BBVA

QUARTERLY REPORT

January-June 2011

2Q11

BBVA

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Contents

BBVA Group highlights

BBVA Group highlights

(Consolidated figures)

	30-06-11	∆%	30-06-10	31-12-10
Balance sheet (million euros)				
Total assets	568,705	(0.0)	568,917	552,738
Customer lending (gross)	355,526	1.9	348,884	348,253
Customer funds on balance sheet	382,755	5.4	363,225	378,388
Other customer funds	145,345	(0.1)	145,475	147,580
Total customer funds	528,100	3.8	508,700	525,968
Total equity	37,643	14.6	32,852	37,475
Shareholders' funds	38,677	26.4	30,609	36,689
Income statement (million euros)				
Net interest income	6,389	(7.9)	6,937	13,320
Gross income	10,425	(4.2)	10,880	20,910
Operating income	5,587	(14.0)	6,500	11,942
Income before tax	3,143	(13.9)	3,651	6,422
Net attributable profit	2,339	(7.5)	2,527	4,606
Data per share and share performance ratios				
Share price (euros)	8.09	(6.1)	8.61	7.56
Market capitalization (million euros)	36,822	14.1	32,278	33,951
Net attributable profit per share (euros)	0.50	(19.2)	0.62	1.17
Book value per share (euros)	8.50	4.0	8.17	8.17
P/BV (Price/Book value; times)	1.0		1.1	0.9
Significant ratios (%)				
ROE (Net attributable profit/Average equity)	12.9		17.9	15.8
ROA (Net income/Average total assets)	0.94		0.99	0.89
RORWA (Net income/Average risk-weighted assets)	1.67		1.84	1.64
Efficiency ratio	46.4		40.3	42.9
Risk premium	1.14		1.40	1.33
NPA ratio	4.0		4.2	4.1
NPA coverage ratio	61		61	62
Capital adequacy ratios (%)				
BIS Ratio	12.8		12.7	13.7
Core capital	9.0		8.1	9.6
Tier I	9.8		9.2	10.5
Other information				
Number of shares (millions)	4,552	21.4	3,748	4,491
Number of shareholders	946,306	5.4	897,894	952,618
Number of employees (1)	109,655	5.1	104,372	106,976
Number of branches (1)	7,427	0.3	7,407	7,361
Number of ATMs (1)	17,857	9.7	16,279	16,995

General note: These quarterly statements have not been audited. The consolidated accounts of the BBVA Group have been drawn up according to the International Financial Reporting Standards (IFRS) adopted by the European Union and in conformity with Bank of Spain Circular 4/2004, together with the changes introduced therein.

(1) Excluding Garanti.

Group information

Relevant events

In the **second quarter of 2011**, BBVA continued to confirm the main trends identified at the start of the year: recurrent earnings, organic capital generation, stable asset quality, access to sources of finance and business diversification.

- The level of **profit** generated in the previous quarter was maintained, at €1,189m, which amounts to an accumulated figure of €2,339m for the first six months of 2011. This figure is 12.5% up on the €2,079m of the second half of 2010.
- The Group continues to generate capital organically each quarter, and closed June 2011 with a **core ratio** of 9.0%.
- Stable **asset quality**, with the NPA ratio closing June at 4.0%, and the coverage ratio remaining at 61%.
- Good **liquidity** position. The total volume issued in long-term wholesale finance and the good performance of the euro balance sheet mean that the Group's liquidity needs are covered for 2011. In addition, it is worth highlighting the diversity of financing sources and the good performance of retail finance.
- **Garanti** has contributed a whole quarter of results, and as is the case with the rest of the franchises, has evolved positively and increased the Group's diversification and growth capacity.

The following are other relevant aspects to the Bank's performance and those of its main areas over the quarter and in the first six months of 2011:

- Positive performance over the quarter in the most recurrent **revenues**: net interest income and fee income, which is up on the two previous quarters. This positive performance can be explained by a number of factors: First, the positive contribution from Garanti. Second, the good performance of the American franchises, which have offset the reduced generation in Spain.
- Net trading income (NTI) has returned to a more ordinary level, after a significantly high first quarter. This reduced contribution is in part offset by dividend income from the holding in Telefónica. Thus the gross income for the quarter is €102m down on the first quarter, but is still higher than the fourth quarter of 2010 (€5,162m against €4,946m).
- **Impairment losses on financial assets** remain in line with the previous quarter, as does the NPA coverage ratio.
- In terms of **business activity**, lending continued to reflect the geographical differentiation of previous quarters. It was very strong in Mexico and South America, but stagnant in Spain. In the United States, the portfolio mix has continued to shift towards lines with lower associated risk. In customer funds, customer deposits performed particularly well across the Group, in both the retail and wholesale business.
- BBVA is the leader among the major European banks in the solvency results of the stress-tests coordinated by the EBA (European Bank Association). The results of the stress tests of European financial institutions, released on July 15, 2011, proved that the BBVA Group will maintain its current solvency levels in 2011 and 2012, even in the most adverse scenario that incorporates the additional impact of a possible sovereign risk crisis and a substantial reduction in the valuation of the real estate assets.
- The Board of Directors of the BBVA Group has decided to increase **shareholder remuneration.** It has raised the amount of the interim dividend on 2011 results by 11% to €0.10 per share. The amount was paid in cash on July 8, 2011.
- The businesses in **Spain** continue to be affected by a persistently weak economy as a result of the (necessary and positive) deleveraging process. However, the quarterly net interest income in the area remained at the levels of the first quarter, at €1,102m,

and fees and commissions increased slightly to €408m (€392m in the first quarter). The positive performance of insurance activity has not offset the lower NTI, which was exceptionally high in the first quarter of 2011 in the Global Markets unit. In all, the gross income for the first six months of 2011 stands at €3,448m, 5.1% up on the figure for the second half of 2010. The area's net attributable profit stands at €896m. The NPA and coverage ratios have remained stable since December 2009.

- In **Eurasia** the positive contribution of Garanti was particularly notable if compared with the three preceding months (in which it only contributed 10 days). Activity in the rest of the units has in general been stable, as have results with respect to the first quarter of 2011. The net attributable profit for the quarter stands at €251m. Because this already includes a complete quarter with Garanti, it is a good reference for upcoming quarters. The figure for the first six months of the year is €449m.

- **Mexico** continues to enjoy a sustained increase in business activity, above all in consumer finance and credit cards. It is important to note that this rise involves improved quality, with a high proportion of loyal customers and thus more contained spreads as the customers are lower risk. Both year-on-year and quarter-on-quarter growth in gross income has improved on preceding quarters. As a result, taking into account the expansion plan carried out by the area and the containment of loan-loss provisions, the half-yearly net attributable profit stood at €885m, 10.1% up on the same period in 2010 at constant exchange rates.

- Performance in **South America** has been outstanding. It continues to show a high level of growth in activity (up 27.1% year-on-year in lending and 19.9% in on-balance-sheet customer funds) and an improvement in year-on-year revenue increase (up 18.9%). This, combined with moderate loan-loss provisions, has enabled the finance of expansion projects, while boosting the net attributable profit for the first six months to €529m, a year-on-year growth of 19.0% at constant exchange rates.

- Finally, the **United States** has continued with the process of changing its lending mix, with year-on-year growth in target portfolios (30.4% in residential real estate and 10.8% in commercial) and a 38.4% reduction in construction real estate. The focus in customer funds continues to be on those of lower cost. The most important aspect in earnings is the improvement in the cost of risk. The net attributable profit in the area increased by 14.1% year-on-year to €151m.

Economic environment

The rates of growth in the global economy moderated in the **second quarter of 2011**, mainly due to temporary factors. First, because of high oil prices throughout 2011, basically caused by the social unrest in North Africa and the Middle East. Second, due to the effects on the rest of the world of the earthquake in Japan, which has led to temporary cuts in the chain of production. Finally, the tensions created in the euro zone in the wake of the approval of the second bailout plan for Greece, caused by uncertainty about the capacity of the Greek authorities to put it into practice.

In the **United States** figures have shown that economic activity has partially and temporarily lost its strength, due largely to the global components that have conditioned the quarter, in particular the rise in oil prices. The latter factor has increased concerns regarding inflation, but not enough to anticipate the easier cycle of monetary policy. There has also been uncertainty about the process of fiscal consolidation during the process to negotiate the extension of the U.S. government's fiscal debt ceiling.

Interest rates
(Quarterly averages)

	2011		2010			
	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	1.23	1.00	1.00	1.00	1.00	1.00
Euribor 3 months	1.44	1.10	1.02	0.87	0.69	0.66
Euribor 1 year	2.13	1.74	1.52	1.40	1.25	1.22
USA Federal rates	0.25	0.25	0.25	0.25	0.25	0.25
TIIE (Mexico)	4.85	4.85	4.87	4.91	4.94	4.92

The **European** economy has slowed slightly, but there is still a difference between the greater strength of central countries and weakness in activity and confidence in the peripherals. The fiscal crisis in Greece has been a source of tension throughout the quarter, which has only dropped (at least temporarily) on the approval of a new fiscal consolidation package by the Greek parliament and a number of initiatives by which private creditors participate in extending the maturities of Greek debt. Meanwhile, the Central European Bank has brought forward the start of interest rate rises to the second quarter, though they have been slight, and it has maintained measures supporting liquidity.

The **Mexican economy** has continued to grow, although it has noted the impact of temporary factors such as the earthquake in Japan on some local economic activities (basically, in the automotive sector), as well as a reduction in foreign demand. The indicators for domestic demand have shown a better relative performance, supported by strong job creation in the formal sector and very favorable financing conditions. In terms of inflation, the downward surprises in the most recent figures have been consistent with a scenario of no pressures on demand, availability of resources in the labor market, interest rate stability and firmly anchored inflationary expectations. In all, the diagnosis of inflation suggests improvement, which will enable the current monetary pause to be maintained until mid-way through 2012.

Economic activity in **South America** remains very strong. Fiscal policy continues to be lax and domestic demand high. The authorities are tackling inflation, but trying to minimize the impact on exchange rates. Commodity prices are still high, favoring income growth and making a positive contribution to the fiscal and foreign balances.

In **China**, the GDP is maintaining sufficient force to ensure sustained growth, with a margin of concern on inflation that is still above the comfort zone for the authorities.

Finally, **Turkey** is not only maintaining its strength, but the economic data available for this half of the year suggest surprising upward movement. The strength of domestic demand is offsetting moderate exports, while capital continues to flow into the country. The authorities appear to be watching the recent rise in inflation and the depreciation of the lira closely, although the situation is manageable.

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

Exchange rates

(Expressed in currency/euro)

	Year-end exchange rates				Average exchange rates	
	30-06-11	Δ% on 30-06-10	Δ% on 31-03-11	Δ% on 31-12-10	1H11	Δ% on 1H10
Mexican peso	16.9765	(7.3)	(0.3)	(2.5)	16.6864	0.7
U.S. dollar	1.4453	(15.1)	(1.7)	(7.5)	1.4032	(5.4)
Argentinean peso	5.9358	(17.3)	(0.5)	(7.6)	5.6815	(8.4)
Chilean peso	680.74	(2.1)	0.6	(8.1)	667.11	4.2
Colombian peso	2,570.69	(8.5)	3.7	(0.5)	2,577.32	0.3
Peruvian new sol	3.9753	(12.8)	0.4	(5.6)	3.9036	(3.3)
Venezuelan bolivar fuerte	6.2071	(15.1)	(1.7)	(7.5)	6.0265	(7.9)
Turkish lira	2.3500	(17.4)	(6.6)	(11.9)	2.2081	(8.5)
Chinese yuan	9.3416	(10.9)	(0.4)	(5.6)	9.1755	(1.3)

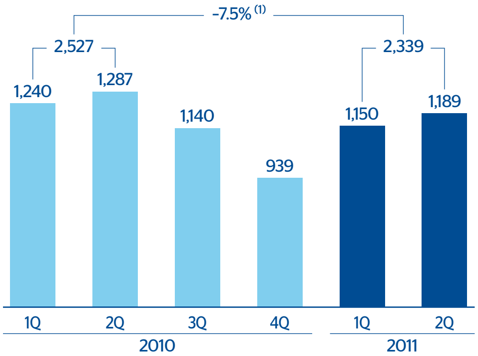
Earnings

BBVA closed the **second quarter of 2011** with a quarterly net attributable profit of €1,189m. This figure shows the recurrence, stability and resilience of the Bank's results despite the current environment. The main aspects to highlight are as follows:

- A positive level of recurring **revenues**, with net interest income up 1.3% over the quarter and fees and commissions up 4.7% in the same period, to reach the same amount as in the second quarter of 2010. The figures have been supported by two factors: the positive contribution of Garanti; and the good performance of the American franchises.
- Lower **NTI**, which has returned to a more recurrent level after an unusually high first quarter.

Net attributable profit

(Million euros)



(1) At constant exchange rate: -7.0%.

Consolidated income statement: quarterly evolution

(Million euros)

	2011		2010			
	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**3,215**	**3,175**	**3,138**	**3,245**	**3,551**	**3,386**
Net fees and commissions	1,167	1,114	1,135	1,130	1,166	1,106
Net trading income	336	752	252	519	490	633
Dividend income	259	23	227	45	231	25
Income by the equity method	123	121	124	60	94	57
Other operating income and expenses	62	79	70	85	47	93
Gross income	**5,162**	**5,263**	**4,946**	**5,084**	**5,579**	**5,301**
Operating costs	(2,479)	(2,359)	(2,325)	(2,262)	(2,262)	(2,118)
Personnel expenses	(1,306)	(1,276)	(1,240)	(1,211)	(1,215)	(1,149)
General and administrative expenses	(964)	(887)	(887)	(855)	(855)	(796)
Depreciation and amortization	(208)	(196)	(199)	(197)	(192)	(174)
Operating income	**2,683**	**2,904**	**2,621**	**2,821**	**3,317**	**3,183**
Impairment on financial assets (net)	(962)	(1,023)	(1,112)	(1,187)	(1,341)	(1,078)
Provisions (net)	(83)	(150)	(75)	(138)	(99)	(170)
Other gains (losses)	(154)	(71)	(273)	113	(88)	(72)
Income before tax	**1,484**	**1,659**	**1,162**	**1,609**	**1,789**	**1,862**
Income tax	(189)	(369)	(127)	(359)	(431)	(510)
Net income	**1,295**	**1,290**	**1,034**	**1,250**	**1,358**	**1,352**
Non-controlling interests	(106)	(141)	(96)	(110)	(70)	(113)
Net attributable profit	**1,189**	**1,150**	**939**	**1,140**	**1,287**	**1,240**
Basic earnings per share (euros)	**0.25**	**0.25**	**0.22**	**0.28**	**0.32**	**0.31**

Consolidated income statement

(Million euros)

	1H11	Δ%	Δ% at constant exchange rates	1 H10	Δ%	Δ% at constant exchange rates	2Q10
Net interest income	**6,389**	**(7.9)**	**(6.7)**	**6,937**	**0.1**	**1.8**	**6,383**
Net fees and commissions	2,281	0.4	1.5	2,272	0.7	2.4	2,264
Net trading income	1,088	(3.1)	(1.7)	1,123	41.1	43.7	771
Dividend income	282	10.0	10.3	256	3.7	4.1	272
Income by the equity method	243	60.9	61.0	151	32.6	32.6	184
Other operating income and expenses	141	0.9	(6.9)	140	(9.1)	(13.0)	155
Gross income	**10,425**	**(4.2)**	**(3.2)**	**10,880**	**3.9**	**5.5**	**10,030**
Operating costs	(4,838)	10.5	12.1	(4,380)	5.4	7.3	(4,588)
Personnel expenses	(2,582)	9.2	10.8	(2,364)	5.4	7.0	(2,451)
General and administrative expenses	(1,851)	12.1	13.7	(1,651)	6.3	8.3	(1,741)
Depreciation and amortization	(404)	10.7	13.1	(365)	2.2	4.6	(396)
Operating income	**5,587**	**(14.0)**	**(13.4)**	**6,500**	**2.7**	**4.0**	**5,442**
Impairment on financial assets (net)	(1,986)	(17.9)	(17.1)	(2,419)	(13.6)	(12.3)	(2,299)
Provisions (net)	(234)	(13.3)	(12.8)	(270)	9.9	9.9	(213)
Other gains (losses)	(225)	40.5	40.8	(160)	40.7	40.8	(160)
Income before tax	**3,143**	**(13.9)**	**(13.3)**	**3,651**	**13.4**	**14.9**	**2,771**
Income tax	(558)	(40.7)	(40.2)	(941)	14.7	17.0	(486)
Net income	**2,585**	**(4.6)**	**(4.0)**	**2,710**	**13.2**	**14.5**	**2,285**
Non-controlling interests	(247)	34.7	39.4	(183)	19.9	24.9	(206)
Net attributable profit	**2,339**	**(7.5)**	**(7.0)**	**2,527**	**12.5**	**13.5**	**2,079**
Basic earnings per share (euros)	**0.50**	**(19.2)**		**0.62**	**(5.6)**		**0.53**

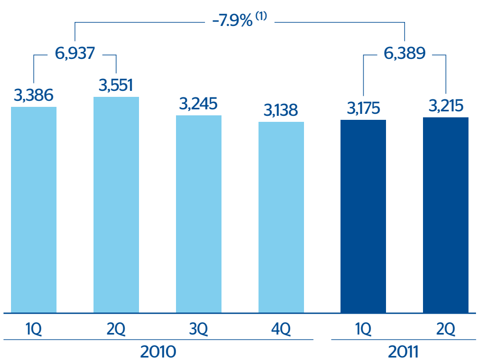
- Receipt of the **dividend** corresponding to the holding in Telefónica.
- The Group's various growth and expansion plans continue, above all those implemented in emerging markets. This has had an impact on operating **expenses**, which grew by 5.1% on the previous quarter. It was also partly the result of Garanti's contribution.
- **Impairment losses on financial assets** remain at the levels of the first quarter of 2011.

Net interest income

The Group's quarterly **net interest income** was €3,215m, 1.3% up on the first quarter of 2011. The figure was helped by the incorporation of Garanti (which contributed a whole quarter of results) and by the positive performance of the franchises in the Americas, which offset the lower contribution from Spain. BBVA has achieved this positive result in its quarterly net interest income thanks to a portfolio that is balanced by geographical areas, businesses, customer segments and products. The 2011 year to date figure is €6,389m, very similar to the €6,383m posted in the second half of 2010, which included the impact of higher cost of customer funds in Spain.

Net interest income

(Million euros)



(1) At constant exchange rate: -6.7%.

Breakdown of yields and costs

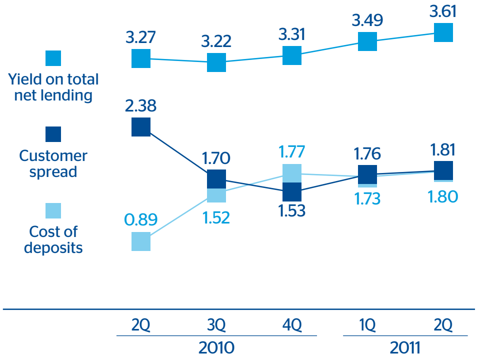
	2Q11		1Q11		4Q10		3Q10		2Q10	
	% of ATA	% yield/ Cost	% of ATA	% yield/ Cost	% of ATA	% yield/ Cost	% of ATA	% yield/ Cost	% of ATA	% yield/ Cost
Cash and balances with central banks	3.6	1.25	3.7	1.30	4.0	1.17	4.2	0.99	3.7	1.16
Financial assets and derivatives	24.3	2.98	24.4	3.03	25.2	2.75	26.0	2.61	26.8	2.65
Loans and advances to credit institutions	5.3	2.35	4.5	2.23	4.7	1.97	4.2	2.14	4.6	1.91
Loans and advances to customers	60.3	5.42	61.2	5.24	59.9	4.89	59.5	4.86	59.1	4.99
Euros	39.2	3.31	40.0	3.25	39.5	3.12	39.0	3.12	38.7	3.23
Domestic	34.0	3.61	35.4	3.49	35.6	3.31	35.4	3.22	35.2	3.27
Other	5.2	1.36	4.6	1.38	3.9	1.48	3.6	2.10	3.6	2.81
Foreign currencies	21.1	9.33	21.3	8.98	20.4	8.31	20.5	8.19	20.4	8.35
Other assets	6.4	0.37	6.1	0.44	6.2	0.46	6.1	0.43	5.7	0.30
Total assets	**100.0**	**4.19**	**100.0**	**4.12**	**100.0**	**3.79**	**100.0**	**3.73**	**100.0**	**3.81**
Deposits from central banks and credit institutions	13.7	2.52	11.3	2.68	12.9	2.15	15.1	1.82	15.9	1.66
Deposits from customers	48.6	2.06	50.6	1.77	48.1	1.63	45.6	1.51	44.9	1.25
Euros	26.6	1.64	28.1	1.35	24.6	1.40	22.5	1.23	19.6	0.74
Domestic	17.7	1.80	17.7	1.73	17.3	1.77	16.6	1.52	14.3	0.89
Other	8.9	1.31	10.5	0.72	7.3	0.51	5.8	0.41	5.2	0.34
Foreign currencies	22.1	2.57	22.4	2.28	23.4	1.87	23.2	1.78	25.3	1.64
Debt certificates and subordinated liabilities	20.3	2.27	20.1	2.15	20.4	2.15	20.6	1.95	21.8	1.90
Other liabilities	10.7	1.02	11.1	0.97	12.3	0.64	12.8	0.64	11.7	0.44
Equity	6.7	-	6.9	-	6.3	-	5.9	-	5.8	-
Total liabilities and equity	**100.0**	**1.92**	**100.0**	**1.77**	**100.0**	**1.58**	**100.0**	**1.45**	**100.0**	**1.29**
Net interest income/Average total assets (ATA)		**2.27**		**2.35**		**2.21**		**2.28**		**2.52**

A correct assessment of this positive figure for net interest has to highlight the extremely complex environment in which it has been produced: restricted lending activity in Spain, with a renewed weighting in the proportion of portfolios with greatest risk; growing competitive pressure in emerging economies; rising interest rates; and more expensive wholesale funding.

The yield on loans in business with domestic customers in the **euro zone** in the second quarter of 2011 grew again, 12 basis points to 3.61%. The most notable point with respect to customer funds has been the gradual reduction in the cost of time deposits in the last month of the quarter. This is a general trend in the system, and it is expected to continue over the coming months, in part encouraged by the penalties involved in making additional contributions to deposit guarantee funds if extra interest rates are paid. However, the effect is still very limited over the quarter as a whole, so the average cost of funds has risen, in line with the upward trend of the interest rate curve, by 8 points to 1.80%. As a result, the customer spread has increased by 5 basis points compared to the first quarter of 2011.

Customer spread. Euros domestic sector

(Percentage)

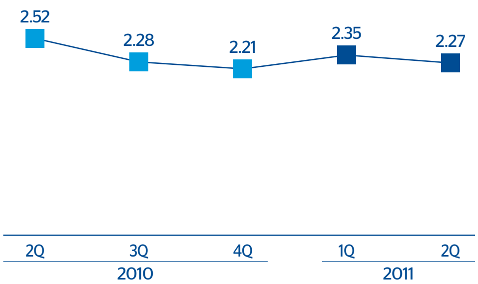


In **Mexico**, interbank rates are still low and at the same levels as at the close of the first quarter of 2011. The cost of deposits has risen by 14 basis points on the previous quarter and the yield on loans has also increased on the first quarter by 8 basis points. The improved quality of the consumer and credit card portfolio, with a substantial proportion of loyal customers, means that the spreads applied to new lending are more reduced, as they apply to lower-risk customers. Thus the customer spread stood at 11.05% at the close of the quarter (11.10% in the first quarter of 2011) and the net interest income year to date is up 5.6% year-on-year at constant exchange rates.

Competitive pressure remains high in **South America**. However, buoyant business activity means that the net interest income year to date in the area was up 24.2% year-on-year at constant exchange rates.

Finally, in the **United States** net interest income remained at similar levels to those of the first three months of the year at constant exchange rates, despite the continued increase in the proportion of lower risk lending and and thus lower yield, such as residential mortgages and commercial and corporate loans. This is the result of good price management by BBVA Compass.

Net interest income/ATA BBVA Group (Percentage)



Gross income

Fees and commissions in the first half of 2011 amounted to €2,281m, a slight increase on the figure for the same period in 2010. Once more, a difference has to be noted between emerging countries (up 10.7% year-on-year), which included the contribution from Garanti, and developed countries (down 7.2% year-on-year). This contrasting performance has been influenced by the difference in business activity between the two groups of economies (sluggish in developed countries and very dynamic in emerging ones). Fees from pension funds were up 8.7%, while those from mutual funds fell by 9.1%. As in previous quarters, the fees linked to banking services have remained very stable.

The contribution of **NTI** in the second quarter of 2011 was €336m, marking a return to more ordinary levels after an outstandingly positive first quarter (€752m). The figure for the first six months of the year is €1,088m, very similar to that for the first half of 2010 (€1,123m), which also included a very high first quarter.

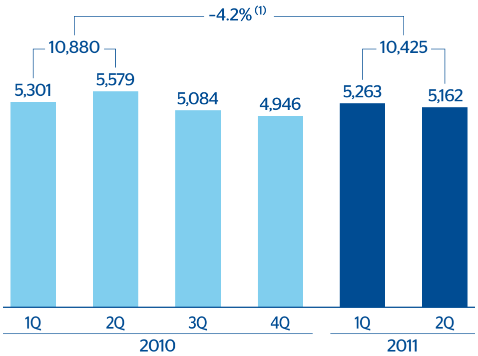
Dividend income in the half-year was 10.0% up on the same period in 2010 to €282m, and includes the payment from BBVA's stake in Telefónica.

Income by the equity method was up 60.9% year-on-year to €243m. These continued favorable results mainly include the contribution from BBVA's holding in CNCB.

Finally, **other operating income and expenses** was at a similar level compared to twelve months earlier, at €141m (€140m in the same period in 2010). This figure has been significantly affected by increased contributions to deposit guarantee funds in a number of countries (up 25.2% year-on-year). In contrast, it is worth pointing to the good performance of the insurance business, where revenues grew by 14.8% year-on-year in the same period.

In all, the **gross income** amounted to €5,162m in the second quarter of 2011. It is down on the first quarter mainly due to the lower generation of NTI, which has been partially offset by greater dividends and the contribution from Garanti. The figure for the first half-year stands at €10,425m, and although this represents a fall of 4.2% on the first half of last year, when the economic and financial situation was different from the current one, it is still very favorably compared with the second half of 2010, with growth of 3.9%.

Gross income
(Million euros)



(1) At constant exchange rate: -3.2%.

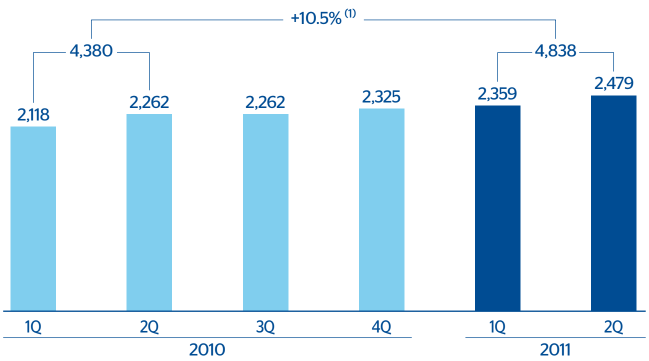
Operating income

Operating expenses in the six months to June were 10.5% higher than the figure for the first half of 2010, at €4,838m. This is because of the investment process being undertaken by the Group. Progress continues to be made in developing customer products and segments in franchises operating in emerging countries; and in extending banking penetration to take advantage of economic growth. In contrast, in developed markets BBVA focuses on improving customer relations and the efficiency of distribution. It is also worth noting that investment in technology, people and the brand continues in the Bank as a whole.

The Bank closed June with 109,655 **employees**, 1.0% up on the figure as of 31-Mar-2011, and 5.1% up on the figure twelve months earlier. The biggest increases are in the franchises in emerging countries. The

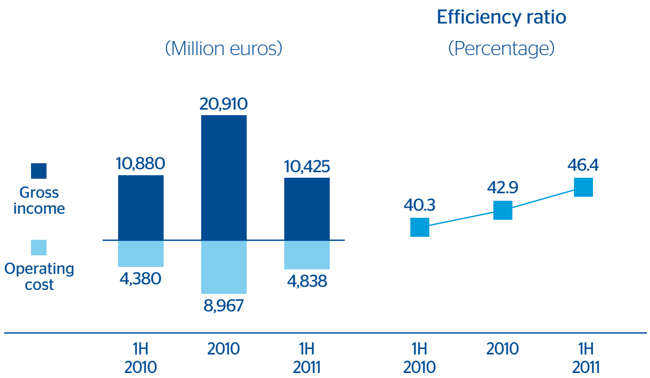
Operating costs

(Million euros)



(1) At constant exchange rate: +12.1%.

Efficiency

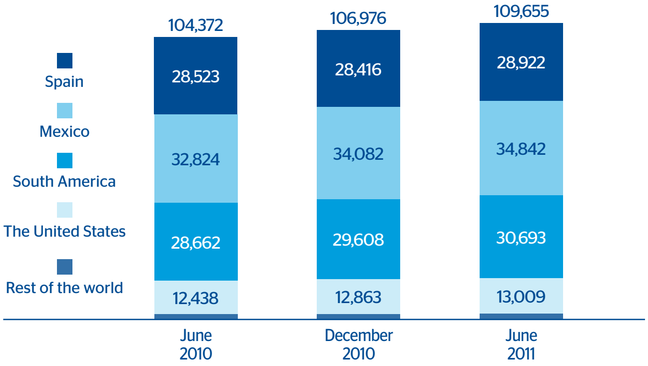


Breakdown of operating costs and efficiency calculation

(Million euros)

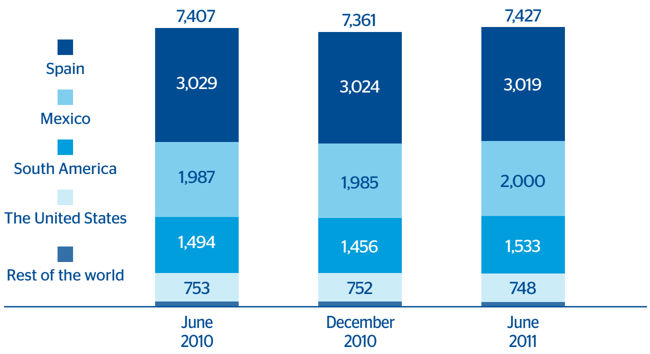
	1H11	Δ%	1H10	2010
Personnel expenses	**2,582**	**9.2**	**2,364**	**4,814**
Wages and salaries	1,982	8.9	1,821	3,740
Employee welfare expenses	374	9.9	341	689
Training expenses and other	226	11.7	202	386
General and administrative expenses	**1,851**	**12.1**	**1,651**	**3,392**
Premises	422	14.2	370	750
IT	306	4.6	292	563
Communications	149	8.5	137	284
Advertising and publicity	189	16.7	162	345
Corporate expenses	50	13.8	44	89
Other expenses	546	8.9	501	1,040
Levies and taxes	190	31.2	145	322
Administration costs	**4,433**	**10.4**	**4,015**	**8,207**
Depreciation and amortization	**404**	**10.7**	**365**	**744**
Operating costs	**4,838**	**10.5**	**4,380**	**8,951**
Gross income	**10,425**	**(4.2)**	**10,880**	**20,644**
Efficiency ratio (Operating costs/Gross income, in %)	**46.4**	**15.3**	**40.3**	**43.4**

Number of employees [1]



(1) Excluding Garanti.

Number of branches [1]



(1) Excluding Garanti.

branch network totaled 7,427 as of 30-Jun-2011, with a growth of 0.2% on March 2011 and 0.3% on June 2010. The number of branches in Spain and the United States has somewhat decreased, while the banking business in South America and Mexico has increased as a result of the expansion process implemented in the emerging countries where BBVA operates. Finally, the number of **ATMs** continues to increase. It closed the quarter at 17,857 (up 9.7% year-on-year and 1.3% quarter-on-quarter), as part of an ongoing general process of renewal and modernization.

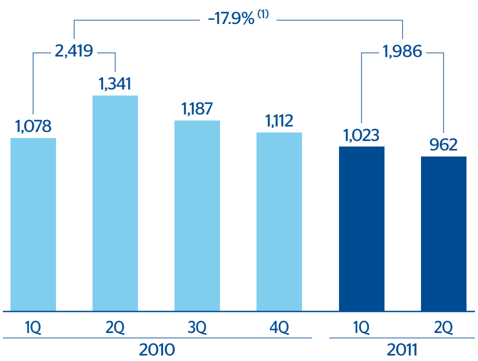
To sum up, **operating income** generated over the quarter stood at €2,683m, or €5,587m for the six months ended June 30, 2011. This figure is still very positive and sound compared with the €5,442m of the second half of 2010. It represents a growth of 2.7% thanks to the stabilization of revenues, following the notable reduction in the third quarter of 2010.

Provisions and others

Impairment losses on financial assets remained relatively stable in the second quarter

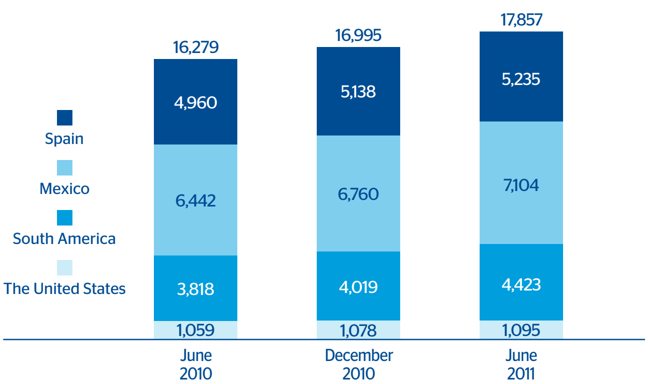
Impairment losses on financial assets

(Million euros)



(1) At constant exchange rate: -17.1%.

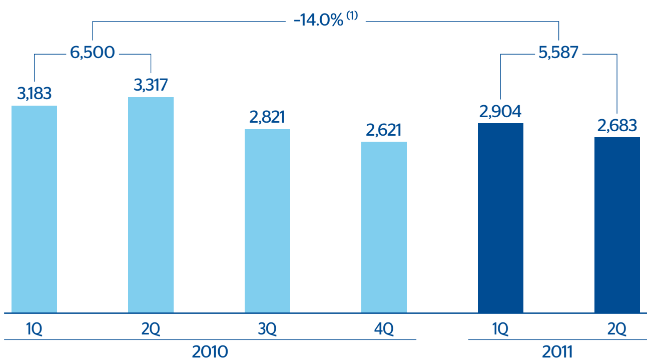
Number of ATMs [1]



(1) Excluding Garanti.

Operating income

(Million euros)



(1) At constant exchange rate: -13.4%.

of 2011 compared with the first three months of the year. Over the half year they amounted to €1,986m, and despite the incorporation of Garanti, were down 17.9% year-on-year. The Group's risk premium has improved by 11 basis points over the quarter to 1.09%, without any negative effect on the coverage ratio, which was maintained at 61% as of 30-Jun-2011. The above has been possible thanks to the positive operating profit, which has enabled the Bank to maintain the criteria of prudence and the good asset quality of BBVA portfolios, with an increasing proportion of lower-risk portfolios.

Provisions amounted to €234m, compared with €270m in January-June 2010. This figure basically includes provisions for early retirement and other contributions to pension funds.

Other gains (losses) stood at –€225m, as compared to –€160m in the first half of 2010, and mainly include provisions made for real estate and foreclosed assets to maintain coverage above 30%.

Finally, corporate tax was down on the first quarter, mainly because of the reduced contribution of NTI and higher revenues with a low or zero tax rate.

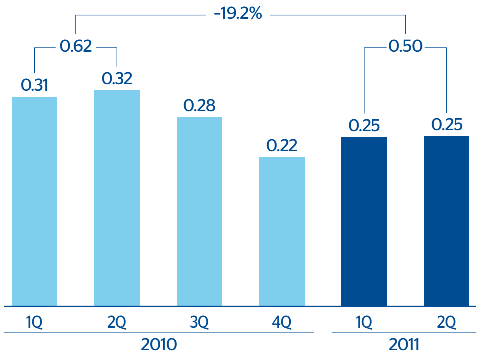
Net attributable profit

The positive performance of revenues and loan-loss provisions has therefore allowed BBVA to continue with its expansion plans that are designed to lay the foundations for future growth, while generating a good level of **net attributable profit** of €1,189m in the second quarter and €2,339m in the half-year. By business areas (in the half year), Spain generated €896m, Eurasia €449m, Mexico €885m, South America €529m and the United States €151m.

Earnings per share (EPS) stood at €0.50, compared with €0.53 in the second half of 2010 (after correcting for the effects of capital increases in November 2010 and April 2011). The increase in the Group's shareholders' funds has led to a 4% increase of the book value per share year-on-year, to €8.50. Thus, the Group's **ROE** was 12.9% and return on total average assets (**ROA**) stood at 0.94%.

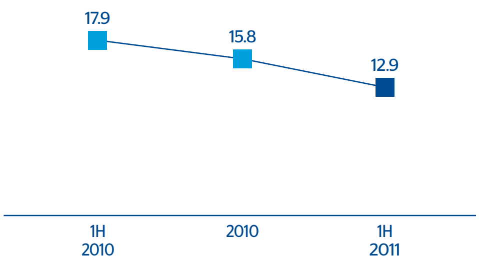
Earnings per share

(Euros)



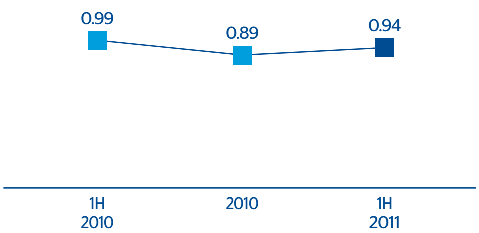
ROE

(Percentage)



ROA

(Percentage)



Balance sheet and business activity

BBVA closed the **second quarter of 2011** with total assets of €569 billion (€562 billion as of 31-Mar-2011). The main factors influencing the growth in the Group's balance sheet and business activity over the period are as follows:

- In the **loan-book**, the geographical difference observed in previous quarters has continued. Mexico has performed well year-on-year, particularly in the commercial, consumer and credit card portfolio, and South America remains strong, with general rises in all the items and practically all the countries. However, the business in Spain continues to be affected by weak activity as a result of the deleveraging process in the economy. The main event in Eurasia has been the contribution from Garanti. In the United States there has been an overall fall in lending as the positive performance

Consolidated balance sheet

(Million euros)

	30-06-11	Δ%	30-06-10	31-03-11	31-12-10
Cash and balances with central banks	21,369	(4.2)	22,298	23,002	19,981
Financial assets held for trading	63,421	(13.5)	73,330	57,801	63,283
Other financial assets designated at fair value through profit or loss	2,912	4.1	2,796	2,709	2,774
Available-for-sale financial assets	60,599	(0.2)	60,729	63,417	56,457
Loans and receivables	371,314	2.6	361,766	368,344	364,707
Loans and advances to credit institutions	22,890	4.8	21,846	28,465	23,636
Loans and advances to customers	346,222	2.1	339,258	337,590	338,857
Other	2,202	233.0	661	2,289	2,213
Held-to-maturity investments	9,334	(4.4)	9,768	9,230	9,946
Investments in entities accounted for using the equity method	4,518	(3.7)	4,692	4,435	4,547
Tangible assets	6,965	3.2	6,747	6,819	6,701
Intangible assets	9,722	13.8	8,546	10,101	8,007
Other assets	18,551	1.7	18,245	16,317	16,336
Total assets	**568,705**	**(0.0)**	**568,917**	**562,174**	**552,738**
Financial liabilities held for trading	34,686	(20.7)	43,734	34,290	37,212
Other financial liabilities at fair value through profit or loss	1,815	10.0	1,651	1,604	1,607
Financial liabilities at amortized cost	471,248	1.1	466,329	465,056	453,164
Deposits from central banks and credit institutions	80,545	(15.0)	94,729	68,430	68,180
Deposits from customers	278,496	8.0	257,830	283,559	275,789
Debt certificates	86,673	0.3	86,407	88,040	85,180
Subordinated liabilities	17,586	(7.4)	18,988	18,132	17,420
Other financial liabilities	7,948	(5.1)	8,375	6,895	6,596
Liabilities under insurance contracts	7,607	(5.7)	8,068	8,129	8,033
Other liabilities	15,705	(3.6)	16,284	15,215	15,246
Total liabilities	**531,062**	**(0.9)**	**536,065**	**524,293**	**515,262**
Non-controlling interests	1,562	11.7	1,399	1,577	1,556
Valuation adjustments	(2,596)	n.m.	844	(1,803)	(770)
Shareholders' funds	38,677	26.4	30,609	38,107	36,689
Total equity	**37,643**	**14.6**	**32,852**	**37,881**	**37,475**
Total equity and liabilities	**568,705**	**(0.0)**	**568,917**	**562,174**	**552,738**
Memorandum item:					
Contingent liabilities	36,360	2.5	35,461	36,229	35,816

of target portfolios (residential real estate and commercial) has not offset the drop in construction real estate.

- In **customer funds**, customer deposits performed particularly well in the Group.
- The **exchange-rate** effect continues to be negative, both over the quarter and over the last twelve months.

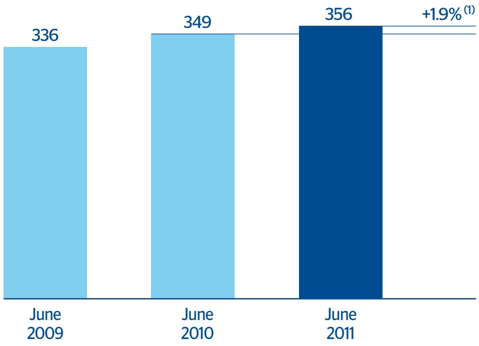
Lending to customers

Gross lending to customers stood at €356 billion as of 30-Jun-2011, an increase of 2.5% on the previous quarter and 1.9% year-on-year. Excluding the exchange-rate effect, the increase over the 12 months is 5.3%.

Lending has also varied by **geographical area**. Mexico posted rises in the individual segment, particularly consumer finance and credit cards (up 22.7% year-on-year at constant exchange rates) and corporate finance (up 8.7%, also at constant exchange rates). South America continues to grow in line with the trend over previous quarters (up 27.1% at constant exchange rates), with general growth in practically all the portfolios and countries in the region. As mentioned earlier, the United States is undergoing a change in its portfolio mix, as can be seen from the 30.4% increase in residential real estate and 10.8% in corporate lending at constant exchange rates. Finally, in Spain lending continues to be sluggish due to the current economic situation and the deleveraging process mentioned above. Nevertheless, the

Customer lending (gross)

(Billion euros)



(1) At constant exchange rate: +5.3%.

Customer lending

(Million euros)

	30-06-11	∆%	30-06-10	31-03-11	31-12-10
Domestic sector	**201,053**	**1.8**	**197,448**	**193,675**	**198,634**
Public sector	25,966	12.6	23,056	25,459	23,656
Other domestic sectors	175,087	0.4	174,392	168,216	174,978
Secured loans	101,898	(3.8)	105,905	104,391	105,002
Commercial loans	6,102	(3.9)	6,353	6,032	6,847
Financial leases	5,338	(10.6)	5,968	5,493	5,666
Other term loans	44,309	(4.8)	46,546	44,180	46,225
Credit card debtors	1,579	(7.5)	1,708	1,236	1,695
Other demand and miscellaneous debtors	3,783	5.9	3,572	2,741	2,222
Other financial assets	12,077	178.2	4,340	4,142	7,321
Non-domestic sector	**138,957**	**2.4**	**135,654**	**137,930**	**134,258**
Secured loans	57,430	16.7	49,224	49,887	45,509
Other loans	81,528	(5.7)	86,430	88,043	88,750
Non-performing loans	**15,515**	**(1.7)**	**15,781**	**15,210**	**15,361**
Domestic sector	11,112	1.0	10,999	10,711	10,953
Public sector	132	82.8	72	121	111
Other domestic sectors	10,980	0.5	10,927	10,589	10,841
Non-domestic sector	4,403	(7.9)	4,782	4,499	4,408
Customer lending (gross)	**355,526**	**1.9**	**348,884**	**346,814**	**348,253**
Loan-loss provisions	(9,304)	(3.3)	(9,625)	(9,224)	(9,396)
Customer lending (net)	**346,222**	**2.1**	**339,258**	**337,590**	**338,857**

Group has posted a notable year-on-year growth in gross customer lending of 2.6%, derived from the increase in the other financial assets caption, which includes balances of excess liquidity positions.

The above also explains the different trend between the domestic and non-domestic sectors. Thus, in net lending to **resident customers**, the public sector continues to grow at a year-on-year rate of 12.6%. This portfolio is very profitable for BBVA due its great asset quality, as it has a very low and stable NPA ratio. The other domestic sectors item remains at similar levels to a year ago, at €175 billion as of 30-Jun-2011, up 0.4%.

The best performance has been from **non-resident customer** lending, which increased to €139 billion as of 30-Jun-2011, a year-on-year increase of 2.4%. Of particular note is the positive performance of secured loans, which were up 16.7% year-on-year and 15.1% on the previous quarter.

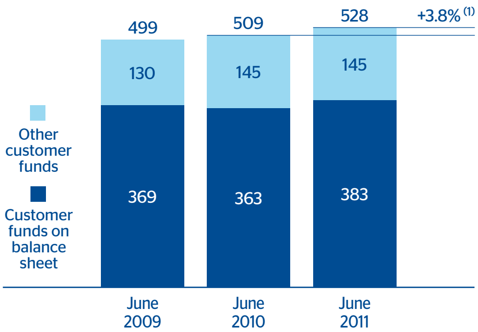
Finally, **non-performing loans** were down 1.7% over the last 12 months, although they increased by 2.0% over the quarter, in line with the change in lending.

Customer funds

As of 30 June, 2011, **total customer funds** amounted to €528 billion, 3.8% up on the figure for 30 June, 2010.

Once again, a distinction must be made between **on-balance sheet customer funds**, which amounted to €383 billion and represent 72% of the total, and other funds, such as mutual funds, pension funds and customer portfolios,

Customer funds
(Billion euros)



(1) At constant exchange rate: +1.1%.

Customer funds
(Million euros)

	30-06-11	∆%	30-06-10	31-03-11	31-12-10
Customer funds on balance sheet	**382,755**	**5.4**	**363,225**	**389,731**	**378,388**
Deposits from customers	**278,496**	**8.0**	**257,830**	**283,559**	**275,789**
Domestic sector	**135,420**	**34.7**	**100,516**	**136,666**	**133,629**
Public sector	24,905	289.8	6,390	24,894	17,412
Other domestic sectors	110,515	17.4	94,126	111,772	116,217
Current and savings accounts	44,061	(8.8)	48,312	42,790	43,225
Time deposits	52,188	33.6	39,052	50,913	49,160
Assets sold under repurchase agreement and other	14,266	111.0	6,761	18,069	23,832
Non-domestic sector	**143,076**	**(9.1)**	**157,314**	**146,894**	**142,159**
Current and savings accounts	75,002	2.3	73,310	74,056	74,681
Time deposits	63,320	(16.8)	76,078	67,106	61,626
Assets sold under repurchase agreement and other	4,754	(40.0)	7,927	5,731	5,852
Debt certificates	**86,673**	**0.3**	**86,407**	**88,040**	**85,180**
Mortgage bonds and covered bonds	44,787	19.3	37,539	44,824	40,246
Other debt certificates	41,885	(14.3)	48,868	43,216	44,933
Subordinated liabilities	**17,586**	**(7.4)**	**18,988**	**18,132**	**17,420**
Other customer funds	**145,345**	**(0.1)**	**145,475**	**144,230**	**147,580**
Mutual funds	41,880	(11.8)	47,469	42,262	43,383
Pension funds	77,039	5.6	72,988	75,764	78,763
Customer portfolios	26,426	5.6	25,018	26,204	25,434
Total customer funds	**528,100**	**3.8**	**508,700**	**533,961**	**525,968**

which totaled €145 billion. On-balance-sheet funds were up by 5.4% year-on-year. Customer deposits continued to grow thanks to the significant progress in the resident sector (up 34.7% year-on-year). Also of note are the rises in lower-cost funds, such as current and savings accounts in the non-resident sector (up 2.3%), and time deposits in the resident sector, which were up 33.6% over the last 12 months.

Off-balance-sheet customer funds amounted to €145 billion as of 30-Jun-2011, practically the same figure as a year earlier, but a rise of 0.8% on the close of the first quarter. The funds in **Spain** amounted to €54 billion, a 6.6% fall year-on-year and 1.8% on the previous quarter. The fall can be explained above all by market volatility over recent months. It is worth noting that BBVA continues to maintain its position as the leading pension fund manager in Spain, with a market share of 18.3% in March (latest available figure).

Off-balance-sheet funds in the **rest of the world** stood at €92 billion, up 2.4% over the quarter, despite the negative exchange-rate effect and market volatility over the reference period.

Statement of changes in equity

As of 30 June, 2011, BBVA's **total equity** stood at €37,643m, slightly below the figure of €37,881m on 31-Mar-2011. The fall is due to the exchange-rate effect on the balance sheet, included under the heading of valuation adjustments, which is mainly the result of the valuation of goodwill denominated in currencies other than the euro. Shareholders' funds have increased due to the profits generated in the quarter after discounting the dividend payment on July 8, 2011.

Other customer funds

(Million euros)

	30-06-11	Δ%	30-06-10	31-03-11	31-12-10
Spain	53,606	(6.6)	57,412	54,598	53,874
Mutual funds	22,318	(20.2)	27,976	23,244	23,708
Pension funds	16,986	1.7	16,701	17,042	16,811
Individual pension plans	9,799	1.2	9,686	9,876	9,647
Corporate pension funds	7,186	2.4	7,015	7,166	7,164
Customer portfolios	14,302	12.3	12,735	14,312	13,355
Rest of the world	91,739	4.2	88,063	89,632	93,707
Mutual funds and investment companies	19,562	0.4	19,493	19,018	19,675
Pension funds	60,054	6.7	56,287	58,722	61,952
Customer portfolios	12,124	(1.3)	12,283	11,892	12,080
Other customer funds	145,345	(0.1)	145,475	144,230	147,580

Capital base

As of June 30, 2011, the BBVA Group's **capital base**, calculated according to the BIS II regulation, totaled €41,249m, 0.5% down on the figure for 31-Mar-2011. This slight fall is mainly the result of the reduction in Tier-II funds, as core capital increased by 1.1% over the same period.

Risk-weighted assets (RWA) stood at €321,282m, practically the same as the previous quarter, as a result of the business activity mentioned above.

The **minimum capital requirements** (8% of RWA) stood at €25,703m, with a capital base surplus of €15,547m. Therefore, the Group has 60.5% of capital above the minimum required levels.

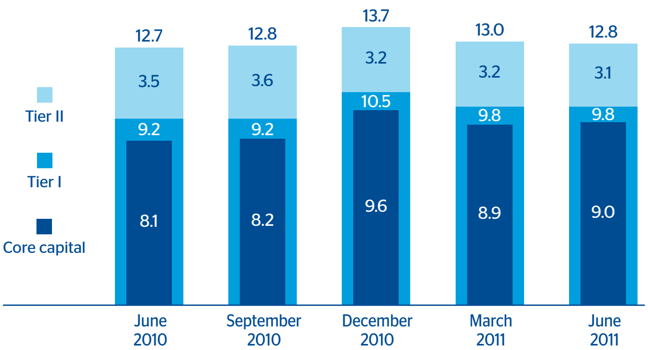
With the aim of anticipating the regulatory changes included in Basel III, the Board of Directors announced the early conversion of mandatory convertible subordinate bonds issued in 2009 and distributed among the Bank's customers. As a result, 273,190,927 new shares have been issued and started trading as of July, 19. Core capital was already comprising these bonds.

As of 30-Jun-2011, **core capital** amounted to at €28,773m, with a core ratio of 9.0%, (8.9% as of March 31, 2011). In short, BBVA has once more this quarter shown its capacity to generate capital organically.

The **Tier I** ratio remains at 9.8%. The level of preference shares is similar to that in the previous quarter, at €5,114m, or 16.3% of total bank capital.

Capital base: BIS II ratio

(Percentage)



Capital base (BIS II Regulation)

(Million euros)

	30-06-11	31-03-11	31-12-10	30-09-10	30-06-10
Shareholders' funds	38,677	38,107	36,689	31,610	30,609
Adjustments and deductions	(11,904)	(11,654)	(8,592)	(8,642)	(7,680)
Mandatory convertible bonds	2,000	2,000	2,000	2,000	2,000
Core capital	**28,773**	**28,452**	**30,097**	**24,969**	**24,929**
Preference shares	5,114	5,128	5,164	5,165	5,224
Deductions	(2,452)	(2,367)	(2,239)	(1,900)	(1,803)
Capital (Tier I)	**31,435**	**31,214**	**33,023**	**28,234**	**28,351**
Subordinated debt and other	12,266	12,613	12,140	12,955	12,737
Deductions	(2,452)	(2,367)	(2,239)	(1,900)	(1,803)
Other eligible capital (Tier II)	**9,814**	**10,246**	**9,901**	**11,055**	**10,935**
Capital base	**41,249**	**41,460**	**42,924**	**39,289**	**39,285**
Minimum capital requirement (BIS II Regulation)	25,703	25,523	25,066	24,506	24,769
Capital surplus	**15,547**	**15,937**	**17,858**	**14,783**	**14,516**
Risk-weighted assets	**321,282**	**319,044**	**313,327**	**306,319**	**309,617**
BIS ratio (%)	**12.8**	**13.0**	**13.7**	**12.8**	**12.7**
Core capital (%)	**9.0**	**8.9**	**9.6**	**8.2**	**8.1**
Tier I (%)	**9.8**	**9.8**	**10.5**	**9.2**	**9.2**
Tier II (%)	**3.1**	**3.2**	**3.2**	**3.6**	**3.5**

The rest of the eligible capital, **Tier II**, which mainly consists of subordinated debt, surplus generic provisions and unrealized capital gains, stands at €9,814m, 4.2% down on the figure for the previous quarter, with a Tier II ratio of 3.1%.

To sum up, the **BIS** ratio as of 30 June, 2011 was 12.8%.

Ratings

There have been no changes to BBVA's rating in the quarter. The Bank continues at the forefront of financial institutions with the best ratings in the world.

Ratings

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

Risk management

Credit risk

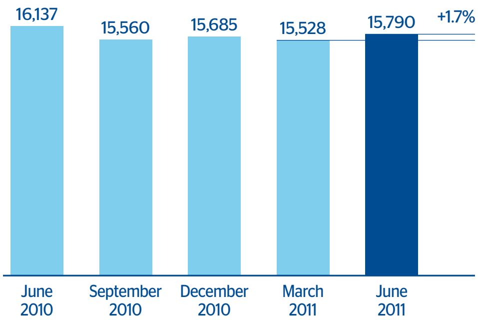
The **second quarter of 2011** once more featured stability in the main indicators of credit quality. The NPA ratio closed at 4.0%, the coverage ratio remained at 61% and the risk premium for the quarter stood at 1.09%.

As of June 30, 2011 the volume of **total risks** with customers (including contingent liabilities) stood at €391,380m, 2.2% up on the figure for the first quarter of the year and 1.9% up on the close of 2010.

Non-performing loans totaled €15,790m, increasing under the rate of growth of total risks: 1.7% up on the first quarter of 2011 and 0.7% up on the end of 2010.

Regarding movements within non-performing assets there has been an increase in the

Non-performing assets
(Million euros)



Credit risk management
(Million euros)

	30-06-11	31-03-11	31-12-10	30-09-10	30-06-10
Non-performing assets	15,790	15,528	15,685	15,560	16,137
Total risks (1)	391,380	383,043	384,069	376,421	384,344
Provisions	9,576	9,490	9,655	9,641	9,917
Specific	6,485	6,516	6,823	6,552	6,775
Generic and country-risk	3,090	2,974	2,832	3,089	3,142
NPA ratio (%)	4.0	4.1	4.1	4.1	4.2
NPA coverage ratio (%)	61	61	62	62	61

(1) Including contingent liabilities.

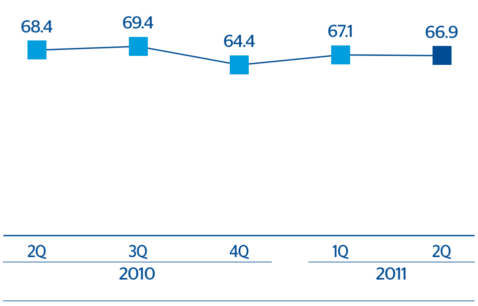
Variations in non-performing assets
(Million euros)

	2Q11	1Q11	4Q10	3Q10	2Q10
Beginning balace	**15,528**	**15,685**	**15,560**	**16,137**	**15,870**
Entries	3,713	2,804	3,852	3,051	3,042
Recoveries	(2,484)	(1,882)	(2,479)	(2,116)	(2,080)
Net variation	**1,229**	**922**	**1,373**	**935**	**962**
Write-offs	(939)	(1,140)	(1,269)	(1,119)	(1,034)
Exchange rate differences and other	(28)	61	21	(393)	339
Period-end balance	**15,790**	**15,528**	**15,685**	**15,560**	**16,137**
Memorandum item:					
Non-performing loans	15,515	15,210	15,361	15,218	15,781
Non-performing contingent liabilities	275	319	324	342	355

entries, to a certain extent due to subjective classification in specific portfolios as part of the prudential policy that is a feature of the Bank. However, recoveries have also increased, so the ratio of recoveries over entries has remained practically unchanged over the quarter.

As a result, the Group's **NPA ratio** ended the quarter at 4.0%. By business area, the ratio fell to 4.7% in Spain and improved in the U.S. by 29 basis points to 4.2% (4.5% at the close of the first quarter), and by 11 basis points in South America to 2.4% (2.5% at the close of March 2011). The increase in Eurasia was barely 5 basis points to 1.3% (1.2% at the close of March 2011), while in Mexico the ratio closed the quarter at 3.4% (3.2% as of 31-Mar-2011).

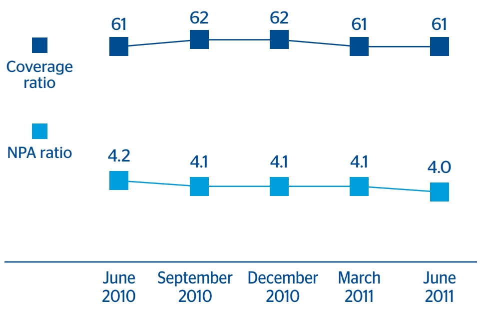
Recoveries over entries to NPA
(Percentage)



Coverage provisions for risks with customers rose to €9,576m, an increase of €86m on the figure for the first quarter of 2011. Of this total, generic provisions amount to €3,090m and represent 32.3% of the total.

The NPA **coverage ratio** remains at 61%. By business area, the ratio increased to 67% in the United States (64% as of 31-Mar-2011); in South America it increased to 138% (from 134% as of 31-Mar-2011); in Eurasia it improved to 144% (131% at the close of March) and in Spain it was maintained at 43%. In Mexico it fell to 134% (136% at the close of March). Additionally, it is worth noting that 59.1% of the Group's NPA is collateralized.

NPA and coverage ratios
(Percentage)



Economic capital

Attributable economic risk capital (ERC) consumption amounted to €26,991m as of Jun-30-2011, 2.0% down on the figure as of 31-Mar-2011.

As is to be expected from BBVA's profile, most of this figure (63.5%) is credit risk on portfolios originated in the Group's branch network from its own customer base.

Market risk continues to be the least relevant item (2.2%), given the nature of BBVA's business and its policy of minimal proprietary trading. It remains at a similar level to the previous quarter. Equity risk basically reflects the portfolio of Holdings in Industrial & Financial Companies and the stake in CITIC. Its level is similar to that at the close of the previous quarter, at 8.9%. The structural balance-sheet risk, originating from the management of the Group's structural interest-rate risk and exchange-rate risk, stood at 8.3%. Finally, operational risk at the end of the second quarter stood at 7.3% of total ERC.

The BBVA share

Markets have been strongly influenced by macroeconomic factors in the second quarter of 2011, above all sovereign risk, upturns in inflation and occasional slight downturns in the U.S. economy. The main **stock market indices** closed the quarter down. EuroStoxx 50 lost 2.1% and the Ibex 35 was down 2.0%. The U.S. markets performed better and the S&P 500 index lost 0.4%.

The **European banking sector** has been affected by concerns about the possible contagion effect of Greek debt, the difficulties in accessing financing markets and regulatory uncertainty regarding banks' capital levels and liquidity. The countries seen to be the biggest peripheral risks with the highest level of possible contagion from Greek debt have been worst affected. European debt indicators have increased and impacted the equity markets. The key stock market indicator for the sector, the Stoxx Banks index of European banks, was down 6.7%.

BBVA's earnings for the first quarter of 2011 were above consensus estimates. Analysts continue to appreciate the bank's favorable solvency position, as well as the positive performance of its businesses in Mexico and South America, where it posted record gross income figures. The stability of its NPA indicators in Spain was also positively received.

The **BBVA share price** was down 5.5% over the quarter, closing at €8.09 per share and a stock market capitalization of €36,822m.

The fall was bigger than that for the Ibex 35 as a whole, but below that of the banking sector in Europe. This trading price puts the price/book value ratio as of 30-Jun-2011 at 1.0, the P/E (calculated on median estimated earnings for 2011 according to the consensus among Bloomberg analysts) at 7.7, and the dividend yield (also calculated on the median dividends per share estimated by analysts for 2011 as compared to the quoted price as of June 30) at 5.2%.

In the first quarter of the year, the average daily **trading volume** was 48m shares, with an average value of €387m.

With respect to **shareholder remuneration**, payment of an interim dividend for 2011 was announced on June 23, at €0.10 per share. This is an increase of 11% on the payment last year. With its decision to increase the interim dividend the BBVA management team has sent a clear message of confidence, despite the difficult environment.

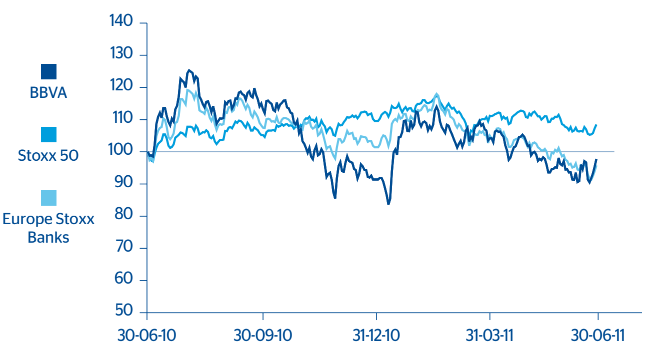
Finally, the Board of Directors has approved the **conversion of the mandatory convertible subordinated bonds** issued in September 2009 for €2 billion into newly issued ordinary BBVA shares. This issue was already accounted for as core capital. However, BBVA has considered it advisable to anticipate the entry into force of the Basel III regulations, which will not permit convertible bonds to be calculated as Tier-1 capital. The conversion was carried out on July 15 at a price of 7.32, the arithmetical mean of observed prices at the five stock market sessions before the conversion date. The BBVA convertible bonds therefore protect bond holders who are now shareholders, as the conversion was made at a market price per share with a very attractive dividend yield.

The BBVA share and share performance ratios

	30-06-11	31-03-11
Number of shareholders	946,306	921,650
Number of shares issued	4,551,602,570	4,490,908,285
Daily average number of shares traded	47,764,365	77,551,482
Daily average trading (million euros)	387	658
Maximum price (euros)	8.95	9.49
Minimum price (euros)	7.34	6.87
Closing price (euros)	8.09	8.56
Book value per share (euros)	8.50	8.49
Market capitalization (million euros)	36,822	38,447
Price/Book value (times)	1.0	1.0
PER (Price/Earnings; times)	7.7	8.2
Yield (Dividend/Price; %)	5.2	4.9

Share price index

(30-06-10=100)



Corporate responsibility

A milestone took place in the **second quarter** of 2011 which is particularly relevant for the integration of corporate responsibility (CR) into the business. The Group's Management Committee has taken on the functions of the Corporate Responsibility and Reputation (CRR) Committee, and the issues regarding this matter are raised to the Bank's highest executive body. Another consequence of this gradual integration process has been the new integrated reporting model adopted by the Group. In this regard, the 2010 Financial Report has included for the first time social and environmental information, and the CR report that the Group had been publishing since 2002 is no longer drafted. The main CR actions for the second quarter are summarized below:

Financial Literacy

The Inter-American Development Bank (IDB) honored the BBVA Bancomer "*Adelante con tu futuro*" (Forward with your future) initiative with two 'beyondBanking' awards in the 'learnBanking' categories for its innovation, state-of-the-art and impact in promoting financial literacy, and 'people's choice', for the most-voted project, among 120 submissions in eight categories. Moreover, BBVA Bancomer and Universidad Autónoma Agraria Antonio Narro de Saltillo have signed a partnership agreement thanks to which 5,000 advanced-level students will have access to the personal finance workshops.

Financial Inclusion

The BBVA Microfinance Foundation has presented the "Universal Code for Corporate Governance for Microfinance Institutions", which establishes the principles and standards that all good governance codes for microfinance institutions should contain, in accordance with internationally accepted standards and best practices. In addition, the Foundation has signed an agreement with Fondo Esperanza that has resulted in the establishment of the new microfinance institution "Fondo Esperanza SpA", which will promote entrepreneurship among the most vulnerable sectors of Chilean society.

Responsible Banking

Responsible Finance. BBVA has supported the construction of two solar thermal plants in the province of Ciudad Real, with total installed capacity of 100 MW. The Bank has taken a leading role in the project's funding by acting as agent, structuring bank and coordinating bank.

Human Resources. Centro Mexicano para la Filantropía A.C. (Cemefi) and Alianza por la Responsabilidad Social (Aliarse) have granted BBVA Bancomer the Socially Responsible Company (SRC) award. The Bank thus becomes one of the 10 companies that have received this honor consecutively over the last 11 years. Seguros Bancomer and Afore Bancomer have also been awarded for the third year in a row.

The Environment. BBVA has calculated and offset the emissions derived from the publication of its 2010 Annual Report through a carbon sequestration project in communities living in extreme poverty in Sierra Gorda in Mexico, which will enable more than 100,000 tons of CO_2 to be captured over 46 years.

Community Involvement

Momentum Project, BBVA's social entrepreneurship program, has released details of the 10 social ventures that will form part of the first edition of the project. The successful ventures are those that best meet the selection criteria: experience, relevant social impact, innovative solution and scale-up potential. In addition, BBVA has awarded the 3rd INTEGRA Prize to the Biscay company Lantegi Batuak, a special job center set up to promote equal opportunities and improve quality of life for disabled people. As part of the INTEGRA Plan and provided with 200,000 euros, this award is designed to promote excellence and innovation in social entrepreneurship and job integration of this group of people.

BBVA and Sustainability Indices

BBVA's weightings over the quarter in the main sustainability indices were as follows:

Main sustainability indices in which BBVA participates

		Weighting (%)
Dow Jones Sustainability Indexes	DJSI World	0.59
	DJSI Europe	1.25
	DJSI Eurozone	2.47
vigeo	ASPI Eurozone Index	2.01
	Ethibel Sustainability Index Excellence Europe	1.58
	Ethibel Sustainability Index Excellence Global	0.95
MSCI Indices	MSCI World ESG Index	0.41
	MSCI World ex USA ESG Index	0.79
	MSCI Europe ESG Index	1.36
	MSCI EAFE ESG Index	0.89

For more information and contact details, please visit www.bancaparatodos.com

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 (Corporate and Investment Banking, Markets, CNCB and CIFH). Additionally, it also includes the information on Garanti.
- **Mexico**: includes the banking, pensions and insurance businesses in the country.
- **United States**: encompasses the Group's business in the United States and in the Commonwealth of Puerto Rico.
- **South America**: includes the banking, pensions and insurance businesses in South America.

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

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

(1st Half 2011. Million euros)

	Adjusted net attributable profit	Economic profit (EP)
Spain	1,100	602
Eurasia	422	185
Mexico	919	681
South America	413	246
The United States	163	25
Corporate Activities	(460)	(458)
BBVA Group	**2,557**	**1,281**

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

(Million euros)

		Business areas						Geography	
	BBVA Group	Spain	Eurasia	Mexico	South America	The United States	Corporate Activities	Emerging (1)	Developed
1H11									
Net interest income	6,389	2,212	305	1,933	1,435	787	(283)	3,517	3,155
Gross income	10,425	3,448	822	2,864	2,130	1,163	(1)	5,494	4,932
Operating income	5,587	2,044	566	1,835	1,181	427	(466)	3,381	2,672
Income before tax	3,143	1,273	517	1,195	950	210	(1,001)	2,473	1,670
Net attributable profit	**2,339**	**896**	**449**	**885**	**529**	**151**	**(572)**	**1,732**	**1,178**
2H10									
Net interest income	6,383	2,321	173	1,871	1,297	874	(154)	3,183	3,354
Gross income	10,030	3,281	579	2,771	1,953	1,243	203	4,975	4,852
Operating income	5,442	1,840	427	1,801	1,069	477	(172)	3,091	2,523
Income before tax	2,771	1,223	353	1,180	837	104	(927)	2,234	1,463
Net attributable profit	**2,079**	**889**	**316**	**908**	**437**	**94**	**(566)**	**1,558**	**1,087**
1H10									
Net interest income	6,937	2,557	172	1,817	1,197	919	275	3,031	3,631
Gross income	10,880	3,773	501	2,725	1,844	1,308	729	4,740	5,412
Operating income	6,500	2,400	358	1,796	1,059	557	329	2,998	3,173
Income before tax	3,651	1,937	323	1,101	832	205	(746)	2,054	2,343
Net attributable profit	**2,527**	**1,366**	**271**	**799**	**452**	**146**	**(506)**	**1,377**	**1,657**

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

Spain

Income statement

(Million euros)

	Spain		
	1H11	∆%	1H10
Net interest income	**2,212**	**(13.5)**	**2,557**
Net fees and commissions	800	(8.2)	871
Net trading income	197	137.7	83
Other income/expenses	240	(8.9)	263
Gross income	**3,448**	**(8.6)**	**3,773**
Operating costs	(1,404)	2.3	(1,373)
Personnel expenses	(857)	3.2	(830)
General and administrative expenses	(498)	0.6	(495)
Depreciation and amortization	(49)	3.3	(48)
Operating income	**2,044**	**(14.9)**	**2,400**
Impairment on financial assets (net)	(845)	100.3	(422)
Provisions (net) and other gains (losses)	75	n.m.	(42)
Income before tax	**1,273**	**(34.3)**	**1,937**
Income tax	(377)	(33.9)	(570)
Net income	**896**	**(34.5)**	**1,367**
Non-controlling interests	0	n.m.	(1)
Net attributable profit	**896**	**(34.4)**	**1,366**

Balance sheet

(Million euros)

	Spain		
	30-06-11	∆%	30-06-10
Cash and balances with central banks	1,764	(67.5)	5,427
Financial assets	62,640	(12.6)	71,633
Loans and receivables	231,225	2.7	225,048
Loans and advances to customers	216,346	2.8	210,394
Loans and advances to credit institutions and other	14,880	1.5	14,654
Tangible assets	946	(3.7)	983
Other assets	3,391	18.0	2,873
Total assets/Liabilities and equity	**299,966**	**(2.0)**	**305,964**
Deposits from central banks and credit institutions	42,067	(4.8)	44,207
Deposits from customers	120,678	15.6	104,373
Debt certificates	(251)	n.m.	(0)
Subordinated liabilities	5,307	0.4	5,286
Inter-area positions	72,813	(13.6)	84,295
Financial liabilities held for trading	32,687	(20.0)	40,866
Other liabilities	17,248	(0.7)	17,373
Economic capital allocated	9,416	(1.5)	9,564

Significant ratios

(Percentage)

	Spain		
	30-06-11	31-03-11	30-06-10
Efficiency ratio	40.7	39.9	36.4
NPA ratio	4.7	4.8	4.9
NPA coverage ratio	43	43	46
Risk premium	0.79	0.79	0.40

Spain highlights in the second quarter

- Major effort to manage prices.
- Continued gains in market share in products with highest loyalty.
- Control of expenses.
- Stability in the risk indicators.

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

In the **second quarter of 2011**, demand for savings products has once more focused on more conservative funds. As of 31-May-2011 (the latest figures available), Spanish credit institutions had attracted €53,100m in funds over the previous 12 months, of which €39,500m were deposits by private individuals and companies. In terms of lending, households have once more moderated their finance needs slightly and cut their spending, while companies (in particular those related to real estate activity) have again reduced their leverage. As a result, lending by the commercial networks has fallen by 2%. Hence the commercial gap has fallen by nearly €80,000m in the last year. In addition, the correct management of asset and liability prices has led to an increase in the customer spread in the sector. With respect to asset quality, the latest figures available (May) point a rise in the market NPA ratio, which stands at 6.5%.

Against this background, BBVA's commercial products are personalized and highly focused to respond to the needs of its customer base. In the first half of 2011 there have been further increases in the market share of products that involve a greater degree of loyalty. As a result, BBVA has confirmed its leading position in the household and company segments, both in lending and customer funds. The net yield on asset and liability products has increased to 1.55% (up 8 basis points on the low of the fourth quarter of 2010).

Gross lending to customers in the area amounted to €220,980m as of 30-Jun-2011, with a moderate 2.6% year-on-year increase and yield was up by 20 basis points on the fourth quarter of 2010.

In **customer funds** under management (deposits, mutual funds and pension funds), BBVA has achieved the biggest gain in market share in the last few years. It now stands at 10.9%, with an increase of 20 basis points from December 2010 to May (the latest available figures) in current and savings accounts and 111 basis points in total stable funds (time deposits and mutual funds). As of 30-Jun-2011 the managed stock stood at €160,189m, up 4.2% year-on-year and 1.3% over the quarter. Of this total, more than €114,000m corresponds to private individuals.

The Group manages €53,606m in **off-balance-sheet funds** in Spain a slight fall of 1.8% over the quarter. In mutual funds, the assets under management have fallen on the March figure to €22,318m as a result of the negative performance of the financial markets. As in the rest of the sector, increased risk and volatility, particularly towards the end of the quarter, have led demand to focus once more on balance sheet products. Nevertheless, BBVA's market share stood at 15.4% as of 30-Jun-2011 due to the positive marketing of guaranteed funds, where the Group's market share is 22.2%. Finally, pension funds totaled €16,986m, similar to the figure at the close of the previous quarter. As a result, BBVA has maintained its position as the leading pension fund manager in Spain, with a market share of 18.3% (March data, the latest available figure).

In addition, BBVA's Transformation Plan implemented in 2006 anticipated the rest of the sector in bringing cost levels into line with capacity. The result has been the creation of a distribution network that is profitable for the Group and efficient for customers. Progress continued to be made in the productivity of the commercial network in 2011, while the return on managed assets has stabilized at 1.5%. This contrasts with falls in the sector as a whole (in the first quarter, the latest available figures).

The most important aspects of **earnings** in the area in for the six months ended June 30, 2011 are given below.

At €1,102m, net interest income is at a very similar level to the first quarter as a result of the repricing of loans and the attraction of funds into savings and current accounts that has offset (more than in the first quarter) the higher weighting of lower-risk portfolios and the growing cost of wholesale funding. Income from fees and commissions from April to June increased slightly to €408m (€392m in the first quarter), largely due to the increase in advisory activity in the corporate segment, which has been highly active in merger and acquisition operations. This effect has offset the result of increased customer loyalty (associated with a fall in fees). The positive performance of insurance activity has not neutralized the lower level of NTI, which was exceptionally high in the first quarter of 2011 in the Global Markets unit. It is also worth highlighting that the contribution to the Deposit Guarantee Fund has risen due to the significant gain in the market share of managed deposits. **Gross income** for the six months ended June 30, 2011 stands at €3,448m, 5.1% up on the figure for the second half of 2010.

Operating costs remain closely in check. In the six months ended June 30, 2011 they totaled €1,404m, a year-on-year increase of 2.3%, under the rate of inflation. As a result, the **operating income** for the six months ended June 30, 2011 stood at €2,044m, and although this represents a fall of 14.9% on the first half of last year, when the economic and financial situation was different from the current one, it is still very favorably compared with the second half of 2010, with growth of 11.1%.

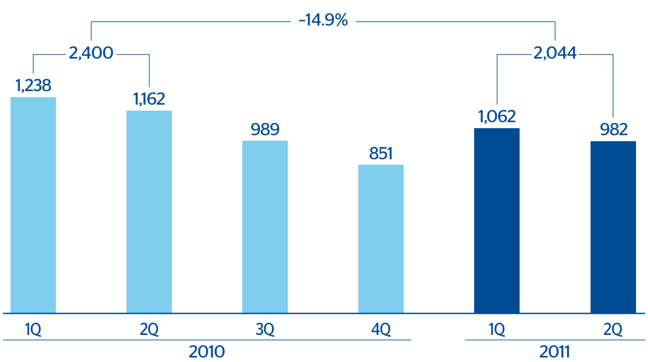
Asset quality in BBVA Spain continues at very high levels. Impairment losses on financial assets in the second quarter of 2011 were at the same level as in the first quarter, with a figure of €845m for the six months ended June 30, 2011. The NPA ratio remains in check and coverage stable, closing 30-Jun-2011 at 4.7% and 43% respectively (4.8% and 43% as of 31-Mar-2011).

In short, revenues were higher than in the second half of 2010, thanks among other factors to the defense of spreads, increased loyalty, gains in market share in the main segments and the contribution of Global Markets. The above, combined with expenses being kept in check and asset quality remaining positive, the area's **net attributable profit** was €896m, €7m above the amount obtained in the six months ended December 31, 2010.

Credit exposure in the developer sector in Spain as of 30-Jun-2011 fell by €884m with respect to 31-Dec-2010 to €15,724m. Of this figure, €6,183m corresponds to non-performing and substandard loans. Although they have grown by €259m over the six months ended June 30, 2011, the coverage ratio of non-performing loans has also improved from 24% at the close of March to 25% as of 30-Jun-2011. The value of the collateral covering developer risk, based on up-to-date appraisals, is €22,455 million, with an average LTV of 70%, which easily covers the portfolio value. In addition, there are specific and generic provisions covering 27% of NPA plus substandard assets and 62% of the amount to be provisioned (the value in excess of the collateral after applying the haircuts that entered into force with Bank of Spain Circular 3/2010). BBVA also maintains a total of €3,986m in real estate assets at gross book value from corporate lending. These

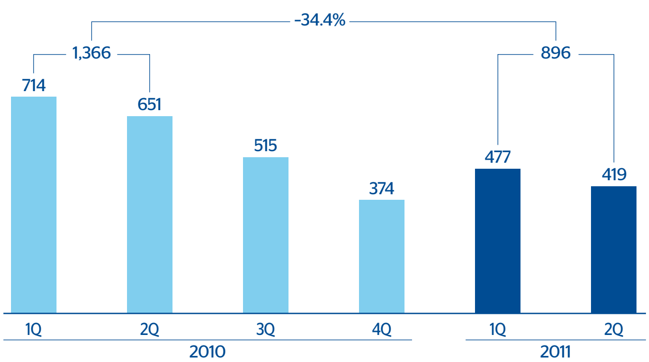
Spain. Operating income

(Million euros)



Spain. Net attributable profit

(Million euros)



Detail of real estate developers lending

(Million euros)

	30-06-11	% Weighting	31-12-10	% Weighting	Absolute variation
With collateral	14,528	92.4	15,249	91.8	(721)
Finished properties	7,522	47.8	7,403	44.6	119
Construction in progress	2,870	18.3	3,531	21.3	(661)
Land	4,136	26.3	4,315	26.0	(179)
Without collateral and other	1,196	7.6	1,359	8.2	(163)
Total	**15,724**	**100.0**	**16,608**	**100.0**	**(884)**

Coverage of real estate developers exposure

(Million euros at 30-06-11)

	Risk amount	Shortfall over collateral [1]	Provision	% Coverage over shortfall	% Coverage over risk
NPL	3,815	1,506	955	63	25
Substandar	2,368	1,225	309	25	13
Generic provision			436		
Total	**6,183**	**2,731**	**1,700**	**62**	**27**

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

Foreclosures and asset purchases

(Million euros at 30-06-11)

	Gross amount	Provision	% Coverage	Net amount
From real estate developers	3,986	1,278	32	2,708
From Dwellings	1,139	287	25	852
Other	744	407	55	337
Total	**5,869**	**1,972**	**34**	**3,897**

assets have an average coverage ratio of more than 32%. Thus there has been a slight increase in these assets with respect to the figures for the first quarter of 2011.

Retail and Commercial Banking

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

As of 30-Jun-2011 this unit had a **loan book** of €195,629, the same level as at the close of the first quarter (just 0.2% up on 31-Mar-2011). It should be pointed out that this consistent figure has been achieved despite the necessary and positive deleveraging process being undertaken in the economy (mentioned above). BBVA thus preserves its leading position in household and corporate lending, despite the sluggish lending activity of the domestic market. The following aspects are worth highlighting in this respect:

- BBVA continues to gain market share in **residential mortgages** (up 4 basis points in 2011 and up 24 basis points over the previous

12 months, according to the latest available figures to May). So far this year turnover has been €2,964m, or 14.7% of the new operations granted in the sector. The personalized and special features of the Bank's mortgage products are able to respond to demand quickly and flexibly, while increasing the spread by 77 basis points since December. In all, the managed stock of mortgages to individuals stood at €78,389m as of 30-Jun-2011 (€77,630m on the same date last year).

- A new **consumer finance** campaign has been launched to make access to finance easier for individuals, based on products such as *Consumo Personalizado* (Personalized Consumption), *Préstamo Inmediato PIDE* (PIDE Immediate Loan) and *Consumo Personal Online* (Online Personal Consumption). These commercial initiatives have led to a turnover of €751m so far in 2011 and increased the market share of managed stock over the 12 months to May (the latest available figure) by 56 basis points.

- BBVA continues to be one of the key banks in the **ICO credit facility scheme**, in terms of amount distributed, with an accumulated balance this year to date of €1,350m. The new *Líneas Future*, *IDEA-ESE* (energy service companies) and *Terremoto de Lorca* (Lorca earthquake) lines have been signed this quarter.

- BBVA continues to support finance for the **segment of the self-employed, retail trade, agricultural communities and SMEs** to make it easier for them to access finance. At the close of June, the turnover was €2,310m as a result of the *Plan Comercios*, aimed at increasing the loyalty of this segment (shops). This has led to a year-on-year increase of 11.2% and an increase in the number of point-of-sale terminals of more than 8.3% in the same period (according to the latest available figures to May). In addition, the *Plan+Profesional* has been focused on attracting and building the loyalty of health professionals by providing them with preferential conditions called *Área + Profesional*, which has led to an increase in customer funds over the quarter of €35m. In addition, the campaign to attract CAP subsidies (*Domiciliación de Ayudas de la Política Común*) has ended with 51,000 applications deposited with BBVA for a total of €232m, which represents 5.1% more customers in the agricultural sector compared with the previous year, a growth of 13.7% in amount and an increased market share to 6.1% at the end of the campaign.

- The balance of finance granted to **SMEs, large companies and public and private institutions** by BBVA as of June 30, 2011 was up 1.1% over the quarter to €90,845m, while the yield increased by 28 bps on the figure for the first quarter. In financing of working capital, €7,506m were granted in national and international factoring transactions, and €6,954m in accounts payable financing to 30-Jun-2011 (data from the Spanish Factoring Association), which consolidates BBVA's leading position in both products. In the segment of public-sector institutions, 67% of the increase in lending over the quarter was in operations with entities in the public sector with a high rating.

With respect to **customer funds under management**, the implementation of a profitable and efficient commercial product has led to new year-on-year growth in market share to 8.4% in households and 8.9% in companies (7.5% and 8.1% as of 30-Jun-2010), with an improvement in spreads of 18 bps on the fourth quarter of 2010. The total for the six months ended June 30, 2011 was €152,179m, 4.1% up on the figure for the same date last year. It is worth stressing the good performance over the quarter, particularly in customer deposits.

The funds gathered into current and savings accounts in the segment of **individuals** have grown positively. These are basically the result of promotions launched to attract salaries and pensions, which have won 95,217 new payroll accounts and 33,374 pension accounts over the quarter. This has resulted in a 9.3% increase in the market share in payroll accounts and 9.4% in pension accounts. Also worth noting is the €552m gathered in the *Quincena de Cuentas Abiertas* (Open Account Fortnight) scheme and the handout of 179,576 gifts. In all, the stock managed in current and savings accounts amounted to €39,195m. In other words, BBVA has maintained its market share since September in an increasingly competitive environment that has registered significant transfers of funds towards time deposits. The National Electronic Clearance System confirms BBVA's leading position in managing these funds, with a market share of 12.4% as of June 2011. In time deposits, the Group continues to be customer focused, offering additional advantages according to the level of customer loyalty. In the second quarter progress has continued with new developments of the *Depósito BBVA UNO* product, which has accumulated a turnover of €1,186m over the period (of which €516m correspond to the second quarter of 2011). In addition, the deposit schemes *Depósitos BBVA 18*, *Depósito BBVA 12* and recently the *Depósito BBVA 11* were launched to attract new customers and balances. These lines of action has given rise to growth in time deposits of €2,604m compared with the close of December and €10,549m in the last 12 months, at an average cost of 82 basis points below the market rate (May figures).

Customer funds in the segment of **SMEs, large companies and public and private institutions** increased by 6.8% year-on-year to €22,568m. Their cost is 57 basis points below the average in the sector. This is due to the high proportion of current and savings accounts and a price that is adjusted to customer needs and their level of loyalty.

BBVA Private Banking ended the second quarter of 2011 with managed funds in Spain of €39,264m, 11.6% up on the same date last year, and with a growth in its customer base of 2.3%. The unit remains market leader in assets under management in SICAV (€3,004m), with a market share of 11.5%, and 294 companies.

Finally, the **insurance** business has performed positively in covered savings in the six months ended June 30, 2011. The product PPA Rentas (insured pension plan income scheme) has consolidated the company's pension product range by offering a product that converts savings accumulated by customers for their retirement under other insured pension plans or individual pension plans into a monthly annuity. In addition, growth has been maintained in the individual non-life segment, with the household branch bearing up well and a growing contribution from the auto and health businesses. To sum up, the total premiums written by BBVA Seguros in the six months ended June 30, 2011 amounted to €882m (up 52% year-on-year). The unit maintains its leading position in individual life insurance, with a market share of 10.5% of the premiums at the end of March (latest available figures).

Thus as a result of positive management of volumes and the prices of assets and liabilities, net interest income stood at €1,894m. This represents a continued slowdown in its quarterly fall (-0.8%, compared with -2.8% in the first quarter of 2011 and -5.6% in the fourth quarter of 2010). **Gross income** for the six months ended June 30, 2011 amounted to €2,806m (€2,909m in the second half of 2010). The fall in operating expenses means that the **operating income** has dropped by only 2.0% on the same period in 2010 to €1,617m. This has enabled greater generic provisions to be made, with the result that the net attributable profit stood at €602m (€779m between June and December the previous year).

Wholesale Banking

This unit manages the business with large corporations and multinational groups in the domestic market through Corporate and Investment Banking (C&IB) 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 and support through its extensive international presence.

In Spain, Wholesale Banking manages a **loan book** (excluding assets bought under repo agreements) as of 30-Jun-2011 of €14,519m, 10.0% above the figure on the same date last year. This represents a recovery to the levels of 31-Dec-2010, when this figure was €14,982m, while maintaining the focus on more loyal customers, profitability and asset quality. **Customer funds** for the six months ended June 30, 2011 stood at €22,312m, a year-on-year increase of 9.4% and 0.9% on Mar-31-2011, mainly as a result of the high level of new funds, above all in the non-resident sector.

From the point of view of **earnings**, the most significant factors are as follows:

- The unit's recurring revenues (net interest income plus fees) proved highly resistant compared with the second quarter of 2010, and remained at practically the same figure, at €498m (€495m in the same period in 2010). Combined with increased NTI due to the good performance of Global Markets, above all during the first quarter of this year, this increased the **gross income** by 14.4% on that obtained in the first half of 2010.

- Expenses continue the trend begun in previous quarters, pushed up by the investment process under way. Nevertheless, the **operating income** increased year-on-year by 11.2% to €426m.

- Impairment losses on financial assets accounted for only 3.1% of the operating income. The **net attributable profit** closed the six months ended June 30, 2011 at €294m (€287m on the same date last year).

Eurasia

Income statement

(Million euros)

	Eurasia		
	1H11	∆%	1H10
Net interest income	**305**	**77.2**	**172**
Net fees and commissions	170	42.7	119
Net trading income	68	17.5	58
Other income/expenses	279	84.6	151
Gross income	**822**	**64.3**	**501**
Operating costs	(257)	80.0	(143)
Personnel expenses	(138)	57.9	(87)
General and administrative expenses	(100)	112.0	(47)
Depreciation and amortization	(20)	131.0	(8)
Operating income	**566**	**58.0**	**358**
Impairment on financial assets (net)	(52)	88.3	(28)
Provisions (net) and other gains (losses)	3	n.m.	(8)
Income before tax	**517**	**60.2**	**323**
Income tax	(68)	30.5	(52)
Net income	**449**	**65.9**	**270**
Non-controlling interests	(0)	n.m.	1
Net attributable profit	**449**	**65.4**	**271**

Balance sheet

(Million euros)

	Eurasia		
	30-06-11	∆%	30-06-10
Cash and balances with central banks	1,893	n.m.	349
Financial assets	10,679	56.7	6,816
Loans and receivables	36,220	35.5	26,730
Loans and advances to customers	32,518	35.1	24,069
Loans and advances to credit institutions and other	3,702	39.1	2,661
Inter-area positions	4,686	(63.1)	12,714
Tangible assets	589	68.6	350
Other assets	1,221	180.7	435
Total assets/Liabilities and equity	**55,289**	**16.7**	**47,394**
Deposits from central banks and credit institutions	18,618	(9.0)	20,456
Deposits from customers	27,035	27.1	21,266
Debt certificates	826	n.m.	-
Subordinated liabilities	1,744	17.4	1,486
Inter-area positions	-	-	-
Financial liabilities held for trading	254	(36.2)	399
Other liabilities	2,505	126.5	1,106
Economic capital allocated	4,307	60.6	2,682

Significant ratios

(Percentage)

	Eurasia		
	30-06-11	31-03-11	30-06-10
Efficiency ratio	31.2	26.2	28.5
NPA ratio	1.3	1.2	0.8
NPA coverage ratio	144	131	161
Risk premium	0.33	0.45	0.24

Eurasia highlights in the second quarter

- Tapping the potential of the strategic stake in China.
- Full quarter of earnings from Garanti.
- In the rest of units, stability in both activity and earnings.

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

The area is of increasing importance both in terms of earnings and the balance sheet and, as is the case with the rest of the franchises, it has evolved positively and increased the Group's diversification and growth capacity. The positive contribution of Garanti is particularly notable if compared with the three preceding months (in which it only contributed 10 days). Activity in the rest of the units has in general been stable with respect to the first quarter of 2011. The **net attributable profit** for the quarter stands at €251m, and as this already includes a complete quarter with Garanti, it is a good reference for upcoming quarters. The figure for the first six months of the year is €449m. In the six months ended June 30, 2011 Eurasia generated 15.4% of the net attributable profit from the business areas (19.2% of the Group's profit) and accounted for 9.7% of BBVA's total assets.

Gross lending to customers stood at €33,304m as of 30-Jun-2011, an increase over the quarter 1.2%. Excluding Garanti's balances, lending was very stable once more over the quarter, and remained at practically the same level as a year ago, due to the fall in global business, while retail and corporate banking registered a year-on-year growth of 7.5%.

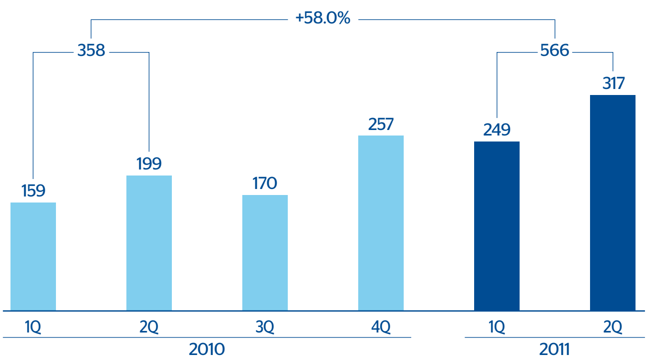
Customer funds grew by 26.2% over the previous 12 months to €26,659m. Not including Garanti, they were down by 14.0%, due mainly to the global business carried out in Europe, as retail and corporate banking grew by 35.3% year-on-year.

By business units, **Europe** accounts for 46% of earnings for the half-year. Its positive year-on-year growth can mainly be explained by the incorporation of Garanti, and to a lesser extent by the good performance of the rest of the local businesses. In this respect, it is worth mentioning the positive performance of the operating income (up 14.7% year-on-year), despite the unfavorable financial markets. This has led to a growth of 36.7% in the net attributable profit of the local businesses, not including Garanti.

Asia accounts for 54% of results in the area. The net attributable profit has grown here by 91.6%, mainly due to the contribution of CNCB, whose

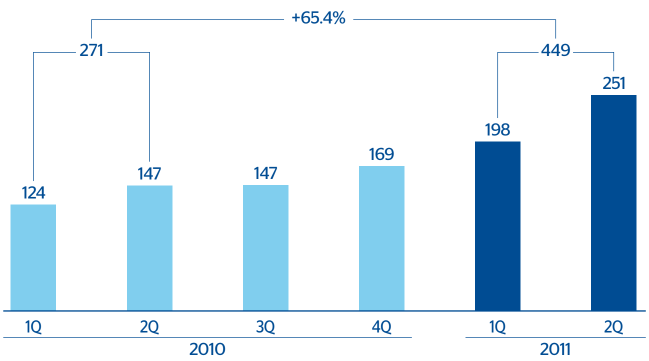
Eurasia. Operating income

(Million euros)



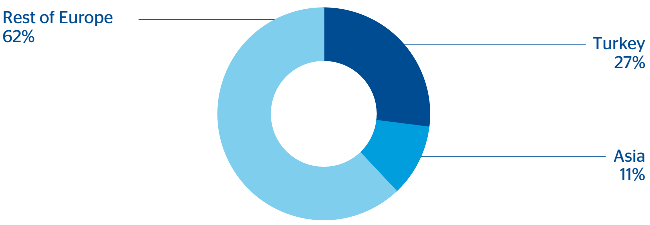
Eurasia. Net attributable profit

(Million euros)



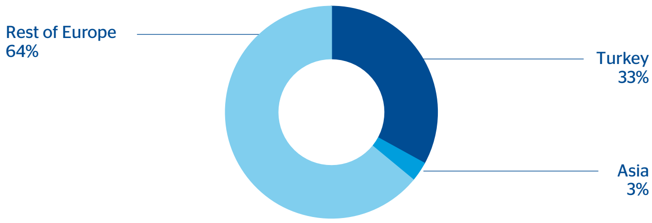
Eurasia: Lending breakdown by geography

(30-06-2011)



Eurasia: Customer deposits breakdown by geography

(30-06-2011)



activity and earnings continue to increase quarter by quarter. According to the latest published figures for the first quarter of 2011, lending increased by 2.7% on the close of 2010, customer deposits grew by 4.0% and the net attributable profit for the quarter was up 50.9% year-on-year.

The most notable aspects of **Garanti** in the second quarter of 2011 are as follows:

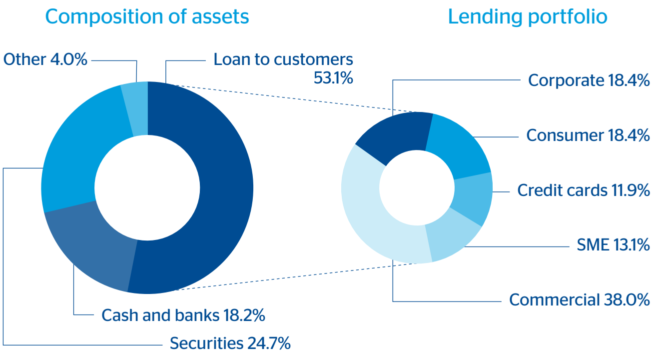
- Despite the regulatory measures implemented to reduce the rate of growth of lending, Garanti's lending continues to increase significantly. However, it is important to note that this progress has been voluntarily contained within levels below those of its competitors in order to improve the management of margins. Notable in the loan portfolio is the positive performance of consumer finance.
- Good performance of customer deposits, despite the strong competitive environment. Garanti is still increasing its customer base and strengthening its customer relationship and knowledge. It is worth highlighting here the significant attraction of customers to new low-cost deposits, which have grown over the quarter at double the average for the sector.
- Excellent asset quality, with good performance of entries into non-performing loans, that has resulted in renewed improvement in the NPA ratio.
- The net interest income for the second quarter of 2011 was up on the figure for the first quarter, thanks basically to the active maintenance of customer spreads.
- Sound fee-generation capacity.
- Control of expenditure, thanks to factors such as process improvement.

Garanti. Significant data

	31-03-11
Financial statements (million euros)	
Attributable profit	425
Total assets	61,878
Loans to customers	32,393
Deposits from customers	34,764
Relevant ratios (%)	
Efficiency ratio	41.5
NPA ratio	2.7
Other information	
Number of employees	19,473
Number of branches	874
Number of ATMs	3,048

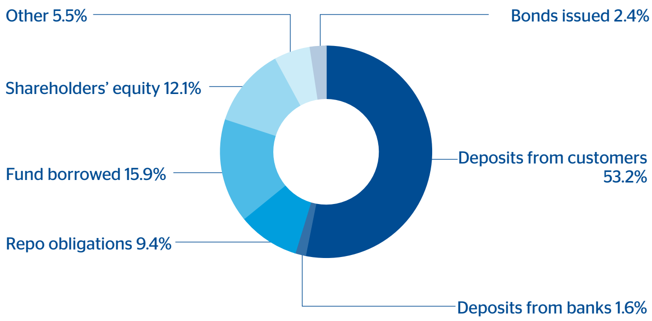
Garanti. Composition of assets and lending portfolio

(June 2011)



Garanti. Composition of liabilities

(June 2011)



Mexico

Income statement

(Million euros)

	Units:											
	Mexico				Banking Business				Pensions and Insurance			
	1H11	Δ%	Δ%(1)	1H10	1H11	Δ%	Δ%(1)	1H10	1H11	Δ%	Δ%(1)	1H10
Net interest income	**1,933**	**6.4**	**5.6**	**1,817**	**1,894**	**6.8**	**6.0**	**1,773**	**35**	**(12.9)**	**(13.6)**	**41**
Net fees and commissions	600	0.8	0.1	595	564	0.9	0.2	559	33	(6.5)	(7.2)	35
Net trading income	233	0.0	(0.7)	233	179	18.3	17.5	152	54	(34.1)	(34.6)	82
Other income/expenses	98	22.9	22.1	79	(65)	(16.3)	(16.9)	(78)	194	19.7	18.9	162
Gross income	**2,864**	**5.1**	**4.3**	**2,725**	**2,572**	**6.9**	**6.1**	**2,406**	**316**	**(1.1)**	**(1.8)**	**320**
Operating costs	(1,029)	10.7	9.9	(929)	(967)	13.2	12.4	(854)	(82)	11.0	10.2	(74)
Personnel expenses	(450)	5.1	4.4	(428)	(413)	5.2	4.4	(393)	(37)	5.8	5.0	(35)
General and administrative expenses	(527)	14.5	13.6	(460)	(504)	19.2	18.4	(422)	(43)	16.2	15.3	(37)
Depreciation and amortization	(51)	27.9	27.0	(40)	(50)	28.8	27.9	(39)	(1)	3.9	3.2	(1)
Operating income	**1,835**	**2.2**	**1.4**	**1,796**	**1,605**	**3.4**	**2.7**	**1,552**	**234**	**(4.7)**	**(5.4)**	**246**
Impairment on financial assets (net)	(612)	(6.7)	(7.4)	(656)	(612)	(6.7)	(7.4)	(656)	-	-	-	-
Provisions (net) and other gains (losses)	(28)	(26.4)	(26.9)	(38)	(27)	(32.1)	(32.6)	(39)	(2)	n.m.	n.m.	1
Income before tax	**1,195**	**8.5**	**7.7**	**1,101**	**966**	**12.8**	**12.0**	**856**	**233**	**(5.6)**	**(6.3)**	**247**
Income tax	(308)	2.2	1.5	(301)	(239)	5.2	4.4	(228)	(69)	(6.2)	(6.8)	(74)
Net income	**887**	**10.9**	**10.1**	**800**	**726**	**15.6**	**14.7**	**629**	**164**	**(5.4)**	**(6.1)**	**173**
Non-controlling interests	(1)	(2.8)	(3.5)	(1)	(0)	13.1	12.3	(0)	(1)	(2.2)	(2.9)	(1)
Net attributable profit	**885**	**10.9**	**10.1**	**799**	**726**	**15.6**	**14.7**	**628**	**163**	**(5.4)**	**(6.1)**	**172**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	Units:											
	Mexico				Banking Business				Pensions and Insurance			
	30-06-11	Δ%	Δ%(1)	30-06-10	30-06-11	Δ%	Δ%(1)	30-06-10	30-06-11	Δ%	Δ%(1)	30-06-10
Cash and balances with central banks	5,396	(17.4)	(10.9)	6,534	5,396	(17.4)	(10.9)	6,534	-	-	-	-
Financial assets	25,687	(12.8)	(5.9)	29,444	21,160	(14.4)	(7.6)	24,718	4,781	(4.1)	3.4	4,986
Loans and receivables	36,966	3.4	11.5	35,754	36,427	2.6	10.7	35,515	592	109.7	126.2	283
Loans and advances to customers	34,038	0.8	8.7	33,781	33,877	0.7	8.7	33,635	196	15.8	25.0	169
Loans and advances to credit institutions and other	2,927	48.4	60.1	1,973	2,550	35.7	46.3	1,880	396	250.2	277.8	113
Tangible assets	882	1.2	9.1	871	875	1.2	9.2	864	7	(7.7)	(0.5)	7
Other assets	1,667	50.9	59.6	1,105	2,525	17.9	15.2	2,141	98	(7.9)	(38.6)	106
Total assets/Liabilities and equity	**70,597**	**(4.2)**	**3.3**	**73,709**	**66,383**	**(4.9)**	**2.6**	**69,772**	**5,478**	**1.8**	**9.8**	**5,382**
Deposits from central banks and credit institutions	10,206	10.2	18.9	9,262	10,206	10.2	18.9	9,262	-	-	-	-
Deposits from customers	34,962	(4.3)	3.3	36,518	34,983	(4.3)	3.3	36,542	-	-	-	-
Debt certificates	3,911	4.5	12.7	3,744	3,911	4.5	12.7	3,744	-	-	-	-
Subordinated liabilities	2,276	23.7	33.4	1,840	3,202	9.2	17.8	2,932	-	-	-	-
Financial liabilities held for trading	4,381	(30.0)	(24.5)	6,258	4,381	(30.0)	(24.5)	6,258	-	-	-	-
Other liabilities	10,762	(14.8)	(9.9)	12,636	6,049	(23.3)	3.3	7,890	5,074	(0.9)	(2.3)	5,123
Economic capital allocated	4,099	18.8	28.2	3,451	3,651	16.1	25.3	3,144	401	54.6	66.8	259

(1) At constant exchange rate.

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

The **Mexican economy** has continued to grow in the first half of 2011, despite the negative influence of certain temporary factors such as the impact of the earthquake in Japan on the automotive sector and the check on foreign demand caused by the rise in oil prices. However, the domestic demand indicators have been relatively better, supported by the strength of the labor market (in particular job creation in the formal sector) and very favorable financing conditions. The downward inflationary surprises in the most recent figures have been heightened by factors that are temporary in nature but consistent with a scenario of no demand pressure, availability of resources in the labor market, and stability of interest rates and inflationary expectations. In all, the diagnosis of the inflation situation suggests improvement, which will enable the current monetary pause to be maintained.

The **exchange rate** of the peso against the euro has remained very stable over the quarter, during which the final exchange rates have barely depreciated by 0.3%. The situation has been favored by domestic growth and good inflation prospects. Over the last twelve months, the depreciation has been 7.3%. In terms of average exchange rates, the Mexican currency appreciated slightly year-on-year by 0.7%. As usual, the attached tables also include a column with the year-on-year changes at constant exchange rates, to which the following comments refer.

Against this background, the results of the first half of 2011 in the area were positive. Net interest income was up 5.6% year-on-year to €1,933m, mainly boosted by the positive performance of commercial activity, with higher volumes in both lending and customer funds. Income from fees and commissions remains at the same level as a year ago, mainly due to regulatory changes. Despite the volatility on the financial markets, NTI fell only slightly compared with the first six months of 2010 to €233m. However, the strength of insurance activity offset this reduced contribution and as a result **gross income** stood at €2,864m, 4.3% up on the figure for the first half of 2010.

Mexico highlights in the second quarter

- Strong business activity.
- Progress in growth plans and new products.
- Revenues growing at a good pace.
- Positive liquidity management.

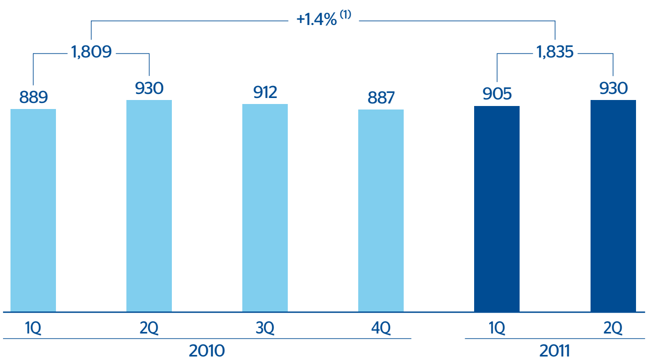
Significant ratios

(Percentage)

	Mexico		
	31-06-11	31-03-11	31-06-10
Efficiency ratio	35.9	36.3	34.1
NPA ratio	3.4	3.2	3.8
NPA coverage ratio	134	136	136
Risk premium	3.38	3.43	4.06

Mexico. Operating income

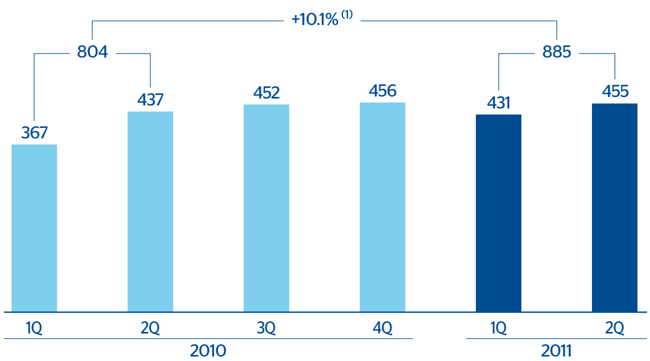
(Million euros at constant exchange rate)



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

Mexico. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +10.9%.

BBVA Bancomer is engaged in an investment process, linked to its growth plans. As part of this process, 13 new branches have been opened and more than 660 ATMs have been installed over the last 12 months. This major investment is the main reason for the 9.9% year-on-year growth in operating costs in the first six months of 2011, given that personnel expenses continue to increase broadly in line with inflation.

As a result of these earnings and expenses, the **operating income** stands at €1,835m, a 1.4% increase on the same period last year.

The progress in lending has been accompanied by a reduction in impairment losses on financial assets, which were down 7.4% year-on-year to €612m, and an improvement in the risk premium for the quarter, which closed at 3.3%. The NPA ratio closed June at 3.4% and the coverage ratio at 134%.

As a result, BBVA Bancomer's **net attributable profit** at the close of the first half of 2011 was €885m, equivalent to a year-on-year increase of 10.1%.

Banking Business

As a result of improvement in domestic demand and the positive management of the business, commercial activity has continued to perform well in the first half of 2011. The **loan book** in fact grew by 10.3% (excluding the old mortgage portfolio) on the same date last year.

By segments, the **consumer portfolio**, including credit cards, performed particularly well, and increased year-on-year by 23.3% to €7,579m. Specifically, new payslip, personal and car loans grew at 29.6% on the figure for June 2010, with the result that the market share has increased by 30 basis points so far this year.

The **commercial portfolio**, which includes lending to the government, corporate clients, small and medium enterprises and micro-enterprises stood at €17,140m, up 6.8% on 30-Jun-2010. Within this portfolio, lending to small businesses was particularly strong, and grew at a rate of 19.2% as of 30-Jun-2011, supported by the improved macroeconomic environment and the effort made to increase the size of loans. As a result, the average amount per loan increased by 50% on the figure for the first six months of last year. *Movimiento Pyme* was launched as part of BBVA Bancomer's ongoing effort to offer specialized products and services to the SME sector. It is an innovative e-banking product through which SMEs can sell to and charge their customers, as well as administering and operating their business.

The balance of **mortgage lending**, excluding the old mortgage portfolio, stood at €8,562m at the close of June 2011. This represents an increase of 7.7% on the figure at the same date last year. BBVA Bancomer maintains its leading position in this segment, in which it grants one out of every three new mortgages in the market.

Customer funds, including bank deposits, repos, mutual funds and investment companies, grew by 10.2% year-on-year to €56,019m. Customer deposits performed better and grew by 9.2% on the figure for 30-Jun-2010, mainly boosted by demand deposits in local currency, which were up 15.1% to €19,743m. Time deposits, also in local currency, amounted to €8,258m, an increase of 7.9%, and the biggest rise since September 2009. As a result, the lower-cost funds, such as current accounts and savings accounts, continue to account for the biggest proportion in the fund mix.

In **off-balance-sheet funds**, the assets under management by investment companies continued their positive trend and presented a year-on-year growth of 14.3% to €15,713m. High net worth and private banking customers were targeted with the launch of B+28, a product consisting of short-term debt funds whose investment is renewed automatically and which provide customers with access to their funds each month.

BBVA Bancomer has issued MXN 3,700m in the second quarter as part of its **liquidity** management plans, with a very positive reception by the market.

Pensions and Insurance

The pensions and insurance business has generated a **net attributable profit** for the six months ended June 30, 2011 of €163m.

Despite the high level of volatility in financial markets in the first half of the year, **Afore**

Bancomer earned €35m, similar to the figure for the same period in 2010. The key has been the good performance of its business activity, and it closed June with a volume of managed funds of €12,911m, up 10.7% year-on-year, and an increase in receipts of 5%. Both variables have a direct influence on earnings from fees, which were up 9.6% on the same period in 2010.

The insurance business increased its total written premiums for the first half of 2011 by 21.7% year-on-year. During the first half of the year, there was a particularly notable increase in the uptake on the ILP (Free Wealth Investment) scheme, and the *Creditón Nómina* loan also performed well, with increased volumes generating higher premiums than initially estimated. In addition, the AutoSeguro car insurance product continues to perform well, boosted by the mass campaign in the first few months of 2011. Together with the good management of expenses and low accident rates reported in the car and accident insurance branches, this has helped generate a year-on-year increase in profit of 8%. Not counting the one-off item in the first quarter of 2010 associated with the change in valuation of car provisions, growth was 14.8%.

South America

Income statement

(Million euros)

	South America				Units: Banking business				Units: Pensions and Insurance			
	1H11	Δ%	Δ% (1)	1H10	1H11	Δ%	Δ% (1)	1H10	1H11	Δ%	Δ% (1)	1H10
Net interest income	**1,435**	**19.8**	**24.2**	**1,197**	**1,406**	**19.9**	**24.3**	**1,173**	**29**	**9.6**	**11.4**	**26**
Net fees and commissions	513	12.2	14.0	457	367	13.5	17.7	323	152	7.9	4.8	141
Net trading income	280	0.8	5.8	277	243	1.1	6.3	240	37	0.2	3.3	37
Other income/expenses	(98)	11.7	25.4	(87)	(172)	15.4	25.9	(149)	79	20.9	26.3	65
Gross income	**2,130**	**15.5**	**18.9**	**1,844**	**1,845**	**16.2**	**20.1**	**1,588**	**298**	**10.2**	**10.2**	**270**
Operating costs	(948)	20.8	24.9	(785)	(814)	20.9	25.5	(673)	(126)	12.6	14.0	(112)
Personnel expenses	(485)	19.2	23.0	(407)	(411)	18.3	22.6	(348)	(63)	10.7	12.1	(57)
General and administrative expenses	(392)	23.8	28.1	(317)	(336)	25.4	30.3	(268)	(59)	15.1	16.5	(51)
Depreciation and amortization	(71)	15.6	20.2	(61)	(67)	16.0	21.0	(58)	(4)	8.3	7.9	(3)
Operating income	**1,181**	**11.5**	**14.4**	**1,059**	**1,030**	**12.7**	**16.2**	**915**	**172**	**8.4**	**7.6**	**158**
Impairment on financial assets (net)	(209)	(2.4)	(0.4)	(214)	(209)	(2.4)	(0.4)	(214)	-	-	-	-
Provisions (net) and other gains (losses)	(22)	67.7	83.4	(13)	(21)	81.3	99.8	(12)	(1)	(41.4)	(39.7)	(1)
Income before tax	**950**	**14.2**	**17.2**	**832**	**800**	**16.2**	**20.1**	**689**	**171**	**8.9**	**8.1**	**157**
Income tax	(175)	(6.1)	(2.4)	(186)	(148)	2.1	6.7	(145)	(32)	(18.0)	(17.1)	(39)
Net income	**776**	**20.0**	**22.8**	**646**	**652**	**19.9**	**23.6**	**544**	**139**	**17.8**	**16.1**	**118**
Non-controlling interests	(247)	27.6	31.8	(194)	(214)	32.3	38.2	(162)	(33)	3.9	1.7	(32)
Net attributable profit	**529**	**16.8**	**19.0**	**452**	**438**	**14.7**	**17.5**	**382**	**106**	**22.9**	**21.5**	**86**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	South America				Units: Banking business				Units: Pensions and Insurance			
	30-06-11	Δ%	Δ% (1)	30-06-10	30-06-11	Δ%	Δ% (1)	30-06-10	30-06-11	Δ%	Δ% (1)	30-06-10
Cash and balances with central banks	6,786	9.1	24.5	6,218	6,786	9.1	24.5	6,218	-	-	-	-
Financial assets	8,296	(1.9)	8.6	8,456	6,837	(0.6)	10.2	6,875	1,413	(11.6)	(2.2)	1,599
Loans and receivables	35,095	12.7	24.6	31,128	34,546	13.0	24.9	30,565	326	(52.4)	(46.3)	685
Loans and advances to customers	31,939	15.3	27.4	27,693	31,873	15.8	27.8	27,529	80	(54.9)	(46.6)	177
Loans and advances to credit institutions and other	3,156	(8.1)	2.3	3,435	2,673	(11.9)	(1.8)	3,036	247	(51.5)	(46.2)	509
Tangible assets	669	0.3	12.8	667	618	1.0	14.5	612	51	(8.1)	(3.7)	55
Other assets	2,090	(6.0)	(0.0)	2,224	1,682	1.6	9.6	1,655	142	(13.5)	(4.3)	165
Total assets/Liabilities and equity	**52,936**	**8.7**	**20.5**	**48,694**	**50,469**	**9.9**	**21.9**	**45,925**	**1,933**	**(22.8)**	**(14.2)**	**2,504**
Deposits from central banks and credit institutions	4,387	41.9	54.4	3,093	4,386	42.1	54.6	3,087	5	(22.7)	(7.5)	6
Deposits from customers	34,706	6.9	19.2	32,478	34,808	6.8	19.1	32,588	-	-	-	-
Debt certificates	2,009	7.4	14.9	1,871	2,009	7.4	14.9	1,871	-	-	-	-
Subordinated liabilities	1,446	7.1	11.6	1,350	1,084	29.4	38.5	837	-	-	-	-
Financial liabilities held for trading	790	2.9	6.5	768	790	2.9	6.6	767	-	-	-	-
Other liabilities	7,022	6.1	18.6	6,620	5,242	9.3	22.2	4,796	1,512	(22.9)	(14.4)	1,962
Economic capital allocated	2,577	2.5	13.6	2,514	2,151	8.7	21.0	1,978	416	(22.4)	(13.8)	536

(1) At constant exchange rate.

The South American area manages the BBVA Group's banking, pension and insurance businesses in the region. The first half of 2011 saw the incorporation of Crédit Uruguay (purchased at the end of 2010 and merged with BBVA Uruguay in May 2011) and the sale of the Group's holding in the insurance company Consolidar Retiro of Argentina.

Figures for the second quarter confirm that the **economic recovery** in the region is stronger than expected at the start of the year. Domestic demand and other factors such as favorable conditions for agriculture and currency appreciation have played a leading role in this improvement. As a result, spare production capacity is being used up quicker than expected, and this is increasing concerns about a possible overheating of these economies, leading in turn to action by the economic authorities to prevent inflation from becoming consolidated above their target rates. Although this involves restricting liquidity, the aim is to minimize the impact on exchange rates.

Exchange rates have depreciated overall against the euro over the last twelve months, both in terms of final rates and average rates (in the latter case, the exceptions have been the Chilean peso and, to a lesser extent, the Colombian peso). As usual, the attached tables include columns with the year-on-year changes at constant exchange rates, which is what the following comments refer to.

The improved economic climate is encouraging a gradual increase in the pace of lending activity in most countries in the region, and BBVA's South America area is part of this process. As a result, the **loan book** at the end of June amounted to €33,114m, a year-on-year increase of 27.1% and a gain of 24 basis points in market share since December 2010 (May figures, the latest available). **Customer funds** also performed positively, with commercialization of lower-cost funds continuing to take priority, as shown by the 26.3% year-on-year growth in current and saving accounts. Including the assets in mutual funds, total customer funds under management by the banks closed June at €39,965m, 17.7% up on the same date in 2010. Market volatility in recent months has not prevented the assets under management by pension fund managers in the area from growing by a year-on-year rate of 13.8% to €46,769m as of 30-Jun-2011. This position has been helped by the positive performance of receipts, which increased by 13.6% over the same period.

South America highlights in the second quarter

- Activity positive in all the geographical areas.
- New gains in market share highly focused on the segment of individuals.
- Strong margins.
- Improvement of risk indicators.

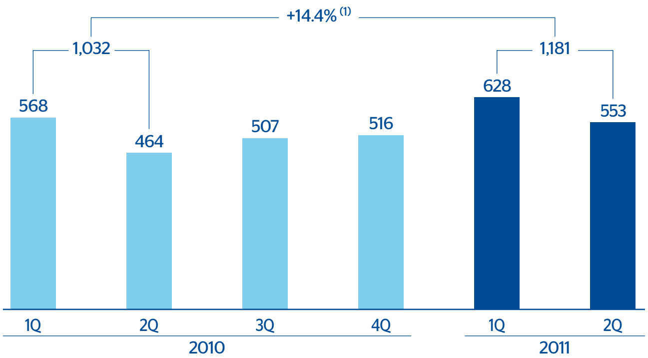
Significant ratios

(Percentage)

	South America		
	30-06-11	31-03-11	30-06-10
Efficiency ratio	44.5	42.2	42.6
NPA ratio	2.4	2.5	2.7
NPA coverage ratio	138	134	133
Risk premium	1.33	1.55	1.66

South America. Operating income

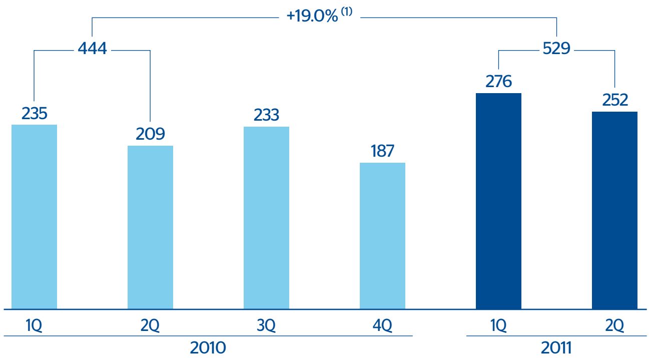
(Million euros at constant exchange rate)



(1) At current exchange rate: +11.5%.

South America. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate:+16.8%.

The increased rate of growth in business activity has been maintained while keeping spreads stable, despite competitive pressure. As a result, the net interest income for the first half of the year was €1,435m, 24.2% up on the same period last year. Fees also performed well, with a rise of 14.0% to €513m. The figure for NTI of €280m has been affected by the valuation of dollar positions in BBVA Provincial, which also occurred in the first half of 2010. Nevertheless, **gross income** was 18.9% up on the figure for the same period last year to €2,130m.

Expenses in the area have been significantly affected by expansion and positioning projects undertaken by most of the units, and amounted to €948m, a year-on-year increase of 24.9%. Despite this, the efficiency ratio remains at a moderate 44.5%, while the **operating income** for the six months ended June 30, 2011 stands at €1,181m, a year-on-year growth of 14.4%.

The strength of business activity has not involved a reduction of asset quality in the area. In fact, non-performing assets at the close of June (€889m) were 1.4% down on the figure at the start of the month, with the keys continuing to be rigorous risk screening and recovery capacity. In all, the **NPA ratio** (2.4%) closed below the level for March 2011 (2.5%), and the coverage ratio was up from 134% to 138% in the same period. **Impairment losses on financial assets**, at €209 million, remained at the same levels as a year earlier, despite the greater generic provisions linked to the increase in lending in recent months.

In short, the improved rate of earnings, combined with moderate loan-loss provisions, have enabled the finance of expansion projects, while boosting the **net attributable profit** for the six months ended June 30, 2011 in the area to €529m, a year-on-year growth of 19.0%.

Banking Business

The area's banking business generated a net attributable profit of €438m in the six months ended June 30, 2011, 17.5% up on the figure for the same period last year. The most significant aspects for each of the banks are detailed below.

In Argentina, **BBVA Francés** has continued to show great strength in its recurring lines of business, particularly net interest income, which has grown year-on-year by 13.2% thanks to the increased pace of lending (up 53.2% year-on-year) and in particular, consumer and credit cards (up 63.3%), where its market share has grown significantly in year-on-year terms (by 110 and 91 basis points respectively from the end of 2010 to April 2011, the latest available figures). Fees also performed very well, with a rise of 23.1%, boosted by income from transactional accounts. Despite the upturn in operating expenses (up 25.5%), pressured by inflation and the expansion plans undertaken by the unit, operating income grew by 12.5%. The high level of asset quality means that only moderate loan-loss provisions have been necessary. Consequently, the net attributable profit for the six months ended June 30, 2011 was up 36.0% at €72m.

In Chile, **BBVA and Forum** had a net attributable profit for the six months ended June 30, 2011 of €68m, 2.0% up on the figure for the same period last year. There was a particularly notable rise in net interest income (up 31.6%), in which business with private individuals is key, with consumer finance and credit cards up 54.8%; as a result, market share was up significantly year-on-year (by 91 basis points). Current and savings accounts also performed well (up 14.8%). There was also significant progress in fees (up 4.8%), while NTI fell on the first half of 2010 (when there were greater gains from sales of equity holdings). Expenses were strongly affected by expansion projects (including the opening of 22 branches of the last 12 months). Finally, there was a notable fall of 63.8% in loan-loss provisions, which also had a positive influence over the half-year.

In **Colombia**, BBVA has a strict policy of keeping spreads, despite the strong downward pressure across the sector. This factor, combined with the positive business performance, with a year-on-year growth of 27.3% in lending (up 35 basis points in market share) and 21.7% in customer funds, has led to a slight growth in net interest income (up 2.4%). In year-on-year terms, the comparison of gross income is affected by the higher level of NTI in the first half of 2010. Expenses were influenced in 2011 by the impact of the tax on financial transactions (not applied to BBVA in 2010), while loan-loss provisions continue to fall (down 32.0%). In all, the net attributable profit for the six months ended June 30, 2011 was 2.1% up on the figure twelve months earlier, at €98m.

In Peru, **BBVA Continental** contributed a net attributable profit of €63m over the six months. This period has featured growth in business activity, particularly in retail lending (up 27.6% year-on-year) and current and savings accounts (up 17.3%). The positive volume effect, combined with the maintenance of wide spreads, has been key to the 11.5% year-on-year rise in net interest income. There has also been a notable increase in fees (up 10.2%), based largely on improvement in the transactional accounts. The expansion plans undertaken by the bank (such as opening 23 branches over the last 12 months) have increased operating expenses by 11.2%, although the efficiency ratio still continues at an excellent level (34.2%). Finally, it is worth highlighting that loan-loss provisions are down, in line with the fall in non-performing assets.

Over the six months ended June 30, 2011, **BBVA Provincial** in Venezuela has generated a net attributable profit of €100m, 67.8% up on the figure for the six months ended June 30, 2010. The first half of 2011 has once more been marked by a revaluation of dollar positions held by the bank, which is reflected in the NTI entry (in 2010 there was a similar effect following the devaluation of the bolivar). The most positive part of the profit and loss account continues to be net interest income, which grew year-on-year at 49.8% thanks to the rise of 48.6% in lending. As a result, there was a significant year-on-year gain in market share of 160 basis points (May figures, the latest available), and in current and savings accounts (up 32.4%). Operating expenses have been influenced by the inflationary upturn in the country, although the efficiency ratio continues at a very favorable level (37.4%).

Among the other banks, **BBVA Panama** had a profit for the six months ended June 30, 2011 of €13 million, **BBVA Paraguay** of €16 million, and **BBVA Uruguay of** €7 million (including the contribution of Crédit Uruguay).

Pensions and Insurance

The Pensions and Insurance unit of South America contributed a net attributable profit of €106m in the six months ended June 30, 2011, 21.5% up on the figure for the same period in 2010. Of this amount, €54m correspond to the **pension business** and €52m to the **insurance business**.

Over the six months, **AFP Provida** in Chile had a net attributable profit of €44m, 4.4% down on the first half of 2010, due above all to the effect of markets in recent months, as can be seen in the NTI line. However, receipts were positive, with year-on-year growth of 5.1% and income from fees up by 0.2% to €113m. **AFP Horizonte de Colombia** contributed a net attributable profit of €9m, and **AFP Horizonte de Peru** of €3m, despite the impact of the financial markets.

The companies in **Grupo Consolidar** had a net attributable profit of €22m, which was strongly affected by commercial variables and the moderate increase in accident rates. The insurance business in **Chile** contributed €18m in the six months ended June 30, 2011, **Colombia** €6m and **Venezuela** €5m.

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

(Million euros)

	Operating income				Net attributable profit			
Country	1H11	Δ%	% at constant exchange rate	1H10	1H11	Δ%	% at constant exchange rate	1H10
Argentina	154	3.9	13.4	149	92	36.5	49.1	68
Chile	247	12.8	8.2	219	130	12.8	8.2	115
Colombia	191	(10.8)	(11.0)	214	114	1.6	1.3	112
Peru	232	(6.9)	(3.8)	249	66	(4.1)	(0.9)	69
Venezuela	325	60.5	74.2	203	105	53.2	66.3	69
Other countries (1)	33	21.1	22.4	27	21	5.8	6.2	20
Total	**1,181**	**11.5**	**14.4**	**1,059**	**529**	**16.8**	**19.0**	**452**

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

The United States

Income statement

(Million euros)

	The United States			
	1H11	Δ%	Δ% (1)	1H10
Net interest income	**787**	**(14.4)**	**(8.8)**	**919**
Net fees and commissions	317	(6.2)	0.2	338
Net trading income	83	17.0	25.7	71
Other income/expenses	(25)	24.4	31.5	(20)
Gross income	**1,163**	**(11.1)**	**(5.2)**	**1,308**
Operating costs	(735)	(2.1)	4.0	(751)
Personnel expenses	(393)	4.3	10.9	(377)
General and administrative expenses	(258)	(6.1)	(0.3)	(274)
Depreciation and amortization	(84)	(15.3)	(10.4)	(100)
Operating income	**427**	**(23.3)**	**(17.7)**	**557**
Impairment on financial assets (net)	(210)	(37.4)	(33.7)	(336)
Provisions (net) and other gains (losses)	(7)	(54.0)	(51.5)	(16)
Income before tax	**210**	**2.2**	**12.2**	**205**
Income tax	(58)	(1.9)	7.7	(59)
Net income	**151**	**3.9**	**14.1**	**146**
Non-controlling interests	(0)	11.7	16.8	(0)
Net attributable profit	**151**	**3.9**	**14.1**	**146**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	The United States			
	30-06-11	Δ%	Δ% (1)	30-06-10
Cash and balances with central banks	5,777	141.1	183.9	2,396
Financial assets	7,422	(13.8)	1.5	8,614
Loans and receivables	35,613	(21.7)	(7.8)	45,492
Loans and advances to customers	34,271	(22.0)	(8.2)	43,956
Loans and advances to credit institutions and other	1,341	(12.6)	2.9	1,535
Inter-area positions	1,266	(91.4)	(89.9)	14,807
Tangible assets	809	(9.9)	6.1	898
Other assets	2,131	(23.6)	(10.0)	2,790
Total assets/Liabilities and equity	**53,018**	**(29.3)**	**(16.7)**	**74,997**
Deposits from central banks and credit institutions	7,872	6.8	25.8	7,372
Deposits from customers	37,365	(35.6)	(24.2)	58,037
Debt certificates	325	(40.4)	(29.8)	545
Subordinated liabilities	1,060	(18.8)	(4.3)	1,305
Inter-area positions	-	-	-	-
Financial liabilities held for trading	349	7.8	26.9	324
Other liabilities	3,232	(20.6)	(6.5)	4,072
Economic capital allocated	2,815	(15.7)	(0.7)	3,340

(1) At constant exchange rate.

This area encompasses the Group's business in the United States and in the Commonwealth of Puerto Rico. BBVA Compass accounts for around 74% of it, both in terms of assets and the profit generated in the country. Most of the comments below are therefore focused on this bank.

Throughout the first half of the year, figures show that the U.S. **economy** continued to improve, but at a slower pace. Economic indicators show a partial momentary loss of strength in economic activity and a relative worsening of the labor market, with unemployment reaching 9.2% of the active population in June. This weakness is conditioned by temporary and transitory factors such as the rise in oil prices, cuts in the chain of production resulting from the earthquake in Japan and climate adversity. They are not expected to affect the pattern of recovery in the second half of 2011. The economy is therefore forecast to grow in 2011 by only a few points under 3%.

The rise in oil prices has increased concerns regarding **inflation**. However, a sustained upturn is not likely, and forecasts suggest an average headline inflation in 2011 of a few points under 3%. With little threat to inflation control and a temporary pause in the acceleration of economic growth, the Federal Reserve is not planning an early tightening of the monetary policy cycle. In fact, the Fed appears prepared to adopt new expansionary measures if the economic weakness becomes accentuated.

The **exchange rate** of the dollar against the euro continues to weaken, in terms of both final and average exchange rates. The final exchange rate has depreciated by 15.1% in the last year (1.7% in the quarter) and in average exchange rates there has been a year-on-year depreciation of 5.4%. Thus the impact of the currency is negative on both earnings and the balance sheet. As is normally the case, the figures below are given at constant exchange rates, unless indicated otherwise, and both scenarios can be seen in the adjoining tables.

The area generated a **net attributable profit** of €151m in the six months ended June 30, 2011, with a year-on-year growth of 14.1%, based mainly on the significant improvement of asset quality in the area. Impairment losses on

The United States highlights in the second quarter

- Selective growth in activity.
- Improved customer spread.
- Substantially improved asset quality.
- Further major steps in the construction of the franchise.

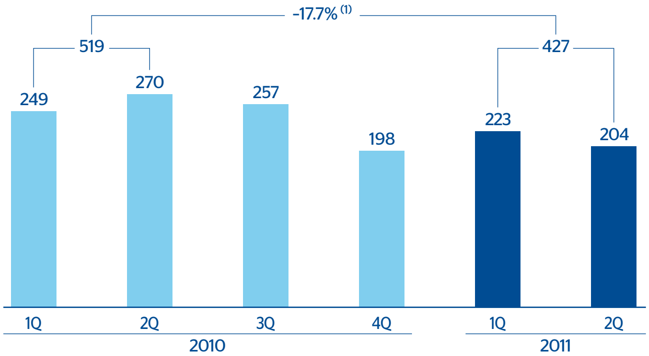
Significant ratios

(Percentage)

	The United States		
	30-06-11	31-03-11	30-06-10
Efficiency ratio	63.2	62.1	57.4
NPA ratio	4.2	4.5	4.3
NPA coverage ratio	67	64	62
Risk premium	1.16	1.14	1.60

The United States. Operating income

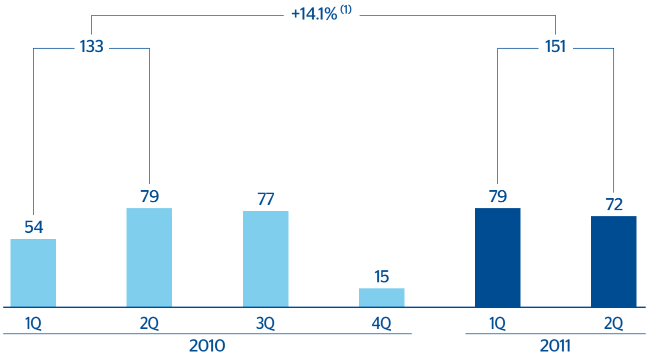
(Million euros at constant exchange rate)



(1) At current exchange rate: –23.3%.

The United States. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +3.9%.

financial assets fell back 33.7% year-on-year to €210m.

The **loan book** stood at €35,349m, a slight fall in the quarter of 0.7%, due to the reduction in the higher risk portfolios, such as construction real estate, which fell in the same period by 6.8%. However, there was growth in the target portfolios such as residential real estate and commercial loans, which were up 5.9% and 1.9% respectively on the figures for 31-Mar-2011. This has led to a renewed improvement in the area's loan-book mix.

Customer funds totaled €37,322m as of 30-Jun-2011, a fall of 1.9% over the quarter. Those from local businesses were up 8.9% in the quarter, due basically to the favorable performance of lower-cost deposits (current and savings accounts), which rose by 10.0% over the period.

BBVA Compass banking group

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

The balance sheet reconstruction begun in 2010 has continued during the first half of 2011 as BBVA Compass seeks to align itself with its long-term strategies and position itself for improved profitability.

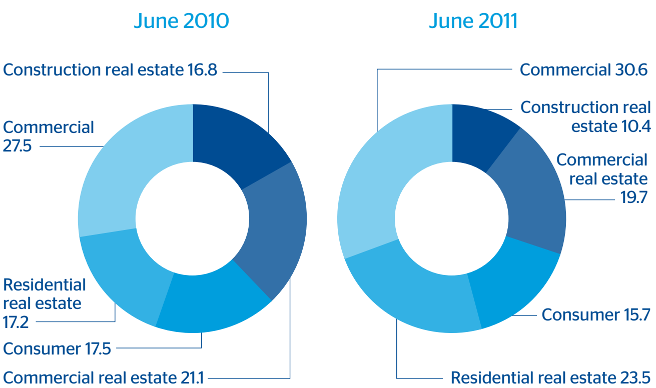
Total **loans to customers**, at €28,649m, have remained stable over the second quarter (down only 0.1%), despite a fall of €1,316m in Guaranty loans under a loss-sharing agreement with the Federal Deposit Insurance Corporation (FDIC), and the loan portfolio de-risking strategy. The high-risk portfolios of real estate development and construction have reduced significantly both in the last 12 months (down 39.2%) and over the quarter (down 6.7%). To compensate for these falls BBVA Compass has focused on residential real estate loans (relatively low risk) and commercial loans, which are growing at respective year-on-year rates of 34.8% and 9.6% and quarter-on-quarter of 6.5% and 2.4%. The strategy of global diversification and change in the mix towards a loan portfolio of lower associated risk puts BBVA Compass in a better position to operate in the current economic environment.

Customer funds have increased by 1.2% over the last 12 months to €30,741m. Not only has BBVA Compass consistently maintained a favorable loan/deposit ratio but it has improved its funding by realigning its deposits. The bank has reduced high-interest bearing deposits, its most expensive funding source, by 11.1% since 30-Jun-2010. The year-on-year fall has been combined with growth in zero-cost accounts, which have increased by 13.0% since the close of the first half of 2010. Of this increase, €580m is from new deposits in 2011.

The shift from high-interest deposits to zero cost sight deposits has improved their cost, which has once more fallen by 3 basis points over the quarter to 0.51%. The yield on loans has fallen slightly to 4.43%. Thus the customer spread in the second quarter of 2011 has remained at the same levels as in the first quarter, at 3.92%. Over the last five quarters, the unit's net interest income over ATA has been above 3.98%, better than the median for the rest of the sector, according to data for the first quarter of 2011. Moreover, regulatory pressures have not prevented BBVA Compass from improving the rest of its revenues. Fees have remained at

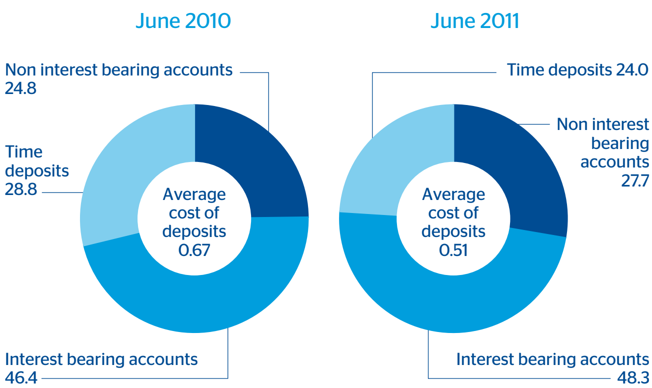
BBVA Compass Banking Group. Loan mix

(Percentage)



BBVA Compass Banking Group. Deposit mix

(Percentage)



practically the same level as in the first half of 2010. The good performance of fees from the bank's retail and insurance businesses have offset the effect of regulatory changes of 2011. NTI rose by 19.6% year-on-year while the other income/expenses item included a increased contribution to the FDIC. As a result, **gross income** was €994m, a year-on-year fall of 5.1%.

BBVA Compass maintains a strict cost control that helps improve the bank's profitability. Expenses remained stable in the second quarter of 2011 and in the six months ended June 30, 2011 they increased by only 1.5% year-on-year to €646m.

Improved **asset quality** has been a major contributor towards BBVA Compass' profitability in the second quarter of 2011. All the bank's business units improved asset quality on the previous quarter. The NPA ratio as of 30-Jun-2011 fell by 4 basis points on 31-Mar-2011, with falls in past-due loans (–3.6%), past-due over 90 days (–22.0%) and defaults (–4.0%). Impairment losses on financial assets also fell significantly by 33.1% year-on-year.

BBVA Compass' **net attributable profit** continues to increase, with a figure of €113m in the six months ended June 30, 2011, significantly higher than the €76m for the same period in 2010, due to non-financial revenue growth and improvement in the figure for provisions.

BBVA Compass is implementing initiatives to reinforce its **risk policy and control**. Management has taken steps to reduce problem assets, while improving and extending the loan portfolio. The Enterprise Risk Management (ERM) program includes the 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.

The Bank is also investing in **IT upgrades** for branch services, marketing of loans and internet access for users in order to increase efficiency and provide its customers with the most up-to-date services. BBVA Compass has also improved access via alternative channels. It currently offers support to 7,267 iPad and 34,203 Android users, and has eliminated 364,000 paper statements in the first half of 2011.

BBVA Compass strives to differentiate itself by its **customer service**. To increase customer satisfaction, there are more than 50 action plans underway, from engaging in social media to participating in training programs and developing "Customer First" project teams. New products have also been developed, such as a simplified credit line that has attracted 41 million dollars, a home equity application (no closure costs and extra employee incentives), and mortgages as a loyalty-building product. Since its inception in March 2010, the First Time Home Buyer incentive has led to 525 new FTHB mortgages and over $82MM in new balances. As a result of these and other efforts, 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.

Finally, employees are also active in their respective communities. They participate in local and national organizations, including Junior Achievement and Teach for America. Volunteers contributed over 28,000 hours in the first half of 2011. The BBVA Compass Foundation raised 2.2 million dollars through 30 June in contributions, and has awarded approximately 200 scholarships per year.

To sum up, the Group continues to make major progress in constructing the U.S. franchise, including the technological platform, extension of the products and services available to customers, boosting brand recognition and involving the staff in the unit's social responsibility.

Corporate Activities

Income statement

(Million euros)

	Corporate Activities		
	1H11	∆%	1H10
Net interest income	**(283)**	**n.m.**	**275**
Net fees and commissions	(119)	10.1	(108)
Net trading income	227	(43.3)	401
Other income/expenses	173	7.3	161
Gross income	**(1)**	**n.m.**	**729**
Operating costs	(465)	16.4	(399)
Personnel expenses	(259)	10.6	(234)
General and administrative expenses	(77)	34.0	(57)
Depreciation and amortization	(129)	19.6	(108)
Operating income	**(466)**	**n.m.**	**329**
Impairment on financial assets (net)	(57)	(92.5)	(763)
Provisions (net) and other gains (losses)	(478)	53.1	(312)
Income before tax	**(1,001)**	**34.1**	**(746)**
Income tax	428	88.0	228
Net income	**(573)**	**10.4**	**(519)**
Non-controlling interests	2	(87.9)	12
Net attributable profit	**(572)**	**12.8**	**(506)**

Balance sheet

(Million euros)

	Corporate Activities		
	30-06-11	∆%	30-06-10
Cash and balances with central banks	(247)	n.m.	1,373
Financial assets	26,061	(1.1)	26,351
Loans and receivables	(3,803)	59.4	(2,386)
Loans and advances to customers	(2,890)	n.m.	(634)
Loans and advances to credit institutions and other	(913)	(47.9)	(1,751)
Inter-area positions	(5,973)	(78.4)	(27,592)
Tangible assets	3,069	3.1	2,978
Other assets	17,792	2.0	17,435
Total assets/liabilities and equity	**36,899**	**103**	**18,160**
Deposits from central banks and credit institutions	(2,605)	n.m.	10,339
Deposits from customers	23,751	n.m.	5,157
Debt certificates	79,852	(0.5)	80,248
Subordinated liabilities	5,753	(25.5)	7,770
Inter-area positions	(72,813)	(13.6)	(84,295)
Financial liabilities held for trading	(3,775)	(22.7)	(4,882)
Other liabilities	(4,379)	14.2	(3,835)
Valuation adjustments	(2,596)	n.m.	844
Shareholders' funds	36,925	30.0	28,415
Economic capital allocated	(23,215)	7.7	(21,552)

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 also of a corporate nature. They also include the assets and liabilities derived from the management of structural liquidity, interest-rate and exchange-rate risks by the Asset/Liability Management unit, as well as their impact on earnings that are not recognized in the business areas via transfer pricing. Finally, it includes certain portfolios and assets, with their corresponding results, whose management is not linked to customer relations, such as Holdings in Industrial and Financial Companies and Real Estate Management

In the six months ended June 30, 2011, the net interest income from Corporate Activities registered a negative €283m, compared with a positive €275m in the same period last year. The negative figure continues to be the result of the end of the repricing process for mortgage loans following the fall in interest rates in 2009 and the subsequent rise in the interest-rate curve in the euro area. These factors, combined with lower NTI compared with the exceptionally high figure 12 months ago, has led to a negative €1m of **gross income** (€729 in the same period in 2010). Operating expenses amounted to €465m, as a result of investments made at corporate level, mainly in infrastructures. As a result, the operating income was a negative €466m (€329m 12 months ago).

Impairment losses on financial assets remain in line with the previous quarter and registered a significant fall to €57m in the six months ended June 30, 2011 (€763m in the same period in 2010 which included additional provisions in a context of high revenues). However, provisions (net) and other gains/losses drained €478m (basically early retirements and provisions for real estate and foreclosed assets), with the result that the **net attributable profit** in the six months ended June 30, 2011 was –€572m (–€506 in the first half of 2010).

Asset/Liability Management

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

Liquidity management helps to finance the recurrent growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of finance. A core principle in the BBVA Group's liquidity management continues to be to encourage the financial independence of its banking subsidiaries in the Americas. This aims to ensure that the cost of liquidity is correctly reflected in price formation and sustainable growth in the lending business. There has been a significant change in the performance of the short-term and long-term wholesale financial markets over the six months ended June 30, 2011. It was positive in the first four months of 2011 as a result of an improved risk perception in peripheral European countries, the major progress made in tackling economic matters in Europe and the restructuring of the financial sector in Spain. However, it worsened in May and June, due to renewed doubts about the viability of the economies of Greece and Portugal. In this situation, BBVA has operated with complete normality, and was the first bank to move into the liquidity market in January 2011, with a new issue of mortgage-covered bonds, as well as making a 3-year 1.6 billion dollar bond issue on the U.S. market in May. Thus the approximate total of €10 billion issuance of long-term wholesale finance, combined with the positive performance of the euro balance sheet, has meant that the Group's liquidity requirements are covered for 2011. In addition, the favorable trend in the proportion of retail deposits in the structure 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 efficient allocation of capital to different units, good management of the balance sheet and appropriate use of the various instruments that comprise the Group's equity: shares, preferred shares and subordinate debt. In the first half of 2011, BBVA's Annual General Meeting approved the introduction of a scrip dividend to give shareholders the option of a wider range of remuneration on their capital. In addition, the Board of Directors has approved the total conversion in July 2011 of the €2,000m in mandatory convertible subordinated bonds issued in September 2009 into newly issued ordinary BBVA shares. In conclusion, the current levels of capitalization ensure the Bank's compliance with all of its capital objectives.

Foreign-exchange risk management of BBVA's long-term investments, basically stemming from its franchises in the Americas, aims to preserve the Group's capital ratios and ensure the stability of its income statement. In the six months ended June 30, 2011, BBVA has 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 this half-year, hedging has mitigated the negative impact of exchange rates on the capital and the Group's income statement. For 2011 as a whole, the same prudent and proactive policy will be pursued in managing the Group's foreign-exchange risk from the standpoint of its effect on capital ratios and on the income statement.

The unit also actively manages the **structural interest-rate exposure** on the Group's balance sheet. This aims to maintain a steady growth in net interest income in the short and long term regardless of interest-rate fluctuations. In the six months ended June 30, 2011, the results of this management have been very satisfactory, with extremely limited risk strategies maintained in Europe, the United States and Mexico. These strategies are managed both with hedging derivatives (*caps, floors, swaps, FRAs*) and with balance-sheet instruments (mainly government bonds with the highest credit and liquidity ratings).

Holdings in Industrial and Financial Companies

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

BBVA applies strict requirements to this portfolio in terms of risk-control procedures, use of economic capital and return on investment, and diversifies investments across different sectors. It also applies dynamic hedging and monetization management strategies to its holdings. In the six months ended June 30, 2011, investments were made totaling €341m and disinvestment came to €175m.

As of 30-Jun-2011, the market capitalization of the Holdings in Industrial & Financial Companies portfolio was €4,298m, with unrealized capital gains of €892m.

Real Estate Management

The BBVA Group has always made use of expert teams to manage the developer and real estate sector. The Real Estate Management unit focuses on providing specialized management of the real estate assets it has acquired from foreclosures, repossessions, purchases from distressed customers and the assets in BBVA Propiedad, the real estate fund.

Other information: Wholesale Banking & Asset Management

Income statement

(Million euros)

	Wholesale Banking & Asset Management			
	1H11	Δ%	Δ% (1)	1H10
Net interest income	**732**	**(8.0)**	**(6.0)**	**796**
Net fees and commissions	424	1.4	3.2	418
Net trading income	266	22.5	25.2	217
Other income/expenses	39	(42.7)	(43.3)	68
Gross income	**1,461**	**(2.5)**	**(0.7)**	**1,500**
Operating costs	(466)	17.4	19.3	(397)
Personnel expenses	(274)	12.5	14.3	(244)
General and administrative expenses	(185)	25.5	27.7	(148)
Depreciation and amortization	(7)	15.8	17.4	(6)
Operating income	**995**	**(9.7)**	**(7.9)**	**1,102**
Impairment on financial assets (net)	12	n.m.	n.m.	(30)
Provisions (net) and other gains (losses)	(7)	n.m.	n.m.	3
Income before tax	**1,000**	**(7.0)**	**(5.2)**	**1,075**
Income tax	(297)	(4.9)	(2.8)	(312)
Net income	**703**	**(7.9)**	**(6.2)**	**763**
Non-controlling interests	(42)	(9.3)	(5.5)	(47)
Net attributable profit	**661**	**(7.8)**	**(6.2)**	**716**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	Wholesale Banking & Asset Management			
	30-06-11	Δ%	Δ% (1)	30-06-10
Cash and balances with central banks	4,742	(23.0)	(20.0)	6,157
Financial assets	67,993	(10.5)	(9.3)	75,975
Loans and receivables	70,230	6.8	10.3	65,768
Loans and advances to customers	57,143	12.8	17.3	50,677
Loans and advances to credit institutions and other	13,088	(13.3)	(12.5)	15,091
Inter-area positions	6,763	(74.6)	(73.0)	26,600
Tangible assets	44	1.9	4.7	43
Other assets	2,414	7.6	9.5	2,244
Total assets/liabilities and equity	**152,187**	**(13.9)**	**(11.4)**	**176,787**
Deposits from central banks and credit institutions	56,706	(5.3)	(4.3)	59,873
Deposits from customers	51,404	(19.3)	(13.9)	63,719
Debt certificates	(257)	n.m.	n.m.	(0)
Subordinated liabilities	1,594	(17.5)	(15.9)	1,933
Inter-area positions	-	-	-	-
Financial liabilities held for trading	33,554	(19.4)	(19.3)	41,616
Other liabilities	5,218	(14.2)	(11.9)	6,083
Economic capital allocated	3,967	11.3	14.0	3,564

(1) At constant exchange rate.

WB&AM highlights in the second quarter

- Recurrent and diversified revenues.
- High asset quality.
- A key player in corporate finance and syndicated loans in the Spanish market.
- The best equity house in Spain and Portugal according to Extel.

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

The BBVA Group's Wholesale Banking & Asset Management has maintained a clear customer focus and a high level of recurrence and quality in its **revenues**. Gross income for the six months ended June 30, 2011 was €1,461m, a slight fall of 0.7% at constant exchange rates on the same period in 2010. It is important to point out that this level of income is very favorable taking into account the particularly difficult environment in which it was generated and the negative trend in the financial markets, above all in the second quarter of 2011. By geographical area, the biggest growth was in Spain, at 14.4% up in the last 12 months, due mainly to the excellent performance of activity in Global Markets, with increases in income from both customers (above all corporates) and trading.

Investment in systems and the various growth plans underway in all the geographical areas have led to a 19.3% year-on-year increase in operating expenses and resulted in a 7.9% fall in **operating income** on the first half of 2010 (at constant exchange rates) to €995m.

The units in this area continue to demonstrate high risk quality, with a reduced NPA ratio, a high coverage ratio and loan-loss provisions that barely represent 1.2% of the operating income. In all, the **net attributable profit** for the six months ended June 30, 2011 was €661m, 6.2% down on the first half of 2010, not taking into account the exchange-rate effect.

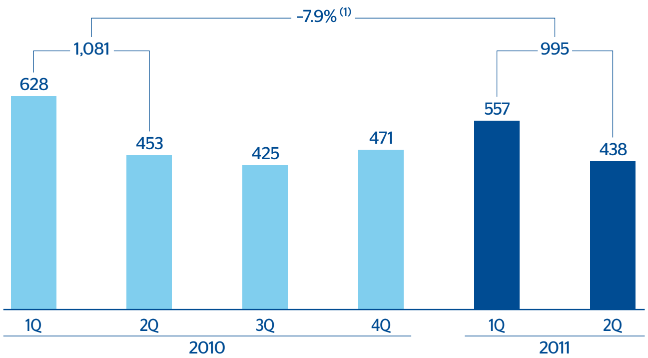
The most notable aspect of **lending activity** has been the increase over the quarter (up 2.4%) in loans managed by the unit (excluding assets bought under repo agreements), which closed June at €46,794m. Spain and South America performed particularly well. **Customer funds** fell by 2.3% on 31-Mar-2011 to €51,095m. Results here varied by geographical area, and the positive performance of fund gathering in Spain and South America did not offset the reduction in the remaining areas.

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

In **equity capital markets** in Spain, BBVA has acted as agent bank in the Gas Natural scrip dividend, in the MAPFRE capital increase that was part of the dividend reinvestment plan and in the Iberdrola-Iberdrola Renovables merger. It has also acted as underwriting agent in the share capital increase of Grifols to pay for the takeover of Talecris. In Europe, it has participated in Commerzbank's €11,000m-plus share capital increase. In Mexico, BBVA Bancomer has participated as lead broker in two of the three capital issues over the last six months (Banorte and Médica Sur).

WB&AM. Operating income

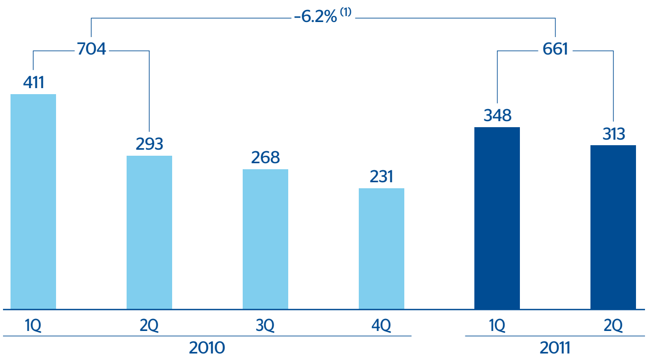
(Million euros at constant exchange rate)



(1) At current exchange rate: -9.7%.

WB&AM. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: -7.8%.

Notable among **project finance** activity in Spain was the financing of the debt linked to 41 wind farms and 24 mini-hydro stations bought from Endesa by Acciona, four major solar thermal plant projects, two photovoltaic parks and a biomass plant with ENCE. European activity has basically focused on France (financing of Opale Defense and of the biggest railroad concession in the world for the high-speed rail line between Tours and Bordeaux (€7,850m). In Australia finance has been completed for Royal Adelaide Hospital (192 million Australian dollars) and in south-east Asia BBVA has signed two orders to structure the finance of two electricity generation plants in Vietnam and Indonesia. In the Americas, two operations have been closed with General Electric in the thermal energy sector, and two hospitals in Florida and Maipú in Chile have been financed for 230 million dollars, as well as the PetroRig III project in Mexico.

In **Corporate Finance,** BBVA continued to consolidate its leadership position in the Spanish M&A market. In the second quarter it has acted as advisor in 9 transactions, among them the acquisition of Cepsa by IPIC and the spin-off of Saba Infraestructuras, an Abertis subsidiary.

BBVA continues to be a key player in the **syndicated loan** market, structuring, managing and syndicating the main transactions concluded in Spain. It maintains its leading position in the rankings by volume and by number of deals on the domestic market (according to *Dealogic*), heading up deals with Telefónica, Ferrovial and Iberdrola, among others. In Europe it has continued with the strategy of improving its competitive position by supporting clients such as EADS, EdP, Amadus and Veolia. In Asia, it is steadily strengthening its presence in the market, with particular emphasis on Hong Kong, China and Australia.

Among the most important transactions in Europe in **global transactional banking** are the technical guarantees issued as collateral for the construction project of an offshore gas production plant in Russia and for a electricity power plant in Turkey.

In **trade finance**, there was significant activity in oil operations, for which BBVA has issued 7 financial guarantees. It has also participated in financing the trade-related facilities of Sberbank (Russia) and Turkiye Garanti Bankasi. Notable in the United States have been financial guarantees (211 million dollars) and import letters of credit (547 million dollars), participation in the Accounts Receivable Purchase Program (SCF) for a major company in the technological sector and the BLADEX Syndicated Import Finance Facility.

Significant **structured trade finance** has included finance for the import of Nokia equipment by Telefónica, finance for the imports by Indian oil companies (180 million dollars) and finance for the construction of four hospitals in Panama (118 million dollars).

The **Global Markets** unit has been rewarded for its excellent work as advisor by being voted the best equity house in Spain and Portugal (according to *Extel)*, heading the list in the categories of "leading brokerage," "country analysis," and "corporate access" and taking second place in "equity sales and "small&mid caps sales," ahead of major global industry competitors. BBVA has also maintained its leading position for yet another quarter in equity brokerage in Spain, with a market share of 15.6% up to June, gaining 2.9 percentage points on the figure for the first quarter. As part of its strategy for internationalization, Global Markets has transferred the headquarters of its credit business to London in order to offer a more global service to its clients and take advantage of being located in the main European financial center. The unit is also continuing with its growth plan in the United States, which is focused on hiring senior product-specialized teams and investing in technology. In the Americas, income from clients has shown an extraordinary growth. By type of client, corporates have performed particularly well, with double-digit year-on-year growth rates. Also worth highlighting are the excellent results of debt capital markets activity in the region, where BBVA lies in third place in the league tables of local-currency debt issues (excluding Brazil) in Latin America, (source: *Dealogic*).

Finally, **BBVA Asset Management**, with assets under management globally of €74,613m, 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 15.4% of assets under management in mutual funds and is the clear leader in the pension fund sector. In Mexico it maintains a leading position in the management of mutual funds, with a market share of 22.5%, and in the rest of the countries of Latin America it has continued to grow in line with previous quarters, with a year-on-year increase in assets of 17% as of 30-Jun-2011.

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