to the pension business in Latam for 2012, 2011 y 2010 have been reclassified as "Net income from discontinued operations" in the attached consolidated financial
(2) 2008 includes payment-in-kind in the form of shares (valued at the closing price on 17-04-2009). In 2010, 2011 and 2012, it includes the amounts under the remuneration scheme "dividend option",
(3) The data for the period from 1998 to 1999 was re-calculated based on the share exchange ratio (5 BBV shares for 3 Argentaria shares).
(4) Excluding Garanti.
(5) 2012 includes Unnim.

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	1998
11,891	9,769	8,374	7,208	6,160	7,069	6,741	7,808	8,824	6,995	5,760	5,516
19,853	18,133	15,701	13,024	11,120	11,053	10,656	12,241	13,352	11,143	9,108	8,374
11,279	10,544	8,883	6,823	5,591	5,440	4,895	5,577	5,599	4,376	3,457	3,120
6,926	8,495	7,030	5,592	4,137	4,149	3,812	3,119	3,634	3,876	2,902	2,374
5,385	6,415	4,971	4,071	3,108	3,192	2,897	2,466	3,009	2,914	2,168	1,785
5,020	6,126	4,736	3,806	2,923	2,802	2,227	1,719	2,363	2,232	1,746	1,424

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	31-12-98
333,029	310,882	256,565	216,850	172,083	170,248	148,827	141,315	150,220	137,467	113,607	99,907
543,513	502,204	411,916	392,389	329,441	311,072	287,150	279,542	309,246	296,145	238,166	202,911
493,324	485,621	425,709	401,907	329,254	321,038	295,906	289,385	323,982	304,549	242,611	194,162
267,140	236,183	192,374	182,635	149,892	147,051	141,049	146,560	166,499	154,146	105,077	99,351
119,017	150,777	142,064	142,707	121,553	121,553	113,074	108,815	124,496	118,831	102,677	74,221
90,180	82,999	77,674	62,842	45,482	44,326	34,383	27,523	25,376	26,460	31,552	17,562
16,987	15,662	13,597	13,723	12,327	8,108	7,400	6,487	7,611	5,112	3,305	3,028

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	31-12-98
2,301	2,717	2,220	1,801	1,499	1,499	1,247	1,109	1,222	1,123	854	699
904	890	864	985	1,081	1,081	1,159	1,179	1,204	1,300	1,268	1,338
3,748	3,748	3,552	3,391	3,391	3,391	3,196	3,196	3,196	3,196	2,931	2,861
108,972	111,913	98,553	94,681	87,112	84,117	86,197	93,093	98,588	108,082	88,556	86,349
29,070	31,106	30,582	31,154	31,056	30,765	31,095	31,737	31,686	33,733	37,052	37,847
79,902	80,807	67,971	63,527	56,056	53,352	55,102	61,356	66,902	74,349	51,504	48,502
7,787	8,028	7,499	7,328	6,751	6,848	6,924	7,504	7,988	8,946	7,491	7,226
3,375	3,595	3,635	3,578	3,385	3,375	3,371	3,414	3,620	3,864	4,336	4,495
4,412	4,433	3,864	3,750	3,366	3,473	3,553	4,090	4,368	5,082	3,155	2,731

statements.
disregarding the payment method chosen by the shareholder.

BBVA

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