Month ended	High	Low
October 31, 2011	1.4172	1.3281
November 30, 2011	1.3803	1.3244
December 31, 2011	1.3487	1.2926
January 31, 2012	1.3192	1.2682
February 29, 2012	1.3463	1.3087
March 31, 2012	1.3336	1.3025
April 30, 2012 (through April 20, 2012)	1.3337	1.3064

The noon buying rate for euro from the Federal Reserve Bank of New York, expressed in dollars per €1.00, on April 20, 2012, was $1.3212.

As of December 31, 2011, approximately 39% of our assets and approximately 37% of our liabilities were denominated in currencies other than euro. See Note 2.2.16 to our Consolidated Financial Statements.

For a discussion of our foreign currency exposure, please see “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Market Risk Management—Market Risk in Non-Trading Activities in 2011—Structural Exchange Rate Risk”.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Risks Relating to Us and Our Business

We are subject to substantial regulation, and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a material adverse effect on our business, results of operations and financial condition.

The financial services industry is among the most highly regulated industries in the world. Our operations are subject to ongoing regulation and associated regulatory risks, including the effects of changes in laws, regulations, policies and interpretations, in Spain, the European Union, the United States and the other markets where we operate. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector which we expect to continue for the foreseeable future. The regulations which most significantly affect us include regulations relating to capital requirements, which are discussed in detail below.

In addition, we are subject to substantial regulation relating to other matters such as liquidity. We cannot predict if increased liquidity standards, if implemented, could require us to maintain a greater proportion of our assets in highly-liquid but lower-yielding financial instruments, which would negatively affect our net interest margin.

We are also subject to other regulations, such as those related to anti-money laundering, privacy protection and transparency and fairness in customer relations.

Adverse regulatory developments or changes in government policy relating to any of the foregoing or other matters could have a material adverse effect on our business, results of operations and financial condition. Furthermore, regulatory fragmentation, with some countries implementing new and more stringent standards or regulation, could adversely affect our ability to compete with financial institutions based in other jurisdictions which do not need to comply with such new standards or regulation.

Capital requirements

Increasingly onerous capital requirements constitute one of our main regulatory concerns. See “Item 4. Information on the Company—Business Overview—Supervision and Regulation—Capital Requirements.”

As a Spanish financial institution, we are subject to the Bank of Spain Circular 3/2008 (“**Circular 3/2008**”), of May 22, on the calculation and control of minimum capital requirements, as amended by Bank of Spain Circular 4/2011 (“**Circular 4/2011**”), which implements Capital Requirement Directive III (“**CRD III**”).

Moreover, we will be subject to the new Basel III capital standards, which will be phased in from January 1, 2013 until January 1, 2019. Despite the Basel III framework setting minimum transnational levels of regulatory capital and a measured phase-in, many national authorities have started a race to the top for capital by gold-plating both requirements and the associated interpretation calendars. In particular, while the European transposition of these standards will be done through the CRD IV throughout 2012, the Spanish Government anticipated Basel III with the Royal Decree-Law 2/2011, of February 18 (“**RD-L 2/2011**”), as part of a wider plan of the Spanish Government for the strengthening of the financial sector by imposing stricter capital requirements. This lack of uniformity may lead to an uneven playing field and to competition distortions. Moreover, regulatory fragmentation, with some countries bringing forward the application of Basel III requirements or increasing such requirements, could adversely affect a bank with global operations such as BBVA and could undermine our profitability. As of December 31, 2011, our “principal capital” ratio, as calculated in accordance with RD-L 2/2011, was 9.7%, compared with the minimum required ratio of 8%.

In addition, following an evaluation of the capital levels of 71 financial institutions throughout Europe (including BBVA) based on data available as of September 30, 2011, the European Banking Authority (“**EBA**”) issued a recommendation pursuant to which, on an exceptional and temporary basis, financial institutions based in the EU should reach a new minimum Core Tier 1 ratio (9%) by June 30, 2012. This recommendation is temporary in nature and seeks to restore market confidence in the European financial system. Accordingly, the EBA has announced its intention to lift this recommendation once confidence in the European financial markets is restored. Based on September 30, 2011 data, the BBVA Group would need to increase its capital base by €6,329 million in order to reach this recommended minimum Core Tier 1 ratio by June 30, 2012. On January 20, 2012, the BBVA Group submitted to the Bank of Spain an action plan setting forth the steps that the group intends to take in order to reach the recommended minimum Core Tier 1 ratio by June 30, 2012. This plan has been examined by the Bank of Spain jointly with the EBA. On March 7, 2012, Bank of Spain approved this plan.

Moreover, through Royal Decree-Law 2/2012, of February 3 (“**RD-L 2/2012**”), the Spanish Government has recently increased coverage requirements for certain real estate assets. Among other requirements, certain provisions for problematic credit assets and asset foreclosures need to be supplemented with an additional capital buffer of €1.2 billion by December 31, 2012. Based on December 31, 2011 data, we satisfied this requirement as of such date.

There can be no assurance that the implementation of these new standards will not adversely affect our ability to pay dividends, or require us to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on our business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect our return on equity and other financial performance indicators.

Regulatory reforms initiated in the United States

Our operations may also be affected by other recent regulatory reforms in response to the financial crisis, including measures such as those concerning systemic financial institutions and the enactment in the United States in July 2010 of the Dodd-Frank Act. See "Item 4. Information on the Company—Business Overview—The United States—U.S. Regulation—Dodd-Frank Act." Among other changes, beginning five years after enactment of the Dodd-Frank Act, the Federal Reserve Board will apply minimum capital requirements to U.S. intermediate bank holding company subsidiaries of non-U.S. banks. Although there remains uncertainty as to how regulatory implementation of this law will occur, various elements of the new law may cause changes that impact the profitability of our business activities and require that we change certain of our business practices, and could expose us to additional costs (including increased compliance costs). These changes may also cause us to invest significant management attention and resources to make any necessary changes.

Current economic conditions may make it more difficult for us to continue funding our business on favorable terms or at all.

Historically, one of our principal sources of funds has been savings and demand deposits. Time deposits represented 27%, 29% and 33% of our total funding as of December 31, 2011, 2010 and 2009, respectively. Large-denomination time deposits may, under some circumstances, such as during periods of significant interest rate-based competition for these types of deposits, be a less stable source of deposits than savings and demand deposits. Moreover, since we rely heavily on short-term deposits for our funding, we cannot assure you that, in the event of a sudden or unexpected withdrawal of deposits or shortage of funds in the banking systems or money markets in which we operate, we will be able to maintain our current levels of funding without incurring higher funding costs or having to liquidate certain of our assets. In addition, if public sources of liquidity, such as the ECB extraordinary measures adopted in response to the financial crisis since 2008, are removed from the market, we cannot assure you that we will be able to continue funding our business or, if so, maintain our current levels of funding without incurring higher funding costs or having to liquidate certain of our assets.

We face increasing competition in our business lines.

The markets in which we operate are highly competitive. Financial sector reforms in the markets in which we operate have increased competition among both local and foreign financial institutions, and we believe that this trend will continue. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which we must now compete, some of which have recently received public capital.

We also face competition from non-bank competitors, such as:

- department stores (for some credit products);
- automotive finance corporations;
- leasing companies;
- factoring companies;

- mutual funds;
- pension funds;
- insurance companies; and
- public debt (as a result of the high yields which are being currently offered as a consequence of the sovereign debt crisis).

We cannot assure you that this competition will not adversely affect our business, financial condition, cash flows and results of operations.

Our business is particularly vulnerable to volatility in interest rates.

Our results of operations are substantially dependent upon the level of our net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Interest rates are highly sensitive to many factors beyond our control, including deregulation of the financial sectors in the markets in which we operate, monetary policies pursued by the EU and national governments, domestic and international economic and political conditions and other factors. In Spain, competition distortions in the term deposits market have intensified, and this situation is expected to continue due to the liquidity needs of certain financial institutions, which are offering high interest rates to attract additional deposits, despite the fact that these institutions will have to increase their contribution to the Deposit Guarantee Fund for this kind of highly remunerated deposits.

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby negatively affect our results of operations. For example, an increase in interest rates could cause our interest expense on deposits to increase more significantly and quickly than our interest income from loans, resulting in a reduction in our net interest income.

Since approximately 69% of our loan portfolio as of December 31, 2011 consisted of variable interest rate loans maturing in more than one year, our business is particularly vulnerable to volatility in interest rates.

We have a substantial amount of commitments with personnel considered wholly unfunded due to the absence of qualifying plan assets.

Our commitments with personnel which are considered to be wholly unfunded are recognized under the heading “Provisions—Funds for Pensions and Similar Obligations” in the accompanying consolidated balance sheets. These amounts include “Post-employment benefits”, “Early Retirements” and “Post-employment welfare benefits”, which amounted to €2,429 million, €2,904 million and €244 million, respectively, as of December 31, 2011, €2,497 million, €3,106 million and €377 million, respectively, as of December 31, 2010 and, €2,536 million, €3,309 million and €401 million, respectively, as of December 31, 2009. These amounts are considered wholly unfunded due to the absence of qualifying plan assets.

We face liquidity risk in connection with our ability to make payments on these unfunded amounts which we seek to mitigate, with respect to “Post-employment benefits”, by maintaining insurance contracts which were contracted with insurance companies owned by the Group. The insurance companies have recorded in their balance sheets specific assets (fixed interest deposit and bonds) assigned to the funding of these commitments. The insurance companies also manage derivatives (primarily swaps) to mitigate the interest rate risk in connection with the payments of these commitments. We seek to mitigate liquidity risk with respect to “Early Retirements” and “Post-employment welfare benefits" through oversight by the Assets and Liabilities Committee ("**ALCO**") of the Group. The Group's ALCO manages a specific asset portfolio to mitigate the liquidity risk regarding the payments of these commitments. These assets are government and cover bonds (AAA/AA rated) which are issued at fixed interest rates with maturities matching the aforementioned commitments. The Group's ALCO also manages derivatives (primarily swaps) to mitigate the interest rate risk in connection with the payments of these commitments. Should we fail to adequately manage liquidity risk and interest rate risk either as described above or otherwise, it could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Risks Relating to Spain and Europe

The deterioration of economic conditions in Spain and the European Union could have a material adverse effect on the financial system as a whole and, therefore, on our business, results of operations and financial condition.

We are a Spanish banking company and conduct substantial business activities in Spain. Like other banks operating in Spain and Europe, our performance and liquidity may be affected by economic conditions affecting Spain and other EU member states.

The evolution of the global economy is heavily dependent on the resolution of the European debt crisis, which outlook has worsened over the last few months of 2011. Four main factors lie behind this trend:

- First, lower than expected economic growth mainly, but not only, in developed economies. Economic activity in Europe is on a clear decelerating path. Certain countries in Europe, including Spain, have relatively large sovereign debt or fiscal deficits, or both, which has led to tensions in the international debt capital markets and interbank lending market and euro exchange rate volatility during 2011.
- Second, the sovereign debt crisis in Europe has intensified and turned more systemic. The Portuguese and Irish rescue programs and the uncertainty over the Greek rescue program have spread doubts about other peripheral economies such as Spain and Italy. Successive European summits since October 2011 and the ECB's intervention served to gain time, but further progress focused on the completion of the new EU fiscal treaty and strengthening the liquidity firewall and reforms in the periphery are still required.
- Third, the connection between EU sovereign concerns and concerns for the health of the European financial system has intensified, and financial tensions in Europe have reached levels, in many respects, higher than those present after the collapse of Lehman Brothers in October 2008. Financial stress in Europe has increased the cost of financing of governments and financial institutions which, in some cases, have lost access to international funding.
- Finally, growing risk aversion has increased financial market volatility significantly, spilling over to most risky assets and emerging economies for the first time since 2009.

Although some progress has been made since October 2011, we believe a definitive resolution to the European economic crisis requires more decisive action on three fronts. First, concerns surrounding Greece's solvency must continue to be resolved in an orderly fashion and as quickly as possible, such as pursuant to the recently completed debt exchange with private sector bondholders. In February 2012, the Eurogroup meeting agreed on a second bail-out for Greece amounting to €130 billion, but considerable uncertainties remain concerning the implementation of the bail-out package. At the same time, the mechanisms created to prevent contagion in countries that are solvent but faced with liquidity problems, must be increased and made more flexible to become more effective. Second, structural reforms that stimulate growth must be introduced, including reforms to make financial institutions stronger without triggering sudden deleveraging and restricting credit. And third, the governance agreements approved recently in the Eurozone must begin working so they can provide a clear roadmap to fiscal union, strengthen monetary union, prevent future crises and enhance the credibility of European institutions and countries.

The situation in Portugal is particularly challenging. The first review led by the troika and released in mid-August 2011 showed its satisfaction with the performance of the Portuguese economy, but highlighted rising concerns on Portugal's ability to meet its targets for 2012. This led to a sequence of announcements of additional saving measures to cover the impact of (i) the recognition of deficit and debt misreporting in the region of Madeira and (ii) a worse than expected cyclical behavior. Economic activity in Portugal contracted in 2011 (though less than anticipated) as stagnation in the second quarter of 2011 was followed by contraction in the second half of the year. The economy is set to remain in a deep recession in 2012, with a rebound predicted in 2013. The main drivers behind this outlook can be found in the strong fiscal adjustment to be undertaken in 2012 and in the difficult market and financial conditions that have led most of the economic indicators into negative territory. Confidence continues fading at all levels, reflected in weakening industrial and service sectors, as well as in decreasing investment. Consumption has taken a downturn, with no rebound on the horizon. As a result, Portuguese GDP is expected to fall by around 2.7% in 2012. As of December 31, 2011, our gross exposure to Portuguese customers amounted to €7.8 billion (around 1% of our total assets and 2% of the Group's outstanding loans).

Economic conditions remain uncertain in Spain, Portugal and the European Union and may deteriorate in the future, which could adversely affect the cost and availability of funding for Spanish and European banks, including BBVA, adversely affecting our loan portfolio or otherwise adversely affect our business, financial condition and results of operations.

Since our loan portfolio is highly concentrated in Spain, adverse changes affecting the Spanish economy could have a material adverse effect on our financial condition.

We have historically developed our lending business in Spain, which continues to be our main place of business. As of December 31, 2011, business activity in Spain accounted for 55% of our loan portfolio. See "Item 4. Information on the Company—Selected Statistical Information—ASSETS—Loans and Advances to Customers—Loans by Geographic Area."

After rapid economic growth until 2007, Spanish gross domestic product ("**GDP**") grew by 0.9% in 2008, contracted by 3.7% and 0.1% in 2009 and in 2010, respectively, and grew by 0.7% in 2011. Our Economic Research Department ("**BBVA Research**") estimates that the Spanish economy will show a negative growth rate in 2012. Forecasts point towards a 1.3% contraction of GDP in 2012 and a slow recovery in 2013. As a result of this contraction, it is expected that economic conditions and unemployment in Spain will continue to deteriorate in 2012.

In addition, GDP forecasts for the Spanish economy could be further revised downwards if measures adopted in response to the economic crisis are not as effective as expected or if public deficit figures force the government to implement additional restrictive measures. In addition to the tightening of fiscal policies in order to correct its economic imbalances, Spain has seen confidence erode, export growth fall, expectations of further fiscal adjustment in 2012 because of the failure to meet 2011 budget targets, weaker activity and, above all, a deterioration in employment in 2011.

The effects of the financial crisis have been particularly pronounced in Spain given Spain's heightened need for foreign financing as reflected by its high current account and public deficits. Real or perceived difficulties in making the payments associated with these deficits can further damage Spain's economic situation and increase the costs of financing its public deficit. The aforementioned may be exacerbated by the following:

- The Spanish economy is particularly sensitive to economic conditions in the rest of the Euro area, the primary market for Spanish goods and services exports.

- The domestic demand in 2011 was heavily impacted by fiscal policy both directly, through the progressive contraction on public sector demand (as a result, among other reasons, of tighter fiscal targets), and indirectly, through the impact of these reforms on the consumption and investment decisions of private agents.
- Although the new labor market reform is intended to slow the amount of jobs destroyed in 2012, unemployment is expected to remain above 20% during 2012 and 2013.
- In 2012, the continued deterioration of the labor market may trigger a decline in the wage component of a household’s gross disposable income. Furthermore, the increase of fiscal pressures due to the country’s effort to meet the public deficit targets set for 2012 will reduce the non-wage component of disposable income, despite the possible increase in the volume of unemployment benefits. Higher personal income taxes will also have a negative effect. Households’ nominal disposable income has remained constant in 2011 and is expected to fall by 1.5% in 2012.
- Net financial wealth is not expected to recover until 2013 as a result of the real estate sector adjustments and we expect these adjustments to continue for the coming years.
- Investment in residential real estate contracted by approximately 4.8% in 2011 and a further 6.5% contraction is expected in 2012. In addition, demand for real estate decreased in 2011, primarily as a result of the high unemployment rates and the rise in the personal income tax.

Our loan portfolio in Spain has been adversely affected by the deterioration of the Spanish economy in 2011, 2010 and 2009. In particular, a portion of our loan portfolio consists of residential mortgages and consumer loans to low- and lower middle-income customers and commercial loans to medium- and small-sized companies. As of December 31, 2011, loans to low- and lower middle-income customers and medium- and small-sized companies amounted to approximately 14% and 6%, respectively, of our total loans and receivables to customers in Spain. These groups may be more affected by periods of slowdown in economic activity and, consequently, we may experience higher levels of past due amounts with respect to such groups, which could result in higher levels of allowance for loan losses. Our total substandard loans to customers in Spain amounted to €11,043 million, €10,954 million and €10,973 million as of December 31, 2011, 2010 and 2009, respectively, principally due to the deterioration in the macroeconomic environment. Our total substandard loans to customers in Spain as a percentage of total loans and receivables to customers in Spain were 5.5%, 5.2% and 5.4% as of December 31, 2011, 2010 and 2009, respectively. Our loan loss reserves to customers in Spain as a percentage of substandard loans to customers is Spain as of December 31, 2011, 2010 and 2009 were 43%, 45% and 44%, respectively.

Given the concentration of our loan portfolio in Spain, any adverse changes affecting the Spanish economy are likely to have a significant adverse impact on our loan portfolio and, as a result, on our financial condition, results of operations and cash flows.

Exposure to the Spanish real estate market makes us vulnerable to developments in this market.

In the years prior to 2008, economic growth, strong labor markets and low interest rates in Spain caused an increase in the demand for housing, which resulted in an increase in demand for mortgage loans. This increased demand and the widespread availability of mortgage loans affected housing prices, which rose significantly. After this buoyant period, demand began to adjust in mid-2006. Since the last quarter of 2008, the supply of new homes has been adjusting sharply downward in the residential market in Spain, but a significant excess of unsold homes still exists in the market. Residential real estate mortgages to individuals represented 21.9%, and 23.1% of our domestic loan portfolio as of December 31, 2011 and 2010, respectively.

We expect housing demand to remain weak and housing transactions to continue decreasing in 2012, even though some measures adopted on December 30, 2011, such as the renewal of government tax breaks for home purchases and super-reduced value added tax rate applicable to real estate transactions should positively influence the demand. Loans for the development of real estate and housing construction in Spain amounted €14,158 million as of December 31, 2011, and represented 7% of our gross domestic lending as of December 31, 2011, which is below the average in the Spanish financial sector according to the Bank of Spain. Our non-performing real estate loans represented 26.4% of our real estate portfolio as of such date.

Highly-indebted households and corporations could endanger our asset quality and future revenues.

Spanish households and businesses have reached, in recent years, a high level of indebtedness, which represents increased risk for the Spanish banking system. In addition, the high proportion of loans referenced to variable interest rates (approximately 69% of our loan portfolio as of December 31, 2011) makes debt service on such loans more vulnerable to changes in interest rates than in the past. Highly indebted households and businesses are less likely to be able to service debt obligations as a result of adverse economic events, which could have an adverse effect on our loan portfolio and, as a result, on our financial condition and results of operations. Moreover, the increase in households' and businesses' indebtedness also limits their ability to incur additional debt, decreasing the number of new products we may otherwise be able to sell them and limiting our ability to attract new customers in Spain satisfying our credit standards, which could have an adverse effect on our ability to achieve our growth plans.

Risks Relating to Latin America

Events in Mexico could adversely affect our operations.

We are substantially dependant on our Mexican operations, with approximately €1,741 million, €1,707 million and €1,357 million of the net income attributed to parent company in 2011, 2010 and 2009, respectively, being generated in Mexico (58%, 37% and 32% of our net income attributed to parent company in 2011, 2010 and 2009, respectively). We face several types of risks in Mexico which could adversely affect our banking operations in Mexico or the Group as a whole. Given the internationalization of the financial crisis, the Mexican economy has felt the effects of the global financial crisis and the adjustment process that was underway. This process has intensified since the end of the first quarter of 2011, as a result of the European sovereign crisis. In addition, there are downward risks in Mexico due to a possible lower demand from the U.S., where growth perspectives for 2012 are clearly downward. While analysts' consensus points to 2012 seeing Mexican GDP growth of around 3.1% (3.3% according to BBVA Research), it is possible that in a more unfavorable environment for the global economy, and particularly in Europe or the United States or otherwise, growth in Mexico will be negative in 2012.

As of December 31, 2011, 2010 and 2009, our mortgage loan portfolio delinquency rates in Mexico were 4.1%, 3.3% and 4.4%, respectively, and our consumer loan portfolio delinquency rates were 2.5%, 2.9% and 4.0%, respectively. If there is a an increase in unemployment rates, which could arise if there is a more pronounced or prolonged slowdown in Europe or the United States, it is likely that such rates will further increase.

In addition, any tightening of the monetary policy, including to address upward inflationary pressures, could make it more difficult for customers of our mortgage and consumer loan products in Mexico to service their debts, which could have a material adverse effect on the business, financial condition, cash flows and results of operations of our Mexican subsidiary or the Group as a whole. Furthermore, price regulation, and competition could squeeze the profitability of our Mexican subsidiary. If this were to occur, the market share of our Mexican subsidiary could decrease given its risk management standards. The depreciation of the Mexican peso could also adversely affect the contribution of our Mexican subsidiary to the BBVA Group. Finally, political instability or social unrest could weigh on the economic outlook, which could increase economic uncertainty and capital outflows. Additionally, if the approval of certain structural reforms is delayed, this could make it more difficult to reach potential growth rates in the Mexican economy.

Any of these risks or other adverse developments in laws, regulations, public policies or otherwise in Mexico may adversely affect the business, financial condition, operating results and cash flows of our Mexican subsidiary or the Group as a whole.

Our Latin American subsidiaries' growth, asset quality and profitability may be affected by volatile macroeconomic conditions, including significant inflation and government default on public debt, in the Latin American countries where they operate.

The Latin American countries in which we operate have experienced significant economic volatility in recent decades, characterized by recessions, foreign exchange crises and significant inflation. This volatility has resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which we lend. Negative and fluctuating economic conditions, such as a changing interest rate environment, also affect our profitability by causing lending margins to decrease and leading to decreased demand for higher-margin products and services. In addition, significant inflation can negatively affect our results of operations as was the case in the year ended December 31, 2009, when as a result of the characterization of Venezuela as a hyperinflationary economy, we recorded a €90 million decrease in our net income attributed to parent company.

In addition, as a result of the more challenging global environment and the danger of recession in developed countries, the monetary authorities of certain Latin American countries are holding back the withdrawal of monetary stimuli longer than expected. Possible overheating is leaving economies more vulnerable to an adverse external shock because the growing gap between domestic demand and GDP is making them more dependent on the maintenance of high terms of trade. Inflation has been higher than expected, particularly in Chile and Peru. This has limited consumer purchasing power despite major increases in employment and wages.

Negative and fluctuating economic conditions in some Latin American countries could result in government defaults on public debt. This could affect us in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is generally high in several Latin American countries in which we operate.

While we seek to mitigate these risks through what we believe to be conservative risk policies, no assurance can be given that our Latin American subsidiaries' growth, asset quality and profitability will not be further affected by volatile macroeconomic conditions in the Latin American countries in which we operate.

Latin American economies can be directly and negatively affected by adverse developments in other countries.

Financial and securities markets in Latin American countries in which we operate are, to varying degrees, influenced by economic and market conditions in other countries in Latin America and beyond. Negative developments in the economy or securities markets in one country, particularly in the U.S. or in Europe under current circumstances, may have a negative impact on other emerging market economies. These developments may adversely affect the business, financial condition, operating results and cash flows of our subsidiaries in Latin America. These economies are also vulnerable to conditions in global financial markets and especially to commodities price fluctuations and these vulnerabilities usually reflect adversely in financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. For example, at the beginning of the financial crisis these economies were hit by a simultaneous drop in commodity export prices, a collapse in demand for non-commodity exports and a sudden halting of foreign bank loans. Even though most of these countries withstood the triple shock rather well, with limited damage to their financial sectors, we have seen non-performing loan ratios rise as well as contraction in bank deposits and loans. As a global economic recovery remains fragile, there are risks of a relapse. If the global financial crisis continues and, in particular, if the effects on the Chinese and U.S. economies intensify the business, financial condition, operating results and cash flows of our subsidiaries in Latin America are likely to be materially adversely affected.

We are exposed to foreign exchange and, in some instances, political risks as well as other risks in the Latin American countries in which we operate, which could cause an adverse impact on our business, financial condition, results of operations.

We operate commercial banks and insurance and private pension companies in various Latin American countries and our overall success as a global business depends, in part, upon our ability to succeed in differing economic, social and political conditions. We are confronted with different legal and regulatory requirements in many of the jurisdictions in which we operate. These include, but are not limited to, different tax regimes and laws relating to the repatriation of funds or nationalization or expropriation of assets. Our international operations may also expose us to risks and challenges which our local competitors may not be required to face, such as exchange rate risk, difficulty in managing a local entity from abroad, and political risk which may be particular to foreign investors. In addition, there has been an increase in global risk aversion at the start of the last quarter of 2011, as reflected by the pressure on certain currencies and higher levels of perceived uncertainty. This has been particularly the case with Argentina, where the depreciation of the Brazilian real increased pressure on the Argentinean peso, leading to liquidity problems and controls in the foreign-exchange market.

Our presence in Latin American markets also requires us to respond to rapid changes in market conditions in these countries. We cannot assure you that we will continue to succeed in developing and implementing policies and strategies that are effective in each country in which we operate or that any of the foregoing factors will not have a material adverse effect on our business, financial condition and results of operations.

Regulatory changes in Latin America that are beyond our control may have a material effect on our business, financial condition, results of operations and cash flows.

A number of banking regulations designed to maintain the safety and soundness of banks and limit their exposure to risk are applicable in certain Latin American countries in which we operate. Local regulations differ in a number of material respects from equivalent regulations in Spain and the United States.

Changes in regulations that are beyond our control may have a material effect on our business and operations, particularly in Venezuela and Argentina. In addition, since some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that laws or regulations will be enforced or interpreted in a manner that will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

Private pension management companies are heavily regulated and are exposed to major risks concerning changes in those regulations in areas such as reserve requirements, fees and competitive conditions.

Risks Relating to the United States

Our continued expansion in the United States increases our exposure to the U.S. market.

Our expansion in the United States makes us more vulnerable to developments in this market, particularly the real estate market. During the summer of 2007, the difficulties experienced by the subprime mortgage market triggered a real estate and financial crisis, which has had significant effects on the real economy and which has resulted in significant volatility and uncertainty in markets and economies around the world. As we have acquired entities or assets in the United States, particularly BBVA Compass and certain deposits and liabilities of Guaranty Bank (“**Guaranty**”), our exposure to the U.S. market has increased. The recent economic growth estimates for the U.S., showing that economic recovery is slower than expected, and growing regulatory pressure in the U.S. financial sector resulted in a write down of goodwill related to our acquisition of BBVA Compass in the aggregate amount of €1,444 million as of December 31, 2011. See Note 20 to our Consolidated Financial Statements. Similar or worsening economic conditions in the United States could have a material adverse effect on the business, financial condition, results of operations and cash flows of our subsidiary BBVA Compass, or the Group as a whole, and could require us to provide BBVA Compass with additional capital.

Risks Relating to Other Countries

Our strategic growth in Asia exposes us to increased regulatory, economic and geopolitical risk relating to emerging markets in the region, particularly in China.

Pursuant to certain transactions completed in the past few years (see Note 17 to our Consolidated Financial Statements), we increased our ownership interest in members of the CITIC Group, a Chinese banking group, by increasing our stake in CITIC International Financial Holdings Ltd (“**CIFH**”) to 29.7% and China National Citic Bank (“**CNCB**”) to 10.07% as of December 31, 2010. CIFH is a banking entity headquartered in Hong Kong and CNCB is a banking entity headquartered in China

As a result of our expansion into Asia, we are exposed to increased risks relating to emerging markets in the region, particularly in China. The Chinese government has exercised, and continues to exercise, significant influence over the Chinese economy. Chinese governmental actions, including changes in laws or regulations or in the interpretation of existing laws or regulations, concerning the economy and state-owned enterprises, or otherwise affecting our activity, could have a significant effect on Chinese private sector entities in general, and on CIFH or CNCB in particular. Chinese authorities have implemented a series of monetary tightening and macro prudential policies to slow credit growth and to contain rises in real estate prices. These could undermine profitability in the banking sector generally and CIFH’s and CNCB’s respective profitability in particular. Our business in China may also be affected by the increased credit quality risks resulting from the recent increase in local government debt and financial stresses in smaller companies as their access to various forms of non-bank credit is tightened.

In addition, while we believe long term prospects in both China and Hong Kong are positive, particularly for the consumer finance market, near term risks are present from the impact of a slowdown in global growth, which could result in tighter financing conditions and could pose risks to credit quality. China's GDP growth has moderated following efforts to avert overheating and steer the economy towards a soft landing. While domestic demand and production remain strong, there is an increased probability of a hard landing as a result of the uncertainties concerning the global environment, exacerbated by a rise in domestic financial fragilities.

Any of these developments could have a material adverse effect on our investments in China and Hong Kong or the business, financial condition, results of operations and cash flows of the Group.

Since Garanti operates primarily in Turkey, economic and other developments in Turkey may have a material adverse effect on Garanti's business, financial condition and results of operations and the value of our investment in Garanti.

In 2011, we acquired a 25.01% interest in Türkiye Garanti Bankasi A.Ş. ("**Garanti**"). Most of Garanti's operations are conducted, and most of its customers are located, in Turkey. Accordingly, Garanti's ability to recover on loans, its liquidity and financial condition and its results of operations are substantially dependent upon the political, economic, financial and geopolitical conditions prevailing in or that otherwise affect Turkey. If the Turkish economy is adversely affected by, among other factors, a reduction in the level of economic activity, continuing inflationary pressures, devaluation or depreciation of the Turkish Lira, a natural disaster or an increase in domestic interest rates, then a greater portion of Garanti's customers may not be able to repay loans when due or meet their other debt service requirements to Garanti, which would increase Garanti's past due loan portfolio and could materially reduce its net income and capital levels. After growing by approximately 8.5% in 2011, the Turkish economy is expected to grow by 1.9% in 2012. In addition, inflation is expected to further increase by 9.1% in 2012. Moreover, the current account deficit has widened during 2011, raising concerns about Turkey's vulnerability to a sudden stop of capital flows.

Furthermore, political uncertainty or instability within Turkey and in some of its neighboring countries has historically been one of the potential risks associated with investments in Turkish companies. Despite Turkey's increased political and economic stability in recent years and the implementation of institutional reforms to conform to international standards, Turkey is an emerging market and it is subject to greater risks than more developed markets. Financial turmoil in any emerging market could negatively affect other emerging markets, including Turkey, or the global economy in general. Moreover, financial turmoil in emerging markets tends to adversely affect stock prices and debt securities prices of other emerging markets as investors move their money to more stable and developed markets, and may reduce liquidity to companies located in the affected markets. An increase in the perceived risks associated with investing in emerging economies in general, or Turkey in particular, could dampen capital flows to Turkey and adversely affect the Turkish economy. In addition, a further deterioration in the EU accession process may negatively affect Turkey. Any of these risks could have a material adverse effect on Garanti's business, financial condition and results of operations and the value of our investment in Garanti.

Foreign exchange, political and other risks relating to Turkey could cause an adverse effect on Garanti's business, financial condition and results of operations and the value of our investment in Garanti.

As a result of the consummation of the Garanti acquisition, we will be exposed to foreign exchange, political and other risks relating to Turkey. For example, currency restrictions and other restraints on transfer of funds may be imposed by the Turkish government, Turkish government regulation or administrative polices may change unexpectedly or otherwise negatively affect Garanti, the Turkish government may increase its participation in the economy, including through expropriations or nationalizations of assets, or the Turkish government may impose burdensome taxes or tariffs. The occurrence of any or all of the above risks could have a material adverse effect on Garanti's business, financial condition and results of operations and the value of our investment in Garanti.

In addition, a significant majority of Garanti's total securities portfolio is invested in securities issued by the Turkish government. In addition to any direct losses that Garanti might incur, a default, or the perception of increased risk of default, by the Turkish government in making payments on its securities or the possible downgrade in Turkey's credit rating would likely have a significant negative impact on the value of the government securities held in Garanti's securities portfolio and the Turkish banking system generally and make such government securities difficult to sell, and may have a material adverse effect on Garanti's business, financial condition and results of operations and the value of our investment in Garanti.

We have entered into a shareholders' agreement with Doğuş Holding A.Ş. in connection with the Garanti acquisition.

We have entered into a shareholders' agreement with Doğuş Holding A.Ş. ("**Doğuş**") in connection with the Garanti acquisition. Pursuant to the shareholders' agreement, we and Doğuş have agreed to manage Garanti through the appointment of board members and senior management. Doğuş is one of the largest Turkish conglomerates and has business interests in the financial services, construction, tourism and automotive sectors. Any financial reversal, negative publicity or other adverse circumstance relating to Doğuş could adversely affect Garanti or BBVA. Furthermore, we must successfully cooperate with Doğuş in order to manage Garanti and grow its business. It is possible that we and Doğuş will be unable to agree on the management or operational strategies to be followed by Garanti, which could adversely affect Garanti's business, financial condition and results of operations and the value of our investment and lead to our failure to achieve the expected benefits from the Garanti acquisition.

Other Risks

Our financial statements and periodic disclosure under securities laws may not give you the same information as financial statements prepared under U.S. accounting rules and periodic disclosures provided by domestic U.S. issuers.

Publicly available information about public companies in Spain is generally less detailed and not as frequently updated as the information that is regularly published by or about listed companies in the United States. In addition, although we are subject to the periodic reporting requirements of the United States Securities Exchange Act of 1934 (the "**Exchange Act**"), the periodic disclosure required of foreign private issuers under the Exchange Act is more limited than the periodic disclosure required of U.S. issuers. Finally, we maintain our financial accounts and records and prepare our financial statements in conformity EU-IFRS required to be applied under the Bank of Spain's Circular 4/2004 and in compliance with IFRS-IASB, which differs in certain respects from U.S. GAAP, the financial reporting standard to which many investors in the United States may be more accustomed.

The Public Company Accounting Oversight Board (PCAOB) is currently unable to conduct inspections of our independent registered public accounting firm's audits and quality controls.

Our independent registered public accounting firm, Deloitte, S.L., is registered with the PCAOB.

Deloitte, S.L. is required by U.S. law to undergo regular PCAOB inspections to assess its compliance with U.S. law and professional standards in connection with its audits of financial