

BBVA



1Q09

QUARTERLY REPORT
January-March 2009

2009**Contents**

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BBVA Group Highlights

BBVA Group Highlights

(Consolidated figures)

	31-03-09	Δ%	31-03-08	31-12-08
BALANCE SHEET (million euros)				
Total assets	543,350	12.5	482,913	542,650
Total lending (gross)	340,241	5.5	322,518	342,671
Customer funds on balance sheet	370,045	8.8	340,237	376,380
Other customer funds	122,618	(16.1)	146,110	119,017
Total customer funds	492,663	1.3	486,348	495,397
Total equity	28,367	6.7	26,596	26,705
Shareholders' funds	27,742	8.5	25,571	26,586
INCOME STATEMENT (million euros)				
Net interest income	3,272	20.1	2,726	11,686
Gross income	4,889	2.5	4,772	18,978
Operating income	2,819	4.9	2,688	10,523
Income before tax	1,834	(34.1)	2,783	6,926
Net attributable profit	1,238	(36.6)	1,951	5,020
Net attributable profit excluding one-off operations ⁽¹⁾	1,238	(14.2)	1,442	5,414
DATA PER SHARE AND SHARE PERFORMANCE RATIOS				
Share price (euros)	6.11	(56.2)	13.95	8.66
Market capitalisation (million euros)	22,900	(56.2)	52,284	32,457
Net attributable profit per share (euros)	0.34	(35.7)	0.53	1.35
Net attributable profit per share excluding one-off operations (euros) ⁽¹⁾	0.34	(13.1)	0.39	1.46
Book value per share (euros)	7.40	8.5	6.82	7.09
Tangible book value per share (euros) ⁽²⁾	5.36	3.1	5.20	5.02
P/BV (Price/book value; times)	0.8		2.0	1.2
Price/tangible book value (times) ⁽²⁾	1.1		2.7	1.7
SIGNIFICANT RATIOS (%)				
ROE (Net attributable profit/Average equity)	19.4		27.4	21.5
ROE excluding one-off operations ⁽¹⁾	19.4		25.2	23.2
ROA (Net income/Average total assets)	1.00		1.35	1.04
ROA excluding one-off operations ⁽¹⁾	1.00		1.25	1.12
RORWA (Net income/Risks weighted assets)	1.88		2.52	1.95
RORWA excluding one-off operations ⁽¹⁾	1.88		2.32	2.09
Efficiency ratio ⁽³⁾	42.3		43.7	44.6
Cost of risk (Impairment losses/Gross lending)	1.06		0.68	0.82
NPA ratio	2.8		1.1	2.3
NPA coverage ratio	76		200	92
CAPITAL ADEQUACY RATIOS (BIS II Regulation) (%)				
Ratio BIS	11.5		12.9	12.2
Core capital	6.4		6.3	6.2
Tier I	7.7		7.8	7.9
OTHER INFORMATION				
Number of shares (millions)	3,748		3,748	3,748
Number of shareholders	919,195		891,266	903,897
Number of employees	105,154		112,460	108,972
Number of branches	7,648		7,984	7,787

Memorandum item: These quarterly statements have not been audited. They have been drawn up according to Bank of Spain Circular 4/2004 together with the changes introduced therein by Bank of Spain Circular 6/2008. They may not therefore coincide with some of those published in previous quarterly earning reports.

(1) In 2008, capital gains from Bradesco in the first quarter, provisions for non-recurrent early retirements in the second and fourth quarters and provision for the loss originated by the Madoff fraud in the fourth quarter.

(2) Net of goodwill.

(3) Except otherwise stated, efficiency ratio including depreciation.

Group information

Relevant events

During the first quarter of 2009, a period in which the financial and economic crisis continued to gather force, the BBVA Group once again demonstrated the recurrent nature and strength of its revenues with net interest income as the main driver. The containment of operating expenses helped to maintain the high levels of efficiency and profitability, and to reinforce the Group's capital base. It should be noted that these achievements were completely compatible with appropriate levels of risk quality and solid liquidity.

The most relevant aspects of the BBVA Group's performance in its main business areas during the quarter are summarised below:

- The Group's **net interest income** was strong, rising 20.1% compared to the same quarter last year (up 22.6% at constant exchange rates) thanks to a greater volume of business, action to maintain customer spreads and active management of the balance sheet. This increase more than offset the lower levels of other sources of revenue and thus **gross income** rose 2.5% (up 4.6% at constant exchange rates) despite the less favourable economic situation.
- **Operating expenses** (down 0.7% year-on-year) were contained mainly because the Group anticipated the present economic situation and implemented transformation and restructuring plans in advance. As a result **operating income** for the quarter increased 4.9% year-on-year to €2,819m (up 8.3% without the effect of exchange rates).
- The above variations in income and costs resulted in a new improvement in **efficiency** (measured by the cost/income ratio). This now stands at 42.3%, compared to 43.7% a year earlier.
- **Impairment losses on financial assets** in the quarter came to €916m, which is much in line with the €917m and €859m booked in the third and fourth quarters of 2008. BBVA continues to work with highly prudent standards.
- Consequently **net attributable profit** in the first quarter of 2009 came to €1,238m, which is of particular relevance if the adverse economic environment is taken into account. This result brings **earnings per share** to €0.34, **ROE** is 19.4% and **ROA** 1.00%.
- Despite the slowdown in banking activity, which especially affects Spain, the United States and Mexico, BBVA was able to increase business volume. At 31-Mar-09 **gross lending to customers** rose 5.5% year-on-year although it was slightly lower compared to the end of 2008 (down 0.7%). This shows how lending declined gradually last year. **Customer funds** rose 1.3% year-on-year, with growth centred on funds included on the balance sheet (up 8.8%).
- The **non-performing asset ratio** at 31-Mar-09 was 2.8% and it continues to grow more slowly than the sector average. In Spain & Portugal it is 3.2%, which compares very favourably with the system and other banks. In February (the latest figures available) the average for the entire banking system was 4.2% and 3.5% for banks alone. The **coverage ratio** at 31-Mar-09 was 76% and coverage reserves amounted to €8,000m of which more than half is in the form of generic provisions. The **cost of risk** ended the quarter at 1.06% and the increase compared the fourth quarter last year is mainly due to coverage of the country risk for Brazil.
- Despite disinvestments and falls on major stock markets during the quarter, the Group's holdings latent **capital gains** at 31-Mar-09 stand at €1,281m.
- In terms of BBVA's **capital base** and in accordance with Basel II standards, the core ratio at 31-Mar-09 improved to 6.4%, compared to 6.2% in December. This reflects the Group's ability to generate capital in a recurrent manner in the present economic conditions. On the other hand, both Tier I (7.7%) and Tier II (3.8%) fell compared to the end of 2008 owing to the classification in January of China CITIC Bank (CNCB) as a financial holding after BBVA's holding rose from 9.93% to 10.07%. Following this, the BIS Ratio at 31-Mar-09 stands at 11.5%, compared to 12.2% at 31-Dec-08.

- On 20-Apr-09 the bank paid the **final remuneration** against 2008 earnings in the form of shares. Based on the share price on 17th April, this dividend was equivalent to €0.13 per share. As a result total shareholder remuneration from 2008 earnings came to €0.63 per share and the dividend yield in 2008 was 7.8%, compared to 4.4% in 2007.
- On 04-Mar-09 Standard & Poor's confirmed BBVA's **AA rating**. It is one of only five banks worldwide to maintain this rating despite the crisis. Nonetheless, the outlook was revised downwards from stable to negative owing to lower expectations for economic growth.
- Once again the main source of revenues in the **Spain & Portugal** Area was net interest income, which increased 5.6% year-on-year, supported by the continuing high volume of business and an improvement in spreads. This positive result, together with a 6.5% reduction in operating expenses, helped to improve efficiency and to increase operating income 5.6% year-on-year, the same increase achieved by net interest income. After deducting higher provisions than the first quarter of 2008, but lower than those of the third and fourth quarters, net attributable profit came to €657m (down 2.4% year on year).
- Despite the complex economic and financial conditions, the recurrent earnings of the **Wholesale Banking & Asset Management** Area were very favourable thanks to the level of business and active management of prices. Aided by cost controls, these factors enabled operating income to grow 7.6% year on year. Net attributable profit was €268m, much in line with the first quarter of 2008.
- Business increased in **Mexico**, mainly in low-cost customer funds, in lending to SMEs and large companies, and in mortgages. Together with appropriate management of the balance sheet, this helped net interest income to rise 6.0% at constant exchange rates. However, profits from the VISA IPO in the first quarter of 2008 limits the relative improvement of net trading income and therefore gross income grew only 1.0% year-on-year (up 9.1% excluding revenue from the Visa IPO in Jan-Mar 2008). Provisioning in the period increased and therefore net attributable profit for this area fell 16.1% at constant exchange rates to €363m (-2.4% excluding the Visa operation).
- In the **United States** Area business volumes continued to rise and net interest income in the first quarter increased 3.6% year on year at constant exchange rates. However the slowdown in net fees and commissions, and in net trading income, reduced gross income 5.3% year-on-year at constant exchange rates. This was partially offset by an improvement in operating expenses, so operating income fell 3.0%. After provisioning that was in line with the third and fourth quarters of 2008, net attributable profit came to €42m (€63m excluding amortization of intangibles).
- In the **South America** Area operating income and net attributable profit in the quarter increased 23.4% and 19.5%, respectively, at constant rates, bringing net attributable profit to €225m. The quarter was positive for the area's three business lines: banking, pensions and insurance. The good performance of income and moderation in expenses were the most relevant features of the quarter.

Economic environment

During the first quarter of 2009 persistent financial uncertainty and the weakening macro economy had a widespread negative impact on all sectors of business and world trade. Financial stress and risk aversion remained high although short-term liquidity improved following injections by central banks. Nonetheless spreads remain higher than those in the first half of 2008 and medium-term finance is highly dependent on government guarantees.

In view of these problems the responses of economic policy are speeding up and central banks are keeping interest rates low, given the economic weakness and the downward pressure on inflation. Fiscal stimulus packages are becoming commonplace and the amounts entailed are quite significant.

Globalisation of finance and trade has contributed to the rapid expansion of the crisis to all corners of the world, causing economic cycles to synchronise in an extraordinary manner.

In **Europe** the latest economic data points to a deeper recession that will extend throughout 2009 despite the expansive monetary policy of the European Central Bank. In a meeting on 2nd April the ECB cut interest rates by a

Interest rates

(Annual and quarterly average)

	2009		2008		
	1Q	4Q	3Q	2Q	1Q
Official ECB rate	1.92	3.28	4.24	4.00	4.00
Euribor 3 months	2.01	4.24	4.98	4.86	4.48
Euribor 1 year	2.22	4.38	5.37	5.05	4.48
Spain 10-year bond	4.17	4.16	4.65	4.54	4.17
USA 10-year bond	2.70	3.20	3.84	3.86	3.65
USA Federal rates	0.25	1.07	2.00	2.08	3.19
TIIE (Mexico)	8.00	8.71	8.49	7.96	7.93

further quarter point to 1.5%. Inflationary pressures will remain under control owing to the drop in commodity prices and the widespread slowdown in activity.

In the **United States** macroeconomic conditions continue to weaken and therefore GDP is expected to contract in 2009. The Federal Reserve has tried to revive the economy by injecting large amounts of cash in the banking system and by reactivating lending.

The pace of adjustment in the **Mexican economy** stepped up in the fourth quarter of 2008 because the fall in industrial activity was joined by a decline in the service sector and this had a considerable effect on trade. The most recent economic indicators point to a downward revision of GDP forecasts for 2009.

In **Latin America**, GDP in most countries also slowed in the fourth quarter, although the markets are penalising the region less than on other occasions. The most recent indicators confirm the economic weakness, with contractions in exports and imports, and money moving

abroad. Nonetheless the region is still showing positive growth.

Over the last 12 months the **final exchange rate** for the Mexican peso fell 9.9% against the euro and the US dollar appreciated 18.8%. Likewise, other currencies that affect the Group's financial statements have been mixed. Whereas the Argentine, Chilean and Colombian pesos depreciated (0.3%, 10.3% and 15.6%, respectively), the Peruvian sol and Venezuelan bolivar fuerte have appreciated (3.0% and 18.8%).

Furthermore **average exchange rates** in the first quarter were also mixed. These rates are used to convert the income statement to euros. In this case the Mexican, Chilean and Colombian pesos depreciated (13.6%, 12.2% and 8.6%, respectively). The US dollar, on the other hand, appreciated 14.9%, the Peruvian sol 4.5%, Venezuelan bolivar fuerte 14.9% and the Argentine peso 0.9%. Consequently the year-on-year comparisons of the Group's income statement are negatively affected by about two percentage points.

Exchange rates ⁽¹⁾

	Year-end exchange rates			Average exchange rates	
	31-03-09	Δ% on 31-03-08	Δ% on 31-12-08	1Q09	Δ% on 1Q08
Mexican peso	18.7624	(9.9)	2.5	18.7266	(13.6)
U.S. dollar	1.3308	18.8	4.6	1.3029	14.9
Argentine peso	5.0537	(0.3)	(2.7)	4.7135	0.9
Chilean peso	774.59	(10.3)	14.3	791.14	(12.2)
Colombian peso	3,412.97	(15.6)	(8.4)	3,134.80	(8.6)
Peruvian new sol	4.2047	3.0	3.9	4.1490	4.5
Venezuelan bolivar fuerte	2.8576	18.8	4.6	2.7976	14.9

(1) Expressed in currency/euro.

Earnings

The BBVA Group's income statement in this quarterly report reflects the new criteria and formats established by **Bank of Spain Circular 6/2008** of 26th November 2008. This circular modifies Circular 4/2004, which until now was the basis for presenting the Group's quarterly reports. The changes do not affect pre-tax profit or net attributable profit but some of the other items on the income statement have been modified.

The **main differences** are:

- There is a new definition of **net interest income**, which excludes dividends but includes the income and interest expense for insurance activities.
- **Income from insurance activities** disappears and these earnings are now included mainly under net interest income and under "Other operating income and expenses".
- "Ordinary revenues" no longer exists and there is a new item, **gross income**, which differs from the old one in that "Other operating income and expenses" includes some concepts that were previously reported under ordinary revenues, such as net revenues from non-financial activities, contributions to deposit guarantee funds and items that were included under "Other income (losses)". Furthermore, it excludes capital gains on

Consolidated income statement

(Million euros)

	1Q09	Δ%	Δ% at constant exchange rates	1Q08
NET INTEREST INCOME	3,272	20.1	22.6	2,726
Net fees and commissions	1,079	(4.6)	(2.8)	1,131
Net trading income	364	(38.4)	(36.8)	591
Dividend income	41	(26.0)	(27.0)	56
Income by the equity method	4	(96.9)	(96.9)	139
Other operating income and expenses	129	(1.0)	1.7	130
GROSS INCOME	4,889	2.5	4.6	4,772
Operating costs	(2,070)	(0.7)	(0.1)	(2,084)
Personnel expenses	(1,161)	(1.4)	(0.9)	(1,178)
General and administrative expenses	(734)	0.6	2.2	(730)
Depreciation and amortization	(175)	(0.9)	(3.8)	(177)
OPERATING INCOME	2,819	4.9	8.3	2,688
Impairment on financial assets (net)	(916)	64.7	72.4	(557)
Provisions (net)	(104)	(28.1)	(22.2)	(145)
Other gains (losses)	36	(95.5)	(95.4)	797
INCOME BEFORE TAX	1,834	(34.1)	(32.8)	2,783
Income tax	(480)	(34.9)	(33.6)	(738)
NET INCOME	1,354	(33.8)	(32.4)	2,045
Minority interests	(116)	23.7	15.2	(94)
NET ATTRIBUTABLE PROFIT	1,238	(36.6)	(35.0)	1,951
One-off operations ⁽¹⁾	-	n.m.	n.m.	509
NET ATTRIBUTABLE PROFIT (excluding one-off operations)	1,238	(14.2)	(11.2)	1,442
EARNINGS PER SHARE CALCULATION				
Average ordinary shares in circulation (million)	3,668	(1.3)		3,716
Basic earnings per share (euros)	0.34	(35.7)		0.53
Basic earnings per share excluding one-offs (euros)	0.34	(13.1)		0.39

(1) In 2008, capital gains from Bradesco in the first quarter.

Consolidated income statement: quarterly evolution

(Million euros)

	2009	2008			
	1Q	4Q	3Q	2Q	1Q
NET INTEREST INCOME	3,272	3,088	3,043	2,829	2,726
Net fees and commissions	1,079	1,105	1,138	1,153	1,131
Net trading income	364	139	260	568	591
Dividend income	41	45	161	186	56
Income by the equity method	4	25	95	34	139
Other operating income and expenses	129	157	96	83	130
GROSS INCOME	4,889	4,558	4,794	4,854	4,772
Operating costs	(2,070)	(2,203)	(2,099)	(2,069)	(2,084)
Personnel expenses	(1,161)	(1,188)	(1,185)	(1,165)	(1,178)
General and administrative expenses	(734)	(827)	(740)	(743)	(730)
Depreciation and amortization	(175)	(187)	(174)	(161)	(177)
OPERATING INCOME	2,819	2,355	2,695	2,784	2,688
Impairment on financial assets (net)	(916)	(859)	(917)	(607)	(557)
Provisions (net)	(104)	(837)	18	(467)	(145)
Other gains (losses)	36	(30)	11	(2)	797
INCOME BEFORE TAX	1,834	628	1,807	1,708	2,783
Income tax	(480)	(12)	(316)	(476)	(738)
NET INCOME	1,354	616	1,491	1,232	2,045
Minority interests	(116)	(98)	(99)	(75)	(94)
NET ATTRIBUTABLE PROFIT	1,238	519	1,392	1,157	1,951
One-off operations (1)	-	(575)	-	(329)	509
NET ATTRIBUTABLE PROFIT (excluding one-off operations)	1,238	1,093	1,392	1,486	1,442

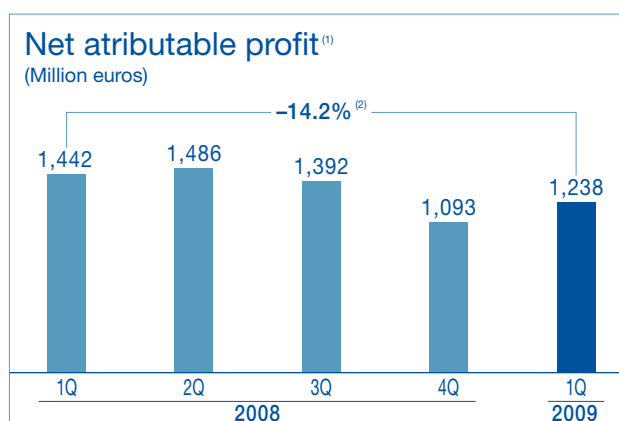
(1) In 2008, capital gains from Bradesco in the first quarter, provisions for non-recurrent early retirements in the second and fourth quarters and provision for the loss originated by the Madoff fraud in the fourth quarter.

the sale of holdings available for sale that were considered strategic.

- Operating profit no longer appears. To provide an equivalent reference the attached income statement contains **operating income**, which is the result of deducting administration costs, depreciation and amortization from gross income.

In the **first quarter** of 2009 the BBVA Group obtained **net attributable profit** of €1,238m, which was less than €1,951m in the first quarter of last year but far more than the fourth quarter of 2008 (€519m). The size of the profit in this quarter is of particular relevance if the following factors are taken into account: the adverse economic conditions, which are very similar to those in the final months of 2008,

the sharp decline in income recorded by many large international banking groups last year and the



positive one-off operations and other non-recurrent items booked in the first quarter of 2008.

It should be noted that net attributable profit for the first quarter of 2009 includes **no one-off operations** whereas in the same period of 2008 they came to €509m (net) owing to the sale of an interest in Bradesco.

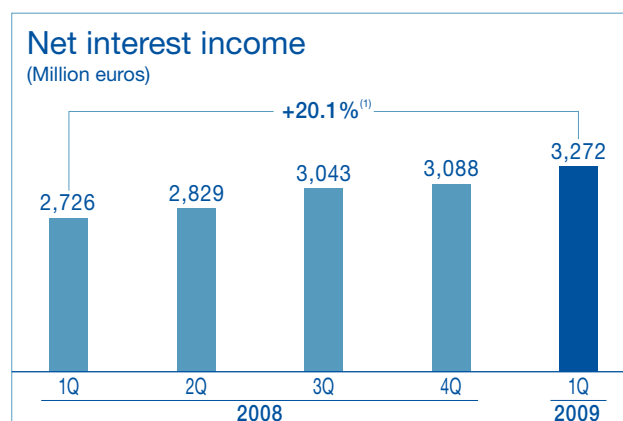
If this one-off operation is excluded, net attributable profit in the first quarter of 2009 is 14.2% less compared to the €1,442m obtained a year ago. At constant exchange rates profit in the quarter without one-offs is down 11.2% year-on-year. Moreover, if it is compared with the profit without one-offs in the fourth quarter of 2008, when the economic situation was closer to the present one, then profit in this quarter is up 13.2%.

The main source of the Group's income is, as usual, net interest income. This rose 20.1% year-on-year (up 22.6% without the effect of currencies). As a result, **operating income**, boosted by the good performance of net interest income and the highly positive behaviour of operating expenses, came to €2,819m in the quarter, up 4.9% year-on-year (up 8.3% at constant exchange rates) and up 19.7% compared to the fourth quarter of 2009. This supported the higher transfers to loan-loss provisions associated with the economic crisis and the Group's high standards of prudence.

The positive performance of earnings is, in fact, entirely of an **organic nature** because the year-on-year comparison is not affected by acquisitions.

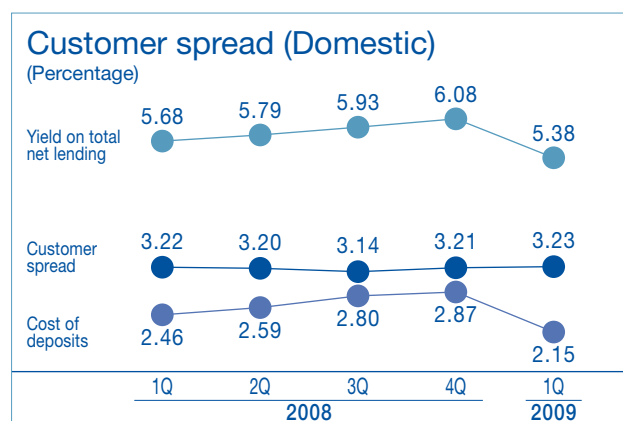
Net interest income

Net interest income continued to be the main driving force behind the Group's income in the first quarter. It came to €3,272m, an increase of 20.1% compared to €2,726m in the same period of 2008. At constant exchange rates the increase was 22.6%. This improvement is due to the higher level of business, the work on defending customer spreads and an active management of the balance sheet.



(1) At constant exchange rate: +22.6%.

In **Spain** and for business with domestic customers, appropriate price management by BBVA helped the sharp drops in interest rates during the period to have a bigger effect on the cost of funds than on the yield on loans. The cost of deposits fell 72 basis points compared to the fourth quarter of 2008, to 2.15%, whereas the yield on loans fell 70 basis points to 5.38%. Thus the customer spread was 3.23%, rising 2 basis points over the previous quarter. This change in the spread had a positive impact on net interest income in Spain & Portugal, which rose 5.6% year-on-year.



In **Mexico** there was a significant decline in interbank rates during the first quarter (the average TIIE was 8.0%, compared to 8.7% in the fourth quarter of 2008). This fall was reflected in the yield on loans, which dropped 31 basis points compared to the previous quarter. The cost of deposits was down 12 basis points, leading to a slight decline in the customer spread, which was 11.96% in the first quarter, compared to 12.15% in the fourth quarter

Breakdown of yields and costs

	1 st Quarter 09		4 th Quarter 08		3 rd Quarter 08		2 nd Quarter 08	
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost
Cash and balances with central banks	3.0	2.15	2.9	2.98	2.9	3.48	2.4	3.74
Financial assets and derivatives	24.2	3.38	23.7	3.43	21.7	3.89	22.6	3.97
Loans and advances to credit institutions	5.3	2.86	6.0	3.42	6.6	4.61	6.1	4.51
Loans and advances to customers	61.5	6.40	60.9	7.29	62.5	7.55	62.8	7.30
•Euros	41.3	5.16	40.0	6.11	42.3	6.07	43.6	5.90
- Domestic	36.4	5.38	36.6	6.08	39.3	5.93	40.6	5.79
- Other	4.9	3.54	3.4	6.46	3.0	7.83	3.0	7.51
•Foreign currencies	20.2	8.94	21.0	9.53	20.1	10.66	19.2	10.47
Other assets	6.0	0.36	6.5	0.71	6.3	0.82	6.1	0.65
TOTAL ASSETS	100.0	4.99	100.0	5.59	100.0	6.02	100.0	5.89
Deposits from central banks and credit institutions	13.4	4.01	14.9	4.59	15.1	4.95	13.9	5.10
Deposits from customers	44.8	2.46	45.8	3.46	46.3	3.35	46.7	3.32
•Euros	21.0	1.94	21.0	3.06	22.3	2.77	23.3	3.01
- Domestic	16.4	2.15	16.0	2.87	16.5	2.80	16.4	2.59
- Other	4.7	1.23	5.0	3.70	5.7	2.69	6.9	4.00
•Foreign currencies	23.7	2.92	24.8	3.79	24.1	3.94	23.3	3.61
Debt certificates and subordinated liabilities	23.4	3.57	22.1	4.24	22.7	5.48	23.6	5.15
Other liabilities	13.4	0.69	12.3	1.29	10.7	1.36	10.5	1.40
Equity	5.1	-	5.0	-	5.2	-	5.4	-
TOTAL LIABILITIES AND EQUITY	100.0	2.57	100.0	3.36	100.0	3.69	100.0	3.62
NET INTEREST INCOME/ATA		2.42		2.23		2.33		2.26

of 2008. Nonetheless, net interest income on average total assets in Mexico increased to 5.65% in pesos, compared to 5.53% in the previous quarter. This improvement, together with an increase in business volume, contributed to a 6.0% increase in net interest income in local currency. **South America** is reporting a 16.2% rise in net interest income at constant exchange rates due to a higher volume of lending and deposits, and the positive development of spreads. Lastly, in the **United States** net interest income grew 3.6% in local currency based on the higher balance of lending and an increase in deposits.

Gross income

In the first quarter of 2009 **net fees and commissions** contributed €1,079m, compared to

€1,131m a year earlier. These revenues continue to be affected by fees on mutual funds and pensions (down 16.8%), although the rate of fall has slowed since the fourth quarter of 2008. Nonetheless fees and commissions on banking services are practically at the same level as a year ago, with a slight rise of 0.5% year-on-year.

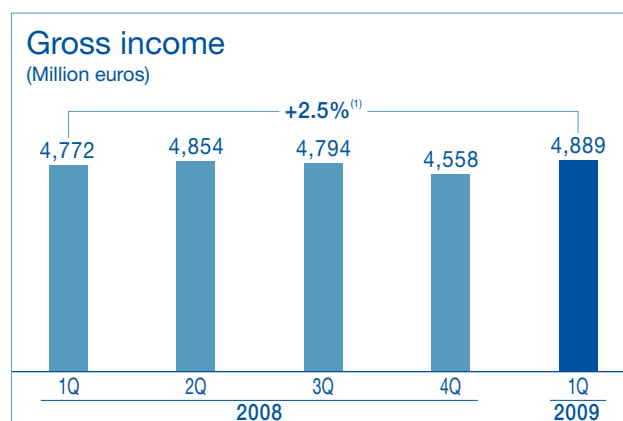
Net trading income came to €364m, dropping 38.4% compared to the first quarter last year when it was particularly high because it included €125m from the VISA IPO and the lower turnover this year derived from the situation of the markets, compensated to some extent by monetisation and coverage strategies.

Dividend income contributed €41m in the quarter (€56m in the same period last year) and **income by the equity method** came to €4m. The latter was far

lower than the €139m obtained in the first quarter of 2008, which included €131m from the sale of an interest in Gamesa.

Lastly, **other operating income and expenses** in the quarter came to €129m, which is very close to €130m obtained a year earlier. The main items were: €162m from insurance activities, which continues its excellent performance, growing 7.6% year-on-year. €18m in net revenues from non-financial activities, which includes the income from leased properties. And a deduction of €75m for contributions to the deposit guarantee funds in various countries, which rose 29% year on year; this increase is bigger than that of business itself due to the increased contribution in the United States.

As a result, **gross income**, which is the sum of net interest income and the other income items mentioned above, came to €4,889m in the first quarter. This is an increase of 2.5% compared to €4,772m a year earlier (up 4.6% at constant exchange rates) and up 7.3% compared to the fourth quarter.



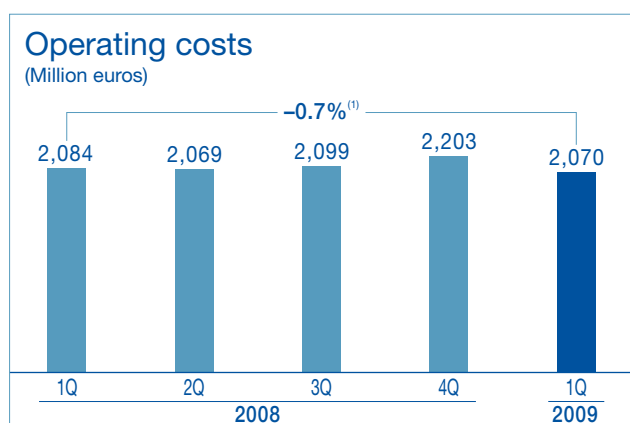
Operating income

Administration costs fell steadily quarter on quarter during 2008. In the first quarter of 2009 they were lower than the fourth quarter of 2008 (–6.0%) and also lower than the first quarter of that year (–0.7%). This improvement was the result of the Group’s ability to anticipate the crisis and its implementation of transformation and restructuring plans in 2006. In the first quarter administration costs came to

Operating costs, depreciation and efficiency

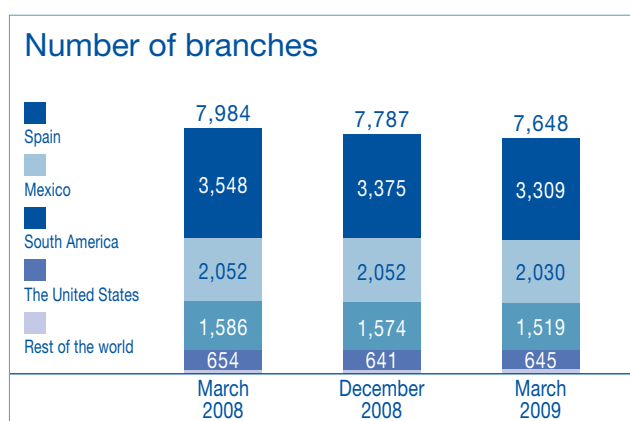
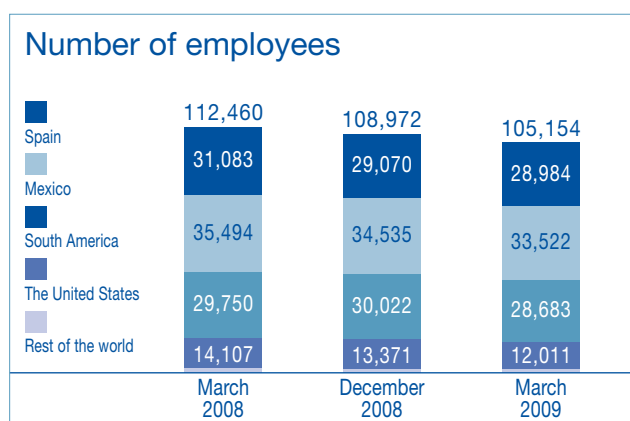
(Million euros)

	1Q09	Δ%	1Q08	2008
PERSONNEL EXPENSES	1,161	(1.4)	1,178	4,716
Wages and salaries	885	(0.9)	892	3,593
Employee welfare expenses	181	(1.4)	183	693
Training expenses and other	96	(6.0)	102	430
GENERAL AND ADMINISTRATIVE EXPENSES	734	0.5	730	3,040
Premises	154	9.2	141	617
IT	145	(1.7)	148	598
Communications	65	1.9	64	260
Advertising and publicity	63	(5.1)	67	272
Corporate expenses	23	(15.2)	27	110
Other expenses	217	13.4	191	887
Levies and taxes	66	(28.2)	92	295
ADMINISTRATION COSTS	1,895	(0.7)	1,907	7,756
DEPRECIATION AND AMORTIZATION	175	(0.9)	177	699
OPERATING COSTS	2,070	(0.7)	2,084	8,455
GROSS INCOME	4,889	2.5	4,772	18,978
EFFICIENCY RATIO (Operating costs/gross income,%)	42.3		43.7	44.6



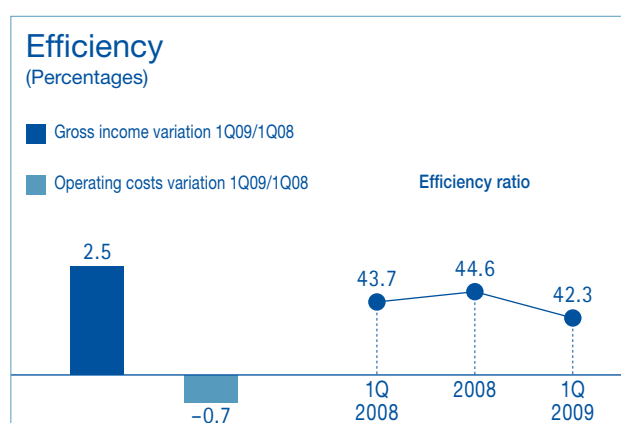
€2,070m, compared to €2,084m a year earlier. In the Spain & Portugal Area efforts to reduce costs were particularly successful, achieving a reduction of 6.5% year-on-year. In the Americas costs were also kept under control: they increased 2.6%, which was less than inflation in most countries in the region.

At the end of March 2009, the Group had 105,154 employees, compared to 108,972 in December. Numbers declined in Spain and the Americas. The United States was especially affected by retrenchments in the first quarter of 2009 resulting in 1,360 fewer

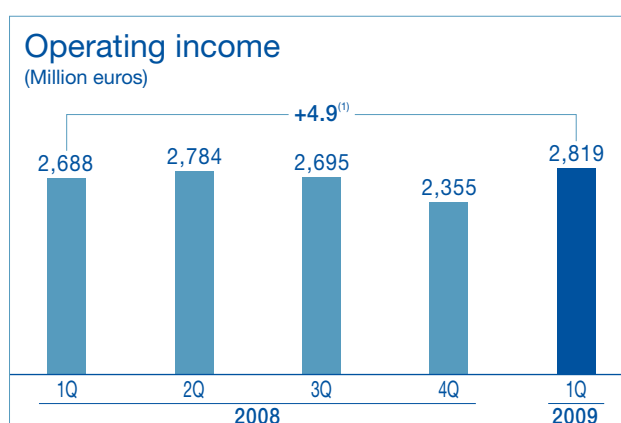


employees. At the end of the first quarter BBVA's network consisted of 7,648 branches, 139 less compared to the end of 2008. Restructuring of the network continues both in Spain and the Americas.

Under the new reporting standards the **cost/income ratio** (a measure of efficiency) is calculated by dividing operating expenses (personnel costs plus general and administrative expenses plus depreciation & amortization) by gross income. It improved during the quarter to 42.3%, compared to 43.7% a year earlier.



The good performance by recurrent revenues and the containment of expenses helped **operating income** to rise 4.9% year-on-year to €2,819m for the quarter. At constant exchange rates the increase is 8.3% and, if we compare the amount with the fourth quarter of 2008, the increase is 19.7%.



Provisions and others

Impairment losses on financial assets in the first quarter of 2009 came to €916m, which was 64.6% higher compared to €557m for the first quarter last

year but much in line with the €917 and €859m for the third and fourth quarters. It was affected by higher levels of business and by non-performing loans associated with the weaker economy and the Group's highly prudent criteria.

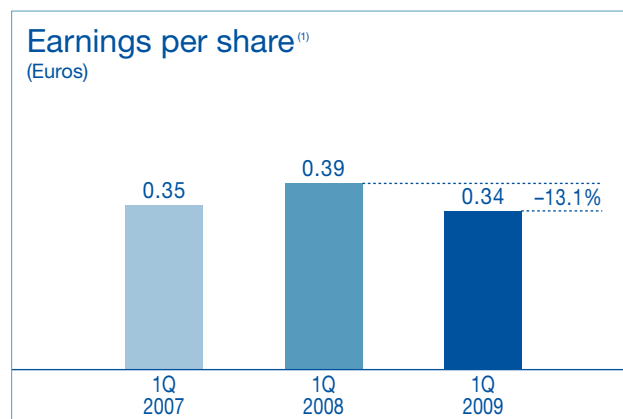
On the other hand, **net provisions** in the quarter came to €104m although this was less than €145m provided a year earlier. These amounts contain €88m in early retirement provisions of an ongoing nature in the first quarter of 2009 and €64m in the same period last year.

Net attributable profit

Net operating income (operating income less impairment losses on financial assets and less net provisions) plus other gains and losses of a one-off nature, bring **income before tax** at 31-Mar-09 to €1,834m, compared to €2,783m at the same point last year. After deducting income tax, net income comes to €1,354m (€2,045m in the same quarter last year). Minority interests account for €116m and thus the **net attributable profit** of the Group in the first quarter of 2009 is €1,238m, a decrease of 36.6% compared to €1,951m in the same period last year but only a 14.2% decrease if one-off operations are ignored. Moreover, growth is 13.2% if its compared with the last quarter of 2008 (one-off operations excluded)

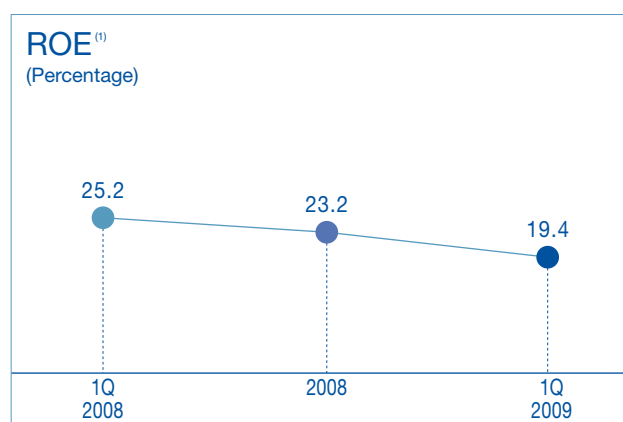
The contributions of the different business areas to net attributable profit are all positive: Spain & Portugal contributed €657m (down 2.4% year-on-year), Wholesale Banking & Asset Management provided €268m (down 0.1%), Mexico €363m (down 27.5% in euros and down 16.1% in local currency), United States €42m (down 49.4% in euros and down 56.0% in dollars) and South America €225m (up 24.3% at current exchange rates and up 19.5% at constant rates).

Earnings per share (EPS) came to €0.34 in the first quarter, compared to €0.39 in the same quarter last year (excluding one-off operations) and the variation is similar to that of net attributable profit. The increase in the shareholders' funds leads to an increase

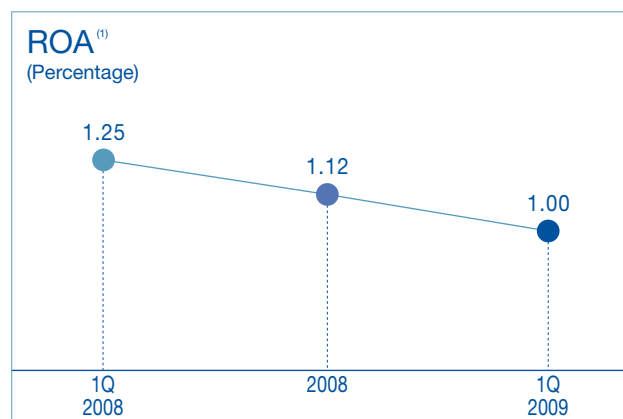


(1) Excluding results of one-off operations.

in **book value** per share, which rises 8.5% year-on-year to €7.40. The **net book value** (after deducting goodwill) per share comes to €5.36. **ROE** stands at 19.4% and the return on average total assets (**ROA**) is 1.00%. These figures compare with ROE of 25.2% excluding one-offs and ROA of 1.25% on the same basis, in the first quarter last year.



(1) Excluding results of one-off operations.



(1) Excluding results of one-off operations.

Business activity

In the first quarter of 2009 the Spanish market continued the downward trend in lending to customers that started last year. The decline was especially evident in consumer finance. At the same time demand increased for the more conservative customer-funded products such as deposits, bonds and mutual funds with

low exposure to equities. Moreover in the Americas there are signs that lending is growing more slowly although in Mexico and South America growth is still measured in double digits. Growth in non-domestic customer funds continues to be high and it is centred mainly on funds included on the balance sheet.

Consolidated balance sheet

(Million euros)

	31-03-09	Δ%	31-03-08	31-12-08
Cash and balances with central banks	15,859	53.9	10,304	14,659
Financial assets held for trading	74,177	23.8	59,902	73,299
Other financial assets designated at fair value through profit or loss	1,926	68.4	1,144	1,755
Available for sale financial assets	51,560	9.9	46,918	47,780
Loans and receivables	362,172	8.0	335,338	369,494
•Loans and advances to credit institutions	28,937	44.9	19,977	33,856
•Loans and advances to customers	332,647	5.5	315,274	335,260
•Other	588	n.m.	88	378
Held-to-maturity investments	5,106	(5.2)	5,385	5,282
Investments in entities accounted for using the equity method	1,468	13.3	1,296	1,467
Tangible assets	6,987	37.4	5,086	6,908
Intangible assets	8,817	14.1	7,724	8,440
Other assets	15,278	55.6	9,816	13,568
TOTAL ASSETS	543,350	12.5	482,913	542,650
Financial liabilities held for trading	45,131	89.9	23,770	43,009
Other financial liabilities at fair value through profit or loss	1,153	196.0	390	1,033
Financial liabilities at amortised cost	447,382	8.8	411,094	450,605
•Deposits from central banks and credit institutions	70,737	11.4	63,506	66,804
•Deposits from customers	243,795	9.8	222,028	255,236
•Debt certificates	109,021	6.3	102,564	104,157
•Subordinated liabilities	17,230	10.1	15,646	16,987
•Other financial liabilities	6,600	(10.2)	7,351	7,420
Liabilities under insurance contracts	6,691	(4.9)	7,033	6,571
Other liabilities	14,625	4.2	14,030	14,727
TOTAL LIABILITIES	514,983	12.9	456,317	515,945
Minority interests	1,116	23.0	907	1,049
Valuation adjustments	(492)	n.m.	118	(930)
Shareholders' funds	27,742	8.5	25,571	26,586
TOTAL EQUITY	28,367	6.7	26,596	26,705
TOTAL EQUITY AND LIABILITIES	543,350	12.5	482,913	542,650
MEMORANDUM ITEM:				
Contingent liabilities	35,453	(1.3)	35,915	35,952
MEMORANDUM ITEM:				
Average total assets	547,665	10.4	496,258	517,856
Average shareholders' funds	25,913	12.6	23,006	23,324
Risks weighted assets	291,834	9.8	265,777	276,475

Year-on-year comparisons of items on the balance sheet are no longer influenced by acquisitions. Nonetheless off-balance-sheet funds are affected by the nationalisation of pension funds in Argentina in the fourth quarter of 2008 and by the sale of the business in Miami in the second quarter of the same year.

Bank of Spain Circular 6/2008, dated 26th November, required changes to the Group's balance sheet that reclassify some items, without changing shareholder equity. It had a very limited effect on total assets and this also applies to loans and customer funds on the balance sheet. The most significant change occurs in contingent liabilities, which no longer include credit default swaps. The 2008 figures were recast in accordance with this circular, including the above minor variations, to provide a common basis for the year-on-year comparisons.

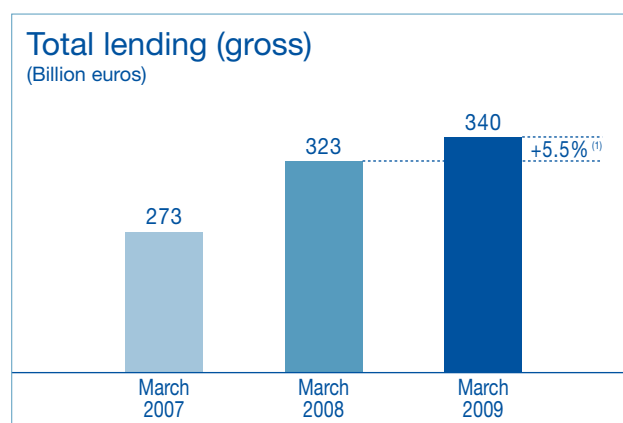
Exchange rates had a slightly positive impact (about 0.3 percentage points) on year-on-year comparisons of the balance sheet and business activity figures. This is because in the last 12 months the depreciation of the Mexican peso against the euro (10%) was offset by the sharp rise in the US dollar (up 18.8%). We will also provide comparisons at constant exchange rates for the

main items because this helps to give a clearer picture of business activity.

The Group's **total assets** at 31-Mar-09 came to €543 billion, compared to €483 billion at the same point last year. This was an increase of 12.5% and the amount was very similar to the end of 2008.

Lending to customers

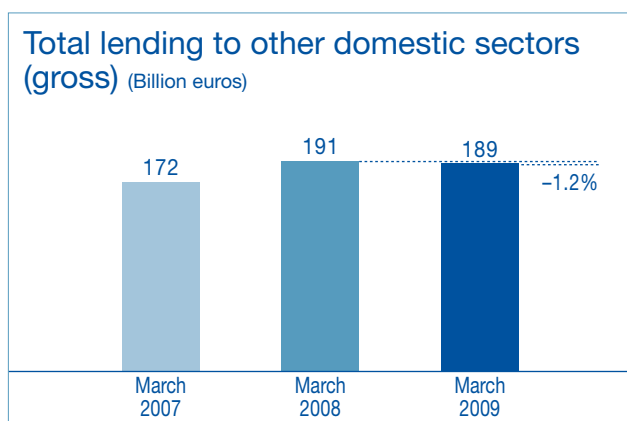
At the end of the first quarter gross lending to customers came to €340 billion, rising 5.5% compared to €323



Total lending

(Million euros)

	31-03-09	Δ%	31-03-08	31-12-08
Domestic sector	207,036	(0.2)	207,479	210,080
Public sector	18,249	11.0	16,446	17,599
Other domestic sectors	188,786	(1.2)	191,033	192,481
• Secured loans	105,445	0.0	105,411	105,832
• Commercial loans	7,475	(33.9)	11,313	9,543
• Financial leases	7,354	(6.4)	7,853	7,702
• Other term loans	54,239	(5.9)	57,638	55,448
• Credit card debtors	1,471	(7.6)	1,593	1,971
• Other demand and miscellaneous debtors	3,622	36.0	2,663	3,474
• Other financial assets	2,292	(15.6)	2,714	3,029
• Non performing loans	6,889	272.9	1,847	5,483
Non-domestic sector	133,205	15.8	115,039	132,591
Secured loans	40,739	42.1	28,662	39,390
Other loans	89,149	5.5	84,476	90,326
Non performing loans	3,317	74.4	1,901	2,875
TOTAL LENDING (GROSS)	340,241	5.5	322,518	342,671
Loan-loss provisions	(7,594)	4.8	(7,244)	(7,412)
TOTAL NET LENDING	332,647	5.5	315,274	335,260



billion a year earlier (at constant exchange rates the increase is 5.0%). It should be noted that this increase occurred steadily throughout 2008 in a sustained manner. Therefore, compared to the end of last year, the above figure is practically unchanged (down 0.7%).

Of total lending to domestic customers in Spain, the **public sector** accounts for €18 billion (up 11.0% year-on-year) and loans to **the domestic private sector** were down 1.2% to €189 billion, compared to €191 billion at 31-Mar-08. This situation is due to the general downward trend of lending in the whole sector, which particularly affects commercial loans (down 33.9% year-on-year). Secured loans are the main component of domestic lending and they maintained the same level as the first quarter last year (€105 billion).

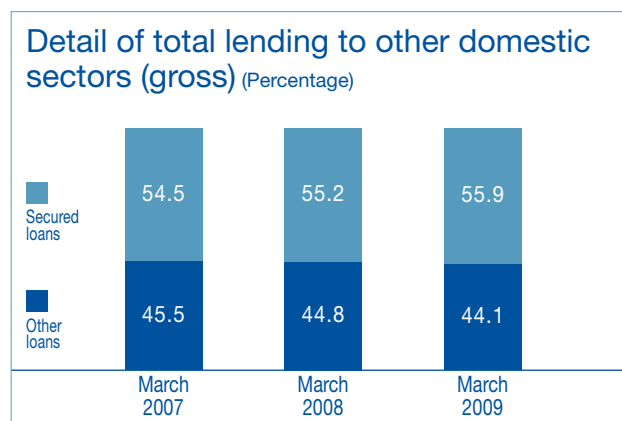
Non-performing assets in the domestic private sector came to €6,889m, compared to €1,847m a year earlier. This is in line with the adverse economic conditions but lower than the average for the overall system.

Lending to **non-resident** customers in Spain rose 15.8% to €133 billion at 30-Mar-09 compared to €115 billion a year earlier. BBVA Portugal plus the branches in Europe, New York and Asia, and in most Latin-American countries, especially Mexico, Peru, Chile, Venezuela, Paraguay and Uruguay, contributed to this growth with double digit increases.

Customer funds

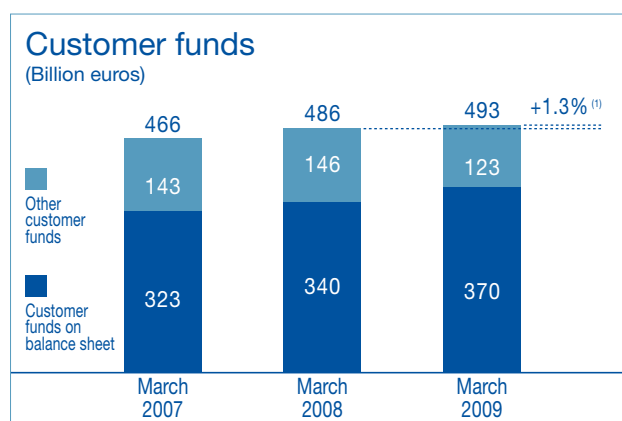
Total customer funds on and off the balance sheet came to €493 billion at 31-Mar-09, an increase of 1.3% compared to €486 billion a year earlier.

Customer funds on the balance sheet continue to outperform (as they did throughout 2008), rising 8.8%



year-on-year to €370 billion. Of this figure, customer deposits account for €244 billion (up 9.8%). Marketable debt securities account for €109 billion (up 6.3%) and subordinate liabilities account for €17 billion (up 10.1%).

Customer funds off the balance sheet, which comprise mutual funds, pension funds and customers' portfolios, came to €123 billion at the end of the quarter. It dropped 16.1% compared to the figure of €146 billion a year earlier. These variations were affected by the sharp decline in the markets during the last 12 months, which has lowered the value of mutual funds and customer portfolios. However, there are signs of improvement because, compared to the balance at 31-Dec-08, these funds have in fact increased 3.0%. The domestic market accounts for €61 billion (down 15.0% year on year). On the other hand the decline is less than that of the sector average, owing mainly to the greater proportion of more conservative types of funds. Outside Spain these off-balance-sheet funds fell 17.1% to €62 billion, compared to €75 billion at 31-Mar-08. At 31-Mar-08 the Consolidar AFJP pension funds in Argentina (now nationalised) and the Miami branch (now sold) contributed €3,516m and €697m,



(1) At constant exchange rate: +2.4%.

Customer funds

(Million euros)

	31-03-09	Δ%	31-03-08	31-12-08
CUSTOMER FUNDS ON BALANCE SHEET	370,045	8.8	340,237	376,380
DEPOSITS FROM CUSTOMERS	243,795	9.8	222,028	255,236
Domestic sector	97,326	1.8	95,596	104,959
Public sector	5,345	(10.8)	5,989	6,328
Other domestic sectors	91,980	2.6	89,607	98,630
• Current and savings accounts	44,055	8.2	40,697	44,589
• Time deposits	39,364	2.9	38,236	43,829
• Assets sold under repurchase agreement and other	8,562	(19.8)	10,673	10,213
Non-domestic sector	146,469	15.8	126,432	150,277
Current and savings accounts	58,293	20.1	48,535	56,930
Time deposits	81,542	19.7	68,139	85,647
Assets sold under repurchase agreement and other	6,634	(32.0)	9,757	7,700
DEBT CERTIFICATES	109,021	6.3	102,564	104,157
Mortgage bonds	38,676	(2.6)	39,697	39,673
Other debt certificates	70,345	11.9	62,866	64,484
SUBORDINATED LIABILITIES	17,230	10.1	15,646	16,987
OTHER CUSTOMER FUNDS	122,618	(16.1)	146,110	119,017
Mutual funds	46,436	(17.3)	56,118	46,295
Pension funds	52,056	(14.4)	60,779	48,140
Customer portfolio	24,127	(17.4)	29,213	24,582
TOTAL CUSTOMER FUNDS	492,663	1.3	486,348	495,397

respectively. If they are excluded from the above comparison to achieve a like-for-like basis, the decline is 11.9%. Furthermore the amount rose 8.0% compared to 31-Dec-08.

In **Spain** customers switched from mutual funds to time deposits owing to the high volatility and uncertainty in stock markets and encouraged by the high interest rates available in previous quarters. However, after recent interest-rate cuts, time deposits have lost some of their attraction, more liquid types of deposits are growing and the decline in mutual funds has slowed. This trend is supported by the improved performance of those mutual funds with a small exposure to equities. As a result, time deposits have risen 2.9% since March 2008, to €39 billion. Moreover the increase would be 13.9% if the volatile movements in euro deposits connected with market trading were excluded. Current and savings accounts increased 8.2% to €44 billion and mutual funds fell 18.0% to €34 billion. This is

lower than the banking sector average, thanks in part to the greater proportion of guaranteed funds. This helped BBVA to increase its market share and widen its advantage as the leading manager of mutual funds in Spain. At 31-Mar-09 its market share was up 30 basis points to 20.2%. Pension funds (€16 billion), however, remain practically unchanged compared to March or December last year.

In the **non-resident** customer segment, the aggregate of current and savings accounts, time deposits, mutual funds and pension funds rose 7.3% year-on-year to €188 billion. Current and savings accounts continue to perform well, rising 20.1% to €58 billion.

Stable customer funds grew 2.5% year-on-year to €130 billion. Of this amount time deposits accounted for €82 billion (up 19.7%), pension funds €36 billion (down 18.4%) and mutual funds and investment companies €12 billion (down 15.1%).

Other customer funds

(Million euros)

	31-03-09	Δ%	31-03-08	31-12-08
SPAIN	60,598	(15.0)	71,295	61,611
MUTUAL FUNDS	34,323	(18.0)	41,843	34,900
Mutual funds (ex real estate)	32,653	(17.6)	39,636	33,197
• Guaranteed	15,925	(5.0)	16,767	16,507
• Monetary and short-term fixed-income	12,794	(18.8)	15,751	12,016
• Long-term fixed-income	996	(32.9)	1,485	1,252
• Balanced	672	(46.5)	1,257	755
• Equity	1,437	(47.3)	2,727	1,657
• Global	829	(49.7)	1,648	1,009
Real estate investment trusts	1,546	(25.8)	2,083	1,580
Private equity funds	123	(0.0)	123	123
PENSION FUNDS	15,881	(3.6)	16,469	16,060
Individual pension plans	9,272	(2.3)	9,491	9,357
Corporate pension funds	6,610	(5.3)	6,978	6,703
CUSTOMER PORTFOLIOS	10,394	(19.9)	12,983	10,650
REST OF THE WORLD	62,020	(17.1)	74,815	57,406
Mutual funds and investment companies	12,113	(15.1)	14,275	11,395
Pension funds	36,175	(18.4)	44,310	32,079
Customer portfolios	13,733	(15.4)	16,230	13,932
OTHER CUSTOMER FUNDS	122,618	(16.1)	146,110	119,017

Statement of changes in equity

(Million euros)

	Capital	Reserves	Profit for the year	Treasury shares	Valuation adjustments	Minority interests	Paid dividends	TOTAL EQUITY
BALANCE AT 31-12-07	1,837	18,830	6,126	(322)	2,252	880	(1,661)	27,943
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)
BALANCE AT 31-03-08	1,837	22,196	1,951	(412)	118	907	-	26,596
BALANCE AT 31-12-08	1,837	22,180	5,020	(630)	(955)	1,049	(1,820)	26,679
Valuation adjustments					463	47		510
Profit retained		2,884	(2,884)					-
Dividends			(2,136)			(99)	1,820	(415)
Shares issued								-
Treasury shares		(132)		435				304
Profit for the year			1,238			117		1,354
Other		13		(82)		4		(66)
BALANCE AT 31-03-09	1,837	24,945	1,238	(277)	(492)	1,116	-	28,367

Capital base

At 31st March 2009 the BBVA Group's **capital base**, calculated according to Basel II rules, declined 0.8% to €33,752m compared to the first quarter of 2008. There were two reasons for this: an increase in the capital base generated by profit in the first quarter and a deduction of approximately €1,900m (50% in Tier I and Tier II) owing to the classification in January of China CITIC Bank (CNCB) as a financial holding after BBVA's holding rose from 9.93% to 10.07%.

Risk-weighted assets (RWA) increased to €292,626m, a rise of 11.2% compared to the first quarter last year (up 3.3% since the end of 2008). The minimum resources required by BIS rules (8% of RWA) come to €23,410m and therefore the **capital base surplus** is €10,342m.

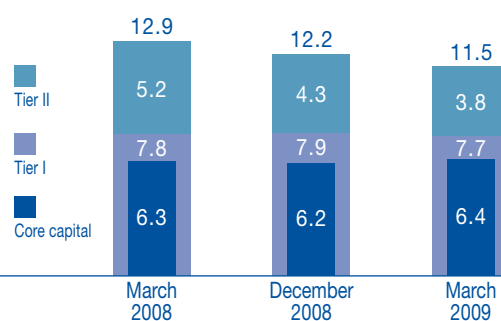
At the end of the quarter, **core capital** stands at €18,604m. It increased 6.0% or €1,051m in the quarter, explained by the profit obtained during the

period. Therefore, as core capital rose more than RWAs, the core ratio improves to 6.4% compared to 6.2% at 31st December 2008 and 6.3% at the end of the third quarter last year.

The **Tier I** ratio fell 21 basis points to 7.7% during the quarter owing to the CNCB deduction mentioned above. Preference securities stand at

Capital base: BIS II ratio

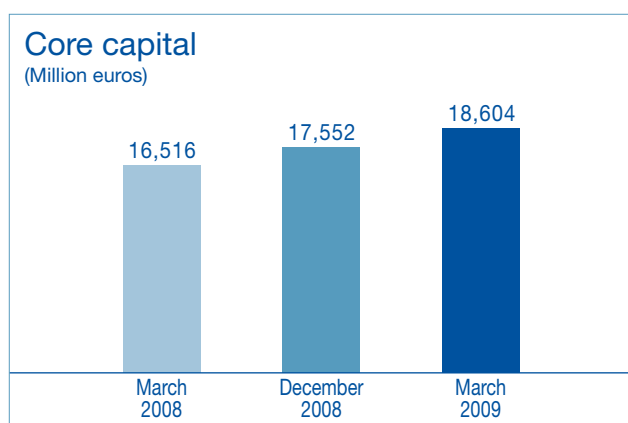
(Percentage)



Capital base (BIS II Regulation)

(Million euros)

	31-03-09	31-12-08	30-09-08	30-06-08	31-03-08
Shareholders' funds	27,742	26,586	26,575	25,850	25,571
Adjustments	(9,138)	(9,034)	(8,754)	(9,072)	(9,055)
CORE CAPITAL	18,604	17,552	17,821	16,777	16,516
Preference shares	5,421	5,395	4,465	4,420	4,419
Adjustments	(1,532)	(583)	(514)	(484)	(475)
CAPITAL (TIER I)	22,493	22,364	21,772	20,713	20,460
Subordinated debt and other	12,802	12,914	12,985	13,355	14,036
Deductions	(1,543)	(590)	(520)	(490)	(476)
OTHER ELIGIBLE CAPITAL (TIER II)	11,259	12,324	12,465	12,865	13,560
CAPITAL BASE	33,752	34,687	34,236	33,578	34,021
Minimum capital requirement (BIS II Regulation)	23,410	22,666	22,330	21,469	21,045
CAPITAL SURPLUS	10,342	12,022	11,907	12,109	12,976
RISK-WEIGHTED ASSETS	292,626	283,320	279,122	268,357	263,062
BIS RATIO (%)	11.5	12.2	12.3	12.5	12.9
CORE CAPITAL (%)	6.4	6.2	6.4	6.3	6.3
TIER I (%)	7.7	7.9	7.8	7.7	7.8
TIER II (%)	3.8	4.3	4.5	4.8	5.2



€5,425m. Although BBVA made no new issues, these securities increased €30m in value owing to the appreciation of the US dollar and the British pound and they now represent 24.1% of capital.

Other eligible funds, **Tier II**, which includes subordinated debt, surplus generic provisions and

latent capital gains, came to €11,259m. Thus the Tier II ratio stands at 3.8%, down 50 basis points since the end of 2008. As in the case of Tier I, this is mainly attributable to the deduction of CNCB.

In summary the BIS ratio at the end of March 2009 is 11.5%, compared to 12.2% at the end of 2008. And the fall is mainly due to the deduction of BBVA's interest in CNCB. Conversely the core ratio increased, reflecting the Group's ability to generate capital in a recurrent fashion in the present business climate.

Ratings

On 4th March 2009 Standard & Poor's confirmed BBVA's AA rating. It is one of only five banks worldwide to maintain this rating despite the crisis. Nonetheless, the outlook was revised downwards from *stable* to *negative*.

	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+	-	Negative

In the **first quarter of 2009** the market continued to hold a negative view of economic conditions. Various factors suggested that stock exchanges had reached a bottom but the market appeared to be waiting for an improvement in cyclical indicators before accepting a turnaround. Investors are still concerned about the risks in the economic cycle and are seeking refuge in stocks with strong balance sheets. Nonetheless the fiscal plans at global level, the short-term interest rate policies and the government aid to stabilise the financial system appear to have limited –at least temporarily– investors’ perception of the risks. This favoured the rally in the equities markets in March.

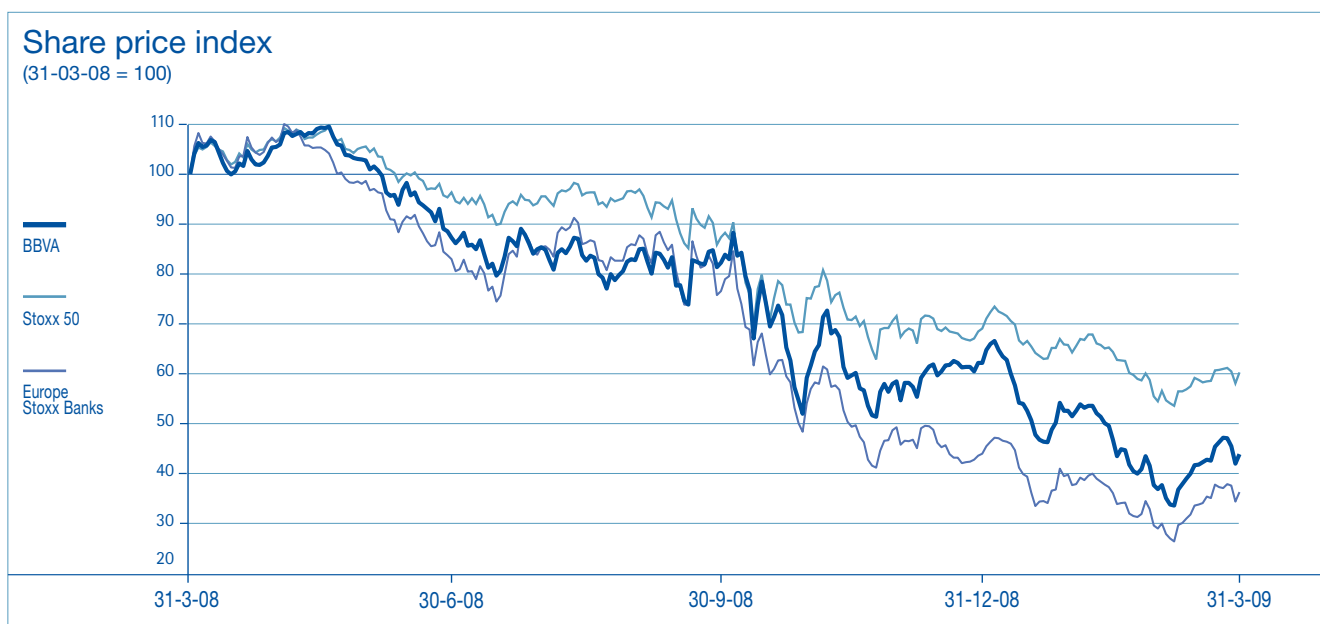
In this environment the main **European indices** closed the first quarter with new declines: the Stoxx50 fell 12.9% and the British FTSE dropped 10.2%. The USA market performed in a similar fashion, with the S&P 500 losing 11.7%. The IBEX35 retreated even further than the Stoxx 50 and S&P 500, dropping 15.0% during the quarter.

In terms of the **banking sector**, investors continued to focus on capital adequacy, on asset quality and therefore on the strength of banks’ balance sheets although there is persistent concern about the low visibility of future earnings. As a result, share prices in this sector hit all-time lows during the first two months of the year. Together with signs of improvement in the first quarter earnings of American banks and the announcement of new measures, this sentiment appears

to explain the upward trend in March, which however was insufficient to offset the falls in January and February. In fact, the European bank index, Stoxx Banks, fell 17.7% in the first quarter. The decline was even greater in Britain, where the FTSE Banks Index dropped 27.4%. In the United States the financial entities index, S&P Financials, declined 29.5% and the index of regional banks, S&P Regional Banks, was down 43.4%.

In these conditions **BBVA’s share** price fell 29.4% in the first quarter, underperforming the European banking index. However over the last 12 months BBVA (down 56.2%) has performed better than Stoxx Banks (down 63.8%).

Compared to the sharp falls in profit and substantial losses at some banks, **BBVA’s earnings in 2008** set it apart from the rest of the sector and were viewed favourably by most analysts. They noted the considerable strength of recurrent income despite the deteriorating conditions. Furthermore they took a positive view of the size of the profit, which was the second highest among private-sector banks worldwide. This is even more impressive in the context of the BBVA Group’s relatively small balance sheet. The announcement that the final dividend against 2008 earnings would be paid in shares and that the payout for 2009 will be reduced to 30% was also received favourably. Both measures are considered appropriate to strengthen the Group’s capital base. Lastly, we would



The BBVA share

	31-03-09	31-12-08	31-03-08
Number of shareholders	919,195	903,897	891,266
Number of shares issued	3,747,969,121	3,747,969,121	3,747,969,121
Daily average number of shares traded	58,814,357	55,548,033	53,969,024
Daily average trading (million euros)	399	676	769
Maximum price (euros)	9.33	16.82	16.82
Minimum price (euros)	4.45	7.04	12.41
Closing price (euros)	6.11	8.66	13.95
Book value per share (euros)	7.40	7.09	6.82
Tangible book value per share (euros) ⁽¹⁾	5.36	5.02	5.20
Market capitalisation (million euros)	22,900	32,457	52,284

(1) Net of goodwill.

Share performance ratios

	31-03-09	31-12-08	31-03-08
Price/Book value (times)	0.8	1.2	2.0
Price/Tangible book value (times) ⁽¹⁾	1.1	1.7	2.7
PER (Price/Earnings; times) ⁽²⁾	4.8	6.5	10.4
Yield (Dividend/Price; %) ⁽³⁾	6.1	7.1	4.4

(1) Net of goodwill.

(2) The 31-3-09 P/E is calculated taking into consideration the median of the analysts' estimates (April 2009).

(3) Dividend yield at 31-3-09 is calculated taking into consideration the median of analysts' estimates (April 2009).

like to point out that the BBVA Group is one of the few banks in the world that had no need for capital increases or government help to weather the crisis.

During the first quarter, BBVA's share price varied between €4.45 and €9.33, closing on 31st March 2009 at €6.11. This put market capitalisation at €22,900m. Based on the above closing price, the price to earnings ratio (PER) is 4.8 (calculated on average earnings

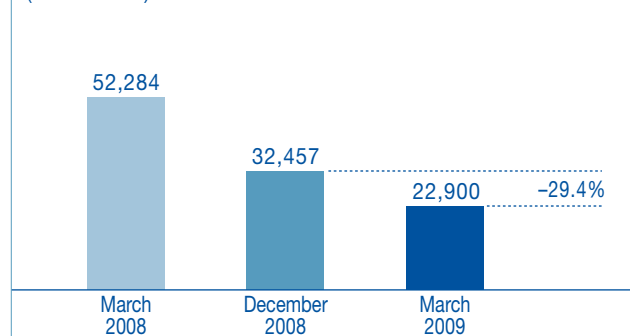
estimated by analysts for 2009). In 2008 PER was 6.5 (calculated on the actual figures at the end of that year). Although the price-to-book multiple is 0.8 times, it should be noted that the price-to-tangible-book continues to be higher (1.1 times). Lastly, dividend yield (calculated on average dividends estimated by analysts for 2009) is 6.1%.

During the first quarter BBVA's share continued to enjoy a high level of liquidity. The average number of shares traded each day was 59 million, an increase compared to the same quarter last year. Moreover the number of shareholders again increased to 919,195, compared to 903,897 at 31-Dec-08.

Lastly, on 20th April 2008 the bank paid a final gross dividend against 2008 earnings in the form of 60.5 million shares from treasury stock. Taking the share price of last 17th of April, this remuneration is equivalent to €0.13 per share, thus bringing the total payout for the shareholder against 2008 earnings to €0.63 per share, at a time when many banks cancelled their dividend.

Market capitalisation

(Million euros)

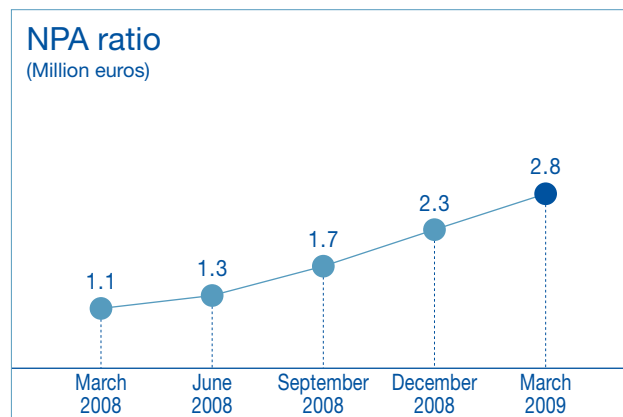


Risk management

The deterioration of economic activity continued during the first quarter of 2009. This had a marked impact on the asset-quality indicators for the loan-books, maintaining the tendency initiated in 2008. Nonetheless, prudent risk-management policies and the fact that practically all the BBVA Group's loan-books were generated by its own networks have enabled the Group to conserve sound asset-quality parameters.

On 31st March 2009, **total risks** with customers (including contingent liabilities) stood at €374,962m. This was 1.0% down on the €378,624m in December 2008 and in line with the dip in lending volumes during this period. Meanwhile, **non-performing assets** rose to €10,543m from €8,568m at year-end 2008. This 23.1% rise reflects slower growth in the upward trend of NPA balances during the quarter, as net entries went down 14.7% and recoveries increased. The amount recovered accounted for 32.4% of entries, whereas this ratio had been 29.6% in the final quarter of 2008.

The Group's **non-performing asset ratio** thus reached 2.8% at 31st March 2009, as against the 2.3%



reported on 31st December 2008. But this figure is still one of the lowest NPA ratios of any of the European banks in its peer group.

In **Spain**, the NPA ratios for the financial industry as a whole continued to worsen. In lending to the private sector, BBVA increased the distance to the average of the rest of the system. Its 3.3% ratio was below the 4.2% reported for all financial institutions and the 3.4% for all banks, according to the latest data published to February 2009. The purchase of assets from distressed customers has come down to

Credit risk management

(Million euros)

TOTAL RISK EXPOSURE⁽¹⁾

Non-performing assets

Total risks

Provisions

• Specific

• Generic and country-risk

NPL ratio (%)

NPL coverage ratio (%)

MEMORANDUM ITEM:

Foreclosed assets

Foreclosed asset provisions

Coverage (%)

(1) Including contingent liabilities.

	31-03-09	Δ%	31-03-08	31-12-08
Non-performing assets	10,543	171.8	3,878	8,568
Total risks	374,962	4.6	358,433	378,624
Provisions	8,000	3.1	7,757	7,841
• Specific	3,667	93.3	1,897	3,282
• Generic and country-risk	4,334	(26.1)	5,860	4,558
NPL ratio (%)	2.8		1.1	2.3
NPL coverage ratio (%)	76		200	92
Foreclosed assets	461	58.1	292	391
Foreclosed asset provisions	108	55.0	70	98
Coverage (%)	23.4		23.9	25.1

Variations in non-performing assets

(Million euros)

	1Q09	4Q08	3Q08	2Q08	1Q08
BEGINNING BALANCE	8,568	6,544	4,720	3,878	3,408
Entries	3,787	4,265	3,137	2,215	1,591
Outflows	(1,228)	(1,264)	(875)	(813)	(716)
Net variation	2,559	3,001	2,262	1,402	875
Write-offs	(686)	(787)	(529)	(535)	(347)
Exchange rate differences and other	102	(190)	91	(25)	(58)
PERIOD-END BALANCE	10,543	8,568	6,544	4,720	3,878
MEMORANDUM ITEM:					
• Non-performing loans	10,262	8,437	6,483	4,665	3,837
• Non-performing contingent liabilities	281	131	61	55	41

€490m in the first quarter of 2009 (from €629m in the second semester of 2008).

In **Mexico**, latest available data also show Bancomer outperforming its peers. At the end of March 2009, the area's NPA ratio was 3.6%, as against 3.2% in December 2008. **United States** saw its ratio rise to 3.9% against the 3.4% it reported at year-end 2008. Finally, **South America's** ratio did not show any significant change, standing at 2.3% at the end of the first quarter (2.1% three months earlier).

Coverage reserves for customer risks rose to €8,000m at 31st March 2009, from €7,841m at the end of December 2008 and €7,757m at 31-Mar-08. Of these, generic and country-risk provisions (€4,334m) accounted for 54.2% of the total and continue to be significantly higher than expected loss.

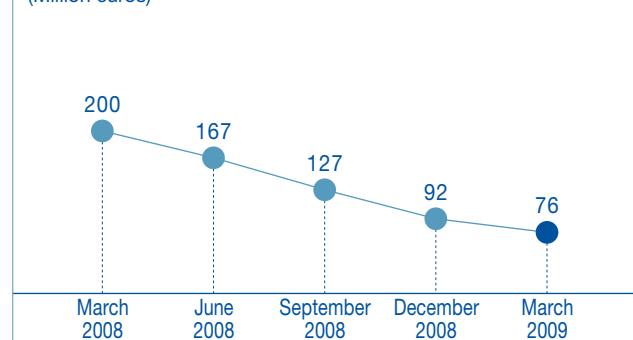
The Group's **coverage ratio** stood at 76% on 31st March 2009. By business areas, Spain & Portugal's ratio was 60%; Wholesale Banking & Asset Management 170%; Mexico 150%; USA 53%, and South America 139%.

Market risk

BBVA's market risk remains moderate considering the total of its risks and is originated mainly through the business activity with customers. During the first quarter of 2009, BBVA Group's average market-risk exposure has been €27.4m (referenced to VaR without exponential flattening). This is a slight increase on the average from the previous quarter. However, in the last weeks of March, it has shown a tendency to return down to the risk levels reported at

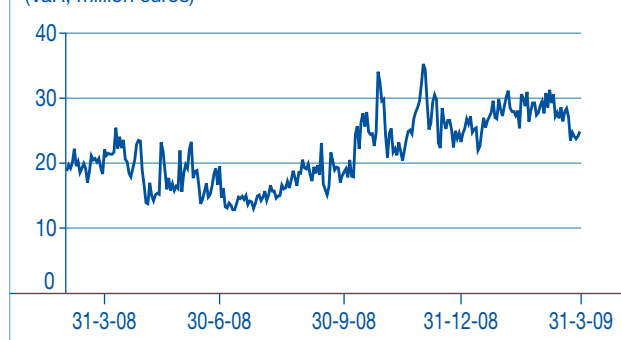
NPA coverage ratio

(Million euros)



Trends in market risk⁽¹⁾

(VaR, million euros)



(1) On 29-2-08 the Bank of Spain approved the Algorithmic internal model for the European and Mexican trading portfolios. The methodology applied for the VaR metric in these businesses is the historical simulation.

the end of 2008. At the quarter-end, the risk was €24.9m, having peaked at €31.1m on 9th March.

By **geographical area**, risk remained more concentrated in Europe. Europe and USA together account for almost 62% of total average exposure in the first quarter of 2009. Mexico accounts for 20%, while South America's contribution is 18%.

By **risk type**, the biggest risk on BBVA Group's market exposure on its *trading portfolio* at 31st March 2009, was from interest rates and lending spreads, as has become customary. However, these reduced their relative weight against the previous

quarter, as did exchange-rate and volatility risk (although volatility risk continued to account for a large part of total exposure). Meanwhile, equity risk increased its share of exposure on the global risk portfolio.

Economic capital

Attributable ERC consumption (economic risk capital) reached €22,099m at the end of March, down 1.2%⁽¹⁾ against December 2008.

ERC for credit risk remained stable during the quarter. However, ERC for structural risk went down 22.6%, focussed on exchange-rate risk. ERC for fixed assets grew 10.1%.

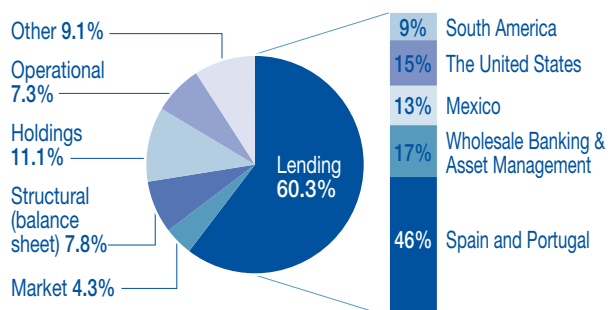
Market risk by risk factors

(First Quarter 2009. Million euros)

Risk	31-03-09
Interest + credit spread	22.3
Exchange rate	1.7
Equity	1.8
Vega and correlation	13.2
Diversification effect	(14.0)
TOTAL	24.9
AVERAGE	27.4
MAXIMUM	31.3
MINIMUM	22.0

BBVA Group economic risk capital. Distribution by risk type

(Data in attributable terms, 31-03-09)



⁽¹⁾ This figure includes the annual effects of recalibration and review of models implemented in January 2009. The like-for-like figure for year-end December 2008 would be €22,375m, as compared to the published figure of €21,541m.

Economic profit and risk adjusted return on economic capital

The figures for economic profit and risk-adjusted return on capital (RARoC) form part of the fundamental metrics that BBVA needs for a correct implementation of its **value-based management** system.

Calculations are based on the **adjusted profit**, which is obtained by making 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. In the first quarter of 2009, these adjustments subtracted €453m from earnings, mainly due to the adjustment for expected loss. Adjusted profit thus stood at €784m.

The medium- and long-term performance of these calculations is very useful for determining the intrinsic value of a business. However, in the short term they can be hit by market volatility. That is why recurrent data becomes so relevant. As these mainly come from customer business, the metrics genuinely reflect the Group's management performance. They are obtained by excluding the earnings of units impacted by changes

in capital gains on portfolio investments; and with respect to expected losses, including the loss adjusted to cycle. Such recurrent **adjusted profit** stood at €1,255m in the first quarter of 2009.

Then, from the adjusted profit a subtraction is made which comes from multiplying the average economic risk capital or ERC for the period (€22,409m in the first quarter) by the percentage **cost of capital**. The cost of capital is different for each of the Group's business areas and units. Based on information extracted from the analysts' consensus, it is equivalent to the rate of return the market is demanding on investment capital.

The **economic profit** is thus calculated. Although it was €170m for the quarter, the **recurrent** economic profit stood at €758m, once more reflecting the degree to which BBVA's profits exceed the cost of capital employed. This difference is the BBVA shareholders' economic return.

The **RARoC** figure measures the return earned by the business, adjusted to risks borne. Comparing the adjusted profit against the average economic risk capital (ERC) for the period gives the BBVA Group a RARoC of 14.2%, while its **recurrent RARoC** was 27.1%.

Economic profit and risk adjusted return on economic capital

(Million euros)

	1Q09	Δ%	1Q08
NET ATTRIBUTABLE PROFIT	1,238	(36.6)	1,951
Adjustments	(453)	(72.3)	(1,637)
ADJUSTED NET ATTRIBUTABLE PROFIT (A)	784	149.4	315
Average economic risk capital (ERC) (B)	22,409	18.2	18,961
RISK-ADJUSTED RETURN ON ECONOMIC CAPITAL (RARoC) = (A)/(B) * 100⁽¹⁾	14.2		6.7
RECURRENT RARoC (%)⁽¹⁾	27.1		32.4
ERC x cost of capital (C)	614	25.5	489
ECONOMIC PROFIT (EP) = (A) - (C)	170	n.m.	(175)
RECURRENT ECONOMIC PROFIT	758	(17.3)	917

(1) Percentage annualized.

Aggregating information by areas is a fundamental **management** tool for the various business that together form the BBVA Group. In this section we discuss the more significant aspects of the activities and earnings of the Group's five business areas, along with those of the main units within each, plus Corporate Activities. We focus on their income statements, balance sheets and a set of relevant management indicators, namely, lending, deposits, off-balance-sheet funds, ROE, cost-income ratio, non-performing assets and coverage. The areas are structured as follows:

- **Spain and Portugal**
- **Wholesale Banking & Asset Management:**
 - Corporate and Investment Banking.
 - Global Markets.
- **Mexico:**
 - Banking business.
 - Pensions and Insurance.
- **The United States**
- **South America:**
 - Banking businesses.
 - Pensions and Insurance.

Which in turn comprise:

- **Spain and Portugal:** This includes the Spanish retail branch network (individual customers, high net-worth individuals and small companies and businesses in the domestic market); the business & corporate banking unit (SMEs, large companies, institutions and developers in the domestic market); and the remaining units, in particular, consumer finance, insurance business and BBVA Portugal.
- **Wholesale Banking & Asset Management:** This consists of corporate and investment banking (including the activities of the European, Asian and New York offices with large corporate and business customers); 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 Group's own equity portfolios and long-term business projects; and Asia (through the Group's holding in the Citic group). Wholesale Banking & Asset Management also operates in these businesses in Mexico and South America. However, this report covers its activities and earnings in those regions under the umbrella of the business areas there.

- **Mexico:** This area operates the banking, insurance and pension businesses in Mexico.
- **The United States:** This area operates the banking and insurance business in the United States and Puerto Rico.
- **South America:** This area operates the banking, insurance and pension businesses in South America.

Apart from the above units, all business areas have a residual compartment in which to place its other businesses as well as eliminations and unallocated items.

Finally, 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 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 Group's industrial portfolio management unit and financial shareholdings, along with its non-international real-estate business.

BBVA has maintained the criteria it applied in 2008 to the composition of the business areas very much the same for 2009, with only a few insignificant changes. These do not affect the Group-level information and their impact on the figures for the different business units and areas is practically irrelevant. Nonetheless, the 2008 data have been reformatted to include these marginal changes to ensure like-for-like 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.

The breakdown by business area starts at the lowest-level units, 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. The Group's subsidiaries are also assigned to particular business areas according to their activity.

Once the composition of each business area has been defined, certain **management criteria** are applied. The most relevant are the following:

- **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 solvency targets. 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 risks, and technical risks in the case of insurance companies. These are calculated using internal models defined according to the guidelines and requirements of the Basel 2 Accord, such that economic criteria prevail over normative criteria.

As ERC is risk-sensitive, it is linked to the management policies of individual businesses, providing an equitable basis for assigning capital to each business in keeping with the risks incurred and making it easier to compare profitability across units. Thus, the economic risk capital is calculated on a standard basis that is applicable to all kinds of risk and any risk transaction, position or balance. This makes it possible to assess risk-adjusted returns and work out an aggregate profitability per customer, product, segment, business area or unit.

- **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 at 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-selling:** in some cases consolidation adjustments are required to eliminate duplicate accounting entries caused when earnings are booked to two or more units with the aim of encouraging cross-selling to straddle business boundaries.

Recurrent economic profit by business area

(1st Quarter 2009. Million euros)

	Adjusted net attributable profit	Economic profit (EP)
Spain and Portugal	596	422
Wholesale Banking & Asset Management	268	171
Mexico	435	352
The United States	74	10
South America	213	138
Corporate Activities	(331)	(335)
BBVA GROUP	1,255	758

Operating income and net attributable profit by business area

(Million euros)

	Operating income				Net attributable profit			
	1Q09	Δ%	Δ% at constant exchange rate	1Q08	1Q09	Δ%	Δ% at constant exchange rate	1Q08
Spain and Portugal	1,135	5.6	5.6	1,074	657	(2.4)	(2.4)	673
Wholesale Banking & Asset Management	386	7.6	7.6	359	268	(0.1)	(0.1)	268
Mexico	829	(13.2)	0.4	955	363	(27.5)	(16.1)	501
The United States	204	11.5	(3.0)	183	42	(49.4)	(56.0)	84
South America	548	28.7	23.4	426	225	24.3	19.5	181
Corporate Activities	(283)	(8.5)	(8.5)	(309)	(318)	n.m.	n.m.	244
BBVA GROUP	2,819	4.9	8.3	2,688	1,238	(36.6)	(35.0)	1,951
BBVA GROUP EXCLUDING ONE-OFFS	2,819	4.9	8.3	2,688	1,238	(14.2)	(11.2)	1,442

Income statement

(Million euros)

	1Q09	Δ%	1Q08
NET INTEREST INCOME	1,210	5.6	1,146
Net fees and commissions	378	(7.3)	408
Net trading income	52	(17.9)	64
Other income/expenses	106	(5.0)	112
GROSS INCOME	1,747	1.0	1,729
Operating costs	(612)	(6.5)	(655)
Personnel expenses	(379)	(7.9)	(411)
General and administrative expenses	(207)	(4.0)	(215)
Depreciation and amortization	(27)	(6.0)	(28)
OPERATING INCOME	1,135	5.6	1,074
Impairment on financial assets (net)	(190)	77.7	(107)
Provisions (net) and other gains/losses	2	(50.5)	4
INCOME BEFORE TAX	947	(2.5)	972
Income tax	(290)	(2.9)	(299)
NET INCOME	657	(2.4)	673
Minority interests	-	(5.3)	-
NET ATTRIBUTABLE PROFIT	657	(2.4)	673

Balance sheet

(Million euros)

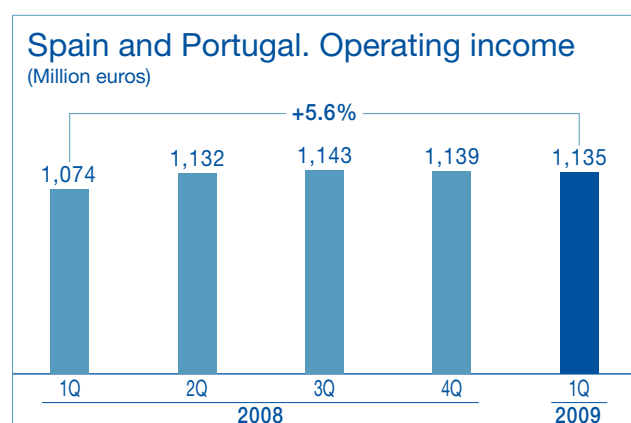
	31-03-09	Δ%	31-03-08
Cash and balances with central banks	2,378	14.9	2,070
Financial assets	10,134	(25.8)	13,660
Loans and receivables	203,130	1.5	200,122
• Loans and advances to customers	201,847	1.6	198,739
• Loans and advances to credit institutions and other	1,283	(7.3)	1,383
Inter-area positions	-	-	-
Tangible assets	1,376	(1.5)	1,397
Other assets	1,683	0.8	1,670
TOTAL ASSETS/LIABILITIES AND EQUITY	218,702	(0.1)	218,918
Deposits from central banks and credit institutions	3,948	(24.0)	5,197
Deposits from customers	93,372	1.6	91,910
Debt certificates	4,548	(26.1)	6,155
Subordinated liabilities	4,011	(1.3)	4,065
Inter-area positions	91,697	2.0	89,884
Other liabilities	14,010	(3.3)	14,496
Minority interests	2	9.2	2
Economic capital allocated	7,113	(1.3)	7,210

The Spain & Portugal Area manages private individual customers through Retail Banking Spain and BBVA Patrimonios. The latter unit specialises in the high-net-worth segment. In addition, SMEs, large companies, public and private institutions and real estate developers are handled by Corporate & Business Banking. Consumer finance and internet banking are managed by Consumer Finance and the bancassurance business by BBVA Seguros. BBVA Portugal is in charge of activities in that country.

In the first quarter, supported by solid capital adequacy and positive liquidity, the area maintained its commitment to society and continued to offer a wide range of products and services. Its constant goal is to provide the best financial and non-financial solutions for private individuals, companies and the self-employed, adapted to the current economic context.

During the quarter, lending in the Spanish market declined especially in consumer loans and, at the same time, demand for conservative forms of customer funds increased. The latter include deposits, bonds and mutual funds with low exposure to equities. At the same time banks adjusted their pricing policies for assets and liabilities after the European Central Bank (ECB) lowered rates. The non-performing asset ratios of banks and savings banks (*cajas*) continued to rise although their capital adequacy ratios are high. Their coverage ratios, which are supported by a large proportion of generic provisions made in previous years, continue to compare favourably with markets in other countries.

The area uses an original business model based on the customer as the principal source of recurrent income and entailing prudent and strict risk policies. Furthermore it controls its costs through a transformation plan, which it implemented in 2006. The area's operating income in the first quarter grew 5.6%.



Relevant business indicators

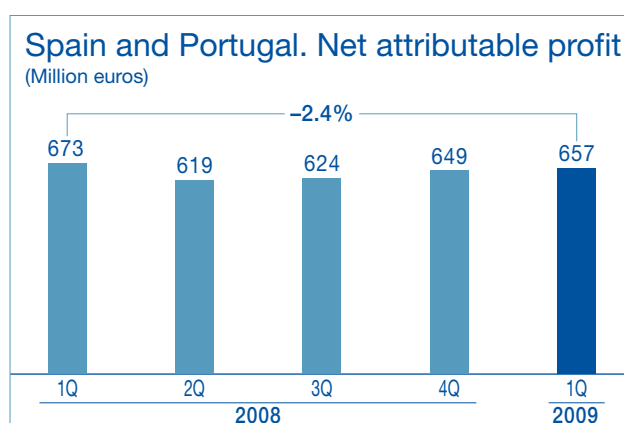
(Million euros and percentages)

	31-03-09	Δ%	31-03-08
Customer lending (gross)	205,976	1.7	202,448
Customer deposits ⁽¹⁾	94,509	0.9	93,619
Off-balance-sheet funds	40,520	(19.0)	50,046
• Mutual funds	31,010	(23.0)	40,264
• Pension funds	9,511	(2.8)	9,782
Other placements	6,252	19.3	5,240
Customer portfolios	10,394	(19.9)	12,983
ROE (%)	37.0		37.6
Efficiency ratio (%)	35.0		37.9
NPA ratio (%)	3.2		0.9
Coverage ratio (%)	60		185

(1) Including collection accounts and individual annuities.

And this increase is 7.1% if net trading income, which is affected by variations in the financial markets, is excluded.

During the quarter, **lending** activities included the distribution of the Spanish government's ICO credit lines, of which BBVA handled a share of 11.8%. In addition the portfolio of loans with a mortgage guarantee came to €84,984m, thanks in part to the positive performance of a new mortgage (*Hipoteca Solución*) with the aim to balance the cost of the debt with the payment capacity of customers. The area also increased 12 basis points its market share in residential mortgage loans in the individuals segment. Lending to the public sector, in which BBVA plays a prominent role in large market operations, increased 3.9% in the quarter. Consequently the portfolio of loans to all customers rose 1.7% to €205,976m, compared to 31-Mar-08. The positive variations mentioned above



offset the slowdown in those segments with higher risk exposure and the lower demand by customers in certain business lines. The latter includes consumer finance, which fell 12.3%.

The **non-performing assets ratio** stands at 3.2% (2.6% at 31-Dec-08) and this continues to be lower than the market average in both households and companies lending. The **coverage ratio** is 60%, down by only seven percentage points compared to 31-Dec-08 (67%).

At 31-Mar-09 **customer funds** came to €141,153m (€148,831m a year earlier). The reduction in the period is basically due to the poor performance of off-balance-sheet funds, stemming from the negative price effect derived from turbulences in the markets along the past year. Of this amount deposits and other types included on the balance sheet accounted for €94,381m and mutual funds, pension funds and other product distributed through the branches account for €46,772m. We should point out that BBVA continues to develop products adapted for the specific savings and liquidity needs of households and companies. The performance of savings and current accounts was exceptional, bringing the balance to €39,324m and gaining 20 basis points of market share in the household and companies segments. In addition the Group strengthened its leadership in mutual funds, extending its market share to 20.2% (19.8% at 31-Dec-08 and 18.1% at 31-Mar-08). It maintained the volume of subscriptions in the more conservative funds and its redemption rate is lower than the average. Furthermore the market effect was less negative than its competitors. The assets under management stand at €31,010m, down 23.0% year-on-year (the decline for the system as a whole was 26.1%). Time deposits rose 11.9%; subscriptions to pension funds came to €81m and the distribution of other customer-fund products increased 19.3%.

Despite the rapidly deteriorating sentiment in the domestic market, the area achieved positive results in recurrent earnings owing to the profitable growth of business. These increases were higher compared to the overall economic activity and the banking sector in particular.

Net interest income rose 5.6% to €1,210m on a further improvement in the customer spread, which widened to 3.36% (3.09% a year earlier). The ratio of net interest income to total assets under management came to 2.22% (2.08% for the first quarter last year). Net fees and commissions came to €378m, falling 7.3%

year-on-year, although those linked to banking services declined less than those from mutual funds. Net trading income was €52m in the quarter, dropping 17.9%. As a result, **gross income** rose 1.0% to €1,747m (up 1.8% excluding net trading income).

The Transformation and Innovation Plan launched in 2006 again helped to reduce operating expenses by 6.5%. Therefore **operating income** grew 5.6% to €1,135m. The good performance of recurrent income and cost controls boosted efficiency (measured by the cost/income ratio), which improved 2.8 percentage points year-on-year to 35.0% and 1.8 points compared to the fourth quarter of 2008.

Impairment losses on financial assets increased 77.7% year-on-year to €190m. However this is less than the amount for the third and fourth quarters last year (€255m and €202m, respectively). Consequently net attributable profit came to €657m, declining slightly, by 2.4%, compared to a year earlier and bringing return on equity (ROE) to 37.0%.

Spanish Retail Network

This unit services the financial and non-financial needs of households, professional practices, retailers and small businesses, and it also manages the high-net-worth segment of individual customers with products adapted to each of these **segments**. Demand for lending by families and companies continued to slacken owing to the decline in economic expectations. In spite of this scenario BBVA is meeting its commitments to society and has adopted a series of solutions to facilitate payments by customers whose financial situation has weakened. Moreover it launched an institutional commitment campaign for SMEs, retailers and the self-employed making available more than €5,500m in pre-approved loans.

At 31-Mar-09 the loan portfolio on the unit's balance sheet came to €102,721m and customer funds were €110,241m. The efforts to maintain business volume, together with an increase in spreads and cost controls, resulted in operating income of €643m (up 0.3%) and net attributable profit came to €415m (up 5.9%).

Despite the slowdown in the housing market, the unit invoiced €2,186m in the **private individual segment** during the quarter. A campaign to attract mortgages away from the competition (*Ven a casa-200*) accounted for 21%

of the above amount. The unit is also conducting specific actions including a credit line (*ICO-Moratorio*) to help customers with financial difficulties meet their payments. More than 7,000 have taken advantage of this initiative. The **residential mortgage loan portfolio** at 31-Mar-09 stands at €68,543m (up 1.7% year-on-year). The balance of **consumer finance** is €7,937m; the amount invoiced declined on lower demand despite highly competitive initiatives, such as the new car loan campaign (*Crédito Coche*).

The **customer funds** market is adapting to the new level of interest rates for time deposits and there is growing demand for other products of the type included on the balance sheet. Accordingly the unit launched two campaigns (*Nóminas* and *La Jornada de Tu Vida*) that lifted the balance of savings and current accounts 5.2% to €28,285m. In view of customers' needs and requests, it also developed new savings products (*Depósitos Dobles*, *Multidepósitos*, *Depósito Creciente BBVA* and *Depósito Fortaleza*) that boosted the balance of time deposits 10.9% year-on-year to €33,457m. The assets in the unit's mutual and pension funds outperformed the market and the amounts under management came to €29,253m and €9,135m, respectively.

Significant achievements in the **insurance business** included the capture of €40m in individual plans (*Ahorro Sistemático*) and the issue of €141m in premiums for individual life and non-life policies. BBVA Seguros continues to lead in individual life insurance policies in Spain with a 14.7% market share at December 2008 (latest available figure).

In the **immigrants segment**, where money transfers are one of BBVA's strengths, the unit extended service to cover a new location, Senegal, with more than 10,000 customers. In addition it added more than 500 new payment points at branches of the Romanian Bank of Commerce.

BBVA Patrimonios, the unit that handles high-net-worth individuals in Spain, currently manages assets of €9,454m (€10,851m at 31-Mar-08). It increased the number of customers 7% despite the adverse economic conditions. Operations in the first quarter included €50m in structured products and autocallable bonds as well as the rollout of the Proa Plan aimed at attracting customer funds away from the competition. BBVA thus strengthens its leadership in a product specific to private banking. Personal Banking manages €29,437m in customer funds and €8,301m in securities. The unit

designed a strategic plan to capture new customers in the local and foreign markets.

The **small business segment** covers professional practices, the self-employed, retailers, the farming community and small companies. BBVA is one of the leaders in this segment. The corresponding loan portfolio stands at €15,343m (€17,124m at 31-Mar-08). In line with the area's goal of contributing to economic growth by facilitating access to credit, the unit is promoting credit lines for this segment. The campaigns include the pre-approved loans mentioned above, 5,768 ICO operations worth €140m and nearly 4,250 interest rate risk hedging operations. BBVA Seguros has updated one of its policies (*Más cobertura professional*) and this led to invoicing of more than €5m in the quarter and the signing of 5,900 policies. Lastly, BBVA handled the direct payment of 9,870 farming subsidies, amounting to about €50m.

Corporate and Business Banking

The Corporate & Business Banking Unit (CBB) deals with the SMEs, large companies, institutions and real estate developers **segments**. The CBB's **management model** is based on several lines of action. They include growth plans by analysing the potential of the portfolio of customers and cross-marketing of different products such as insurance, foreign trade, derivatives, etc. Priority is given to marketing the ICO credit lines and proactive management of risk and recoveries. Despite the negative developments in the market, this unit's loan portfolio at 31-Mar-09 was up 3.4% to €91,147m and customer deposits came to €12,753m (up 1.1%). The progressive replacement of expensive funding, together with lower demand for mutual funds, caused total funds under management to drop 13.8% to €26,554m.

However the improvement in business volume, the unit's work in anticipating and differentiating and the favourable development of lending spreads in all segments, helped **operating income** to rise 12.0% year-on-year to €420m (up 17.6% excluding earnings linked to the markets evolution). Net attributable profit came to €246m (down 7.9%) and the fall is due to higher provisioning.

During the quarter the unit signed all the agreements the **ICO** has launched so far. They include one for small companies with attractive terms to finance investment in productive fixed assets and another for small and

mid-size companies that are solvent and viable, to finance their working capital. BBVA is, in fact, one of the most active banks in the placement of ICO funds. Up to 31-Mar-09 it signed operations worth €449m, which were mostly managed by the CBB unit. The ICO liquidity line accounted for €242m and the ICO-SME line €135m.

The **transaction services** unit ended the first quarter with a user-base of nearly 62,000 customers in electronic banking. It also started two new services: Autocobro Express Italia and Módulo de Tesorería.

In the **SME** segment, the loan portfolio stand at €32,989m and customer funds are €8,348m. Operating income for the quarter comes to €218m, falling 5.2% on lower net trading income. If the latter is excluded, recurrent revenues increase 0.8%. Net attributable profit declined to €143m (€156m a year earlier) after higher provisioning.

Lending to **large companies** stands at €16,971m (up 24.3% year on year) and customer funds are €4,826m (up 6.8%). Operating income rose 20.0% to €72m and net attributable profit increased 9.4% to €48m.

In the public and private **institutions** segment, where BBVA enjoys a prominent position owing to its specialisation and customer insight, the loan portfolio increased 11.6% to €22,867m and customer funds were down 22.1% to €13,350m. Operating income jumped 63.1% to €92m and net attributable profit came to €65m (up 35.1%). The unit signed several operations during the quarter. They included a syndicated loan of €413m for the Balearic Islands' regional government and a derivative related to fuel for ADIF. Other deals entailed €50m for accounts payable financing with Ente Público Andaluz de Infraestructuras y Servicios and (in conjunction with four other banks) a €35.4m loan to finance construction of a canal in Navarre.

The current conditions of lower activity and strict risk criteria affected lending to the **real estate developer** segment and the loan portfolio remained at a steady level (up 0.4%). By the end of March government-regulated housing (VPO) accounted for 50% of this business, compared 31.6% a year earlier.

Other units

The **Consumer Finance** unit manages consumer finance and on-line banking, via Uno-e, Finanzia and other

companies in Spain, Portugal and Italy. In the first quarter of 2009 it obtained operating income of €29m (up 1.7%) due to good pricing on new loans and work on efficiency. A net attributable loss of €31m stems from higher loan-loss provisions.

In **Spain**, although the outlook is bleak and family spending is down, the unit lifted its loan portfolio 3.9% year-on-year to €6,156m. The number of cars registered in the quarter dropped sharply by 43.1% and therefore the vehicle prescription business invoiced €208m (€401m at 31-Mar-08). Capital spending by companies also declined, affecting equipment finance and equipment leasing plans with invoicing of €56m and €63m, respectively. In car leasing plans with maintenance (*renting*) the fleet stands at 36,709 units. Lastly, Uno-e's loan portfolio stands at €1,006m with invoicing of €409m (€500m at 31-Mar-08). Customer funds managed or brokered by the unit came to €1,348m (€1,512m at 31-Mar-08). In particular, time deposits rose 11.7%.

In **Portugal**, the balance of vehicle finance provided by BBVA Finanziamento came to €447m (up 10.8%) with sales of €56m in the first quarter. And at 31-Mar-09 the leasing plan companies in **Italy** had a fleet of 12,789 vehicles.

BBVA Portugal carried out a series of promotions in an adverse environment to boost invoicing and customer loyalty. They included a campaign to encourage the use of credit cards and another, based on leasing, aimed at the business segment (*Desafío Leasing 2009 I*). The new products for customer funds target those with a conservative risk profile, they include BBVA's quarterly interest deposits and 12-month Euribor. Project finance operations included BBVA's participation in a syndicated loan of €50m for EDP and another of €27m for the Baixo Alentejo tollway.

Lending to companies grew 15%, lifting the loan portfolio 11.7% to €5,981m. Despite campaigns by the competition, customers' deposits increased 6.3%. Based on this higher level of business, net interest income rose 26.9% to €26m, operating income increased 52.2% to €18m and net attributable profit came to €9m (up 162.1%).

BBVA Seguros both brokered and developed various products that were sold through different networks. It contributed €71m to the area's results (up 12.1%).

Wholesale Banking & Asset Management

Income statement

(Million euros)

	Wholesale Banking & Asset Management			Memorandum item:					
				Corporate and Investment Banking			Global Markets		
	1Q09	Δ%	1Q08	1Q09	Δ%	1Q08	1Q09	Δ%	1Q08
NET INTEREST INCOME	276	150.3	110	136	16.0	117	162	n.m.	16
Net fees and commissions	108	5.6	103	69	25.2	55	20	95.9	10
Net trading income	90	(18.2)	110	10	n.m.	2	95	(16.1)	113
Other income/expenses	43	(72.7)	158	-	(33.2)	-	33	244.0	10
GROSS INCOME	518	7.7	481	215	23.2	174	310	108.0	149
Operating costs	(132)	7.8	(122)	(42)	16.0	(36)	(58)	(1.2)	(59)
Personnel expenses	(85)	13.6	(75)	(27)	9.4	(25)	(35)	8.2	(32)
General and administrative expenses	(44)	(3.1)	(46)	(14)	30.3	(11)	(23)	(12.9)	(27)
Depreciation and amortization	(3)	42.2	(2)	-	34.6	-	(1)	31.0	-
OPERATING INCOME	386	7.6	359	173	25.1	138	252	179.8	90
Impairment on financial assets (net)	(21)	(55.3)	(47)	(8)	(83.5)	(48)	(10)	n.m.	(1)
Provisions (net) and other gains/losses	-	(99.3)	8	-	(56.8)	-	-	n.m.	-
INCOME BEFORE TAX	365	14.2	320	165	82.9	90	242	171.9	89
Income tax	(96)	89.2	(51)	(45)	67.4	(27)	(66)	184.8	(23)
NET INCOME	269	0.1	269	120	89.5	64	176	167.3	66
Minority interests	(1)	32.3	(1)	-	-	-	(1)	(16.5)	(1)
NET ATTRIBUTABLE PROFIT	268	(0.1)	268	120	89.5	64	175	171.2	64

Balance sheet

(Million euros)

	Wholesale Banking & Asset Management			Memorandum item:					
				Corporate and Investment Banking			Global Markets		
	31-03-09	Δ%	31-03-08	31-03-09	Δ%	31-03-08	31-03-09	Δ%	31-03-08
Cash and balances with central banks	1,860	76.1	1,056	65	96.0	33	1,791	75.9	1,018
Financial assets	63,851	29.2	49,435	442	24.9	354	59,756	29.0	46,321
Loans and receivables	61,281	25.3	48,896	48,265	13.7	42,432	10,978	125.9	4,859
• Loans and advances to customers	46,156	16.9	39,492	45,419	16.8	38,872	702	18.5	592
• Loans and advances to credit institutions and other	15,125	60.8	9,404	2,847	(20.0)	3,560	10,276	140.8	4,267
Inter-area positions	9,399	n.m.	-	-	-	-	14,443	(49.7)	28,708
Tangible assets	40	(1.1)	40	1	(0.7)	1	5	59.1	3
Other assets	1,852	43.8	1,288	24	(31.9)	36	1,415	37.2	1,031
TOTAL ASSETS/LIABILITIES AND EQUITY	138,282	37.3	100,715	48,797	13.9	42,855	88,387	7.9	81,940
Deposits from central banks and credit institutions	30,542	36.9	22,310	1,520	74.6	870	28,956	35.4	21,386
Deposits from customers	56,330	15.9	48,597	41,057	274.3	10,969	15,174	(59.6)	37,557
Debt certificates	(106)	n.m.	(9)	1	(76.1)	4	(106)	n.m.	(16)
Subordinated liabilities	2,342	38.0	1,697	1,132	14.6	988	446	31.4	339
Inter-area positions	-	n.m.	1,871	1,964	(92.9)	27,596	-	-	-
Other liabilities	45,103	94.2	23,227	1,113	65.1	674	43,131	95.4	22,076
Minority interests	(77)	n.m.	18	-	-	-	6	5.1	5
Economic capital allocated	4,148	38.1	3,003	2,010	14.6	1,754	781	31.9	592

The Wholesale Banking & Asset Management (WB&AM) Area handles the Group's wholesale businesses and asset management. It is organised around three major units: Corporate & Investment Banking, Global Markets and Asset Management.

Despite the complicated economic and financial environment, the area's recurrent earnings developed favourably thanks to the application of selective criteria for profitability and risk.

In the first quarter of 2009, the area's **loan portfolio** grew strongly (up 20.5%) to €48,777m, concentrated mainly in Corporate and Investment Banking. It should be noted that this increase occurred steadily throughout 2008 in a sustained manner. Therefore, compared to the end of last year the change is -0.6%.

Customer funds (deposits, mutual funds and pension funds) also rose 27.6% compared to the first quarter last year, to €59,262m, thanks mainly to a sharp rise in customer deposits (up 33.3%).

The high level of business and active management of prices lifted **gross income** (for units in Europe, New York and Asia) to €518m, an increase of 7.7% compared to €481m in the first quarter last year. The comparison is highly positive because the income in 2008 included capital gains of €131m from the sale of an interest in Gamesa booked by the equity method. The most dynamic component of income is net interest income, which shot up 150.3% to €276m. Net fees and commissions contributed €108m, up 5.6% thanks to good work by Corporate and Investment Banking (up 25.2%) and by Global Markets (up 95.9%), which offset the fall in Asset Management (down 37.8%). Net trading income came to €90m, falling 18.2% year-on-year caused by the industrial holdings portfolio. Lastly, other operating income and expenses came to €43m. It fell 72.7% year-on-year owing to the above-mentioned income on the sale of Gamesa shares in the first quarter last year.

Relevant business indicators

(Million euros and percentages)

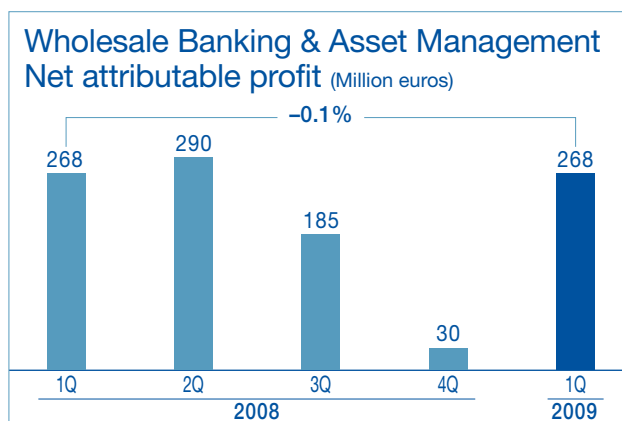
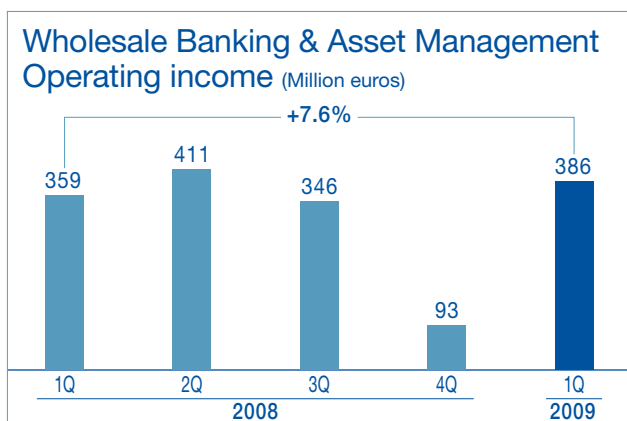
	Wholesale Banking & Asset Management		
	31-03-09	Δ%	31-03-08
Customer lending (gross)	48,777	20.5	40,477
Customer deposits ⁽¹⁾	57,219	17.7	48,630
• Deposits	49,041	33.3	36,797
• Assets sold under repurchase agreement	8,178	(30.9)	11,833
Off-balance-sheet funds	10,221	5.8	9,662
• Mutual funds	3,507	34.2	2,613
• Pension funds	6,714	(4.8)	7,049
ROE (%)	25.3		35.3
Efficiency ratio (%)	25.4		25.4
NPA ratio (%)	0.6		0.0
Coverage ratio (%)	170		n.m.

(1) Including collection accounts.

The area's cost control plans helped to contain **operating expenses**, which grew in line with gross income to 7.8%. Therefore the **cost/income ratio** is maintained at similar levels than last year (25.4%). As a result operating income rose 7.6% to €386m.

WB&AM's **asset quality** remains excellent with a low non-performing asset ratio (0.6%) and a high coverage ratio (170%), thanks to the area's risk control policies. Non-performing assets stand at €369m. Net provisions in the first quarter came to €21m (down 55.3%) due to lower generic provisions on containment of growth in risk-weighted assets.

Thanks to significant increases in recurrent income, to cost controls and to the lower provisions, income before tax in the first quarter of 2009 came to €365m, which is 14.2% higher compared to €320m in the same period last year. Net attributable profit came to €268m, which is 0.1% lower than



the same period last year. The lower growth rate is due to higher taxes because the capital gains booked in 2008 by the equity method were net of taxes.

The business and earnings of WB&AM units in **Latin America** are recorded in their respective areas (Mexico and South America). After adding their contributions (except Asset Management in South America), the area contributed to the Group the amounts shown in the attached table:

Wholesale Banking & Asset Management including the Americas (Million euros)			
	31-03-09	Δ%	31-03-08
Gross income	846	26.7	668
Operating income	667	34.0	498
Income before tax	638	38.7	460
Net attributable profit	425	23.8	343
Customer lending	60,114	16.8	51,480
Deposits	60,347	34.4	44,887

Corporate and Investment Banking

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

In the first quarter the unit's business **activity** was characterised by implementation of stricter risk acceptance criteria compared to the end of the previous year. The loan portfolio rose 15.4% compared to the first quarter last year, to €45,955m, but it is similar to the end of 2008 (down 2.0%). New operations were adjusted to match current market conditions, entailing customers of high credit quality and exceeding the minimum required threshold of risk-adjusted return. In addition, geographic diversification continues to increase.

Furthermore the unit is working intensely on repricing the portfolio, which is accompanied by a higher level of transactional business. This has a favourable effect on customer funds and fee income.

All the aspect mentioned above are reflected in **gross income**, which rose 23.2% to €215m. **Operating income** came to

€173m, which is 25.1% higher than the first quarter last year. After net provisions and income tax, **net attributable profit** comes to €120m (up 89.5%).

Important operations during the quarter in **Debt Capital Markets** include a large number in the bond market with record issue volumes and high levels of oversubscription. BBVA led issues for ENI (€1,500m), Telefónica (€2,000m), Vodafone (€1,250m), E.ON (€750m), Telecom Italia (€1,500m) and Repsol (€1,000m). Moreover, in terms of institutions it co-ordinated the ICO issue (€2,000m) and participated in Kingdom of Spain issues (€7,000m). Operations entailing banks with a Spanish Treasury guarantee included Banco Pastor (€1,000m) and Banco Popular (€1,500m).

During the quarter this unit also signed an operation with Enel for an €8,000m **syndicated loan** to finance its purchase of a 25% stake in Endesa. Moreover it signed operations with the regional governments of the Balearic Islands (€413m) and Murcia (€100m).

Structure finance activity was high in the energy sector, including operations with Acciona Eólica, Canaport, Renomar, Canal de Navarra and Aguas del Guesna. Infrastructure projects included finance for the Transmontana Motorway and the Baixo Alentejo licence for the ACS Group – both in Portugal.

During the quarter *Euromoney Project Finance*, an international trade magazine, announced its annual prizes for the most outstanding operations in 2008. BBVA's structured finance team achieved six "**Deals of the Year**". They were BAA Grupo Ferrovial, "European Airports Deal of the Year"; Tuin Zonne, "European Solar Deal of the Year"; Grupo Lotos, "European Petrochemical Deal of the Year"; Gate LNG, "European Oil and Gas Deal of the Year"; Ras Laffan C, "Middle East Power Deal of the Year" and Air Tanker, "European PPP Deal of the Year".

Various capital increases were handled by **Equity Capital Markets**, including those of Saint Gobain and Vértice 360°, as well as Quatttor Participações's takeover bid.

The **Global Trade Finance** unit obtained ten "Deals of the Year" including two for Empresas Públicas de Medellín (Colombia), two for Perú LNG (Peru), Saudi Polymers (Saudi Arabia), Reliance Industries (India), two for Tele Norte Leste (Brazil), Votorantrade (Brazil) and Rosneft (Russia).

Furthermore it was top in the world ranking of mandated lead arrangers, thanks to its number one position in the rankings for Asia-Pacific, Latin America and Brazil-India-China. This demonstrated excellent management in especially complex conditions such as those of 2008.

The **Global Transaction Services** unit implemented two new functions for BBVA net cash: SEPA transfers in Portugal and the download of periodic information on balances and movements via the external network. Furthermore, in the area of international financial institutions, new mandates were received for pooling payments and managing cheque collections from various international banks.

In **the Americas**, the most important operations were a syndicated loan of \$130m for Minera Milpo SAA in Peru; \$373m of finance for FPL Energy, the USA's leading wind farmer, in connection with the FPL Heartland Project; \$3 billion for capital restructuring and refinancing of Bacardi's debt with a bond issue in the dollar and euro markets; and \$781m to finance the I-595 Express motorway in Florida with a final participation of \$44m by BBVA, being the first finance operation for a PPP scheme (Private-Public-Partnership).

In Mexico the unit closed an issue of senior bonds for Embotelladoras Arca which, despite the adverse conditions in the local debt market, was subscribed 1.36 times.

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.

In the first quarter of 2009 the complex environment in the market continued with high volatility and widespread adjustments in share prices. Credit spreads were at maximum levels and confidence was very low.

Despite this the Global Markets unit adapted to the prevailing conditions and achieved excellent results thanks to a model focused on customers, achieving double-digit growth in all regions. Progress was also made in diversifying business by geographic region, with higher growth outside Spain, and by type of customer, applying greater control to ensure efficient management of risk.

In the first quarter of 2009, the Global Markets unit generated gross income of €310m in Europe and New York (up 108.0% year-on-year), operating income of €252m (up 179.8%) and net attributable profit of €175m (up 171.2%).

The unit continue to work hard –with considerable success– on cross-border business between the different regions where BBVA operates and on cross-marketing with other BBVA business areas. This way the bank can achieve further synergies and build a recurrent and stable source of income, thanks to the strength afforded by its global dimension, by the

close co-operation with other units and by the wider range of products and services.

Asset Management and other business

Asset Management designs and manages the mutual funds and pension funds that are marketed through the Group's different networks. It tackles these goals through three different channels. These are traditional asset management, alternative asset management and Valanza (the Group's private equity unit).

The sharp falls on Spanish markets had an impact on total assets under management, which came to €48,657m at the end of the first quarter. The assets in **mutual funds** managed by BBVA came to €32,776m at 31-Mar-09. Of this amount non-real estate funds held €32,603m, declining 17.5% year-on-year. This was less than what was the fund industry's biggest all-time fall (down 26.3%). And it helped BBVA to gain 0.46 percentage points of market share, which rose to 20.2% thus reinforcing the bank's position of leadership achieved at the end of 2008.

The assets managed in **pensions funds** in Spain stand at €15,881m, with a year-on-year decline of 3.6%. Of this amount individual plans account for €9,272m and employee and associate schemes €6,609m.

At the end of February the Group decided to focus its efforts on traditional investments, which represents 99% of the funds it manages at global level and thus it decided to discontinue the alternative asset management business. With this action BBVA is anticipating the possible adverse effects arising from the current state of the markets and of the hedge fund industry. Accordingly, it arranged an orderly withdrawal with the object of protecting the interests of investors and the bank.

The **Industrial and Real Estate Holdings** unit helps to diversify the area's businesses by managing projects of long duration. The aim is to create medium and long-term value through active management of a portfolio of industrial holdings and real estate projects (the Duch Project and Anida International). At the end of March 2009, the **industrial holdings** portfolio held latent capital gains of roughly €170m and the net attributable profit generated by the unit was €11m.

Lastly, WB&AM manages BBVA's interest in CITIC. The bank continues to advance its strategic alliance with the Chinese financial group, with agreements in the car finance and private banking segments.

Mexico

Income statement

(Million euros)

	Mexico				Memorandum item:							
					Banking business				Pensions and Insurance			
	1Q09	Δ%	Δ% ⁽¹⁾	1Q08	1Q09	Δ%	Δ% ⁽¹⁾	1Q08	1Q09	Δ%	Δ% ⁽¹⁾	1Q08
NET INTEREST INCOME	816	(8.4)	6.0	891	806	(9.2)	5.1	888	9	179.6	223.5	3
Net fees and commissions	263	(12.4)	1.4	301	251	(10.5)	3.5	281	11	(8.7)	5.7	12
Net trading income	116	(36.0)	(25.9)	181	94	(38.4)	(28.8)	153	22	(22.7)	(10.6)	28
Other income/expenses	30	(5.8)	9.0	32	(33)	155.9	196.0	(13)	67	1.2	17.1	66
GROSS INCOME	1,225	(12.7)	1.0	1,404	1,119	(14.5)	(1.1)	1,309	108	(0.8)	14.8	109
Operating costs	(396)	(11.8)	2.1	(449)	(362)	(12.6)	1.1	(414)	(35)	(26.5)	(15.0)	(47)
Personnel expenses	(187)	(14.0)	(0.5)	(218)	(171)	(17.3)	(4.3)	(207)	(17)	44.1	66.7	(11)
General and administrative expenses	(193)	(5.4)	9.4	(204)	(176)	(2.8)	12.5	(181)	(18)	(50.1)	(42.2)	(35)
Depreciation and amortization	(16)	(42.2)	(33.1)	(27)	(15)	(43.0)	(34.1)	(26)	(1)	1.7	17.7	(1)
OPERATING INCOME	829	(13.2)	0.4	955	757	(15.4)	(2.1)	894	74	18.7	37.3	62
Impairment on financial assets (net)	(358)	64.6	90.5	(217)	(358)	64.6	90.5	(217)	-	-	-	-
Provisions (net) and other gains/losses	(6)	(85.5)	(83.2)	(42)	(6)	(86.4)	(84.3)	(42)	-	n.m.	n.m.	-
INCOME BEFORE TAX	465	(33.1)	(22.6)	695	393	(38.1)	(28.3)	634	73	18.1	36.6	62
Income tax	(101)	(47.7)	(39.5)	(194)	(82)	(53.5)	(46.2)	(176)	(20)	10.0	27.3	(18)
NET INCOME	363	(27.5)	(16.1)	501	311	(32.1)	(21.5)	458	54	21.4	40.4	44
Minority interests	(0)	67.6	93.9	-	-	(35.3)	(25.1)	-	-	229.7	281.4	-
NET ATTRIBUTABLE PROFIT	363	(27.5)	(16.1)	501	311	(32.1)	(21.5)	458	53	20.9	39.9	44

(1) At constant exchange rate.

Balance sheet

(Million euros)

	Mexico				Memorandum item:							
					Banking business				Pensions and Insurance			
	31-03-09	Δ%	Δ% ⁽¹⁾	31-03-08	31-03-09	Δ%	Δ% ⁽¹⁾	31-03-08	31-03-09	Δ%	Δ% ⁽¹⁾	31-03-08
Cash and balances with central banks	4,972	0.9	12.0	4,930	4,972	0.9	12.0	4,930	-	(13.0)	(3.5)	-
Financial assets	22,869	12.8	25.2	20,276	19,920	12.8	25.3	17,657	3,251	10.1	22.3	2,952
Loans and receivables	32,988	8.9	20.9	30,300	32,863	8.9	20.9	30,185	201	5.5	17.1	191
• Loans and advances to customers	28,126	0.9	12.0	27,876	28,012	0.9	12.0	27,770	115	8.2	20.2	106
• Loans and advances to credit institutions and other	4,862	100.6	122.7	2,424	4,851	100.9	123.0	2,415	87	2.0	13.2	85
Tangible assets	735	(1.2)	9.7	744	729	(1.4)	9.5	739	6	32.0	46.6	4
Other assets ⁽²⁾	1,867	4.0	15.5	1,796	2,234	48.6	65.0	1,503	129	28.4	42.5	101
TOTAL ASSETS/LIABILITIES AND EQUITY	63,431	9.3	21.3	58,046	60,717	10.4	22.5	55,015	3,587	10.4	22.6	3,248
Deposits from central banks and credit institutions	10,649	(2.2)	8.6	10,888	10,649	(2.2)	8.6	10,888	-	-	-	-
Deposits from customers	31,947	1.4	12.6	31,515	32,022	1.4	12.5	31,591	-	-	-	-
Debt certificates	3,190	27.7	41.7	2,499	3,190	27.7	41.7	2,499	-	-	-	-
Subordinated liabilities	1,508	(7.8)	2.4	1,635	1,945	36.6	51.6	1,424	-	-	-	-
Other liabilities ⁽²⁾	13,455	56.4	73.7	8,601	10,475	77.4	97.0	5,905	3,341	9.7	21.8	3,044
Minority interests	1	2.3	13.5	1	1	1.2	12.3	1	-	n.m.	n.m.	-
Economic capital allocated	2,681	(7.8)	2.4	2,906	2,435	(10.0)	(0.1)	2,706	246	20.8	34.1	204

(1) At constant exchange rate.

(2) Including inter-area positions.

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

The figures tracking **economic performance** during the first months of 2009 reflect a slowdown in GDP growth similar to that observed in the final quarter of 2008. However, public-finance figures are showing a positive trend in capital expenditure, which grew by 20% year on year in the first two months of 2009. Unlike earlier cyclical downturns, the country faces this one with structural strengths that can help it curtail the slowdown in private-sector demand in Mexico. These include healthy public finances, an affordable current-account deficit, limited inflation and a sound banking industry

Recognising its weakening economy and lower inflationary pressures, the Mexican central bank has brought down the official **interest rate** by 150 basis points since December 2008. It closed March 2009 at 6.75%. This triggered a similar dip in both short-term interbank rates and in government instruments with maturities of up to three years. March inflation slowed down to 6.04% year on year, benefitting from drops in food and energy prices.

The average **exchange rate** in the first quarter of 2009 was 14.2 pesos per dollar. This reflected a depreciation of over 23% year on year. Over the last twelve months, the Mexican peso weakened 9.9% against the euro in final exchange rates and 13.6% in average rates. This has a negative impact on the financial statements for the area. The attached tables contain columns with year-on-year changes at constant exchange rates and current exchange rates. The following remarks refer to the constant-rate figures.

Relevant business indicators

(Million euros and percentages)

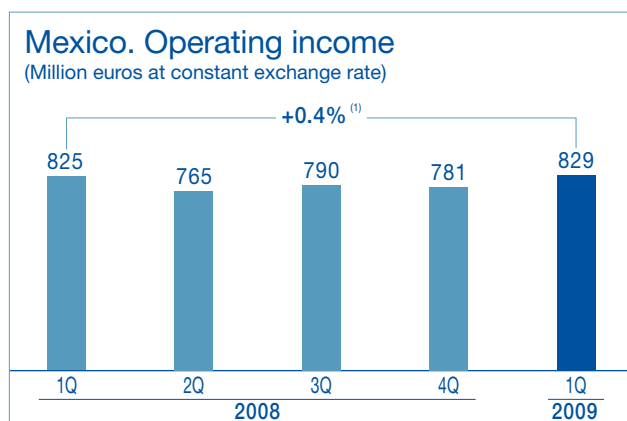
	31-03-09	Mexico		31-03-08
		Δ%	Δ% ⁽¹⁾	
Customer lending (gross)	29,708	0.7	11.9	29,490
Customer deposits ⁽²⁾	30,151	2.5	13.8	29,406
Off-balance-sheet funds	17,746	(10.0)	(0.1)	19,716
• Mutual funds	9,681	(11.9)	(2.2)	10,995
• Pension funds	8,064	(7.5)	2.7	8,721
Other placements	2,814	(10.5)	(0.6)	3,143
Customer portfolios	-	-	-	-
Efficiency ratio (%)	32.3			32.0
NPA ratio (%)	3.6			2.1
Coverage ratio (%)	150			250

(1) At constant exchange rate.

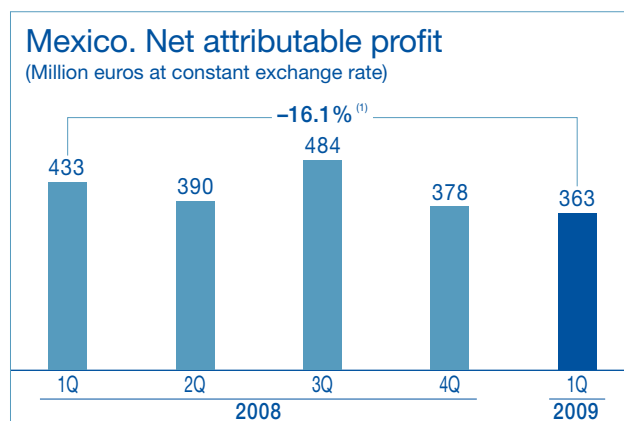
(2) Excluding deposits and Bancomer's Market unit repos.

In the first three months of 2009, Mexico generated €816m in **net interest income**. This 6.0% rise was driven by business volume growth outpacing the rest of the industry, mainly with the gathering of low-cost customer funds and in lending to SMEs, corporations and mortgage loans. Despite the change in Bancomer's loan-book mix, with more low-spread lending (reducing the weight of unsecured consumer loans in favour of SMEs and mortgages), Mexico's net interest income has remained high and shows little sensitivity to interest-rate shifts, due to active balance-sheet management using structural hedging strategies.

Fee income, at €263m, grew slightly against the first quarter of 2008 (up 1.4%) despite lower business volume growth levels. Net trading income was €116m.



(1) At current exchange rate: -13.2%.



(1) At current exchange rate: -27.5%.

This reflected a 25.9% drop, but the comparative quarter of 2008 had booked €96m in one-off revenues from the Visa IPO under this item. These elements fed into a **gross income** of €1,225m at the end of March, with a year-on-year growth of 1.0% (up 9.1% year on year if VISA's profits are excluded).

Operating expenses increased just 2.1% year on year, way below current inflation. This helped **operating income** to reach €829m, rising 0.4% against the same quarter of the previous year (12.8% adjusted for VISA). The combination of cost control and income growth produced a first-quarter **cost-income ratio** of 32.3%. This was practically flat to the ratio reported twelve months earlier (32.0%).

Impairment losses on financial assets rose to €358m. This year-on-year rise was mainly a consequence of the downturn in the economy and was concentrated in the consumer and credit-card loan-books. However, according to the latest data to December 2008, Bancomer's impairment is less than that recorded by its main peers. Its **net attributable profit** thus stood at €363m, down 16.1% (the fall is limited to -2.4% if Visa is excluded). Its NPA ratio, meanwhile, reached 3.6%, and its coverage ratio 150%, compared to the 3.2% and 161% figures recorded on 31-Dec-08, respectively.

Banking business

In March 2009, **gross lending** in Bancomer showed a balance of €29,594m, growing 11.8% year on year. This was driven by the positive performance of commercial lending, which rose 19.3%, with a total stock of €11,087m. Bancomer has thus consolidated its leadership in the lending business. Its market share rose 135 basis points against March 2008, to 31.3%. The weight of consumer lending on the loan-book went down from 30% to 25%, while home finance grew to 33%, and commercial lending (to corporations, SMEs, government and financial entities) came to account for 42% of the total. Lending to SMEs performed especially well, rising 25.6% year on year. This performance was echoed by lending to large corporations, which went up by 10.6% against March 2008. The mortgage book was also very dynamic. With a balance of €8,751m, it grew 21.7%, excluding the old mortgage portfolio. Finally, the consumer-loan portfolio, which includes credit cards

and other consumer lending, such as personal loans, car finance and payroll loans, slowed down 8.0% against the balance on 31-Mar-08.

Customer funds (including customer deposits, mutual funds and investment companies and other intermediation products) reached €42,647m at 31-Mar-09, with a year-on-year increase of 8.7%. Bancomer not only maintained its leadership in total customer funds (current and savings accounts, term accounts, mutual funds and investment companies and dollars), but actually increased its market share significantly. This grew by more than 200 basis points over the end of March 2008, reaching 28.1%. Term deposits performed exceptionally well, growing 18.4% to €8,563m. Current accounts also showed dynamic growth (18.9% against the first quarter of last year), reaching a balance of €14,146m. The largest item in the total customer-funds figure is current accounts, which account for 33%, followed by mutual funds and investment companies (23%); term deposits (20%); other customer products (17%) while dollar deposits account for the remaining 7%.

The positive performance of deposits was the outcome of a sales policy defined and driven by the business units. The bank has benefitted from the trust that its customers feel for the institution, being able to gather more funds from the public than any others in its peer group. Bancomer thus ended March 2009 with the largest share in customer funds gathered through current and savings accounts since 2000. Its share was 32.5%, which was 250 basis points more than in 31-Mar-08. This situation has enabled it to maintain a comfortable liquidity position in the first months of the year and as it faces the forthcoming months, its liquidity will make it easier to maintain current business volumes, react rapidly to any credit requirements and need less wholesale finance.

During the quarter, Bancomer issued a five-year **structured note** for 107m pesos for private-banking and high-net-worth customers. This is the first transaction structured as an asset swap on a long-term sovereign bond denominated in dollars (\$14m). The instrument was placed amongst over 800 customers.

A permanent programme "**Pay well, pay less**" has also been launched to reward credit-card holders with sound payment records. Credit card customers who pay well,

pay less, as they get an immediate reduction on the interest rate. To date, 480,000 customers have benefitted from this campaign.

Meanwhile, **Banca Hipotecaria** has placed a total of 9,388 home-buyer mortgages during the first months of the year, financing 17,026 housing units with bridging loans. This has given the bank a significant rise of 450 basis points in its market share to February (33.7%) measured by the value of newly originated business.

The **SMEs & Government Banking** unit has arranged the collection on the tax campaign for the central and municipal governments nationwide. This has increased its customer-fund gathering in current accounts by 44%.

Finally, in **Corporate & Investment Banking** the most significant transaction in the first quarter of 2009, was a rights issue ("*Certificados bursátiles*") for a bottling company amounting to a total of 1,420 million pesos.

Pensions and Insurance

During the first quarter of 2009, the pensions and insurance business in Mexico generated a net

attributable profit of €53m. This was 39.9% higher than in the same period of the previous year.

The **pension business** (operated by Afore Bancomer) was hit by the negative performance of the Mexican financial markets during these first three months of 2009. This impacted on the financial earnings in the sector, the assets under management and the growth of fee income. All these elements constrained Afore Bancomer's net attributable profit, but its excellent sales drive and the impact of its austerity regime on costs have managed to keep it at practically the same level as in the first quarter of 2008. At €8m, its attributable profit has gone down 1.1%.

First-quarter performance in the **insurance business** was positive, thanks to the efforts made by the companies in marketing and sales, which enabled them to offset the slowdown in growth on products linked to banking activities. This boosted sales on non-bancassurance lines and savings products. This has fed into the premium revenues, with €211m of business written in the quarter, increasing 15.4% year on year. The attributable profit for all three Group companies in this unit (Seguros Bancomer, Pensiones Bancomer and Preventis) stood at €45m, increasing 51.4% year on year).

The United States

Income statement

(Million euros)

	The United States			
	1Q09	Δ%	Δ% ⁽¹⁾	1Q08
NET INTEREST INCOME	379	19.0	3.6	318
Net fees and commissions	145	5.6	(8.1)	137
Net trading income	23	(37.0)	(45.2)	36
Other income/expenses	(3)	n.m.	n.m.	7
GROSS INCOME	543	8.8	(5.3)	499
Operating costs	(339)	7.3	(6.7)	(316)
Personnel expenses	(178)	11.2	(3.3)	(160)
General and administrative expenses	(107)	10.5	(3.8)	(97)
Depreciation and amortization	(55)	(8.6)	(20.5)	(60)
OPERATING INCOME	204	11.5	(3.0)	183
Impairment on financial assets (net)	(126)	118.8	90.3	(58)
Provisions (net) and other gains/losses	(15)	n.m.	n.m.	3
INCOME BEFORE TAX	62	(51.4)	(57.7)	128
Income tax	(20)	(55.2)	(61.0)	(44)
NET INCOME	42	(49.4)	(56.0)	84
Minority interests	-	(100.0)	(100.0)	-
NET ATTRIBUTABLE PROFIT	42	(49.4)	(56.0)	84
MEMORANDUM ITEM: NET ATTRIBUTABLE PROFIT EXCLUDING AMORTIZATION OF THE INTANGIBLE ASSETS	63	(42.7)	(43.3)	110

(1) At constant exchange rate.

Balance sheet

(Million euros)

	The United States			
	31-03-09	Δ%	Δ% ⁽¹⁾	31-03-08
Cash and balances with central banks	442	(4.7)	(19.8)	464
Financial assets	9,312	12.4	(5.4)	8,282
Loans and receivables	32,938	27.5	7.3	25,825
• Loans and advances to customers	31,996	28.3	8.0	24,941
• Loans and advances to credit institutions and other	942	6.5	(10.4)	885
Tangible assets	803	20.6	1.5	666
Other assets ⁽²⁾	1,510	42.4	19.8	1,061
TOTAL ASSETS/LIABILITIES AND EQUITY	45,006	24.0	4.4	36,298
Deposits from central banks and credit institutions	7,880	30.6	9.9	6,035
Deposits from customers	30,274	23.1	3.6	24,598
Debt certificates	831	(26.0)	(37.7)	1,123
Subordinated liabilities	1,209	24.5	4.8	971
Other liabilities ⁽²⁾	2,391	27.2	7.0	1,880
Minority interests	-	(100.0)	(100.0)	1
Economic capital allocated	2,420	43.2	20.6	1,690

(1) At constant exchange rate.

(2) Including inter-area positions.

Short-term indicators suggest that the US economy declined in the first quarter of 2009 for the second consecutive quarter, though at a slower pace than in the fourth quarter of 2008. Employment in the non-farm payroll decreased by 2 million jobs in the first quarter of 2009 and the losses were widespread across industries. Personal consumption expenditures remained weak, though its downward trend appears to have stabilized.

While non-residential investment continues to deteriorate, residential investment seemed to have improved in 1Q09. In February, housing starts posted its first monthly increase following seven consecutive months of negative readings. Likewise existing home sales experienced a significant increase in February, largely due to increasing supply of foreclosed homes by the credit institutions. International trade also showed positive figures in February, when US exports rose for the first time in six months. Imports, on the other side, continued to suffer large declines consistent with a weak domestic demand.

These economic risks, alongside continuing financial instability have led the Government to implement a set of measures to stimulate the current economy. In February, the President signed the American Recovery and Reinvestment Act of 2009, a \$789bn fiscal package, combining tax relief with spending. This plan aims to stimulate the economy by creating or saving three to four million jobs and providing \$150bn to low-income families. In addition the U.S. Treasury announced the Financial Stability Plan to restore credit by reducing uncertainty, injecting capital, cleaning banks' balance sheets from troubled assets, restoring securitization markets and mitigating foreclosures. The impact of the measures is highly uncertain given the magnitude of the downturn.

Meanwhile, the **exchange rate** shows the dollar strengthening against the euro over the last twelve

Relevant business indicators

(Million euros and percentages)

	The United States			
	31-03-09	Δ%	Δ% ⁽¹⁾	31-03-08
Customer lending (gross)	32,680	28.7	8.3	25,387
Customer deposits ⁽²⁾	27,012	19.0	0.1	22,705
ROE (%)	6.9			23.3
Efficiency ratio (%)	62.5			63.4
NPA ratio (%)	3.9			2.0
Coverage ratio (%)	53			92

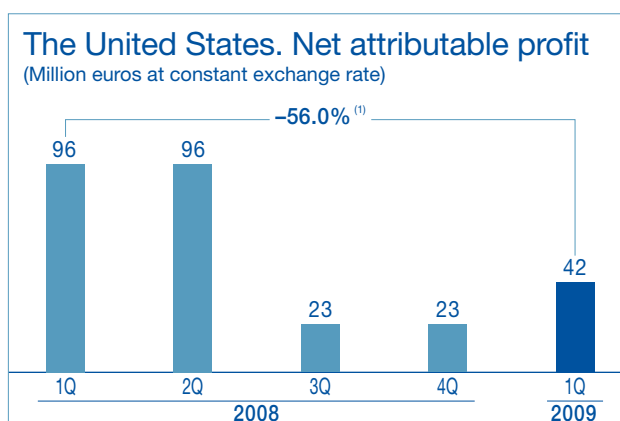
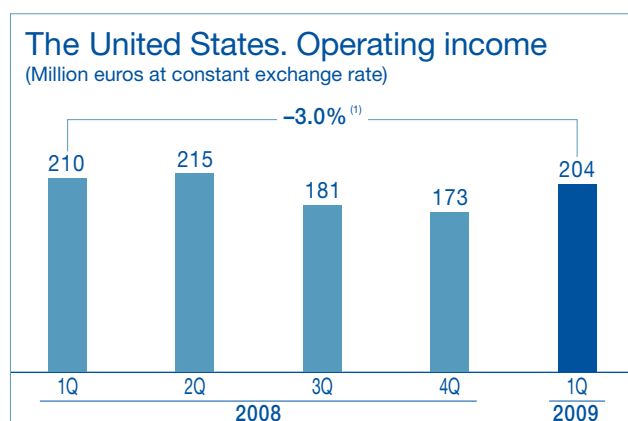
(1) At constant exchange rate.

(2) Excluding deposits and Market unit repos.

months. The US currency closed the first quarter of 2009 at \$1.33 per euro, appreciating 18.8% against 31-Mar-08 and 4.6% against 31-Dec-08. The average exchange rate rose to \$1.30 per euro, which also reflects an appreciation over the first quarter of 2008 (up 14.9%). This has a positive impact on the Group's financial statements. Nonetheless, the comments below give all changes at **constant exchange rates**.

Despite the last year's complicated economic scenario, **BBVA USA** has outperformed the banking industry in the USA both in earnings and in business volumes. Its growth was above the average for the US Top-50 banks in their main business and financial fundamentals. It ended the quarter with **total loans** of €32,680m, representing a 8.3% increase over 31-Mar-08. At €27,012m, **customer deposits** maintained practically the same levels as at 31-Mar-08 but factoring in the euro's depreciation over the year, deposits grew 19.0%. The NPA ratio stood at 3.9% on 31-Mar-2009, with a coverage ratio of 53%.

Net interest income for the first quarter was €379m, up 3.6% versus the same quarter of last year. However,



sluggish fee income (down 8.1%), net trading income (down 45.2%) which in the first quarter of 2008 included €9.1m from Visa's IPO and the increased contribution to the deposit guarantee fund, brought **gross income** down 5.3% against 31-Mar-08, to €543m; this was just 1.6% down on the fourth quarter of 2008. Since operating costs improved 6.7% against the same period of the previous year, **operating income** reached €204m, 3% less than in the first three months of 2008. However, operating-income grew a significant 17.9% compared against the fourth quarter of 2008. BBVA USA set aside €126m for loan-loss provisions during the quarter, bringing the **net attributable profit** for the quarter to 42m. Excluding amortization of intangibles, this figure is €63m.

BBVA Compass banking group

BBVA Compass has completed the organisational transformation, successfully integrating itself within the BBVA universal banking model. This change is already beginning to bear fruit.

The unit is now more customer focussed and ended March with a **loan book** of €29,273m, up 9.0% on 31st March 2008. Customer **deposits** at €25,397m are down 0.3% against the year ago quarter. BBVA Compass has thus generated €344m in **net interest income**, 3.9% more than in the first quarter of 2008. Fee income and net trading income went down 9.7% and 46.1% respectively year on year. This brought gross income to €494m, 5.7% less than the first quarter of 2008.

Expenses for the quarter showed excellent performance, down 6.8% against 1Q08. This improvement will become more notable as 2009 unfolds, due to the recent cut in headcount. These expenses and revenue figures combined for an **operating profit** of €182m, which was up 20.5% from 4Q08 but down slightly (-3.8%) versus 1Q08. This contributed to a significant improvement in the **cost-income ratio**, which stood at 63.1%. This compared favourably not just against the fourth quarter of 2008 (69.6%) but also against 1Q08 (63.8%).

Total loan-loss provisions for the quarter were €115m, down from 3Q08's peak. **Net attributable profit** for the first quarter of 2009 was €35m. Excluding amortization of intangibles it rises to €56m.

Finally, the transformation process is increasing cooperation amongst different areas and units. An example of this is the Group's New York office's

involvement in the complex deal successfully closed with a BBVA Compass customer this quarter. The Wealth Management unit has also collaborated with BBVA Madrid's Equity Derivatives & Structured Products group to deliver the new "Power CD" product. It offers clients an opportunity to earn returns linked to the performance of the S&P 500 and has been a tremendous success since its offering.

Drilling down to business-unit level, at 31-Mar-09, the **Corporate Banking** unit managed a loan portfolio of €16,511m and customer deposits of €8,221m, having grown 6.2% since March 2008. During the quarter, the unit has seen an increase in letters of credit being used to back municipal/public sector bond issues.

Retail Banking ended the first quarter with a loan portfolio of €9,955m and customer deposits of €14,026m. Also during the quarter the unit made a strategic business decision to exit the Indirect Auto Dealer and Student Lending businesses as a step toward better utilization of bank capital.

The **Wealth Management** unit manages a loan portfolio of €2,052m, while its customer deposits of €2,717m have grown 4.2% year on year. As the quarter closed, the unit also had €9,413m assets under management.

Other units

BBVA Puerto Rico managed customer loans of €3,391m at 31-Mar-09. This was down 2.2% since year-end but up 3.5% over the same quarter a year ago. However, total deposits, at €1,517m were in line with year-end and increased by 6.6% over the year ago quarter-end. Gross income, at €39m for the quarter, was down 8.7% year on year. However, expenses improved, going down 10.2% against the year ago quarter. Operating income thus came in at €19m, practically the same level as 4Q08 but down 7.0% over the first three months of 2008. Net attributable profit stood at €5m for the quarter.

BTS processed over 6 million transfers during the first quarter of 2009. Of these, 5.2 million went to Mexico. Attributable profit for the quarter was €4m, with a significant 42.8% rise from the same quarter 2008. Finally, **BBVA Bancomer USA** saw its deposits increase 19.2% since December 2008 and 19.8% since the same quarter of last year. It opened nearly 5,000 new accounts, handling over 97,000 money transfers.

South America

Income statement

(Million euros)

	South America				Memorandum item:							
					Banking businesses				Pensions and Insurance			
	1Q09	Δ%	Δ% ⁽¹⁾	1Q08	1Q09	Δ%	Δ% ⁽¹⁾	1Q08	1Q09	Δ%	Δ% ⁽¹⁾	1Q08
NET INTEREST INCOME	589	20.1	16.2	491	579	22.4	18.2	473	11	(41.7)	(40.0)	18
Net fees and commissions	204	11.8	12.0	182	151	18.6	15.5	127	52	(6.7)	(0.1)	56
Net trading income	134	73.7	65.6	77	110	41.1	36.1	78	24	n.m.	n.m.	-
Other income/expenses	(3)	n.m.	n.m.	6	(24)	55.1	45.3	(16)	24	8.1	2.8	22
GROSS INCOME	924	22.3	19.1	756	816	23.1	19.1	663	110	15.9	18.6	95
Operating costs	(376)	14.0	13.3	(330)	(314)	20.2	18.2	(262)	(55)	(10.2)	(6.2)	(61)
Personnel expenses	(194)	15.2	15.1	(168)	(161)	24.1	22.7	(130)	(27)	(14.7)	(10.8)	(32)
General and administrative expenses	(154)	10.9	9.7	(139)	(127)	13.7	11.4	(112)	(25)	(3.7)	0.1	(26)
Depreciation and amortization	(29)	23.3	22.1	(23)	(26)	30.8	27.8	(20)	(3)	(17.5)	(11.4)	(3)
OPERATING INCOME	548	28.7	23.4	426	502	25.0	19.7	401	55	63.2	61.1	34
Impairment on financial assets (net)	(102)	73.0	85.6	(59)	(102)	73.0	85.6	(59)	-	-	-	-
Provisions (net) and other gains/losses	(1)	(92.4)	(93.9)	(11)	1	n.m.	n.m.	(7)	(2)	(46.1)	(46.7)	(3)
INCOME BEFORE TAX	445	25.1	18.5	356	400	19.6	13.1	335	53	75.3	73.1	31
Income tax	(102)	24.2	16.6	(82)	(87)	16.1	8.7	(75)	(18)	76.8	71.5	(10)
NET INCOME	343	25.3	19.1	273	314	20.5	14.3	260	35	74.5	73.9	20
Minority interests	(117)	27.4	18.4	(92)	(108)	23.9	14.7	(87)	(10)	86.5	88.7	(5)
NET ATTRIBUTABLE PROFIT	225	24.3	19.5	181	206	18.9	14.2	173	26	70.5	69.0	15

(1) At constant exchange rate.

Balance sheet

(Million euros)

	South America				Memorandum item:							
					Banking businesses				Pensions and Insurance			
	31-03-09	Δ%	Δ% ⁽¹⁾	31-03-08	31-03-09	Δ%	Δ% ⁽¹⁾	31-03-08	31-03-09	Δ%	Δ% ⁽¹⁾	31-03-08
Cash and balances with central banks	5,970	70.9	61.7	3,493	5,969	70.9	61.7	3,493	-	(54.1)	(50.6)	-
Financial assets	6,059	9.8	15.0	5,520	5,201	11.8	16.7	4,651	1,458	34.3	43.6	1,085
Loans and receivables	29,258	18.3	19.3	24,729	28,623	18.1	19.0	24,231	809	33.7	40.6	605
• Loans and advances to customers	24,337	11.2	13.2	21,895	24,115	11.3	13.3	21,664	244	(4.1)	(1.9)	255
• Loans and advances to credit institutions and other	4,921	73.6	63.0	2,834	4,509	75.6	62.9	2,567	565	61.2	73.0	350
Tangible assets	490	8.6	12.0	451	438	13.5	16.3	386	52	(19.9)	(14.5)	65
Other assets ⁽²⁾	2,120	33.4	38.0	1,589	1,379	33.1	39.2	1,036	188	24.3	31.2	151
TOTAL ASSETS/LIABILITIES AND EQUITY	43,896	22.7	23.8	35,783	41,611	23.1	24.0	33,797	2,507	31.5	39.7	1,907
Deposits from central banks and credit institutions	3,824	29.7	32.8	2,948	3,797	29.6	32.6	2,930	32	33.8	37.1	24
Deposits from customers	29,475	22.3	22.4	24,094	29,629	22.5	22.6	24,178	-	n.m.	n.m.	-
Debt certificates	1,377	37.2	51.4	1,004	1,377	37.2	51.4	1,004	-	-	-	-
Subordinated liabilities	1,279	23.9	29.0	1,032	712	13.8	21.9	625	-	-	-	-
Other liabilities ⁽²⁾	4,815	9.9	11.6	4,383	3,899	21.9	22.0	3,197	1,638	14.5	21.6	1,430
Minority interests	678	39.6	34.6	486	520	27.7	20.3	407	68	(3.6)	7.4	71
Economic capital allocated	2,447	33.3	37.8	1,835	1,677	15.1	18.3	1,456	769	101.3	113.3	382

(1) At constant exchange rate.

(2) Including inter-area positions.

The South America area manages the BBVA Group's banking, pension and insurance businesses in the region. Year-on-year comparison of the business variables and earnings in the area are impacted by the divestment of the Consolidar health business and the State takeover of the Consolidar pension fund, both of which took place in the fourth quarter of last year.

During the first months of 2009, the effects of the international crisis made themselves felt in the region, especially in financial markets, whilst the Latam currencies saw some significant depreciations against the dollar. The growth outlook deteriorated with falling foreign demand, sharp commodity-price drops and increased risk aversion, which upped risk premiums and made credit more expensive. Despite these elements, the **macroeconomic situation** in the region continues to compare favourably against that in the developed countries and in other emerging economies. This is due to various factors. Firstly, domestic demand has grown more moderately but has not collapsed as in other markets. Thus business volumes continue to grow, albeit slowly, and asset quality shows no signs of impairment. Secondly, the financial systems in the region remain sound, with stable customer deposit volumes, without any significant crises or stress episodes. Thirdly, no solvency or liquidity problems are being observed, especially following the central banks' qualitative easing measures in the region.

The strengthening of the dollar against the euro has largely offset the effect of the depreciating Latin-American **currencies** against the dollar. The euro exchange-rates of the Argentine peso and the Peruvian nuevo sol have not varied significantly in comparison with twelve months ago. The Venezuelan bolivar fuerte, however, has appreciated considerably, while the Chilean peso and Colombian peso have depreciated.

Relevant business indicators

(Million euros and percentages)

	31-03-09	South America		31-03-08
		Δ%	Δ% ⁽¹⁾	
Customer lending (gross)	25,207	11.2	13.3	22,665
Customer deposits ⁽²⁾	31,125	21.7	22.4	25,570
Off-balance-sheet funds	29,435	(20.4)	(14.0)	36,975
• Mutual funds	1,668	(4.3)	-	1,743
• Pension funds	27,767	(21.2)	(14.7)	35,231
ROE (%)	40.3			39.9
Efficiency ratio (%)	40.7			43.7
NPA ratio (%)	2.3			2.4
Coverage ratio (%)	139			133

(1) At constant exchange rate.
(2) Including debt certificates.

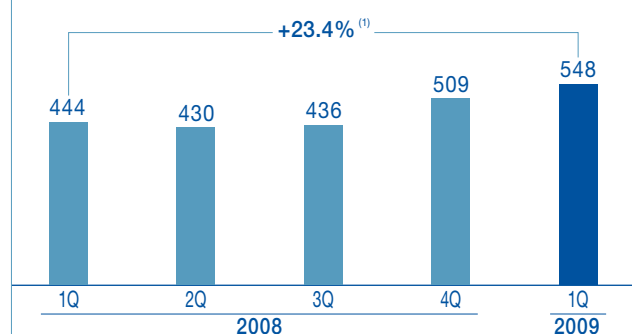
The exchange rate impact on the earnings figures for the area's first-quarter financial statements is positive in more than four percentage points. The tables in this report have columns showing the year-on-year variations in current rates and in constant rates. Unless otherwise stated, the comments below will refer to the constant-rate changes.

In the first months of 2009, South America earned a **net attributable profit** of €225m, a year-on-year increase of 19.5% (up 24.3% at current exchange rates). Growth was positive in the area's three business lines: banking, pensions and insurance. Return on equity (ROE) stood at 40.3%, which was higher than the 39.9% obtained in the first three months of 2008.

The focal aspects in the South America area this quarter are the positive performance of its revenues and moderation in costs. Its **net interest income** was €589m, rising 16.2% year on year. Apart from growing

South America. Operating income

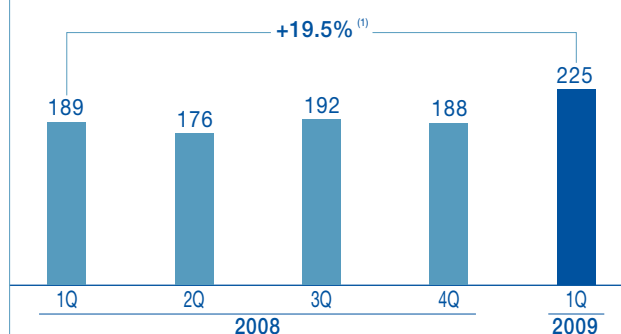
(Million euros at constant exchange rate)



(1) At current exchange rate: +28.7%.

South America. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +24.3%.

business volumes, this was driven by an active entry-price policy and strong spreads. **Fee income** also showed excellent performance, reaching €204m in the quarter (up 12.0%), with especially relevant growth in customer-related activities. **Net trading income** this quarter was also high (€134m) with exchange-rate positions trading well in general, along with capital gains on the fixed-income portfolio in Chile. **Gross income** went up 19.1% to reach €924m (22.3% at current exchange rates).

Expenses, at €376m, have slowed their year-on-year growth rate to 13.3%, helped by the transformation plans that all units have rolled out, plus lower inflationary pressure. Thus, the **cost-income ratio** for the quarter stood at 40.6%, significantly improving on the 43.7% reported one year ago. **Operating income** showed year-on-year growth of 23.4% (up 28.7% at current exchange rates), reaching €548m.

Gross lending ended the quarter at €25,207m, up 13.3% on the previous year. This growth is not as buoyant as in previous periods due to the slowdown in lending to individuals (up 13.2%) and to companies (up 14.6%).

Meanwhile, the banks' **customer funds** continue to show business as usual, with a closing balance in March of €32,793m (including mutual funds). This reflects a 20.1% year-on-year growth, as current and savings accounts behaved especially positively (up 20.4%). The pension business this quarter has reported more positive earnings than in previous quarters, despite the somewhat sluggish performance of financial markets. The pension-fund businesses were managing assets of €27,767m at the end of March. This was 8.8% less than at the end of March 2008 (excluding the impact of exiting Consolidar AFJP), while the year-to-date revenues for the quarter were 28.1% higher than those obtained twelve months earlier. Finally, the insurance companies wrote 3.5% more business year on year (like for like, without Consolidar Salud).

The deteriorating environment has moderately affected asset quality. The March 2009 **NPA ratio** stands at 2.3%, compared against 2.1% at 31-Dec-08. Careful management of risk acceptance and recoveries policy continue to be the mainstay of this improvement. Loan-loss provisions showed a significant year-on-year increase, up 85.6%. This was largely driven by the low comparable base from the first quarter of 2008. The

coverage ratio for non-performing assets stood at 139% (compared against 149% at 31-Dec-2008).

Banking business

The banking business in the area generated €206m in net attributable profit during this quarter, growing 14.2% year on year (up 18.9% at current exchange rates). The most relevant information on each bank is given below:

In Argentina, **BBVA Banco Francés'** net interest income reflected excellent performance, growing 21.9% year on year. This was driven by good management of spreads and higher business volumes, especially in retail lending (up 22.6%) and transactional deposits (up 35.2%). Fee income also grew strongly (up 44.8%) as did other revenues, which, in combination with slower growth in expenses boosted operating income by 25.8% year on year. Below the line, the rise in provisions and taxes mainly reflects the low baseline from the previous year. This limited the growth in net attributable profit, which ended the quarter at €42m.

The banking business in **Chile** (run by **BBVA** and **Forum**) obtained a net attributable profit this quarter of €25m, well above the figure reported for the same period in 2008 (up 133.1%). The rise was driven by good performance in revenues. Gross income rose 81.2%, which offset the negative impact of falling inflation rates on the yields from inflation-linked assets. Business volumes saw slower growth than in previous quarters, but maintained positive year-on-year comparatives, especially in retail lending (up 6.9%) and current and savings accounts (up 33.6%). It was a very good quarter for fee income (up 45.3%), with high net trading income (€55m), much of which came from capital gains on fixed-income portfolio divestments.

During this first quarter, **BBVA Colombia** obtained a net attributable profit of €30m. This was 17.5% more than in the first three months of 2008. Higher revenues stand out when looking at the income statement and especially the year-on-year increase in net interest income, whose 19.2% rise was fuelled by higher business volumes in retail lending (up 10.5%), companies lending (up 22.7%) and customer funds (up 11.4%). Moderate growth in costs (up 5.0%) continued to be reflected in a significant improvement to the cost-income ratio. This stood at 39.0%, as against

43.7% for the first quarter of 2008. Operating income was €82m, up 27.1%.

BBVA Banco Continental, in Peru, presented high quarterly growth in its net interest income, a determining factor being the maintenance of its rate of expansion in business volumes at similar levels to earlier quarters. Its loan-book grew 34.0% to March, with similar increases in loans to individuals and companies; whilst customer funds rose 19.6%, with especially significant growth in current and savings accounts (up 28.3%). The other lines of income and expenses also performed favourably. The entity's operating income rose 30.1% year on year, whilst net attributable profit reached €28m, up 28.5% on the same quarter of 2008.

In Venezuela, **BBVA Banco Provincial** generated a quarterly net attributable profit of €64m. This was 3.1% higher than the previous year. Its growth was held back by regulatory changes that came into force in the second half of last year, namely new constraints on lending and borrowing rates and the limitation on collecting certain kinds of fees. It was also hit by lower net trading income (down 98.1%) due to the high capital gains on fixed-income portfolio divestments booked to the first quarter of 2008. Lending volumes slowed their pace of growth, rising 15.8%, above all in retail loans. However, customer funds remain buoyant, with 30.9% higher volume than in March 2008. Costs have shown a marked slowdown, growing 17.1%, which is below the country's inflation rate. Provisions have remained flat to the last few quarters.

During the quarter, **BBVA Panama** generated a profit of €8m; **BBVA Paraguay** €7m, and **BBVA Uruguay** €1.2m.

Pensions and Insurance

During the quarter, pensions and insurance management reported a net attributable profit of €26m. This was up 69.0% on the previous year, despite the impact of exiting the Consolidar health and the Consolidar pension businesses. The excellent performance of sales and the lower instability on financial markets meant the **pension business** could generate €16m, three times its earnings in the same quarter of 2008. However, the change in perimeter for the **insurance business** led it to reduce its reported earnings by 5.4% to €10m. Without including the Consolidar Salud data, net attributable profit increased 9.2%.

AFP Provida, the pension fund in Chile, brought in 9.1% more business than in the first quarter of 2008. This volume growth explains the surge in its fee income (up 31.4%). As volatility on the market lessened, net trading income ceased to be a negative factor, such that net attributable profit reached €10m, significantly higher than twelve months earlier.

In **Argentina**, after exiting Consolidar Salud and after the State takeover of Consolidar AFJP, the **Consolidar Group** this quarter now comprised Consolidar Seguros, Consolidar Retiro and Consolidar ART, operating in insurance, retirement and workplace risks, respectively. It showed a net attributable profit of €9m for the quarter, with sound performance in sales, claims ratios and expenses.

Finally, **AFP Horizonte**, the pension fund in Peru, reported a net attributable profit of €4m. This was up 185.0%. **AFP Horizonte** in **Colombia** generated €3m profit, up 72.9%.

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

(Million euros)

Country	Operating income				Net attributable profit			
	1Q09	Δ%	Δ% at constant exchange rate	1Q08	1Q09	Δ%	Δ% at constant exchange rate	1Q08
Argentina	83	12.1	11.0	74	52	(1.2)	(2.1)	52
Chile	94	132.6	164.8	40	30	96.8	124.1	15
Colombia	90	28.0	40.1	70	34	23.2	34.8	27
Peru	108	39.4	33.3	78	32	43.3	37.1	22
Venezuela	160	2.5	(10.8)	157	67	21.2	5.5	56
Other countries ⁽¹⁾	13	82.5	47.9	7	11	22.8	2.5	9
TOTAL	548	28.7	23.4	426	225	24.3	19.5	181

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

Income statement

(Million euros)

	1Q09	Δ%	1Q08
NET INTEREST INCOME	2	n.m.	(230)
Net fees and commissions	(20)	n.m.	1
Net trading income	(52)	n.m.	122
Other income/expenses	1	(86.3)	10
GROSS INCOME	(68)	(30.1)	(97)
Operating costs	(215)	1.4	(211)
Personnel expenses	(139)	(4.8)	(146)
General and administrative expenses	(29)	(1.4)	(29)
Depreciation and amortization	(47)	28.5	(37)
OPERATING INCOME	(283)	(8.5)	(309)
Impairment on financial assets (net)	(118)	73.8	(68)
Provisions (net) and other gains/losses	(49)	n.m.	690
INCOME BEFORE TAX	(450)	n.m.	313
Income tax	129	n.m.	(68)
NET INCOME	(320)	n.m.	245
Minority interests	3	n.m.	(1)
NET ATTRIBUTABLE PROFIT	(318)	n.m.	244
One-off operations ⁽¹⁾	-	(100.0)	509
NET ATTRIBUTABLE PROFIT (except one-off operations)	(318)	20.0	(265)

(1) In 2008, capital gains from Bradesco.

Balance sheet

(Million euros)

	31-03-09	Δ%	31-03-08
Cash and balances with central banks	236	n.m.	(1,710)
Financial assets	22,012	26.0	17,471
Loans and receivables	2,577	(52.9)	5,466
•Loans and advances to customers	185	(92.1)	2,332
•Loans and advances to credit institutions and other	2,392	(23.7)	3,134
Inter-area positions	(9,416)	n.m.	-
Tangible assets	3,543	98.2	1,788
Other assets	15,080	48.8	10,138
TOTAL ASSETS/LIABILITIES AND EQUITY	34,032	2.7	33,153
Deposits from central banks and credit institutions	13,893	(13.8)	16,126
Deposits from customers	2,396	82.5	1,313
Debt certificates	99,180	8.0	91,791
Subordinated liabilities	6,881	10.2	6,246
Inter-area positions	(91,703)	(0.1)	(91,772)
Other liabilities	(4,331)	n.m.	1,956
Minority interests	512	28.2	399
Valuation adjustments	(492)	n.m.	118
Shareholders' funds	26,505	12.2	23,620
Economic capital allocated	(18,809)	13.0	(16,644)

This area has always combined 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 retirements. In 2009 it also includes the newly created Real-Estate Management unit, which brings together all the Group's non-international real-estate business.

Its **net interest income** for January-March this year was positive by €2m (whilst it was negative €230m in the first quarter of 2008). This was due both to the favourable impact of falling interest rates and BBVA's active balance-sheet management. Its good performance offset the shrinkage in net trading income stemming from the situation in the markets, compensated to some extent by monetisation and coverage strategies. This meant that the **operating income**, at -€283m, was less negative than the -€309m recorded 12 months earlier.

Impairments of financial assets were up €50m due to the provision of country risk for Brazil that was put in place this quarter. This resulted in a **net attributable loss** of -€318m, as against the net attributable profit of €244m for the same quarter of 2008. However, the figure reflected one-off profits from the 2008 sale of the Bradesco holding, which added €509m, net of tax.

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 and Liabilities Committee (ALCO).

Managing structural **liquidity** helps to fund recurrent 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. A core principle in the BBVA Group's liquidity management is to encourage the financial independence of its subsidiaries in the Americas. BBVA's first quarter of the year was characterised by favourable growth of its businesses' liquidity gap, which meant it had no relevant presence in the long-term finance markets. Despite the current economic and financial backdrop, the Group's

liquidity remained sound. It made minimal calls on the European Central Bank even though it has ample available collateral. For 2009, the Group's current and potential sources of liquidity easily surpass expected drainage.

The Group's **capital management** pursues two key goals: Firstly, maintaining capital levels appropriate to the Group's business targets in all the countries where it operates. And secondly, at the same time, maximising returns on shareholder funds through efficient capital allocation to the different units, 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. Current capital levels enable the Group to comply with these goals.

BBVA manages the **exchange-rate exposure** on its long-term investments (basically stemming from its franchises in the Americas) 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 2009, BBVA continued to pursue an active policy to hedge its investments in Mexico, Chile, Peru and the dollar area. Its aggregate hedging was close to 50% and for the dollar area, close to 100%. Apart from corporate-level hedging, some subsidiary banks hold dollar positions at local level. Additionally, the Group hedges its exchange-rate exposure on expected 2009 and 2010 earnings from the Americas. During the first three months of this year, this strategy made it possible to mitigate the impact of the Latam currencies' depreciation against the euro.

The unit also actively manages the Group's **structural interest-rate exposure** on its balance sheet. This keeps the performance of short and medium-term net interest income more uniform by cutting out interest-rate fluctuations. During the first quarter of 2009, it has maintained its hedging against a less positive economic scenario in Europe for 2009-2010, while the risk on its USA and Mexico balance sheets remains within comfort parameters. These strategies are managed both with hedging derivatives (caps, floors, swaps, FRA's, etc) and with balance-sheet instruments (mainly top-rated government bonds). As March 2009 ended, the Group had asset portfolios denominated in euros, US dollars and Mexican pesos.

Holdings in Industrial and Financial Companies

This unit manages its portfolio of shares in companies operating in the telecommunications, media, electricity, oil, gas and finance sectors. Like Financial Planning, this unit forms part of the Group's Finance Department.

BBVA operates this portfolio with strict requirements regarding its risk-control procedures, economic-capital consumption and return on investment, diversifying investments over different sectors. It also applies dynamic management techniques to holdings through monetisation and coverage strategies. During the first three months of 2009, it has made investments for €76m and divestments for €101m.

At 31-Mar-09, the industrial and financial holdings portfolio was marked to market at €3,813m and although the main stock-exchange indices in Europe and the United States closed the quarter with significant drops.

Real-Estate Management

Given the current economic scenario and the outlook for the next few months, BBVA set up a Real-Estate Management unit to apply specialist management to real-estate assets from foreclosures, assets assigned in lieu of payment, purchases of distressed assets and the BBVA Propiedad real-estate fund. The earnings generated by this new unit are not significant, as it is conceived as a long-term project.

Corporate responsibility

Corporate responsibility (CR) at BBVA has become a strategic management tool in the current economic-financial crisis. The most significant achievements in 2008 were the launch of the 2008-2012 Global Eco-Efficiency Plan, the work on socially responsible investment (SRI) and our reinforced commitment to society, which focuses on education. We invested €29.6m in scholarships in Latin America, benefitting 47,104 children. There has also been considerable activity at the start of 2009, with investment in social action maintained at €85m.

Access to finance

The BBVA Microcredit Foundation signed various important agreements. They included one with the Inter-American Development Bank (IDB) to train 5,700 microcredit account managers in ten countries and to prepare and distribute a best practice manual for the microcredit sector in Latin America. Another agreement was signed with the Organization of Ibero-American States to encourage self-employment by underprivileged persons in Colombia and Peru.

Responsible products and services

During the first quarter of 2009 BBVA launched several initiatives. The Open Talent programme boosts the creativity of business people by supporting projects and companies in their initial stages in terms of development of innovative products and services based on technology. Chosen projects will have BBVA's support as a banker and as a partner. Furthermore BBVA and the Valencia Regional Government are providing people in a dependency situation with finance for antislip systems. In conjunction with MasterCard, BBVA launched a business card with special advantages for small firms and the self-employed. These sectors are amongst the most affected by the economic-financial crisis. They also announced the Abaco Card, which is exclusively for BBVA shareholders with more than 500 shares. It enables them to invest in BBVA shares with the savings obtained when they make their regular purchases. Lastly, the bank agreed to provide the Spanish Ministry of Defence with accident insurance for military personnel on peace missions.

Responsible HR management

The Group's intranet has introduced a bulletin with offers and discounts, and it has provided 15,000 employees who do speak Spanish with a tool for learning this language. BBVA's Volunteer Office in Spain has also been busy handing out toys to immigrant children. It organised the 4th reforestation conference (for 200 employees and their families) and the award of prizes for the 2nd Volunteer Course.

Environmental management and climate change

In Spain BBVA sponsored and participated in a study on the risks and opportunities associated with climate change for companies in the IBEX35. The study was conducted by the Carbon Disclosure Project (CDP) and the Ecology and Development Foundation (ECODES). In addition the Group backed the "Earth Hour" campaign to defend the environment. For one hour it turned off lights at 49 of its principal buildings around the world as well as some central branches. In Argentina BBVA Banco Francés joined a programme to classify waste (*Basura Cero*).

Lastly, the 2008 BBVA Prize for Frontiers of Knowledge in the climate change category went to Wallace S. Broecker, an American researcher.

Commitment to society

As part of its commitment to society, BBVA continues to build on its successful education programme, increasing its scholarships for children (*Niños Adelante*) and financing education projects. Here are the highlights: **EDUCATION.** BBVA agreed with ACNUR to finance education projects for refugee children to the extent of €50,000 per year from 2008 to 2010.

SOCIAL ACTION PLAN FOR LATIN AMERICA. Despite difficult financial conditions BBVA is keeping its promise on investment in this programme for 2009 and will provide scholarships for 50,000 children. **COMMUNITY SUPPORT.** BBVA Colombia and its customers donated 520 million in local currency to UNICEF for areas of the country affected by the winter. The bank provided 2,690kg of humanitarian aid for the civil population in Afghanistan. And lastly, the Integra Prize was awarded to a co-operative organisation that offers jobs to the handicapped.

PROMOTION OF CORPORATE RESPONSIBILITY. BBVA presented its 7th corporate responsibility report. It preserves the same structure for relevant affairs but in the innovative format of an interactive digital magazine.

Prizes and recognition

BBVA was the runner-up in the sustainability report prize awarded by the Institute of Auditors and the Business Administration & Accounting Association (both in Spain). And once again it was runner-up in the CSR Observatory's ranking of corporate responsibility reports by companies in the IBEX35 in terms of quality and transparency. Moreover the Spanish Ministry of Culture acknowledged BBVA's contribution to cultural development with the Fine Arts Gold Medal.

BBVA and the sustainability indices

BBVA maintained its prominent position in the most important sustainability indices. Its participation in these is shown below:

Main sustainability indices in which BBVA participates

	BBVA's participation (%)	
	DJSI World	0.59
	DJSI STOXX	1.35
	DJSI EURO STOXX	2.57
	FTSE4Good Global	0.40
	FTSE4Good Europe	0.90
	FTSE4Good Europe 50	1.33
	FTSE4Good IBEX	8.06
	ASPI Eurozone Index	2.24
	Ethibel Sustainability Index Excellence Europe	1.81
	Ethibel Sustainability Index Excellence Global	1.05
	KLD Global Sustainability Index	0.40
	KLD Global Sustainability Index Ex-US	0.70
	KLD Europe Sustainability Index	1.20
	KLD Europe Asia Pacific Sustainability	0.80

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