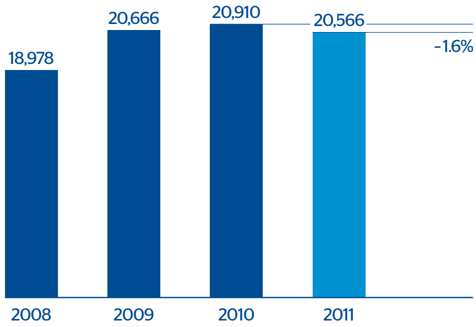
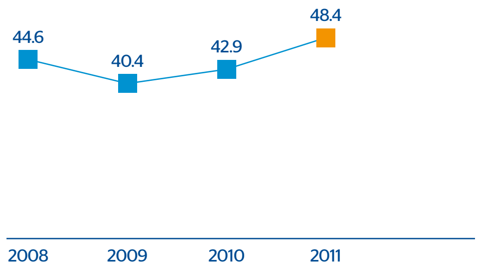
Financial Report 2011

BBVA Group Highlights

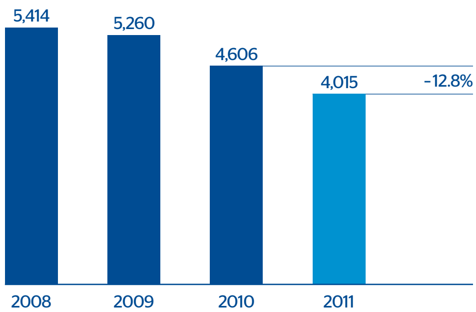
Gross income
(Million euros)



Efficiency ratio
(Percentage)

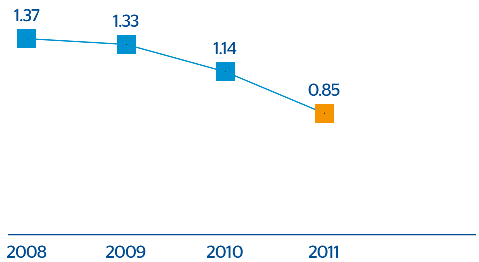


Net attributable profit (1)
(Million euros)



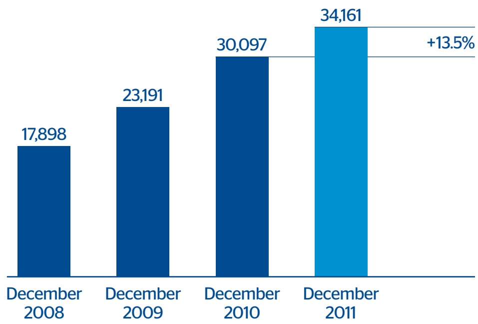
(1) Excluding one-offs.

Earning per share (1)
(Euros)

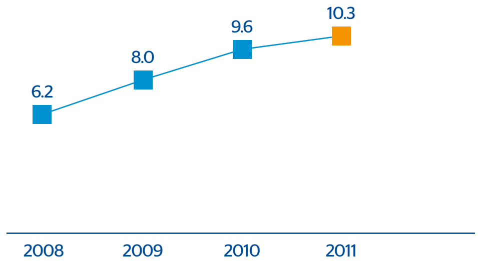


(1) Excluding one-offs.

Core capital
(Million euros)



Core capital ratio
(Percentage)



BBVA Group Highlights

(Consolidated figures)

	31-12-11	Δ%	31-12-10	31-12-09
Balance sheet (million euros)				
Total assets	597,688	8.1	552,738	535,065
Customer lending (gross)	361,310	3.7	348,253	332,162
Deposits from customers	282,173	2.3	275,789	254,183
Other customer funds	144,291	(1.3)	146,188	135,632
Total customer funds	426,464	1.1	421,977	389,815
Total equity	40,058	6.9	37,475	30,763
Shareholders' funds	40,952	11.6	36,689	29,362
Income statement (million euros)				
Net interest income	13,160	(1.2)	13,320	13,882
Gross income	20,566	(1.6)	20,910	20,666
Operating income	10,615	(11.1)	11,942	12,308
Income before tax	3,770	(41.3)	6,422	5,736
Net attributable profit	3,004	(34.8)	4,606	4,210
Net attributable profit excluding one-offs (1)	4,015	(12.8)	4,606	5,260
Data per share and share performance ratios				
Share price (euros)	6.68	(11.6)	7.56	12.73
Market capitalization (million euros)	32,753	(3.5)	33,951	47,712
Net attributable profit per share (euros)	0.64	(44.1)	1.14	1.07
Net attributable profit per share excluding one-offs (euros) (1-2)	0.85	(25.5)	1.14	1.33
Dividend per share (euros)	0.42	-	0.42	0.42
Book value per share (euros)	8.35	2.2	8.17	7.83
P/BV (Price/Book value; times)	0.8		0.9	1.6
PER (Price/Earnings; times)	10.9		7.4	11.3
Yield (Dividend/Price; %)	6.3		5.6	3.3
Significant ratios (%)				
ROE (Net attributable profit/Average equity)	8.0		15.8	16.0
ROE excluding one-offs (1)	10.6		15.8	20.0
ROA (Net income/Average total assets)	0.61		0.89	0.85
ROA excluding one-offs (1)	0.79		0.89	1.04
RORWA (Net income/Average risk-weighted assets)	1.08		1.64	1.56
RORWA excluding one-offs (1)	1.40		1.64	1.92
Efficiency ratio	48.4		42.9	40.4
Risk premium	1.20		1.33	1.54
NPA ratio	4.0		4.1	4.3
NPA coverage ratio	61		62	57
Capital adequacy ratios (%)				
Core capital	10.3		9.6	8.0
Tier I	10.3		10.5	9.4
BIS Ratio	12.9		13.7	13.6
Other information				
Number of shares (millions)	4,903	9.2	4,491	3,748
Number of shareholders	987,277	3.6	952,618	884,373
Number of employees (2)	110,645	3.4	106,976	103,721
Number of branches (2)	7,457	1.3	7,361	7,466
Number of ATMs (2)	18,794	10.2	17,055	15,716

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

(1) In the fourth quarter of 2011 a charge was booked for goodwill impairment in the United States. The third quarter, both for 2009 and 2010, includes capital gains from the sale-and-leaseback of retail branches which have been allocated to generic provisions for NPA, with no effect on net attributable profit. And in the fourth quarter of 2009, there was an extraordinary provision and a charge for goodwill impairment in the United States.

(2) Excluding Garanti.

“In 2011 BBVA once more demonstrated a great capacity for generating earnings that are both recurrent and sustainable, thanks to a strategy based on diversification, prudent risk management and a proactive vision of technology and innovation”

Francisco González, Chairman and CEO

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Feb.
BBVA

Executive summary

Letter from the Chairman

“BBVA is once again in a leading position among its peers in terms of profitability and efficiency”

Dear friend,

From a macroeconomic standpoint, 2011 was again a mixed and complex year. Growth in the different regions around the world was uneven and the year was marked by the sovereign debt crisis in Europe.

The global gross domestic product in 2011 increased by 3.9%, boosted by the strength of emerging economies, where BBVA generated 65% of its recurrent net attributable profit. These economies posted an overall sound growth rate of 6.4%. Specifically, the GDP grew by 8.5% in Turkey, 7.4% in Asia (excluding Japan), 6.6% in the main South American countries in which BBVA operates and 3.9% in Mexico. The United States grew by only 1.7% and the European Union by 1.5%, with the EU’s growth expectations for 2012 declining as the year advanced.

Europe’s sovereign debt crisis had very significant implications, not only due to the difficulties it created for corporations and governments regarding the access to markets, but also because of the debate it generated about the viability of the euro zone and its impact on growth expectations for the world economy.

However, we did see some positive changes in Europe in 2011. First, the adoption of important agreements to strengthen fiscal discipline was reached. Second, countries that went through the biggest difficulties now have new governments. The new administrations are committed to fiscal adjustment and prepared to implement the structural reforms required to ensure future growth.

The European Central Bank´s recent actions to inject long-term liquidity into the system have so far helped reduce risk premiums and have contributed to greater stability in the financial markets.

At the same time, the European financial sector is tackling a deleveraging process - which was necessary for several reasons - in response to the new capital recommendations from the European Banking Authority (EBA).

Against this difficult background, BBVA once more demonstrated its capacity to generate recurrent earnings under any scenario and presented a recurrent net attributable profit of €4,015m in 2011, a 12.8% decline versus net attributable profit in 2010. Including the goodwill impairment in relation to our operation in the United States, BBVA’s net attributable profit amounted to €3,004m.

In terms of revenues, our diversified position both by business and regions combined with superior management, are behind the growth in net interest income and gross income throughout the year. Overall, revenues exceeded €20,000m for the third year in a row.

"As of December 31, 2011, BBVA had practically achieved the European Banking Authority's new capital recommendations without receiving any public aid and without altering its dividend policy or selling strategic assets"

“At BBVA we are ‘working for a better future for people’, and our banking activity follows the principles of integrity, prudence and transparency, based on good practices and with a long-term approach”

Expenses increased by 11% as a result of our strategy of anticipating the new growth cycle. Most of the increase can be explained by the impact of acquisitions in Turkey, Uruguay and Chile, our investment in technology and because of our growth plans in people and branches.

All included, BBVA is once again in a leading position among its peers in terms of profitability and efficiency, with return on equity (ROE) at 10.6%, return on assets (ROA) at 0.8% and an efficiency ratio of 48.4%.

Another important milestone in 2011 was BBVA’s excellent management of other aspects greatly affected by the crisis: capital, risk and funding.

BBVA ended 2011 with a capital ratio of 10.3%, calculated according to current regulations. Thus, as of December 31, 2011 it had practically achieved the European Banking Authority’s new capital recommendations. Of the €6,300m capital buffer requirement estimated by the EBA for June 2012, BBVA generated €5,300m in the last quarter of 2011, without receiving any public aid, and without altering its dividend policy or selling strategic assets.

Risk indicators remained stable for the eighth quarter in a row. The Group’s NPA ratio improved to 4% at the close of 2011 and its coverage ratio stood above 60%, while the risk premium fell again to 1.2%.

Thanks to BBVA´s soundness and capacity to generate earnings, the new provisions derived from the Spanish Royal Decree on the financial sector restructuring will be comfortably absorbed in 2012. We estimate their net final impact on our income statement will be around €1.4 billion.

Funding and liquidity were two other key factors in 2011, as the turbulence on the financial markets affected many banks. Nevertheless, and despite the rating downgrades of Spanish sovereign debt, BBVA maintained its access to the markets and ended the year in a comfortable position for 2012.

BBVA also continued to expand in 2011. We completed our investment in Turkey and we are already working closely with Garanti Bank. We also concluded the acquisition of Crédit Uruguay and are now the second biggest bank in Uruguay. Additionally, our stake in Forum was increased to 75.5% thus strengthening our position in Chile´s leading vehicle financing company.

Likewise, important steps were taken in the construction of BBVA’s new technological platform in Spain, the United States and for the wholesale business. We also inaugurated a new Data Processing Center in Madrid, which has the highest security specifications, as well as a technology-focused office in San Francisco. In addition, BBVA already has several innovation centers in Mexico, Houston and Madrid.

To sum up, in 2011 BBVA once more demonstrated an outstanding capacity to generate earnings that are both recurrent and sustainable, thanks to a strategy based on diversification, prudent risk management and a proactive vision of technology and innovation.

Accordingly, the Board of Directors will submit a total remuneration proposal of €0.42 per share to the Annual General Meeting, the same amount as in 2010. In 2012 we expect to maintain a payment scheme that combines dividends in cash with the “dividend option” in shares.

In 2011 there was intense public debate about the behavior of the banking industry and financial activity in society. At BBVA we are "working for a better future for people" and our banking activity follows the principles of integrity, prudence and transparency, based on good practices and with a long-term approach. This is how value generation can be shared with society.

As part of the ongoing process of integrating corporate responsibility into all our activities, in 2011, the Group's Management Committee was entrusted with the functions of supervising and monitoring corporate responsibility policies and plans.

At the same time, we have reaffirmed our commitment to the United Nations Global Compact, in particular to the Millennium Development Goals, as part of our ongoing efforts to integrate corporate responsibility information, which is included in the Annual Report this year.

BBVA Microfinance Foundation continued to expand its activity in 2011. It granted microcredits for an average amount of €1,052 to nearly a million people in Latin America, a 53% increase from the previous year. Over 60% of the beneficiaries are women, and 43% are people on an income of less than 10 dollars per day.

In our commitment to financial literacy, we have already reached 1.3 million beneficiaries through programs in Spain, Latin America and the United States.

In 2011, we also launched the Momentum Project, a new initiative for social entrepreneurs in Spain, helping them to grow through training, mentoring and access to funding sources.

At the BBVA Foundation we continue to be committed to knowledge and innovation, rewarding and supporting projects that improve the well-being of societies in which BBVA develops its business activity.

On top of existing agreements and awards, some with immense importance such as the Frontiers of Knowledge Awards (in their third edition in 2011), new lines of action are also being developed. Among these I would like to highlight the BBVA Foundation program to boost collaboration between the Massachusetts General Hospital Cancer Center and the Vall d'Hebron Hospital on research into tumor biomarkers, a key element in cancer research.

2012 will once again be a year of challenges. We expect high growth rates in emerging markets and a steady economic recovery in the United States. In Europe, although there are positive signs on the horizon, we cannot let our guards down. The affected countries, such as Spain, must reinforce their commitment to austerity and to structural reforms that can ensure a return to a path of sustainable growth and job creation.

I am sure that BBVA will perform outstandingly in 2012, thanks to the more than 100,000 men and women who work in the Group across the world, making of it a different kind of Bank. I want to take this opportunity to thank them and encourage them to continue working with the same enthusiasm and dedication they have always shown.

I want to end by thanking all our shareholders for the support and trust they have offered us and tell them that, in these difficult times, they are our motivation to continue working with the greatest possible enthusiasm and effort to construct the best universal bank in the world.

March 2, 2012
Francisco González Rodríguez

> "I am sure that BBVA will perform outstandingly in 2012, thanks to the more than 100,000 men and women who work in the Group across the world, making it a different kind of Bank"

BBVA in 2011: Highlights

BBVA has strengthened its growth potential during the crisis

2011: diverse macroeconomic background...

GDP growth in 2011
(Percentage)

	GDP 2011
Emerging (1)	6.4
The United States	1.7
Europe (2)	1.5

(1) Asia (except Japan), Turkey, Mexico, Argentina, Chile, Colombia, Peru and Venezuela.
(2) EMU.
Source: BBVA Research.

In which Europe was the main focus of attention.

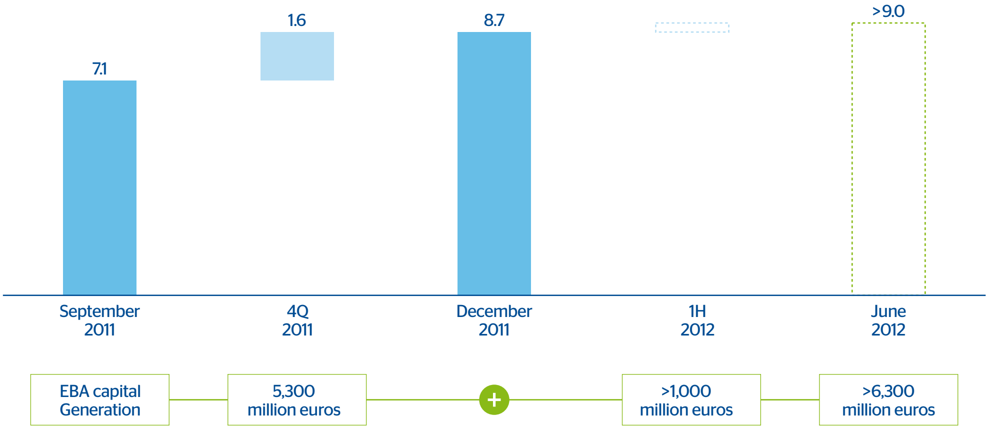
And that hit the European banking sector through capital, liquidity, risks and earnings.

...In which BBVA has demonstrated high resilience in any scenario

1	Capital	Compliance with EBA recommendations without selling strategic assets
2	Liquidity	Market access despite adverse conditions and a solid position in readiness for 2012
3	Risk	Highly stable indicators thanks to prudent strategy and anticipation
4	Earnings	Resilience with recovery of upward trend in revenue and investing for the future

BBVA Group. EBA proforma core capital ratio

(Percentage)



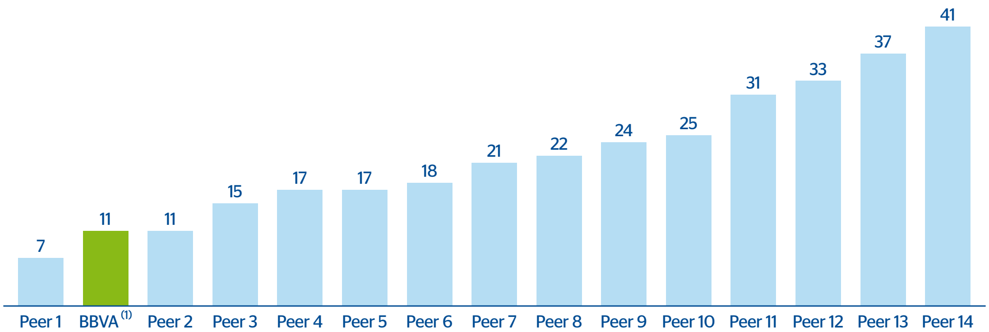
From the capital point of view, BBVA will achieve easily the new capital recommendations of the European Banking Authority (EBA)

BBVA has been one of the few European banks with access to the markets, despite the adverse conditions, as shown by its successful issues in 2011. It also shows the lowest 2012 wholesale redemptions of its peer group and has enough additional collateral to absorb any liquidity shocks.

In terms of liquidity, the Group ended the year in a very comfortable position for 2012

2012 wholesale redemptions

(Billion euros according to 17-01-2012 data)

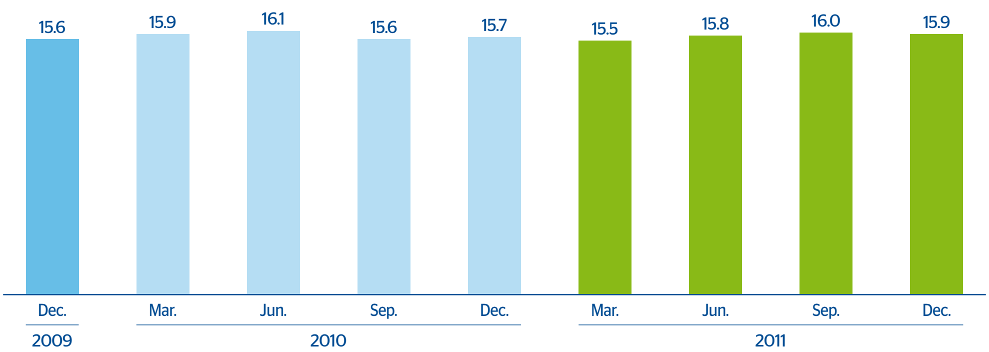


(1) BBVA internal data.
Source: Dealogic.

With respect to risk management, the Bank closed the year with a high level of stability in its main indicators

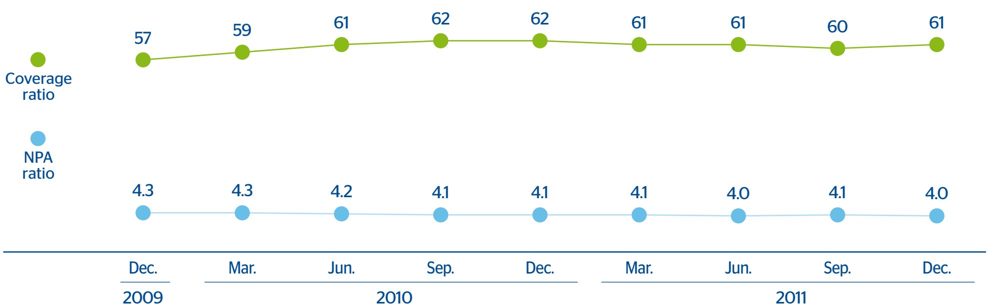
BBVA Group. Non-performing assets

(Billion euros)



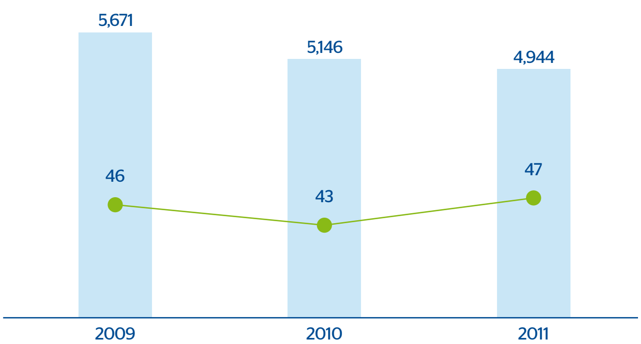
BBVA Group. NPA and coverage ratios

(Percentage)



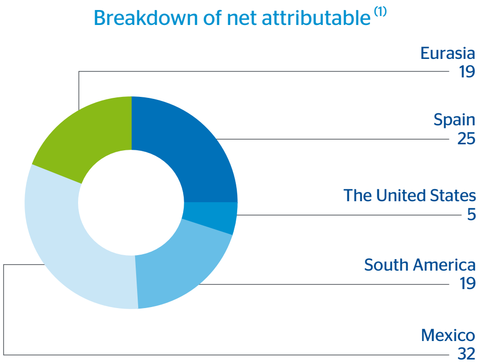
Grupo BBVA. Loan-loss and real estate provisioning

(Million euros/percentage over operating income)



BBVA Group. Breakdown of net attributable profit by business areas

(Porcentaje)



- Mexico and South America: growth
- Spain: resilience and opportunity
- The United States: transformation
- Eurasia: growing contribution

(1) Excluding Corporate Activities and the United States impairment.

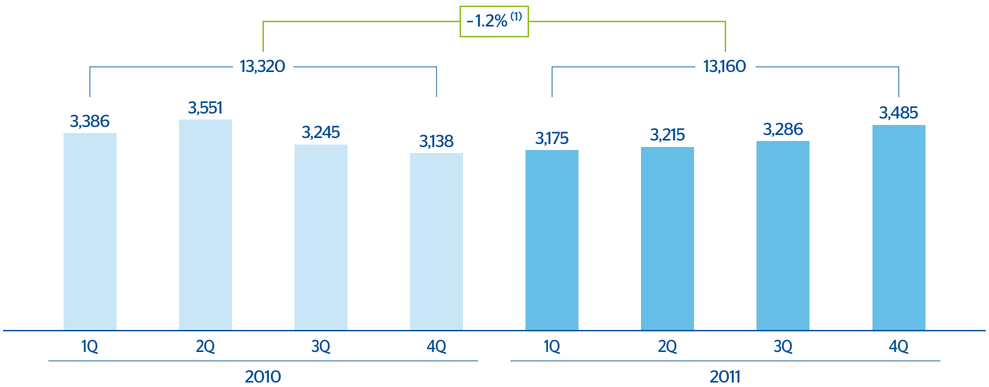
And in terms of earnings, the Bank continued to be highly resilient thanks to its well-balanced and diversified business mix

As a result, it has been able to:

- Generate recurring revenue

BBVA Group. Net interest income

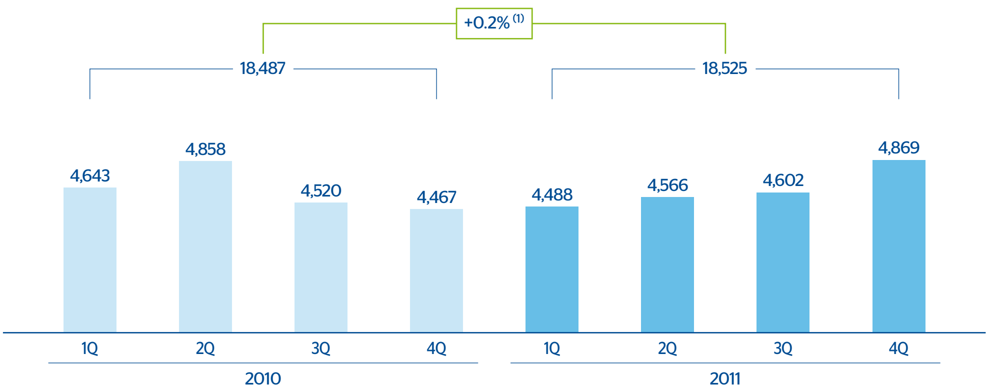
(Million euros)



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

BBVA Group. Gross income excluding NTI + dividends

(Million euros)

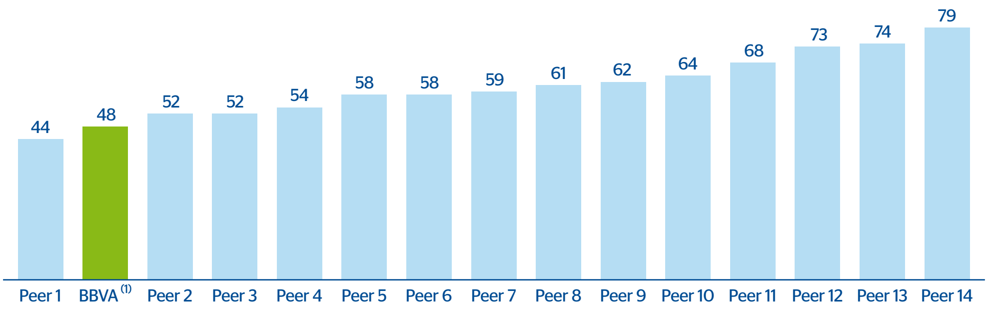


(1) At constant exchange rates: +2.2%.

- And anticipate to face the new growth cycle by launching an investment process, without losing its competitive advantage in efficiency (second position in its peer group)

Efficiency. BBVA and peer group

(Percentage)



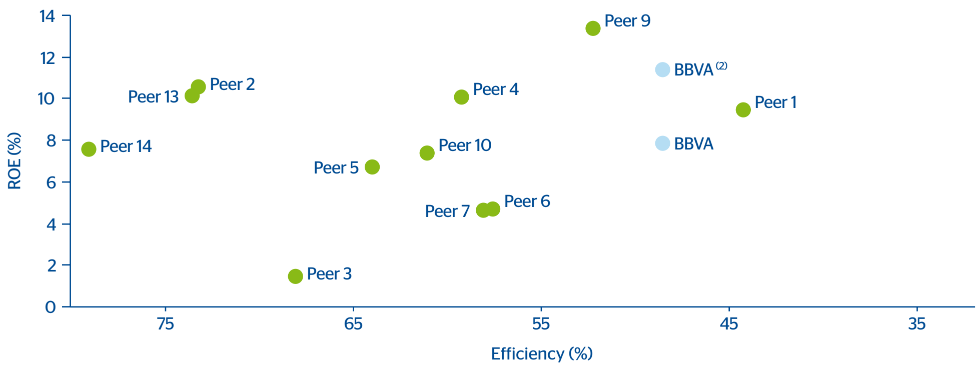
(1) Peer group: BARCL, BBVA, BNP, CASA, CMZ, CS, DB, HSBC, ISP, LLOYDS, RBS, SAN, SG, UBS, UCI. Peer group figures at 9M11 and BBVA figures at 12M11.

In short, sound earning figures in turbulent times...

...that make the Group an industry leader and place it in a privileged position from which to face the future, and its major challenges and transformations at both macro and industry levels.

ROE *vs.* efficiency. BBVA Group *vs.* peer group [1]

(Percentage)



(1) Developed internally with the last data available. Peer group: BARCL, BBVA, BNP, CASA, CMZ, CS, DB, HSBC, ISP, LLOYDS, RBS, SAN, SG, UBS and UCI.
(2) Excluding one-offs.

BBVA in 2011: Business areas

Spain

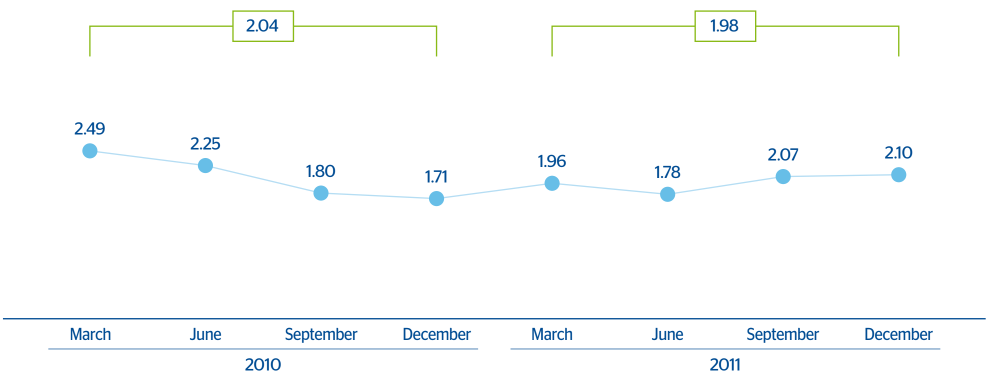
Income statement

(Million euros)

Spain	2011	Growth 12M11/12M10	
		Absolute	Percentage
Net interest income	4,399	(478)	(9.8)
Gross income	6,357	(698)	(9.9)
Operating income	3,556	(684)	(16.1)
Income before tax	1,914	(1,246)	(39.4)
Net attributable profit	1,363	(892)	(39.5)

Spain. Customer spread

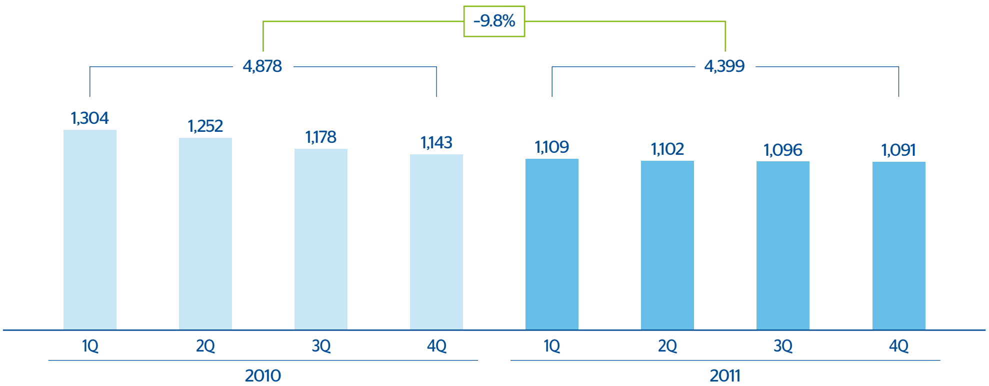
(Percentage)



1. Stable net interest income

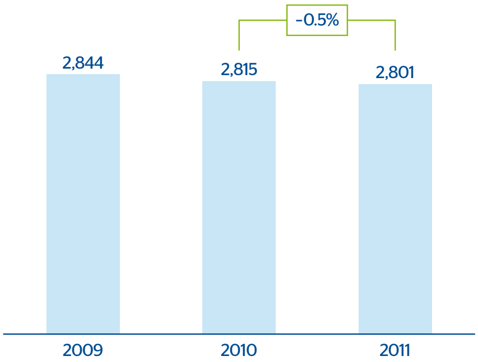
Spain. Net interest income

(Million euros)



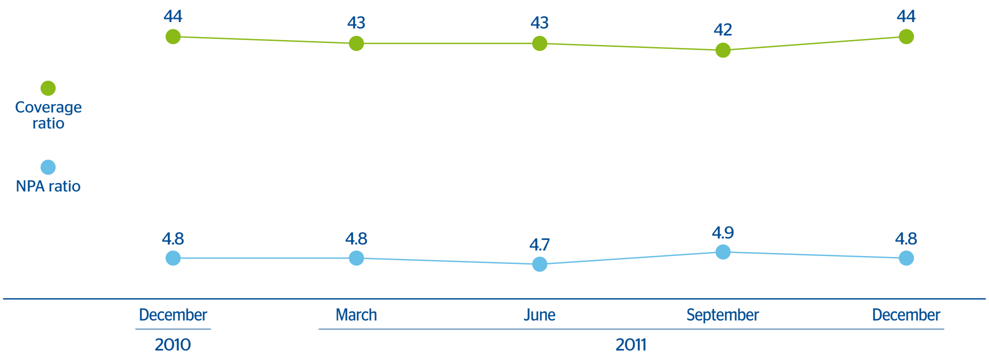
2. Costs: contained since start of crisis

Spain. Operating costs
(Million euros)



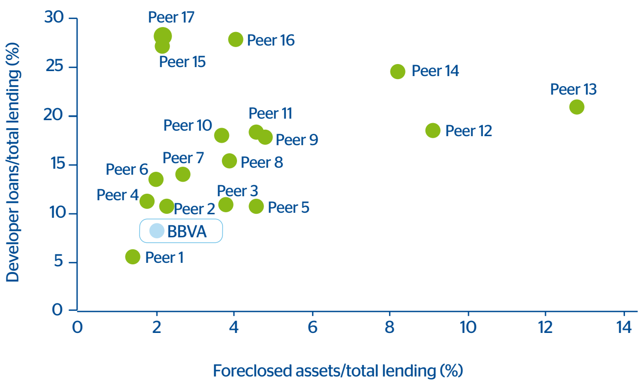
3. Stable risk indicators

Spain. NPA and coverage ratios
(Percentage)



4. Better starting point to meet new regulatory requirements related to developers

Exposure to real estate assets with difficulties. BBVA Spain *vs* financial sector
(Figures at June 2011)



- Operating income: 3,556 million euros
- Loan provisioning buffer: 1,865 million euros
- Operating income/provisions: 2.1 x

Eurasia

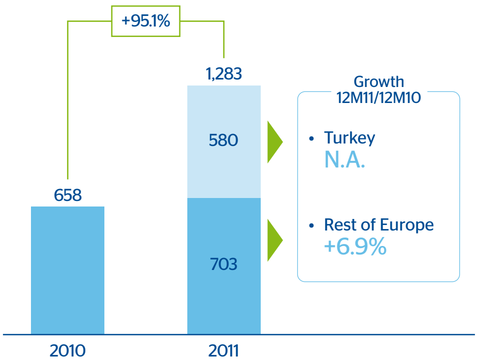
Income statement

(Million euros)

Eurasia	2011	Growth 12M11/12M10 Absolute	Percentage
Net interest income	801	456	n.m.
Gross income	1,952	872	80.7
Operating income	1,307	522	66.5
Income before tax	1,170	495	73.3
Net attributable profit	1,027	439	74.8

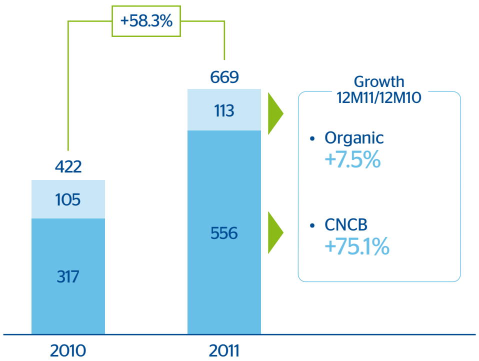
Europe. Gross income

(Million euros)



Asia. Gross income

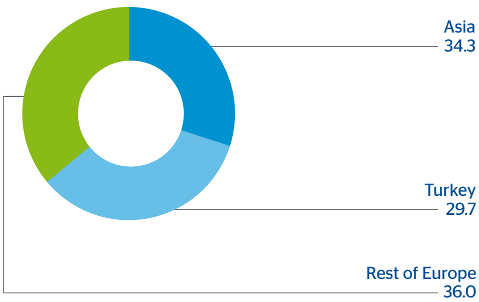
(Million euros)



1. Buoyant activity in every region

Eurasia. Gross income breakdown by geography

(Percentage)



Mexico

Income statement

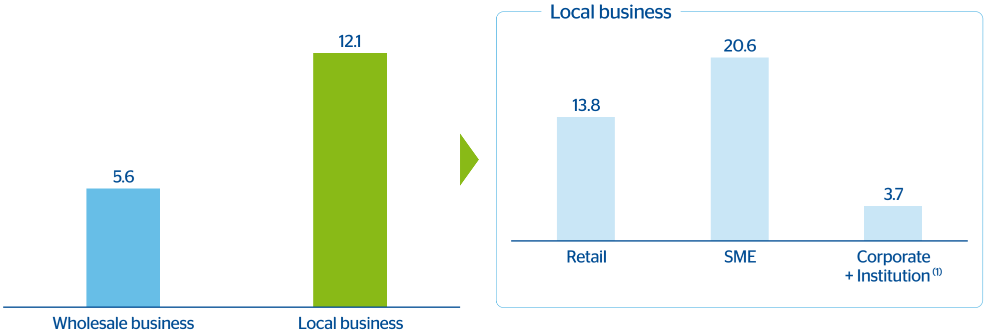
(Million euros at constant exchange rate)

		Growth 12M11/12M10	
Mexico	2011	Absolute	Percentage
Net interest income	3,827	256	7.2
Gross income	5,550	231	4.3
Operating income	3,539	57	1.6
Income before tax	2,299	92	4.2
Net attributable profit	1,741	89	5.4

1. Local business is driving activity

Mexico. Gross customer lending. Year-on-year change

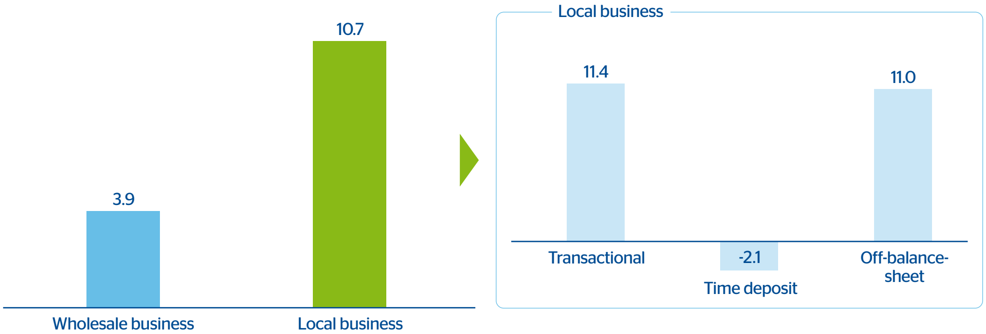
(As at 31-12-11. Percentage at constant exchange rate)



(1) Including commercial, corporates, real estate developers and government.

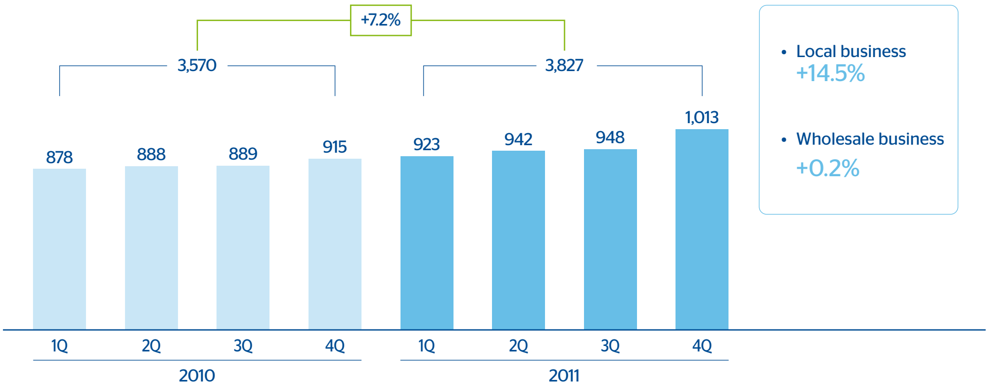
Mexico. Customer funds. Year-on-year change

(As at 31-12-11. Percentage at constant exchange rate)



Mexico. Net interest income

(Million euros at constant exchange rate)

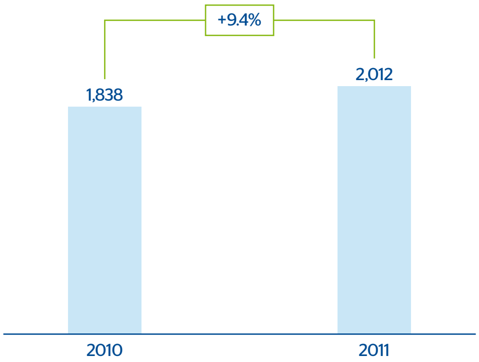


- Local business
  +14.5%
- Wholesale business
  +0.2%

2. Upward trend in net interest income

Mexico. Operating costs

(Million euros at constant exchange rate)



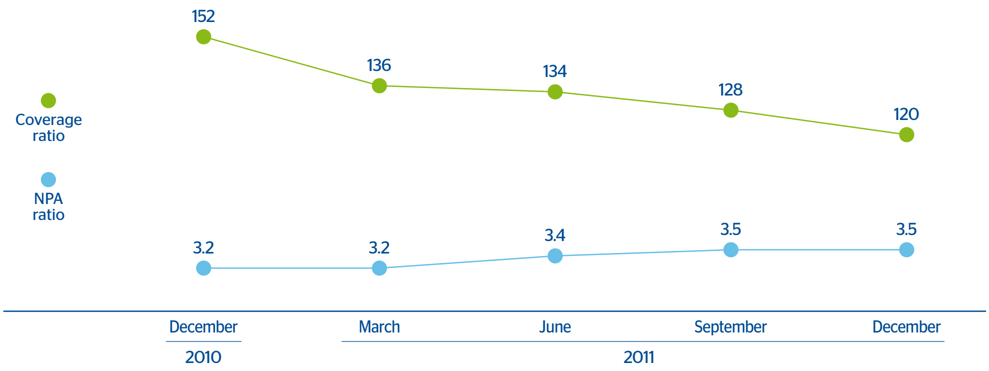
- Recurrent business
  +3.8%
- Growth and technology
  +5.6%

- Network segmentation
- ATMs: +950
- POS: +20,308
- Headcount: +1,868

3. Costs in line with growth plans

Mexico. NPA and coverage ratios

(Percentage)



Cumulated risk premium	3.65	3.43	3.38	3.39	3.29

4. Stable risk premium

South America

Income statement

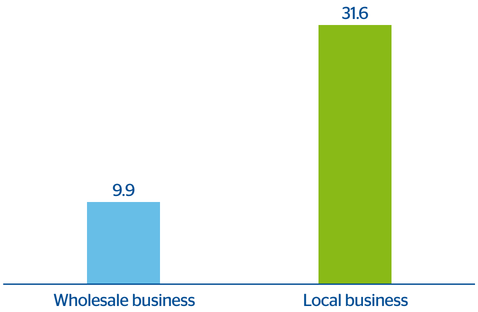
(Million euros at constant exchange rates)

South America	2011	Growth 12M11/12M10 Absolute	Percentage
Net interest income	3,164	760	31.6
Gross income	4,457	786	21.4
Operating income	2,415	351	17.0
Income before tax	1,877	259	16.0
Net attributable profit	1,007	141	16.2

1. Sound business activity in all geographies...

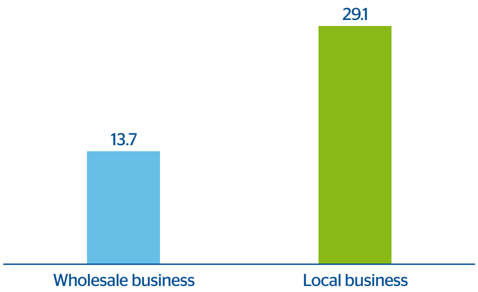
South America. Gross customer lending. Year-on-year change

(As at 31-12-11. Percentage at constant exchange rates)



South America. On-balance-sheet customer funds. Year-on-year change

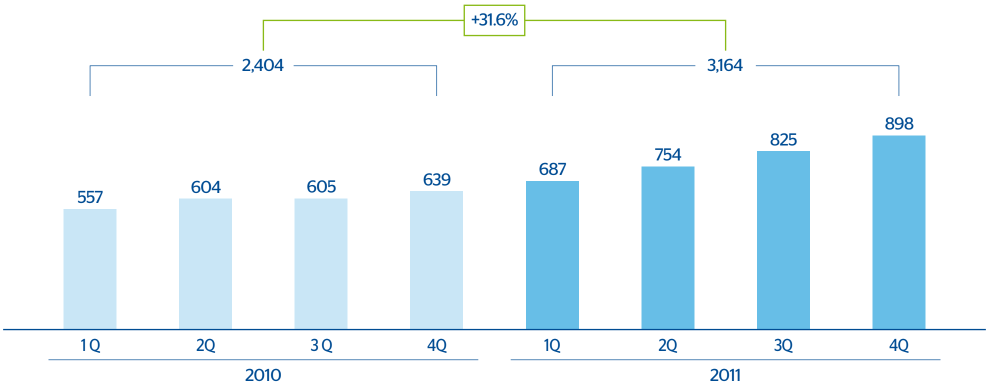
(As at 31-12-11. Percentage at constant exchange rates)



2. ...leading to higher revenue. As result, BBVA achieves annual records for net interest income and gross income

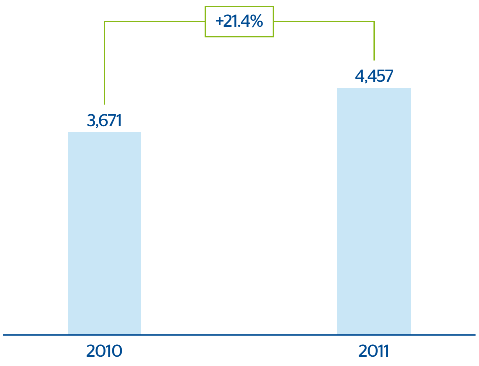
South America. Net interest income

(Million euros at constant exchange rates)



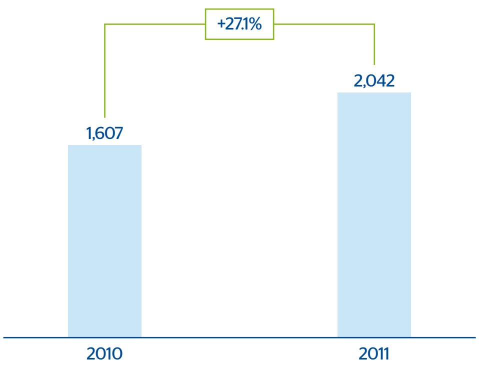
South America. Gross income

(Million euros at constant exchange rates)



South America. Operating costs

(Million euros at constant exchange rates)



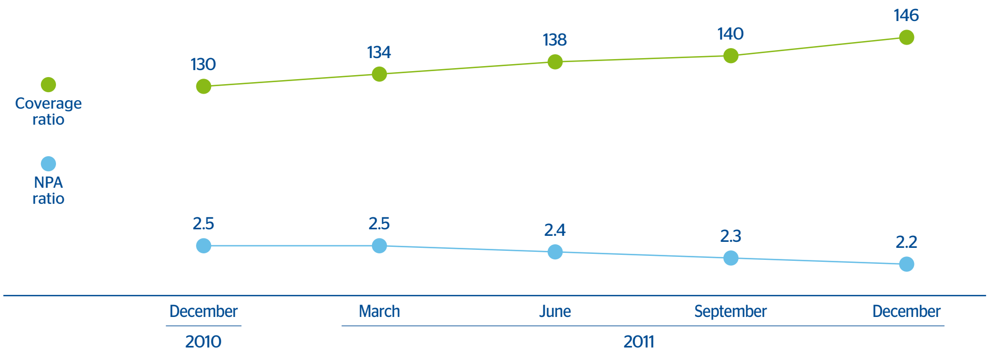
- Recurrent business
  +14.2%
- Growth and perimeter
  +12.9%

- Headcount: +1,116
- ATMs: +603
- Branches: +111

3. Ambitious growth plans for the region

NPA and coverage ratios

(Percentage)



Cumulated risk premium	1.52	1.55	1.33	1.31	1.31

4. The best risk indicators in the Group

The United States

Income statement

(Million euros at constant exchange rate)

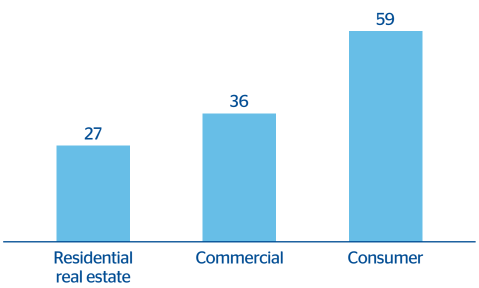
The United States	2011	Growth 12M11/12M10 Absolute	Growth 12M11/12M10 Percentage
Net interest income	1,590	(128)	(7.4)
Gross income	2,277	(170)	(7.0)
Operating income	786	(210)	(21.1)
Income before tax	383	81	27.0
Net attributable profit [1]	289	54	23.2

(1) Excluding one-offs.

1. Selective growth of business activity

The United States. New production in the main loan portfolios. Year-on-year change

(Percentage at constant exchange rate)



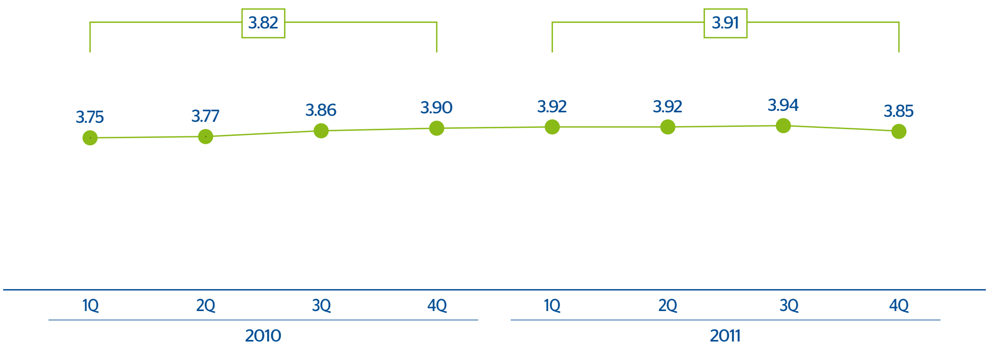
The United States. Customer funds on retail balance sheet. Year-on-year change

(Percentage at constant exchange rate)

2. Good price management

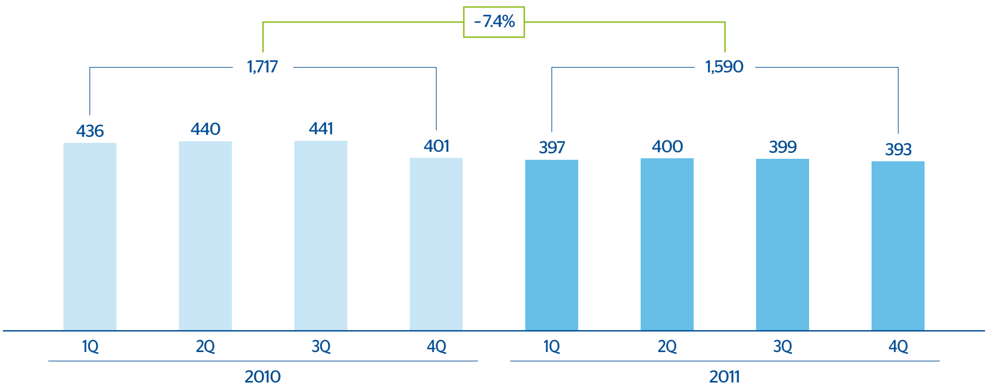
BBVA Compass Banking Group. Customer spread

(Percentage)



The United States. Net interest income

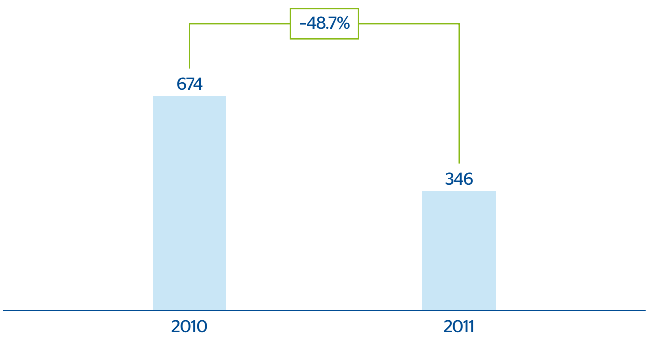
(Million euros at constant exchange rate)



3. Resilient net interest income despite an adverse yield curve

The United States. Loan-loss provisions

(Million euros at constant exchange rate)

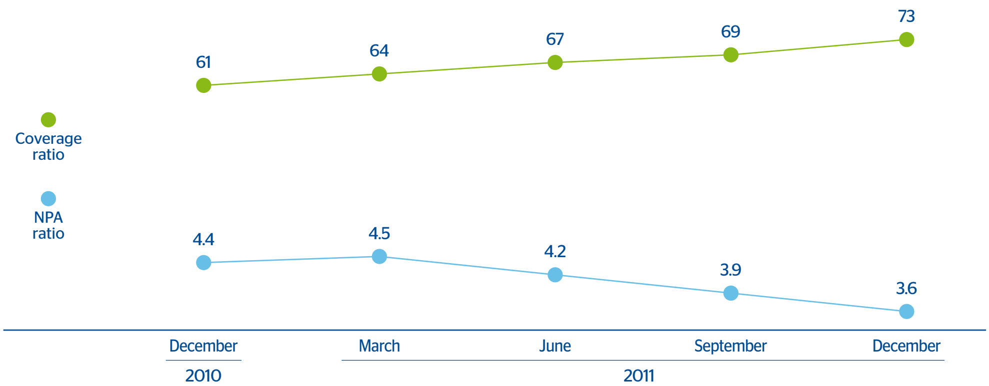


	2010	2011
Cumulated risk premium	1.69	0.93

4. Risk levels continue to improve

The United States. NPA and coverage ratios

(Percentage)



In summary, earnings reflect the transformation of the business model

Wholesale Banking & Asset Management [1]

Income statement

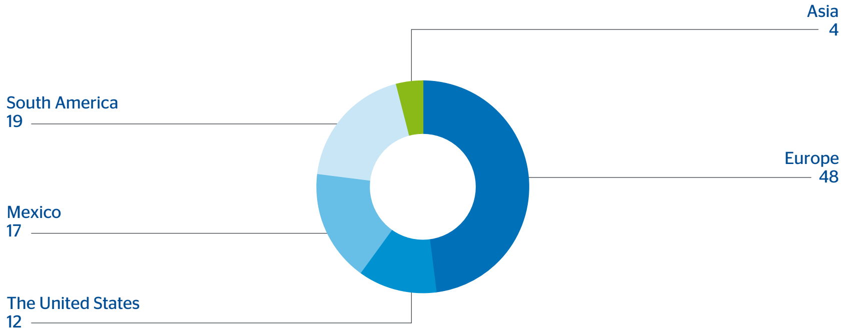
(Million euros at constant exchange rates)

Wholesale Banking & Asset Management	2011	Growth 12M11/12M10 Absolute	Growth 12M11/12M10 Percentage
Gross income	2,724	(72)	(2.6)
Operating income	1,776	(207)	(10.4)
Income before tax	1,673	(110)	(6.2)
Net attributable profit	1,122	(86)	(7.1)

1. Revenue diversification

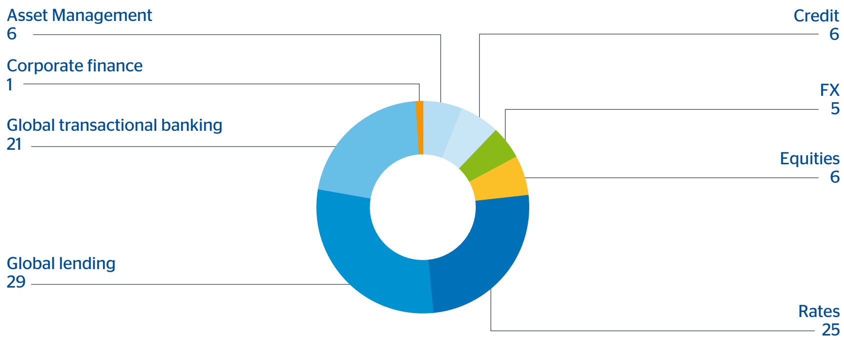
WB&AM. Gross income breakdown by geographic region

(Percentage)



WB&AM. Gross income breakdown by product

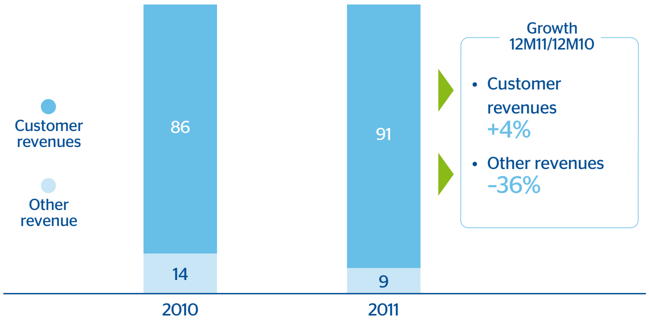
(Percentage)



(1) The figures of this aggregate cross all the business areas previously introduced.

WB&AM. Gross income breakdown and evolution

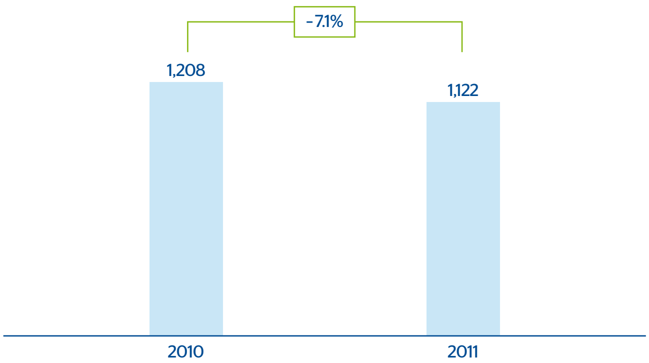
(Percentage)



2. Stronger revenue from customers...

WB&AM. Net attributable profit

(Millon euros at constant exchange rates)



3. ...And resilience despite adverse conditions

2012: Environment and positioning

Economic background

Slowdown in the global economy in 2011 against a background of great uncertainty

In 2011 the **global economy** suffered a moderate slowdown in a year featuring uncertainty generated by the financial markets, in particular the European sovereign debt markets. Indeed, in 2011 global GDP growth was slightly under 4%, one percentage point below 2010 figure. Although this figure can still be called solid, the slowdown was noticeable with varying intensity in different regions. The greatest contribution has continued to come from emerging countries.

Attention was focused on the progress and setbacks in the solution of the debt crisis in Europe

In 2011 the global economy has followed events in **Europe** closely, both in terms of progress towards fiscal consolidation and in relation to changes in the structure of governance in the euro zone. The difficulties in generating adequate progress in both areas lie behind the increased contagion of financial turmoil throughout the year. The initial impact hit the European peripheral countries that had been unaffected by bailout programs, such as Italy and Spain, and which required occasional market intervention by the European Central Bank (ECB). Next, financial tension also extended to some segments of the financial system that were affected by recapitalization plans implemented by the European authorities. Finally, doubts about the capacity of governments in the region to solve the crisis meant that even core European countries with sound finances were affected by the tension. None of the successive European summits over 2011 have been able to clear up the uncertainty, although there has been progress towards both fiscal harmonization and governance in the euro zone. Against this background, growth in the European economy as a whole has been weak, just 1.5% (two decimal points below the figure for 2010), and with a major slowdown towards the end of the year, and great variation between countries. Moreover, after an early upward movement, the ECB began to lower rates in response to the increase of risk in the euro zone.

The **Spanish economy** continues to be immersed in its own adjustments, and growth in 2011 was a few decimal points below 1%, with a trend for a gradual slowdown throughout the year. However, some of these adjustments are progressing at a steady pace. Fiscal consolidation continues, although with some deviation from the 2011 target, and competitiveness is increasing significantly. This has been reflected in a considerable increase in exports.

The United States shows greater than expected cyclical weakness, with significant challenges in fiscal policy

The **United States** surprised with data that suggested a recovery that quickly ran out of steam, although towards the end of 2011 this trend partially reversed. Growth slowed in 2011 to around 1.7% (the figure for 2010 was 3%). Fiscal policy has also been key over the year, given the difficulties experienced by the authorities to prepare a plan that balanced the need to support economic activity in the short term with a credible process of long-term consolidation.

Despite the slowdown in advanced economies, emerging economies continue to grow solidly, but towards more sustainable levels, particularly supported by the strength of domestic demand. However, the increase of global risk aversion is also affecting emerging markets. This has been reflected in lower capital inflows, falls in equity markets and foreign-exchange tension.

In this context, economic activity in **Mexico** is showing some positive signs, but with a trend towards moderation, so that growth in 2011 is estimated to be a decimal point under 4%. At the same time, average inflation remained at around 3.4%, allowing the Bank of Mexico to send more dovish monetary policy messages. The high degree of economic openness of the Mexican economy means that global slowdown has had a local effect, but mainly offset by improved competitiveness in some manufacturing sectors and positive financing conditions.

In **South America,** the global slowdown results in a moderation of the growth rate towards the end of 2011, with an increase in risk premiums, falling commodity prices and equity markets and above all, a certain weakness in many of the region's currencies. This meant that most central banks in the area intervened to moderate (or even reverse) currency depreciation. Even so, taking the year as a whole into consideration, economic growth was sound, at around 4.4%, nearly two points below the figure in 2010.

GDP growth in **China** moderated following the efforts made to avoid economy overheating. Domestic demand and output remain strong and the pace of the slowdown has been in line with that of a soft landing. However, the problems caused by the external situation have experienced a gradual increase and foreign demand is weaker. Inflation is moderating, although from a very high starting point. The above situation, combined with increasing downside risks, is impacting the implementation of a package of policies to support growth, making China's economic growth in 2011 to be above 9% (+10.4% in 2010).

Finally, **Turkey** has been more exposed to periods of financial contagion from Europe, with a lower rate of capital inflows, falls in equity markets and lira depreciation, forcing the Central Bank to intervene. Even so, the economy has grown strongly (8.5% in 2011) and inflation has fallen to 6.7% (8.6% in 2010), although the figure is still high.

Emerging economies are moving towards a soft landing, despite the global uncertainty

Interest rates

(Quarterly and annual averages)

		2011					2010			
	2011	4Q	3Q	2Q	1Q	2010	4Q	3Q	2Q	1Q
Official ECB rate	1.25	1.28	1.50	1.25	1.00	1.00	1.00	1.00	1.00	1.00
Euribor 3 months	1.39	1.49	1.54	1.44	1.10	0.81	1.02	0.87	0.69	0.66
Euribor 1 year	2.01	2.05	2.11	2.13	1.74	1.35	1.52	1.40	1.25	1.22
USA Federal rates	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
TIIE (Mexico)	4.82	4.80	4.81	4.85	4.85	4.91	4.87	4.91	4.94	4.92

In the **currency** markets, the euro significantly appreciated against the dollar in the first half of the year due to the widening interest rate spread. This was due to the different monetary policy approaches adopted by the ECB (preventive and focused on upward inflation risks) and the Federal Reserve (supporting recovery and boosting growth). However, the deepening European debt crisis weakened the euro's position in the second half of the year. In sum, the dollar suffered a 4.7% annual average depreciation against the euro. This combination of a strong euro and the relative strength of the emerging currencies against the dollar resulted in a generally unfavorable performance of the currencies with the heaviest weights in BBVA's financial statements. As a result, there was a negative effect of exchange rates on a year-on-year comparison of the Group's financial results. Regarding year-end exchange rates, the US dollar appreciated 3.3% against the euro in the last twelve months, same as the Colombian peso (+1.8%), the Peruvian nuevo sol (+7.6%) and the Venezuelan bolivar fuerte

(+3.3%). However, the Mexican, the Argentinean and the Chilean peso have depreciated. To sum up, the exchange-rate effect is also negative on the balance sheet and activity. In 2012 the dollar is expected to appreciate against the euro, while emerging currencies will have room for appreciation against the dollar.

Exchange rates

(Expressed in currency/euro)

	Year-end exchange rates				Average exchange rates			
	31-12-11	Δ% on 31-12-10	31-12-10	Δ% on 31-12-09	2011	Δ% on 2010	2010	Δ% on 2009
Mexican peso	18.0512	(8.3)	16.5475	4.8	17.2906	(3.2)	16.7372	8.7
U.S. dollar	1.2939	3.3	1.3362	11.3	1.3916	(4.7)	1.3257	0.2
Argentinean peso	5.5679	(1.5)	5.4851	(0.2)	5.7467	(8.3)	5.2686	(8.4)
Chilean peso	674.76	(7.3)	625.39	8.3	672.04	0.5	675.68	15.7
Colombian peso	2,512.56	1.8	2,557.54	17.1	2,570.69	(2.0)	2,518.89	15.8
Peruvian new sol	3.4890	7.6	3.7528	19.3	3.8323	(2.3)	3.7448	9.3
Venezuelan bolivar fuerte	5.5569	3.3	5.7385	(44.3)	5.9765	(5.9)	5.6217	(49.9)
Turkish lira	2.4432	(15.3)	2.0694	(11.8)	2.3383	(14.6)	1.9965	(7.5)
Chinese yuan	8.1588	8.1	8.8220	20.5	8.9932	(0.2)	8.9713	5.9

Uncertainty drags down the forecasts for 2012

The slow pace of the solution of the European debt crisis implies a downward correction on **forecasts for 2012**, particularly for developed economies. In addition, the deteriorating external conditions drag down the growth of emerging economies. In a situation of slow recovery from the debt crisis, the global economy could make progress towards a growth rate of around 3.5%, slightly below the figure for 2011. Once more, growth will vary greatly among regions. Emerging Asia will be the engine of the world economy in 2012. In China, GDP will hardly slow a few decimal points, and it will still grow above 8%, while in the rest of emerging Asia it will remain at around 4%. In contrast, Latin America will continue to slow down and its rate of growth will be under 4%. In Turkey the slowdown could be more pronounced, with GDP growing at around 2%. Mexico will still grow at above 3% in 2012. The advanced economies will undoubtedly be the worst hit in the forecasts. The euro zone is expected to post a negative growth of 0.5% as a whole, which will be around -1.3% in Spain. Finally, the United States will grow at 2.3%, only a fraction above the figure for 2011, but equally below this economy's growth potential. In any event, the risk balance in every economy has a downward bias and the implications of an intensifying European debt crisis could be severe.

Global GDP growth

(Percentage real growth)

	2011	2012 e
Global	3.9	3.5
Euro Zone	1.5	(0.5)
Spain	0.7	(1.3)
The United States	1.7	2.3
Mexico	3.9	3.3
Latin America	4.4	3.6
China	9.2	8.3
Turkey	8.5	1.9

Source: BBVA Research.

Positioning

Solid BBVA performance against a backdrop of maximum stress

The year 2011 has been one of maximum stress levels in terms of liquidity and sovereign risk in the euro area. In this context, the Group continues to demonstrate its recurrent earnings and structural strength. This standout performance is due to BBVA's banking approach developed around four pillars:

BBVA, a banking model based on 4 pillars

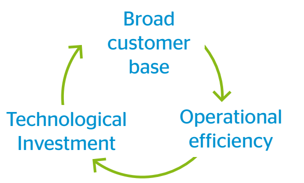
1. Portfolio model

- Geographical diversification
- Leading franchises

- Spain: 1st/2nd
- Mexico: Market leader
- South America: 1st/2nd

2. Business model

- Customers
- Efficient distribution
- Technology and innovation



3. Management model

- Prudence
- Anticipation

- Structural risks
- Credit risk
- Capital risk
- Corporate strategy

4. Governance model

- Principles
- People

- Integrity
- Prudence
- Transparency

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

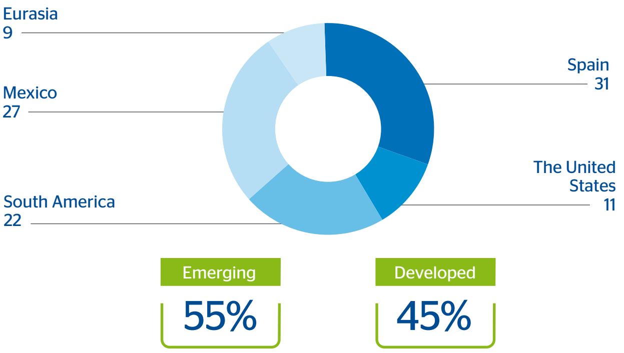
   - Well-balanced **diversification** in terms of geographical areas, businesses and customers. This diversification continued to add value in 2011, showing BBVA's resilient earnings. In this regard, almost 55% of gross income originated in emerging countries.

   - **Franchises** with a sufficient critical customer base, holding leading positions (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.

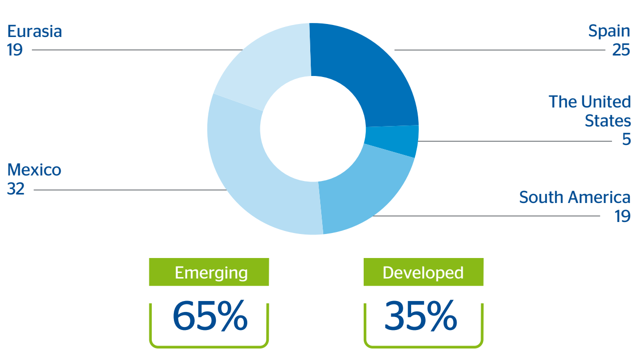
Composition of BBVA Group gross income and net attributable profit by geographical

(Percentage)

Gross income by geographical area*

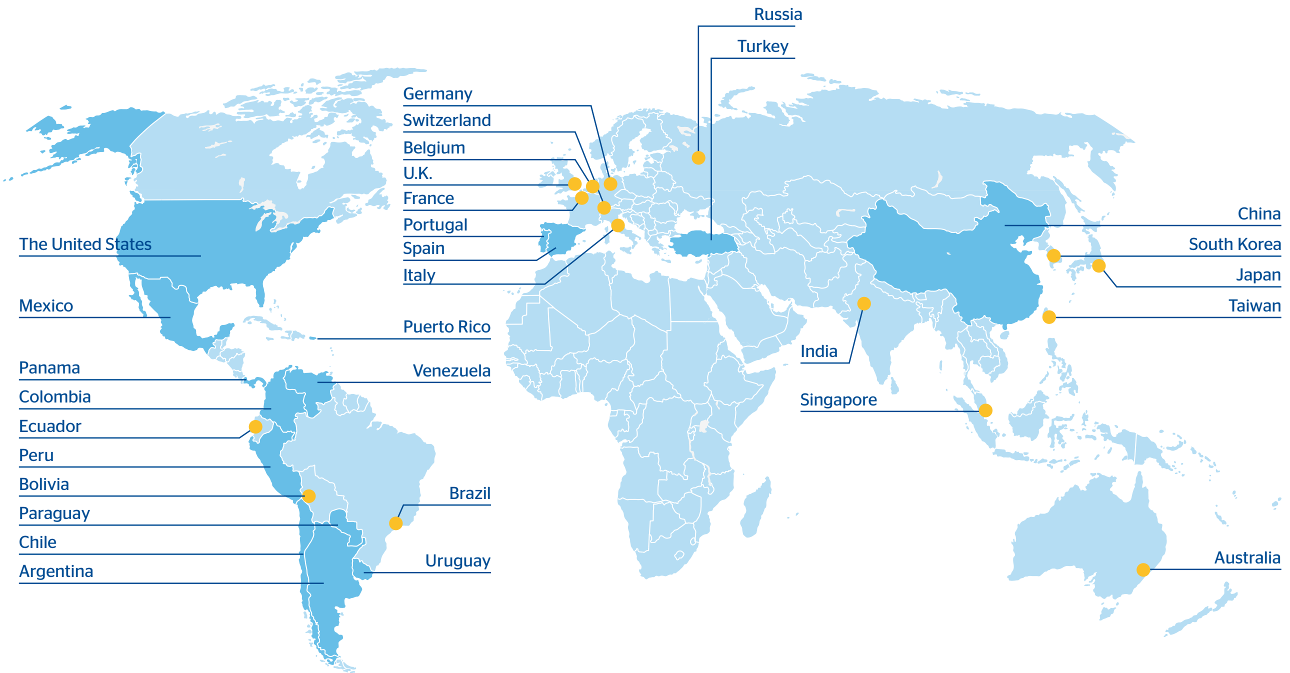


Net attributable profit by geographical area*



* Sum of business areas excluding Corporate Activities. In net attributable profit, excluding the impairment in the United States.

BBVA Presence in the World



Assets	Customers	Branches	ATMs	Employees
598 billion euros	50 million	7,457	18,794	110,645

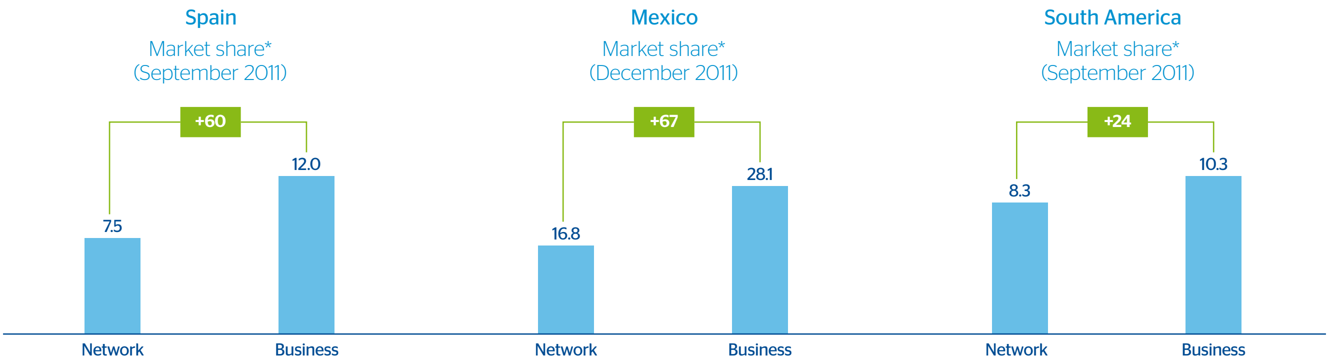
2. A **business model** based on three elements:

- A **retail banking** model focused on lasting relationships (customer-centric approach) with a very broad customer base (50 million customers worldwide). This ensures highly recurrent earnings and very stable financing in the form of client deposits.

- A broad **distribution network** that leads the market in terms of efficiency. It should be mentioned that BBVA business share is greater than the network share in every franchise.

Network and business shares in the main BBVA franchises

(Percentage)

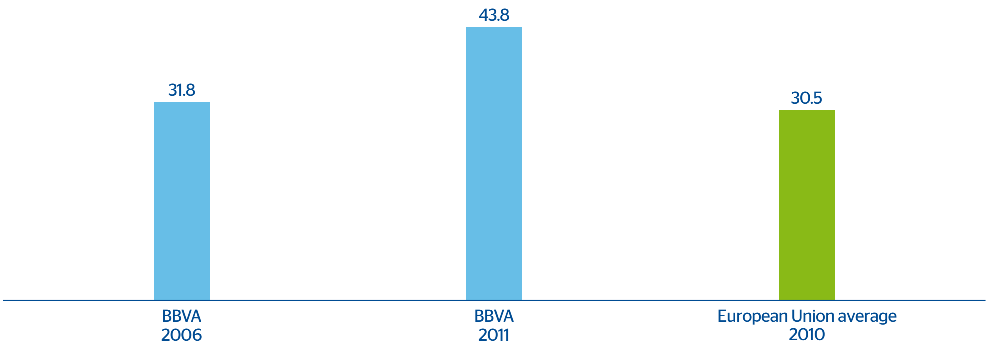


* Loans + deposits.

- **Technology**, a pillar that has been markedly supported by BBVA in these last years to improve efficiency. The size and scale of the Group have allowed it to take on important investments in global technology projects, especially in the fields of transformation and innovation.

Investment in change-the-bank. The BBVA Group and the European Union average

(Percentage of total investment)



3. A **management model** in which decisions are always made under two premises: prudence and anticipation. Prudence is used when making decisions on governance, structural and credit risks, capital and M&A transactions, while anticipation refers to the priority that BBVA gives to decisions made in response to relevant changes with medium term impact in the environment, competition and customers. These are some examples:

    - The network share limitation strategy implemented by the Group in Spain in the context of the Innovation and Transformation Plan launched at the end of 2006 resulted in standout performance in terms of revenue, expenses and risks as compared to the local competitors during the crisis.

    - The portfolio structure change in Mexico. On the one hand, towards mortgage business with the purchase of Hipotecaria Nacional. This acquisition tripled BBVA Bancomer's share in the segment in 2004. And, on the other hand, towards SMEs with the creation of the "SME Network" in 2008. This action placed the Bank in the leading position for SME lending with a major advantage over its competitors.

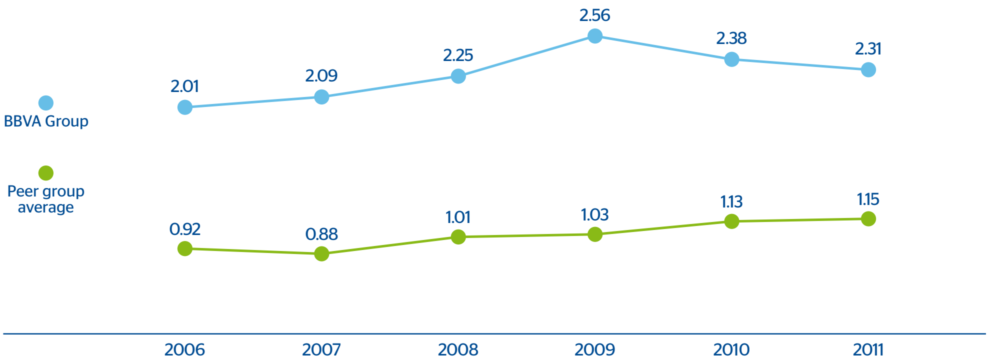
4. A **governance model** founded on the absolute principles of integrity, prudence and transparency, whose primary objective is to create value for its shareholders. This always holds true when achieving results is subject to the essential corporate principles of integrity, prudence and transparency. All in all, the Group works to create value for its stakeholders (basically shareholders, employees, providers, customers and society). The current financial crisis exposed the unsustainability of models focused exclusively on short-term financial earnings, and BBVA firmly believes that putting principles first in the Group's governance management is a competitive advantage in itself.

This banking model based on the four pillars explained above translates into two distinguishing advantages: recurrence and structural strength.

1. **Recurrence** because BBVA continues to demonstrate a strong capacity to generate recurrent and sustainable earnings year after year. In bullish periods, BBVA already recorded better performance than its competitors, and it has continued to do so during the crisis.

Net interest income over average total assets [1]

(Percentage)



Note: 2011 peer group data calculated from last information available, which has been annualized.
(1) Peer group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCI.

2. **Structural strength,** because the Group maintains a healthy, balanced, well-capitalized balance sheet with well-known and under-control risks, and with an adequate financing structure relying on its broad customer base. BBVA has the lowest leverage of its peer group. Furthermore, its capacity to generate capital organically is one of the most solid of its reference group, as explicitly demonstrated in the stress tests published by the European Banking Authority (EBA).

And this banking model has made it possible for BBVA, not only to record outstanding performance during the crisis but also to be prepared to successfully address the coming changes in the industry in both the short and long-term.

Expectations

There are three fundamental strengths that will transform the financial sector and, therefore, will define the new financial industry that will have to operate against a backdrop of great uncertainty.

The three elements transforming the financial industry

In the short-term, compliance with new regulatory and supervisory demands will be required, and coping with a very complicated macroeconomic and financial situation will still be necessary.

As far as regulation is concerned, new capital and liquidity standards were designed to reinforce the financial system and improve risk measurement in the European Union. The transposition of Basel III in the proposal of the European Capital Requirements Directive (CRD IV) to be approved by European institutions throughout 2012 is a clear example.

Furthermore, the EBA took several measures designed to restore the markets' trust in the financial sector (i.e. the stress test and the recapitalization plan). The results of the European stress test highlighted that BBVA is one of the most solvent banks in the world, with a core capital ratio of 9.2% in the adverse scenario and capital quality that is far above the average of its competitors. Regarding the recapitalization plan, BBVA will comfortably achieve the 9% core capital temporary requirement of the EBA as of June 2012, thanks to the Group's recurrent capacity to generate capital organically, a lower leverage ratio than its peers and a prudent risk management background.

Finally, international regulation is boosting the technological development of optimal, efficient market infrastructures. In this regard, BBVA is at the financial sector's forefront, and technological innovation is one if its key competitive advantages.

Furthermore, there is a macroeconomic transformation underway characterized by elements such as: a duality between emerging and developed economies, reduced economic growth on at a global level, deleveraging, financing and recalibration of risks, etc.

Moreover, looking beyond the short-term is also essential. As a result of the crisis, technological advances and social changes, the industry will suffer a transformation process in supply and demand in the medium term. On the demand side, the way in which customers are approached is evolving and BBVA continues to be determined to anticipate their needs, so that they may choose where, when and how to access the Bank. On the supply side, the sector as a whole is faced with an outlook of greater pressure in terms of profitability, liquidity, growth, reputation and innovation. This pressure will encourage entities to carry out innovative actions, break with the established standards and radically transform the way in which banking is understood today.

This situation of uncertainty and continuous transformation represents a great opportunity for BBVA to lead the change of the banking system. The Group will definitely continue to meet the regulatory, financial and macroeconomic demands, as it has to date. Moreover, the Bank is also working to reinforce its positioning and strategy in the medium term, in response to the pressures faced by the sector. BBVA will thus maintain the essence of its model intact, by taking actions in each of the four pillars above and setting clear objectives for each of them.

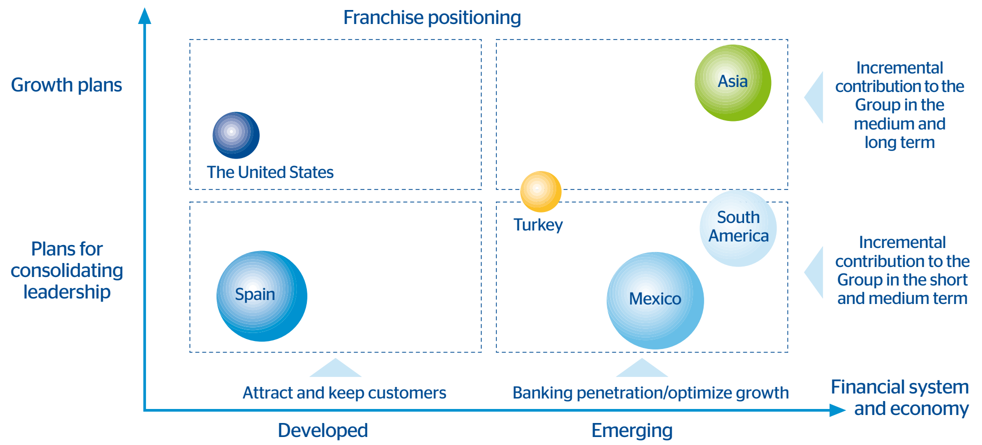
Principal objectives for action in each of the four pillars of the BBVA business model

1. Portfolio model	2. Business model	3. Management model	4. Governance model
• Emerging: accompany growth • Mature: reinforce leadership of the franchises	• Customer experience • Commercial productivity • Risk reduction • Operational efficiency	• Globalization	• Principles • People
• Better balanced portfolio and higher growth prospects	• Transformation using technology	• Universality and synergies	• Corporate reputation and social impact

1. **A better balanced business portfolio and higher growth prospects.** That is, to make the most of every business and customer, and of BBVA's current footprint. This will be achieved by acting on two fronts:

    - Developing those franchises where BBVA has most recently begun to operate. This would imply taking steps in the development of the United States, China and Turkey business units into the Group.
    - In the rest of the franchises, the focus will be placed on consolidating their leadership within their respective geographical areas, on profiting from growth in emerging markets and on gaining market share in developed areas. This would require taking a step forward in service quality and living up to customers' expectations, being able to widen the financial offering according to their increasing sophistication.

A more balanced portfolio with a greater future growth



2. **Transformation using technology**, that is, taking advantage of the opportunities technology presents to build a more innovative, more efficient, more customer-centric, better-quality model. BBVA has made an important investment effort in technology over the past years, aiming to lead the financial sector transformation. Specifically, there are currently four core investment initiatives in the Group:

    - First, BBVA is investing in improving the customers' experience in order to achieve a service model that meets their preferences and needs through any distribution channel. And this involves investing in two key capacities. On the one hand, customization of the range of products offered based on quality, simplicity, ease of use and innovation. On the other hand, integration of the physical and virtual world, which translates into an efficient, collaborative and multi-channel distribution model.

    - The second aim is to increase commercial productivity. There is a dual purpose in this regard: reinforce our leadership in efficiency and our ability to adapt to new clients' demands. To do so, an investment has to be made in customizing management, with an integrated commercial vision to increase sales, productivity and service quality, and on the ubiquity of managers to be able to provide a more flexible, agile and global service.

    - The third objective is to continue investing in risk control tools, with the intend to widen BBVA's competitive advantage in terms of risk quality.

    - Finally, the Group is investing in improving operational efficiency; that is, in streamlining processes and strengthening infrastructure.

The four main lines of action for the BBVA Technological Plan

1	Improving customer experience	Customized offer Integrated physical and virtual world
2	Increasing commercial productivity	Customized management Manager ubiquity
3	Reducing risk	Risk intelligence
4	Improving operational efficiency	Process efficiency Robust infrastructure

3. **Universality and synergies**, making the most of every business area and customer and BBVA's footprint. This also implies homogenizing the Bank where it makes sense and reinforcing and promoting cross-sectional management of business and support units, which will generate significant synergies in coming years.

Globalization

Business Lines (LOB's in GR&BB)	Consumer Finance Means of Payment Insurance and Pensions Private Banking	Boost the **growth of products and/or segments of high growth potential** and global management opportunities
Commercial & Retail Banking	Segments Products Business Models Global Marketing	Define **business models, promote cross-sectional projects and share best practices in every segment,** as well as marketing positioning
Business Development	Commercial inteligence Customer experience Segmentation Multi-channel banking and Commercial Plan	Developed **methodologies**, **tools**, **processes and channels** to support business management with a customer-centric approach and multi-channel strategy

In 2011, the Global Retail & Business Banking unit was created. This unit is responsible for launching new global business lines, servicing (also globally) some segments and ensuring that best practices are being applied throughout the Group. Thus, the Group is moving towards greater globalization of the retail business, as this globalization has been implemented in the Group's wholesale business for several years. As well in 2011, an ambitious transformation plan was launched for all central services to make their management more cross-sectional and, as a consequence, more efficient.

Transversality of businesses and support units

4. **Involving the stakeholders**. BBVA undertakes an absolute commitment before every one of its stakeholder groups: employees, customers and society in general. In a crisis situation like today, in which the reputation of the sector has been more negatively impacted than ever, acting and communicating are essential.

The team

People development is driving our success

For the third year in a row, the magazine ***Fortune*** has rated BBVA one of the best companies in the world for developing leadership. In fact, it is ranked as the **best European company** and the **twelfth in the world ranking** of more than 500 companies, ahead of such prestigious firms as Unilever, Siemens, 3M or McKinsey.

The survey was conducted with Aon Hewitt and the RBL Group. It identifies the close relationship between BBVA's business and leadership strategies, thanks to a model of people management that guarantees talent is available whenever needed and committed to fair opportunities in promoting the professionals who make up the Group's team.

Yes, there is another way to do things

Top Companies for Leaders 2011

AON Hewitt

FORTUNE

The RBL Group

BBVA

1st in Europe

12th in the world

At BBVA we aim to guarantee that our teams are competitive by using a global scope standardized model that lays emphasis on professional development. This model is based on three principles:

1. Placing the best professionals into the best positions.
2. Combining training at the workplace with more specialized or structured training.
3. Ensuring transparency and fair opportunities.

Meritocracy as a basis for people management

Managing people in a Group made up of over 110,000 employees requires a model of talent location supported by objective criteria and systematic procedures for evaluation and development. The model includes a **competencies assessment**, which is carried out every two years to identify and develop our team's skills, knowledge and management styles. It compares the current level of each employee with the ideal level of the profile of the function he or she performs. In 2011, all the professionals in the Group have been requested to carry out this process, with a participation rate of over 98%. As a result, 353,505 individual development actions have been implemented, selected out of a multi-language catalogue of more than 1,822 possibilities.

Campus BBVA, the Group's training model

Training plays a key role within our development program. The budget allocated to training has been maintained despite the difficult time experienced by the industry. It amounted to over €40m in 2011, which in terms of time is equivalent to an annual 41 hours of training per employee. These figures have been possible thanks to the intensive use of technology. In fact, 60% of training in the Group is already online.

CAMPUS BBVA

Update yourself_

An important aspect to highlight is that in 2011 we have made our training experience available to society as a whole by opening up a new business line consisting of commercializing an attractive range of face-to-face programs for professionals outside the Group. They are given together with world-class partners in subjects on which we are considered a market reference. This initiative complements the range of training programs already commercialized by BBVA, and which so far consisted of a catalogue of 120 online courses.

Positions available in BBVA, regardless of their level, nature or area in which they originate, are filled, as far as possible, using **apúntate**, the Group's job posting tool, enabling national and international mobility within the Group.

A total of 3,251 jobs have been published in 2011. In addition, 5,950 employees have taken part in the internal selection processes mentioned above.

Professional development begins with projecting a solid brand as an employer that guarantees the talent required is available at all times thanks to a scheme of attraction based on:

1. Employer branding tools through social networks, which enabled a more direct contact with our potential candidates over the last two years:

- With more than 320,000 fans, 8,000 of them specifically from Recruitment,
- Who have paid more than 500,000 visits to over 1,000 job offers published in 2011.

2. The Virtual Employment Campus is a single employment site for all of our units. It receives more than 1,700,000 visits each year from candidates from over 150 countries and provides us with more than 250,000 CVs per year, with a collection of more than 1,700,000 CVs.

As a result, the Group's workforce grew by a net 3,669 people in 2011 (518 in Spain), with 574 professional scholarships (around 80% of them in Spain).

We know that professional development is one of the benefits most valued by the new generation of professionals. This is particularly true of practices such as coaching and mentoring, which since 2009 have been applied on an individualized basis within the Group.

However, apart from attracting and retaining professionals, it is also essential they feel **satisfied**. This is why BBVA has a program focused on our employees called "Passion for People," which operates in a variety of ways in aspects that include quality of life, a system of flexible remuneration and personal benefits, among others.

In any event, commitment and satisfaction is not only the result of a specific program, but it also depends on the conviction that employees have of being part of an attractive business project, which also generates expectations of growth. This is clearly one of BBVA's strengths.

BBVA has an advanced **remuneration system** based on reciprocal generation of value for employees and the Group, in line with shareholder interests. 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 benchmarks through analyses carried out by prestigious firms.
- Transparency in the remuneration policy.

The system of remuneration includes the standards and principles of the best current generally accepted national and international practices of remuneration and good corporate governance. It is a dynamic system that is in a constant process of development and improvement.

They key importance of transparency, objectivity and fair opportunities for the promotion of our professionals

BBVA, a solid brand as employer

BBVA's compensation policy is a key element for value creation

The brand

Simplicity as a differential way of being customer-centric

In the Group, the **BBVA brand** is identified with the promise made to the stakeholders and the experiences they share with BBVA.

The BBVA brand is moving into a space of sustainable differentiation that is not occupied by its competitors. It guides the experiences and communication with the stakeholders at all points of contact. This space is the brand's corporate positioning and consists of four values: customer- centric aproach, simplicity, reliability and globality.

Simplicity is the differential way we have of being customer-centric. We have constructed this positioning by listening to our customers and meeting their demands. We want our customers to think and feel that BBVA favors them by making their lives simpler. To achieve this, we communicate and act with simplicity.

Simplicity in communication

Simplicity

Flexibility/amenability | Clear language/transparency

Accessibility/convenience | Approachability/lack of arrogance

- Flexibility and clear language are the two core factors that contribute most to simplicity
- Accessibility is key to developing flexibility
- Clear language and approachability complement each other

In 2011 progress has been made in implementing this positioning and the new corporate identity

1. Implementation of the positioning through a new **model of communication:** We have moved from a model of product-based communication to one that gives the brand the leading role. It communicates a unique and global simplicity positioning for all areas and business units and for our target audience. The worldwide result is:

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

2. The new **corporate identity** 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.

In 2010 and 2011 this new corporate identity has been implemented across all online and offline advertising communication. It is also being incorporated into all the payment channels, corporate materials, branches, and corporate buildings.

Innovative brand positioning advertising campaigns include the launch of a humorous web series that aims for a mass impact on the business segment in Spain through new contents, while optimizing resources. BBVA is also increasing its presence in the social networks to attract more customers, offer them a better service, and thus strengthen brand positioning.

Work continues on a number of initiatives within the framework of sponsorship in Spain of the **Professional Football League** (through "*Liga BBVA*" and "*Liga Adelante*") and **NBA basketball** (including the Female League and NBA Development League in the United States, Spain and Puerto Rico). These initiatives include the new "Experience blue NBA" (consisting of a prize draw in which a blue customer can win a trip to the United States and a ticket for a live official NBA game), and the iPad application for Liga BBVA, which was recognized as the best application of 2010 in Spain in March 2011, for the way in which information and leisure are integrated together with the brand image. Finally, in recognition of its commitment to the BBVA Compass Bowl and NBA, BBVA Compass has been named Grand Sports Marketer of the Year.

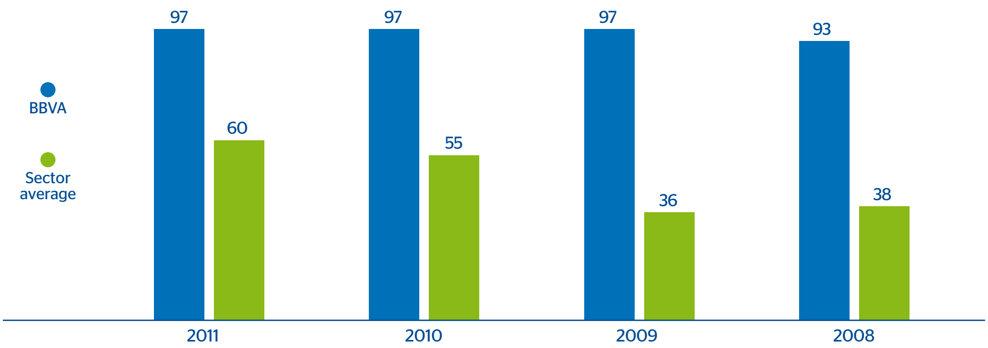
According to Sustainable Asset Management (SAM), BBVA maintained its global brand score in 2011, well above the average in its sector for yet another year.

BBVA boosts its Internet communication strategy to strengthen brand positioning, among other objectives

Brand management in 2011 was once more very highly valued by experts

BBVA brand management score

(1-100)



Source: SAM.

One of the aspects that has again been 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. In fact, the perception of the BBVA brand has stabilized or improved in most countries in terms of reputation, and continues to be considered a solid brand in every market in which the Bank is present. Notoriety has increased or remained stable in all countries. In Spain, BBVA continues to be the most notorious brand within its sector. It is also worth noting that BBVA Compass was named "Brand of the Year" in the retail banking segment, ahead of all its competitors in terms of brand value.

BBVA brand awareness

(1-100)

	Spain		Mexico		Argentina		Chile		Peru		Colombia		Venezuela		The United States	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Awareness	**64.6**	68.3	**88.8**	86.0	**78.9**	71.0	**16***	21.0	**77.0**	77.0	**28.2**	31.0	**64.9**	66.0	**15.9**	17.2
Awareness (rank)	**1st**	1st	**1st**	1st	**3rd**	3rd	**5th**	5th	**2nd**	2nd	**5th**	4th	**2nd**	3rd	**8th**	8th
Reputation with customers	**74.5**	72.2	**70.7**	66.9	**75.7**	72.5	**71.0**	70.9	**73.8**	74.5	**69.1**	66.1	**71.9**	73.7	**71.5**	73.2

Notes:
The data for awareness in 2011 are for the whole year except for Venezuela, where they run through to June, and Chile, with data to September.
The reputation data in 2011 are, for all countries, from February to December.
A variation between two years is only statiscally significant when it is greater than or equal to 2.1.
*Insufficient sample
Awareness data source: Advance Tracking Programme, MillwardBrown.
Reputation data source: RepTrak, Reputation Institute.

Corporate Responsibility

The CR function is now entrusted to the Bank's highest executive body

BBVA's vision is "**Working for a better future for people.**" This slogan encompasses the Group's Corporate Responsibility (CR) challenges. BBVA's commitment in this area can be seen in the great progress made in the system of CR governance in 2011. It is the Group's Management Committee itself that has exercised the functions of a Corporate Responsibility and Reputation Committee, thus entrusting these issues to the Bank's highest executive body. This same model will be replicated locally in the major countries in which we are present.

During 2011, other steps have been taken as part of the Strategic CR Plan approved in 2008. The plan comprises four core elements, consistent with the Group's function in the community. On the one hand, financial inclusion makes it easier for the most disadvantaged segments of society to access financial services, thus helping to break the vicious circle of poverty. On the other hand, financial literacy ensures that this access is based on informed, and therefore responsible, decisions. Together with the integration of CR into the Group's management system, these measures result in benefits for individuals and the community, and thus for the Group itself.

The core elements of the Strategic CR Plan are consistent with the Group's role in society

The four core elements of CR policy

Financial literacy

- Global Financial Literacy Plan

Financial inclusion

- BBVA Microfinance Foundation

Responsible banking

- Customer-centric
- Responsible finances
- Responsible investment
- Responsible management of human resources
- Responsible procurement
- Environment

Community involvement

- "*Niños Adelante*"
- "Momentum Project"
- BBVA Foundation: research and cultural activities

1. **Financial inclusion**
   This commitment was materialized by the creation of the BBVA Microfinance Foundation in 2007. At the close of 2011, the Foundation is present in six countries in Latin America, and it has 359 branches, 4,963 employees and 948,508 customers. It manages a volume of €737m in microcredits, with the average microcredit being €1,052. The focus on productive microfinance adopted by the Foundation is the most useful instrument for giving the most disadvantaged people access to the financial system.

2. **Financial literacy**
   BBVA believes that informed decision-making helps improve personal financial situation, makes risk management for financial institutions easier, encourages saving and strengthens the overall financial system. This is why the Global Financial Literacy Plan was launched in 2009, benefiting 814,483 people in 2011.

3. **Responsible banking**
   To create a credible CR policy, BBVA is working to integrate responsible management across the value chain, from the design of the product, its marketing and sale, to the management of its risks; and from customer advising (where we are committed to quality, customer satisfaction and service), to the Group's human resources (where we promote diversity and fair opportunities), its suppliers (through the Responsible Procurement Program) and the environment (with a policy focused

on sustainable environmental management and against climate change). BBVA's approach to sustainability is based on the creation of value proposals for its stakeholders. It is important to note that the volume of funds managed with socially responsible investment (SRI) criteria accounts for 2.42% of the total amount this year, while the number of transactions financed under the Equator Principles has been 91, up to a volume of €5,404m.

4. Community Involvement

   The aim of this commitment is for BBVA to contribute to the development of the communities in which it is present. One outstanding program in this area is the Community Investment Plan for Latin America, which consists of primary and secondary education scholarships for children from the most disadvantaged groups. In 2011, the Group invested €74.24m in community involvement. Finally, the launch of the Momentum Project is worth mentioning: an initiative created to promote social entrepreneurship in Spain and Portugal, and that aims to be extended to the rest of the regions in which the Group operates.

For more information about the CR activities in 2011, please refer to:

The Annual Report 2011 http://accionistaseinversores.bbva.com and the website www.bancaparatodos.com

Highlights of the four core elements of CR policy

	2011	2010	2009
Financial literacy			
Number of beneficiaries of the Global Financial Literacy Plan [(1)]	814,483	416,325	30,734
Financial inclusion			
Number of direct and indirect beneficiaries of the BBVA Microfinance Foundation (millions)	3.7	2.5	2.0
Number of customers of the BBVA Microfinance Foundation	948,508	620,584	499,961
Total amount of microcredits granted by the BBVA Microfinance Foundation (million euros)	737	432	323
Average microcredit from the BBVA Microfinance Foundation (euros)	1,052	696	717
Responsible banking			
Customer satisfaction index [(2)]	5.31	5.27	5.22
Employee satisfaction index (%) [(3)]	n.a.	90	n.a.
Supplier satisfaction index (%) [(3)]	n.a.	79	n.a.
Hours of training per employee	48	43	38
Women in senior management (Management Committee and corporate managers/senior managers) (%)	9/19	10/18	9/18
Ratio of men to women (%)	48/52	48/52	48/52
Number of volunteers	4,328	5,268	5,193
CO_2 emissions per employee (t) [(4)(5)]	4.21	4.05	3.92
Paper consumption per employee (t)	0.13	0.13	0.13
Water consumption per employee (m^3) [(4)(6)]	43.86	48.88	50.30
Electricity per employee (MWh) [(4)]	9.07	8.72	9.28
Number of employees in ISO 14001 certified buildings	20,267	16,593	10,455
Community involvement			
Resources allocated to community involvement (million euros)	74.24	76.03	79.06
Resources allocated to community involvement over net attributable profit (%)	2.47	1.65	1.88
Number of children receiving scholarships under the Niños Adelante project	61,436	60,099	56,178

Note: t = metric tons

(1) In 2011, the calculation criteria was modified to adapt to the academic calendar, such that the data for the program in Spain and Portugal is assigned to the second part of the academic year. Likewise, the series has been recalculated from 2009 to apply this new criterion.
(2) Data for Spain on a 1-7 scale
(3) Biennial survey.
(4) The water, electricity and CO_2 indicators for previous years have been updated, primarily due to the incorporation of data from The United States that was under review at the time the 2010 information was published.
(5) The CO_2 emitted per employee includes BBVA Spain's purchase of green energy.
(6) Preliminary 2011 data.

BBVA Group. CR objectives

Subject		Main CR objectives in 2011
CR principles and policies		Report regularly (at least once a year) to the Board of Directors
Stakeholders		Include CSR-ESG (environmental, social and governance) issues in Investors Day 2011 Extend the customer and shareholders loyalty to social projects
Financial literacy		Consolidate the figures for the "Valores de Futuro" (Future Values) program for 2010-2011 in Spain (578,000 students and 3,060 schools) and in Portugal (100,000 students and 600 schools)
		Reach 5,100 beneficiaries in South America and 400,000 in Mexico with the "Adelante con tu Futuro" (Forward with your Future) program and assess the impact with participants in Mexico
Financial inclusion		Extend the operating presence of the Microfinance Foundation from the current 6 countries (Argentina, Chile, Colombia, Panama, Peru and Puerto Rico) to 9
		Extend the BBVA Microfinance Foundation's current customer base of 620,584 by 20%
Responsible banking	Customer focus	Approve a corporate manual for Group-wide transparent, clear and responsible (TCR) communication and design local implementation plans
	Responsible finance	Set up a social, environmental and reputational risk committee, expanding the scope of the current Equator Principles committee
	Human resources	Boost initiatives that promote equal opportunity, the life/work balance and gender diversity, and extend the Genera social networking diversity tool throughout the Group
	Responsible investment	Analyze the possibility of extending the exercise of voting rights to other geographical areas (currently only in Spain)
	Responsible procurement	Approve and implement the sustainable procurement policy in the Group
	Environment	Increase the number of people working in ISO 14001 buildings by 20%
Community involvement		Consolidate the 60,000 children who benefit from the "Niños Adelante" (Forward, Children) program
		Launch a global BBVA program to support social entrepreneurs

Progress made	Compliance objectives 2011 verified by Deloitte	Objectives for 2012
Two reports (one from the Director of CRR, in May, and another from the Chief Operating Officer, in December)	100%	Report regularly (at least once a year) to the Board of Directors Approve the 2012-2015 CRR strategic plan
Investors Day did not take place CSR-ESG issues were incorporated into the quarterly institutional presentation of the Chief Operating Officer	0%	Create the ESG Investment Committee and hold 2 sessions
In the 2010-2011 edition of "Valores de Futuro", a total of 583,442 students at more than 3,000 schools have participated	100%	4,300 schools and more than 755,000 beneficiaries with the "Valores de Futuro" program in 2011-2012. (Spain: 3,500 schools and 650,000 beneficiaries and Portugal: 800 schools and 105,000 beneficiaries)
291 beneficiaries in Chile and 120 in Uruguay Venezuela started its online financial literacy workshops BBVA Bancomer gave personal finance workshops that benefitted 400,000 people	50%	405,000 beneficiaries with the "Adelante con tu Futuro" program (Mexico 400,000 and South America 5,000)
New entity in Chile (Fondo Esperanza) Public-private partnership with the Authority of Micro, Small and Medium Enterprises of Panama (AMPYME)	0%	Close two new operations. Operating presence in another country
Nearly 1 million customers in Latin America, with a social impact of more than 3.7 million people	100%	
2 million more customers in Mexico and 1 million more in South America	n.a.	Continue expanding the customer base by strengthening the banking penetration process
The corporate manual was approved	25%	Design a TCR communication implementation plan in Spain
Joint global seminars with Global Retail and Business Banking and Communication and Brand with the development of communication plans by segment, including CR topics	n.a.	Carry out "people centricity" training workshops for segment managers
Creation of the Social, Environmental and Reputational Risk (SER) Committee	100%	Hold two sessions of the SER Committee
Principal needs observed in the BBVA Group in terms of gender diversity, equal opportunity and work/life balance. Fields of action have been identified. Defined corporate initiatives to launch and develop	75%	Implement and promote the corporate initiatives approved in each of the areas/countries Evaluate progress of gender diversity after their implementation
Efforts have been made in preparing the necessary mechanisms to extend the exercise of voting rights to European companies for 2012	25%	Extend the exercising of voting rights to European companies
Hiring of consulting services, diagnostics drafting and action plan	0%	Approve and implement the responsible procurement of the Group
20,267 people in ISO 14001 buildings, marking an increase of 22%	100%	The 2012 objective was achieved in 2011
More than 60,000 primary and secondary school children were able to continue their studies and, thus, their families could also benefit (350,000 people)	100%	Reach 65,000 children who benefit from the "Niños Adelante" integration scholarships program
I Edition of the Momentum Project successfully launched in Spain. 10 entrepreneurs supported, 7 sponsored Approval of the creation of an investment vehicle with €3 million Youth Entrepreneurial Program in Latin America	100%	II Edition of the Momentum Project in Spain I Edition of the Momentum Project in Mexico and Peru Youth contests and workshops

Corporate Governance System

BBVA has a Corporate Governance system that is aligned with international recommendations and trends. It is adapted to its business environment and to the most advanced practices in the markets in which BBVA operates.

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

BBVA's Corporate Governance system is based on the distribution of functions between the Board, the Executive Committee and the other Board Committees.

This organizational system of the Board of Directors requires a special dedication from each of its members because of the large number of meetings held by the Board and its Committees and the broad range of content covered.

BBVA Board of Directors

Under the Bylaws, the Board of Directors is the Company's natural body of representation, administration, management and supervision.

The BBVA Board of Directors currently comprises thirteen members, two of whom are executive directors and the remaining eleven are external directors (ten of them independent). The Board has submitted a proposition to the General Meeting of Shareholders to be held in March 2012 for the appointment of a new independent member.

Committees of BBVA Board of Directors

The BBVA Board of Directors has an Executive Committee and four other Committees to assist in the performance of its functions: the Audit and Compliance Committee, the Appointments Committee, the Remuneration Committee and the Risks Committee. The composition, functions and rules of operation of these Committees are set out in the Board of Directors Regulations. The Audit and Compliance and Risks Committees also have their own specific Regulations approved by the Board of Directors. All these documents are available on the Company's website: www.bbva.com

Composition of the Board of Directors and its Committees

Full name	Type of Director	Executive Committee	Audit and 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	•			•	
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		•	•	•	

Group financial information

Earnings

In **2011,** BBVA confirmed the main trends maintained since the start of the crisis: recurring earnings, stable credit quality, organic capital generation and prudent liquidity management. This standout performance is due to BBVA's approach to banking based on four pillars: a business model focused on long-term and lasting relationships with its customer base; management based on anticipation; a corporate governance framework underpinned by principles of integrity, prudence and transparency; and finally, an appropriate diversification strategy in terms of geographical areas, businesses and customers.

In terms of **earnings generation**, the main points to highlight over the quarter are as follows:

- The continuing upward trend in **the most recurring revenue**, i.e. gross income not including NTI or dividends:
  - Resilient net interest income, with an upward quarterly trend over the year, thanks to the positive business activity in emerging countries and the appropriate price management carried out in all geographical areas.
  - Income from fees and commissions was extremely stable, despite the regulatory limitations that came into force in some geographies, the lower activity in Spain and the increasing efforts to maintain customer loyalty.

Consolidated income statement

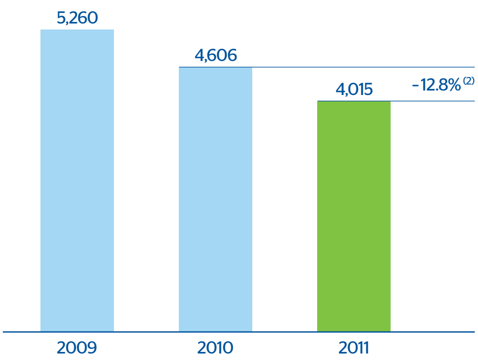
(Million euros)

	2011	Δ%	Δ% at constant exchange rate	2010	2009
Net interest income	**13,160**	**(1.2)**	**1.0**	**13,320**	**13,882**
Net fees and commissions	4,560	0.5	2.6	4,537	4,430
Net trading income	1,479	(21.9)	(20.4)	1,894	1,544
Dividend income	562	6.3	6.7	529	443
Income by the equity method	600	79.2	79.3	335	120
Other operating income and expenses	205	(30.6)	(32.7)	295	248
Gross income	**20,566**	**(1.6)**	**0.3**	**20,910**	**20,666**
Operating costs	(9,951)	11.0	13.3	(8,967)	(8,358)
Personnel expenses	(5,311)	10.3	12.4	(4,814)	(4,651)
General and administrative expenses	(3,793)	11.8	14.5	(3,392)	(3,011)
Depreciation and amortization	(847)	11.3	13.9	(761)	(697)
Operating income	**10,615**	**(11.1)**	**(9.5)**	**11,942**	**12,308**
Impairment on financial assets (net)	(4,226)	(10.4)	(8.7)	(4,718)	(5,473)
Provisions (net)	(510)	5.7	6.6	(482)	(458)
Other gains (losses)	(2,109)	n.m.	n.m.	(320)	(641)
Income before tax	**3,770**	**(41.3)**	**(40.1)**	**6,422**	**5,736**
Income tax	(285)	(80.1)	(79.6)	(1,427)	(1,141)
Net income	**3,485**	**(30.2)**	**(28.9)**	**4,995**	**4,595**
Non-controlling interests	(481)	23.8	27.8	(389)	(385)
Net attributable profit	**3,004**	**(34.8)**	**(33.7)**	**4,606**	**4,210**
Net one-offs [1]	(1,011)	n.m.	n.m.	-	(1,050)
Net attributable profit (excluding one-offs)	**4,015**	**(12.8)**	**(11.3)**	**4,606**	**5,260**
Basic earnings per share (euros)	**0.64**	**(44.0)**		**1.14**	**1.07**
Basic earnings per share excluding one-offs (euros)	**0.85**	**(25.5)**		**1.14**	**1.33**

(1) In the fourth quarter of 2011 a charge was booked for goodwill impairment in the United States. The third quarter, both for 2009 and 2010, includes capital gains from the sale-and-leaseback of retail branches which have been allocated to generic provisions for NPA, with no effect on net attributable profit. And in the fourth quarter of 2009, there was an extraordinary provision and a charge for goodwill impairment in the United States.

1 Net attributable profit [1]

(Million euros)



(1) Excluding one-offs.
(2) At constant exchange rate: –11.3%

Consolidated income statement: quarterly evolution

(Million euros)

	2011				2010			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**3,485**	**3,286**	**3,215**	**3,175**	**3,138**	**3,245**	**3,551**	**3,386**
Net fees and commissions	1,136	1,143	1,167	1,114	1,135	1,130	1,166	1,106
Net trading income	416	(25)	336	752	252	519	490	633
Dividend income	230	50	259	23	227	45	231	25
Income by the equity method	207	150	123	121	124	60	94	57
Other operating income and expenses	42	22	62	79	70	85	47	93
Gross income	**5,515**	**4,627**	**5,162**	**5,263**	**4,946**	**5,084**	**5,579**	**5,301**
Operating costs	(2,652)	(2,461)	(2,479)	(2,359)	(2,325)	(2,262)	(2,262)	(2,118)
Personnel expenses	(1,404)	(1,325)	(1,306)	(1,276)	(1,240)	(1,211)	(1,215)	(1,149)
General and administrative expenses	(1,021)	(920)	(964)	(887)	(887)	(855)	(855)	(796)
Depreciation and amortization	(227)	(216)	(208)	(196)	(199)	(197)	(192)	(174)
Operating income	**2,863**	**2,166**	**2,683**	**2,904**	**2,621**	**2,821**	**3,317**	**3,183**
Impairment on financial assets (net)	(1,337)	(904)	(962)	(1,023)	(1,112)	(1,187)	(1,341)	(1,078)
Provisions (net)	(182)	(94)	(83)	(150)	(75)	(138)	(99)	(170)
Other gains (losses)	(1,718)	(166)	(154)	(71)	(273)	113	(88)	(72)
Income before tax	**(375)**	**1,002**	**1,484**	**1,659**	**1,162**	**1,609**	**1,789**	**1,862**
Income tax	368	(95)	(189)	(369)	(127)	(359)	(431)	(510)
Net income	**(7)**	**907**	**1,295**	**1,290**	**1,034**	**1,250**	**1,358**	**1,352**
Non-controlling interests	(132)	(103)	(106)	(141)	(96)	(110)	(70)	(113)
Net attributable profit	**(139)**	**804**	**1,189**	**1,150**	**939**	**1,140**	**1,287**	**1,240**
Net one-offs [1]	(1,011)	-	-	-	-	-	-	-
Net attributable profit (excluding one-offs)	**872**	**804**	**1,189**	**1,150**	**939**	**1,140**	**1,287**	**1,240**
Basic earnings per share (euros)	**(0.03)**	**0.17**	**0.25**	**0.24**	**0.22**	**0.28**	**0.31**	**0.30**
Basic earnings per share excluding one-offs (euros)	**0.18**	**0.17**	**0.25**	**0.24**	**0.22**	**0.28**	**0.31**	**0.30**

(1) In the fourth quarter of 2011 a charge was booked for goodwill impairment in the United States. The third quarter, both for 2009 and 2010, includes capital gains from the sale-and-leaseback of retail branches which have been allocated to generic provisions for NPA, with no effect on net attributable profit. And in the fourth quarter of 2009, there was an extraordinary provision and a charge for goodwill impairment in the United States.

  – Equity-accounted income rose considerably, boosted by the contribution from CNCB.

- Operating expenses increased due to the Group's investment program. Despite this, the **efficiency ratio** closed December at 48.4%, one of the best among the Bank's European peers.

- **Impairment losses on financial assets** in the fourth quarter were higher than in previous quarters, due primarily to the increase in the level of the Group's generic loan-loss provisions, aimed at taking advantage of the higher revenue of the period. Nevertheless, the accumulated impairment losses on financial assets totaled €4,226m in 2011, 10.4% under the previous year's figure.

- In the last quarter of 2011, the value of **goodwill** in the United States was adjusted down by €1,011m after taxes. Despite the positive performance of the franchise in 2011, the slower-than-expected economic recovery and low interest rates expectations, combined with growing regulatory pressure, all imply a slowdown in the earnings growth forecast in this area. This adjustment is of an accounting nature only and does not have any negative consequence on the Group's liquidity or capital adequacy.

- The **net attributable profit** before applying the goodwill impairment was €4,015m for the year. Including the adjustment, the Group's net attributable profit for 2011 came to €3,004m.

BBVA's ongoing profitability compares favorably with the sector's average. The Group maintains an outstanding position in terms of the main items on the income statement over average total assets (ATA). For instance, the net interest income over ATA stands at 2.31%, which is slightly below the figure for 2010. This datum is very favorable when considering the primary causes explaining its course. On the one hand, the 1.7% growth of the ATA, mainly explained by the incorporation of Garanti and, to a lesser extent, to the favorable business activity in the emerging markets. On the other hand, the higher cost of customer funds (fundamentally starting in the second half of 2010) and of wholesale funding (as a result of the European sovereign debt crisis) experienced in 2011. This, together with the decreased contribution from net trading income (NTI), places the gross income over ATA at 3.62% (vs 3.74% in 2010). Moreover, if we consider the investment effort carried out by the Group over the year, the operating income over ATA falls back 27 basis points to 1.87%. Finally, the positive course of loan-loss provisions explains how the ROA fell less than the operating income over ATA and reached 0.79% before the adjustment for the impairment of goodwill in the United States. If we include the above mentioned impairment, the ROA was 0.61%.

Consolidated income statement: percentage of ATA

	2011	2010	2009
Net interest income	**2.31**	**2.38**	**2.56**
Net fees and commissions	0.80	0.81	0.82
Net trading income	0.26	0.34	0.28
Other operating income and expenses	0.24	0.21	0.15
Gross income	**3.62**	**3.74**	**3.81**
Operating costs	(1.75)	(1.60)	(1.54)
Personnel expenses	(0.93)	(0.86)	(0.86)
General and administrative expenses	(0.67)	(0.61)	(0.55)
Depreciation and amortization	(0.15)	(0.14)	(0.13)
Operating income	**1.87**	**2.14**	**2.27**
Impairment on financial assets (net)	(0.74)	(0.84)	(1.01)
Provisions (net) amd other gains (losses)	(0.46)	(0.14)	(0.20)
Income before tax	**0.66**	**1.15**	**1.06**
Income tax	(0.05)	(0.26)	(0.21)
Net income (ROA)	**0.61**	**0.89**	**0.85**
Net income (excluding one-offs) (ROA excluding one-offs)	**0.79**	**0.89**	**1.04**
Non-controlling interests	(0.08)	(0.07)	(0.07)
Net attributable profit	**0.53**	**0.82**	**0.78**
Net attributable profit (excluding one-offs)	**0.71**	**0.82**	**0.97**
Memorandum item:			
Average total assets (million euros)	568,579	558,808	542,969

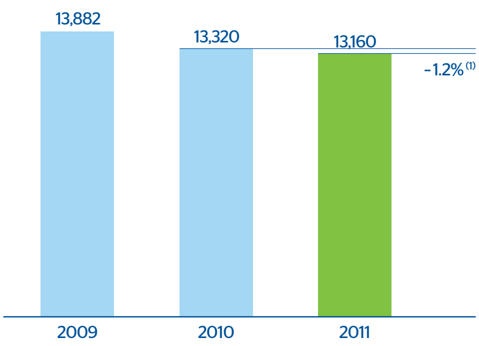
Net interest income

Net interest income in 2011 amounted to €13,160m, barely 1.2% below the figure for 2010, but 1.0% above it disregarding the impact of the exchange rate. In quarterly terms, this item increases quarter after quarter throughout the entire year thanks to various factors: the increased volume of business in emerging countries, the contribution from Garanti and the appropriate price management.

The Group's efforts to keep spreads wide is obvious across all the geographical areas. In the **euro zone resident sector**, yields on loans rose by 39 basis points in 2011 and closed the year at 3.69%. This is due to the gradual repricing of the loan portfolio and the positive spreads in new loans. Cost of customer funds went 1.66% up. As a result, customer spreads increased from 2.02% in 2010 to 2.03% as of the close of 2011.

2 Net interest income

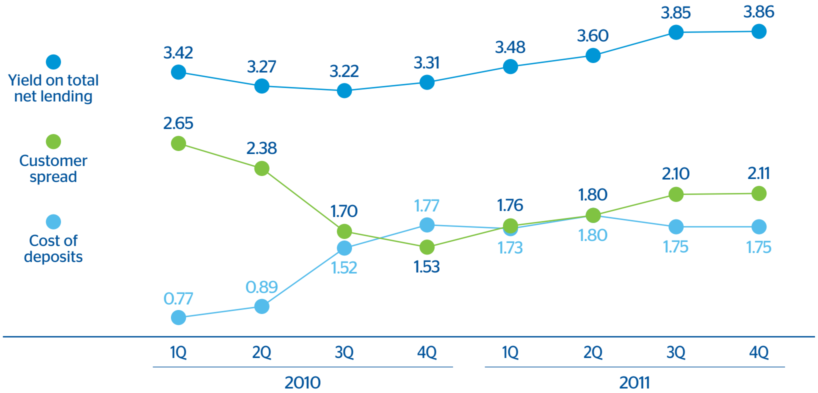
(Million euros)



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

Customer spread. Euros domestic sector 3

(Percentage)



Breakdown of yields and costs

	2011		2010		2009	
	% s/ATA	% yield/Cost	% s/ATA	% yield/Cost	% s/ATA	% yield/Cost
Cash and balances with central banks	3.7	1.18	3.8	1.12	3.4	1.36
Financial assets and derivatives	24.9	2.99	26.1	2.70	25.4	3.05
Loans and advances to credit institutions	4.6	2.42	4.6	1.96	4.8	2.66
Loans and advances to customers	60.1	5.51	59.6	4.89	60.6	5.62
Euros	38.7	3.40	39.3	3.19	40.9	4.17
Domestic	33.8	3.69	35.6	3.30	36.2	4.28
Other	4.9	1.40	3.7	2.18	4.7	3.27
Foreign currencies	21.5	9.31	20.3	8.19	19.7	8.65
Other assets	6.5	0.58	5.9	0.48	5.7	0.38
Total assets	**100.0**	**4.25**	**100.0**	**3.78**	**100.0**	**4.38**
Deposits from central banks and credit institutions	13.6	2.63	14.3	1.89	13.6	2.89
Deposits from customers	48.7	2.04	46.4	1.37	45.9	1.63
Euros	27.0	1.58	21.8	1.02	21.4	1.14
Domestic	16.9	1.66	15.8	1.28	15.6	1.40
Other	10.1	1.43	6.0	0.33	5.8	0.44
Foreign currencies	21.7	2.62	24.6	1.68	24.4	2.06
Debt certificates and subordinated liabilities	19.3	2.38	21.4	1.95	22.1	2.58
Other liabilities	11.6	1.11	11.9	0.62	12.9	0.85
Equity	6.8	-	5.9	-	5.5	-
Total liabilities and equity	**100.0**	**1.94**	**100.0**	**1.40**	**100.0**	**1.82**
Net interest income/Average total assets (ATA)		**2.31**		**2.38**		**2.56**

In **Mexico**, interbank rates remained practically at the same levels throughout 2011. However, the yield on loans increased by 48 basis points over the past twelve months to 13.06%, thanks to the good turnover figures, above all in consumer finance and credit cards. Also, deposit costs fell by one basis point over the same period to 1.87% (1.88% one year before). Thus the customer spread stood at 11.19% (vs 10.71% in 2010) and the net interest income year-to-date in the area went up 7.2% year-on-year at constant exchange rates.

The net interest income in **South America** continues to post high year-on-year growth rates (up 31.6%, excluding the exchange-rate effect). This positive performance can be explained by the strength of business activity, together with excellent maintenance of spreads in the area.

Finally, the **United States** franchise continues to be highly resilient in quarterly net interest income at constant exchange rates. This is especially significant taking into account the gradual shift in composition of the loan portfolio toward lower-risk products with narrower spreads. This resilience is the result of a good management of customer spreads.

Gross income

In 2011, **income from fees and commissions** was very stable, with a year-on-year rise of just 0.5% to €4,560m. This figure is relevant given the environment in which it was achieved: regulatory limitations came into force in some areas, activity slowed in Spain and some fees were reduced to ensure customer loyalty.

Net fees and commissions

(Million euros)

	2011	Δ%	2010	2009
Mutual funds, pension funds and customer portfolios	**1,062**	**0.2**	**1,059**	**1,012**
Banking services	**3,499**	**0.6**	**3,477**	**3,418**
Collection and payment services	1,012	(4.4)	1,059	1,126
Credit and debit cards	1,010	8.0	935	976
Securities	536	(1.6)	545	499
Contingent liabilities and back-up lines	471	14.8	410	352
Other fees and commissions	470	(11.2)	529	465
Net fees and commissions	**4,560**	**0.5**	**4,537**	**4,430**

NTI reached €1,479m and fell back 21.9% on the amount recorded in the same period of 2010. This course was affected, primarily, by the loss of asset value because of the convulsive situation of the markets in 2011, the reduced activity with customers and the lack of earnings from portfolio sales.

Revenue from **dividends**, which basically includes BBVA's stake in Telefonica (paid in May and November), went up 6.3% to €562m.

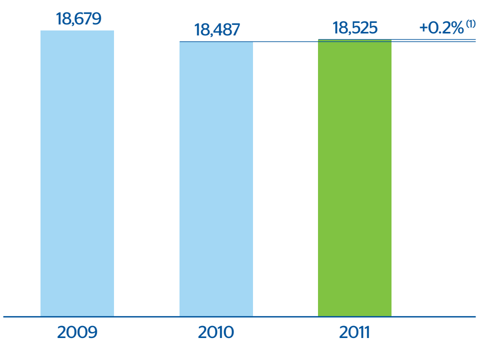
Income accounted by the equity method was €600m (up 79.2% year-on-year), thus maintaining its good performance thanks to the excellent results from CNCB.

The **other operating income and expenses** item amounted to €205m in 2011, a fall of 30.6% on the figure for 2010. The positive performance of the insurance business, where revenue went up by 12.7%, does not offset the increased allocations to deposit guarantee funds in the different geographical areas where BBVA operates, or the effect of hyperinflation in Venezuela.

In short, recurring revenue has continued to rise since the third quarter of 2010, despite the difficult economic and financial situation in 2011. In 2011 as a whole its level was similar to the previous year. **Gross income**, not counting NTI and dividends, which represents 90% of the Bank's total revenue, stood at €18,525m in 2011 (€18,487m in 2010 and 88% of total revenue last year). Including NTI and dividends, gross income amounted to €20,566m, a year-on-year fall of 1.6%. However, this represents a rise of 0.3% excluding the exchange-rate effect.

4 Gross income net of NTI and dividends

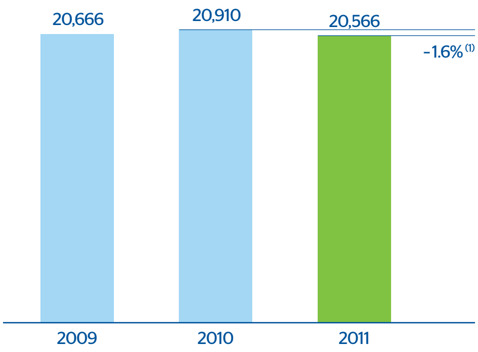
(Million euros)



(1) At constant exchange rate: +2.2%.

Gross income 5

(Million euros)



(1) At constant exchange rate: +0.3%.

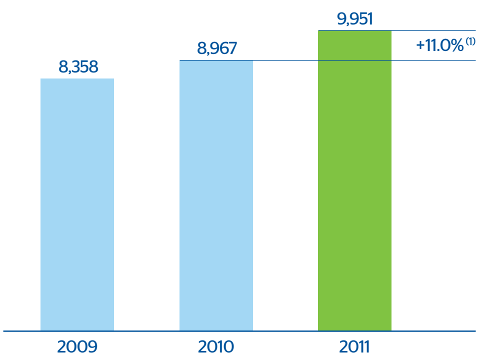
Operating income

Operating expenses in 2011 amounted to €9,951m, a year-on-year increase of 11.0%. The rise is due to the change in the scope of consolidation (incorporation of Garanti), to the investment underway in BBVA and to the personnel training efforts in place for promoting talent in the Bank. In fact, BBVA has been recognized as the best European company in developing the leadership skills of its teams by the magazine *Fortune*. Despite the increased investment, the **efficiency ratio** closed December at an outstanding level of 48.4%, one of the lowest in the banking sector worldwide.

As of 31-Dec-2011, the Bank's employees numbered 110,645 **people**, a year-on-year growth of 3.4%. Its **branch network** numbered 7,457 units, with 96 more branches than at the close of 2010. The figure

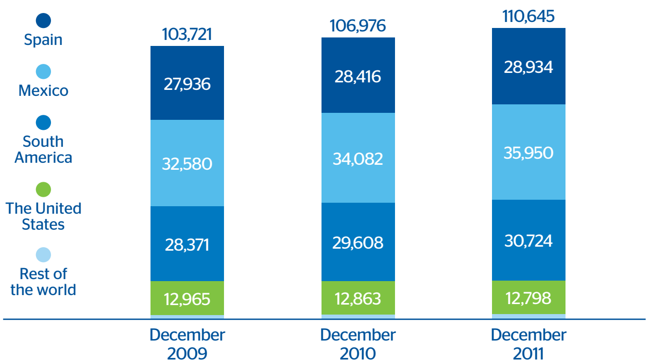
6 Operating costs

(Million euros)



(1) At constant exchange rate +13.3%.

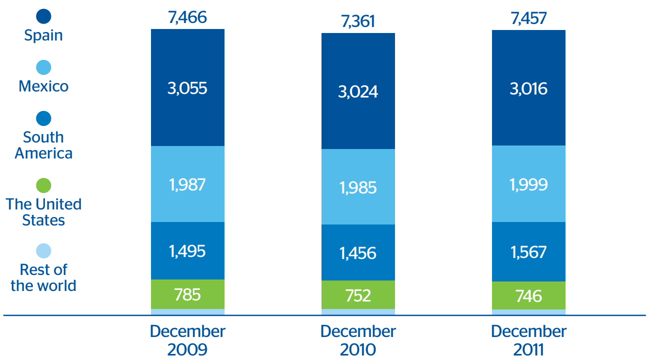
Number of employees (1) 7



(1) Excluding Garanti.

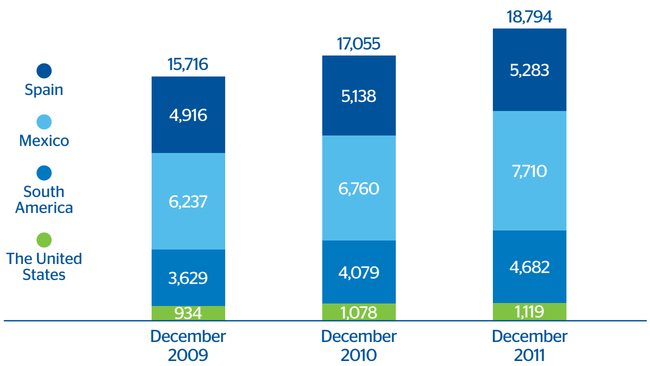
is stable in Spain at a time when the sector has just begun a process of reducing branch numbers. BBVA began this process in 2006 and completed it over 2009. In contrast, branches in emerging countries are increasing (basically in Mexico and South America) as a result of the expansion processes underway in these countries, aimed at taking advantage of the growth opportunities offered by their markets. Finally, the number of **ATMs** continues to grow. It closed December 2011 at 18,794, 1,739 more than in 2010. As is the case with branches, the increase is focused mainly in emerging countries, while developed countries continue with no significant changes; in the latter, investment is focused on their renewal and modernization.

8 Number of branches (1)



(1) Excluding Garanti.

9 Number of ATMs (1)



(1) Excluding Garanti.

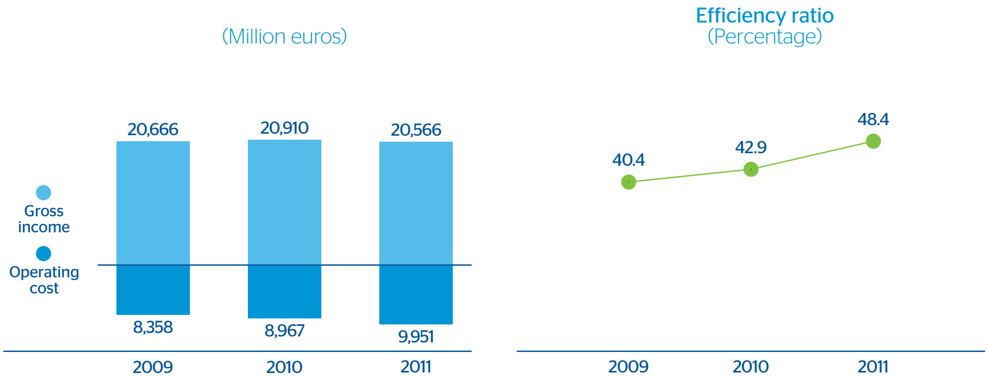
To sum up, the changes mentioned above in revenue and expenses have resulted in **operating income** of €10,615m in 2011 (€11,942m in 2010).

Breakdown of operating costs and efficiency calculation

(Million euros)

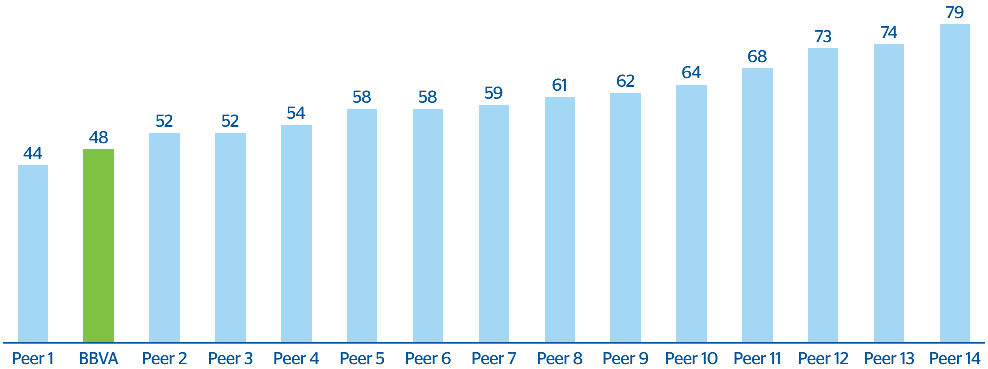
	2011	Δ%	2010	2009
Personnel expenses	**5,311**	**10.3**	**4,814**	**4,651**
Wages and salaries	4,122	10.2	3,740	3,607
Employee welfare expenses	758	10.1	689	643
Training expenses and other	431	11.5	386	401
General and administrative expenses	**3,793**	**11.8**	**3,392**	**3,011**
Premises	849	13.2	750	643
IT	662	17.5	563	577
Communications	299	5.3	284	254
Advertising and publicity	378	9.6	345	262
Corporate expenses	106	19.8	89	80
Other expenses	1,140	9.6	1,040	929
Levies and taxes	359	11.7	322	266
Administration costs	**9,104**	**10.9**	**8,207**	**7,662**
Depreciation and amortization	**847**	**11.3**	**761**	**697**
Operating costs	**9,951**	**11.0**	**8,967**	**8,358**
Gross income	**20,566**	**(1.6)**	**20,910**	**20,666**
Efficiency ratio (Operating costs/Gross income, in %)	**48.4**		**42.9**	**40.4**

10 Efficiency



11 Efficiency. BBVA and peer group (1)

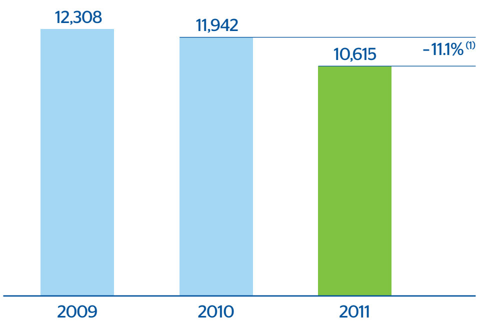
(Percentage)



(1) Peer group: BARCL, BBVA, BNP, CASA, CMZ, CS, DB, HSBC, ISP, LLOYDS, RBS, SAN, SG, UBS, UCI. Peer group figures at 9M11 and BBVA figures at 12M11.

12 Operating income

(Million euros)



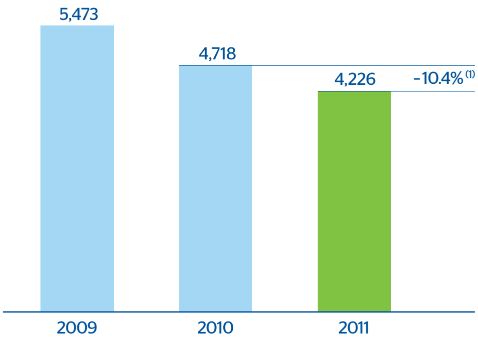
(1) At constant exchange rate: –9.5%.

Provisions and others

Impairment losses on financial assets totaled €4,226m in 2011, a fall of 10.4% on the figure for the previous year. In the fourth quarter there was an increase in the level of the Group's loan-loss provisions, aimed at taking advantage of the higher revenue over the last three months of the year. As a result, BBVA's coverage ratio closed at 61% as of December 31, 2011 and the Bank's risk premium improved by 14 basis points over the year to close at 1.20%.

13 Impairment losses on financial assets

(Million euros)



(1) At constant exchange rate: –8.7%.

Provisions amounted to €510m in 2011, 5.7% up on the figure for the previous year. They basically cover early retirement, other allocations to pension funds and provisions for contingent liabilities.

The heading **other gains (losses)** reported a negative €2,109m in 2011. This can be explained almost entirely by two concepts: a negative €665m corresponding to real estate provisions and assets from recoveries with the aim of maintaining coverage above 30%; and a negative €1,444m for goodwill impairment in the United States. In 2010 the figure was a negative €320m, mainly from the adjustment of the value of foreclosed or acquired assets in Spain.

In general, 2011 income taxes were reduced because of tax-exempt or low-tax revenues (especially dividends and income accounted by the equity method) and the growing weight of earnings from Mexico, South America and Turkey, where effective tax rates are low.

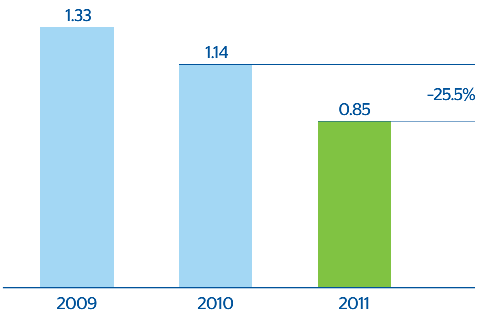
Net attributable profit

In the difficult economic scenario described above, BBVA generated a **net attributable profit** of €3,004m. Excluding the one-off result from goodwill impairment in the United States, the figure would have been €4,015m.

By **business area**, Spain generated €1,363m, Eurasia €1,027m, Mexico €1,741m, South America €1,007m and the United States a negative €722m (a positive €289m excluding the goodwill impairment).

14 Earnings per share [1]

(Euros)

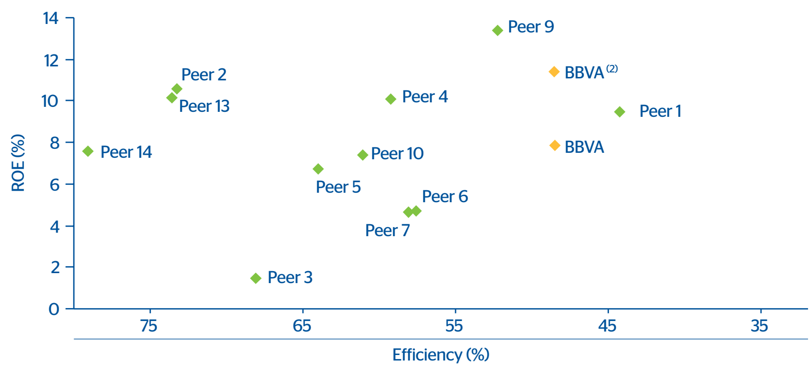


(1) Excluding one-offs.

The annual earnings per share (**EPS**) were €0.64 (€0.85 excluding one-offs), compared with €1.14 in 2010, after correcting for the effects of the capital increase in November 2010, April 2011 and October 2011. The increase in the Group's capital made the book value per share rise by 2.2% year-on-year to €8.35. **ROE** excluding one-offs stood at 10.6% (8.0% with one-offs) and return on average total assets (**ROA**) at 0.79% (0.61% with one-offs). These ratios make BBVA one of the most profitable banks in its peer group.

15 ROE *vs.* efficiency. BBVA Group *vs.* peer group [(1)]

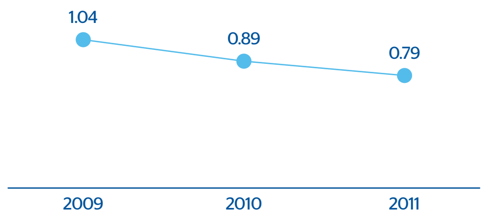
(Percentage)



(1) Internal sources. Peer group: BARCL, BBVA, BNP, CASA, CMZ, CS, DB, HSBC, ISP, LLOYDS, RBS, SAN, SG, UBS, UCI.
(2) Excluding one-offs.

16 ROA [(1)]

(Percentage)



(1) Excluding one-offs.

Economic profit and risk-adjusted return on economic capital

The economic profit (EP) and risk-adjusted return (RAR) figures are part of the fundamental metrics needed for the proper development of the **value-based management** system implemented in BBVA. They also represent an essential variable in the determination of the incentive system in place for the management team.

The EP is defined as the portion of the **economic profit** in excess of the cost of capital employed; that is, it is the profit generated in excess of market expected returns on capital.

In calculating the EP, a set of adjustments are made to the net attributable profit to obtain the economic profit. These adjustments include: substituting generic provisions with an allocation based on expected losses; accounting for the changes in unrealized capital gains on the holding portfolios; applying the difference between all the accounting positions of Global Markets and their market value; and reflecting changes in the total net-asset value due to exchange-rate variations in Group companies' holdings. In 2011, these adjustments basically corresponded to the change in the value of the portfolios of equity holdings, and subtracted €2,978m from the accounting result, making the economic profit €25m.

These calculations, whose evolution in the medium to long term is very useful for determining the intrinsic value of a business, may be temporarily distorted by market volatility. For that reason, it is important to have recurrent figures that are primarily the result of business with customers. This is, therefore, the part of these metrics that is truly manageable and, as a result, the one affecting the remuneration system for the Entity's management team. The data are obtained by excluding those business units whose earnings are influenced by fluctuations in capital gains in their portfolios, and cycle-adjusted loss is included for the purposes of calculating expected loss. Thus the accumulated **recurrent adjusted profit** in 2011 was €4,691m, which was very similar to the figure in 2010 (€4,700m).

From the adjusted profit, we have to subtract the result of multiplying the average economic risk capital or ERC for the period (€27,716m as of December 31, 2011) by the percentage **cost of capital**. This cost is based on information drawn from analysts' consensus. It is different for each area and business unit in the Group, and is equivalent to the rate of return demanded by the market, in return on equity terms.

This procedure gives the **economic profit**, which amounted to -€3,358m in the year. However, the **recurrent economic profit** stood at €1,976m, once more reflecting the degree to which BBVA generates profits in excess of the cost of capital employed, and thus economic value for its shareholders.

Finally, the **RAROC** measures the return earned by each business unit adjusted by the risk it bears. Comparing the adjusted profit against the average economic risk capital (ERC) for the period gives the BBVA Group a RAROC of 0.1%, while its **recurrent RAROC** was 20.1%.

Economic profit and risk-adjusted return on economic capital

(Million euros)

	2011	Δ%	2010	2009
Net attributable profit	**3,004**	**(34.8)**	**4,606**	**4,210**
Adjustments	(2,978)	4.0	(2,863)	571
Adjusted net attributable profit (A)	**25**	**(98.5)**	**1,743**	**4,781**
Change in value and other	4,665	57.8	2,957	(364)
Recurrent adjusted profit	**4,691**	**(0.2)**	**4,700**	**4,417**
Average economic risk capital (ERC) (B)	27,716	13.4	24,448	21,569
Risk-adjusted return on economic capital (RAROC) = (A)/(B) * 100	**0.1**		**7.1**	**22.2**
Recurrent RAROC (%)	**20.1**		**23.3**	**24.7**
ERC x cost of capital (C)	3,383	10.1	3,074	2,563
Economic profit (EP) = (A) - (C)	**(3,358)**	**152.3**	**(1,331)**	**2,217**
Recurrent economic profit	**1,976**	**(12.0)**	**2,246**	**2,326**

Balance sheet and business activity

BBVA closed **2011** with a balance sheet that continues to reflect great stability, prudent risk management, high solidity, low leverage and reduced funding needs.

In terms of stability, the Group's **total assets** as of 31-Dec-2011 were €598 billion, representing a year-on-year increase of 8.1%, mainly explained by the incorporation of Garanti.

Consolidated balance sheet

(Million euros)

	31-12-11	Δ%	31-12-10	31-12-09
Cash and balances with central banks	30,939	54.8	19,981	16,344
Financial assets held for trading	70,602	11.6	63,283	69,733
Other financial assets designated at fair value through profit or loss	2,977	7.3	2,774	2,337
Available-for-sale financial assets	58,143	3.0	56,457	63,520
Loans and receivables	381,077	4.5	364,707	346,117
Loans and advances to credit institutions	26,107	10.5	23,636	22,239
Loans and advances to customers	351,900	3.8	338,857	323,442
Other	3,069	38.7	2,213	436
Held-to-maturity investments	10,955	10.1	9,946	5,437
Investments in entities accounted for using the equity method	5,843	28.5	4,547	2,922
Tangible assets	7,330	9.4	6,701	6,507
Intangible assets	8,677	8.4	8,007	7,248
Other assets	21,145	29.4	16,336	14,900
Total assets	**597,688**	**8.1**	**552,738**	**535,065**
Financial liabilities held for trading	51,303	37.9	37,212	32,830
Other financial liabilities at fair value through profit or loss	1,825	13.6	1,607	1,367
Financial liabilities at amortized cost	479,904	5.9	453,164	447,936
Deposits from central banks and credit institutions	92,503	35.7	68,180	70,312
Deposits from customers	282,173	2.3	275,789	254,183
Debt certificates	81,930	(3.8)	85,180	99,939
Subordinated liabilities	15,419	(11.5)	17,420	17,878
Other financial liabilities	7,879	19.4	6,596	5,624
Liabilities under insurance contracts	7,737	(3.7)	8,033	7,186
Other liabilities	16,861	10.6	15,246	14,983
Total liabilities	**557,630**	**8.2**	**515,262**	**504,302**
Non-controlling interests	1,893	21.7	1,556	1,463
Valuation adjustments	(2,787)	262.0	(770)	(62)
Shareholders' funds	40,952	11.6	36,689	29,362
Total equity	**40,058**	**6.9**	**37,475**	**30,763**
Total equity and liabilities	**597,688**	**8.1**	**552,738**	**535,065**
Memorandum item:				
Contingent liabilities	39,904	9.5	36,441	32,614

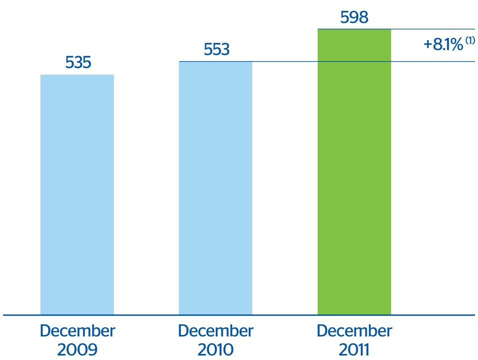
The **loan book** continues with its twofold performance by geographical area, with a reduction in the most problematic real-estate portfolios in Spain and the United States. In Spain, gross lending to customers fell as a result of the deleveraging process in the country's economy. Despite this, BBVA gained market share in the residential mortgage portfolio and further reduced its exposure to the developer sector. In Europe, lending remains stable and focused on high added value customers, mainly corporate clients. However, in Garanti, lending continues to grow, above all in consumer loans. The United States is still making progress in shifting its portfolio mix by increasing the weight of target portfolios (residential and commercial real estate). Finally, in Latin America, a region where lending is clearly buoyant, there was a notable increase in practically all the portfolios and categories. Moreover, these rises were of greater quality thanks to the significant proportion of bundled customers.

The more stable lower-cost **on-balance sheet customer funds** (current and savings accounts) performed particularly well. As a result, their weight on the liabilities side of the balance sheet has increased, thus allowing the Group to continue to improve its funding structure.

With respect to **off-balance-sheet** funds, market turmoil combined with customer preference for other liability products, such as time deposits and promissory notes, explain the reduction in the amount of assets under management. Nevertheless, BBVA maintains its leading position in Spain in mutual and pension funds, with a fall that is below the system average, thanks to the greater weight of guaranteed funds. Additionally, the Group has a strong leadership position in Latin America, where it is considered a model.

Loans and advances to customers is the main item on the asset side of the balance sheet, representing 58.9% of total assets as of December 31, 2011. On the liabilities side, deposits from customers stood at 47.2% of the total balance sheet at the end of 2011, and thus, the deposit-to-loan ratio closed the year at 80.2%.

17 Total assets
(Billion euros)

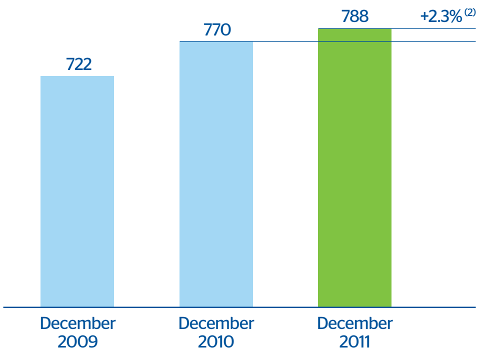


(1) At constant exchange rate: +8.9%.

The Group's business volume, the sum of gross customer lending plus total customer funds, came to €788 billion as of December 31, 2011, and showed a year-on-year increase of 2.3% compared to the €770 billion as of the same date last year. Of this figure, €361 billion corresponded to gross lending and €426 billion to total customer funds, which incorporate both on-balance sheet and mutual and pension funds, as well as customer portfolios. These amounts include neither debt certificates, the heading under which the Spanish retail network has been selling promissory notes since the month of September, nor subordinated liabilities.

18 Business volume [1]

(Billion euros)



(1) Total gross lending plus total customer funds.
(2) At constant exchange rate: +3.2%.

Lending to customers

Gross customer lending closed December 2011 at €361 billion. This represents a rise over the year of 3.7% (up 4.3% at constant exchange rates).

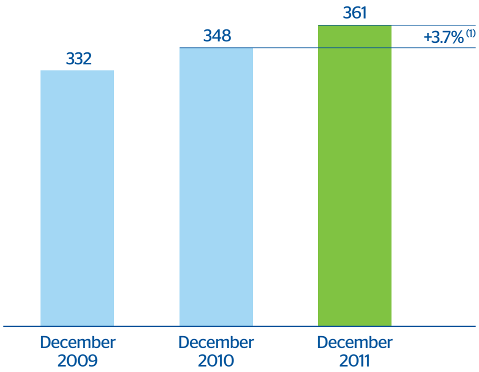
Customer lending

(Million euros)

	31-12-11	Δ%	31-12-10	31-12-09
Domestic sector	**192,442**	**(3.1)**	**198,634**	**193,699**
Public sector	25,509	7.8	23,656	20,724
Other domestic sectors	166,933	(4.6)	174,978	172,974
Secured loans	99,175	(5.5)	105,002	106,294
Commercial loans	6,620	(3.3)	6,847	7,062
Financial leases	4,955	(12.5)	5,666	6,547
Other term loans	41,863	(9.4)	46,225	46,407
Credit card debtors	1,616	(4.6)	1,695	1,839
Other demand and miscellaneous debtors	2,939	32.2	2,222	2,296
Other financial assets	9,766	33.4	7,321	2,529
Non-domestic sector	**153,222**	**14.1**	**134,258**	**123,266**
Secured loans	60,655	33.3	45,509	42,280
Other loans	92,567	4.3	88,750	80,986
Non-performing loans	**15,647**	**1.9**	**15,361**	**15,197**
Domestic sector	11,042	0.8	10,953	10,973
Public sector	130	16.5	111	61
Other domestic sectors	10,913	0.7	10,841	10,911
Non-domestic sector	4,604	4.5	4,408	4,225
Customer lending (gross)	**361,310**	**3.7**	**348,253**	**332,162**
Loan-loss provisions	(9,410)	0.1	(9,396)	(8,720)
Customer lending (net)	**351,900**	**3.8**	**338,857**	**323,441**

19 Customer lending (gross)

(Billion euros)

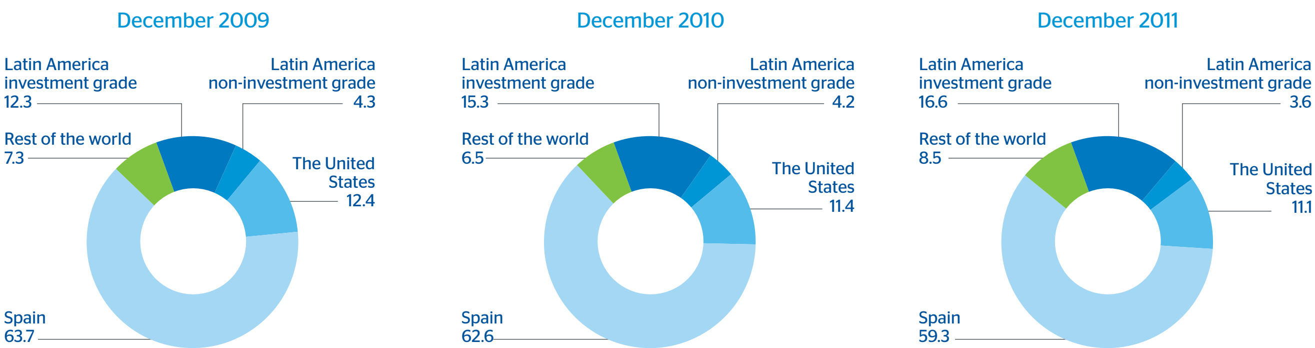


(1) At constant exchange rate: +4.3%.

By **business area**, Mexico performed well, with a year-on-year growth of 8.1% at constant exchange rates (up 9.3% excluding the old mortgage portfolio). This positive performance was basically due to the increase in the retail portfolio, mainly consumer finance and credit cards, which together grew by 23.6%. South America also continues to show a significant increase in lending, with a rise of 27.0% over the last twelve months (also at constant exchange rates). In the United States, there was a notable increase in new production in the target portfolios (commercial and residential real estate), which led to a year-on-year increase of 21.5% in residential real estate and 23.0% in corporate unsecured loans (these rates do not take into account the exchange-rate effect). Lending in Eurasia was up 43.1% thanks to the positive contribution from Garanti. Finally, in Spain it fell back by 1.8%.

20 Geographical breakdown of customer lending (gross)

(Percentage)



Within the **domestic** sector, the general tone is still weakness in new production. In contrast, the **non-domestic** sector continues to grow in practically every category, with a positive year-on-year rate of change (up 14.1%).

Finally, **NPL** have remained stable since 2009.

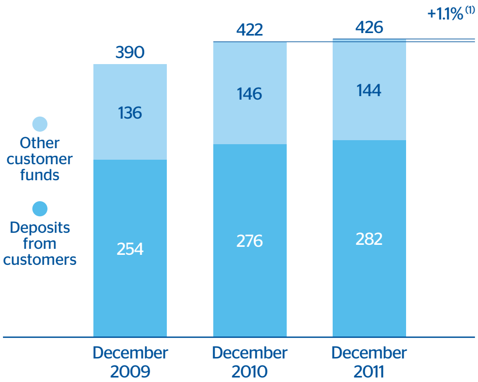
Customer funds

Total customer funds amounted to €426 billion at the close of December 2011, with a slight increase of 1.1% over the year.

On-balance-sheet customer funds totaled €282 billion, a year-on-year increase of 2.3% (up 2.9% at constant exchange rates). By category, within the domestic sector, there was a notable increase in lower-cost deposits, such as current and savings accounts, which went up 2.3% year-on-year. Time

21 Customer funds

(Billion euros)



(1) At constant exchange rate: +2.5%.

Customer funds

(Million euros)

	31-12-11	∆%	31-12-10	31-12-09
Deposits from customers	**282,173**	**2.3**	**275,789**	**254,183**
Domestic sector	136,519	2.2	133,629	97,486
Public sector	28,302	62.5	17,412	4,296
Other domestic sectors	108,217	(6.9)	116,217	93,190
Current and savings accounts	44,215	2.3	43,225	47,381
Time deposits	49,105	(0.1)	49,160	35,135
Assets sold under repurchase agreement and other	14,897	(37.5)	23,832	10,675
Non-domestic sector	145,655	2.5	142,159	156,697
Current and savings accounts	85,204	14.1	74,681	63,718
Time deposits	53,399	(13.3)	61,626	88,114
Assets sold under repurchase agreement and other	7,051	20.5	5,852	4,865
Other customer funds	**144,291**	**(1.3)**	**146,188**	**135,632**
Mutual funds	39,294	(6.4)	41,991	45,942
Pension funds	78,648	(0.1)	78,763	63,189
Customer portfolios	26,349	3.6	25,434	26,501
Total customer funds	**426,464**	**1.1**	**421,977**	**389,815**

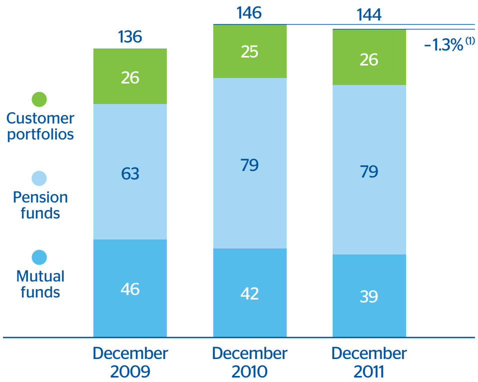
deposits remained stable, thanks to the high percentage of renewals of deposits gathered in 2010. These renewals were made at a significantly lower cost. However, these deposits fell 4.1% over the last quarter of 2011, as a result of the sale of €3,711m promissory notes by the retail network in Spain. These promissory notes are included in the debt certificates heading. Finally, the lowest-cost funds in the non-domestic sector, i.e. current and savings accounts, increased notably.

Off-balance-sheet customer funds totaled €144 billion as of December 31, 2011, 1.3% lower than 2010 figure. Of these funds, 35% (or 50 billion) are located in Spain, a year-on-year fall of 4.0%. This can largely be explained by the reduction in the value of funds under management, mainly in mutual funds (down 12.2% year-on-year), and by customer preference for other savings products such as time deposits and promissory notes. It is worth pointing out that according to the latest data from October 2011, the effect of this fall in BBVA is much less significant than in the rest of the system, given the more conservative profile of its mutual funds. Pension funds totaled €17 billion (up 2.5% year-on-year). BBVA has maintained its position as the leading pension fund manager in Spain, with a market share of 18.9%.

In the rest of the world, off-balance-sheet funds totaled €94 billion, with a year-on-year increase of 0.2% at current exchange rates. These funds were also affected by the fall in the value of assets under management.

22 Other customer funds

(Billion euros)



(1) At constant exchange rate: +0.5%.

Other customer funds

(Million euros)

	31-12-11	∆%	31-12-10	31-12-09
Spain	**50,399**	**(4.0)**	**52,482**	**61,721**
Mutual funds	19,598	(12.2)	22,316	31,473
Pension funds	17,224	2.5	16,811	17,175
Individual pension plans	9,930	2.9	9,647	9,983
Corporate pension funds	7,294	1.8	7,164	7,191
Customer portfolios	13,578	1.7	13,355	13,074
Rest of the world	**93,892**	**0.2**	**93,707**	**73,911**
Mutual funds and investment companies	19,697	0.1	19,675	14,469
Pension funds	61,424	(0.9)	61,952	46,014
Customer portfolios	12,771	5.7	12,080	13,427
Other customer funds	**144,291**	**(1.3)**	**146,188**	**135,632**

Other balance sheet items

The net position in the **trading portfolio** as of 31-Dec-2011 (assets minus liabilities) was €19 billion, compared with €26 billion in the previous year. This decrease is due to the lower balance of the fixed-income and equity portfolios of the Global Markets unit.

The **available-for-sale financial assets** and the **held-to-maturity investments** basically include portfolios built in order to stabilize the value of the balance sheet and make best use of the increase in lower-cost assets in the geographical areas in which the Group operates. As of December 31, 2011, both items totaled €69 billion, a similar figure to the €66 billion as of December 2010.

The increase in the heading of **investments in associates** is due primarily to the rise in the value of BBVA's holding in CNCB thanks to the greater generation of earnings, the subscription of the share capital increase made by the Chinese entity and the appreciation of the currency.

Finally, **BBVA's equity** as of 31-Dec-2011 increased to slightly more than €40 billion, which represents an increase of 6.9% since 31-Dec-2010. Higher shareholders' funds of €4.3 billion explain this situation. They fundamentally arise from the share capital increases in April and October 2011 as a result of the "dividend option", the conversion of the convertible bond into shares in July 2011 and the net attributable profit generated, minus the amount allocated to the cash payment of the shareholder remuneration.

Capital base

The most remarkable events affecting the capital base in **2011** were as follows:

- The acquisition of 24.9% of the Turkish bank **Garanti** in March at a cost of €4,391m, which implies a reduction in core capital consumption figures compared with those of 2010.

- The deduction in the third quarter of the investment made to subscribe the capital increase by **CNCB**.

- In the fourth quarter of 2011, takes place the publication by the European Banking Authority (EBA) of **new capital recommendations** applicable to certain financial institutions in Europe, aimed at recovering investor confidence in their solvency. This recommendation consists of a minimum core capital ratio of 9% (using the specific criteria defined by the EBA), including an additional exceptional and temporary coverage for exposure to sovereign debt, which will have to be achieved by June 2012.

- For the **BBVA Group**, and according to estimates made in October using the information from June 2011, this recommendation would be met with €7.1 billion. The Group's strategy to reach the recommended capital is based on the following fundamental pillars: organic generation of capital quarter by quarter; management of capital instruments; and, to a lesser extent, compliance with the forecast timetable for implementing the internal models approved by the Bank of Spain. With data for the close of September, the figure fell to €6.3 billion, of which €2.3 billion correspond to sovereign exposure. The reduction of the initial figure was mainly due to organic

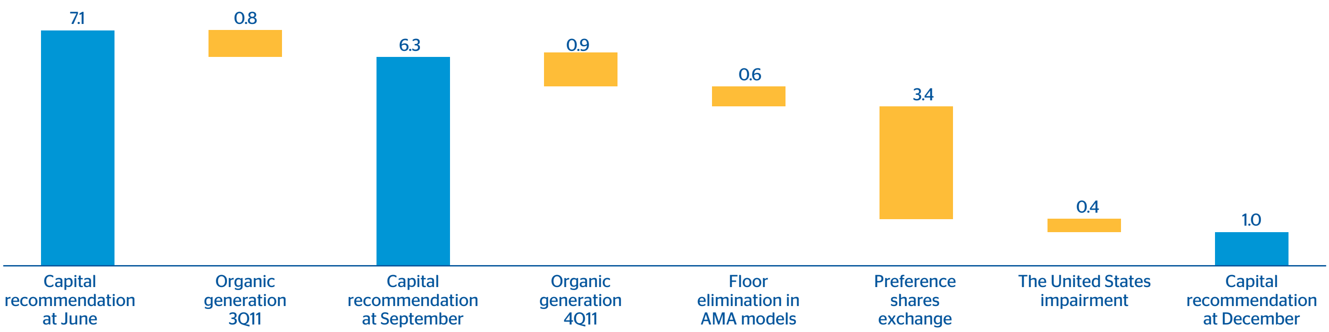
Capital base (BIS II Regulation)

(Million euros)

	31-12-11	31-12-10	31-12-09
Core capital	34,161	30,097	23,191
Capital (Tier I)	34,161	33,023	27,254
Other eligible capital (Tier II)	8,609	9,901	12,186
Capital base	42,770	42,924	39,440
Risk-weighted assets	330,771	313,327	291,026
BIS ratio (%)	12.9	13.7	13.6
Core capital (%)	10.3	9.6	8.0
Tier I (%)	10.3	10.5	9.4
Tier II (%)	2.6	3.2	4.2

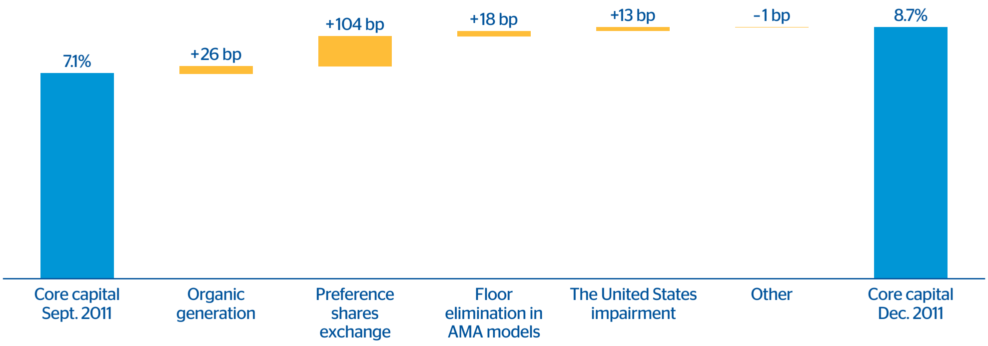
23 Status of EBA capital recommendation at December 2011

(Billion euros)



capital generation in the third quarter of 2011. As a result of this and with an additional €5.3 billion generated in the fourth quarter of the year, as of December 31, 2011, BBVA had met 84% of the EBA recommendation. In the first half of 2012, the Group's organic generation of capital will cover the remaining amount. This will allow BBVA to meet with ease the core Tier I ratio (according to EBA criteria) of 9% by June 2012.

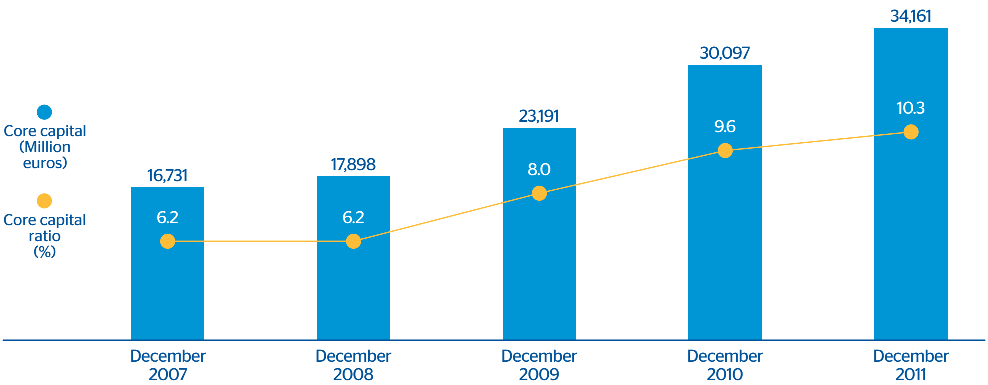
24 Core ratio evolution following EBA criteria



- Those €5.3 billion obtained in the fourth quarter of 2011 were originated primarily from the organic generation in the period and the successful completion of the exchange of preference shares for mandatory convertible bonds into BBVA shares, which are 100% eligible as core capital. The exchange was subscribed by nearly all the investors, at 98.7% of the nominal amount, or a total of €3.4 billion. There were also two additional positive effects: the tax deduction from the goodwill impairment in the United States, and the elimination of the capital floor in the advanced measurement approach (AMA) models of operational risk. This floor was established in December 2009 when the internal operational risk models for Spain and Mexico entered into force.

As a result of the above, the capital base according to BIS II standards also substantially improved its quality over the year as a whole. As of December 31, 2011, **core capital** stood at €34,161m, 13.5% up on the figure for December 2010. The core ratio went up to 10.3% (9.6% as of 31-Dec-2010).

25 Core capital evolution



Tier I capital increased by €4,064m over the year, a rise of 12.3%. The **Tier I ratio** stood at 10.3% (10.5% as of 31-Dec-2010), a year-on-year fall of 24 basis points, due to the rise in risk-weighted assets (RWA) from the acquisition of Garanti.

Other eligible capital (**Tier II**) at the same date, which includes subordinate debt, surplus generic provisions, eligible unrealized capital gains, and the deduction for holdings in financial and insurance entities, was down 13.1% over the last 12 months to €8,609m. The fall is mainly due to the investment in CNCB mentioned above, the fall in unrealized capital gains resulting from the market turmoil, and the amortization of a subordinated debt issue. As a result, Tier II stood at 2.6% as of 31-Dec-2011 (3.2% as of 31-Dec-2010).

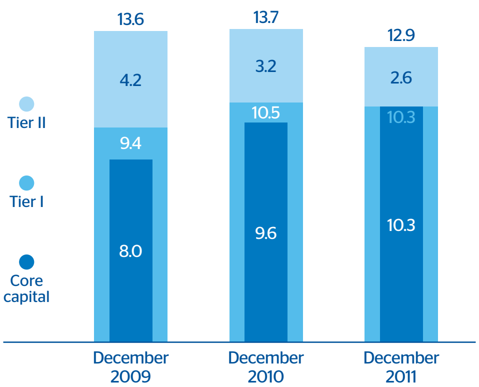
The capital brings the **capital base** to €42,770m, 0.4% down on the previous year, when payment for the acquisition of 24.9% of Garanti had not been made.

Risk-weighted assets (RWA) amounted to €330,771m, an increase of 5.6% on the figure for December 2010, basically due to the acquisition of Garanti, and to the slight growth in lending over the year, above all in Mexico and South America. The entry into force of the tighter Basel 2.5 requirements (increased RWA for market risk when including stressed VAR) was offset by a lower operational risk requirement due to the elimination of the capital floor in the advanced models.

Finally, the **BIS** II ratio as of 31-Dec-2011 stood at 12.9% (13.7% as of December 2010).

26 Capital Base: Ratio BIS II

(Percentage)



Ratings

Throughout 2011 and early 2012, the ratings agencies have carried out several actions on the rating of BBVA related, due mostly to previous downgrades in the sovereign debt rating and, in a single case, to Standard&Poor's new methodology. However, the agencies have emphasized the strength and resilience of BBVA's fundamentals. BBVA's ratings as of February 2012 are presented in the ratings table.

Ratings

	Long term	Short term	Financial strength	Outlook
Moody's	Aa3	P-1	B–	Negative
Fitch	A	F-1	a	Negative
Standard&Poor's	A	A-1	-	Negative

The BBVA share

The macro-global context in **2011** was very complicated, and this became even more evident in the second quarter: there was a fall in confidence indicators, an increase in the likelihood of risk scenarios in Europe, a downward review of the growth projections for developed economies and, unlike in 2010, a contagious effect was observed towards emerging economies, though they remain very dynamic. This was all reflected in the performance of the stock market indexes in the different regions. In the United States, the S&P 500 remained flat, while the Stoxx 50 in Europe fell 8.4% as compared to the close of 2010. In Spain, the Ibex 35 fell back 13.1%.

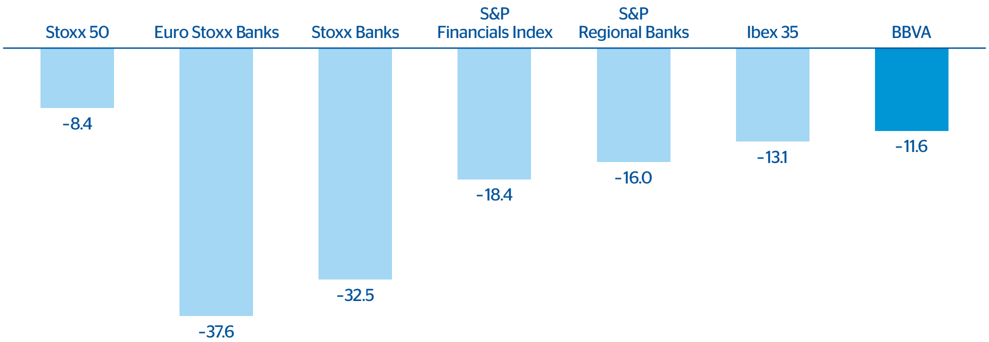
The sovereign debt crisis in Europe has infected the **financial sector**, as it raised concerns about banking solvency, financial tensions and risk premiums. In this context, the sector has had to face fragmented markets and liquidity pressures, which have made their financing more difficult and costly. As a result, the Stoxx Banks and the Euro-Stoxx Banks in Europe fell by 32.5% and 37.6%, respectively, while the S&P Financials Index and the S&P Regional Banks index in the United States dropped 18.4% and 16.0%, respectively.

BBVA earnings 2011 figures have, in general, been favorably received. Analysts pointed out the Group's solvency and good liquidity position, which will comfortably comply with the EBA's capital recommendations as of the end of June 2012. They also praised its resilient earnings, with a strong emphasis on the growing course of the most recurrent-type earnings, thanks to the dynamism of activity in emerging markets. By business area, Mexico and South America were quite noteworthy, as was the Group's competitive position and the stability of the risk indicators in Spain. Furthermore, the increased contribution from Eurasia was also positively viewed.

In 2011, BBVA shares achieved a clear outperformance with respect to the sector and demonstrated the best performance of its peers in Europe

Therefore, the market took the Entity's distinguishing factors into consideration. Thus, BBVA recorded an 11.6% loss in the year, while the Eurostoxx Banks index fell by 32.5%. In sum, in the current environment of macroeconomic weakness and difficult access to financing sources, the market positively valued the profile of BBVA's results, its diversification via emerging markets, the strength of its retail franchise, as well as its comfortable position in terms of liquidity and capital.

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

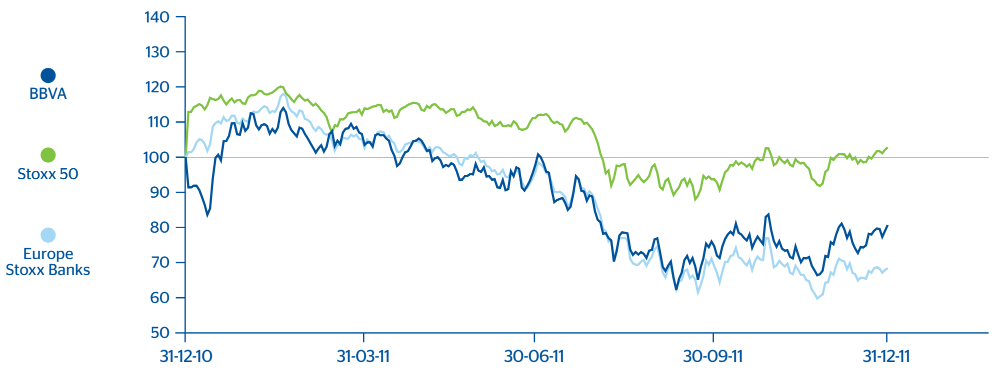


BBVA's share price varied between €5.03 and €9.49, closing at €6.68 per share on 31-Dec-2011, giving a market capitalization of €32,753m. This resulted in a price/book value of 0.8x and a P/E ratio (calculated on the Group's 2011 net attributable profit) of 10.9x.

BBVA continues to be an attractive investment

28 Share price index

(31-12-2010=100)



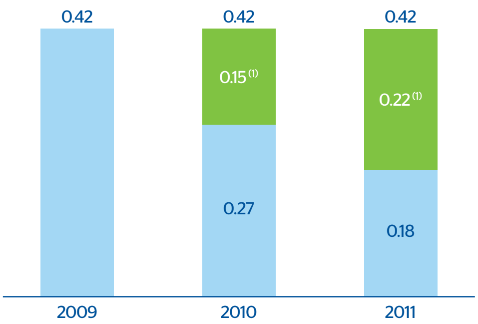
The BBVA share and share performance ratios

	31-12-11	31-12-10	31-12-09
Number of shareholders	987,277	952,618	884,373
Number of shares issued	4,903,207,003	4,490,908,285	3,747,969,121
Daily average number of shares traded	60,363,481	68,197,775	52,357,888
Daily average trading (million euros)	452	655	492
Maximum price (euros)	9.49	13.27	13.28
Minimum price (euros)	5.03	7.00	4.45
Closing price (euros)	6.68	7.56	12.73
Book value per share (euros)	8.35	8.17	7.83
Market capitalization (million euros)	32,753	33,951	47,712
Price/Book value (times)	0.8	0.9	1.6
PER (Price/Earnings; times)	10.9	7.4	11.3
Yield (Dividen/Price; %)	6.3	5.6	3.3

Shareholder remuneration corresponding to 2011 stood at €0.42 per share, remaining at the same level as in recent years and maintaining the current dividend scheme: two cash dividend payments of €0.10 per share were made; moreover, the distribution of €0.10 per share was carried out as part of a system of flexible remuneration called the "dividend option", for which more than 91% of the Bank's shareholders opted. A proposal will also be made to the Annual General Meeting (AGM) in relation to the payment of a final dividend of €0.12 per share. This dividend will imply an increase in the payout ratio, which stood at 49% (excluding one-offs) as compared to the 37% of the previous year, and a dividend yield (calculated according to the average dividend per share estimated by analysts for 2011 and the share price as of December 30) at 6.3%, one of the most attractive in the sector. It is worth noting that BBVA not only offers attractive and differential shareholder remuneration, but also renders shareholders a variety of exclusive products and services in very advantageous conditions.

BBVA continues with its differential shareholder remuneration policy

29 Dividend per share
(Euros)



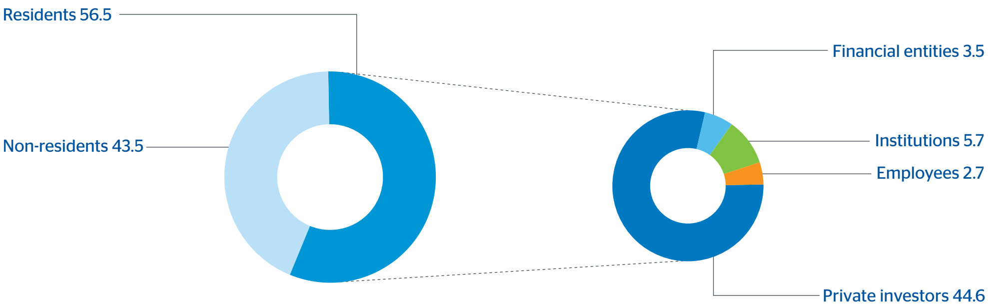
(1) "Dividend option".

Capital ownership remains well diversified

At the close of 2011, the **number of BBVA shareholders** stood at 987,277, compared with 952,618 on 31-Dec-2010, a new 3.6% increase. The only significant individual stake that BBVA is aware of is that of the company Inveravante Inversiones Universales, which as of December 31, 2011 held 5.05% of the Group's shareholders' equity. It is worth highlighting that in 2011, shareholder dispersion was practically maintained: as of December, 90.6% of the shareholders held less than 4,500 shares (compared to 92.7% as of December 31, 2010), representing 13.0% of the share capital (compared with 12.6% as of 12-31-2010) and an average investment per shareholder of 4,966 shares (4,714 in 2010).

A total of 56.5% of the Group's shareholders' equity belongs to residents in Spain. In terms of type of shareholder, 44.6% of the share capital belongs to private investors (40.5% the previous year), 2.7% to employees and the remaining 9.2% to institutional investors. Therefore, the percentage of non-resident shareholders stands at 43.5%, which once again reflects the confidence in and recognition of the BBVA name in the current difficult environment.

30 Shareholder structure 31-12-2011
(Percentage)



As in 2010, the shares were traded on the continuous market in Spain, on the New York Stock Exchange (as ADSs represented by ADRs) and also on the London and Mexico stock markets.

The BBVA share was traded on each of the 256 days in the stock market year of 2011. A total of 15,406 million shares were traded on the stock exchange in this period, representing 314.2% of the Groups' shareholders' equity. Thus the daily average volume of traded shares was 60 million, 1.23% of the total number of shares and an effective daily average of €452 million.

Finally, BBVA shares were included in the Ibex 35 and Euro Stoxx 50 reference indexes, with a 10.02% weight in the former and 2.34% in the latter, as well as in several banking industry indexes, most notably the Stoxx Banks, with a weighting of 5.96% and the Euro Stoxx Banks, with a weighting of 13.77%. BBVA is also present in the market's leading sustainability indexes, such as the Dow Jones Sustainability, FTSE4Good and the various MSCI indexes, among others.

Shareholder stucture

(31-12-2011)

	Shareholders		Shares	
Number of shares	Number	%	Number	%
Up to 150	281,613	28.5	20,760,046	0.4
151 to 450	235,529	23.9	63,812,517	1.3
451 to 1800	269,573	27.3	248,599,992	5.1
1,801 to 4,500	107,357	10.9	305,181,785	6.2
4,501 to 9,000	47,812	4.8	301,196,458	6.1
9,001 to 45,000	39,784	4.0	697,242,542	14.2
More than 45,001	5,609	0.6	3,266,413,663	66.6
Total	**987,277**	**100.0**	**4,903,207,003**	**100.0**

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 periodic 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**:

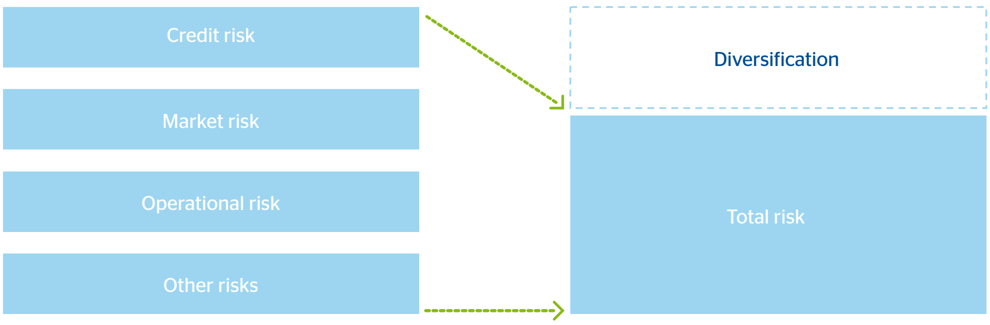
- A set of tools, circuits and procedures that make up different management schemes.
- A system of internal controls.
- A corporate risk governance plan which separates functions and responsibilities.

Integration of risks and overall risk profile

Integration of risks

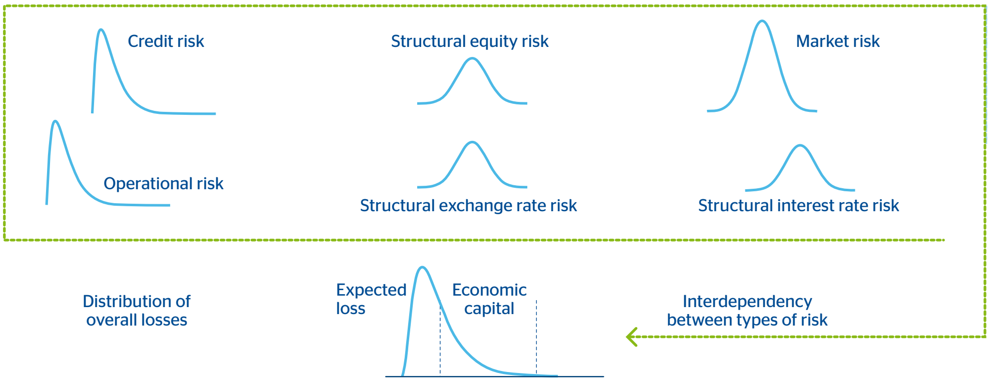
The economic capital required to cover the Group's losses is calculated by integrating the various risks managed by the Institution. The difference between this required economic capital and the sum of the individual capital amounts is known as the **benefit of diversification**.

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 measurement 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.

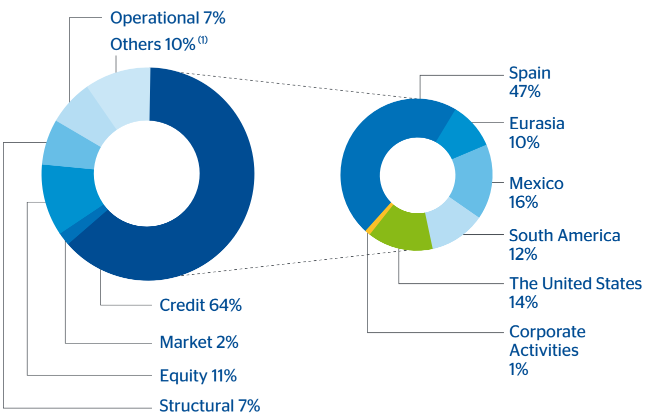
Overall risk profile

Attributable **economic risk capital (ERC)** consumption reached €29,145m as of December 31, 2011, an increase of 10.9% over 2011 figures, using com parable 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 64.2% of the total amount, with a year-on-year increase of 16.6%, due to the effect of the annual revision of the risk parameters in Europe, the inclusion of Garanti, and the increased exposure to euro depreciation. The ERC for equity increased by 28.2%. It includes the impact of the greater exposure in CNCB after its capital increase, and the effect of the exchange rate, due to the appreciation of the Hong Kong dollar. Structural interest-rate and exchange-rate ERC fell jointly by 30.2%, due to the conversion of preference shares and the impact of regulatory changes on the accounting of the exchange rate. The weight of ERC from market operations is reduced, due to a 13.9% decrease compared with the previous year. Finally, operational-risk ERC increased by 6.1%, due to the recalibration of the model at the end of the year.

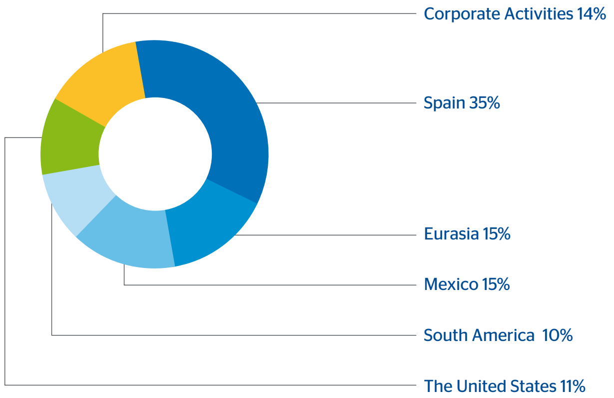
3 BBVA Group's economic risk capital Distribution by type of risk

(Data in attributable terms 31-12-2011)



4 BBVA Group's economic risk capital Distribution by business area

(Data in attributable terms 31-12-2011)



In the **breakdown by area**, Spain registers an increase in ERC of 9.4% due to the above mentioned recalibration and revision of the models in the middle of the year. Eurasia (excluding Garanti) increased by 29.6%, also because of the recalibration and the impact of the exchange rate. In Mexico**,** ERC for credit risk went 17.7% up, mainly because of the implementation of new tools. The relative weight of the United States in global ERC remains similar, with a year-on-year increase of 5.1%. Finally, South America grew by 18%, basically because of the general and strong lending growth in every country.

Finally, the Group's **recurrent risk-adjusted return (RAR)**, i.e., that generated from customer business and excluding one-offs, stood at 20.1%, 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 2010 (€26,292m), which includes the annual effects of the updates carried out at the end of the year (Mexico, South America and United States) in the credit risk parameters and the revision of other risk models, as compared to the figure for 2011 (€29,145m).

Credit risk

Methodologies for credit risk quantification

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 necessary to cover unexpected losses (i.e. if actual losses are higher than expected losses).

These risk metrics are combined with information on profitability in **value-based management,** 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 operations 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 contributes to reinforce the soundness of the risk parameters by adjusting their estimates and refining methodologies. The incorporation of data from the years of economic slowdown is particularly important for refining the analysis 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, requires waiting for the outcome 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. The PD is obtained through a process using **scoring** and **rating** tools.

Scoring

This tool is a statistical instrument focused on estimating the probability of default according to features of the contract-customer binomial. They are focused on management of retail credit: consumer, mortgages, credit cards of individuals, corporate loans, etc. There are different types of scoring: reactive, behavioral, proactive and *bureau*.

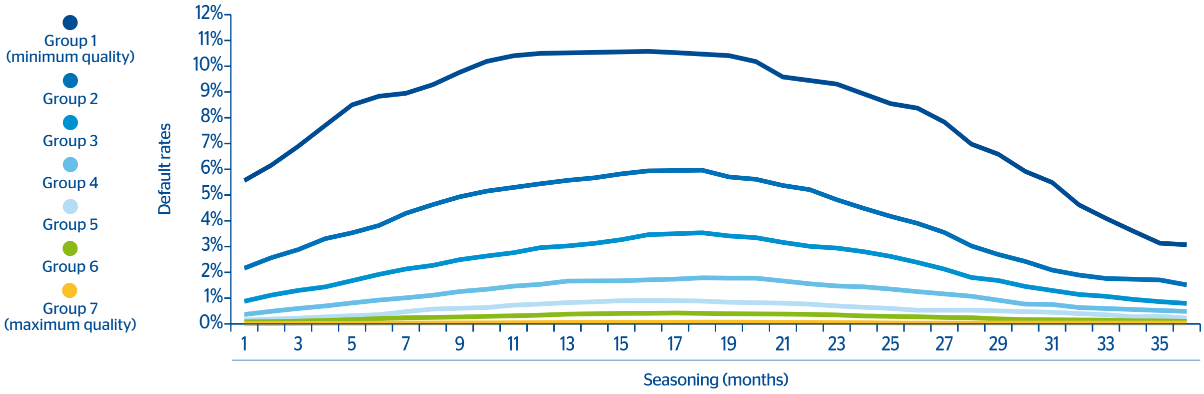
The main aim of **reactive scoring** is to forecast the credit quality of loan applications submitted by customers. It attempts to predict the applicant's probability of default if the application were accepted (as they may not be BBVA customers at the time of application).

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 default rates of some of the reactive scoring tools used by the Group.

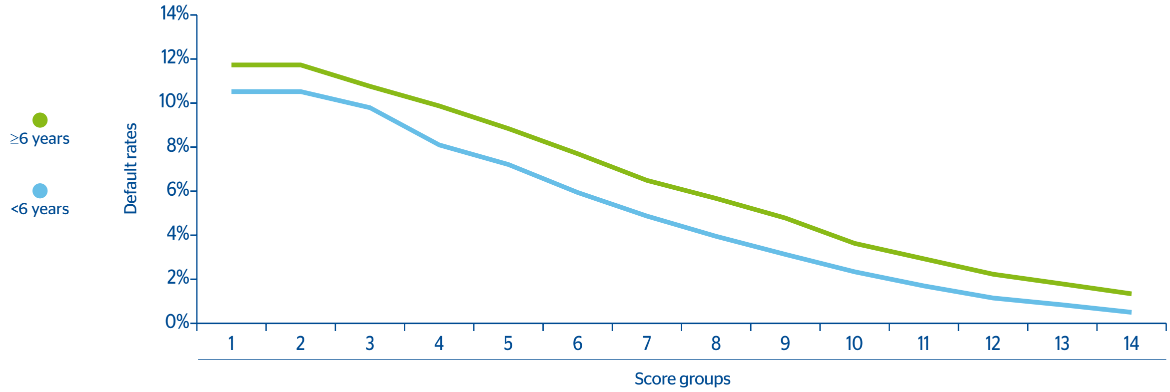
5 Mortgage scoring tool calibration, BBVA Spain

(Default rates for the national customer segment based on seasoning and scoring)



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 operation. Chart 5 shows the various default rates by seasoning and score groups, within one year, of BBVA Spain mortgages for the domestic customer segment. Chart 6 presents the different default rates for transactions granted for a period of under 6 years and those for 6 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.

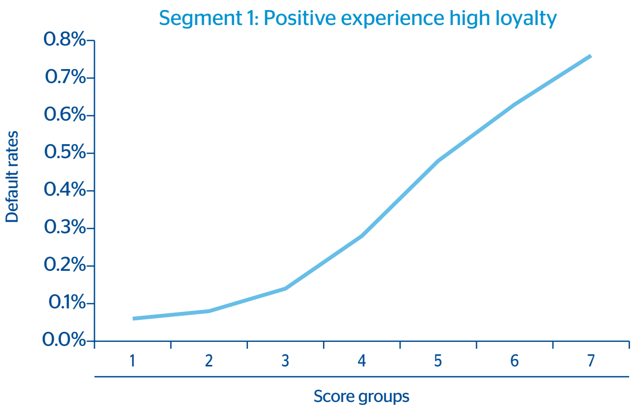
Behavioral scoring is used to review contracts that have already been formalized by incorporating information on customer behavior and on the contract itself. Unlike reactive scoring, it is an *a posteriori* analysis, i.e. once the contract has come into force. It is used to review credit card limits, monitor risk, etc., and takes into account variables directly linked to the operation 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 operation. This customer perspective is supplemented by adjustments that depend on the product type. The available 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 (i.e. by offering credit facilities adapted to each customer's risk profile).

Chart 7 presents the proactive scoring default probability curves in consumer finance for individual customers closely-linked to BBVA Spain. On the other hand, chart 8 depicts the behavioral scoring for BBVA Bancomer credit cards.

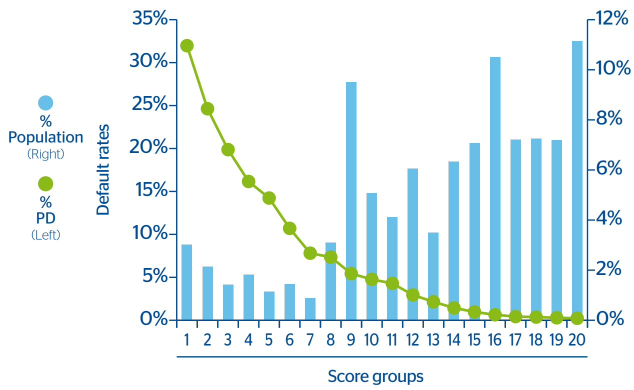
7 Proactive scoring tool calibration for consumer finance, BBVA Spain

(Default rates by score group)



Credit card behavioral scoring tool calibration, BBVA Bancomer 8

(Default rates by score group)



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 those countries with positive bureau information, external and internal information are 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 operations, setting risk limits and monitoring risk.

An adequate management of the reactive, behavioral, proactive and bureau tools by the Group allows to gather updated risk parameters adapted to economic reality. This results in precise knowledge of the credit healthiness of operations and/or customers. This task is particularly relevant in the current economic situation, as it permits identifying the contracts and customers that are in difficulties, and thus taking 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 portfolios is classified in a standardized way by using a single **master scale** for the whole Group that is available in two versions: a reduced one with 17 degrees; and an extended one, with 34. The master scale aims to discriminate amongst credit quality levels, taking into account geographical diversity and the different risk levels 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 operations 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 information, mainly from external rating agencies and the databases of external suppliers.

As an example, below is the rating tool's parametric curve for defaults of BBVA Argentina client companies by internal score assigned (Chart 9).

9 Rating tool calibration for corporates, BBVA Argentina

(Default rates by score group)

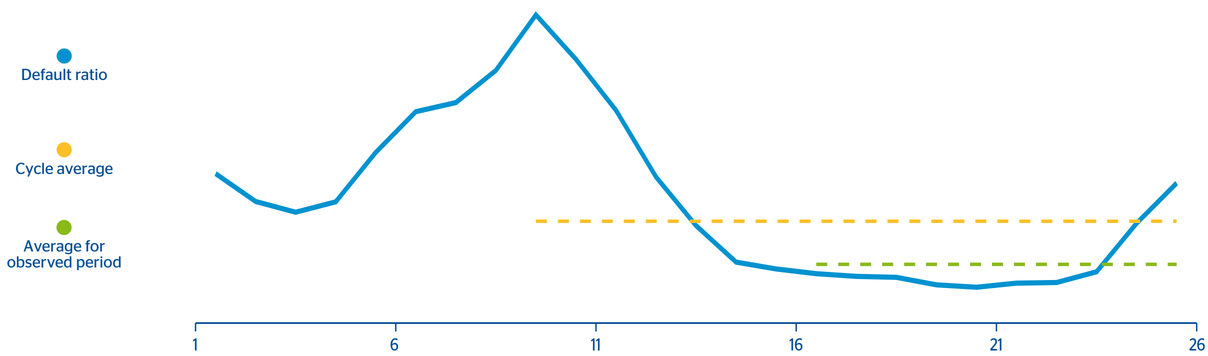
The economic cycle in PD

The current economic crisis has revealed the importance of anticipating events 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. 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.

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

Cycle adjustment mechanism **10**



Loss given default (LGD)

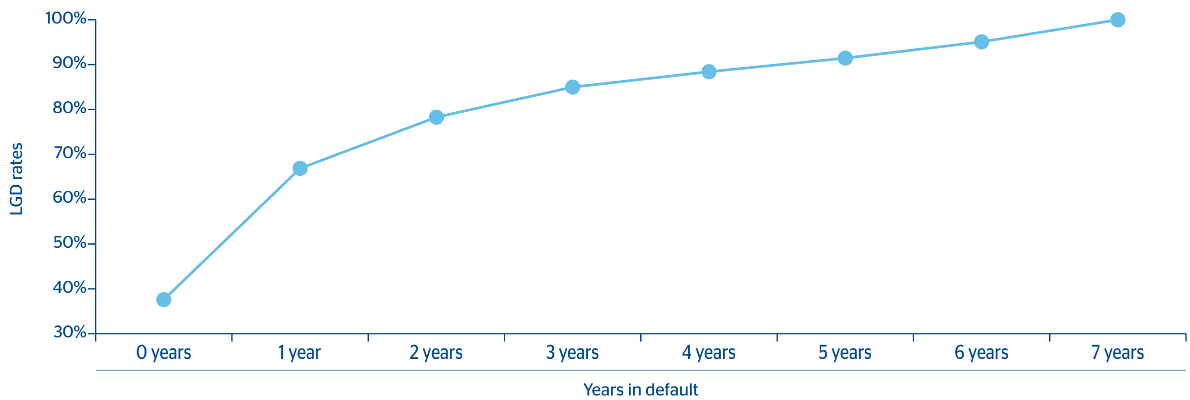
Loss given default (LGD) is another of the key metrics used in quantitative risk analysis. It is defined as the percentage exposure at risk that is not expected to be recovered in an event of default.

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 any time. In portfolios with a low rate of default (low default portfolio, or LDP), there is insufficient historical experience to make a reliable 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.

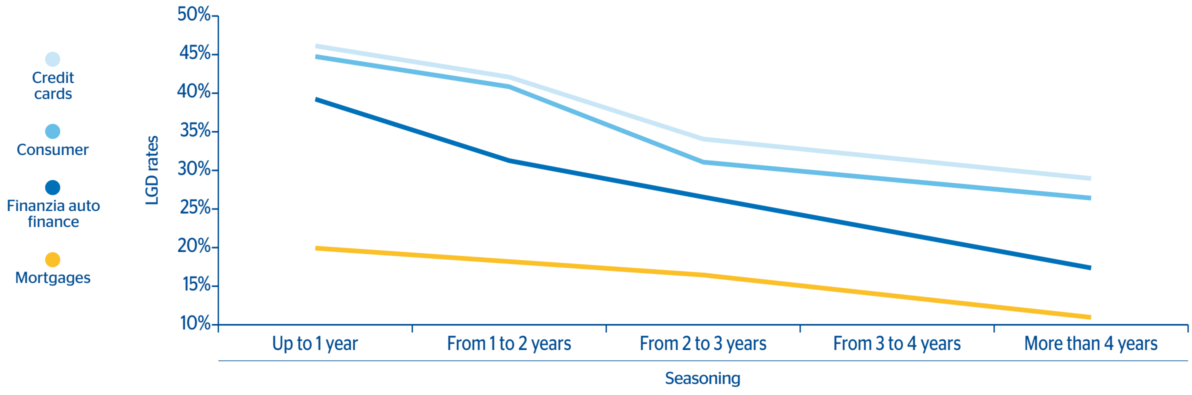
- For contracts already in default, an important factor is **the time elapsed since the default**. The longer the contract has been in default, the lower the recovery of the debt pending. For the purposes of calculating the expected loss and economic capital, the contracts that are not in default are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

LGD for consumer loans by time in default, BBVA Spain **11**



- The **seasoning of an operation** 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).

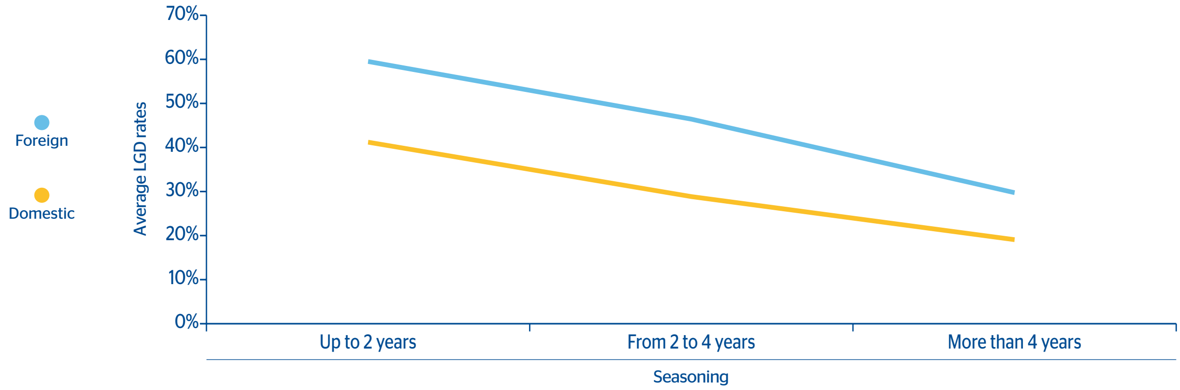
12 LGD curves by seasoning for various products in Spain



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).

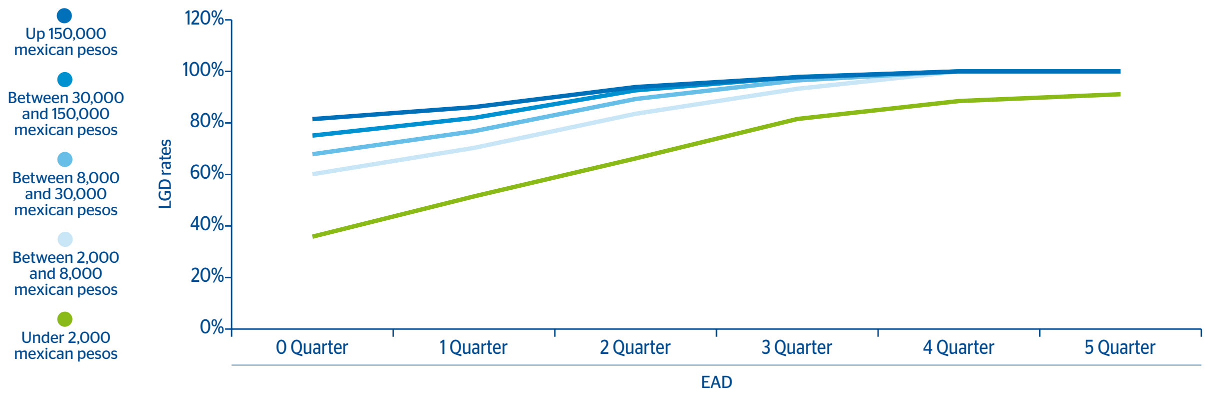
13 LGD for consumer loans by nationality and seasoning, BBVA Spain



- **Time elapsed between the default event and EAD (exposure at default).** There are portfolios in which LGD depends on several axes, as is the case of BBVA Bancomer, where the LGD of credit cards grows with the time in default and the greater the amount of EAD (Chart 14).

Progress in building LGD scorings and ratings is becoming increasingly important in order to adapt LGD estimations to social changes and the economic situation. These estimates allow new factors to be included without losing the robustness of the information and obtain models that are more sensitive to improvements or deteriorations in the portfolio. BBVA has already begun to work on incorporating these modifications in its internal models.

Credit card LGD, BBVA Bancomer based on the quarter in default and exposure at the time of default (EAD) **14**



In 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 mention 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 all the above mentioned factors into account. 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)

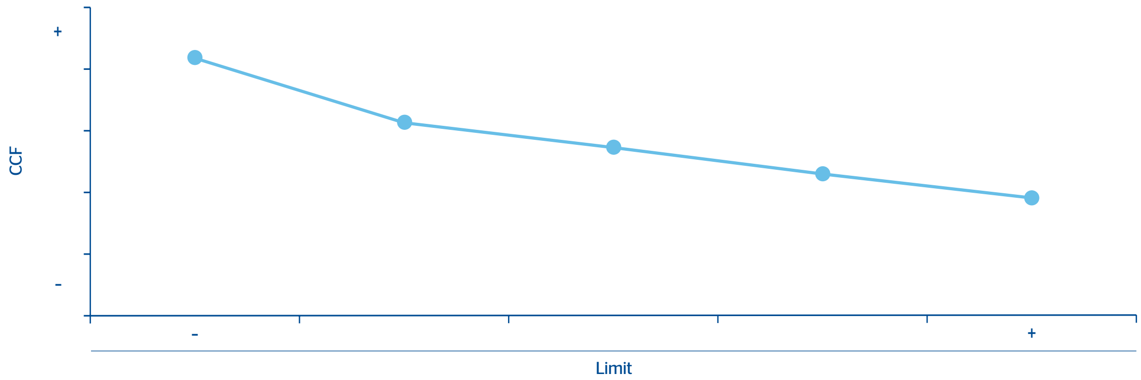
Exposure at default (EAD) is another of the inputs required to calculate expected loss and capital. It is defined as the outstanding debt pending payment at the time of default.

A contract's exposure usually coincides with its outstanding balance, although this is not always the case. For example, 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 obtained by adding the risk already drawn on the operation to a percentage of undrawn risk. This percentage is calculated using the **CCF,** which is defined as the percentage of the undrawn balance that is expected to be used before default occurs. Thus the EAD is estimated 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 of 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 credit lines, the conversion factor is estimated based on the amount of the line's limit and the initial usage percentage, which is defined as the ratio between current risk and limit. Chart 15 shows the CCF for credit lines 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 bank credit lines, BBVA Spain (by limit)



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

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 analyzed. 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 been made 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 their impact on BBVA.

In addition, industry and geographical factors are now key to business concentration analyses. And finally, the tool is also sensitive to the concentration that may exist in certain credit exposures, such as the Institution's large customers.

Credit risk in 2011

Despite the difficult economic environment in 2011, BBVA was able to improve and stabilize the primary indicators of credit quality. At the close of the year, the NPA ratio went down to 4.0%, the coverage ratio stood at 61% and the cumulative risk premium decreased to 1.20%. Thus the Group continued to stand out from the rest of the system with respect to the positive performance of its risk indicators.

BBVA's maximum **exposure** to credit risk stood at €624,624 million as of December 31, 2011, with a 4.1% increase with respect to the end of 2010. Customer credit risks (including contingent liabilities), which represent 64.2% of total credit risk, increased by 4.3% over the same time period. This increase was due to the incorporation of Garanti and the growth in lending in Mexico and, especially, in South America (in real terms). Potential exposure to credit risk in market activities (21.6% overall), including potential exposure to derivatives (once netting and collateral agreements are considered), rose by 4.3%, while undrawn facilities (14.2% overall) went 2.5% up.

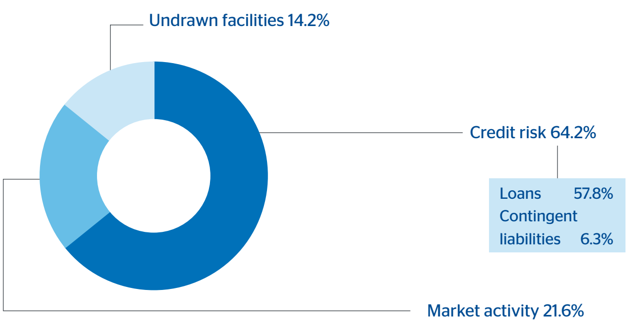
Maximum exposure to credit risk

(Million euros)

	31-12-11							31-12-10	31-12-09
	Spain	Eurasia	Mexico	South America	The United States	Corporate Activities	Total Group	Total Group	Total Group
Gross credit risk (drawn)	**232,666**	**47,113**	**36,551**	**44,398**	**44,528**	**(4,547)**	**400,709**	**384,069**	**364,776**
Customer lending (gross)	214,150	34,690	36,143	40,218	40,069	(3,960)	361,310	348,253	332,162
Contingent liabilities	18,515	12,423	408	4,181	4,459	(587)	39,398	35,816	32,614
Market activity	**42,671**	**10,269**	**25,117**	**14,325**	**9,916**	**32,640**	**134,937**	**129,398**	**136,453**
Credit entities	9,532	4,650	4,961	3,593	1,033	2,337	26,107	23,636	22,239
Fixed income	17,930	5,618	19,175	7,779	7,816	30,303	88,621	88,081	98,254
Derivatives	15,210	-	980	2,953	1,067	-	20,209	17,680	15,960
Undrawn facilitites	**32,536**	**18,786**	**11,465**	**5,423**	**22,604**	**(1,835)**	**88,978**	**86,790**	**84,925**
Maximum exposure to credit risk	**307,872**	**76,167**	**73,132**	**64,146**	**77,049**	**26,259**	**624,624**	**600,257**	**586,154**

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

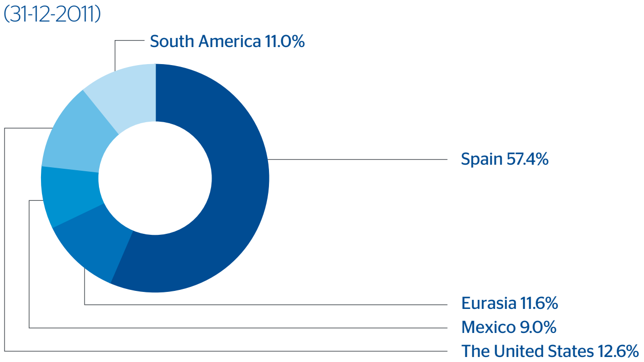
(31-12-2011)



Exposure: 624,624 million euros

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

(31-12-2011)



Credit risk: 400,709 million euros

The loan-book in the private residents sector in Spain stood at €174 billion, being its risks highly diversified by sector and counterparty type.

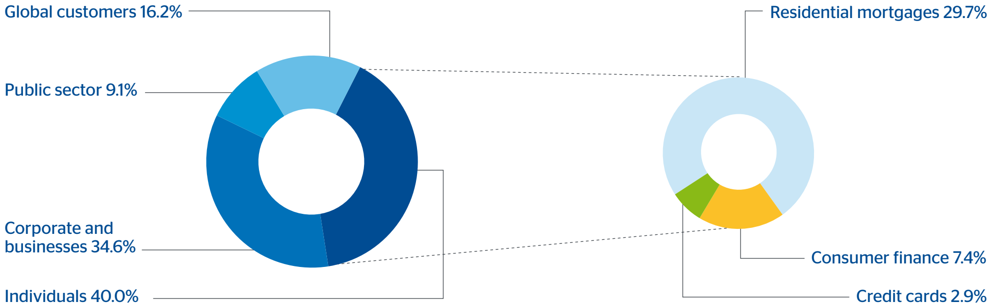
Customer lending by sector

(Million euros)

	31-12-11			31-12-10	31-12-09
	Residents	Non-residents	Total	Total	Total
Public sector	25,372	9,718	35,090	31,224	26,219
Agriculture	1,526	3,315	4,841	3,977	3,924
Industry	16,287	20,930	37,217	36,578	42,798
Real estate and construction	29,262	21,727	50,989	55,854	55,767
Commercial and financial	21,801	33,947	55,748	53,830	48,936
Loans to individuals customers	85,206	53,857	139,063	135,868	126,488
Others	19,495	17,412	36,907	29,879	26,955
Subtotal	**198,948**	**160,907**	**359,855**	**347,210**	**331,087**
Interest, fees and others	35	418	453	195	320
Total	**198,983**	**161,324**	**360,308**	**347,405**	**331,407**

18 BBVA Group. Gross exposure to credit risk. Distribution by portfolio

(31-12-2011)

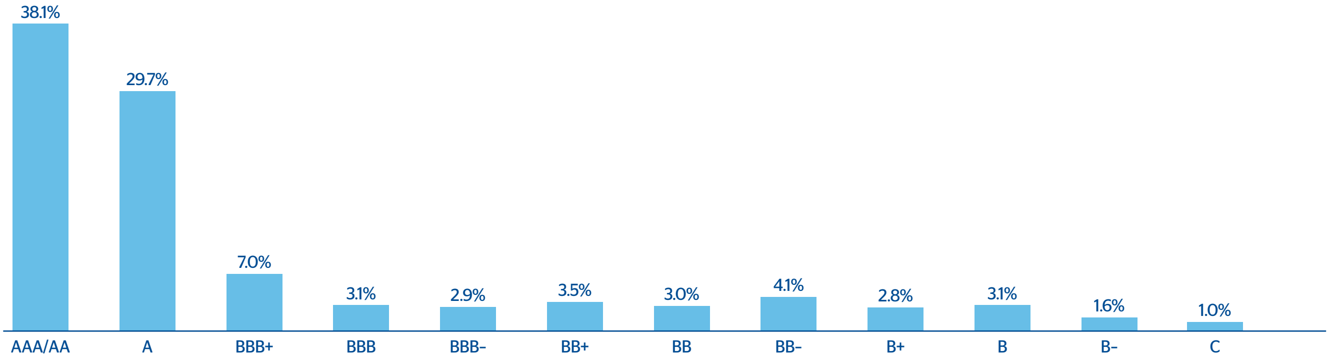


Credit risk: 361,310 million euros

The exposure **breakdown by rating** of BBVA Spain, including corporations, financial institutions, sovereign institutions and customers shows 67.8% of A or better ratings. The breakdown by rating of the business and developer segments handled by BBVA Spain is also shown (Chart 19).

19 Distribution by rating in Spain (1)

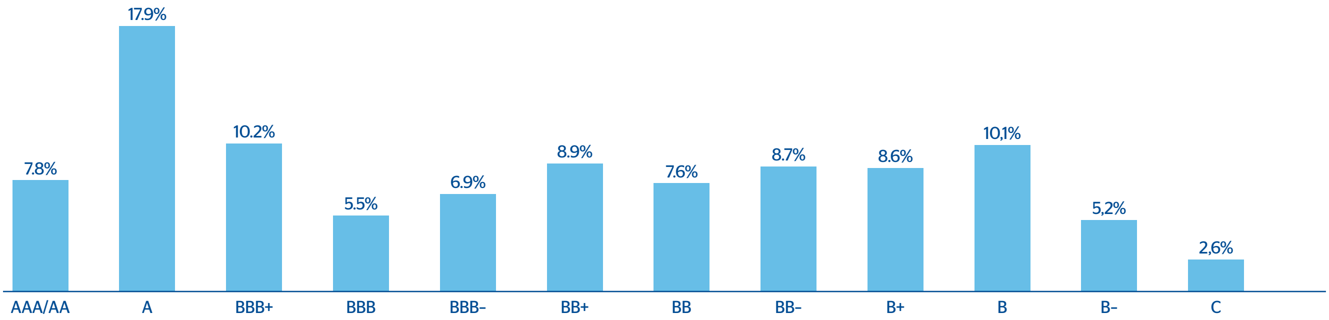
(Exposure as of 31-12-2011)



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

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

(Exposure as of 31-12-2011)

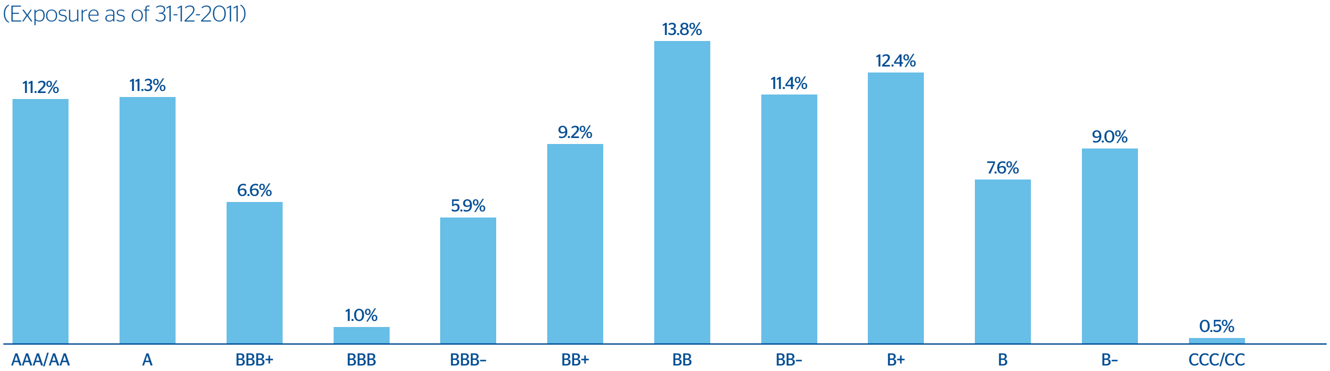


(1) Include only the banking book.

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

21 Distribution by rating in Mexico

(Exposure as of 31-12-2011)



Credit risk in the Spanish developer sector

Policies

BBVA has always understood the need **for teams specializing** in the developer and real estate sector, given its economic importance and technical component. In addition, the Group has very clear criteria regarding the management of risk from this sector, including:

1. The avoidance of concentration in terms of customers, products and regions. Consequently, large-scale corporate transactions have been rejected, decreasing BBVA's market share in the years of maximum lending growth.

2. Non participation in the second home market, standing behind public housing and participating in transactions on land with a high degree of urban security. As a result, BBVA's collateral has a high quality, with 66% of loans to developers guaranteed with buildings (62% are dwellings, 89% of which are first homes or public housing) and 26% with land (of which 68% is urbanized).

3. In terms of home-buyer lending, the policy is to maintain a loan-to-value (LTV) under 80%, or otherwise, to require collateral or additional guarantees. Therefore, secured loans to households for the purchase of a home have an average LTV of 51%, and nearly 95% of this portfolio corresponds to the first residence.

4. In the case of real estate assets acquired by BBVA, distinction should be made between the types: completed, in progress and land. In the first type, the ultimate objective is their sale to individuals,

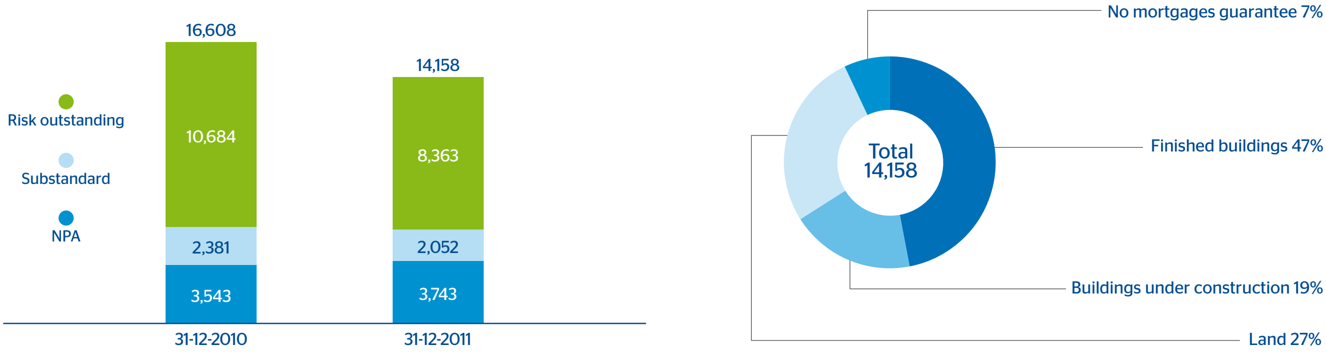
fundamentally the Group's customer base, using the Group's various distribution channels. In the second type, the strategy is clearly focused on facilitating and promoting the completion projects. And in the third type, BBVA's major presence on urban land simplifies work, though urban management and control of liquidity for the urbanization expenses are also subject to special monitoring.

Developer risk

As of December 31, 2011, BBVA's credit exposure in the developer sector amounted to €14.1 billion, 8% of the loans to other resident sectors in Spain (excluding the public sector) and barely 2% of the Group's consolidated assets.

At the end of 2009, BBVA made an effort in transparency, and recognized €1,817 million as nonperforming loans mainly related with this sector. This stabilized the nonperformance ratio of this portfolio in Spain since then (5.0% as of December 2009 and 4.8% as of December 2011), compared to increases in this ratio incurred by competitors (+1.8 percentage points, approximately, in that period). Also, currently, 29% of the nonperforming assets are up-to-date on payments (subjective nonperforming). This percentage standouts as compared with the rest of the system.

22 Spain. Developer exposure
(Million euros and percentage)



According to Ministry of Economy and Competitiveness data, as of June 2011, the exposure of the Spanish banking system to this sector (developer and foreclosed) was €323 billion, which represents an approximate share of 6% for BBVA in this segment, as compared to the 11% share in the total loan-book in Spain. Of this amount, €176 billion were problematic assets of which BBVA only holds 6.2%.

Real estate business risk in Spain
(Billion euros)

	BBVA 31-12-11	System 30-6-11	Percentage BBVA over system
Problematic assets	10.9	176.0	6.2
NPA	3.7		
Substandard	2.1		
Assets purchases	5.1		

Source: Bank of Spain.

Guarantees

The value of the guarantees covering developer risk, based on up-to-date appraisals, is €19,228 million, with an average LTV of 73.4%, which easily covers the portfolio value. In addition, specific recognized provisions are available, amounting to €1,241 million. Bank of Spain Circular 3/2010 requires the additional application, on the already-updated appraisal value of the guarantee, of several extremely strict regulatory coefficients ranging from 30% to 50%, depending on the type of asset. After applying the coefficient, the excess value above the guarantee value, which represents the amount to be provisioned, amounts to €1,725 million for nonperforming assets (with a coverage ratio of 65.1%, €1,123m), and €911 million for substandard assets (with a coverage ratio of 35%, €318m). Besides this specific provision, BBVA maintains an additional generic provision.

A total of 66% of loans to developers are guaranteed with buildings (62% are dwellings) and only 26% in land, of which 65% is urbanized. The figure for non-urbanized land is not significant.

Real estate assets

As of December 31, 2011, BBVA held a total of €5,101m in real estate assets at gross book value from corporate financing. These real estate assets have an average coverage of 34%, above the sector average.

Foreclosures and asset purchases

(31-12-2011)

	Gross book value (million euros)	Coverage (%)
From real estate developers	5,101	34
From dwellings	1,509	27
Other	403	41
Capital instruments	701	41
Total	**7,714**	**34**

Expected losses

Expected losses in the performing portfolio, expressed in consolidated terms and adjusted to the economic cycle average, stood at €3,674 million euros as of the close of December 2011, a year-on-year increase of 15.0% homogenous data. In attributable terms, and not including the non-performing portfolio, the expected loss as of December 2011 stood at €3,404m, 13.4% higher than the previous year, considering comparable data.

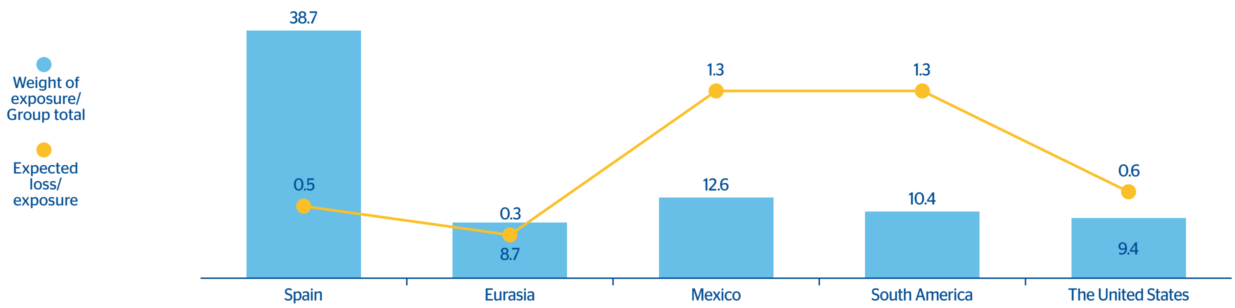
Risk statistics for the BBVA Group's main performing portfolios

	Exposure (1)	Expected loss (2)		Economic capital	
Portfolios	Million euros	Million euros	%	Million euros	%
Retail Mortgage					
Spain	81,737	92	0.11	1,460	1.79
Mexico	9,033	214	2.37	407	4.50
Other	16,443	101	0.62	344	2.09
Total	**107,212**	**407**	**0.38**	**2,211**	**2.06**
Other retail portfolios (3)					
Spain	28,482	304	1.07	1,642	5.76
Mexico	11,820	500	4.23	1,278	10.81
Other	26,998	739	2.74	2,110	7.81
Total	**67,299**	**1,544**	**2.29**	**5,030**	**7.47**
Companies and institutions (4)					
Spain	106,623	756	0.71	4,738	4.44
Mexico	19,690	259	1.31	1,073	5.45
Other	112,149	494	0.44	4,279	3.82
Total	**238,462**	**1,509**	**0.63**	**10,090**	**4.23**

(1) Includes off-balanced sheet positions to which the corresponding conversion factors are applied.
(2) Excludes performing portfolios.
(3) Other retail portfolios = Consumer finance + Credit and debit cards + SME´s + Other retail.
(4) Companies and institutions = Corporate + Companies + Developer + Institutions.

The breakdown of attributable expected losses by business area as of December 31, 2011 is shown in Chart 23. Spain, with an attributed exposure which accounts for 38.7% of the total, has an expected loss-to-exposure ratio of 0.5%. Eurasia accounted for 8.7% of the attributed exposure, with a ratio of 0.3%. Mexico had a weight of 12.6% and a ratio of 1.3%; the United States, 9.4% and 0.6%, respectively; South America, 10.4% and 1.3%.

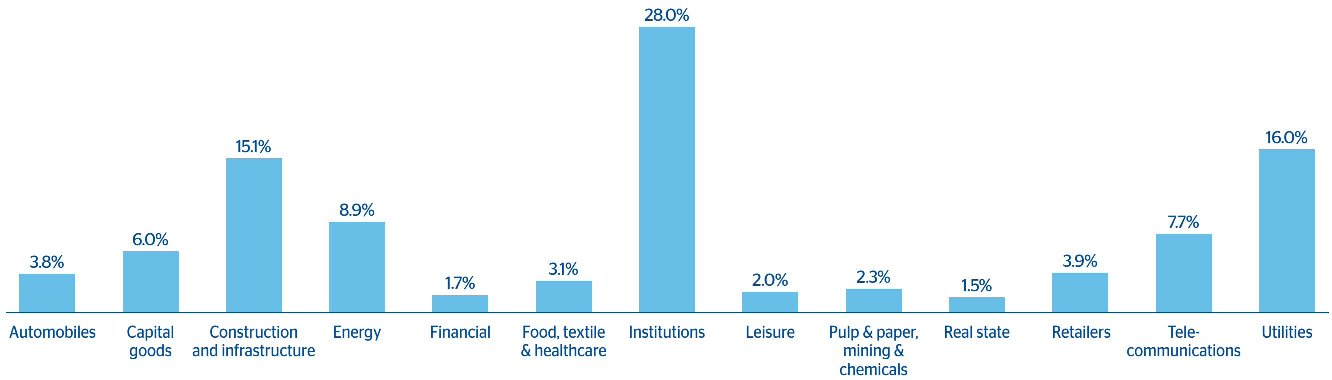
23 BBVA Group. Expected losses (balances not in default) by business area
(Percentage over exposure as of 31-12-2011)



Concentration

Excluding sovereigns and financial institutions, there are 135 holding groups in BBVA Group's clients (138 in 2010), with risk drawn (loans, contingent liabilities, credit derivatives and fixed-income issues) exceeding €200 million, of which 61% hold investment grade rating. Credit risk (loans plus contingent liabilities) accounted for 19% of BBVA Group's total risk (20% in 2010). This risk can be broken down as follows: 82% in Europe and 15% in the Americas (7% in Mexico. Risk is diversified away amongst the main activity sectors, with the most important being institutions 28%, utilities 16%, construction and infrastructure 15%, energy 9% and telecommunications 8%, as shown in Chart 24.

24 Concentration. Distribution by sectors in the BBVA Group
(Risks above €200 million. 31-12-2011)

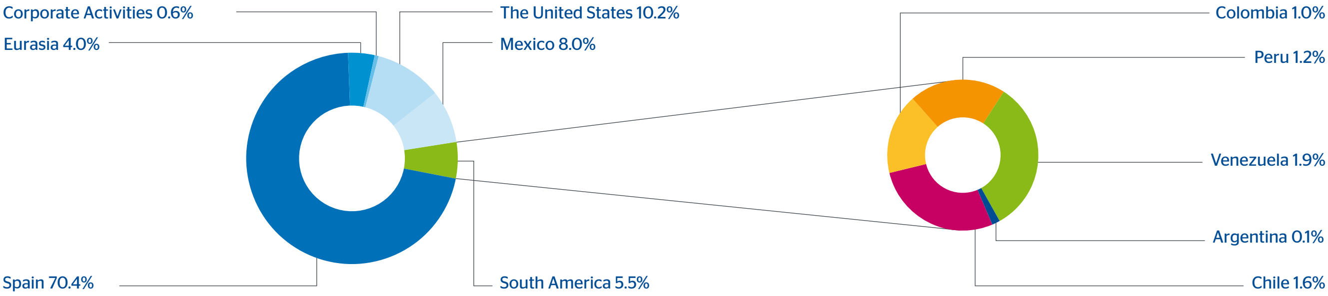


Non-performing loans and risk premium

As of December 31, 2011, non-performing loans totaled €15,866m, practically the same level as of December 2009. The year-on-year increase of 1.2% is the result of the acquisition of Garanti. Without this change in the scope of consolidation, there would have been a slight fall compared to December 2010.

25 BBVA Group. Non-performing loans. Distribution by business area

(31-12-2011)



No-performing assets: 15,866 million euros

BBVA Group. Variations in non-performing assets

(Million euros)

	2011	2010	2009
Beginning balance	**15,686**	**15,602**	**8,568**
Entries	13,045	13,207	17,264
Recoveries	(8,992)	(9,063)	(6,524)
Net entry	**4,053**	**4,144**	**10,740**
Write-offs	(4,093)	(4,307)	(3,737)
Exchange differences and others	221	246	31
Final balance	**15,866**	**15,685**	**15,602**

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

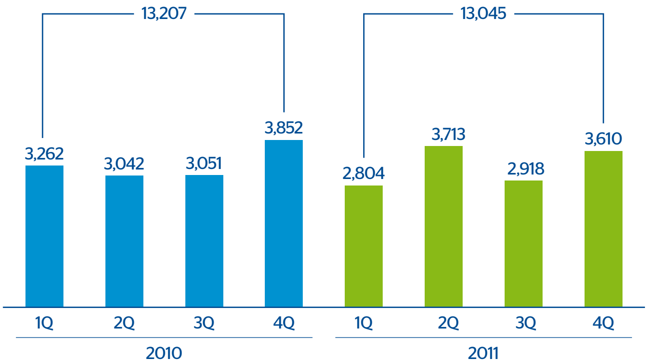
(Million euros)

	Spain		Eurasia		Mexico		South America		The United States	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Beginning balance	**11,289**	11,417	**311**	242	**1,181**	1,253	**880**	772	**1,964**	1,887
Entries	**1,998**	1,676	**200**	118	**1,317**	992	**363**	434	**113**	885
Write-offs	**(2,151)**	(1,734)	**(46)**	(48)	**(1,126)**	(1,243)	**(263)**	(359)	**(496)**	(907)
Exchange differences and others	**40**	(70)	**236**	(1)	**(97)**	179	**16**	33	**35**	99
Final balance	**11,176**	11,289	**701**	311	**1,275**	1,181	**996**	880	**1,616**	1,964

The following tables show the changes in the period from January 1 to December 31, 2011 for impaired loans and non-performing contingent liabilities, both for the BBVA Group as a whole and for each business area. Without this change in the scope of consolidation, there would have been a slight fall compared to December 2010.

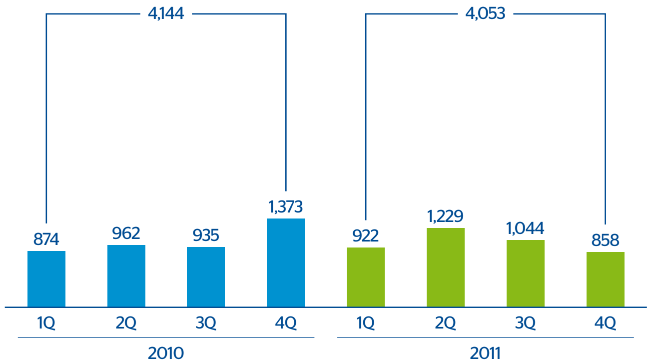
26 BBVA Group. NPA entries

(Million euros)



BBVA Group. Net NPA entries 27

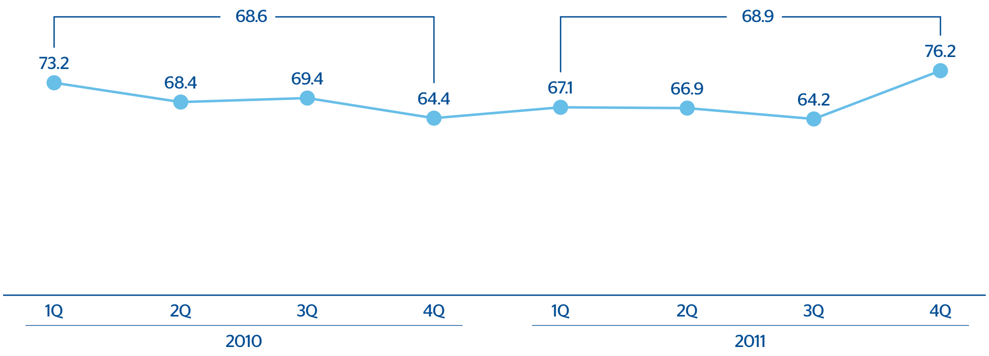
(Million euros)



The **NPA ratio** for the Group closed 2011 at 4.0%, which is down from the figure at the close of 2010 (4.1%). This rate has remained stable over all the quarters in 2011, without surpassing the maximum level reached in December 2009. By business areas, the United States performed particularly well. Its NPA ratio fell by 81 basis points over the year to 3.6% at the end of 2011 (4.4% in 2010). This is mainly the result of the fall in gross additions to NPA. Also remarkable was the performance of South America, where the NPA ratio improved by 26 basis points to 2.2% (2.5% in December 2010). In Spain, the NPA ratio ended the year at the same level as the previous year (4.8%). In Mexico, it stood at 3.5% (3.2% as of 31-Dec-2010). In Eurasia, it increased to 1.5% (0.9% at the close of 2010) due to the acquisition of Garanti.

28 BBVA Group. NPA recoveries

(Percentage)



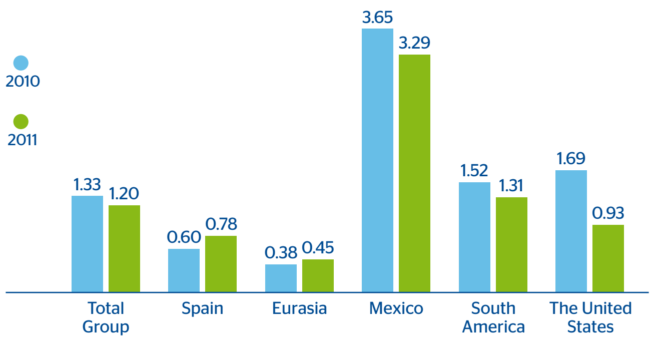
The Group's **risk premium**, which measures the charge against earnings made for net loss provisioning per lending unit, improved 13 basis points in 2011 to 1.20%, compared with 1.33% in 2010. By business area, the ratio increased in Spain and Eurasia to 0.78% and 0.45% respectively, while in Mexico decreased 36 basis points, to 3.29%. In South America, the ratio decreased 21 basis points to 1.31%, and in the United States, the decrease was 76 basis points, to 0.93%.

Provisions for customer risk amounted to €9,688m on 31-Dec-2011, a similar figure to that at the end of 2010. Of this total, generic provisions and country risk provisions accounted for €3,218m and represent 33.2% of the total.

Finally, the NPA **coverage ratio** closed 2011 at 61%. By business areas, the coverage ratio was up in South America to 146% (130% at the end of 2010) and in the United States, where it improved to 73% (61% in 2010). In Spain, it ended the year at the same level as the previous year, 44%. In Eurasia it fell to 123%, also as a result of the acquisition of Garanti (154% as of 31-Dec-2010); and in Mexico to 120% (152% as of 31-Dec-2010), where its fall is due to the early end of the Federal Government's *Punto Final* plan in January 2011. It is also important to note that 62% of the risks have associated collateral (58% at the close of 2010).

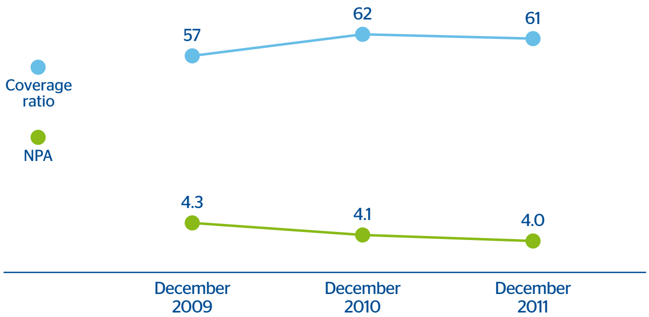
29 BBVA Group. Risk premiums by business area

(Percentage)



30 BBVA Group. NPA and coverage ratios

(Percentage)



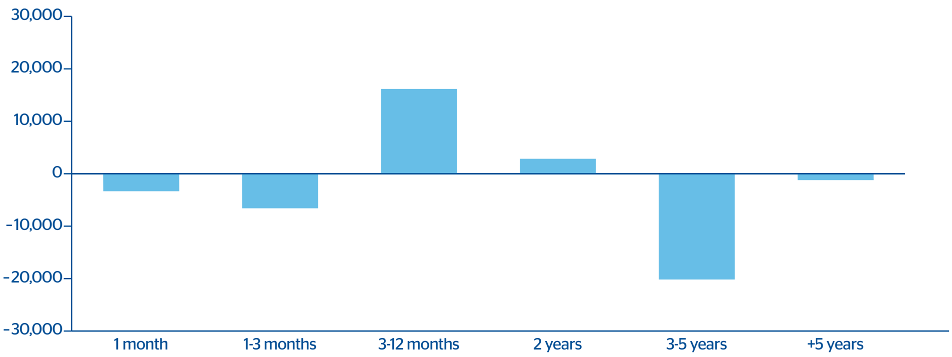
Structural risks

Structural interest-rate risk

In **2011**, the climate of uncertainty with respect to economic recovery maintained interest rates low and led to falls in long-term rates in Europe, the United States and Mexico. In contrast, in South America there was a steady upswing in interest rates as a result of the growth rates observed in the region.

Movements in interest rates lead to changes in a bank's net interest income and book value, which constitutes a key source of asset and liability interest-rate risk. The extent of these impacts will depend on the bank's exposure to changes in interest rates. This exposure is mainly the result of the time difference between the repricing and maturities of the different products on the banking book. The accompanying chart shows the gaps in BBVA's structural balance sheet in euros.

31 Gaps of maturities and repricing of BBVA's structural balance sheet in euros
(Million euros)



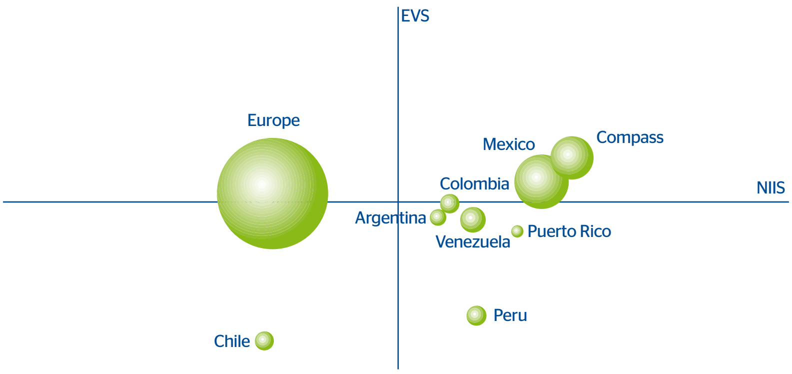
A financial institution's exposure to adverse changes in market rates is a risk inherent in the banking business, while at the same time representing an opportunity to generate value. This is the reason why asset and liability interest-rate risk management takes on particular importance and moreover in the current environment. This function is handled by the **Balance-Sheet Management** unit, within the Financial Management area. The Asset and Liability Committee (ALCO), it is in charge of maximizing the Bank's economic value, preserving the net interest income and guaranteeing the generation of recurrent earnings. In pursuance of this, the ALCO develops various strategies based on its market expectations. These strategies are developed within the risk profile defined by the BBVA Group's management bodies and balancing the expected results and the level of risk assumed. BBVA has a transfer pricing system, which centralizes the Bank's interest-rate risk on ALCO's books and is designed to facilitate proper balance-sheet risk management.

The **Global Risk Management (GRM)** corporate area is responsible for **controlling and monitoring** asset and liability interest-rate risk, acting as an independent unit to guarantee that the risk management and control functions are properly segregated. This policy is in line with the Basel Committee on Banking Supervision recommendations. It constructs the asset and liability interest-rate risk measurements used by the Group's management, as well as designing models and measurement systems and developing monitoring, information and control systems. At the same time, the Risk Management Committee (RMC) carries out the function of risk control and analysis reporting to the main governing bodies, such as the Executive Committee and the Board of Director's Risk Committee.

BBVA Group has a sophisticated structural interest-rate risk model made up of a set of **metrics and tools** that enable its risk profile to be monitored precisely. For accurately characterizing the balance sheet, analysis models have been developed to establish assumptions dealing fundamentally with early loans amortization and the behavior of deposits with no explicit maturity. As well as risk with respect to parallel movements from cash-flow mismatch, the model includes other additional sources of risk such as changes in the slope and curvature of the interest rate curve. The Risk area does this by applying a simulation model of interest-rate curves that quantify risks in probabilistic terms and takes into account the currencies and business units diversification. This model calculates the Group's earnings at risk (EaR) and economic capital, defined as the maximum adverse deviations in net interest income and economic value, respectively, for a particular confidence level and time horizon. The model is subjected periodically to internal validation, with backtesting of the simulation model and the assumptions.

In addition, **sensitivity is measured** to a standard deviation of 100 basis points for all the market yield curves. Chart 32 shows the asset and liability interest-rate profile of the main entities in the BBVA Group, according to their sensitivities.

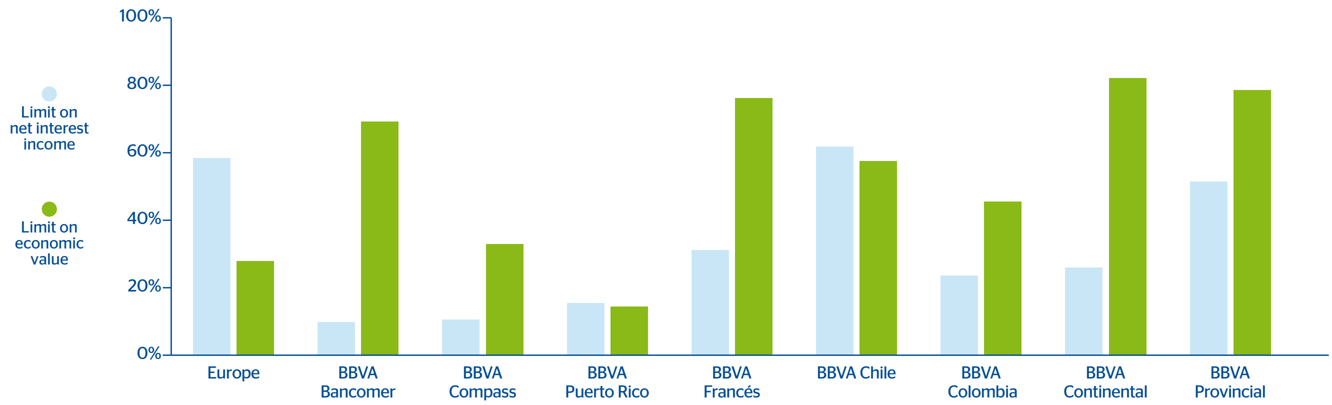
32 BBVA Group. Structural interest rate risk profile



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 entity is determined by the Executive Committee and is expressed through the **limits structure**, which is one of the mainstays in control policies. Thus, the maximum negative impacts, in terms of both earnings and value, are controlled in each of the Group's entities through this limits policy. Active balance-sheet management in 2011 has enabled the Group's exposure to be maintained in keeping with its target risk profile, as presented in Chart 33, which shows average limits used in each of the Group entities.

33 Structural interest rate risk. Average use of limits in 2011



The risk measurement model is supplemented by analysis of specific scenarios and stress tests. **Stress tests** have taken on particular importance in recent years. Progress has therefore been made in the analysis of extreme scenarios in a possible breakthrough in both current interest-rate levels and historical correlations and volatility. At the same time, the evaluation of scenarios forecast by BBVA Research has been maintained. In addition, monitoring the contribution to risk by portfolios, factors and regions, and its subsequent integration into joint measurements, continued during the year.

Structural exchange-rate risk

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 international investments maintained on a long-term basis by the Group.

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 effect of exchange-rate fluctuations on capital ratios, as well as assuring 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 area 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 Risk area.

The corporate **model** is based on simulating exchange-rate scenarios, based on historical trends, and evaluating the impact on capital ratios, equity and the Group's income statement. This provides a distribution of the impact on the three core elements, which helps determine their maximum adverse deviation for a particular confidence level and time horizon, depending on market liquidity in each currency. The risk measurements are completed with analysis of scenarios, stress testing and backtesting, thus giving a complete overview of the Group's exposure to structural exchange-rate risk.

In **2011**, in an environment of uncertainty and market volatility, particularly in the second half of the year, a policy of prudence has been maintained and hedging has been extended in the currencies with greatest exposure. This has moderated the risk assumed, despite the growing contribution of the "non-euro" area to the Group's earnings and equity. The average hedging level of the carrying value of the BBVA Group's holdings in foreign currency is close to 30%. Hedging of foreign currency earnings remained at levels of close to 40%. At the end of the year, there was still significant hedging of forecast foreign currency earnings for 2012.

Liquidity and funding risk

Liquidity and funding risk management aim to ensure that the Bank does not have any difficulties in meeting its payment commitments, and that it does not have to appeal to funding under difficult 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.

In **2011**, the worsening of the European sovereign debt crisis has stressed funding difficulties in markets for both governments and the financial sector. The immediate effect of this has been growing tension in the liquidity and capital markets at the euro zone level. This has meant that wholesale money and long-term funding for credit institutions has been penalized according to its geographical location. Because of this, the credit spreads applied in both the primary market (issuance) and in the secondary and derivatives markets (credit default swaps, CDS), reached new all-time highs in Europe.

In this unfavorable situation, **liquidity and funding management** by BBVA has been particularly proactive and focused on boosting the use of its management leverage: on the one hand, by improving the rate of self-funding for commercial activity; and on the other, by taking advantage of liquidity windows during the year to issue on wholesale long-term markets. In 2011 the Group issued wholesale senior debt and mortgage-covered or public-covered bonds, with a good uptake and a spread that was always below the CDS level. Over the year as a whole issuance amounted to more than €11,000m.

Thus, the Bank has financed itself, in accordance with its rating and ability to generate recurrent earnings. It has never had to resort to public support or guarantees.

Control of liquidity risk and funding in the BBVA Group has been strengthened in 2011 after the completion of the implementation of the new liquidity and funding model introduced the previous year with the approval of the Liquidity and Funding Manual. The control and monitoring model has been extended over 2011 to all the Group entities that manage their liquidity and funding independently from the parent.

Over the year, the BBVA Group has strengthened its medium-term **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.

With the entry into force of the system of liquidity and funding limits in the first quarter of the year, more emphasis was placed on the maintenance of a sufficient buffer of liquid assets, fully available for discount, to cover the main short-term commitments and bring the Bank into line with proposed regulations. At the same time, diversification of the different sources of funding available by product and geographical area has been increased, while extending the maturities of wholesale funding.

The Finance Division, through **Balance Sheet Management** unit, manages liquidity and funding at the 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 analysis and establishes contingency plans.

The Balance-Sheet Management area 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 structural funding. 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 constrain the negative impact that an adverse performance by its holdings may have on the Group's solvency and earnings recurrence. This ensures that the risk is maintained within levels that are compatible with BBVA's target risk profile.

The **scope of monitoring** includes the holdings that the Group has in the capital of other industrial or financial companies with a medium or long-term investment horizon. These holdings include those accounted in the investment portfolio and those that are consolidated in the accounts, although in the latter case changes in value do not have an immediate effect on equity. In order to determine the exposure, positions held in derivatives are taken into account in order to limit the portfolio sensitivity to potential falls in prices.

This monitoring function is carried out by the Risk area by estimating the levels of risks assumed, and complementing this with periodic checks using stress tests and backtesting, as well as scenario analysis. It also monitors the level of compliance with the limits 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 measurements are also built into the risk-adjusted return metrics to ensure efficient capital management in the Group.

In 2011, in a context of high stock-market volatility, structural equity risk management has been aimed at safeguarding the book value of the Group's holdings. Thus, active position 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 areas

In a year of continuing global economic crisis, combined with major fluctuations in the financial markets, the function of risk control in market activities has taken on a special importance.

The activity of each of the Group's trading floors is controlled 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 already created additional metrics to comply with the regulatory requirements issued by the Bank of Spain. The new market risk measures for the trading portfolio 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 Risk 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. The Group is currently performing stress testing on historical and economic crisis scenarios, as well as impact analyses on the income statement in plausible but unlikely economic crisis scenarios, drawn up by its Economic Research Department.

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 alert 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 between the Group's various Risk Areas.

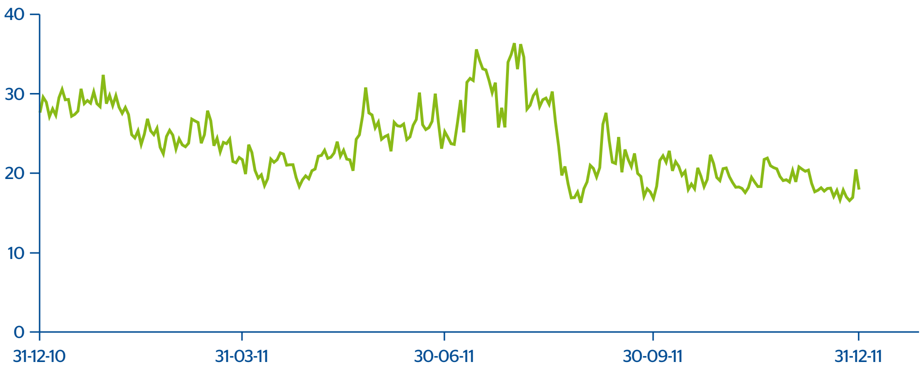
Finally, the market risk measurement model includes backtesting or ex-post comparison which helps to refine the accuracy of the risk measurements by comparing day-on-day results with their corresponding VaR measurements.

Market risk in 2011

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 2011 the market risk of the Group's trading portfolio decreased slightly on the previous year to an average economic capital of €255m.

34 **BBVA Group. Market risk evolution in 2011** (1)

(VaR, million euros)



(1) On February 29, 2008, Bank of Spain validated internal risk assessment model base on Algorithmic for Europe's and Mexico's trading books. Trading portfolios assessment methodology simulates VaR based on historic data.

The main risk factor in the Group continues to be linked to interest rates, with a weight of 65% of the total at the end of 2011 (this figure includes the spread risk). Equity risk accounts for 17%, an increase on the figure 12 months prior. The exchange-rate risk also increased its weight slightly to 7%. Finally, volatility risk decreased and accounts for 10% of the total portfolio risk.

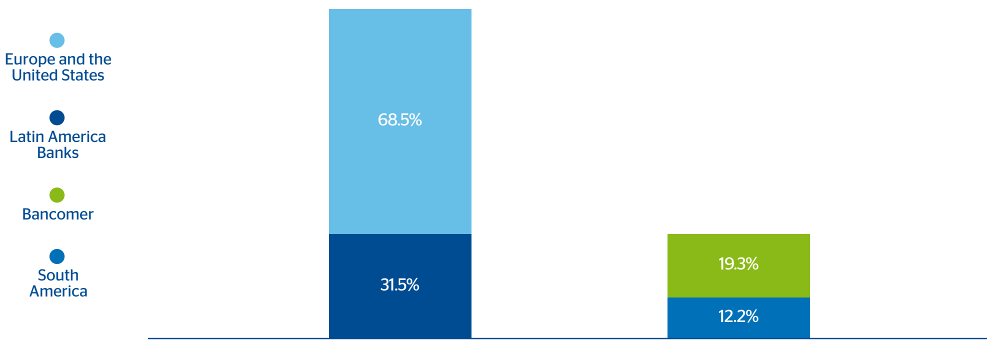
BBVA Group. Market risk by risk factor

(Million euros)

Risk	31-12-11
Interest + credit spread	27
Exchange rate	3
Equity	7
Volatility	4
Diversification effect	(23)
Total	**18**
Average	**24**
Maximum	**36**
Minimum	**16**

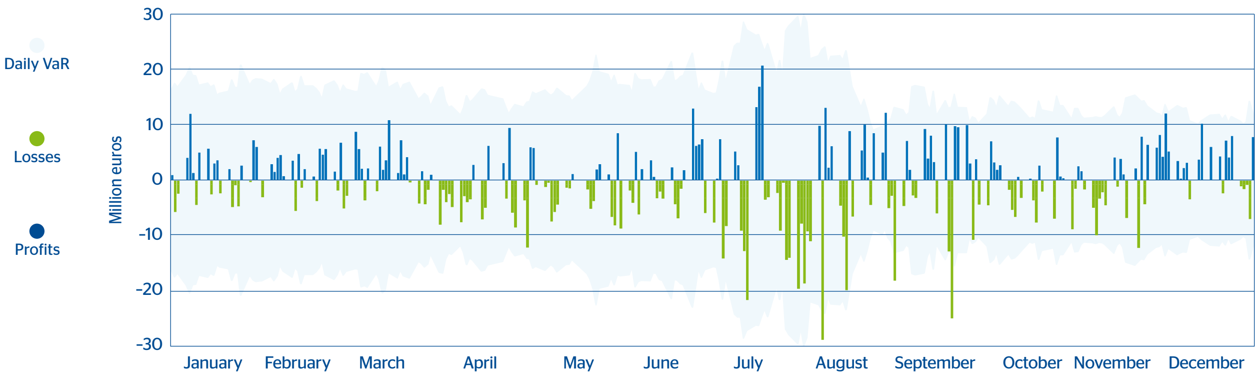
By **geographical area**, and as an annual average, 68.5% of the market risk corresponded to the Global Markets Europe and United States trading desk and 31.5% to the Group's banks in Latin America, of which 19.3% is in Mexico.

35 **BBVA Group. Market risk by geographical area**
(Average 2011)



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 2011 (chart 37).

36 **BBVA, S.A. internal backtesting model in 2011**
(Historical simulation 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 to 1). It also uses credit risk mitigation techniques such as legal netting and collateral agreements.

The **maximum credit risk exposure** in derivatives to counterparties in the Group as of 31-Dec-2011 stood at €58,494m, an increase of 31% on year-end 2010. The maximum credit risk exposure in derivatives in BBVA, S.A. is estimated at €52.796 million. BBVA S.A.'s overall reduction in terms of exposure due to netting and collateral agreements was €37,587m.

Therefore, the net risk in derivatives at BBVA, S.A., as of December 31, 2011, is €15,210m.

OTC Derivatives. Maximum exposure BBVA, S.A.

(Million euros)

OTC financial instruments	Gross exposure	Portfolio effect	Gross maximum exposure
IRS	29,208	560	29,768
FRAs	95	1	96
Interest rate options	2,133	210	2,344
Total "OTC interest rate"	**31,436**	**771**	**32,207**
Forward FX	4,330	885	5,214
Currency swaps	6,544	844	7,389
Currency options	595	32	628
Total "OTC exchange rate"	**11,469**	**1,761**	**13,230**
OTC Equity	7,545	902	8,447
Lending	3,172	6	3,178
Commodities	393	0	393
Total "OTC equity and others"	**11,110**	**908**	**12,018**
Total diversification			**(4,660)**
Total	**54,015**	**3,441**	**52,796**
Net exposure BBVA, S.A.			
Netting savings on collateral agreements			37,587
Net exposure on contractual agreements			**15,210**

As of December 31, 2011, gross exposure amounts to €54,015m and the portfolio effect in that date is €3,441m.

The table below shows the **distribution by maturity** of the maximum exposure amounts under OTC financial instruments. Maturity index is 3.14 years.

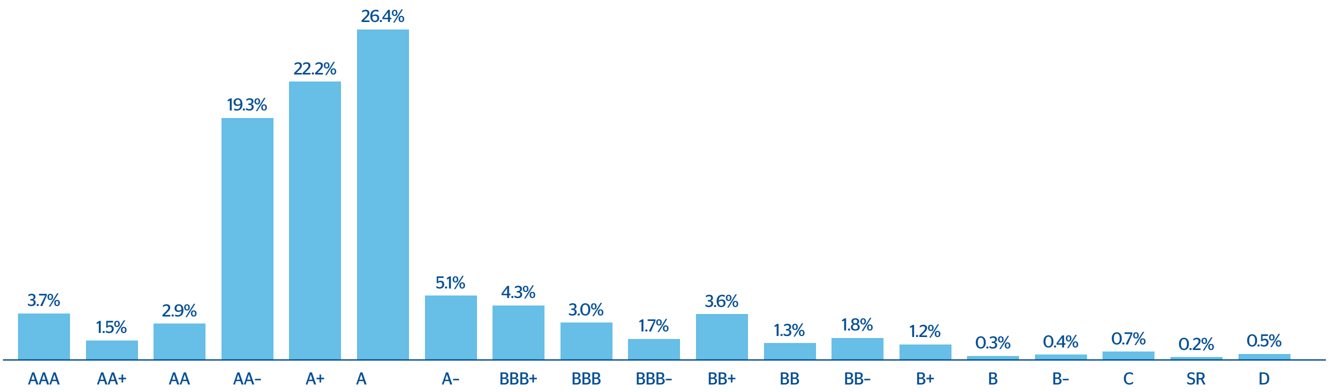
Maximum exposure in OTC financial instruments. BBVA, S.A. Distribution by maturity

(Million euros)

	2011							
Type of product	Maximum exposure	Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	Up to 15 years	Up to 25 years	As of 25 years
OTC interest rate	32,207	52,546	65,365	30,651	33,052	6,061	2,861	508
OTC exchange rate	13,230	17,155	19,381	7,860	9,592	2,204	420	1
OTC equity and others	12,018	15,260	14,766	3,938	3,783	1,338	1,081	137
Total diversification	(4,660)							
Total	**52,796**	**84,961**	**99,512**	**42,449**	**46,427**	**9,603**	**4,362**	**645**

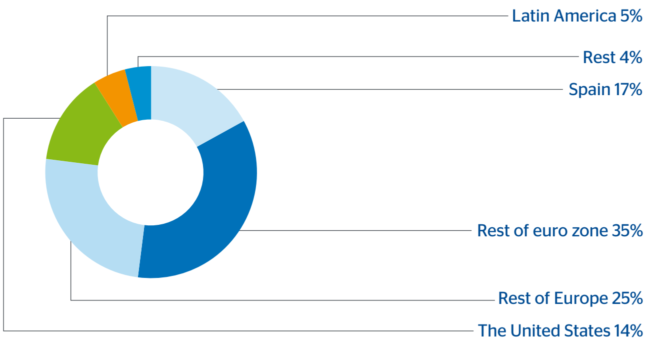
The **counterparty risk** assumed in this activity involves entities with a high credit rating (equal to or above A- in 81% of cases). Exposure is mainly concentrated in financial entities (87%) and corporates (6%).

37 Distribution by rating of maximum exposure in BBVA, S.A.



By **geographical area**, the highest exposure of BBVA, S.A. was in Europe (77%) and the United States (14%), which together account for 91% of the total.

38 Geographical distribution of maximum exposure in BBVA, S.A



Operational risk

Operational risk is defined as the one that could potentially cause losses due to human errors, inadequate or faulty internal processes, system failures or external events. This definition includes legal risk, but excludes strategic and/or business 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 the Group's global risk management structure.

39 Characteristics of BBVA's operational risk management model

Soundness	Board - Governance bodies - 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
Continuous improvement	Best practices function and continuous updating

As part of a process of continuous improvement of the operational risk model, the implementation of an integrated internal control and operational risk methodology began in 2011. This methodology allows identifying risks in organizational units, it better identifies and prioritizes residual risks and links them to the Bank's processes. It also establishes an objective risk level for each risk type 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.

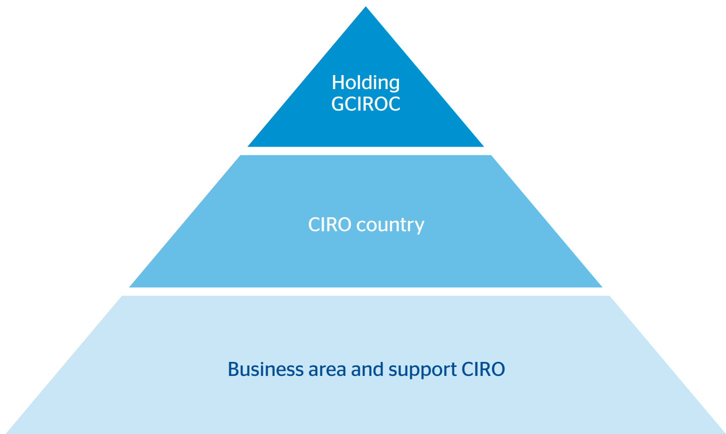
Operational risk management model

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

40 Operational risk management framework: three lines of defense

Operational risk management in BBVA is carried out by the business and support units into which each country is organized. Each country has its own Internal Control and Operational Risk (Control Internto y Riesgo Operacional - CIRO) unit. In turn, there is an internal control and operational risk unit in each business and support area reporting to the country CIRO. 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 enables a general view in each level.

41 Operational risk management framework: organizational structure



Each business and support unit has one or more Internal Control and Operational Risk Committees (CIROCs) that meet on a quarterly basis. These committees analyze the information provided by the Group's tools and make the appropriate mitigation decisions. Above these CIROCs is the Country-level Internal Control and Operational Risk Committee, which deals with more significant risks and their corresponding mitigation plans as well as risks that cut across different areas. The Global Internal Risk and Operational Risk Committee (CGCIRO) is the highest-level body in the parent company, and undertakes a general monitoring of the Group's main operational risks. At the highest level of all are the governance bodies, which are the main driver of operational risk management within the Group.

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 (management) mean:

- 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 controls associated with each risk.

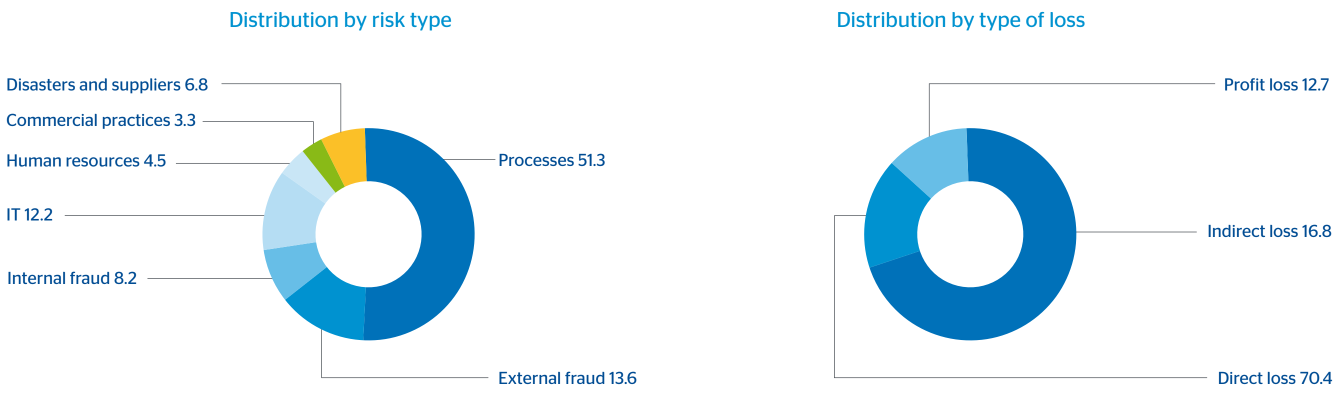
The above helps create a proactive model for making decisions about control and business, and for prioritizing the efforts to mitigate relevant risks as well as reducing the Group's exposure to extreme events.

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

The Group's operational risk profile

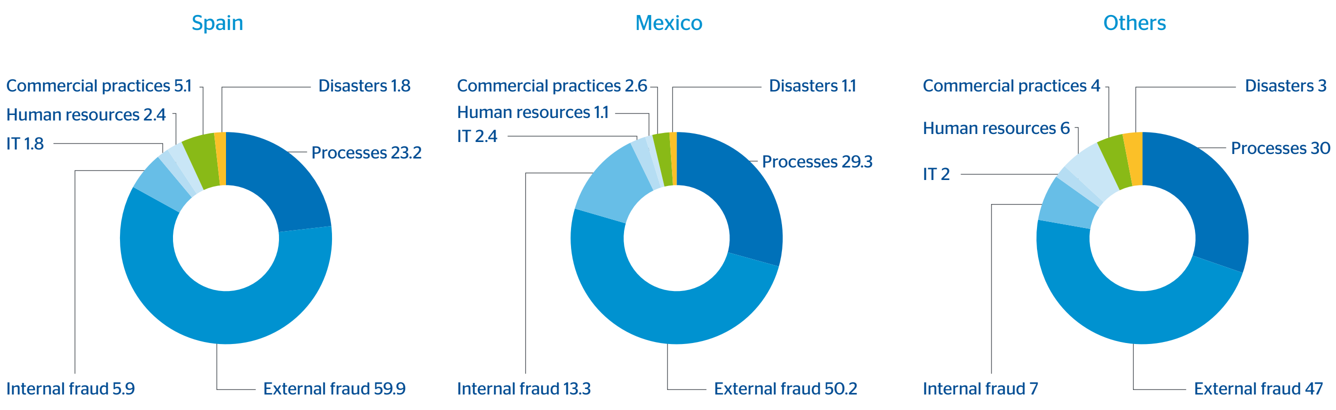
42 BBVA Group. Risk assessed with the Ev-Ro tool

(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 banks outside the Group; 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 environment of the activities and geographical areas in which the Group is present, and by internal control factors that depend on the level of mitigation of the weaknesses identified by the controls.

Operational risk capital

(Million euros)

Risk class	Capital	Method
Spain	683	AMA
Mexico	412	AMA
Other	878	Standard
Other	145	Basic
Total	**2,118**	

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 methodologies developed by Corporate Internal Control and Operational Risk 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 units. At the same time, there is a Social, Environmental and Reputational Risk Committee in the parent company to manage this risk type at the Group level.

Risk management in non-banking activities

Management model

Risk **management** in non-banking activities such as asset management, pensions, insurance companies and the real estate business, is organized following the general principles of the relational model between the corporate Global Risk Management (GRM) area and the risk units of each of the business areas.

Among the main **objectives** of the Non-Banking Risks corporate unit are to establish risk policies and procedures, and to collaborate on the development of methodologies and tools for risk measurement that apply standard techniques to generate outputs that are comparable to the rest of the Group's risks. The risk units in the business areas are responsible for the implementation of the model, as well as its monitoring and control.

The close relationship between these units and the corporate GRM, together with the definition of their policies and their implementation have ensured rigorous control of risk in a year that has been marked by the sovereign debt crisis in the euro zone.

Economic capital is the standard metric for risk quantification in BBVA Group and the basis for estimates of risk-adjusted return. At the close of 2011, the insurance, pension and asset management (AM) activities are estimated to have an economic capital of €1,214m. Its breakdown by each of these activities is given below.

Insurance

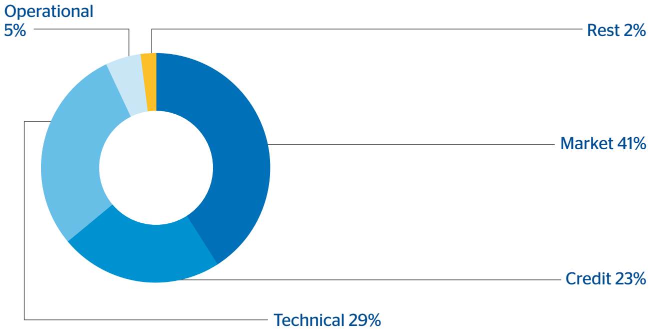
Risk management in insurance business is based on five fundamental **elements**:

- Identification, calculation, monitoring and management of the risks of the products offered by the Group's insurance companies, as well as anticipation of such risks in newly commercialized products.
- The methodology used to measure this kind of risks is validated at the corporate level and has been designed according to similar principles to those used in the banking activity.
- Inclusion of the risk premium into product prices as the first step in contributing to the solvency of the business.
- Limits and controls are also established in line with the target risk profile of BBVA, while adapting to the specific features of insurance products in order to preserve solvency and recurrent business earnings.
- A risk overview that takes into account the reporting needs and the requirements of the Group's business units and of the different regulators in the countries in which business is carried out.

Economic capital in insurance activity in 2011 stood at €946m, a similar figure to the previous year's one. Market risk represented 41.0% of the total economic capital, technical risk accounted for 29.3%, credit risk for 23.4% and operational risk for 5.4%.

44 Insurance companies. Economic capital breakdown by risk type

(31-12-2011)



Total economic capital: 946 million euros

Asset Management

Once more, 2011 was a year of high market volatility. It was marked by a tough crisis of confidence in the euro zone, where there was a gradual deterioration in the internal situation of its members, that were pressed to strengthen the bases of the European Union and the euro. This situation has been reflected in significant increases in the risk premiums of each country with respect to Germany. Sovereign debt deteriorated and there has been a tightening of financing facilities for the countries in the euro zone. This situation has been accompanied by significant falls in stock markets and fears of a global recession.

In this difficult situation, the aim has been to adapt to the environment with diversified portfolios and high-quality assets that guarantee liquidity to customers. BBVA is committed to its fiduciary duty toward its customers, and only assumes risks in third-party portfolios that can be correctly identified, measured, monitored and managed.

Economic capital in the Asset Management unit stood at €76 million. Market risk accounts for 43.4%, with €33 million attributable, mainly, to guarantee risk. Operational risk stands at 54.0% of the total economic capital in the unit.

45 Asset Management. Economic capital breakdown by risk type

(31-12-2011)

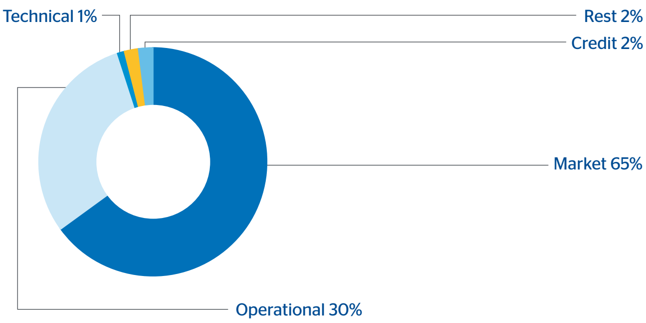
Total economic capital: 76 million euros

Pensions in the Americas

The pensions business in the Americas continued with its natural growth from contributions by pension plan participants. As a result, the volume of assets under management consolidated and increased.

The **economic capital** of the pensions business in the Americas is estimated at €192 million. Market risk, essentially resulting from the regulatory match (a regulatory requirement related to the volume of assets under management) accounts for 64.8% of total economic capital, while operational risk accounts for 30.5%.

46 **Pensions in the America. Economic capital breakdown by risk type**
(31-12-2011)



Total economic capital: 192 million euros

Real estate business risk

BBVA continued the process of improving and revising its risk model corresponding to real-estate activities, by taking the portfolios and economic context into consideration, although maintaining **economic capital** as a common metric.

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

The economic capital of the real-estate business is integrated into BBVA Group's capital model.

Management of ESG risks

Integration of ESG variables into risk management

The integration of ESG variables into the Group's risk management is a new element, although closely related to the rest of the traditionally managed risks. 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. While awaiting a clearer definition in this respect by the Basel Guidelines, the Group has already been working for years on four aspects: the credit profile of the company clients using the ecorating tool; financing major investment projects using the Equator Principles standard; sustainable development lines by agreements with multilateral development banks; and sectoral financing policies.

- **Ecorating**. An environmental risk analysis was carried out in 2011 of 214,091 customers in Spain by combining three groups of variables: polluting emissions and consumption of resources; the environment of the area around the company liable to be directly or indirectly affected by it, and legislative pressure and tax treatment of certain environmental components.

Ecorating: Environmental risk scale

	2011				2010				2009			
	Exposure		Clients		Exposure		Clients		Exposure		Clients	
	Million euros	%	Number	%	Million euros	%	Number	%	Million euros	%	Number	%
Low [1]	113,452	83.7	172,587	80.6	107,816	82.0	180,972	80.2	112,886	81.8	192,410	79.9
Medium [2]	21,628	16.0	40,726	19.0	23,146	17.6	43,956	19.5	23,483	17.0	47,440	19.7
High [3]	410	0.3	778	0.4	471	0.4	827	0.4	1,665	1.2	927	0.4
Total	**135,490**	**100.0**	**214,091**	**100.0**	**131,433**	**100.0**	**225,755**	**100.0**	**138,034**	**100.0**	**240,777**	**100.0**

(1) Low: activities with low or almost insignificant environmental risk in terms of their emissions.
(2) Medium: activities with moderate or high environmental risk. This bracket considers companies regardless of their size and economic solvency. In these groups, moreover, legislative pressure and environmental auditing may constitute a major risk.
(3) High: activities with a very high potential environmental risk. One of the main features of this bracket is that the majority of the companies are large corporations with high economic solvency. They are the ones best prepared to deal with challenges or constraints imposed by legislation on environmental protection.
Scope: Spain.

- **The Equator Principles**. This is a global standard for management of ESG risks when providing finance and advice for investment projects with a capital cost of over US$10 million. It arose from the performance standards of the International Finance Corporation and has been developed by the most active banks in project finance at a global level.

Categories of financing and consultation projects according to the Equator Principles

(Million euros)

		2011			2010			2009		
	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	0	0	0	0	0	0	0	0	0
	B	43	23,060	3,069	37	14,344	1,593	32	15,304	1,485
	C	26	1,687	572	30	3,679	963	29	4,774	987
Total Europe and North America		**69**	**24,748**	**3,641**	**67**	**18,023**	**2,555**	**61**	**20,078**	**2,472**
Latin America	A	1	158	53	0	0	0	2	665	160
	B	13	5,381	1,245	22	4,379	975	6	89	35
	C	4	275	120	2	211	84	4	80	30
Total Latin America		**18**	**5,814**	**1,419**	**24**	**4,590**	**1,059**	**12**	**834**	**225**
Asia	A	0	0	0	0	0	0	0	0	0
	B	0	0	0	0	0	0	0	0	0
	C	0	0	0	0	0	0	0	0	0
Total Asia		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Rest of Group	A	0	0	0	0	0	0	0	0	0
	B	2	690	161	4	1,625	206	3	2,223	152
	C	2	1,905	184	0	0	0	2	387	65
Total rest of Group		**4**	**2,595**	**345**	**4**	**1,625**	**206**	**5**	**2,610**	**217**
Total Group		**91**	**33,157**	**5,404**	**95**	**24,238**	**3,820**	**78**	**23,521**	**2,913**

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.

- Lines from **multilateral banks** for regional development that require the recipient to have in place or to implement systems for managing environmental, social, ethical and corporate governance risks in fund management.

- **Sector policies**: In the case of BBVA, its rules of conduct regarding the defense sector as well as other policies, which may be checked on www.bancaparatodos.com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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 the risk premium.

Following the acquisition of 24.9% of the Turkish bank Garanti and its incorporation into the financial statements of the Group starting in March 2011, BBVA began to have a significant presence in Europe and Asia in terms of its balance sheet and earnings. In addition, since the start of the crisis, the importance of the geographical location of business has been clear for providing a proper perception of risks and an improved estimate of the capacity for future growth. Finally, the new regulations favor a local management of structural risks that avoids possible contagion between financial systems. For these motives, the businesses included in Spain and Portugal and WB&AM during 2010 have been regrouped into the following areas:

- **Spain:** includes BBVA businesses in all segments, within the country.

- **Eurasia:** covers all BBVA activity in the rest of Europe and Asia, including the Group's stake in Garanti.

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

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

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

- **Spain**, which includes: The retail network, with the segments of individual customers, private banking, and small business and retail banking in the domestic market; Corporate and Business Banking (CBB), which handles the needs of SMEs, corporations, government and developers in the country; Corporate and Investment Banking (C&IB), 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. In 2010 it was reported either in Spain and Portugal (BBVA Portugal, Consumer Finance Italy and Portugal, and the retail business of branches in Paris, London and Brussels), or in WB&AM (C&IB, GM, CNCB and CIFH). Additionally, it also includes the information on Garanti.

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

- **United States**: encompasses the Group's business in the United States and in the Commonwealth of Puerto Rico.

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

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

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

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

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

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

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

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

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

- Internal transfer prices: Internal transfer rates are applied to calculate the net interest income of each business, on both the assets and liabilities. These rates are composed of a market rate that depends on the revision period of the operation, and a liquidity premium that has been revised as indicated above. Earnings are distributed across revenue-generating and distribution units (e.g., in asset management products) at market prices.

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

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

Recurrent economic profit by business area

(January-December 2011. Million euros)

	Adjusted net attributable profit	Economic profit (EP)
Spain	1,697	652
Eurasia	991	445
Mexico	1,761	1,269
South America	762	413
The United States	276	(11)
Corporate Activities	(796)	(793)
BBVA Group	**4,691**	**1,976**

Mayor income statements items by business area

(Million euros)

		Business areas					
	BBVA Group	Spain	Eurasia	Mexico	South America	The United States	Corporate Activities
2011							
Net interest income	13,160	4,399	801	3,827	3,164	1,590	(621)
Gross income	20,566	6,357	1,952	5,550	4,457	2,277	(27)
Operating income	10,615	3,556	1,307	3,539	2,415	786	(987)
Income before tax	3,770	1,914	1,170	2,299	1,877	(1,061)	(2,430)
Net attributable profit	**3,004**	**1,363**	**1,027**	**1,741**	**1,007**	**(722)**	**(1,413)**
Net attributable profit (excluding one-offs) (1)	**4,015**	**1,363**	**1,027**	**1,741**	**1,007**	**289**	**(1,413)**
2010							
Net interest income	13,320	4,878	345	3,688	2,495	1,794	121
Gross income	20,910	7,055	1,080	5,496	3,797	2,551	932
Operating income	11,942	4,240	785	3,597	2,129	1,034	158
Income before tax	6,422	3,160	675	2,281	1,670	309	(1,673)
Net attributable profit	**4,606**	**2,255**	**588**	**1,707**	**889**	**239**	**(1,072)**
Net attributable profit (excluding one-offs) (1)	**4,606**	**2,255**	**588**	**1,707**	**889**	**239**	**(1,072)**
2009							
Net interest income	13,882	5,571	387	3,307	2,566	1,679	372
Gross income	20,666	7,875	953	4,870	3,637	2,412	919
Operating income	12,308	5,031	675	3,316	2,058	1,047	180
Income before tax	5,736	3,890	611	1,770	1,575	(1,428)	(683)
Net attributable profit	**4,210**	**2,801**	**473**	**1,357**	**780**	**(950)**	**(251)**
Net attributable profit (excluding one-offs) (1)	**5,260**	**2,801**	**473**	**1,357**	**780**	**100**	**(251)**

(1) In the fourth quarter of 2011 a charge was booked for goodwill impairment in the United States. The third quarter, both for 2009 and 2010, includes capital gains from the sale-and-leaseback of retail branches which have been allocated to generic provisions for NPA, with no effect on net attributable profit. And in the fourth quarter of 2009, there was an extraordinary provision and a charge for goodwill impairment in the United States.

Spain

Income statement

(Million euros)

	Spain			
	2011	∆%	2010	2009
Net interest income	**4,399**	**(9.8)**	**4,878**	**5,571**
Net fees and commissions	1,468	(12.2)	1,672	1,763
Net trading income	19	n.m.	2	2
Other income/expenses	471	(6.5)	504	539
Gross income	**6,357**	**(9.9)**	**7,055**	**7,875**
Operating income	(2,801)	(0.5)	(2,815)	(2,844)
Personnel expenses	(1,694)	(1.1)	(1,713)	(1,739)
General and administratve expenses	(1,009)	0.4	(1,004)	(1,008)
Deprecation and amortization	(98)	0.9	(97)	(97)
Operating income	**3,556**	**(16.1)**	**4,240**	**5,031**
Impairment on financial assets (net)[1]	(1,711)	30.0	(1,316)	(1,822)
Provisions (net) and other gains (losses)[1]	70	(70.6)	237	681
Income before taxes	**1,914**	**(39.4)**	**3,160**	**3,890**
Income taxes	(550)	(39.0)	(902)	(1,085)
Net incomes	**1,364**	**(39.6)**	**2,258**	**2,805**
Non-controlling interests	-	-	(2)	(4)
Net attributable profit	**1,363**	**(39.5)**	**2,255**	**2,801**

(1) The third quarter in of 2009 and 2010 includes €830 million and €233 million, respectively stemming from the sale-and-leaseback of retail branches, and their allocation to generic provisions for NPA for the same amount.

Balance sheet

(Million euros)

	Spain			
	31-12-11	∆%	31-12-10	31-12-09
Cash and balances with central banks	13,358	232.8	4,014	2,663
Financial assets	68,974	10.2	62,591	68,399
Loans and receivables	223,333	(1.8)	227,343	220,548
Loans and advances to customers	209,622	(1.7)	213,281	206,456
Loans and advances to credit institutions and others	13,711	(2.5)	14,062	14,092
Inter-area positions	-	-	-	-
Tangible assets	922	(5.0)	970	1,012
Other assets	3,325	22.1	2,723	2,221
Total assets/Liabilities and equity	**309,912**	**4.1**	**297,641**	**294,843**
Deposits from cental banks and credit institutions	41,462	68.6	24,586	28,106
Deposits from customers	114,783	(9.8)	127,219	96,708
Debt certificates	3,668	-	-	25
Subordinated liabilities	5,802	3.2	5,621	5,120
Inter-area positions	67,526	(14.1)	78,629	109,049
Financial liabilities held for trading	48,351	39.1	34,761	30,902
Other liabilities	18,014	8.1	16,666	15,660
Economic capital allocated	10,306	1.4	10,160	9,273

Significant ratios

(Percentage)

	Spain		
	31-12-11	31-12-10	31-12-09
Efficiency ratio	44.1	39.9	36.1
NPA ratio	4.8	4.8	4.9
NPA coverage ratio	44	44	48
Risk premium	0.78	0.60	0.84

Spain highlights in 2011

- Deleveraging process positive for the liquidity gap in the area.
- Increased market share in key items for customer bundling.
- Major effort to manage prices.
- Expenditure control.
- Successful swap of preferred securities for convertible bonds.
- Stable NPA and coverage ratios.

Definition of the area

The area of Spain includes all the segments of BBVA's banking and non-banking business in the country. It offers services to 9.3 million customers through its 28,934 employees and a solid distribution network, with 3,016 branches and 5,283 ATMs. Furthermore, in 2011, its online banking transactions increased more than 30% year-on-year.

Macroeconomic and sector context

The **Spanish economy** continued in a fragile growth situation in 2011. This was the reflection of certain factors that, throughout the year, have affected the extent of the recovery progress. The Spanish economy is undergoing an ambitious fiscal consolidation plan, which achieved a noteworthy reduction of the deficit. In 2011, it stood at 8.2%, from the 11.1% reached in 2009. However, this has not prevented moments of high tension in the government debt markets throughout the year. To a certain extent, the Spanish government debt has been pressured by a contagion phenomenon following the uncertainty resulting from the approval of the second Greek rescue plan and, especially, as a consequence of the political crisis in Italy after the failure of the fiscal consolidation and reform plans presented by the former government. Only in the last part of the year , the interest rates of the Spanish public debt decreased, primarily due to the occasional interventions by the European Central Bank.

Moreover, the Spanish economy has been weighed down by the poor performance of a dysfunctional labor market and by the adjustment process in the real estate sector. This sector accelerated its fall in 2011 in terms of activity due to the uncertainty coming from tensions in the financial markets, among other reasons. In all, GDP growth in the year stood at 0.7%. However, some of these adjustments are continuing at a good rate. The funding needs of the Spanish economy continue to decrease, while there have been some very significant increases in competitiveness that have translated into steep rises in exports.

In this context, the Spanish **financial entities** have developed their commercial activity in a context of necessary and positive credit deleveraging process, liquidity tensions in the wholesale-funding markets, pressure on liability costs and deterioration of asset quality. In addition, the Spanish financial sector continues to be involved in a restructuring process whose most significant advances include the IPOs of Bankia, CaixaBank and Banca Cívica, the announcement of mergers between medium-sized banks (such as Popular and Pastor), interventions in several savings banks and the largest branch closure since the onset of the crisis (2,504 fewer in the first nine months of the year, the latest available data).

In this context of liquidity tensions, the Spanish banking system's commercial networks have therefore continued to focus on attracting stable funds. In the last quarter there was a notable issuance of promissory notes to individuals and companies (over €40,000m). In the loan book, household lending fell by 2.75% (figure as of December 2011) since December 2010, with the new production of mortgages to individuals falling by 46.4% and consumer finance by 41.3%. Corporate deleveraging has been more notable, at 6.0% over the same time period. For the year as a whole, the volume of loans in the Spanish banking system has been curtailed by €68,414m. Demand for liability products was concentrated on deposits and new conservative options such as promissory notes, which have been the focus of almost all the new funds gathered, especially in the fourth quarter.

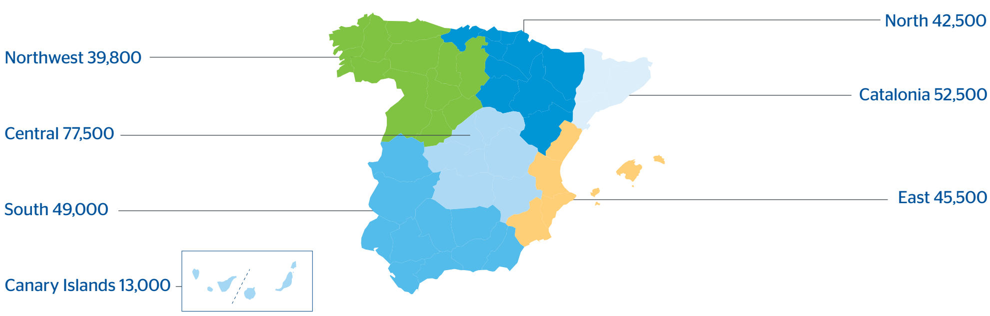
Management priorities

Against this backdrop, which is especially trying from the management standpoint, BBVA continues to consolidate its leading position among the rest of its competitors in the system. This leadership is clearly reflected in terms of profitability, efficiency, asset quality, funding structure and competitive positioning.

1 Spain. Balance geographical presence

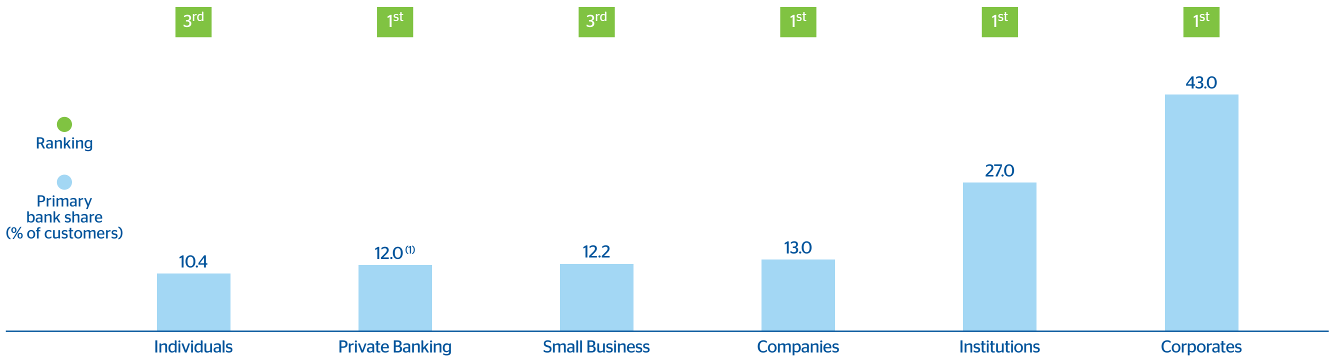
(Million euros)

Business volume (1)



(1) Business volume calculated as aggregate average balances o gross lending and customer funds.

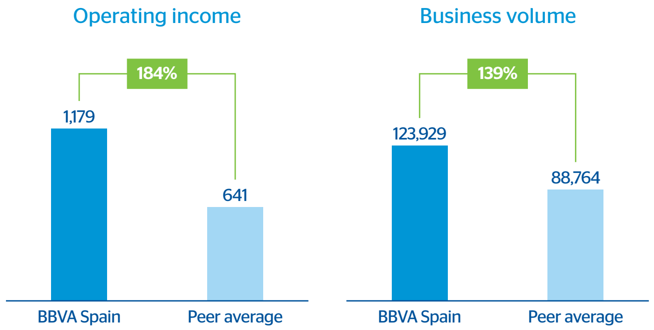
2 Spain. Segment leadership



Source: FRS reports (2010-2011) except (1).
(1) DBK report. Private banking. Customers with over €300,000 in assets.

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

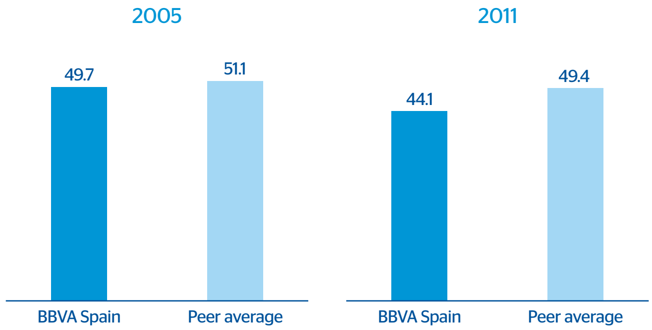
(Thousand euros)



(1) Peer Group: BTO, BKT, CAIXABANK, POP, SAB and SAN (last available data), BANKIA (annualized data).

4 Spain. Efficiency ratio *versus* the peer group (1)

(Percentage)



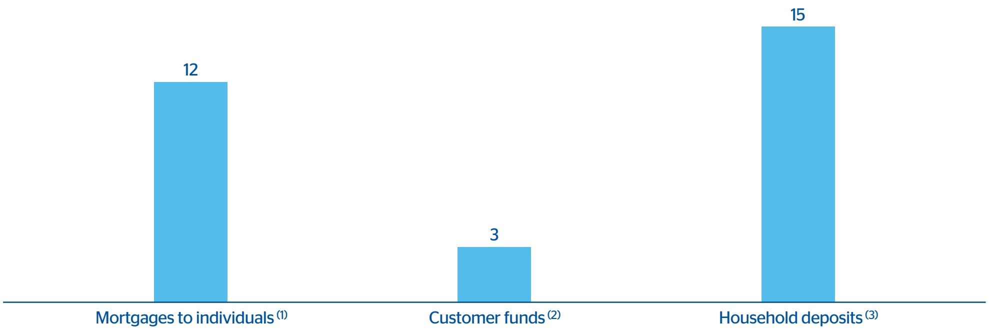
(1) Peer Group: BTO, BKT, CAIXABANK, POP, SAB and SAN (last available data), BANKIA (annualized data).

Three management keys are at the root of the area's strong performance in **2011**:

- First, in a context of lending weakness, BBVA has been able to increase its business share selectively in those products that are essential to customer-loyalty, such as the mortgage portfolio and customer funds.

5 Spain. Market share earned by BBVA Spain

(Basis points from December 2010 to November 2011)

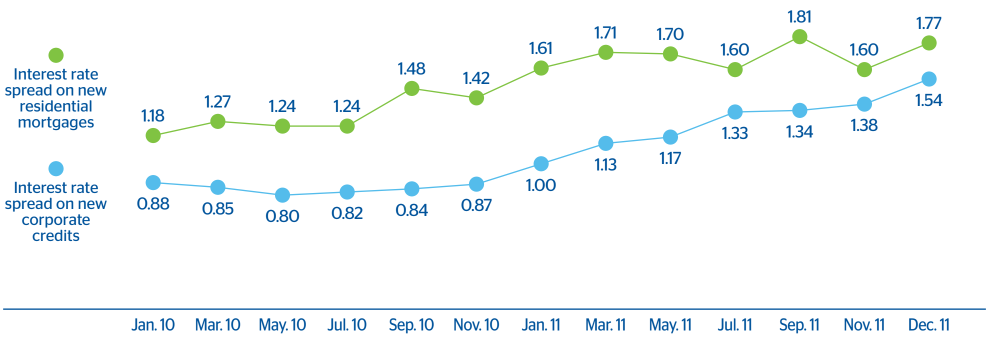


(1) Mortgages to individuals: Crédito Comprador.
(2) Customer funds: Commercial Activity Deposits_plus_Funds plus Promissory Notes.
(3) Household Deposits: Including time deposits and transactional accounts.

- Secondly, the solid management of prices and spreads carried out was also noteworthy. On the one hand, credit has been repriced and, on the other, a significant defensive strategy has been carried out for the balance and cost of retail funding in a very difficult period in which there still has been a liability war within the system.

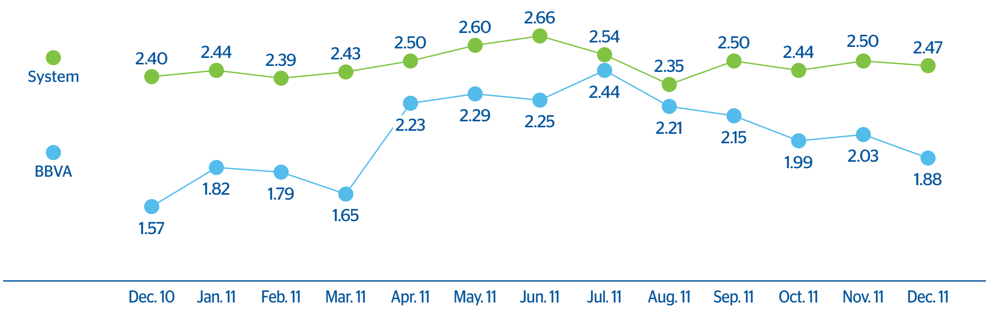
6 Spain. Interest rate spread on new consumer credit transactions

(Percentage)



7 Spain. Average rate of new time deposit transactions for BBVA Spain *versus* the system

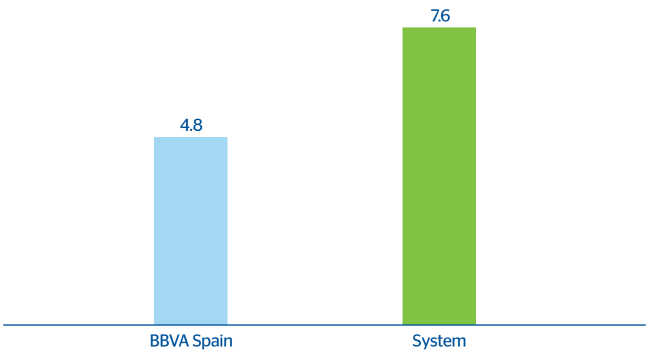
(Percentage)



- Thirdly, at a time in which asset quality in the system continues to deteriorate, BBVA kept its risk indicators in Spain contained. For another year, the area benefitted from its strategy of anticipation and risk selection implemented during the years of the credit boom.

8 NPA ratio of BBVA Spain versus the peer group

(Percentage)



Specifically, the area's strategy is based primarily on two management capacities that are widely recognized by the market.

1. On the one hand, its **network management capacity**, which allows the distribution structure of BBVA in Spain to lead in efficiency and productivity.

2. On the other, its **risk management capacity**, which is defined by constant anticipation and control efforts.

Looking towards the **future**, BBVA Spain's action will focus on three axes:

First, commercial strategy will be focused on capturing new customers and increasing customer loyalty. BBVA would like to become the first provider of financial services for a larger number of individuals and companies. To do so, the Entity will continue to invest in developing a service of higher quality, with a closer and more personalized approach for each one of its customers.

Second, BBVA is taking major steps in the technological evolution of its distribution model, in the development of its technological channels and in the integration of physical and virtual banking. Along these lines, "BBVA Contigo" was launched in 2011. This is an innovative, personalized, remote management service geared towards customers who do not wish to physically go to their branch.

Third, and also in the sphere of technology, the area would like to continue increasing the automation and digitalization of its processes in order to reduce operating costs while encouraging quality and reliability.

These three 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, due to its positioning, standout strength and anticipation, BBVA is one of the best positioned players to take advantage of the opportunities that may arise in the financial system restructuring.

Breakdown of results

In the aforementioned macroeconomic and sector context that has taken place during 2011, BBVA Spain closed on December 31, 2011 with a **gross lending to customers** balance of €214,156m, which implies a lower decrease than that of the market (–1.8% in BBVA vs. –3.2% in the sector). However, the yield increased by 13 basis points since the last quarter of last year.

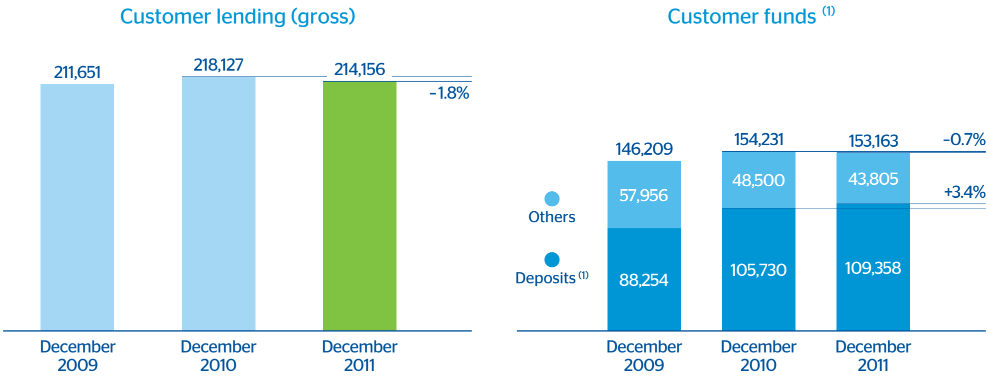
In terms of **customer funds** (deposits, mutual funds and pension funds, as well as promissory notes), a total of €153,163m were managed. In the year, BBVA achieved a significant increase in market share in current and savings accounts in households and corporates of 12 basis points up to 9.7%. In addition, the area has improved its positioning in stable resources on the balance sheet with a share increase of 11 basis points in the aggregate of time deposits and promissory notes since the beginning of the year.

In off-balance-sheet funds, the Group manages €19,598m in mutual funds in Spain, which corresponds to a market share of 15.3%. Assets under management fell by 12.2% in the last twelve months. This figure is lower than the one recorded by the entire market, due to BBVA's greater weight in more conservative products. In terms of pension funds, BBVA pension fund manager remains in the leading position in Spain, with a share of 18.9% as of 31-Dec-2011 and assets under management of €17,224m.

It is worth noting that in December BBVA successfully closed the **exchange of preferred securities** for mandatory subordinated bonds convertible into newly issued ordinary shares of BBVA. The acceptance of the offer among investors was 98.7%, amounting to a total of €3,430m. The successful uptake of this operation and others reveals the great capillarity of the BBVA network, the trust of its customers in BBVA and the mutual commitment between them and the Bank.

9 Spain. Key activity data

(Million euros)



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

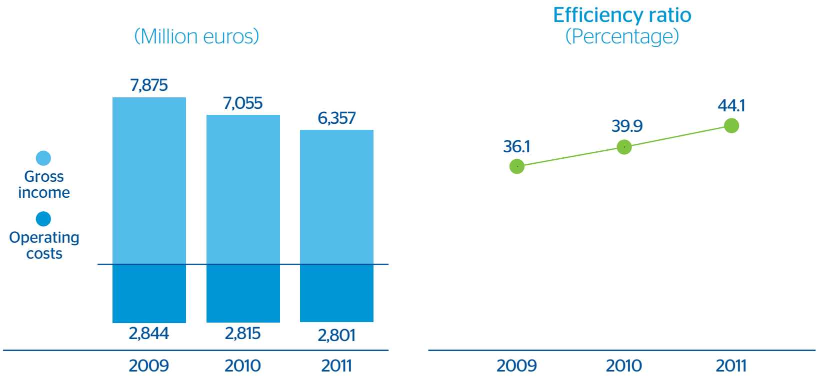
Stable quarterly figures for net interest income and other revenue, the high level of efficiency, and competitive advantages in terms of asset quality with respect to the sector as a whole, have all characterized earnings for the area in 2011.

A combination of loan repricing, the greater weight of current and savings accounts, the high proportion of time deposits renewed at prices adjusted to the degree of customer bundling, and risk selectiveness have resulted in a net interest income for the year of €4,399m (–9.8% year-on-year). This was achieved despite the last six months of the year being characterized by more expensive wholesale funding and the loss of asset values as a result of market difficulties.

Furthermore, fees and commissions, at €1,468m, were down 12.2% during the year in an environment of pressure from the financial markets influencing the fees linked to mutual funds, reduced M&A activity in the corporate sector, and discounts to ensure greater customer loyalty. The good performance of the insurance business did not offset the adverse performance of NTI in the period, which was hit by the economic situation, the low level of activity in Wholesale Banking and the fall in asset prices. Overall, the resilience of net interest income and the positive performance of the insurance business, balanced against the negative performance of other income, have resulted in accumulated **gross income** of €6,357m.

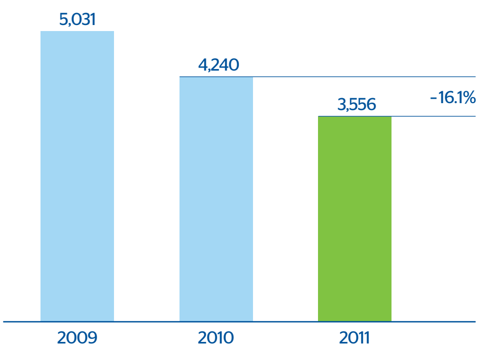
The area's operating expenses stayed contained and amounted to €2,801m in 2011. This marked a year-on-year fall of 0.5%, despite the fact that its number of branches remained practically the same, unlike its competitors. As a result, the efficiency ratio stood at 44.1%, which stands out against the rest of the sector. **Operating income** reached €3,556m (€4,240m in 2010). The above reflects, on one hand, the resilience of the area's recurrent revenues in a year plagued by economic and financial difficulties. And, on the other hand, it reveals it has room to meet the needs for loan-loss provisioning, with impairment losses on financial assets at €1,711m, representing 48% of the operating income.

10 Spain. Efficiency



Spain. Operating income 11

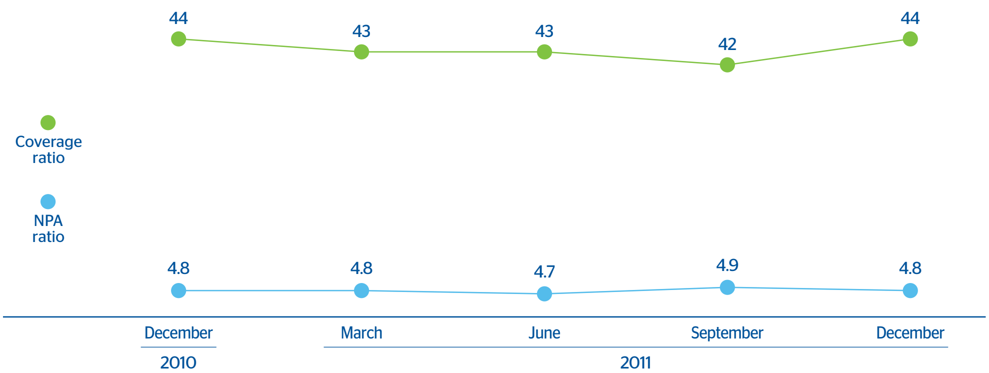
(Million euros)



Another competitive advantage with respect to its sector is BBVA's asset quality in Spain, with a very stable NPA ratio of 4.8% as of 31-Dec-2011, notably lower than the 7.6% figure for the market average. There was practically no increase of asset impairments over the year in the area, while in the system as a whole the ratio was up 180 basis points. The coverage ratio closed at the same levels as the previous year, at 44%. The practically stable volume of distressed assets is due to a moderation of gross additions with an increase of recoveries.

12 Spain. NPA and coverage ratios

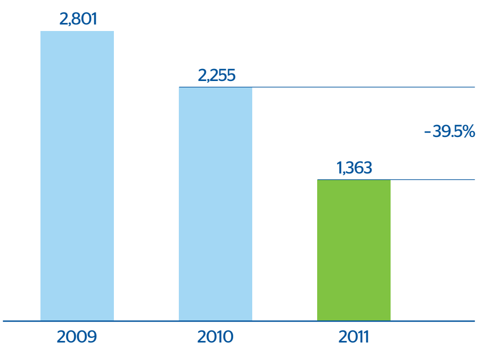
(Percentage)



In all, the area's **net attributable profit** for the year amounted to €1,363m.

13 Spain. Net attributable profit

(Million euros)



Retail and Commercial Banking

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

As of December 31, 2011, this unit managed **loans and receivables** of €190,817m, 2.8% lower than the amount recorded on December 31, 2010. This is due, in large part, to the reduction of positions in the greater risk groups. However, BBVA's commitment to its customer base resulted in a new market share gain in households and companies with less risk. **Balance sheet funds managed**, including promissory notes, stood at €99,455m, up 2.2% on the previous year. Thus there is a clear improvement in the unit's liquidity gap.

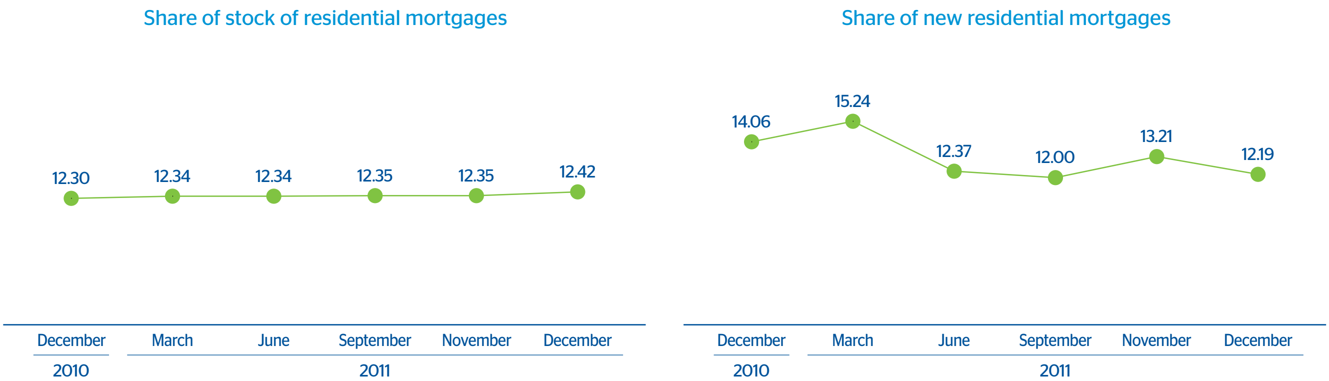
Within the **Retail Network**, lending closed 2011 with a balance of €102,158m (down 4.0% year-on-year). Customer deposits (including promissory notes) stood at €77,114m (up 4.0%).

Commercial activity worth mention in the unit includes:

- BBVA, anticipating the effects of the crisis, has been implementing a range of financial solutions since 2008 designed to resolve the financial problems of 47,000 families, by adapting to their capacity to pay.

14 Spanish Retail Network. Market share in mortgage lending

(Percentage)



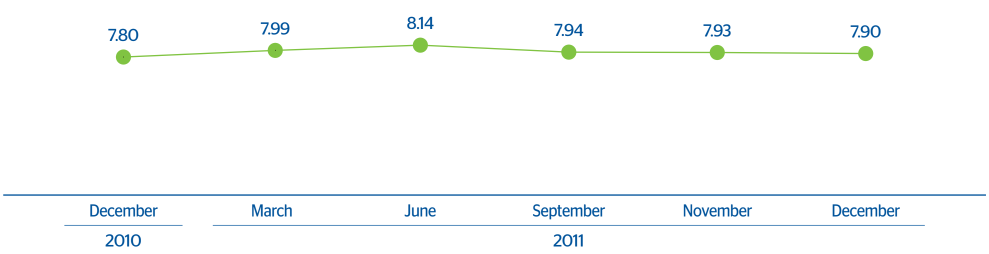
- When compared to the market, the Bank presents positive progress in residential mortgage lending, which has allowed the managed stock of mortgages to remain stable and gain 12 basis points in the market share (November data, latest available) in the year.

- In 2011, two new "Quincenas de Cuentas Abiertas" (Open Account Fortnights) were carried out that allowed access to a promotional gift for opening deposits, setting up a direct deposit for payrolls and pension payments, taking out consumer loans and pension plans, in addition to deposits funds and lending. A total of 399,333 gifts were given, and €1,183m in funds were gathered.

- In time deposits, the market share in households increased 9 basis points in the year to 7.9%.

15 Spanish Retail Network. Market share in household term deposits. BBVA *vs.* banking and savings institutions

(Percentage)



- Also outstanding were the "Pagarés de Banco de Financiación" promissory notes that, since their launch in September, invoiced €2,381m.

- ICO Funds totaling €814m were placed to SMEs and the self-employed segments in 27,600 transactions through the agreements made with the ICO. This put BBVA in second place as issuer of this type of institutional loan.

- Agreements were renewed with: the National Association of the Self-Employed (ATA), with 450,000 members; the National Federation of Lottery Associations (ANAPAL) with more than 5,000 members; the Spanish Modern Hotel and Catering Association (FEHRCAREM) with more than 3,000 franchises; the Spanish Retail Confederation (CEC) with 450,000 members; IAC Automoción, with 1,500 members; and the Union of Tobacconists (UAEE), with 11,000 affiliates.

- In the retail trade segment, the new campaigns both to attract new customers and maintain the loyalty of existing ones have focused on the "*Bono TPV*" and "transactional" offers. Thanks to the solid efforts of the sales force, excellent earnings were recorded, with a year-on-year increase in point-of-sale turnover of 8.1%.

- Commercial actions for the capture of new cooperatives as customers stood out in the agricultural sector. The number of agricultural entities in the client base rose to 900 as of December 31, 2011, with a business volume of €145m.

As a result of its **customer** focus, this unit gained 488,000 new customers in 2011 and increased the degree of loyalty of its existing customers. This was demonstrated in the 3.5% increase in the number of products per customer and the increased weight of the non-basic customer.

Several relevant projects were carried out in 2011, including:

- Internet: whose objective is to digitize BBVA relations with its customers in order to reach its goal of 2 million active Internet users by December 2012. Currently, more than 4,000 customers register every day for the BBVA Internet service.

- "BBVA Contigo": a pioneer, innovative remote management service designed for customers demanding personalized consulting to complement the use of remote channels, such as the Internet, phone or ATMs. BBVA already has more than 230 specialized consultants and 185,000 customers who have chosen this relationship model. The objective for 2012 is to make this initiative universal.

- Within the Means of Payment, several actions have been carried out to reinforce BBVA's leadership position, by increasing the invoicing volumes in the main business lines and, especially, in prepayment services, which was up 6.4% year-on-year. Likewise, in order to boost its position as reference Bank for companies and the self-employed segment, BBVA launched a new range of company credit cards that, while simplifying its current range, meets the needs of this segment. The year 2011 marked the culmination of the migration process for the credit card stock to EMV (Europay Mastercard Visa) chip, and an important effort was made in process improvement by enabling new channels, like mobiles phones, ATMs and the Internet for requesting and managing the cards. Finally, at the end of 2011, BBVA revolutionized the market with the launch of the new contactless payment cards that provide customers with speed, security and innovation.

- Within the Multichannel banking unit, BBVA was able to increase online customer support functionalities, with the incorporation of new tax and receipts modules, descriptive videos, social networks, alerts area, etc. The contracting systems have been simplified and mobile device developments have continued. These efforts led Apple to select "BBVA Móvil" as the first Spanish bank highlighted in the Apple Store. Finally, ATMs have undergone major improvements, making their use easier and incorporating the option to receive statements and confirmations through SMS or email.

- BBVA's Contact Center, in its commitment to quality, continues to offer the highest standards of service in the market. It was granted awards for "Efficiency and Speed in Telephone Banking" and "Business Intelligence in Customer Service" at the 2nd Contact Center Awards, in addition to the "CRC GOLD" for collections management.

- Finally, the complete self-service relationship model at BBVA, provided through Uno-e, developed a new range of products on its website and has transformed telephone customer service, enabling it to end the year with a positive balance sheet.

CBB unit manages lending of €88,173m and customer deposits including promissory notes totaling €21,602m. The following are the most important points in this respect in 2011:

- Supporting Spanish companies was a priority. BBVA did so primarily using two vehicles: commercialization of ICO lines, as well as collaboration with the Official Credit Institute (ICO) in the dissemination and development of ICO Directo, and with the European Investment Bank (EIB), through a new Public Sector line. BBVA has, for another year, played a key role as one of the most active banks in the distribution of various ICO credit facilities, with the conclusion of 31,745 transactions for a total of €2,393m, a market share of 12.7%.

- In terms of working capital, BBVA marketed factoring assignments of €12,920m and accounts payable advances and deferments for €14,109m, thus consolidating its leadership position in this business.

- In the corporate segment BBVA also maintains a leading position with large companies, with a penetration share of 67.5% and a 27% market share as the leading financial supplier (according to the FRS-Inmark-2011 report). Within SMEs (corporate entities with a turnover of under €50m and more than 10 employees), the penetration share is 34% and the share as leading financial provider stands at 12.1%, according to the same sourc.

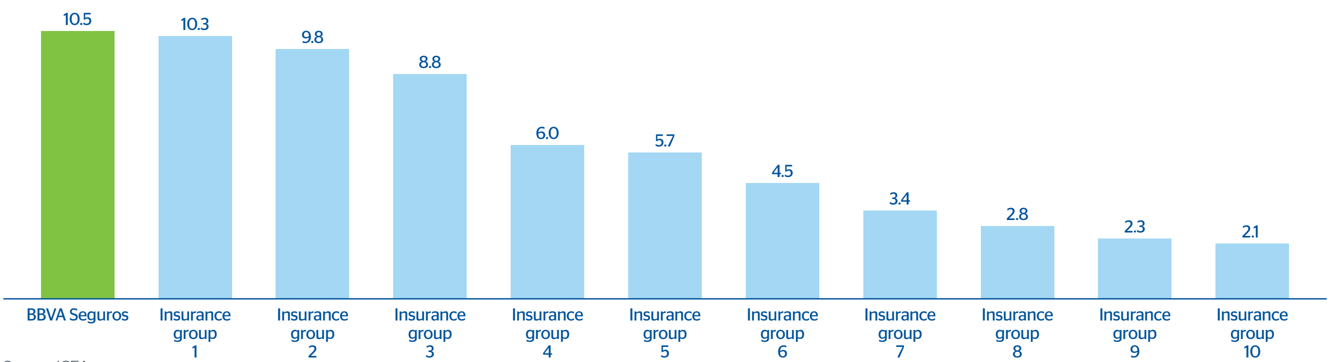
- In **corporations**, BBVA is the absolute market leader, with 96.7% of the penetration share. It is the primary or reference bank for the most customers thanks to its outstanding service and the customer-relationship model that defines this group.

BBVA **private banking** serves customers with more than €300,000 in liquid assets and also encompasses the wealth management unit (Patrimonios) for customers/family groups with more than €2m available. In 2011, BBVA increased its number of customers by 1% by virtue of greater consulting and its exclusive range of products: portfolios managed and advised, exclusive funds in the segment, third-party funds, personalized structure, Visa Infinite, etc. BBVA private banking was also recognized, for the second consecutive year, as the best private bank in Spain in the 2011 *Global Private Banking Awards*, held annually by *The Banker*, the prestigious *Financial Times* Group magazine specializing in international banking. This year, BBVA Private Banking remained the leading entity in terms of assets under management with more than €2,700m (11.2% market share), pertaining to 290 SICAVs.

The **Insurance** unit comprises several companies with the strategic objective of becoming the leader 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 different networks. In terms of activity, BBVA Seguros written premiums in 2011 reached €1,877m (up 73% year-on-year). Of that, 1,354m correspond to the positive course of the insured savings business (up 178% year-on-year), especially as regards the growth of the company insurance schemes that, with €464m of written premiums (up 152% year-on-year), has become a clear reference in this market. As a result, the volume of funds under management in insurance savings policies amounted to €8,792m (up 8% year-on-year). BBVA Seguros remained the market leader in individual life and accident insurance policies, with a market share of 10.5% as of September (latest available figure), after issuing €288m. The level of activity in the non-life business has been maintained, after writing premiums for €236m (up 2% year-on-year). The unit has also brokered premiums for other companies for €161m.

16 BBVA Seguros and main competitors. Market shares in individual life-risk premiums

(Percentage as of 30-09-2011)

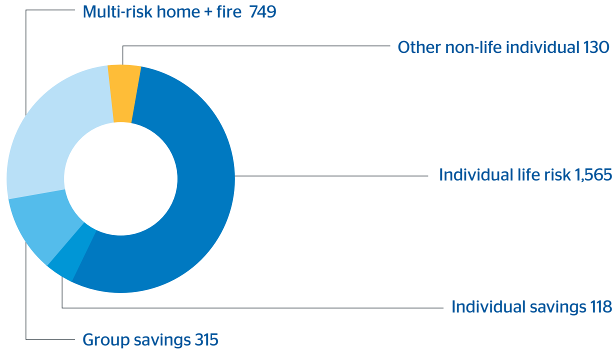


Source: ICEA.

In order to increase pension savings solutions for its customers, BBVA Seguros has broadened its product catalog with the launch of PPA (insured pension plan income schemes): an accumulation PPA, with the objective of saving capital for retirement based on an insured yield, and in which the premiums contributed are deductible on the taxable base of individual income tax; and income PPA, which allows the savings customers have accumulated up to their retirement in other PPAs or PPIs (Individual Pension Plan) to transform into monthly life annuities. Likewise, two new issues were made, for 15 and 36 months, for the Europlazo product, a mixed life-savings deferred capital insurance product. Also, in order to boost the capture of new insurance policy holders and to reward their loyalty, the "Seguros Remunerados BBVA" (Remunerated Insurance BBVA) line was launched. It offers a range of life, home and temporary disability insurances that give money back to customers while the policy is in effect. Through it, they can even earn a 25% discount after three years.

The unit achieved more than 2.8 million policyholders, with an increased quality of service, as reflected by the complaint-free resolution of more than 96% of life insurance claims reported and the complaint-free resolution of 99% of home insurance policies. Periodic independent measurements granted the home insurance policies a score of 7.6 out of 10 for service received during the claims process.

17 BBVA Seguros. Policyholder distribution
(Thousands of policyholders as of 31-Dec-2011)



Policyholders total: 2,876,771

Wholesale Banking

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

In Spain, at the end of the year Wholesale Banking managed a **loan book** of €23,339m and **on-balance-sheet customer funds** (not including repos) of €9,903m, a growth of 7.2% and 18.3%, respectively, on the close of the previous year. This unit continues to focus strongly on customers with the highest levels of loyalty, profitability and credit quality; therefore, the portfolio is characterized by a low NPA level and low provisioning needs.

The most significant aspects of **earnings** are as follows:

- Resilient recurrent revenue in the unit (net interest income plus fees): the figure for the year as a whole is very similar to 2010, at €945m. Specifically, in WB&AM this revenue was up 3.3% in the last 12 months.
- The current economic situation, the low level of business and the fall in asset prices in general, explain the negative NTI for the year, although it is less negative than the figure for 2010.
- As a result, the gross income of €921m is 1.3% under the figure for the close of 2010. However, it is worth highlighting the favorable performance of gross income in the WB&AM unit, which was up 7.2% year-on-year, and the positive trend in customer revenue in Global Markets, particularly in those businesses that are strategic for the unit, such as credit.
- Year-on-year growth in operating expenses was 8.0%, explained by the investment project underway; as a result, the operating income was down 7.2% year-on-year to €532m.
- Impairment losses on financial assets were stable and net attributable profit at the close of 2011 came to €363m (€397m in 2010).

Eurasia

Income statement

(Million euros)

	Eurasia			
	2011	∆%	2010	2009
Net interest income	**801**	**132.1**	**345**	**387**
Net fees and commissions	391	66.1	236	222
Net trading income	105	(20.8)	132	131
Other income/expenses	655	78.4	367	212
Gross income	**1,952**	**80.7**	**1,080**	**953**
Operating income	(645)	118.6	(295)	(277)
Personnel expenses	(355)	98.2	(179)	(161)
General and administratve expenses	(245)	147.6	(99)	(97)
Deprecation and amortization	(45)	165.1	(17)	(20)
Operating income	**1,307**	**66.5**	**785**	**675**
Impairment on financial assets (net)	(149)	66.3	(89)	(45)
Provisions (net) and other gains (losses)	11	n.m.	(20)	(19)
Income before taxes	**1,170**	**73.3**	**675**	**611**
Income taxes	(143)	61.7	(88)	(139)
Net incomes	**1,027**	**75.0**	**587**	**472**
Non-controlling interests	-	-	1	0
Net attributable profit	**1,027**	**74.8**	**588**	**473**

Balance sheet

(Million euros)

	Eurasia			
	31-12-11	∆%	31-12-10	31-12-09
Cash and balances with central banks	1,340	289.6	344	327
Financial assets	11,581	84.3	6,285	2,187
Loans and receivables	38,754	46.1	26,530	26,273
Loans and advances to customers	33,905	42.4	23,813	23,589
Loans and advances to credit institutions and others	4,850	78.5	2,716	2,684
Inter-area positions	-	-	12,020	18,908
Tangible assets	604	62.3	372	329
Other assets	1,119	163.3	425	378
Total assets/Liabilities and equity	**53,398**	**16.1**	**45,975**	**48,402**
Deposits from cental banks and credit institutions	18,038	(8.1)	19,624	14,695
Deposits from customers	21,786	4.3	20,884	30,383
Debt certificates	818	n.m.	0	(0)
Subordinated liabilities	2,102	49.2	1,409	989
Inter-area positions	1,893	n.m.	-	-
Financial liabilities held for trading	401	148.4	161	321
Other liabilities	4,107	204.0	1,351	981
Economic capital allocated	4,254	67.1	2,546	1,032

Significant ratios
(Percentage)

	Eurasia		
	31-12-11	31-12-10	31-12-09
Efficiency ratio	33.0	27.3	29.1
NPA ratio	1.5	0.9	0.7
NPA coverage ratio	123	154	159
Risk premium	0.45	0.38	0.17

Eurasia highlights in 2011

- Tapping the potential of strategic stakes in China.
- Incorporation of Garanti by the proportional consolidation method, start of collaboration and generation of synergies.
- Positive performance of business in Europe.
- Eurasia confirms its contribution in terms of earnings and diversification.

Definition of the area

This area covers BBVA's activity in Europe (excluding Spain) and Asia. In other words, it includes BBVA Portugal, Consumer Finance Italy and Portugal, the retail business of branches in Paris, London and Brussels (in 2010 these were reported in Spain and Portugal), and the corporate and investment banking and markets business (reported under WB&AM in 2010). It also covers the Group's stake in Garanti (Turkey) and in CNCB (China).

Macroeconomic environment

From a macroeconomic point of view, the performance of this business area is twofold due to the different evolution of, on the one hand, the economies in Europe, and, on the other, the emerging economies, such as China and Turkey.

In **Europe**, the most critical aspect of the year were the tensions experienced in Greece due to both the difficulties in approving the second rescue plan for the country and the political crisis that led to an unexpected change in its government. Those factors were behind the increased contagion throughout 2011. Firstly, towards other countries not subject to bailout programs, like Italy and Spain. And secondly, towards certain segments of the European financial system affected by recapitalization plans that included losses on government debt portfolios. Finally, doubts about the capacity of European governments to resolve the crisis even raised questions about the viability of the common currency. As a consequence, even core European countries with sound finances were affected by the financial tensions. The uncertainty level was such that the European governments tried to agree on a definitive framework for resolving the crisis at the European summit that took place on December 8-9, 2011. Though the steps taken have been in the right direction, the pending details are still significant. Regarding the agreements reached, the measures geared towards reinforcing fiscal harmonization were the most noteworthy, together with the partial improvements in governance mechanisms in the euro zone.

In this context, the European economy as a whole showed a weak rate of growth, standing at 1.6% (two decimal points below that recorded in 2010). However, this growth is uneven. The peripheral countries showed the greatest slowdown, while those in central Europe posted higher rates of growth. As a result, the ECB reversed the early rise in interest rates and continued with its policy of supporting liquidity.

As far as **Asia** is concerned, growth rates remain high, though they have been moderating as a result of the weakness of foreign demand. Nevertheless, the region's solid economic fundamentals, the existing room for maneuver in terms of implementing stimulus policies and demand from China and India will help limit these risks. In any case, the moderation of the growth rate has helped alleviate the pressures of overheating. In this regard, inflation has begun to fall back due to the growth slowdown and the reduction in food and commodity prices. The decrease of inflation rates allowed the focus of the monetary policy to shift towards supporting growth. For the future, a certain degree of easing of the monetary policy in the Asian economies is foreseen. However, aggressive interest rate cuts are not expected, unless there is a significant deterioration of foreign perspectives.

Finally, **Turkey** has been exposed to periods of financial contagion from Europe, with lower capital inflows, falls in equity markets and a depreciation of the lira, forcing the Central Bank to intervene. Even so, the economy has grown strongly (8.5% in 2011) and inflation has fallen to 6.7% (8.6% in 2010), although the figure is still high.

Management priorities

In **2011**, the Eurasia area focused on:

- In terms of business in Europe, carrying out an adequate management of prices and liquidity tensions, by prioritizing the relationship with customers and cross-selling over volumes.
- Regarding Turkey, managing the relationship with Garanti, the franchise included in the Group's perimeter as of March 2011. That is, forming working teams in the different functions to facilitate mutual understanding, exchange know-how and search for joint business opportunities with Garanti.

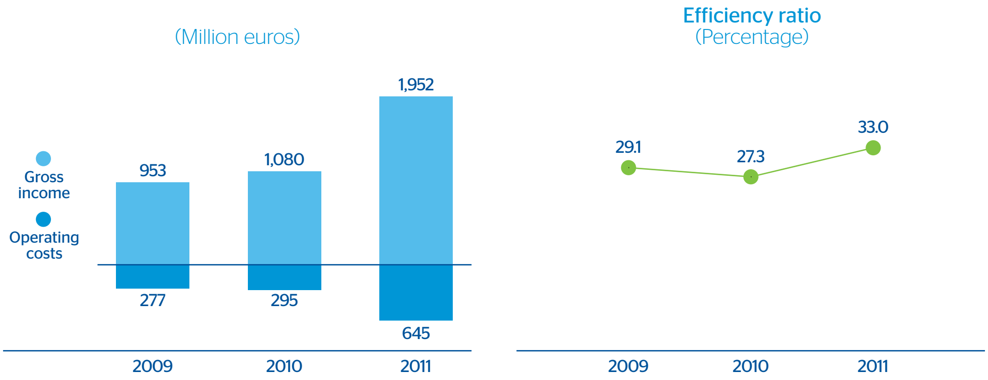
The management priorities for **2012** will focus on:

- In Europe, the focus will continue to be on the prices and cross-selling management, as well as on controlling costs in order to maintain the value of the franchise. We also hope to take advantage of the opportunities presented by BBVA business model in a still difficult environment with little or no growth. Because of this, over the past few months growth plans had to be aligned with the new environment, keeping the focus on the key strategic projects:
  - Regarding currency, service quality, access channels, value chain and process automation will be enhanced.
  - Regarding lending, BBVA will work on getting a leading position as new issues advisor in the south of Europe for its core clients.
  - Both strategic projects will be developed using a customer-centric approach, aimed at increasing product cross-selling opportunities and gathering customer insight.
  - Finally, BBVA Group intends to be the "Latin America House of Choice", encouraging European customers to buy products from Latin America, and Latin-American customers to buy "non-Latin American" products.
- In Turkey, the objective will be to develop new joint business opportunities with Garanti, to boost certain segments and products thanks to the exchange of experiences and knowledge, and to implement best practices in place across the Group.

Breakdown of results

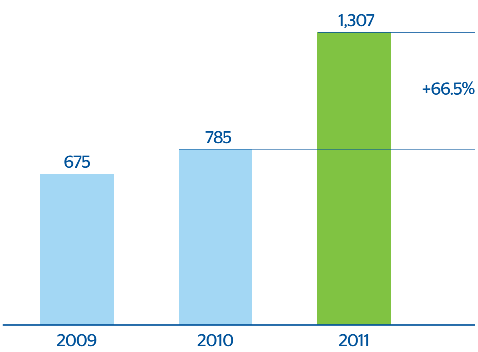
Given this background, Eurasia continues to perform well overall, generating an accumulated net **attributable profit** of €1,027m in the year, which represents 25.6% of the Group's total earnings excluding one-offs. Therefore, it is an area with a growing contribution in terms of both earnings and balance sheet weight. This franchise shows a very positive performance, contributes to a significant level of geographical diversification, and is a reflection of the Group's commitment to emerging countries with economic growth potential.

1 Eurasia. Efficiency



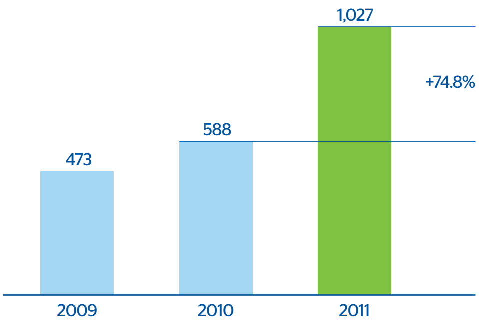
2 Eurasia. Operating income

(Million euros)



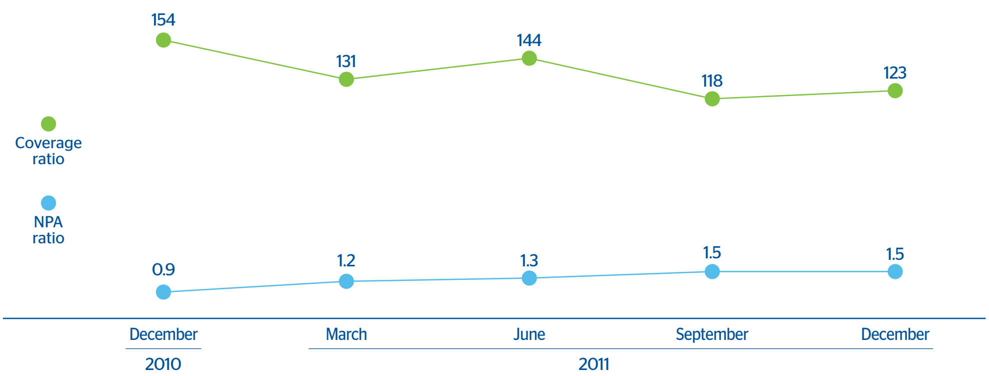
Eurasia. Net attributable profit 3

(Million euros)



4 Eurasia. NPA and coverage ratio

(Percentage)

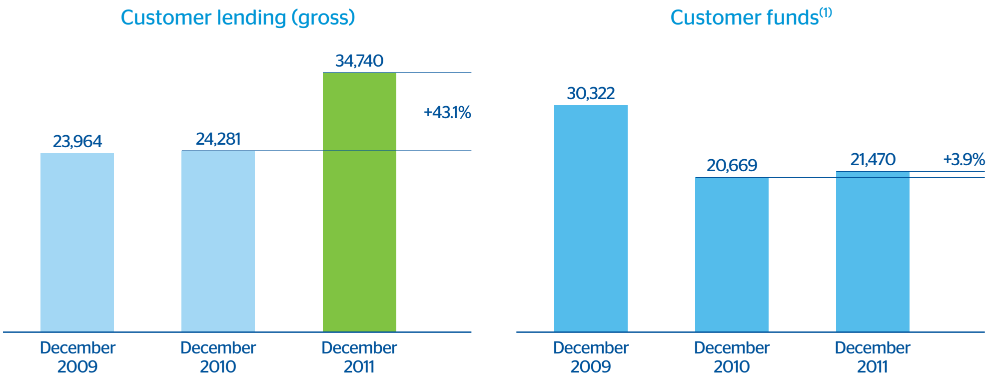


In terms of business activity in the area, **gross lending to customers** as of 31-Dec-2011 amounted to €34,740m. This represents a year-on-year increase of 43.1%, due to the incorporation of Garanti. Excluding the contribution from the Turkish bank, the loan book remained very stable, with an increase of 3.2%.

Furthermore, **customer funds** totaled €21,470m, a rise of 3.9% year-on-year, thanks to the good performance of deposits in Turkey.

5 Eurasia. Key activity data

(Million euros)



(1) Excluding assets sold under repurchase agreements.

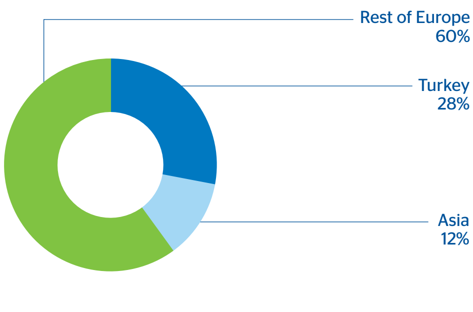
By business unit, **Europe** accounts for 45% of the net attributable profit. Its positive growth can mainly be explained by the consolidation of Garanti, and to a lesser extent by the good performance of the rest of the local businesses. It is worth noting the positive performance of gross income, which amounted to €1,283m, 95.1% up on the previous 12 months. Excluding Garanti, gross income growth was 6.9%, despite the unfavorable situation of the financial markets. As a result, the net attributable profit rose 86.1% to €464m, or 8.7% excluding Garanti.

Asia accounts for 55% of results in the area. The net attributable profit was up by 66.4%, mainly due to the growing contribution from CNCB, whose activity and earnings continue to rise. According to the latest available figures to September 2011, the loan book increased by 9.4% on the figure for the close of 2010, customer deposits grew by 8.0% and the accumulated net attributable profit for the year was up 40.9% year-on-year. Additionally, the success of CNCB's capital increase in July and August of 2011, in which BBVA took part in order to maintain its 15% stake, also merits mention. Two factors have influenced the decision to undertake this operation: on the one hand, the need for it, due to the dynamism of banking activity; and on the other hand, the Chinese supervisor's desire to maintain a highly solvent partner such as BBVA with the same weight as before the operation. Overall, Asia generated gross income of €669m (up 58.3% year-on-year) and a net attributable profit of €563m.

In 2011, BBVA continued to make progress in its strategic alliance with CNCB aimed at exploring new business opportunities. In addition, 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.

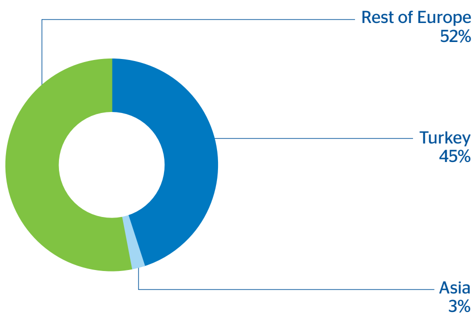
6 Eurasia. Lending breakdown by geography

(31-12-2011)



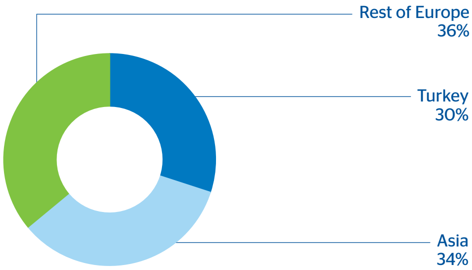
Eurasia. On-balance sheet customer funds breakdown by geography 7

(31-12-2011)



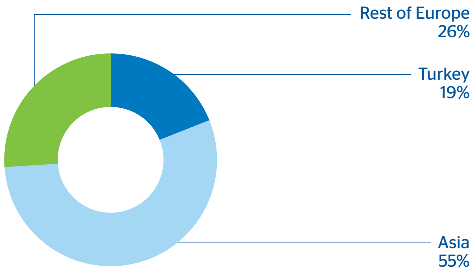
8 Eurasia. Gross income breakdown by geography

(December 2011)



Eurasia. Net attributable profit breakdown by geography 9

(December 2011)



As of March 22, 2011 BBVA executed the acquisition of 24.9% of **Garanti**, a bank holding a leading position in Turkey. This is an excellent franchise with 10.7 million customers, a network of 918 branches and over 3,268 ATMs. The most notable aspects of this entity in 2011 are as follows (data for Garanti Bank):

- The lending activity maintains solid growth (up 29.6% year-on-year), which even exceeded that recorded by the sector (up 29.3%). More specifically, the retail portfolio showed outstanding growth across the board (consumer finance, mortgages and credit cards).
- Customer deposits have maintained their upward trend (up 17.5% over the year), with growth also above that of the sector (up 12.5% in the year).
- The bank's gross income rose to €1,807m, a rise of 6.6% over the last 12 months. This performance is explained by the appropriate mix in the loan book and customer funds, the positive price management with repricing of the loan portfolio, and the favorable trend in business activity.
- Garanti continues to be an example in the Turkish banking sector in terms of efficiency, with operating expenses rising below inflation.
- It also has an excellent asset quality, with NPA and coverage ratios of 1.8% and 82%, respectively, significantly better than those of the rest of the sector.
- Garanti generated a net attributable profit of €1,313m.

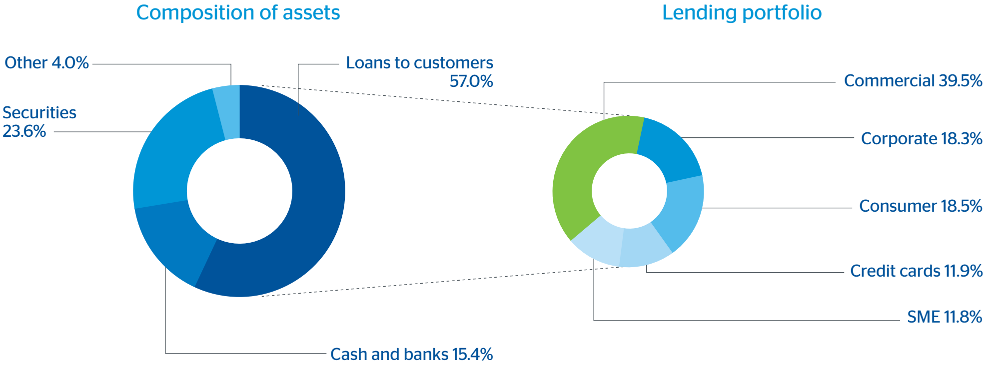
Garanti. Significant data (1)

	31-12-11
Financial statements (million euros)	
Attributable profit	1,313
Total assets	60,020
Loans to customers	34,305
Deposits from customers	33,791
Relevant ratios (%)	
Efficiency ratio	44.3
NPA ratio	1.8
Other information	
Number of employees	16,775
Number of branches	918
Number of ATMs	3,268

(1) BRSA data for the Garanti Bank.

10 Garanti. Composition of assets and lending portfolio [1]

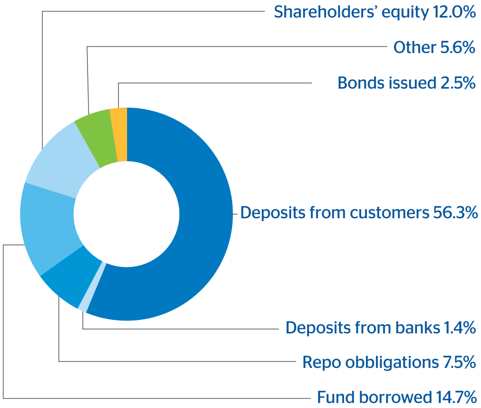
(December 2011)



(1) BRSA data for the Garanti Bank.

11 Garanti. Composition of liabilities [1]

(December 2011)



(1) BRSA data for the Garanti Bank.

Finally, it is worth highlighting that the Turkish bank and BBVA have started to collaborate. Specific working teams have been set up with members from both banks to identify and implement projects that can help increase the value of the Group's franchises. One of the projects in place is the identification of corporate customers with a presence or interest in Turkey. Work is already underway with these customers on specific new financial transactions. With regard to technology, given Garanti's sound technological and operational platform, plans have been implemented to exchange know-how between Garanti, BBVA Bancomer and BBVA Spain.

Mexico

Income statement

(Million euros)

	Mexico					Units							
						Banking business				Pensions and insurance			
	2011	Δ%	Δ% (1)	2010	2009	2011	Δ%	Δ% (1)	2010	2011	Δ%	Δ% (1)	2010
Net interest income	**3,827**	**3.8**	**7.2**	**3,688**	**3,307**	**3,746**	**3.4**	**6.8**	**3,623**	**73**	**19.9**	**23.8**	**61**
Net fees and commissions	1,194	(3.2)	0.0	1,233	1,077	1,114	(3.8)	(0.6)	1,158	72	1.4	4.7	71
Net trading income	302	(23.4)	(20.9)	395	370	239	(15.5)	(12.7)	283	63	(43.7)	(41.8)	112
Other income/expenses	227	26.8	31.0	179	116	(111)	(22.8)	(20.2)	(144)	398	17.3	21.2	340
Gross income	**5,550**	**1.0**	**4.3**	**5,496**	**4,870**	**4,988**	**1.4**	**4.7**	**4,920**	**606**	**3.9**	**7.4**	**583**
Operating income	(2,012)	5.9	9.4	(1,899)	(1,554)	(1,896)	7.8	11.4	(1,758)	(157)	5.6	9.1	(149)
Personnel expenses	(860)	0.4	3.8	(856)	(725)	(787)	0.3	3.6	(784)	(73)	2.3	5.7	(71)
General and administratve expenses	(1,045)	9.2	12.9	(956)	(764)	(1,005)	12.9	16.7	(890)	(82)	9.1	12.7	(75)
Deprecation and amortization	(107)	23.7	27.8	(86)	(65)	(104)	24.7	28.8	(84)	(3)	(5.4)	(2.2)	(3)
Operating income	**3,539**	**(1.6)**	**1.6**	**3,597**	**3,316**	**3,092**	**(2.2)**	**1.0**	**3,162**	**449**	**3.3**	**6.8**	**434**
Impairment on financial assets (net)	(1,180)	(4.0)	(0.9)	(1,229)	(1,525)	(1,180)	(4.0)	(0.9)	(1,229)	-	-	-	-
Provisions (net) and other gains (losses)	(60)	(30.7)	(28.4)	(87)	(21)	(57)	(34.1)	(31.9)	(86)	(3)	-	-	-
Income before taxes	**2,299**	**0.8**	**4.2**	**2,281**	**1,770**	**1,856**	**0.5**	**3.9**	**1,846**	**445**	**2.7**	**6.1**	**434**
Income taxes	(555)	(2.6)	0.6	(570)	(411)	(430)	(4.6)	(1.4)	(450)	(126)	5.3	8.8	(119)
Net incomes	**1,744**	**2.0**	**5.3**	**1,711**	**1,360**	**1,426**	**2.2**	**5.6**	**1,396**	**320**	**1.7**	**5.1**	**314**
Non-controlling interests	(3)	(32.4)	(30.1)	(4)	(2)	-	-	-	-	(2)	(8.1)	(5.0)	(3)
Net attributable profit	**1,741**	**2.0**	**5.4**	**1,707**	**1,357**	**1,426**	**2.2**	**5.6**	**1,395**	**317**	**1.8**	**5.2**	**312**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	Mexico					Units							
						Banking business				Pensions and insurance			
	31-12-11	Δ%	Δ% (1)	31-12-10	31-12-09	31-12-11	Δ%	Δ% (1)	31-12-10	31-12-11	Δ%	Δ% (1)	31-12-10
Cash and balances with central banks	5,504	(13.5)	(5.7)	6,365	6,236	5,504	(13.5)	(5.7)	6,365	-	-	-	-
Financial assets	26,182	1.7	11.0	25,737	23,564	21,320	1.8	11.0	20,946	5,103	1.1	10.2	5,050
Loans and receivables	39,643	(1.6)	7.4	40,277	30,764	39,203	(2.1)	6.8	40,029	488	61.6	76.3	302
Loans and advances to customers	34,681	(0.2)	8.9	34,743	27,373	34,544	(0.2)	8.8	34,626	169	11.1	21.2	152
Loans and advances to credit institutions and others	4,961	(10.4)	(2.2)	5,535	3,391	4,660	(13.7)	(5.9)	5,402	320	112.6	131.9	150
Tangible assets	986	11.1	21.2	887	753	980	11.4	21.5	880	6	(15.9)	(8.3)	8
Other assets	1,968	4.4	13.9	1,886	1,536	2,949	33.7	45.8	2,206	150	(6.6)	1.9	160
Total assets/Liabilities and equity	**74,283**	**(1.2)**	**7.8**	**75,152**	**62,855**	**69,957**	**(0.7)**	**8.4**	**70,425**	**5,748**	**4.1**	**13.6**	**5,520**
Deposits from cental banks and credit institutions	11,344	(12.3)	(4.3)	12,933	10,641	11,344	(12.3)	(4.3)	12,933	-	-	-	-
Deposits from customers	36,131	(2.4)	6.5	37,013	31,998	36,150	(2.4)	6.5	37,033	-	-	-	-
Debt certificates	3,889	0.7	9.9	3,861	3,187	3,889	0.7	9.9	3,861	-	-	-	-
Subordinated liabilities	2,399	19.1	29.9	2,014	1,499	3,501	41.5	54.3	2,474	-	-	-	-
Financial liabilities held for trading	5,438	12.0	22.2	4,855	4,085	5,438	12.0	22.2	4,855	-	-	-	-
Other liabilities	10,638	(1.1)	7.8	10,761	8,780	5,571	(5.4)	3.1	5,892	5,412	3.5	12.8	5,228
Economic capital allocated	4,444	19.7	30.6	3,714	2,664	4,064	20.4	31.3	3,376	336	15.2	25.7	292

(1) At constant exchange rate.

Significant ratios

(Percentage)

	Mexico		
	31-12-11	31-12-10	31-12-09
Efficiency ratio	36.2	34.6	31.9
NPA ratio	3.5	3.2	4.3
NPA coverage ratio	120	152	130
Risk premium	3.29	3.65	5.29

Mexico highlights in 2011

- Strong level of activity, particularly in the retail portfolio.
- Growth of net interest income.
- Positive contribution from the insurance business.
- Progress in growth plans and new products.
- Efficiency ratio = 36.2%.
- Place on the podium for efforts in transparency and sustainability.

Definition of the area

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

BBVA Bancomer offers a broad range of financial services and products through its extensive network and infrastructure. Its primary activity is carried out through the bank, 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 as main objectives.

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

Macroeconomic environment

In 2011, the Mexican **economy** continued the recovery process that began in mid-2009, with growth in the year standing slightly under 4%, essentially fueled by domestic factors: solid performance in private demand, stability in the rate of job creation in the formal sector, as well as the incipient improvement in real wages growth, which has decisively supported private consumption.

This sustained improvement has not generated inflationary pressures since core inflation remained stable thanks to the absence of pressures on demand, the slower increase of processed food prices and the exchange rate performance. The volatility of the global backdrop since August triggered the depreciation of the local currency and the decrease of various commodity prices. Nevertheless, these factors ultimately had a limited impact on inflation. The Bank of Mexico has thus been able to continue with the monetary pause it implemented in mid-2009, with a lending rate that remains at 4.5%. With respect to currency movements over the year, the Mexican peso lost 8.3% against the euro year-on-year. Thus the impact of the currency on the balance sheet and business volume in the area is negative. The average exchange rates also declined, though, in this case to a lesser extent (down 3.2% year-on-year). Thus, the effect of the currency on the income statement was slightly negative. Unless otherwise stated, all comments below refer to changes at constant exchange rate.

Mexico has developed clear strengths throughout recent years in terms of the definition and implementation of its monetary and fiscal policies and prudent regulation measures, which are especially relevant for the soundness of the Mexican banking system, for example.

Management priorities

In **2011**, the area has focused on:

- Adequately managing prices, with an impact on net interest income.
- Attracting low cost funds and boosting consumer finance.
- Developing and closely monitoring the expansion project launched in 2010, which has involved a major investment effort in innovation, technology and infrastructure.
- Making progress in the customer segmentation process to achieve a global vision of customers, who are at the core of business growth.
- Strictly monitoring risk.

Management priorities in **2012** will focus on:

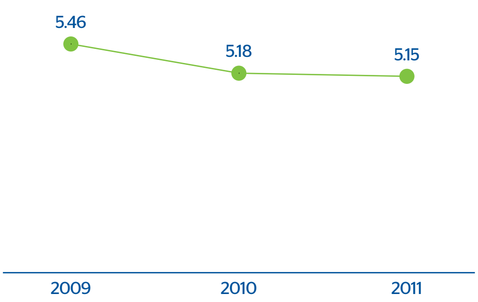
- Boosting lending growth and fund gathering in the more profitable segments.
- Making net fee income more dynamic through increased commercial activity and transaction volumes.
- Controlling recurrent expenses, fundamentally in terms of personnel costs, with a target growth rate similar to 2011 inflation.
- Continuing to prudently manage risks.
- Consolidating the customer segmentation strategy in order to boost the cross-selling of products, and thus enabling income to increase, and to make progress in the service quality improvement effort.

Breakdown of results

In 2011, BBVA Bancomer achieved earnings figures that set it apart from its main competitors.

Net interest income reached €3,827m, up 7.2% on the previous year, thanks to greater business volumes and proper price management. This offsets the effect of low interest rates and the reduced contribution from wholesale banking and asset management. In terms of profitability, net interest income over average total assets demonstrated great stability during the year.

1 Mexico. Net interest income/ATA
(Percentage at constant exchange rate)



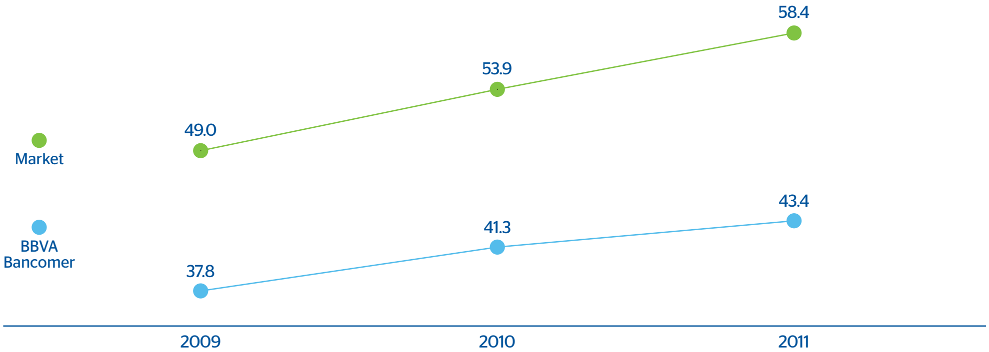
Fee and commission income remained at the same level as the previous year, at €1,194m, as the performance of asset management fees (investment companies and pension funds) was able to offset the less favorable evolution of banking fees, influenced by regulatory changes.

The situation of the financial markets, especially in the last part of the year, led to lower brokerage revenues. Consequently, as of December 31, 2011, NTI dropped to €302m (down 20.9% year-on-year). Finally, other income and expenses totaled €227m, up 31.0% year-on-year, boosted mainly by the insurance business. As a result, **gross income** reached €5,550m, 4.3% higher than the figure for 2010.

BBVA Bancomer continues to take advantage of the opportunities of the Mexican market through the development of its expansion plan, which was launched in March, 2010. The plan entails a significant investment effort in innovation, technology and infrastructure, being the main reason for the 9.4% year-on-year increase of operating expenses to €2,012m. In 2011, BBVA Bancomer's distribution network grew by 14 branches, 950 ATMs and more than 20,300 POS. The efficiency ratio stood at 36.2%, confirming that BBVA Bancomer is one of the most efficient banks in the Mexican banking system.

2 BBVA Bancomer and Mexican banking system efficiency (1)

(Percentage)

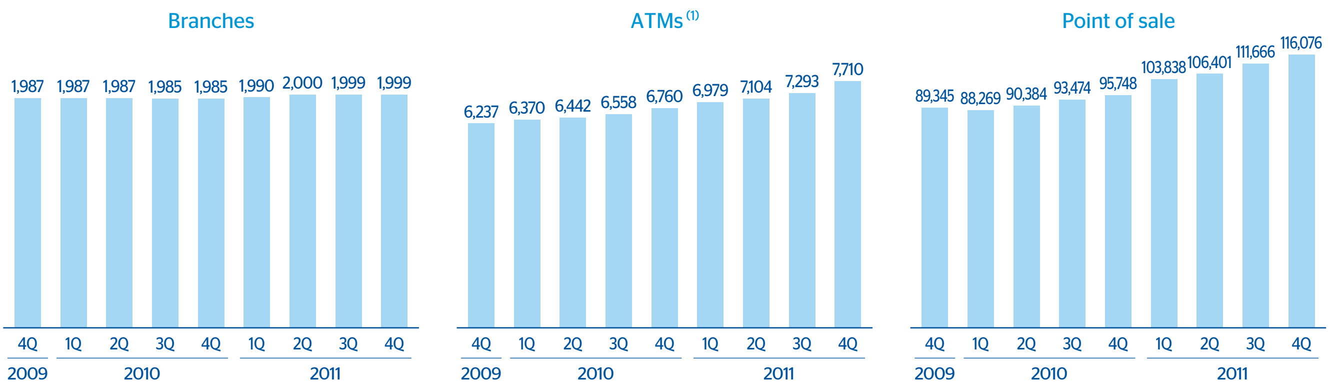


(1) Mexican banking system formed by 5 banks: Banamex, Santander, Banorte-Ixe, HSBC and Scotiabank. Data collected under local accounting criteria.

Source: CNBV Banco without subsidiaries.

3 Distribution network evolution BBVA Bancomer

(Branches, ATMs and points of sale)

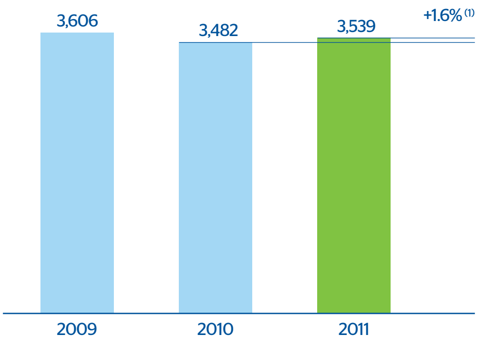


(1) Including ATMs, cash-deposit and cash recycling.

With this evolution of revenues and expenses, **operating income** reached €3,539m, 1.6% above 2010 figure.

4 Mexico. Operating income

(Million euros at constant exchange rate)

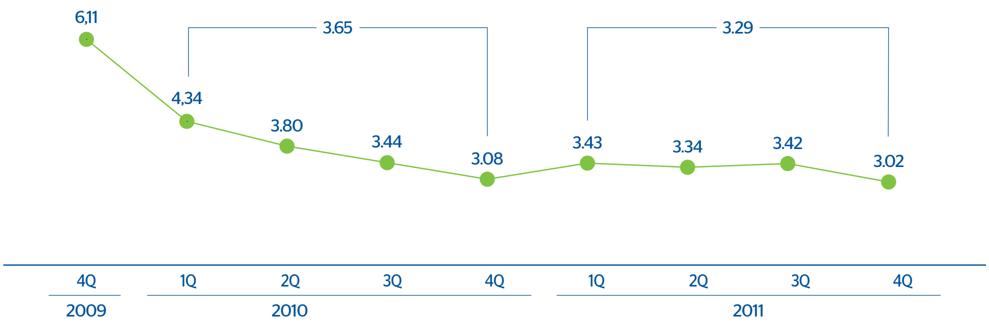


(1) At current exchange rate: -1.6%.

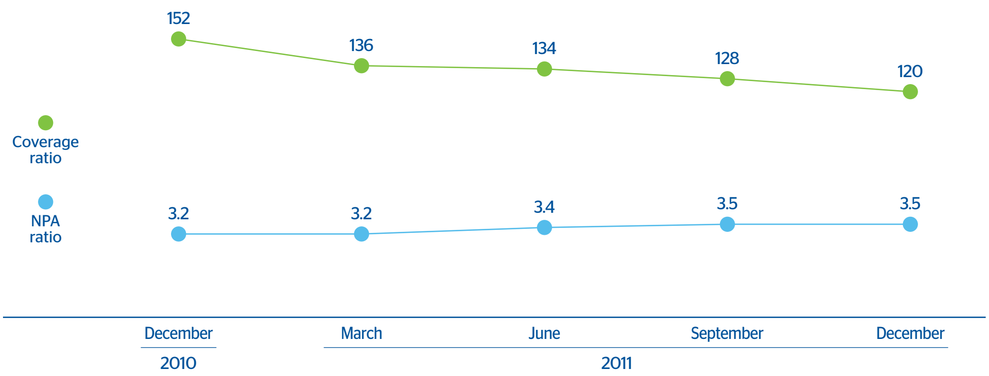
Lending growth has been accompanied by proper **risk management**. This has enabled impairment losses on financial assets to remain at similar levels to those of the previous year and the cumulative risk premium to improve by 36 basis points in the year to 3.29%. The NPA and coverage ratios closed the year at 3.5% and 120%, respectively. The reduction in the coverage ratio is due to the early termination of the Federal Government's Punto Final program in January 2011. The program provided support for mortgage debtors affected by the 1994 crisis through discounts granted by the Federal Government and banks. The application of a discount by the Federal Government is repayable in equal amounts over 5 years, while the discount corresponding to BBVA Bancomer represents a reduction in the reserves associated with the discount. The result of this has been a fall in the balances of the housing portfolio (1.5% of the total outstanding portfolio as of 31-Dec-2010), with its respective associated income.

5 Mexico. Risk Premium

(Percentage)

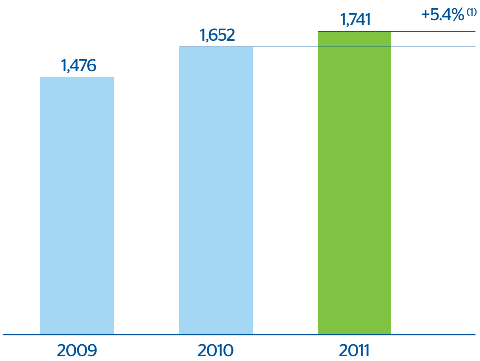


6 Mexico. NPA and coverage ratio
(Percentage)



As a result of the above, the area's **net attributable profit** reached €1,741m, 5.4% up on the previous year. BBVA Bancomer closed 2011 with a ROE of 21% (according to local accounting criteria), making it one of the most profitable entities in the Mexican banking system.

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



(1) At current exchange rate: +2.0%.

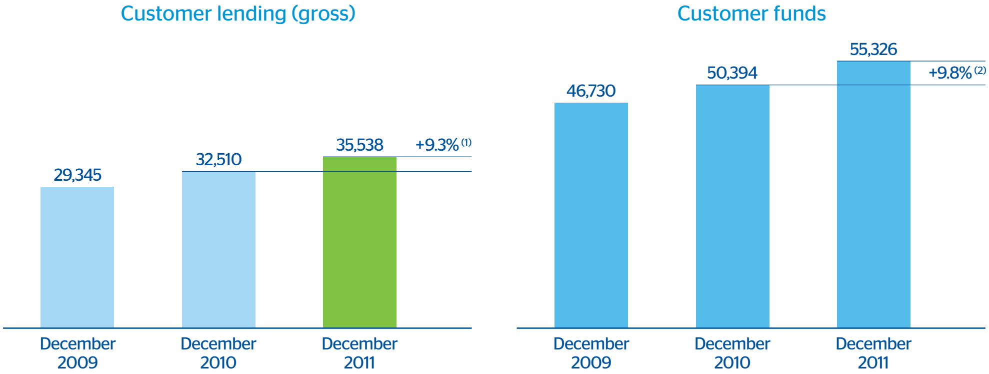
Banking Business

The banking business in Mexico generated a net attributable profit of €1,426m in 2011 (up 5.6% year-on-year).

BBVA Bancomer continues to take advantage of market opportunities and, through an adequate commercial management strategy, it recorded €35,538m **gross lending to customers** (excluding the old mortgage portfolio) as of December 31, 2011, up 9.3% year-on-year. The figure was mainly boosted by the retail portfolio. Wholesale lending was affected by specific events that limited its growth. These include the Federal Government prepayment of a credit line underwritten with a number of banks in the country; and the substitution of existing loans with new wholesale financing carried out by large corporations due to the lower interest rates.

8 BBVA Bancomer. Key activity data

(Million euros at constant exchange rate)



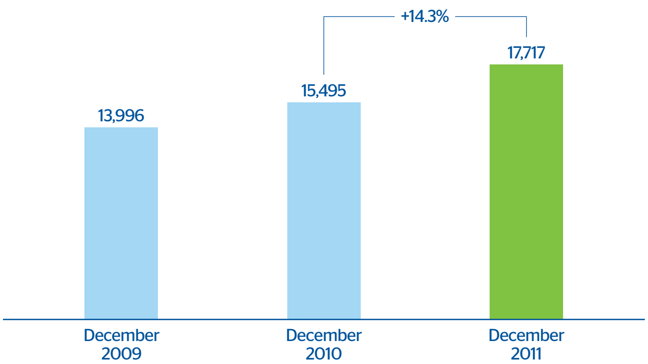
(1) At current exchange rate: +0.2%.
(2) At current exchange rate:: +0.4%.

The **retail portfolio** performed strongly and grew 14.3% year-on-year as of December 31, 2011 to €17,717m. It includes consumer finance, credit cards, individual mortgages and loans to small businesses.

Within the retail portfolio, consumer finance (including credit cards) grew 23.6% to €8,070m. On the one hand, a significant increase in consumer loans (car, payroll and personal) was observed. This has allowed the placement of new loans to record a 16.3% increase in the last twelve months. On the other hand, credit cards also rose 15.0% to €4,486m. This dynamism enabled BBVA Bancomer to maintain its leadership position in this lending segment, with a market share above 35% (figures as of December 2011).

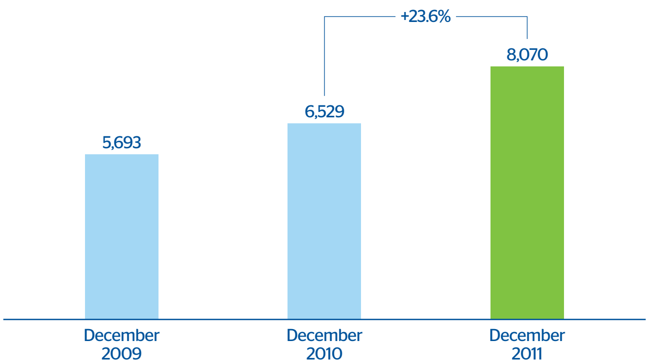
9 BBVA Bancomer. Retail portfolio evolution

(Million euros at constant exchange rate)



BBVA Bancomer. Consumer finance portfolio evolution 10

(Million euros at constant exchange rate)



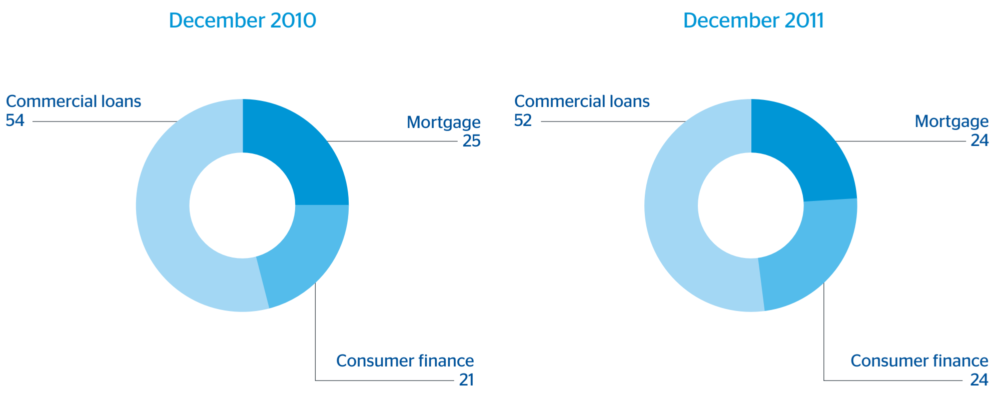
BBVA Bancomer's extensive expertise in the **mortgage** market enabled it to grant the largest number of new mortgages of all banks and Sofoles (one out of every three). Thus, the bank granted more than 32,900 individual mortgages in the country. As of December 31, 2011, this represented a year-on-year increase of 13.2% in new production and, therefore, a mortgage loan balance (excluding the old mortgage portfolio) of €8,234m.

At the same time, the **wholesale portfolio**, which includes loans to corporations, SMEs, financial institutions and the public sector, rose 3.7% over the figure of 2010. By segment, loans to corporations were up 6.2% to €6,371m, loans to SMEs went up 14.8%. Finally, loans to the public sector increased by 10.4% to €3,316m.

The above explains the gradual shift in the structure of the loan portfolio over the year towards a more profitable composition. In this regard, the weight of consumer loans grew from 21% in 2010 to 24% in 2011, while mortgage loans represented 24% of the total in 2011 and the commercial portfolio, the largest in volume, accounted for 52% as of the close of the year.

11 BBVA Bancomer. Structure of the loan portfolio

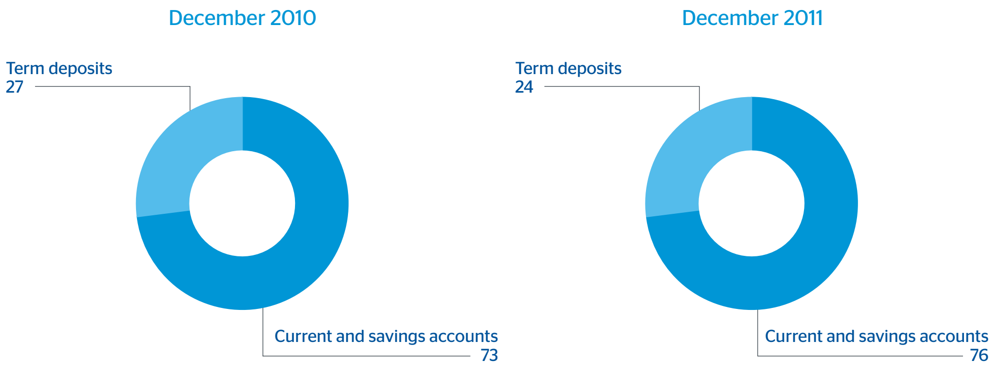
(Percentage)



Customer funds (bank deposits, repos, mutual funds and investment companies) closed at €55,326m on December 31, 2011, with a year-on-year increase of 9.8%. The increase in the gathering of demand deposits was noticeable (10.0% year-on-year), up to €55,326m as of December 31, 2011. A profitable mix is also maintained on the liability side, since 76% of customer deposits are low-cost funds. BBVA Bancomer continues to hold the largest market share in demand deposits, with 30% as of December 2011 (latest data available) according to information from the CNBV (the National Banking and Securities Commission). In terms of off-balance-sheet funds, mutual funds' performance has been excellent, reaching a balance of €15,612m as of December 31, 2011, with a year-on-year increase of 11.0%.

12 BBVA Bancomer. Structure of customer funds

(Percentage)



BBVA Bancomer, through an autonomous management model that is independent of the parent company, maintained adequate **liquidity** and **solvency** levels. In this regard, more than 118,000 million pesos were issued over the year. To ensure adequate capital management, BBVA Bancomer made a capital notes issue on the international markets of $2,000m. Thus, the total capital ratio stood at 15.8% (according to local accounting standards) at year end.

Finally, BBVA Bancomer, achieved the third place out of 55 companies in the "Most sustainable bank" ranking, due to its **community involvement in Mexican society**. This award is granted by the Inter-American Development Bank (IDB) and covers the areas of environmental sustainability, social responsibility and corporate governance. Likewise, BBVA Bancomer holds the third place out of 86 participating companies in the list of the most transparent companies according to the "Transparency and Corporate Sustainability Index in Mexico".

Below are some of the most important aspects of the performance of the various business units in 2011:

Commercial Banking

Commercial Banking has a broad distribution network that has allowed productivity to rise by 14.4% in 2011. This unit manages a loan-book of €6,160m and total customer funds of €34,451m. During 2011, Commercial Banking launched numerous innovative products and services that have, among other effects, boosted the banking penetration process in the country. It is worth mentioning: Movimiento PYME (SME movement) for small companies; Micronegocios (Microenterprise) card, supported by Nacional Financiera (Mexico's Development Bank) guarantees; "Cuenta Express", the first account linked to the customer's mobile phone that does not require a minimum balance to be opened and permits all types of basic financial transactions to be made by phone quickly, easily and securely; Hipoteca Selecta (Exclusive Mortgage) to help customers buying a home; and the B+28 Fund, which invests in short-term debt instruments with an automatic rollover clause and monthly availability of funds. In addition, BBVA Bancomer has received numerous prizes and awards. On the one hand, it was again awarded with the "SME 2011" prize by the Secretary of the Economy for being the financial institution supporting the highest number of microenterprises and SMEs in the country. On the other hand, Standard & Poor's rating agency confirmed its classification as an Excellent mortgage administrator, the highest possible rank.

Consumer Finance Unit

This unit, which basically manages the Bank's consumer and credit card portfolio, has been growing steadily and enabled the Bank to maintain a market share above 36% as of the end of 2011. The boost of lending through alternative channels other than branches carried out this year had an impact on the high percentage of new loans granted through these channels, accounting for 15% of the global amount. This unit thus encourages a multi-channel approach, which allows for an increase in product distribution options, customer loyalty and efficiency in the process of opening and approving loans. This approach also helps to maintain very positive risk indicators, since the unit grows primarily through granting loans to customers already known by the Bank. The alliance with car financing entities contributed to an increase in loans for purchasing vehicles. In this regard, as of December 31, 2011, more than 97,000 loans of this type were granted. This unit also manages payroll loans and personal loans.

Government & Corporate Banking

This unit has a specialized network of 85 branches for companies and 37 for public sector clients, and manages a loan-book of €8,320m. The corporate segment reached 8,238 customers, 16% more than in 2010, and granted more than 1,000 new loans to customers who did not have asset products. Thanks to this, a total of 21% of the customers in the unit already had at least one investment product by the end of 2011. Likewise, new collection solutions were offered by increasing the number of terminals for companies and for regions, states and cities to help the government with its tax collection.

In order to strengthen the leasing business, BBVA Bancomer acquired FacilLeasing, a Mexican leasing company with more than 23,000 vehicles for lease and more than 5,000 million pesos in assets.

Corporate and Investment Banking

In 2011, this unit completed the integration of the Corporate & Investment Banking and Global Markets team under a new model allowing revenues to increase through better cross-sectional business management. Moreover, this unit was very active in the innovation of products and services fitting the needs of its customers. Thus, in 2011, it launched a new product called "Bancomer Net Cash", which provides a global online banking solution for corporate clients, businesses and governments, as it integrates various solutions designed to streamline their administrative tasks, payments and collections and cash management. It also launched the "ETF CHNTRAC" fund in Mexico, allowing customers to invest in China, a country with a huge growth potential and one of the largest economies in the world. This makes BBVA Bancomer the second most important player in Latin America in ETF's since 2009.

Pensions and Insurance business

In 2011, the pensions and insurance business generated a net attributable profit of €317m (up 5.2% year-on-year).

In the pensions sector, **Afore Bancomer** continues to perform extremely well, leveraged on a stable labor market. As a result of the good management of business activity, it closed the year with assets under management of €13,132m, up 12.1% year-on-year, and with a 4.4% growth in fund gathering. Both variables are key to achieving increased income from fees and commissions (which rose 6.7% on 2010) and a net attributable profit of €76m. This latter figure is very positive (up 5.1% year-on-year), considering the instability and volatility of the financial markets worldwide throughout 2011.

Commercial performance in the **insurance business** in 2011 was very positive. It is worth mentioning the uptake on the ILP (Free Wealth Investment), the solid performance of the "Creditón Nómina" loan and "HogarSeguro" and "VidaSegura Preferente" insurance, as well as the progress made in "AutoSeguro" boosted by the campaign carried out in the first months of the year. The new "Auto Alerta" product is an outstanding example of technological innovation. It uses GPS to report accidents, by simply pressing a key on a mobile telephone. The reduced level of claims in the car and life insurance branches favorably contributed to earnings in 2011.

South America

Income statement

(Million euros)

	South America					Units: Banking business				Units: Pensions and insurance			
	2011	∆%	∆% (1)	2010	2009	2011	∆%	∆% (1)	2010	2011	∆%	∆% (1)	2010
Net interest income	**3,164**	**26.8**	**31.6**	**2,495**	**2,566**	**3,103**	**26.4**	**31.2**	**2,455**	**61**	**50.2**	**53.2**	**41**
Net fees and commissions	1,077	12.6	15.7	957	908	783	13.5	18.1	690	299	5.9	5.7	282
Net trading income	477	(7.2)	(3.4)	514	405	442	16.1	20.7	381	35	(73.7)	(72.5)	133
Other income/expenses	(261)	55.3	65.9	(168)	(242)	(405)	35.9	44.4	(298)	154	10.9	16.8	139
Gross income	**4,457**	**17.4**	**21.4**	**3,797**	**3,637**	**3,924**	**21.5**	**26.0**	**3,229**	**549**	**(7.7)**	**(5.6)**	**594**
Operating income	(2,042)	22.4	27.1	(1,668)	(1,579)	(1,770)	23.8	28.7	(1,430)	(236)	(2.0)	0.9	(241)
Personnel expenses	(1,040)	21.9	26.4	(854)	(791)	(894)	23.4	28.2	(725)	(116)	(4.4)	(1.7)	(122)
General and administratve expenses	(844)	23.4	28.3	(684)	(673)	(725)	24.8	30.0	(581)	(112)	(0.3)	2.8	(113)
Deprecation and amortization	(158)	20.5	25.4	(131)	(115)	(151)	20.9	25.9	(125)	(7)	13.3	15.2	(7)
Operating income	**2,415**	**13.4**	**17.0**	**2,129**	**2,058**	**2,155**	**19.8**	**23.8**	**1,799**	**313**	**(11.5)**	**(9.9)**	**354**
Impairment on financial assets (net)	(449)	7.2	10.5	(419)	(431)	(449)	7.2	10.5	(419)	-	-	-	-
Provisions (net) and other gains (losses)	(89)	120.0	124.3	(40)	(52)	(90)	269.9	278.9	(24)	1	n.m.	n.m.	(8)
Income before taxes	**1,877**	**12.4**	**16.0**	**1,670**	**1,575**	**1,616**	**19.2**	**23.3**	**1,356**	**314**	**(9.3)**	**(7.7)**	**346**
Income taxes	(390)	(1.7)	2.3	(397)	(404)	(346)	12.6	17.6	(307)	(60)	(31.4)	(29.2)	(88)
Net incomes	**1,487**	**16.8**	**20.2**	**1,273**	**1,172**	**1,270**	**21.1**	**24.9**	**1,049**	**253**	**(1.8)**	**(0.5)**	**258**
Non-controlling interests	(480)	25.3	29.4	(383)	(392)	(422)	32.9	38.0	(317)	(59)	(12.8)	(12.2)	(67)
Net attributable profit	**1,007**	**13.2**	**16.2**	**889**	**780**	**848**	**16.0**	**19.3**	**732**	**195**	**2.0**	**3.6**	**191**

(1) At constant exchange rates.

Balance sheet

(Million euros)

	South America					Units: Banking business				Units: Pensions and insurance			
	31-12-11	∆%	∆% (1)	31-12-10	31-12-09	31-12-11	∆%	∆% (1)	31-12-10	31-12-11	∆%	∆% (1)	31-12-10
Cash and balances with central banks	8,335	18.0	13.9	7,064	5,837	8,335	18.0	13.9	7,064	-	-	-	-
Financial assets	8,912	4.2	5.7	8,550	7,688	7,393	10.8	11.9	6,671	1,474	(20.8)	(18.7)	1,860
Loans and receivables	43,069	27.3	26.6	33,845	28,269	42,531	28.6	27.8	33,067	394	(30.0)	(28.8)	563
Loans and advances to customers	38,831	27.7	27.1	30,408	25,256	38,759	28.2	27.6	30,228	85	(56.9)	(55.9)	197
Loans and advances to credit institutions and others	4,238	23.3	22.9	3,437	3,013	3,772	32.9	31.0	2,839	309	(15.6)	(14.4)	366
Tangible assets	805	23.5	22.2	652	648	755	26.6	24.6	596	50	(10.2)	(5.3)	56
Other assets	2,322	48.9	50.9	1,559	1,936	1,848	35.3	37.5	1,366	182	7.8	11.8	168
Total assets/Liabilities and equity	**63,444**	**22.8**	**22.1**	**51,671**	**44,378**	**60,863**	**24.8**	**23.9**	**48,764**	**2,100**	**(20.7)**	**(18.7)**	**2,648**
Deposits from cental banks and credit institutions	5,205	21.1	20.5	4,299	3,092	5,205	21.2	20.7	4,295	4	15.2	14.9	4
Deposits from customers	42,468	26.8	25.3	33,496	29,312	42,655	26.9	25.4	33,605	-	-	-	-
Debt certificates	2,282	22.5	24.3	1,864	1,554	2,282	22.5	24.3	1,864	-	-	-	-
Subordinated liabilities	1,568	17.8	19.2	1,331	1,229	1,125	(3.9)	(2.6)	1,171	-	-	-	-
Financial liabilities held for trading	1,006	14.8	21.9	876	680	1,006	14.8	22.0	876	-	-	-	1
Other liabilities	8,002	9.8	10.6	7,286	6,326	5,939	21.8	21.1	4,877	1,847	(16.1)	(13.9)	2,202
Economic capital allocated	2,912	15.6	15.0	2,519	2,185	2,651	27.6	26.0	2,077	249	(43.7)	(42.8)	442

(1) At constant exchange rates.

Significant ratios

(Percentage)

	South America		
	31-12-11	31-12-10	31-12-09
Efficiency ratio	45.8	43.9	43.4
NPA ratio	2.2	2.5	2.7
NPA coverage ratio	146	130	149
Risk premium	1.31	1.52	1.66

South America highlights in 2011

- Strong business activity.
- Market share gains in the main headings.
- Strong margins.
- Growth forecasts for the region stable.
- NPA ratio at an all-time low.
- Excellent earnings figures.

BBVA footprint in South America

(31-12-2011)

	Banks	Pension fund managers	Insurance companies
Argentina	•		•
Bolivia		•	
Chile	•	•	•
Colombia	•	•	•
Ecuador		•	
Panama	•		
Paraguay	•		
Peru	•	•	
Uruguay	•		
Venezuela	•		•

Definition of the area

The South American area 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. The first half of 2011 saw the incorporation of Crédit Uruguay (acquired at the end of 2010 and merged with BBVA Uruguay in May 2011) and the sale of the Group's stake in the insurance company Consolidar Retiro of Argentina. An additional 24.5% stake in the company Forum Chile was also purchased in September 2011.

Macroeconomic context

In 2011, the South American **economies** continued to grow strongly, supported by resilient domestic demand. Besides, growth rates were fairly similar in the different countries in the region, and they were not negative in any country. The main driving force for growth was investment in fixed capital, mainly from the private sector, taking advantage from the improved business climate in the region, as well as from the high demand for commodities. Transport infrastructure, energy and housing are other sectors that headed up the rise in investment. In addition, the good financing conditions have supported expansion of lending to companies and individuals, thus allowing further banking penetration in practically all the region, without any negative effect on the quality of the portfolios. This effect has been possible through higher employment rates and wages and the formal labor market widening. The latter also had a positive impact on private pension funds, with an increase in contributions. Furthermore, commodity prices in Latin America and the growth of exports to Asia both remained high, despite major corrections. This provided further support to the sound growth outlook. However, it is worth noting that this growth is heading towards a soft landing that would in fact be well received in some countries. Turbulence in Europe and the U.S. led to greater difficulties in the financial markets in the region, as demonstrated by the increased market volatility and the reduction of capital inflows. However, many countries still have a considerable buffer (sounder public finances and better macroeconomic management than in the past) and are in a good position to introduce stimulus policies to counteract weaker foreign demand. In general, a more negative external environment has shifted the focus in emerging countries from overheating to downside risks and, increasingly, to the possible need for support policies. As a result, the cycle of interest-rate rises has come to a halt. Although the intensification of global financial tensions has generated expectations of cuts in official interest rates, such cuts have not been implemented in a widespread manner, partly because the latest inflation data have tended to be somewhat higher than expected. The tone of central bank statements is now more cautious and suggests that interest rates will be maintained at current levels for longer than expected.

In terms of exchange rates evolution, there were general appreciations in the official exchange rates of the main currencies in the region during the year. The exceptions were the Argentinean and Chilean pesos, which depreciated. In average terms over the last 12 months all the currencies except for the Chilean peso weakened. To sum up, the impact of exchange rates over the last year is positive for the balance sheet but negative for earnings. Unless otherwise indicated, all comments below refer to changes at constant exchange rates.

Management priorities

South America maintained its growth levels in both business activity and earnings throughout 2011. It also improved its asset quality indicators against a background of severe financial turmoil at a global level. This was possible thanks to the plans implemented in the region, focused on growth in key segments (individuals and corporates), a customized value added offer for each segment, and improvements in service quality, productivity and efficiency.

In 2012, the area will continue to work in this direction to take advantage of the expected economic growth in the region in a context of what are expected to be increasingly narrow spreads due to the highly competitive environment. A number of plans are being implemented to serve this purpose. Their objectives are summed up below:

- Individual customers segmentation, aimed at growing and cultivating the loyalty of higher-value added customers through an offer leveraged on personalized attention and exclusive products and services. For the classic customer, this means plans focused on creating closer relations internally, through upgrades and cross-selling, building loyalty by bundling products and services and facilitating their interaction with the rest of the catalogue. Approaching new segments with a major potential in the region through specific programs will be key over the coming years. Finally, emphasis will be placed on enabling automatic channels to make daily transactions easier.

- Corporates and SMEs plan. The aim is to increase market share and the volume of profitable business. This has also been set up by developing a segmented approach for these customers. In the corporate segment, priority will be given to the most dynamic sectors in the region, with promotion of transactional banking facilities through a management model based on specialization and expansion. For SMEs, the keys are gaining loyalty through bundled products, and attracting new customers by improving service quality, building closer bank-client relations and reducing response time.

- Pension Business. Projects aimed at making progress on four major levers of value are being implemented: customers, new distribution models, improved efficiency and excellence in the quality of customer service. These projects pursue, among other features, positioning BBVA as an example of voluntary saving plans in the region and retaining high-value added customers, for whom business intelligence methodologies are being developed. This is all part of an ambitious project with a long-term vision of quality and service aimed at improving BBVA's competitive position.

Progress will also be made on:

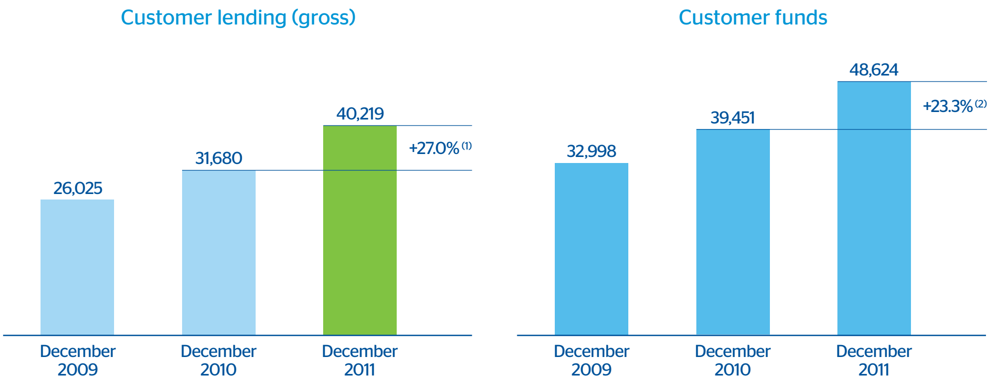
- Customer insight, in order to better identify the specific needs of each segment and market, by boosting commercial intelligence as a key to making progress on commercial management, and by ensuring the satisfaction of current and prospective customers.
- Management models, to boost commercial systematization, the processes of targeting and creating incentives for sales, and the enhancement of the overall productivity of both direct and automatic channels. This will be achieved by renewing and improving the toolset used in commercial activity (i.e. the processes designed for selling products and services through every channel).
- A multi-channel model, involving investment in the branch network and optimization of mass channels (above all, self-service) in order to ease pressure on the sales force and enhance service capacity and efficiency, particularly in the digital world (i.e. mobile and Internet banking).

Breakdown of results

In 2011, the area maintained its growth levels in both business activity and earnings. The **loan book** amounted to €40,219m as of the end of December, a year-on-year increase of 27.0% and a gain of 10 basis points in market share over the last 12 months (November figures, the latest available). This increase in lending has been accompanied by a significant rise in **customer deposits** (up 25.7%), focused on lower-cost transactional current and deposit accounts, which increased by 32.0% over the year. Including the assets under management by mutual funds, customer funds managed by the banks closed December at €48,624m, 23.3% up on the same date in 2010.

1 South America. Key activity data

(Million euros at constant exchange rates)

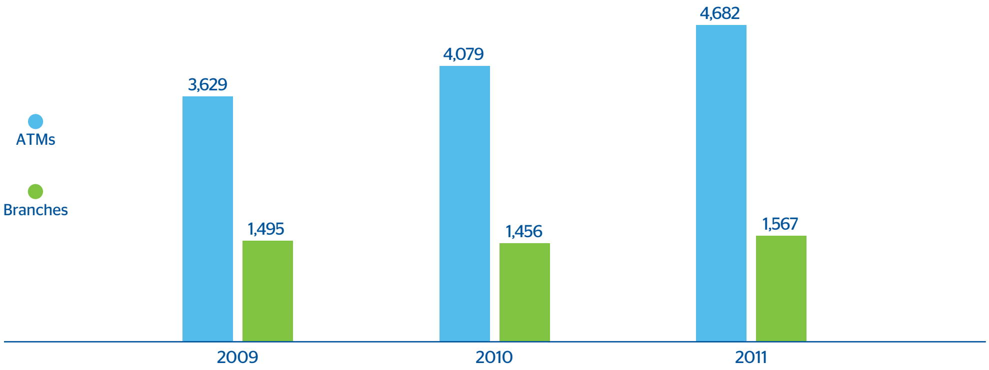


(1) At current exchange rates: +27.6%.
(2) At current exchange rates: +24.2%.

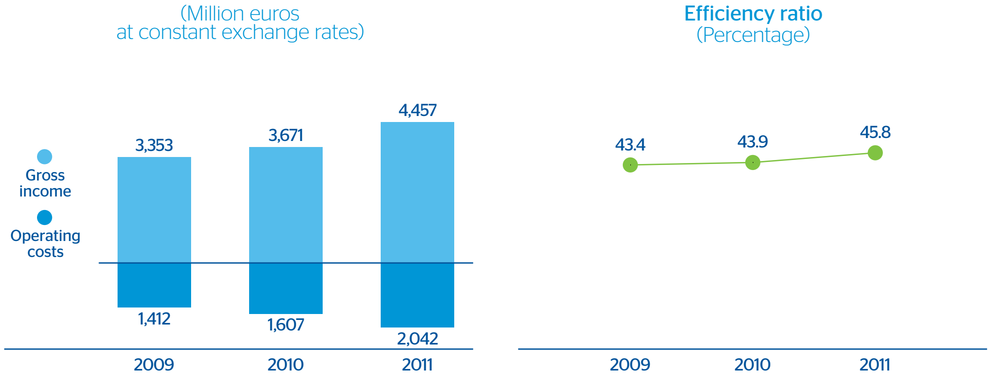
From the point of view of earnings, the cumulative net interest income was €3,164m, 31.6% up on the figure for 2010. This reflects the significant growth in business and the good management of spreads, despite strong competitive pressure. Net income from fees and commissions was up 15.7% on the previous year, to €1,077m. Net trading income (NTI) was down 3.4% year-on-year to €477m. It was strongly affected by the value of US dollar positions in Banco Provincial in Venezuela and by the turmoil on the markets. As a result of the above, **gross income** stood at €4,457m, a rise of 21.4% on the figure for 2010.

Expenses in the area were strongly influenced by the expansion and differentiation projects carried out in most of the units. As a result, they grew by 27.1% year-on-year to €2,042m, but the efficiency ratio stood at 45.8% thanks to the positive trend in revenues. As a result, **operating income** went up 17.0% to €2,415m.

2 South America. Evolution of branch network and ATMs

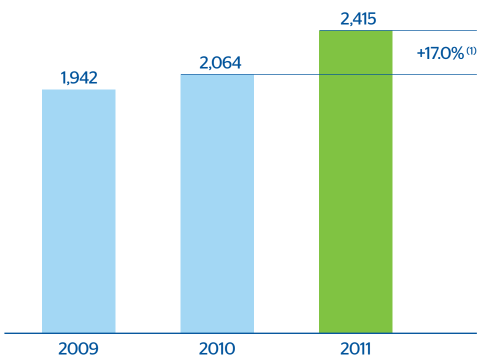


3 South America. Efficiency



4 South America. Operating income

(Million euros at constant exchange rates)

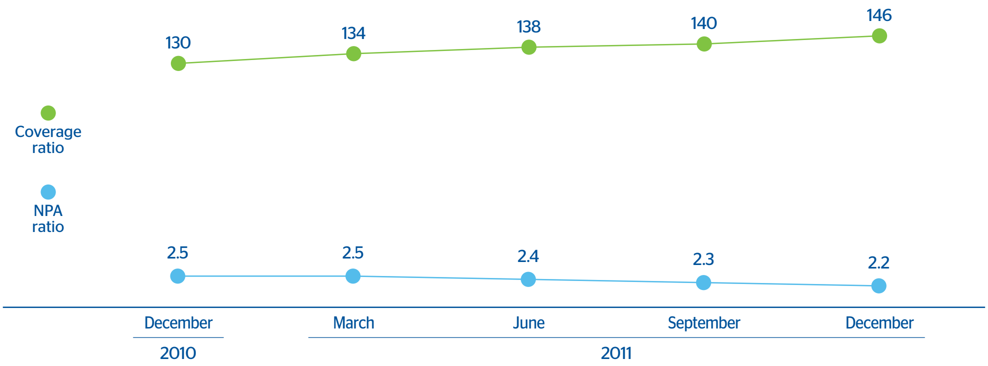


(1) At current exchange rates: +13.4%.

Growth in business activity has been accompanied by a rigorous policy of risk admission and an outstanding management of recoveries. This led to a clear improvement in asset quality in the area. The **NPA ratio** closed at 2.2% on December 31, 2011, with a reduction of 26 basis points over the previous 12 months. The **coverage ratio** improved considerably to 146%. The increase in lending in the area explains the 10.5% year-on-year rise in impairment losses on financial assets to €449m.

5 South America. NPA and coverage ratio

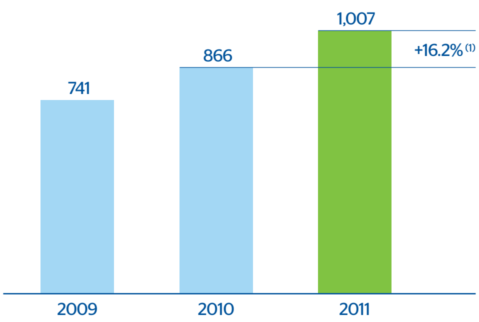
(Percentage)



In short, the excellent growth of revenues thanks to the boost provided by business combined with good price management has enabled the Bank to continue with its investment effort in the area, increase loan-loss provisions due to the growing lending volumes and achieve a **net attributable profit** of €1,007m, a rise of 16.2% over the year.

6 South America. Net attributable profit

(Million euros at constant exchange rates)



(1) At current exchange rates: +13.2%.

Banking Business

The area's banking business generated a net attributable profit of €848m, 19.3% up on the figure for the previous year. The most significant aspects for each of the banks are detailed below.

Argentina

The Argentinean **economy** grew by around 8% over the year (according to the latest available figures), despite the difficult global situation, and without the traditional volatility associated with the electoral cycle.

The Argentinean **financial system** once more demonstrated a high level of soundness, liquidity, asset quality and profitability. Trading volumes expanded and there was an improvement in the ratio of deposits and loans over GDP.

In 2011, **BBVA Francés** continued to develop its management model based on creating value for customers, accompanying them at each stage of their lives, and, above all, searching for excellence in the services it provides. It closed the year with a significant growth in its market share. Lending gained 15 basis points over the last 12 months, mainly thanks to progress in consumer finance (up 85 basis points) and corporate lending (up 84 basis points), while the share of customer funds rose by 8 basis points (all with November data, the latest available). This explains the year-on-year increase of 21.3% in net interest income. Growing net fees and commissions (29.1%) and NTI (83.3%) led to a year-on-year increase in gross income of 28.3%. This, together with the increase in expenses (as a result of inflation and the expansion plans underway) and moderation in loan-loss provisions, led to a year-on-year increase of 32.9% in the net attributable profit to €135m. It is worth noting that this higher activity was combined with an outstanding management of asset quality, thus enabling the bank to maintain its leadership position in the system in terms of risk administration.

Chile

The Chilean **economy** posted significant GDP growth in 2011 (5.3%, according to the latest figures). The factors that contributed to this include the high level of domestic demand, which in turn was boosted by higher commodity prices, in particular copper. Inflation remained within the target range of 3%. Given this situation, the Central Bank gradually increased its monetary policy rate in the first half of the year from 3.25% to 5.25%. Nevertheless, as a result of the uncertainty generated by the international situation and the high volatility in the financial markets, a slowdown could be observed in the last quarter of the year, combined with slight tension in the local financial markets. Although this has led to a rise in Chile's sovereign risk premium, it is still the lowest of the region, thanks to the fact that Chile's fiscal accounts are in good order, it has a structural fiscal surplus, high foreign-currency reserves and sufficient financial stability to cope with adverse scenarios.

The **financial system** was also very dynamic over the year, with growth rates of more than 15% (discounting the currency effect) in commercial lending, 9% in mortgage lending and 18% in consumer finance. Furthermore, the NPA ratio, capital adequacy and profitability levels have also performed well.

BBVA Chile continued to make progress on its Differentiation Plan focused on the individual segment, as well as on expanding its branch network to attract new segments (premium and SME) and on improving the value offered in its products and services. The Differentiation Plan is attracting more high-value added customers, with a higher level of loyalty. As of 31-Dec-2011, the number of higher-value added customers rose to 255,000 (217,000 as of the close of 2010), which means an increase of over 100,000 since the launch of the Plan in 2008. The level of customer loyalty has reached 3.5 products per customer (2.8 products per customer as of the close of 2007). BBVA Chile is also the bank with the sharper increase in market share in new consumer loans over the last four years.

Forum, the consumer finance unit specializing in auto-financing, maintains its clear leadership position in its market, favored by the strength of new car sales in the country. In fact, in 2011 Forum's successful business model was exported to the Peruvian market in partnership with Holding Continental, in which BBVA holds a 50% stake.

BBVA and Forum generated a net attributable profit of €114m in 2011. Particularly outstanding was net interest income, which went up 30.1% thanks to significant growth of lending to individuals, particularly in consumer finance, with a year-on-year gain of 104 basis points in market share, and mortgage lending, which went up 29 basis points (both figures also to November). Transactional customer funds also performed well, with an increase in market share of 10% on the figure for 2010. NTI fell back in year-on-year terms due to the high gains from the sale of securities in the portfolio in 2010, while expenses continued to rise due to the expansion plans carried out over the year.

Colombia

2011 was a good year for the Colombian **economy**, not only because its GDP continued to grow above its historical average, but also because of a climate of stability that favored business. This factor has been recognized by the international rating agencies, which have once more rated the country's debt as investment grade. As a result, the economy as a whole has grown, unemployment has fallen to single-digit rates, exports have increased while diversifying their traditional destinations, and the public-sector deficit has fallen substantially. At the same time, firm foundations have been laid for sustaining this rate of growth in the medium and long term.

In this environment, **BBVA Colombia** continued to improve its market share in the individual segment thanks to significant growth in lending, particularly consumer finance (up 42.0% year-on-year) and credit cards (up 51.7%), where it gained 119 and 128 basis points in market share respectively from November 2010 to November 2011 (latest figures available). As a result, net interest income went up 10.7% in 2011, despite the strong competitive pressure, and gross income increased by 6.7%, slightly below former levels, due to lower NTI resulting from the markets situation. The significant rise in lending activity (up 22.9% year-on-year) did not prevent loan-loss provisions from falling year-on-year by 35.9%, improving risk indicators. The net attributable profit was €208m, rising 15.3% on the figure for 2010.

BBVA Colombia has made substantial investments in technological infrastructure and its distribution capacity in order to ensure the recurrence of its earnings. As a result, the customer satisfaction level reached the highest level of the last 10 years, above the industry average, and leading 5 of the most important categories of this survey.

Peru

The Peruvian **economy** grew by around 7% in 2011, above the average figure for the last decade. This was possible thanks to the implementation of prudent macroeconomic policies and the effort to reduce the levels of poverty in the country. This good performance has been recognized by the rating agencies Fitch and Standard & Poor's, which upgraded their ratings of Peruvian government debt in the second half of 2011.

The **financial sector** has also made its contribution to growth through the expansion of private-sector lending: mortgage loans have been particularly outstanding.

In 2011, **BBVA Continental** focused on improving the customer experience from a customer-centric perspective through three lines of action: 1) network expansion; 2) segment-based management; and 3) service quality, aimed at projecting an image of simplicity and modernity. In line with this strategy, the Bank continued with its Expansion Plan, increasing its branch network and, above all, its alternative distribution channels. There was an outstanding increase of 55% in the number of transactions that migrated from the traditional window to alternative channels. BBVA Continental has made a major effort in quality to offer customers an image of a simple and flexible bank. The commercial actions undertaken, change of brand and improved customer service levels have all led to a noteworthy rate of referrals (84% of customers recommend BBVA Continental) and a high level of public notoriety (79%).

From the point of view of earnings, Banco Continental continues to perform well in its business, with a rise of 14.2% in net interest income. It gained 72 basis points year-on-year in market share in its loan book, boosted by credit cards (up 131 basis points) and corporate lending (up 100 basis points), and with customer funds up 93 basis points (all using November figures). There was also a significant rise in revenues from fees and commissions (up 9.8%), leading to gross income of €743m (up 9.8%). The expansion plans carried out over the year have boosted this rise in business and led to higher expenses in the unit. As a result, and combined with a slight fall in loan-loss provisions, the net attributable profit was up 7.7% to €141m.

In 2011, and for the eighth year in a row, BBVA Continental received the "Best Bank in Peru" award from *Global Finance* and the "Award for Excellence" from *Euromoney*. The bank was also chosen as the best bank in the country and is considered among the five best banks in the region in the ranking drawn up by *América Economía*. Finally, BBVA Banco Continental was given third place in the annual ranking of the most sustainable banks in Latin America by the consultancy Management & Excellence and the magazine *Latin Finance*.

Venezuela

According to the latest available figures, the Venezuelan **economy** showed signs of recovery throughout 2011, with increased public spending made possible by high oil revenues. In addition, other non-oil businesses expanded, according to the latest available information for the third quarter. They were mainly focused on the financial, construction, communications and retail trade sectors.

The **banking activity** confirmed the industry's positive performance in 2011. Its average annualized profitability measured in terms of return on equity (ROE) was 36.1% as of the close of November, an outstanding increase of 1,606 basis points on the figure for December 2010.

In 2011, **BBVA Banco Provincial** focused on cultivating the loyalty of its retail customers, on becoming a national reference in terms of innovation and technology and on offering the broadest range of products and services in the Venezuelan financial system. With respect to infrastructure, progress continued to be made on the refurbishment plan for branches. Their structure was remodeled to optimize space and create self-service areas called "express zones", designed to offer customers a comfortable and secure place to carry out their transactions quickly. The bank has also developed strategies to maintain its leadership in auto-finance in the Venezuelan banking system, renewing its 2010 alliances with some vehicle manufacturers and securing new ones.

All these efforts and initiatives meant a significant contribution to lending growth, above all to individuals and corporations. Credit cards gained 354 basis points in market share over the last 12 months, consumer finance, 192 basis points, and corporate lending 203 basis points (according to November figures). Banco Provincial recorded notable growth in its net attributable profit (up 77.5% year-on-year) to €192m, thanks to its progress in revenue lines. Net interest income went up 60.5%. NTI rose by 43.4%, as a result of the revaluation of US dollar positions upheld by the bank (a very similar effect occurred in 2010 following the devaluation of the bolivar). The high inflation rate and expansion plans continue to weigh on expenses, together with greater generic provisions.

In 2011, BBVA Provincial was once more chosen by *Global Finance*, *Euromoney* and *Latin Finance* as the "Best Bank in Venezuela", and by *Global Finance* as the "Best Internet Bank." It was in 10th place in the "Great Place to Work 2010" list and first among the companies in the financial sector. It also obtained an award from the National Advertisers' Association (ANDA) for the advertising campaign on its social integration scholarship program.

Panama

The Panamanian **economy** continued to be strong throughout 2011, with an estimated growth rate of 9.1%. This resulted in positive economic activity indicators, including a significant reduction in the unemployment rate.

BBVA Panama ended the year with increases in both lending and funds, and cumulative net attributable profit of €26m.

BBVA Panama obtained a rating of BBB– with a stable outlook form Standard & Poors. The agency highlighted the bank's adequate solvency and prudent risk management.

Paraguay

The Paraguayan **economy** is expected to grow by 3.6% in 2011, boosted mainly by the agricultural sector. Inflation is forecasted to close 2011 at around 4.4%, under control thanks to the measures adopted by the Central Bank throughout the year. Exports were affected by the outbreak of foot-and-mouth disease in the last quarter of the year, and will end the year up around 20%, while imports will go up 25%.

Over the year, and thanks to the launch of sales campaigns in the second half of 2011, **BBVA Paraguay** recovered its business activity levels, generating a net attributable profit of €23m.

The rating agency Feller-Rate (a strategic subsidiary of Standard & Poor's) maintained its AA rating for BBVA Paraguay, with a stable outlook. This is the highest rating granted to a bank in the country's financial system. At the international level, Standard & Poor's upgraded the bank from B+ to BB–, with a stable outlook, after raising the rating of the country's sovereign debt.

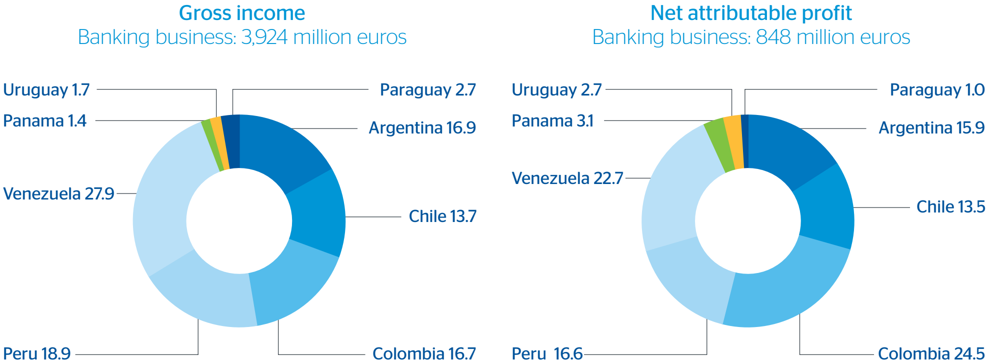
Uruguay

The favorable performance of the Uruguayan **economy**, fueled by the strength of every economic activity sector, particularly consumption, led to GDP growing by more than 6% in 2011 (according to the latest available figures).

The most notable event in the year for **BBVA Uruguay** was the operational merger with Crédit Uruguay Banco, which had been acquired the previous year. The two banks now operate as one, following the unification of processes, systems and brand image at all points of contact with customers.

After the merger, BBVA Uruguay is now the second biggest private bank in the country, with €1,966m of assets. Apart from the operational success of the merger, the bank has become market leader in products such as auto finance and mortgage lending. It is worth noting that during the period of the merger the number of customers increased by 2% year-on-year. The net attributable profit generated by BBVA Uruguay in 2011 was €9m.

7 South America banking business. Distribution of gross income and net attributable profit (Percentage)



South America. Financial statements of the main banks

Income statement

(Million euros)

	ARGENTINA				CHILE			
	BBVA Francés				BBVA Chile			
	2011	∆%	∆% (1)	2010	2011	∆%	∆% (1)	2010
Net interest income	**397**	**11.2**	**21.3**	**357**	**394**	**30.8**	**30.1**	**301**
Net fees and commissions	216	18.3	29.1	183	95	(6.3)	(6.8)	102
Net trading income	59	68.0	83.3	35	32	(34.5)	(34.8)	48
Other income/expenses	(7)	(24.0)	(17.1)	(9)	18	87.0	86.0	9
Gross income	**665**	**17.6**	**28.3**	**565**	**539**	**16.9**	**16.3**	**461**
Operating income	(377)	20.3	31.2	(313)	(274)	21.8	21.1	(225)
Personnel expenses	(218)	31.1	43.0	(166)	(147)	16.8	16.1	(126)
General and administratve expenses	(144)	8.1	17.9	(133)	(111)	27.2	26.5	(87)
Deprecation and amortization	(15)	7.0	16.7	(14)	(16)	35.3	34.5	(12)
Operating income	**288**	**14.3**	**24.7**	**252**	**264**	**12.3**	**11.7**	**235**
Impairment on financial assets (net)	(37)	33.3	45.4	(28)	(64)	5.4	4.9	(60)
Provisions (net) and other gains (losses)	6	n.m.	n.m.	1	(4)	(66.0)	(66.2)	(12)
Income before taxes	**257**	**14.1**	**24.5**	**225**	**197**	**20.8**	**20.2**	**163**
Income taxes	(80)	0.1	9.2	(80)	(30)	183.0	181.4	(11)
Net incomes	**177**	**21.9**	**32.9**	**145**	**167**	**9.6**	**9.0**	**152**
Non-controlling interests	(42)	22.0	33.0	(35)	(52)	41.0	40.3	(37)
Net attributable profit	**135**	**21.9**	**32.9**	**111**	**114**	**(0.6)**	**(1.1)**	**115**

(1) At constant exchange rates.

Balance sheet

(Million euros)

	BBVA Francés				BBVA Chile			
	31-12-11	∆%	∆% (1)	31-12-10	31-12-11	∆%	∆% (1)	31-12-10
Cash and balances with central banks	1,329	28.2	30.2	1,037	351	20.7	30.2	291
Financial assets	750	(17.7)	(16.5)	911	2,139	(12.7)	(5.8)	2,450
Loans and receivables	4,459	43.9	46.1	3,098	10,266	12.2	21.0	9,150
Loans and advances to customers	3,932	43.7	45.8	2,737	9,594	10.1	18.7	8,717
Loans and advances to credit institutions and others	526	45.7	47.9	361	671	55.1	67.3	433
Tangible assets	113	9.7	11.4	103	90	0.8	8.8	89
Other assets	127	34.8	36.8	94	732	12.5	21.3	651
Total assets/Liabilities and equity	**6,777**	**29.3**	**31.2**	**5,243**	**13,579**	**7.5**	**16.0**	**12,632**
Deposits from cental banks and credit institutions	174	n.m.	n.m.	36	2,391	45.4	56.9	1,644
Deposits from customers	5,259	27.8	29.7	4,115	7,070	(0.1)	7.8	7,076
Debt certificates	44	-	-	-	1,153	25.4	35.3	919
Subordinated liabilities	-	-	-	-	601	(4.5)	3.0	629
Financial liabilities held for trading	4	n.m.	n.m.	1	815	6.2	14.6	768
Other liabilities	982	15.4	17.2	861	1,157	(7.8)	(0.5)	1,273
Economic capital allocated	314	30.8	32.8	229	393	15.4	24.5	322

(1) At constant exchange rates.

COLOMBIA				PERÚ				VENEZUELA			
BBVA Colombia				BBVA Continental				BBVA Provincial			
2011	Δ%	Δ% (1)	2010	2011	Δ%	Δ% (1)	2010	2011	Δ%	Δ% (1)	2010
525	**8.5**	**10.7**	**484**	**520**	**11.6**	**14.2**	**465**	**1,089**	**51.0**	**60.5**	**721**
119	1.8	3.9	117	142	7.3	9.8	133	172	34.3	42.8	128
33	(9.4)	(7.5)	36	93	(6.9)	(4.7)	99	207	34.9	43.4	154
(21)	119.2	123.7	(9)	(12)	113.3	118.3	(5)	(374)	33.8	42.2	(280)
656	**4.5**	**6.7**	**627**	**743**	**7.3**	**9.8**	**692**	**1,093**	**51.3**	**60.8**	**723**
(294)	13.7	16.1	(259)	(251)	9.7	12.2	(229)	(447)	28.8	36.9	(347)
(133)	6.6	8.8	(125)	(135)	12.1	14.7	(120)	(188)	21.7	29.4	(154)
(135)	24.0	26.5	(109)	(99)	12.5	15.1	(88)	(190)	32.7	41.0	(143)
(26)	4.9	7.0	(25)	(17)	(16.5)	(14.5)	(21)	(69)	39.5	48.3	(50)
361	**(1.9)**	**0.1**	**369**	**492**	**6.2**	**8.7**	**464**	**647**	**72.0**	**82.9**	**376**
(80)	(37.2)	(35.9)	(127)	(81)	(4.1)	(1.8)	(85)	(168)	58.2	68.1	(106)
10	52.4	55.5	6	(6)	16.9	19.7	(5)	(92)	n.m.	n.m.	(14)
291	**17.7**	**20.1**	**247**	**405**	**8.4**	**10.9**	**374**	**387**	**51.3**	**60.8**	**256**
(73)	34.3	37.1	(54)	(105)	7.0	9.5	(98)	(38)	(19.2)	(14.1)	(47)
218	**13.0**	**15.3**	**193**	**301**	**8.9**	**11.4**	**276**	**349**	**67.1**	**77.7**	**209**
(10)	13.0	15.3	(9)	(160)	12.2	14.8	(143)	(157)	67.3	77.9	(94)
208	**13.0**	**15.3**	**184**	**141**	**5.3**	**7.7**	**134**	**192**	**66.9**	**77.5**	**115**

BBVA Colombia				BBVA Continental				BBVA Provincial			
31-12-11	Δ%	Δ% (1)	31-12-10	31-12-11	Δ%	Δ% (1)	31-12-10	31-12-11	Δ%	Δ% (1)	31-12-10
916	6.1	4.3	863	2,283	(10.6)	(16.9)	2,555	2,971	42.2	37.7	2,090
1,447	11.0	9.1	1,303	862	22.0	13.4	706	1,757	71.3	65.9	1,025
7,450	24.5	22.3	5,982	8,533	30.8	21.6	6,526	7,981	46.4	41.8	5,452
7,264	25.6	23.4	5,783	8,216	30.0	20.9	6,319	6,765	51.8	47.0	4,456
185	(6.7)	(8.3)	199	318	53.6	42.8	207	1,216	22.1	18.3	996
102	0.5	(1.2)	102	173	45.1	34.9	119	229	50.0	45.3	153
288	66.0	63.1	173	313	51.4	40.8	207	283	51.4	46.6	187
10,202	**21.1**	**19.0**	**8,423**	**12,165**	**20.3**	**11.8**	**10,113**	**13,221**	**48.4**	**43.7**	**8,906**
880	15.6	13.5	761	1,272	(5.6)	(12.2)	1,347	197	(2.9)	(6.0)	203
7,345	23.6	21.4	5,942	8,529	27.1	18.2	6,709	10,684	48.5	43.8	7,195
471	(0.9)	(2.7)	476	436	16.0	7.9	376	-	-	-	-
145	(9.5)	(11.1)	161	352	5.2	(2.2)	335	-	-	-	37
108	87.1	83.8	58	77	58.3	47.1	49	-	-	-	-
474	41.4	38.9	378	1,081	10.6	2.8	978	1,800	57.1	52.1	1,178
779	12.8	10.8	648	416	30.3	21.2	320	541	66.0	60.7	293

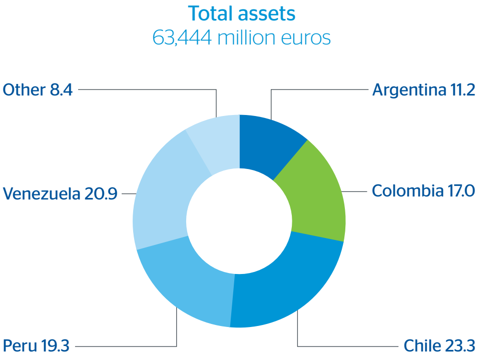
Pensions and Insurance

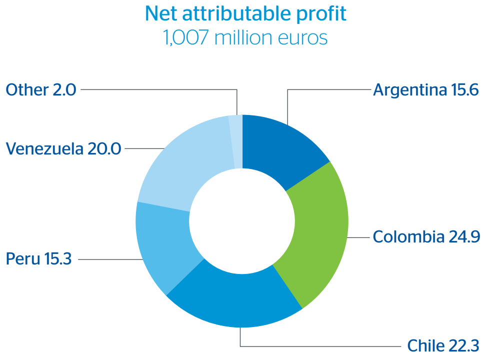
The Pensions & Insurance business in South America contributed with a net attributable profit of €195m in 2011, 3.6% up on the figure for 2010. Out of this total, €106m were generated by the pensions business (down 16.1%) and €89m by the insurance business (up 44.0%).

BBVA Group. Business share ranking in South America countries in 2011

	Loans	Deposits	Pensions
Argentina	3rd	2nd	-
Bolivia	-	-	1st
Chile	4th	5th	1st
Colombia	4th	4th	3rd
Ecuador	-	-	1st
Panama	5th	4th	-
Paraguay	4th	4th	-
Peru	2nd	2nd	3rd
Uruguay	2nd	2nd	-
Venezuela	3rd	3rd	-

8 South America. Distribution of total asset and net attributable profit, by country
(Percentage)





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

	Operating income					Net attributable profit				
Country	2011	Δ%	Δ% at constant exchange rates	2010	2009	2011	Δ%	Δ% at constant exchange rates	2010	2009
Argentina	315	5.1	14.7	299	287	157	18.9	29.7	132	129
Chile	454	6.0	5.4	429	349	224	0.7	0.2	223	144
Colombia	411	(3.4)	(1.4)	425	407	251	12.6	14.9	223	162
Peru	518	0.6	2.9	515	441	154	2.8	5.2	149	126
Venezuela	670	67.9	78.5	399	523	201	63.0	73.3	123	188
Other countries (1)	48	(22.9)	(25.0)	62	51	20	(48.6)	(50.8)	39	29
Total	**2,415**	**13.4**	**17.0**	**2,129**	**2,058**	**1,007**	**13.2**	**16.2**	**889**	**780**

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

Pensions

In 2011, the increase in employment rates and wages and the progress made on formal employment levels had a positive effect on the rise in contributions to private pension funds. However, this business was severely affected by financial markets high volatility, with a resulting negative impact on NTI. Nevertheless, the positive performance of commercial activity led to an increase in fund subscriptions of 16.0% year-on-year and thus a positive effect on net fee income (up 6.9%). Funds under management remained at practically the same levels as in 2010 (€47,818m).

AFP Provida in Chile continued to transform its customer model by focusing on the loyalty of corporations and servicing. The result was the further strengthening of its leadership position in the Chilean pension system, where it has the biggest portfolio of investments in the industry. As a result, it obtained an annual net attributable profit of €74m, 17.2% down on the figure for 2010. This can be explained by the worse figures for NTI. Conversely, recurrent revenues performed very favorably thanks to growth in subscriptions (up 4.7%). There was moderate growth of expenses, 3.7% over the year. In Peru, AFP Horizonte generated earnings of €13m (down 16.4% year-on-year). The good management by the company enabled it to improve its market indicators. In particular, there was a significant increase in subscriptions (up 16.3%), and it maintained its first place in share of pension savers and leadership in the returns on two of its three managed funds. The above had a very positive effect on the firm's fee income (up 20.4%). Finally, AFP Horizonte Pensiones in Colombia had a net attributable profit of €21m and its managed funds increased by 12.9%, with the number of pension savers increasing by 8.4% and subscriptions by 25.6%.

Insurance

The insurance business had a very favorable year and continued to show notable strength. In 2011, significant actions were undertaken to increase business activity, extend the product catalogue and ensure adequate risk management and business profitability. Additionally, new distribution and sales channels were opened, and new brokers set up in Uruguay and Paraguay, with new agreements concluded with major distributors in various economic sectors. This effort was rewarded, as BBVA is now leader in the bank assurance rankings by total written premiums in those countries in the region where the Group operates. BBVA also leads the rankings by net income in the life insurance branch. The increased activity and improved product catalogue resulted in a year-on-year rise of 9.7% in the volume of written premiums by all the companies as a whole. As a result of the above, and combined with the good level of claims and a reduction in expenses, the insurance business contributed a net attributable profit of €89m, 44.0% up on the figure for 2010.

Grupo Consolidar in Argentina had a net attributable profit of €26m, 6.8% up on the figure for 2010, while the insurance companies in Chile generated €33m, Seguros Provincial in Venezuela €8m and the companies in Colombia €22m.

The United States

Income statement

(Million euros)

	The United States					Units BBVA Compass Banking Group			
	2011	Δ%	Δ% (1)	2010	2009	2011	Δ%	Δ% (1)	2010
Net interest income	**1,590**	**(11.4)**	**(7.4)**	**1,794**	**1,679**	**1,400**	**(9.6)**	**(6.2)**	**1,566**
Net fees and commissions	632	(2.9)	1.1	651	612	525	(4.0)	0.3	549
Net trading income	140	(10.6)	(8.1)	156	155	94	(4.2)	0.0	98
Other income/expenses	(85)	70.1	79.0	(50)	(34)	(83)	72.8	89.9	(46)
Gross income	**2,277**	**(10.7)**	**(7.0)**	**2,551**	**2,412**	**1,936**	**(9.6)**	**(6.3)**	**2,168**
Operating income	(1,491)	(1.7)	2.8	(1,517)	(1,365)	(1,300)	(3.5)	0.9	(1,352)
Personnel expenses	(819)	8.8	13.6	(753)	(700)	(715)	6.7	12.8	(665)
General and administratve expenses	(502)	(11.1)	(7.1)	(565)	(459)	(420)	(13.2)	(10.5)	(493)
Deprecation and amortization	(170)	(14.8)	(10.6)	(199)	(205)	(165)	(13.6)	(10.9)	(194)
Operating income	**786**	**(24.0)**	**(21.1)**	**1,034**	**1,047**	**636**	**(19.9)**	**(18.2)**	**816**
Impairment on financial assets (net)	(346)	(50.9)	(48.7)	(703)	(1,424)	(332)	(39.6)	(41.2)	(592)
Provisions (net) and other gains (losses)	(1,501)	n.m.	n.m.	(22)	(1,051)	(1,480)	n.m.	n.m.	(18)
Income before taxes	**(1,061)**	**n.m.**	**n.m.**	**309**	**(1,428)**	**(1,175)**	**n.m.**	**n.m.**	**206**
Income taxes	339	n.m.	n.m.	(69)	478	362	n.m.	n.m.	(57)
Net incomes	**(722)**	**n.m.**	**n.m.**	**239**	**(950)**	**(814)**	**n.m.**	**n.m.**	**149**
Non-controlling interests	-	-	-	-	-	-	-	-	-
Net attributable profit	**(722)**	**n.m.**	**n.m.**	**239**	**(950)**	**(814)**	**n.m.**	**n.m.**	**149**
Net one-offs (2)	(1,011)	-	-	-	(1,050)	(1,011)	-	-	-
Net attributable profit (excluding one-offs)	**289**	**20.8**	**23.2**	**239**	**100**	**197**	**29.4**	**39.3**	**149**

(1) At constant exchange rate.
(2) In the fourth quarter of 2011 a charge was booked for goodwill impairment in the United States, and in the fourth quarter of 2009, there was a charge for extraordinary provisions and a change for goodwill impairment in the United States.

Balance sheet

(Million euros)

	The United States					Units BBVA Compass Banking Group			
	31-12-11	Δ%	Δ% (1)	31-12-10	31-12-09	31-12-11	Δ%	Δ% (1)	31-12-10
Cash and balances with central banks	3,379	47.9	43.3	2,284	871	2,103	(2.8)	(6.1)	2,170
Financial assets	8,375	12.1	8.6	7,470	6,954	7,486	11.5	9.2	6,638
Loans and receivables	40,647	2.3	(0.9)	39,729	42,434	33,228	6.3	3.6	31,046
Loans and advances to customers	38,927	1.4	(1.9)	38,408	40,053	32,118	5.3	2.6	30,326
Loans and advances to credit institutions and others	1,720	30.2	26.1	1,321	2,381	1,110	48.8	49.3	720
Inter-area positions	-	-	-	4,844	24,364	-	-	-	107
Tangible assets	833	4.7	1.4	795	711	794	4.4	1.6	757
Other assets	2,179	(11.2)	(14.0)	2,453	2,342	1,927	(9.4)	(13.3)	2,152
Total assets/Liabilities and equity	**55,413**	**(3.8)**	**(6.8)**	**57,575**	**77,676**	**45,538**	**5.6**	**2.9**	**42,869**
Deposits from cental banks and credit institutions	6,338	(5.3)	(8.3)	6,690	7,505	4,112	24.0	22.7	3,246
Deposits from customers	37,777	(10.8)	(13.6)	42,343	62,200	34,659	3.3	0.4	33,433
Debt certificates	363	(27.5)	(29.8)	501	510	-	-	-	-
Subordinated liabilities	1,211	6.1	2.7	1,141	1,118	963	9.4	6.9	873
Inter-area positions	2,466	-	-	-	-	-	-	-	-
Financial liabilities held for trading	454	26.1	22.1	360	187	440	51.2	51.9	280
Other liabilities	3,634	1.8	(1.4)	3,568	3,161	2,814	3.9	1.1	2,696
Economic capital allocated	3,170	6.7	3.3	2,972	2,995	2,549	8.0	5.4	2,341

(1) At constant exchange rate.

Significant ratios

(Percentage)

	The United States		
	31-12-11	31-12-10	31-12-09
Efficiency ratio	65.5	59.5	56.6
NPA ratio	3.6	4.4	4.2
NPA coverage ratio	73	61	58
Risk premium	0.93	1.69	3.34

The United States highlights in 2011

- Compliance with the business plan and progress in constructing the franchise.
- Resilient net interest income despite unfavorable interest rates.
- Growth in target portfolios more than offsets the fall in construction real-estate lending.
- Continued improvement in risk indicators.

Definition of the area

This area encompasses the Group's business in the United States and in the Commonwealth of Puerto Rico. More precisely, it includes BBVA Compass, which accounted for 82% of the balance sheet in the area as of 31-Dec-2011. Due to its relative contribution, most of the comments below refer to this business unit. The area also covers the assets and liabilities of the BBVA office in New York, which specializes in transactions with large corporations.

Macroeconomic context

The **economic recovery** in the United States slowed considerably at the start of 2011. This was largely due to a combination of temporary factors, including the upturn in oil prices and the longer than expected interruption in supply as a result of the earthquake in Japan. In addition, growing domestic and foreign fiscal uncertainty has contributed to slower quarterly growth in 2011 compared to 2010. The slight upturn in economic growth in the second half of the year was not enough to boost significantly the expectations of business and consumers. Household deleveraging, global fiscal uncertainty, sluggish residential investment, and restrictions in credit conditions all continue to limit economic growth. Overall, growth slowed in 2011 to around 1.5% (the figure for 2010 was 3%).

The United States has not been immune to concerns regarding the state of public finances. Despite pressure at the beginning of the year to initiate a credible process of fiscal consolidation, solutions have been extremely partial. First there was the last-ditch agreement to extend the debt ceiling; then the failure of the committee designated to propose a binding deficit-reduction plan. In this context, the country's rating was downgraded from its maximum level by one agency. Doubts about the strength of economic activity have led to a search for balance between long-term consolidation and the necessity of sustaining the economy in the short term. The result has been the proposal of measures particularly geared to job creation, though political negotiations have created difficulties for their implementation. Meanwhile, the Fed has given signs that its accommodative monetary policy will be maintained, and interest rates will continue to be low over the coming years. Concerns continue to focus on lowering the unemployment rate and improving the real-estate market, while at the same time maintaining inflationary expectations under control. High energy and food prices are putting pressure on inflation. However, domestic economic stagnation and the slowdown of the global economy have preserved core prices within the Fed's implicit target range.

The dollar's exchange rate (fixing rate) against the euro appreciated in year-on-year term, while the average rates have depreciated over the last 12 months by 4.7%. This means that the impact of the currency is positive on the balance sheet and business activity but negative on earnings. Unless otherwise indicated, all comments below refer to changes at a constant exchange rate.

Management priorities

BBVA Compass has achieved a number of milestones in 2011, and made significant progress in other initiatives, including the following:

- Continued consolidation of the BBVA franchise in the country. This has involved the re-alignment of vital segments of BBVA Compass to better respond to the recent challenges of the economy.

- Progress continues to be made on improving the bank's IT platform, developed as planned. The branch platform project, which includes a new teller system, in-branch CRM, check image capture, and marketing campaign management tools, has been completed. Moreover, the core banking platform development is at full speed and includes benefits such as customer-centric architecture and real-time processing, both contributing to improve the bank's efficiency. Likewise, the implementation of the Commercial lending origination platform is on track and it will improve the risk admission processes. BBVA has also been working to improve the on-line banking platform. Indeed, BBVA has obtained recognition from *US Banker* and *Bank Technology News* for its technological achievements so far and its vision of the future in this field.

- An important effort has been made to enhance brand awareness in the U.S. Thus, BBVA was named retail bank of the year in 2011. The bank also reaped great rewards from its relationship with the National Basketball Association (NBA), which includes collaboration with four NBA teams, and two WNBA teams, all of them in key markets for the bank. In addition, in the fourth quarter of 2011 BBVA Compass and the Houston Dynamo announced a multi-year agreement for the rights to the name of the new Major League Soccer (MLS) team stadium in the center of Houston, which is currently under construction. It is also worth noting that BBVA uses its relationship with the NBA to provide services for the community. As an example, over 700 employees and participants worked as volunteers last year on the Team Works project for schools reconstruction.

- The bank's customer-centric business model strategy has made progress in building up the loyalty of the customer base and launching innovative products and services. Customer retention and cross-selling ratios are showing good trends backed by sound mortgage activity that is growing above the industry average, while improving customer satisfaction and production levels.

- In 2011, the Corporate and Commercial Banking units expanded into new industrial segments, including public finance and healthcare, thus helping to diversify the revenue base.

- From a distribution point of view, greater emphasis has been placed on developing alternative banking distribution channels. As a result, BBVA has significantly increased the number of mobile banking users.

- There have also been improvements in the bank's infrastructure, processes and risk procedures. Worthy of note are the proactive steps taken by management to reduce problem assets, while improving the loan portfolio mix and increasing loan production. The Enterprise Risk Management (ERM) program includes the corporate implementation of enterprise risk assessment, as well as other new tools and methodologies such as loan grading. Methodologies are being improved and the Data Integrity project has been implemented to ensure key risk-data flows are available across the processes.

- Finally, BBVA's presence in the United States has been expanded through the selective search for new talent and the retention of current employees, all with the aim of making BBVA Compass the best place to work. In response to employee requests, the Best Place to Work Journey program was launched, with a focus on four main areas: Leadership and Management Alignment; Cooperation and Collaboration; Career Growth and Development; and the Work-Life Balance.

BBVA Compass strives to differentiate itself from the competition by putting customers first. There are more than 50 action plans underway to increase customer satisfaction, from engaging in the social media to participating in training programs and developing "Customer First" project teams. New products have been launched and mortgages have been used as a loyalty-building product.

During 2011, the bank was named retail bank "Brand of the Year," putting it ahead of all its competitors in terms of its brand value. Its commitment to the BBVA Compass Bowl and the NBA has led to the bank being named the Grand Sports Marketer of the Year.

To sum up, the Group continues to make major progress in constructing the U.S. franchise, improving its technological platform, extending the range of products and services available to customers and by boosting brand recognition.

For **2012**, the franchise will continue to make progress along the same lines of action:

- It will continue to improve management and risk control.
- It will take additional steps to enhance customer experience through innovative products and services that are adapted to customer needs.
- It will continue to work on alternative channels such as the Internet and mobile banking.
- It will take further steps in its strategy of differentiation by building up brand recognition, by focusing attention on customers, and by reaching them through alternative channels.
- It will continue to improve and develop the franchise IT platform.

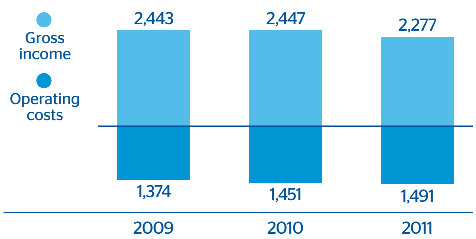
In conclusion, the Strategic Plan in the area aims to create brand differentiation by aligning the bank's processes and capacities and reaching out with them to its customers. Customers have to be reached through innovative products and services that use a judicious mix of both traditional (physical banking) and alternative (virtual banking) distribution channels.

Breakdown of results

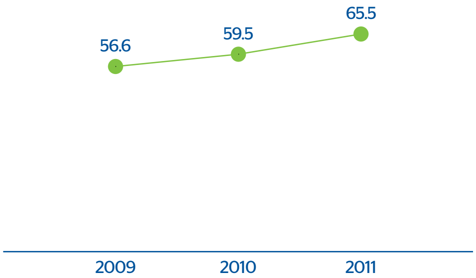
In 2011 the United States franchise showed a high resilience in quarterly net interest income. This is very significant, taking into account the gradual shift in composition of the loan portfolio toward lower-risk products with narrower spreads. This resilience is the result of good customer spread management. Net interest income for the year amounted to €1,590m, 7.4% below the 2010 figure. Annual income from fees and commissions was up 1.1% year-on-year to €632m, despite the enforcement of new regulations limiting them. All the above, together with lower NTI (down 8.1% year-on-year) caused by the market turmoil, and a greater contribution to the Federal Deposit Insurance Corporation (FDIC), brought **gross income** to €2,277m in 2011 (down 7.0% year-on-year).

1 The United States. Efficiency

(Million euros at constant exchange rate)



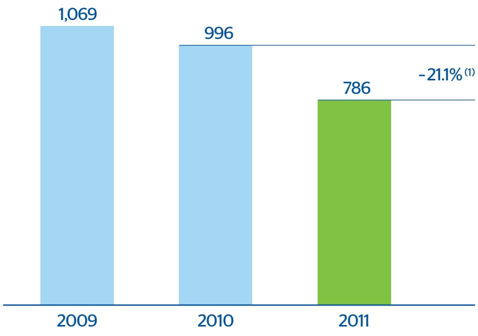
Efficiency ratio
(Percentage)



Operating expenses in the area increased modestly, despite the investment made in both people and technology. They grew by only 2.8% on the 2010 figure to €1,491m. The result was an **operating income** of €786m, down 21.1% over the year.

2 The United States. Operating income

(Million euros at constant exchange rate)

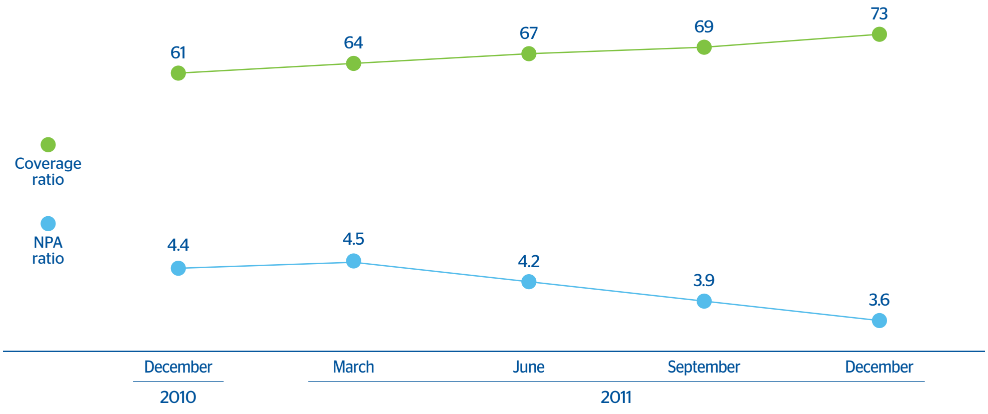


(1) At current exchange rate: –24.0%.

The gradual improvement in the loan-book mix, with additional increases in the weight of target portfolios (residential real estate and commercial) has had a clear impact on **asset quality** in the area, with NPA and coverage ratios continually improving from the previous year, and the risk premium also falling significantly. The NPA ratio fell by 81 basis points on the figure of 31-Dec-2010, and closed 31-Dec-2011 at 3.6%. The coverage ratio was 73% (61% at the end of December 2010). The cumulative risk premium in 2011 fell once more over the previous 12 months by 76 basis points to 0.93%, while impairment losses on financial assets for the year fell 48.7% on the 2010 figure to €346m.

3 The United States. NPA and coverage ratio

(Percentage)

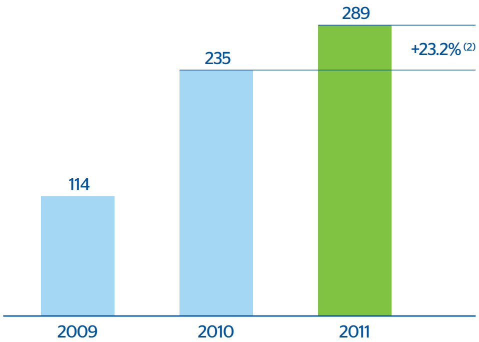


The value of **goodwill** in the United States was adjusted in the fourth quarter of 2011 by €1,011m after taxes. Despite the positive performance of the franchise in 2011, the slower-than-expected economic recovery, a low interest-rate outlook and growing regulatory pressure, all imply a slowdown in expected earnings growth in this area. This goodwill adjustment has an accounting nature and does not have any negative impact on the liquidity or capital adequacy of either the area or the Group.

To sum up, the recurring revenue resilience, tight expense control and reduced need for loan-loss provisions explain the **net attributable profit** for 2011 of €289m (excluding the goodwill impairment), 23.2% up on the figure for 2010. Including the effect of the goodwill adjustment, the figure was a loss of €722m.

4 The United States. Net attributable profit (1)

(Million euros at constant exchage rate)



(1) Excluding one-off.
(2) At current exchange rate: +20.8%.

BBVA Compass Banking Group

The BBVA Compass banking group (BBVA Compass) basically includes the retail, commercial and corporate banking and wealth management businesses in the United States, excluding Puerto Rico.

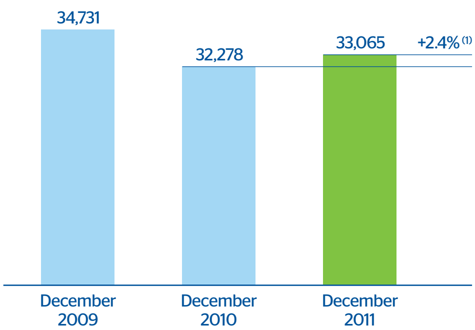
Gross customer lending in this unit was €33,065m as of 31-Dec-2011, a year-on-year rise of 2.4%, BBVA Compass continues to reduce its highest-risk portfolios and increase its exposure to the target segments. Thus lending to the residential real-estate sector, which currently amounts to 24.4% of the total, increased by 24.0% over the year. Loans to the commercial and industrial sector, which account for 34.8% of the total, were up 22.9% year-on-year. In contrast, construction real estate loans reduced its weight to 8.1%, decreasing over the year by 32.3%. This shift toward the commercial and industrial sector and residential real estate contributes to enhance the diversification of the entity's loan portfolio, with greater weight of products with highest loyalty.

Customer funds remained stable in year-on-year terms and amounted to €33,862m. The performance of non-interest-bearing deposits (current and savings accounts) was particularly positive, with an increase over the same period of 6.2%. This had a positive impact on cost of deposits in the area.

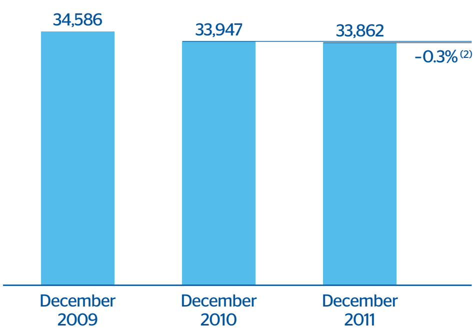
5 BBVA Compass Banking Group. Key activity data

(Million euros at constant exchage rate)

Customer lending (gross)

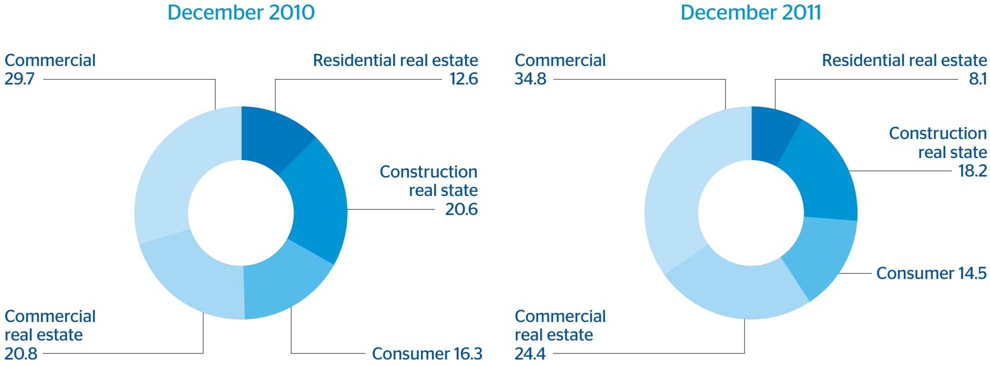


Customer funds

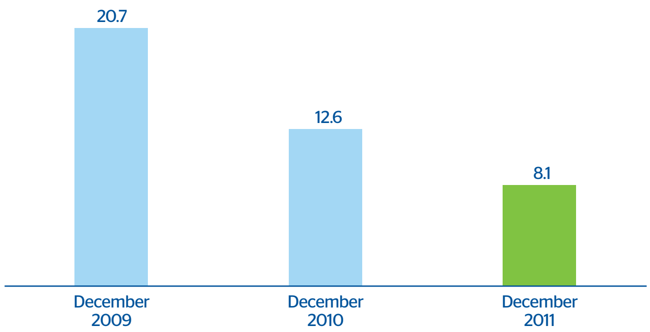


(1) At current exchange rate: +5.8%.
(2) At current exchange rate: +3.0%.

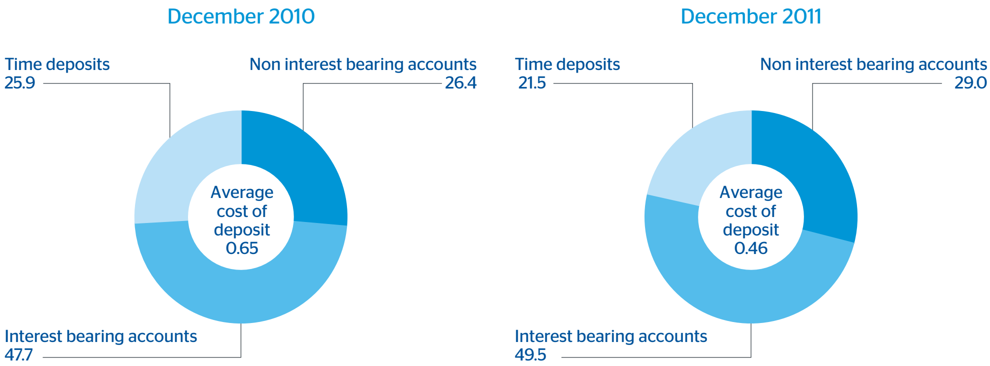
6 BBVA Compass Banking Group. Loan mix
(Percentage)



7 Developer loans over BBVA Compass Banking Group total loan (Percentage)



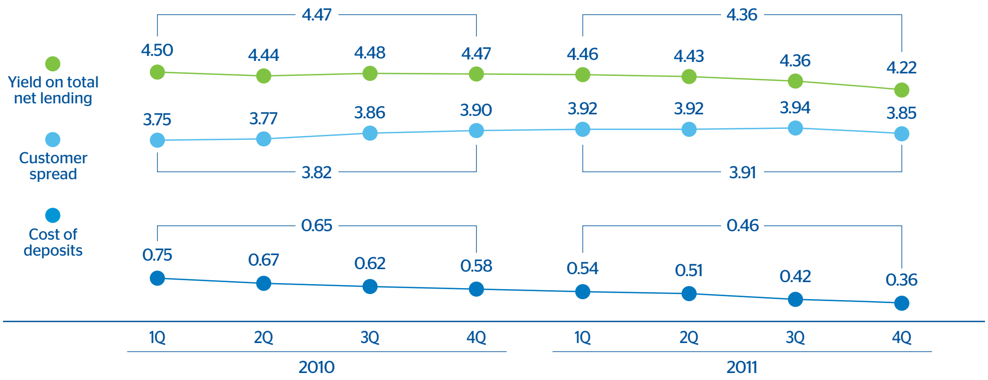
8 BBVA Compass Banking Group. Deposit mix
(Percentage)



From the results point of view, recurring revenue (net interest income plus income from fees and commissions) was resilient thanks to an adequate customer spread management and the success of actions taken to mitigate the effects of regulatory changes. It is important to stress that BBVA Compass maintained its profitability over the year in terms of net interest income over ATA, and at higher levels than its competitors. Fees and commissions closed 2011 at practically the same level as 2010, €525m (up 0.3%). This was achieved despite new regulations enforcing cuts. The above, combined with stable NTI and a greater contribution to the FDIC, resulted in a year-on-year fall of 6.3% in **gross income** to €1,936m.

9 BBVA Compass Banking Group. Customer spread

(Percentage)



Operating expenses increased modestly over the year by 0.9% to €1,300m, despite the ongoing investment plans in people and technology. As a result, the **operating income** amounted to €636m (down 18.2% year-on-year).

The most significant aspect in the year was once more the improvement in **asset quality**, which is an essential factor in the profitability of BBVA Compass. Moreover, impairment losses on financial assets fell back significantly to €332m (a year-on-year fall of 41.2%).

As a result, the unit contributed a **net attributable profit**, excluding the effect of the goodwill impairment, of €197m, up 39.3%. Taking into consideration the accounting impact on earnings of this goodwill impairment, the result was a negative €814m.

BBVA Compass continues to have sound **solvency** indicators, as shown by the level of its Tier 1 Common Ratio as of 31-Dec-2011 of 11.5% (according to local accounting criteria).

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

Commercial Banking

Is the unit that handles business with SMEs. In 2011 it launched a series of highly successful products and services, such as: 1) Dealer Financial Services (DFS), which combines the services of a number of different departments with the aim of catering to the overall financial needs of car dealers. This initiative aligns local efforts in the United States with those of the global BBVA Group, thus increasing the capacity of BBVA Compass. In addition, the range of products and services offered to this segment increases; 2) New Healthcare Receivables Solution, a new payment collection service for the health sector. The healthcare industry is a broad sector that is constantly changing. It features rapid growth, difficult collection management, high loss provisions, exhaustive information requirements and strict privacy regulations. The sector is potentially an extensive market for BBVA Compass, and this new service allows the bank to meet its needs, basically in terms of payment and collection management. It is also an on-line service that converts explanation of benefits (EOB) forms into electronic files, manages payment and collection, organizes information into an on-line file compatible with the industry's regulatory framework, HIPPA, and alerts the customer electronically of any payments or collections made.

Corporate Banking

Which specializes in large corporations, increased the size of its loan portfolio by 8.8% in 2011, while deposits remained stable.

Retail Banking

The unit that serves retail customers. In 2011 it had an excellent year, thanks to the positive performance of its residential real-estate portfolio. Customer funds fell due to the drop in higher-cost funds, while more liquid funds performed very positively. As is the case with the other units, it is highly customer-centric. This year it continued to make progress along this direction, paying particular attention to the individual customer and small business and SME segments with the aim of meeting the specific needs of each of them. The unit has played a significant role in BBVA's commitment to make the most innovative interactive technology available to customers. In 2011 BBVA Compass won more than 630,000 new on-line customers, with a market penetration of 43% (36% at the end of December 2010). It is important to note that these customers have been shown to be extremely loyal: their retention rate is high, at 87% of active users (95% in the case of those customers who are also active users of the on-line bill payment service). Two of the unit's strategic priorities are development of alternative channels other than branches, such as mobile or on-line banking, and the improvement of the customer experience.

Wealth Management

In 2011, this unit offered four MarketLink CDs and obtained USD 22m from the sale of new CDs. It also adopted SmartPath® discretionary wrap products for local customers (who have a broker and a dealer), and in the second half of the year launched SmartPath® Diversified Portfolios for international customers.

New York

Finally, the New York business follows the same pattern as the rest of the Group's WB&AM units: a focus on higher added-value and more loyal customers, price management and stronger cross-selling.

Corporate Activities

Income statement
(Million euros)

	Corporate Activities			
	2011	∆%	2010	2009
Net interest income	**(621)**	**n.m.**	**121**	**372**
Net fees and commissions	(202)	(4.4)	(211)	(152)
Net trading income	437	(37.2)	696	480
Other income/expenses	359	10.0	326	219
Gross income	**(27)**	**n.m.**	**932**	**919**
Operating income	(960)	24.1	(774)	(739)
Personnel expenses	(543)	18.2	(460)	(534)
General and administratve expenses	(148)	75.8	(84)	(11)
Deprecation and amortization	(269)	17.1	(229)	(195)
Operating income	**(987)**	**n.m.**	**158**	**180**
Impairment on financial assets (net)	(392)	(59.2)	(961)	(226)
Provisions (net) and other gains (losses)	(1,050)	20.7	(870)	(637)
Income before taxes	**(2,430)**	**45.2**	**(1,673)**	**(683)**
Income taxes	1,015	69.0	600	419
Net incomes	**(1,415)**	**31.9**	**(1,073)**	**(264)**
Non-controlling interests	2	n.m.	0	13
Net attributable profit	**(1,413)**	**31.8**	**(1,072)**	**(251)**

Balance sheet
(Million euros)

	Corporate Activities			
	31-12-11	∆%	31-12-10	31-12-09
Cash and balances with central banks	(977)	n.m.	(89)	410
Financial assets	24,495	(7.1)	26,374	35,158
Loans and receivables	(4,370)	44.8	(3,017)	(2,171)
Loans and advances to customers	(4,065)	126.4	(1,796)	714
Loans and advances to credit institutions and others	(304)	(75.1)	(1,221)	(2,885)
Inter-area positions	(66)	(99.6)	(16,923)	(43,286)
Tangible assets	3,180	5.2	3,023	3,052
Other assets	18,976	23.6	15,356	13,748
Total assets/Liabilities and equity	**41,239**	**66.8**	**24,724**	**6,911**
Deposits from cental banks and credit institutions	10,117	n.m.	49	6,272
Deposits from customers	29,230	97.0	14,834	3,582
Debt certificates	70,910	(10.2)	78,954	94,663
Subordinated liabilities	2,336	(60.4)	5,904	7,922
Inter-area positions	(71,885)	(8.6)	(78,629)	(109,063)
Financial liabilities held for trading	(4,347)	14.4	(3,801)	(3,346)
Other liabilities	(6,312)	106.6	(3,055)	(712)
Valuation adjustments	(2,787)	262.0	(770)	(62)
Shareholders´funds	39,064	17.8	33,150	26,152
Economic capital allocated	(25,087)	14.5	(21,910)	(18,498)

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

In 2011, **gross income** was a negative €27m, compared with a positive €932m in 2010. This evolution is mainly due to two factors: first, a lower net interest income, basically explained by the increased cost of wholesale funding; and second, NTI below that of last year as a result of the lack of earnings from portfolio sales and the loss of asset value caused by the turbulent market situation. Other income/expenses basically include the dividend from Telefónica. Operating expenses amounted to €960m, as a result of investments made at corporate level, mainly in staff training, technology, brand and infrastructures. As a result, the **operating income** was a negative €987m (+€158m in the same period last year).

Impairment losses on financial assets totaled €392m, and their evolution is parallel to changes in NTI, in other words additional provisions are made according to the level of NTI revenue. Furthermore, the increase in provisions (net) and other gains/losses stood at a negative €1,050m, which is due primarily to greater provisions for real estate and foreclosed assets. As a result, the accumulated **net attributable profit** for 2011 was –€1,413m (–€1,072m in 2010).

Asset/Liability Management

The Assets and Liabilities Management unit is responsible for actively 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 recurrent growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of finance. A core principle in the BBVA Group's liquidity management continues to be to encourage the financial independence of its 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 2011, showing mixed performances. It was positive in the first four months of 2011 as a result of an improved risk perception in peripheral European countries and the major progress made in tackling economic matters in Europe. However, it worsened in May and June, due to renewed doubts about the viability of the economies of Greece and Portugal. Finally, in the second half of the year, the long-term markets have remained practically closed to the European financial sector. Short-term markets have been affected by the lack of investor appetite due to the uncertainties regarding the sustainability of European finances. Against this background, BBVA was one of the few European banks with access to the market, as demonstrated by the successful issues during 2011. Thus, over the first quarter, BBVA has not only operated perfectly normally, but was the first bank to move into the liquidity market in January 2011 with a new issue of mortgage-covered bonds and a volume of long-term finance that has amply offset expiring maturities. Over the second quarter, BBVA made a 3-year, $1,600m bond issue on the U.S. market. In the fourth quarter, BBVA was again one of the few entities with access to the market, as demonstrated by the successful issue of €750m senior debt, maturing in 18 months. In this context, the European Central Bank decided at its meeting on December 8 to take exceptional measures to extend the liquidity in the European financial system. These measures included two 36-month liquidity auctions, reducing the reserve ratio from 2% to 1%, and widening collateral eligibility. BBVA used the extraordinary 36-month auction on December 21 to obtain an amount equivalent to its wholesale debt redemptions in 2012. This proves the Bank's prudence in liquidity risk management, in line with the debt maturity profile for the coming years that can be comfortably met in a scenario of low lending activity in Spain and growth of customer deposits. To summarize, BBVA's proactive policy in its liquidity management, its retail business model and a smaller volume of assets give it a comparative advantage compared to 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 allow the Group to strengthen its liquidity position and to improve its financing structure.

The Group's **capital management** has a twofold aim: to maintain the levels of capitalization appropriate to the business targets in all the countries in which it operates; and, at the same time, to maximize the return on shareholders' funds through the efficient allocation of capital to different units, good management of the balance sheet and proportionate use of the various instruments that comprise the Group's equity: common stock, preferred securities and subordinated debt. In 2011, BBVA's Annual General Meeting approved the introduction of a "Dividend Option" program to offer shareholders a wider range of remuneration on their capital. In addition, in July 2011 the Board of Directors approved the total conversion of the mandatory convertible subordinated bonds issued in September 2009 (worth €2,000m) into newly issued BBVA ordinary shares. Furthermore, in December 2011, the conversion of preferred shares for mandatory convertible bonds was concluded successfully. These bonds comply with the EBA requirements for their eligibility as highest-quality capital. The final amount was €3,430m, following subscription of 98.7% of preferred share holders. In conclusion, the current levels of capitalization ensure the Bank's compliance with all of its capital objectives.

Foreign-exchange risk management of BBVA's long-term investments, basically stemming from its franchises in the Americas, aims to preserve the Group's capital ratios and ensure the stability of its income statement. In 2011, 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 2011 is also strictly managed. In 2011, hedging mitigated the negative impact of exchange rates on the capital and the Group's income statement. For 2012, 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 **asset and liability interest-rate risk** 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 2011, 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, this unit 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 2011, it invested €642m and divested €231m.

As of 31-Dec-2011, the market value of the Holdings in Industrial & Financial Companies portfolio came to €3,617m.

Other information: WB&AM

Income statement

(Million euros)

	Wholesale Banking & Asset Management				
	2011	∆%	∆% [1]	2010	2009
Net interest income	**1,575**	**(0.2)**	**1.1**	**1,579**	**1,947**
Net fees and commissions	829	(0.4)	0.7	832	786
Net trading income	238	(19.7)	(16.8)	297	365
Other income/expenses	81	(36.0)	(37.1)	127	121
Gross income	**2,724**	**(3.9)**	**(2.6)**	**2,835**	**3,219**
Operating income	(948)	15.6	16.5	(821)	(763)
Personnel expenses	(559)	11.0	11.7	(504)	(476)
General and administratve expenses	(375)	23.2	24.5	(305)	(276)
Deprecation and amortization	(14)	14.8	15.3	(12)	(12)
Operating income	**1,776**	**(11.8)**	**(10.4)**	**2,014**	**2,455**
Impairment on financial assets (net)	(90)	(55.8)	(55.7)	(204)	(153)
Provisions (net) and other gains (losses)	(13)	n.m.	n.m.	4	(12)
Income before taxes	**1,673**	**(7.8)**	**(6.2)**	**1,815**	**2,291**
Income taxes	(465)	(4.0)	(1.8)	(484)	(598)
Net incomes	**1,209**	**(9.2)**	**(7.8)**	**1,331**	**1,693**
Non-controlling interests	(87)	(18.7)	(15.6)	(107)	(110)
Net attributable profit	**1,122**	**(8.3)**	**(7.1)**	**1,224**	**1,583**

(1) At constant exchange rates.

Balance sheet

(Million euros)

	Wholesale Banking & Asset Management				
	31-12-11	∆%	∆% [1]	31-12-10	31-12-09
Cash and balances with central banks	13,190	256.5	252.2	3,700	2,339
Financial assets	74,769	13.9	15.4	65,637	62,365
Loans and receivables	69,557	4.7	5.4	66,430	61,022
Loans and advances to customers	57,936	8.2	9.1	53,539	47,143
Loans and advances to credit institutions and others	11,621	(9.9)	(9.8)	12,891	13,879
Inter-area positions	-	-	-	19,547	31,483
Tangible assets	49	9.1	9.0	45	41
Other assets	2,770	64.3	62.5	1,685	1,819
Total assets/Liabilities and equity	**160,335**	**2.1**	**2.7**	**157,044**	**159,070**
Deposits from cental banks and credit institutions	56,163	24.7	26.4	45,029	43,195
Deposits from customers	41,387	(36.6)	(36.4)	65,300	74,518
Debt certificates	(70)	-	-	-	-
Subordinated liabilities	1,736	(4.0)	(4.3)	1,807	1,810
Inter-area positions	425	-	-	-	-
Financial liabilities held for trading	49,428	38.4	38.6	35,703	31,514
Other liabilities	6,794	14.6	15.1	5,930	5,963
Economic capital allocated	4,472	36.5	36.0	3,276	2,071

(1) At constant exchange rates.

WB&AM highlights in 2011

- Focus on return on volumes.
- High asset quality.
- First collaboration with Garanti in the biggest venture capital deal in Turkish history.
- Reference in the Spanish market for mergers and acquisitions.
- The best equity house in Spain and Portugal according to Extel.

Definition

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

Management priorities

The market environment in 2011 was the most difficult one since the start of the crisis. Doubts about global economic recovery and lack of confidence in the viability of the euro, among other factors, led investors to take shelter in safe-haven assets, while volatility in equity markets was extreme and activity in the primary markets declined.

Against this backdrop, WB&AM posted results far better than those of the competitors. This is explained by the outstanding presence of WB&AM in emerging economies and its customer-centric approach, as well as by its efficient and low-risk biased management model.

Broken down by business units, in **2011** Corporate and Investment Banking continued with the development and globalization of the online-based transactional products for net-cash companies (mainly, Transactional Trade Finance), adding new functionalities and multi-country capabilities. Also, it has been made efforts related to the increase of deposits in practically all customer segments, with the objective of enhancing profitability and reducing leverage. Finally, cross-border activity with subsidiaries from Europe and Latin America was also strengthened. In Global Markets, efforts were focused on the globalization and development of innovative products for fixed-income and equity with the aim of increasing customer´s added value. Asset Management apart from making efforts in globalization and improvements in the platform, has developed a service model closely linked to the internal distribution networks while evolving the product mix to offer high added value solutions.

Facing a **future** in which the increase of regulatory pressures, the global slowdown and the weaknesses of the euro zone, will continue to be a challenge for the wholesale business, WB&AM will remain firmly behind:

- Strengthening the area's positioning in core markets: in Latin America, for instance.
- Using those markets as a mechanism for entering other new markets.
- Exporting the current business model to non-core geographical areas through an international niche banking strategy.

Thus, the action plans for the coming months will be focused on strengthening the following factors:

- Upgrading of the product platform and distribution in the Global Markets business.
- Creation of a regional platform for transactional services in Latin America.

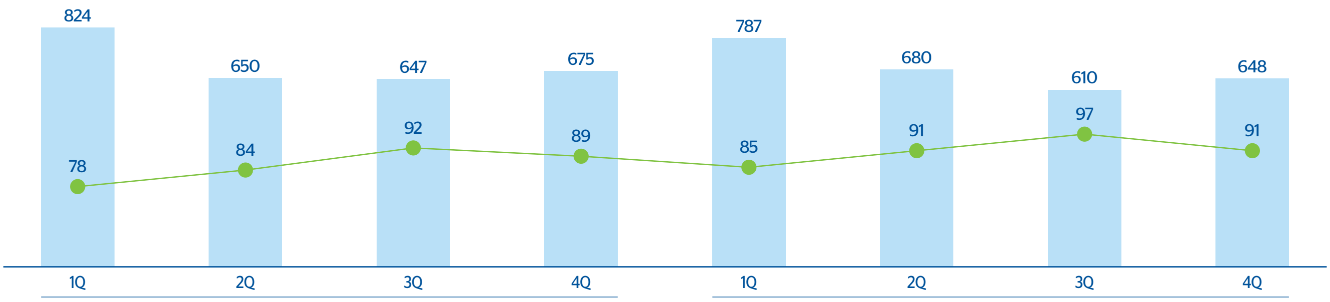
- Use of the existing competitive advantages in the core markets to increase business with institutional customers.
- Implementation of the Group's wholesale product distribution model in the United States through BBVA Compass commercial network.

Breakdown of results

In a particularly difficult environment in 2011, when most of the European banks announced significant deleveraging plans and there was a notable reduction in activity in wholesale business, BBVA managed to recover competitiveness. This is due to the Group's superior business model based on customer relations (source of most of revenues), which produces high quality recurrent earnings, as well as reduced leverage. **Gross income** for the year to December was negatively affected by trading results and went down 3.9% on 2010 to €2,724m (-2.6% at constant exchange rates). By geographical areas, there was significant growth in Asia, at 6.4% year-on-year, and Europe (excluding Spain), which was up 3.3%.

1 WB&AM. Gross income from customer activity (1)

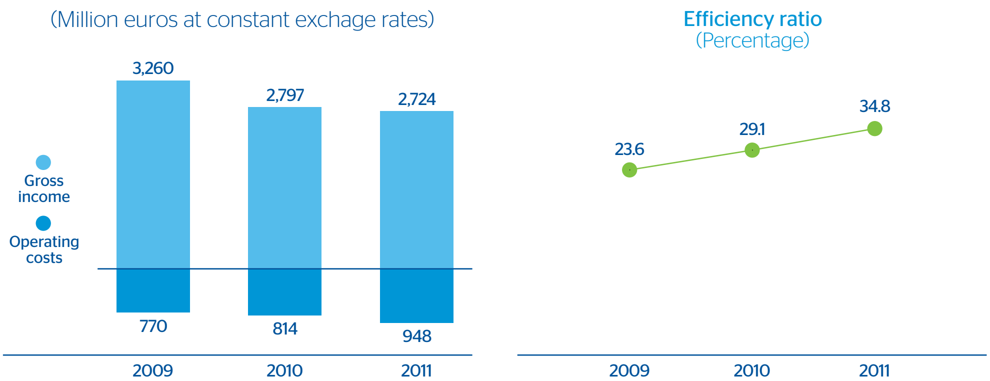
(Million euros and percentage over gross income)



(1) It is not considered income from customers that from Industrial and Real Estate Holdings or Global Markets leverage.

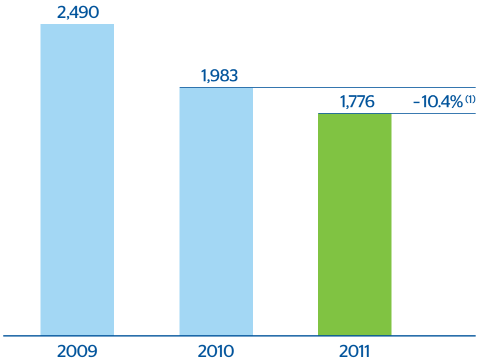
Operating expenses ended the year 15.6% up on the previous year, mainly due to investment plans in IT systems and the various growth plans implemented in the different geographical areas. As a result, the **operating income** was €1,776m, 11.8% down on the figure for the previous year (-10.4% at constant exchange rates).

2 WB&AM. Efficiency



3 WB&AM. Operating income

(Million euros at constant exchange rates)

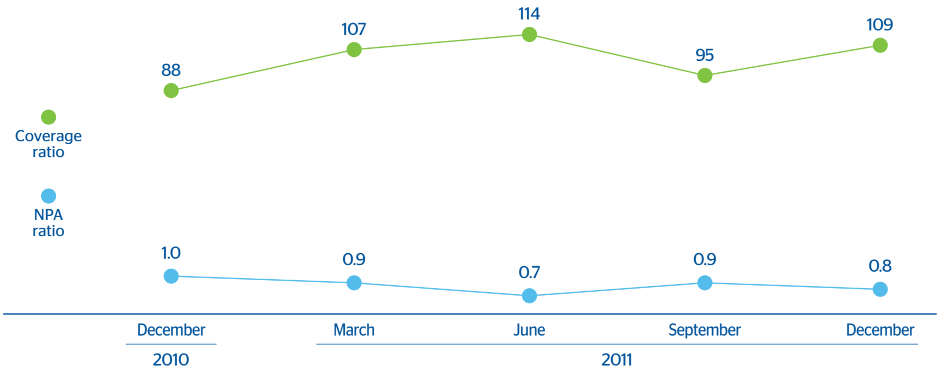


(1) At current exchange rates: -11.8%.

The different business units in this area continue to show high asset quality, and thus, a low NPA ratio, a high coverage ratio and loan-loss provisions that represent 5.1% of operating income. The **net attributable profit** for the year was €1,122m, down 8.3% on the figure for 2010 (-7.1% at constant exchange rates).

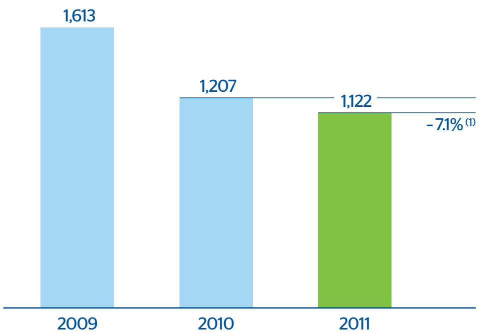
4 WB&AM. NPA and coverage ratio

(Percentage)



5 WB&AM. Net attributable profit

(Million euros at constant exchange rates)

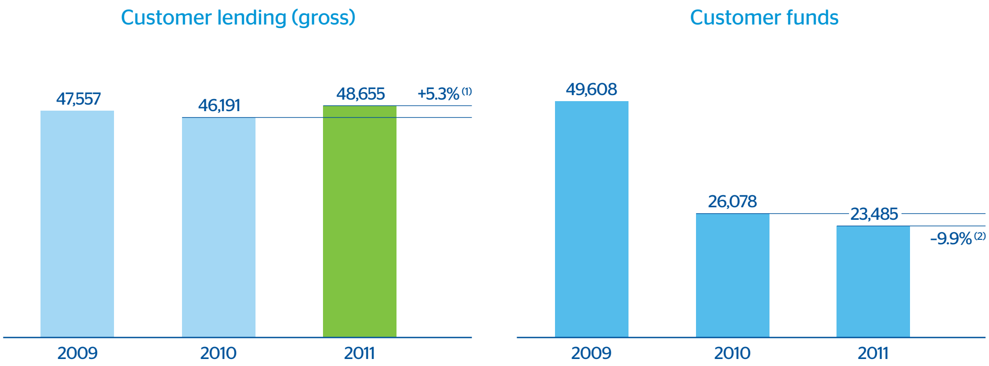


(1) At current exchange rates: -8.3%.

The Corporate and Investment Banking unit of WB&AM managed **gross lending to customers** of €48,655m and **customer funds** of €23,485m.. Adding these figures to the balances in Global Markets, which were significantly affected by developments in financial markets over 2011, WB&AM ended the year with a loan book of €58,618m and customer funds of €39,644m.

6 C&IB. Key activity data

(Million euros at constant exchage rates)



(1) At current exchange rates: +4.4%.
(2) At current exchange rates: –10.3%.

Corporate and Investment Banking

This unit coordinates the origination, distribution and management of a complete catalogue of corporate banking, investment banking and global transactional services products.

The main transactions carried out in 2011 are summarized below:

Within the **Corporate Lending** activity in Spain, the most remarkabletransactions included are those with Amadeus, Iberdrola, Red Eléctrica and Ferrovial; BBVA thus ended the year in first place in the *Dealogic* and *Thomson Reuters* rankings. In the European market, it stands out the acquisition of Foster by Sab Miller and of Parmalat by Lactalis. In Latin America it has been led numerous transactions with Bimbo, Mexichem, America Movil, Pexem and Votorantimreaching the first place in number of syndicated transactions, according to *Dealogic,* was achieved.

The activity carried out by the **Project Finance** unit in Europe set BBVA as the leader in sectors like renewable energy and environment, in which more than 20 deals were closed in Spain, Italy and the United Kingdom. These includewind farms and small hydroelectric power stations pertaining to Acciona. In social and transportation infrastructures, the activity was concentrated in France, Spain, Germany and the United Kingdom, with projects like the Tours-Bordeaux and Brittany-Pays de la Loire high-speed rail lines, the stadium in Nice and the A8 and A9 highways. In Latin America, it stands up the North Ring highway and the acquisition of Altamira LNG in Mexico, and the financing for Transportadora de Gas del Perú, S.A.. In Asia, the presence of BBVA in the region was consolidated by leading transactions in transportation, water and energy sectors. Likewise, the opening of the Taiwan and South Korea offices allowed reinforce the coverage in those. Finally, in North America, it participated in the financing of four gas generation plants for Edison Mission Walnut Creek and Los Esteros, in California, and in renewable energy should be mentioned the 250 megawatt Nextera project Genesis Solar Thermal Power. As recognition for the project finance activity of its powerful franchise in United States, BBVA obtained the "Best Finance House in Renewables 2011" award from *Environmental Magazine*.

Structured Trade Finance has maintained a positive course in 2011, with increases in both the number of deals closed and in volume. The above demonstrates, once again, the Group's global capacity for origination. Moreover, the rapid generation and optimization of synergies should be mentioned. These are reflected in the signing of the finance of the extension of the primary refinery in Turkey with the backing of Cesce that, with a €3,000m investment, is the biggest venture capital operation in the history of Turkey. This transaction is being carried out with the collaboration of Garanti. Finally, BBVA was awarded with the GTR prize for "Best Trade Finance Bank in Latin America 2011" for the third consecutive year.

In the **Corporate Finance** unit, BBVA closed the year, for the third consecutive time, as market leader in Spain in mergers and acquisitions (M&A) according to *Thomson Reuters*, with 16 deals announced in 2011 and a clear cross-border focus (10 deals), and as advisor of choice in the American continent (5 deals). Thanks to its customer-centric business model, the quality of the advisory services and recurrent leadership in the Spanish market in M&A, BBVA has been recognized as Best M&A Advisor in Iberia in 2011 by *Financial Times - Mergermarket*. Of the

Project Finance. Structured Trade Finance y Corporate Finance Most significant transactions in 2011

Spain 1,428,000,000 EUR 1,133 MW wind portfolio and 177 MW of hydro portfolio Project Finance MLA & Hedge Provider	Spain 629,200,000 EUR CSP Extremadura 2 x 49,9 MW Project Finance Bookrunner & Original MLA	Russia/Germany 2,500,000,000 EUR Gas Pipeline Second Section Project Finance Mandated Lead Arranger	France 7,800,000,000 EUR Sud Europe Atlantique High Speed Rail Project Finance Mandated Lead Arranger
France 940,000,000 EUR A63 Toll Highway Project Finance Mandated Lead Arranger	Australia 2,505,380,000 AUD New Royal Adelaide Hospital Project Finance Mandated Lead Arranger	Mexico 300,000,000 USD Acquisition Finance Project Finance Bookrunner & MLA	Mexico Senior Loan 5,300,000,000 MXN Subordinated Loan 2,140,000,000 MXN Project Finance Financial Advisor, Bookrunner & MLA
The United States 932,000,000 USD Genesis Solar Project Finance Master Administrative Agent, Administrative Agent, Intercreditor Agent, LC Issuer	The United States 844,500,000 USD Russell City Project Finance Senior Managing Agent & Hedge Provider	Mexico 795,000,000 USD CPV Sentinel Project Finance Senior Managing Agent	Luxembourg Borrowing Base Facility 800,000,000 USD 4 years 100,000,000 USD Structured Trade Finance MLA
Spain Buyer's Credit 375,000,000 USD 8.5 years 188,000,000 USD Structured Trade Finance MLA	Turkey Buyer's Credit 2,095,000,000 USD 12.5 years 208,000,000 USD Structured Trade Finance MLA	Portugal/Brazil/China Issuer in the valuation report in relation with the capital increase of it's subsidary E&P in Brazil subscribed by Confidential Corporate Finance	Spain/France Financial advisor in the sale of the shopping mall Splau! to 185,000,000 EUR Corporate Finance
Portugal/Brazil/Spain Exclusive financial advisor in the sale of 7.7% of Ampla Energia and Ampla Investimentos to 85,000,000 EUR Corporate Finance	Spain Financial advisor and fairness opinion issuer in the spin-off of Saba Infrastructures 890,000,000 EUR Corporate Finance	Spain/UAE Financial advisor and fairness opinion issuer in relation with the offer of adquisition by: 4,037,000,000 EUR Corporate Finance	Spain Exclusive financial advisor in the sale of: to Confidential Corporate Finance

Equity Capital Markets and Global Lending
Most significant transactions in 2011

Spain

Bankia

3,092,000,000 EUR
IPO

Equity Capital Markets
Co-Manager

Germany

COMMERZBANK

7,992,000,000 EUR
Rights Issue

Equity Capital Markets
Underwriter

Mexico

CEMEX

977,000,000 USD
Convertible

Equity Capital Markets
Bookrunner
Lead Manager

Mexico

BANORTE

9,232,000,000 MXN
Follow on

Equity Capital Markets
Bookrunner
Lead Manager

Colombia

Grupo de Inversiones Suramericana

1,772,000,000 USD
Follow on

Equity Capital Markets
Joint Arranger

The United States

ProLogis

1,155,000,000 USD
Accelerated bookbuild

Equity Capital Markets
Co-Manager

The United States

ppl

977,000,000 USD
Convertible

Equity Capital Markets
Co-Manager

The United States

Continental Resources

742,000,000 USD
Accelerated bookbuild

Equity Capital Markets
Co-Manager

Hong Kong

CITIC

13,237,000,000 HK$
IPO

Equity Capital Markets
Lead Manager

Spain

ferrovial

1,854,000,000 EUR
Term loan and revolving credit facility

Global Lending
MLA / Bookrunner

Spain

IBERDROLA

3,000,000,000 EUR
Term loan and revolving credit facility

Global Lending
MLA / Bookrunner

Italy

AUTOGRILL

700,000,000 EUR
Revolving credit facility

Global Lending
MLA / Bookrunner

Germany

DUFRY

1,000,000,000 USD
Acquisition financing

Global Lending
MLA / Bookrunner

United Kingdom

SAB MILLER

12,500,000,000 USD
Acquisition financing

Global Lending
MLA / Active Bookrunner

France

BANQUE PSA FINANCE

1,750,000,000 EUR
Revolving credit facility

Global Lending
MLA / Active Bookrunner

India

Reliance Industries Limited

1,091,000,000 USD

Global Lending
MLA & Underwriter

Australia

origin energy

1,800,000,000 AUD
200,000,000 USD

Global Lending
MLA

The United States

GRIFOLS / Talecris

4,500,000,000 USD
Revolver, TLA, TLB, bond bridge

Global Lending
Bookrunner
Mandated Lead Arranger

The United States

PricewaterhouseCoopers

1,100,000,000 USD
Revolver, term loan

Global Lending
Joint Lead Arranger
Co-Syndication Agent

The United States/Canada

Shaw

1,450,000,000 USD
Revolver

Global Lending
Joint Lead Arranger
Syndication Agent

The United States

GENERAL DYNAMICS

2,000,000,000 USD
Revolver

Global Lending
Joint Lead Arranger
Documentation Agent

The United States

WYNDHAM WORLDWIDE

1,000,000,000 USD
Revolver

Global Lending
Joint Lead Arranger
Co-Documentation Agent

The United States

BEST BUY

2,500,000,000 USD
Revolver

Global Lending
Joint Lead Arranger
Co-Documentation Agent

Mexico

BIMBO

1,300,000,000 USD

Global Lending
Joint Bookrunner

Mexico	Colombia	Brazil	Mexico
2,000,000,000 USD	1,650,000,000 USD	1,150,000,000 USD	2,000,000,000 USD
Global Lending	Global Lending	Global Lending	Global Lending
Joint Bookrunner	Joint Bookrunner	Joint Bookrunner	Joint Bookrunner

transactions carried out, the following are worth highlighting: 1) advisory services for Cepsa for the takeover bid of IPIC, the largest corporate transaction in mergers and acquisitions in Spain in the year and the biggest-ever made by a Middle Eastern buyer in Spain, 2) the spin-off of Saba (Abertis) and 3) advisory about the share capital increase subscribed by Sinopec in Galp's Brazilian subsidiary, which was the biggest operation by a Portuguese group, and also the largest M&A transaction in the Brazilian energy market in the year.

In **Equity Capital Markets,** the instability and volatility of the financial markets caused decreased in the world equity activity, but mainly in Europe. In Europe, it participated in Bankia's initial public stock offering and Commerzbank's share capital increase. In Asia, BBVA participated, as joint lead-manager, in the international tranche of CITIC Securities going public on the Hong Kong stock exchange. In Mexico, BBVA Bancomer maintains its leadership position, after having participated in the initial public stock offering of Banregio and Aeroméxico and in the share capital increase of Banorte.

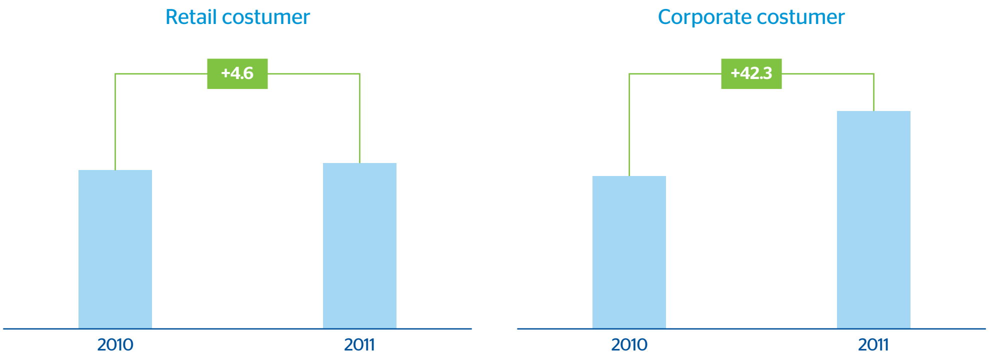
In 2011, the structures of **Global Transactional Banking** were reorganized in all geographical areas, with the unification of Global Transaction Services, Transactional Trade Finance and Transactional Bankers into a single area. Relevant operations include the bid bond regarding the tender for the assignment of broadband frequencies in Italy, technical guarantees issued as coverage for an export of aircrafts from Italy to Mexico and, in trade finance, the heightened level of activity achieved with the issue of silent guarantees in the oil operations. Various products that were launched, reinforce BBVA's interest in innovation as a means of offering increasingly improved benefits to its customers. These include the launch of "Bancomer net cash" in Mexico and "BBVA net cash" in Puerto Rico, both as a result of the PIBEE project (Integral Electronic Banking Project for Companies); in Argentina, the "Servicio de Pago a Proveedores" Supplier Payment Service; in Spain and Portugal, "BBVA net cash mobile" and "BBVA net advance", the new online channel accessible for non-customers, the digital reader for the depositing of checks of "BBVA net cash" and the "3SKey" service, that improves the security of global connections through the SWIFT and host-to-host channels. BBVA has been named the "Best Supplier of Cash Management Services" for companies and public institutions in Colombia by *Euromoney*, and the "Best Internet Bank" in the category of corporate and institutional banking in Puerto Rico by *Global Finance*. It has also received the "Recommended" category in the Agent Banks survey for Major Markets by *Global Custodian* and "Top Rated" in the Sub-Custody Survey by *Global Investor*. Also worth mentioning is its award as Best Trade Finance Bank in Latin America from *Global Trade Review*, which reflects the opinions of customers in relation to its Transactional Trade Finance services, and first prize in the World's Best Trade Finance Banks 2012 for BBVA in Spain from the magazine *Global Finance*.

Global Markets

This unit handles the origination, structuring, distribution and risk management of market products, traded through markets in Europe, Asia and the Americas.

Despite the complicated market environment, Global Markets was able to increase its **revenues** from customers by 6.6%, thanks to the good performance of those from retail and corporate customers. This meant that the Group's customers still support the products and services of this unit, which continue to receive acknowledgements from specialized publications. In its 2011 survey, *FX Week* considered BBVA the fourth most valued bank among customers, the second most recognized by corporate customers and the fourth among investors in Latin American currencies. BBVA also appears for the first time in *FX Week's* ranking of banks at a global level, in 26th place.

7 Global Markets. Growth in revenues from customer
(Percentage)



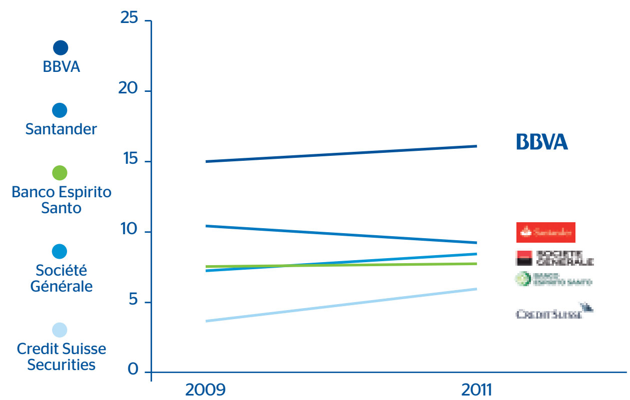
As recognition for the excellent work with customers, Global Markets received numerous **awards** in 2011, including "Derivatives Dealers 2011" from the Risk magazine, winning in the categories of risk management advisory and operations with derivatives, organized derivatives, exotic currency derivatives, derivatives research and best structured product for the retail market. It was also honored as the best equity house in Spain and Portugal in 2011, and the annual survey conducted by *Extel*, leading in the categories of "leading brokerage," "country analysis," and "corporate access" of said survey, and taking second place in "equity sales" and "small&mid caps sales".

By **underlying assets**, the advance of interest, credit and currency rates stand out. And by **region**, growth in Europe is outstanding, despite the complicated macroeconomic situation in the region. Global Markets reinforced the cross-border business thanks to the global nature of the products and closer cooperation achieved between the different teams.

In 2011, the results of Global Markets in **Spain** were affected by limited economic activity and market uncertainty. Despite these, revenue from customers has grown, particularly in strategic businesses such as credit, where income increased by 38% on the previous year. By type of customer (institutional investor, corporates, global public finance, SMEs and retail) there was a notable positive development in global public finance, with revenue up 22% respectively on 2010 figures. Trading activity was affected by high market volatility, the sovereign debt crisis in a number of euro zone countries, and uncertainty associated with regulatory changes. Despite these, BBVA improved its results on 2010 in equity, exchange rate and interest rate products. In Spain, BBVA consolidated its leading position in equity brokerage, with a market share of 16.1% at the end of 2011, 6.9 percentage points above its nearest competitor.

8 Global Markets. Market shares evolution in Spanish equities brokerage
(Percentage)

	Institutions	2009	2011	Market share 09-11
1	BBVA	15.0	16.1	1.1
2	Santander	10.4	9.2	-1.2
3	Société Génerale	7.2	8.4	1.2
4	Banco Espirito Santo	7.5	7.7	0.2
5	Credit Suisse Securities	3.6	5.9	2.3
6	Morgan Stanley	4.2	5.4	1.2
7	Sabadell	n.a.	4.6	n.a.
8	Crédit Agricole	2.4	3.8	1.4
9	Banesto	3.2	3.6	0.4
10	Merrill Lynch Capital Markets	3.7	3.5	-0.2



In the rest of **Europe and Asia**, revenues from customers also increased 25% in the last twelve months, thanks to the good performance of practically all of the products. The biggest revenue still comes from interest rates (up 37% year-on-year) and equity (up 26% year-on-year) products.

In Global Markets **Mexico**, revenue from customers has continued the excellent trend begun some months early, with a rise of 25% in year on year as a result of a positive performance in practically all products. By type of customer, there was a notable increase in revenue from corporates. In contrast, trading income in 2011 was affected by the turmoil in the markets. Despite this, revenue from exchange rate products was positive (up 23%).

In **South America**, Global Markets customer revenue grew 7% year-on-year. By product, the biggest increases were in interest rates and exchange rates (up 33% year-on-year).

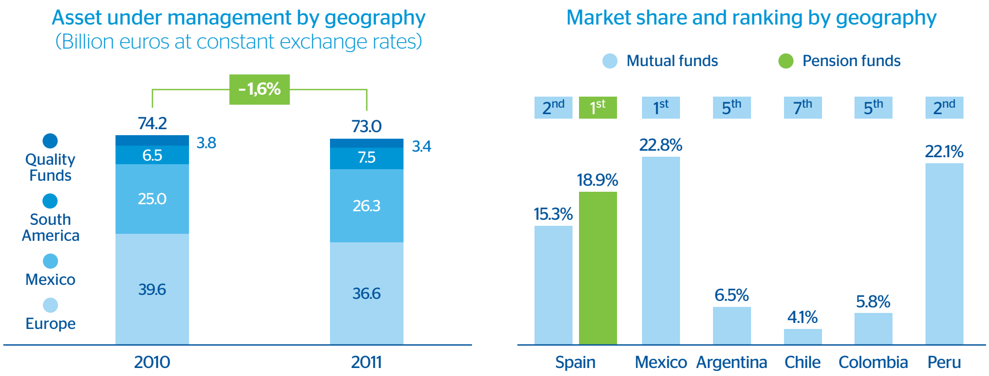
In Global Markets **United States,** the outstanding performers were interest-rate and credit products. By type of customer, there was an increase in corporates, SME's and retail.

Asset Management

Asset Management is the BBVA's provider of asset management and incorporates the design and management of mutual funds in Spain, Mexico and South America, the pension fund business in Spain and the third-party funds platform of Quality Funds.

This unit, with global assets under management of €72,998m, continues to be a key player in mutual fund and pension fund management in the geographical areas in which it operates. In Spain it has a market share of 15.3% of assets under management in mutual funds and is still the clear leader in pension fund management. In Mexico, it maintains its leading position in the management of mutual funds, with a market share of 22.8%, and in the rest of Latin American countries it has continued to grow, with a year-on-year increase in assets of 12.5% as of 31-Dec-2011.

9 Asset Management. Assets under management evolution



Source: in-house figures based on the official data from central banks and supervisory authorities.

In BBVA Asset Management, there has been a growing commitment to socially responsible investment, which incorporates new extra-financial, environmental, social, ethical and corporate governance variables (ESG variables) into management, with the aim of obtaining greater returns on portfolios through a correct management of ESG risks.

Supplementary information

Consolidated time series

Income statements

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)					
	2011	2010	2009	2008	2007	2006
Net interest income	13,160	13,320	13,882	11,686	9,628	8,138
Gross income/ordinary revenues	20,566	20,910	20,666	18,978	17,271	15,143
Operating income/operating profit	10,615	11,942	12,308	10,523	9,441	8,340
Income before tax	3,770	6,422	5,736	6,926	8,495	7,030
Net income	3,485	4,995	4,595	5,385	6,415	4,971
Net attributable profit	3,004	4,606	4,210	5,020	6,126	4,736

Balance sheet

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)					
	31-12-11	31-12-10	31-12-09	31-12-08	31-12-07	31-12-06
Customer lending (net)	351,900	338,857	323,441	335,260	313,178	258,317
Total assets	597,688	552,738	535,065	542,650	501,726	411,663
Total customer funds	426,464	421,977	389,815	372,715	369,177	328,813
Deposits from customers	282,173	275,789	254,183	255,236	219,609	186,749
Other customer funds	144,291	146,188	135,632	117,479	149,568	142,064
Debt certificates	81,930	85,180	99,939	104,157	102,247	86,482
Subordinated liabilities	15,419	17,420	17,878	16,987	15,662	13,597

Additional information

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)					
	31-12-11	31-12-10	31-12-09	31-12-08	31-12-07	31-12-06
Dividends (million euros) (1)	2,016	1,752	1,574	2,361	2,717	2,220
Number of shareholders (thousands)	987	953	884	904	890	864
Number of shares (millions) (2)	4,903	4,491	3,748	3,748	3,748	3,552
Number of employees (3)	110,645	106,976	103,721	108,972	111,913	98,553
Spain	28,416	28,416	27,936	29,070	31,106	30,582
Abroad (3)	82,229	78,560	75,785	79,902	80,807	67,971
Number of branches (3)	7,457	7,361	7,466	7,787	8,028	7,499
Spain	3,024	3,024	3,055	3,375	3,595	3,635
Abroad (3)	4,433	4,337	4,411	4,412	4,433	3,864

(1) 2008 includes payment-in-kind in the form of shares (valued at the closing price on 17-04-2009). In 2010 and 2011, it includes the amounts under the remuneration scheme "dividend option".
(2) 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).
(3) Excluding Garanti.

IFRS (Bank of Spain's Circular 4/2004)					Bank of Spain's Circular 4/1991						
2008	2007	2006	2005	2004	2004	2003	2002	2001	2000	1999	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

disregarding the payment method chosen by the shareholder.

BBVA Group branch network

The BBVA Group's branch network in Spain

The BBVA Group's head offices

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48001 Bilbao
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Fax: 94 487 61 61

Madrid
Paseo de la Castellana, 81
28046 Madrid
Tel.: 91 374 60 00
Fax: 91 374 62 02

Paseo de Recoletos, 10
28001 Madrid
Tel.: 91 374 60 00
Fax: 91 374 62 02

Regional head offices

Canary Islands - Regional
Albareda, 6 - 5th floor
35008 Las Palmas
Tel.: 928 45 15 00
Fax: 928 45 16 81

Catalonia - Regional
Plaza Cataluña, 5 - 5th floor
08002 Barcelona
Tel.: 93 401 40 00
Fax: 93 401 43 34

Central Spain - Regional
Recoletos, 10
South wing - 2nd floor
28001 Madrid
Tel.: 91 374 40 00
Fax: 91 537 59 68

Eastern Spain - Regional
Plaza Ayuntamiento, 9
3rd floor
46002 Valencia
Tel.: 96 388 00 00
Fax: 96 388 24 25

Northwestern Spain - Regional
Cantón Pequeño, 18-21
1st floor
15003 A Coruña
Tel.: 981 18 85 00

Northern Spain - Regional
Gran Vía, 12 - 2nd and 3rd floor
48001 Bilbao
Tel.: 94 487 60 00
Fax: 94 487 52 41

Southern Spain- Regional
Avda. de la Palmera, 61-63
2nd floor
41013 Sevilla
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Uno-e Bank
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28037 Madrid
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The BBVA Group's branch network abroad

Main branches abroad

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adelante.