→ 1Q10

QUARTERLY REPORT

# January-March 2010

# Contents

QUARTERLY REPORT 2010

## January-March

# BBVA GROUP HIGHLIGHTS

## BBVA Group Highlights
(Consolidated figures)

| | 31-03-10 | Δ% | 31-03-09 | 31-12-09 |
|---|---|---|---|---|
| **Balance sheet (million euros)** | | | | |
| Total assets | 553,922 | 1.9 | 543,350 | 535,065 |
| Total lending (gross) | 337,569 | (0.8) | 340,241 | 332,162 |
| Customer funds on balance sheet | 371,116 | 0.3 | 370,045 | 371,999 |
| Other customer funds | 142,055 | 15.7 | 122,762 | 136,957 |
| Total customer funds | 513,171 | 4.1 | 492,807 | 508,957 |
| Total equity | 31,824 | 12.2 | 28,367 | 30,763 |
| Stockholders' funds | 29,805 | 7.4 | 27,742 | 29,362 |
| **Income statement (million euros)** | | | | |
| Net interest income | 3,386 | 3.5 | 3,272 | 13,882 |
| Gross income | 5,301 | 8.4 | 4,889 | 20,666 |
| Operating income | 3,183 | 12.9 | 2,819 | 12,308 |
| Income before tax | 1,862 | 1.5 | 1,834 | 5,736 |
| Net attributable profit | 1,240 | 0.2 | 1,238 | 4,210 |
| Net attributable profit excluding one-offs (1) | 1,240 | 0.2 | 1,238 | 5,260 |
| **Data per share and share performance ratios** | | | | |
| Share price (euros) | 10.13 | 65.8 | 6.11 | 12.73 |
| Market capitalization (million euros) | 37,967 | 65.8 | 22,900 | 47,712 |
| Net attributable profit per share (euros) | 0.32 | (4.4) | 0.34 | 1.12 |
| Net attributable profit per share excluding one-offs (euros) (1) | 0.32 | (4.4) | 0.34 | 1.40 |
| Book value per share (euros) | 7.95 | 7.5 | 7.40 | 7.83 |
| Tangible book value per share (euros) (2) | 6.41 | 19.7 | 5.36 | 6.27 |
| P/BV (Price/book value; times) | 1.3 | | 0.8 | 1.6 |
| Price/tangible book value (times) (2) | 1.6 | | 1.1 | 2.0 |
| **Significant ratios (%)** | | | | |
| ROE (Net attributable profit/Average equity) | 17.7 | | 19.4 | 16.0 |
| ROE excluding one-offs (1) | 17.7 | | 19.4 | 20.0 |
| ROA (Net income/Average total assets) | 1.01 | | 1.00 | 0.85 |
| ROA excluding one-offs (1) | 1.01 | | 1.00 | 1.04 |
| RORWA (Net income/Average risk-weighted assets) | 1.88 | | 1.85 | 1.56 |
| RORWA excluding one-offs (1) | 1.88 | | 1.85 | 1.92 |
| Efficiency ratio | 40.0 | | 42.3 | 40.4 |
| Risk premium excluding one-offs (1) | 1.24 | | 1.05 | 1.15 |
| NPA ratio | 4.3 | | 2.8 | 4.3 |
| NPA coverage ratio | 59 | | 76 | 57 |
| **Capital adequacy ratios (%)** | | | | |
| BIS Ratio | 13.4 | | 11.5 | 13.6 |
| Core capital | 8.1 | | 6.5 | 8.0 |
| Tier I | 9.5 | | 7.8 | 9.4 |
| **Other information** | | | | |
| Number of shares (millions) | 3,748 | | 3,748 | 3,748 |
| Number of shareholders | 887,252 | | 919,195 | 884,373 |
| Number of employees | 103,545 | | 105,154 | 103,721 |
| Number of branches | 7,469 | | 7,648 | 7,466 |
| Number of ATMs | 19,739 | | 18,568 | 19,279 |

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

(1) The third quarter of 2009 includes capital gains from the sale-and-leaseback of properties which have been allotted to generic provisions for NPLs, with no effect on net attributable profit, and in the fourth quarter, there was an extraordinary provision and a charge for goodwill impairment in the United States.

(2) Net of goodwill.

# GROUP INFORMATION

## RELEVANT EVENTS

BBVA has closed the first quarter of 2010 with very positive news in all the financial variables that are particularly significant in terms of non-performing assets, solvency, liquidity and earnings. The NPA ratio is the same as in December 2009, the coverage is slightly higher and the organic generation of core capital for the quarter was 22 basis points. A significant amount of funds have been gathered through the issue of instruments of different kinds at very competitive prices. Finally, the **net attributable profit** was €1,240m.

Listed below are the most important aspects of the performance of the Group and its main areas during quarter:

- Excellent performance in operating revenues. The **gross income** in the period increased year-on-year by 8.4% to €5,301m. This level is based on the continuing good performance of the net interest income, which was up 3.5% on the same quarter last year. The other income items also contributed positively: fee income grew year-on-year after a long period of falls, the net trading income was particularly good and the equity-accounted income increased as a result of the contribution from China Citic Bank (CNCB).

- **Operating costs** were controlled and contained, with a year-on-year growth of 2.3% due in part to greater rental costs through the sale and leaseback operation of some buildings in Spain in the third quarter of 2009. In any case, the figure is below the average inflation of all the countries as a whole in which BBVA operates.

- The **efficiency** ratio, at 40.0% in the quarter, was in line with that of 2009.

- As a result, the **operating income** for the quarter was €3,183m, an increase of 12.9%, showing the strong capacity of BBVA to continue generating sound operating results despite the current economic crisis.

- The Group's **risk premium** has tended to stabilize at 1.24%, slightly under the figure for the fourth quarter of 2009. The excellent operating result allows prudential criteria to be maintained, and make additional provisions to reduce the use of generic provisions and improve the coverage.

- In all, the **attributable profit** in the first quarter was €1,240m. This figure is particularly notable given the duration of the adverse economic climate in which it was generated. The result means that both **ROE** and **ROA** were high, at 17.7% and 1.01%, respectively.

- Once more, it is worth highlighting that all the areas of business contribute positively to generating the net attributable profit and continue to maintain a privileged competitive situation in their corresponding segment or geographical area, in terms of positioning, asset quality, structure of the balance sheet and capacity to generate earnings.

- The general **volume of business** was marked by the stable level of assets, with an increased weight of portfolios of lower risk. Lending continues to be weak (although there are some signs of improvement), due to the global economic slowdown and the time lag between the start of a recovery in some areas like Mexico and the United States, and the change in the trend of lending volumes. Customer funds increased, basically thanks to growth in assets under management and an increase in the lower-cost funds (current and savings accounts). In general terms, price management continues to be more important than volume growth.

- The **NPA ratio** remains at the levels of the close of 2009, at 4.3%, while **coverage** has increased slightly to 59% at the close of the first quarter of 2010. In addition, there are positive signs both in terms of levels of new NPA and in recovery rates, which are increasing, so that the balance of NPA is very favorable in the quarter, as the slight increase registered is due to the effect of the exchange rate. It constant exchange rate terms it has decreased.

- With regard to its **capital base**, BBVA has generated 22 basis points of core capital in the first quarter of 2010, of which 7 points are consumed by the recent devaluation of the Venezuelan bolivar fuerte. As a result, the core ratio was at 8.1%, reflecting the Group's capacity to generate recurrent capital organically in the current adverse economic situation and thus maintain its strategies of developing its businesses.

- As of 31-Mar-10 BBVA also held €1,356m in latent **capital gains** on its more liquid portfolios of equity holdings. The above amount does not include capital gains in other portfolios.

- The **Annual General Meeting (AGM)** was held on March 12, 2010, with a high rate of attendance (59.31%). It approved a final **dividend** payment of €0.15 per share, which was paid on April 12, so that the total shareholder remuneration corresponding to 2009 was €0.42 per share.

- At the start of this year, the Group has been particularly active in the wholesale markets. There have been a number of **issues** at very competitive rates, which will allow for the coverage of a good deal of the estimated funding requirements for 2010. In addition, it is worth highlighting their diversity, both in terms of the type of instruments and the markets and maturities used, and the positive reception by the markets, with a high participation by international investors.

- In **Spain and Portugal**, the main component of revenues has once more been net interest income, which increased at a year-on-year rate of 1.6%, while the rest continued to be affected by weak economic activity. Although operating costs continued to be kept in check (–1.1% year-on-year), operating income showed a slight fall of €18m compared with the first quarter of 2009. However, the most important point with regard to the operating income is the amount, at over €1 billion, and its recurrent nature, despite the duration of the crisis. This, together with greater loan-loss provisions, have resulted in a net attributable profit of €587m (–6.5% year-on-year). Finally, the NPA ratio has been maintained at 5.1%.

- In **Mexico**, pre-tax profit was €485m, 4.7% up on the first quarter of 2009, due to the exchange rate variation: in constant exchange rate terms it was 1.3% down. This was due to a combination of factors: the macroeconomic situation of slow recovery; the change in the mix of the loan portfolio towards products with a lower risk and narrower spread, with a negative impact on the net interest income but positive on loan-loss provisions; and to expansion and transformation plans in the area. However, the increase in the tax rate, due to regulatory changes, has caused the attributable result of €347m to fall even further (–9.7% in constant terms). It is worth highlighting the improvement in asset quality, as can be seen in the positive trend in the risk premium and the NPA ratios and coverage during the quarter.

- **South America** managed a positive rate of growth in profits in the quarter, thanks to the good performance of revenues, supported by the recovery in activity and notable moderation in costs and provisions. The significant good level of asset quality at the end of 2009 was maintained. In all, the **attributable profit** for the quarter was €233m, a year-on-year increase of 26.1% and a return on equity (ROE) of 43.4%.

- The area of the **United States** includes the branch that the parent bank has in New York, and incorporates all the Group's assets and liabilities in the country and in the associate state of Puerto Rico. It had a year-on-year growth in operating income of 6.4%. Allowing for impairment on financial assets, the attributable profit in the quarter was €54m. The integration of Guaranty into BBVA Compass was completed successfully in the initial months of 2010.

- The results of **Wholesale Banking & Asset Management** (WB&AM) were very favorable, thanks to the increase in revenues, restricted costs and a low level of loan-loss provisions. As a result, the attributable profit in the area was €284m, 20.3% up on the first quarter of 2009. The increase in the CNCB holding from 10% to

15% was made effective on April 1, 2010, and its effects will begin to register from the second quarter of the year.

## ECONOMIC ENVIRONMENT

The macroeconomic figures published in the **first quarter of 2010** confirm in general terms that the global recovery is gaining ground. However, uncertainty still persists regarding its sustainability, basically in advanced economies, in which growth continues to depend on stimulus packages, and significant financial risks remain. The exit strategies from the unconventional policies are also an additional risk factor for these economies. However, the fact that the inflationary expectations remain anchored and that the core inflation continues at historically low levels should allow central banks in these countries prolonged room for maneuver to maintain official rates at current levels.

In the **United States**, following quarterly GDP growth of 1.4% in the fourth quarter, the indicators of economic activity and, to a lesser extent, those of demand, remain positive. The labor market is still weak, but it is beginning to show signs of recovery, with the unemployment rate falling. Core inflation continues the downward trend begun at the start of the year, which has given the Federal Reserve some room for maneuver.

In contrast, in **Europe** the level of recovery is considerably more moderate than in the United States. The weak GDP performance in the euro zone in the fourth quarter of last year confirms a scenario of decoupling with the American economy. However, the indicators of economic activity, particularly in the industrial sector, have been more positive in the first months of 2010.

The **Mexican economy** is benefiting from the recovery in external demand in the United States, as this is the main destination of its exports. This favorable situation is expected to continue throughout 2010.

Finally, economic activity in **South America** continues to strengthen as a result of the increase in foreign and domestic demand. Nevertheless, some risks remain, in particular doubts about the consolidation of recovery in the world economy, the challenge of harmonizing the withdrawal of monetary and fiscal stimuli and possible distortions that could be generated by the electoral processes in various countries this year.

With regard to **year-end exchange rates**, the performance of currencies with an impact on the Group's financial statements has been variable. The Mexican and Colombian pesos have registered strong year-on-year appreciations (12.6% and 31.4% respectively). The Chilean peso and the Peruvian sol have also appreciated. However, the Venezuelan bolivar fell by 50.6%. There were slight depreciations in the U.S. dollar (1.3%) and the Argentinean peso. The final impact of this is slightly positive on the balance sheet and the volume of business.

### Interest rates
(Quarterly averages)

| | 2010 | 2009 | | | |
|---|---|---|---|---|---|
| | 1Q | 4Q | 3Q | 2Q | 1Q |
| Official ECB rate | 1.00 | 1.00 | 1.00 | 1.10 | 1.92 |
| Euribor 3 months | 0.66 | 0.72 | 0.87 | 1.31 | 2.01 |
| Euribor 1 year | 1.22 | 1.24 | 1.34 | 1.67 | 2.22 |
| Spain 10-year bond | 3.95 | 3.83 | 3.92 | 4.16 | 4.17 |
| USA 10-year bond | 3.70 | 3.45 | 3.50 | 3.30 | 2.70 |
| USA Federal rates | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| TIIE (Mexico) | 4.92 | 4.93 | 4.90 | 5.89 | 8.00 |

In terms of **average exchange rates** in the first quarter, there were year-on-year appreciations of 6.1% the Mexican peso, 16.6% in the Colombian peso, 10.3% in the Chilean peso and 5.3% in the new Peruvian sol. The Argentine peso and the U.S. dollar depreciated by 12.5% and 5.8%, respectively.

It is also worth highlighting the devaluation already mentioned in the Venezuelan currency, which in average exchange rates was 50.4%. In all, the effect of the exchange rate on the year-on-year comparison of the Group's income statements is practically neutral.

## Exchange rates

(Expressed in currency/euro)

| | Year-end exchange rates | | | Average exchange rates | |
|---|---|---|---|---|---|
| | 31-03-10 | ∆% on 31-03-09 | ∆% on 31-12-09 | 1Q10 | ∆% on 1Q09 |
| Mexican peso | 16.6572 | 12.6 | 13.6 | 17.6554 | 6.1 |
| U.S. dollar | 1.3479 | (1.3) | 6.9 | 1.3829 | (5.8) |
| Argentinean peso | 5.2400 | (3.6) | 6.1 | 5.3896 | (12.5) |
| Chilean peso | 709.22 | 9.2 | 3.0 | 717.36 | 10.3 |
| Colombian peso | 2,597.40 | 31.4 | 13.2 | 2,688.17 | 16.6 |
| Peruvian new sol | 3.8267 | 9.9 | 8.8 | 3.9417 | 5.3 |
| Venezuelan bolivar fuerte | 5.7887 | (50.6) | (46.6) | 5.6450 | (50.4) |

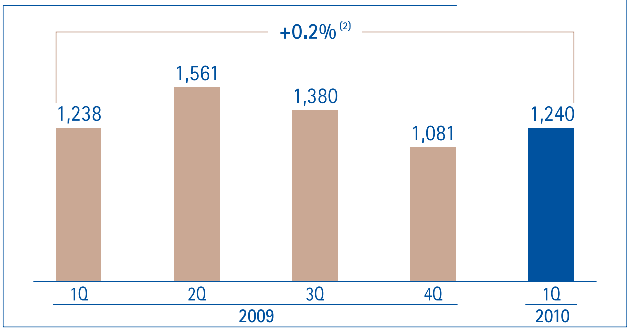
# EARNINGS

The Group's **net attributable profit** in the first quarter of 2010 amounted to €1,240m. Proper diversification of operating revenue by business, geography, product line and customer segments, together with containment of expenses, constitute the fundamental characteristics that have allowed BBVA to continue generating positive, solid, recurrent earnings throughout several consecutive quarters in this time of global economic-financial crisis. The primary characteristics of each are listed below:

- **Strength** of the net interest income due to both commercial management (proper mix of products and segments and keeping customer spreads) and management of the balance sheet (sound structural interest-rate and liquidity risk management).

## Net attributable profit (1)

(Million euros)




(1) Excluding one-offs.
(2) At constant exchange rate: +0.3%.

## Consolidated income statement

(Million euros)

| | 1st Quarter 10 | Δ% | Δ% at constant exchange rates | 1st Quarter 09 |
|---|---|---|---|---|
| **Net interest income** | **3,386** | **3.5** | **5.9** | **3,272** |
| Net fees and commissions | 1,106 | 2.5 | 3.1 | 1,079 |
| Net trading income | 633 | 74.0 | 68.6 | 364 |
| Dividend income | 25 | (39.0) | (38.6) | 41 |
| Income by the equity method | 57 | n.m. | n.m. | 4 |
| Other operating income and expenses | 93 | (27.3) | (38.5) | 128 |
| **Gross income** | **5,301** | **8.4** | **9.5** | **4,889** |
| Operating costs | (2,118) | 2.3 | 4.3 | (2,070) |
| Personnel expenses | (1,149) | (1.1) | 0.7 | (1,161) |
| General and administrative expenses | (796) | 8.6 | 10.5 | (733) |
| Depreciation and amortization | (174) | (1.0) | 2.9 | (175) |
| **Operating income** | **3,183** | **12.9** | **13.2** | **2,819** |
| Impairment on financial assets (net) | (1,078) | 17.7 | 15.6 | (916) |
| Provisions (net) | (170) | 63.2 | 63.0 | (104) |
| Other gains (losses) | (72) | n.m. | n.m. | 36 |
| **Income before tax** | **1,862** | **1.5** | **2.9** | **1,834** |
| Income tax | (510) | 6.2 | 7.4 | (480) |
| **Net income** | **1,352** | **(0.1)** | **1.3** | **1,354** |
| Minority interests | (113) | (3.0) | 14.5 | (116) |
| **Net attributable profit** | **1,240** | **0.2** | **0.3** | **1,238** |
| **Earnings per share calculation** | | | | |
| Basic earnings per share (euros) | 0.32 | (4.4) | | 0.34 |

## Consolidated income statement: quarterly evolution

(Million euros)

| | 2010 | 2009 | | | |
|---|---|---|---|---|---|
| | 1Q | 4Q | 3Q | 2Q | 1Q |
| **Net interest income** | **3,386** | **3,589** | **3,434** | **3,586** | **3,272** |
| Net fees and commissions | 1,106 | 1,163 | 1,086 | 1,102 | 1,079 |
| Net trading income | 633 | 420 | 325 | 435 | 364 |
| Dividend income | 25 | 153 | 42 | 207 | 41 |
| Income by the equity method | 57 | 114 | (21) | 22 | 4 |
| Other operating income and expenses | 93 | (149) | 128 | 140 | 128 |
| **Gross income** | **5,301** | **5,290** | **4,995** | **5,492** | **4,889** |
| Operating costs | (2,118) | (2,254) | (2,017) | (2,018) | (2,070) |
| Personnel expenses | (1,149) | (1,233) | (1,126) | (1,130) | (1,161) |
| General and administrative expenses | (796) | (852) | (716) | (710) | (733) |
| Depreciation and amortization | (174) | (169) | (174) | (178) | (175) |
| **Operating income** | **3,183** | **3,036** | **2,979** | **3,474** | **2,819** |
| Impairment on financial assets (net) | (1,078) | (1,787) | (1,741) | (1,029) | (916) |
| Provisions (net) | (170) | (224) | (82) | (48) | (104) |
| Other gains (losses) | (72) | (1,240) | 791 | (228) | 36 |
| **Income before tax** | **1,862** | **(214)** | **1,947** | **2,168** | **1,834** |
| Income tax | (510) | 277 | (457) | (480) | (480) |
| **Net income** | **1,352** | **63** | **1,490** | **1,688** | **1,354** |
| Minority interests | (113) | (31) | (110) | (127) | (116) |
| **Net attributable profit** | **1,240** | **31** | **1,380** | **1,561** | **1,238** |
| Net one-offs (1) | - | (1,050) | - | - | - |
| **Net attributable profit (excluding one-offs)** | **1,240** | **1,081** | **1,380** | **1,561** | **1,238** |
| **Earnings per share** | | | | | |
| Basic earnings per share (euros) | 0.32 | 0.01 | 0.37 | 0.42 | 0.34 |
| Basic earnings per share excluding one-offs (euros) | 0.32 | 0.29 | 0.37 | 0.42 | 0.34 |

(1) In the third quarter of 2009, capital gains on the sale-and-leaseback of properties which have been allotted to generic provisions for NPLs with no effect on net attributable profit. In the fourth quarter the extraordinary allocation to provisions and the goodwill impairment, both in the United States.

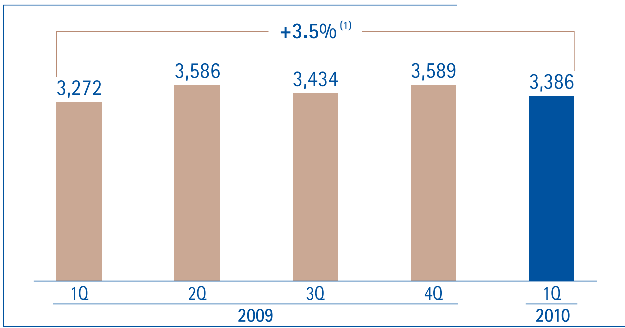
- **Positive** contribution with a high level of recurrence of units in WB&AM markets, founded upon its customer-relation based business model.
- **Correct execution** of the adjustment of the portfolio durations of the Assets and Liabilities Committee (ALCO). Significant earnings were achieved without consuming the unrealized capital gains present in December 2009.
- The **other income items** also contributed positively: fees and commissions experienced year-on-year growth and the equity-accounted income increased with the contribution from CNCB.
- **Stabilization** of expenses and the risk premium.
- Limited **impact** of exchange rates, since the devaluation of the Venezuelan bolivar was compensated for with appreciations of other currencies affecting the Group's income statement.
- Generation of earnings that were almost entirely **organic**.

The comparison between the income statements from the first quarter of 2010 with that of the fourth quarter 2009 is difficult to interpret because the latter includes the effect of the hyperinflation in Venezuela for all of 2009 in said quarter. The impact of hyperinflation in the first quarter of 2010 is fairly insignificant.

## NET INTEREST INCOME

**Net interest income** continues progressing very positively. It rose to €3,386m in the first quarter of 2010, with a 3.5% increase on the same period in 2009. This improvement is significant since it is the result of contained lending and a decrease of the weight of higher risk portfolios, such as consumer finance and credit cards, in favor of residential mortgages and lending to public institutions and governments (change of the mix that has a faster impact on the decrease of earnings than on loan-loss provisions). Therefore, BBVA has once again achieved a favorable evolution of customer spreads and good management of the balance sheets.

### Net interest income
(Million euros)




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

**Commercial management**, which affects the performance of customer spreads, continues to be focused on: moving the greater credit and liquidity risk costs to asset operations and containing the operating costs, selecting the products or segments with the best risk-adjusted return on economic capital and optimizing the structure of customer funds. This business policy has not been affected by needs for liquidity, thanks to the Group's comfortable position in this regard, and engaging in aggressive price campaigns has not been necessary. This has given rise to an improvement in spreads, reduced weight of higher risk portfolios and an increase of low-cost liquid funds.

### Breakdown of yields and costs

| | 1Q10 | | 4Q09 | | 3Q09 | | 2Q09 | |
|---|---|---|---|---|---|---|---|---|
| | % of ATA | % Yield/Cost | % of ATA | % Yield/Cost | % of ATA | % Yield/Cost | % of ATA | % Yield/Cost |
| Cash and balances with central banks | 3.4 | 1.19 | 3.5 | 1.08 | 3.8 | 1.02 | 3.5 | 1.34 |
| Financial assets and derivatives | 26.5 | 2.79 | 26.7 | 2.82 | 25.8 | 2.88 | 25.1 | 3.15 |
| Loans and advances to credit institutions | 4.8 | 1.83 | 4.6 | 1.97 | 4.6 | 2.14 | 4.8 | 3.62 |
| Loans and advances to customers | 59.8 | 4.82 | 59.8 | 5.20 | 60.2 | 5.09 | 60.9 | 5.78 |
| · Euros | 40.2 | 3.31 | 40.6 | 3.41 | 40.9 | 3.68 | 41.0 | 4.41 |
| - Domestic | 35.2 | 3.42 | 36.0 | 3.50 | 36.2 | 3.82 | 36.4 | 4.44 |
| - Other | 4.9 | 2.53 | 4.5 | 2.77 | 4.7 | 2.64 | 4.7 | 4.16 |
| · Foreign currencies | 19.6 | 7.90 | 19.2 | 8.97 | 19.3 | 8.07 | 19.8 | 8.62 |
| Other assets | 5.5 | 0.77 | 5.5 | 0.29 | 5.7 | 0.37 | 5.8 | 0.51 |
| **Total assets** | **100.0** | **3.79** | **100.0** | **4.01** | **100.0** | **3.97** | **100.0** | **4.56** |
| Deposits from central banks and credit institutions | 13.5 | 1.98 | 14.0 | 2.16 | 14.1 | 2.16 | 13.1 | 3.35 |
| Deposits from customers | 47.0 | 1.07 | 46.3 | 1.11 | 46.1 | 1.29 | 45.5 | 1.72 |
| · Euros | 20.5 | 0.58 | 21.3 | 0.61 | 21.6 | 0.85 | 21.0 | 1.22 |
| - Domestic | 14.6 | 0.77 | 14.8 | 0.83 | 15.8 | 1.06 | 15.5 | 1.53 |
| - Other | 5.9 | 0.12 | 6.5 | 0.12 | 5.8 | 0.27 | 5.5 | 0.35 |
| · Foreign currencies | 26.5 | 1.44 | 25.0 | 1.54 | 24.5 | 1.67 | 24.4 | 2.14 |
| Debt certificates and subordinated liabilities | 23.0 | 1.81 | 21.7 | 1.87 | 21.7 | 2.12 | 22.6 | 2.59 |
| Other liabilities | 10.7 | 0.79 | 12.2 | 1.18 | 12.5 | 0.75 | 13.5 | 0.80 |
| Equity | 5.7 | - | 5.7 | - | 5.7 | - | 5.4 | - |
| **Total liabilities and equity** | **100.0** | **1.27** | **100.0** | **1.37** | **100.0** | **1.45** | **100.0** | **1.91** |
| **Net interest income/average total assets (ATA)** | | **2.52** | | **2.64** | | **2.52** | | **2.65** |

**Management of structural interest and liquidity risk** continues to be characterized by anticipation and strict criteria of prudence, which make way for the generation of a solid balance sheet with low leveraging and a reduced risk profile. In the different countries, the balances and duration of debt portfolios that enable the evolution of the net interest income and economic value of the balance sheet continue to be adjusted. Furthermore, growth of lending in previous years was financed by liabilities that were suitably structured in terms of maturity, type of instrument and diversification. In this regard, in the first part of 2010, there have been numerous issues at very competitive rates in the wholesale market which cover a large part of the Group's estimated financing needs for the entire year.

In the business with customers in the **euro zone** in the first quarter, the decrease in the yield on loans (down 10 basis points to 3.31%) continues to be higher than the fall observed in the cost of funds (down 3 basis points to 0.58%). As a result, customer spread fell to 2.73%. If only domestic balances are considered, the spread only declined by one point. Likewise, risk and use of economic capital continue to fall as consumer finance decreases on the assets side and liquid funds increase on the liabilities side. The net interest income accumulated as of March in Spain and Portugal and for the Wholesale Banking & Asset Management units operating in the euro zone grew 2.6% year-on-year. Another relevant measure is net interest income over average total assets (ATA), which continued to increase in the past year in all domestic units (retail businesses and CBB).

In **Mexico**, interbank interest rates have remained at the same levels as at the close of the fourth quarter of 2009 (average TIIE at 4.9%). Thus, the cost of deposits barely changed, down 5 basis points from December 31, 2009. Furthermore, yield on loans dropped 85 basis points, primarily due to the continued fall in the weight of consumer finance and credit card products and increased weight of lower-risk loans. Thus, customer spread stands at 10.54%, as compared to the 11.35% of the fourth quarter of 2009, and the area's net interest income decreased 0.6% year-on-year at a constant exchange rate.

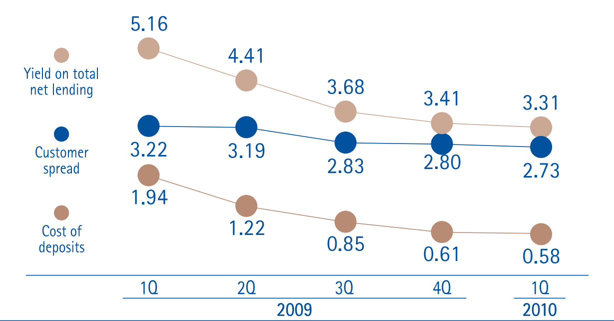
**South America** once again reported strong growth of net interest income (up 12.7% year-on-year at constant exchange rates), which is supported by the recovery of the loan-book, an increase of customer funds and by keeping spreads.

In the **United States** net interest income accumulated in the first three months of the quarter rose 9.7% year-on-year in US dollars, sustained mainly by an increase in business volume as compared to the previous year following the incorporation of Guaranty and the repricing effort that continues to be carried out.

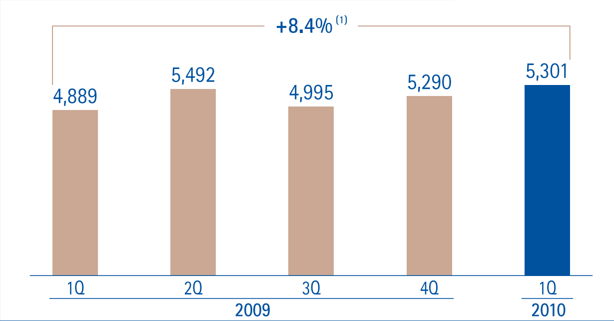
## GROSS INCOME

In the first quarter of 2010, **fees and commissions**, after several quarters at negative rates, exceeded the level recorded twelve months prior: €1,106m, as compared to the €1,079m for the same quarter the previous year (up 2.5% year-on-year). This is the result of the contribution of both fees and commissions for funds, which stabilized due to greater fund gathering and the solid trajectory of the

→ Customer spread (euro area)
(Percentage)




→ Gross income
(Million euros)




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

market, and those fees and commissions associated with banking services, which increased with respect to the first quarter of 2009, up 4.2% year-on-year. This was due to the fees and commissions stemming from account administration and maintenance, contingent liabilities and availability of lines of credit and securities.

**Net income from financial operations** amounted to €633m as a result of the solid course of markets activity, a positive result due to the effect of the devaluation of the bolivar in certain positions and, finally, the correct execution of the adjustment of ALCO portfolio durations. Furthermore, the high price volatility in sovereign markets was taken advantage of to rotate the durations of the ALCO portfolios, which generated income without consuming the unrealized capital gains present in December 2009.

**Dividend** income came to €25m in the first quarter (€41m for the same time in 2009). Its lower value is due to the advance to the month of December of some dividends traditionally paid in January by some Spanish companies.

**Equity-accounted** income, €57m, is much higher than the €4m recorded in the first quarter of 2009. This can be explained primarily by the consideration of CNCB as one of the Group's subsidiaries since the fourth quarter of 2009. Thus, its profits are now recorded as equity-accounted income. Furthermore, the purchase option to extend its holding of CNCB by 5% became effective on April 1, 2010, and the effects of its impact will begin to be felt in the earnings from the second quarter of this year.

In this quarter, the heading **other operating income and expenses** totaled €93m (€128m in the same time the previous year). Its evolution has been affected by:

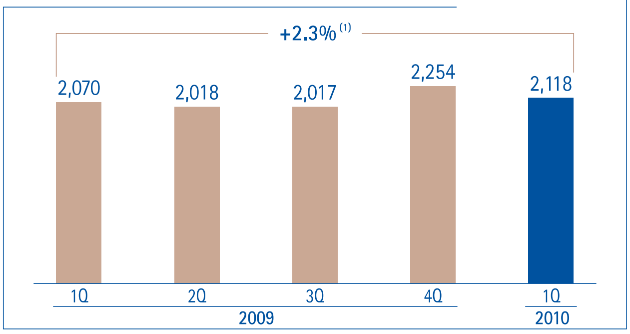
- The insurance business suffering from the fall in banking volumes, which meant lower earnings from bancassurance products.
- A greater contribution to deposit guarantee funds of the different countries, which increased 10.9% year-on-year at a rate much higher than that of the growth of the banking business.

As a result **gross income** in the first quarter came to €5,301m, representing an 8.4% year-on-year growth and an improvement on the fourth quarter of 2009. This last comparison is especially positive given that the fourth quarter includes dividends from the investment in Telefónica of €118m and a higher value for the equity-accounted income of CNCB.

## OPERATING INCOME

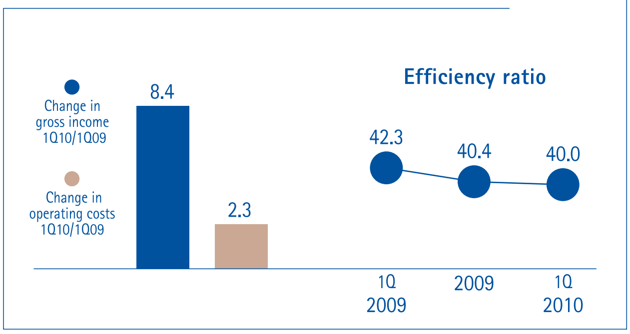
**Operating expenses** remain contained, with a year-on-year increase of 2.3% to €2,118m, due primarily to the sale and leaseback of certain properties in Spain in the third quarter of 2009. This transaction involved increased expenses for rental. However, the increase of costs is much lower than the average level of inflation observed in countries where BBVA operates as well as that of revenues. The above has allowed the **cost/income ratio** to stand at 40.0%, marking a slight improvement of the value published for the year 2009 (40.4%). This figure once again situates BBVA as the most efficient Bank of the group

→ Operating costs
(Million euros)




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

→ Efficiency
(Percentages)



## Breakdown of operating costs and efficiency calculation

(Million euros)

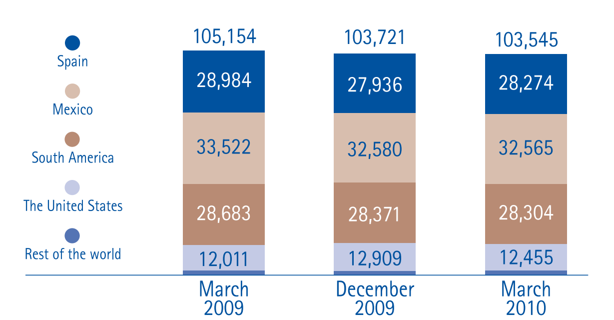
| | 1Q10 | Δ% | 1Q09 | 2009 |
|---|---|---|---|---|
| **Personnel expenses** | **1,149** | **(1.1)** | **1,161** | **4,651** |
| Wages and salaries | 881 | (0.5) | 885 | 3,607 |
| Employee welfare expenses | 174 | (3.5) | 181 | 643 |
| Training expenses and other | 94 | (2.3) | 96 | 401 |
| **General and administrative expenses** | **796** | **8.6** | **733** | **3,011** |
| Premises | 183 | 18.2 | 154 | 643 |
| IT | 141 | (3.0) | 145 | 577 |
| Communications | 68 | 4.6 | 65 | 254 |
| Advertising and publicity | 76 | 20.4 | 63 | 262 |
| Corporate expenses | 19 | (13.7) | 23 | 80 |
| Other expenses | 238 | 10.2 | 216 | 929 |
| Levies and taxes | 71 | 6.5 | 66 | 266 |
| **Administration costs** | **1,945** | **2.6** | **1,894** | **7,662** |
| **Depreciation and amortization** | **174** | **(1.0)** | **175** | **697** |
| **Operating costs** | **2,118** | **2.3** | **2,070** | **8,358** |
| **Gross income** | **5,301** | **8.4** | **4,889** | **20,666** |
| **Efficiency ratio (Operating costs/gross income, in %)** | **40.0** | | **42.3** | **40.4** |

of benchmark institutions, according to the most recent data available.

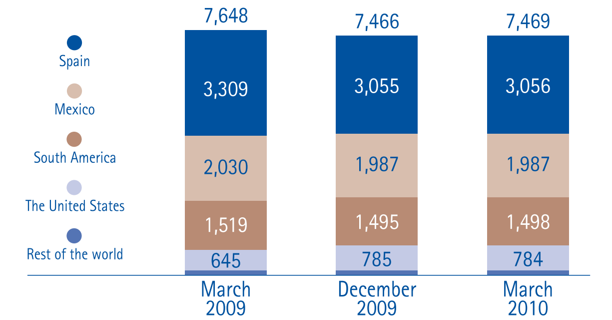
As of 31-Mar-2010, the Group had 103,545 **employees**, slightly fewer than the 103,721 as of December 2009. Decreases in the quarter occurred fundamentally in the Americas; specifically, in the United States and in the pension and/or insurance businesses in Mexico, Chile and Argentina. In terms of its **branch network**, BBVA currently has 7,469 branches, which is quite similar to at year-end 2009, given that the major network streamlining efforts were carried out in previous years. The promotion of multi-channel use and the commissioning of alternative distribution channels that increase commercial productivity have continued in this quarter.

Thus, **operating income** rose to €3,183m in the quarter with a year-on-year improvement of 12.9% and a quarter-on-quarter increase of 4.8%. Therefore, the BBVA Group continues to recurrently

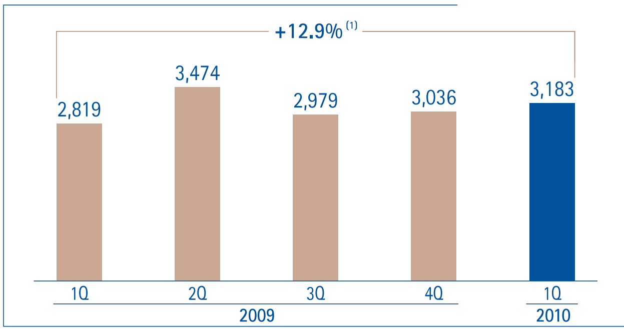
## Number of employees




## Number of branches



→ Operating income
(Million euros)




(1) At constant exchange rate: +13.2%.

and solidly generate a high operating profit with growth in the last twelve months beyond the two-digit range.

## PROVISIONS AND OTHERS

The excellent operating profit achieved allows to maintain criteria of prudence and carry out additional provisions to reduce the use of generic provisions and improve coverage.

**Impairment losses on financial assets** totaled €1,078m between January and March 2010, 34% of the operating income achieved by the Group in the same period, and maintains levels below those recorded for the fourth quarter of 2009, €1,254m excluding one-offs of €533m in the United States. Thus, the Group's risk premium is stabilized at 1.24% and coverage was improved from 57% as of 31-Dec-2010 to 59%.

**Provisions** reached €170m, as compared to the €104m recorded in the first quarter of 2009, and include €93m for early retirements and other contributions to pension funds.

Lastly, other gains (losses) subtract €72m mainly due to the provision for real estate assets in order to maintain coverage above 30%.

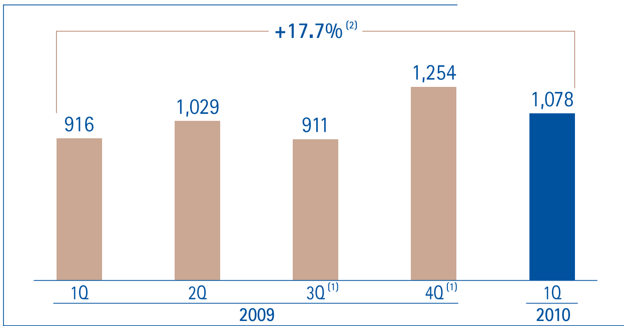
## NET ATTRIBUTABLE PROFIT

Therefore, the positive progress of revenues, favorable performance of expenses and a proper level of loan-loss provisioning and provisions have resulted in a **pre-tax profit** of €1,862m as of 31-Mar-2010, as compared with €1,834m in the same period of 2009. After deducting the corporate tax and minority interests, **net attributable profit** for the Group in the first quarter of 2010 reached €1,240m. Its slower rate of increase as compared to the pre-tax profit is due to the tax rate as a result of the upward revision, by 2 percentage points, occurring in Mexican tax legislation.

All BBVA's business areas have positively contributed to the Group's performance: Spain and Portugal contribute €587m, Mexico €347m, South America €233m, United States €54m and WB&AM €284m.

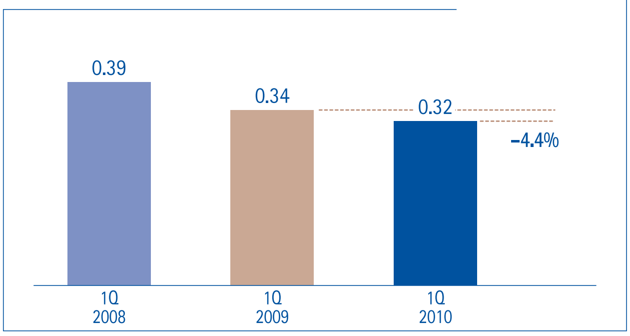
**Earnings per share** (EPS) stands at €0.32, as compared to the €0.34 in the first quarter of 2009. The increase of the Group's shareholders' funds led to a rise in the **book value** per share, up 7.5%

→ Impairment losses on financial assets (1)
(Million euros)




(1) In the third quarter of 2009, €830m capital gains coming from the sale-and-leaseback of properties which were alloted to NPL generic provisions are not included, nor the €533m extraordinary allocation to USA provisions booked in the fourth quarter.
(2) At constant exchange rate: +15.6%.

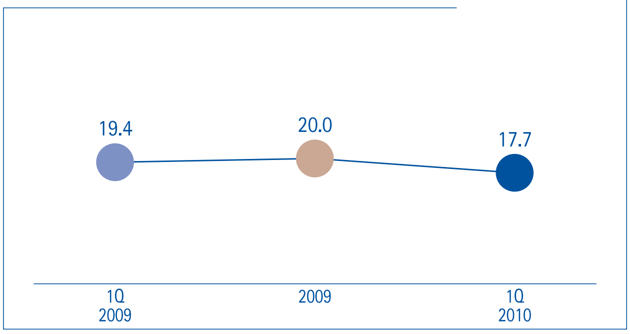
→ Earnings per share (1)
(Euros)




(1) Excluding one-offs.

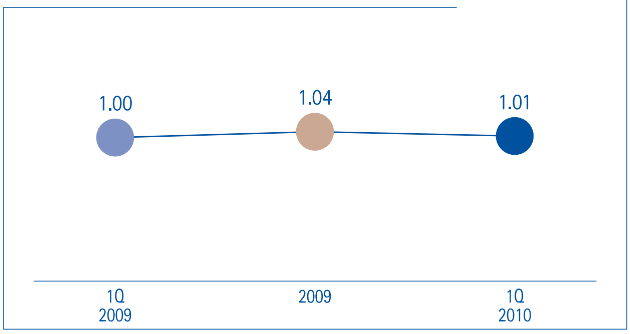
year-on-year, to €7.95, as well as in the **tangible book value** per share for goodwill, which reached €6.41. Moreover, **ROE** stands at 17.7% and return on total average assets (**ROA**) is at 1.01%, as compared to a 19.4% ROE and 1.00 ROA in the first quarter of 2009. BBVA is ranked third for return on equity of the group of benchmark institutions, according to data from December 2009.

ROE [(1)]
(Percentage)




(1) Excluding one-offs.

ROA [(1)]
(Percentage)




(1) Excluding one-offs.

# BUSINESS ACTIVITY

The main aspects of the BBVA Group **balance sheet** to highlight in the first quarter of 2010 are:

- The size remained **stable**, at €554 billion, with a slight year-on-year increase of 1.9%, 3.5% up on the close of December 2009.

## Consolidated balance sheet
(Million euros)

| | 31-03-10 | Δ% | 31-03-09 | 31-12-09 |
|---|---|---|---|---|
| Cash and balances with central banks | 17,337 | 9.3 | 15,859 | 16,344 |
| Financial assets held for trading | 67,188 | (9.4) | 74,177 | 69,733 |
| Other financial assets designated at fair value through profit or loss | 2,600 | 35.0 | 1,926 | 2,337 |
| Available-for-sale financial assets | 68,960 | 33.7 | 51,560 | 63,520 |
| Loans and receivables | 355,526 | (1.8) | 362,172 | 346,117 |
| · Loans and advances to credit institutions | 26,466 | (8.5) | 28,937 | 22,239 |
| · Loans and advances to customers | 328,516 | (1.2) | 332,647 | 323,442 |
| · Other | 545 | (7.3) | 588 | 436 |
| Held-to-maturity investments | 9,024 | 76.7 | 5,106 | 5,437 |
| Investments in entities accounted for using the equity method | 3,161 | 115.3 | 1,468 | 2,922 |
| Tangible assets | 6,520 | (6.7) | 6,987 | 6,507 |
| Intangible assets | 7,794 | (11.6) | 8,817 | 7,248 |
| Other assets | 15,813 | 3.5 | 15,278 | 14,900 |
| **Total assets** | **553,922** | **1.9** | **543,350** | **535,065** |
| Financial liabilities held for trading | 36,521 | (19.1) | 45,131 | 32,830 |
| Other financial liabilities at fair value through profit or loss | 1,549 | 34.3 | 1,153 | 1,367 |
| Financial liabilities at amortized cost | 461,601 | 3.2 | 447,382 | 447,936 |
| · Deposits from central banks and credit institutions | 83,608 | 18.2 | 70,737 | 70,312 |
| · Deposits from customers | 255,301 | 4.7 | 243,795 | 254,183 |
| · Debt certificates | 98,240 | (9.9) | 109,021 | 99,939 |
| · Subordinated liabilities | 17,575 | 2.0 | 17,230 | 17,878 |
| · Other financial liabilities | 6,877 | 4.2 | 6,600 | 5,624 |
| Liabilities under insurance contracts | 7,765 | 16.0 | 6,691 | 7,186 |
| Other liabilities | 14,663 | 0.3 | 14,625 | 14,983 |
| **Total liabilities** | **522,098** | **1.4** | **514,983** | **504,302** |
| Minority interests | 1,316 | 17.9 | 1,116 | 1,463 |
| Valuation adjustments | 702 | n.m. | (492) | (62) |
| Stockholders' funds | 29,805 | 7.4 | 27,742 | 29,362 |
| **Total equity** | **31,824** | **12.2** | **28,367** | **30,763** |
| **Total equity and liabilities** | **553,922** | **1.9** | **543,350** | **535,065** |
| **Memorandum item:** | | | | |
| Contingent liabilities | 33,130 | (4.6) | 34,721 | 33,185 |
| **Memorandum item:** | | | | |
| Average total assets | 544,501 | (0.6) | 547,661 | 542,969 |
| Average stockholders' funds | 28,455 | 9.8 | 25,916 | 26,341 |
| Average risk weighted assets | 291,321 | (0.2) | 291,834 | 294,313 |

- The **low risk profile** has been maintained, with a reduced level of leverage.
- The main **items** in assets and liabilities are **well known** to the Group, as they have been generated by the Bank itself from the portfolios of its customers, about whom it has detailed information based on long-term relationships.

This allows great consistency in **prices**, without the need for aggressive campaigns, above all when it comes to gathering funds. Priority is given to profitable growth rather than growth in volume from items that are not related to the business.

The following are worth mentioning in terms of the performance of banking **activity**:

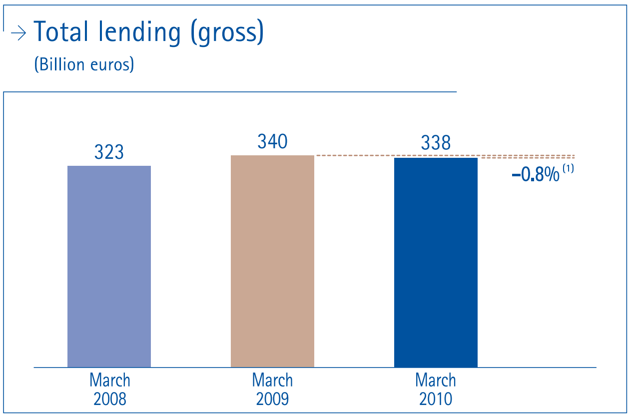
- **The loan book** continues to be weak, although with positive signs in business with individuals.
- The proportion of **items of lower risk**, such as residential mortgages and lending to public institutions and governments, continues to increase.
- The lower resulting operating income from this changed mix is being compensated by a better **price management.**
- Customer **funds** have performed favorably as a result of the increase in off-balance sheet funds and the positive performance of both customer deposits in the non-domestic sector and lower-cost funds in the domestic sector. The lower levels of activity are focused on term deposits.

**Exchange rate** movements have had a slightly positive impact on the year-on-year comparison of the balance sheet and figures for business activity, as in the last twelve months, the appreciation of the main currencies that affect the balance sheet and activity of the Group compensate for the devaluation of the Venezuelan bolivar. We are also showing rates of change at constant exchange rates for the most important data in order to help the analysis of the business activity.

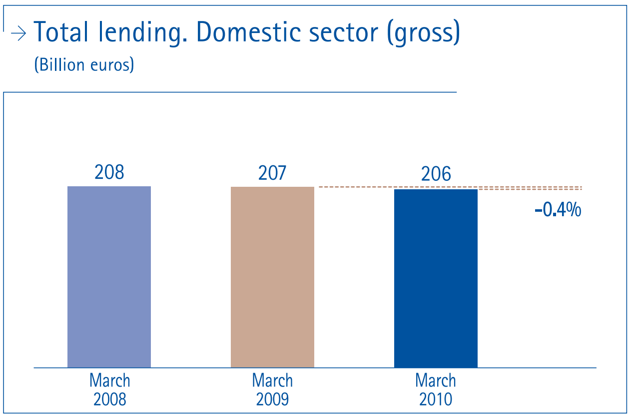
## LENDING TO CUSTOMERS

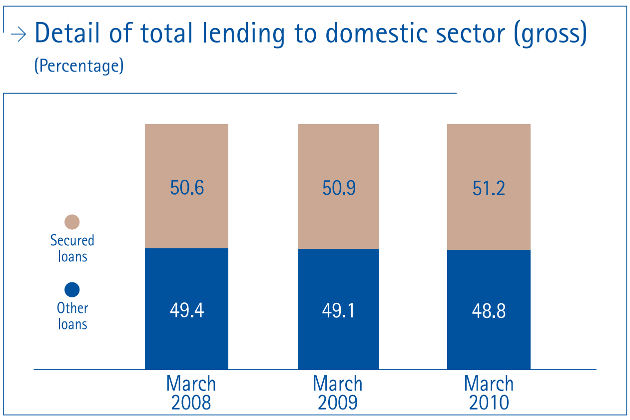
Gross lending to customers stood at €338 billion at the end of March, a year-on-year fall of 0.8%, although 1.6% up on the figure for 31-12-09, helped by the evolution of exchange rates.

In terms of the balance between domestic and non-domestic lending, the former has grown more thanks to the significant increase in lending to the **public sector**, which represents 10.8% of the amount of domestic lending at €22 billion, a year-on-year increase of 21.9%. Lending to **other domestic sectors** accounted for the remaining 89.2% at €184 billion, with a fall of 2.6% in the same period due to reduced activity with companies and businesses and the




(1) At constant exchange rate: −1.7%.



## Total lending

(Million euros)

| | 31-03-10 | Δ% | 31-03-09 | 31-12-09 |
|---|---|---|---|---|
| Domestic sector | 206,161 | (0.4) | 207,036 | 204,671 |
| Public sector | 22,249 | 21.9 | 18,249 | 20,786 |
| Other domestic sectors | 183,913 | (2.6) | 188,786 | 183,886 |
| · Secured loans | 105,573 | 0.1 | 105,445 | 106,294 |
| · Commercial loans | 6,140 | (17.9) | 7,475 | 7,062 |
| · Financial leases | 6,185 | (15.9) | 7,354 | 6,547 |
| · Other term loans | 49,239 | (9.2) | 54,239 | 46,407 |
| · Credit card debtors | 1,316 | (10.5) | 1,471 | 1,839 |
| · Other demand and miscellaneous debtors | 1,998 | (44.8) | 3,622 | 2,296 |
| · Other financial assets | 2,539 | 10.8 | 2,292 | 2,529 |
| · Non-performing loans | 10,922 | 58.5 | 6,889 | 10,911 |
| Non-domestic sector | 131,407 | (1.3) | 133,205 | 127,491 |
| Secured loans | 45,143 | 10.8 | 40,739 | 42,280 |
| Other loans | 81,734 | (8.3) | 89,149 | 80,986 |
| Non-performing loans | 4,530 | 36.6 | 3,317 | 4,225 |
| **Total lending (gross)** | **337,569** | **(0.8)** | **340,241** | **332,162** |
| Loan-loss provisions | (9,053) | 19.2 | (7,594) | (8,720) |
| **Total net lending** | **328,516** | **(1.2)** | **332,647** | **323,441** |

weakness of consumer finance. This performance is basically reflected in the commercial loans heading, with a 17.9% decline and which basically include discounted bills; and other term loans, down –9.2%, and which include consumer finance and corporate and business lending. However, secured loans continue to be the item with the greatest weight in the domestic sector. They have remained at similar levels to a year ago, at €106 billion (€105 billion as of 31-03-09). The weakness in consumer spending can also be seen in the 10.5% fall over the year in credit card debtors, although in the first quarter of 2010 improvements can be seen in both consumer and mortgage finance. Finally, it is worth pointing out as regards to the non-performing loans of €11 billion, that it's the first time since 2006 that this figure doesn't increase compared to the previous quarter.

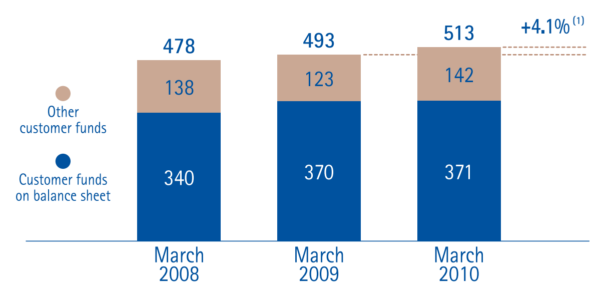
**Non-domestic** lending stood at €131 billion on March 31, 2010, a fall of 1.3% on the €133 billion on 31-03-09, although secured loans performed well, with a rise of 10.8%. This performance is a result of the European branches and Mexico. In the case of Mexico there is a time lag before the economic recovery in the country has an impact on banking activity, although there have already been signs during the quarter of improved business in credit cards and consumer finance.

## CUSTOMER FUNDS

As of March 31, 2010, total **customer funds** on and off the balance sheet came to €513 billion, an increase of 4.1% compared to the €493 billion at the same date last year.

## Customer funds

(Billion euros)




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

## Customer funds

(Million euros)

| | 31-03-10 | Δ% | 31-03-09 | 31-12-09 |
|---|---|---|---|---|
| **Customer funds on balance sheet** | **371,116** | **0.3** | **370,045** | **371,999** |
| **Deposits from customers** | **255,301** | **4.7** | **243,795** | **254,183** |
| Domestic sector | 90,424 | (7.1) | 97,326 | 97,486 |
| Public sector | 3,889 | (27.2) | 5,345 | 4,296 |
| Other domestic sectors | 86,535 | (5.9) | 91,980 | 93,190 |
| · Current and savings accounts | 45,247 | 2.7 | 44,055 | 47,381 |
| · Time deposits | 31,786 | (19.3) | 39,364 | 35,135 |
| · Assets sold under repurchase agreement and other | 9,502 | 11.0 | 8,562 | 10,675 |
| Non-domestic sector | 164,877 | 12.6 | 146,469 | 156,697 |
| Current and savings accounts | 65,939 | 13.1 | 58,293 | 63,718 |
| Time deposits | 90,774 | 11.3 | 81,542 | 88,114 |
| Assets sold under repurchase agreement and other | 8,164 | 23.1 | 6,634 | 4,865 |
| **Debt certificates** | **98,240** | **(9.9)** | **109,021** | **99,939** |
| Mortgage bonds | 38,577 | (0.3) | 38,676 | 35,833 |
| Other debt certificates | 59,663 | (15.2) | 70,345 | 64,106 |
| **Subordinated liabilities** | **17,575** | **2.0** | **17,230** | **17,878** |
| **Other customer funds** | **142,055** | **15.7** | **122,762** | **137,105** |
| Mutual funds | 49,241 | 5.7 | 46,579 | 47,415 |
| Pension funds | 68,926 | 32.4 | 52,056 | 63,189 |
| Customer portfolios | 23,888 | (1.0) | 24,127 | 26,501 |
| **Total customer funds** | **513,171** | **4.1** | **492,807** | **509,104** |

**On-balance-sheet funds** grew by 0.3% year-on-year to €371 billion at the close of the first quarter of 2010. Customer deposits performed well, at €255 billion, thanks to non-domestic items (+12.6% in the last twelve months), which increased their year-on-year growth compared to the close of 2009 (+4.3%), and to the lower-cost domestic funds, such as current and savings accounts, with a rise of 2.7% in the same period. However, time deposits continued to fall, given that BBVA is not engaging in aggressive price campaigns. The bank maintains a good liquidity position and thus focuses on profitable business management rather than the mere gathering funds. Marketable debt securities fell 9.9% to €98 billion. Subordinated liabilities increased 2.0% to €18 billion.

**Off-balance-sheet** customer funds, i.e. mutual funds, pension funds and customer portfolios, amounted to €142 billion at the close of the first quarter of 2010, an increase of 15.7% on the €123 billion 12 months earlier. This positive performance is due to the favorable effect of the campaigns launched in the commercial network, particularly in pension funds, as well as the performance of the markets, which have once more boosted assets under management. The part corresponding to the domestic market is worth €62 billion, 3.0% up year-on-year. Of this figure, €32 billion are mutual funds, a fall of 7.1% over the last 12 months. However, the Group continues to maintain its position of leadership as the biggest mutual fund manager in Spain, with a market share at the close of March of 18.9%, 182 basis points more than its closest competitor. Pension funds continue to perform well, at €17 billion, an increase of 9.8% over the same period. Customer portfolios were up 26.3% to €13 billion. Off-balance-sheet funds in the rest of the world also performed well, with an increase of 28.1% on the figure at 31-03-09 to €80 billion. There was a notable increase in both pension funds (+42.4%) and mutual funds (+41.6%).

## Other customer funds
(Million euros)

| | 31-03-10 | ∆% | 31-03-09 | 31-12-09 |
|---|---|---|---|---|
| **Spain** | **62,427** | **3.0** | **60,584** | **63,194** |
| **Mutual funds** | **31,868** | **(7.1)** | **34,309** | **32,945** |
| Mutual funds (ex real estate) | 30,321 | (7.1) | 32,653 | 31,365 |
| · Guaranteed | 13,086 | (17.8) | 15,918 | 12,799 |
| · Monetary and short-term fixed-income | 12,036 | (2.9) | 12,392 | 13,374 |
| · Long-term fixed-income | 914 | (9.0) | 1,004 | 888 |
| · Balanced | 1,041 | 60.1 | 650 | 850 |
| · Equity | 1,434 | 50.2 | 955 | 1,375 |
| · Others (1) | 1,811 | 4.4 | 1,734 | 2,078 |
| Real estate investment trusts | 1,439 | (6.9) | 1,546 | 1,473 |
| Private equity funds | 108 | (1.8) | 109 | 108 |
| **Pension funds** | **17,431** | **9.8** | **15,881** | **17,175** |
| Individual pension plans | 10,182 | 9.8 | 9,272 | 9,983 |
| Corporate pension funds | 7,249 | 9.7 | 6,610 | 7,191 |
| **Customer portfolios** | **13,128** | **26.3** | **10,394** | **13,074** |
| **Rest of the world** | **79,628** | **28.1** | **62,178** | **73,911** |
| Mutual funds and investment companies | 17,373 | 41.6 | 12,270 | 14,469 |
| Pension funds | 51,495 | 42.4 | 36,175 | 46,014 |
| Customer portfolios | 10,761 | (21.6) | 13,733 | 13,427 |
| **Other customer funds** | **142,055** | **15.7** | **122,762** | **137,105** |

(1) Including absolut return and passive management funds.

## STATEMENT OF CHANGES IN EQUITY

At the close of 2010, BBVA's total **equity** was €31,824m, a rise over the quarter of €1,060m. This increase is mainly based on the generation of earnings, which was €1,240m between January and March, deducting the supplementary dividend and adding positive valuation adjustments during the same period. These adjustments were driven by the appreciation of the Mexican peso and the US dollar, which more than compensated the devaluation of the Venezuelan bolivar fuerte.

# CAPITAL BASE

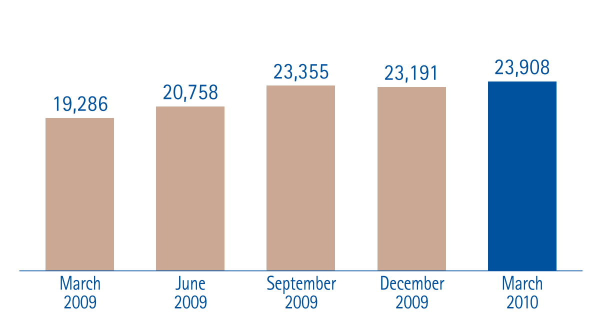
The BBVA Group's eligible **capital base**, calculated according to the BIS II regulation, stands at €39,435m, the same level as in December 2009. Moreover, we should note that its quality has improved, as the weight of Tier I capital increased with the decrease of Tier II capital.

**Risk-weighted assets (RWA)** stand at €294,336m for a year-on-year decrease of 1.3% due to the containment of activity. A 1.1% increase was seen in the quarter, which is basically explained by the generalized appreciation of the currencies that bear an impact on BBVA's financial statements which compensates for the containment of the period's lending activity as well as for the devaluation of the Venezuelan bolivar.

The **minimum capital requirement** (8% of RWA) therefore comes to €23,547m and the capital base surplus stands at €15,888m. Therefore, the Group has 67.5% more capital than the minimum required levels.

**Core capital** as of 31-Mar-2010 came to €23,908m,

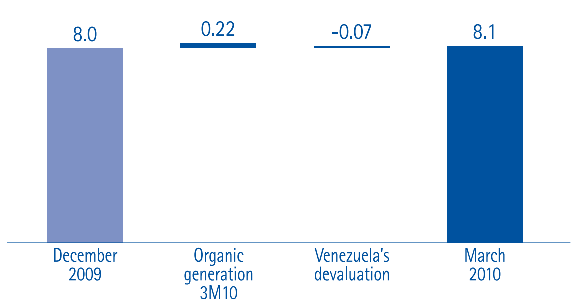
## Core capital
(Million euros)



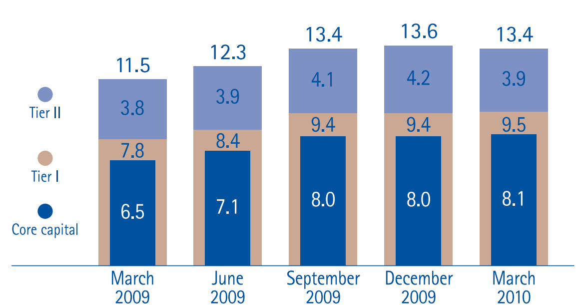

## Capital base (BIS II Regulation)
(Million euros)

| | 31-03-10 | 31-12-09 | 30-09-09 | 30-06-09 | 31-03-09 |
|---|---|---|---|---|---|
| Shareholders' funds | 29,805 | 29,362 | 29,997 | 29,383 | 27,742 |
| Adjustments | (7,897) | (8,171) | (8,642) | (8,625) | (8,456) |
| Mandatory convertible bonds | 2,000 | 2,000 | 2,000 | | |
| **Core capital** | **23,908** | **23,191** | **23,355** | **20,758** | **19,286** |
| Preference shares | 5,153 | 5,129 | 5,398 | 5,433 | 5,421 |
| Adjustments | (1,194) | (1,066) | (1,527) | (1,525) | (1,532) |
| **Capital (Tier I)** | **27,867** | **27,254** | **27,226** | **24,666** | **23,175** |
| Subordinated debt and other | 12,762 | 13,251 | 13,304 | 12,880 | 12,802 |
| Deductions | (1,194) | (1,065) | (1,527) | (1,539) | (1,543) |
| **Other eligible capital (Tier II)** | **11,568** | **12,186** | **11,778** | **11,340** | **11,259** |
| **Capital base** | **39,435** | **39,440** | **39,004** | **36,006** | **34,434** |
| Minimum capital requirement (BIS II Regulation) | 23,547 | 23,282 | 23,242 | 23,493 | 23,861 |
| **Capital surplus** | **15,888** | **16,158** | **15,762** | **12,513** | **10,573** |
| **Risk-weighted assets** | **294,336** | **291,026** | **290,521** | **293,661** | **298,261** |
| **Bis ratio (%)** | **13.4** | **13.6** | **13.4** | **12.3** | **11.5** |
| **Core capital (%)** | 8.1 | 8.0 | 8.0 | 7.1 | 6.5 |
| **Tier I (%)** | 9.5 | 9.4 | 9.4 | 8.4 | 7.8 |
| **Tier II (%)** | 3.9 | 4.2 | 4.1 | 3.9 | 3.8 |

→ Core capital generation
(Percentage)




→ Capital base: BIS II ratio
(Percentage)




implying an increase of 3.1% in the quarter. The organic generation of capital in the quarter is at 22 basis points, thanks to the profit obtained during the same time period and the compensation for the negative effect of the devaluation of the bolivar, standing at 7 basis points. The core ratio came to 8.1% as compared to the 8.0% as of 31-Dec-2009.

The **Tier I** ratio, at 9.5%, increased 11 basis points from December 2009. Furthermore, preference shares amounted to €5,153m and increased €23m due to the appreciation of the dollar. This allowed its weighting over capital (Tier I) to be at 18.5%.

The rest of the eligible capital (**Tier II**), which mainly consists of subordinated debt, surplus generic provisions and eligible latent capital gains, came to €11,568m. The Tier II ratio thus stands at 3.9%, as compared to 4.2% in the previous quarter.

To summarize, the **BIS** ratio as of 31-Mar-2010 stands at 13.4% (13.6% at year-end 2009). However, despite the negative impact of the devaluation of the Venezuelan bolivar, the core ratio increased in the quarter, reflecting the Group's capacity to generate recurrent capital in the current adverse economic situation.

## RATINGS

There were no actions taken this quarter regarding BBVA's rating.

→Ratings

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

# THE BBVA SHARE

The start of 2010 has been marked by uncertainty and tension in financial markets due to the deterioration in the perception of sovereign risk. The Greek fiscal situation has caused such change in perception. Other countries, such as Spain, have been affected by the contagion effect of the Greek situation. All this has been reflected in increased volatility, wider spreads in sovereign credit default swaps (CDS) and, to a lesser extent, in financial institutions' CDS, as well as a negative effect on the stock markets. However, messages of support from other countries in the European Union and Greece's commitment to take measures to tackle the internal situation has helped a recovery in the markets.

In the first quarter of 2010 some signs have been appearing of a recovery in the industrialized economies, leading to slight increases in growth estimates. The perception of emerging countries continues to be more positive. In fact, the predictions for their GDP growth for this year are clearly above the European and U.S. average.

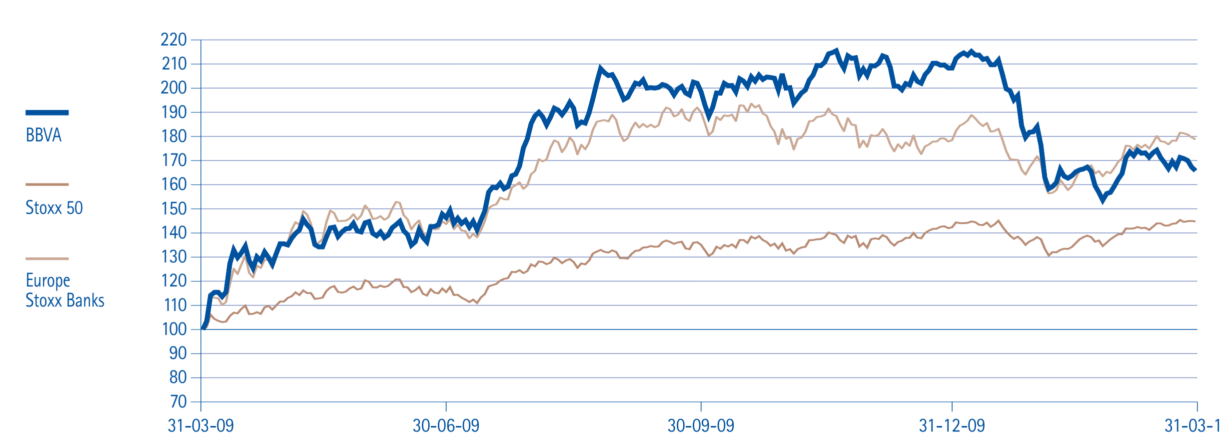
Against this background, the **main stock market indices** in Europe closed the quarter with slight gains: the Stoxx 50 was up 1.7%, while the FTSE in the U.K. was up 5.4%. The U.S. markets also performed positively, with its S&P 500 up 4.9%. However, in Spain the Ibex 35 was down 9.0% as a result of the contagion effect of the Greek crisis and a perception that the country's economic recovery was lagging behind the rest of Europe.

In the **banking sector** investors continue to focus on solvency, liquidity and leverage, as a result of the proposals for the new Basel regulation. Other factors that continue to be relevant are asset quality and geographical diversification of risks. The European bank index, Stoxx Banks, was even for the quarter, with a rise of only 0.2%, while in the U.K. the FTSE Banks was up 6.7%. In the United States, the S&P Financials Index was up 10.8% and the S&P Regional Banks index was up 28.0%.

Following the **results** published by BBVA in the fourth quarter of 2009, analysts value positively the strength and sustainability of the Group's operating profit. In particular, they recognize the good performance of the net interest income and the effort made to reduce costs, which was better than expected. In general, analysts are very positive about BBVA's leading position in Mexico, which will allow it to benefit from the economic recovery expected to start this year and that will be even more solid next year. However, they are concerned about the macroeconomic situation in Spain, although they consider that the restructuring of the savings banks will in general offer banks the opportunity to win market share. Other positive factors are the sound capital and liquidity levels of the Group. Analysts consider that BBVA is well prepared to tackle the possible new regulatory challenges faced by the sector in Europe.

Despite its sound fundamentals, the performance of the **BBVA share** in the first quarter of 2010 has been

→ Share price index
(31-03-09 = 100)



## The BBVA share

| | 31-03-10 | 31-12-09 | 30-09-09 | 30-06-09 | 31-03-09 |
|---|---|---|---|---|---|
| Number of shareholders | 887,252 | 884,373 | 896,433 | 923,005 | 919,195 |
| Number of shares issued | 3,747,969,121 | 3,747,969,121 | 3,747,969,121 | 3,747,969,121 | 3,747,969,121 |
| Quarter daily average number of shares traded | 49,389,086 | 51,014,696 | 50,638,534 | 48,989,582 | 58,814,357 |
| Quarter daily average trading (million euros) | 535 | 631 | 535 | 399 | 399 |
| Maximum price in the quarter (euros) | 13.27 | 13.28 | 12.83 | 9.10 | 9.33 |
| Minimum price in the quarter (euros) | 9.26 | 11.39 | 8.51 | 5.88 | 4.45 |
| Closing price for the quarter (euros) | 10.13 | 12.73 | 12.13 | 8.94 | 6.11 |
| Book value per share (euros) | 7.95 | 7.83 | 8.00 | 7.84 | 7.40 |
| Tangible book value per share (euros) (1) | 6.41 | 6.27 | 6.17 | 5.88 | 5.36 |
| Market capitalization (million euros) | 37,967 | 47,712 | 45,463 | 33,507 | 22,900 |

(1) Net of goodwill.

## Share performance ratios

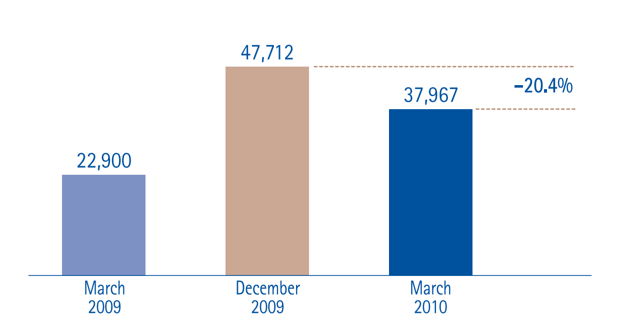
| | 31-03-10 | 31-12-09 | 30-09-09 | 30-06-09 | 31-03-09 |
|---|---|---|---|---|---|
| Price/Book value (times) | 1.3 | 1.6 | 1.5 | 1.1 | 0.8 |
| Price/Tangible book value (times) (1) | 1.6 | 2.0 | 2.0 | 1.5 | 1.1 |
| PER (Price/Earnings; times) (2) | 7.7 | 11.3 | 10.8 | 8.0 | 5.4 |
| Yield (Dividend/Price; %) (3) | 4.5 | 3.3 | 3.5 | 4.7 | 6.9 |

(1) Net of goodwill.
(2) The 31-3-10 P/E is calculated taking into consideration the median of the analysts' estimates (April 2010).
(3) Dividend yield at 31-3-10 is calculated taking into consideration the median of analysts' estimates (April 2010).

basically penalized by investor's concern regarding the macroeconomic situation in Spain. The BBVA share price fell 20.4% in the first three months of the year and varied between €13.27 and €9.26, closing on March 31, 2010 at €10.13, with a market capitalization of €37,967 million. At that closing price, the price-earnings ratio (P/E, calculated on the median earnings for 2010 estimated by analysts) was 7.7, compared to 11.3 in December 2009 (calculated on the price and earnings at the close of 2009). At the same time the price/tangible book value ratio in March 2010 was 1.6, compared with 2.0 at the end of 2009. For 2010, analysts estimate a dividend yield of 4.5% (calculated as their estimate of the median dividend per share at the share price on March 31, 2010).

## Market capitalization

(Million euros)




With regards to the average daily **volume** of shares traded in January to March 2010, the BBVA share continued to be highly liquid, with 49 million shares traded, slightly below the figure for the previous quarter, although the fall in the share price has led to a reduction of the average value traded, at €535 million.

With regard to **shareholder remuneration**, on April 12, 2010 a supplementary dividend of €0.15 per share was paid for 2009 and approved by the AGM on March 12. This puts the total shareholder remuneration for 2009 at €0.42 per share, at a time when other banks have lowered or even suspended dividend payments.

# RISK AND ECONOMIC CAPITAL MANAGEMENT

## RISK MANAGEMENT

### CREDIT RISK

Despite the crisis scenario forming the backdrop to economic activity, the business model, geographical and portfolio diversification and the prudential policy applied by the Group's risk management have stabilized the main indicators of asset quality in the first quarter of 2010. In this difficult environment, BBVA has outperformed the industry average in terms of risk premium, NPA and coverage ratios.

As of March 31, 2010, the volume of **total risks** with customers (including contingent liabilities) stood at €370,699m, an increase of 1.6% on the €364,776m recorded at 31-Dec-2009, due to the appreciation of the main currencies against the euro. Higher-risk lending (e.g. developer, consumer and credit-card lending) has continued to lose ground as a percentage of the total against residential mortgages and corporate and institutional lending.

**Non-performing assets** as of 31-Mar-10 stood at €15,870m, only €268m higher than at the close of 2009. All of this increase is explained by foreign currency movements. The net additions to NPA have continued the downward trend started in 2009 as a result of a reduction in gross additions to NPA and the active policy of recoveries. The recoveries rate as a percentage of additions to NPA was 73.2% compared with 54.6% in the previous quarter (not including the one-off reclassifications in the fourth quarter of 2009) and 45.1% in the third quarter of 2009.

As a result, the **NPA ratio** of the Group at the end of the first quarter of 2010 was 4.3%, the same level as at the close of 2009. In the Spain and Portugal business area this ratio was 5.1%, the same as at 31-Dec-09, with a slight reduction in the balance of NPA. In Mexico, the ratio improves to 4.1%. In the United States it is 4.4% and in South America 2.8%. Finally, the rate in Wholesale Banking & Asset Management is 1.3%.

**Coverage provisions** for risks with customers were €9,308m at 31-Mar-10, an increase of 4.1% compared with the figure for December 2009. Of this total, €2,872m correspond to generic funds and country risk, 30.8% of the total. Collaterals were

### Credit risk management
(Million euros)

| | 31-03-10 | 31-12-09 | 30-09-09 | 30-06-09 | 31-03-09 |
|---|---|---|---|---|---|
| **Total risk exposure** [1] | | | | | |
| Non-performing assets | 15,870 | 15,602 | 12,500 | 11,774 | 10,543 |
| Total risks | 370,699 | 364,776 | 363,812 | 369,313 | 374,962 |
| Provisions | 9,308 | 8,943 | 8,459 | 8,023 | 8,000 |
| · Specific | 6,437 | 5,969 | 4,422 | 4,132 | 3,679 |
| · Generic and country-risk | 2,872 | 2,975 | 4,037 | 3,891 | 4,321 |
| NPA ratio (%) | 4.3 | 4.3 | 3.4 | 3.2 | 2.8 |
| NPA coverage ratio (%) | 59 | 57 | 68 | 68 | 76 |
| **Memorandum item:** | | | | | |
| Foreclosed assets | 1,149 | 861 | 698 | 546 | 461 |
| Foreclosed asset provisions | 269 | 208 | 151 | 123 | 108 |
| Coverage (%) | 23 | 24 | 22 | 22 | 23 |

(1) Including contingent liabilities.

## Variations in non-performing assets

(Million euros)

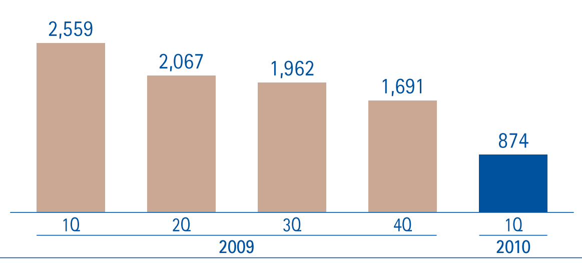
| | 1Q10 | 4Q09 | 3Q09 | 2Q09 | 1Q09 |
|---|---|---|---|---|---|
| **Beginning balance** | **15,602** | **12,500** | **11,774** | **10,543** | **8,568** |
| Entries | 3,262 | 6,187 | 3,573 | 3,717 | 3,787 |
| Recoveries | (2,388) | (2,035) | (1,611) | (1,650) | (1,228) |
| **Net variation** | **874** | **4,152** | **1,962** | **2,067** | **2,559** |
| Write-offs | (885) | (1,144) | (1,088) | (819) | (686) |
| Exchange rate differences and other | 279 | 94 | (148) | (17) | 102 |
| **Period-end balance** | **15,870** | **15,602** | **12,500** | **11,774** | **10,543** |
| **Memorandum item:** | | | | | |
| · Non-performing loans | 15,520 | 15,197 | 12,189 | 11,509 | 10,262 |
| · Non-performing contingent liabilities | 351 | 405 | 311 | 265 | 281 |

worth 189% of the value of secured doubtful risks and NPA provisions covered 131% of the unsecured doubtful risks.

The Group's **coverage ratio** of doubtful loans improved to 59% at the end of the first quarter of 2010. This is considered adequate, because if the

## Net additions to NPA [1]

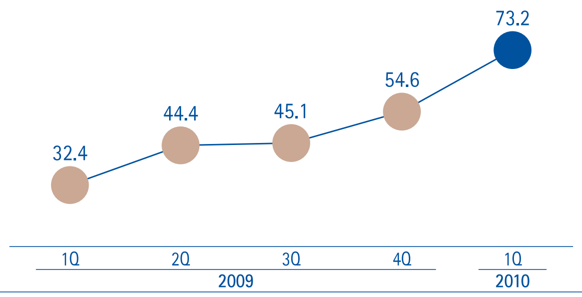
(Million euros)




(1) In the fourth quarter of 2009, excluding €2,461 million one-offs, 1,817 of which correspond to Spain and Portugal and 644 to United States.

## Recoveries over entries to NPA [1]

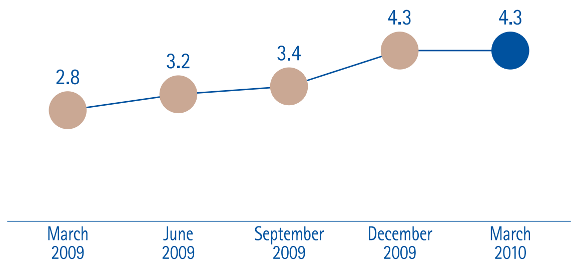
(Percentage)




(1) In the fourth quarter of 2009, excluding €2,461 million one-offs, 1,817 of which correspond to Spain and Portugal and 644 to United States.

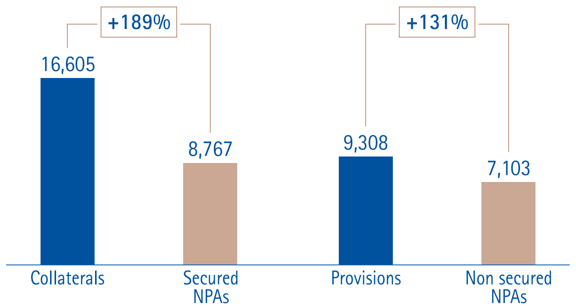
## NPA ratio

(Percentage)

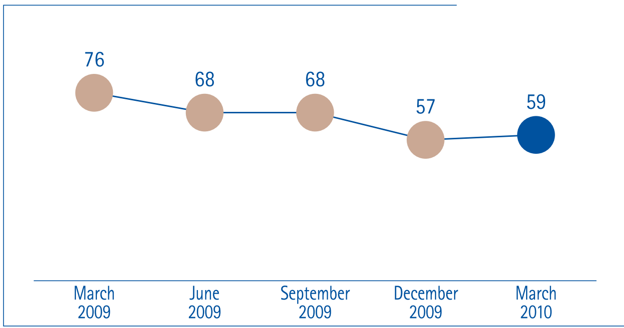



## Coverage including provisions and collaterals

(Million euros)



### Coverage ratio
(Percentage)

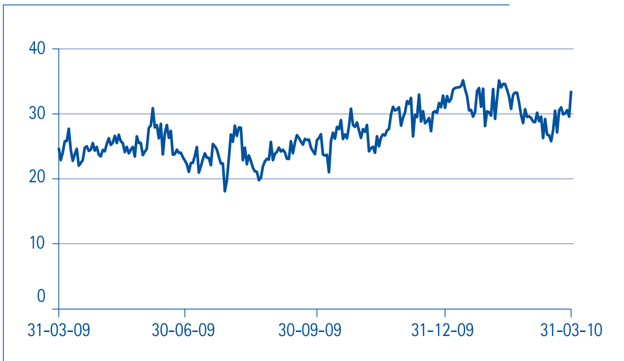



value of the collateral associated to these risks is included (€16,605m), coverage increases to 163%. By business area, in Spain and Portugal the rate has been maintained at 48%; in Mexico, it increased from 130% to 131%, in South America from 130% to 132%, in the United States from 58% to 56% and in Wholesale Banking & Asset Management from 70% to 68%.

## MARKET RISK

In the first quarter of 2010, the BBVA Group's average market-risk exposure was €31m (referenced to VaR without exponential smoothing). This represents a mean consumption of limits for the

### Trends in market risk (1)
(VaR, million euros)




(1) On 29-02-08 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.

### Market risk by risk factors
(1st Quarter 2010. Million euros)

| Risk | 31-03-10 |
|---|---|
| Interest + spread | 38 |
| Exchange rate | 3 |
| Equity | 5 |
| Volatility | 15 |
| Diversification effect | (28) |
| **Total** | **34** |
| **Average** | **31** |
| **Maximun** | **35** |
| **Minimun** | **26** |

Group of 50%. The increase in risk in Global Markets Europe, due mainly to higher exposure to foreign exchange risk, explains most of this increase. At the quarter end, exposure was €34m, having peaked at €35m on January 14.

By **geographical areas**, the concentration of risk increased slightly in Europe, where it was 68.0% of the total. The banks in South America saw their relative share of total exposure go down by one percentage point to 11,9%.

The **types of market risk** on the Group's trading portfolio as of 31-Mar-2010 were as follows: the greatest exposure was to interest rates and lending spread, which remained stable on the previous quarter. Volatility and correlation risk has also remained unchanged at around €15m. Equity risk fell by nearly 45% as a result of the fall in equity risk in Mexico, while currency risk has increased from €2.3m to €3.4m.

## ECONOMIC CAPITAL

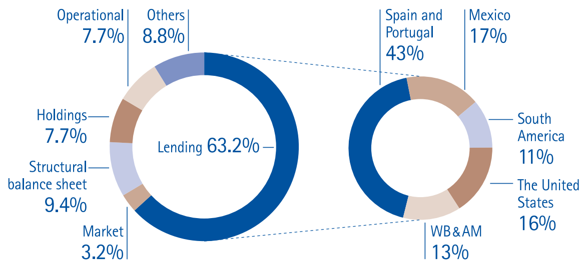
Attributable economic risk capital (ERC) consumption was €23,095m at the close of March, with an increase of 3.5% on December 2009.[1]

[1] This figure includes the annual effects of the recalibration and revision of models carried out in January 2010. The figures for the close of December 2009 using the new model would be €22,304m, compared to the published figure of €22,135m.

In general, the relative proportion of each of the risks has remained stable for another quarter. The main category (63.2%) was credit risk on portfolios originated in the Group branch-network from its own customer base.

Market risk was the smallest single item (3.2%), given the nature of BBVA's business and its policy of minimal proprietary trading. Stake-holding risk, at 7.7% of total ERC, basically reflects the portfolio of Holdings in Industrial & Financial Companies and the stake in CITIC. The structural balance-sheet risk (9.4%) originates from the management of the Group's structural interest-rate and foreign-exchange risk, both stemming from the Group's activity in the different countries in which it operates.

→ BBVA Group economic risk capital
Distribution by risk type
(Data in attributable terms, 31-03-10)




Finally, ERC by operational risk remained practically constant in the quarter, at 7.7%.

# 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 2010, these adjustments reduce earnings by €764m, mainly due to adjustments in value changes and the expected-loss. Adjusted profit thus stood at €475m.

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 €1,096m for the first quarter of 2010.

From the adjusted profit a subtraction is made which comes from multiplying the average economic risk capital or ERC for the period (€22,911m at 31-3-10) 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. It amounted to –€214m for the first quarter of 2010. However, the **recurrent** economic profit stood at €541m, reflecting the degree to which BBVA's profits exceed the cost of capital employed, and thus create economic value for shareholders.

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 8.4%, while its **recurrent RARoC** was 23.2%.

## Economic profit and risk adjusted return on economic capital

(Million euros)

| | 1Q10 | Δ% | 1Q09 |
|---|---|---|---|
| **Net attributable profit** | **1,240** | **0.2** | **1,238** |
| Adjustments | (764) | 67.2 | (457) |
| **Adjusted net attributable profit (A)** | **475** | **(39.1)** | **780** |
| Average economic risk capital (ERC) (B) | 22,911 | 2.0 | 22,463 |
| **Risk-adjusted return on economic capital (RAROC) = (A)/(B) * 100 (1)** | **8.4** | | **14.1** |
| **Recurrent raroc (%) (1)** | **23.2** | | **25.8** |
| ERC x cost of capital (C) | 690 | 10.4 | 625 |
| **Economic profit (EP) = (A) - (C)** | **(214)** | **n.m.** | **156** |
| **Recurrent economic profit** | **541** | **(21.5)** | **690** |

(1) Percentage annualized.

# BUSINESS AREAS

Information by area represents a basic tool in the **management** of the BBVA Group's various businesses. 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. Specifically, it includes the income statement, the balance sheet and a set of relevant management indicators: the loan book, deposits, off-balance sheet funds, ROE, efficiency, non-performing assets and coverage.

In 2010, certain changes were made in the criteria applied in 2009 in terms of the composition of some of the different business areas. These changes affected:

- The United States and Wholesale Banking & Asset Management: in order to give a global view of the Group's business in the United States, we decided to include the New York office, formerly in WB&AM, in the United States area. This change is consistent with BBVA's current method of reporting its business units.

- South America. The adjustment for the hyperinflation will be included in 2010 in the accounting statements for Banco Provincial (Venezuela); this will also be carried out for the 2009 statements to make them comparable. At year-end 2009, said impact was included under Corporate Activities.

Likewise, a modification has been made in the allocation of certain costs from the corporate headquarters to the business areas that affect rent expenses and sales of IT services, though to a lesser extent. This has meant that the data for 2009 has been reworked to ensure that the different years are comparable.

The configuration of the business areas and their composition are as follows:

- **Spain and Portugal**, which includes: the Retail Banking network in Spain, including the segments of private individual customers, private banking and small business and retail banking in the domestic market; Corporate and Business Banking, which handles the needs of the SMEs, corporations, government and developers in the domestic market; and all other units, among which are Consumer Finance, BBVA Seguros and BBVA Portugal.

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

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

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

- **Wholesale Banking & Asset Management**, composed of: Corporate and Investment Banking (including the activities of the European and Asian offices with large corporate customers); global markets (trading floor business and distribution in Europe and Asia); asset management (mutual and pension funds in Spain); the Group's own long maturing equity portfolios and private equity activities (Valanza S.C.R); and Asia (through the Group's holding in the CITIC group). Additionally, WB&AM is also present in the above businesses in Mexico, South America and the United States, but its activity and results are included in these business areas for the purposes of this report.

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

Finally, the area of **Corporate Activities** performs management functions for the Group as a whole, essentially management of asset and liability positions in euro-denominated interest rates and in exchange rates, as well as liquidity and capital management functions. The management of asset and liability interest-rate risks in currencies other than the euro is recorded in the corresponding business areas. It also includes the Industrial and Financial Holdings unit and the Group's non-international real estate businesses.

Furthermore, as usual in the case of the Latin America units, both constant exchange rates and year-on-year current exchange variation rates have been applied.

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

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

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

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

- **Internal transfer prices:** the calculation of the net interest income of each business is performed using rates adjusted for the maturities and rate reset clauses of the various assets and liabilities making up each unit's balance sheet. Earnings are distributed across revenue-generating and distribution units (e.g., in asset management products) at market prices.

- **Assignment of operating expenses:** both direct and indirect costs are assigned to the business areas, except where there is no clearly defined relationship with the businesses, i.e. when they are of a clearly corporate or institutional nature for the Group as a whole. In this regard, we should note that the primary change in criteria during 2010 related to the assignment of expenses refers to the allocation of rent expenses in Spain and Portugal. This was formerly carried out based on a percentage over the book value of the real estate property and based on the area occupied. As of 2010, this allocation will be carried out at market value.

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

## Recurrent economic profit by business area
(1st Quarter 2010. Million euros)

| | Adjusted net attributable profit | Economic profit (EP) |
|---|---|---|
| Spain and Portugal | 539 | 340 |
| Mexico | 404 | 309 |
| South America | 221 | 140 |
| The United States | 65 | (13) |
| Wholesale Banking & Asset Management | 234 | 133 |
| Corporate Activities | (367) | (367) |
| **BBVA Group** | **1,096** | **541** |

## Operating income and net attributable profit by business area
(Million euros)

| | Operating income | | | | Net attributable profit | | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q10 | Δ% | Δ% at constant exchange rates | 1Q09 | 1Q10 | Δ% | Δ% at constant exchange rates | 1Q09 |
| Spain and Portugal | 1,076 | (1.6) | (1.6) | 1,093 | 587 | (6.5) | (6.5) | 628 |
| Mexico | 840 | 1.5 | (4.3) | 828 | 347 | (4.2) | (9.7) | 362 |
| South America | 566 | 10.3 | 20.7 | 513 | 233 | 13.6 | 26.1 | 205 |
| The United States | 252 | 1.1 | 6.4 | 249 | 54 | (22.3) | (19.0) | 69 |
| Wholesale Banking & Asset Management | 376 | 9.1 | 9.1 | 344 | 284 | 20.3 | 20.3 | 236 |
| Corporate Activities | 74 | n.m. | n.m. | (208) | (265) | 0.8 | 0.8 | (262) |
| **BBVA Group** | **3,183** | **12.9** | **13.2** | **2,819** | **1,240** | **0.2** | **0.3** | **1,238** |

# SPAIN AND PORTUGAL

## Income statement
(Million euros)

| | 1Q10 | Δ% | 1Q09 |
|---|---|---|---|
| **Net interest income** | **1,217** | **1.6** | **1,198** |
| Net fees and commissions | 361 | (4.8) | 379 |
| Net trading income | 41 | (19.5) | 51 |
| Other income/expenses | 91 | (14.7) | 106 |
| **Gross income** | **1,709** | **(1.4)** | **1,734** |
| Administration costs | (634) | (1.1) | (641) |
| Personnel expenses | (377) | (0.5) | (379) |
| General and administrative expenses | (232) | (1.2) | (235) |
| Depreciation and amortization | (24) | (8.4) | (27) |
| **Operating income** | **1,076** | **(1.6)** | **1,093** |
| Impairment on financial assets (net) | (237) | 25.1 | (190) |
| Provisions (net) and other gains (losses) | (2) | n.m. | 2 |
| **Income before tax** | **836** | **(7.7)** | **906** |
| Income tax | (250) | (10.2) | (278) |
| **Net income** | **587** | **(6.5)** | **628** |
| Minority interests | - | - | - |
| **Net attributable profit** | **587** | **(6.5)** | **628** |

## Balance sheet
(Million euros)

| | 31-03-10 | Δ% | 31-03-09 |
|---|---|---|---|
| Cash and balances with central banks | 2,344 | (1.4) | 2,378 |
| Financial assets | 12,203 | 20.4 | 10,134 |
| Loans and receivables | 200,209 | (1.4) | 203,017 |
| · Loans and advances to customers | 199,528 | (1.1) | 201,739 |
| · Loans and advances to credit institutions and other | 682 | (46.7) | 1,278 |
| Inter-area positions | - | - | - |
| Tangible assets | 1,299 | (5.6) | 1,376 |
| Other assets | 875 | (40.6) | 1,474 |
| **Total assets/liabilities and equity** | **216,930** | **(0.7)** | **218,379** |
| Deposits from central banks and credit institutions | 366 | (90.7) | 3,944 |
| Deposits from customers | 86,898 | (6.9) | 93,367 |
| Debt certificates | 175 | (96.1) | 4,549 |
| Subordinated liabilities | 4,326 | 7.9 | 4,011 |
| Inter-area positions | 104,075 | 13.3 | 91,822 |
| Financial liabilities held for trading | 324 | 88.1 | 172 |
| Other liabilities | 13,089 | (2.3) | 13,401 |
| Economic capital allocated | 7,675 | 7.9 | 7,113 |

## Spain and Portugal highlights in the first quarter

- Successful management of customer spreads.
- Winning market share in lending and focus on low-cost customer funds.
- Satisfactory performance of risk indices.
- *Euromoney* has named BBVA's private banking as the best.

## Relevant business indicators

(Million euros and percentages)

| | Spain and Portugal | | |
|---|---|---|---|
| | 31-03-10 | ∆% | 31-03-09 |
| Total lending to customers (gross) | 204,692 | (0.6) | 205,987 |
| Customer deposits [1] | 88,233 | (6.6) | 94,509 |
| Off-balance sheet funds | 39,709 | (2.0) | 40,521 |
| · Mutual funds | 29,210 | (5.8) | 31,011 |
| · Pension funds | 10,499 | 10.4 | 9,511 |
| Other placements | 8,287 | 32.6 | 6,252 |
| ROE (%) | 30.9 | | 35.4 |
| Efficiency ratio (%) | 37.1 | | 37.0 |
| NPA ratio (%) | 5.1 | | 3.2 |
| Coverage ratio (%) | 48 | | 61 |

(1) Include collection accounts and individual annuities.

The Spain and Portugal Area handles the financial and non-financial needs of individual customers (Spanish Retail Network), including the upper-middle market segment (BBVA Banca Privada, private banking). SMEs, large companies, and public and private institutions are managed by the Corporate and Business Banking Unit (CBB). Other specialized units handle online banking, consumer finance (the Consumer Finance Unit), the bancassurance business (BBVA Seguros) and BBVA Portugal.

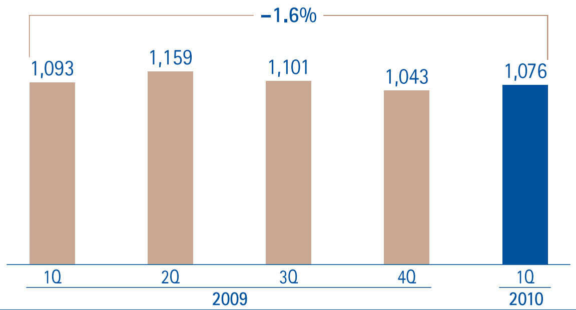
In the **first quarter** of 2010, credit to the domestic sector showed signs of moderation, especially in the companies and consumer sectors, while mortgage financing showed positive development. One of the most noteworthy aspects of the period was the new high achieved in the household saving rate, whose demand for deposits, fixed-income and other conservative products continues to grow.

The **Plan UNO** was launched this year to maximize value sustainability; this initiative is a new basis for differentiation and represents a marked commitment to strengthening one of the Group's strategic principles: the client as the center of the business. Commercial and target tools that allow for differential treatment of each client have been developed through comprehensive cataloguing of the client base founded on the parameters of transactionality and loyalty. BBVA's financial strength, ample liquidity and superior risk management form the pillars structuring the area's economic activity.

**Gross customer lending** as of 31-Mar-10 stood at €204,692m, similar to the value recorded at 31-Mar-09 (€205,987m). On the one hand, mortgage financing in the household segment and lending to the public sector grew steadily, with increases in market share of 7 and 50 basis points to 12.9% and 33.6%, respectively, according to data available as of 28-Feb-10. On the other hand, its exposure to sectors and products of greater risk declined. **Customer funds** under management (deposits, mutual and pension funds, as well as other placements) reached

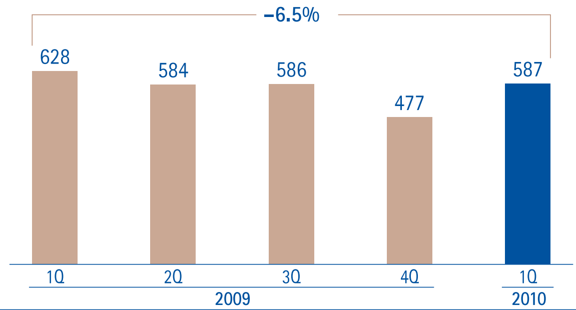
## Spain and Portugal. Operating income

(Million euros)




## Spain and Portugal. Net attributable profit

(Million euros)



€136,179m, down 3.5% year-on-year. Products involving greater loyalty, such as transactional deposits and pension funds, performed positively, with 3.4% and 10.4% growth, respectively. Nevertheless, term deposits continue to register year-on-year decreases (down 18.5%). BBVA continues to avoid engaging in aggressive price campaigns thanks to its solid liquidity position, which allows it to focus on a profitable commercial management rather than the mere gathering of funds.

In **off balance sheet funds**, the Group maintains its leadership position in mutual funds under management, with a market share at 31-Mar-10 of 18.9%, 182 basis points more than its closest competitor. Assets under management by the area stood at €29,210m. It should also be noted that this leadership is very significant in the most conservative modalities, which bear the most weight in the system (68%). Finally, BBVA also maintains its position of leadership in the market for pension funds managed by the area, which totaled €10,499m.

The **net interest income** from the area's commercial activity, €1,217m, increased 1.6% over the last year as a result of efforts to defend the customer spread which stood at 2.54% as of 31-Mar-10 (2.55% in the fourth quarter of 2009) and of the greater market shares achieved in the last twelve months. Moreover, the profitable growth of business has caused in the net interest income, measured over ATA, to exceed the 2.20% recorded in the first quarter of 2009 to 2.26% currently. Net fee income, at €361m, is down 4.8%, in line with the lethargic banking business and moderated growth of funds. Therefore, net interest income and fee income values for the area have remained the same as last year, but the decreased contribution from net trading income and other income/expenses place gross income at €1,709m (€1,734m in the first quarter of 2009).

Containment of **operating costs** has presented a new year-on-year decrease of 1.1%, thus maintaining the positive contribution of the Transformation Plan initiated in 2006 with which BBVA anticipated the trend initiated by the sector two years later. In the last twelve months, the area has reduced its workforce by 710 and the number of branches by 253 in Spain. The market share in offices continued to fall to 7.8% as of 31-Dec-09 (last data available).

**Operating income** reached €1,076m, only €18m less year-on-year. As a result, in a market with falls in GDP in recent months, the operating result generated by Spain and Portugal continued to display great resistance, which, together with the objective of maintaining the level of coverage, has meant that the year-on-year increase of impairment losses on financial assets (up 25.1%) only constitutes 22% of the quarterly operating income. All this fed into a €587m **attributable profit** and a return on equity (ROE) of 30.9%, which is still high.

Finally, the recognition of extraordinary nonperforming assets carried out in the fourth quarter of 2009 amounting to €1,817m, as well as the 20.4% decrease in gross additions and the 17.4% increase of recoveries in the quarter, have enabled the **NPA ratio** to remain at 5.1%.

## SPANISH RETAIL NETWORK

This unit services the financial and non-financial needs of households, professional practices, retailers and small businesses with products adapted to each **segment**.

As of 31-Mar-10, the unit's loan-book stood at €101,226m, a drop of 1.5% year-on-year, and customer funds were at €107,441m (€110,246m the previous year). The resilience of the operating income, which stands at €618m (down 0.8% year-on-year), is explained by the maintenance of the levels of activity, keeping spreads wide, and containment of costs. The attributable profit stands at €378m (down 5.9%).

Within the framework of the drop in lending granted by the sector as a whole, BBVA increased its market share to 12.7%, according to the last data available as of 28-Feb-10, in new sales of mortgages to households, professional practices, the self-employed, retailers, the farming community and small business. Specifically, first quarter residential mortgage new production increased €2,462m (up 12.8% year-on-year), as a result of several commercial initiatives such as the new *Sí damos Hipotecas* (Yes, We Give Mortgages) campaign, the relaunch of the *Ven a Casa* (Come Home) campaign and a greater product selection online. This portfolio's stock increased 2.5% in the same time period as compared to a 0.4% fall in the sector, which correlated to a sustained improvement of BBVA's market share of 41 basis points. Consumer finance, at €6,400m, fell 19.4% due to the weakness of demand: a result of the process of deleveraging of households and the strict control of risks being carried out.

In regards to **customer funds** on balance sheet, the unit maintained its positive performance for the second consecutive year in the capture of salary payments and pension funds that, together with *La Jornada de Tu Vida* (Day of your Life), contribute to reach a balance in savings and current accounts of €30,225m, up 6.9% year-on-year. Market share improved by 26 basis points compared to 28-Feb-09. Term deposits closed the first quarter with €27,586m after the marketing of the *Depósito Fortaleza Nómina* (Strength Paycheck Deposit) and *Depósito Líder* (Leader Deposit).

**BBVA Private Banking** closed the quarter with funds under management in Spain of €36,025m, down 2.1% year-on-year, and with 1.1% growth in its client base. The unit closed 2009 as the market leader in SICAV, for both assets under management (€2,998m) with an 11.7% market share and for number of companies (289). Likewise, *Euromoney* has named it the best private bank in Spain for the quality of its customer service, product range and high level of advisory.

In the **small business segment** (professional practices, the self-employed, retailers, the farming community and small companies), among other initiatives, the unit launched the RAIN Plan (Business Investment Reactivation), which incorporates the marketing of ICO credit lines, with 6,804 transactions formalized for €159m; the use of pre-approved lines of loans with 150,000 pre-approved clients; the Plan Más Profesional and the new Plan de Choque Comercios which has allowed it to increase is activity with retailers to €621m, a 7.4% increase year-on-year. As of 31-Mar-10, the unit's loan portfolio stood at €13,839m (€15,343m as of 31-Mar-09), thus maintaining the balance in the quarter.

## CORPORATE AND BUSINESS BANKING

Corporate and Business Banking (CBB) handles SMEs, large companies, institutions and developers with specialized branch networks for each segment. It also contains the product management unit that designs and markets specific products for different market segments.

The unit closed the first quarter with a **loan-book** of €90,782m (€91,149 as at 31-Mar-09) and with customer **deposits** of €23,804m (€24,979 as at 31-Mar-09). The profitable growth policy, proper management of business opportunities and containment of costs have made it possible to maintain the **operating income** at this still-complex juncture; it now stands at €393m as compared to the €398m from the same quarter last year. The above, together with a prudent risk management policy and stable loan-loss provision, led to an attributable profit of €228m (down 1.2% year-on-year).

Lending to companies continued to suffer the lethargy of the market due in part to the deterioration in the expectations of economic agents. However, the Group is one of the most active institutions in ICO fund placement, with a 13.2% market share as of 28-Mar-10 (close of the sixth bi-weekly period), 144 basis points more than at the same date in 2009, and with activity amounting to €504m in the first quarter of 2010. The new **ICO-2010** agreement was signed in January (*Inversión Nacional* (National Investment), *Inversión Internacional* (International Investment), *Emprededores* (Entrepreneurs), and *ICO Liquidez 2010* (Liquidity) lines), in addition to the lines *ICO-FuturE, ICO-Economía Sostenible* (Sustainable Economy), *ICO-Astilleros* (Shipyard), ICO for improved competitiveness of the manufacturing sectors and ICO for cinematographic production support. In terms of **working capital**, we should note the €2,563m in factoring assignments and €2,695m in confirming advances and extensions, which consolidate the BBVA's leadership position for both products. BBVA also holds a clear leadership position in the marketing of leasing products in the real estate sector.

By customer segments, we should also make note of the good performance in the **corporate** segment, which has maintained the same lending volumes from the previous year, at €17,000m, and the growth of funds to €4,894m (up 1.4%). Positive growth was also observed in the operating income (up 14.2% year-on-year, to €81m) and in the net attributable profit, marking a 30.0% improvement to €61m.

BBVA is still one of the market leaders in the **institutions** segment. Lending increased 17.4% year-on-year to €26,844m, and customer funds remain similar to those recorded a year ago, €13,175 (down 1.3% year-on-year). We should note the strong course of the operating income, with a 1.0% improvement in the year to €75m, as well as maintaining the net attributable profit at the same level as during the first quarter of 2009, €52m. Important transactions were signed between January and March

2010, including: €250m for Corporación Reservas Estratégicas de Productos Petrolíferos, €150m with the Generalitat of Valencia, two loans (€100m each) to Infraestructuras Ferroviarias de Cataluña and SUMA Gestión Tributaria. The segment has also led in bonds issued, totaling €6,305m, which represents 93% of the total debt issued by the autonomous communities in this first part of the year. Likewise, an interest rate hedge transaction was finalized with the Council of Castilla-La Mancha and has been awarded the tender for the accounts for the area of the Prime Minister and Territorial Politics.

Business carried out with the **SME segment** suffered most during this economic situation. The process of deleveraging carried out situates lending at €29,506m and customer funds at €6,925m at March 31, 2010. Therefore, operating income stands at €194m and net attributable profit at €97m.

Lending in the **developer segment** fell 5.1% year-on-year, in line with the strategic objective of reducing balances in this segment of customers. The weight of public housing program finance continues to increase and now stands at 60% of the total.

## OTHER UNITS

The **Consumer Finance** unit manages consumer finance and business fitting through prescribers, as well as equipment leasing activities, through Finanzia, Uno-e and other subsidiaries in Spain, Portugal and Italy. In the first quarter of 2010, this unit experienced excellent performance in the operating result, with a significant 63.0% increase to €56m, and a positive net attributable profit of €4m, as compared to the €28m in losses during the first part of 2009. This is due to the solid growth of gross income (up 25.4%), containment of costs (down 12.1%) and significant improvement of NPA's. ASNEF's latest report (31-Dec-09) shows that BBVA is the leader in financing volumes for automobiles and equipment goods, leasing of fixtures, renting and leasing of equipment.

**Spain's** sales also progressed favorably, with a loan-book volume that stands at €5,668m. Quarterly invoicing in the vehicle prescription business came to €216m (€208m in the first quarter of 2009). Equipment leasing stood at €67m, 6.4% more than in the first quarter of 2009. Finally, UNO-e, the consumer finance through prescribers and credit cards activity, closed the quarter with a slight fall in lending (€709m as compared to the €874m as of 31-Mar-09) and sales that were very similar to those recorded in the first quarter of 2009 (€315m, as compared to the €347m the year before).

The **foreign** segment activity also showed good performance. In Portugal, BBVA Finanziamiento managed a loan portfolio 11.4% greater than that at the same date in 2009 and which stands at €482m despite the decrease in sales (€48m, down 14.5% from the same period in 2009). In Italy, as of 31-Mar-10, Finanzia SpA's loan portfolio increased 48.2% to €474m, and sales reached €72m after a 31.3% year-on-year increase.

**BBVA Portugal** has a favorable credit evolution, which closed the quarter with a year-on-year increase of 9.1% to €6,526m due to increases in mortgages (up 22.4%), supported by the *Adaptamo-nos* campaign and in lending to companies (up 5.1%). In turn, customer funds in the first quarter came to €2,338m. During this period, the catalog of deposits (*Depósito Taxa Crecente 2 annos BBVA*) and mutual funds (*Fundo BBVA Investimento Europa*) was extended. Activities in investment banking include project financing for a set of wind farms (€40m).

**BBVA Seguros** is the market leader in individual life insurance policies, and has written premiums totaling €305m in the first quarter of 2010 (up 4.8%). Growth in individual life insurance policies was outstanding, with €98m (up 41.3%) based on noteworthy activity in *rentas aseguradas* (annuities). These are due, in part, to the change in the product lending policy, whose improved profitability is passed on to the customer. In terms of BBVA's sponsorship of the Professional Soccer League, it has launched *Seguro Afición*, a free accident insurance policy for all spectators attending Liga BBVA and Liga Adelante games. However, the still-weak loan-book has impacted this unit, which reported revenues of €89m for in-house policies and €5m for brokerage on third-party policies, with a net attributable profit of €63m (down 12.0%).

# MEXICO

## Income statement

(Million euros)

| | Mexico | | | | Units: Banking business | | | | Units: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q10 | Δ% | Δ%(1) | 1Q09 | 1Q10 | Δ% | Δ%(1) | 1Q09 | 1Q10 | Δ% | Δ%(1) | 1Q09 |
| **Net interest income** | **860** | **5.4** | **(0.6)** | **816** | **842** | **4.4** | **(1.5)** | **806** | **17** | **91.6** | **80.6** | **9** |
| Net fees and commissions | 280 | 6.2 | 0.1 | 263 | 265 | 5.5 | (0.6) | 251 | 14 | 25.8 | 18.6 | 11 |
| Net trading income | 109 | (6.2) | (11.6) | 116 | 66 | (30.1) | (34.1) | 94 | 44 | 101.5 | 89.9 | 22 |
| Other income/expenses | 39 | 32.8 | 25.2 | 29 | (38) | 15.0 | 8.5 | (33) | 80 | 19.7 | 12.9 | 67 |
| **Gross income** | **1,288** | **5.1** | **(0.9)** | **1,225** | **1,135** | **1.5** | **(4.3)** | **1,119** | **155** | **42.7** | **34.5** | **108** |
| Administration costs | (448) | 12.7 | 6.2 | (397) | (411) | 13.4 | 6.9 | (362) | (35) | 0.7 | (5.0) | (35) |
| Personnel expenses | (206) | 9.6 | 3.3 | (188) | (188) | 10.3 | 3.9 | (171) | (17) | 3.4 | (2.5) | (17) |
| General and administrative expenses | (223) | 15.1 | 8.5 | (194) | (204) | 16.0 | 9.3 | (176) | (17) | (2.4) | (8.0) | (18) |
| Depreciation and amortization | (19) | 19.8 | 12.9 | (16) | (18) | 19.7 | 12.9 | (15) | (1) | 22.4 | 15.4 | (1) |
| **Operating income** | **840** | **1.5** | **(4.3)** | **828** | **724** | **(4.3)** | **(9.7)** | **757** | **120** | **62.4** | **53.1** | **74** |
| Impairment on financial assets (net) | (331) | (7.5) | (12.8) | (358) | (331) | (7.5) | (12.8) | (358) | - | - | - | - |
| Provisions (net) and other gains (losses) | (24) | 287.4 | 265.3 | (6) | (24) | n.m. | 287.8 | (6) | - | - | - | - |
| **Income before tax** | **485** | **4.7** | **(1.3)** | **464** | **370** | **(5.9)** | **(11.3)** | **393** | **120** | **63.1** | **53.7** | **73** |
| Income tax | (138) | 36.4 | 28.6 | (101) | (102) | 24.6 | 17.5 | (82) | (37) | 83.9 | 73.4 | (20) |
| **Net income** | **347** | **(4.2)** | **(9.6)** | **362** | **267** | **(14.0)** | **(18.9)** | **311** | **83** | **55.3** | **46.5** | **54** |
| Minority interests | (1) | - | - | - | - | - | - | - | (1) | - | - | - |
| **Net attributable profit** | **347** | **(4.2)** | **(9.7)** | **362** | **267** | **(14.0)** | **(18.9)** | **311** | **83** | **55.3** | **46.4** | **53** |

(1) At constant exchange rate.

## Balance sheet

(Million euros)

| | Mexico | | | | Units: Banking business | | | | Units: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31-03-10 | Δ% | Δ%(1) | 31-03-09 | 31-03-10 | Δ% | Δ%(1) | 31-03-09 | 31-03-10 | Δ% | Δ%(1) | 31-03-09 |
| Cash and balances with central banks | 6,154 | 23.8 | 9.9 | 4,972 | 6,154 | 23.8 | 9.9 | 4,972 | - | - | - | - |
| Financial assets | 25,640 | 11.7 | (0.8) | 22,947 | 21,407 | 7.5 | (4.6) | 19,920 | 4,479 | 37.8 | 22.3 | 3,251 |
| Loans and receivables | 33,882 | 2.7 | (8.8) | 32,981 | 33,686 | 2.5 | (9.0) | 32,863 | 263 | 30.6 | 16.0 | 201 |
| · Loans and advances to customers | 31,061 | 10.5 | (1.9) | 28,119 | 30,945 | 10.5 | (1.9) | 28,012 | 133 | 15.9 | 2.9 | 115 |
| · Loans and advances to credit institutions and other | 2,821 | (42.0) | (48.5) | 4,862 | 2,741 | (43.5) | (49.8) | 4,851 | 130 | 50.2 | 33.3 | 87 |
| Tangible assets | 811 | 10.4 | (2.0) | 735 | 804 | 10.3 | (2.1) | 729 | 7 | 22.3 | 8.6 | 6 |
| Other assets | 1,824 | (4.0) | (14.7) | 1,899 | 2,000 | (10.5) | (20.5) | 2,234 | 94 | (27.1) | (35.3) | 129 |
| **Total assets/liabilities and equity** | **68,311** | **7.5** | **(4.5)** | **63,533** | **64,050** | **5.5** | **(6.3)** | **60,717** | **4,843** | **35.0** | **19.8** | **3,587** |
| Deposits from central banks and credit institutions | 9,877 | (7.2) | (17.7) | 10,649 | 9,877 | (7.2) | (17.7) | 10,649 | - | - | - | - |
| Deposits from customers | 34,430 | 7.8 | (4.3) | 31,946 | 34,482 | 7.7 | (4.4) | 32,022 | - | - | - | - |
| Debt certificates | 3,274 | 2.6 | (8.9) | 3,190 | 3,274 | 2.6 | (8.9) | 3,190 | - | - | - | - |
| Subordinated liabilities | 1,765 | 15.6 | 2.6 | 1,526 | 1,988 | 2.2 | (9.3) | 1,945 | - | - | - | - |
| Financial liabilities held for trading | 5,254 | 8.2 | (4.0) | 4,857 | 5,254 | 8.2 | (4.0) | 4,857 | - | - | - | - |
| Other liabilities | 10,576 | 22.3 | 8.5 | 8,651 | 6,298 | 12.1 | (0.5) | 5,618 | 4,627 | 38.5 | 22.9 | 3,341 |
| Economic capital allocated | 3,135 | 15.5 | 2.6 | 2,714 | 2,877 | 18.1 | 4.9 | 2,435 | 215 | (12.4) | (22.3) | 246 |

(1) At constant exchange rate.

## Mexico highlights in the first quarter

- Winning market share throughout the quarter in both lending and customer funds.
- Slowdown of the rate of decrease in consumer finance and credit cards, with year-on-year increases in sales.
- Improvement of the risk premium and asset quality.
- Sound management of liquidity and capital.

## Relevant business indicators

(Million euros and percentages)

| | Mexico | | | |
|---|---|---|---|---|
| | 31-03-10 | Δ% | Δ% [1] | 31-03-09 |
| Customer lending (gross) | 32,839 | 10.5 | (1.9) | 29,705 |
| Customer deposits [2] | 33,295 | 10.4 | (2.0) | 30,151 |
| Off-balance-sheet funds | 24,351 | 37.2 | 21.8 | 17,746 |
| · Mutual funds | 12,952 | 33.8 | 18.8 | 9,681 |
| · Pension funds | 11,399 | 41.4 | 25.5 | 8,064 |
| Other placements | 3,135 | 11.4 | (1.1) | 2,814 |
| Efficiency ratio (%) | 34.8 | | | 32.4 |
| NPA ratio (%) | 4.1 | | | 3.6 |
| Coverage ratio (%) | 131 | | | 150 |

(1) At constant exchange rate.
(2) Excluding deposits and Bancomer's Market unit repos.

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

During the first quarter of 2010, the Mexican **economy** continued to show signs of a steady but slow recovery. There has been a sustained improvement in the level of formal employment in non-agricultural activities, particularly in manufacturing branches and services more closely linked to expanding foreign demand. The latest available data on the components of the GDP corresponding to the first quarter of 2010 show that exports of goods and services have been the driving force behind economic growth. The contribution made by domestic demand is likely to improve gradually as household income grows, mainly as a result of growth in employment.

Annual **inflation** in March was 4.8%, compared with 3.6% at the close of 2009, with greater upward pressure on highly volatile non-core prices such as agriculture, energy and transport. Despite this, the trend in inflation is consistent with the rise in taxes for this year and within the estimates of the Central Bank.

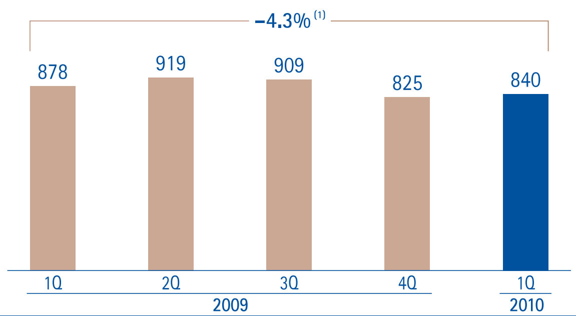
Domestic financial variables, such as indicators of sovereign risk, interest rates and exchange rates, have consolidated their positive spreads with respect to other emerging countries. The **Mexican peso** has strengthened against the dollar and there has been an improvement in the stock markets and a reduction in the country-risk indicators. The Central Bank of Mexico has also decided to maintain its policy **interest rate** unchanged at 4.5%.

As usual, the comments below are based on constant exchange rates, unless there is indication to the contrary.

Against a background of slow recovery, Bancomer Banking Group generated a **net interest income** of €860m, similar to the figure a year before, despite the continued change in

## Mexico. Operating income

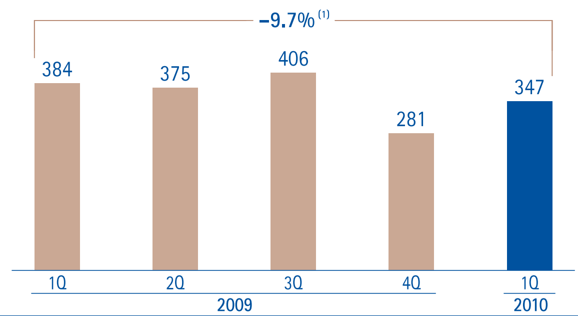
(Million euros at constant exchange rate)




(1) At current exchange rate: +1.5%.

## Mexico. Net attributable profit

(Million euros at constant exchange rate)




(1) At current exchange rate: –4.2%.

the mix of the loan portfolio towards products with a lower risk and a narrower spread. Fee income was €280m, also similar to the first quarter of 2009, due to reduced activity in credit cards and transactional items. Net trading income fell by 11.6% to €109m, while other income/expenses was up 25.2%. As a result, **gross income** for the quarter was €1,288m, 0.9% down on same period last year, although 5.1% more allowing for the variation in the exchange rate.

BBVA Bancomer has designed a number of expansion and transformation plans for the next three years to take advantage of the long-term growth opportunities offered by Mexico. These will involve growth in investment, which will be reflected in a slight increase in costs over this year. In the first quarter, operating costs were €448m, 6.2% up on 12 months ago, and the cost/income ratio was 34.8%. Thus the **operating income** stood at €840m, 4.3% under the figure for the first quarter in 2009 (+1.5% at constant exchange rates).

In the first three months of this year there has been an improvement in asset quality, with a year-on-year fall of 12.8% in **impairment losses on financial assets**, which closed the quarter at €331m. This has led to an improvement in the risk premium, which has fallen to 4.03%, and an improvement in the NPA ratio, which closed the quarter at 4.1% (4.3% as of 31-Dec-09). Coverage was 131%, compared with 130% on 31-Dec-09.

Together with the effect of a year-on-year growth of 28.6% in taxes as a result of the increase in the income tax and value added tax rates applied from January 2010, the quarterly **attributable profit** was €347m.

## BANKING BUSINESS

Despite the slow economic recovery, BBVA Bancomer remains the leading bank in Mexico. Throughout the first quarter of the year it has managed to strengthen its franchise through a positive performance that has been superior to the rest of the industry.

In this way, **gross lending to customers**, not including the old mortgage portfolio, remains at similar levels to those of the same date in 2009, at €29,791m. Since the end of 2008, the composition of the portfolio has been moved towards items with lower risk levels. The commercial book, which includes loans to major corporations, small and medium-sized enterprises, financial institutions and the public sector, represents 45.5% of the total, while the residential mortgage book, which includes developers, represents 33.9%. Consumer finance continues to lose ground and ended at 20.6% of the total as of 31-Mar-10.

The **commercial book** has performed positively, with a balance of €13,555m and a year-on-year increase of 4.4%, boosted mainly by more finance to small companies, which was up 15.5% on the same period the previous year, to €1,115m. This positive performance is reflected in a quarterly rise of 51 basis points in the market share of BBVA Bancomer's commercial book. There has also been a significant increase in **lending to government bodies**, with an increase over the year of 50.5% to €2,970m, and an increase in the market share over the quarter of 134 basis points.

The balance of **residential mortgages** was €10,092m as of 31-Mar-10, with greater activity in lending to home buyers, with a growth of 6.2% on the first quarter of 2009. BBVA Bancomer has maintained its leadership in new mortgages. In the first quarter, it has granted 6,681 loans to individual customers and 22,259 homes have been financed through loans for housing developers. Through Banca Hipotecaria, BBVA Bancomer continues to extend its range of products in order to increase lending to home buyers. This has been reflected in the launch of its Alia2 Plus loan in partnership with Fovissste (Fondo de Vivienda del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado). The new loan allows affiliates to increase the amount of their loan and buy a home at a fixed interest rate with set repayment amounts. The first quarter of the year also saw the launch of the product Bancomer Cofinavit AG in similar conditions, this time in partnership with Infonavit (Instituto del Fondo Nacional de la Vivienda para los Trabajadores).

**Consumer** finance showed a year-on-year fall of 11.4% as of 31-Mar-2010, less than in previous quarters and than the fall in the system as a whole. Income from credit card purchases actually increased by 10% in the first quarter of the year compared with the same period in 2009. In addition, new personal loans recovered significantly in the first months of 2010, with a year-on-year increase of 46%. The increase in personal loans means that BBVA Bancomer had not only maintained its leading position, but has actually increased its market share by 23 basis points compared with the close of 2009. The non-performing loan portfolio in this segment has also held up well in the first quarter of the year, with a reduction in the NPA ratio of 130 basis points since December 2009.

The balance of **customer funds** (including bank deposits, repos and mutual funds and investment companies) amounted to €46,246m, mainly as a result of a 7.1% growth in current accounts. As a result, market share increased by 84 basis points over the quarter. This increase has been supported by the *Equipa tu Negocio* (Equip Your Business) campaign for customers in the SME segment, with more than 10,800 winners. In terms of off-balance-sheet funds, investment companies performed particularly well, with an increase of 18.8% on March 2009 and market share up 21 basis points compared with the end of last year. Thus the composition of customer funds continues to be very profitable, with 44.4% of low-cost deposits (current and savings accounts), 28.0% investment companies, 18.5% term deposits and the remaining 9.1% assets sold under repurchase agreement.

As of March 31, 2010, BBVA Bancomer had 6,370 **ATMs**, 133 more than on 31-Dec-09. The productivity of the branch network has increased by 29% on a year earlier. One of the reasons for this is the introduction of *practicajas* (a new kind of ATM), which reduce the volume of operations in the branches and increase the sale of products. Other alternative distribution channels have also increased their efficiency, such as Bancomer.com, Bancomer *móvil* and ATMs. The authorization achieved to operate banking correspondents will increase points of sale by more than 12,000 in 2010.

Another important factor to highlight is the sound **liquidity** and **capital** management in BBVA Bancomer. This has ensured good capital adequacy and a capital ratio of 14.9%.

A number of Deals of the Year 2009 have been announced in March by various specialized publications. The Group's corporate and investment banking in Mexico has received nine of these awards, demonstrating BBVA Bancomer's conviction that it will continue to lead and participate in deals that are attractive for its customers and adapt to their needs.

Finally, BBVA Bancomer has consolidated its community involvement in Mexico by using its leading position to develop programs and actions promoting development and education in the country. BBVA Bancomer's Corporate Social Responsibility Report is the first in the Mexican financial sector to receive the highest A+ rating from *Global Report Initiative*. It is also the first to submit its results to verification by Deloitte.

## PENSIONS AND INSURANCE

The Pensions and Insurance business contributed an attributable profit of €83m in the first quarter of 2010, 46.4% up on the figure a year earlier.

The pension business has benefited from the better economic climate in the country, which has led to improved variables in economic activity and employment. The quarter has also been positive in the financial markets. Assets under management by **Afore Bancomer** increased by 25.5% year-on-year and the company contributed an attributable quarterly profit of €16m, nearly double that in the first quarter of 2009 (+84.0%). The increase was a combination of a rise in revenues (with an increase in gross income of 26.4%) and strict cost control (costs fell 11.9% over the last 12 months). As a result, operating income was up +85.7% to €24m.

The **insurance business** generated an attributable profit of €67m in the quarter, 39.4% up on the first quarter of 2009. It was boosted by good performance in business volumes, with a total year-on-year increase of written premiums of 23.2% in the three companies. Also notable was the net trading income (+84.8%) and moderate increase in costs (+3.0%). As a result, the quarterly operating income increased year-on-year by 46.7% to €96m.

# SOUTH AMERICA

## Income statement

(Million euros)

| | South America | | | | Units: Banking businesses | | | | Units: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q10 | ∆% | ∆%[1] | 1Q09 | 1Q10 | ∆% | ∆%[1] | 1Q09 | 1Q10 | ∆% | ∆%[1] | 1Q09 |
| **Net interest income** | **556** | **(6.5)** | **12.7** | **594** | **545** | **(6.9)** | **12.3** | **585** | **11** | **20.0** | **43.3** | **10** |
| Net fees and commissions | 216 | 4.1 | 11.3 | 207 | 152 | (1.5) | 13.3 | 154 | 67 | 29.8 | 14.7 | 52 |
| Net trading income | 184 | 37.2 | 31.3 | 134 | 157 | 42.5 | 34.8 | 110 | 27 | 11.7 | 13.1 | 24 |
| Other income/expenses | (21) | (49.3) | 0.5 | (42) | (57) | (8.3) | 61.8 | (62) | 37 | 66.2 | 130.9 | 22 |
| **Gross income** | **934** | **4.5** | **16.0** | **894** | **797** | **1.2** | **13.7** | **788** | **143** | **32.4** | **33.9** | **108** |
| Administration costs | (368) | (3.3) | 9.3 | (381) | (310) | (3.6) | 12.3 | (321) | (54) | 3.8 | 0.9 | (52) |
| Personnel expenses | (192) | (1.6) | 10.4 | (195) | (159) | (2.3) | 13.0 | (163) | (27) | 1.5 | (1.8) | (26) |
| General and administrative expenses | (149) | (5.2) | 7.4 | (157) | (124) | (5.5) | 10.3 | (131) | (26) | 10.3 | 8.1 | (23) |
| Depreciation and amortization | (27) | (4.7) | 13.0 | (29) | (26) | (2.0) | 18.5 | (27) | (1) | (38.2) | (41.7) | (2) |
| **Operating income** | **566** | **10.3** | **20.7** | **513** | **488** | **4.5** | **14.6** | **467** | **90** | **58.6** | **66.7** | **56** |
| Impairment on financial assets (net) | (107) | 4.0 | 1.8 | (103) | (107) | 4.0 | 1.8 | (103) | - | - | - | - |
| Provisions (net) and other gains (losses) | (13) | n.m. | n.m. | (1) | (11) | n.m. | n.m. | - | (4) | 133.6 | 108.9 | (2) |
| **Income before tax** | **446** | **9.0** | **23.6** | **409** | **370** | **1.5** | **16.0** | **364** | **86** | **56.5** | **65.3** | **55** |
| Income tax | (99) | (3.5) | 7.2 | (102) | (80) | (9.3) | 1.8 | (88) | (22) | 28.6 | 33.4 | (17) |
| **Net income** | **348** | **13.2** | **29.3** | **307** | **290** | **5.0** | **20.7** | **276** | **64** | **69.3** | **80.3** | **38** |
| Minority interests | (114) | 12.3 | 36.2 | (102) | (96) | 4.6 | 28.1 | (92) | (18) | 87.4 | 106.9 | (10) |
| **Net attributable profit** | **233** | **13.6** | **26.1** | **205** | **194** | **5.2** | **17.3** | **184** | **46** | **63.2** | **71.8** | **28** |

(1) At constant exchange rate.

## Balance sheet

(Million euros)

| | South America | | | | Units: Banking businesses | | | | Units: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31-03-10 | ∆% | ∆%[1] | 31-03-09 | 31-03-10 | ∆% | ∆%[1] | 31-03-09 | 31-03-10 | ∆% | ∆%[1] | 31-03-09 |
| Cash and balances with central banks | 5,194 | (13.0) | 0.7 | 5,970 | 5,194 | (13.0) | 0.7 | 5,969 | - | - | - | - |
| Financial assets | 8,883 | 46.6 | 33.1 | 6,059 | 7,381 | 26.0 | 14.4 | 5,856 | 1,502 | 151.4 | 132.8 | 597 |
| Loans and receivables | 26,941 | (7.9) | (2.4) | 29,258 | 26,418 | (7.8) | (2.1) | 28,642 | 657 | (16.9) | (18.7) | 790 |
| · Loans and advances to customers | 23,966 | (1.5) | (0.2) | 24,337 | 23,816 | (1.2) | 0.1 | 24,115 | 162 | (33.5) | (33.2) | 244 |
| · Loans and advances to credit institutions and other | 2,975 | (39.5) | (16.8) | 4,921 | 2,602 | (42.5) | (18.1) | 4,527 | 494 | (9.5) | (12.5) | 546 |
| Tangible assets | 587 | 19.7 | 22.0 | 490 | 536 | 22.2 | 26.1 | 438 | 51 | (1.2) | (8.7) | 52 |
| Other assets | 2,101 | (0.9) | 0.6 | 2,120 | 1,559 | 5.6 | 7.7 | 1,477 | 137 | 50.9 | 50.0 | 91 |
| **Total assets/liabilities and equity** | **43,707** | **(0.4)** | **4.1** | **43,896** | **41,088** | **(3.1)** | **1.5** | **42,382** | **2,346** | **53.3** | **46.6** | **1,530** |
| Deposits from central banks and credit institutions | 2,888 | (24.5) | (29.0) | 3,824 | 2,880 | (24.1) | (28.7) | 3,797 | 6 | (77.5) | (78.7) | 29 |
| Deposits from customers | 28,748 | (2.5) | 4.9 | 29,475 | 28,867 | (2.6) | 4.7 | 29,629 | - | - | - | - |
| Debt certificates | 1,610 | 16.9 | 3.2 | 1,377 | 1,610 | 16.9 | 3.2 | 1,377 | - | - | - | - |
| Subordinated liabilities | 1,234 | (3.5) | (7.0) | 1,279 | 736 | 3.3 | (3.2) | 712 | - | - | - | - |
| Financial liabilities held for trading | 702 | 1.9 | (8.4) | 689 | 702 | 1.9 | (8.3) | 688 | - | - | - | - |
| Other liabilities | 6,331 | 26.8 | 40.8 | 4,993 | 4,620 | (1.5) | 9.9 | 4,690 | 1,818 | 148.3 | 141.2 | 732 |
| Economic capital allocated | 2,194 | (2.8) | (7.8) | 2,258 | 1,672 | 12.4 | 7.0 | 1,488 | 522 | (32.2) | (36.1) | 769 |

(1) At constant exchange rate.

## South America highlights in the first quarter

- High earnings growth.
- Positive evolution of the loan-book and excellent performance of customer funds.
- Outstanding quality of credit risk.
- Banco Continental and Banco Provincial were considered by *Global Finance* the best banks in Peru and Venezuela.

## Relevant business indicators

(Million euros and percentages)

| South America | 31-03-10 | Δ% | Δ% (1) | 31-03-09 |
|---|---|---|---|---|
| Customer lending (gross) | 24,961 | (1.0) | 0.2 | 25,212 |
| Customer deposits (2) | 30,815 | (1.0) | 5.3 | 31,126 |
| Off-balance-sheet funds | 42,688 | 45.0 | 29.5 | 29,435 |
| · Mutual funds | 2,995 | 79.5 | 62.6 | 1,668 |
| · Pension funds | 39,693 | 42.9 | 27.6 | 27,767 |
| ROE (%) | 43.4 | | | 36.7 |
| Efficiency ratio (%) | 39.4 | | | 42.6 |
| NPA ratio (%) | 2.8 | | | 2.3 |
| Coverage ratio (%) | 132 | | | 139 |

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

This area manages the Group's banking, pension and insurance businesses in the region.

After successfully riding the adverse shock of the global crisis, South America has begun 2010 favorably and consolidated the **economic recovery** started in the second half of 2009. Continued expansive economic policies, increased commodity prices and the growing strength of internal demand are the keys to this recovery. This appears to indicate that the area will return to annual growth rates of around 4% in 2010, with no significant inflationary tensions expected, except in some exceptional cases. Nevertheless, some risks remain, in particular doubts about the consolidation of recovery in the world economy, the challenge of harmonizing the withdrawal of the monetary and fiscal stimuli and possible distortions that could be generated by the electoral processes occurring in various countries this year. The improved overall economic climate continues to have a favorable effect on Latin American financial systems, with progress in lending activity, although this is moderate, given the seasonally low nature of the first quarters of the year.

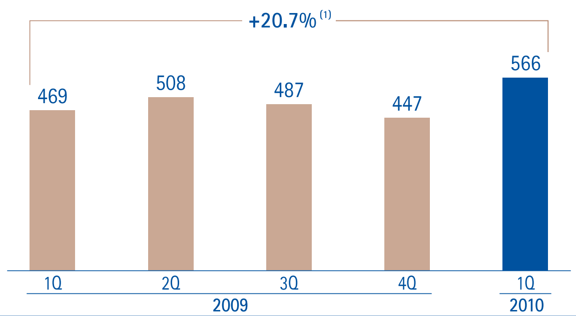
The movement of **exchange rates** in the quarter has been strongly affected by the devaluation of the Venezuelan Bolívar at the start of January, which has had a negative effect on financial statements and economic activity in the area. As usual, the attached tables include the year-on-year changes at constant exchange rates, which is what the following comments refer to.

In the first three months of 2010, South America achieved a positive growth in its income, supported by a recovery in economic activity and a marked moderation in costs and loan-loss provisioning. In addition, the notable level of asset quality at the end of 2009 was maintained. In all, the **net attributable profit** for the period was €233m, a year-on-year increase of 26.1% and a return on equity (ROE) of 43.4%.

The signs of recovery in economic activity were reflected in the quarter closing with a banking business **loan book** of

## South America. Operating profit

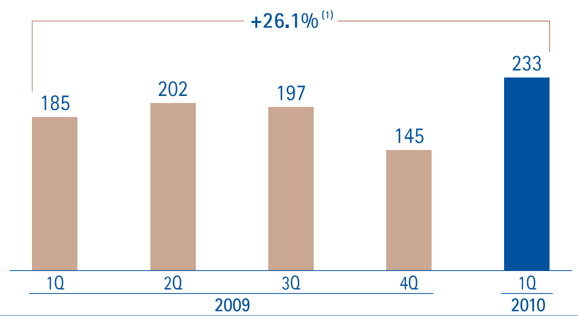
(Million euros at constant exchange rate)




(1) At current exchange rate: +10.3%.

## South America. Net attributable profit

(Million euros at constant exchange rate)




(1) At current exchange rate: +13.6%.

€24,805m, practically the same as on 31-Mar-2009 (+0.5% year-on-year) and 3.8% up last year's low (September). The high level of liquidity in the region and the still moderate financing needs resulting from the incipient recovery in credit continue to favor the selective commercialization of **customer funds**, particularly in current and savings accounts, which increased by a year-on-year 22.5%. Customer funds from banking businesses (including mutual funds) closed the quarter at €33,809m, 8.7% up on the figure for March 2009. Pension managers also performed well, with assets under management of €33,693m as of 31-Mar-2009, a year-on-year growth of 27.6%. The volume of premiums issued by insurance companies continues to recover, following the slowdown in products linked to banking activity in the first half of 2009.

The reactivation of lending has been accompanied by an active maintenance of spreads in all the entities, despite the increased competitive pressure in a number of countries. Both elements, activity and spreads, mean that the trend in the **net interest income** remains clearly positive, at €556m in the first quarter, 12.7% more than in the first three months of 2009. There is also a favorable trend in net fee income, at €216m (+11.3% year-on-year), with an upturn in transactional accounts, but still a moderate performance in business lines related to securities and wholesale businesses. Net trading income was also high this quarter, at €184m, fuelled by the valuation of Venezuela's positions in U.S. dollars due to the devaluation of the Bolívar. Thus **gross income** was €934m euros, 16.0% up on the same period last year.

The policy of containing and moderating expenses continues to be one of the key factors in the area. In the first quarter, operating expenses stood at €368m euros, a year-on-year increase of 9.3%, clearly below the average level of inflation in the region. This has led to wider operating jaws and thus, the **cost/income ratio** closed the quarter improving 2.4 percentage points (homogeneous euros) on the figure for 31-Mar-09 to 39.4%. It also means the **operating income** increased to €566m, 20.7% up on the same period in 2009.

In line with the trend in 2009, asset quality in the area continues to be high, thanks above all to rigorous risk screening and the notable capacity for recovery shown by all the banks. Thus both the volume of non-performing assets (€785m) and the **NPA ratio** (2.8%) are practically the same as the figure for December 2009, while the **coverage ratio** is higher than the levels for the last quarter (132%). At the same time, impairment on financial assets was €107m, a very similar figure to that in the same period of 2009.

## BANKING BUSINESSES

In the first quarter of 2010, the banking business generated a net attributable profit of €194m, 17.3% more than in January-March 2009. Below are most relevant details for each bank.

**BBVA Banco Francés** in Argentina posted a net attributable profit of €32m. Its year-on-year comparison is heavily influenced by the exceptionally low tax rate in the first quarter of 2009. Thus the pre-tax profit was €63m (+14.9% year-on-year). Particularly worth highlighting is the improvement in the net interest income (+26.1%), which has been extremely influenced by the improvement in spreads, and the recovery in lending (+9.6%, excluding lending to the public sector). Income from fees also performed positively (+22.4%) and the rise in costs was kept in check (+17.5%). In all, the net operating income rose 14.5% year-on-year to €67m.

In Chile, **BBVA** and **Forum** contributed a net attributable profit of €28m, 10.3% up on the first quarter of 2009, despite the negative effect the high volume of capital gains through the sale of the securities portfolio in the first three months of 2009 has had on the year-on-year comparison. It is worth highlighting the improvement in the net interest income (+30.5% year-on-year), influenced by the positive impact of the retail banking, specially in terms of consumer finance (+9.2%) and current accounts (+27.5%). A less negative backdrop in interest rates and inflation also contributed to this improvement. In addition, it is worth highlighting the positive performance of fees (+29.2%) and the year-on-year fall in costs (–5.2%) as well as a lower pressure from loan-loss provisions (–43.5%).

The performance of **BBVA Colombia** is influenced by the delay in the country's economic recovery and the continued downward slide in interest rates. These elements have had an adverse impact on net interest income (–2.0%), despite spreads being maintained. The capital gains from the sale of the securities portfolio in the first quarter of 2009 also had a negative effect. These falls were compensated both by moderation in costs, which only increased by 1.9%, and by the reduced need for loan-loss provisions (–23.1%), which were in line with the reduction in non-performing loans (non-performing assets fell by 14.8% compared with

31-Dec-09). In all, the net attributable profit was €36m, 2.7% up on the first quarter of last year.

**BBVA Banco Continental** of Peru had a net attributable profit of €28m, with an increase in the net interest income to March of 3.1% to €106m. The keys were positive spread management and a good performance of both retail loans (+3.6%) and current and savings accounts (+25.6%). There was also a notable year-on-year increase in fees (+13.5%), fuelled by transactional accounts. In addition, operating expenses (+9.8% year-on-year) have been affected by expansion plans undertaken by the bank, which has not prevented the operating income from growing by 7.8% to €114m in the last 12 months, with an efficiency ratio of 29.2%. Its excellent management capacity has been recognized by the magazine *Global Finance*, which for the seventh year in a row considers BBVA Banco Continental to be the best bank in Peru.

**BBVA Banco Provincial** of Venezuela had a net attributable profit of €53m, compared with €22m in the first quarter of 2009 (+17.7% at constant exchange rates). The period has been marked by the devaluation of the Bolívar which, indirectly, has meant a revaluation of positions held by the bank in dollars, with a positive impact on net trading income. Excluding this effect, the net interest income maintained its growing trend, at +21.2% to €139m, thanks both to increased activity (lending increased by 23.5% year-on-year) and the sound management of asset and liabilities spreads. Costs continue to increase below the rate of inflation, and combined with the increase in revenues, this has meant that the operating income was €130m (+9.9% at constant exchange rates). The bank was chosen as the best in Venezuela by *Global Finance* for the fourth consecutive year.

In the other banks, the quarterly profit of **BBVA Panama** was €8m (down –0.2% year-on-year); **BBVA Paraguay** also earned €8m (up +14.7%) and **BBVA Uruguay** €0.5m (€1.4m in the first quarter of 2009).

## PENSIONS AND INSURANCE

This unit contributed a net attributable profit of €46m, compared with €27m in the first quarter of 2009. Of this figure, €27m were generated by the **pension-fund business** and €19m by the **insurance business**.

**AFP Provida** in Chile had a net attributable profit for the quarter of €25m, 82.3% higher than in the same period last year. There was a very positive performance in quarterly collection, with a year-on-year increase of 11.4% reflected in an increase of +39.9% in income from fees to €54m. Net trading income was also favorable, at €10m, and costs increased only moderately (+9.0%), resulting in an operating income of €47m, up +94.3% on the figure for 2009.

**Grupo Consolidar** in Argentina had a very favorable quarter, with a net attributable profit in the insurance business of €10m (+4.4%), due to the increase in commercial activity and sources of revenue in the three companies, reflected in a 0.8% year-on-year growth in the operating profit.

Finally, **AFP Horizonte in Colombia** had an attributable profit of €4m and **AFP Horizonte in Peru** €3 million, in a context of greater commercial activity, but more moderate trading income compared with the previous year.

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

| | Operating income | | | | Net attributable profit | | | |
|---|---|---|---|---|---|---|---|---|
| Country | 1Q10 | Δ% | Δ% at constant exchange rate | 1Q09 | 1Q10 | Δ% | Δ% at constant exchange rate | 1Q09 |
| Argentina | 80 | (3.4) | 10.4 | 83 | 37 | (28.6) | (18.4) | 52 |
| Chile | 123 | 31.6 | 19.3 | 94 | 57 | 86.5 | 69.1 | 30 |
| Colombia | 93 | 2.9 | (11.7) | 90 | 43 | 27.3 | 9.1 | 34 |
| Perú | 121 | 11.9 | 6.4 | 108 | 31 | (1.4) | (6.3) | 32 |
| Venezuela | 137 | 8.3 | 118.5 | 126 | 55 | 15.1 | 132.2 | 48 |
| Other countries (1) | 12 | 1.0 | 3.2 | 12 | 10 | 4.2 | 5.9 | 10 |
| **Total** | **566** | **10.3** | **20.7** | **513** | **233** | **13.6** | **26.1** | **205** |

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

# THE UNITED STATES

## Income statement

(Million euros)

| | 1Q10 | Δ% | Δ% (1) | 1Q09 |
|---|---|---|---|---|
| **Net interest income** | **437** | **3.9** | **9.7** | **421** |
| Net fees and commissions | 157 | (0.3) | 5.4 | 158 |
| Net trading income | 25 | (14.9) | (10.6) | 29 |
| Other income/expenses | (10) | 214.5 | 234.0 | (3) |
| **Gross income** | **609** | **0.7** | **6.4** | **604** |
| Administration costs | (357) | 0.5 | 6.4 | (355) |
| Personnel expenses | (177) | (6.2) | (0.7) | (189) |
| General and administrative expenses | (132) | 18.0 | 25.0 | (112) |
| Depreciation and amortization | (48) | (12.2) | (6.9) | (55) |
| **Operating income** | **252** | **1.1** | **6.4** | **249** |
| Impairment on financial assets (net) | (161) | 20.7 | 27.8 | (134) |
| Provisions (net) and other gains (losses) | (11) | (25.3) | (20.7) | (15) |
| **Income before tax** | **79** | **(21.1)** | **(17.7)** | **100** |
| Income tax | (25) | (18.5) | (14.9) | (31) |
| **Net income** | **54** | **(22.3)** | **(19.0)** | **69** |
| Minority interests | - | - | - | - |
| **Net attributable profit** | **54** | **(22.3)** | **(19.0)** | **69** |

(1) At constant exchange rate.

## Balance sheet

(Million euros)

| | 31-03-10 | Δ% | Δ% (1) | 31-03-09 |
|---|---|---|---|---|
| Cash and balances with central banks | 1,734 | 141.8 | 144.9 | 717 |
| Financial assets | 8,122 | (16.0) | (14.9) | 9,672 |
| Loans and receivables | 43,443 | (2.0) | (0.7) | 44,317 |
| · Loans and advances to customers | 41,278 | (1.7) | (0.5) | 42,000 |
| · Loans and advances to credit institutions and other | 2,165 | (6.6) | (5.4) | 2,318 |
| Inter-area positions | 25,578 | 13.1 | 14.5 | 22,621 |
| Tangible assets | 760 | (6.0) | (4.8) | 808 |
| Other assets | 2,507 | 62.4 | 64.4 | 1,544 |
| **Total assets/liabilities and equity** | **82,144** | **3.1** | **4.4** | **79,680** |
| Deposits from central banks and credit institutions | 6,844 | (42.6) | (41.8) | 11,919 |
| Deposits from customers | 66,609 | 12.1 | 13.5 | 59,416 |
| Debt certificates | 550 | (33.8) | (33.0) | 831 |
| Subordinated liabilities | 1,188 | (20.5) | (19.5) | 1,495 |
| Inter-area positions | - | - | - | - |
| Financial liabilities held for trading | 223 | (40.9) | (40.1) | 378 |
| Other liabilities | 3,811 | 40.9 | 42.7 | 2,705 |
| Economic capital allocated | 2,919 | (0.5) | 0.7 | 2,935 |

(1) At constant exchange rate.

## Relevant business indicators

(Million euros and percentages)

| | The United States | | | |
|---|---|---|---|---|
| | 31-03-10 | Δ% | Δ% (1) | 31-03-09 |
| Customer lending (gross) | 42,406 | (0.7) | 0.5 | 42,721 |
| Customer deposits (2) | 65,866 | 17.4 | 18.9 | 56,091 |
| ROE (%) | 7.5 | | | 9.2 |
| Efficiency ratio (%) | 58.7 | | | 58.8 |
| NPA ratio (%) | 4.4 | | | 2.9 |
| Coverage ratio (%) | 56 | | | 55 |

(1) At constant exchange rate.
(2) Excluding deposits and Bancomer's Market unit repos.

## The United States highlights in the first quarter

- Successful completion of the integration of Guaranty in BBVA Compass, in record time.
- The incorporation of the Wholesale Banking business carried out in the country is yet another step in the construction of the US franchise.
- Positive behavior of operating results.

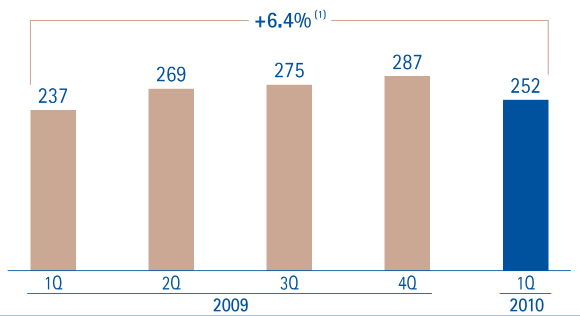
This area encompasses the Group's business in the United States and in the Commonwealth of Puerto Rico. Moreover, it incorporates the assets and liabilities of BBVA's office in New York, previously recorded under WB&AM, and which garners the activity carried out with large corporations and businesses in New York and the business of markets and distribution in the same area.

Moving into 2010, the U.S. **economy** is slowly pulling itself out of the severe recession that began in December 2007. The economy started to recover in the second half of 2009 with GDP growing at an average annual rate of 3.9%. Consumer demand began to pick-up, as did business investment in equipment and software. Furthermore, residential investment grew in 3Q09 for the first time since 1Q06, and is expected to continue rising, but at a slower rate. Real estate demand remains weak, but the fall in prices and mortgage rates are positive factors that stimulate real estate business and, thus, new construction. Moreover, economic growth in emerging markets, especially in Asia, has positively impacted exports.

The economy has shown signs of widespread improvement, but concern lies in the pace of recovery as there are many challenges that still need to be overcome. Consumer spending will be essential in determining the speed of the economic recovery. Consumption grew for three of the four quarters in 2009 and recent retail sales and GDP consumption data indicate that it will rise in 1Q10 as well. Nevertheless, consumer spending will face two main challenges: household deleveraging and unemployment. Consumer credit has dropped for the eleventh straight month, limiting consumers' purchasing power. Furthermore, even amid some positive signals in the labor market, such as job creation in the temporary help services sector, the unemployment rate is expected to remain high. This could be because businesses are addressing the recent increase in demand by raising productivity of current workers. If the rising trend in productivity persists, it could

## The United States. Operating profit

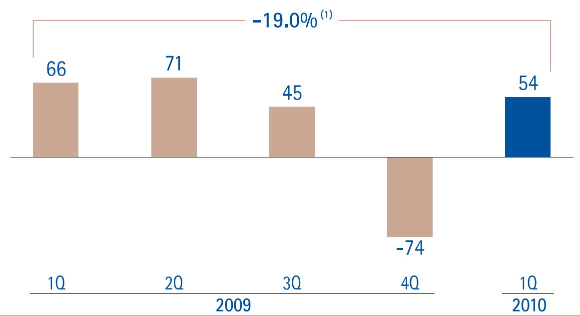
(Million euros at constant exchange rate)




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

## The United States. Net attributable profit

(Million euros at constant exchange rate)




(2) At current exchange rate: -22.3%.

slow the recovery of the labor market and, in turn, income growth and consumption.

**Inflation** expectations are well anchored and even though the improvement in economic activity has eased downward price pressures, the economy is emerging from levels so low that there is still significant underutilization of resources. Consequently, we maintain our forecast of a low fed funds **rate** for a prolonged period of time. The Federal Reserve's (Fed) primary challenge in 2010 will be to reduce the level of excess reserves using tools that will allow it to maintain control of monetary policy. Demand for the fed funds market has diminished due to the number of excess reserves, so the Fed has proposed new monetary policy tools such as paying interest on reserves, reverse repurchase agreements and term deposits. The Fed is expected to be transparent in its communication of the exit strategy, but it has yet to specify exact timing due to the uncertainty surrounding the pace of the economic recovery.

The final dollar **exchange rate** against the euro has gone down 1.3% in the last twelve months, ending March 31, 2010 at US$1.35 to the euro. The average exchange rate declined 5.8% year-on-year, to US$1.38 per euro. The aforementioned had a negative impact on the evolution of the area's financial statements and activity. However, unless otherwise indicated, all comments below refer to changes at a constant exchange rate.

In the first quarter of 2010, the integration and change of brand of 164 Guaranty offices in Texas and California was successfully completed within the strict timelines established. With this integration, all branches of Guaranty now display the new image of the BBVA Compass brand and work with its operating system and product platform. Thus, customers from the former institution are given access to the range of products and services constituting the Group's offering. Compass has thus proven to be a solid foundation for growth for the BBVA franchise's subsequent construction in the United States. Expenses stemming from the integration have continued to be recorded in this quarter and cost synergies remain pending. However, six months after the acquisition, it is safe to say that it has been very positive for the value of the franchise.

Once said integration of Guaranty is finalized, the next step in the area will be its adaptation to the model in place in the rest of the Group's franchises. Thus, all businesses managed in the country will be unified under single management, with a Country Manager at its head, and codependently with the WB&AM area for those falling within its scope. The objectives of unification include revenue synergies, though a greater capacity for entries and cross-selling to customers, as well as more efficient and better coordinated management of the different risks, relationships with supervisors and access to financial markets.

As of March 31, 2010 BBVA USA's **activity** progressed favorably with the acquisition of Guaranty transactions, a loan-book balance that is growing slightly, by 0.5% year-on-year to €42,406m, and customer deposits increasing by 18.9% to €65,866m. Loan growth has been a challenge primarily due to the economic landscape, alternative funding sources (i.e. bond market) and tighter credit quality.

It is worth highlighting the improvement in asset quality ratios, as both the **NPA ratio** (4.4% as of 31-Mar-2010) and coverage (56%) remain at levels that are very similar to those as of December 31, 2009 (4.2% and 58%, respectively).

The good performance of activity has had a positive impact on operating income in the United States, as the **gross income** rose 6.4% year-on-year to €609m, thanks to the positive development of the most recurrent items (net interest income and fees and commissions). This growth occurred despite the lower net trading income and other net income, a heading that is affected by the increase of contributions to the Federal Deposit Insurance Corporation (FDIC).

In terms of operating expenses, their 6.4% increase is due primarily to the efforts for Guaranty's integration into the BBVA USA franchise and the amortization of intangibles caused by said incorporation, as shown by the increase of other general and administrative expenses, as those of personnel continue to fall (down 0.7%). Excluding Guaranty, operating expenses would have declined by 6.4%. Thus, **operating income** for the first three months increased 6.4% year-on-year to €252m, and the efficiency ratio remained at 58.7%, similar to the first quarter of 2009.

We should also note the clear slowdown of year-on-year growth of **impairment losses on financial assets**, which grew 27.8% year-on-year to €161m. This figure is €27m higher (€35m without the effect of the exchange rate) than in the first quarter of 2009, and is clearly lower than the amounts recorded in the third and fourth quarters of 2009. The above established a positive **attributable profit** of €54m.

## BBVA COMPASS BANKING GROUP

BBVA Compass represents approximately 53% of total BBVA USA assets with the new area structure and garners the retail and SME banking business in the United States (excluding Puerto Rico).

The strength of the entity's operating result is also worth mentioning. In this regard, the 11.3% year-on-year increase in lending to customers to €32,195m as of 31-Mar-2010, together with an excellent growth of deposits, rising 31.9% to €33,194m, allow the gross income to reach €517m: 10.7% more than at the same time in 2009. **Operating income** totaled €197m, for a 16.0% growth. Deducting the impairment losses on financial assets and provisions (net) and other gains (losses), BBVA Compass closed the first quarter with a **net attributable profit** of €26m.

As of 31-Mar-2010, **Corporate and Commercial Group (CCG)** managed a loan portfolio of €19,906m, after a 22.4% increase from the previous year. Likewise, deposits rose 18.0% to €9,578m. This deposit growth has been driven by non-interest bearing deposits that have experienced exceptional growth of 51.1% over March 2009. This has been primarily the result of strong correspondent banking efforts and increases in several large relationships within CCG.

**Retail Banking** had a loan portfolio of €9,461m, down 3.6% from a year ago. Planned run-off in the Indirect Auto Dealer and Student Lending portfolios was mostly offset by an increase in residential real estate. During the first quarter, $338m in new mortgages were generated, for a significant increase over 31-Mar-2009. Customer funds totaled €19,913m which also experienced considerable year-on-year growth of 43.8%.

**Wealth Management** managed a €2,214m loan portfolio. This was up 9.7% over March 31, 2009. Deposits were €3,490m, rising 25.3% from the previous year. The market-linked Standard & Poors Power CD product has generated in excess of US$138m in new deposits since its launch in March 2009. As of 31-Mar-2010, assets under management were €12,610m, up 11.1% over last year.

## WHOLESALE BANKING

The Wholesale Banking (WB) business in the United States is currently centered in the Spanish Parent Company's branch in New York and represents approximately 17.0% of lending and 47.1% of Group customer funds in the country. It includes business with corporations and their subsidiaries, as well as Treasury Offices and the Trade Finance and Investment Banking units.

In general, **activity** in New York adheres to the same parameters as the rest of the Group's WB units, with a focus on customers with greater added value and loyalty, price management and cross-selling, with special attention to risk-adjusted return on capital over any volume or market share objectives. Thus, despite the positive effect of the exchange rate, lending contracted 27.4% as compared to the first quarter of 2009, while gross income went down by 18.5%. NPA ratio in this unit is practically non-existent, at 0.4%, and loan-loss provisions, at €4m, is lower than in 2009. Consequently, net attributable profit dropped €5m as compared to the same time in 2009.

## OTHER UNITS

As of March 31, 2010, **BBVA Puerto Rico** managed a loan portfolio of €3,018m, down 9.8% from a year ago. Customer deposits were €1,638m, growing 9.4% from last year. Operating income slightly exceeded that of the same time in 2009 and stands at €18m due primarily to efforts to reduce costs. Lower impairment losses on financial assets (down 5.3% year-on-year) allowed for growth in the net attributable profit, which rose to €5m despite the increase of the tax rate (growth of profit before tax stands at 4.2%).

Finally, **BTS** reported a net attributable profit of €3m, down €0.9m from the previous year. Revenues dropped in the quarter as the number of transactions declined 6%.

# WHOLESALE BANKING & ASSET MANAGEMENT

## Income statement

(Million euros)

| | Wholesale Banking & Asset Management | | | Units: Corporate and Investment Banking | | | Units: Global Markets | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1Q10 | ∆% | 1Q09 | 1Q10 | ∆% | 1Q09 | 1Q10 | ∆% | 1Q09 |
| **Net interest income** | **222** | **(6.6)** | **237** | **127** | **17.4** | **108** | **110** | **(24.9)** | **147** |
| Net fees and commissions | 133 | 37.8 | 96 | 91 | 61.7 | 56 | 17 | (11.0) | 19 |
| Net trading income | 63 | (23.7) | 83 | 7 | (19.5) | 9 | 52 | (41.8) | 89 |
| Other income/expenses | 79 | 82.9 | 43 | - | - | - | 16 | (52.9) | 33 |
| **Gross income** | **497** | **8.0** | **460** | **225** | **30.0** | **173** | **196** | **(32.4)** | **289** |
| Administration costs | (121) | 4.7 | (115) | (34) | 6.8 | (31) | (55) | 1.5 | (54) |
| Personnel expenses | (79) | 5.2 | (75) | (21) | 8.4 | (19) | (30) | 0.4 | (30) |
| General and administrative expenses | (40) | 5.1 | (38) | (13) | 5.0 | (12) | (25) | 3.1 | (24) |
| Depreciation and amortization | (2) | (19.2) | (2) | - | - | - | - | - | - |
| **Operating income** | **376** | **9.1** | **344** | **192** | **35.2** | **142** | **140** | **(40.3)** | **235** |
| Impairment on financial assets (net) | (9) | (52.6) | (20) | (5) | (35.3) | (8) | (2) | (75.4) | (8) |
| Provisions (net) and other gains (losses) | - | - | - | - | - | - | - | - | - |
| **Income before tax** | **367** | **12.8** | **325** | **186** | **39.7** | **133** | **138** | **(39.1)** | **227** |
| Income tax | (83) | (5.7) | (88) | (54) | 39.9 | (39) | (33) | (46.1) | (62) |
| **Net income** | **284** | **19.7** | **237** | **132** | **39.6** | **94** | **105** | **(36.5)** | **165** |
| Minority interests | 0 | n.m. | (1) | - | - | - | 0 | n.m. | (1) |
| **Net attributable profit** | **284** | **20.3** | **236** | **132** | **39.6** | **94** | **105** | **(36.1)** | **164** |

## Balance sheet

(Million euros)

| | Wholesale Banking & Asset Management | | | Units: Corporate and Investment Banking | | | Units: Global Markets | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31-03-10 | ∆% | 31-03-09 | 31-03-10 | ∆% | 31-03-09 | 31-03-10 | ∆% | 31-03-09 |
| Cash and balances with central banks | 1,519 | (4.2) | 1,585 | 133 | 105.3 | 65 | 1,379 | (9.0) | 1,516 |
| Financial assets | 59,352 | (6.4) | 63,407 | 438 | (0.9) | 442 | 56,592 | (4.7) | 59,398 |
| Loans and receivables | 48,302 | (3.7) | 50,183 | 30,799 | (18.7) | 37,901 | 16,069 | 56.2 | 10,285 |
| · Loans and advances to customers | 32,572 | (12.5) | 37,210 | 29,289 | (18.1) | 35,742 | 2,909 | 101.8 | 1,442 |
| · Loans and advances to credit institutions and other | 15,729 | 21.2 | 12,974 | 1,510 | (30.1) | 2,159 | 13,160 | 48.8 | 8,843 |
| Inter-area positions | 10,492 | n.m. | - | - | - | - | 28,015 | 136.6 | 11,841 |
| Tangible assets | 33 | (4.4) | 35 | - | - | - | 3 | (18.3) | 4 |
| Other assets | 2,336 | 30.0 | 1,796 | 30 | 18.4 | 25 | 1,250 | (11.5) | 1,412 |
| **Total assets/liabilities and equity** | **122,034** | **4.3** | **117,007** | **31,400** | **(18.3)** | **38,433** | **103,308** | **22.3** | **84,457** |
| Deposits from central banks and credit institutions | 43,821 | 64.8 | 26,585 | 2,184 | 80.3 | 1,211 | 41,410 | 64.2 | 25,225 |
| Deposits from customers | 35,338 | 30.3 | 27,120 | 10,739 | (11.2) | 12,088 | 24,527 | 63.4 | 15,015 |
| Debt certificates | 4 | n.m. | 1 | 4 | n.m. | 1 | - | - | - |
| Subordinated liabilities | 2,140 | 3.8 | 2,063 | 878 | 3.4 | 849 | 561 | 26.8 | 442 |
| Inter-area positions | - | n.m. | 13,509 | 14,993 | (31.1) | 21,745 | - | - | - |
| Financial liabilities held for trading | 33,809 | (16.0) | 40,231 | - | - | - | 33,808 | (16.0) | 40,230 |
| Other liabilities | 3,125 | (14.2) | 3,641 | 1,044 | 1.2 | 1,031 | 2,011 | (27.4) | 2,769 |
| Economic capital allocated | 3,797 | (1.6) | 3,858 | 1,559 | 3.4 | 1,508 | 991 | 27.9 | 775 |

## Wholesale Banking & Asset Management highlights in the first quarter

- High recurrence and quality of revenues.
- Excellent asset quality thanks to the selective customer management policy.
- New international recognition of Corporate and Investment Banking upon receiving nine Deals of the Year awards from *The Banker* magazine.

## Relevant business indicators

(Million euros and percentages)

| Wholesale Banking & Asset Management | 31-03-10 | ∆% | 31-03-09 |
|---|---|---|---|
| Customer lending (gross) | 34,486 | (12.9) | 39,574 |
| Customer deposits [1] | 34,617 | 23.5 | 28,041 |
| Off-balance-sheet funds | 24,825 | 25.0 | 19,863 |
| · Mutual funds | 9,792 | 19.7 | 8,178 |
| · Pension funds | 11,069 | 8.3 | 10,221 |
| Other placements | 3,759 | 7.2 | 3,507 |
| Customer portfolios | 7,310 | 8.9 | 6,714 |
| ROE (%) | 30.8 | | 25.4 |
| Efficiency ratio (%) | 24.3 | | 25.1 |
| NPA ratio (%) | 1.3 | | 0.7 |
| Coverage ratio (%) | 68 | | 102 |

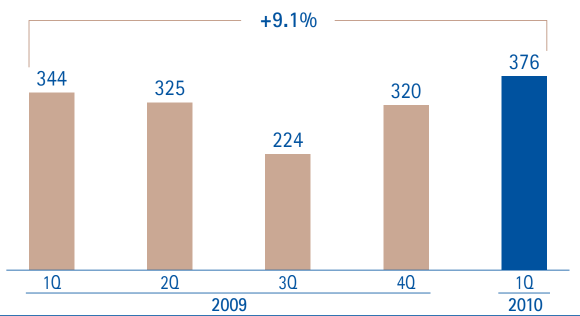
The Wholesale Banking & Asset Management (WB&AM) Area handles the Group's wholesale businesses and asset management in all the geographic areas where it operates. For the purposes of this financial report, the business and earnings of the units in the Americas are recorded in their respective areas (Mexico, South America and the United States). WB&AM is organized around three business units: Corporate and Investment Banking, Global Markets and Asset Management. Furthermore it includes the Industrial and Real Estate Holdings Unit, which contributes to its diversification, and the Group's holdings in the CITIC financial group associated with expansion in Asia.

In the first quarter of 2010, the area continued to show a clear focus on the client and high recurrence and quality in its revenues, as reflected by the year-on-year improvement of the gross income, up 8.0% to €497m. Containment of expenses, sound course of loan-loss provisioning and the favorable tax effect of income by the equity method stimulated the growth of the **net attributable profit** above 20% to €284m.

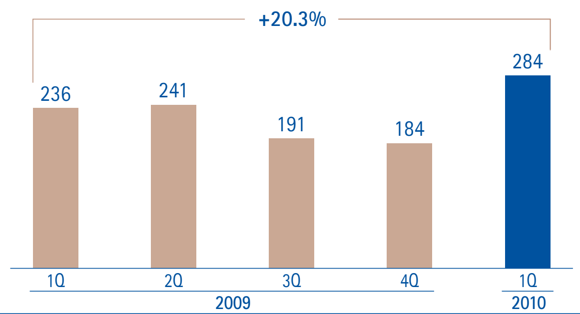
By units, the increase in the net interest income and fee income in Corporate and Investment Banking (with year-on-year rates of growth at 17.4% and 61.7%, respectively) and the favorable course of earnings in the Global Markets unit supported by its customer-relation based business model were especially noteworthy improvements this quarter.

In terms of the area's business activity as of 31-Mar-2010, **lending** fell 12.9% year-on-year to €34,486m, which is mainly held by Corporate and Investment Banking. This fall is, in part, the result of the focus on customers with greater credit quality, profitability and loyalty. Furthermore, **customer funds** (deposits, mutual funds and pension funds) have performed positively with a year-on-year increase of 19.3% to €35,894m.

## Wholesale Banking & Asset Management Operating income (Million euros)




## Wholesale Banking & Asset Management Net attributable profit (Million euros)



WB&AM continues to present excellent **asset quality**, with a low non-performing asset ratio (1.3%), a coverage ratio of 68%, and lower loan-loss provisions basically due to the selective customer management policy.

If the values for business volumes and earnings of the WB&AM units in the **Americas** are added, the entire area makes the following contributions to the Group:

### →Wholesale Banking & Asset Management including the Americas
(Million euros)

| | 31-03-10 | ∆% | 31-03-09 |
|---|---|---|---|
| **Income statement** | | | |
| Gross income | 851 | (0.4) | 854 |
| Administration costs | (185) | 2.0 | (182) |
| Operating income | 666 | (1.0) | 673 |
| Income before tax | 648 | 4.0 | 623 |
| Net attributable profit | 452 | 9.5 | 413 |
| **Balance sheet** | | | |
| Total lending (gross) | 52,558 | (13.3) | 60,623 |
| Customer funds on balance sheet | 77,548 | 13.7 | 68,207 |
| Other customer funds | 10,618 | (2.7) | 10,918 |
| Total customer funds | 88,166 | 11.4 | 79,125 |
| Economic capital allocated | 4,336 | (7.0) | 4,665 |

To summarize, the global perimeter of the area reflects the high resilience of revenues, contained operating expenses and lower impairment losses on financial assets, which enable a net attributable profit of €452m, a 9.5% year-on-year increase. Loan balances fell back 13.3% and customer funds increased by 10.7%.

## CORPORATE AND INVESTMENT BANKING

This unit coordinates the origination, distribution and management of a complete catalogue of corporate and investment banking products (corporate finance, structured finance, structured trade finance, equity and debt capital markets), global trade finance and global transaction services. Coverage of large corporate customers is specialized by sector (industry bankers).

In the first three months of the year, the good performance of recurrent revenues (net interest income and fee income) was reflected in the excellent course of the **gross income**, which rose 30.0% year-on-year to €225m. This, together with the slowdown of growth of operating expenses, explains how the **operating income** amounts to €192m, 35.2% higher than in the same period of 2009. Furthermore, the course of provisions below that of last year has allowed for increased growth in terms of **net attributable profit**, which amounted to €132m, as compared to the €94m in the first quarter of 2009 (up 39.6%).

Outstanding transactions in the quarter include: in **fixed-income**, ten issues were made to autonomous communities for an amount of nearly €1,600m, which accounts for a market share of over 25% and positions BBVA in first place of the Spanish Autonomous Communities ranking. Very significant issues have been finalized in the corporates section, including Iberdrola, Telefónica, ASF and Almston. Furthermore, the first transaction in the foreign public sector was formalized in the *Schuldschein* format. In the Americas, BBVA participated in the issue of Kraft bonds, for a total value of US$9,500m, and has acted as coordinator, lead broker and liquidation agent in Argentina for two marketable obligations of YPF.

As regards **syndicated loans**, one outstanding transaction was that of Gas Natural valued at €4,000m. In Europe, BBVA has participated in the syndicated loans of Telecom Italia, Suez and Philips for a total amount of €4,550m. Moreover, the Group was granted the Latin American Loan of the Year award for the structured transaction for the acquisition of Weston Foods by Bimbo. A revolving syndicated credit was closed with Pemex for $500m.

In **structured finance**, BBVA remains part of the most relevant transactions at both the European and American levels. In this regard, we should point out the GSM-R in the rail sector in France and the E-51 highway project in Denmark. In the energy sector, important transactions include that of Nord Stream, €3,900m financing for a gas pipeline joining Russia with Germany. Wind power activity continues in Spain with its participation in the financing of several wind farms. It also financed the Cedro Hill (Texas) wind farm in the United States with a $363m investment, marking the first project financed by BBVA Compass. It also closed a transaction in Mexico for $225m, in which BBVA acted as financial consultant, administrative agent, coordinator, bookrunner and sole insurer.

In **Structured Trade Finance**, the quarter has been characterized by a recovery of the rate of growth in the principal product, transactions with ECA coverage, with a value of nearly $500m, practically the same volume issued throughout the entire previous year. Moreover, it received two Deals of the Year, which is especially interesting as it marks the first time a transaction of this type has received this award from the three most important magazines in the sector.

In **Equity Capital Markets**, the share capital increase of Ence was closed, in which BBVA acted as co-director. The takeover bid over Alpargatas launched by its Brazilian Parent Company was also completed. BBVA acted as structurer, agent and liquidator of this takeover bid transaction.

In **Corporate Finance**, BBVA was the sole consultant for Endesa in the Enel Green Power transaction, which allowed it to become the leader of mergers and acquisitions in Spain in terms of reported transactions. It was also the sole financial consultant for Eside Technologies in the exclusion of 100% of its equity on the stock exchange.

**Global Transaction Services**, in its efforts to innovate and strengthen its process of continued improvement, has launched new global communication channels via swift and host to host for its corporate clients, which will allow information to be sent more securely between the Bank and the client, in addition to providing new value added features.

Furthermore, the Brazilian bank Bradesco has appointed BBVA as agent bank in the share capital increase, carried out in January, for the preference shares of Banco Bradesco S.A., listed on the Latibex market.

In terms of **awards and recognitions**, Corporate and Investment Banking received a new international recognition upon receiving nine awards (3 Deals of the Year and 6 Transaction Finalists) in *The Banker* magazine's 2010 Deals of the Year awards.

## 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.

The main aspects of the unit in the first quarter of 2010 are:

- Increase in **business volumes** as compared to the last quarter of 2009. Global Markets continued with its customer-based business model, such that, in the first three months of the year, it recovered the growth of its business with SME and retail customers and with an increase of activity with institutional investors. In underlying assets, we should note the increase of fixed-income business and the reinforcement of product capacities in both fixed-income and equity.
- **Leadership** in equity brokerage on the Spanish Stock Exchange, with an increase of the market share to 16.4% in the first quarter of the year. No other competitors even reach double digits.
- The high level of **revenues** was maintained. In the first quarter of 2010, the area achieved a gross income of €196m, which is 32.4% less than the extraordinary first quarter of 2009, but marking a 31.9% increase on the 2009 average. Furthermore, the operating income came to €140m, and net attributable profit stood at €105m.
- **Geographical distribution.** Product innovation remains outstanding in Latin America. In the first quarter of 2010, a new Exchange Traded Fund (ETF) called BRTRAC was launched on the BMV Brasil 15 (first index created by the Mexican Stock Exchange constructed with foreign securities), which is a testament to the close, continued collaboration of this unit with Asset Management. In Asia, Global Markets consolidated and strengthened its business in the first three months of the year with triple-digit growth in commercial activity.

## ASSET MANAGEMENT AND OTHER BUSINESS

**Asset Management** is BBVA's provider of asset management solutions. It designs and manages mutual funds, pension funds and the third-party fund platform

*Quality Funds*. The unit has solutions tailored for each customer segment, based on constant product innovation as the key to success. In this regard, two new funds were launched in the first quarter: *BBVA Bonos Corporativos Flotantes* (short-term fixed-income funds) and *BBVA Mixto Conservador* (international mixed fixed-income funds).

The unit recorded first quarter revenues of €41m, with a 23.9% increase on the same period in 2009.

At the end of the first quarter total assets under management in Spain stood at €49,299m, a decline of 1.8% against the close of the first quarter of 2009. Of this amount, mutual funds account for €31,868m. The Group ended the quarter as the leader in the Spanish market with an 18.9% market share. In the last three months, the weighted average return on its funds was greater than that of the system and also that of the top seven managers (representing 61.5%). By net return, more than 64% of BBVA's Asset Management's mutual funds (excluding guaranteed funds) are in the first two quartiles (assigned by net returns).

The assets under management in pensions funds in Spain were up 9.8% year-on-year to €17,431m. Of this amount, individual plans account for €10,182m and employee and associate schemes, €7,249m. BBVA continues to lead in the whole of pension plans, with a market share of 18.6%. BBVA holds a market share of 22.7% in employee schemes and 16.5% in individual plans (Source: Inverco, data from December 2009).

**Industrial and Real Estate Holdings** diversifies the area, by developing long maturing projects in order to create value at the medium and long-term through the active management of the portfolio of industrial and property projects unit's equity holdings (Duch and Anida Internacional). No relevant transactions have been carried out in the first quarter of 2010.

In **Asia**, the purchase option to extend its holding of CNCB by 5% became effective on April 1, 2010, and the effects of its impact will begin to be felt in the earnings from the second quarter of this year.

# CORPORATE ACTIVITIES

## Income statement
(Million euros)

| | 1Q10 | Δ% | 1Q09 |
|---|---|---|---|
| **Net interest income** | **95** | **n.m.** | **6** |
| Net fees and commissions | (39) | 62.2 | (24) |
| Net trading income | 210 | n.m. | (51) |
| Other income/expenses | (1) | n.m. | 40 |
| **Gross income** | **264** | **n.m.** | **(28)** |
| Administration costs | (191) | 5.8 | (180) |
| Personnel expenses | (118) | (13.3) | (136) |
| General and administrative expenses | (20) | n.m. | 3 |
| Depreciation and amortization | (53) | 12.5 | (47) |
| **Operating income** | **74** | **n.m.** | **(208)** |
| Impairment on financial assets (net) | (232) | 106.6 | (112) |
| Provisions (net) and other gains (losses) | (193) | 295.2 | (49) |
| **Income before tax** | **(351)** | **(5.0)** | **(370)** |
| Income tax | 84 | (29.6) | 120 |
| **Net income** | **(267)** | **6.9** | **(250)** |
| Minority interests | 2 | n.m. | (13) |
| **Net attributable profit** | **(265)** | **0.8** | **(262)** |

## Balance sheet
(Million euros)

| | 31-03-10 | Δ% | 31-03-09 |
|---|---|---|---|
| Cash and balances with central banks | 392 | 65.9 | 236 |
| Financial assets | 36,732 | 66.8 | 22,017 |
| Loans and receivables | 2,749 | 13.8 | 2,415 |
| · Loans and advances to customers | 110 | n.m. | (757) |
| · Loans and advances to credit institutions and other | 2,639 | (16.8) | 3,172 |
| Inter-area positions | (36,082) | 59.5 | (22,629) |
| Tangible assets | 3,029 | (14.5) | 3,543 |
| Other assets | 13,976 | (8.5) | 15,271 |
| **Total assets/liabilities and equity** | **20,796** | **(0.3)** | **20,854** |
| Deposits from central banks and credit institutions | 19,811 | 43.4 | 13,815 |
| Deposits from customers | 3,278 | 32.8 | 2,469 |
| Debt certificates | 92,627 | (6.5) | 99,072 |
| Subordinated liabilities | 6,921 | 1.0 | 6,856 |
| Inter-area positions | (104,075) | (1.2) | (105,337) |
| Other liabilities | (3,792) | 217.0 | (1,196) |
| Minority interests | (3,523) | 79.7 | (1,961) |
| Valuation adjustments | 702 | n.m. | (492) |
| Shareholders' funds | 28,566 | 7.8 | 26,505 |
| Economic capital allocated | (19,720) | 4.5 | (18,878) |

This area combines the results of two units: Financial Management 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, e.g., for early retirements. In addition, it incorporates the newly created Real-Estate Management unit, which brings together the entire Group's non-international real-estate business.

The **net interest income** of Corporate Activities in the first quarter of the year has once more performed well, at €95m, compared with the figure of €6m in the same period of 2009. This was mainly the result of the good management of the euro balance sheet. It is particularly worth highlighting the net trading income, as a result of the sound rotation of the ALCO portfolio, in which there have been significant capital gains thanks to the use made of price volatility in sovereign bond markets. These two items, together with restraint in operating costs, have led to an **operating income** of €74m, compared with the –€208m the previous year.

Impairment losses on financial assets were €232m, due basically to greater generic provisions. Provisions have also been increased for early retirements during the period and for other gains (losses), through the application of criteria of maximum prudence in the valuation of foreclosed or acquired assets and those from the real estate fund, on which updated valuations were applied. Finally, the area's **attributable profit** in the first three months of the year was –€265m, close to the –€262m in the same period last year.

## ASSET/LIABILITY MANAGEMENT

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

**Liquidity management** helps to fund the recurrent growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of finance. A core principle in the BBVA Group's liquidity management has long been to encourage the financial independence of its subsidiaries in the Americas. This aims to ensure that the cost of liquidity is correctly reflected in price formation and that there is sustainable growth in the lending business. In the first quarter of 2010, thanks to the decisive role of central banks and governments, liquidity conditions on the interbank markets continued to be comfortable. Spanish sovereign risk has only been affected exceptionally by the Greek crisis, and even in this situation, the medium-term markets have continued operating in favorable conditions. The positive trend in the liquidity gap of the BBVA businesses in the first quarter has been notable. It has enabled the Group to maintain and strengthen its sound position, due to the weight of retail customer deposits in the structure of the balance sheet and the ample collateral available for the Bank as a second source of liquidity. For 2010 as a whole, BBVA's current and potential sources of liquidity easily surpass expected drainage.

**Capital management** in the Group has a twofold aim: to maintain the levels of capitalization appropriate to the business targets in all the countries in which it operates; and, at the same time, to maximize the return on shareholders' funds through the efficient allocation of capital to the different units, good management of the balance sheet and proportionate use of the various instruments that comprise the Group's equity (stock, preferred stock and subordinate debt). The current levels of capitalization ensure compliance with all these objectives. In the first three months of the year there have been numerous issues for significant amounts to cover a large part of the estimated funding requirements for the whole year. These issues were sold at very attractive rates, as BBVA has been able to access the market at the same price as the operations guaranteed by the Spanish Treasury. Another important point is the diversity of sources of funding used, both by type of instrument and markets and maturities, and the positive reception by the markets, with a high level of participation by international investors.

**Foreign exchange risk** management of BBVA's long-term investments, basically stemming from its franchises in Latin America, aims to preserve the Group's capital ratios and give stability to its income statement, while controlling the impact on reserves and the costs of this management. In the first quarter, BBVA maintained an active policy to hedge its investments in

Mexico, Chile, Peru and the dollar area. Its aggregate hedging was close to 30%. In addition to this corporate-level hedging, dollar positions are held at a local level by some of the subsidiary banks. The Group also hedges its foreign exchange exposure on expected 2010 results in the Americas. In the first three months of this year, the favorable performance of most of the currencies in the Americas has had a positive effect on the Group's equity and income statement, although the devaluation of the Venezuelan bolivar in January has meant that the final effect is practically neutral in earnings and slightly positive in the balance sheet and business of the Group. For the rest of 2010, the same prudent and proactive policy will be pursued in managing the Group's foreign exchange exposure.

The unit also actively manages the **structural interest-rate exposure** on the Group's balance sheet. This keeps the performance of short and medium-term net interest income more uniform by cutting out interest-rate fluctuations. In the first quarter the results of this management have been highly satisfactory. Strategies had been implemented to provide a hedge against a less positive economic outlook in Europe for the whole of 2010, while the risk on the balance sheets in the United States and Mexico are limited. These strategies are managed both with hedging derivatives (caps, floors, swaps, FRAs) and with balance-sheet instruments (mainly government bonds with the highest credit and liquidity ratings). At the close of March the Group held asset portfolios denominated in euros, U.S. dollars and Mexican pesos.

## HOLDINGS IN INDUSTRIAL AND FINANCIAL COMPANIES

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

BBVA applies strict requirements to this portfolio regarding risk-control procedures, economic capital consumption and return on investment, diversifying investments across different sectors. It also applies dynamic hedging management strategies to holdings. In the first quarter of the year it invested €126m and divested €87m.

As of 31-Mar-10, the market value of the portfolio of the unit of Holdings in Industrial & Financial Companies portfolio was €4,416m, with unrealized capital gains of €1,205m.

## REAL ESTATE MANAGEMENT

Given the current economic conditions and the future outlook, BBVA has created a Real Estate Management unit to provide specialized management of the real estate assets it has acquired from foreclosures, exchanges as repayment of debt, purchases from distressed customers and the assets in BBVA Propiedad, the real estate fund.

# CORPORATE RESPONSIBILITY

At BBVA, the Corporate Responsibility and Reputation system (CRR) is based on integrating Corporate Responsibility (CR) criteria, activities and policies in all Group business and support areas so as to include them at all Company levels. This is why the creation of the CRR Committees is designed as a way to achieve this integration aim. At present, there is a global committee and other local committees in Mexico, Argentina, Colombia, Chile, Peru, Venezuela, Paraguay and Uruguay. The first session of the recently created CRR Committee for Spain and Portugal was held in the first quarter of 2010. As with the other committees, its duties include the monitoring of CR integration and interest group expectations and reputation analysis in this area. The main initiatives and aims achieved over the reference period in CR are summarized below:

## FINANCIAL LITERACY

***EL DINERO EN NUESTRAS VIDAS* (MONEY IN OUR LIVES).** January saw the excellent results from the *Valores de Futuro* (Future Values) program launched in Spain in 2009 as part of the *El dinero en nuestras vidas* Financial Literacy program. The project surpassed the best expectations and aims set for the first school year with 333,478 participating students.

**TRANSPARENCY AND ADVERTISING.** BBVA Chile launched the *BBVA Transparente* (Transparent BBVA) portal so as to inform customers about different banking products and offer advice on their proper use.

## FINANCIAL INCLUSION

**MICROFINANCE.** The BBVA Microfinance Foundation and Cooperativa Credicoop presented the company *Servicios Microfinancieros S.A.*, designed to help low-income sectors of the population in Chile access loans and microfinance services. In February, BBVA took part in the conference *Markets, Poverty and Inclusive Business in Latin America* organized by the ESADE Business School and Harvard Business School.

## RESPONSIBLE BANKING

**HUMAN RESOURCES.** BBVA Banco Francés was awarded the MEGA 2009 certificate in gender equality, an initiative promoted by INADI (the National Institute against Discrimination, Xenophobia and Racism) and the World Bank. The aim is to reduce inequality between men and women in the business world in Argentina. In turn, and for the tenth year in a row, BBVA Bancomer received the award for Socially Responsible Company from the Centro Mexicano para la Filantropía. Furthermore, Seguros Bancomer and Afore Bancomer also received this award for the second year in a row.

**THE ENVIRONMENT.** BBVA made a major push in its Global Eco-efficiency Plan by signing contracts with Endesa and Iberdrola so that 10% of the energy used by the bank in Spain comes from renewable resources. Both agreements will lead to a reduction of 6,100 tons of $CO_2$ emissions this year, representing over 2% of total Group emissions in 2009. Other initiatives in line with this Group commitment are the $CO_2$ offsetting associated to the publication of the Annual Report 2009 and participation in the *Earth Hour* by turning off 65 of its most emblematic headquarters and many offices around the world.

**COMMUNITY INVOLVEMENT.** After the earthquake in Haiti, the Group donated a million euro and set up a payment scheme for customers, employees and members of the public to make contributions to accounts opened for this purpose, leading to 7.2 million euro being collected. In the same vein, after the earthquake in Chile, BBVA made an extraordinary contribution of a million dollars to the Hogar de Cristo NGO and put into place a series of measures for those affected, including emergency loans and special housing credit facilities for employees. In addition, BBVA Portugal opened an account to collect funds for those affected by the floods in Madeira, as well as offering a 25 million euro credit line with preferential terms to support affected families and businesses. Lastly, the BBVA Foundation awarded the *Fronteras del Conocimiento* (Frontiers of Knowledge) prizes across different categories. The overall endowment of the prizes runs to €3.2m.

## BBVA AND THE SUSTAINABILITY INDICES

BBVA maintains a prominent position in the most important sustainability indices. Its rating for the period is shown below:

### Main sustainability indices in which BBVA participates

| | | Weighting (%) |
|---|---|---|
| Dow Jones Sustainability Indexes | DJSI World | 0.60 |
| | DJSI STOXX | 1.42 |
| | DJSI EURO STOXX | 2.84 |
| vigeo | ASPI Eurozone Index | 2.06 |
| | Ethibel Sustainability Index Excellence Europe | 1.71 |
| | Ethibel Sustainability Index Excellence Global | 0.99 |
| KLD Indexes / FTSE4Good | FTSE KLD Global Sustainability Index | 0.52 |
| | FTSE KLD Global Sustainability Index Ex-US | 0.92 |
| | FTSE KLD Europe Sustainability Index | 1.62 |
| | FTSE KLD Europe Asia Pacific Sustainability Index | 1.06 |

## INVESTOR RELATIONS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BBVA

Dow Jones Sustainability Indexes
Member 2008/09

FTSE4Good

KLD INDEXES

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