

# BBVA

QUARTERLY REPORT

January-March

1Q08

## 2008





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# BBVA Group Highlights

BBVA Group Highlights									
(Consolidated figures)	31-03-08	Δ%	31-03-07	31-12-07	Excluding one-offs <sup>(1)</sup>				
					31-03-08	Δ%	31-03-07	31-12-07	
<b>BALANCE SHEET (million euros)</b>									
Total assets	483,391	8.2	446,848	502,204					
Total lending (gross)	319,879	17.8	271,488	317,998					
On-balance sheet customer funds	337,647	5.7	319,564	334,844					
Other customer funds	146,049	2.0	143,235	150,777					
Total customer funds	483,697	4.5	462,800	485,621					
Equity	26,596	19.0	22,345	27,943					
Shareholders' funds	25,571	35.5	18,876	24,811					
<b>INCOME STATEMENT (million euros)</b>									
Net interest income	2,734	22.4	2,233	9,769	2,734	22.4	2,233	9,769	
Core revenues	4,247	19.2	3,564	15,463	4,247	19.2	3,564	15,463	
Ordinary revenues	5,526	11.5	4,957	18,133	4,799	16.8	4,110	17,286	
Operating profit	3,427	7.2	3,196	10,544	2,700	14.9	2,349	9,697	
Pre-tax profit	2,783	2.5	2,714	8,495	2,056	10.1	1,867	7,675	
Net attributable profit	1,951	-	1,950	6,126	1,442	14.9	1,254	5,403	
<b>DATA PER SHARE AND SHARE PERFORMANCE RATIOS</b>									
Share price	13.95	(24.1)	18.38	16.76					
Market capitalisation (million euros)	52,284	(19.9)	65,285	62,816					
Net attributable profit per share (euros)	0.53	(4.6)	0.55	1.70	0.39	9.6	0.35	1.50	
Book value per share (euros)	6.82	28.4	5.31	6.62					
P/BV (Price/book value; times)	2.0		3.5	2.5					
PER (Price/earnings ratio; times)	8.2		10.7	10.3					
Yield (Dividend/Price; %)	5.95		3.99	4.37					
<b>SIGNIFICANT RATIOS (%)</b>									
Operating profit/Average total assets	2.77		3.03	2.28	2.19		2.23	2.10	
ROE (Net attributable profit/Average equity)	27.4		34.7	34.2	25.2		30.5	30.2	
ROA (Net profit/Average total assets)	1.35		1.42	1.39	1.24		1.26	1.23	
Efficiency ratio	34.1		32.8	38.1	39.2		39.5	39.9	
Efficiency ratio including depreciation and amortization	37.3		35.2	41.3	42.9		42.4	43.3	
NPL ratio	0.99		0.84	0.89					
NPL coverage ratio	200		263	225					
<b>CAPITAL ADEQUACY RATIOS (BIS II Regulation) (%)</b>									
Total	12.9			13.0					
Core capital	6.3			5.8					
Tier I	7.8			7.3					
<b>OTHER INFORMATION</b>									
Number of shares (million)	3,748		3,552	3,748					
Number of shareholders	891,266		878,899	889,734					
Number of employees	112,460		100,427	111,913					
• Spain	31,083		30,785	31,106					
• The Americas	79,351		67,858	78,805					
• Rest of the world	2,026		1,784	2,002					
Number of branches	7,984		7,508	8,028					
• Spain	3,548		3,632	3,595					
• The Americas	4,292		3,734	4,291					
• Rest of the world	144		142	142					

N.B.: Non-audited figures.

(1) In 2008, capital gains on Bradesco. In 2007, capital gains on Iberdrola in the first quarter, charge for the contribution to the BBVA Microfinance Foundation in the second quarter, capital gains on the sale of buildings in the second and third quarters and charges made for extraordinary early retirements in the fourth quarter.

# Group information

## Relevant events

The first quarter of 2008 was a period of great uncertainty and instability in the markets and the international banking sector. Despite this the BBVA Group once again demonstrated the recurrent nature and strength of its results. Vigorous marketing by the bank's units boosted business volumes and net interest income, which is the main driver of recurrent revenues. This in turn led to high levels of efficiency and profitability. Furthermore these achievements were shown to be compatible with low risk, appropriate capital adequacy and solid liquidity.

The most relevant aspects of the Group's performance in the first quarter are summarised below:

- **Net attributable profit** in the first quarter of 2008 came to €1,951m, which was similar to the €1,950m obtained in the same quarter last year.
- These amounts include a number of **non-recurrent items**. The first quarter of 2008 contains capital gains of €509m after tax on the divestment of the Group's equity in Bradesco (a Brazilian bank). And the first quarter of 2007 included €696m in capital gains on the sale of shares in Iberdrola. All subsequent remarks **exclude these non-recurrent items** unless otherwise stated because this will provide a better picture of the underlying performance.
- Therefore **net attributable income excluding non-recurrent items** came to €1,442m, rising 14.9% compared to €1,254m a year earlier. Taking into consideration the results of the American subsidiaries in local currencies, the increase would be 21.4%.
- **Earnings per share (EPS)** rose 9.6% year-on-year to €0.39 and **ROE** now stands at 25.2%. Both indicators were affected by the capital increase in September 2007. **ROA** is 1.24%. After including non-recurrent items EPS is €0.53, ROE is 27.4% and ROA comes to 1.35%.
- The most dynamic component of the Group's revenues is **net interest income**, which grew 22.4% helped by higher volumes of business and an improvement in spreads. After including other revenues and deducting expenses, **operating profit** rose 14.9% to €2,700m (up 21.6% at constant exchange rates). Efficiency (measured by the cost/income ratio) including depreciation, is 42.9% (40.6% without Compass), compared to 42.4% a year earlier.
- **Loan-loss provisions** in the first quarter were slightly less than the fourth quarter of 2007 and they continue to include generic provisions associated with higher lending. There was no need for asset provisions linked to the instability in financial markets.
- Despite the current complex environment, the growth in lending proved compatible with a moderate **NPL ratio**, which rose to 0.99% during the quarter (0.89% at 31-Dec-07 and 0.84% at 31-Mar-07). The **coverage ratio** is still high at 200%. The current level of coverage funds stands at €7,740m of which €5,708m is generic (€5,061m at 31-Mar-07).
- After payment of a third interim dividend of €0.152 per share (gross amount) on 10th January and a final dividend of €0.277 on 10th April, the **total dividend** paid against 2007 earnings comes to €0.733 per share. This is 15.1% more than the amount paid against 2006 results.
- In reference to the Group's **capital base** and following Basel II rules, at 31-Mar-08 core capital came to 6.3% (higher than the 5.8% at 31-Dec-07). Tier I capital is 7.8% and the BIS ratio is 12.9%.
- In addition, at the end of March the Group had latent **capital gains** of roughly €3,000m in its portfolios of equity holdings in spite of divestments made in 2007 and 2008 and the recent downturn in the markets.
- In the first quarter Standard & Poor's raised its long-term **rating** for BBVA from AA- to AA.

Therefore over the last 12 months all the major agencies (Moody's, S&P and Fitch) have revised their BBVA ratings upwards.

- Regarding the information by **business areas**, the United States will be treated separately in view of its growing importance. Additionally, the organizational changes implemented at the end of 2007 have produced small variations between Spain & Portugal and Wholesale Banking and Asset Management areas which are not significant.
- Once again the main source of revenue in **Spain and Portugal** was net interest income, which increased 13.9% compared to the first quarter of 2007, supported by higher volumes of business (lending was up 8.5%) and an improvement in spreads. Expenses increased only 1.6% (only 0.2% in the Spanish retail network) and this led to new improvements in efficiency. Operating profit was up 14.0% and net attributable profit rose 18.0% to €698m.
- Despite market turbulence during the quarter, **Wholesale Banking and Asset Management**, with its business model based on customers, recorded strong increases in lending and in customer funds from corporate and investment banking. Once again this area generated high revenues. Operating profit for the quarter grew 31.4% year-on-year and net attributable profit jumped 44.6% to €266m.
- **Mexico** recorded higher levels of business. Lending was up 28.4% (with a different product mix) and customer funds rose 14.1% in local currency. Together with action to defend spreads this increase boosted net interest income 13.4% at constant exchange rates. Other sources of income also contributed to ordinary revenues which grew 20.9% whereas expenses rose more slowly. Therefore the cost/income ratio improved once more, with operating profit rising 27.0% and net attributable profit up 25.9% to €501m at constant exchange rates.
- The **United States** area increased business volume in the first quarter, contributing €181m to the Group's operating profit and €84m to net attributable profit. At constant exchange rates the increase in operating profit was 13.6% and net attributable

profit rose 12.6%. In March BBVA received approval from the US authorities to merge its four banks in that country. So far State National Bank has been integrated with Compass Bank.

- In **South America** the strong growth in lending (up 27.8% at constant exchange rates) and customer funds (up 16.8%) boosted net interest income, whose growth accelerated to 39.2% at constant exchange rates. As a result operating profit rose 31.3%. After higher provisions linked to the rise in lending, net attributable profit increased 19.4% to €181m.

## Economic environment

According to the latest published indicators the slowdown in the global economy appears to be greater than was expected at the end of 2007.

In the **United States**, indices were generally weaker (retail sales, consumer confidence, jobs, etc) and real estate is still adjusting. As a result the Federal Reserve took a number of steps, increasing its injections of liquidity and making further rate cuts. The benchmark rate has fallen from 4.25% in December to 2.25% in March this year.

The slowdown in **Europe** also appears to be worse than anticipated. However, inflationary pressures caused by the rise in energy and food prices convinced the European Central Bank to hold the official rate at 4%. In various countries euribor edged upwards in March after falling at the start of the year. In particular the current external environment has a negative effect on the **Spanish economy**. Moreover the slowdown in investments the Spanish housing sector is gathering speed although other sectors show signs of strength.

Despite the situation in developed economies, the outlook for **Latin America** remains optimistic. Growth in this region remains solid. It is based on internal demand, aided by an increase in private consumption and investment activity. **Mexico** continues to grow steadily and its interbank rate (TIIE) remained stable throughout the quarter at 7.9%.

Interest rates					
(Quarterly averages)	2008	2007			
	1Q	4Q	3Q	2Q	1Q
Official ECB rate	4.00	4.00	4.00	3.82	3.57
Euribor 3 months	4.48	4.72	4.49	4.07	3.82
Euribor 1 year	4.48	4.68	4.65	4.38	4.09
Spain 10-year bond	4.17	4.35	4.47	4.39	4.06
USA 10-year bond	3.65	4.26	4.73	4.84	4.68
USA Federal rates	3.19	4.53	5.18	5.25	5.25
TIIE (Mexico)	7.93	7.86	7.71	7.63	7.44

In this context **stock markets** lost ground at the beginning of the year and this spread to exchanges such as those in China and India, which had not been affected in 2007.

During the first quarter **exchange rates** for the US dollar and Mexican peso fell sharply against the euro (6.9% and 5.0%, respectively). In fact, in the last 12 months all currencies that have a major effect of the Group's financial statements have depreciated (except the Chilean peso). The Mexican peso fell 12.9% against the euro, the US dollar fell 15.8%, the Argentine peso 17.4%, the Venezuelan bolivar fuerte 15.9%, the Peruvian sol 2.1% and the Colombian peso 0.3%. These changes have a negative effect on

previous periods comparisons of the balance sheet at 31-Mar-08.

Furthermore **average exchange rates** in the first quarter were also affected by depreciation. These rates are used to convert the income statement to euros. Compared to the same period last year average rates have changed as follows: the Mexican peso has fallen 10.8% against the euro, the US dollar 12.5%, the Argentine peso 14.2%, the Venezuelan bolivar fuerte 12.4% and the Peruvian sol 3.6%. The Chilean and Colombian pesos appreciated slightly. As a result the Group's income statement is negatively affected in its year-on-year comparisons by more than six percentage points.

Exchange rates <sup>(1)</sup>					
	Year-end exchange rates			Average exchange rates	
	31-03-08	Δ% on 31-03-07	Δ% on 31-12-07	1 <sup>st</sup> Quarter 08	Δ% on 1 <sup>st</sup> Quarter 07
Mexican peso	16.8982	(12.9)	(5.0)	16.1862	(10.8)
U.S. dollar	1.5812	(15.8)	(6.9)	1.4976	(12.5)
Argentine peso	5.0381	(17.4)	(7.3)	4.7575	(14.2)
Chilean peso	694.44	3.4	5.3	694.93	1.9
Colombian peso	2,881.84	(0.3)	3.0	2,865.33	1.7
Peruvian new sol	4.3293	(2.1)	1.8	4.3360	(3.6)
Venezuelan bolívar fuerte	3.3953	(15.9)	(6.8)	3.2158	(12.4)

(1) Expressed in currency/euro.

In the **first quarter** of 2008 the BBVA Group obtained net attributable profit of €1,951m, an amount similar to the €1,950m obtained in the same period of 2007.

These figures include a number of **non-recurrent items**. In the current year €509m was generated by capital gains

on the divestment of an equity holding in Bradesco. And in the first quarter of 2007, the bank obtained €696m in capital gains on the sale of its holding in Iberdrola.

When analysing the Group's earnings it is more appropriate to **exclude non-recurrent items**. Therefore

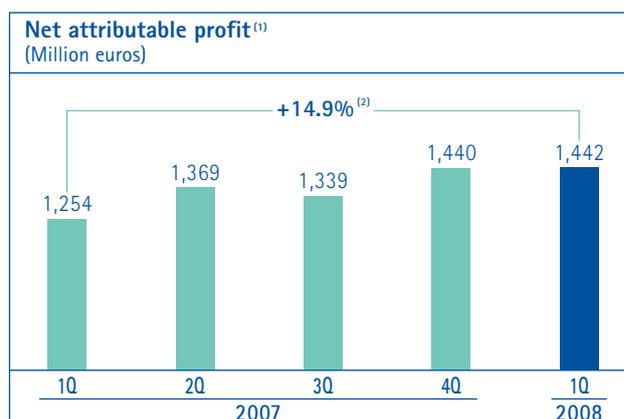
Consolidated income statement				
(Million euros)	1 <sup>st</sup> Quarter 08	Δ%	Δ% at constant exchange rates	1 <sup>st</sup> Quarter 07
Core net interest income	2,678	21.8	29.8	2,199
Dividends	56	60.4	60.8	35
<b>NET INTEREST INCOME</b>	<b>2,734</b>	<b>22.4</b>	<b>30.3</b>	<b>2,233</b>
Income by the equity method	139	n.m.	n.m.	26
Net fee income	1,175	3.7	8.6	1,133
Income from insurance activities	199	16.8	24.1	171
<b>CORE REVENUES</b>	<b>4,247</b>	<b>19.2</b>	<b>26.1</b>	<b>3,564</b>
Net trading income	552	1.0	3.9	547
<b>ORDINARY REVENUES</b>	<b>4,799</b>	<b>16.8</b>	<b>23.1</b>	<b>4,110</b>
Net revenues from non-financial activities	26	(49.5)	(49.5)	52
Personnel costs	(1,178)	13.7	18.4	(1,035)
General expenses	(730)	16.2	22.9	(628)
Depreciation and amortization	(177)	47.2	53.9	(120)
Other operating income and expenses	(41)	37.9	58.8	(30)
<b>OPERATING PROFIT</b>	<b>2,700</b>	<b>14.9</b>	<b>21.6</b>	<b>2,349</b>
Impairment losses on financial assets	(566)	52.1	62.9	(372)
• Loan-loss provisions	(545)	48.7	59.2	(367)
• Other	(21)	284.8	n.m.	(5)
Provisions	(141)	15.0	19.2	(123)
Other income/losses	63	n.m.	n.m.	13
• From disposal of equity holdings	9	n.m.	n.m.	(4)
• Other	55	210.5	221.2	18
<b>PRE-TAX PROFIT</b>	<b>2,056</b>	<b>10.1</b>	<b>16.3</b>	<b>1,867</b>
Corporate income tax	(520)	(3.9)	1.1	(541)
<b>NET PROFIT</b>	<b>1,536</b>	<b>15.8</b>	<b>22.6</b>	<b>1,327</b>
Minority interests	(94)	30.0	43.1	(72)
<b>NET ATTRIBUTABLE PROFIT (excluding one-offs)</b>	<b>1,442</b>	<b>14.9</b>	<b>21.4</b>	<b>1,254</b>
Net of one-off operations <sup>(1)</sup>	509	(26.9)	(26.9)	696
<b>NET ATTRIBUTABLE PROFIT</b>	<b>1,951</b>	<b>-</b>	<b>3.6</b>	<b>1,950</b>
<b>EARNINGS PER SHARE CALCULATION</b>				
Average ordinary shares in circulation (million)	3,716	4.9		3,543
Basic earnings per share excluding one-offs (euros)	0.39	9.6		0.35
Basic earnings per share (euros)	0.53	(4.6)		0.55
Diluted earnings per share (euros)	0.53	(4.6)		0.55

(1) In 2008, capital gains on Bradesco. In 2007, capital gains on Iberdrola.

Consolidated income statement: quarterly evolution					
(Million euros)	2008	2007			
	1Q	4Q	3Q	2Q	1Q
Core net interest income	2,678	2,625	2,381	2,217	2,199
Dividends	56	120	30	163	35
<b>NET INTEREST INCOME</b>	<b>2,734</b>	<b>2,745</b>	<b>2,411</b>	<b>2,380</b>	<b>2,233</b>
Income by the equity method	139	81	57	77	26
Net fee income	1,175	1,270	1,168	1,152	1,133
Income from insurance activities	199	205	183	170	171
<b>CORE REVENUES</b>	<b>4,247</b>	<b>4,301</b>	<b>3,819</b>	<b>3,780</b>	<b>3,564</b>
Net trading income	552	339	402	535	547
<b>ORDINARY REVENUES</b>	<b>4,799</b>	<b>4,639</b>	<b>4,221</b>	<b>4,315</b>	<b>4,110</b>
Net revenues from non-financial activities	26	49	26	61	52
Personnel costs	(1,178)	(1,189)	(1,079)	(1,032)	(1,035)
General expenses	(730)	(775)	(665)	(650)	(628)
Depreciation and amortization	(177)	(184)	(147)	(127)	(120)
Other operating income and expenses	(41)	(37)	(34)	(45)	(30)
<b>OPERATING PROFIT</b>	<b>2,700</b>	<b>2,503</b>	<b>2,323</b>	<b>2,522</b>	<b>2,349</b>
Impairment losses on financial assets	(566)	(597)	(459)	(509)	(372)
• Loan-loss provisions	(545)	(584)	(452)	(498)	(367)
• Other	(21)	(13)	(7)	(11)	(5)
Provisions	(141)	70	(11)	(46)	(123)
Other income/losses	63	11	16	(15)	13
• From disposal of equity holdings	9	16	-	(1)	(4)
• Other	55	(5)	16	(15)	18
<b>PRE-TAX PROFIT</b>	<b>2,056</b>	<b>1,987</b>	<b>1,869</b>	<b>1,952</b>	<b>1,867</b>
Corporate income tax	(520)	(483)	(455)	(504)	(541)
<b>NET PROFIT</b>	<b>1,536</b>	<b>1,504</b>	<b>1,414</b>	<b>1,447</b>	<b>1,327</b>
Minority interests	(94)	(63)	(75)	(78)	(72)
<b>NET ATTRIBUTABLE PROFIT (excluding one-offs)</b>	<b>1,442</b>	<b>1,440</b>	<b>1,339</b>	<b>1,369</b>	<b>1,254</b>
Net of one-off operations	509	(70)	44	54	696
<b>NET ATTRIBUTABLE PROFIT</b>	<b>1,951</b>	<b>1,370</b>	<b>1,382</b>	<b>1,423</b>	<b>1,950</b>

they are not included in the upper part of the attached table showing the income statement and appear, net of tax, at the bottom.

**Net attributable profit** excluding non-recurrent items was €1,442m in the first quarter. This was an increase of 14.9% compared to €1,254m in the same period last year. Considering the results of the American subsidiaries in local currencies, the increase is 21.4% because, as mentioned above, these rates had a negative impact of more than 6 percentage points.



Like last year, net interest income is the main contributor to the rise in earnings. It rose 22.4% year-on-year, boosting revenues as well as **operating profit**, which increased 14.9% to €2,700m compared to €2,349m a year earlier (up 21.6% at constant exchange rates). The lower part of the income statement shows the higher loan-loss provisions, which continue to include generic provisions linked to greater lending.

The rise in the Group's earnings is mainly of an **organic nature**. M&A activities (fundamentally Compass) contributed about 3.5 percentage points to the growth in operating profit and less than 2 points to the rise in net attributable profit.

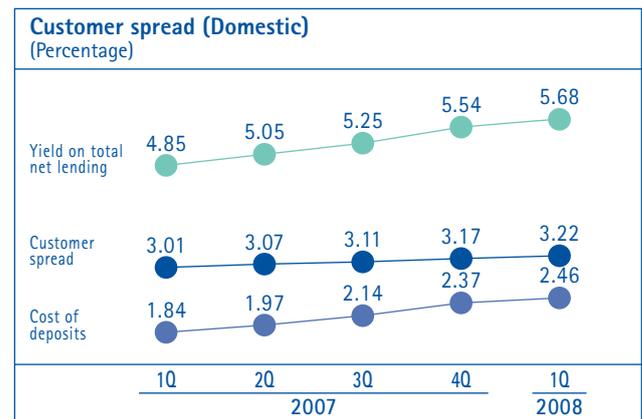
### Net interest income

As mentioned above, net interest income is the principal factor behind the rise in the Group's income in the first quarter. It came to €2,734m, exceeding last year's figure for the first quarter by 22.4%. Of this amount dividends accounted for €56m (€35m in the first quarter of 2007) and thus net interest income without dividends came to €2,678m. The year-on-year increase in the latter figure was 21.8% and this is due to a rise in business volume and wider customer spreads.



(1) At constant exchange rates: +30.3%.

In the **Spanish domestic market**, customer spreads edged up further to 3.22%. This is a rise of 5 basis points from 3.17% at 31-Dec-07 and extends the upward trend to nine consecutive quarters. In the



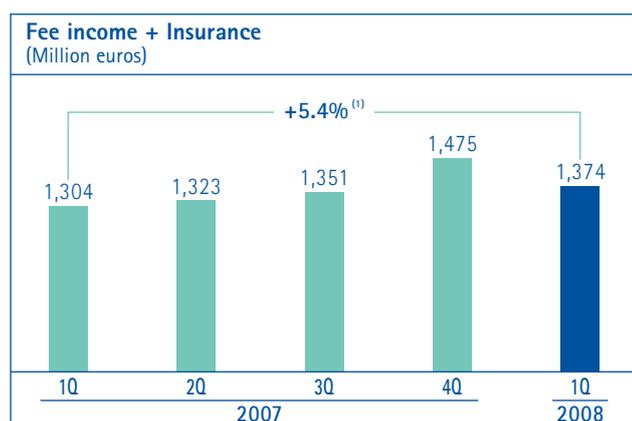
present context of high interest rates, BBVA's appropriate pricing lifted the yield on loans 14 basis points to 5.68% whereas the cost of funds rose only 9 basis points to 2.46%. This helped net interest income in Spain & Portugal to grow 13.9%.

In **Mexico** interbank interest rates remained stable during the quarter, at around 7.9%. The yield on loans rose 18 basis points compared to 31-Dec-07 to 15.23% while the cost of funds increased 9 basis points to 2.71%. Thus the customer spread is now 12.52%, compared to 12.43% at the end of the last quarter and 12.97% at 31-Mar-07. The higher spread, together with the growth in business, helped to lift net interest income 13.4% in the Mexico Area in local currency terms. Net interest income in **South America** grew faster (39.2% at constant exchange rates) thanks largely to increases in lending and customer funds and to the wider spreads.

### Ordinary revenues

In the first half of 2008 **net fee income** came to €1,175m, up 3.7% compared to the same period last year. The decline in fees from mutual and pension fund business (down 6.9%) continues to weigh on the overall figure. In Spain, time deposits still account for most of the growth in customer funds. The market situation also played a negative role. However **insurance business** contributed €199m, rising 16.8%. Thus **fee income plus insurance** business produced net income of €1,374m in the first quarter. This was 5.4% higher than the €1,304m obtained in the first quarter of 2007.

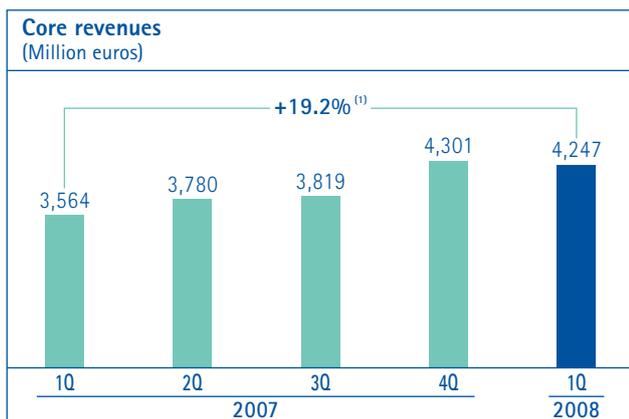
Breakdown of yields and costs	1 <sup>st</sup> Quarter 08		4 <sup>th</sup> Quarter 07		3 <sup>rd</sup> Quarter 07		2 <sup>nd</sup> Quarter 07	
	% of/ATA	% Yield/Cost						
Cash and balances at Central Banks	2.8	3.20	3.3	2.75	3.7	2.67	3.4	3.10
Financial assets and derivatives	23.4	3.89	23.5	4.06	22.7	3.42	23.2	3.85
• Fixed-income securities	19.4	4.45	19.0	4.51	17.9	4.19	18.3	4.07
- Euros	11.3	3.19	10.7	3.01	10.3	2.55	10.8	2.48
- Foreign currencies	8.2	6.20	8.3	6.45	7.6	6.43	7.6	6.33
• Equity securities	4.0	1.14	4.5	2.12	4.8	0.54	4.8	3.03
Due from banks	4.7	6.01	6.0	5.81	7.2	5.97	7.3	5.26
• Euros	3.0	6.49	4.3	5.88	4.9	6.00	4.9	4.82
• Foreign currencies	1.7	5.17	1.7	5.65	2.3	5.91	2.5	6.14
Loans to customers	63.1	7.16	60.8	7.23	60.7	7.00	60.7	6.73
• Euros	44.1	5.70	42.5	5.58	44.8	5.30	45.6	5.08
- Domestic	40.7	5.68	39.5	5.54	41.8	5.25	42.5	5.05
- Other	3.5	5.90	3.0	6.13	3.1	6.00	3.1	5.51
• Foreign currencies	19.0	10.55	18.3	11.06	15.8	11.78	15.1	11.74
Other assets	6.0	0.83	6.4	0.83	5.8	0.91	5.5	0.60
<b>TOTAL ASSETS</b>	<b>100.0</b>	<b>5.85</b>	<b>100.0</b>	<b>5.84</b>	<b>100.0</b>	<b>5.60</b>	<b>100.0</b>	<b>5.50</b>
Deposits by Central Banks and banks	15.7	4.90	15.8	5.10	13.6	5.16	13.6	5.02
• Euros	6.7	4.39	6.3	4.24	5.5	4.06	5.7	3.97
• Foreign currencies	9.0	5.29	9.5	5.68	8.1	5.91	7.8	5.79
Due to customers	47.8	3.67	47.8	3.70	47.7	3.55	47.8	3.36
• Euros	25.7	3.60	26.0	3.44	27.8	3.18	27.0	2.73
- Domestic	16.4	2.46	16.4	2.37	17.5	2.14	17.6	1.97
- Other	9.3	5.60	9.6	5.26	10.3	4.94	9.4	4.13
• Foreign currencies	22.0	3.76	21.9	4.01	19.9	4.07	20.8	4.19
Marketable debt securities and subordinated debt	20.1	5.09	19.9	5.13	22.0	4.86	22.2	4.43
• Euros	16.2	5.13	16.0	4.96	18.1	4.50	18.6	4.20
• Foreign currencies	3.9	4.95	3.9	5.82	3.9	6.54	3.5	5.66
Other liabilities	10.9	0.83	10.9	0.75	11.4	0.79	11.3	0.82
Equity	5.5	-	5.6	-	5.3	-	5.1	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>100.0</b>	<b>3.64</b>	<b>100.0</b>	<b>3.68</b>	<b>100.0</b>	<b>3.55</b>	<b>100.0</b>	<b>3.37</b>
<b>NET INTEREST INCOME/ATA</b>		<b>2.21</b>		<b>2.16</b>		<b>2.05</b>		<b>2.13</b>



Net income from companies booked **via the equity method** came to €139m, basically coming from Corporación IBV, compared to €26m in the first quarter of 2007.

As a result **core revenues** (net interest income plus net fee income, insurance and equity accounted revenue) rose 19.2% year-on-year to €4,247m.

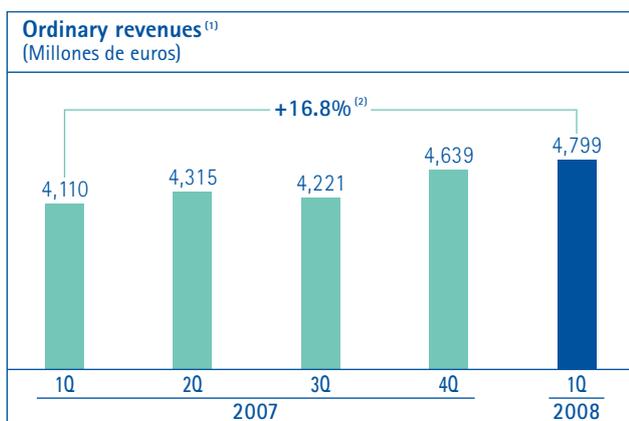
**Net trading income** contributed €552m, which was similar to €547m in the first quarter of last year. This includes €125m generated by VISA's IPO.



(1) At constant exchange rates: +26.1%.



(1) At constant exchange rates: +20.1%.



(1) Excluding results of one-off transactions.

(2) At constant exchange rates: +23.1%.

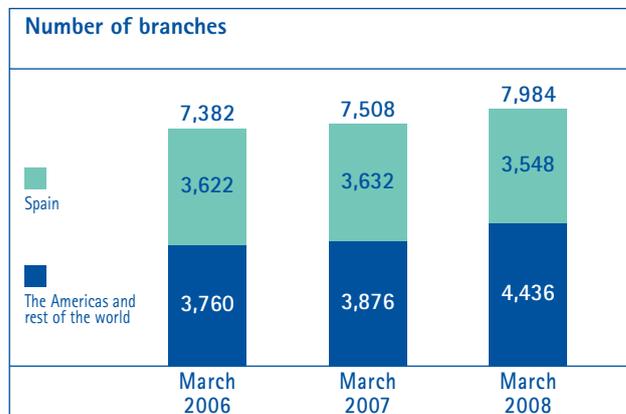
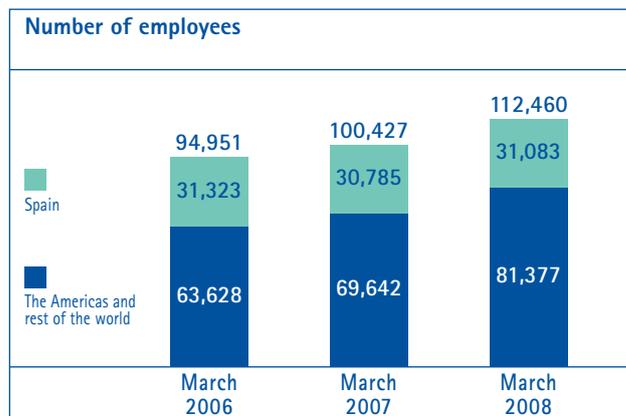
Core revenues and net trading income make up **ordinary revenues** and these came to €4,799m with an increase of 16.8%. Net sales of non-financial activities contributed €26m, compared to €52m in the first quarter of 2007. The decline is due to lower income from real estate activity in the period. The Group's total operating revenues thus came to €4,825m, rising 15.9% over €4,162m for the first quarter of 2007.

## Operating profit

In the first quarter of 2008 **general administration expenses** came to €1,907m. They rose 14.7% compared to €1,663m in the first quarter last year (personnel expenses were up 13.7% and other expenses were up 16.2%). The increase is influenced by recent acquisitions, higher retail activity and business growth projects. In Spain & Portugal expenses remained under control, rising 1.6% (considerably less than inflation). However expenses in the Americas rose 22% caused by the incorporation of

Compass and by additions to the number of branches and the sales force in some countries.

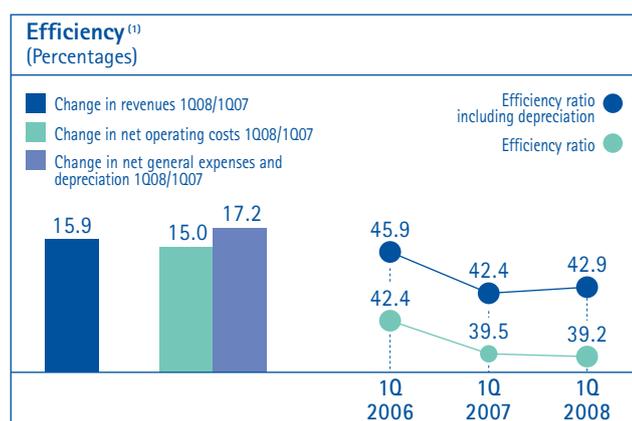
These factors were also behind the year-on-year variation in the Group's **headcount** and number of branches. At 31-Mar-08 the Group had 112,460 employees and 7,984 **branches**. Compare to 31-Dec-07 the figures are little changed.



As total revenues (ordinary revenues plus net sales of non-financial activities) increased 15.9% and expenses net of recuperated costs rose 15.0%, efficiency,

Efficiency <sup>(1)</sup>				
(Million euros)	1 <sup>st</sup> Quarter 08	Δ%	1 <sup>st</sup> Quarter 07	2007
Ordinary revenues	4,799	16.8	4,110	17,286
Net revenues from non-financial activities	26	(49.5)	52	188
<b>TOTAL REVENUES</b>	<b>4,825</b>	<b>15.9</b>	<b>4,162</b>	<b>17,474</b>
Personnel costs	(1,178)	13.7	(1,035)	(4,335)
General expenses	(730)	16.2	(628)	(2,718)
Recovered expenses	16	(15.7)	19	73
<b>GENERAL ADMINISTRATIVE EXPENSES (NET)</b>	<b>(1,891)</b>	<b>15.0</b>	<b>(1,644)</b>	<b>(6,980)</b>
<b>EFFICIENCY RATIO (Costs/revenues, %)</b>	<b>39.2</b>		<b>39.5</b>	<b>39.9</b>
Depreciation and amortization	(177)	47.2	(120)	(577)
<b>GENERAL ADMINISTRATIVE EXPENSES (NET) + DEPRECIATION AND AMORTIZATION</b>	<b>(2,068)</b>	<b>17.2</b>	<b>(1,764)</b>	<b>(7,557)</b>
<b>EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION</b>	<b>42.9</b>		<b>42.4</b>	<b>43.3</b>

(1) Excluding the one-off operations.



measured by the **cost/income ratio**, improved once again to 39.2% (39.5% in the first quarter of 2007). The incorporation of Compass had a negative effect because without its contributions, the ratio improves further, to 37.9%. Depreciation climbed 47.2%, affected by the depreciation of intangible assets at the Group's banks in the United States (€41m). Therefore net administration expenses plus depreciation increased 17.2% and the **cost/income ratio including depreciation** was 42.9% in the first quarter (42.4% in the same period last year). Excluding the Compass group of banks, the ratio is 40.6%, an improvement on the first quarter of 2007 (41.9%).

The above changes in income and expenses mean that **operating profit** rose 14.9% year-on-year to €2,700m (up 21.6% at constant exchange rates). All business areas reported significant improvements. In the Spain

& Portugal Area operating profit increased 14.0%, in Wholesale Banking & Asset Management it rose 31.4%, Mexico was up 13.4% (27.0% in local currency), South America climbed 20.4% (31.3% in local currency) and in the United States it tripled due to the addition of Compass.



## Provisions and others

In the first quarter of the year **net loan-loss provisions** came to €545m. This amount is 48.7% higher compared to €367m for the same period last year but less than the €584m provided in the fourth quarter of 2007 (Compass had been consolidated by then). Part of these provisions is generic, required by the increase in lending.

**Other provisions** made in the quarter came to €141m, up 15.0% compared to €123m at 31-Mar-07. This figure includes €60m for early retirements in the first quarter of 2008 and €50m in the same period last year. There was no significant operation entailing a sale of equity holdings.

### Attributable profit

**Profit before tax** for the first quarter rose 10.1% year-on-year to €2,056m. Corporate tax was €520m as Spain is benefiting from reductions in the tax rate, which was 32.5% in 2007 and 30% in 2008. Therefore net profit for the quarter rises 15.8% to €1,536m. After deducting €94m for minority interests, **net profit attributable** to the Group in the first quarter of 2008 comes to €1,442m (excluding non-recurring items). This figure is 14.9% higher than the €1,254m obtained in the first quarter of 2007. At constant exchange rates, growth would be 21.4%.

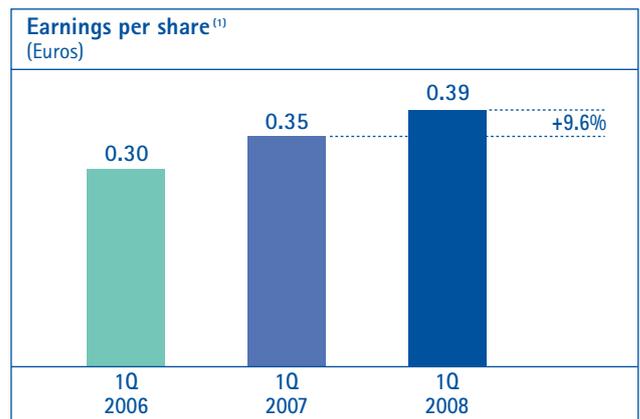
**By business area**, Spain & Portugal contributed €698m (up 18.0%), Wholesale Banking & Asset Management €266m (up 44.6%), Mexico €501m (up 12.4% in euros and 25.9% in local currency), United States €84m (more than double last year's figure owing to the incorporation of Compass) and South America contributed €181m (up 9.0% at current exchange rates and 19.4% at constant rates).

**Earnings per share** (EPS) come to €0.39 for the quarter, which is an increase of 9.6% compared to €0.35 at 31-Mar-07. EPS rose less than net attributable profit owing to an increase in the number of shares following the capital increase in September last year. Higher shareholders' funds translate into an increase of 28.4% of the **book value** per share (€6.82), but **ROE** (return on equity) is also affected by the capital increase because it adds to shareholders' funds. It now stands at 25.2% compared to 30.5% at 31-Mar-07. **ROA** (return on assets) is 1.24% (1.26% at the same point last year).

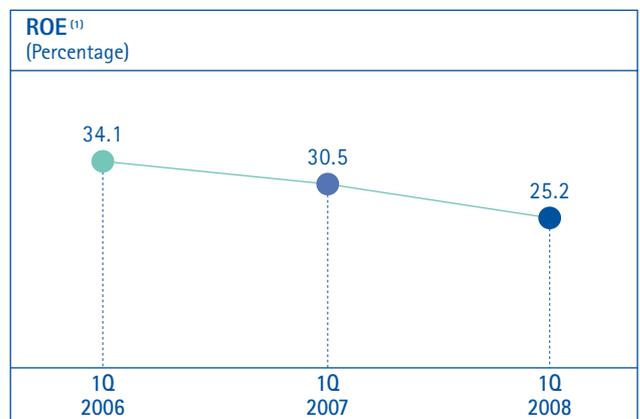
**Non-recurrent earnings** in the first quarter of 2008 include capital gains on the divestment of the Group's interest in Bradesco, amounting to €727m gross and €509m after tax. Nonetheless the first quarter last year contained even higher capital gains from the sale

of an equity holding in Iberdrola (€847m gross and €696m after tax).

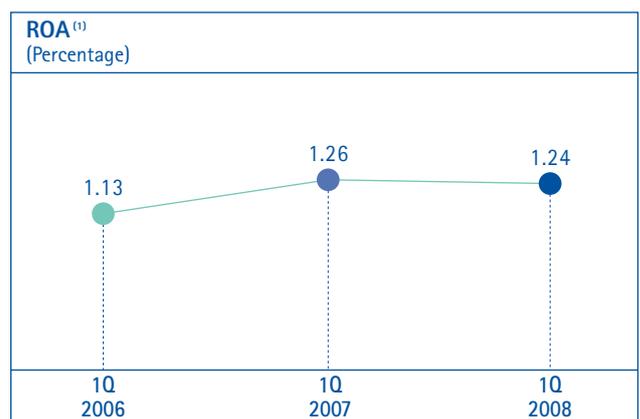
Including these non-recurrent earnings, the Group's **net attributable profit** comes to €1,951m, similar to €1,950m at 31-Mar-07 although at constant exchange rates there would be an increase of 3.6%. In this case EPS would be €0.53, ROE 27.4% and ROA 1.35%.



(1) Excluding results of one-off transactions.



(1) Excluding results of one-off transactions.



(1) Excluding results of one-off transactions.

## Business activity

The first quarter of 2008 witnessed a continuation of the trends observed in the second half of 2007. In Spain lending to customers grew more slowly and increases in customer funds continued to centre on those types that are reported on the balance sheet. Conversely, in the Americas lending and customer funds are growing steadily in a reasonably balanced fashion.

Compass Bank joined the Group in September 2007 and by the end of March 2008 it had incorporated the balance sheets of Laredo National Bank, Texas State Bank and State National Bank. For this reason year-on-year comparisons of key figures are presented on a like-for-like basis, ie, excluding the **Compass group**. This provides a clearer picture of BBVA's organic growth.

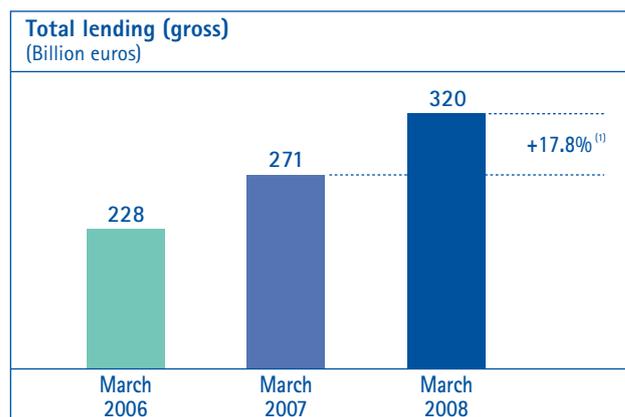
Consolidated balance sheet				
(Million euros)	31-03-08	Δ%	31-03-07	31-12-07
Cash and balances at Central Banks	10,304	(33.8)	15,571	22,582
Financial assets held for trading	59,902	15.4	51,906	62,336
Other financial assets at fair value	1,144	19.4	957	1,167
Financial assets available for sale	46,918	16.2	40,369	48,432
Loans and receivables	336,076	7.5	312,523	338,492
• Due from banks	15,496	(63.6)	42,575	20,997
• Loans to customers	312,653	18.0	264,898	310,882
• Other	7,927	57.0	5,051	6,613
Held to maturity investments	5,385	(5.2)	5,680	5,584
Investments in associates	1,296	(3.6)	1,343	1,542
Property, plant and equipment	5,086	10.1	4,621	5,238
Intangible assets	7,724	121.3	3,490	8,244
Other assets	9,556	(8.0)	10,386	8,588
<b>TOTAL ASSETS</b>	<b>483,391</b>	<b>8.2</b>	<b>446,848</b>	<b>502,204</b>
Financial liabilities held for trading	23,770	53.6	15,478	19,273
Other financial liabilities at fair value	390	(27.7)	539	449
Financial liabilities at amortised cost	408,528	6.8	382,585	429,204
• Deposits by Central Banks and banks	63,506	12.5	56,441	88,098
• Due to customers	237,460	7.8	220,284	236,183
• Marketable debt securities	84,542	(0.9)	85,303	82,999
• Subordinated debt	15,646	11.9	13,977	15,662
• Other	7,375	12.1	6,580	6,262
Liabilities under insurance contracts	10,078	(0.6)	10,138	9,997
Other liabilities	14,030	(11.0)	15,763	15,338
<b>TOTAL LIABILITIES</b>	<b>456,796</b>	<b>7.6</b>	<b>424,504</b>	<b>474,261</b>
Minority interests	907	15.6	785	880
Valuation adjustments	118	(95.6)	2,684	2,252
Shareholders' funds	25,571	35.5	18,876	24,811
<b>EQUITY</b>	<b>26,596</b>	<b>19.0</b>	<b>22,345</b>	<b>27,943</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>483,391</b>	<b>8.2</b>	<b>446,848</b>	<b>502,204</b>
<b>MEMORANDUM ITEM:</b>				
Contingent liabilities	72,000	51.8	47,424	65,845
<b>MEMORANDUM ITEM:</b>				
Average total assets	496,736	16.1	427,784	461,668
Average shareholders' funds	23,007	38.1	16,663	17,901

It is also important to bear in mind that recent changes in **exchange rates** have an adverse effect on year-on-year comparisons of the Group's balance sheet and business volumes. In the last 12 months the following currencies have fallen more than 12% against the euro: the Mexican peso, the US dollar, the Argentine peso and Venezuelan bolivar fuerte. Therefore year-on-year comparisons of the main figures are also stated at constant exchange rates to provide a clearer picture of business development.

The Group's **total assets** at 31-Mar-08 came to €483 billion, compared to €447 billion at the same point last year. This was an increase of 8.2% (3.2% on a like-for-like basis).

### Lending to customers

At the end of March 2008 lending to customers came to €320 billion, rising 17.8% compared to €271 billion a year earlier (at constant exchange rates the increase is 20.3%). If contributions from the Compass group are also excluded, ie, on a like-for-like basis and at constant rates, the increase in lending is 13.9%.

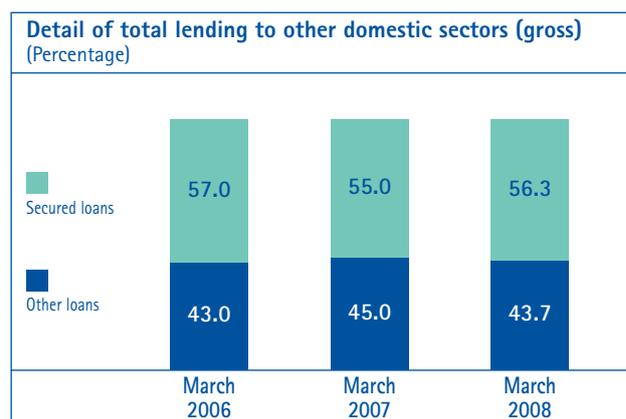
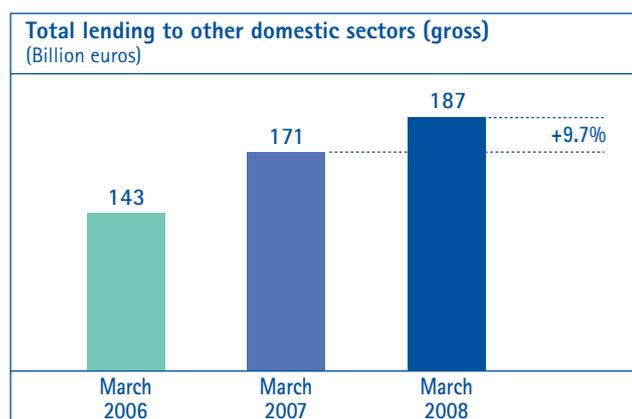


(1) At constant exchange rates: +20.3%.

Of total lending, the **domestic public sector** in Spain accounts for €16 billion (up 3.8% year-on-year). Lending to the **domestic private sector** was €187 billion, up 9.7% compared to €171 billion at 31-Mar-07. Lending thus maintains the gradual slowdown that started in 2007, which also affects its main component, secured loans (up 12.2% to €105 billion).

Lending to **non-resident** customers in Spain rose 36.6% year-on-year to €112 billion (up 46.5% at constant rates and up 25% on a like-for-like basis and at constant rates). All the Group's main units

Total lending				
(Million euros)	31-03-08	Δ%	31-03-07	31-12-07
Public sector	16,362	3.8	15,763	15,960
Other domestic sectors	187,196	9.7	170,708	187,049
• Secured loans	105,411	12.2	93,916	104,567
• Commercial loans	11,313	(5.5)	11,977	12,767
• Financial leases	7,853	8.4	7,244	7,774
• Other term loans	58,116	7.7	53,981	57,159
• Credit card debtors	1,593	23.4	1,291	1,975
• Other	2,910	26.6	2,299	2,808
Non-domestic sector	112,483	36.6	82,362	111,631
• Secured loans	28,657	7.1	26,764	30,695
• Other loans	83,827	50.8	55,599	80,936
Non-performing loans	3,837	44.5	2,655	3,358
• Public sector	84	(35.9)	131	116
• Other domestic sectors	1,847	79.2	1,031	1,435
• Non-domestic sectors	1,906	27.6	1,493	1,807
<b>TOTAL LENDING (GROSS)</b>	<b>319,879</b>	<b>17.8</b>	<b>271,488</b>	<b>317,998</b>
Loan-loss provisions	(7,226)	9.7	(6,590)	(7,117)
<b>TOTAL NET LENDING</b>	<b>312,653</b>	<b>18.0</b>	<b>264,898</b>	<b>310,882</b>



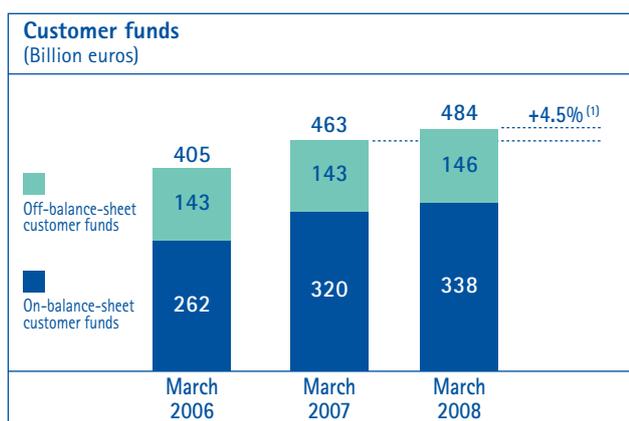
contributed to the rise, with increases of more than 20% in local currencies in Mexico, Argentina, Chile, Peru and Venezuela. Branches handling corporate and investment banking in Europe, New York and Asia also contributed in a similar fashion.

Non-performing assets account for the remaining €3.8 billion. These are dealt with in the chapter on risk management.

## Customer funds

Total customer funds on and off the balance sheet came to €484 billion at the end of the first quarter of 2008. They rose 4.5% compared to €463 billion at the same point last year. Without the effect of exchange rates the increase is 7.2% and if it is also calculated on a like-for-like basis, the increase is 2.7%.

Customer funds				
(Million euros)	31-03-08	Δ%	31-03-07	31-12-07
<b>ON-BALANCE-SHEET CUSTOMER FUNDS</b>	<b>337,647</b>	<b>5.7</b>	<b>319,564</b>	<b>334,844</b>
<b>DEPOSITS</b>	<b>237,460</b>	<b>7.8</b>	<b>220,284</b>	<b>236,183</b>
Public sector	5,989	(70.6)	20,357	6,853
Other domestic sectors	105,020	7.3	97,868	107,416
• Current and savings accounts	40,697	(8.6)	44,509	44,187
• Time deposits	35,192	26.9	27,733	33,781
• Assets sold under repurchase agreement	9,737	10.8	8,791	8,785
• Other	19,394	15.2	16,835	20,664
Non-domestic sector	126,450	23.9	102,058	121,913
• Current and savings accounts	48,535	25.4	38,714	50,836
• Time deposits	68,139	23.5	55,185	61,670
• Assets sold under repurchase agreement and other accounts	9,776	19.8	8,159	9,407
<b>MARKETABLE DEBT SECURITIES</b>	<b>84,542</b>	<b>(0.9)</b>	<b>85,303</b>	<b>82,999</b>
Mortgage bonds	39,664	2.6	38,661	39,730
Other marketable securities	44,879	(3.8)	46,642	43,269
<b>SUBORDINATED DEBT</b>	<b>15,646</b>	<b>11.9</b>	<b>13,977</b>	<b>15,662</b>
<b>OTHER CUSTOMER FUNDS</b>	<b>146,049</b>	<b>2.0</b>	<b>143,235</b>	<b>150,777</b>
Mutual funds	56,052	(4.2)	58,494	57,932
Pension funds	60,784	4.1	58,368	60,909
Customer portfolios	29,213	10.8	26,374	31,936
<b>TOTAL CUSTOMER FUNDS</b>	<b>483,697</b>	<b>4.5</b>	<b>462,800</b>	<b>485,621</b>



The year-on-year variation in customer funds is also affected by amounts allocated in the **Treasury's liquidity auctions**, which are reported under Public sector deposits. A year ago (31-Mar-07) the amount was particularly high (€14.4 billion) whereas now the balance is zero because the Group does not consider it necessary to enter this auction at a high interest rate.

Excluding these amounts, the increase in total customer funds is 7.9% (rather than the 4.5% mentioned above).

At 31-Mar-08 **customer funds on the balance sheet** were €338 billion. They continue to outperform other types, rising 5.7% compared to €320 billion a year earlier (up 10.7% without the effect of the Treasury auctions). Of this figure, customer deposits account for €237 billion (up 7.8%, or 15.4% without Treasury auctions). Marketable debt securities account for €85 billion (down 0.9%) and subordinate liabilities account for the remaining €16 billion (up 11.9%).

**Off-balance-sheet funds** (mutual funds, pension funds and customers' portfolios) came to €146 billion. This was 2.0% higher compared to €143 billion a year earlier (4.7% higher at constant exchange rates). Financial markets developments had a negative impact, resulting in moderate growth. Furthermore the portion of these funds attributable to Spain fell 6.3% to €71 billion, affected by lower demand for

Other customer funds				
(Million euros)	31-03-08	Δ%	31-03-07	31-12-07
<b>SPAIN</b>	<b>71,198</b>	<b>(6.3)</b>	<b>76,013</b>	<b>74,401</b>
<b>MUTUAL FUNDS</b>	<b>41,746</b>	<b>(7.3)</b>	<b>45,013</b>	<b>43,258</b>
Mutual funds (ex Real estate)	39,539	(7.2)	42,616	40,876
• Monetary and short term fixed-income	15,478	1.6	15,237	15,180
• Long-term fixed income	1,452	(29.1)	2,050	1,644
• Balanced	1,257	(23.9)	1,653	1,493
• Equity	2,727	(34.9)	4,191	3,620
• Guaranteed	17,064	2.5	16,653	17,068
• Global	1,560	(44.9)	2,831	1,871
Real estate investment trusts	2,083	(13.1)	2,397	2,258
Private equity funds	123	n.m.	-	124
<b>PENSION FUNDS</b>	<b>16,469</b>	<b>1.1</b>	<b>16,296</b>	<b>17,068</b>
Individual pension plans	9,491	2.5	9,257	9,806
Corporate pension funds	6,978	(0.9)	7,039	7,262
<b>CUSTOMER PORTFOLIOS</b>	<b>12,983</b>	<b>(11.7)</b>	<b>14,704</b>	<b>14,075</b>
<b>REST OF THE WORLD</b>	<b>74,851</b>	<b>11.3</b>	<b>67,223</b>	<b>76,376</b>
Mutual funds and investment companies	14,306	6.1	13,481	14,674
Pension funds	44,315	5.3	42,072	43,841
Customer portfolios	16,230	39.1	11,669	17,861
<b>OTHER CUSTOMER FUNDS</b>	<b>146,049</b>	<b>2.0</b>	<b>143,235</b>	<b>150,777</b>

mutual funds in the present environment. In other countries where the Group operates, off-balance-sheet funds increased 11.3% (up 17.9% at constant exchange rates) to around €75 billion – thanks to a good performance in all types. Mutual funds and investment companies grew 6.1%, pension funds were up 5.3% and customer portfolios jumped 39.1% because they incorporated the portfolios of the recently acquired US banks.

In **Spain**, where interest rates are high and there is considerable uncertainty regarding stock markets, customers continue to favour time deposits at the expense of mutual funds and the more liquid types. As a result these deposits have risen 26.9% to €35 billion in the last 12 months. Moreover the increase would be 40.0% if volatile movements in euro deposits connected with the markets are excluded.

Conversely, current and savings accounts fell 8.6% to €41 billion and mutual funds declined 7.3% to €42 billion. However the banking sector average dropped even further and therefore BBVA has increased its

market share. Pension funds remain at €16 billion (up 1.1%) helped by individual plans (up 2.5%).

At the end of the first quarter, deposits of the **domestic public sector** in Spain came to €6 billion. This figure contrasts with the much higher one (€20 billion) a year earlier. As already mentioned, the latter figure includes €14 billion allocated in Treasury liquidity auctions last year. Excluding their effect, deposits rose 1.0% year-on-year.

In terms of **non-resident customers** in Spain, the aggregate of current and savings accounts, time deposits and mutual and pension funds rose 17.3% to €175 billion (up 25.0% without the effect of exchange rates and up 14.2% if a like-for-like basis is also considered). In particular, current and savings accounts jumped 25.4% to €49 billion.

Stable customer funds grew 14.5% to €127 billion. Time deposits accounted for €68 billion (up 23.5%), pension funds €44 billion (up 5.3%) and mutual funds €14 billion (up 6.1%).

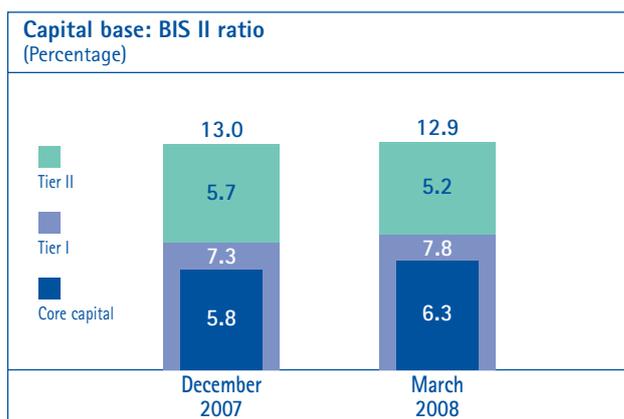
Statement of changes in equity								
(Million euros)	Capital	Reserves	Profit for the year	Treasury shares	Valuation adjustments	Minority interests	Paid dividends	TOTAL EQUITY
<b>BALANCE AT 31-12-06</b>	<b>1,740</b>	<b>13,208</b>	<b>4,736</b>	<b>(112)</b>	<b>3,341</b>	<b>768</b>	<b>(1,363)</b>	<b>22,318</b>
Valuation adjustments					(657)	(74)		(730)
Profit retained		2,519	(2,519)					-
Dividends			(2,217)			(32)	1,363	(887)
Shares issued								-
Treasury shares				(415)				(415)
Profit for the year			1,950			72		2,023
Other		(25)		10		51		35
<b>BALANCE AT 31-03-07</b>	<b>1,740</b>	<b>15,702</b>	<b>1,950</b>	<b>(517)</b>	<b>2,684</b>	<b>785</b>	<b>-</b>	<b>22,345</b>
<b>BALANCE AT 31-12-07</b>	<b>1,837</b>	<b>18,830</b>	<b>6,126</b>	<b>(322)</b>	<b>2,252</b>	<b>880</b>	<b>(1,661)</b>	<b>27,943</b>
Valuation adjustments					(2,135)	(11)		(2,145)
Profit retained		3,445	(3,445)					-
Dividends			(2,681)			(52)	1,661	(1,072)
Shares issued								-
Treasury shares		(76)		(98)				(174)
Profit for the year			1,951			94		2,045
Other		(4)		8		(4)		(1)
<b>BALANCE AT 31-03-08</b>	<b>1,837</b>	<b>22,196</b>	<b>1,951</b>	<b>(412)</b>	<b>118</b>	<b>907</b>	<b>-</b>	<b>26,596</b>

The capital-base data presented below are calculated using the rules defined in the **Basel 2** Capital Accord. Given discretionality for national interpretation of these rules and the fact that the Bank of Spain has not yet published a circular on such capital calculations, the criteria from the European Union directive have been applied. The use of internal models corresponds to the models presented to the Bank of Spain and pending authorisation as this report goes to press. Thus, the following data may still be adjusted once the final standards and models come into force. The limits envisaged during the implementation period are not taken into consideration.

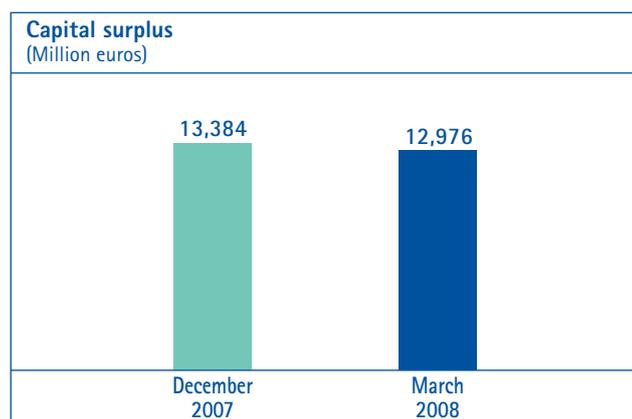
In comparison with the information given at year-end 2007, drawn up according to BIS I standards, **risk-weighted assets** (RWA) went down 11.8%, reaching the figure of €268,491m. This reduction was mainly due to the use of internal models to evaluate BBVA's RWA. At 31-3-08, risk-weighted assets stood at €263,062m, and their drop over the quarter mainly reflected the divestment in Bradesco, the lower market

value of other holdings and the exchange-rate impact on currency-denominated RWA.

At 31st March 2008, the BBVA Group's **capital base** stood at €34,021 when calculated under Bank for International Settlements (BIS II) rules. It had gone down 2.4% against the figure for 31-Dec-07 calculated under the same rules.



Capital base (BIS II Regulation)		
(Million euros)	31-03-08	31-12-07
Shareholders' funds	25,571	24,811
Adjustments	(9,055)	(9,265)
<b>CORE CAPITAL</b>	<b>16,516</b>	<b>15,546</b>
Preference shares	4,419	4,492
Adjustments	(475)	(479)
<b>CAPITAL (TIER I)</b>	<b>20,460</b>	<b>19,559</b>
Subordinated debt and other	14,036	15,784
Deductions	(476)	(479)
<b>OTHER ELIGIBLE CAPITAL (TIER II)</b>	<b>13,560</b>	<b>15,305</b>
<b>CAPITAL BASE</b>	<b>34,021</b>	<b>34,864</b>
Minimum capital requirement (BIS II Regulation)	21,045	21,479
<b>CAPITAL SURPLUS</b>	<b>12,976</b>	<b>13,384</b>
<b>RISK-WEIGHTED ASSETS</b>	<b>263,062</b>	<b>268,491</b>
<b>BIS RATIO (%)</b>	<b>12.9</b>	<b>13.0</b>
<b>CORE CAPITAL (%)</b>	<b>6.3</b>	<b>5.8</b>
<b>TIER I (%)</b>	<b>7.8</b>	<b>7.3</b>
<b>TIER II (%)</b>	<b>5.2</b>	<b>5.7</b>



Given that the minimum required capital (8% of RWA) thus came to €21,045m at the end of March, the **capital base surplus** was €12,976m.

In the first quarter BBVA sold its interest in **Bradescobank**, which had been classified as available for sale. This produced gross capital gains of €727m (€509m after tax) which are included in the quarter's earnings, reducing unrealised capital gains in Tier II.

At 31-Mar-08 **core capital** stood at €16,516m. It increased 6.2% during the quarter, bringing the **core capital ratio**, which measures core capital against RWA, to 6.3%. At 31-Dec-07 this ratio was 5.8%, calculated under the same criterion.

**Preference securities** contributed €4,419m which reduced their share of core shareholder funds to 21.6% (23.0% at 31-Dec-07).

The **Tier I** ratio thus stood at 7.8% (up on the 7.3% at the end of 2007 calculated on a like-for-like basis).

Other eligible capital (**Tier II**), which mainly consists of subordinate debt, eligible unrealised capital gains and surplus generic provisions over the expected loss included in this calculation, amounted to €13,560m. As a result, the Tier II ratio stood at 5.2% (5.7% at 31-Dec-07 like for like).

Following this the **BIS Ratio** of total capital at 31-Mar-08 stood at 12.9%, compared to 13.0% at 31-Dec-07.

## Ratings

Following publication of the Group's 2007 results, Standard & Poor's raised BBVA's rating from AA- to AA, with **outlook stable**. In fact, BBVA is the only financial group (among European and American banks) whose rating has been upgraded by all the three main agencies in the last 12 months. Standard & Poor's based its upgrade on BBVA's better performance compared to its rivals. It also took a positive view of the strength of the Group's regional franchises, its growing diversification, its sound asset quality, the prudent approach of its management team and its reduced exposure to the industrial equity portfolio.

Ratings				
	Long term	Short term	Financial strength	Outlook
Moody's	Aa1	P-1	B	Stable
Fitch	AA-	F-1+	A/B	Positive
Standard & Poor's	AA	A-1+	-	Stable

During the **first quarter of 2008** it became apparent that the global financial crisis is more severe than expected and will affect the general economy. The current macroeconomic forecast is one of lower growth in developed countries, mainly in the USA and Europe. Therefore the acceleration of regulatory measures and decisions on fiscal and monetary policies seeks to mitigate the weakening macroeconomic and financial outlook. In an environment of great uncertainty surrounding growth in the US economy, the Federal Reserve stepped up the pace of its interest rate cuts. However a relatively stronger performance by the European economy and the rise in inflation due to higher energy and food prices have pushed back expectations of interest rate cuts by the ECB. This in turn put further pressure on the dollar exchange rate.

The revised macroeconomic scenario led to a sharp adjustment in equity markets during the first quarter. The overall performance of the **major indices** (especially in Europe) was negative during the period. The Stoxx 50 fell 18.1%, the FTSE was down 10.9% and the S&P 500 in America lost 9.9%. Negative sentiment surrounding Spain and lower forecasts of economic growth also had an impact on the local share market and the IBEX 35 fell 12.6% in the first quarter of 2008.

In terms of the **banking sector**, the 2007 results of European banks (reported at the beginning of 2008) reflected charges originating from the subprime crisis and credit markets. This caused analysts to cut back their forecasts for the next few years. As a result, bank shares fell further than other sectors (although they appear to have recovered in recent weeks). The Stoxx Banks index lost 18.9% in the first quarter. The decline was greater on the continent whereas the FTSE index of British banks (which had been heavily penalised in 2007) fell only 10.1%.

In the context of this sharp correction in the markets, **BBVA** fared better than the sector average, declining 16.8%. In fact BBVA's share price has outperformed the banking sector over the last 12 months, losing 24.1% while Europe Stoxx Banks fell 32.5%.

In general, **BBVA's earnings** in 2007 met analysts' expectations and were received favourably. They noted the absence of unpleasant surprises, which was particularly welcome given the high degree of uncertainty in the sector. Moreover, they were impressed by the strength of net interest income in Spain despite the anticipated slowdown. The consistent business trends in Mexico were also noted and this was especially relevant in view of the



The BBVA share			
	31-03-08	31-12-07	31-03-07
Number of shareholders	891,266	889,734	878,899
Number of shares issued	3,747,969,121	3,747,969,121	3,551,969,121
Daily average number of shares traded	53,969,024	50,958,752	47,089,576
Daily average trading (million euros)	769	908	882
Maximum price (euros)	16.82	20.28	20.28
Minimum price (euros)	12.41	15.40	17.35
Closing price (euros)	13.95	16.76	18.38
Book value per share (euros)	6.82	6.62	5.31
Market capitalisation (million euros)	52,284	62,816	65,285

Share performance ratios			
	31-03-08	31-12-07	31-03-07
Price/Book value (times)	2.0	2.5	3.5
PER (Price/Earnings; times) <sup>(1)</sup>	8.2	10.3	10.7
Yield (Dividend/Price; %) <sup>(2)</sup>	5.95	4.37	3.99

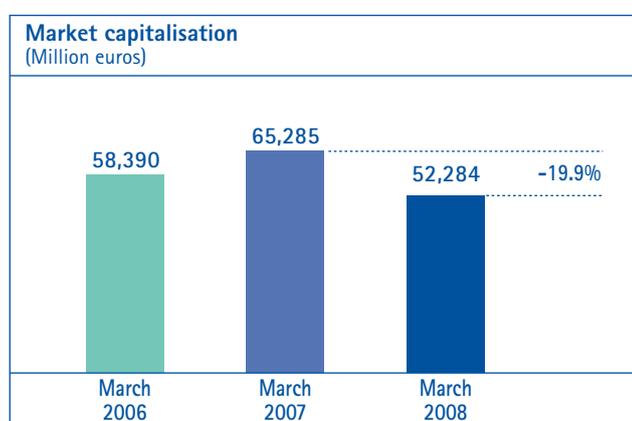
(1) The 31-3-08 P/E is calculated taking into consideration the median of the analysts' estimates (April 2008).  
(2) Dividend yield at 31-3-08 is calculated taking into consideration the median of analysts' estimates (April 2008).

potential impact of developments in the US. Analysts thus continue to believe that BBVA's shares can outperform the average of its peer group. It should be observed that BBVA's business has suffered no significant impact from recent market turbulence. This confirms its low risk profile and proven capacity to generate recurrent earnings.

During the first quarter, **BBVA's share** price varied between €12.41 and €16.82, closing at €13.95 on 31-Mar-08. This puts market capitalisation at €52,284m. Furthermore the price/earnings ratio (calculated using the above closing price and analysts' estimates of 2008 earnings) stands at 8.2, compared to 10.3 in 2007 (using the comparable figures at the end of that year). The price/book value is 2.0 and the **dividend yield** (based on analysts' forecasts for 2008) comes to 5.95%.

Average number of shares traded each day in the first quarter of 2008 was 54 million, with an average value of €769m. Both figures are slightly less than the previous quarter.

In terms of **shareholder remuneration**, on 10th April 2008 the bank paid a final gross dividend against 2007 results of €0.277 per share. This brought total dividends against 2007 earnings to €0.733 per share (15.1% higher than 2006).



## Risk management

### Credit risk

Within the complex environment in which the banking industry has been operating since the second half of 2007, the BBVA Group continues to stand out as one of the big European banking groups with highest-quality assets. Its loan portfolio has a low, tightly controlled non-performing loan ratio and its coverage ratio remains high.

At 31st March 2008, **total risk exposure** (including contingent risks) stood at €391,879m. This 22.9% increase over the €318,913m at 31-Mar-07 was 17.7% without the risks of the Compass banking group. **Non-performing assets** accounted for €3,878m at the end of March, as against €2,693m on the same date the previous year. Excluding Compass, this figure was €3,441m. Their 33.7% year-on-year increase was due to the aforementioned rise in total risks, changes in product mix with a shift towards higher returns, and a less favourable macro-economic environment.

The Group thus had a **non-performing-loan ratio** of 0.99% at the end of 1Q08, as compared with 0.84% on the same date the previous year, and 0.89% on 31st

**Non-performing loan ratio**  
(Percentage)



December 2007. In the Spain & Portugal business area, the NPL ratio reached 0.93% (0.60% at 31-Mar-07). This was maintained below the average of the banks and savings banks in Spain and the latest available data show this advantage widening. The NPL ratio was even lower in the home-finance portfolio for individuals and developers (0.58%). The majority of this portfolio comprises loans for owner-occupiers with a low loan-to-value ratio. The NPL ratios in the other business areas went down over the last twelve months: in Wholesale Banking and Asset Management the ratio remained at record lows of 0.02% (0.03% in March 2007); in Mexico it dropped to 2.16% (from 2.33%); in

### Credit risk management

(Million euros)	31-03-08	Δ%	31-03-07	31-12-07
<b>TOTAL RISK EXPOSURE <sup>(1)</sup></b>				
Non-performing assets	3,878	44.0	2,693	3,408
Total risks	391,879	22.9	318,913	383,843
Provisions	7,740	9.1	7,093	7,662
• Specific	1,897	0.3	1,892	1,868
• Generic and country-risk	5,843	12.3	5,201	5,794
NPL ratio (%)	0.99		0.84	0.89
NPL coverage ratio (%)	200		263	225
<b>MEMORANDUM ITEM:</b>				
Foreclosed assets	292	20.6	242	237
Foreclosed asset provisions	70	(21.4)	89	96
Coverage (%)	23.9		36.6	40.5

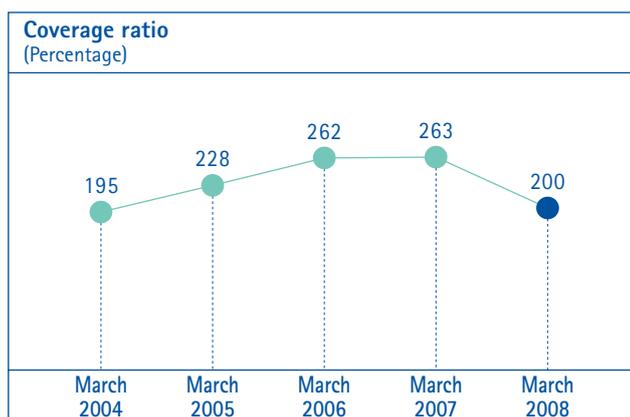
(1) Including contingent liabilities.

Variations in non-performing assets					
(Million euros)	2008	2007			
	1Q	4Q	3Q	2Q	1Q
<b>BEGINNING BALANCE</b>	<b>3,408</b>	<b>3,255</b>	<b>2,918</b>	<b>2,693</b>	<b>2,531</b>
<b>Net variation</b>	<b>470</b>	<b>153</b>	<b>337</b>	<b>225</b>	<b>162</b>
Entries	1,591	1,501	1,108	1,049	947
Outflows	(716)	(710)	(557)	(567)	(583)
Write-offs	(347)	(581)	(428)	(265)	(224)
Exchange rate differences and other	(58)	(57)	214	8	22
<b>PERIOD-END BALANCE</b>	<b>3,878</b>	<b>3,408</b>	<b>3,255</b>	<b>2,918</b>	<b>2,693</b>
<b>MEMORANDUM ITEM:</b>					
• Non-performing loans	3,837	3,358	3,212	2,881	2,655
• Non-performing contingent liabilities	41	49	43	37	38

South America it was 2.42% (2.62% one year earlier) and in USA its also fell (from 2.13% at 31-Mar-07 to 1.97%) following the incorporation of Compass.

The high growth in lending continued to require further top-ups to generic provisioning, pushing **loan-loss provisions** to €7,740 at the end of March 2008, 9.1% higher than the €7,093m in March 2007. Generic provisions accounted for 73.7% of total provisions (71.4% twelve months earlier) and stood at €5,708m, having increased 12.8% over the €5,061 at 31-Mar-07.

The **coverage ratio** consequently continued to reflect the strong asset quality both in the Group as a whole (200% at 31-Mar-08, as against 263% from the same date in 2007) and in all its business areas: 185% in Spain & Portugal; over 6,600% in Wholesale Banking and Asset Management; 249% in Mexico; 92% in the United States, and 131% in South America.



## Market risk

In an environment that continues to reflect high market volatility, market risk measured by value at risk (without exponential flattening) on the BBVA Group's trading portfolio stood at an average of €22.7m during the first quarter of 2008. This figure was down 4% on the fourth quarter of 2007. At 31-Mar-08, exposure was €22.1m, while the average weighted consumption of VaR limits remained at moderate levels (40%).

These risk acceptance levels are half of the risks taken by the European peer group of BBVA.

By **geographical regions**, market exposure remained concentrated in Europe and the United States, which accounted for 77.3% of the average total for the first



(1) From 29-Feb-08 the methodology applied is that of historical simulation, in accordance with the internal model approved by the Bank of Spain for the trading portfolios of BBVA, S.A. and BBVA Bancomer.

quarter. Mexico accounted for 16% and South America for the remaining 6.7%.

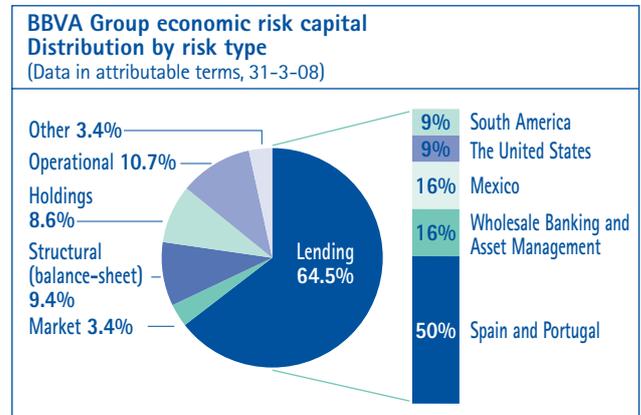
The largest **risk type** borne on the market at 31st March 2008 was interest-rate risk. The next largest was the volatility risk associated to optional positions (vega) and credit spread risk, which increased its weight. Equity risk and exchange-rate and correlation risk remained stable.

Market risk by risk factors	
(First Quarter 2008. Million euros)	
Risk	31-03-08
Interest	16.3
Credit spread	8.5
Exchange rate	1.9
Equity	4.1
Vega and correlation	12.4
Diversification effect	(21.1)
<b>TOTAL</b>	<b>22.1</b>
<b>AVERAGE</b>	<b>22.7</b>
<b>MAXIMUM</b>	<b>26.2</b>
<b>MINIMUM</b>	<b>17.0</b>

## Economic capital

The Group's consumption of economic risk capital (ERC) reached €18,835m<sup>[1]</sup> at the end of March, with a slight 0.8% decrease against December 2007.

ERC for credit risk remained stable during the quarter, while operational-risk ERC diminished by 2.9% and market-risk ERC went down 3.5%.



<sup>(1)</sup> This figure includes the annual effects of recalibration and review of models implemented in January 2008; the 31-Dec-07 like-for-like figure would be €18,992m, as opposed to the published figure of €19,398m.

# Economic profit & risk adjusted return on economic capital

The figures for economic profit (EP) and risk-adjusted return on capital (RARoC) form part of an array of elements that BBVA uses to manage its value-creation metrics more efficiently.

Calculation starts with adjustments to the net attributable profit: substituting generic provisions with an allocation based on expected losses; accounting the changes in unrealised capital gains on the holding portfolios; applying the difference between all the accounting positions of Global Markets and their market value; and reflecting changes in the total net-asset value due to exchange-rate variations on holdings in Group companies. During the first quarter of 2008, these accounted for –€1,575m due basically to changes in latent capital gains. Thus, **adjusted profit** stood at €376m.

Since these figures may be temporarily distorted by market volatility, **recurrent** data also need to be calculated. These mainly reflect the value of customer business, excluding the earnings of units impacted by changes in capital gains on portfolio investments. Such **recurrent adjusted profit** stood at €1,340m, 13.5% up on the €1,181m recorded in 1Q07.

The required economic capital for each business unit (average economic risk capital (ERC) over the period, ie, €18,959m in 1Q08) is then multiplied by the percentage **cost of capital** and deducted from the adjusted profit. The cost of capital is based on market information extracted from the analysts' consensus, using different rates for each business unit and business area.

This gives an **economic profit** of –€114m for the quarter. **Recurrent economic profit** stood at €930m, reflecting the degree to which BBVA's profits exceed the cost of capital employed. This difference is the economic value of BBVA shareholders' return. The 1Q08 recurrent economic profit was 13.1% higher than the €822m booked to the first quarter of 2007.

The **RARoC** figure measures the return earned by each business unit adjusted to the risks it bears. Comparing the annualised adjusted profit against the average economic risk capital (ERC) for the quarter gives a RARoC of 8.0%, while **recurrent RARoC** was 33.0% (34.0% in 1Q07).

Economic profit and risk adjusted return on economic capital			
(Million euros)	1 <sup>st</sup> Quarter 08	Δ%	1 <sup>st</sup> Quarter 07
<b>NET ATTRIBUTABLE PROFIT</b>	<b>1,951</b>	-	<b>1,950</b>
Adjustments	(1,575)	n.m.	(286)
<b>ADJUSTED NET ATTRIBUTABLE PROFIT (A)</b>	<b>376</b>	<b>(77.4)</b>	<b>1,664</b>
Average economic risk capital (ERC) (B)	18,959	12.5	16,854
<b>RISK ADJUSTED RETURN ON ECONOMIC CAPITAL (RAROC) = (A)/(B) * 100<sup>(1)</sup></b>	<b>8.0</b>		<b>40.0</b>
<b>RECURRENT RAROC (%)<sup>(1)</sup></b>	<b>33.0</b>		<b>34.0</b>
ERC x cost of capital (C)	489	11.1	440
<b>ECONOMIC PROFIT (EP) = (A) - (C)</b>	<b>(114)</b>	<b>n.m.</b>	<b>1,224</b>
<b>RECURRENT ECONOMIC PROFIT</b>	<b>930</b>	<b>13.1</b>	<b>822</b>

(1) Percentage annualized.

EP and RAROC by business area							
(1 <sup>st</sup> Quarter 2008. Million euros and percentage)	Average economic risk capital (ERC)	Adjusted net attributable profit	Recurrent adjusted net attributable profit	RAROC (% annualized)	Recurrent RAROC (% annualized)	Economic profit (EP)	Recurrent economic profit (recurrent EP)
Spain and Portugal	7,188	664	664	37.2	37.2	502	502
Wholesale Banking and Asset Management	3,190	126	237	15.9	36.5	45	174
Mexico	2,934	460	460	63.0	63.0	376	376
The United States	1,720	80	80	18.7	18.7	36	36
South America	1,830	180	180	39.5	39.5	123	123
Corporate Activities	2,097	(1,134)	(280)	-	-	(1,196)	(282)
<b>BBVA GROUP</b>	<b>18,959</b>	<b>376</b>	<b>1,340</b>	<b>8.0</b>	<b>33.0</b>	<b>(114)</b>	<b>930</b>

Information by area is a fundamental tool for monitoring and controlling the Group's various businesses. In this section we discuss the more significant aspects of the activities and earnings of the Group's different business areas, together with those of their main units.

The breakdown by business area starts at the lowest level where all the initial accounting data for the business in question are collected. Management groups the data from these units in a predefined manner to arrive at the picture for the main units and, finally, for the business areas themselves. Likewise, the Group's subsidiaries are also assigned to particular business areas according to their type of activity. If a company's activities do not match a single area, the Group allocates these and the corresponding earnings to a number of relevant units.

Once management has defined the composition of each area, it applies certain **management adjustments** inherent in the model. The most relevant of these are:

- **Capital:** the Group allocates economic risk capital (ERC) commensurate with the risks incurred by each business. This is based on the concept of unexpected loss at a certain level of statistical confidence, depending on the Group's targets in terms of capital adequacy. These targets have two levels: the first is core equity, which determines the allocated capital. The Bank uses this amount as a basis for calculating the return generated on the equity in each business (ROE). The second level is total capital, which determines the additional allocation in terms of subordinate debt and preference shares. The ERC calculation combines lending risk, market risk, and structural risk associated with the balance sheet and equity positions, operational risk and fixed asset and technical risks in the case of insurance companies.

Shareholders' equity, as calculated under current regulation, is an extremely important concept for the overall Group. However, for the purpose of allocating capital to business areas the Bank prefers ERC. It is risk-sensitive and thus linked to the management policies of individual businesses and the business portfolio. This procedure anticipates the approach adopted by the Basel II rules on capital. These provide an equitable basis for assigning capital to businesses according to the risks incurred and they will make it easier to compare profitability across units.

- **Internal transfer prices:** the Bank uses rates adjusted for maturity to calculate the net interest income for each business. It also examines the interest rates for the different assets and liabilities that make up each unit's balance sheet.

In cases where there are revenue-generating units as well as distribution units (eg, asset management products), it divides the earnings according to market prices.

- **Assignment of operating expenses:** the Bank assigns direct and indirect costs to business areas except where there is no closely defined relationship, ie, when they are of a clearly corporate or institutional nature for the entire Group.
- **Cross-business register:** as a result of the correct assignment of earnings, in some cases consolidation adjustments are required to eliminate duplicate accounting entries caused by cross-marketing incentives.
- In the breakdown of information, the **top level** comprises the business areas. They are broken down into their main operating units and information is provided for these as well. The arrangement of the areas is different to that in 2007 and reflects the new structure adopted at the end of that year.
- **Business in Spain and Portugal**
- **Wholesale Banking and Asset Management:**
  - Corporate and Investment Banking
  - Global Markets
- **Businesses in Mexico:**
  - Banking businesses
  - Pensions and Insurance
- **Businesses in the United States**
- **Businesses in South America:**
  - Banking businesses
  - Pensions and Insurance

Apart from the above units, all business areas have another unit that groups other business as well as eliminations and unassigned items.

**The Corporate Activities** area handles the Group's general management functions. These mainly consist of structural positions for interest rates associated with the euro balance sheet and exchange rates, together with liquidity issues and shareholders' funds. The management of structural risks related to interest rates in currencies other than the euro is handled by the corresponding areas. This area also includes the industrial portfolio management unit and financial shareholdings.

The **second level** is geographic. The Group provides a breakdown by region for total assets and for the major figures on the income statement (ordinary revenues, operating profit and attributable profit). These are calculated by assigning the corresponding amounts generated by global businesses and Corporate Activities to each geographic area. Furthermore for

the South America area we show operating profit and net attributable profit by country (including banking, pension and insurance activities in each case). These figures and those for Mexico and USA are not the same as those given for the geographic breakdown because they do not include global businesses or corporate activities.

The present composition of the Group's main business areas is as follows:

- **Spain and Portugal:** this includes the Spanish Retail Network (individual customers, high net-worth individuals and small companies and businesses in the domestic market), the Corporate and Business Banking unit (SMEs, large companies, institutions and developers in the domestic market), and the remaining units, in particular, Consumer Finance, European Insurance and BBVA Portugal.
- **Wholesale Banking and Asset Management:** consisting of Corporate and Investment Banking (includes the activities of the European, Asian and New York branches); Global Markets (trading floor business and distribution in Europe, Asia and New York); Asset Management (mutual and pension funds in Spain, hedge funds and private equity); the management of the Group's own equity portfolios and real estate businesses; and Asia (through the Group's holding in the Citic group).

- **Mexico:** this area includes the banking, insurance and pension businesses in Mexico.
- **The United States:** it comprises the banking and insurance business in the USA and Puerto Rico.
- **South America:** this consists of banking, insurance and pension businesses in South America.

The information on each area and on the units it contains consists of an income statement and balance sheet (with details of the main items such as inter-area positions and the allocation of economic capital). There is also a series of key indicators, including customer lending, customer deposits, off-balance-sheet customer funds, risk-weighted assets, ROE, cost/income ratio, non-performing loan and coverage ratios. The income statement and balance sheet for Corporate Activities is also provided. These show the counterparts for the inter-area positions (liquidity provided to other areas) and the economic capital allocations, as well as the Group's funding and equity accounts.

The figures for 2007 were prepared using the same criteria and area structure as in 2008 and therefore provide a uniform year-on-year comparison. As usual, in the case of units in the Americas, we provide the year-on-year percentage changes calculated at constant exchange rates as well as at current rates.

Operating profit and net attributable profit by business area								
(Million euros)	Operating profit				Net attributable profit			
	1 <sup>st</sup> Quarter 08	Δ%	Δ% at constant exchange rates	1 <sup>st</sup> Quarter 07	1 <sup>st</sup> Quarter 08	Δ%	Δ% at constant exchange rates	1 <sup>st</sup> Quarter 07
Spain and Portugal	1,102	14.0	14.0	967	698	18.0	18.0	592
Wholesale Banking and Asset Management	354	31.4	31.4	270	266	44.6	44.6	184
Mexico	960	13.4	27.0	847	501	12.4	25.9	446
The United States	181	183.3	223.8	64	84	119.7	151.0	38
South America	431	20.4	31.3	358	181	9.0	19.4	166
Corporate Activities	(329)	110.8	110.8	(156)	(288)	68.3	68.3	(171)
<b>BBVA GROUP EXCLUDING ONE-OFFS</b>	<b>2,700</b>	<b>14.9</b>	<b>21.6</b>	<b>2,349</b>	<b>1,442</b>	<b>14.9</b>	<b>21.4</b>	<b>1,254</b>
<b>BBVA GROUP</b>	<b>3,427</b>	<b>7.2</b>	<b>11.7</b>	<b>3,196</b>	<b>1,951</b>	<b>-</b>	<b>3.6</b>	<b>1,950</b>

ROE and efficiency				
(Percentage)	ROE		Efficiency including depreciation and amortization	
	1 <sup>st</sup> Quarter 08	1 <sup>st</sup> Quarter 07	1 <sup>st</sup> Quarter 08	1 <sup>st</sup> Quarter 07
Spain and Portugal	39.1	37.3	36.1	38.7
Wholesale Banking and Asset Management	33.5	33.4	26.4	29.6
Mexico	68.7	56.0	31.2	34.2
The United States	19.6	23.5	63.7	63.5
South America	39.9	38.2	42.8	44.9
<b>BBVA GROUP <sup>(1)</sup></b>	<b>25.2</b>	<b>30.5</b>	<b>42.9</b>	<b>42.4</b>

(1) Excluding one-off operations.

Income statement			
(Million euros)	1Q08	Δ%	1Q07
<b>NET INTEREST INCOME</b>	<b>1,132</b>	<b>13.9</b>	<b>994</b>
Income by the equity method	1	219.9	-
Net fee income	413	(1.5)	420
Income from insurance activities	123	15.3	107
<b>CORE REVENUES</b>	<b>1,670</b>	<b>9.8</b>	<b>1,521</b>
Net trading income	63	5.5	60
<b>ORDINARY REVENUES</b>	<b>1,733</b>	<b>9.6</b>	<b>1,581</b>
Net revenues from non-financial activities	17	14.6	15
Personnel and general administrative expenses	(620)	1.6	(610)
Depreciation and amortization	(28)	5.8	(27)
Other operating income and expenses	1	(91.2)	8
<b>OPERATING PROFIT</b>	<b>1,102</b>	<b>14.0</b>	<b>967</b>
Impairment losses on financial assets	(107)	11.2	(96)
• Loan-loss provisions	(108)	13.0	(96)
• Other	1	n.m.	(1)
Provisions	2	n.m.	-
Other income/losses	(1)	n.m.	4
<b>PRE-TAX PROFIT</b>	<b>996</b>	<b>13.8</b>	<b>875</b>
Corporate income tax	(297)	4.9	(283)
<b>NET PROFIT</b>	<b>698</b>	<b>18.0</b>	<b>592</b>
Minority interests	-	(56.6)	-
<b>NET ATTRIBUTABLE PROFIT</b>	<b>698</b>	<b>18.0</b>	<b>592</b>

Balances			
(Millones de euros)	31-03-08	Δ%	31-03-07
Cash and balances at Central Banks	2,067	10.1	1,877
Financial assets	13,660	(5.0)	14,381
Loans and receivables	202,615	8.3	187,044
• Due from banks	2,810	(36.9)	4,452
• Loans to customers	198,957	9.2	182,174
• Other	849	103.1	418
Inter-area positions	-	-	-
Property, plant and equipment	1,395	(2.3)	1,428
Other assets	1,647	(38.9)	2,697
<b>TOTAL ASSETS / LIABILITIES AND EQUITY</b>	<b>221,384</b>	<b>6.7</b>	<b>207,428</b>
Deposits by Central Banks and banks	14,806	39.8	10,594
Due to customers	89,093	13.5	78,473
Marketable debt securities	5,359	(30.6)	7,720
Subordinated debt	4,065	7.9	3,768
Inter-area positions	89,279	10.6	80,754
Other liabilities	11,570	(41.0)	19,610
Minority interests	2	(74.3)	6
Economic capital allocated	7,210	10.9	6,503

Relevant business indicators			
(Million euros and percentages)	31-03-08	Δ%	31-03-07
Customer lending <sup>(1)</sup>	199,178	8.5	183,577
Customer deposits <sup>(2)</sup>	93,135	10.1	84,555
• Deposits	93,060	10.2	84,437
• Assets sold under repurchase agreement	74	(37.2)	118
Off-balance-sheet funds	50,046	(6.3)	53,437
• Mutual funds	40,264	(8.3)	43,909
• Pension funds	9,782	2.7	9,527
Other placements	5,240	(26.6)	7,138
Customer portfolios	12,983	(11.7)	14,704
Risk-weighted assets <sup>(3)</sup>	90,121	10.9	81,287
ROE (%)	39.1		37.3
Efficiency ratio (%)	34.5		37.0
Efficiency incl. depreciation and amortization (%)	36.1		38.7
NPL ratio (%)	0.93		0.60
Coverage ratio (%)	185		291

(1) Gross lending excluding NPLs. (2) Includes collection accounts and individual annuities. (3) According to ERC methodology.

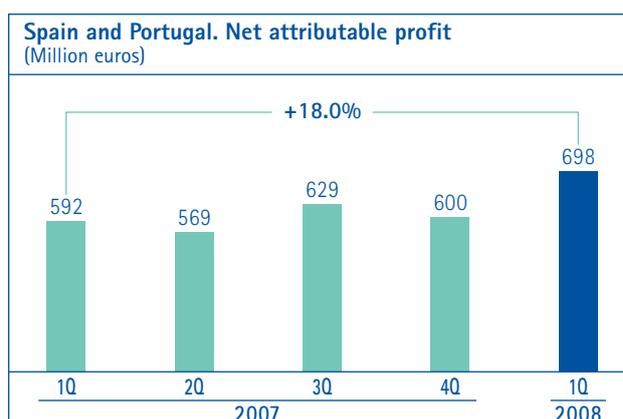
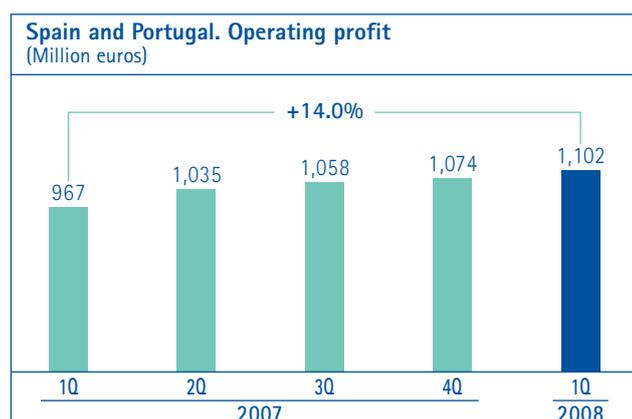
Through its Retail Banking Unit the Spain & Portugal Area provides services to private individual customers (including the high-net-worth segments handled by BBVA Patrimonios), small companies, professional practices, the self-employed, retailers and the farming community. The area also contains the Corporate & Business Banking Unit (CBB), which deals with SMEs, large companies, subsidiaries of multinationals, public and private institutions, and developers. Other units in this area include Consumer Finance (handled by Finanzia and Uno-e), the insurance unit (Seguros Europa) and BBVA Portugal.

At the end of 2007 the area transferred some of its customers to Wholesale Banking & Asset Management Area with the goal of serving them more effectively. In view of these changes and the incorporation of BBVA Patrimonios

(part of Wholesale Banking & Asset Management in 2007) we have adjusted past records to provide comparisons on a like-for-like basis.

In a related operation at the end of March, we further transformed the retail network by creating **Retail Banking Centres**. These will provide our sales force and experts with access to a larger number of customers, leading to greater emphasis on marketing and to improvements in productivity and efficiency.

In fact, the marketing in the area entails considerable innovation, personalisation and guidance. The product range must be continually extended to respond to customers' latest needs and to the ever-changing business environment.



In particular the transformation plan requires constant attention to training of the sales force. However the improvements can be seen in a steady rise in marketing productivity while maintaining strict risk controls. As a result financing of operations with a high credit rating continues to grow whereas lending to business segments with greater exposure is being reined in faster than our competitors. This is occurring in a context in which lending is growing more slowly than the first quarter of 2007. At 31-Mar-08 the area's **loan portfolio** had risen 8.5% year-on-year to €199,178m and the non-performing loan ratio was 0.93%. This figure is lower than the average for all credit entities in Spain (1.12% according to the latest figure available).

In terms of **customer funds**, time deposits continued their two-year upward trend, rising 34.0% compared to 31-Mar-07 and market share also improved. Despite the steady transfer to products reported on the balance sheet, the mutual funds managed by BBVA outperformed competitors, declining only 7% (the sector average declined 15%). This means we have gained 159 basis points of market share since 31-Mar-07. In fact, we maintained subscription levels (especially in the more conservative types), we did not participate in the massive redemptions in the market and we concentrated less on funds linked to equities. These actions resulted in a smaller negative price effect. Aggregate customer funds in the area come to €148,347m (€145,012m at 31-Mar-07). Deposits included on the balance sheet rose 10.2% and stable funds account for €87,755m (€84,810m at 31-Mar-07).

An improvement in customer spreads (despite pricing pressure on loans and deposits), together with a higher volume of business, helped **net interest income** to rise 13.9% to €1,132m (2.17% of assets). Net fee income from mutual funds was lower (down 9.7%) and this meant total fee income also fell because fees on banking services rose 3.0%.

The contribution from the insurance business was up 15.3% and net trading income came to €63m. Expenses increase only 1.6%, well below inflation and the growth in revenues. As a result **operating profit** rose 14.0% to €1,102m and the **cost/income ratio** was 36.1%, an improvement of 2.6 percentage points compared to 38.7% at 31-Mar-07.

Net loan-loss provisions increased 13.0% to €108m. Thus the coverage ratio for non-performing loans stands at 185%.

The above provisions were offset by higher recurrent earnings and therefore **net attributable profit** rose 18.0% to €698m. This meant a further improvement in profitability: ROE stands at 39.1% (37.3% a year earlier).

## Spanish Retail Network

This unit accounts for 62% of the area's business and 56% of its earnings. It services the financial and non-financial needs of households, professional practices, retailers and small businesses as well as the high-net-worth segment of private individuals through a specialised unit (BBVA Patrimonios). It offers its customers copious guidance, innovative retail services and a wide range of products.

During the first quarter of 2008 it operated in a scenario in which lending to small companies and especially to individuals is slowing gradually. Deposits were up sharply and the NPL ratio is increasing – although in general terms and compared to other markets it is still low.

By the end of the quarter this unit had lifted **marketing productivity** once again to 48.2 products per account manager per month (up 6.2% year-on-year). Operating profit came to €644m (up 8.5%) and net attributable profit was €394m (up 4.1%). At 31-Mar-08 lending to customers had risen to €102,156m (up 7.1%) and customer funds stood at €113,522m.

In the **private-individual segment** the Spanish retail network booked sales of €2,869m in **residential mortgage loans** during the quarter. About 20% of these were the result of the bank's *Ven a Casa* campaign. This campaign and a specific marketing approach for each segment, incorporating a high degree of personalisation, lifted the loan portfolio to €67,434m at 31-Mar-08 (up 9.0%). The **consumer finance** business booked €850m in new operations during the quarter, bringing total consumer loans to €9,592m (up 2.4%).

In terms of **customer funds**, in the first months of 2008 demand continues to focus on the more stable products reported on the balance sheet, at the expense of current and savings accounts. This also applies to mutual funds, which are affected by the downturn in the markets. In this scenario the unit continued to enjoy vigorous growth in time deposits (up 34.8%), helped by the launch of products such as the new range of *Depósitos Dobles*. It also

outperformed its rivals in mutual funds where assets under management fell 7.1% to €37,888m. The sector average fell considerably further and thus BBVA's market share increase. Pension funds rose 2.7% and consequently stable customer funds (time deposits, mutual and pension funds, and other placements) came to €82,698m (€79,407m at 31-Mar-07).

Furthermore during the quarter the unit launched a new savings plan (*Ahorro Sistemático*) that captured €12m in one month. It also added 90,000 direct-deposit salaries via a specific campaign. In the life insurance business it issued €10m of premiums in the private-individual segment (three times the amount achieved in the first quarter of 2007).

**BBVA Patrimonios**, the unit that handles high-net-worth individuals in Spain, currently manages assets of €10,851m (€13,078m at 31-Mar-07) after increasing the number of customer groups by 7.4% to 1,853. The unit's marketing activity during the quarter included issues of €31m in structured products. In connection with the "family office" range, tourism projects were approved as part of the Mexican real estate product (Real Estate México I, II and III) and a second capital increase of €9m for these companies. BBVA Patrimonios received the Euromoney 2008 prize for the best private banking unit, confirming its product innovation and highly specialised model for servicing customers.

The **small business segment** includes professional practices, the self-employed, retailers, the farming community and companies with less than €2m in turnover. The unit's loan portfolio stands at €17,558m (up 6.2%) after adding €3,351m in new operations during the quarter. In addition it completed 5,227 risk hedging operations (up 85%), boosted by marketing of new products such as inflation cover. Its latest insurance policy (*Más Cobertura Profesional*), designed for the self-employed and professional practices, was also well received. Some 5,300 policies were sold during the quarter, with premiums totalling €3m.

Long-term activities include 2,200 operations financed with funds from the official credit institute (ICO) and BBVA handled more than 14,000 subsidies in the farming sector worth €67m. Furthermore an increasing number of customers are turning to **BBVA Selección** for non-financial services such as on-line accounting, human resources management, etc.

## Corporate and Business Banking

The Corporate & Business Banking Unit (CBB) accounts for 40% of earnings and 34% of the area's business volume. It covers SMEs, large companies, institutions and developers (which was previously part of Retail Banking and joins the unit in 2008). The components of this unit were also modified by the transfer of large-company units to the Wholesale Banking & Asset Management Area and the transfer of micro-firms to the Retail Banking Unit. Past records were adjusted to provide comparisons on a like-for-like basis.

The unit's loan portfolio increased 9.0% to €87,248m whereas customer funds were more active, rising 15.8% to €30,564m at 31-Mar-08. This increase in business was complemented by action to defend spreads and by contributions from other revenue streams (including the sale of hedging instruments). As expenses rose less than income, operating profit came to €391m (up 24.5%) and net attributable profit was €282m (up 50.5%).

BBVA signed a new agreement with the government (**ICO-2008**) in January, allowing banks to distribute finance for projects that make Spanish companies more competitive. For 15 years BBVA has been the top bank by number of operations (127,000) in distributing the ICO-PYME credit line. Most of the finance BBVA makes available under this scheme (€251m in the first quarter) is handled by CBB and entails considerable cross-marketing. Some 26% of those who sign a leasing agreement also take out an insurance policy, 14% of companies acquire a hedging contract and 11% are new customers.

In the **SME segment**, the loan portfolio stands at €35,833m and customer funds are €8,853m. Cumulative operating profit for the year to March came to €236m (up 21.0% year-on-year) and net attributable profit was €164m (up 35.5%).

In business with **large companies** total loans come to €14,499m (up 19.7%) and customer funds are €4,563m (up 13.9%). Operating profit comes to €68m (up 27.9%) and net attributable profit was €50m (up 85.7%).

The Group manages a portfolio of loans to public and private **institutions** of €19,755m (up 3.7%) with customer funds of €17,144m (up 40.2%). Operating profit came to €60m (up 35.8%) and net attributable profit was €50m (up 67.6%).

In other relevant operations during the quarter BBVA was awarded management of meal vouchers for 40% of the Catalan government's employees, via 12,000 new BBVA restaurant cards. Furthermore the unit arranged a real-estate leasing contract for land and industrial buildings entailing a licence from the Barcelona Port Authority, worth €40m over 13 years.

BBVA's has expert knowledge and is highly specialised in the **property development segment**. It applied strict controls during the recent expansive phase of the real estate market. Thus the increase in lending in past years was restricted to operations of considerable quality and to companies with high credit ratings. This has resulted in a NPL ratio of 0.15%. Furthermore such lending accounts for only 8.5% of the area's portfolio. In both cases these figures are far below the sector average. During the first quarter the outstanding balance of these loans grew 2.5% over 31-Dec-07 (6.4% in the first quarter last year).

The **transaction services unit** ended the first quarter with a user-base of 76,000 customers. During the period, it handled more than 58 million payments and collections. The volume of foreign trade brokered by BBVA grew more than 28% year-on-year. It also started two new services: a payment service for Madrid City Council, using digital certificates, and a file standardisation service. The latter provides online banking customers with files containing details of collections and payments and information about their accounts, in a user-defined format.

## Other units

### Consumer Finance

This unit manages online banking, consumer finance, cards and leasing plans that include maintenance. These activities are conducted via Uno-e, Finanzia and other companies in Spain, Portugal and Italy. In the first quarter of 2008 it obtained operating profit of €29m and net attributable profit came to €5m.

At 31-Mar-08 its **loan portfolio** amounted to €5,628m (up 26.8% year-on-year). New loans during the period came to €1,201m (€1,237m in the first quarter last year) despite a general market slowdown in this type of activity. In the vehicle prescription business, total stock came to €3,090m (up 40.9%) and market share increased to 14.56% (a gain of 139 basis points during the quarter). The outstanding balance of equipment finance increased 31.2% to €821m and invoicing

rose to €98m. Invoicing of equipment leasing plans rose 42% to €96m, boosting the balance to €710m. The fleet of vehicles in leasing plans that include maintenance stands at 38,968 units. At Uno-e, lending rose 15.2% to €1,104m and new loans grew 2.7% to €500m for the quarter. **Customer funds** managed or brokered came to €1,512m helped by a 27% rise in time deposits.

In **Portugal** BBVA Finanziamento invoiced €59m in the quarter (up 31.5%), bringing the stock of vehicle finance to €404m (up 13.2%). Furthermore the leasing plan companies in **Italy** (which became part of the Group in 2007) now have a fleet of 11,796 vehicles.

### European Insurance

This unit handles insurance business in Spain and Portugal and in the first quarter its own policies contributed earnings of €123m (up 15.3%) and brokerage on the policies of other companies came to €6m. Net attributable profit came to €64m (up 19.1%).

Total **premiums** in the quarter came to €310m of which risk premiums (life and non-life) accounted for €161m. Group insurance schemes account for €92m (up 32.3%) and the rest are premiums on private savings policies. BBVA Seguros continues to lead in individual life insurance policies in Spain with a 16.7% market share at December 2007 (latest available figures).

The unit has extended its **product range** in various segments, launching BBVA car insurance, savings plans (*Ahorro Sistemático*) and a new BBVA 2C policy (for treatment of serious illness). It also introduced two accident policies (*Protección Familiar* and *Más Cobertura Profesional*) for private individuals, the self-employed and SMEs.

### BBVA Portugal

This unit's loan portfolio rose 11.9% to €4,862m (lending to SMEs was up 18% and mortgages rose 9.5%). Customer funds increased 5.9%. As a result, net interest income rose 6.5%. Operating profit came to €12m and net attributable profit was €3.4m (down 9.4%). Generic provisions increased owing to higher business volume.

### Dinero Express

This is a branch network that specialises in the immigrant segment. It has 132 branches of which 33 are shared with BBVA. In the first quarter its volume of money transfers increased 45% year-on-year to €140m. About 50% of this travelled through its own network.

# Wholesale Banking and Asset Management

Income statement									
(Million euros)	Wholesale Banking and Asset Management			Memorandum item:					
				Corporate and Investment Banking			Global Markets		
	1Q08	Δ%	1Q07	1Q08	Δ%	1Q07	1Q08	Δ%	1Q07
<b>NET INTEREST INCOME</b>	<b>127</b>	<b>n.m.</b>	<b>17</b>	<b>120</b>	<b>40.1</b>	<b>86</b>	<b>25</b>	<b>n.m.</b>	<b>(52)</b>
Income by the equity method	137	n.m.	27	-	-	-	-	-	-
Net fee income	102	(8.9)	112	55	6.2	52	6	(59.7)	15
Income from insurance activities	-	-	-	-	-	-	-	-	-
<b>CORE REVENUES</b>	<b>366</b>	<b>134.6</b>	<b>156</b>	<b>175</b>	<b>27.3</b>	<b>138</b>	<b>31</b>	<b>n.m.</b>	<b>(36)</b>
Net trading income	110	(41.2)	187	5	(47.8)	10	122	(30.1)	174
<b>ORDINARY REVENUES</b>	<b>476</b>	<b>38.8</b>	<b>343</b>	<b>181</b>	<b>22.0</b>	<b>148</b>	<b>152</b>	<b>10.6</b>	<b>138</b>
Net revenues from non-financial activities	4	(89.5)	38	-	-	-	-	-	-
Personnel and general administrative expenses	(125)	12.5	(111)	(41)	22.0	(33)	(59)	7.0	(55)
Depreciation and amortization	(2)	19.4	(2)	-	(0.8)	(1)	-	4.0	-
Other operating income and expenses	1	(41.1)	2	-	(19.5)	-	-	(52.5)	-
<b>OPERATING PROFIT</b>	<b>354</b>	<b>31.4</b>	<b>270</b>	<b>139</b>	<b>22.3</b>	<b>114</b>	<b>93</b>	<b>13.3</b>	<b>82</b>
Impairment losses on financial assets	(47)	120.1	(22)	(48)	131.6	(21)	(1)	35.2	(1)
• Loan-loss provisions	(47)	121.0	(21)	(48)	131.6	(21)	(1)	35.2	(1)
• Other	-	n.m.	-	-	-	-	-	-	-
Provisions	-	n.m.	-	-	165.0	-	-	(48.9)	-
Other income/losses	10	n.m.	2	-	(30.5)	-	1	n.m.	-
<b>PRE-TAX PROFIT</b>	<b>316</b>	<b>26.6</b>	<b>250</b>	<b>91</b>	<b>(2.3)</b>	<b>93</b>	<b>93</b>	<b>13.9</b>	<b>82</b>
Corporate income tax	(49)	(24.2)	(65)	(27)	(4.5)	(29)	(24)	21.1	(20)
<b>NET PROFIT</b>	<b>267</b>	<b>44.5</b>	<b>185</b>	<b>64</b>	<b>(1.3)</b>	<b>65</b>	<b>69</b>	<b>11.5</b>	<b>62</b>
Minority interests	(1)	19.5	(1)	-	-	-	(1)	(17.1)	(2)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>266</b>	<b>44.6</b>	<b>184</b>	<b>64</b>	<b>(1.3)</b>	<b>65</b>	<b>67</b>	<b>12.3</b>	<b>60</b>

Balance sheet									
(Million euros)	Wholesale Banking and Asset Management			Memorandum item:					
				Corporate and Investment Banking			Global Markets		
	31-03-08	Δ%	31-03-07	31-03-08	Δ%	31-03-07	31-03-08	Δ%	31-03-07
Cash and balances at Central Banks	1,058	6.9	990	35	37.2	26	1,018	5.8	962
Financial assets	50,032	20.1	41,649	906	(10.7)	1,014	46,326	21.8	38,035
Loans and receivables	43,513	(37.2)	69,244	38,465	47.6	26,058	3,133	(92.4)	41,428
• Due from banks	89	(99.8)	35,964	184	n.m.	(1,908)	(1,817)	n.m.	36,207
• Loans to customers	39,006	27.7	30,536	38,265	37.2	27,897	743	(71.7)	2,626
• Other	4,419	61.1	2,743	16	(77.0)	69	4,208	62.1	2,595
Inter-area positions	-	-	-	-	-	-	8,542	218.5	2,682
Property, plant and equipment	54	75.5	31	1	(27.0)	2	3	(25.3)	5
Other assets	1,313	(11.6)	1,485	34	(13.1)	39	980	2.6	955
<b>TOTAL ASSETS / LIABILITIES AND EQUITY</b>	<b>95,971</b>	<b>(15.4)</b>	<b>113,399</b>	<b>39,441</b>	<b>45.3</b>	<b>27,139</b>	<b>60,002</b>	<b>(28.6)</b>	<b>84,065</b>
Deposits by Central Banks and banks	9,931	(60.9)	25,373	12,508	69.6	7,374	(2,858)	n.m.	17,791
Due to customers	50,527	(15.2)	59,550	12,922	53.1	8,440	37,533	(26.5)	51,039
Marketable debt securities	2,334	n.m.	-	4	13.6	3	2,327	n.m.	(3)
Subordinated debt	1,781	13.8	1,565	988	5.4	937	339	50.6	225
Inter-area positions	5,645	(36.2)	8,851	11,093	30.1	8,525	-	-	-
Other liabilities	22,565	44.7	15,594	173	(67.9)	538	22,063	51.0	14,607
Minority interests	35	12.2	31	-	-	-	5	0.1	5
Economic capital allocated	3,152	29.5	2,434	1,754	32.8	1,321	592	48.0	400

Relevant business indicators									
(Million euros and percentages)	Wholesale Banking and Asset Management			Memorandum item:					
				Corporate and Investment Banking			Global Markets		
	31-03-08	Δ%	31-03-07	31-03-08	Δ%	31-03-07	31-03-08	Δ%	31-03-07
Customer lending <sup>(1)</sup>	39,757	27.8	31,103	39,047	37.0	28,504	699	(73.0)	2,591
Customer deposits <sup>(2)</sup>	50,264	(14.7)	58,950	13,021	56.2	8,338	37,054	(26.5)	50,416
• Deposits	38,431	8.7	35,352	13,020	56.2	8,336	25,222	(6.0)	26,820
• Assets sold under repurchase agreement	11,833	(49.9)	23,598	1	(44.5)	2	11,832	(49.9)	23,596
Off-balance-sheet funds	9,566	(2.5)	9,812	53	n.m.	12	1,456	n.m.	267
• Mutual funds	2,517	(6.4)	2,688	53	n.m.	12	1,456	n.m.	267
• Pension funds	7,049	(1.0)	7,124	-	-	-	-	-	-
Customer portfolios	-	-	-	-	-	-	-	-	-
Risk-weighted assets <sup>(3)</sup>	39,406	29.5	30,431	21,928	32.8	16,514	7,400	48.0	5,001
ROE (%)	33.5		33.4	14.4		19.9	44.0		62.9
Efficiency ratio (%)	26.0		29.2	22.6		22.6	38.4		39.8
Efficiency incl. depreciation and amortization (%)	26.4		29.6	22.9		23.0	38.7		40.1
NPL ratio (%)	0.02		0.03	0.03		0.04	-		-
Coverage ratio (%)	n.m.		n.m.	n.m.		n.m.	n.m.		n.m.

(1) Gross lending excluding NPLs. (2) Includes collection accounts. (3) According to ERC methodology.

The Wholesale Banking & Asset Management Area handles the Group's wholesale business and fund management. It is organised around three major units: Corporate & Investment Banking, Global Markets and Asset Management. Furthermore it includes the Industrial and Real Estate Holding Unit, which contributes to its diversification. The area also manages the Group's strategic holdings in the CITIC financial group, associated with the expansion process in Asia.

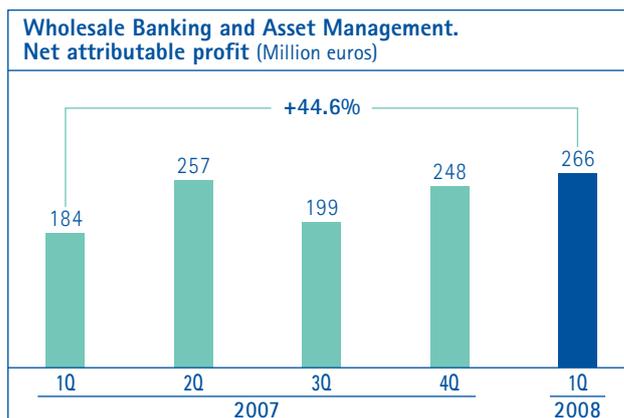
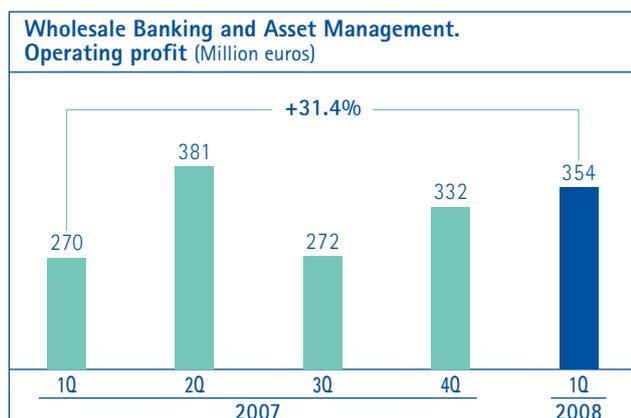
At the end of 2007 BBVA modified its structure with the goal of capitalising on organisational and geographic synergy, exploiting lateral business opportunities and identifying new growth opportunities in terms of geography and products. As a result the area has become an integrated provider of high value products for BBVA customers around the world. Moreover from the beginning of the year private banking ceased to be part of the area and certain customers from the Spain & Portugal Area have been added. Past figures have been

recalculated so that the year-on-year comparisons are on a like-for-like basis.

In the first quarter of 2008 the area generated **net attributable profit** of €266m, an increase of 44.6% compared to €184m a year earlier. This brought ROE to 33.5%.

**Ordinary revenues** rose 38.8% year-on-year to €476m. This increase was mainly supported by net interest income which jumped from €17m in the first quarter last year to €127m. Corporate & Investment Banking made a highly positive contribution to this growth that offset the fall in net fee income (down 8.9%) and in net trading income (down 41.2%). Furthermore net sales from non-financial activities were affected because Anida made no disposals of land during the quarter.

General administrative expenses rose 12.5%, which was less than the increase in revenues therefore efficiency, measured by



the **cost/income ratio** including depreciation, improved 3.2 percentage points to 26.4% (29.6% at 31-Mar-07). Operating profit rose 31.4% to €354m.

**Loans to customers** (mainly corporate customers) stand at €39,757m, increasing 27.8% over March 2007. But non-performing loans declined to €15m, bringing the **NPL ratio** to 0.02% (0.03% at 31-Mar-07). The coverage ratio remains very high (above 6,600%). Despite the low level of defaults, loan-loss provisions in the quarter increased to €47m compared to €21m a year earlier. This was due to generic provisions linked to the increase in lending. **Customer funds** (deposits, mutual funds and pension funds) came to €47,997m, rising 6.3% year-on-year.

The earnings of wholesale banking & asset management units in Latin America are recorded in their respective areas (Mexico and South America). If these were added to the above mentioned figures, the total wholesale and asset management of the group has produced ordinary revenues of €661m with total lending of 50,246m and customer funds of 56,859m.

## Corporate and Investment Banking

This unit co-ordinates origination, distribution and management of a complete catalogue of corporate & investment banking products (trade finance, corporate finance, structured finance, syndicated loans and capital markets). Coverage of large corporate customers is specialised by sector (industry bankers).

Business growth (the stock of customer loans was up 37.0% to €39,047m) helped net interest income to grow 40.1% year-on-year. Together with net fee income (up 6.2%), this lifted ordinary revenues to €181m (up 22.0%). Operating profit grew by a similar amount (22.3%) thanks to costs which were in line with expectations. Nonetheless higher loan-loss provisions of a generic nature meant that net attributable profit declined slightly (down 1.3%) to €64m.

During the quarter BBVA led Europe's biggest **project finance** operation so far, entailing the supply of 14 aircraft for the British Ministry of Defence by a consortium headed by EADS. Finance amounted to £2.5 billion and the Global Markets Unit provided cover.

BBVA led Iberdrola's €70m **bond** issue over nine years (the first issue by a Spanish company this year) and a €7,200m

**syndicated loan** for a French cement manufacturer (Lafarge). The unit also continued to expand its geographic coverage and diversify its customer base. It obtained the first three mandates to lead and underwrite syndicated loans in Russia, worth \$5 billion, for Russian Railways and two oil companies (Rosneft and Lukoil). It will also finance construction of a motorway in Croatia in a project led by the Bouygues Group. This will be the first time BBVA works for this organisation.

Co-ordination among different units in Corporate & Investment Banking led to important operations in **Latin America**. In Brazil the unit participated in a \$1.3 billion syndicated loan for Votorantrade NV (Votorantim Group) and it financed the \$3.9-billion Peru-LNG project, for a natural gas plant and gas pipeline. In Mexico it provided \$200m in bridging finance to Acciona for a windfarm in Oaxaca and \$90m to Farmacias Ahumada to help on acquisitions. Other operations included two yen-denominated loans for TELMEX and FEMSA Cervezas, worth \$190m and \$200m, respectively.

The **global transactions service** unit has launched Project PIBEE to facilitate convergence of electronic banking tools for companies and establish a sole corporate solution for the BBVA group. In the business of correspondent banking, two new mandates for the concentration of euro payments in Spain have been gained with National Australia Bank and Erste Bank Group.

## Global Markets

This unit handles the origination, structuring, distribution and risk management of market products, which are placed through the trading rooms in Europe, Asia and the Americas. Its business model is strongly focused on the customer and its goal is recurrent earnings.

In the first quarter it obtained ordinary revenues of €152m, which were 10.6% higher than the same period last year and three times the amount for the fourth quarter of 2007. Operating profit rose 13.3% year-on-year to €93m and net attributable profit came to €67m (up 12.3%). It continues to work on its growth plans but lending is slowing and the plans are being adapted for the new environment – especially in Europe.

Generally, the market **environment** at the beginning of the year has been extremely challenging. Acute uncertainty and the high volatility of assets spread to all markets, including equities, which had not been affected by the credit market

until the end of 2007. Moreover the quarter was marked by an increase in volatility, sharp falls on stock markets, widening credit spreads and a lack of liquidity in the interbank market.

In January BBVA opened a **new trading floor** in Düsseldorf. It will be used by a specialist team to provide institutional customers with capital markets products. Income from the distribution of market products in other European countries has doubled, thanks to planning and investments in human capital in 2007.

The volatility of core indicators continues to drive the sale of **hedging** instruments to SMEs and large companies. These include products for hedging inflation, which are particularly relevant in view of the rebound in prices in Spain. Simple products with a credit component (mainly “first to default baskets”) are much in demand.

In **Latin America** growth plans are still focused on the installation of a regional derivative centre in Mexico and development of the *Riskpyme* model in the region.

## Asset Management

This unit designs and manages mutual funds and pension funds that are marketed through the Group’s different branch networks. It has adopted a new structure centred on three different types of activity. **Traditional asset management** will promote its functional and geographic business model and the structuring of investment processes. **Alternative management** will develop its product catalogue, offering the best alternative investments. And **Valanza**, the Group’s private equity unit, will continue to transform its business model to one based on institutional private equity.

In the quarter this unit generated ordinary revenues of €44m, a decline of 6.8% year-on-year due to lower net fee income and market conditions. Net attributable profit came to €19m (down 10.7%). Total assets under management at 31-Mar-08 stood at €58,125m, falling 5.2% year on year.

In its **mutual fund business** in Spain the Group managed assets of €41,746m at 31-Mar-08. This figure fell 7.3% year-on-year as a result of the rise in time deposits and the negative market effect. BBVA has surpassed the 18% threshold in market share and is the fund manager with biggest gain in the quarter (1%) and in the last twelve months (1.6%). Of this amount traditional funds accounted for €39,539m, real estate funds €2,083m and the new private-equity funds €123m. The unit has signed new

investment commitments with various third parties, which represent about 96% of the private-equity fund’s total assets.

Assets in the **pension funds** managed by the Group in Spain grew 1.1% to €16,469m. Individual plans account for €9,491m (up 2.5%) and employee and associate schemes €6,978m (down 0.9%).

## Industrial and Real Estate Holdings

This unit helps to diversify the area’s businesses with the aim of creating medium and long-term value through active management of a portfolio of industrial holdings and real estate projects (Anida and the Duch Project). The fundamental criteria for this purpose are profitability, turnover, liquidity and optimal employment of economic capital.

At 31-Mar-08 the **industrial holdings** portfolio had latent capital gains over €600m. With regards to the **portfolio of real estate** holdings, Anida had a portfolio of land with building permission for over 3 million square metres.

The unit generated net attributable profit of €126m, compared to €44m in the first quarter of 2007. In March Corporación IBV sold all its shares in Gamesa (9.3%) to BBVA and Iberdrola, for €642m. BBVA booked 50% of the capital gains (€130m). The rest will be recognised when BBVA sells these shares on the market. They have been classified as available for sale.

## Asia

At the end of the quarter total loans plus contingent liabilities generated by BBVA in Asia (reported under Corporate & Investment Banking and Global Markets) came to €3,801m, up 68.1% compared to March 2007. Customer funds stand at €453m (up 49.3%).

BBVA has strategic investments in mainland China (CNCB) and in Hong Kong (CIFH). These banks published their 2007 results at the end of March, with consolidated results above expectations. As a result of rapid and consistent business development China CITIC Bank (CNCB) lifted net attributable profit 116% compared to 2006, to the equivalent of €756m. It plans to pay dividends, which will provide BBVA with more than €9m. As its assets increased 43%, it has risen from third to second place in the ranking of Chinese private banks, behind the four large government banks. With 485 branches and 16,584 employees, it is the top private bank in China in terms of efficiency. In Hong Kong, net profit at Citic International Financial Holdings (CIFH) jumped 64% to about €151m.

Income statement												
(Million euros)	Mexico				Memorandum item:							
					Banking business				Pensions and Insurance			
	1Q08	Δ%	Δ% <sup>(1)</sup>	1Q07	1Q08	Δ%	Δ% <sup>(1)</sup>	1Q07	1Q08	Δ%	Δ% <sup>(1)</sup>	1Q07
<b>NET INTEREST INCOME</b>	<b>890</b>	<b>1.2</b>	<b>13.4</b>	<b>879</b>	<b>888</b>	<b>0.9</b>	<b>13.1</b>	<b>880</b>	<b>1</b>	<b>87.3</b>	<b>109.9</b>	<b>1</b>
Income by the equity method	2	n.m.	n.m.	-	2	n.m.	n.m.	(1)	-	(96.8)	(96.4)	-
Net fee income	301	(7.3)	3.9	325	281	(10.7)	0.1	314	31	3.8	16.3	30
Income from insurance activities	85	9.7	23.0	77	-	-	-	-	69	15.3	29.2	60
<b>CORE REVENUES</b>	<b>1,278</b>	<b>(0.2)</b>	<b>11.8</b>	<b>1,280</b>	<b>1,171</b>	<b>(1.9)</b>	<b>10.0</b>	<b>1,194</b>	<b>102</b>	<b>11.6</b>	<b>25.1</b>	<b>91</b>
Net trading income	155	224.4	263.5	48	153	250.5	292.8	44	2	(50.1)	(44.1)	4
<b>ORDINARY REVENUES</b>	<b>1,432</b>	<b>7.8</b>	<b>20.9</b>	<b>1,328</b>	<b>1,324</b>	<b>7.0</b>	<b>19.9</b>	<b>1,237</b>	<b>104</b>	<b>9.0</b>	<b>22.1</b>	<b>96</b>
Net revenues from non-financial activities	6	n.m.	n.m.	-	7	n.m.	n.m.	-	(1)	n.m.	n.m.	-
Personnel and general administrative expenses	(422)	(1.8)	10.0	(430)	(388)	(3.1)	8.6	(400)	(47)	(1.6)	10.3	(47)
Depreciation and amortization	(27)	11.9	25.4	(24)	(26)	11.0	24.4	(24)	(1)	93.3	116.7	-
Other operating income and expenses	(29)	7.6	20.6	(27)	(16)	11.4	24.8	(15)	6	(0.2)	11.8	6
<b>OPERATING PROFIT</b>	<b>960</b>	<b>13.4</b>	<b>27.0</b>	<b>847</b>	<b>900</b>	<b>12.7</b>	<b>26.3</b>	<b>799</b>	<b>62</b>	<b>15.5</b>	<b>29.4</b>	<b>54</b>
Impairment losses on financial assets	(221)	1.5	13.7	(217)	(221)	1.5	13.7	(217)	-	-	-	-
• Loan-loss provisions	(218)	1.8	14.1	(214)	(218)	1.8	14.1	(214)	-	-	-	-
• Other	(3)	(21.8)	(12.4)	(3)	(3)	(21.8)	(12.4)	(3)	-	-	-	-
Provisions	(101)	n.m.	n.m.	(20)	(101)	n.m.	n.m.	(20)	-	-	-	-
Other income/losses	56	n.m.	n.m.	(2)	56	n.m.	n.m.	(6)	-	(89.9)	(88.6)	4
<b>PRE-TAX PROFIT</b>	<b>695</b>	<b>14.3</b>	<b>28.1</b>	<b>608</b>	<b>634</b>	<b>14.2</b>	<b>28.0</b>	<b>555</b>	<b>62</b>	<b>8.1</b>	<b>21.2</b>	<b>58</b>
Corporate income tax	(194)	19.9	34.4	(162)	(176)	18.1	32.4	(149)	(18)	28.5	44.0	(14)
<b>NET PROFIT</b>	<b>501</b>	<b>12.3</b>	<b>25.9</b>	<b>446</b>	<b>458</b>	<b>12.8</b>	<b>26.4</b>	<b>406</b>	<b>44</b>	<b>1.6</b>	<b>13.8</b>	<b>44</b>
Minority interests	-	(51.7)	(45.8)	(1)	-	(0.9)	11.1	-	-	(73.3)	(70.0)	-
<b>NET ATTRIBUTABLE PROFIT</b>	<b>501</b>	<b>12.4</b>	<b>25.9</b>	<b>446</b>	<b>458</b>	<b>12.8</b>	<b>26.4</b>	<b>406</b>	<b>44</b>	<b>2.2</b>	<b>14.5</b>	<b>43</b>

(1) At constant exchange rates.

Balance sheet												
(Million euros)	Mexico				Memorandum item:							
					Banking business				Pensions and Insurance			
	31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07	31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07	31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07
Cash and balances at Central Banks	4,930	(7.7)	6.0	5,339	4,930	(7.7)	6.0	5,338	-	(71.6)	(67.4)	-
Financial assets	20,276	12.4	29.1	18,039	17,657	12.2	28.8	15,742	2,952	10.6	27.0	2,670
Loans and receivables	30,300	4.4	19.9	29,013	30,185	4.4	19.9	28,905	191	46.8	68.5	130
• Due from banks	2,409	(28.6)	(18.0)	3,372	2,409	(28.6)	(18.0)	3,372	76	245.3	296.4	22
• Loans to customers	27,424	8.7	24.8	25,232	27,424	8.7	24.8	25,232	-	n.m.	n.m.	-
• Other	467	14.4	31.3	409	353	17.1	34.5	301	115	6.3	22.0	108
Inter-area positions	4	n.m.	n.m.	-	5	113.6	145.3	2	-	-	-	-
Property, plant and equipment	744	(6.7)	7.1	797	739	(6.8)	7.0	793	4	4.5	20.0	4
Other assets	1,796	(41.8)	(33.2)	3,088	1,503	(15.0)	(2.4)	1,767	101	26.9	45.7	79
<b>TOTAL ASSETS / LIABILITIES AND EQUITY</b>	<b>58,049</b>	<b>3.2</b>	<b>18.4</b>	<b>56,276</b>	<b>55,019</b>	<b>4.7</b>	<b>20.2</b>	<b>52,548</b>	<b>3,248</b>	<b>12.7</b>	<b>29.4</b>	<b>2,883</b>
Deposits by Central Banks and banks	10,888	9.9	26.2	9,909	10,888	9.9	26.2	9,909	-	-	-	-
Due to customers	31,515	(3.8)	10.5	32,755	31,591	(3.6)	10.7	32,777	-	-	-	-
Marketable debt securities	2,499	n.m.	n.m.	449	2,499	n.m.	n.m.	449	-	-	-	-
Subordinated debt	1,635	(9.8)	3.6	1,812	1,424	159.4	197.8	549	-	-	-	-
Inter-area positions	-	(100.0)	(100.0)	3	-	-	-	-	-	-	-	-
Other liabilities	8,605	5.9	21.6	8,122	5,909	0.8	15.7	5,864	3,044	14.7	31.7	2,654
Minority interests	1	(35.0)	(25.4)	2	1	21.5	39.5	1	-	n.m.	n.m.	-
Economic capital allocated	2,906	(9.8)	3.6	3,222	2,706	(9.8)	3.6	2,999	204	(11.0)	2.2	229

(1) At constant exchange rates.

Relevant business indicators													
(Million euros and percentages)	Mexico				Memorandum item:								
					Banking business				Pensions and Insurance				
	31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07	31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07	31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07	
Customer lending <sup>(2)</sup>	26,385	11.8	28.4	23,603	26,385	11.8	28.4	23,603	-	-	-	-	
Customer deposits <sup>(3)</sup>	29,406	(2.9)	11.5	30,289	29,406	(2.9)	11.5	30,289	-	-	-	-	
• Deposits	24,039	(3.0)	11.4	24,778	24,039	(3.0)	11.4	24,778	-	-	-	-	
• Assets sold under repurchase agreement	5,367	(2.6)	11.8	5,511	5,367	(2.6)	11.8	5,511	-	-	-	-	
Off-balance-sheet funds	19,716	3.5	18.9	19,043	10,995	7.4	23.3	10,237	8,721	(1.0)	13.7	8,807	
• Mutual funds	10,995	7.4	23.3	10,237	10,995	7.4	23.3	10,237	-	-	-	-	
• Pension funds	8,721	(1.0)	13.7	8,807	-	-	-	-	8,721	(1.0)	13.7	8,807	
Other placements	3,143	(4.4)	9.8	3,286	3,143	(4.4)	9.8	3,286	-	-	-	-	
Customer portfolios	5,741	(10.3)	3.0	6,398	5,741	(10.3)	3.0	6,398	-	-	-	-	
Risk-weighted assets <sup>(4)</sup>	36,329	(9.8)	3.6	40,278	33,829	(9.8)	3.6	37,486	2,547	(11.0)	2.2	2,860	
ROE (%)	68.7			56.0	67.5			54.8	84.1			76.3	
Efficiency ratio (%)	29.4			32.4	29.1			32.3	45.0			49.5	
Efficiency incl. depreciation and amortization (%)	31.2			34.2	31.1			34.3	45.5			49.8	
NPL ratio (%)	2.16			2.33	2.16			2.33	-			-	
Coverage ratio (%)	249			276	249			276	-			-	

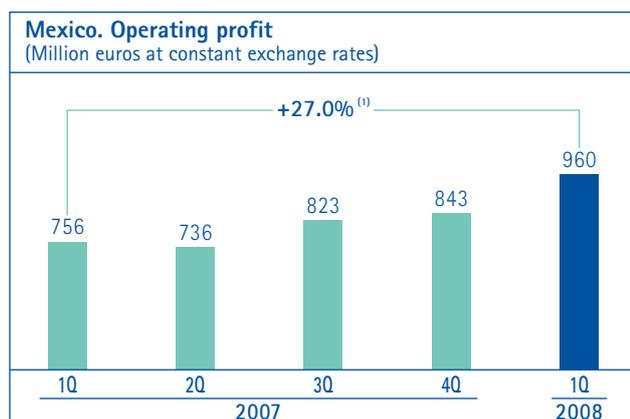
(1) At constant exchange rate. (2) Gross lending excluding NPLs and Bancomer's old mortgage portfolio. (3) Excluding deposits and repos issued by Bancomer Markets unit. (4) According to ERC methodology.

This area comprises the banking, pension and insurance businesses that the BBVA Bancomer Financial Group operates in Mexico.

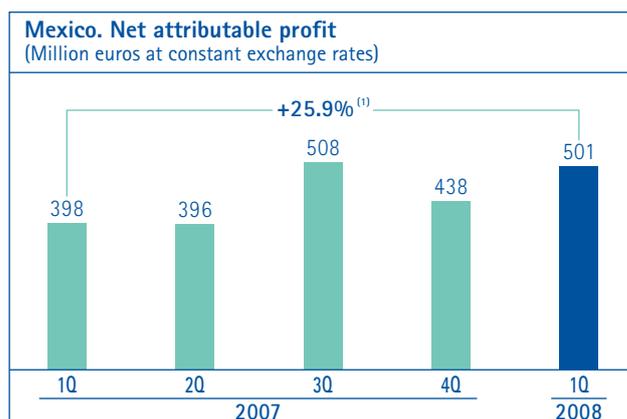
In the first quarter of 2008, the country's **economic performance** indicators surpassed analysts' expectations, reflecting sound aggregate demand and consumption. This would suggest that the slowdown of the US economy has so far had little significant impact on its neighbour. Average inflation rose 3.9% in 1Q08, within the lower end of the central bank's estimate for this period (4.25-3.75%). Most of the pressure on prices comes from external, seasonal and volatile factors.

The **interest-rate** curve has flattened out somewhat, as long-term rates dropped to reflect liquidity and expectations that the Bank of Mexico will cut reference rates. Despite this, the difference in rates between Mexico and USA has increased in the last few weeks, strengthening the peso, which was trading at 10.6 against the dollar at the end of 1Q08.

However, the peso fell against the euro during the first quarter. This had a negative impact on the balance sheet for the area and year-to-date earnings to March. Eliminating the impact of such fluctuations in the exchange-rate is the clearest way to gauge underlying performance. Thus, the attached financial statements include a column with



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



(1) At current exchange rates: +12.4%.

year-on-year changes at **constant exchange rates** and all subsequent comments will refer to these.

In the first three months of 2008, the Mexico area generated an **attributable profit** of €501m, ie, a 25.9% year-on-year increase. This was driven by net interest income growing at 13.4% year on year to €890m. With insurance and fee income up 7.6% and higher net trading income, ordinary revenues rose to €1,432m, recording a year-on-year growth of 20.9%. Administration and personnel costs, at €422m, increased less, by just 10%. This meant that the cost-income ratio including depreciation improved by 3 percentage points to 31.2%. **Operating profit** reached €960m, rising 27.0% year on year.

**Loan-loss provisions** subtracted €218m from this figure. However, their 14.1% increase was lower than the growth in lending. The NPL ratio went down from 2.33% in March 2007 to 2.16% in March this year, while the coverage ratio remained high, at 249%.

## Banking business

In March 2008, Bancomer's **lending portfolio** showed a balance of €26,385m (excluding the legacy mortgage portfolio). It was evenly structured, with 39% of the total in commercial loans (to corporations, mid-caps, government and financial institutions), while housing finance accounted for just over 30% and the consumer portfolio (consumer credit plus credit cards) for the remaining 30%.

Year-on-year growth in customer lending was 28.4%, driven by mortgage loans, which rose 32% to reach a balance of €7,981m at the end of March. The commercial portfolio was the next fastest-growing loan-book. It rose 30.8% to €10,359m, evenly balanced over its main constituents. The consumer portfolio, which includes credit cards and personal loans for car and payroll finance, reached €8,045m, 22.1% up on March 2007. At the end of 1Q08, Bancomer boasted the highest market share among its peers. It had 30% of the lending business: 35.5% of housing loans, 34.2% of consumer finance and 24.8% of commercial credit.

**Customer funds** (including customer deposits, funds and investment companies and other intermediation products) reached €43,543m at 31-Mar-08, with a year-on-year increase of 14.1%. Mutual funds reached €10,995m, growing 23.3%. Current accounts increased by 8.0% up to

€13,209m (+15.1% in average balances). Fund raising was structured as follows: current accounts and dollar funds accounted for 37% of the total; investment companies for 25% and term deposits and other intermediation products for the remaining 38%. In the first quarter of the year, Bancomer has maintained its leadership in total customer funds, with a 26.8% market share.

Higher business volumes and the continued high customer spread in the first quarter of 2008 (12.5% as against 12.4% in 4Q07 and 13.0% in the 1Q07) fed into the **net interest income**, which reached €888m, increasing 13.1% year on year. Fee income stood at €281m, a similar level to that of 1Q07. Its growth was constrained by promotions on some credit card products and limits on charges for cash-machine withdrawals and account management, amongst others. Net trading income went up to €153m. Thus, **ordinary revenues** reached €1,324m (up 19.9%).

Administration and personnel **expenses** stood at €388m, with an 8.6% year-on-year increase fuelled by higher business volumes.

As revenue growth outstripped expenses', the **cost-income ratio** improved by 3.2 percentage points to 31.1% in the first quarter of 2008, compared to 34.3% in the same period one year before. This in turn bolstered **operating profit** which increased 26.3% to €900m.

**Loan-loss provisions** of €218m remained at a similar level to recent quarters, and their 14.1% year-on-year increase was lower than the growth of the loan-book. The performance of the **NPL ratio** contributed to this. It stood at 2.16% in March 2008, down on the 2.33% recorded in March 2007, with improvements in the consumer and mortgage loan portfolios. The coverage ratio remained high, at 249%.

Thus, **attributable profit** reached €458m by the end of the first quarter of 2008, with a year-on-year increase of 26.4%.

During the quarter, Bancomer made an 11-billion peso issue (including re-opening) of *certificados bursatiles* on the local financial markets, with a 3-year tenor at a variable rate floating 18 basis points below the market reference rate (28-day TIIE). Enthusiastic uptake suggested financial intermediaries are beginning to discriminate on the basis of issuers' risk quality.

Bancomer also issued a 1,114m-peso **securitisation** of its loan-book, with mortgage-backed bonds (Borhi) on a

21-year tenor. Their 8.85% coupon was the lowest spread against the reference rate to be placed on the market during the first quarter. S&P and Fitch rated the issue AAA.

**Retail Banking** continued to expand its infrastructure during the first quarter of 2008, opening 4 new branches and installing 69 ATMs, such that it now has a total of 5,373. Its distribution network sold twice as many insurance policies as it did in the same period of 2007. It made a joint launch of two mutual funds for its Private Banking customers, with the **Asset Management** unit. One fund invests in the infrastructure and housing industry (BMERTOP) and the other (BRIC) provides investment access to emerging economies.

**Mortgage Banking** granted close to 19,000 loans to housing developers and over 13,500 to individual house-buyers. This gave it a 34% share in the new-origination market, doubling that of its closest competitor. Two new product launches this quarter targeted home owners: a fixed-interest rate loan in pesos for home reforms, extensions and improvements, and a fixed-interest rate loan for home-owners wishing to switch their mortgage to better the terms and conditions offered by other banks.

## Pensions and Insurance

Good performance in the Pensions & Insurance business in Mexico generated €44m in attributable profit, up 14.5% on 1Q07.

Bancomer's **Afore** pension-fund manager increased its operating profit by 38.2% from 1Q07 to 1Q08, its attributable profit rising 33.5% to €10m. The main reason for these positive figures was the sales force, helped by the improvements in Mexico's employment market and greater stability throughout the system. This led to a significant increase in fee income, which grew 16.3% year on year.

The Group's **insurance companies** in Mexico (Seguros Bancomer, Pensiones Bancomer and Preventis) continued to report favourable results, with buoyant growth in all business lines. Their underwriting business practically doubled against the first quarter of 2007. The biggest company, Seguros Bancomer, wrote €266m in premiums during the quarter, 79.9% up on the same period of 2007. Sales of bancassurance and savings products also rose significantly. The three companies brought €34m to the Group's attributable profit, a year-on-year increase of 10.1%.

## The United States

Income statement				
(Million euros)	1Q08	Δ%	Δ% <sup>(1)</sup>	1Q07
<b>NET INTEREST INCOME</b>	<b>324</b>	<b>156.4</b>	<b>193.0</b>	<b>126</b>
Income by the equity method	-	-	-	-
Net fee income	137	219.6	265.2	43
Income from insurance activities	-	-	-	-
<b>CORE REVENUES</b>	<b>461</b>	<b>172.4</b>	<b>211.3</b>	<b>169</b>
Net trading income	36	n.m.	n.m.	5
<b>ORDINARY REVENUES</b>	<b>497</b>	<b>185.0</b>	<b>225.7</b>	<b>174</b>
Net revenues from non-financial activities	-	(100.0)	(100.0)	-
Personnel and general administrative expenses	(257)	162.6	200.0	(98)
Depreciation and amortization	(60)	n.m.	n.m.	(13)
Other operating income and expenses	1	124.0	156.0	-
<b>OPERATING PROFIT</b>	<b>181</b>	<b>183.3</b>	<b>223.8</b>	<b>64</b>
Impairment losses on financial assets	(58)	n.m.	n.m.	(12)
• Loan-loss provisions	(47)	295.3	n.m.	(12)
• Other	(11)	n.m.	n.m.	-
Provisions	3	n.m.	n.m.	-
Other income/losses	2	(51.2)	(44.3)	4
<b>PRE-TAX PROFIT</b>	<b>128</b>	<b>128.0</b>	<b>160.6</b>	<b>56</b>
Corporate income tax	(44)	145.7	180.7	(18)
<b>NET PROFIT</b>	<b>84</b>	<b>119.8</b>	<b>151.1</b>	<b>38</b>
Minority interests	-	(81.0)	(78.2)	-
<b>NET ATTRIBUTABLE PROFIT</b>	<b>84</b>	<b>119.7</b>	<b>151.0</b>	<b>38</b>
<b>MEMORANDUM ITEM: NET ATTRIBUTABLE PROFIT EXCLUDING AMORTIZATION OF THE INTANGIBLE ASSETS</b>	<b>110</b>	<b>158.4</b>	<b>195.3</b>	<b>43</b>

(1) At constant exchange rate.

Balance sheet				
(Million euros)	31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07
Cash and balances at Central Banks	464	221.9	282.2	144
Financial assets	8,517	112.2	151.9	4,015
Loans and receivables	25,912	167.8	217.9	9,677
• Due from banks	678	(15.0)	0.9	798
• Loans to customers	24,935	187.0	240.8	8,688
• Other	299	56.3	85.5	191
Inter-area positions	-	-	-	-
Property, plant and equipment	666	103.7	141.8	327
Other assets	974	196.3	251.8	329
<b>TOTAL ASSETS / LIABILITIES AND EQUITY</b>	<b>36,533</b>	<b>152.1</b>	<b>199.3</b>	<b>14,491</b>
Deposits by Central Banks and banks	6,035	n.m.	n.m.	1,082
Due to customers	24,598	128.4	171.2	10,770
Marketable debt securities	1,123	26.0	49.6	892
Subordinated debt	971	n.m.	n.m.	171
Inter-area positions	-	39.2	65.3	-
Other liabilities	2,115	129.6	172.6	921
Minority interests	1	(20.6)	(5.8)	1
Economic capital allocated	1,690	158.1	206.5	655

(1) At constant exchange rate.

Relevant business indicators				
(Million euros and percentages)	31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07
Customer lending <sup>(2)</sup>	24,888	183.9	237.1	8,767
Customer deposits <sup>(3)</sup>	22,956	131.4	174.7	9,923
• Deposits	22,640	134.2	178.0	9,668
• Assets sold under repurchase agreement	316	24.3	47.6	254
Off-balance-sheet funds	-	-	-	-
• Mutual funds	-	-	-	-
• Pension funds	-	-	-	-
Other placements	-	-	-	-
Customer portfolios	5,910	n.m.	n.m.	-
Risk-weighted assets <sup>(4)</sup>	21,120	158.1	206.5	8,182
ROE (%)	19.6			23.5
Efficiency ratio (%)	51.7			56.1
Efficiency incl. depreciation and amortization (%)	63.7			63.5
NPL ratio (%)	1.97			2.13
Coverage ratio (%)	92			114

(1) At constant exchange rate. (2) Gross lending excluding NPLs. (3) Excluding deposits and repos issued by Markets units. (4) According to ERC methodology.

The **economic indicators** for the first quarter of 2008 project slow GDP growth. A weak labour market, falling home prices and tighter credit have all contributed to a significant slowdown in consumption. Non-residential investment also flattened out, as did producer confidence. Headline inflation remained relatively high, fuelled by rising energy prices, but core inflation was moderate. Economic slowdown may help contain inflationary pressure.

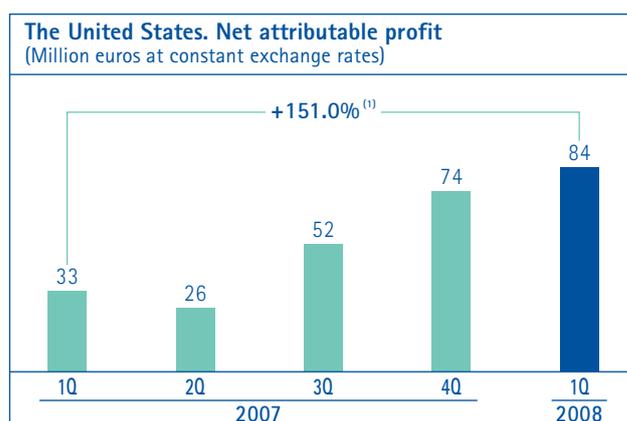
Economic growth in the **Sunbelt** region was above the national average. Texas and Alabama have not been especially hard hit by the real-estate correction. Texas recorded year-on-year growth in employment of 2.3% and Alabama of 0.7% (compared against 0.5% nationwide). Their performance was anchored in sound export growth, diversified economic activity and the presence of profitable high-tech and energy industries.

The Federal Reserve responded to deteriorating financial conditions during the quarter by cutting its **interest rate** by a further 200 basis points to 2.25%, granting more finance than in previous quarters and working to enhance liquidity by helping markets to operate more efficiently. The lifting of monetary restrictions and the bleaker outlook brought short-term interest rates down to below long-term bond rates. This led the rate curve to rise more sharply than at the end of 2007.

The **dollar** continued to depreciate against the main world currencies, reaching all-time lows against the euro. This had a negative impact on the expression of BBVA USA earnings on the Group's financial statements. The comments below express all year-on-year and quarter-on-quarter changes at **constant exchange rates** better to reflect the most significant aspects of business performance.



(1) At current exchange rates: +183.3%.



(1) At current exchange rates: +119.7%.

The incorporation of Compass in September 2007 also had a marked impact on year-on-year comparisons. Thus, comparisons in this section are made against the area's balances at 31-Dec-07 and stand-alone 4Q07 earnings to avoid interference from the change in perimeter. When annualised, these give a more representative picture of the area's management.

In this economic environment from December 2007 to March 2007, **BBVA USA** recorded increases of 3.8% in customer deposits and 2.4% in lending (4.6% in mortgages, 2.5% in consumer credit and 2.1% in business loans). Higher volumes led to ordinary revenues of €497m in the first quarter of 2008, 2.1% higher than the fourth quarter of 2007. General administration and personnel costs were €257m, down 2.9%. This improved the efficiency ratio to 63.7% (67.5% in 4Q07) such that **operating profit** grew 13.6% against the fourth quarter, reaching €181m. **Attributable profit** rose 12.6% to €84m. Excluding the amortization of intangible assets generated from the combination of businesses of the acquired banks, net attributable profit is €110m.

At the end of March, BBVA USA was servicing over 2.5 million customers, employing more than 14,000 staff. Its 650 branch offices also deployed nearly 1,000 automatic teller machines (ATMs).

### Compass banking group

As of January 2008 BBVA USA has been run by a single management team operating the four banks in the Sunbelt region. Further progress was made in streamlining the organisation when the Atlanta Federal Reserve gave its go-ahead to **Compass Bank's** application to merge with Laredo National Bank, State National and Texas State Bank. The merger has two key objectives. The first is fast-track integration, which already began in March, when the State National Bank systems were put onto the Compass platform. The second is the standardisation of corporate practices in line with BBVA Group governance standards.

Compass Bank ended March with **customer deposits** of €21,373m, 4.0% more than on 31-Dec-07 (current accounts rose 5.7% while time deposits rose 0.5%). The number of transactional accounts, which had dipped in 2007, recovered to produce a net growth of over 3,000 accounts during the

quarter. The total **loan-book** balance stood at €22,127m, growing 2.6% from December 2007. Mortgages rose 4.9%, consumer finance 3.2% and commercial loans 2.1%.

Compass Bank is organised along five **business lines**:

**Retail Banking:** serving individuals with basic banking products and services.

**Community Banking:** serving businesses in non-metropolitan areas.

**Corporate Banking:** serving large corporations in metropolitan areas.

**Wealth Management:** serving high net-worth customers requiring specific financial expertise.

**Consumer Finance:** serving individuals with a focus on finance products.

Compass obtained ordinary revenues of €452m during the first quarter of 2008, growing 4.0% against the fourth quarter of 2007. As expenses only increased 2.1%, to €232m, the efficiency ratio improved to 64.3% from the 66.6% recorded in 4Q07, and **operating profit** reached €164m, 11.9% more than the previous quarter. Loan-loss provisions rose 3.5% to €40m, such that pre-tax profit increased 12.7% and **attributable profit** 5.2% during the quarter, to €77m in January-March 2008. Excluding the amortization of intangible assets, net attributable profit is €103m.

### Other units

In **BBVA Puerto Rico**, customer deposits were up 3.0% on March 2007, reaching €1,198m, while lending grew 6.9% to €2,738m (mortgages up 11.5% and commercial loans up 11.1%). At €37m, first-quarter ordinary revenues rose 6.9% against the first quarter of 2007, while expenses grew less, the difference enhancing the efficiency ratio and boosting operating profit by 8.6% to €18m. Attributable profit stood at €7m (down 6.9% year on year).

**BTS** processed 6.5 million transfers during the first quarter of 2008. This was 14.2% more than in the same period in 2007. Of these, 5.1 million went to Mexico and 1.3 million to other countries (up 35.1%). Attributable profit went down 20.6% year on year to €2m, as margins were compressed under intense competition, above all in the USA-Mexico corridor. **BBVA Bancomer USA** saw its deposits increase 17.7% over March 2007 and opened 5,100 new accounts during the first quarter of the year, handling over 122,000 money transfers.

## Income statement

(Million euros)	South America				Memorandum item:							
	1Q08	Δ%	Δ% <sup>(1)</sup>	1Q07	Banking businesses				Pensions and Insurance			
					1Q08	Δ%	Δ% <sup>(1)</sup>	1Q07	1Q08	Δ%	Δ% <sup>(1)</sup>	1Q07
<b>NET INTEREST INCOME</b>	<b>476</b>	<b>29.7</b>	<b>39.2</b>	<b>367</b>	<b>474</b>	<b>29.8</b>	<b>39.3</b>	<b>365</b>	<b>2</b>	<b>12.3</b>	<b>26.3</b>	<b>2</b>
Income by the equity method	-	108.3	120.8	-	-	(57.6)	(57.1)	-	-	n.m.	n.m.	-
Net fee income	222	1.9	7.5	218	127	7.9	16.0	118	66	(3.9)	(1.4)	69
Income from insurance activities	3	n.m.	n.m.	(8)	-	-	-	-	34	32.6	50.7	26
<b>CORE REVENUES</b>	<b>702</b>	<b>21.5</b>	<b>30.1</b>	<b>577</b>	<b>601</b>	<b>24.4</b>	<b>33.6</b>	<b>483</b>	<b>103</b>	<b>6.5</b>	<b>12.6</b>	<b>97</b>
Net trading income	70	(23.0)	(13.8)	91	78	(3.3)	9.9	81	(8)	n.m.	n.m.	10
<b>ORDINARY REVENUES</b>	<b>772</b>	<b>15.4</b>	<b>24.4</b>	<b>669</b>	<b>679</b>	<b>20.4</b>	<b>30.3</b>	<b>564</b>	<b>95</b>	<b>(11.2)</b>	<b>(6.7)</b>	<b>107</b>
Net revenues from non-financial activities	1	n.m.	n.m.	-	-	n.m.	n.m.	-	1	n.m.	n.m.	-
Personnel and general administrative expenses	(307)	9.6	16.3	(280)	(242)	11.8	19.0	(216)	(58)	(1.1)	4.3	(58)
Depreciation and amortization	(23)	18.9	25.3	(20)	(20)	1.3	7.9	(20)	(3)	n.m.	n.m.	-
Other operating income and expenses	(12)	9.8	22.2	(11)	(12)	10.1	20.9	(11)	1	(49.6)	(52.4)	1
<b>OPERATING PROFIT</b>	<b>431</b>	<b>20.4</b>	<b>31.3</b>	<b>358</b>	<b>406</b>	<b>28.0</b>	<b>40.1</b>	<b>317</b>	<b>35</b>	<b>(28.3)</b>	<b>(25.0)</b>	<b>49</b>
Impairment losses on financial assets	(63)	163.9	161.3	(24)	(63)	163.9	161.3	(24)	-	-	-	-
• Loan-loss provisions	(58)	164.5	160.1	(22)	(58)	164.5	160.1	(22)	-	-	-	-
• Other	(5)	156.7	176.7	(2)	(5)	156.7	176.7	(2)	-	-	-	-
Provisions	(7)	(49.6)	(40.2)	(14)	(4)	(75.2)	(70.9)	(15)	(3)	n.m.	n.m.	1
Other income/losses	(5)	n.m.	n.m.	1	(4)	n.m.	n.m.	-	(1)	n.m.	n.m.	1
<b>PRE-TAX PROFIT</b>	<b>356</b>	<b>11.0</b>	<b>21.6</b>	<b>320</b>	<b>335</b>	<b>20.5</b>	<b>32.8</b>	<b>278</b>	<b>31</b>	<b>(39.7)</b>	<b>(37.0)</b>	<b>51</b>
Corporate income tax	(82)	1.9	11.6	(81)	(75)	4.3	14.7	(72)	(10)	(11.2)	(7.6)	(12)
<b>NET PROFIT</b>	<b>273</b>	<b>14.0</b>	<b>25.0</b>	<b>240</b>	<b>260</b>	<b>26.2</b>	<b>39.2</b>	<b>206</b>	<b>20</b>	<b>(48.2)</b>	<b>(45.8)</b>	<b>39</b>
Minority interests	(92)	25.4	37.7	(73)	(87)	36.0	51.0	(64)	(5)	(46.3)	(45.0)	(9)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>181</b>	<b>9.0</b>	<b>19.4</b>	<b>166</b>	<b>173</b>	<b>21.7</b>	<b>33.9</b>	<b>142</b>	<b>15</b>	<b>(48.9)</b>	<b>(46.1)</b>	<b>30</b>

(1) At constant exchange rates.

## Balance sheet

(Million euros)	South America				Memorandum item:							
	31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07	Banking businesses				Pensions and Insurance			
					31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07	31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07
Cash and balances at Central Banks	3,493	18.8	31.6	2,941	3,493	18.8	31.6	2,941	-	(14.0)	(12.0)	-
Financial assets	5,520	29.0	38.2	4,278	4,651	32.6	41.9	3,508	1,085	13.8	21.7	954
Loans and receivables	24,765	15.2	22.2	21,505	24,265	15.2	22.1	21,054	605	7.5	18.2	563
• Due from banks	2,513	(23.8)	(13.4)	3,298	2,250	(26.4)	(15.7)	3,056	346	6.5	11.7	325
• Loans to customers	21,727	23.0	28.7	17,661	21,551	23.1	28.6	17,512	182	6.5	28.8	171
• Other	524	(3.8)	7.2	545	464	(4.7)	6.1	487	77	14.5	26.7	67
Inter-area positions	-	-	-	-	1	(82.2)	(78.9)	8	-	-	-	-
Property, plant and equipment	452	(6.5)	(0.3)	483	386	(5.7)	0.8	410	65	(11.0)	(7.0)	73
Other assets	1,554	(6.4)	(4.1)	1,659	1,002	23.7	27.8	810	151	(6.7)	1.1	162
<b>TOTAL ASSETS / LIABILITIES AND EQUITY</b>	<b>35,784</b>	<b>15.9</b>	<b>23.4</b>	<b>30,866</b>	<b>33,798</b>	<b>17.6</b>	<b>25.3</b>	<b>28,731</b>	<b>1,907</b>	<b>8.8</b>	<b>17.5</b>	<b>1,752</b>
Deposits by Central Banks and banks	2,948	48.3	51.2	1,987	2,930	49.9	52.8	1,954	24	(54.9)	(56.0)	52
Due to customers	24,094	8.3	16.0	22,245	24,178	8.2	15.9	22,348	-	-	-	-
Marketable debt securities	1,004	148.8	143.5	404	1,004	148.8	143.5	404	-	-	-	-
Subordinated debt	1,032	(12.2)	(12.9)	1,175	625	35.9	33.2	460	-	-	-	-
Inter-area positions	7	n.m.	n.m.	-	-	-	-	-	-	-	-	-
Other liabilities	4,377	52.9	66.0	2,864	3,198	86.6	100.4	1,714	1,430	6.3	16.2	1,345
Minority interests	486	24.0	31.6	392	407	19.5	29.4	341	71	19.5	15.8	59
Economic capital allocated	1,835	2.0	9.6	1,800	1,456	(3.6)	3.8	1,510	382	29.4	37.8	295

(1) At constant exchange rates.

Relevant business indicators												
(Million euros and percentages)	South America				Memorandum item:							
					Banking businesses				Pensions and Insurance			
	31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07	31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07	31-03-08	Δ%	Δ% <sup>(1)</sup>	31-03-07
Customer lending <sup>(2)</sup>	21,933	22.2	27.8	17,956	21,933	22.2	27.8	17,956	-	-	-	-
Customer deposits <sup>(3)</sup>	25,453	9.6	17.1	23,217	25,453	9.6	17.1	23,217	-	-	-	-
• Deposits	24,807	10.8	17.9	22,398	24,807	10.8	17.9	22,398	-	-	-	-
• Assets sold under repurchase agreement	646	(21.1)	(7.1)	819	646	(21.1)	(7.1)	819	-	-	-	-
Off-balance-sheet funds	36,975	7.1	8.0	34,522	1,743	8.2	12.7	1,612	35,231	7.1	7.8	32,910
• Mutual funds	1,743	8.2	12.7	1,612	1,743	8.2	12.7	1,612	-	-	-	-
• Pension funds	35,231	7.1	7.8	32,910	-	-	-	-	35,231	7.1	7.8	32,910
Customer portfolios	-	-	-	-	-	-	-	-	-	-	-	-
Risk-weighted assets <sup>(4)</sup>	22,942	2.0	9.6	22,496	18,205	(3.6)	3.8	18,878	4,776	29.4	37.8	3,690
ROE (%)	39.9			38.2	47.8			39.1	16.2			40.5
Efficiency ratio (%)	39.7			42.0	35.6			38.4	60.3			54.9
Efficiency incl. depreciation and amortization (%)	42.8			44.9	38.5			41.8	64.0			55.0
NPL ratio (%)	2.42			2.62	2.44			2.64	-			-
Coverage ratio (%)	131			133	131			133	-			-

(1) At constant exchange rate. (2) Gross lending excluding NPLs. (3) Including marketable debt securities. (4) According to ERC methodology.

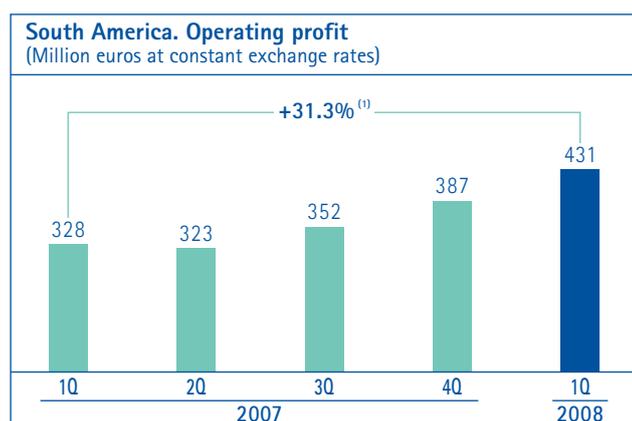
The South America Area manages the BBVA Group’s banking, pension and insurance businesses in the region. In 4Q07 the Group sold its holding in the AFP Crecer pension fund and in BBVA Seguros, its insurance business in the Dominican Republic.

In 1Q08, the **economic outlook** for Latin America remained buoyant despite turbulence on the international financial markets. There are several reasons for this. One is the healthy situation of most Latin-American economies whose cycle is on the upturn. Their markets are driven by sound domestic demand underpinned by private consumption and strong investment. High commodity prices have contributed to this, as has the increasing diversity of countries buying their exports, thereby reducing their dependence on the USA market. The region’s financial solvency also exerts a favourable influence

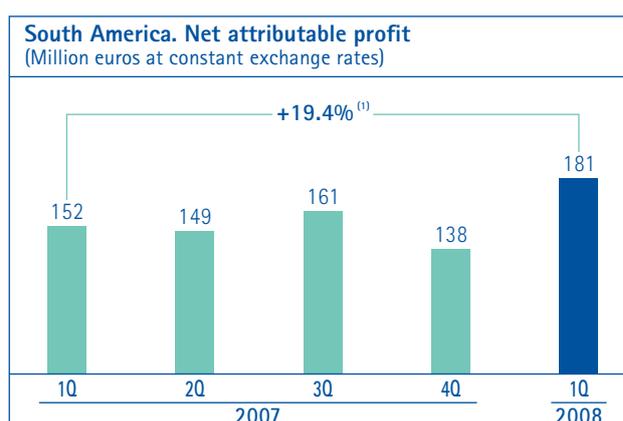
with significant inroads made in cutting the foreign debt ratio and public finance deficits. However, there are some causes for concern alongside these positive elements, especially the rise in inflation and its impact on monetary policies.

As in 2007, the slide of Latam **currencies** against the euro has not been good for the area’s financial statements. The attached tables contain columns with the year-on-year changes at **constant exchange rates**. Unless otherwise indicated, the following remarks refer to these figures as they provide a better picture of management performance.

Domestic demand has continued to drive the region’s growth. This has allowed it to maintain dynamic performance according to the main indicators of financial activity. BBVA’s South America area has played a significant role in this,



(1) At current exchange rates: +20.4%.



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

achieving €181m in **attributable profit** during the quarter, 19.4% up on the same period for 2007 (or 9.0% up using current exchange rates). Return on equity (ROE) was 39.9% (38.2% in 1Q07).

The area's positive performance was fuelled by high growth in business volumes of banks, pension managers and insurance companies. In the banking business, **lending** rose to €21,933m at the end of the quarter, a balance 27.8% higher than on the same date one year earlier. Once again, lending to individuals have been most dynamic as the Group's plan to attract the unbanked and underbanked was implemented throughout the area. Its effects were noticeable in the performance of consumer lending and credit cards, which grew 47.3%.

The banks' **customer funds** ended March at €27,196m (including mutual funds). This was 16.8% up year on year, with current and savings accounts growing even faster (up 19.7%). Assets under management in the **pension funds** stood at €35,231m at the end of March, a year-on-year increase of 7.8%, despite the negative performance of the financial markets.

Buoyant business volumes continued to be the main force boosting **net interest income** which reached €476m this quarter, up 39.2% on the same period of the previous year. Good marketing and sales performance has also driven up **insurance revenues** and **fee income**, which jointly rose to €226m, up 14.3% on the previous year. **Net trading income** recorded a year-on-year drop due to the high capital gains obtained on divestment of public assets in Argentina during the first quarter of 2007 and instability on the markets over recent months. The area's **ordinary revenues** rose to €772m, with a year-on-year growth of 24.4%.

**General administration and personnel costs** showed a 16.3% rise against 1Q07, significantly impacted by the commercial costs of the banking penetration plan and the higher inflation rate in many countries. Nonetheless, costs rose less than revenues, such that the **efficiency ratio** continued to improve, coming down to 42.8% as compared with 44.9% in January-March 2007. **Operating profit** rose to €431m (up 31.3%).

The **non-performing-loan ratio** stood at 2.42% at the end of March. This was a 2.62% improvement against the NPL ratio of 31-Mar-07 and reflected both prudent risk management and the region's positive economic environment. However, the strong rise in business volumes and the changing mix on the loan-book have considerably increased generic provisioning requirements. This largely explains the high increase in allocations to loan-loss

provisions. **NPL coverage** reached 131% as March ended, similar to the 133% figure reported one year earlier.

## Banking businesses

The banking companies have generated €173m in attributable profit during the quarter, ie, 33.9% more than in the first quarter of 2007. Brief comments on the performance of the main units are given below.

**BBVA Banco Francés** in Argentina contributed quarterly attributable profit of €42m, with a 13% year-on-year drop due to high capital gains on the public-sector assets divested at the beginning of 2007. The most significant figure was the 25.4% rise in net interest income. This was due to strong growth in business (with lending rising 33% and customer funds 9.7%), higher returns of the lending mix and a more cost-efficient funding structure. Fee income grew 13.3% and administration and personnel expenses rose considerably, impacted by the commercial costs of attracting new customer segments to the bank and higher inflation in the country. Loan-loss provisioning requirements were low, reflecting the high quality of the bank's assets.

**BBVA Chile** continued to restructure its activity, giving priority to growing its retail business with progress made within the bank itself and in Forum. Higher volumes (+21.1% in lending and +16.0% in customer funds) and the changes in the loan-book structure as retail banking gained weight within the overall lending figure, pushed net interest income up by 33.5% over the first quarter of 2007. Buoyant revenues and costs moderation enabled operating profit to reach €34m in the quarter, up 64.7% on the previous year. Loan-loss provisions increased 19%, such that the unit's attributable profit for the quarter rose to €12m (up 81.2%).

**BBVA Colombia** also reported significant year-on-year growth in both assets and liabilities. Lending went up 16.9%, with retail banking weighing more heavily in the mix (especially consumer credit, up 33%) while customer funds rose 17.5%. This has boosted net interest income growth by 33.4%. Since costs only rose 3.1%, operating profit grew 77.5% against 1Q07, reaching €71m. Attributable profit stood at €28m, 31.5% up on the previous year, despite higher loan-loss provisions to set against the higher business volumes and comply with changes in the provisioning regulations.

**BBVA Banco Continental** in Peru contributed €21m in attributable profit (up 51.3% year on year), with all items on

the income statement behaving positively. Net interest income grew 19.7%, despite the weakening-dollar's negative impact on financial revenues denominated in this currency. This reflected the unit's higher business volumes (lending up 20.4% and customer funds 23.1%) which also contributed to a 22.5% rise in fee income. Moderation in administration and personnel expenses, despite the high commercial costs of attracting new customer segments, meant a better cost-income ratio and higher operating profit, which at €74m rose 43.5%.

Business volumes in **BBVA Banco Provincial** rose without undermining spreads in Venezuela, thereby offsetting the impact of continuous regulatory changes over the last months. Thus, net interest income grew 66% year on year and fee income 28.8%. The rise in revenues easily outstripped the rise in administration and personnel expenses (which went up 30.5%, reflecting the country's high inflation). This gave the bank an operating profit of €154m (more than doubling the figure for 1Q07) and an attributable profit of €54m (up 90.1%).

In the other banking businesses, **BBVA Panama** generated €9m attributable profit in the first quarter of 2008 (up 85.2% year on year); **BBVA Paraguay** contributed €5m (up 26.6%) and **BBVA Uruguay** €1m (down 4.6%).

## Pensions and Insurance

The Pensions & Insurance unit in South America obtained €15m attributable profit during 1Q08. This was 46.1% less than in 1Q07, due to the negative impact of market turbulence on trading income and the regulatory provisioning requirements for pension managers, which ate into the

excellent commercial results of all the companies during the first quarter of 2008. The **pension business** brought in an attributable profit of €5m to the Group, 74% less than in the same period of 2007. The **insurance business**, meanwhile, generated attributable profit of €10m, with 25.3% year-on-year growth. This was fuelled by a concerted sales drive which led to a marked increase in business underwritten. The performance of the main companies is described below.

The pension fund in Chile, **AFP Provida** showed positive performance and recorded year-on-year increases of 11.6% in subscriptions and 7.9% in assets under management. However, market turbulence in recent months impacted very negatively on trading income, such that its sound commercial management was not reflected in the company's earnings. It ended the quarter with €2m in attributable profit, 81% down on 1Q07.

In Argentina, the **Consolidar Group** (which includes the AFJP pension fund and the insurance companies) generated an attributable profit of €10m, 21.7% higher than the first quarter of 2007, despite the negative impact on the AFJP business from the bill reforming pension-fund law. This sound performance was fuelled by higher business volumes. In the insurance companies, business underwritten grew 19.3% year on year; and the pension fund increased its subscriptions by 33.8%, and its assets under management by 2.6%.

In Peru, **AFP Horizonte** was hit hard by financial-market turbulence during the quarter. Its attributable profit went down to €1m despite rising business volumes and fee income. The same was true in **AFP Horizonte**, the pension fund business in Colombia, whose trading income was slightly negative, impacting the attributable profit (€2m).

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

(Million euros)	Operating profit				Net attributable profit			
	1Q08	Δ%	Δ% at constant exchange rates	1Q07	1Q08	Δ%	Δ% at constant exchange rates	1Q07
Argentina	77	(38.1)	(27.8)	124	52	(21.2)	(8.1)	66
Chile	40	(5.6)	(7.4)	42	15	(14.5)	(16.1)	18
Colombia	71	65.2	62.4	43	27	12.7	10.8	24
Panama	8	3.8	18.6	8	9	62.1	85.2	6
Paraguay	6	40.1	44.0	5	5	23.1	26.6	4
Peru	78	31.3	36.2	59	22	25.8	30.5	18
Uruguay	2	32.3	30.3	2	1	(3.2)	(4.6)	2
Venezuela	158	93.4	120.8	82	56	66.1	89.7	33
Other countries <sup>(1)</sup>	(9)	52.0	44.8	(6)	(7)	59.0	52.1	(4)
<b>TOTAL</b>	<b>431</b>	<b>20.4</b>	<b>31.3</b>	<b>358</b>	<b>181</b>	<b>9.0</b>	<b>19.4</b>	<b>166</b>

(1) Bolivia, Ecuador and Dominican Republic. Additionally, it includes eliminations and other charges.

## Income statement

(Million euros)	1Q08	Δ%	1Q07
<b>NET INTEREST INCOME</b>	<b>(214)</b>	<b>43.5</b>	<b>(149)</b>
Income by the equity method	(1)	101.0	(1)
Net fee income	(1)	n.m.	16
Income from insurance activities	(12)	109.6	(6)
<b>CORE REVENUES</b>	<b>(229)</b>	<b>63.4</b>	<b>(140)</b>
Net trading income	117	(24.4)	155
<b>ORDINARY REVENUES</b>	<b>(111)</b>	<b>n.m.</b>	<b>15</b>
Net revenues from non-financial activities	(1)	n.m.	-
Personnel and general administrative expenses	(176)	31.8	(134)
Depreciation and amortization	(37)	4.8	(35)
Other operating income and expenses	(3)	13.0	(3)
<b>OPERATING PROFIT</b>	<b>(329)</b>	<b>110.8</b>	<b>(156)</b>
Impairment losses on financial assets	(70)	n.m.	(1)
• Loan-loss provisions	(67)	n.m.	(2)
• Other	(3)	n.m.	1
Provisions	(38)	(57.5)	(89)
Other income/losses	3	(44.9)	5
<b>PRE-TAX PROFIT</b>	<b>(435)</b>	<b>79.6</b>	<b>(242)</b>
Corporate income tax	147	116.0	68
<b>NET PROFIT</b>	<b>(288)</b>	<b>65.4</b>	<b>(174)</b>
Minority interests	(1)	n.m.	3
<b>NET ATTRIBUTABLE PROFIT (excluding one-offs)</b>	<b>(288)</b>	<b>68.3</b>	<b>(171)</b>
Net of one-off operations <sup>(1)</sup>	509	(26.9)	696
<b>NET ATTRIBUTABLE PROFIT</b>	<b>221</b>	<b>(57.9)</b>	<b>525</b>

(1) In 2008, capital gains on Bradesco. In 2007, capital gains on Iberdrola.

## Balance sheet

(Million euros)	31-03-08	Δ%	31-03-07
Cash and balances at Central Banks	(1,709)	n.m.	4,280
Financial assets	16,639	(7.0)	17,894
Loans and receivables	8,971	n.m.	(3,959)
• Due from banks	6,998	n.m.	(5,310)
• Loans to customers	605	(0.4)	607
• Other	1,369	84.0	744
Inter-area positions	(4)	n.m.	-
Property, plant and equipment	1,775	14.2	1,555
Other assets	9,997	116.4	4,619
<b>TOTAL ASSETS / LIABILITIES AND EQUITY</b>	<b>35,669</b>	<b>46.3</b>	<b>24,388</b>
Deposits by Central Banks and banks	18,896	152.1	7,496
Due to customers	17,631	6.9	16,490
Marketable debt securities	72,223	(4.8)	75,839
Subordinated debt	6,162	12.3	5,485
Inter-area positions	(94,931)	5.9	(89,609)
Other liabilities	8,361	150.5	3,338
Minority interests	383	8.4	354
Valuation adjustments	118	(95.6)	2,684
Shareholders' funds	23,620	39.6	16,925
Economic capital allocated	(16,793)	14.9	(14,614)

This area includes the results of two units: Financial Planning and Holdings in Industrial & Financial Companies. It also books the costs from central units with strictly corporate functions and makes allocations to corporate and miscellaneous provisions, eg, for early retirement. In 2008 the International Private Banking unit was incorporated into the area. This includes the Miami branch business, which was divested in April.

The year-on-year comparison of first-quarter net interest income was impacted by the finance for the Compass acquisition and higher wholesale funding costs. This, along with lower net trading income, has dragged down the **operating profit**, which at –€329m is more negative than the –€156m booked to the same quarter in 2007.

Attributable profit without one-offs was –€288m (–€171 in Jan-Mar 2007). The one-off earnings from the divestment of the Bradesco holding contributed €509m in 2008, as against the €696m from the Iberdrola divestment the previous year. Thus, **attributable profit** in this area stood at €221m (€525m in the first quarter of 2007).

## Financial Planning

The Financial Planning unit administers the Group's structural interest and exchange-rate positions as well as its overall liquidity and shareholders' funds through the Assets & Liabilities Committee (ALCO).

Managing **structural liquidity** helps to fund recurring growth in the banking business at suitable costs and maturities, using a wide range of instruments that provide access to several alternative sources of finance. The Group encourages its American subsidiaries to be financially independent. During the first quarter of 2008, BBVA had no significant maturities on its wholesale funding. Its sound liquidity position meant it had no need to raise medium- and long-term funding on markets currently characterised by strong volatility. The amount of wholesale funding reaching maturity in 2008 is moderate, while current and potential sources of liquidity inflows far surpass the outflows.

The BBVA Group's **capital management** pursues two key goals: to maintain capital levels appropriate to the Group's business targets in all the countries where it operates while at the same time maximising returns on shareholder funds through efficient capital allocation to the different businesses, active management of the balance sheet and proportionate use of the different instruments that comprise the Group's equity:

shares, preferred securities and subordinate debt. BBVA's current capital levels enable it to comply with these goals.

Actively managing **exchange-rate exposure** on its long-term investments (basically stemming from its franchises in the Americas) helps BBVA to preserve its capital ratios and bring stability to the Group's income statement while controlling impacts on reserves and the cost of this risk management. In the first quarter of 2008, BBVA has pursued an active policy to hedge its investments in Mexico, Chile, Peru and the dollar area. Its aggregate hedging was close to 50%, with 100% hedging in the dollar area. Apart from corporate-level hedging, some subsidiary banks hold dollar positions at local level. Additionally, the Group manages the exchange-rate exposure on expected earnings from the Americas. During the first quarter of 2008 such hedging has mitigated the impact of the weakening American currencies against the euro, with a forex hedge of over 50%.

The Financial Planning unit also actively manages the Group's structural **interest-rate exposure** on its balance sheet. This is intended to maintain sustained short and medium-term net interest income growth independent of interest-rate fluctuations. During 2008, it has focused its strategies at hedging a less positive economic scenario in Europe for 2008-2010. The risk on the Mexico and USA balance sheets stands well within the area's comfort zone. The unit works both with hedging derivatives (caps, floors, swaps, FRA's, etc) and with balance-sheet instruments. As 1Q08 ended, the Group has asset portfolios denominated in euros, US dollars and Mexican pesos.

## Holdings in Industrial and Financial Companies

This unit manages the portfolio of industrial and financial holdings. It reports to the Finance department. BBVA operates this portfolio with strict requirements regarding its return on investment, economic-capital consumption and risk-control procedures, diversifying investments over different sectors. It also applies dynamic monetisation and coverage management strategies to holdings.

With these demanding criteria, it made investments worth €570m and divestments worth €1,477m during the first three months of this year. The unit divested its 2.5% holding in Bradesco in March for €875m, producing €509m in net capital gains.

At 31st March 2008, the market value of the holdings in industrial and financial companies was €4,994m, with unrealised capital gains of €1,863m before tax.

**1<sup>st</sup> Quarter 2008**

<b>(Million euros)</b>				
Geographical zone	Ordinary revenues	Operating profit	Net attributable profit	Total assets
Spain	2,710	1,804	1,158	265,890
The United States	556	229	118	65,756
Mexico	1,385	914	469	58,128
South America	752	407	159	35,774
Other	122	73	47	57,843
<b>TOTAL</b>	<b>5,526</b>	<b>3,427</b>	<b>1,951</b>	<b>483,391</b>

**1<sup>st</sup> Quarter 2007**

<b>(Million euros)</b>				
Geographical zone	Ordinary revenues	Operating profit	Net attributable profit	Total assets
Spain	2,744	1,944	1,336	272,352
The United States	189	65	27	44,303
Mexico	1,276	795	409	56,459
South America	650	337	151	30,904
Other	98	55	28	42,831
<b>TOTAL</b>	<b>4,957</b>	<b>3,196</b>	<b>1,950</b>	<b>446,848</b>

# Corporate responsibility

The most relevant events related to the Group's corporate responsibility in the first quarter were as follows:

## Microcredit addition

The BBVA Microcredit Foundation acquired a company specialising in the development of small entities and micro-firms (Crear Tacna) in Peru for €7.2m.

## Responsible products and services

The BBVA Employment Fund, which is the pension fund of its Spanish employees, with assets of €2.1 billion and 41,000 members, has become the first pension fund in Spain to be managed entirely in accordance with socially responsible investment criteria. It has also assumed the Social Responsible Principles of the United Nations. BBVA signed the 2008 SME Agreement with the Spanish state credit institute (ICO) to provide support to Spanish SMEs and small businesses. Other activities included a campaign to prevent children's accidents launched by Consolidar ART (Argentina) and a new type of study loan by BBVA Bancomer for students at Monterrey Institute of Technology.

## Responsible HR management

BBVA and the Red Cross published a manual to help employees reconcile family life with their careers. The bank launched Blogosphere BBVA: a new virtual network for employees. In addition BBVA Banco Francés (Argentina) awarded prizes to employees with the most votes from their colleagues for their values and respect for diversity.

## Commitment to society

**COMMUNITY SUPPORT.** The BBVA Bancomer Foundation together with the Secretary of Public Education and the Government of Tabasco will earmark 120 million pesos to equip schools affected by the recent floods. The bank also handed Caritas \$700,000 of which more than half had been donated by customers and employees. The money will be spent on education projects for earthquake victims in Peru. BBVA Colombia gave the Sibaté Infant Protection Foundation school materials for 150 girls and 131 million pesos that had been collected in a campaign among credit card holders.

**EDUCATION.** In order to expand acceptance of banking culture, BBVA Bancomer has developed an educational program about finance, called *Adelante con tu futuro*, in conjunction with the Interactive Economics Museum. And the BBVA Foundation and the Caroline Foundation have granted 22 training scholarships to young Latin-Americans.

**ART AND CULTURE.** The Emergency Spanish Language Foundation (sponsored by BBVA) has launched a *wikilanguage* to promote proper use of Castilian Spanish. Furthermore BBVA is sponsoring a new library at Deusto University (Spain) and the

BBVA art group will visit the Barranquilla Museum of Modern Art (Colombia).

**PROMOTION OF CORPORATE RESPONSIBILITY.** BBVA's chairman participated in the ESADE-Stanford CSR programme, referring to companies as catalysts of innovation and transformation in a sustainable world.

## Social Action Plan for Latin America

BBVA has emphasised its commitment to this plan by increasing its contributions to 1% of profit in the South America Area while maintaining 0.7% in Mexico. This will boost the plan's budget to €28m, increasing resources by 42% and study grants by 56%, and raising the number of beneficiaries from 18,000 to 28,000.

## The corporate volunteer plan

The volunteers at BBVA Spain celebrated the success of their first year by taking on new challenges for 2008. These include seven IT introductory programmes, 35 programmes on prevention of school drop-outs, seven more on the environment and the second project competition.

## CR reports

The BBVA Group presented its sixth CR report which contains important changes. It is now arranged by relevant areas according to the nature of the reader and there is a control panel showing the main lines of activity, the progress made in 2007 and the targets for 2008. Furthermore the CSR Observatory chose BBVA as the second best company in the IBEX 35 index in terms of CR reports in 2006. In the Americas, BBVA Bancomer and BBVA Colombia presented their first annual CR reports.

## Sustainability indices

These measure companies in terms of their financial, social, ethical and environmental performance. Membership of such indices requires evidence of constant progress on sustainability issues. BBVA is present in all the most important indices – at global and regional levels. In March it was selected for the new FTSE4Good Ibex.

Main sustainability indices in which BBVA participates		BBVA's participation (%)
	DJSI World	0.78
	DJSI STOXX	1.62
	DJSI EURO STOXX	3.19
	FTSE4Good Global	0.61
	FTSE4Good Europe	1.23
	FTSE4Good Europe 50	1.94
	FTSE4Good IBEX	8.00
	KLD Global Sustainability Index	0.71
	KLD Global Sustainability Index Ex-US	1.22
	KLD Europe Sustainability Index	1.93
	KLD Europe Asia Pacific Sustainability Index	1.38

## INVESTOR RELATIONS

- MADRID 28046 - Pº Castellana, 81 - 19th floor  
Tel: 34-91 374 62 01  
Fax: 34-91 537 85 12  
e-mail: inversoresbbva@grupobbva.com
- NEW YORK - 1345 Av. of the Americas, 45th floor, NY 10105  
Tel: 1-212-728 16 60 - Fax: 1-212-333 29 05  
e-mail: ricardo.marine@bbvany.com

**INTERNET INFO (<http://www.bbva.com>)**

