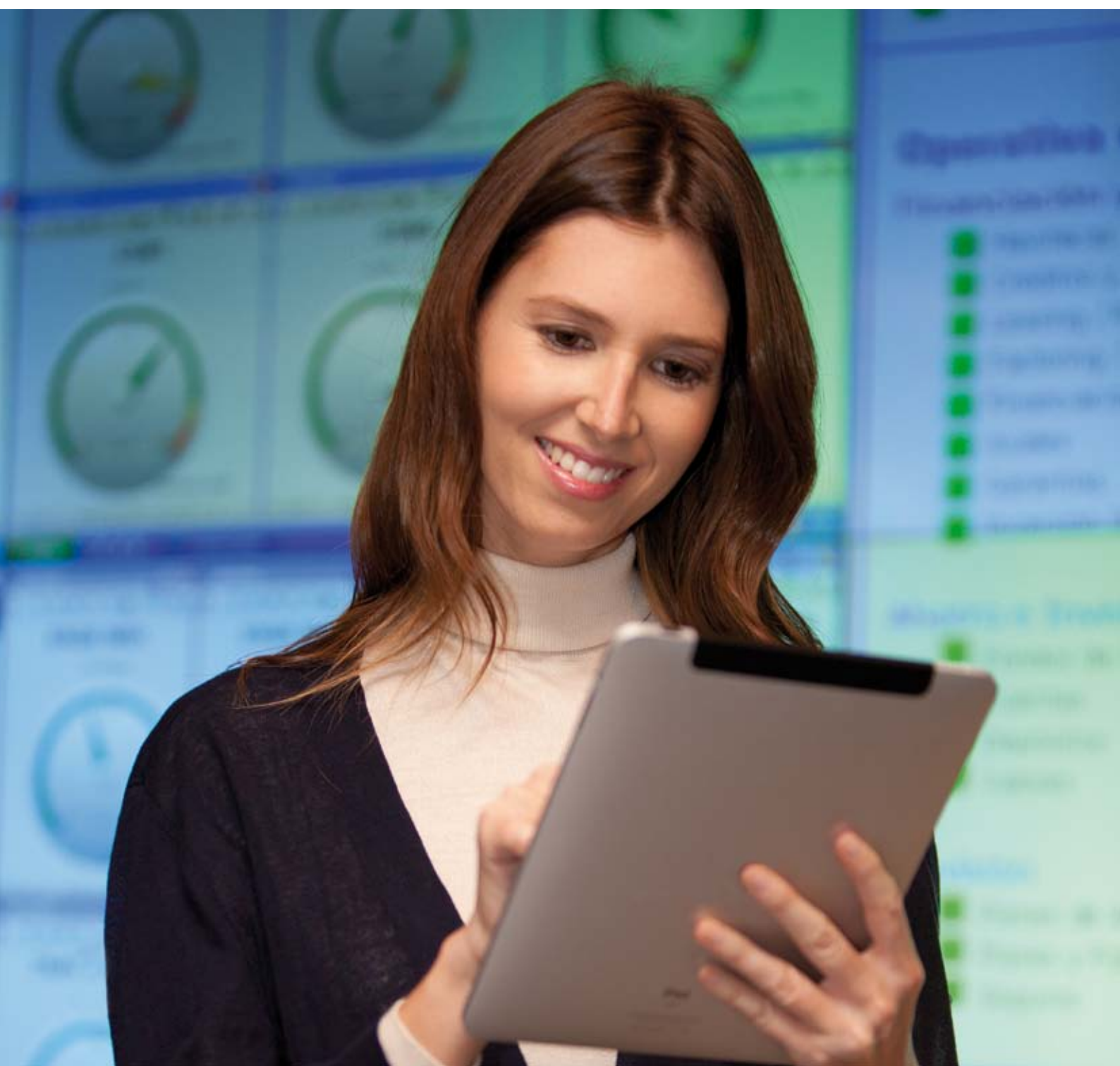


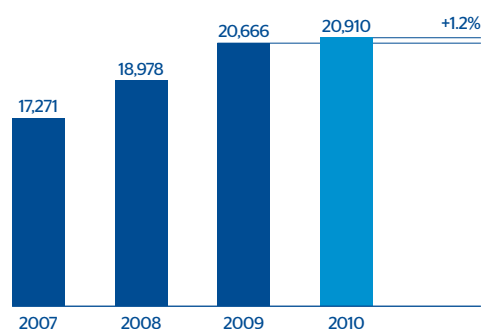
Financial Report 2010



BBVA Group Highlights

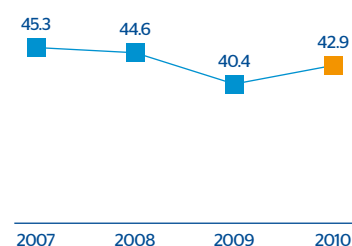
Gross income

(Million euros)



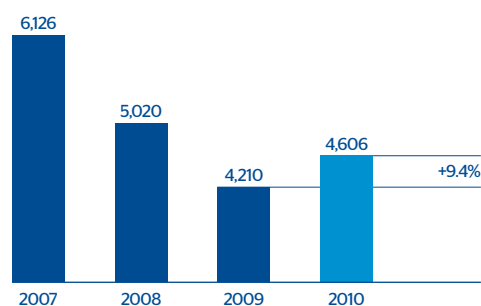
Efficiency ratio

(Percentage)



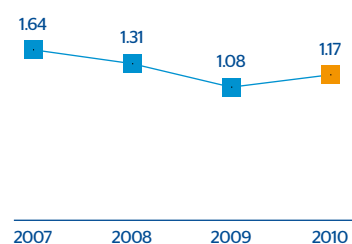
Net attributable profit

(Million euros)



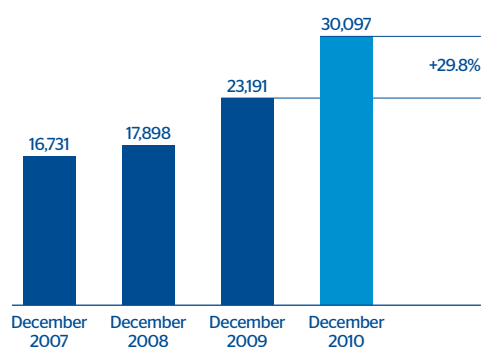
Earnings per share

(Euros)



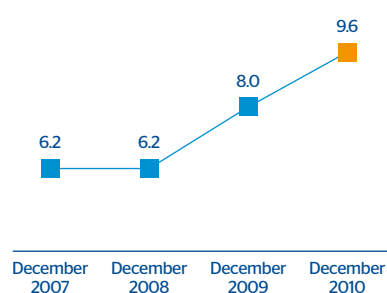
Core capital

(Million euros)



Core capital ratio

(Percentage)



BBVA Group Highlights

(Consolidated figures)

	31-12-10	Δ%	31-12-09	31-12-08
Balance sheet (million euros)				
Total assets	552,738	3.3	535,065	542,650
Total lending (gross)	348,253	4.8	332,162	342,682
Customer funds on balance sheet	378,388	1.7	371,999	376,380
Other customer funds	147,572	76	137,105	119,034
Total customer funds	525,960	3.3	509,104	495,414
Total equity	37,475	21.8	30,763	26,705
Stockholders' funds	36,689	25.0	29,362	26,586
Income statement (million euros)				
Net interest income	13,320	(4.0)	13,882	11,686
Gross income	20,910	1.2	20,666	18,978
Operating income	11,942	(3.0)	12,308	10,523
Income before tax	6,422	12.0	5,736	6,926
Net attributable profit	4,606	9.4	4,210	5,020
Net attributable profit excluding one-offs ⁽¹⁾	4,606	(12.4)	5,260	5,414
Data per share and share performance ratios				
Share price (euros)	7.56	(40.6)	12.73	8.66
Market capitalization (million euros)	33,951	(28.8)	47,712	32,457
Net attributable profit per share (euros) ⁽²⁾	1.17	8.3	1.08	1.31
Net attributable profit per share excluding one-offs (euros) ^(1,2)	1.17	(13.3)	1.35	1.41
Dividend per share (euros) ⁽³⁾	0.42	-	0.42	0.63
Book value per share (euros)	8.17	4.3	7.83	7.09
Tangible book value per share (euros) ⁽⁴⁾	6.27	6.3	5.90	4.99
P/BV (Price/book value; times)	0.9		1.6	1.2
Price/tangible book value (times) ⁽⁴⁾	1.2		2.2	1.7
PER (Price/Earnings; times)	7.4		11.3	6.5
Yield (Dividend/Price; %) ⁽³⁾	5.6		3.3	7.3
Significant ratios (%)				
ROE (Net attributable profit/Average equity)	15.8		16.0	21.5
ROE excluding one-offs ⁽¹⁾	15.8		20.0	23.2
ROA (Net income/Average total assets)	0.89		0.85	1.04
ROA excluding one-offs ⁽¹⁾	0.89		1.04	1.12
RORWA (Net income/Average risk-weighted assets)	1.64		1.56	1.94
RORWA excluding one-offs ⁽¹⁾	1.64		1.92	2.08
Efficiency ratio	42.9		40.4	44.6
Risk premium	1.33		1.54	0.83
NPA ratio	4.1		4.3	2.3
NPA coverage ratio	62		57	92
Capital adequacy ratios (%)				
BIS Ratio	13.7		13.6	12.2
Core capital	9.6		8.0	6.2
Tier I	10.5		9.4	7.9
Other information				
Number of shares (millions)	4,491		3,748	3,748
Number of shareholders	952,618		884,373	903,897
Number of employees	106,976		103,721	108,972
Number of branches	7,361		7,466	7,787
Number of ATMs	16,995		15,716	14,888

General note: 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) In the third quarter, both for 2009 and 2010, includes capital gains from the sale-and-leaseback of retail branches which have been allocated to generic provisions for NPA, with no effect on net attributable profit. And in the fourth quarter of 2009, there was an extraordinary provision and a charge for goodwill impairment in the United States. In 2008, capital gains from Bradesco in the first quarter, provisions for non-recurrent early retirements in the second and fourth quarters and provision for the loss originated by the Madoff fraud in the fourth quarter.

(2) Earnings per share for periods prior to the share capital increase have been adjusted to the said capital increase as per IAS 33.

(3) The dividend corresponding to 2008 includes €0.501 in cash and €0.129 in payment-in-kind (delivery of shares valued at April 17th, 2009 closing price).

(4) Net of goodwill.

“In this complex environment,
BBVA’s results have been
excellent. As a result,
we are once more one of the best
performing banks in the world.”

Francisco González, Chairman and CEO

Contents

2 Executive summary

Letter from the Chairman	4
BBVA in 2010	8
2011: The economic background and BBVA positioning	14
The team	34
The BBVA brand	39
Corporate responsibility	42

44 Group financial information

Earnings.....	46
Balance sheet and business activity	56
Capital base.....	63
The BBVA share	66

70 Risk management

Global Risk Management: BBVA Group's risk management function	72
Integration of risks and overall risk profile	73
Credit risk	75
Structural risks.....	90
Risks in market areas	94
Operational risk	98
Risk management in non-banking activities	101
Management of ESG risks.....	103

106 Business areas

Spain and Portugal	110
Mexico	122
South America	130
The United States	142
Wholesale Banking & Asset Management	148
Corporate Activities	159

162 Corporate responsibility

178 Corporate Governance System

196 Supplementary information



4	Letter from the Chairman
8	BBVA in 2010
14	2011: The economic background and BBVA positioning
34	The team
39	The BBVA brand
42	Corporate responsibility

Executive summary

“The Liga BBVA HD application for iPad has made him see the technological invasion in a new light”

Marina loves technology, but Pablo, her father, is not entirely convinced by it. He still can not get the hang of smartphones, ultra-light notebooks and touchscreens. But the Liga BBVA HD application for iPad has made him see the “technological invasion” in a new light. Now on Sundays when there is a match they have to draw lots for who will use the iPad.

Letter from the Chairman

“The year 2010 has been a good year for BBVA, with a new boost to our competitive positioning with respect to the future”

Dear Shareholder:

The year 2010 has been an uneven year from the macroeconomic point of view, as not all regions have performed similarly. The GDP of the G7 countries increased by 2.8%, with Japan growing by 3.9%, the United States by 2.9%, and Germany by 3.5%. Meanwhile, economic growth in emerging countries has been very strong, at an aggregate of 8%.

For organizations with a balanced global competitive position such as BBVA, the macroeconomic environment in 2010 was complex but, overall, favorable. However, as I anticipated last year, 2010 was once again a difficult year for our sector, marked by the rescues of Greece and Ireland amid a climate of uncertainty in the financial markets. Our industry has continued to face new regulations, significant changes in the financial markets and pressure on profits.

In this complex environment, BBVA's results have been excellent. As a result, we are, again, one of the best-performing banks in the world.

BBVA's net attributable profit in 2010 was up 9.4% to €4,606m, thanks to the solid management

of the Group's revenues and costs. The diversification of our business model has allowed us to offset the effects of this difficult situation and increase our gross income by 1.2% to nearly €21,000m, once again an all-time high for BBVA. Regarding costs, we have continued to invest in people and technology in the fastest-growing markets. In doing so, we have again anticipated the next phase of the cycle, and our costs have risen by 7.3%. We have been able to make this investment in the future while maintaining our leading position in the industry, with an efficiency ratio of 42.9%, a return on equity (ROE) of 15.8% and a return on assets (ROA) of 0.89%.

In 2010 we also improved the main indicators of asset quality on our balance sheet. The NPA ratio fell to 4.1%, the coverage ratio increased to 62%, new net additions to NPA fell by 61% and the balance of NPA has stabilized. This again sets BBVA apart from the rest and demonstrates the soundness of the anticipatory measures we took in the fourth quarter of 2009.

At the same time, we have improved our solvency. Following the share capital increase in November, we closed the year with a core capital of 9.6%, which we estimate will be



“These results demonstrate BBVA’s management capacity and solid business model”

around 8.6% once the investment in Garanti is completed. BBVA continues to be one of the soundest financial institutions in the world, one of only four major financial institutions at a global level that maintain an AA rating.

These results demonstrate BBVA’s management capacity and solid business model. Our model is resilient to the environment, diversified, focused on recurrent business and characterized by prudent management, the capacity to anticipate and long-term vision. These factors have enabled us to maintain our commitment to our shareholders, and accordingly the Board of Directors will propose to the Annual General Meeting a total remuneration of €0.42 per share. This year, in response to many of your requests, you will now be able to be paid the April and October dividends in shares.

In 2010 we have also taken major steps towards future growth. Our entry into Turkey, with the acquisition of 24.9% of Garanti, is a very important operation. Garanti is an excellent franchise, with a magnificent management team and an innovative approach to the banking business that is very similar to that of BBVA. It offers services to nearly 10 million customers through a commercial network of 863 branches and over 3,000 ATMs. The transaction includes a shareholder agreement with the Turkish business group Dogus to manage Garanti jointly. It also includes an option for BBVA to appoint the majority of the members on Garanti’s Board of Directors in the future.

In Asia, we have increased our holding in China Citic Bank to 15%, and we are continuing to develop joint projects in the private banking and car finance segments. In addition, we have taken an important first step in India by creating

a joint company in the credit card business with the Bank of Baroda, an Indian bank with more than 36 million customers and 3,000 branches.

In South America, we have strengthened our franchise in Uruguay with the acquisition of Crédito Uruguay, making us the second largest bank in the country.

To conclude, 2010 has been a good year for BBVA, with our results resisting the strain, improving solvency and the main risk indicators. We have also given a new boost to our competitive positioning with respect to the years to come. This future is one in which technological changes and the growing importance of emerging countries will play a very significant role. Technology is transforming the financial industry. We at BBVA we are adapting our business models and investing strongly in technology, in projects designed to change the Bank. In 2010 we made very significant progress in our new technological platform in Spain and have begun its development in the United States and in our Wholesale Banking & Asset Management division. We have the vision and we are continuing to invest in it.

In addition, BBVA has continued to position itself in high-growth countries. In 2010 we identified a group of countries dubbed EAGLE (Emerging and Growth Leading Economies), whose contribution to global growth over the next decade we estimate to be far above those in the G7. We already have a significant presence in two of them, Mexico and China, and with our investment in Garanti, we will also be in Turkey, a European EAGLE.

In 2010 we have also strengthened our community involvement by working towards a

“For the first time, the information on corporate responsibility has been fully integrated into the Financial Report. In this way, we have anticipated the most innovative trends at the global level”

better future for people. We have made progress to integrate corporate responsibility across the Group's whole value chain. At the same time, we have reaffirmed our commitment to the United Nations Global Compact, in particular to the Millennium Development Goals. For the first time, the information on corporate responsibility has been fully integrated into the Financial Report. In this way, we have anticipated the most innovative trends at the global level promoted by the Global Reporting Initiative.

In the field of financial inclusion, the BBVA Microfinance Foundation is already present in Colombia, Peru, Argentina, Chile, Costa Rica and Puerto Rico. It provides microcredits for an average of €700 to more than 620,000 people in Latin America, nearly 25% more than the previous year.

In terms of financial literacy, the second core element of our corporate responsibility policy, we have already reached a million beneficiaries through programs in Spain, Latin America and

the United States. Finally, in 2010 we joined forces with the Organization of Ibero-American States to form the largest alliance between a private entity and an international institution to promote education in Ibero-America. This alliance is part of the Educational Goals for 2021 project, which will benefit more than eight million people by 2021.

The year 2011 will also be a difficult one. At BBVA we are clear about the path we have to take. We have a great team of people: nearly one hundred and seven thousand professionals around the world who make up the BBVA team. Thanks to their efforts, enthusiasm and dedication we have emerged from this year with strength and we will do so again in 2011.

I would like to end by thanking you all, our shareholders for your continued support for BBVA. I can assure you that this Group will work hard with the objective of becoming a better bank every day, continuing to deserve your trust and maintaining our progress in constructing the best universal bank in the world.

“The year 2011 will also be a difficult one. At BBVA we are clear about the path to take. We have a great team of people, so we will once more emerge from this year with strength”



March 1, 2011
Francisco González Rodríguez

2010: a good year for

Earnings strength:

4,606
million euros
(+9.4%)

1. Income diversification: balanced business portfolio with potential

2. Costs, anticipation for new growth cycle...

3. ...Investing in people and technology...

4. ...And anticipation in loss provisioning.

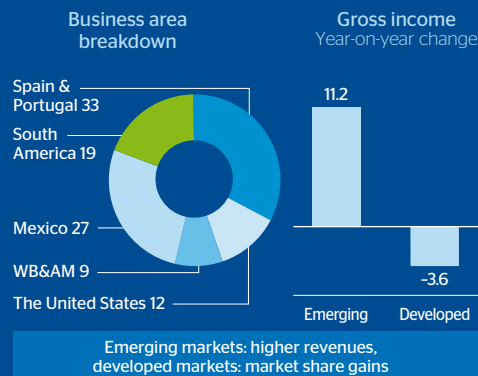
Good performance in risk:

-19
basis points in NPA ratio
-61%
net additions to NPA

5. Balance of NPAs stabilizes...

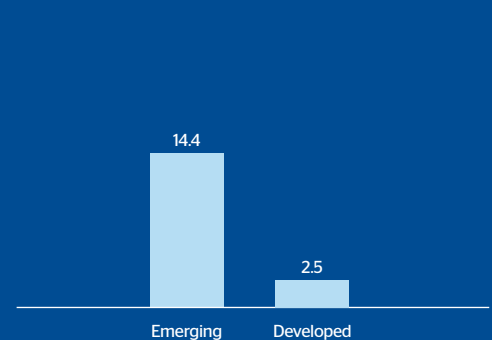
6 and 7. ...And all risk indicators are improving.

1. Gross income breakdown and evolution⁽¹⁾ (Percentage)



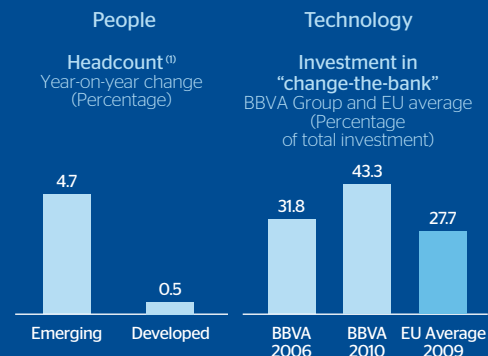
(1) Ex Corporate Activities.

2. Costs breakdown. Year-on-year change⁽¹⁾ (Percentage)



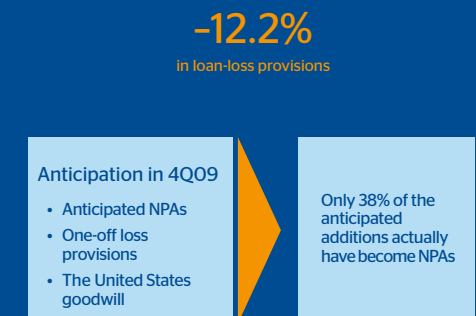
(1) Ex Corporate Activities.

3. Wider distribution network in expanding franchises

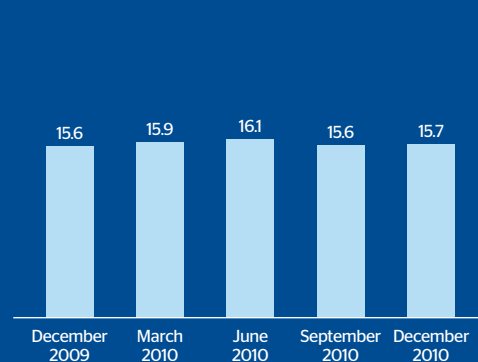


(1) Ex Corporate Activities.

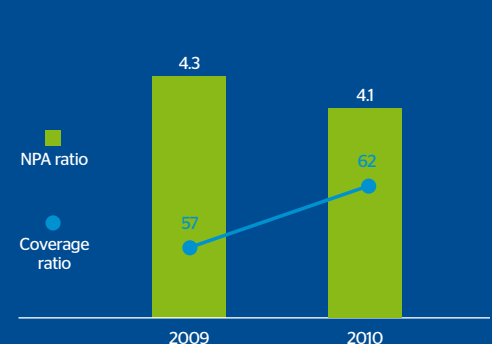
4. Loan-loss provisions



5. Balance of NPAs (Billion euros)

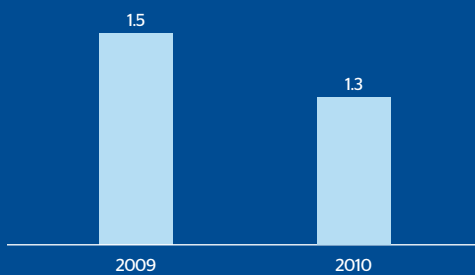


6. NPA and coverage ratios (Percentage)

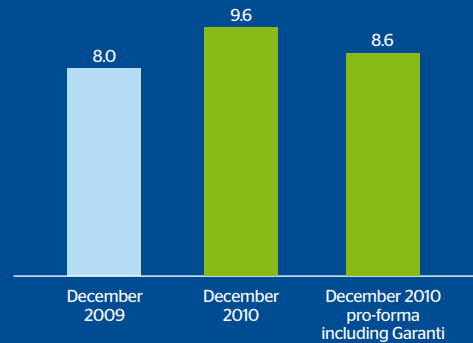


the BBVA Group

7. Overall risk premium
(Percentage)

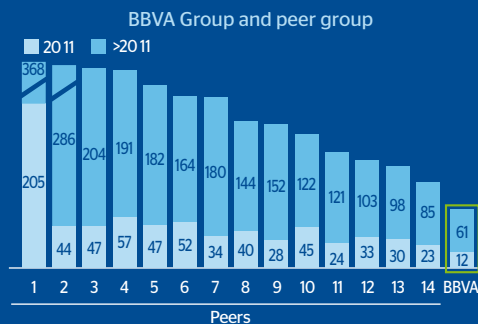


8. Core capital ratio
(Percentage)

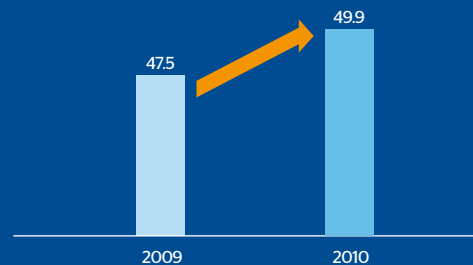


8. Stronger capital adequacy.

9. Long-term maturities of wholesale finance⁽¹⁾
(Billion euros)



10. Customer deposits/total assets
(Percentage)



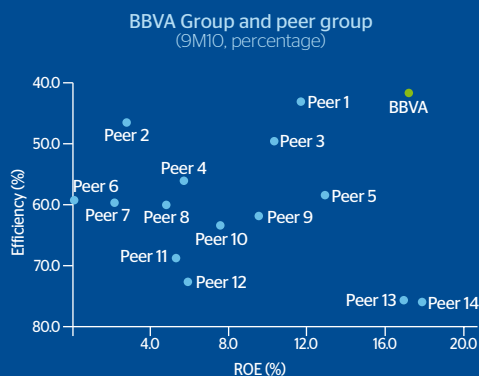
9. Funding: not dependent on ECB...

10. ...and appropriate financing structure.

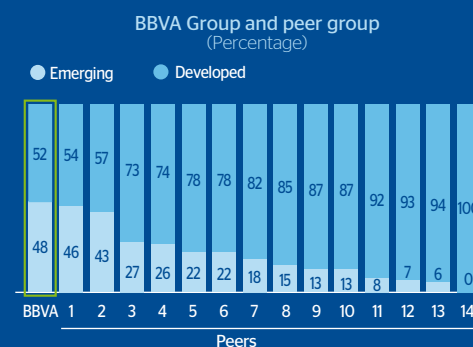
In addition, €70 billion in collateral

(1) Peer group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCI.
Source: Bloomberg 13+2011, except BBVA (in-house figures).

11. ROE and efficiency⁽¹⁾



12. Geographic diversification of revenues⁽¹⁾



11. and 12. In summary, a very sound Group.

Efficiency and yield



Superior growth potential

(1) In-house preparation using latest available data. Peer group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCI.

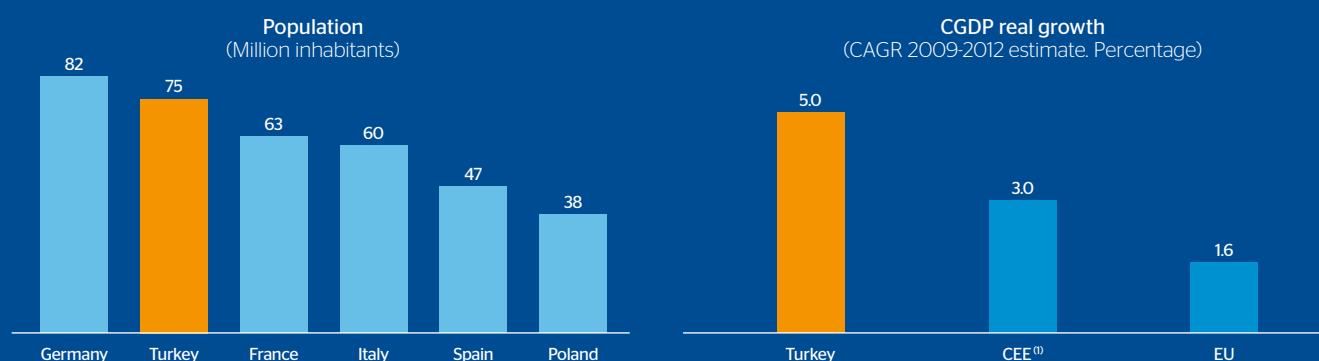
Boosting future growth

With the acquisition of a holding in Garanti, BBVA has taken a very important step in the process of creating a diverse and balanced mix of businesses and geographical areas, with a high growth potential.

BBVA has become stronger after the agreement to acquire a 24.9% stake in Garanti, the leading bank in Turkey. This deal grants it access to what is a **very attractive market**.

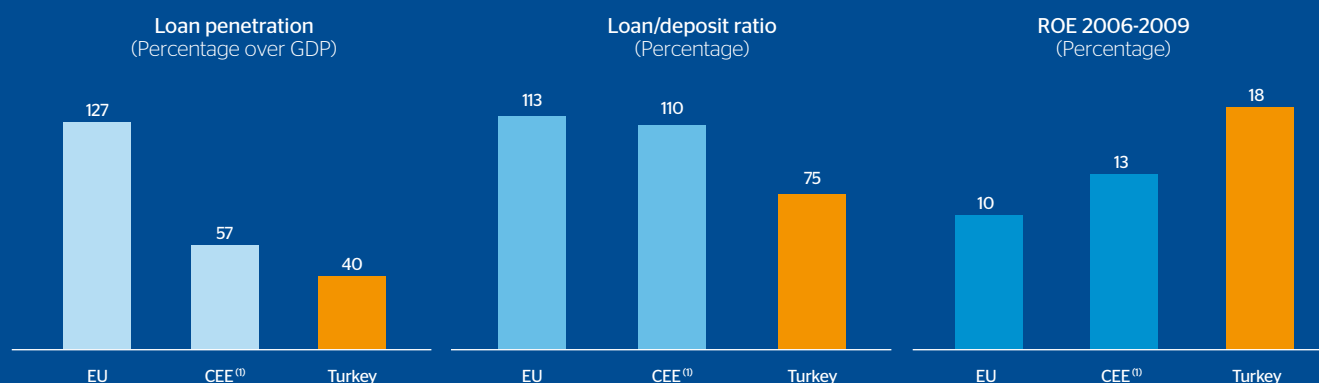
- With a high economic growth. The consensus of forecasts points to a real average increase in the country's GDP of about 5% between 2009 and 2012.

Turkey. Size and growth potential



(1) CEE: Central and Eastern Europe: Bulgaria, Slovenia, Czech Republic, Hungary, Poland, Romania, Slovakia, Estonia, Lithuania. Source: Global Insight 2009.

Penetration, loan/deposit ratio and ROE



(1) CEE: Central and Eastern Europe: Bulgaria, Slovenia, Czech Republic, Hungary, Poland, Romania, Slovakia, Estonia, Lithuania. Source: Central Bank of Europe, Global Insight, Turkish Banking Association, "The Economist Intelligence Unit", Morgan Stanley.

- With one of the largest and youngest populations in Europe: 75 million people, of whom 50% are under 30 years of age.
- It has a sound financial system with a potential for development. Turkey has the most attractive financial system in Europe, with among the lowest lending penetration rates, a good financial situation and high recurrent profits.

Garanti is also an **excellent franchise** with a high-class management team:

- Garanti is one of the best banking franchises in Turkey and enjoys a leading position in the main product lines. It has 9.5 million customers, a network of 863 branches and total assets of over €60,000m. It is the leading lending bank in the country and the third in share of deposits. It is also the leading issuer of credit cards.
- It has an international-class management team and an excellent brand image among Turkish banks. Garanti has been named the Best Bank in Turkey by *Euromoney* for the tenth time.
- Garanti shares BBVA's focus, form of banking and firm commitment to technology and innovation. The bank has the best technological platform in Turkey, which puts it in a leading position in terms of online banking.

- The deal includes an option for a controlling stake, with an unbeatable partner (the Dogus Group), and in which the timing depends on BBVA. In short, the deal is excellent for BBVA.

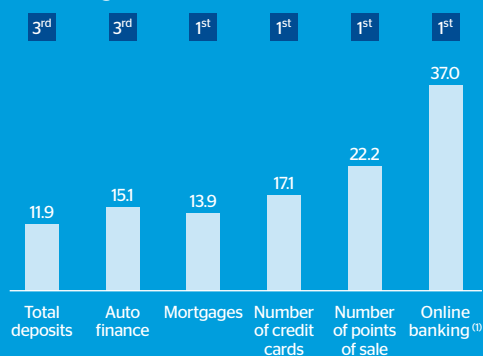
BBVA's financial soundness has enabled it to continue strengthening its investments in the CITIC Group, one of the main industrial conglomerates in China. Specifically, on April 1, 2010, it exercised its purchase option on an additional 4.93% of the share capital of China Citic Bank (CNCB), raising its holding to 15%. This confirmed the Bank's strategic commitment to the Asian region, with revenues almost double over the year. BBVA is also working with CNCB on private banking business, auto finance, corporate banking, mergers and acquisitions, trade finance, market trading and pensions.

In Latin America, BBVA is strengthening its franchises, which closed in 2010 with business buoyant and overall increases in market share, and with ambitious organic growth plans. It is also worth noting that BBVA has built up its operations in Uruguay with the purchase of Crédito Uruguay Banco (CUB). The deal makes it the second largest private financial institution in the country, with a volume of assets of almost €1,900m, and customer funds of over €1,500m. The integration of CUB will begin when all of the authorizations have been received from the regulatory authorities. This process is expected to be complete in the first half of 2011.

BBVA continues to strengthen its expansion in China and Latin America.

Garanti. Market share as of 31-12-2010 and rankings

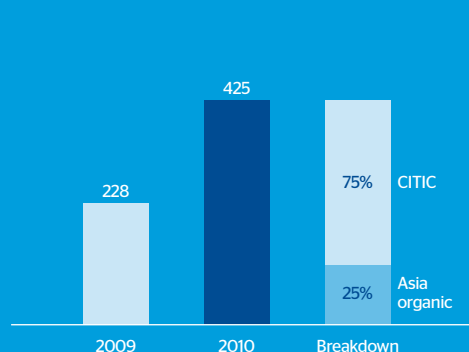
(Percentage)



(1) Data as of 30-6-2010.

Asia. Gross income

(Million euros)



BBVA, a global leader

Main entities of the Group

Group's banks

Spain

BBVA
Finanzia
Uno-e

South America

BBVA Banco Continental (Peru)
BBVA Banco Francés (Argentina)
BBVA Banco Provincial (Venezuela)
BBVA Bancomer (Mexico)
BBVA Chile
BBVA Colombia
BBVA Panamá
BBVA Paraguay
BBVA Puerto Rico
BBVA Uruguay

Rest of the Group

BBVA Compass (United States)
BBVA Portugal
BBVA Suiza (Switzerland)

Branches

Brussels
Dusseldorf
Frankfurt
Hong Kong
London
Milan
New York
Paris
Singapore
Tokyo

Representative offices

Beijing
Brussels
Havana
Moscow
Mumbai
Seoul
Shanghai
Sydney
Taipei

Foundations

BBVA Foundation
BBVA Microfinance Foundation
BBVA Bancomer Foundation
BBVA Banco Continental Foundation
BBVA Banco Provincial Foundation
BBVA Banco Francés Foundation
BBVA Compass Foundation

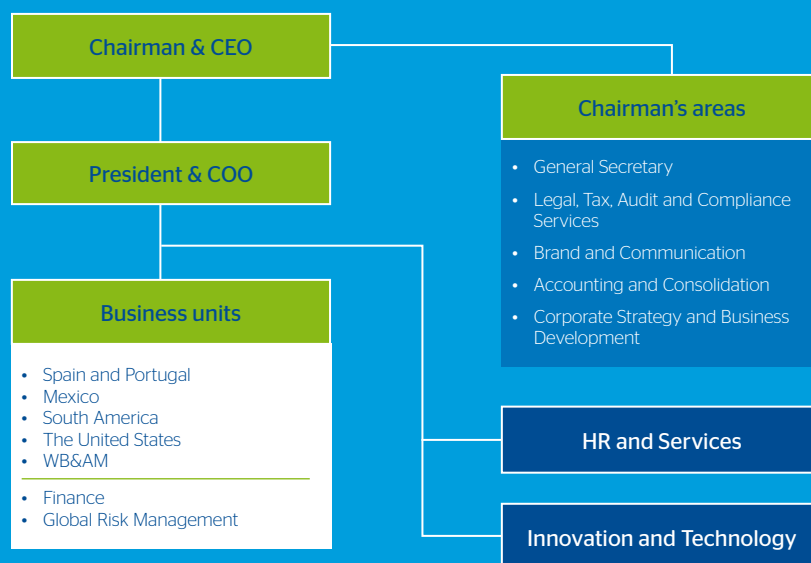
Pension funds

BBVA Pensiones (Spain)
Afore Bancomer (Mexico)
AFP Génesis (Ecuador)
AFP Provida (Chile)
AFP Horizonte (Peru)
AFP Horizonte (Colombia)
Previsión AFP (Bolivia)



Business focus: business areas empowerment supported by holding units to assure integer and unified management with regard to different risks...

Organization chart



...Strong franchises holding top-ranking positions in each and every main market.

Market share ranking in main countries in 2010

	Loans	Deposits	Pensions
Spain	2 nd	2 nd	1 st
Mexico	1 st	1 st	2 nd
Argentina	3 rd	2 nd	-
Bolivia	-	-	1 st
Chile	5 th	4 th	1 st
Colombia	4 th	4 th	3 rd
Ecuador	-	-	1 st
Panama	4 th	4 th	-
Paraguay	3 rd	3 rd	-
Peru	2 nd	2 nd	3 rd
Uruguay ⁽¹⁾	2 nd	2 nd	-
Venezuela	3 rd	3 rd	-

(1) Includes Crédit Uruguay.
Scope: Spain and Latin America.

2011: The economic background and BBVA positioning

The economic background

The global economy recovers in 2010, but the recovery varies across regions.

In **2010** the global economy recovered from the major slump of 2009, with GDP picking up from a fall of 0.6% to a rise of 4.8%. This figure is not far from level in the years immediately before the start of the crisis in the Summer of 2007. However, the economic recovery is not evenly spread across regions. Emerging economies, particularly those in Asia and Latin America, have shown the most robust progress and are turning into the major drivers of global growth.

Three elements have given shape to the economic developments in the different zones.

First, the focus of attention has continued to be the level of tension in the **financial markets** and the various measures that the authorities were taking to counter it. But unlike what happened in 2009, in 2010 the origin and development of the problems has been more limited in Europe and, specifically in the government debt markets, although tension has at times spread to other regions and other assets. This difference was consolidated in the markets by stimulating activity through fiscal policies and guaranteeing the sustainability of the public accounts. The peripheral countries in the Euro zone have been most affected

The focus in 2010 has been on the need to guarantee the sustainability of public accounts.



in this respect, as some of them combined high deficit levels in their public accounts with reduced growth prospects. The European stabilization mechanism was launched in the spring of 2010. Greece was the first country in which a "rescue" plan was undertaken by the International Monetary Fund (IMF) and the European Union (EU).

Doubts about the sustainability of the public accounts in other European countries and the state of some segments of the European financial system gave rise to intense contagion, which resulted in a *de facto* closure of the markets. The seriousness of the situation led to awareness of the need to implement firmer measures. All of the European governments presented fiscal consolidation plans, which were subsequently strengthened, with the aim of achieving a deficit of 3% by around 2013. These plans as a whole have allowed some distinction to be made between different assets. The fiscal consolidation measures were accompanied by structural measures in those countries most affected by problems of competition and financing needs.

However, in the Summer of 2010 tension returned, mainly as a result of renewed doubts regarding the European financial sector. The authorities reacted with the publication of the financial system's stress tests under a scenario that was unlikely but of great impact. The results confirmed the good health of the European financial system, while the solvency problems have been kept well in check. These stress tests were particularly demanding in the case of the Spanish financial sector, both in terms of coverage (practically the entire system) and the severity of the starting assumptions. They gave added credibility to the Bank's performance in Spain, demonstrated the soundness of the system and made it clear that it includes some of the most solvent financial institutions in Europe. These results undoubtedly led to the gradual opening up of the market and the subsequent asset differentiation.

Towards the end of 2010 tension began to reappear. This time it was the result of very

different problems in Ireland and Portugal. The public accounts of the Irish economy were threatened by the huge injections of capital that its financial system had needed due to its declared solvency problems, which have been estimated at 30% of its GDP. In the end, Ireland needed an assistance plan from the IMF and the EU. In the Portuguese economy, in contrast, the weakness of the financial system is more a question of liquidity than solvency, but its public accounts still had problems in complying with the objectives set out, while doubts persisted regarding the economy's potential for growth. In addition, tensions were heightened by the uncertainty about the new European governance mechanisms and in particular by the details of the new permanent mechanism for sovereign debt restructuring, which will be in place from 2013 once the current framework approved in May expires.

The second element that has shaped 2010 has been the cyclical doubts on the **United States economy** and the response in terms of economic policy, both the new monetary expansion introduced by the Federal Reserve (Fed) known as quantitative easing 2 (QE2) and new expansionary fiscal policies. The swift recovery shown by the United States, at the end of the 2009 lost steam at the start of 2010, although growth was maintained throughout the year, making the final rate close, on average, to 3% in 2010. This loss of intensity reflected weak private demand as the fiscal stimuli of 2008 and 2009 were withdrawn. The result was renewed fears about a double dip recession, though this scenario has subsequently been ruled out by data and action on economic policy. Even so, the recovery is still extremely limited due to three factors. First, the gradual loss of strength in the real estate market as the stimulus programs for home buying expired; second, the weakness of the labor market; and finally, the household deleveraging process, which is still underway. The United States is relatively isolated at present from pressure in favor of fiscal consolidation. Nevertheless, the main thrust of economic policy at the end of 2010 came from the Fed, which initiated a new program of monetary expansion that has initially led to a downward pressure on interest

The results of the stress tests have confirmed the good health of the Spanish financial system.

No return to recession is expected in the United States: rather, a gentle slowdown.

Asia and Latin America have recovered their growth and output levels.

rates and a significant depreciation of the dollar. In any event, no return to recession is expected in the future, but rather a gradual slowdown from the high rates of growth posted at the end of 2009 and the start of 2010.

Finally, 2010 was also notable for the collateral effects of relaxed **economic policies** in advanced economies, in particular monetary policies. This gave rise to growing dilemmas in emerging economies in Asia and Latin America. These economies have been quick to recover growth and output to pre-crisis levels and have hardly noticed signs of slowdown, even though the authorities have introduced measures to prevent economic overheating, particularly in the countries most affected by the steep increases of some asset prices. The new monetary expansion in the United States has introduced an added cost, given that the dollar's depreciation represents a greater incentive for assets with greater risk. Some of these economies are facing growing capital inflows that are putting additional pressure on exchange rates. As a result, some countries have introduced measures to limit capital inflows and slow down credit growth.

Even so, growth in **South America** continues to be sound, with GDP for the region closing 2010 at a growth rate above 5%. Private demand is replacing the economic policy stimuli adopted as the main source of recovery. Although inflation is maintaining a moderately upward trend, it is still not a problem. In **China**, the latest output indicators suggest a renewed GDP surge accompanied by a rise in inflation. This has led to an increase in both the reserve ratios and interest rates, in a clear sign of commitment to rebalance the economy which nevertheless closed 2010 with a GDP increase of around 10.3%.

The **Mexican economy** benefited from the recovery in foreign demand in the United States over the first half of 2010. In the second half of the year, Mexico proved resistant to weaker foreign demand, as the reduced pull of the U.S. economy was compensated by a surge in domestic demand. As a result, growth rates eased less sharply than expected, with 2010 growth ending around 5%. Inflation closed at an all-time low of 4.4% as a result of the appreciation of the peso, moderate international prices and the lack of pressure from domestic demand. Nevertheless, the monetary pause will probably remain in place at least throughout 2011. Finally, in a global financial environment focused on fiscal sustainability, the commitment to a balanced budget is a particular strength of the Mexican economy.

In **Turkey**, the economy recovered in 2010, with a growth of 7.6% and inflation slightly under the Central Bank's target. At the same time, public debt reduction is picking up speed. Given this situation, the Central Bank has lowered the official interest rate and controlled credit with increases in the bank's short-term reserve requirements.

Long-term **interest rates**, both in the United States and in Europe, have moved consistently in line with the perception of the strength of the cyclical recovery. In the second and third quarters, the trend was downward, while in the fourth quarter, as positive surprises in economic activity reduced the risks of a double-dip recession and a recovery began, the trend was reversed. The continuity of low official interest rate policies in developed countries is expected to limit upward movements on the public debt yield curves over the coming months.

Interest rates

(Quarterly and annual averages)

	Year 2010	2010				Year 2009	2009			
		4Q	3Q	2Q	1Q		4Q	3Q	2Q	1Q
Official ECB rate	1.00	1.00	1.00	1.00	1.00	1.25	1.00	1.00	1.10	1.92
Euribor 3 months	0.81	1.02	0.87	0.69	0.66	1.22	0.72	0.87	1.31	2.01
Euribor 1 year	1.35	1.52	1.40	1.25	1.22	1.61	1.24	1.34	1.67	2.22
Spain 10-year bond	4.28	4.73	4.23	4.19	3.95	4.02	3.83	3.92	4.16	4.17
USA 10-year bond	3.19	2.86	2.77	3.47	3.70	3.24	3.45	3.50	3.30	2.70
USA Federal rates	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
TIIE (Mexico)	4.91	4.87	4.91	4.94	4.92	5.89	4.93	4.90	5.89	8.00

Exchange rates

(Expressed in currency/euro)

	Year-end exchange rates				Average exchange rates			
	31-12-10	Δ% on 31-12-09	31-12-09	Δ% on 31-12-08	2010	Δ% on 2009	2009	Δ% on 2008
Mexican peso	16.5475	14.4	18.9222	1.6	16.7372	12.3	18.7988	(13.3)
U.S. dollar	1.3362	7.8	1.4406	(3.4)	1.3257	5.2	1.3948	5.4
Argentinean peso	5.4851	1.3	5.5571	(11.5)	5.2686	(0.1)	5.2649	(10.6)
Chilean peso	625.39	16.8	730.46	21.3	675.68	15.1	777.60	(1.9)
Colombian peso	2,557.54	15.0	2,941.18	6.3	2,518.89	18.2	2,976.19	(4.0)
Peruvian new sol	3.7528	10.9	4.1626	4.9	3.7448	11.9	4.1905	2.4
Venezuelan bolivar fuerte	5.7385	(46.1)	3.0934	(3.4)	5.6217	(46.7)	2.9950	5.4

On the **foreign exchange** markets the dollar's trend was for moderate depreciation against Asian and Latin American currencies during the year. This was interrupted in May due to greater risk aversion (the safe-haven effect), but was resumed in June and encouraged after the summer as a result of the anticipation of greater asset purchases by the Fed (QE2). The euro depreciated significantly against the dollar in the first half of the year. It was further weakened by the increased tension in the European periphery in the second half of the year. In all, as an **annual average** the dollar appreciated 5.2% against the euro. This combination of a weak euro and the strength of the emerging currencies against the dollar resulted in a generally favorable performance of the currencies with the greatest weight in BBVA's financial statements, with significant appreciations in the currencies of Mexico, Colombia, Peru and Chile. As a result, the effective exchange rate is positive in a year-on-year comparison, despite the devaluation of the Venezuelan bolivar. With respect to **year-end exchange rates** the Venezuelan bolivar depreciated due to the devaluation early on in the year. The other currencies with an impact on the Group's balance sheet appreciated, so their effect is positive on balance sheet items and business. In 2011 the forecast is for further appreciation of the dollar against the euro, while emerging currencies have room for appreciation against the dollar.

With respect to **prospects for 2011**, the global economic recovery is expected to be

consolidated, although the most probable scenario is for some slowdown. The rise in global GDP could be around 4.4%, barely below the figure for 2010. This growth will vary, and in most advanced economies it will be subject to risks and uncertainties that have still not been cleared up. Among the advanced economies, the **United States** will once again lead the growth table. However, although some factors still limit the growth of private-sector demand (the real estate sector, the labor market and the deleveraging process) and make it difficult for growth to return to something close to its potential, GDP is still expected to grow at 3% in 2011. In **Europe**, although some countries have had surprisingly good results (particularly Germany), a modest growth is expected of around 1.7%. The **Spanish economy**, which was sluggish in 2010, could begin a process of recovery, but it will still be weak and insufficient to create jobs. Forecasts suggest a GDP growth slightly below 1% (-0.2% in 2010). Progress will be strong in emerging economies. Asia, with China leading the way, will once more be the region with the highest growth, which will remain over 6% for Asia as a whole, and above 9% in **China**. These figures are very positive provided that the risks of inflation and overheating can be reduced. The recent strength of **Latin America** will be maintained, with a greater contribution from domestic demand in an environment of favorable commodity prices. Growth over 4% is expected for the region as a whole, and over 4.3% for Mexico. Finally, the **Turkish economy** will continue buoyant in 2011, with a growth of 4.5%.

The economic recovery will be consolidated in 2011, although with a certain slowdown.

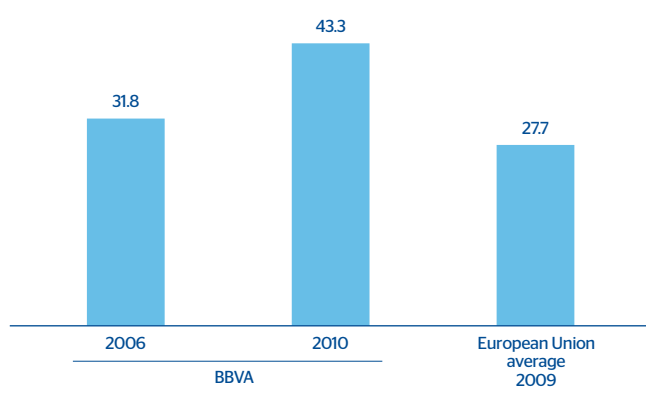
BBVA positioning

BBVA: a paradigm of recurrent earnings, sustainability and strength

More than three years since the start of the crisis, BBVA continues to show an excellent capacity to generate recurrent and sustainable earnings and an outstanding strength that gives it the ability to take advantage of any opportunities that may arise. BBVA is a paradigm of: recurrency, sustainability and strength:

- **Recurrent earnings and sustainability**, because in an environment of great stress, BBVA is capable of maintaining stable earnings and leadership in efficiency and profitability. These earnings have also been compatible with a major effort in loan-loss provisioning and a high level of investment in the brand, franchises, people and technology.
- **Differential strength**, because the Group has a resistant, well capitalized balance sheet with risks that are well-known and controlled and with an adequate financing structure. Despite the pressure suffered by the financial system as a whole, the BBVA balance sheet has been characterized by strength in its risk, solvency and liquidity indicators. As a result, BBVA has not required any bail-out and hence avoided the generation of any cost to the societies where it operates.

Investment in "change-the-bank" BBVA Group vs. European Union average (Percentage of total investment)



In short, BBVA continues with its successful management of the four key levers of **earnings, risk, capital** and **liquidity**, under a strict code of conduct. This has been possible because throughout its history, the Bank has developed a **winning business model** that is focused on the customer rather than the product. It is universal and diversified, not only in terms of customer and product segments, but also business (banking, insurance, pensions, asset management, etc.) and geographical areas (Europe, Asia and the Americas).

In all, the pillars of the BBVA business model are its customers, distribution, simple processes and technology. The Group's banking model is based on creating value from close, lasting and mutually beneficial relationships with its **customers**. Its customer base is broad and diversified, with almost 48 million customers throughout the world. It is supported by one of the most extensive and closely integrated **distribution networks** on the planet making the bank accessible via any channel at any time. The emphasis is on **simplicity**, providing customers with products and services at the lowest cost and in the shortest possible time. This involves a new form of customer relations and a radical change in the internal processes of the Organization: in how things are done. Finally, BBVA continues to make a major effort in the area of **technology**. During the crisis, it has in fact been one of the few banks to increase its rate of investment in technology, with a priority on those projects that will transform the Bank.

This business model will enable the Group to be prepared for changes that are on the horizon, among them a new regulatory framework and a distinct competitive scenario.

The new regulatory framework

The difficult situation over the last three years has forced the financial sector to change the rules of the game to make it more transparent, probably smaller, better regulated and with a more significant role for the supervisory bodies.

There has been a major boost to the regulatory agenda in **2010**, on both a global and regional scale, with significant progress made on a number of diverse fronts:

Macroprudential supervision

Macroprudential supervision has become one of the major challenges for financial regulation at a global level. It aims to reduce the chance of a collapse of the financial system as a whole by mitigating systemic risk through the combination of existing tools and newer ones. For example, in Europe the authorities have taken a major step forward by approving a new financial supervisory framework through the new European Systemic Risk Council (ESRC). Starting on January 1, 2011, the European banking sector will have a new supervisor, the European Banking Agency, which is in charge of overseeing compliance with European Union regulations and making progress in harmonizing the national regulatory frameworks. The United States has created the Financial Stability Oversight Council and Mexico has set up its own Financial Stability Council.

Among the important tools for this macroprudential policy are the **stress tests**. In July 2010, the Committee of European Banking Supervisors (CEBS) coordinated an exercise using these tests. The published results were well received by the financial markets very positively. They also valued the outstanding robustness of the Spanish sector, with the test covering the 95% of the assets of the financial system, and the high level of transparency provided by the Bank of Spain, thus enabling the clearest possible discrimination between banks. In the case of **BBVA**, the publication of the results of the stress tests confirmed the Group's strength as one of the soundest and solvent banks in Europe. The fact that the exercise will be repeated in 2011 is welcomed very positively by BBVA.

New regulations

The new regulations to be introduced include a process of international standardization on a number of fronts, including solvency, liquidity, leverage, transparency and remuneration policy. The **objective** is to transform the financial system into one where business is more secure and recurrent and less procyclical; with greater risk coverage and returns better adjusted to the risks assumed; more solvent and with greater quality of capital, transparency and consistency; and with a better, liquidity position and less leveraged.

Basel III basically regulates solvency, liquidity and leverage. With respect to **solvency**, financial institutions will have to increase the quality and quantity of capital they hold according to the risks they assume in their activity. In addition, a procyclical provision may be required when there is excessive growth in aggregate lending. New **liquidity** requirements have been added to these capital requirements. The aim is to ensure that the banks have sufficient cash or equivalent to overcome a very severe short-term scenario, with less severe conditions in the long-term. It also establishes **leverage** limits.

All of these measures have an introductory period for their implementation beginning in 2013 and ending in 2018. The banking industry is thus faced with a few years of major challenges in which

to adapt to the new regulations. In the specific case of **BBVA**, the Group is in a comfortable situation to comply with the new Basel III regulations and face future crisis scenarios in a more secure position:

- It is among the best capitalized international institutions thanks to its quarter-by-quarter organic capital generation.
- This position has also been strengthened after its recent successful share capital increase. With this operation, BBVA has once more demonstrated its capacity to be proactive; it has anticipated possible future capital increases by other banks designed to ensure compliance with the new solvency requirements.
- It has a balance sheet with fully known and limited risks.
- It has a comfortable liquidity position and adequate leverage, complying with all regulatory requirements.

With respect to the new **remuneration framework**, both governments and regulatory authorities in the countries most affected by the financial crisis have introduced various measures designed to ensure that the variable remuneration systems are adapted to the level of risk assumed. Specifically, within its project to modify Directive 48/2006, the European Commission has decided to include all the Financial Stability Board's (FSB) Principles for Sound Compensation Practices. Among the main new points are that the Bank of Spain will carry out monitoring and supervision duties, and sanction those banks that do not comply with the regulations as approved. The Sustainable Economy bill also expressly mentions the new requirements regarding the question of remuneration. Specifically, recommendations are included for remuneration policies that are coherent with a prudent and efficient risk management and that increase transparency and improve corporate governance by imposing greater control on executive remuneration. In this respect, it is important to point out that BBVA's remuneration system complies with the recommendations of the proposed law. Its variable compensation policy for the executive team, based on a prudent and efficient risk management and with payments on the short, medium and long term, complies with these requirements. For **BBVA**, this system represents a competitive advantage, as it optimizes the relationship between value generation in the medium and long term and efficient risk management.

Finally, another of the fronts on which progress is being made is the creation of a **crisis management and resolution framework** for global banks when these are no longer solvent. Throughout 2010, the regulators have taken significant steps through the reform of Dodd-Frank in the United States, and through a formal European Commission proposal in Europe, whose final version will be published in the spring of 2011. These moves include the aim to implement tougher capital requirements for systematically important financial institutions. Currently, **BBVA** already has most of the instruments proposed in the regulations approved, thus contributing to the stability of the financial systems where it operates and also anticipating the regulatory challenges scheduled for the coming year. Any efficient solution must create the right

incentives for achieving financial stability at a global level. Simplistic measures based only on size must be avoided, and various mitigating factors should be included in the proposed solutions: the business model; the complexity of the organizational structure; the existence of subsidiaries with decentralized liquidity management; the intensity of supervision; the quality of corporate governance; and strong market infrastructures. These factors allow prudent banks that operate in accordance with the objective of financial stability to be distinguished from those that do not.

The new competitive scenario

In addition to the above, the sector will have to face another more deep transformation that will require a great innovative effort of the banks. Technological, social and economic changes that have redefined the form in which other industries operate will also be the drivers of change in the banking system in the future. In the medium term, a completely new playing field is expected for the industry with new actors making an appearance (more technological, with new proposals, more flexible, etc.), new forms of banking (new added value proposals) and new forms of relationships and distribution. The banks that understand and adapt to this change will be those that register the greatest future growth.

BBVA is prepared to lead this new phase for the financial system

We are prepared for this new phase because BBVA's management has always been, and will always be, the embodiment of proactive and prudent policy. **Prudent**, because all decisions have been taken based on exhaustive and precise measurement of returns adjusted to the risks assumed or that will be assumed. This premise is the basis for the construction of a balance sheet with limited risks and great structural strength and that is prepared to comfortably assume any upcoming regulatory changes. At the same time, it has enabled us to overcome the crisis without the impacts experienced by most of the financial industry (for example, without exposure to toxic assets). And **proactive**, because this capacity to anticipate events has been key to the Group's performance in these difficult years. It will continue to be instrumental in an increasingly global and uncertain future.

BBVA also has a good level of diversification. Recurring earnings are, to a large extent, the result of a portfolio that is diversified in terms of geography, business and customers. Today, more than 58% of the Group's earnings come from America and Asia, regions in which BBVA operates through leading franchises. This allows the Group to take better advantage of the opportunities in each economy.

In line with its proactive stance, BBVA never loses sight of the management of the Bank's future and the need to anticipate events. In 2010, the Bank implemented new projects with the aim of strengthening its position after the inevitable discrimination that will result from the new environment and its difficulties. With this objective, it has worked on three elements in particular:

- An **organic growth plan**, based on addressing a more complicated environment and anticipating new demands from more demanding customers.
- **Consolidation of the business approach in the different areas**, by anticipating and accompanying the changes within the new scheme of global economic growth.
- Maintenance of the structural **strength** of its balance sheet.

The BBVA franchises

The BBVA franchises share the Group's business and management model. However, each franchise is at a different stage of development and at a different moment in the economic cycle. Each thus, has different specific priorities.

- **Spain and Portugal** has demonstrated a great capacity for anticipation, which has enabled it to fare the crisis in better conditions than its competitors. This puts BBVA in a good position to take advantage of the opportunities that will emerge in a market undergoing a restructuring process, where major differences will emerge between strong banks and the rest. The launch of "Plan Uno" has been an extremely important step in the commercial strategy of the area, which continues to be moving towards an increasingly customer-focused organization. In 2011 the focus will continue to be the personalized management of the customer base, increasing customer loyalty,

and the development of new channels for customer convenience with the possibility of customization.

- The leading position of the BBVA franchise in **Mexico** will enable it to take full advantage of the economic recovery and the opportunities for extending banking penetration in the country. This was the aim of the Strategic Growth Plan 2010-2012 launched this year. This plan will lead to a qualitative transformation of the business model, service, commercial efficiency, control and monitoring of activity and risk, and thus the Bank's profitability as a whole. Mexico is currently in a position to construct "the bank of the future", with a basic focus on customers and a different way of relating to them.
- The **South American** franchise is also expected to continue its good performance, as it has throughout the whole crisis. Regional leadership in this area must be used to reinforce the local positioning of each bank within each country. The management priorities for 2011 will be focused on the customer base (new customers, growth, loyalty and market share), the progress with the customer insight and business intelligence models, increased commercial productivity, maintenance of efficiency in the pension business and continued development and improvement of a multi-channel approach. Growth will also be based on both technological and management innovation.
- **The United States.** This is one of the Group's strategic markets. Deployment of BBVA's business model and technological platform is being steadily extended in this area, with clear operational improvements every quarter. As a result, the weight of the relative contribution of this franchise will gradually increase. A differentiation plan will be implemented in 2011 that is capable of supplying the products and services required for the needs of the Bank's different customers through the appropriate channels. And, of course, technology will play an important role in all of this.
- **China and Asia.** The results in terms of earnings and the Bank's commitment to the region have begun to register in 2010. In the medium term the contribution of this area is expected to increase even more thanks to the

multiple initiatives that are being undertaken in the area.

- **Wholesale Banking & Asset Management** (WB&AM) will continue to enhance its model across the rest of the areas, based on globalization, strong customer relations, and improved product capacities and innovation. The strategic alliance with the CITIC group will continue to be strengthened in the Asian region by developing the collaboration agreements already in place and searching for new opportunities.

A further step was taken in 2010 to diversify BBVA's business, in line with the new framework of global growth, through the agreement to acquire 24.9% of Garanti in **Turkey**. This gives BBVA entry into one of the emerging markets with the greatest growth potential and one of the best banking franchises in the country. In this respect, it is worth noting the good earnings figures reported by the Bank for 2010, with a net attributable profit up 6% year-on-year to all-time high. The driving force of growth continues to be the excellent performance of the lending business, which was up 31%, even though asset quality was not negatively affected. In fact, the NPA ratio and risk premium improved over the year. Garanti strengthens the business portfolio and BBVA's growth profile. Similarly, Garanti benefits from BBVA's experience in market and product development. In other words, BBVA's experience of similar successful deals concluded in other markets (above all, Latin America) gives it the capacity to boost Garanti's growth in the future.

BBVA always focuses on its customers

These times of uncertainty and change demand that all financial institutions that hope to prevail be readily able to adapt. But this environment also represents a great opportunity for BBVA. It has implemented numerous proactive plans and initiatives to ensure transformation and growth. But at least one thing will remain unchanged: **our commitment to our customers** and the society in which we operate. Our aim is to support them even in the most difficult circumstances. This appears simple, but today it is only within the reach of a few banks. At BBVA we are proud to be one of these few.

Spain and Portugal

Margins

(Year-on-year change)

Gross income

-5.5%

Operating income

-8.0%

Net attributable profit

-9.0%

Key ratios

Efficiency

39.0%

NPA

5.0%

Coverage

46%

Risk premium

0.6%



The key in 2010:

Increased market share and differential performance throughout the income statement.

Increased market share in key products for customer loyalty: residential mortgages and customer deposits.

Differential income performance.

Strict control of operating costs.

Positive trend of risk indicators, as a result of the proactive measures taken in 2009.

Best private bank in Spain according to Euromoney and The Banker.

"Plan Uno" launch, which has been a very important step in the area's commercial strategy.

Outlook for 2011:

Pressure on margins, differential performance in risks and increased market share.

Maximize opportunities.

Mexico

Margins (Year-on-year change)

Gross income

+0.5%

Operating income

-3.4%

Net attributable profit

+11.9%

Key ratios

Efficiency

34.6%

NPA

3.2%

Coverage

152%

Risk premium

3.6%



The key in 2010:

Upward trend in earnings. Improvement in business activity and risk indicators.

Significant recovery in business activity.

Growth in market share in strategic segments.

Solid earnings that set it apart from the rest.

Major improvement in the risk premium.

Sound liquidity and capital management, with the largest-ever subordinate debt issue on international markets by a Mexican bank.

Numerous prizes and awards. Information Week magazine names BBVA Bancomer one of country's most innovative companies, and Latin Finance nominates it the Best Bank in Mexico. Seguros BBVA Bancomer is chosen as best insurance company in Mexico by World Finance.

2010-2012 Strategic Growth Plan Launch

Outlook for 2011:

Leadership consolidation, upward trend in earnings and reduced risk premium.

South America

Margins (Year-on-year change)

Gross income

+9.7%

Operating income

+6.4%

Net attributable profit

+16.5%

Key ratios

Efficiency

43.9%

NPA

2.5%

Coverage

130%

Risk premium

1.5%



The key in 2010:

Excellent performance throughout the crisis in earnings, business activity and risks.

Strong business activity.

Significant progress in earnings.

Cost moderation.

Comfortable liquidity and solvency position in all units.

Numerous prizes and awards, including: Banco Continental and Banco Provincial were considered by *Global Finance* as the best banks in Peru and Venezuela. BBVA Colombia was recognized as the "Bank of the Year" in the country by *The Banker*. It also received an award as the best Colombian bank for good corporate governance practices, social responsibility and ethics from *Latin Finance*. And *Euromoney* named BBVA Paraguay as the "Best Bank" in the country for the fourth year in a row.

Acquisition of Crédito Uruguay Banco.

Launch of multiple growth and differentiation plans.

Outlook for 2011:

The recovery dynamism of 2010 will continue in both activity and earnings, with low levels of default, in a highly competitive environment.

The United States

Margins (Year-on-year change)

Gross income

+0.1%

Operating income

-7.0%

Net attributable profit

+116.8%

Key ratios

Efficiency

59.6%

NPA

4.4%

Coverage

61%

Risk premium

1.7%



The key in 2010:

Implementation of the BBVA business model.
Across-the-board indicator improvement.

Gradual change in the mix of the loan-book towards lower-risk portfolios and greater customer loyalty.

Positive performance of lower-cost deposits.

Positive performance in the most recurrent revenues: net interest income and fee income.

Improved asset quality.

Successful completion of the integration of Guaranty in record time.

The incorporation of the WB&AM business carried out in the country is yet another step in the construction of the US franchise.

BBVA Compass becomes the sponsor of the world's most important basketball league, the NBA.

Implementation of the business Transformation Plan, aimed to implement a model customer-centric model.

Outlook for 2011:

Confirmation of the recovery, although still slow in terms of business activity. Improved bottom line.

Wholesale Banking & Asset Management

Margins (Year-on-year change)

Gross income

+3.4%

Operating income

+3.5%

Net attributable profit

+11.4%

Key ratios

Efficiency

28.5%

NPA

1.2%

Coverage

71%

Risk premium

0.3%



The key in 2010:

Quality of revenues, strengthening of the customer franchise and growing contribution of Asia.

Focus on high loyalty and high credit quality customers.

Positive evolution from more recurrent revenues and based on customer.

Strong asset quality thanks to the selective customer management policy.

BBVA consolidates its position as one of the key banks at a global level in a number of investment banking products.

Numerous prizes and awards, including the nine "Deal of the Year" awards from *The Banker* magazine to C&IB.

Signing of an agreement with Bank of Baroda for the creation of a credit card company in India.

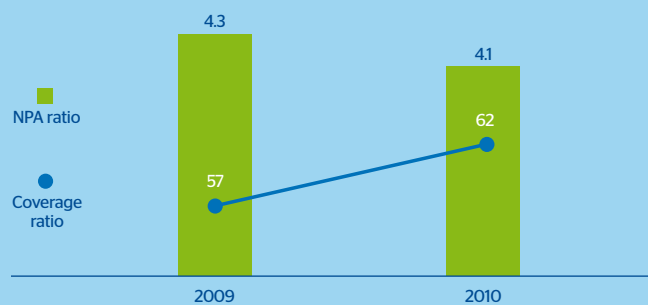
Completion of the Transformation Plan, based on four pillars: globalization, closer relations with the customer, added-value product and service development and risk discipline.

Outlook for 2011:

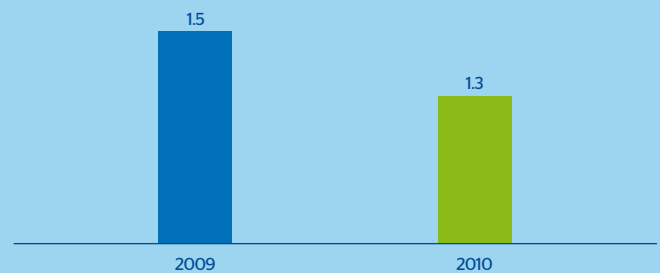
Growth in all lines of business and geographical areas, leveraged on its customer model.

Risk management

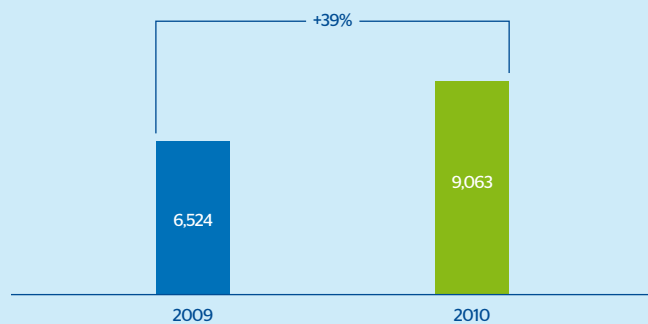
NPA and coverage ratio
(Percentage)



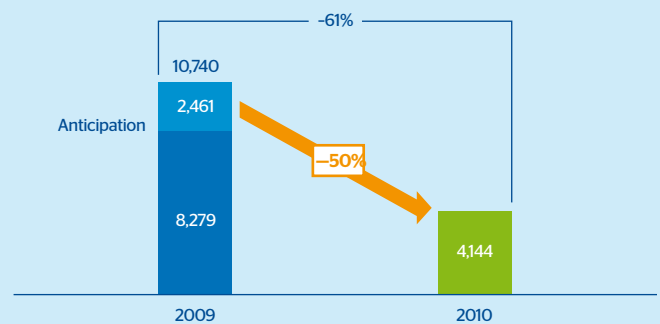
Overall risk premium
(Percentage)



Recoveries
(Million euros)



Net entries
(Million euros)





The key in 2010:

BBVA has improved and stabilized its main indicators of credit quality

Significant progress over the year in improving portfolio credit quality: growth in lower-risk segments and reduction of more problematic portfolios in all geographical areas.

Reduction in new NPA.

Stability in outstanding NPA following the anticipatory provisions made at year-end 2009.

The NPA ratio has remained under control throughout the year, and has not exceeded the peak of December 2009.

The risk premium was down in 2010 on the figure for 2009. Nevertheless, the coverage ratio is still improving steadily from its low in December 2009.

By business area:

- South America and WB&AM are maintaining their NPA ratio in check and at historically low levels.
- Mexico is outstanding in terms of the positive trend in all its indicators.
- Spain and Portugal and the United States have managed to stabilize their indicators after several years of deterioration following the 2007 crisis.

The team

Human capital:
a key tool for
a company's
success.

The development of **human capital** is a basic element of the 21st century, where employee knowledge, skills and abilities are the main tools for creating business value. One key to the success of BBVA is without doubt the men and women who make up its human resources. The professionalism of the almost **107,000 people** in **31 countries** make it possible for the Group's different franchises to occupy leading positions in practically all of the markets where it operates. Not only people, but teamwork and development of leadership are critical pillars in the Bank's culture of Human Resources, as BBVA considers that the result obtained as a team is greater than the sum of individual efforts. All of the measures taken within our Group are determined by a common interest: to boost our teams in all of their dimensions by selecting the best candidates,

giving them the opportunity for professional development and promoting management styles that encourage the sense of belonging to the Group, the maximum expression of the "team."

**At BBVA we have always
believed that business
education is a critical
competitive advantage.**

This is why we have made professional development our hallmark. In a knowledge-based economy, what differentiates organizations is their vision of the future and their capacity to create it by using the human factor.



Throughout 2010, the Human Resources area has continued to work on two major lines of action:

customer focus, considering customers in their broadest sense, from the individuals to the areas in the Group; and **technological infrastructure**, with the aim of strengthening the advantage represented by a more global and integrated management of the function. Aspects such as selection, training and development are clear examples of the combination of these two lines of action.

Selection

Our experience is basically focused on networks of global scope to extend our employer branding, together with others that support the search for candidates. BBVA also has its own selection portal, called **Campus Virtual de Empleo BBVA** (BBVA Virtual Employment Campus).

The Campus gives us **global positioning**, while at the same time providing coverage for each and

The active online presence of the Selection unit provides BBVA with a new relationship model in the recruitment process, in line with new trends.



The team

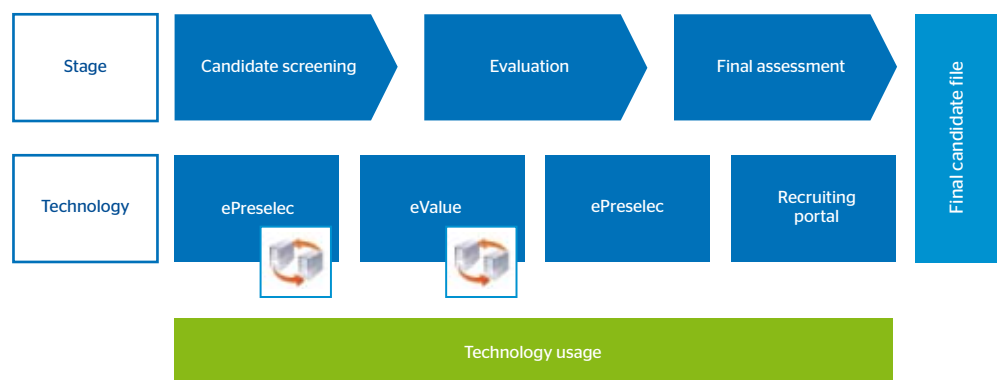
every one of the different units. Each country has its own stand that presents the job offers available at any time; and candidates may upload their CVs online.

All of our channels are also connected to our CV management system, so that all the CVs are incorporated into a **single database**, thus optimizing working time for both recruiters and candidates.

	CVs received	New hires
2010	240,409	10,569
2009	234,720	8,263

In terms of the **selection process**, a series of tests identifies the candidates' potential against the requirements defined by the Organization and the degree to which they fit BBVA's corporate culture. Although the process varies according to the type of candidate (recent graduate, with previous experience, senior, etc.), equal opportunity is guaranteed through standard tests. This model is aligned and consistent with internal assessment schemes, thus allowing the candidates who enter to have an initial competencies assessment that is comparable to that given to the rest of the Group's employees. This method helps focus their professional development from their first day with the Group.

Recruiting process stages



Training is the reflection of the Group's commitment to the development of its professionals.

Training

In 2010 this distinguishing feature translated into 4,564,426 hours of training activity, an increase of 16.0% on 2009.

In BBVA training is mainly focused on updating commercial and financial knowledge and training for leadership, which is carried out through a unique model with courses given in partnership with the best business schools in the world.

It is worth noting that 48% of the Group's training in 2010 was carried out through the **e-campus**, the Group's online learning platform.

The training model also evolved in 2010 by adapting to the Group's growth challenges and objectives, with an increasing focus on

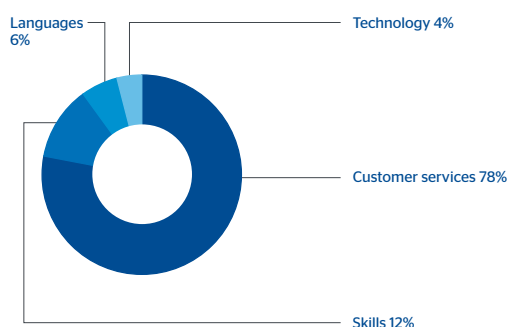
specialization and **global scope**. It is worth highlighting, among other initiatives, the following:

- Full integration of BBVA Compass into the Group's training model.
- Launch of the Global Training Program in WB&AM.
- Development of 15 programs in Mandarin Chinese to cover the Group's growing presence in Asia.
- Selection of new training providers of maximum academic prestige at a global level, such as Wharton and the London Business School, in addition to those already used by the Group.
- Consolidation of the world of training in BBVA's Shared Service Center for knowledge and learning.

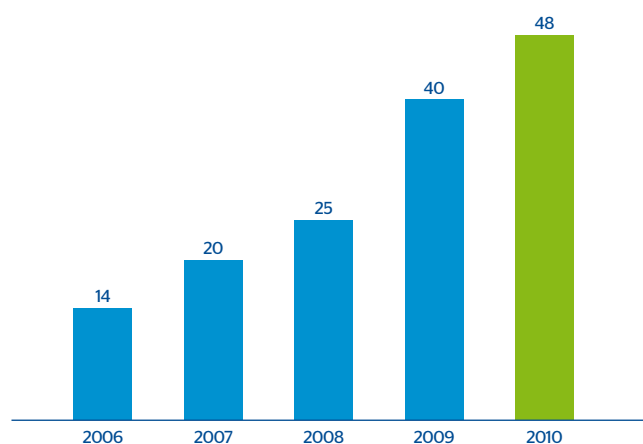
Training hours and training budget in BBVA Group

	2009	2010	Variation (%)
Training hours (millions)	3.9	4.6	16.0
Budget (€ millions)	32	37	17.0
Budget/hours	8.1	8.2	0.9

BBVA Group. Distribution of training hours by subject



BBVA Group. Percentage of hours of online training through the e-campus platform



Talent management is a crucial element in BBVA.

Development

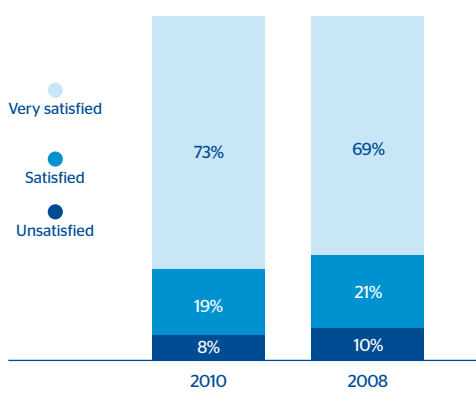
Our highly developed human resources policies, processes and tools allow us to identify the available internal talent considered critical to the Group and manage it selectively. In addition, most of the internal recruitment processes have been published through the “**apúntate**” platform, BBVA’s job posting tool, in order to guarantee that the best professionals occupy the most important functions and to boost transparency and objectivity in team development and promotion.

BBVA also aims to eliminate all barriers to the professional development of women in the Group. To this end, in 2010 continued to make progress in the **gender diversity** project to ensure that the best professionals fill the most important positions in each of the different areas, units and geographical areas. Given the importance of this project, a **strategic committee** has been set up

with the task of proposing and supporting the implementation of initiatives, as well as monitoring the Group’s position on this issue.

Technology is not only an important part of the selection, training and development processes; it also enables people to work within new **mobility** and **flexibility** schemes. Throughout 2010 different types of distance working have been tried as a means of making progress in the search for new models that provide a better reconciliation of the needs of the Organization and individuals. Technology also enables a global and uniform introduction of other processes within the Group, such as “performance evaluation” and “skills management.” But the use of technology to provide a better service to the employee is also evident in the deployment of **employee care services (SAE)**, which combine various channels (call center, email, portals, etc.) to provide a swift response to any query from the staff related to human resources policies and processes. Currently, more than 95% of the BBVA team can take advantage of this personal services channel.

BBVA Group. Satisfaction survey 2010 results



In addition, a **Satisfaction Survey** is carried out online every two years to discover the opinion of the people in BBVA. The survey was last carried out in September and October 2010, with 76% of the workforce taking part (compared with 71% in the previous survey). There has been positive progress in the level of satisfaction among our teams, with an increase of over 4 points in the employees who are “very satisfied.” The model used has been designed with the aim of making BBVA “the best place to work,” and thus puts particular emphasis identifying potential areas for improvement.

The BBVA brand

We at **BBVA** understand the **brand** to be the promise we make to our stakeholders and the experiences they have with us. Its positioning is a way of activating our **vision** today: "Working towards a better future for people".

The BBVA brand aims to take up a position in a new space of sustainable differentiation not occupied by its competitors, guiding experiences and communication delivered to our stakeholders at all the points of contact. This space is the brand's corporate positioning and consists of four values: customer centricity, simplicity, reliability and globality.

Simplicity,
the essence of the
BBVA brand's new
positioning.

Simplicity is the value that should differentiate us most. It is our new way of being customer-centric. We want customers to feel that BBVA is the bank that benefits its customers most by making their lives easier. Simplicity is today a key consumer demand. It is an essential requirement for a better future.



In 2010, progress was made in three areas: management structure, implementation of the new positioning, and a boost to sponsorships.

First, brand management has been strengthened, with the creation of a new department that includes the responsibilities for brand positioning, reputation, communication of corporate responsibility, contents and sponsorships, and management of the BBVA brand in social networks. This ensures closer **collaboration** between all of the people who work on brand communication.

Second, work has been done on the new brand **positioning**. It is worth highlighting the following actions carried out:

- Design of a new **visual identity** that aims for a simple and distinctive style of communication and helps easy brand recognition across all applications and channels. The new identity will be implemented over 2011.
- **Communication** of this new positioning to all the Group's employees (as of November 2010, 84,641 employees were aware of it). BBVA considers that employees are the brand themselves, as they are the main creators of experiences.
- **Workshops** with the business areas in Spain and Portugal, Mexico, South America and the United States to go into the implications of this new positioning on the design of products, processes and channels.

All of these initiatives mean building a brand from the inside (principles, culture, behavior and processes) out (communication, visual identity, tone of voice). For the BBVA brand to continue to strengthen, what employees do must be a faithful reflection of what they say.

Third, in the field of **advertising and content**, BBVA has extended from the "soccer territory", with sponsorship in Spain of the Professional Soccer League (through the "BBVA League" and the "Adelante League") to the "basketball territory": BBVA is now the official bank of the NBA, the most important basketball league in the world. These two sponsorships increase the Bank's commitment to sport and identify it with the values of effort, improvement, teamwork and

BBVA, official sponsor of the Professional Soccer League and the NBA.



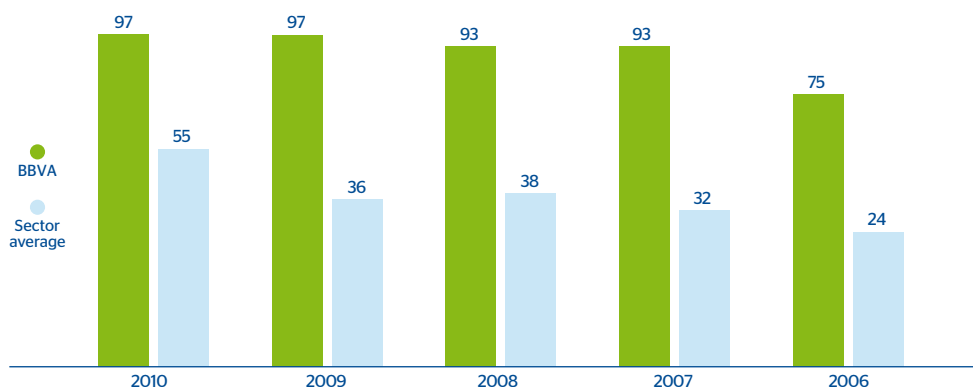
fair play inherent in soccer and basketball. The agreement with the NBA includes the Women's NBA and the NBA Development League, in the United States, Spain and Puerto Rico. It is also worth noting that both soccer and basketball are accessible to all and the most popular sports across the world. This reinforces BBVA's positioning as a simple bank that is close to its customers. The sponsorship strategy is based on living the brand by incorporating it into the content. This means:

- Strengthening the BBVA brand **notoriety** and **visibility**, both in Spain and across the world.
- Reinforcing **positioning** in the values specified above that are closely linked to BBVA (teamwork, the spirit of improvement, effort and fair play).
- And exploiting these values commercially through products that can attract new customers and build the loyalty of existing ones.

According to the last ranking prepared by MillwardBrown Optimor on the Top 100 Most Valuable Brands, BBVA stood at number 56, signifying that the value of the BBVA brand has grown 3%. Furthermore, in the global ranking of financial brands, BBVA is now in 13th place out of 20 banks. Also, according to Sustainable Asset Management (SAM), BBVA maintained its global

Brand management score

(1-100)



Scope: SAM.

During 2010, brand management in BBVA has been very highly valued by experts.

brand score in 2010, continuing another year well above the average in its sector.

One of the aspects most highly valued by experts is precisely having the homogenous measurement tools available that enable monitoring of how the

brand is perceived in the principal countries in which the Group operates. The perception of the BBVA brand has stabilized or improved in most countries in terms of reputation and continues to be considered a solid brand in all countries in which the Group is present.

BBVA brand awareness

(1-100)

	Spain		Mexico		Argentina		Chile		Peru		Colombia		Venezuela		United States	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Awareness	66.1	68.3	89.0	86.0	65.0	71.0	20.0	21.0	70.0	77.0	33.0	31.0	44.0	49.0	n.a.	n.a.
Awareness (rank)	1 st	1st	1 st	1st	2 nd	3rd	5 th	5th	2 nd	2nd	4 th	4th	3 rd	3rd	n.a.	n.a.
Reputation with customers	73.6	72.2	67.5	66.9	73.6	72.5	71.2	70.9	71.0	74.5	61.6	66.1	71.0	73.7	68.9	73.2

Notes:

Reputation data from February to September 2010.

The data for awareness in 2010 are for the January-September period in all countries except Spain, where they run through to July, and Chile, data collected between July and August. A variation between two years is only statistically significant when it is greater than or equal to 2.

Awareness data source: Advance Tracking Programme, MillwardBrown.

Reputation data source: RepTrack, Reputation Institute.

Corporate responsibility

The aim of BBVA's Corporate Responsibility policy continues to be to define and promote behavior that creates value for all of its stakeholders (social value), as well as for BBVA itself (reputational value and direct economic value). It is essential that such commitment and behavior should express both BBVA's vision of

"working for a better future for people" and its principles, which should respond in the best possible way to the expectations of stakeholders (customers, employees, shareholders, suppliers and society) while reinforcing the Bank's business strategy.

Subjects	Main CR objectives in 2010	Compliance objectives 2010 verified by Deloitte	Objectives for 2011
CR principles and policies	Make two appearances before the Board of Directors.	50%	Report regularly (at least once a year) to the Board of Directors.
Stakeholders	Making of a roadshow by CR with sustainability analysts.	50%	Include CR-ESG (environmental, social and governance) issues in Investors Day 2011.
	Promote social projects with involvement of shareholders and/or customers.	50%	Create an internal ESG Committee with members from Investor Relations (IR), CR and Corporate Governance.
Financial Literacy	"Valores de futuro" in Spain: reach 550,000 children and 2,800 participating centers. Launch of "Valores de futuro" in Portugal, with 100,000 children taking part. Implementation of the "Adelante con tu futuro" (Forward with your future) program in countries in South America. "Adelante con tu futuro" in Mexico: reach 240,000 beneficiaries.	100%	Exceed a total of one million beneficiaries of the Global Financial Education Plan and conclude an agreement with PISA to promote financial literacy. Consolidate the figures of centers and beneficiaries of the "Valores de futuro" program in the 2010-2011 academic year (in Spain 578,000 students and 3,060 centers, and in Portugal 100,000 students and 600 centers). Reach a total of 400,000 beneficiaries of the program "Adelante con tu futuro" in Mexico.
Financial inclusion	Operational presence of the BBVA Microfinance Foundation in Argentina, Mexico and Central America.	50%	Extend the BBVA Microfinance Foundation's current customer base of 620,000 by 20%.
		50%	Extend the operational presence of the Microfinance Foundation from the current 6 countries (Argentina, Chile, Colombia, Panama, Peru and Puerto Rico) to 9.
Customer focus	Define and implement a new procedure to increase the transparency and clear language used in the Group's advertising campaigns.	25%	Approve a corporate manual for transparent, clear and responsible (TCR) communication and design local implementation plans.
Responsible finance	Implementation of ecorating in CBB Spain, Mexico and Peru.	25%	Include mitigating factors for companies with high environmental risk and exposure of over €500,000 in ecorating analysis.
		25%	Implement ecorating in Mexico.
Human resources	Launch of the "Diversity and Equality" course on the e-campus platform (Spain).	100%	Boost initiatives that promote equal opportunity, the life/work balance and gender diversity, and the extension of the general social networking diversity tool throughout the Group.
Responsible investment	Progress in the engagement process and the exercise of voting rights.	50%	Analyze the possibility of extending the exercise of voting rights to other geographical areas (currently only in Spain).
Responsible procurement	Approval and implementation of the sustainable purchasing policy.	0%	Approve and begin to implement the sustainable purchasing policy in the Group.
Environment	Increase the number of employees working in ISO 14001 buildings to 15,635.	100%	Increase the number of employees working in ISO 14001 buildings by 20%.
Community involvement	Consolidate the "Niños adelante" program and the number of children with scholarships: 60,000.	100%	Consolidate the number of 60,000 children who benefit from the "Niños adelante" scholarships.
		100%	Launch a global BBVA program to support social entrepreneurs.

Note: This table only includes some of the main objectives. The complete list is available at www.bancaparatodos.com.

BBVA is working to extend integration of strategic management of environmental, social, ethical and corporate governance variables across all of its areas of business. The aim of this is to reduce extra-financial risks, increase business opportunities by working on the most important issues for society, and to work together to solve social demands through increased dialogue and commitment to stakeholders. The following table of key indicators sums up the cross-cutting nature of the concept of Corporate Responsibility in its key metrics. These metrics are developed in more detail in Chapter V of this Report.

In 2010 the Group has continued to make progress with actions based on the pillars of the **Strategic Corporate Responsibility and Reputation (CRR) Plan**: financial literacy and inclusion, responsible banking and community involvement. The following table sums up both the level of achievement of these objectives for 2010 and the management priorities set for 2011 for each of the Group's basic areas of action. It is important to highlight that the accompanying data for 2010 has been verified by Deloitte.

BBVA Group. Key corporate responsibility indicators

	2010	2009	2008
Economic ⁽¹⁾			
International ranking of private banks by market capitalization	27 th	13 th	7 th
Economic value added (EVA) (million euros)	18,559	20,315	29,879
Socially responsible mutual funds over total mutual and pension funds managed (%)	2.13	2.92	2.70
Social			
Customer satisfaction index (%) ⁽²⁾	5.27	5.22	5.57
Employee satisfaction index (%) ⁽³⁾	90	-	87
Supplier satisfaction index (%) ⁽⁴⁾	79	-	82
Hours of training per employee	43	38	37
Women in senior management (Management Committee and corporate managers/senior managers) (%)	10/18	9/18	10/18
Ratio of men to women (%)	48/52	48/52	49/51
Resources allocated to community involvement (million euros)	74.9	79.1	85.3
Resources allocated to community involvement over net attributable profit (%)	1.63	1.88	1.70
Number of beneficiaries of the "Niños adelante" education project	53,140	56,178	47,104
Number of beneficiaries of the Global Financial Education Plan ⁽⁵⁾	1,317,979	445,695	7,000
Number of direct and indirect beneficiaries of the BBVA Microfinance Foundation (millions)	2.5	2.0	1.7
Number of customers of the BBVA Microfinance Foundation	620,584	499,961	346,758
Total value of microcredits granted by the BBVA Microfinance Foundation (million euros)	432	323	195
Average amount per microcredit from the BBVA Microfinance Foundation (euros)	696	717	564
Number of volunteers	5,251	5,193	3,606
Environmental			
CO ₂ emitted per employee (t) ⁽⁶⁾	4.64	6.51	3.87
Paper consumption per employee (t) ⁽⁶⁾	0.13	0.13	0.13
Water consumption per employee (m ³) ⁽⁶⁾	46.20	50.30	33.62
Electricity consumption per employee (MWh) ⁽⁶⁾	8.70	13.17	8.36
Number of employees working in ISO 14001 certified buildings	15,238	10,455	9,105
Corporate responsibility and reputation (CRR) management and governance			
Number of CRR appearances before the Board of Directors	1	2	2
Number of corporate CRR committees	3	2	4
Number of CRR committees in Latin America	18	16	10
Number of CRR committees in Spain and Portugal	2	1	0
Number of CRR committees in the United States	0	0	0

(1) Other key economic CR indicators are net attributable profit per share, stock market capitalization and non-performing asset ratio. These figures can be reviewed in the BBVA Group Highlights table of this Report.

(2) Data for Spain on scale 1-7.

(3) Biennial survey. Employees satisfied or very satisfied.

(4) Biennial survey. Data for Spain.

(5) Data for Spain and Mexico.

(6) Interim data in review process. Group banks perimeter. The final data is available at www.bancaparatodos.com.



46	Earnings
56	Balance sheet and business activity
63	Capital base
66	The BBVA share

Group financial information

“They had
already met in a
BBVA branch”

Juan became a regular customer at Julia's bakery on the day he arrived in Barcelona from his home town of Santiago, Chile. But they had already met in a BBVA branch. He was opening his first bank account in Spain, she was asking for a loan to refurbish her premises. Julia helped him to a “soft landing” in the city and he returned the favor by helping with her refurbishment work. He has not paid for his croissants for some time now.

Earnings

In **2010** BBVA generated a net attributable profit of €4,606m, an increase of 9.4% on the figure for 2009.

The following are earnings highlights for the year:

- Elevated capacity for generating revenues, as reflected by the accumulated **gross income**, the highest in BBVA's history, of €20,910m. This is especially relevant considering the still complex economic backdrop of the year.

Consolidated income statement

(Million euros)

	2010	Δ%	Δ% at constant exchange rate	2009	2008
Net interest income	13,320	(4.0)	(5.3)	13,882	11,686
Net fees and commissions	4,537	2.4	(0.6)	4,430	4,527
Net trading income	1,894	22.7	15.0	1,544	1,558
Dividend income	529	19.3	18.7	443	447
Income by the equity method	335	180.1	180.0	120	293
Other operating income and expenses	295	19.2	(23.7)	248	466
Gross income	20,910	1.2	(1.5)	20,666	18,978
Operating costs	(8,967)	7.3	5.4	(8,358)	(8,455)
Personnel expenses	(4,814)	3.5	1.9	(4,651)	(4,716)
General and administrative expenses	(3,392)	12.7	10.4	(3,011)	(3,040)
Depreciation and amortization	(761)	9.2	7.8	(697)	(699)
Operating income	11,942	(3.0)	(6.1)	12,308	10,523
Impairment on financial assets (net)	(4,718)	(13.8)	(17.9)	(5,473)	(2,940)
Provisions (net)	(482)	5.4	4.4	(458)	(1,431)
Other gains (losses)	(320)	(50.1)	(54.4)	(641)	775
Income before tax	6,422	12.0	10.6	5,736	6,926
Income tax	(1,427)	25.1	23.7	(1,141)	(1,541)
Net income	4,995	8.7	7.3	4,595	5,385
Non-controlling interests	(389)	1.1	14.0	(385)	(366)
Net attributable profit	4,606	9.4	6.8	4,210	5,020
Net one-offs ⁽¹⁾	-	n.m.	n.m.	(1,050)	(395)
Net attributable profit (excluding one-offs)	4,606	(12.4)	(15.0)	5,260	5,414
Basic earnings per share (euros)⁽²⁾	1.17	8.3		1.08	1.31
Basic earnings per share excluding one-offs (euros)⁽²⁾	1.17	(13.3)		1.35	1.41

(1) The third quarter, both for 2009 and 2010, includes capital gains from the sale-and-leaseback of retail branches which have been allocated to generic provisions for NPA, with no effect on net attributable profit. And in the fourth quarter of 2009, there was an extraordinary provision and a charge for goodwill impairment in the United States. In 2008, capital gains from Bradesco in the first quarter, provisions for non-recurrent early retirements in the second and fourth quarters and provision for the loss originated by the Madoff fraud in the fourth quarter.

(2) Earnings per share for periods prior to the share capital increase have been adjusted to the said capital increase as per IAS 33.

Consolidated income statement: quarterly evolution

(Million euros)

	2010				2009			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	3,138	3,245	3,551	3,386	3,589	3,434	3,586	3,272
Net fees and commissions	1,135	1,130	1,166	1,106	1,163	1,086	1,102	1,079
Net trading income	252	519	490	633	420	325	435	364
Dividend income	227	45	231	25	153	42	207	41
Income by the equity method	124	60	94	57	114	(21)	22	4
Other operating income and expenses	70	85	47	93	(149)	128	140	128
Gross income	4,946	5,084	5,579	5,301	5,290	4,995	5,492	4,889
Operating costs	(2,325)	(2,262)	(2,262)	(2,118)	(2,254)	(2,017)	(2,018)	(2,070)
Personnel expenses	(1,240)	(1,211)	(1,215)	(1,149)	(1,233)	(1,126)	(1,130)	(1,161)
General and administrative expenses	(887)	(855)	(855)	(796)	(852)	(716)	(710)	(733)
Depreciation and amortization	(199)	(197)	(192)	(174)	(169)	(174)	(178)	(175)
Operating income	2,621	2,821	3,317	3,183	3,036	2,979	3,474	2,819
Impairment on financial assets (net)	(1,112)	(1,187)	(1,341)	(1,078)	(1,787)	(1,741)	(1,029)	(916)
Provisions (net)	(75)	(138)	(99)	(170)	(224)	(82)	(48)	(104)
Other gains (losses)	(273)	113	(88)	(72)	(1,240)	791	(228)	36
Income before tax	1,162	1,609	1,789	1,862	(214)	1,947	2,168	1,834
Income tax	(127)	(359)	(431)	(510)	277	(457)	(480)	(480)
Net income	1,034	1,250	1,358	1,352	63	1,490	1,688	1,354
Non-controlling interests	(96)	(110)	(70)	(113)	(31)	(110)	(127)	(116)
Net attributable profit	939	1,140	1,287	1,240	31	1,380	1,561	1,238
Net one-offs ⁽¹⁾	-	-	-	-	(1,050)	-	-	-
Net attributable profit (excluding one-offs)	939	1,140	1,287	1,240	1,081	1,380	1,561	1,238
Earnings per share								
Basic earnings per share (euros) ⁽²⁾	0.23	0.29	0.32	0.31	0.01	0.36	0.40	0.33
Basic earnings per share excluding one-offs (euros) ⁽²⁾	0.23	0.29	0.32	0.31	0.27	0.36	0.40	0.33

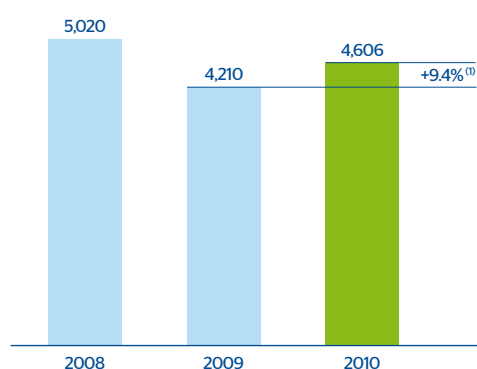
(1) The third quarter, both for 2009 and 2010, includes capital gains from the sale-and-leaseback of retail branches which have been allocated to generic provisions for NPA, with no effect on net attributable profit. And in the fourth quarter of 2009, there was an extraordinary provision and a charge for goodwill impairment in the United States.

(2) Earnings per share for periods prior to the share capital increase have been adjusted to the said capital increase as per IAS 33.

- Increase of **diversification**, in geographic, business and segment terms, which

1 Net attributable profit

(Million euros)



(1) At constant exchange rate: +6.8%.
Excluding one-offs -12.4%, at constant exchange rate: -15.0%.

makes the earnings depend on multiple economies, currencies, sectors and risk factors. In terms of geography, today 58.1% of the Bank's gross income comes from the Americas and Asia, where BBVA operates through leading franchises that compensate the lesser contribution of Spain. In terms of business, the weight of earnings from units without liquidity or credit risks, such as those managing mutual funds and pensions or insurance, are relevant, as they contribute stability to earnings of the banking business, as they are more cyclical. Furthermore, the Group has specialized units in the different segments of individual customers, SMEs, national and multinational corporations, governments and administrations and financial institutions. This diversity is managed through transversal responsibilities of the geographic areas and businesses.

- Launch of an ambitious **investment** plan with the objective of initiating a new path of growth in each of the markets in which BBVA operates. The above has impacted the course of operating expenses (up 7.3% year-on-year, but up 5.4% at constant exchange rates).
 - Positive progress of **provisions**. After the anticipatory provisions made in the fourth quarter of 2009, the impairment losses on financial assets in 2010 fell by 13.8% as a result of BBVA's superior risk management. It is also worth noting that the NPA ratio and the coverage ratio improved over the year to 4.1% and 62%, respectively (from 4.3% and 57% at the close of December 2009).
 - General appreciation in **currencies** with the biggest impact on the Group's earnings. The exceptions are the Venezuelan bolivar, which devalued in January, and the Argentinean peso, which depreciated slightly over the last twelve months in terms of average exchange rates. In all, the effect of the exchange rates on the year-on-year comparison of the Group's income statements and balance sheet is positive.
- BBVA's profitability compares favorably with standards in the sector. The Group maintains an outstanding position in terms of average total assets (ATA) with respect to the main items on the income statement. Thus the net interest income over ATA stands at 2.38%, which though below the figure in 2009 is above the 2.26% in 2008. The main causes of this development, apart from the growth of 2.9% in ATA (mainly due to the general appreciation of exchange rates), are the restriction of the net interest income caused by the rise in interest rates, more expensive wholesale funds, and the steady change in the composition of the portfolio, as explained below. However, the greater contribution of net trading income (NTI) and the other gains/losses items has reduced the gap between 2010 and 2009 in terms of gross income over ATA (3.74% in 2010 compared with 3.81% in 2009). Increased lending over the year has reduced the operating income over ATA by 13 basis points to 2.14% (also above the 2008 figure). Finally, the positive trend in loan-loss provisions and provisions (net) and other gains/losses explains why ROA stood at 0.89% (0.85% in 2009).

Consolidated income statement: percentage of ATA

	2010	2009	2008
Net interest income	2.38	2.56	2.26
Net fees and commissions	0.81	0.82	0.87
Net trading income	0.34	0.28	0.30
Other operating income and expenses	0.21	0.15	0.23
Gross income	3.74	3.81	3.66
Operating costs	(1.60)	(1.54)	(1.63)
Personnel expenses	(0.86)	(0.86)	(0.91)
General and administrative expenses	(0.61)	(0.55)	(0.59)
Depreciation and amortization	(0.14)	(0.13)	(0.13)
Operating income	2.14	2.27	2.03
Impairment on financial assets (net)	(0.84)	(1.01)	(0.57)
Provisions (net) and other gains (losses)	(0.14)	(0.20)	(0.13)
Income before tax	1.15	1.06	1.34
Income tax	(0.26)	(0.21)	(0.30)
Net income (ROA)	0.89	0.85	1.04
Net income (excluding one-offs) (ROA excluding one-offs)	0.89	1.04	1.12
Minority interests	(0.07)	(0.07)	(0.07)
Net attributable profit	0.82	0.78	0.97
Net attributable profit (excluding one-offs)	0.82	0.97	1.05
Memorandum item:			
Average total assets (million euros)	558,808	542,969	517,856

Net interest income

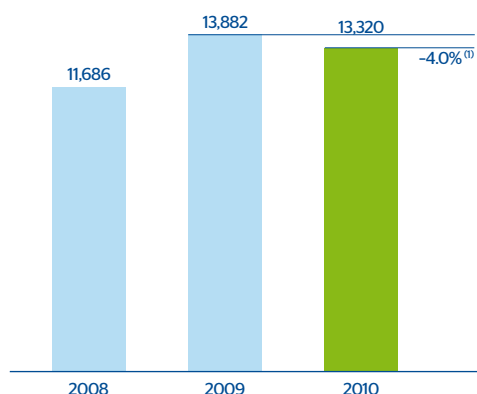
The Group's **net interest income** in 2010 stood at €13,320m, only 4.0% down on the figure for 2009. This once more shows its high level of resistance against a backdrop of rising interest rates, more expensive wholesale funds and the gradual change of the composition of the portfolio towards items with less risk and spread, but with higher loyalty. The Entity's

solid geographic structure is also a contributing factor. In this regard, the Americas present positive performance of net interest with year-on-year growth, at constant exchange rates, of 3.2%. This is particularly important in the case of South America (up 11.1%).

In terms of customer spreads in the **euro zone**, the average yield on loans stood at 3.19%, compared with 4.17% the previous year. It should be remembered in this respect that the change is closely linked to interest rates, which are passed on more slowly to loan yields. The major falls in interest rates in 2009 had an impact of -2.7% on loan yields over the year (from 6.11% in the fourth quarter of 2008 to 3.41% in the fourth quarter of 2009). In contrast, in the whole of 2010 the fall has only been of 29 basis points, and it is also important to note that yields have remained fairly stable in the second half of the year. All this because of the solid defense of spreads, despite the change in the mix towards lower risk and lower margin products, with progressive repricing of the loan portfolio (in particular, residential mortgages), as well as positive spreads of the new production. The cost of deposits at the close of 2010 stood at 1.02%, 12 basis points below the figure for the same time the previous

2 Net interest income

(Million euros)



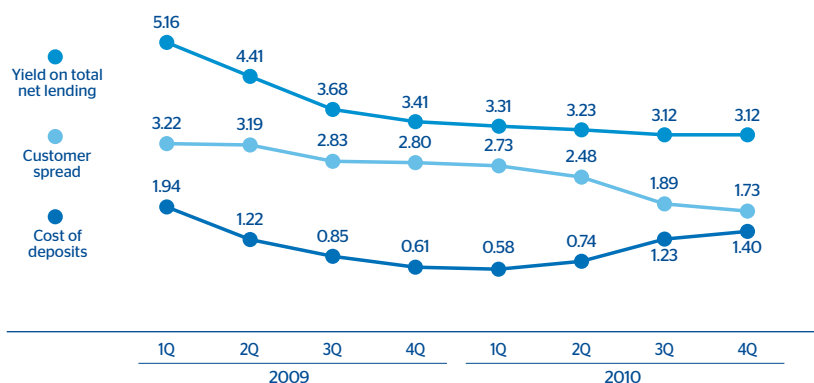
(1) At constant exchange rate : -5.3%.

Breakdown of yields and costs

	2010		2009		2008	
	% of ATM	% Yield/Cost	% of ATM	% Yield/Cost	% of ATM	% Yield/Cost
Cash and balances with central banks	3.8	1.12	3.4	1.36	2.8	3.32
Financial assets and derivatives	26.1	2.70	25.4	3.05	22.9	3.94
Loans and advances to credit institutions	4.6	1.96	4.8	2.66	6.0	4.38
Loans and advances to customers	59.6	4.89	60.6	5.62	62.1	7.35
Euros	39.3	3.19	40.9	4.17	42.2	5.98
Domestic	35.6	3.30	36.2	4.28	39.2	5.87
Other	3.7	2.18	4.7	3.27	3.0	7.40
Foreign currencies	20.3	8.19	19.7	8.65	19.9	10.27
Other assets	5.9	0.48	5.7	0.38	6.3	0.81
Total assets	100.0	3.78	100.0	4.38	100.0	5.87
Deposits from central banks and credit institutions	14.3	1.89	13.6	2.89	14.9	4.94
Deposits from customers	46.4	1.37	45.9	1.63	45.8	3.37
Euros	21.8	1.02	21.4	1.14	22.2	2.94
Domestic	15.8	1.28	15.6	1.40	16.3	2.69
Other	6.0	0.33	5.8	0.44	5.9	3.64
Foreign currencies	24.6	1.68	24.4	2.06	23.6	3.78
Debt certificates and subordinated liabilities	21.4	1.95	22.1	2.58	23.0	5.12
Other liabilities	11.9	0.62	12.9	0.85	11.0	1.41
Equity	5.9	-	5.5	-	5.3	-
Total liabilities and equity	100.0	1.40	100.0	1.82	100.0	3.61
Net interest income/average total assets (ATA)		2.38		2.56		2.26

3 Customer spread (euro area)

(Percentage)



year (1.14%). However, the figure increased over the year as a result of the change in interest rates mentioned above, together with the customer preference for term deposits and loyalty building campaigns carried out in 2010. Nevertheless, its rate of growth slowed notably over the last three months of the year compared with the previous quarters. As a result, average customer spread in 2010 fell by 86 basis points to 2.17%.

In **Mexico**, interbank base rates fell over the year (TIIE average 4.91% compared with 5.89% in 2009). This reduction was transferred to yields on loans, which fell by 144 basis points to 12.57%, and to the cost of deposits, which fell 49 basis points to 1.88%. Therefore, customer spread decreased 95 basis points to 10.69%. However, the gradual improvement in economic activity over 2010 means that the accumulated net interest income in the area is practically at the same levels as in 2009 (-0.7% year-on-year, but +11.5% with the exchange-rate effect).

In **South America**, the reactivation of activity has compensated for the effect the heightened competitive pressure in the region has had on spreads. The net interest income of €2,495m is up 11.1% over the levels of 2009 at constant exchange rates.

Finally, in the **United States**, the accumulated net interest income was up 1.3% year-on-year (up 6.8% including the effect of the currency), and was sustained primarily by the repricing efforts carried out in the year and due to the growth of lower-cost customer funds. The customer spread of BBVA Compass increased by 16 basis points over the year, as the rate paid on customer deposits has fallen less than the yield on loans.

Therefore, the Group's net interest income is being increasingly generated by a balance sheet with more controlled liquidity and credit risk.

Gross income

Net fees and commissions generated in 2010 increased by 2.4% year-on-year to €4,537m. This is considered positive, taking into account the reduction applied to a large number of customers in Spain, whose loyalty has increased, and the negative effect of regulatory limitations that entered into force in some countries in the Americas. Especially noteworthy are the increases in fees and commissions from pension funds, which are up 8.0%. Those corresponding to banking services were also above 2009 levels thanks to brokerage and contingent liability fees. By geographical area, the Americas increased the weight of their contribution to fees and

Net fees and commissions

(Million euros)

	2010	Δ%	2009	2008
Mutual funds, pension funds and customer portfolios	1,156	5.6	1,095	1,284
Banking services	3,381	1.4	3,335	3,243
Collection and payment services	1,059	(6.0)	1,126	1,197
Credit and debit cards	935	(4.2)	976	953
Securities	545	9.2	499	511
Contingent liabilities and back-up lines	410	16.3	352	299
Other fees and commissions	432	13.2	382	283
Net fees and commissions	4,537	2.4	4,430	4,527

commission income for the Group, and account for 63% of the total (60% in 2009).

The contribution of **NTI** was very positive over the year, with a rise of 22.7% on the amount for 2009 to €1,894m. This is because of its strong performance in the first nine months of 2010. It is worth highlighting the good result from the effect of the devaluation of the bolivar on some of BBVA Banco Provincial's positions and the ALCO portfolios, mainly in the first half of the year.

Income from dividends came to €529m, for a year-on-year increase of 19.3%. Their main component is BBVA's investment in Telefónica, which has increased from €1.00 to €1.30 per share.

Furthermore, **equity-accounted income** reached €335m, due primarily to the contribution of CNCB. This is up from the 2009 figure of €120m and is explained by the improved CNCB results along with the increase in this investment (from 10% to 15%).

The heading **other operating income and expenses** totaled €295m, as compared to the €248m from 2009 due to the greater contribution of the insurance business.

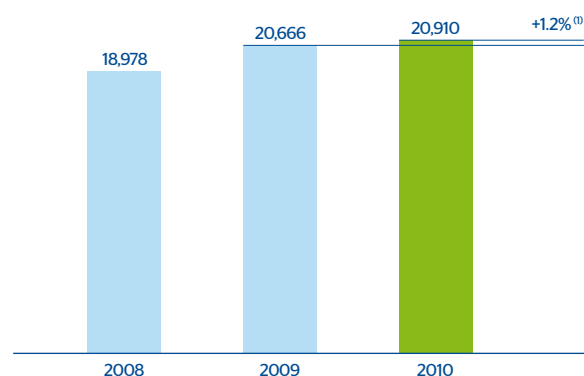
Therefore, the **gross income** accumulated as of December reached a Group record of €20,910m, which is 1.2% more than in the same period of 2009. This further demonstrates BBVA's capacity for generating operating income in a still complex economic context.

Operating income

Operating costs for the year were €8,967m and grew 7.3% year-on-year. By types, the largest increases continue to be in administrative expenses. First, as commented in previous quarterly reports, this item includes the increase in rental costs following the sale and leaseback of properties in Spain in the third quarter of 2009 and 2010. It is also important to note that after the conclusion of the Transformation Plan implemented by the Group in previous years, a major investment program is being carried out that mainly affects the franchises operating in emerging countries. They have increased costs year-on-year by 14.4%, compared with a rate of 2.5% in developed countries. Some of its actions include the implementation of various growth plans in all business areas, by improving the information systems, renewing and extending the number of ATMs, applying the BBVA brand's new positioning and boosting its reputation, through its sponsorship in the Liga BBVA in Spain and the U.S. NBA basketball league.

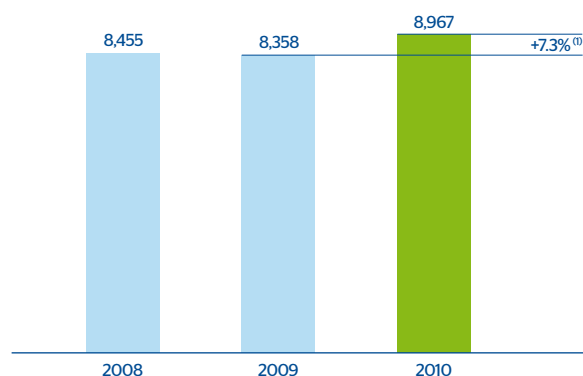
This investment process is accompanied by a gradual increase of the Group's **workforce** in almost all of its areas. Thus, as of 31-Dec-2010, BBVA had 106,976 employees, up 3.1% on the previous year. In terms of its distribution network, it now has 1,279 more **ATMs** than in 31-Dec-2009. Furthermore, the number of offices continues to fall, but at a lower rate than in previous years, as BBVA

4 Gross income (Million euros)



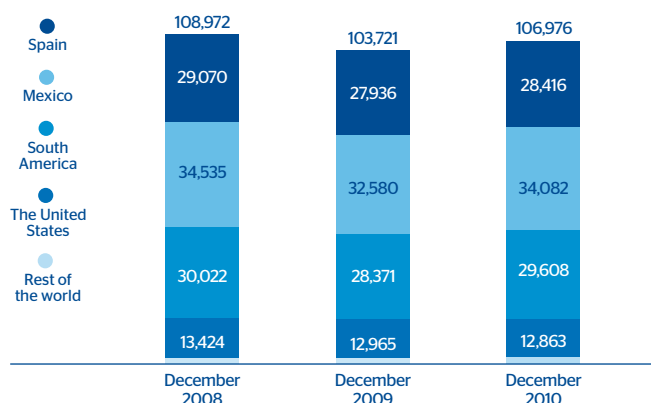
(1) At constant exchange rate : -15%.

5 Operating costs (Million euros)



(1) At constant exchange rate : +5.4%.

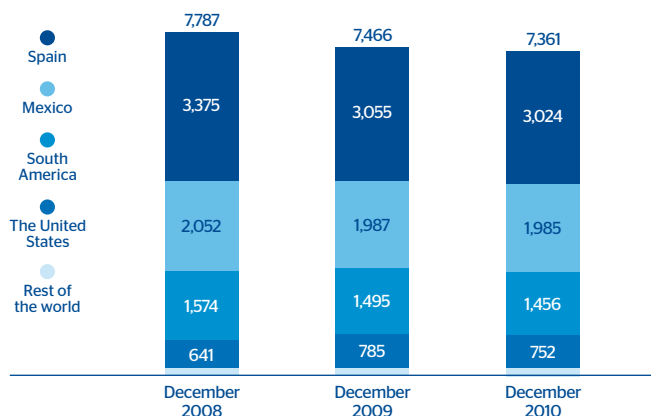
6 Number of employees



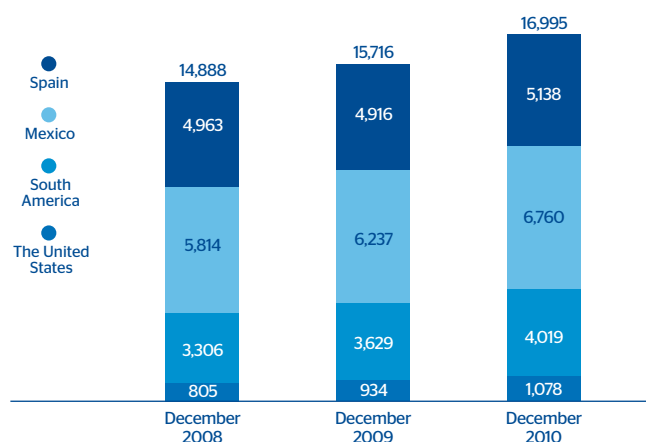
anticipated the sector's current trend with its aforementioned Transformation Plan. As of 31-Dec-2010 there were 105 branches fewer than at the close of 2009.

As a result of this course of revenues and expenses, the **efficiency ratio** is at 42.9%, and BBVA maintains its position as one of the most efficient entities within its reference group. Consequently, the accumulated **operating income** reached €11,942m, marking a slight 3.0% fall on the previous year.

7 Number of branches



Number of ATMs



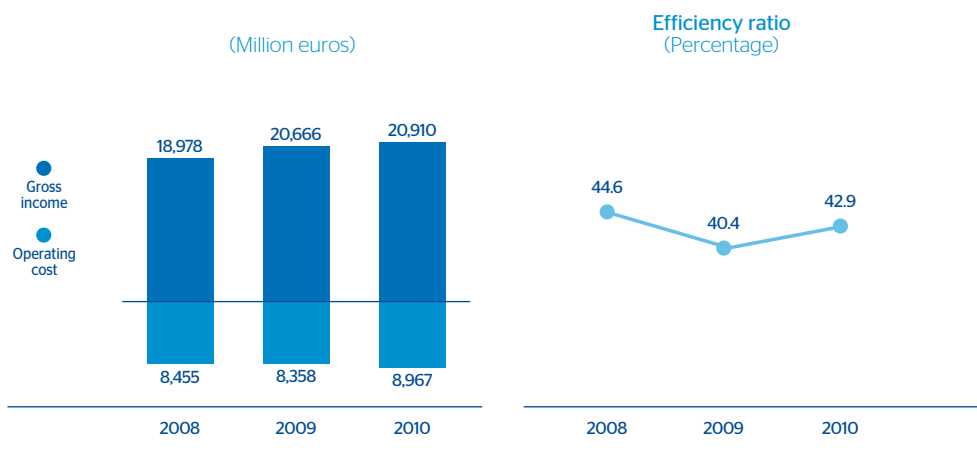
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Breakdown of operating costs and efficiency calculation

(Million euros)

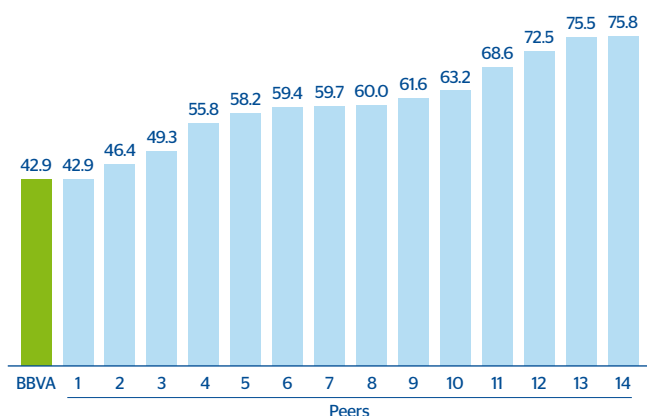
	2010	Δ%	2009	2008
Personnel expenses	4,814	3.5	4,651	4,716
Wages and salaries	3,740	3.7	3,607	3,593
Employee welfare expenses	689	7.1	643	693
Training expenses and other	386	(3.7)	401	430
General and administrative expenses	3,392	12.7	3,011	3,040
Premises	750	16.7	643	617
IT	563	(2.4)	577	598
Communications	284	11.6	254	260
Advertising and publicity	345	31.9	262	272
Corporate expenses	89	11.6	80	110
Other expenses	1,040	11.9	929	887
Levies and taxes	322	20.7	266	295
Administration costs	8,207	7.1	7,662	7,756
Depreciation and amortization	761	9.2	697	699
Operating costs	8,967	7.3	8,358	8,455
Gross income	20,910	1.2	20,666	18,978
Efficiency ratio (Operating costs/gross income, in %)	42.9		40.4	44.6

9 Efficiency



10 Efficiency. BBVA and peer group ⁽¹⁾

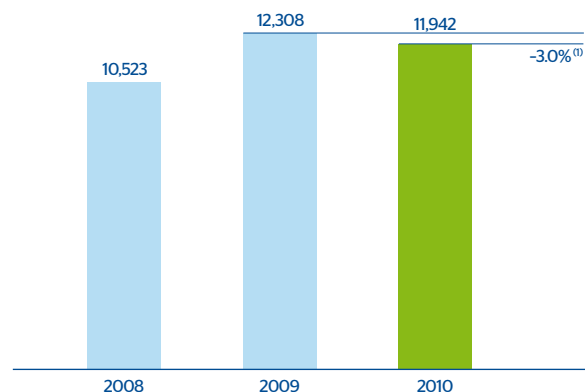
(Percentage)



⁽¹⁾ BBVA Group 2010 data. Peer group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCI. Data as of September 2010, except for British banks, data as of June 2010.

Operating income

(Million euros)



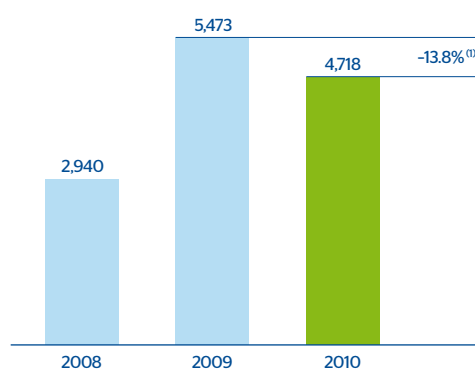
⁽¹⁾ At constant exchange rate: -6.1%

Provisions and others

In 2010, impairment losses on financial assets, €4,718m, positively progressed and were down 13.8% compared to 2009. The above has enabled the risk premium for the period to continue its downward trend and closed at 1.3% (1.5% in 2009). The cause of this decrease is primarily due to the proactive measures carried out throughout the fourth quarter of 2009 in Spain and Portugal and in the United States. Considering the above, the percentage of the operating income allocated to covering these impairment losses stands at 39.5%, one of the lowest for its reference group. Finally, said fall in provisions did not prevent the improvement

Impairment losses on financial assets 12

(Million euros)



⁽¹⁾ At constant exchange rate: -17.9%

in the coverage ratio, which stood at 62% as of 31-Dec-2010, up by more than 4 percentage points compared to year-end 2009.

Provisions, whose main component is charges for early retirement, increased to €482m, as compared to the €458m in 2009. This was primarily the result of those for contingent liabilities, since there were recoveries in 2009 for the reduction of balances.

Lastly, **other gains (losses)** stood at -€320m, as compared to the -€641 in 2009. Greater provisions were incorporated for real estate assets in 2010 to maintain coverage above 30%. They also include capital gains generated in the third quarter from the sale and leaseback of commercial offices in Spain. In addition

to these capital gains, in 2009 they mainly included the goodwill impairment charge in the United States.

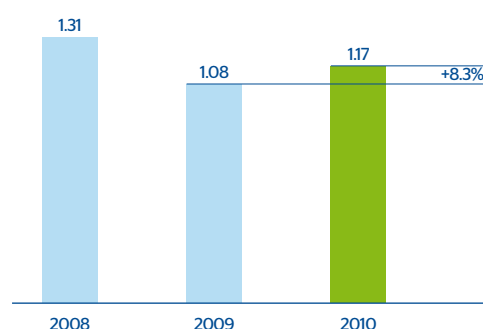
Net attributable profit

The **net attributable profit** stood at €4,606m, an increase of 94%. Not counting the one-offs of the previous year, €1,050m, the annual variation is at -12.4%.

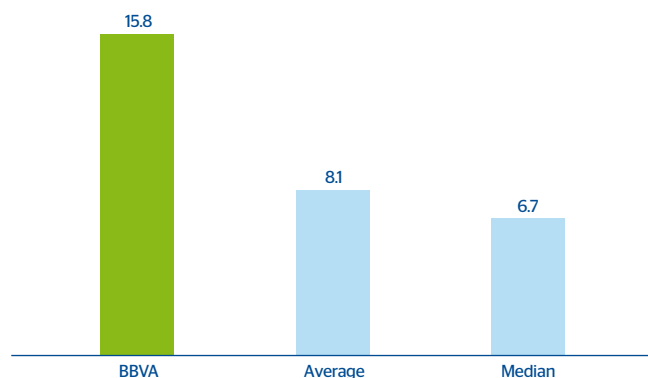
Once again, all the Group's **business areas** have positively contributed to its generation. In this regard, Spain and Portugal generated €2,070m, Mexico €1,707m, South America €889m, United States €236m and WB&AM €950m.

The share capital increase in November did not dilute **basic earnings per share**, which stood at €1.17 in 2010 and was up 8.3%, a growth rate close to that of the net attributable profit. The book value per share stands at €8.17, up 4.3% year-on-year, and the tangible book value per share closed the year at €6.27, up 6.3%. In terms of the Group's performance, measured in terms of return on equity (ROE) and return on total average assets (ROA), BBVA continues to be one of the most profitable banks in its reference group with a ROE of 15.8% and a ROA of 0.89%.

13 Earnings per share (Euros)

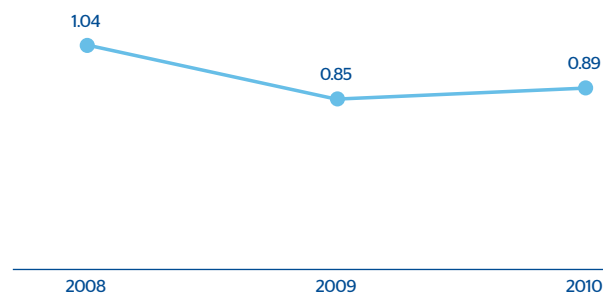


14 ROE. BBVA and peer group ⁽¹⁾ (Percentage)



(1) Peer group: BARCL, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LGB, RBS, SAN, SG, UBS, LBG and UCI. Data as of September 2010, except for British banks, data as of June 2010.

ROA (Percentage)



15

Economic profit and risk-adjusted return on economic capital

The economic profit (EP) and risk-adjusted return on capital (RAROC) figures are two of the fundamental and necessary metrics for correct development of the **value-base management** system BBVA has introduced.

For its calculation, the **economic profit** is used, obtained by making the following adjustments to the net attributable profit: substituting generic provisions with an allocation based on expected losses; accounting the changes in unrealized 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 2010, these adjustments amounted to €2,863m of book value, above all due to the adjustment of changes in the value, so the adjusted profit was €1,743m.

These calculations, whose evolution in the medium to long term is very useful for determining the intrinsic value of a business, may be temporarily distorted by market volatility. It is therefore important to calculate recurrent data, which is largely due to

business with customers, and hence the truly manageable component in these metrics. Said data is obtained by excluding those business units whose earnings are affected by fluctuations in capital gains in their portfolios and, cycle-adjusted loss is included for the purposes of calculating expected loss. Thus the accumulated **recurrent adjusted profit** in 2010 was €4,981m, an increase of 7.7% on the figure for 2009.

From the adjusted profit a subtraction is made which comes from multiplying the average economic risk capital or ERC for the period (€24,322m as of December 31, 2010) by the percentage **cost of capital**. This cost is based on information drawn from analysts' consensus. It is different for each area and business unit in the Group, being equivalent to the rate of return demanded by the market, in return on equity terms.

This gives the **economic profit**, which amounted to -€1,238m in the year. However, the recurrent economic profit stood at €2,618m, once more reflecting the degree to which BBVA generates profits in excess of the cost of capital employed, and thus economic value for its shareholders.

RAROC measures the return earned by each business unit adjusted to the risk it bears. Comparing the adjusted profit against the average economic risk capital (ERC) for the period gives the BBVA Group a RAROC of 7.2%, while its **recurrent RAROC** was 24.9%.

Economic profit and risk-adjusted return on economic capital

(Million euros)

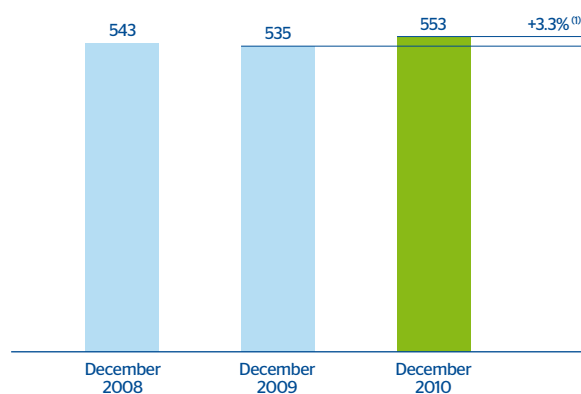
	2010	Δ%	2009	2008
Net attributable profit	4,606	9.4	4,210	5,020
Adjustments	(2,863)	n.m.	579	(3,241)
Adjusted net attributable profit (A)	1,743	(63.6)	4,789	1,779
Average economic risk capital (ERC) (B)	24,322	10.2	22,078	19,614
Risk-adjusted return on economic capital (RAROC) = (A)/(B) * 100	7.2		21.7	9.1
Recurrent RAROC (%)	24.9		25.1	30.0
ERC x cost of capital (C)	2,981	20.4	2,476	2,053
Economic profit (EP) = (A) - (C)	(1,238)	n.m.	2,313	(275)
Recurrent economic profit	2,618	(0.1)	2,620	3,402

Balance sheet and business activity

The main aspects of the BBVA Group balance sheet and business in 2010 are:

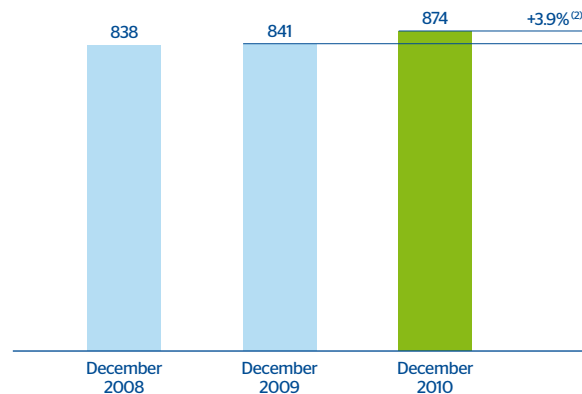
- The **loan book** varied in the geographical areas where BBVA operates. Thus, in Spain and Portugal its performance was positive, with a year-on-year growth of 0.7%, in a context of a general credit slump. In contrast, Mexico and South America have been extremely buoyant, with very positive rates of growth over the year (+10.2% and +21.5% respectively). In the United States, the fall has been the result of the gradual change in the portfolio mix towards lines with lower associated risk.
- Positive performance in **residential mortgages** in practically all the geographical areas and in loans to major corporations and companies in the Americas.
- **Customer deposits** performed strongly, due to the increase in time deposits in the domestic sector and low-cost funds in the non-domestic sector. In both cases, the most notable aspect is the effort to strengthen customer loyalty.
- The leading position in **pension funds** in Spain and most of the Americas has been maintained.
- Continuing stability in the Group's **balance sheet**. Total assets at the end of December were similar to the figure for 31-Dec-2009 (+3.3% or +1.2% at constant exchange rates). In addition, the Bank's balance sheet is characterized by great strength in the indicators of risk, solvency and liquidity and its adequate financing structure. To date, the Group meets all the requirements set by regulations in this respect.

16 Total assets (Billion euros)



(1) At constant exchange rate: +1.2%.

Business volume ⁽¹⁾ (Billion euros)



(1) Total gross lending plus total customer funds.
(2) At constant exchange rate: +1.2%.

17

- 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.

- Positive effect of the **exchange rate**, since the currencies with the greatest impact on the Bank's balance sheet and activity have appreciated, except for the Venezuelan bolivar, owing to the

devaluation in January 2010. We have included rates of change at constant exchange rates for the most important data in order to help the analysis of the business activity.

The main item on the asset side of the **balance sheet** is lending to customers, which represented 61.3% of total assets as of December 31, 2010, compared with 60.4% a year earlier. On the liabilities side, customer deposits also increased to 49.9% of the total

Consolidated balance sheet

(Million euros)

	31-12-10	Δ%	31-12-09	31-12-08
Cash and balances with central banks	19,981	22.3	16,344	14,659
Financial assets held for trading	63,283	(9.2)	69,733	73,299
Other financial assets designated at fair value through profit or loss	2,774	18.7	2,337	1,755
Available-for-sale financial assets	56,457	(11.1)	63,520	47,780
Loans and receivables	364,707	5.4	346,117	369,494
Loans and advances to credit institutions	23,636	6.3	22,239	33,856
Loans and advances to customers	338,857	4.8	323,442	335,260
Other	2,213	n.m.	436	378
Held-to-maturity investments	9,946	82.9	5,437	5,282
Investments in entities accounted for using the equity method	4,547	55.6	2,922	1,467
Tangible assets	6,701	3.0	6,507	6,908
Intangible assets	8,007	10.5	7,248	8,440
Other assets	16,336	9.6	14,900	13,568
Total assets	552,738	3.3	535,065	542,650
Financial liabilities held for trading	37,212	13.3	32,830	43,009
Other financial liabilities at fair value through profit or loss	1,607	17.5	1,367	1,033
Financial liabilities at amortized cost	453,164	1.2	447,936	450,605
Deposits from central banks and credit institutions	68,180	(3.0)	70,312	66,804
Deposits from customers	275,789	8.5	254,183	255,236
Debt certificates	85,180	(14.8)	99,939	104,157
Subordinated liabilities	17,420	(2.6)	17,878	16,987
Other financial liabilities	6,596	17.3	5,624	7,420
Liabilities under insurance contracts	8,033	11.8	7,186	6,571
Other liabilities	15,246	1.8	14,983	14,727
Total liabilities	515,262	2.2	504,302	515,945
Minority interests	1,556	6.3	1,463	1,049
Valuation adjustments	(770)	n.m.	(62)	(930)
Stockholders' funds	36,689	25.0	29,362	26,586
Total equity	37,475	21.8	30,763	26,705
Total equity and liabilities	552,738	3.3	535,065	542,650
Memorandum item:				
Contingent liabilities	35,816	9.8	32,614	35,952
Memorandum item:				
Average total assets	558,808	2.9	542,969	517,856
Average stockholders' funds	29,066	10.3	26,341	23,324
Average risk weighted assets	304,174	3.4	294,313	277,478

balance sheet at the close of 2010, compared with 47.5% as of 31-Dec-2009, and thus the deposit-to-loan ratio increased to 81.4% (78.6% in December 2009).

The Group's **business volume** that as mentioned above came to €874 billion as of December 31, 2010, showed a year-on-year increase of 3.9% compared to the €841 billion as of the same date last year. Of this figure, €348 billion corresponded to gross lending and €526 billion to total customer funds, which includes both on-balance sheet and mutual and pension funds and customer portfolios.

Lending to customers

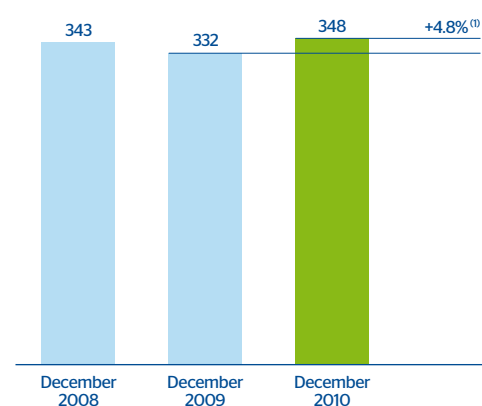
Gross lending to customers stood at €348 billion as of December 31, 2010, a year-on-year increase of 4.8%. Excluding the exchange-rate effect, the increase is a year-on-year 2.8%.

Lending has also varied by **business area** and type of portfolio. In Spain and Portugal, the Bank is continuing to win market share in high-loyalty products such as residential mortgages. At the same time, positions in the

highest-risk portfolios are being reduced. In Mexico the rate of growth in practically all the business lines is speeding up. Of particular note is the outstanding performance of the commercial portfolio and the growth in consumer finance and credit cards. In South America activity continues to be strong, with a gradual improvement in growth rates over the year and increases across the board in practically all the countries. In the United States, the fall in lending is due to the reduction in items of greater risk, such as construction real estate and consumer

Customer lending (gross)

(Billion euros)



(1) At constant exchange rate: +2.8%.

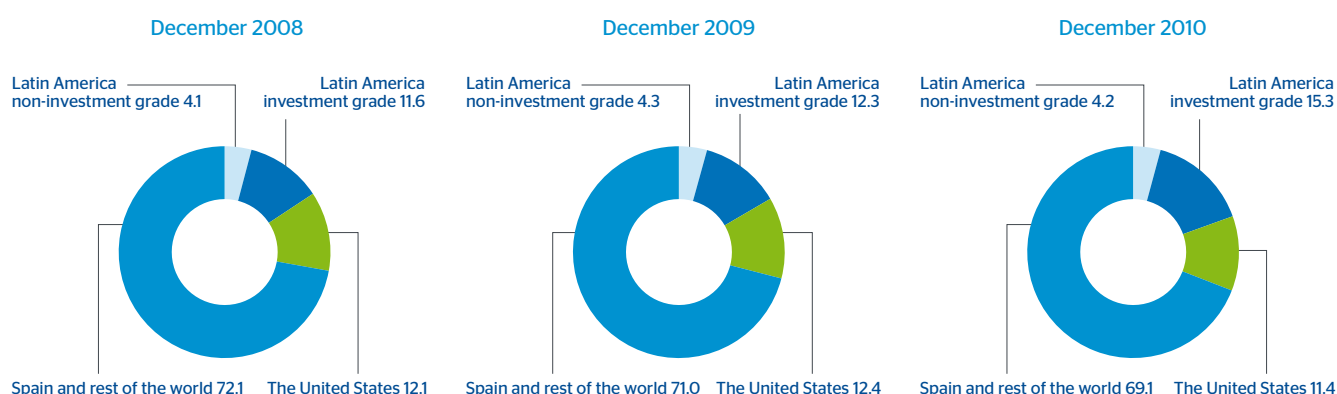
Customer lending

(Million euros)

	31-12-10	Δ%	31-12-09	31-12-08
Domestic sector	209,587	2.4	204,671	210,082
Public sector	23,767	14.3	20,786	17,599
Other domestic sectors	185,819	1.1	183,886	192,483
Secured loans	105,002	(1.2)	106,294	105,832
Commercial loans	6,847	(3.0)	7,062	9,543
Financial leases	5,666	(13.5)	6,547	7,702
Other term loans	46,225	(0.4)	46,407	55,448
Credit card debtors	1,695	(7.8)	1,839	1,971
Other demand and miscellaneous debtors	2,222	(3.2)	2,296	3,474
Other financial assets	7,321	189.4	2,529	3,031
Non-performing loans	10,841	(0.6)	10,911	5,483
Non-domestic sector	138,666	8.8	127,491	132,600
Secured loans	45,509	7.6	42,280	39,390
Other loans	88,750	9.6	80,986	90,335
Non-performing loans	4,408	4.3	4,225	2,875
Customer lending (gross)	348,253	4.8	332,162	342,682
Loan-loss provisions	(9,396)	7.8	(8,720)	(7,423)
Total customer lending (net)	338,857	4.8	323,441	335,260

19 Geographical breakdown of customer lending (gross)

(Percentage)



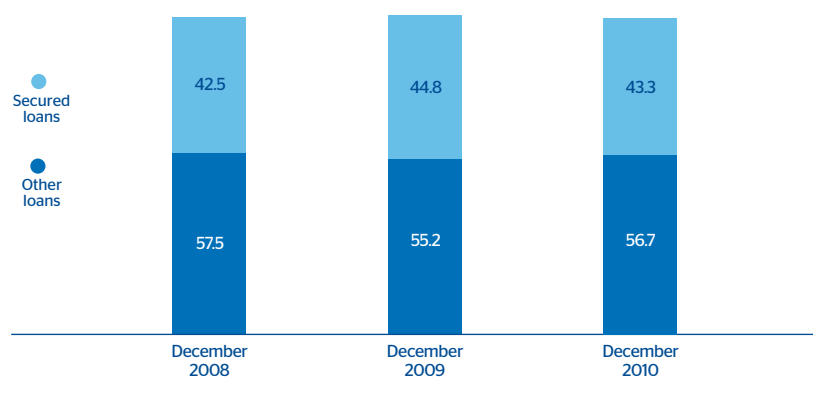
finance, as residential real estate and, to a lesser extent, loans to SMEs and corporations increased significantly. This explains the increased weight of investment grade Latin America to 15.3% (12.3% the previous year), and the reduction by one percentage point in the share corresponding to the United States and Spain and the rest of the world (from 71.0% as of 31-Dec-2009 to 69.1% as of December 31, 2010).

Broken down by domestic and non-domestic sectors, among loans to **domestic customers**, lending to the public sector increased by 14.3% year-on-year to €24 billion. Loans to other residential sectors (ORS) increased by 1.1% in the same period. Out of this segment, the item with the lowest associated risk and greatest relative weight is secured loans, which totaled 56.5% of ORS loans, €105 billion. The items more related to the activity of companies and businesses and with consumption fell back less than in the previous year. Commercial loans, which basically include discounted bills, fell by 3.0% (-26.0% in 2009). Other term loans, which include consumer finance and corporate and business lending, fell by 0.4% (-16.3% in the previous year). Finally, non-performing assets remain under €11 billion at the close of the year, and have fallen for the first time for more than two years (-0.6% year-on-year).

Lending to **non-domestic customers** totaled €139 billion as of 31-Dec-2010, a year-on-year increase of 8.8%. The other loans heading grew by 9.6% over the year to €89 billion, and secured loans increased 7.6% to €46 billion. Finally, non-performing assets grew 4.3% owing to the exchange-rate effect. Not counting this, the decrease was 4.2% over the same period.

Customer lending gross distribution

(Percentage)



Customer funds

As of December 31, 2010, total customer funds came to €526 billion, an increase of 3.3% on last year's figure. Excluding the exchange-rate effect, the increase is 0.1% year-on-year.

The item that is performing best is **on-balance sheet customer funds**, which amounted to €378 billion, a year-on-year growth of 1.7%. This improvement is based, once more, on the strength of customer deposits (+8.5% year-on-year to €276 billion). In the domestic sector, there was an outstanding performance in time deposits (+€14 billion over the year), with an increase of 39.9%, although this represented a slowdown on its growth in the last part of the year (+3.3% since September 2010). With respect to **non-domestic** deposits, the greatest increase over 2010 as a whole

20

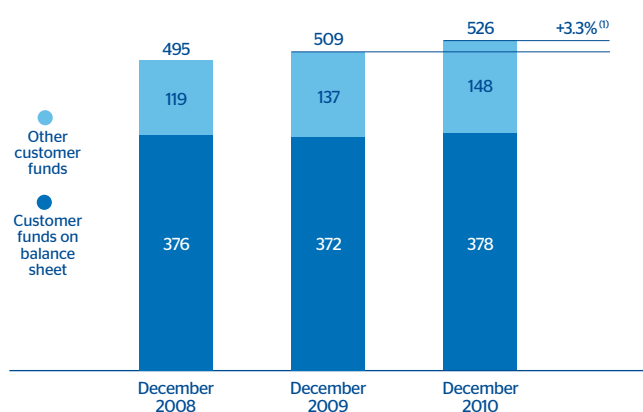
Customer funds

(Million euros)

	31-12-10	Δ%	31-12-09	31-12-08
Customer funds on balance sheet	378,388	1.7	371,999	376,380
Deposits from customers	275,789	8.5	254,183	255,236
Domestic sector	133,629	37.1	97,486	104,959
Public sector	17,412	n.m.	4,296	6,328
Other domestic sectors	116,217	24.7	93,190	98,630
Current and savings accounts	43,225	(8.8)	47,381	44,589
Time deposits	49,160	39.9	35,135	43,829
Assets sold under repurchase agreement and other	23,832	123.3	10,675	10,213
Non-domestic sector	142,159	(9.3)	156,697	150,277
Current and savings accounts	74,681	17.2	63,718	56,930
Time deposits	61,626	(30.1)	88,114	85,647
Assets sold under repurchase agreement and other	5,852	20.3	4,865	7,700
Debt certificates	85,180	(14.8)	99,939	104,157
Mortgage bonds	40,246	12.3	35,833	39,673
Other debt certificates	44,933	(29.9)	64,106	64,484
Subordinated liabilities	17,420	(2.6)	17,878	16,987
Other customer funds	147,572	7.6	137,105	119,028
Mutual funds	43,383	(8.5)	47,415	46,289
Pension funds	78,755	24.6	63,189	48,157
Customer portfolios	25,434	(4.0)	26,501	24,582
Total customer funds	525,960	3.3	509,104	495,408

21 Customer funds

(Billion euros)



(1) At constant exchange rate: +0.1%.

was once more in the items with lowest associated cost, such as current and savings accounts (+17.2% year-on-year). In contrast, time deposits continue to decrease (-30.1% year-on-year).

The performance of Group's customer lending and deposits has kept the customer deposit/

gross customer lending ratio high, at 79.2%, which is above the figure for the previous year (76.5%).

Off-balance sheet customer funds (mutual funds, pension funds and customer portfolios) amounted to €148 billion at the close of 2010, 7.6% up on the figure for 31-Dec-2009 (+0.5% at constant exchange rates). In **Spain**, the figure is €54 billion, a fall of 14.8% year-on-year. Of these, mutual funds amount to €24 billion and their 28.0% fall is the result of savers showing greater preference for other products such as time deposits, as well as the negative effect of the stock market prices on managed funds. The biggest falls continued to be in funds with lowest added value (guaranteed, short-term fixed-income, money-market and long-term fixed-income). Pension funds have performed better. They only fell back by 2.1% year-on-year to €17 billion. Thus, BBVA maintains its leading position as pension fund manager in Spain, with a market share of 18.3%. Finally, customer portfolios increased by 2.1% on the previous year to €13 billion.

Off-balance-sheet funds in the **rest of the world** totaled €94 billion, 26.8% above the

Other customer funds

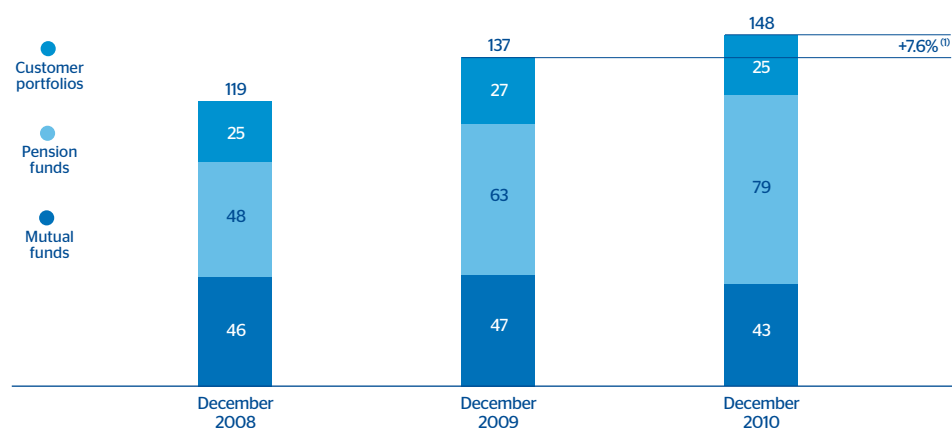
(Million euros)

	31-12-10	Δ%	31-12-09	31-12-08
Spain	53,874	(14.7)	63,194	61,622
Mutual funds	23,708	(28.0)	32,945	34,894
Mutual funds (ex real estate)	22,202	(29.2)	31,365	33,191
Guaranteed	11,773	(8.0)	12,799	16,500
Monetary and short-term fixed-income	6,040	(54.8)	13,374	11,611
Long-term fixed-income	698	(21.4)	888	1,057
Balanced	974	14.6	850	731
Equity	1,513	10.0	1,375	1,188
Others ⁽¹⁾	1,204	(42.1)	2,078	2,104
Real estate investment trusts	1,392	(5.5)	1,473	1,580
Private equity funds	114	5.7	108	123
Pension funds	16,811	(2.1)	17,175	16,078
Individual pension plans	9,647	(3.4)	9,983	9,358
Corporate pension funds	7,164	(0.4)	7,191	6,720
Customer portfolios	13,355	2.1	13,074	10,650
Rest of the world	93,698	26.8	73,911	57,406
Mutual funds and investment companies	19,675	36.0	14,469	11,395
Pension funds	61,944	34.6	46,014	32,079
Customer portfolios	12,080	(10.0)	13,427	13,932
Other customer funds	147,572	7.6	137,105	119,028

(1) Including absolute return and passive management funds.

22 Other customer funds

(Billion euros)



(1) At constant exchange rate : +0.5%.

figure for 31-Dec-2009 (up 12.1% at constant exchange rates). This rise can be explained both by the good performance of the pension business (up 34.6% year-on-year) in countries in which the Group has pension

managers, and by increases in investment companies and funds, which increased by 36.0%. In contrast, customer portfolios continued to fall. They were down 10.0% and now stand at €12 billion.

Other balance sheet items

The net position in **trading portfolio** as of 31-Dec-2010 (assets minus liabilities) was €26 billion, compared with €37 billion in the previous year. This change is due primarily to the exceptional fall in certain positions and the valuations of derivatives in the Global Markets unit.

Available-for-sale financial assets and the held-to-maturity investments basically include portfolios built in order to stabilize the value of the balance sheet and make best use of the increase in lower-cost assets in the geographical areas in which the Group operates. As of December 31, 2010, both items totaled €66 billion, a very similar figure to the €69 billion as of December 2009.

The increase in **investments** is due basically to the increased investment in CNCB from 10% to 15%, which took effect on April 1, 2010.

The 10.5% decrease in **intangible assets** to €8 billion is due primarily to the impact of exchange rate changes on goodwill in foreign currencies.

Finally, BBVA's **equity** as of December 31, 2010 stood at more than €37 billion, a €6.7 billion increase since 31-Dec-2009. Higher shareholders' funds of €7.3 billion are a consequence of the share capital increase in November 2010, plus the net attributable profit generated of €4,606 million, less the amount allocated for the complementary dividend for 2009 and the three interim dividends for 2010.

Capital base

In **2010**, the ability to generate capital continued to be a crucial factor for the financial sector, as is made clear by tests undertaken by a number of bodies such as the Committee of European Banking Supervisors (CEBS) to check the capital adequacy of banks under situations of stress. The results of the stress tests carried out by the CEBS were published in July. They revealed that BBVA is among the best banks in Europe, with not only an excellent capital adequacy level but also the capacity to face situations of maximum stress in a time horizon of two years.

The year 2010 was characterized by two factors. On the one hand, it was a year with a

low level of capital issues, given the difficulties in the financial markets, affected by tensions caused basically by uncertainties on the sustainability of public finances in some European countries. On the other hand, in 2010 the Basel Committee also issued several consultation documents relating to the new Basel III regulations. There are still some uncertainties about the characteristics that will be required of capital instruments to be considered as Tier I capital under Basel III.

Given this situation, it is important to stress that **BBVA** has organically generated capital quarter by quarter. What is more, the Group's capital base as of December 31, 2010 has

Capital base (BIS II Regulation)

(Million euros)

	31-12-10	31-12-09	31-12-08
Shareholders' funds	36,689	29,362	26,586
Adjustments and deductions	(8,592)	(8,171)	(8,688)
Mandatory convertible bonds	2,000	2,000	-
Core capital	30,097	23,191	17,898
Preference shares	5,164	5,129	5,395
Deductions	(2,239)	(1,066)	(583)
Capital (Tier I)	33,023	27,254	22,710
Subordinated debt and other	12,140	13,251	12,914
Deductions	(2,239)	(1,065)	(590)
Other eligible capital (Tier II)	9,901	12,186	12,324
Capital base	42,924	39,440	35,033
Minimum capital requirement (BIS II Regulation)	25,066	23,282	22,989
Capital surplus	17,858	16,158	12,044
Risk-weighted assets	313,327	291,026	287,364
Bis ratio (%)	13.7	13.6	12.2
Core capital (%)	9.6	8.0	6.2
Tier I (%)	10.5	9.4	7.9
Tier II (%)	3.2	4.2	4.3

been strengthened by the successful share capital increase of €4,914m in November 2010 to finance the acquisition of a 24.9% stake in Garanti planned for the first half of 2011.

BBVA closed 2010 with a **net attributable profit** of €4,606m, of which €1,079m were distributed to shareholders in cash through three interim dividend payments amounting to €0.27 per share. Retained earnings in 2010 were €3,527m, with an organic generation of core capital that has more than offset ordinary expenses and extraordinary net investments during the year.

In terms of **expenses**, it is important to remember the negative effect of the devaluation of the Venezuelan bolivar in January 2010. With regard to **investments**, the Group has continued its expansion plan in Asia. In the second quarter, it exercised its purchase option for 4.93% of CNCB to increase its stake to 15%. The total amount of investment as a result of the exercise of this option was about €1,200 million. This has had a negative impact of 20 basis points on the core capital, due to the goodwill generated of around €600 million.

As a result of all the above, as of December 31, 2010, the **eligible capital** of BBVA, calculated according to the Basel II capital agreement rules, was €42,924 million, €3,484 million more than on 31-Dec-2009. Over the year the RWA increased by 7.7% to €313,327 million, 56.7% of the Group's total assets. This increase is largely the result of general

currency appreciation. With these RWA, the capital requirements (8% of RWA) stand at €25,066 million. Thus, there is a capital base surplus of €17,858 million, 71.2% above the minimum required, which reflects the Group's sound position.

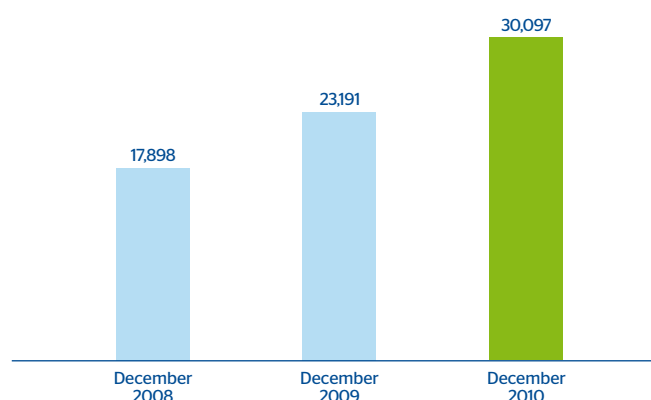
Core capital at the year-end stood at €30,097 million. The core ratio was 9.6%, up 164 basis points, of which approximately 70 correspond to organic capital generation and 150 are from the aforementioned capital increase. Of this amount, 60 basis points are basically the result of the exchange-rate effect (including the devaluation of the Venezuelan bolivar) and the exercise of the purchase option on CNCB. It is important to note that including the effect of Garanti's acquisition in a pro-forma basis, this core ratio would be 8.6%.

If preference shares are incorporated into the core capital, **Tier I** increases to €33,023m, 10.5% of RWA, compared with 9.4% in the previous year. The amount of these preference shares closed the year at €5,164m. They account for 15.6% of bank capital (Tier I), compared with 18.8% the previous year.

Tier II capital, which includes mainly subordinated debt, eligible unrealized capital gains and surplus generic insolvency provisions, closed the year at €9,901m. This amounts to 3.2% of RWA, 100 basis points below the figure for 2009. This ratio has fallen basically due to the lower unrealized gains and the increased deduction for the purchase option on CNCB. It is important to note that BBVA Bancomer completed a USD

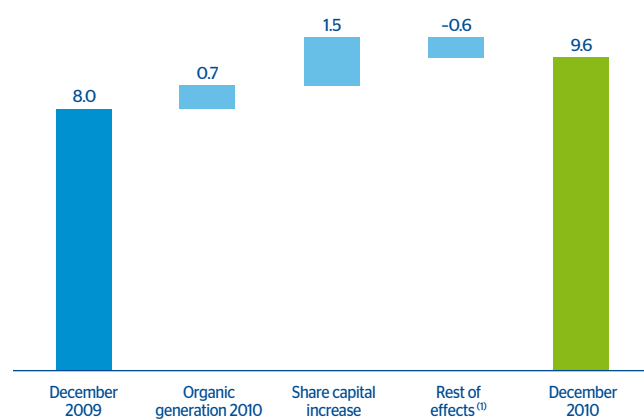
23 Core capital

(Million euros)



Core capital generation in 2010

(Percentage)



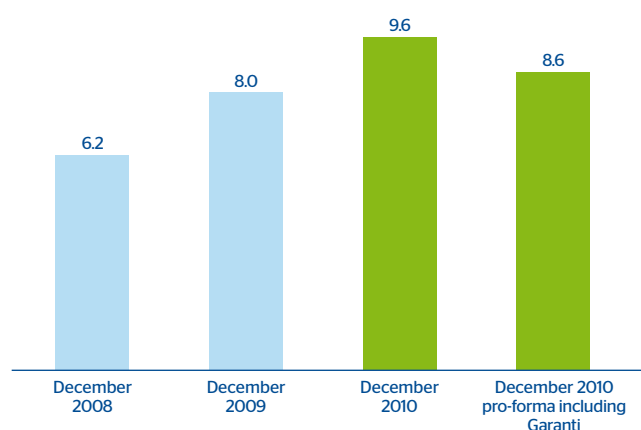
24

1,000 million subordinated debt issue and BBVA Chile one for 5.6 million *Unidades de Fomento* (€180m). Both issues are calculated as Tier II in the Group's capital base and have a positive impact on supplementary bank capital.

As a result of all the above, the **BIS II** ratio remains high, at 13.7% of RWA at the close of 2010, a rise of 15 basis points on the figure 12 months prior. To sum up, BBVA has a place among the group of best capitalized financial institutions, thanks to its organic capital generation and successful capital increase. This puts it in an outstanding position to meet the new Basel III requirements.

Core capital ratio (Percentage)

25

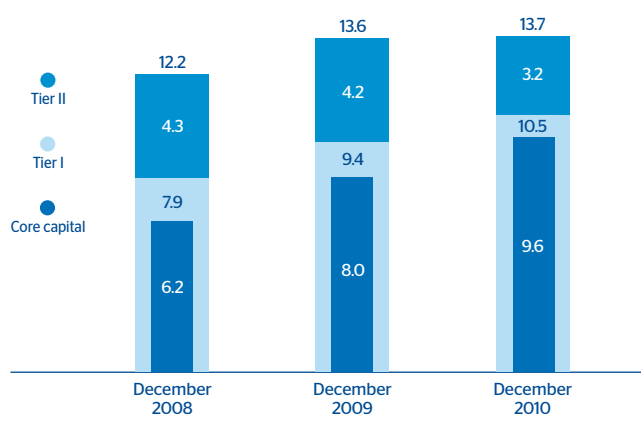


Ratings

In July, Standard & Poor's confirmed BBVA's AA rating. This means that the Group has maintained its position among the financial institutions with the best ratings at a global level.

Capital base: BIS II ratio (Percentage)

26



Ratings

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

The BBVA share

The banking sector has been penalized compared with the main stock market indices, particularly in Europe.

Against the background of a global economic recovery in **2010**, stock markets around the world have performed variably, in part reflecting the different economic performance in different regions. Thus, the S&P 500 index in the United States was up 12.8%, the Stoxx 50 in Europe closed the year at the same level as at the end of 2009 (+0.04%), the FTSE in the United Kingdom was up 10.9%, and in Spain the Ibex 35 was down 17.4%.

Uncertainty about the future of some economies in the Eurozone and concerns regarding capital and liquidity levels of banking institutions have been key elements in this behavior. However, in the second half of the year, two factors have mitigated falls in the stock markets in the banking sector. First, the publication of the stress tests of European banks, which were favorably accepted due to their implicit exercise in transparency, particularly in the case of Spain. Second, the confirmation of the delay in the possible end of the injection of liquidity by the European Central Bank (ECB). However, the aggravation of problems in some European countries, particularly Ireland, revived tensions in the markets towards the end of the year.

Thus, the Stoxx Banks and Euro-Stoxx Banks indices in Europe fell by 11.6% and 26.9% respectively, while the FTSE Banks index (United Kingdom) remained practically flat (-0.1%). In the United States, the S&P Financials Index and the S&P Regional Banks index were up 10.8% and 27.4% respectively.

The **BBVA earnings** figures presented over 2010 have, in general, been favorably received by analysts. Particular value has been placed on the confirmation of the Group's improvement in asset quality, both in Spain and

in Mexico and South America, as well as the recovery of business activity and earnings in Latin America.

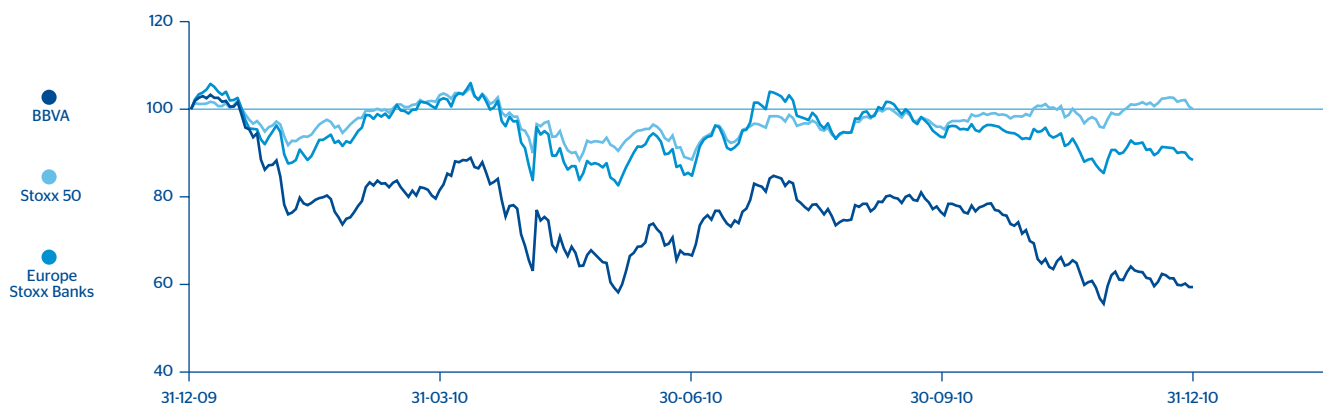
Analysts have also positively valued the announcement of the acquisition of 24.9% of the Turkish bank **Garanti**. The main highlighted elements were the quality of the Turkish franchise and the future growth potential both of the country and the bank. The share capital increase undertaken has been well received by the market, as it was backed by 99.9% of the Bank's shareholders existing prior to the operation. The issue was over-subscribed by over a factor of four. The main highlights of this operation are the Group's improvement in solvency ratios and the ability of BBVA to anticipate, taking the lead in possible future capital increases by other banks before the implementation of Basel III.

BBVA is trading at a very attractive discount as compared to the sector.

BBVA shares in 2010 have been penalized basically by investors' concerns about Spain's macroeconomic situation. In the first half of the year, the share price fell by 32.3%. However, the publication of the stress tests for European banks confirmed the financial strength of the BBVA Group. In the third quarter of the year, BBVA gained 15.0% in its share price and outperformed the Ibex 35. Also, market tension in the fourth quarter had a negative influence on the final price of the shares. Overall, the share price varied between €7.00 and €13.27, closing at €7.56 per share on 31-Dec-2010, giving a **market capitalization** of €33,951m.

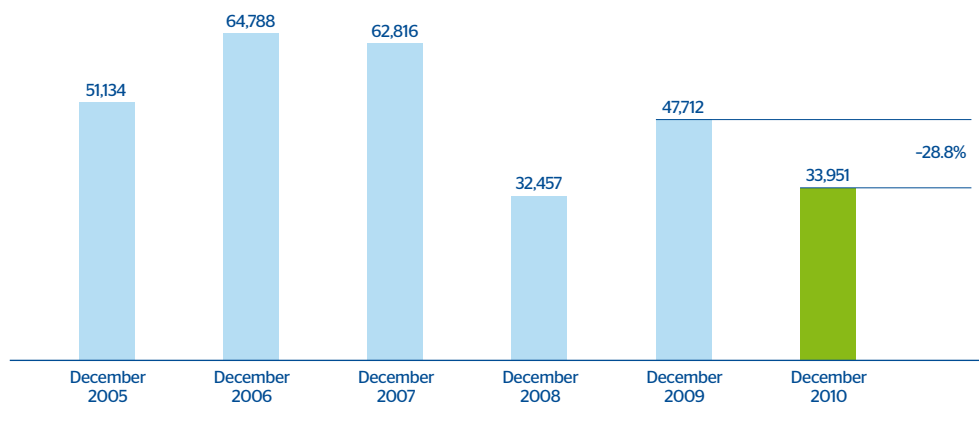
27 Share price index

(31-12-2009=100)



28 Market capitalization

(Million euros)



The **price/earnings** ratio was 7.4, compared with 11.3 in December 2009 (both figures were calculated using the price and earnings at year-end). Against this backdrop, BBVA continues to have an attractive valuation compared to the sector.

The **tangible book value** per share, calculated by dividing the share capital net of goodwill by the number of shares, and taking into account the capital increase undertaken in November 2010, was €6.27, 6.3% up on the figure of €5.90 on December 31, 2009. The price/tangible book value is 1.2, compared with 2.2 on 31-Dec-2009.

Earnings per share (EPS) in 2010 stood at €1.17, with an annual variation that is practically the same as the net attributable profit.

BBVA will maintain its shareholder remuneration at €0.42 per share, replacing the traditional final dividend with the "scrip

dividend". Under this system, **three interim dividends** have been paid on 2010 earnings for a gross amount of €0.09 per share each. In addition, it will propose to the Annual General Meeting the "scrip dividend", which allows shareholders to choose how they receive their remuneration: in newly issued shares, through a share capital increase, or in cash and selling the rights assigned in that capital increase. In all, the total shareholder remuneration will maintain the same level as the previous year, in an environment in which many banks are reviewing their remuneration policy. This dividend results in a **yield per share** of 5.6%, one of the most attractive in the sector. In addition, it is notable that BBVA not only offers an attractive and differentiated shareholder remuneration, but also gives shareholders a variety of exclusive products and services in very advantageous conditions.

BBVA continues to offer an attractive and differentiated remuneration.

The BBVA share

	31-12-10	31-12-09	31-12-08
Number of shareholders	952,618	884,373	903,897
Number of shares issued	4,490,908,285	3,747,969,121	3,747,969,121
Daily average number of shares traded	68,197,775	52,357,888	55,548,033
Daily average trading (million euros)	655	492	676
Maximum price (euros)	13.27	13.28	16.82
Minimum price (euros)	7.00	4.45	7.04
Closing price (euros)	7.56	12.73	8.66
Book value per share (euros)	8.17	7.83	7.09
Tangible book value per share (euros) ⁽¹⁾	6.27	5.90	4.99
Market capitalization (million euros)	33,951	47,712	32,457

(1) Net of goodwill.

Share performance ratios

	31-12-10	31-12-09	31-12-08
Price/book value (times)	0.9	1.6	1.2
Price/tangible book value (times) ⁽¹⁾	1.2	2.2	1.7
PER (Price/Earnings; times)	7.4	11.3	6.5
Dividend per share (euros)	0.42	0.42	0.63
Yield (Dividend/Price; %)	5.6	3.3	7.3

(1) Net of goodwill.

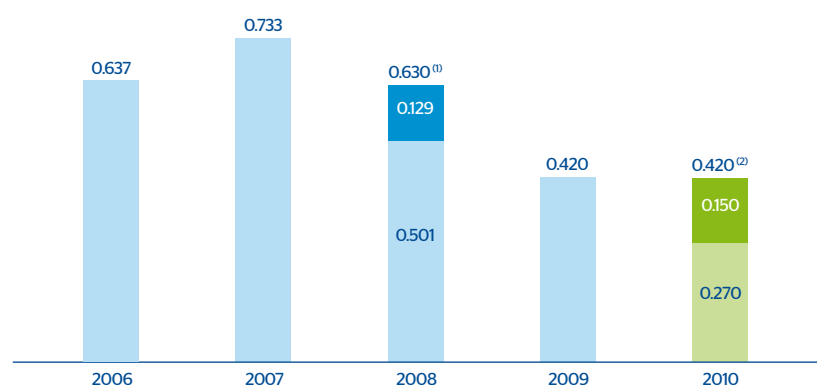
Capital ownership remains very diversified.

Capital ownership remains very diversified. At the close of 2010, the number of BBVA shareholders stood at 952,618, compared with 884,373 on 31-Dec-2009, a 7.7% increase. The only significant individual holding that BBVA is aware of is that of the company Inveravante Inversiones Universales, which as of December 31, 2010 held 5.07% of the share

capital. It is worth highlighting that in 2010 shareholder dispersion was maintained, as of December 92.7% held fewer than 4,500 shares (compared with 93.8% as of December 31, 2009), representing 12.6% of the share capital (compared with 12.5% as of December 31, 2009) and an average investment per shareholder of 4,714 shares (4,238 in 2009).

29 Dividend per share

(Euros)



(1) Includes €0.501 in cash €0.129 stock dividend (delivery of shares valued at the closing price on April 17, 2009).
(2) Includes the "scrip dividend".

A total of 53.9% of the share capital belongs to investors residing in Spain. In terms of type of shareholder, 40.5% of the share capital belongs to private investors, 2.5% to employees and the remaining 10.9% to institutional investors. There is a high percentage of non-resident shareholders, who own 46.1% of the share capital, which once again reflects the confidence in and recognition of the BBVA name in the current difficult environment.

As in 2009, the shares are traded on the continuous market in Spain, on the New York Stock Exchange (as ADSs represented by ADRs) and also on the London and Mexico stock markets.

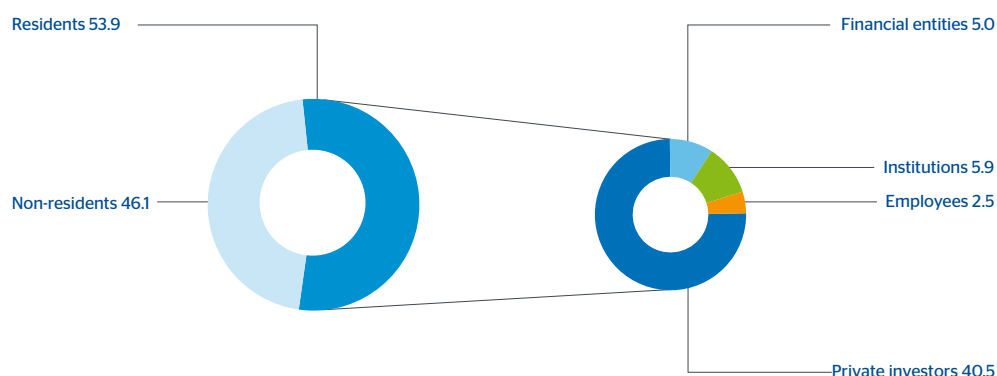
Shareholder structure

(31-12-2010)

Number of shares	Shareholders		Shares	
	Number	%	Number	%
Up to 150	291,989	30.7	21,871,582	0.5
151 to 450	249,594	26.2	67,163,276	1.5
451 to 1,800	252,510	26.5	230,008,326	5.1
1,801 to 4,500	88,540	9.3	248,333,634	5.5
4,501 to 9,000	36,101	3.8	225,382,194	5.0
9,001 to 45,000	28,930	3.0	508,137,700	11.3
More than 45,001	4,954	0.5	3,190,011,573	71.0
Total	952,618	100.0	4,490,908,285	100.0

30 Shareholder structure 31-12-2010

(Percentage)



BBVA shares continue to have a notably high level of **liquidity**. They have traded on each of the 256 days in the stock market year of 2010. A total of 17,459 million shares were traded on the stock exchange in this period, 388.8% of the share capital. Thus the daily average volume of traded shares was 68 million, 1.5% of the share capital and an effective daily average of €655m.

Finally, BBVA shares are included in the key Ibex 35 and Euro Stoxx 50 indices, with a weighting of 9.5% in the former and 2.2% in the latter, as well as in several banking industry indices, most notably the Stoxx Banks, with a weighting of 10.0%. BBVA is also present in the market's leading sustainability indices, such as DowJones and MSCI Sustainability Indexes.



72	Global Risk Management: BBVA Group's risk management function
73	Integration of risks and overall risk profile
75	Credit risk
90	Structural risks
94	Risks in market areas
98	Operational risk
101	Risk management in non-banking activities
103	Management of ESG risks

Risk management

“There was no question about the mortgage, though: it would be from BBVA”

Eva wanted to live in the city; Tom preferred the countryside. The city won. Tom suggested downtown; Eva preferred the suburbs. Downtown it was. Eva had a small apartment in mind; Tom was hoping for a small place with a balcony. They got a small duplex. There was no question about the mortgage, though: it would be from BBVA. Now, Tom wants to decorate the walls with pictures. Eva, of course, prefers shelves. Luckily for them, they have two floors.

Global Risk Management: BBVA Group's risk management function

In the field of **risk management**, it is the Board of Directors that is responsible for approving the risk control and management policy, as well as periodically monitoring internal reporting and control systems. To perform this duty correctly, the Board is supported by the Executive Committee and a Risk Committee. Both the corporate Risk area and the risk units in the business areas also play an essential role in the Group's risk management, each with well-defined roles and responsibilities. Thus, the corporate Risk area establishes the global risk management strategies and policies, while the risk units in the business areas propose and maintain the risk profile of each customer independently, but within the corporate action framework.

The Group's risk function, Global Risk Management, is a unique, independent and global function whose **principles** are:

- The assumed risks must be compatible with the target capital adequacy and must be identified, measured and assessed. Monitoring and management procedures and sound control and mitigation systems must likewise be in place.
- All risks must be managed integrally during their life cycle, being treated differently depending on their type and with active portfolio management based on a common measurement, economic capital.
- It is each business area's responsibility to propose and maintain its own risk profile, within their independence in the corporate action framework (defined as the set of risk policies

and procedures), using a proper risk infrastructure.

- The risk infrastructure must be suitable in terms of people, tools, databases, information systems and procedures so that there is a clear definition of roles and responsibilities, ensuring efficient allocation of resources between the corporate area and the risk units in the business areas.

Based on these principles, the Group has developed an integrated risk management system that is structured around three main **lines of action**:

- A set of tools, circuits and procedures that make up differentiated management systems.
- A system of internal control mechanisms.
- A corporate risk governance plan which separates functions and responsibilities.



Integration of risks and overall risk profile

Integration of risks

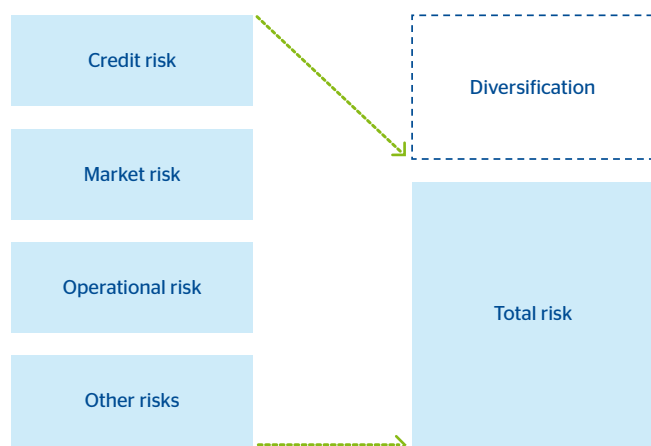
The economic capital required to cover the Group's losses is calculated by integrating the various risks managed by the Institution. The difference between this economic capital required and the sum of the individual capitals is known as the **benefit of diversification**, as the total capital needed is less than the sum of the individual capitals.

The BBVA Group's risk integration model recognizes diversification among the various types of risks. The calculation process is divided into two stages. In the first stage,

each of the risks is defined individually (credit, market, structural and operational), taking into account the special features in each case. In the second stage, they are added to a common measurement through a model that looks at the structure of dependency between risks.

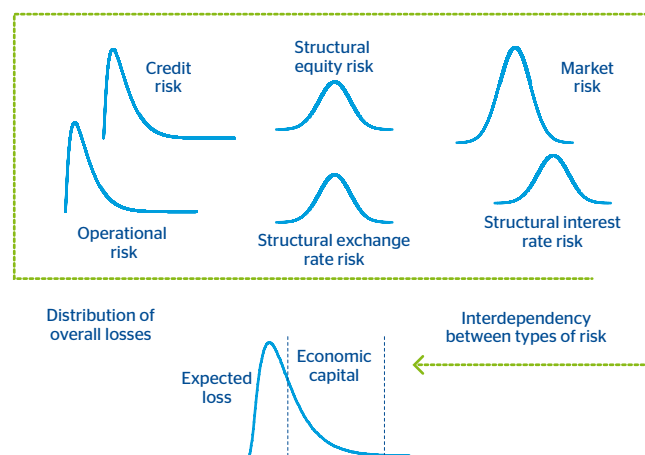
In this framework, the diversification level of each of the risks depends, mainly, on the relative size of the risk against global risk, as well as the correlation among risks and the characteristics of individual loss distributions.

1 Total risk and diversification



Integration of risks

2



Overall risk profile

Attributable **economic risk capital (ERC)** consumption reached €25,481m as of December 31, 2010, an increase of 14.3% compared with the same date the previous year ⁽¹⁾. The predominant risk type continued to be credit risk on portfolios originated in the Group branch-network from its own customer base, which accounted for 61.0% of the total. ERC for investment in associates has risen due to high market volatility and the increase of the stake in CNCB; the structural exchange-rate ERC has risen due to the high volatility of foreign currencies throughout the year. The weight of ERC from market operations is reduced by decreased exposure. ERC for operational risk barely varied over the year.

In the **breakdown by areas**, Spain and Portugal registered an increase in ERC of 8.3% due to the recalibration and revision of the models in the middle of the year. WB&AM increased ERC by 13.0%, basically due to the CITIC group. In Mexico, ERC was

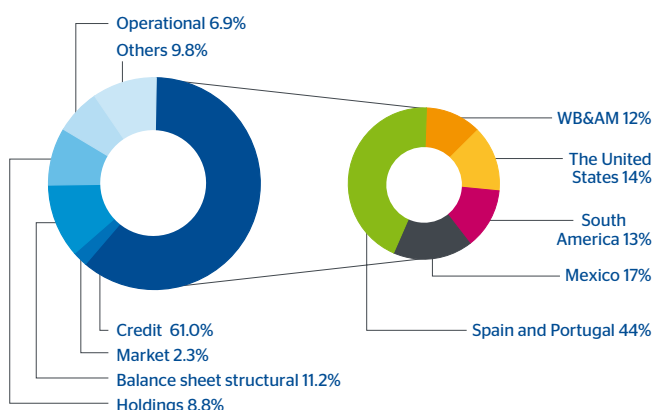
up 25.1%, partially offset by the appreciation of the peso. At a constant exchange rate, economic risk capital rose 9.4% as a result of better lending performance. There were no notable changes in ERC in the United States. In South America, it grew by 5.6%, basically because of the general strong loan-book growth in all the countries. Finally, ERC in Corporate Activities was 35.8% up, basically due to structural exchange rate risk and real estate risk.

The Group's **recurrent risk adjusted return on economic capital (RAROC)**, that generated from customer business and excluding one-offs, stood at 24.9%, reaching high levels in all business areas.

Finally, the **economic risk capital ratios** stood at 9.3% for adjusted core capital and 13.9% for total capital, both above their respective benchmark (6%-7% and 12%, respectively).

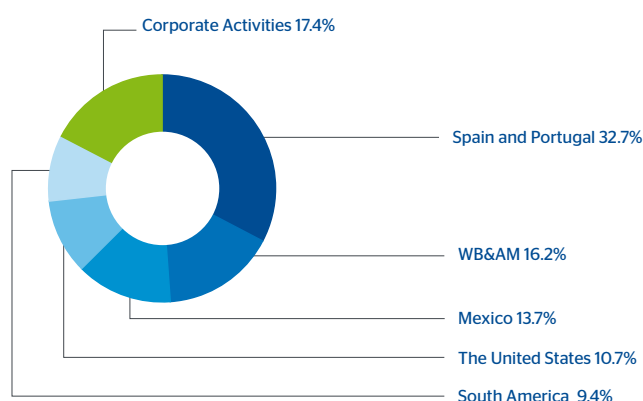
3 BBVA Group's economic risk capital. Distribution by type of risk

(Data in attributable terms. 31-12-2010)



4 BBVA Group's economic risk capital. Distribution by business area

(Data in attributable terms. 31-12-2010)



(1) The growth rates presented are calculated against the close at constant exchange rates in December 2009 (€22,302m), which includes the annual effects of recalibration and review of the models, as compared to the figure as at December 31 published in the 2009 Annual Report, of €22,135m.

Credit risk

Methodologies for credit risk quantification

The risk measurement and management models used by BBVA have allowed it to be a leader in best practices in the market and to be in compliance with Basel II guidelines.

The Bank quantifies its credit risk using two main metrics: **expected loss (EL)** and **economic capital (EC)**. The expected loss reflects the average value of the losses. It is considered the cost of the business and is associated with the Group's policy on provisions. Economic capital is the amount of capital considered necessary to cover unexpected losses if actual losses are greater than expected losses.

These risk metrics are combined with information on profitability in the **value-based management framework**, thus building the profitability-risk binomial into decision-making, from the definition of business strategy to approval of individual loans, price setting, assessment of non-performing portfolios, incentives to areas in the Group, etc.

There are three risk **parameters** that are essential in the process of calculating the EL and EC measurements: the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These are generally estimated using historical information available in the systems. They are assigned to operations and customers according to their characteristics. In this context, the credit **rating tools** (ratings and scorings) assess the risk in each transaction/customer according to their credit quality by assigning them a score. This score is then used in assigning risk metrics, together with additional information such as transaction seasoning, loan to value ratio, customer segment, etc. The increase in the number of observed defaults in the current economic situation will help reinforce the soundness of the risk parameters by adjusting their estimates and refining methodologies. The incorporation of data from the years of economic slowdown is particularly important for refining the analysis of the cyclical behavior of credit risk. The effect on the estimate of PD and the credit conversion factor (CCF) is immediate. An analysis of the impact on LGD, however, requires

waiting for the maturing of the recovery processes associated with these defaults. The current situation could be leading to a delay of the client recovery process and a change in his behavior pattern, which explains why the consequence of the crisis in the LGD estimates will be observed in the long term, although the LGD cycle adjustment, LRLGD (long run LGD), mitigates this effect.

Probability of default (PD)

PD is a measure of credit rating that is assigned internally to a customer or a contract with the aim of estimating the probability of default within a year. The PD is obtained through a process in using **scoring** and **rating** tools.

Scoring

This tool is a statistical instrument focused on estimating the probability of default according to features of the contract-customer binomial. It is used to approach the management of retail credit: consumer, mortgages, credit cards of individuals, loans for businesses, etc. There are different types of scoring: reactive, behavioral, proactive scorings and bureau scoring.

The main aim of **reactive scoring** is to forecast the credit quality of loan applications submitted by customers. It attempts to predict the applicant's probability of default if the transaction were granted (they may not be BBVA customers at the time of application).

The level of sophistication of the scoring model and its capacity to adapt to the economic context enables it to incorporate more accurate customer profiles to the risk measuring tools and improve their capacity to identify different levels of creditworthiness within specific groups (young people, customers, etc.). The result is a significant improvement in the screening capacity of tools in groups of particular importance to the business.

The accompanying charts show default rates of some of the reactive scoring tools used by the Group.

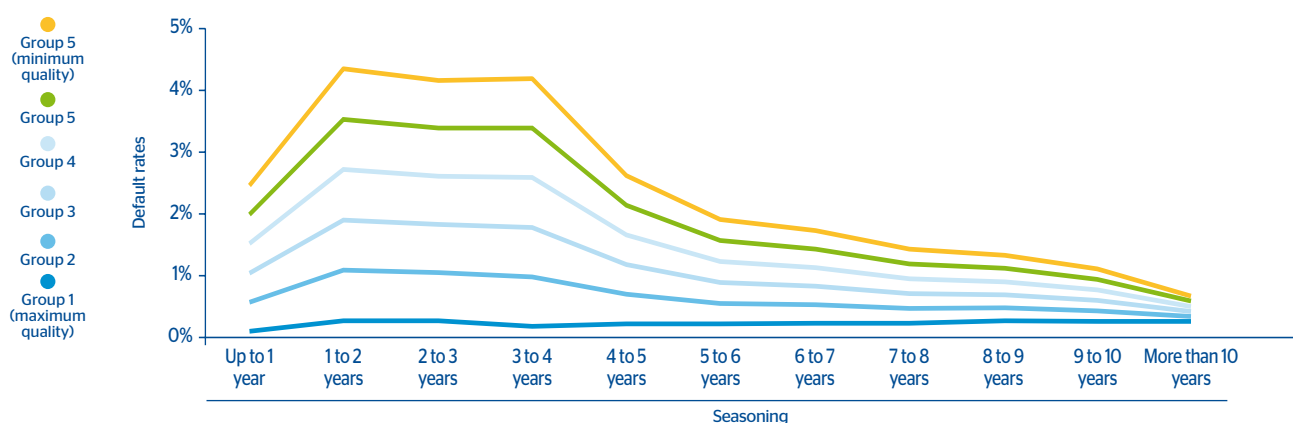
They show, for example, that both the loan seasoning and the score can serve to assess the risk of a retail-type operation. Chart 5 shows the default rates, at one year, of BBVA Spain mortgages. Charts 6 and 7 show, for BBVA Spain credit cards, the different levels of default of groups with different degrees of client loyalty, by contract length (from the highest for the non-customer

segment, to the lowest for the preferred customers) and activity. An inactive card is defined as one which is not being used, and its probability of default is expected to be lower than that of an active card. This can be seen by comparing both charts.

A feature of reactive scorings is that the default rates of the various segments tend to converge over time. In BBVA, this loss of screening capacity is mitigated by combining reactive with behavioral and proactive scorings.

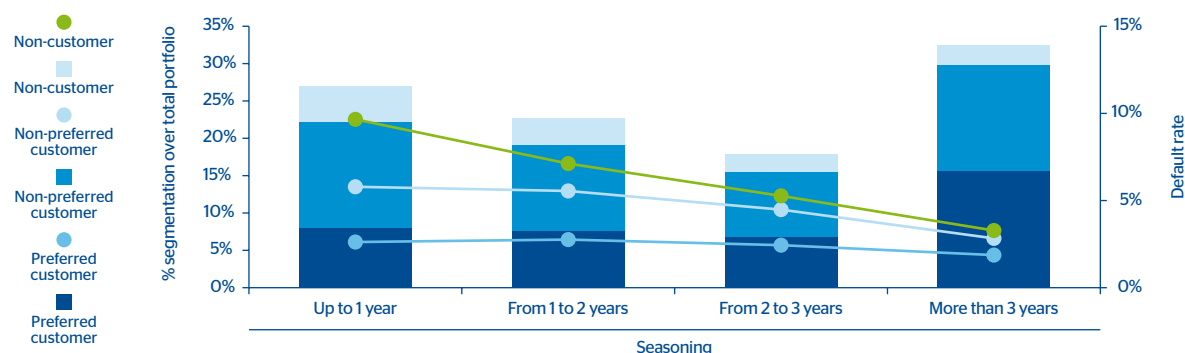
5 Mortgage scoring tool calibration, BBVA Spain

(Default rates by seasoning for different score groups)



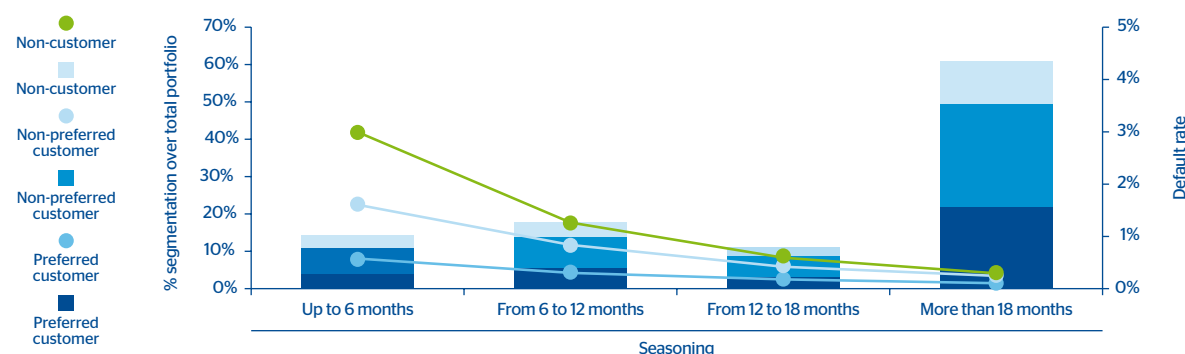
6 Active credit card scoring tool calibration, BBVA Spain

(Default rates by seasoning for different segmentation of the tools)



7 Inactive credit card scoring tool calibration, BBVA Spain

(Default rates by seasoning for different segmentation of the tools)



Behavioral scorings are used to review contracts that have already been granted by incorporating information on customer behavior and on the contract itself. Unlike reactive scoring, it is an a posteriori analysis, i.e. once the contract has been awarded. It is used to review credit card limits, monitor risk, etc. and takes into account variables directly linked to the operation and the customer that are available internally: the behavior of a particular product in the past (delays in payments, default, etc.) and the customer's general behavior with the Entity (average balance on accounts, direct debit bills, etc.).

Proactive scoring tools take into account the same variables as behavioral scorings, but they have a different purpose, as they provide an overall ranking of the customer, rather than of a specific operation. This view of the customer is supplemented by calibrations adapted to each product type. The proactive scorings the Group has available enable it to monitor customers' credit risk more precisely, to improve risk screening processes and to manage the portfolio more actively, such as offering credit facilities adapted to each customer's risk profile.

As an example, the chart shows the default probability curve for the proactive scoring for BBVA Spain credit cards in accordance with the credit rating and for active cards (Chart 8).

The so-called **bureau scoring** models, widely used in the Americas, are also of great importance. This kind of tool is similar to the scorings explained above, except that while the latter are based on internal information from the Bank itself, bureau scoring requires credit information from other credit institutions or banks (on defaults or customer behavior). In those countries with positive bureau information, external and internal information is combined. This information is provided by credit agencies that compile data from other entities. Not all banks collaborate in supplying this information, and usually only participating entities have access to it. In Spain, the Bank of Spain's Risk Information Center (CIRBE) makes such information available. The bureau scorings are used for the

same purpose as the other scorings, i.e. authorizing operations, setting limits and monitoring risk.

A correct management of the reactive, behavioral, proactive and bureau tools by the Group allows to gather updated risk parameters adapted to economic reality. This results in precise knowledge of the credit health of operations and/or the customers. This task is particularly relevant in the current economic situation, as it allows identification of the contracts and customers that are in difficulties, and thus the necessary measures can be taken to manage risks that have already been assumed.

Rating

These tools are focused on wholesale customers: companies, corporations, SMEs, the public sector, etc., where the defaults are predicted at the customer rather than contract level.

The risk assumed by BBVA in the wholesale portfolios is classified in a standardized way by using a single **master scale** for the whole Group that is available in two versions: a reduced one with 17 degrees; and an extended one, with 34. The master scale aims to discriminate the credit quality levels, taking into account geographical diversity and the different risk levels in the different wholesale portfolios in the countries where the Group operates.

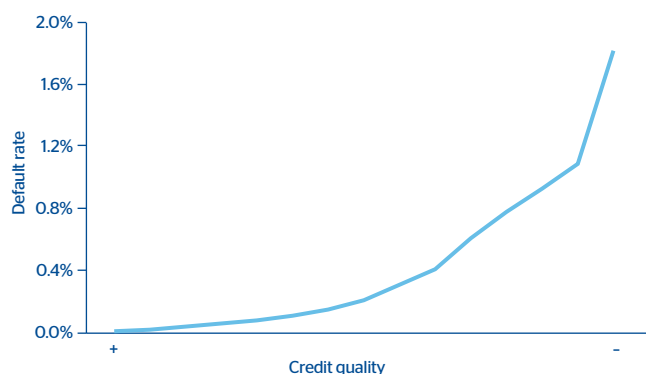
The information provided by the rating tools is used when deciding on accepting operations and reviewing limits.

Some of the wholesale portfolios managed by BBVA are low default portfolios, in which the number of defaults is low (sovereign risks, corporates, etc.). To obtain the PD estimates in these portfolios the internal information is supplemented by external information, mainly from external rating agencies and the databases of external suppliers.

As an example, below is the parametric curve for defaults of BBVA Chile's company rating tool, by internal score assigned (Chart 9).

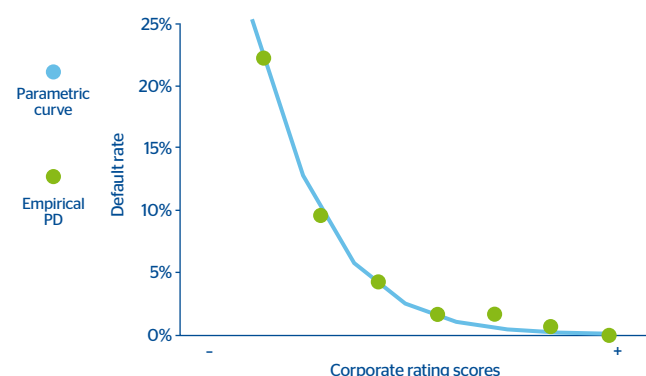
8 Proactive scoring tool calibration for active personal credit cards, BBVA Spain

(By score group. Customers with a positive experience and preferred status)



9 Rating tool calibration for corporates, BBVA Chile

(Default rates by score group)



The economic cycle in PD

The current economic crisis has revealed the importance of anticipation in risk management. In this context, excess of cyclical risk measurements has been identified as one of the causes of the instability of the metrics of financial institutions. BBVA has always been committed to estimating average cycle parameters, parameters that mitigate the effects of economic-financial turbulence in credit risk measurement.

The probability of default varies according to the cycle: it is greater during recessions and lower at boom periods. The adjustment process to transfer the default rates observed empirically to average default rates for the cycle is known as **cycle adjustment**. The cycle adjustment uses sufficiently long economic series related to the default of portfolios, and their behavior is compared with that of the defaults in the Entity's portfolios. Any differences between the past and future economic cycles may also be taken into account, thus giving the focus a prospective component.

Chart 10 illustrates how the cycle adjustment mechanism works. It shows the hypothetical evolution of a series of defaults over more than one economic cycle. The cycle adjustment model used by BBVA extrapolates the behavior of this series of defaults

to the internal data, based on the relationship between the series over one cycle and the observation period.

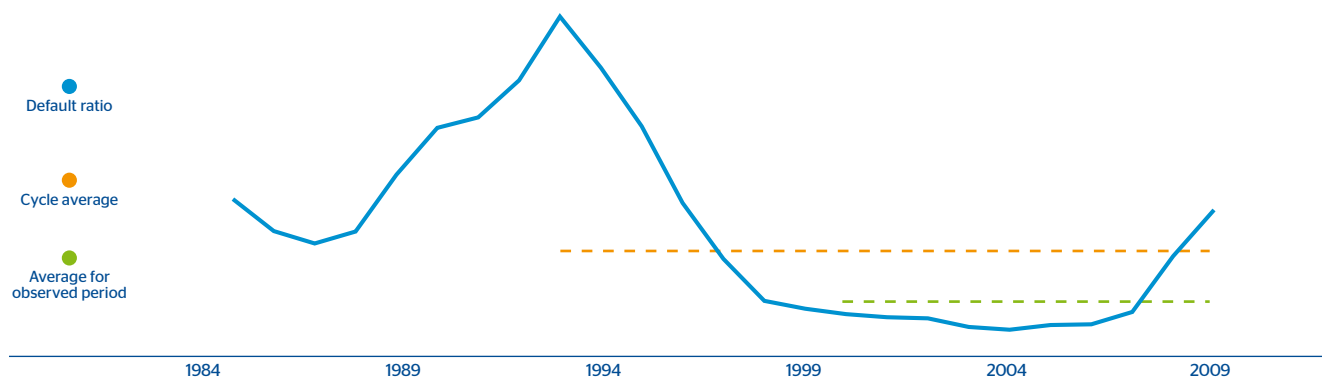
Loss given default (LGD)

Loss given default (LGD) is another of the key metrics used in quantitative risk analysis. It is defined as the percentage risk of exposure that is not expected to be recovered in the event of default.

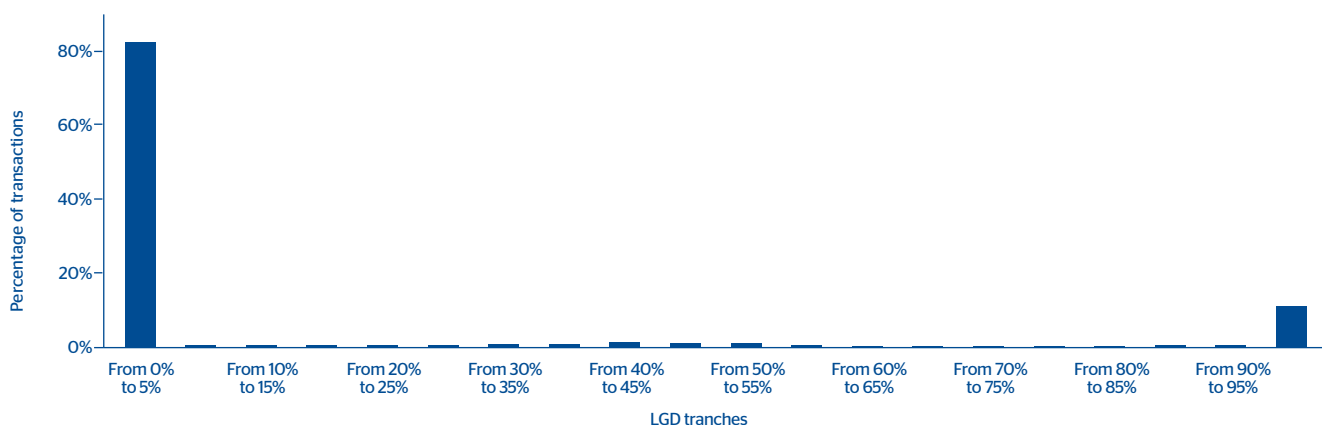
BBVA basically uses two **approaches** to estimate LGD. The most usual is that known as "workout LGD", in which estimates are based on the historical information observed in the entity, by discounting the flows that are recorded throughout the recovery process of the contracts in default at a certain time. In portfolios with a low rate of defaults (low default portfolio, or LDP), there is insufficient historical experience to make a reliable estimate using the Workout LGD method, so external sources of information have to be combined with internal data to obtain a representative rate of loss given default.

In general, the portfolios managed by the Bank show **bimodal behavior** in terms of loss given default: in other words, following default, the recovery of debt is in some cases total and in others, nil. Chart 11 shows the distribution of the LGD of mortgage

10 Cycle adjustment mechanism



11 LGD distribution for the mortgage portfolio, BBVA Spain



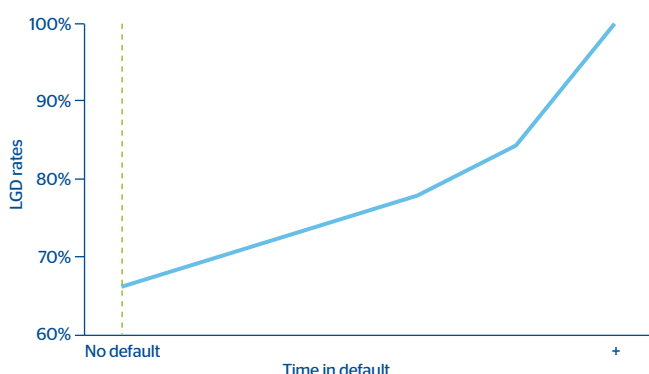
portfolios in BBVA Spain, filtering the most recent defaults to prevent the short amount of time to recover from slanting the results.

The LGD estimates are carried out by segmenting operations according to different factors that are relevant for its calculation, such as the default period, seasoning, the loan to value ratio, type of customer, score, etc. The factors may be different

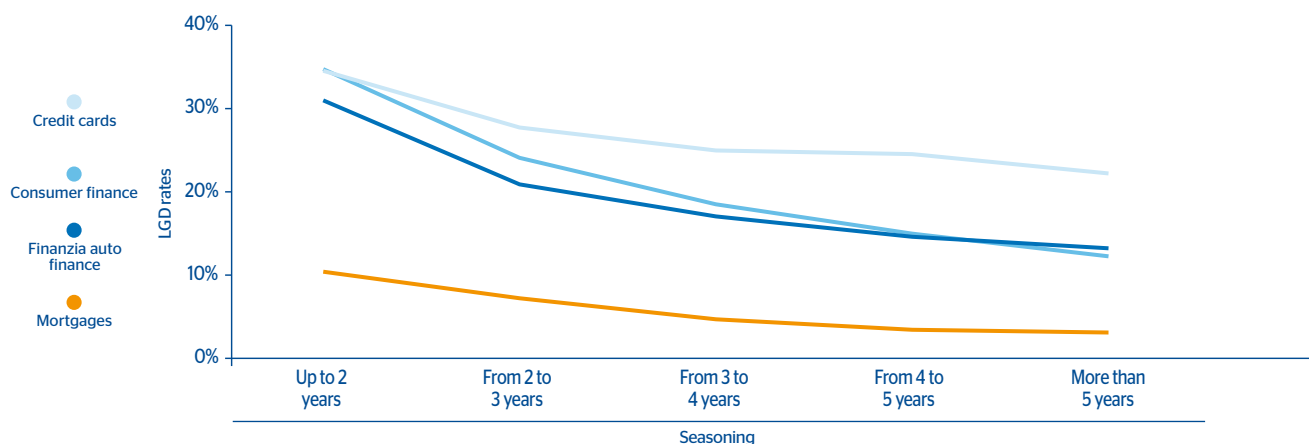
according to the portfolio being analyzed. Some of these are illustrated below with examples.

- For contracts already in default, an important factor is **the time since the default** on the contract. The longer the contract has been in default, the lower the recovery of the outstanding debt pending. For the purposes of calculating the expected loss and economic capital, contracts not in default are also imputed a LGD comparable to contracts that have just defaulted (Chart 12).
- The **seasoning** is the period elapsed from the origination of the contract to the default. This factor is also relevant, as there is an inverse relationship between LGD and seasoning (Chart 13).
- **Loan-to-value ratio:** Internal analyses show that LGD depends on the relationship between the amount of the loan and the value of the collateral (loan-to-value, LTV), a characteristic feature of the mortgage portfolio (Chart 14).
- **Customer type:** In the specific case of products for companies the customer type has proven to be a relevant factor. Therefore, a LGD estimate has been obtained for each size of company: corporations, large companies, SMEs, etc.

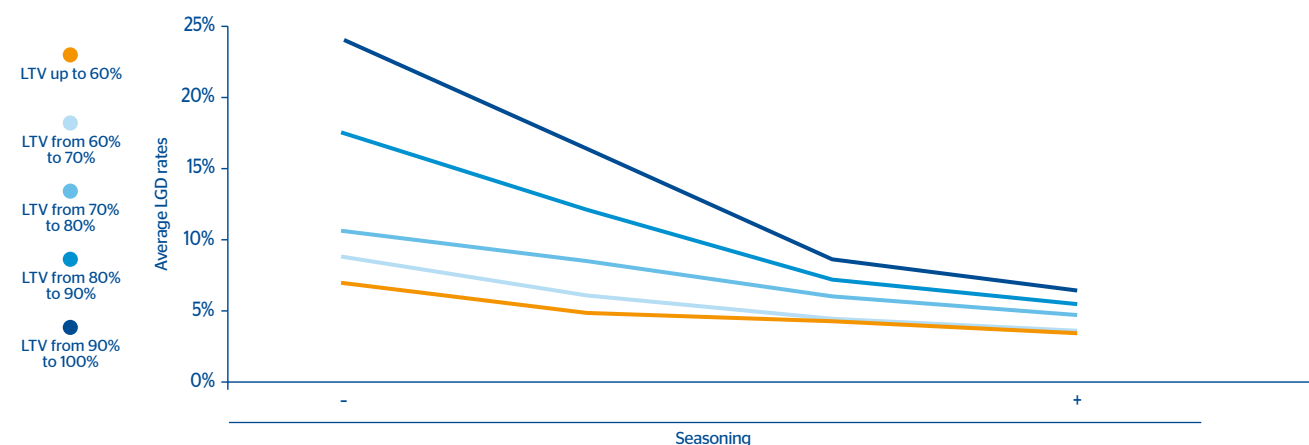
12 LGD curves by time in default for past due operations, for credit cards, BBVA Banco Continental



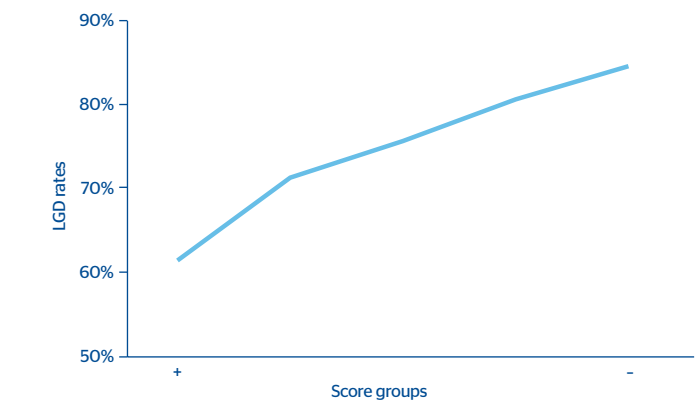
13 LGD curves by seasoning for various products in Spain



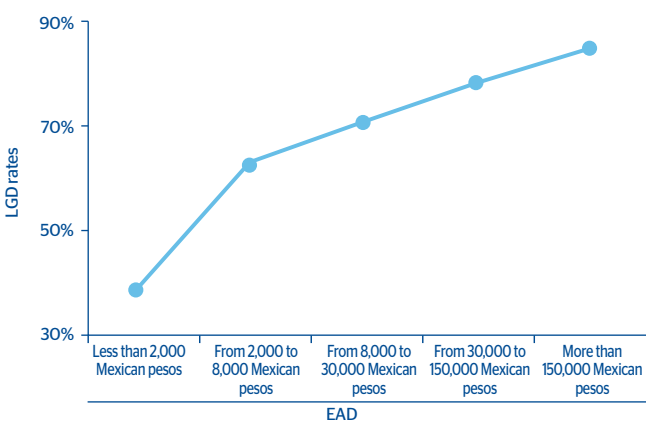
14 LGD for mortgage loans by LTV and seasoning, BBVA Spain



15 Credit card LGD, BBVA Compass (by score group)



Credit card LGD, BBVA Bancomer (by exposure at default, EAD) 16



- **Score:** The credit rating of contracts may be used to estimate LGD, as there is a positive correlation between score and LGD (Chart 15).
- **Exposure at default (EAD):** The exposure of contracts at the time of the default is positively related to LGD (Chart 16).

Progress in building LGD scorings and ratings is becoming increasingly important for adapting LGD estimations to economic and social changes. These estimates allow new factors to be included without losing the robustness of the information and obtain models that are more sensitive to improvements or deteriorations in the portfolio. BBVA has already begun to work on incorporating these modifications in the internal models used.

In the BBVA Group, different LGDs are attributed to the outstanding portfolio (performing and non-performing), according to **combinations of all the significant factors**, depending on the features of each product and/or customer. This can be seen in Chart 14, where LGD is explained according to the seasoning of the contract and its loan-to-value (LTV) ratio.

Finally, it is important to mention that LGD varies with the **economic cycle**. Hence, two concepts can be defined: long-run LGD (LRLGD), and LGD at the worst moment in the cycle, or Downturn LGD (DLGD).

LRLGD represents the average long-term LGD corresponding to an acyclical scenario that is independent of the time of estimation. This scenario should be applied when calculating expected losses. DLGD represents the LGD at the worst time of the economic cycle, so it should be used to calculate economic capital, because the aim of EC is to cover possible losses incurred over and above those expected.

All estimates of loss given default (LGD, LRLGD and DLGD) are performed for each portfolio, taking into account all the factors mentioned above. However, no LRLGD or DLGD estimates are made in portfolios in which the loss given

default is not significantly sensitive to the cycle, as recovery processes cover extended periods of time in which the isolated situations of the economic cycle are mitigated.

In addition to being a basic input for quantifying expected losses and capital, LGD estimates have other uses for internal management. For example, LGD is an essential factor for appropriate price discrimination. Similarly, it can be useful for determining the approximate value of a non-performing portfolio in the hypothetical event of outsourcing its recovery, or prioritizing potential recovery actions.

Exposure at default (EAD)

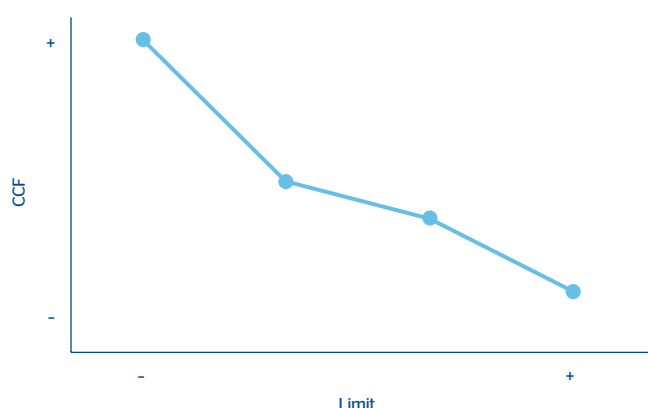
Exposure at default (EAD) is another input required to calculate expected loss and capital. It is defined as the outstanding debt at the time of default.

A contract's exposure usually coincides with its outstanding balance, although this is not always the case. For example, for products with explicit limits, such as cards or credit lines, exposure should include the potential increase in the balance from a reference date to the time of default.

The EAD is obtained by adding the risk already drawn on the operation to a percentage of undrawn risk. This percentage is calculated using the **CCF**. It is defined as the percentage of the undrawn balance that is expected to be used before default occurs. Thus the EAD is estimated by calculating this conversion factor. In addition, for transactions that exceed the limit on a reference date, the relevance of incorporating to EAD the possibility of using an additional percentage of the limit is assessed, according to the policy for each product.

The estimate of these conversion factors also includes distinguishing factors that depend on the characteristics of the transaction. For example, in the case of BBVA Spain company cards, the conversion factor is estimated based on

17 CCFs for BBVA Spain active company cards based on the limit



the amount of the line's limit, the business activity and the initial usage percentage, which is defined as the ratio between the current risk and the limit. Chart 17 shows the CCF for active company cards based on the limit, where a reverse relationship can be seen between the limit and the conversion factor.

In order to obtain CCF estimations for low-default portfolios, the LDPs, external studies and internal data are combined, or behavior similar to other portfolios is assumed and their CCFs are compared.

The portfolio model and concentration and diversification effects

Credit risk for the global portfolio of the BBVA Group is measured through a **portfolio model** where the effects of concentration and diversification are analyzed. The purpose is to study jointly the entire loan book, by analyzing and capturing the effect of interrelations between the various portfolios.

In addition to enabling a more comprehensive calculation of capital needs, this model is a key tool for credit risk management, contributing to the base of the asset allocation model, a model for efficient portfolio allocation based on the risk-return trade-off.

The portfolio model considers that risk comes from various sources (it is a multi-factor model). This feature implies that economic capital is sensitive to geographic diversification, a crucial aspect in a global entity like BBVA. In addition, and in the context of the asset allocation project, the sector and geographical factors are now the key to business concentration analyses. Finally, the tool is also sensitive to the concentration that may exist in certain credit exposures, such as the Institution's large customers.

Credit risk in 2010

Despite the crisis scenario forming the backdrop to economic activity, the business model, geographical and portfolio diversification and the prudential policy applied

Maximum exposure to credit risk

(Million euros)

	31-12-10							31-12-09	31-12-08
	Spain and Portugal	Mexico	South America	The United States	WB&AM	Corporate Activities	Total Group	Total Group	Total Group
Gross credit risk (drawn)	217,246	36,875	35,094	44,282	51,669	(1,097)	384,069	364,776	378,635
Loans and receivables	205,776	36,495	31,510	39,570	36,160	(1,257)	348,253	332,162	342,682
Contingent liabilities	11,471	381	3,583	4,712	15,509	160	35,816	32,614	35,953
Market activity	8,867	25,777	13,695	9,180	39,554	32,325	129,398	136,453	123,929
Credit entities	489	5,535	3,163	793	12,598	1,059	23,636	22,239	33,856
Fixed income	8,379	19,390	7,151	6,975	14,920	31,266	88,081	98,254	72,562
Derivatives	-	852	3,381	1,411	12,036	-	17,680	15,960	17,511
Undrawn facilities	25,728	11,421	4,224	17,969	24,712	2,736	86,790	84,925	92,663
Subtotal	251,842	74,073	53,012	71,431	115,934	33,964	600,257	586,154	595,227
Others							30,453	34,183	35,155
Total							630,710	620,337	630,382

by the Group's risk management have stabilized the main indicators of asset quality in 2010, whose strong performance has allowed BBVA to continue outperforming the industry average.

BBVA's maximum **exposure** to credit risk stood at €600,257m as of December 31, 2010, a rise of 2.4% compared with the end of 2009. Customer credit risks (including contingent liabilities), which account for 64.0%, increased 5.3% over December 2009. This was due, in part, to the appreciation of the currencies against the euro which affected the Group's balance sheet and business, but also to the real growth in lending (which rose 2.8% at constant exchange rates). Potential exposure to credit risk in market activities (21.6% overall), including potential exposure to derivatives (including netting and collateral agreements), fell 5.2% due to fixed-income exposure, while undrawn facilities (14.4% overall) rose by 2.2%.

The **business areas distribution** of credit risk shows that the Americas have gained in weight, by more than nine percentage points over the year. Overall, the Americas account for 35.1% of

Group's overall credit risk, compared with 25.7% at the close of 2009. Mexico stands out, contributing to more than half of the Americas' increase in weight.

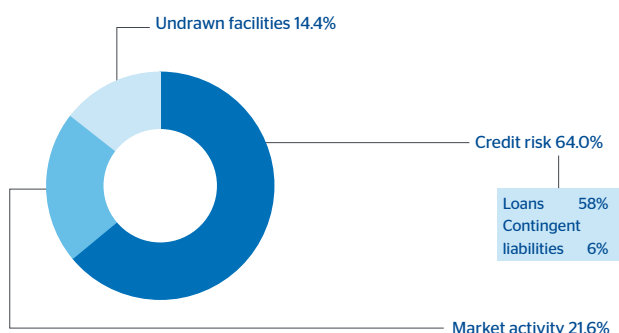
A breakdown of customer loans by sector at year-end 2010 is given in the enclosed table. In that regard, the loan-book in the private residents sector in Spain stood at €186 billion, and the risks were highly diversified by sector and counterparty type.

The **distribution by portfolio** shows that individuals' risk accounts for 35.8% of total credit risk, residential mortgages being particularly important (27.6% overall, compared with 27% in December 2009). The LTV of this portfolio is at similar levels to December 2009, at around 53.1%. In Spain, the LTV fell to 51%. The vast majority of the operations are for the purchase of a principal residence home (95%).

The **breakdown by rating** of exposure of the parent and subsidiaries in Spain, includes companies, financial institutions, public institutions and sovereign risks shows 62.6% of A or better ratings. The breakdown by rating of the business and developer segment for the parent and subsidiaries in Spain is also shown.

18 BBVA Group. Maximum exposure to credit risk. Distribution by type of risk

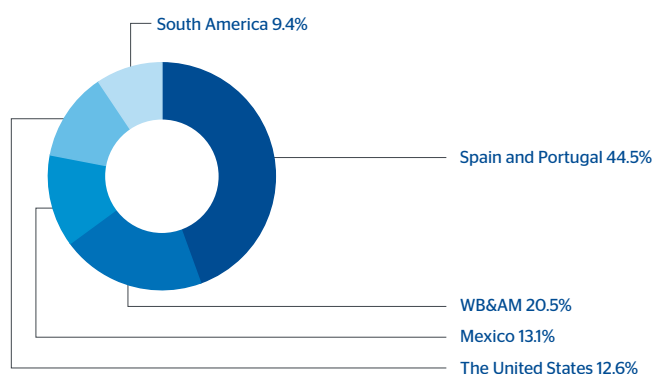
(31-12-2010)



Exposure: €600,257 million

19 BBVA Group. Exposure. Gross credit risk. Distribution by business area

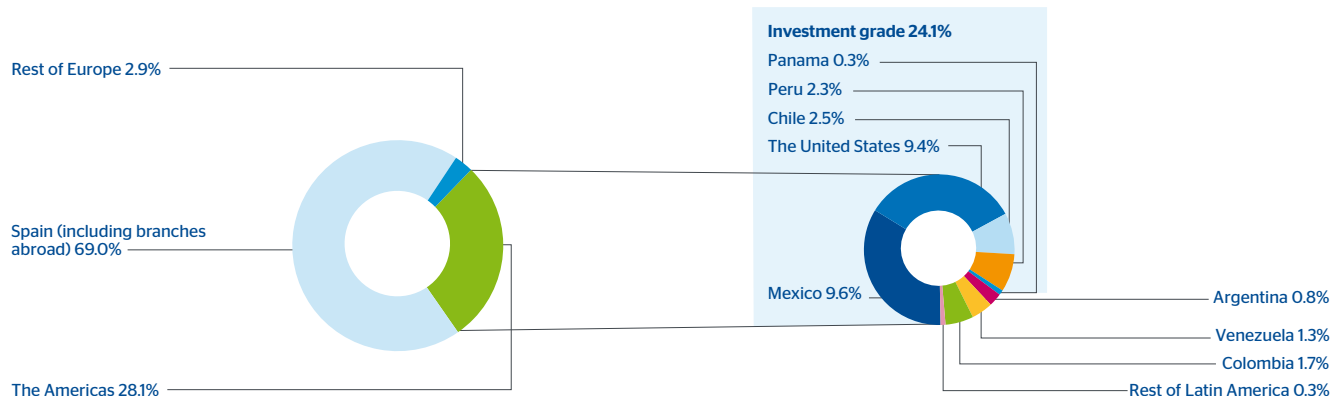
(31-12-2010)



Credit risk: €384,069 million

20 BBVA Group. Exposure. Gross credit risk. Geographical distribution

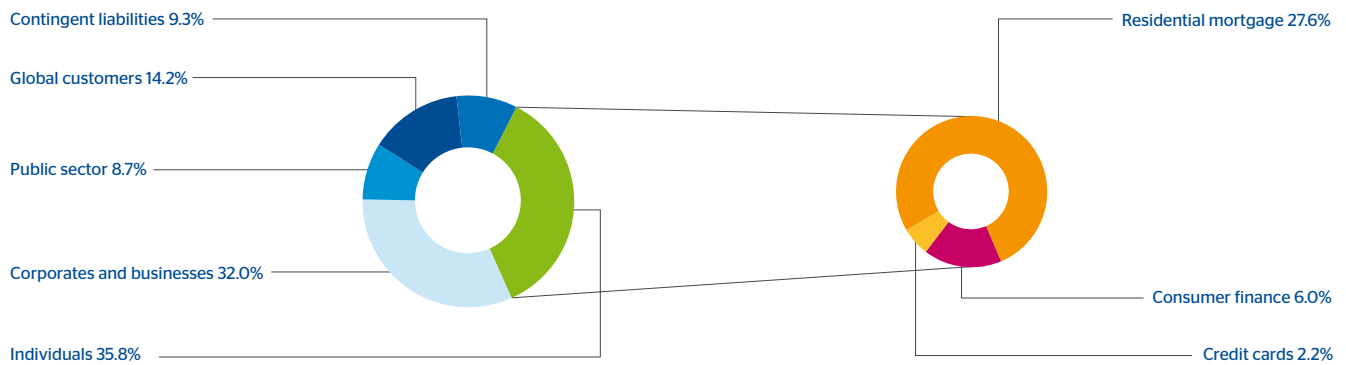
(31-12-2010)



Credit risk: €384,069 million

21 BBVA Group. Exposure. Gross credit risk. Distribution by portfolio

(31-12-2010)



Credit risk: €384,069 million

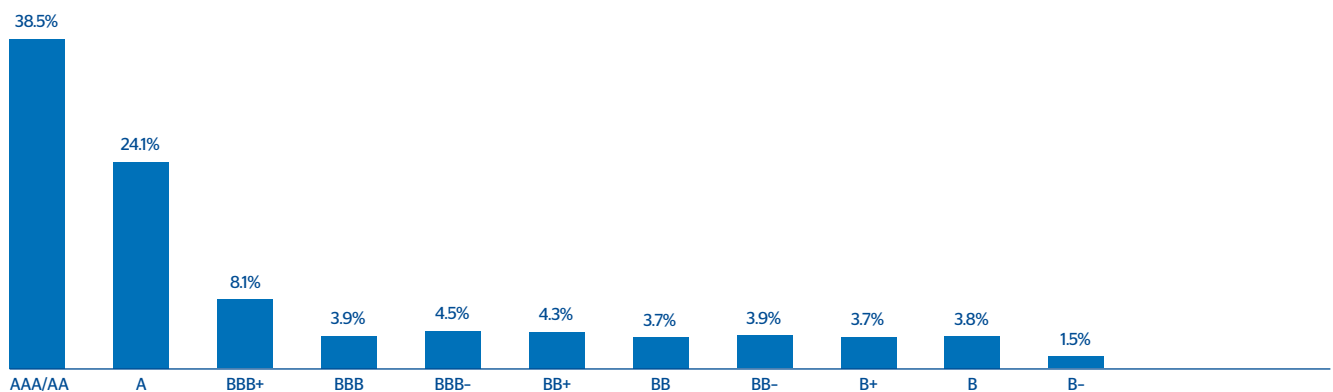
Customer lending by sector

(Million euros)

	31-12-10			31-12-09	31-12-08
	Residents	Non-residents	Total	Total	Total
Public Sector	23,542	7,682	31,224	26,219	22,503
Agriculture	1,619	2,358	3,977	3,924	4,109
Industry	17,452	19,126	36,578	42,798	46,576
Real estate and construction	29,944	25,910	55,854	55,767	54,522
Commercial and financial	23,409	22,280	45,689	40,714	44,885
Loans to individual customers	91,730	44,138	135,868	126,488	127,890
Leasing	5,893	2,248	8,141	8,222	9,385
Others	15,639	14,240	29,879	26,955	31,452
Subtotal	209,228	137,982	347,210	334,011	341,322
Interest, fees and others	81	218	299	436	942
Total	209,309	138,200	347,509	334,447	342,264

22 Distribution by rating in Spain ⁽¹⁾

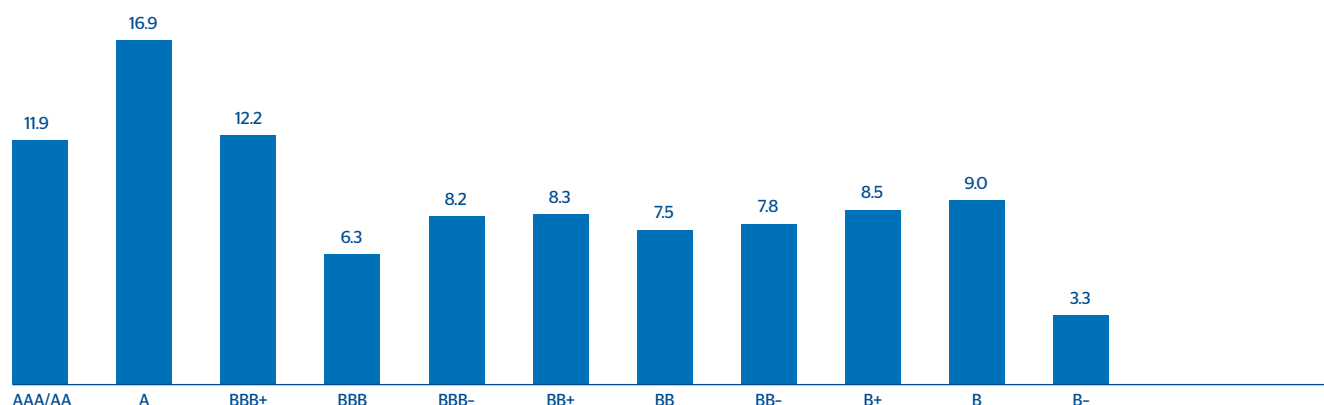
(Exposure 31-12-2010)



(1) Activities of the parent and subsidiaries in Spain. Includes companies, financial institutions, public institutions and sovereign risks.

23 Distribution by rating: corporates and developers in Spain ⁽¹⁾

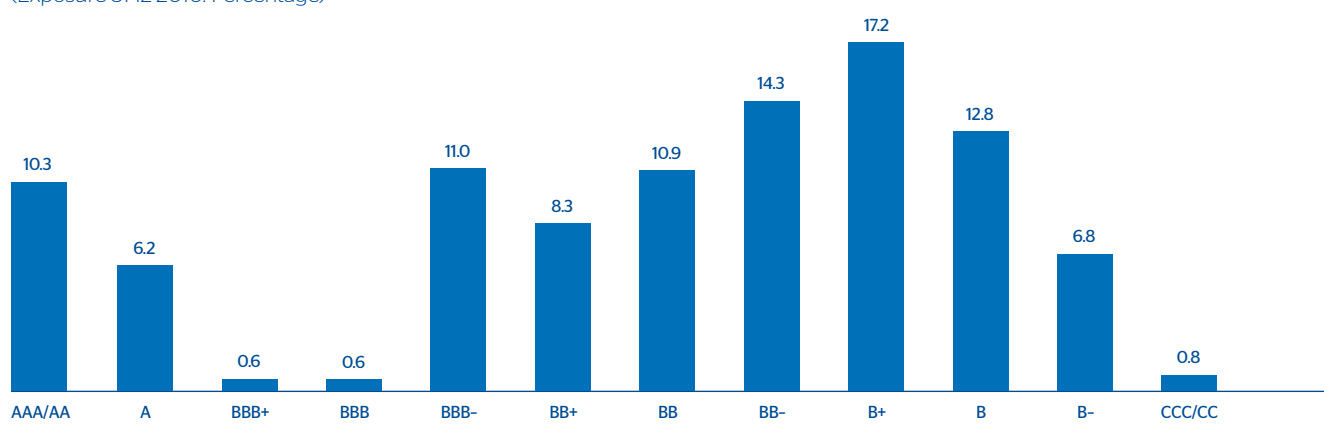
(Exposure 31-12-2010. Percentage)



(1) Activities of the parent and subsidiaries in Spain. Includes only the banking book.

24 Distribution by rating in Mexico

(Exposure 31-12-2010. Percentage)



The breakdown of the loan-book by rating in Mexico with corporates and financial institutions is shown in Chart 24.

Credit risk in the Spanish developer sector

Policies

BBVA has always understood the need for **teams specializing** in the developer and real estate sector, given its economic importance and technical component. In addition, the Group has very clear criteria regarding the management of risk from this sector, including:

1. To avoid concentration in terms of customers, products and regions. To do so, large-scale corporate transactions have been avoided, as they already decreased BBVA's market share in the years of maximum lending growth.
2. To not participate in the second home market, but to stand behind public housing and to intervene in transactions on land with a high degree of planning security. One result of this is the high quality of BBVA collateral, with 66% of loans to developers guaranteed with buildings (62% are homes, 89%

of which are principal residences for public housing) and 26% with land (of which 68% is urbanized).

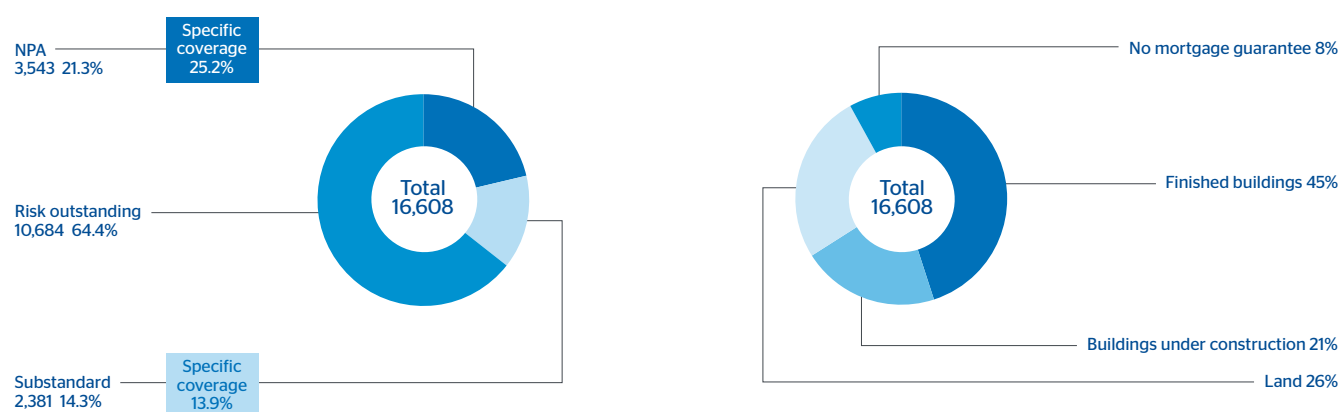
3. In terms of home-buyer lending, the policy is to not finance with loan-to-value (LTV) over 80%, or otherwise, to require collateral or additional guarantees. Therefore, secured loans to households for the purchase of a home have an average LTV of 51%, and nearly 95% of this portfolio corresponds to the principal residence.
4. In the case of real estate assets acquired by BBVA, distinction should be made between the types: completed, in progress and land. In the first type, the ultimate objective is their sale to individuals, which is supported by the customer base and the Group's various distribution channels. In the second type, the strategy is clearly to facilitate and promote the completion of the project. And in the third type, BBVA's majority presence on urban land simplifies the work, though planning management and control of liquidity for the urbanization expenses are also subject to special monitoring.

Developer risk

As of December 31, 2010, BBVA's credit exposure in the developer sector amounted to €16.6 billion, 9% of the loans to

25 Spain. Exposure to developers

(Million euros and percentage)



Real estate risk Spain

(Billion euros)

	BBVA 31-12-10	System 30-6-10	Percentage BBVA over system
Problematic assets	9.1	175.5	5.2
NPA	3.5	47.9	7.3
Substandard assets	2.4	57.6	4.2
Asset purchases	3.3	70.0	4.7

Source: Bank of Spain.

the resident sector in Spain as a whole (8% including the public sector) and barely 3% of the Group's consolidated assets.

At the end of 2009, BBVA carried out an exercise in transparency, and recognized €1,817 million as non-performing assets mainly related with this sector. Therefore the nonperformance of this portfolio has been stabilized in 2010. Currently, 32% of the non-performing assets are up-to-date on payments (subjective non-performing). This percentage is standout as compared with the rest of the system.

According to the last Financial Stability Report from the Bank of Spain, as of June 2010, the exposure of the Spanish banking system to said sector was €439 billion, which represents an approximate share of 7% for BBVA in this segment, as compared to the 11.0% share in the total loan-book in Spain. Of this amount, €175.5 billion were problematic assets (€47.9 billion non-performing, €57.6 billion substandard and €70 billion acquired assets), of which BBVA only has a 5.2% share.

Collateral

The value of the collateral covering developer risk, based on up-to-date appraisals, amounted to €25,327 million, for an average LTV of 65.5%, which broadly covers the portfolio value. Furthermore, it has specific recognized provisions amounting to €1,224 million. Circular 3/2010 of the Bank of Spain, which

entered into force on September 30, 2010, amending Circular 4/2004, stipulates that very severe regulatory coefficients must be applied to the updated appraisal value of the collateral. These coefficients range between 30% and 50%, according to the type of asset. After applying the coefficient, the excess value above the guarantee value, which represents provisional base, amounts to €1,355 million for non-performing assets, and €1,185 million for substandard assets.

Real estate assets

As of December 31, 2010, BBVA maintained a total of €3,259m in real estate assets at gross book value originated through lending to companies. Said real estate has an average coverage of 32%, which is well over the regulatory requirements.

Foreclosures & asset purchases

	Gross book value (Million euros)	Coverage (%)
Asset purchases	3,259	32.1
Dwellings	875	22.1
Other	204	37.7
Capital instruments	455	63.1
Total	4,793	33.4

Expected losses

Expected loss in the non-doubtful debt portfolio, expressed in consolidated terms and adjusted to the economic cycle average, stood at €3,216 million euros at the close of December 2010, an increase of 13.6% compared with the same date in 2009.

The main portfolios of the BBVA Group experienced use of expected loss and economic capital, as shown in the following table.

The breakdown of use of attributable expected losses by areas of business as of December 31, 2009 is shown in Chart 26. Spain and Portugal, with an exposure which accounts for 44.8% of the total, had an expected loss-to-exposure ratio of 0.40%. WB&AM accounted for 18.7% of the exposure, with a ratio of expected loss-to-exposure of 0.10%. Mexico had a weight of 15.8% and a ratio of 0.9%; the United States had a weight of 10.2% and a ratio of 0.9%; and South America had a weight of 10.4% and an expected loss-to-exposure ratio of 1.1%.

Risk statistics for the BBVA Group's main portfolios not in default

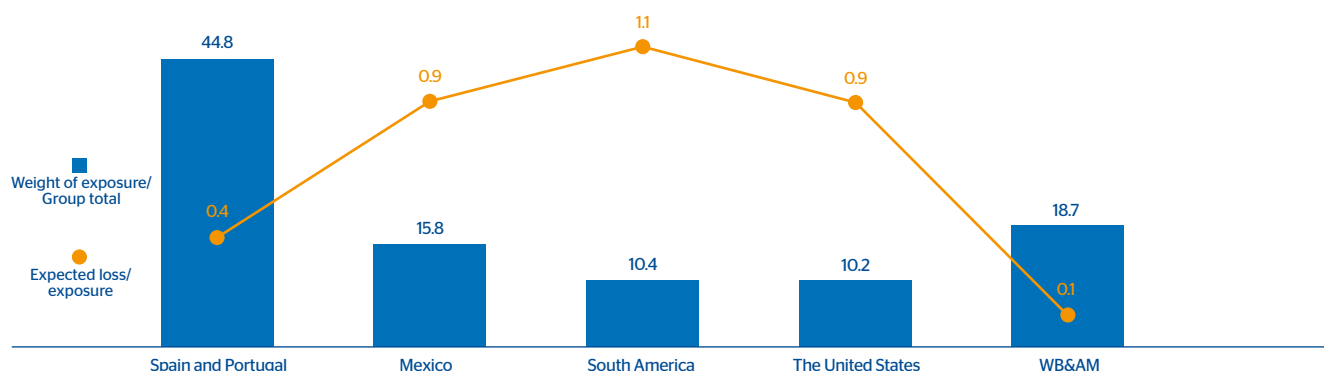
Portfolio	Exposure ⁽²⁾	Expected loss ⁽¹⁾		Economic capital	
	Million euros	Million euros	%	Million euros	%
Retail Mortgage					
Spain	83,412	123	0.15	1,251	1.50
Mexico	9,824	185	1.88	457	4.65
Others	11,778	61	0.52	392	3.32
Total	105,014	368	0.35	2,100	2.00
Other retail portfolios					
Spain	32,593	255	0.78	1,498	4.60
Mexico	10,520	367	3.49	910	8.65
Others	19,185	545	2.84	1,553	8.10
Total	62,298	1,167	1.87	3,962	6.36
Companies and institutions					
Spain	112,171	662	0.59	4,118	3.67
Mexico	19,643	257	1.31	771	3.92
Others	98,778	430	0.44	3,521	3.56
Total	230,592	1,349	0.58	8,410	3.65

(1) Performing portfolios.

(2) Includes off-balance sheet positions to which the corresponding conversion factors are applied.

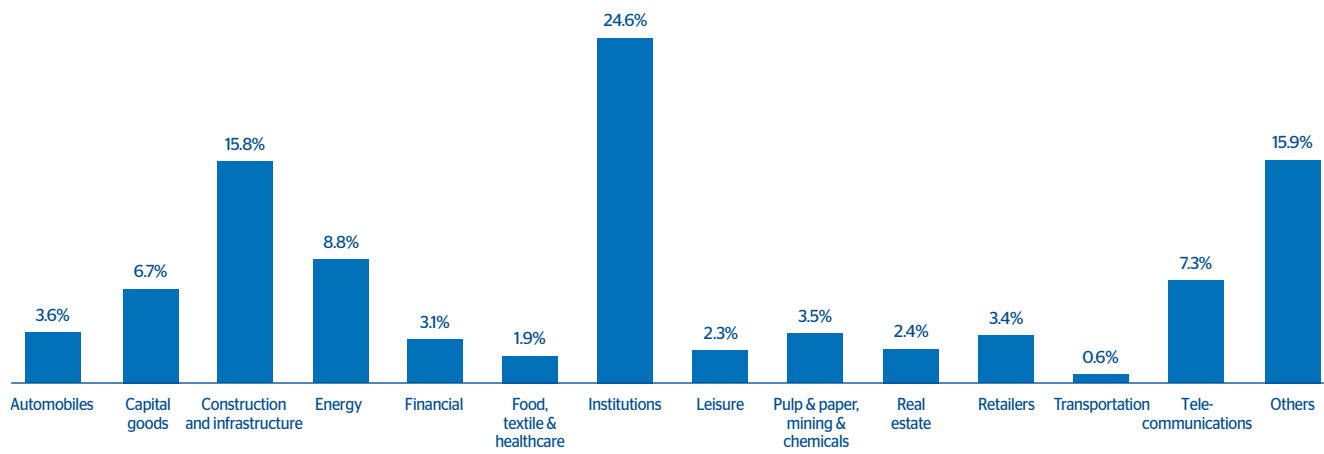
26 Attributable expected losses (performing balances) by business area

(Percentage over exposure. 30-12-2010)



27 Concentration. Distribution by sector in BBVA Group

(Risks above €200 million, 31-12-2010)



Concentration

Not including sovereign risks and financial institutions, there are 138 holding groups banking with the BBVA Group (126 in 2009), with risk drawn (loans, contingent liabilities, credit derivatives and fixed-income issues) exceeding €200 million, of which 78% hold investment grade rating. Credit risk (contingent liabilities) accounted for 20% of the BBVA Group's total risk (19% in 2008). This risk can be broken down by business area as follows: 36% in Spain and Portugal, 52% in WB&AM and 11% in the Americas (7% in Mexico). The risk was spread between the main sectors of activity, with the most important being: institutions 24.6%, utilities 15.9%, construction and infrastructure 15.8%, energy 8.8% and telecommunications 7.3%, as shown in Chart 27.

Non-performing assets and risk premium

As of December 31, 2010, total non-performing assets stood at €15,685 million, only an €82 million increase over the year. This increase can be fully explained by foreign currency movements, as they were down 1.9% without their impact. This figure is particularly relevant when considering, in the fourth quarter of 2010, the application of extremely prudent criteria in some portfolios in Spain.

The following tables show the changes in the period January 1 to December 31, 2010 for impaired customer loans and doubtful contingent liabilities, both for the BBVA Group as a whole and for each business area.

Trend in non-performing assets. BBVA Group

(Million euros)

	2010	2009	2008
Beginning balance	15,602	8,568	3,408
Entries	13,207	17,264	11,208
Recoveries	(9,063)	(6,524)	(3,668)
Net entry	4,144	10,740	7,540
Write-offs	(4,307)	(3,737)	(2,198)
Exchange differences and others	246	31	(182)
Final balance	15,685	15,602	8,568

Non-performing assets trend by business area

(Million euros)

	Spain and Portugal		Mexico		South America		The United States		WB&AM	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Beginning balance	11,119	5,736	1,253	933	772	595	1,887	1,121	539	106
Net entry	1,656	6,290	992	1,753	434	480	885	1,787	134	463
Write-offs	(1,747)	(947)	(1,243)	(1,448)	(359)	(358)	(907)	(960)	(35)	(30)
Exchange differences and others	(61)	40	179	15	33	55	99	(61)	(9)	-
Final balance	10,967	11,119	1,181	1,253	880	772	1,964	1,887	629	539

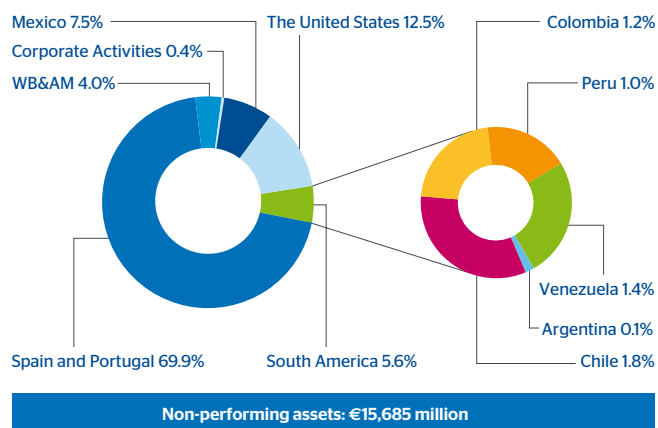
Furthermore, the solid performance of gross additions to NPA throughout the year should also be noted, thanks in part to the proactive measures taken in late 2009 in the areas of Spain and Portugal and the United States. Likewise, the solid performance of recovery throughout the year should also be noted; the ratio

of recoveries to new NPA for the year was 68.6%, as compared to 37.8% in 2009.

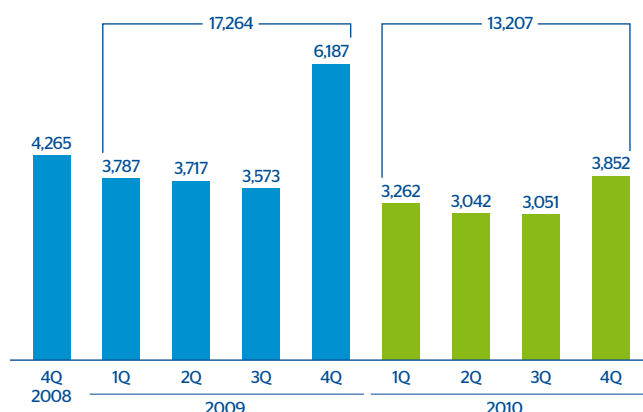
The **NPA ratio** for the Group closed 2010 at 4.1%, which is down from 2009 (4.3%). This rate has been maintained throughout the year in a controlled manner, without surpassing the maximum level reached one year before. This demonstrates the Group's success in its proactive efforts carried out in the fourth quarter of 2009, which enabled the stabilization of NPA levels and its differential performance with regards to the main competitors and the industry average. By business area, the strong performance of NPA in Mexico stands out, as it fell more than one percentage point in the year to 3.2%; the NPA ratio in South America fell to 2.5%; and in Spain and Portugal, it improved 10 basis points to close the year at 5.0%. In the other areas, the NPA ratio was practically maintained: Wholesale Banking & Asset Management stands at 1.2% and the United States, 4.4%.

The Group's **risk premium**, which measures the charge against earnings made for net loss provisioning per lending unit, improved 21 basis points in 2010 to 1.3%, compared with 1.5% in 2009. By business area, Mexico and the United States decreased by 164 basis points (to 3.6% and 1.7%, respectively); Spain and

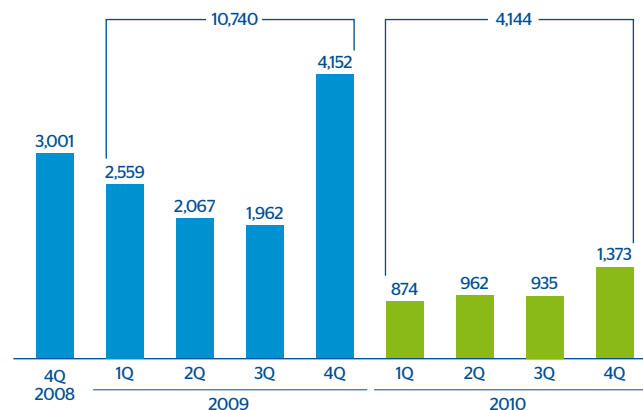
28 Non-performing assets. Distribution by business area (31-12-2010)



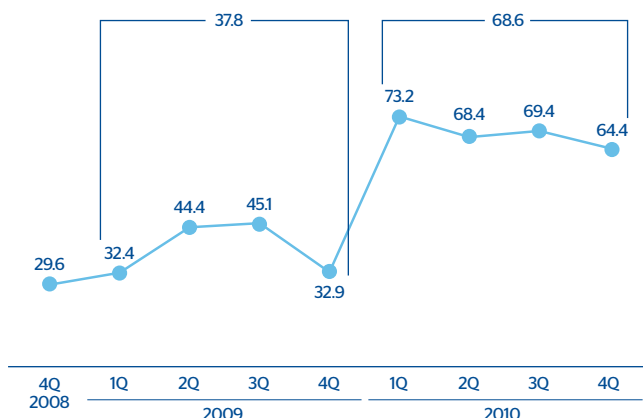
29 NPA entries. BBVA Group (Million euros)



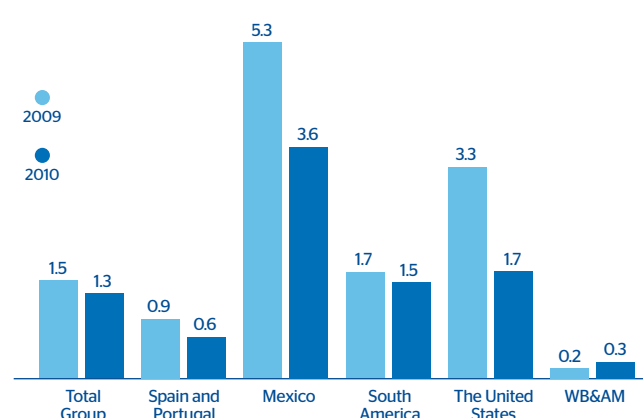
30 Net NPA entries. BBVA Group (Million euros)



31 Recoveries over entries to NPA. BBVA Group (Percentage)



32 Risk premiums by business area (Percentage)



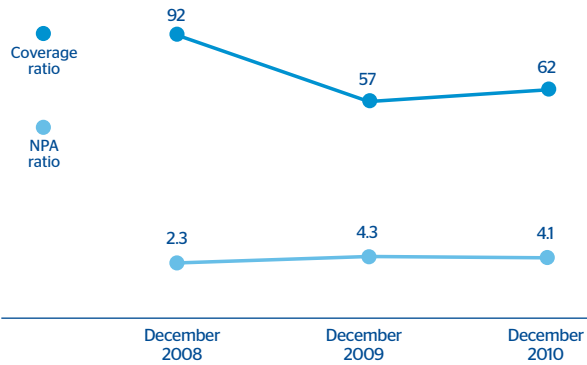
Portugal fell 28 basis points to 0.6%; and South America dropped 15 basis points to 1.5%.

Coverage provisions for risks with customers rose to €9,655m on 31-Dec-2010, marking an increase of €712m on the figure at the close of 2009. Of this, generic provisions amount to €2,832m and represent 29.3% of the total.

As a result of the increase in the balance of provisions, the **coverage ratio** of NPA closed 2010 at 62%. Its progress in Mexico is noteworthy, and stands at 152% (130% as of 31-Dec-2009). It remained fairly stable in the other areas: in Spain and Portugal the rate closed at 46% (48% in 2009); in South America it closed at 130% (129% in 2009); it improved to 61% in the United States (58% in 2009); and Wholesale Banking & Asset Management stood at 71% (70% in 2009). Additionally, it is worth considering that 58% of the risks are collateralized.

NPA and coverage ratios. BBVA Group

(Percentage)



Structural risks

Structural interest-rate risk

Structural interest-rate risk refers to the potential alteration of a company's net interest income and/or total net asset value caused by variations in interest rates. A financial institution's exposure to adverse changes in market rates is a risk inherent in the banking business, while becoming an opportunity to create value.

The variations in interest rates have effects on the Group's net interest income, from a medium and short-term perspective, and on its economic value if a long-term view is adopted. The main source of risk resides in the time mismatch that exists between repricing and maturities of the asset and liability products comprising the banking book. This is illustrated by Chart 34, which shows the gap analysis of BBVA's structural balance sheet in euros.

Rates have remained at low levels in 2010, with a reduction in long-term rates consistent with the slowdown in business activity. This market scenario has been managed in advance by the **Financial Management** unit, which through the Asset and Liability Committee (ALCO), is in charge of maximizing the economic value of the banking book and preserving net interest

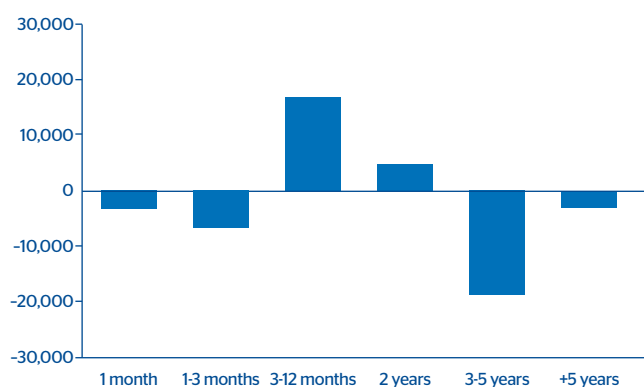
income to ensure recurrent earnings. And it does so while making sure that exposure levels match the risk profile defined by the Group's management bodies and that a balance is maintained between expected earnings and the risk level borne. In order to facilitate proper management of balance-sheet risk, a transfer pricing system exists that centralizes the Bank's interest rate risk on ALCO's books.

The Group's management is based on structural interest rate risk measurements, whose **control and monitoring** is performed in the **Risk area**, acting as an independent unit to guarantee that the risk management and control functions are appropriately segregated. This policy is in line with the Basel Committee on Banking Supervision recommendations. To do so, Risks is responsible for designing models and measurement systems, together with the development of monitoring, reporting and control policies. It also performs monthly measurements of interest rate risk and performs risk control and analysis, which is then reported to the main governing bodies, such as the Executive Committee and the Board of Director's Risk Committee.

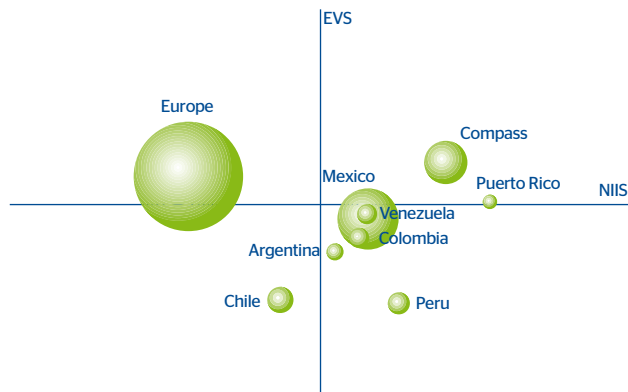
The Group's structural interest rate risk measurement model is based on a sophisticated set of **metrics and tools** that enable its risk profile to be monitored. For accurately characterizing the balance sheet, analysis models have been developed to establish assumptions dealing fundamentally with expected early loan amortizations and the behavior of deposits with no explicit maturity. Moreover, in order to take into account additional sources of cash flow mismatch risk, not only parallel movements but also changes in the slope and curvature of the interest rate curve, a model for simulating interest rate curves is also applied to enable risk to be quantified in terms of probabilities. This simulation model, which also considers the diversification between currencies and business units, calculates the earnings at risk (EaR) and economic capital, defined as the maximum adverse deviations in net interest income and economic value, respectively, for a particular confidence level and time horizon. All this in addition to measurements of **sensitivity** to a standard deviation of 100 basis points for all the market yield curves. Chart 35 shows the structural interest rate profile of the main entities of the BBVA Group, according to their sensitivities.

34 Gap of maturities and repricing of BBVA's structural balance sheet in euros

(Million euros)



35 Structural interest rate risk profile. BBVA Group



NII: Net interest income sensitivity (%) of the franchise to +100 basis points.
EVS: Economic value sensitivity (%) of the franchise to +100 basis points.
Size: Capital allocated to each franchise.

The maximum negative impacts, in terms of both net interest income and value, are controlled in each of the Group's entities through a **limits** policy. The risk appetite of each entity, as defined by the Executive Committee, is expressed through the limits structure, which is one of the mainstays in control policies. Active balance sheet management has enabled its exposure to be maintained in keeping with the Group's target risk profile, as presented in Chart 36, which shows average limits use in each Group entity during 2010.

The risk measurement model is supplemented by the analysis of specific scenarios and stress tests. In 2010, **stress tests** have been particularly relevant, and analysis of extreme scenarios has continued to be reinforced in the event of possible changes in current rate levels. At the same time, forecast scenarios by the Research Department continued to be evaluated, together with other severe risk scenarios drawn up from an analysis of historical data and the change in certain observed correlations. In addition, monitoring of the contribution to risk by portfolios, factors and regions, and its subsequent integration into joint measurements, continued during the year.

Structural exchange-rate risk

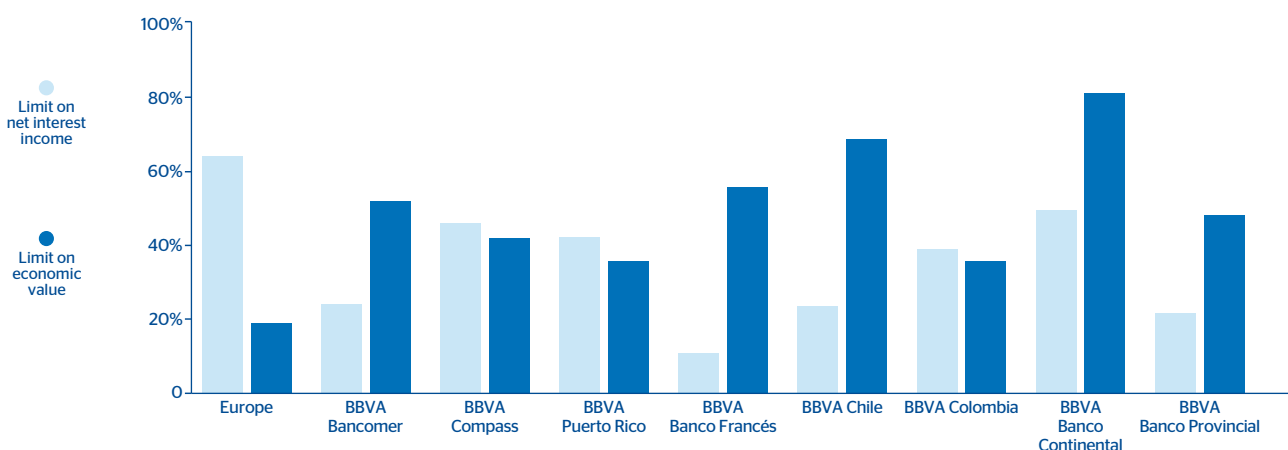
The currencies with the greatest capital impact on the BBVA Group underwent widespread appreciations in 2010. The Group's geographical diversification, in an uncertain economic climate and with public debt crisis episodes in Europe, has had a positive effect on the BBVA Group's capital ratios, equity and earnings, due to, amongst other factors, the favorable impact of the appreciation of the main currencies against the euro.

These market variations have an effect on the Group's solvency ratios and its estimated earnings whenever there is exposure deriving from the contribution of subsidiary entities operating in "non-euro" markets. The **Asset/Liability Management** unit, through ALCO, actively manages structural exchange rate risk using hedging policies that aim to minimize the effect of FX fluctuations on capital ratios, as well as to assure the equivalent value in euros of the foreign currency earnings of the Group's various subsidiaries while controlling the effects on reserves.

The **Risk area** acts as an independent unit responsible for designing measurement models, making risk calculations and controlling compliance with limits, reporting on all these issues to the Risk Committee and to the Executive Committee.

Structural exchange rate risk is evaluated using a **measurement model** that simulates multiple scenarios of exchange rates and evaluates their impacts on the Group's capital ratios, equity and the income statement. On the basis of this exchange rate simulation, a distribution is produced of their possible impact on the three core items, which determines their maximum adverse deviation for a particular confidence level and time horizon, depending on market liquidity in each currency. The risk measurements are completed with stress testing and backtesting, which give a complete view of exposure and the effects on the group of structural exchange rate risk.

36 Structural interest rate risk. Average use of limits in 2010



All these metrics are incorporated into the decision-making process by Asset/Liability Management, so that it can adapt the Bank's risk profile to the guidelines derived from the limits structure authorized by the Executive Committee. Thanks to active management of FX exposure, the favorable evolution of the currencies was taken advantage of in 2010, always keeping risk levels within the established limits, despite high market volatility. The average hedging level of the carrying value of BBVA investments in currencies stood at around 30%, while hedging of foreign currency earnings in 2010 remained at lower levels. In addition to this corporate-level hedging, dollar positions are held at a local level by some of the subsidiary banks. Thanks to a proactive policy in FX management, hedges exist at the closing of the year for both the carrying amounts of the BBVA investments and the expected earnings in America for 2011.

Liquidity Risk

There were two crucial moments in **2010** in relation to sovereign debt in euro zone countries. The rescue of Greece in May and Ireland's bailout in November. Both were accompanied by strong tensions in Spain's country risk and increases in the spread of its debt against Germany's. In May, this spread reached 200 basis points for 10-year maturities, while in November and December it peaked at 300 basis points. This situation gave rise to tensions on both monetary and long-term wholesale markets, penalizing institutions based on the geographical diversification of their business. The credit spreads applied, both in the primary market (issuance) and in the secondary and derivatives markets (credit default swaps, CDS), reached new all-time highs, exceeding those observed in 2009.

In this context, **liquidity management** by BBVA has been particularly proactive, through increasing the most stable retail liabilities and issuing in wholesale markets. There have been senior debt or coverage bond issues, backed by mortgage or public sector loans, during each four-month period of the year.

Although the spread applied has been increasing throughout the year, the issues have been well-received (always below the CDS level). In total, €16,919m were issued in 2010, in addition to the capital increase carried out in November.

In all cases, the Bank has financed itself, in accordance with its rating and capacity to generate recurrent results. It has never had to resort to public support or guarantees. Liquidity risk control in 2010 was, again, backed up by the maintenance of a sufficiently large buffer of liquid assets, fully available for discount, to cover the main short-term commitments. The Bank has thus acted ahead of the Basel Committee, which approved the creation of the LCR (liquidity coverage ratio) in October for implementation beginning in 2011.

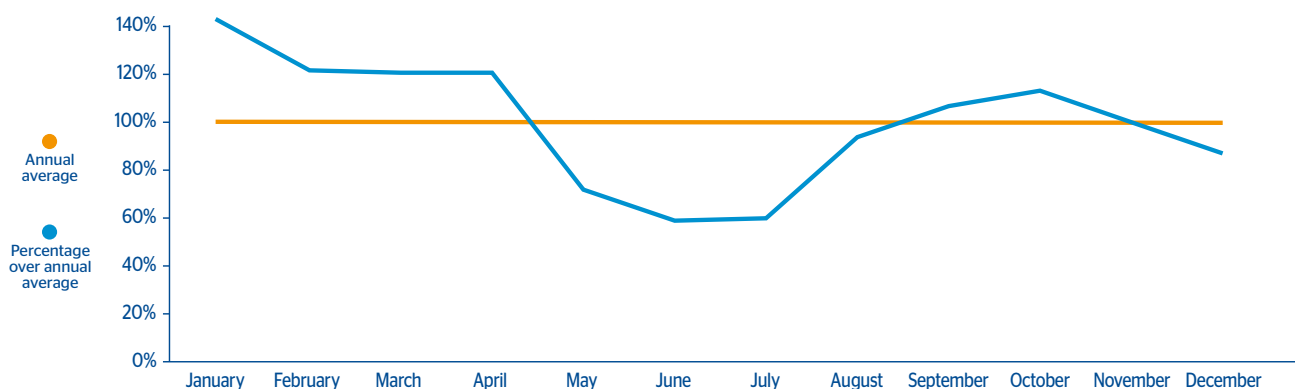
The issuance policy in 2010 has been selective and aimed at ensuring diversified financing in a market context which is particularly difficult for the Spanish institutions. To prepare its medium-term strategy, the Group now has a new "Liquidity and Financing Manual", which sets among its **general principles** decentralized management, self-financing of the investment activity by business area, and long-term management, in order to preserve solvency, growth sustainability, and recurrent earnings. This will enable the Bank to address the NSFR (net stable funding ratio) that Basel intends to implement beginning in 2018.

The Finance Division, through **Asset/Liability Management** manages structural financing and liquidity at BBVA, according to the policies and limits set by the Executive Committee at the proposal of the **Risk area**, which independently carries out measurement and control in each country according to a corporate scheme that includes stress analysis and contingency plans.

Chart 37 shows the relative annual trend of the main indicator used in 2010, basic liquidity, which was redefined in September as basic capacity, for monitoring the liquidity position and its potential risk.

37 Extended available liquidity

(30-day basic capacity in 2010)



Structural risk in the equity portfolio

The **Risk area** undertakes a constant monitoring of structural risk in its equity portfolio, in order to constrain the negative impact that an adverse performance by its holdings may have on the Group's solvency and earnings recurrence. This ensures that the risk is held within levels that are compatible with BBVA's target risk profile.

The monitoring perimeter of the profile takes in the Group's holdings in the capital of other industrial and financial companies, recorded as the investment portfolio. It includes, for reasons of management prudence and efficiency, the consolidated holdings, although their variations in value have no immediate effect on equity in this case. In order to determine exposure, account is taken of the positions held in derivatives of underlying assets of the same characters, used to limit portfolio sensitivity to potential falls in prices.

This monitoring function is carried out by the Risk area by providing estimates of the risk levels assumed, which it supplements with periodic stress and back testing and scenario analyses. It also monitors the degree of compliance with the limits authorized by the Executive Committee, and periodically informs the Group's senior management on these matters. The mechanisms of risk control and limitation hinge on the aspects of exposure, earnings and economic capital. Economic capital measurements are also built into the risk-adjusted return metrics, used to ensure efficient capital management in the Group.

In **2010**, in a context of high volatility in the stock markets, structural equity price risk management has been aimed at safeguarding the net-asset value of the Group's holdings. Thus, active position management, together with the hedging policy, has enabled the Bank to maintain the risk borne, which is measured in terms of economic capital, at moderate levels.

Risks in market areas

In a year of continuing global economic crisis, combined with major fluctuations in the financial markets, the function of risk control in market activities has taken on a special importance.

The activity of each of the Group's trading floors is controlled in terms of the possible impact of negative market conditions, both under ordinary circumstances and in situations of heightened risk factors.

Market risk in market activities

The basic measurement model used to assess market risk is **Value-at-Risk (VaR)**, which provides a forecast of the maximum loss that can be incurred by trading portfolios in a one-day horizon, with a 99% probability, stemming from fluctuations in equity prices, interest rates, foreign exchange rates and commodity prices. In addition, for certain positions, other risks also need to be considered, such as credit spread risk, basis risk, volatility and correlation risk. The VaR is calculated by using a historical period of 2 years for the observation of the risk factors.

Currently, BBVA, S.A. and BBVA Bancomer have been authorized by the Bank of Spain to use their **internal model** to determine capital requirements deriving from risk positions in their trading book, which jointly accounts for 80-90% of the Group's trading book market risk. BBVA is in the process of incorporating the new regulatory capital charges to comply with the most recent guidelines of the regulators.

The market risk limits model currently in force consists of a system of VaR (Value at Risk) and economic capital limits and VaR sub-limits, as well as stop-loss limits for each of the Group's business units. The global limits are proposed by the Risk Area and approved by the Executive Committee on an

annual basis, once they have been submitted to the Board's Risk Committee.

This limits structure is developed by identifying specific risks by type, trading activity and trading desk. The market risk units maintain consistency between the limits. This system of limits is supplemented by measures of the impact of extreme market movements on risk positions. The Group is currently performing stress testing on historical and economic crisis scenarios, as well as impact analyses on the income statement in plausible but unlikely economic crisis scenarios, drawn up by its Economic Research Department.

In order to assess business unit performance over the year, the accrual of negative earnings is linked to the reduction of the VaR limits that have been set. The control structure in place is supplemented by limits on loss and a system of alert signals to anticipate the effects of adverse situations in terms of risk and/or result. All the tasks associated with stress testing, methodologies, scenarios of market variables and reports are undertaken in coordination with the Group's various Risk Areas.

Finally, the market risk measurement model includes backtesting or ex-post comparison which helps to refine the accuracy of the risk measurements by comparing day-on-day results with their corresponding VaR measurements.

Market risk in 2010

The Group's market risk remains at low levels compared with the aggregates of risks managed by BBVA, particularly in terms of credit risk. This is due to the nature of the business and the Group's policy of minimal proprietary trading. In 2010 the market risk of the Group's trading portfolio increased slightly on previous years to an average economic capital of €353m.

38 Market risk evolution in 2010⁽¹⁾

(VaR, million euros)



(1) On February 29, 2008, Bank of Spain validated internal risk assessment model based on Algorithmics for Europe's and Mexico's trading books. Trading portfolios assessment methodology simulates VaR based on historic data.

BBVA Group. Market risk by geographical area

(Average 2010)



Market risk by risk factor. BBVA Group

(Million euros)

Risk	31-12-10
Interest + spread	29
Exchange rate	3
Equity	4
Volatility	12
Diversification effect	(21)
Total	28
Average	33
Maximum	41
Minimum	25

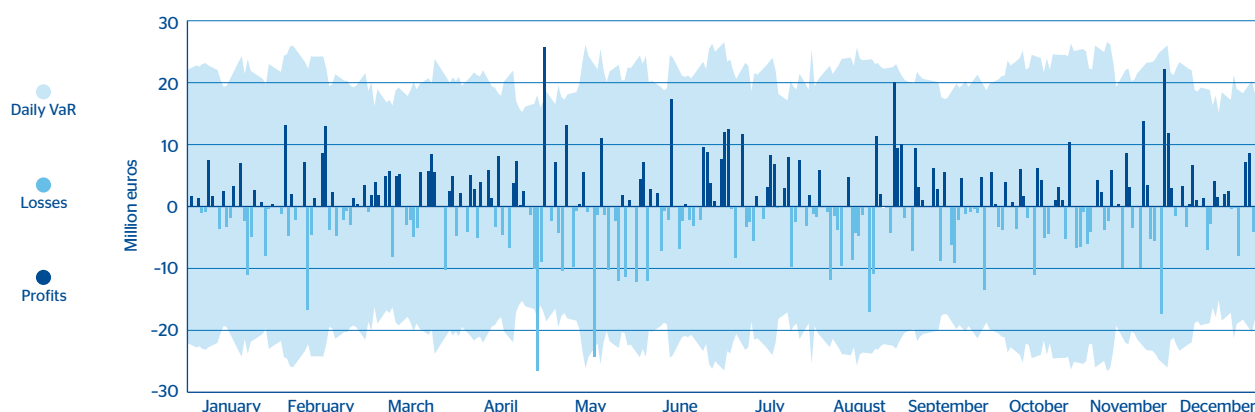
The main risk factor in the Group continues to be linked to interest rates, with a weight of 61% of the total at the end of 2010 (this figure includes the spread risk). Equity risk accounts for 9%, a fall on the figure 12 months prior. In contrast, exchange-rate risk increased its weight slightly to 7%. Finally, volatility risk remains stable at 24% of the total portfolio risk.

By **geographical area**, and as an annual average, 64.5% of the market risk corresponded to the Global Markets Europe trading desk and 35.5% to the Group's banks in the Americas, of which 23.0% is in Mexico.

The **backtesting** comparison performed with market risk management results for the parent company (which accounts for most of the Group's market risk) follows the principles set out in the Basel Accord. It makes a day-on-day comparison between actual risks and those estimated by the model, and proved that the risk measurement model was working correctly throughout 2010 (Chart 40).

40 Backtesting BBVA, S.A. internal model in 2010

(Estimated VaR vs profits and losses)



Credit risk in market activities

The credit risk assessment in OTC financial instruments is made by means of a **Monte Carlo simulation**, which calculates not only the current exposure of the counterparties, but also their possible future exposure to fluctuations in market variables.

The model combines different credit risk factors to produce distributions of future credit losses and thus allows a calculation of the portfolio effect; in other words, it incorporates the term effect (the exposure of the various transactions presents potential maximum values at different

points in time) and the correlation effect (the relation between exposures, risk factors, etc. are normally different to 1). It also uses credit risk mitigation techniques such as legal netting and collateral agreements.

The **equivalent maximum credit risk exposure** to counterparties in the Group as of December 31, 2010 stood at €44,762m, a 4.5% increase on year-end 2009. The equivalent maximum credit risk exposure in BBVA, S.A. is estimated at €39,103m. The overall reduction in terms of exposure due to netting and collateral agreements was €27,443m.

The **net market value** of the instruments mentioned in the BBVA, S.A. portfolio on December 31, 2010 was €1,674m and the **gross positive market value** of the contracts was €38,661m.

OTC Derivatives. Equivalent maximum exposure BBVA, S.A.

(Million euros)

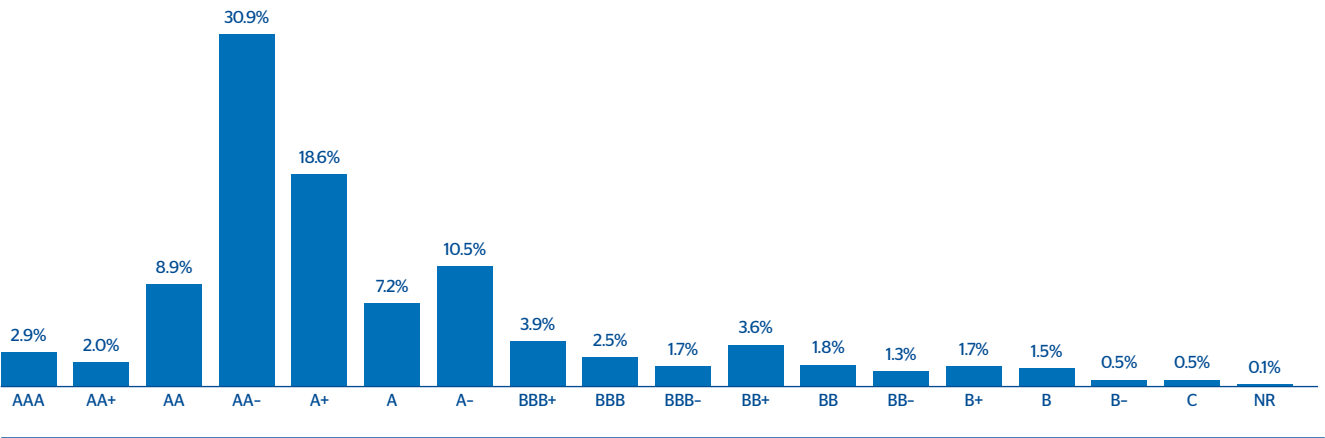
OTC financial instruments	Gross replacement	Net replacement	Equivalent maximum exposure
IRS	24,286	567	24,813
FRAs	20	(5)	31
Interest rate options	3,104	(117)	2,639
OTC interest rate diversification			(143)
Total OTC interest rate	27,410	445	27,340
Forward FX	2,635	55	3,707
Currency swaps	3,607	490	4,536
Currency options	248	(239)	458
OTC exchange rate diversification			(512)
Total OTC exchange rate	6,490	307	8,189
OTC Equity	3,468	791	4,618
Lending	1,145	152	1,902
Commodities	149	(21)	299
OTC equity and others diversification			(18)
Total OTC equity and others	4,762	922	6,801
Total diversification			(3,226)
Total	38,661	1,674	39,103
Netting savings on collateral agreements			27,443
Net equivalent maximum exposure BBVA, S.A.			11,660

Maximum exposure in OTC financial instruments. BBVA, S.A. Distribution by maturity

(Million euros)

Type of product	2010							
	Maximum exposure	Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	Up to 15 years	Up to 25 years	As of 25 years
OTC Interest rate	27,340	26,525	23,890	16,339	11,120	3,227	2,661	2,119
OTC exchange rate	8,189	6,754	5,607	3,236	1,709	805	769	660
OTC equity and others	6,801	6,371	6,077	4,996	4,587	4,221	4,158	3,836
Total diversification	(3,226)							
Total	39,103	39,650	35,574	24,571	17,417	8,253	7,588	6,615

41 Equivalent maximum exposure. Distribution by rating in BBVA, S.A.

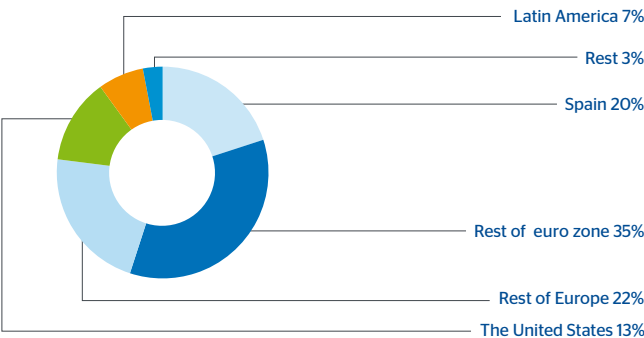


The second accompanying table shows the **distribution by maturity** of the equivalent maximum exposure amounts in OTC financial instruments.

The **counterparty risk** assumed in this activity involved entities with a high credit rating (equal to or above A- in 81% of cases). Exposure is concentrated in financial entities (82%), and the remaining 18% in corporations and customers is suitably diversified.

By **geographical area**, the highest exposure of BBVA, S.A. was in Europe (77%) and North America (13%), which together accounted for 91% of the total.

42 Equivalent maximum exposure
Geographical distribution BBVA, S.A.



Operational risk

Operational Risk Management

In March **2010**, the BBVA Group received authorization from the Bank of Spain to apply advanced models for the calculation of regulatory capital for operational risk in both Spain and Mexico. This makes it the only financial institution to date that has obtained qualification from the Bank of Spain for advanced operational risk models. The authorization marks the culmination of a process of cultural change launched in 2000 when the Group began operational risk management for strategic reasons. Regulatory incentives later contributed to this process through the establishment of regulatory capital under Basel II.

The value levers for the Group in the **advanced measurement approach (AMA)** for operational risk are as follows:

- Active management of operational risk and its integration into day-to-day decision making (management) mean:
 1. Knowledge of the real losses associated with this risk (SIRO database).
 2. Identification and prioritization of potential and real risk factors, using a quantification of estimated losses that includes the impact on the business (Ev-Ro exercises).
 3. Having indicators that enable variations in operational risk over time to be analyzed and warning signs defined (TransVar tool).

The above helps to create a proactive model for control and business decision-making, and for prioritizing the efforts to mitigate relevant risks by reducing the Group's exposure to extreme events.

- Improved control environment and strengthened corporate culture.
- Generation of a positive reputational impact.
- The opportunity for saving in regulatory capital when the Bank of Spain authorizes the elimination of the lower limit.

The requirement and authorization by the Bank of Spain initially establish a floor on savings in regulatory capital, according to the capital corresponding to the standard method. The authorization also lists a series of improvements that will result in effective savings in capital for operational risks for the Group, once the model is implemented.

At the start of 2010, the Bank made the decision to integrate the central units dedicated to the management of operational risk and internal control into the Internal Control and Operational Risk unit. The aim was to strengthen the synergies between the two models, streamline work systems and focus efforts on the most relevant issues. A new integrated working methodology has been developed for Internal Control and Operational Risk. It will be implemented in the Group's units starting in 2011.

Operational risk **management** in BBVA is carried out by country. Each country has an Internal Control and Operational Risk (CIRO) unit in the Risk area. In turn, there is an internal control and operational risk unit in each business or support area that answers to the country CIRO. This gives the Group a view of risks at the macro level, as well as at the process level where mitigation decisions are taken.

Management bodies

Each business or support unit has one or more Internal Control and Operational Risk **Committees** (CIROCs) that meet on a quarterly basis. These committees analyze the information provided by the tools and take the appropriate mitigation decisions. The measures adopted are then monitored to check their effectiveness.

Above these CIROCs is the Country-level Committee for Internal Control and Operational Risk, which deals with more significant risks and their corresponding mitigation plans as well as risks that cut across different areas. The Global Internal Risk and Operational Risk Committee is the highest-level body in the parent company, which undertakes a general monitoring of the Group's main operational risks.

The corporate **tools** outlined below help provide a standardized view of risk. Within a short space of time they have created a common language for the whole Organization.

Ev-Ro: Ev-Ro is a tool used to identify and prioritize operational risk factors. An analysis of the impact and frequency of each risk factor enables risk maps to be generated by business or support areas and class of risk.

Chart 43 shows the distribution by risk type and by type of loss.

TransVaR. All the Group's operations are based on process management. TransVaR is a tool for key risk indicators (KRI) associated with processes. It identifies impairment or improvement in the Institution's risk profile.

SIRO: Operational risk events nearly always have a negative impact on the Group's income statement. To keep these events under control, they are recorded in a database called SIRO. To ensure reliability, inputs are fed directly from accounting. The internal SIRO data are supplemented with information from an external database at the Operational Risk Exchange (ORX) consortium (orx@org.com). ORX is a non-profit association of which BBVA is a founding partner. Currently its membership includes more than 50 leading banks in 18 countries.

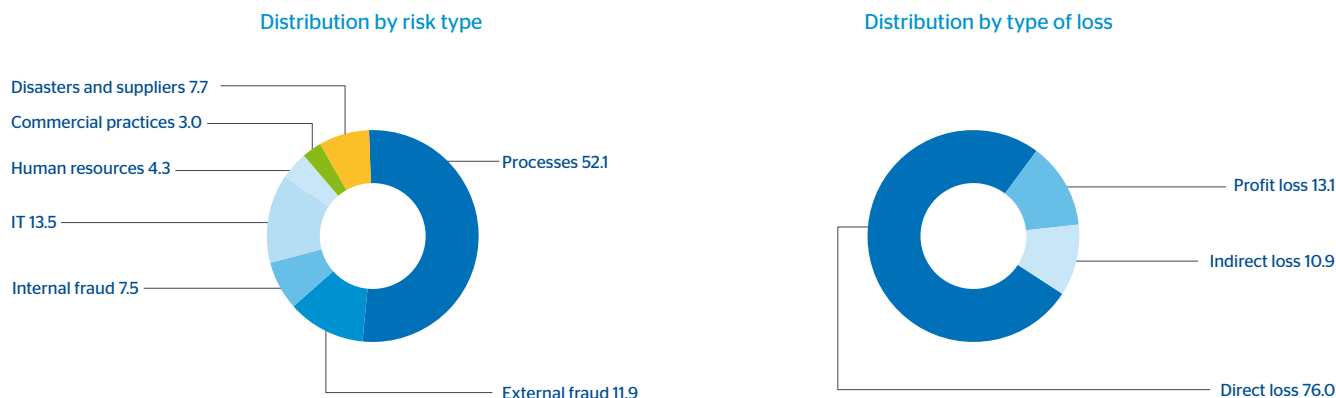
Periodic monitoring is carried out on the historical distribution of losses by geographical area and class of risk. The accompanying charts show the results of this monitoring (Chart 44).

Reputational risk

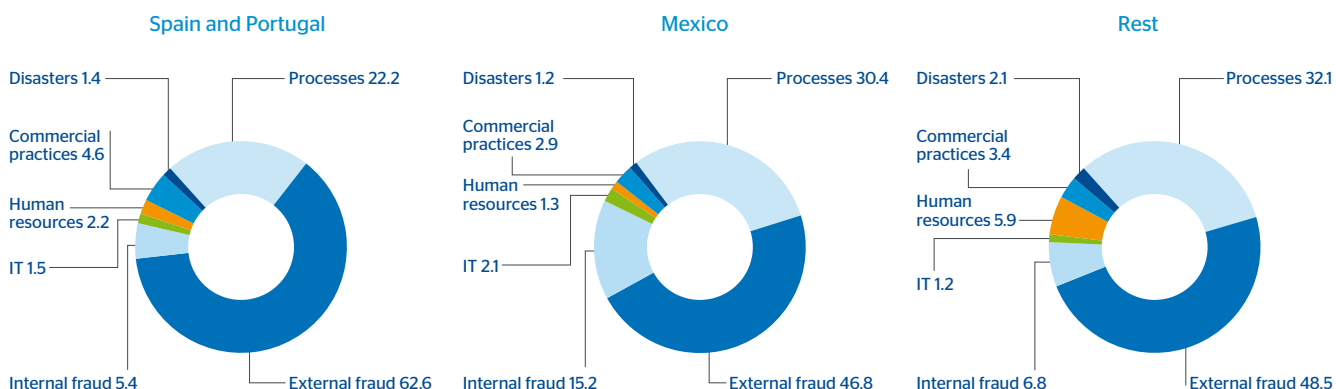
This is another type of risk that is defined as the risk associated with changes in the perception that stakeholders (customers, stockholders, employees, etc.) have of the Group or its component brands. Credit and market risk may generate reputational risk. However, operational risk is considered to be the most likely to lead to reputational risk.

Reputational risk is analyzed and measured at country level using methodologies developed by Internal Control and Operational Risk and the Corporate Responsibility and Reputation units. Each country has a Corporate Responsibility and Reputation Committee to assess and oversee the management of this class of risk. The action plans themselves belong to the business and support units. The parent company also has a Global Corporate Responsibility and Reputation Committee for management at Group level.

43 BBVA Group. Risk assessed with Ev-Ro (Percentage)



44 Historical distribution of losses by type of risk (Percentage)



Operational risk capital

A calculation of economic capital for operational risk was made in 2010 using the basic and standard methods, with data as of December 31, 2010. The AMA calculation of economic capital is now being updated with data as of June 2010, so the latest information currently available for this calculation is from June 2009. BBVA uses the OpVision calculation engine to calculate the capital. Its technical development was carried out by Risklab, Indra and BBVA. The methodology used is called the Loss

Distribution Approach (LDA). It is the most robust allowed by Basel from the statistical point of view.

The capital estimates made in Spain and Mexico use three information sources: the Group's internal database (SIRO), external data from ORX and simulated events (also called scenarios). The economic capital results, according to the different methodologies used, are as follows:

Operational risk capital

(Million euros)

	Basic method	Standard method ⁽¹⁾	AMA method ⁽²⁾	AMA method ⁽³⁾
Spain	1,282	1,205	1,753	829
Mexico	772	673	617	311
Other	941	802	n/a	n/a

(1) BBVA currently uses the capital calculated by the standard model as regulatory capital.

(2) The AMA method does not include the effect of diversification.

(3) This AMA method includes the effect of diversification.

Risk management in non-banking activities

Management model

Risk **management** in non-banking activities such as asset management, pensions, insurance companies and the real estate business, is organized following the general principles of the relational model between the Global Risk Management corporate area and the risk units of the business areas.

Among the main **objectives** of the Non-Banking Risks corporate unit are to establish risk policies and procedures. It collaborates in developing methodologies and tools that enable standard techniques to be applied, making them comparable and extendable to the rest of the Group's risks. The risk units in the business areas are responsible for the implementation of the model, as well as monitoring and control.

The close relationship between these units and the corporate areas and their policies has ensured rigorous control of market and credit risk in a year that has featured the sovereign debt crisis and extreme volatility in equity markets.

Economic capital is the standard metric for risk calculation and the basis for projections of risk-adjusted return. At the close of the year, the insurance, pension and asset management (AM) activities are estimated to have an economic capital of €1,269 million. Its breakdown by each of these activities is given below.

Insurance

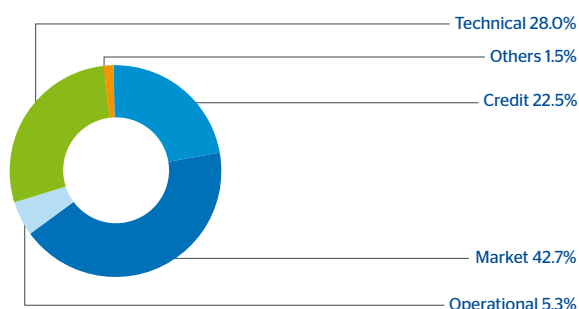
Risk management in insurance serves a fourfold purpose:

- Identification, calculation, monitoring and management of the risks of catalogued and new products in Group companies which operate in this activity. The methodology used must be validated at the corporate level.
- Inclusion of the risk premium into product prices as the first step in contributing to the solvency of the business.

- Setting limits and controls in line with the targeted risk profile of BBVA, while adapting to the specific features of insurance products (maturities, underlying assets and the necessary actuarial calculations).
- Risk overview, taking into account the business units' information requirements and those of the different regulators.

Economic capital in insurance activity in 2010 came to €957 million, a similar figure to 2009. Economic capital by market risk represented 42.7% of the total, followed by technical risk, accounting for 28.0%, credit risk 22.5% and operational risk 5.3%.

Insurance companies. Economic capital distribution by type of risk (31-12-2010) 45



Total capital: €957 million

Asset Management

Governments have been the leading players in **2010**. The economic downturn and the high levels of debt of some countries in the Euro zone have heightened tension to such an extent that it has even sown doubt in the markets about

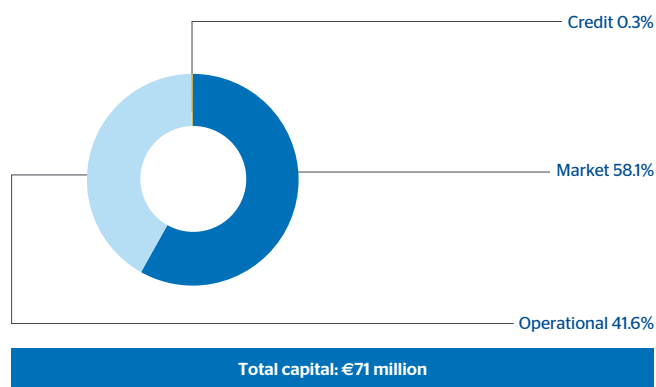
the sustainability of the European Union. This year the flight to quality is a flight towards non-peripheral sovereign debt, leading to increased risk premiums among peripheral countries and as a result raising the cost of financing.

In this situation, the extreme competition for savings in the banking system in Spain has led to a large proportion of the assets held by funds to be reduced by transfers to deposits. Once more, in a difficult year featuring extreme volatility of debt, contagion in stock markets, liquidity and reimbursements, the aim has always been to adapt to the environment with positioning in safe instruments that guarantee customers liquidity. This has involved appropriate diversification in the portfolios under management. BBVA is committed to its fiduciary duty towards its customers, and to assuming exclusively the risks in third-party portfolios that can be correctly identified, measured, monitored and managed.

Economic capital in the Asset Management unit stood at €71 million. Market risk accounts for 58.1%, with €41 million attributable basically to guarantee risk. Operational risk stood at 41.6% of the total economic capital in the unit.

46 Asset Management. Economic capital distribution by type of risk

(31-12-2010)



Pensions in the Americas

The pensions business in the Americas has continued with natural growth from contributions by participants, which consolidated and increased the volume of funds under management. Asset prices also improved.

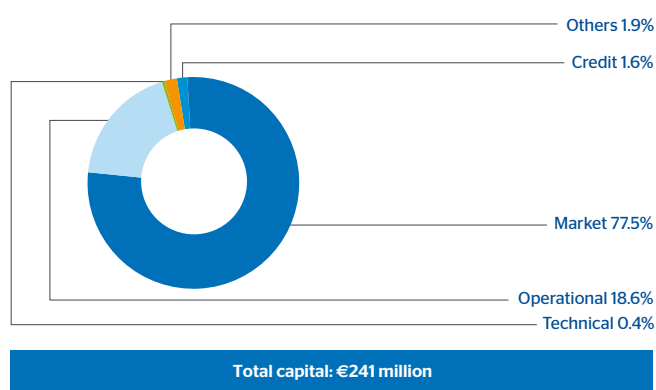
From the perspective of the corporate model, the management and control structure of the risks of this business has been strengthened with the creation of a global risk management unit for pension and insurance activities

in the Americas, within the scope of South American risks. This provides a cross-cutting perspective that is close to the business.

The **economic capital** of the pensions business in the Americas is estimated at €241 million. Market risk, essentially resulting from the position of regulatory match (related to the volume of funds under management) accounts for 77.5% of the total economic capital. Next comes operational risk, at 18.6%, less than in 2009, as the Basel methodology was introduced.

47 Pensions in the Americas. Economic capital distribution by type of risk

(31-12-2010)



Real estate business risk

Throughout the year, the risk model corresponding to BBVA real estate activities has been implemented, using the Group's common metric: **economic capital**.

The model establishes different categories of risk according to a segmentation of attributes such as type of asset, project phase, geographical area, and other exogenous factors. The risk in each position is evaluated by simulating price variations according to parameters characteristic for each project, such as volatility, liquidity and trend. These parameters are based on historical series and estimates or projections made within the BBVA Group by specialized units.

Once the capital for each individual project has been calculated within a confidence level of 99.9%, it is aggregated and diversified among all the projects in the portfolio. The results obtained are coherent with the current situation of the real estate market.

The economic capital of the real estate business is integrated into the BBVA Group's capital map.

Management of ESG risks

Integration of ESG variables into risk management

The integration of ESG variables into the Group's risk management is a new element, although closely related to the rest of the traditionally managed risks. The **ESG** (environment, social and corporate governance) variables aim to manage extra-financial risks that can affect the credit profile of a borrower or financing project and may threaten the repayment of the debt. While awaiting a clearer definition in this respect by the Basel Guidelines, the Group has already

been working for years on four aspects: the credit profile of the company clients using the ecorating tool; financing major investment projects using the Equator Principles standard; sustainable development lines by agreements with multilateral development banks; and sectoral financing policies.

- **Ecorating.** An environmental risk analysis was carried out in 2010 of 225,755 customers in Spain by combining three groups of variables: polluting emissions and consumption of resources; the environment of the area around the company liable to be directly or indirectly affected by it and legislative pressure and tax treatment of certain environmental components.

Environmental risk range

Environmental risk scale	2010				2009			
	Exposure		Clients		Exposure		Clients	
	Million euros	%	Number	%	Million euros	%	Number	%
Low ⁽¹⁾	107,816	82.0	180,972	80.2	112,886	81.8	192,410	79.9
Medium ⁽²⁾	23,146	17.6	43,956	19.5	23,483	17.0	47,440	19.7
High ⁽³⁾	471	0.4	827	0.4	1,665	1.2	927	0.4
Totals	131,433	100.0	225,755	100.0	138,034	100.0	240,777	100.0

(1) Low: activities with low or almost insignificant environmental risk in terms of their emissions.

(2) Medium: activities with moderate or high environmental risk. This bracket considers companies regardless of their size and economic solvency. In these groups, moreover, legislative pressure and environmental auditing may constitute a major risk.

(3) High: activities with a very high potential environmental risk. One of the main features of this bracket is that the majority of the companies are large corporations with high economic solvency. They are the ones best prepared to deal with the challenges or constraints imposed by legislation on environmental protection.

- **The Equator Principles.** This is a global standard for management of ESG risks when providing finance and advice for investment projects with a capital cost of over US\$10 million. It arose from the performance standards of the International Finance Corporation and has been developed by the banks most active in project finance at a global level.
- Lines from **multilateral banks** for regional development that require the recipient to have in place or to implement systems for managing environmental, social, ethical and corporate governance risks in fund management.
- **Sector policies:** In the case of BBVA, its policy of financing the defense sector, as well as other policies, may be checked on www.bancaparatodos.com.

Categories of financing and consultation projects according to the Equator Principles

(Million euros)

	Category	2010		
		Number of operations	Total amount	Amount financed by BBVA
Europe and North America	A	0	0	0
	B	37	14,344	1,593
	C	30	3,679	963
Total Europe and North America		67	18,023	2,555
Latin America	A	0	0	0
	B	22	4,379	975
	C	2	211	84
Total Latin America		24	4,590	1,059
Asia	A	0	0	0
	B	0	0	0
	C	0	0	0
Total Asia		0	0	0
Rest of Group	A	0	0	0
	B	4	1,625	206
	C	0	0	0
Total Rest of Group		4	1,625	206
Total Group		95	24,238	3,820

Category A: projects with a significant negative impact that may affect a wider area than that considered by the project.

Category B: projects with a minor negative impact on the human population or on areas of environmental importance.

Category C: projects with a very small or no impact on the environment.

2009			2008		
Number of operations	Total amount	Amount financed by BBVA	Number of operations	Total amount	Amount financed by BBVA
0	0	0	0	0	0
32	15,304	1,485	11	5,278	500
29	4,774	987	32	6,344	1,345
61	20,078	2,472	43	11,571	1,845
2	665	160	1	639	118
6	89	35	6	1,054	77
4	80	30	2	347	149
12	834	225	9	2,040	344
0	0	0	0	0	0
0	0	0	1	34	18
0	0	0	0	0	0
0	0	0	1	34	18
0	0	0	0	0	0
3	2,223	152	4	2,753	235
2	387	65	1	187	40
5	2,610	217	5	2,940	274
78	23,521	2,913	58	16,586	2,481



110	Spain and Portugal
122	Mexico
130	South America
142	The United States
148	Wholesale Banking & Asset Management
159	Corporate Activities

Business areas

“BBVA gives him the chance to manage his bank account via cell phone”

Sebastian lives glued to his PC even when he is not at the office. His daughter Carlota has complained to him about it more than once, and now they have reached an agreement: no laptop at home. Sebastian has discovered that he does not need it as much as he thought, because BBVA gives him the chance to manage his bank account via cell phone. He has not lost any productivity and won a lot in quality of life for him and his family, too.

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, among them: the loan book, deposits, off-balance sheet funds, 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 WB&AM:** 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 areas.
- **South America.** The adjustment for the hyperinflation has been 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 (the first time that the Venezuelan economy was classified as hyperinflationary for accounting purposes), said impact was included under Corporate Activities to facilitate the comparison with 2008 and in order to not distort the quarterly figures of 2009.

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 and 2008 have 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.
- **The 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.
- **WB&AM,** 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). Wholesale Banking & Asset Management (WB&AM) is also present in the described 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 aggregate of **Corporate Activities** includes the rest of items that are not allocated to the business areas. These are basically the cost of the headquarters' various units, certain allocations to provisions such as early retirements and those other of corporate nature. It also includes the Asset/Liability Management unit, which 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 risk in currencies other than the euro is recorded in the corresponding business areas. It also includes the Industrial and Financial Holdings unit and the Group's non-international real estate businesses.

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

The Group compiles reporting information on a level as disaggregated as possible, and all data relating to the businesses these units manage is recorded in full. These basic units are then aggregated in accordance with the organizational structure established by the Group at higher level units and, finally, the business areas themselves. Similarly, all the companies making up the Group are also assigned to the different units according to 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 among 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 to calculate by aggregation 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 costs 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 two or more units as a result of cross-selling incentives.

Recurrent economic profit by business area

(January-December 2010. Million euros)

	Adjusted net attributable profit	Economic profit (EP)
Spain and Portugal	2,023	1,184
Mexico	1,859	1,445
South America	778	436
The United States	316	-
Wholesale Banking & Asset Management	942	491
Corporate Activities	(937)	(938)
BBVA Group	4,981	2,618

Operating income and net attributable profit by business area

(Million euros)

	Operating income					Net attributable profit				
	2010	Δ%	Δ% at constant exchange rate	2009	2008	2010	Δ%	Δ% at constant exchange rate	2009	2008
Spain and Portugal	4,045	(8.0)	(8.0)	4,395	4,356	2,070	(9.0)	(9.0)	2,275	2,473
Mexico	3,597	8.5	(3.4)	3,316	3,623	1,707	25.7	11.9	1,357	1,930
South America	2,129	3.4	6.4	2,058	1,770	889	14.0	16.5	780	727
The United States	1,029	(1.8)	(7.0)	1,048	843	236	n.m.	n.m.	(950)	308
Wholesale Banking & Asset Management	1,257	3.5	3.5	1,214	1,055	950	11.4	11.4	852	722
Corporate Activities	(114)	n.m.	n.m.	276	(1,125)	(1,245)	n.m.	n.m.	(105)	(1,140)
BBVA Group	11,942	(3.0)	(6.1)	12,308	10,523	4,606	9.4	6.8	4,210	5,020
BBVA Group excluding one-offs	11,942	(3.0)	(6.1)	12,308	10,523	4,606	(12.4)	(15.0)	5,260	5,414

Spain and Portugal

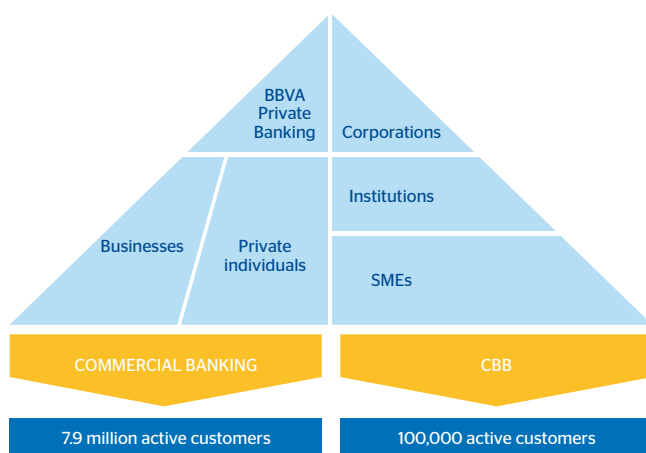
This area handles the financial and non-financial needs of private individual customers (Retail Network), including the higher net-worth market segment (BBVA Banca Privada, private banking). It also manages business with SMEs, large corporations and public and private institutions through the Corporate 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 2010, household finance in the Spanish **market** was once again stagnant, particularly consumption (-11.9% as of 31-Dec-2010), while residential mortgage lending was up 0.8% year-on-year. Furthermore, the demand for savings products was concentrated in stable remunerated deposits and in other conservative investment modalities. In this regard, time deposits, for both individuals and companies, increased 8.4% to the detriment of the current and savings accounts, which closed

2010 at practically the same level as in 2009. Finally, assets in mutual funds managed by banks and savings banks fell by 16.8%, with a negative volume effect in the year of €23,612m.

In the difficult economic background, the outcome of the ***Aprovecha tu Banco*** (Take Advantage of your Bank) campaign, in the framework of *Plan Uno* (see section on Strategy) has increased the market share in primary asset products and funds under management in the area. Thus, Spain and Portugal consolidated a market share gain in mortgage lending to households of 33 basis points since December 31, 2009, and reached 13.1% as of December 31, 2010. In the same way, the selective growth of the corporate segment according to the risk profile has also not prevented BBVA from continuing to be the main supplier in this segment, and it is one of the most active institutions in the placement of ICO funds, with a market share of 11.0% as of December 31, 2010, making it one of the leading players in the market. Current and savings accounts

1 Spain and Portugal. Customer pyramid



Spain and Portugal. Main market shares as of 31-12-2010

(Percentage)

	31-12-10	31-12-09
Stock of residential mortgages	13.1	12.8
New residential mortgages	15.4	13.7
New consumer finance	15.3	15.1
ICO finance	11.0	11.7
Stock of term deposits	8.7	6.5
Pension funds	18.3	18.6
Branches in Spain	79*	78
Amount managed (SICAVs)	11.8	11.3

* Data as of September 2010

Income statement

(Million euros)

	2010	Δ%	2009	2008
Net interest income	4,675	(4.8)	4,910	4,784
Net fees and commissions	1,388	(6.4)	1,482	1,636
Net trading income	198	6.0	187	231
Other income/expenses	368	(15.7)	436	430
Gross income	6,629	(5.5)	7,015	7,081
Operating costs	(2,584)	(1.4)	(2,620)	(2,725)
Personnel expenses	(1,544)	(1.4)	(1,565)	(1,616)
General and administrative expenses	(937)	(1.4)	(950)	(1,006)
Depreciation and amortization	(103)	(1.9)	(105)	(104)
Operating income	4,045	(8.0)	4,395	4,356
Impairment on financial assets (net) ⁽¹⁾	(1,335)	(30.9)	(1,931)	(809)
Provisions (net) and other gains (losses) ⁽¹⁾	238	(69.4)	776	5
Income before tax	2,948	(9.0)	3,240	3,553
Income tax	(878)	(9.0)	(965)	(1,080)
Net income	2,070	(9.0)	2,275	2,473
Non-controlling interests	-	-	-	-
Net attributable profit	2,070	(9.0)	2,275	2,473

(1) The third quarter of 2009 and 2010 includes €830 million and €233 million, respectively stemming from the sale-and-leaseback of retail branches, and their allocation to generic provisions for NPA for the same amount.

Balance sheet

(Million euros)

	31-12-10	Δ%	31-12-09	31-12-08
Cash and balances with central banks	2,588	8.8	2,379	2,503
Financial assets	11,076	0.5	11,020	10,203
Loans and receivables	201,419	0.6	200,228	204,585
Loans and advances to customers	200,930	0.9	199,190	203,120
Loans and advances to credit institutions and other	489	(52.9)	1,038	1,466
Inter-area positions	-	-	-	-
Tangible assets	1,301	(0.1)	1,302	1,381
Other assets	807	(9.8)	894	1,792
Total Assets/Liabilities and Equity	217,191	0.6	215,823	220,464
Deposits from central banks and credit institutions	255	(76.0)	1,063	2,507
Deposits from customers	103,469	12.7	91,826	100,462
Debt certificates	362	(1.8)	369	5,479
Subordinated liabilities	4,691	9.2	4,296	4,252
Inter-area positions	86,944	(10.6)	97,243	83,932
Financial liabilities held for trading	106	(63.7)	291	167
Other liabilities	13,043	(0.6)	13,117	16,124
Economic capital allocated	8,322	9.2	7,619	7,542

Relevant business indicators

(Million euros and percentages)

	31-12-10	Δ%	31-12-09	31-12-08
Total lending to customers (gross)	205,776	0.7	204,378	206,901
Customer deposits ⁽¹⁾	104,809	12.8	92,936	101,299
Off-balance sheet funds	31,441	(21.8)	40,227	40,875
Mutual funds	21,455	(28.2)	29,898	31,272
Pension funds	9,986	(3.3)	10,329	9,603
Other placements	8,218	(0.7)	8,278	6,097
Efficiency ratio (%)	39.0		37.3	38.5
NPA ratio (%)	5.0		5.1	2.6
Coverage ratio (%)	46		48	67

(1) Include collection accounts and individual annuities.

already make up 37.9% of the on-balance-sheet funds and 47% of customer deposits (45% in the market) thanks to the boost given to household demand by the new products launched, including Cuenta Uno and the entire range of transactional services included in the Ventajas Uno scheme. It is important to note the improvement in the area's positioning in household and corporate time deposits, with a market share as of 31-Dec-2010 at an all-time high of 8.7%.

Gross customer lending was €205,776m as of December 31, 2010, a year-on-year increase of 0.7%. Mortgage lending in the household segment is growing at a sustained pace (4.0%).

At the same time, exposure to sectors and products of greater risk has declined.

Customer funds grew 2.2% to €144,437m. Of them, 72.5% are on-balance customer deposits,

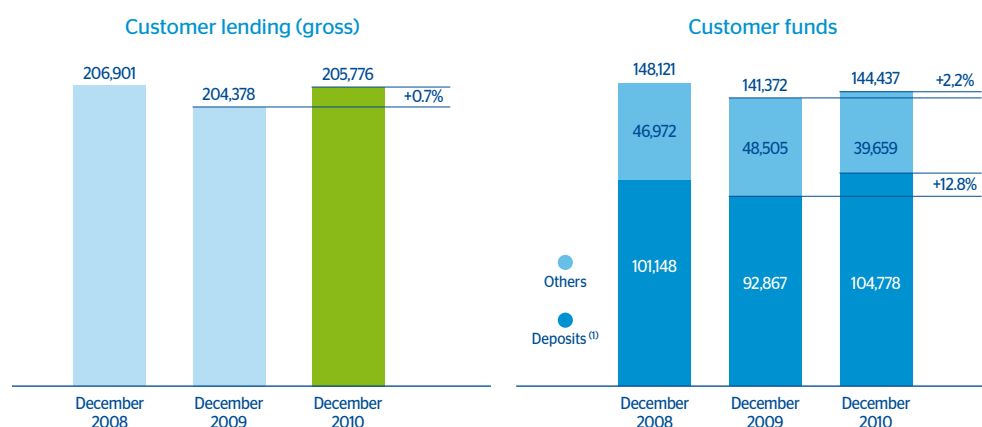
which have attracted more than €12,000m in the year, with a high level of stability and a cost that is lower than the market average (in terms of stock of deposits, at 0.8% in BBVA and 1.4% in the sector). Assets under management in mutual funds reached €21,455m, compared with €29,898m as of December 31, 2009. The decrease is due to the increasing demand of savers of other products, such as time deposits and also to the falls in stock markets. However, the main decreases have been in the assets under management with lowest added value, such as short-term fixed-income and money market funds, long-term fixed-income and those that do not involve active management. BBVA maintains its leading position in pension funds, with a market share of 18.3% as of December 31, 2010.

The competitive advantages of the area in its commercial products have contributed to a net interest income in 2010 of €4,675m, 4.8% down on the figure for 2009, and a yield measured as net interest income over average total assets of 2.15%. Income from fees fell year-on-year by 6.4% to €1,388m, due to reductions applied to a growing number of customers, whose loyalty has increased, and the fall mentioned above in mutual funds. Net trading income, at €198m, together with other income items of €368m, fell slightly compared to the same period in 2009. As a result, **gross income** stood at €6,629m (€7,015m in 2009).

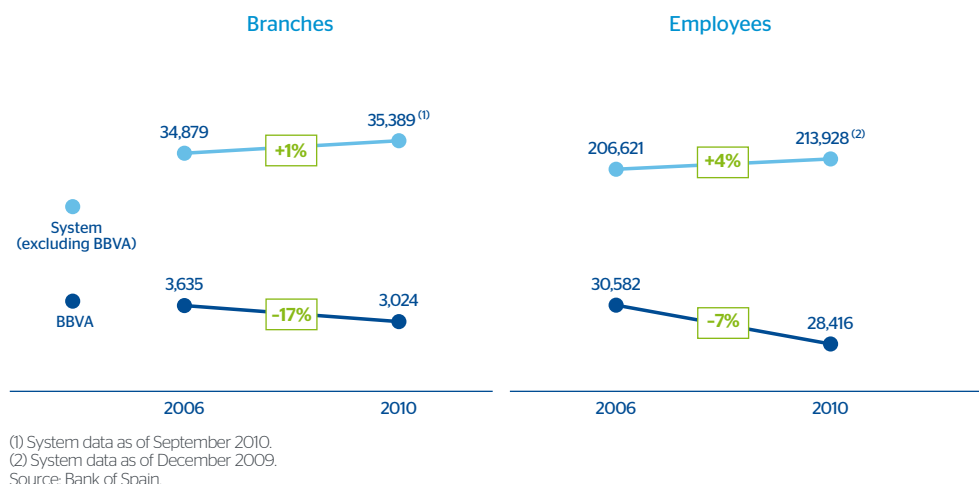
The area continues to keep **operating expenses** well in check, at €2,584m, which implies a new year-on-year reduction of 1.4%. This was thanks to the continuous efforts in cost management, even after the end of the Transformation Plan implemented in

2 Spain and Portugal. Key activity data

(Million euros)



3 Evolution of the branch network and workforce in Spain



2006, with which BBVA is ahead the rest of the sector. In the last twelve months, the area has reduced its number of branches by 31. It is worth noting that it has already been implemented practically all of the Transformation Plan, while the sector as a whole has only recently begun a process of consolidation that will probably include the closure of branches and staff reductions. The market share of the BBVA branch network has steadily declined to reach 7.9% as of September 30, 2010 (latest available data), although this trend is expected to be reversed once the rest of the sector starts restructuring its network.

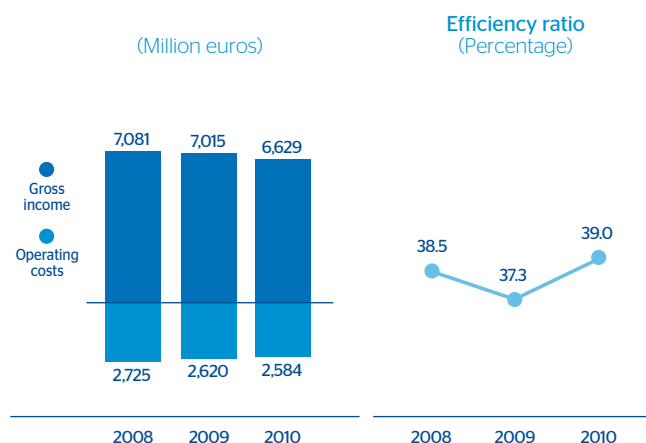
This again explains BBVA's competitive advantage in efficiency with respect to the system as a whole, with an efficiency ratio of 39.0% and an **operating income** of €4,045m (€4,395m as of December 31, 2009). This gives

a clear indication of its resilience and capacity to generate recurrent earnings in the current difficult economic situation.

In 2010, €233m have been generated in gains from the sale-and-leaseback of commercial offices in Spain. A similar amount was allocated for generic provisions for non-performing assets. As a result, the **net attributable profit** amounted to €2,070m (€2,275m in 2009) and continues at a very stable level.

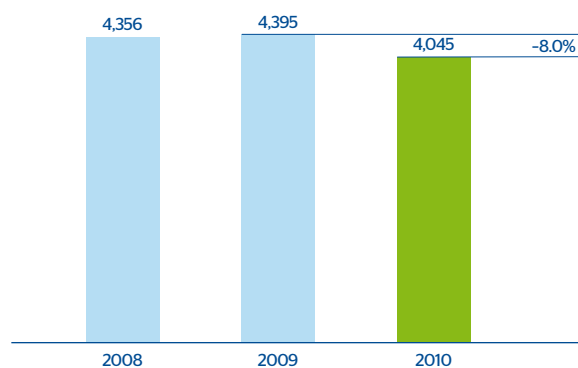
Finally, strict risk control has led to a reduction in the year in the **NPA ratio** of 10 basis points to 5.0% as of December 31, 2010, against a backdrop in which there have been signs of an upturn in this ratio in the system as a whole. The NPA ratio of banks and savings banks closed the year at 5.7%, 64 basis points up on December 31, 2009 and 70 basis points above the figure for the area.

4 Spain and Portugal. Efficiency



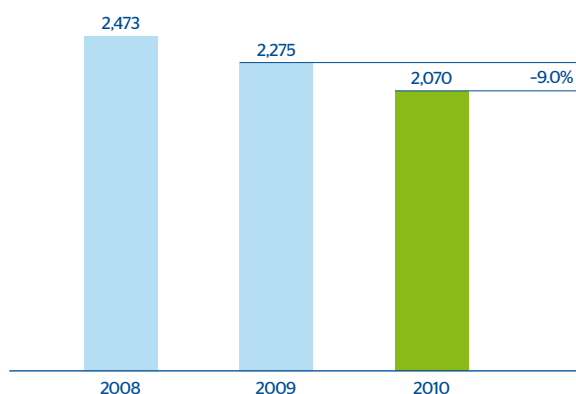
5 Spain and Portugal. Operating income

(Million euros)



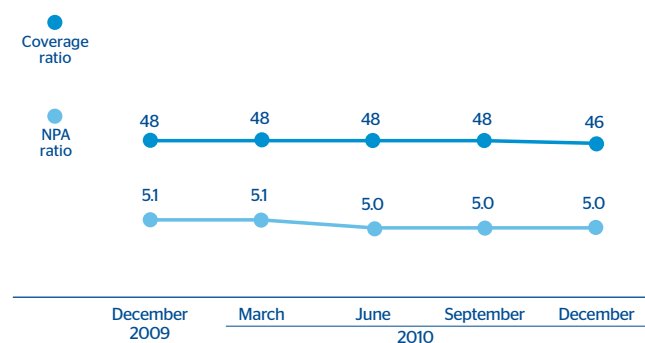
6 Spain and Portugal. Net attributable profit

(Million euros)



Spain and Portugal. NPA and coverage ratios

(Percentage)



7

Area strategy

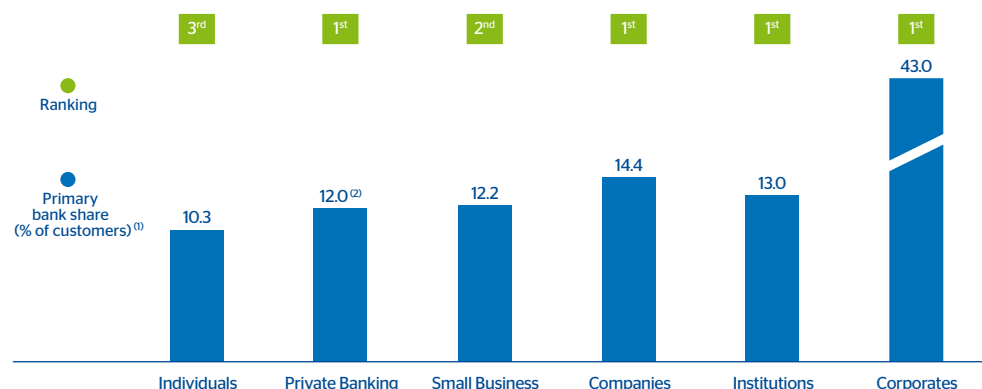
Spain and Portugal closed 2010 with clear **competitive advantages** as compared to the system in terms of performance, efficiency, market shares and recurrent profits. This has consolidated its leadership position in the main customer segments and consolidated it as the benchmark franchise in Spain.

These positive results can be attributed to the continuity of the **anticipation** strategy followed in recent years, which has also enabled its privileged positioning for addressing the new economic environment of coming years.

Also, the area established some very clear management priorities in 2010:

- **Price management**, in order to maintain the spreads and return on assets.
- **Control of expenditure**, which has resulted in improved productivity level.
- **Attracting more customers**, by taking advantage of the opportunities from the financial system restructuring process, the great growth potential offered by the high level of BBVA's penetration in companies and by optimizing the capillarity among commercial networks through the Synergy Plan between CBB-Private Banking and CBB-Commercial Banking.
- **Customer loyalty**. The Spain and Portugal area has two particular management skills that are widely renowned in the

8 Spain and Portugal. Segment leadership

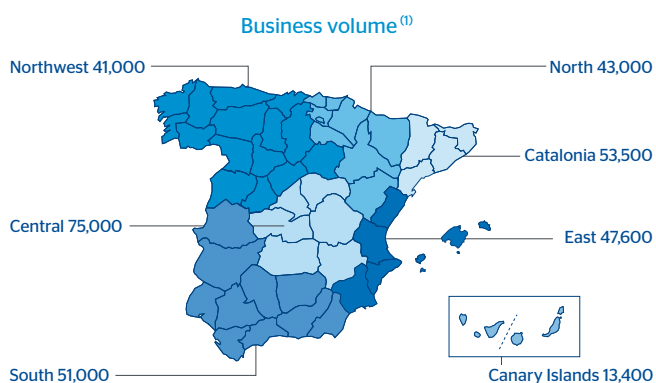


(1) FRS Individuals 2010. All other reports from 2009.

(2) DBK Report. Customers with over €300,000 in assets.

9 Spain and Portugal. Balanced geographical presence

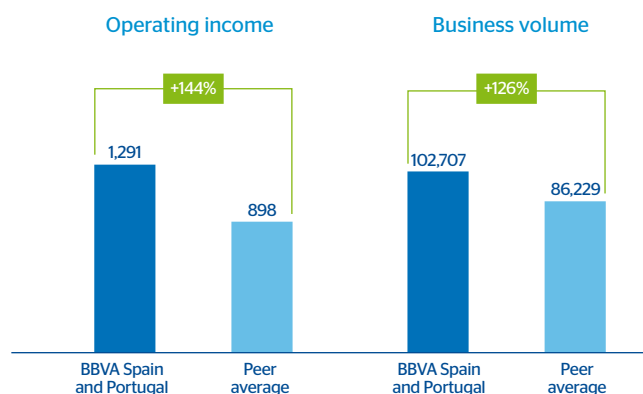
(Million euros)



⁽¹⁾ Calculated as aggregate average balances of gross lending and customer funds.

Spain and Portugal. Operating income and business volume per branch vs peer group ⁽¹⁾

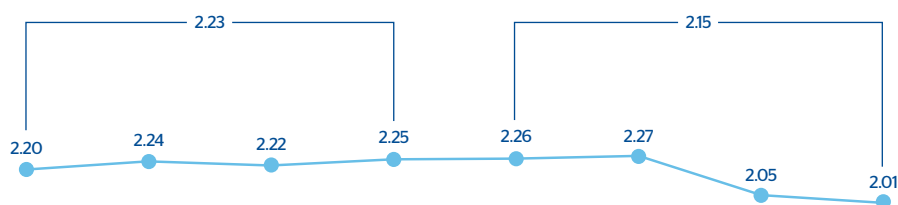
(Thousand euros)



⁽¹⁾ Peer group: BAN, BKT, CAIXA, CMAD, POP, SAB and SAN. Last available data.

11 Spain and Portugal. Net interest income/ATA

(Percentage)



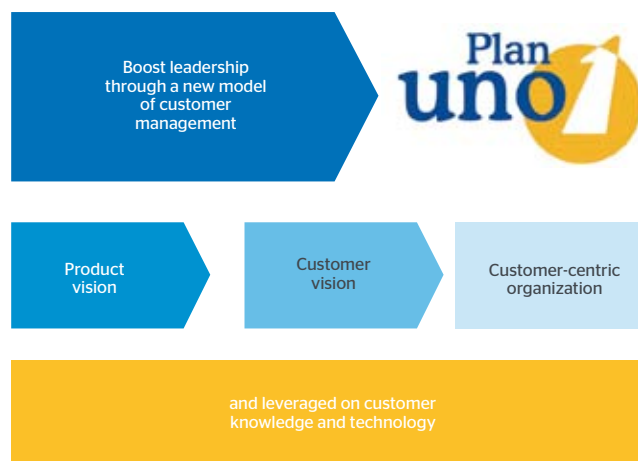
1Q	2Q	3Q	4Q
2009			
1Q	2Q	3Q	4Q
2010			

market. On the one hand, its **network management**, which today allows the distribution structure of BBVA in Spain to be efficient, productive, adapted to its size and, above all, close to its customers. And on the other hand, its **risk management**, focused on continuous anticipatory efforts and control of potential non-performing loans on a more decentralized management plan that is closer to the territory and on the execution of a management plan for the exits of foreclosed assets. The above facilitates the area's ability to take on the future with greater assurance for success.

Spain and Portugal, in order to achieve profitable and sustainable growth, launched the **Plan Uno** at the beginning of 2010. This marked a very significant advance in the area's commercial strategy to put customer focus at the center of the organization. This will be done through an important technological platform. In this regard, BBVA aspires to be its customers'

top financial supplier, and works to achieve a three-fold objective to do so: increase the service quality offered and received; increase the degree of customer loyalty and to provide its customer base with tailor-made products

Spain and Portugal: an area with a customer-centric approach



and services that meet their financial and non-financial needs. In addition to an excellent human team, the area has several very advanced tools in place for offering the best solutions to meet these objectives.

The area is working towards a total adaptation to the customer in all aspects of the client relationship. This will continue to be one of the area's **management priorities for 2011**, during which progress will also be made in the following aspects:

- **Personalized management**, based on an understanding of the customer and on the technological platform. To this effect, new business protocols will be implemented and powerful consultant support management tools will be developed.
- Personalized customer solutions, which encourage and incentivize **loyalty**.
- **Channels** for customer convenience with the option of customization. Their purpose would be to increase speed and simplicity, and new channels are being implemented, such as: mobile phone banking (bbva.mobi), modern, user-friendly, personalized ATMs and a simpler, clearer, and more personalized website (bbva.es) launched in March 2010.

Spanish Retail Network

This unit manages the financial and non-financial demand of households, professionals, retailers and small businesses

and manages a business volume of €214,577m and a **net attributable profit** of €1,317m, accounting for 61.3% and 63.6% of the area as a whole, respectively.

The Retail Network has been a model in the market in terms of granting mortgage loans, attracting stable savings, in its main profitability and productivity indicators, and in the stability of its efficiency ratio. This has been in a year where there has been a clear tightening in the business volume and earnings. The increase of cross-selling to 3.7 products per customer, greater loyalty, improvement of credit spreads (more relevant in the second half of the year) and cost control have all contributed to an **operating income** of €2,190m, more than 7 times the total loan-loss provisions.

The launch of the aforementioned **Plan Uno** attracted 400,000 new customers and improved the structure of the customer base, as it increased the proportion of customers with services contracted or with current and deposit accounts by 138 basis points.

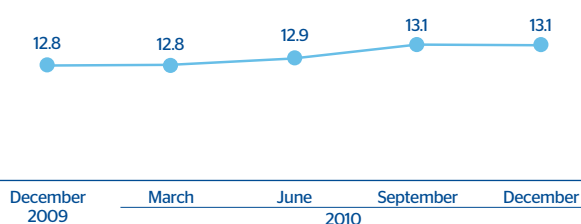
With respect to the **loan book, residential mortgage** lending performed particularly well, with 5.1% more loans granted over the year. The unit has improved its positioning in this segment for the second year in a row thanks to campaigns such as *Sí, damos hipotecas* and *Ven a Casa*, and by arranging 6.1% of the total online through the *Hipoteca On line BBVA* scheme.

In a context of slowing demand for **consumer finance**, BBVA offers special conditions for certain groups and has launched a commercial campaign providing an offer of free comprehensive insurance with each car loan. As a result, it closed 2010 as the leading

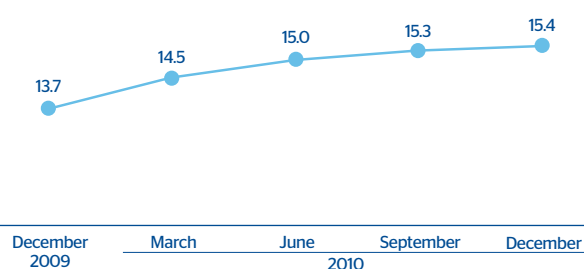
13 Spanish Retail Network. Market share in mortgage lending

(Percentage)

Share of stock of residential mortgages

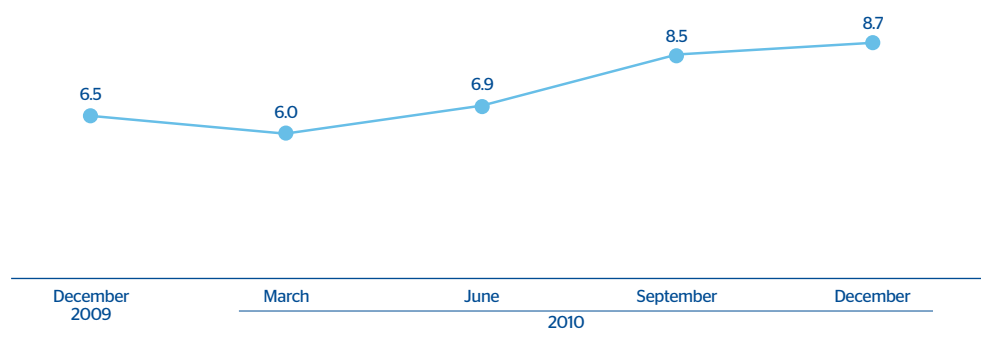


Share of new residential mortgages



14 Market share in household term deposits in Spain. BBVA vs. banks and savings banks

(Percentage)



supplier of this type of loan, with an average monthly lending of €129m and a 10.9% market share in managed stock as of 31-Dec-2010.

Another noteworthy aspect was the significant gathering of **transactional funds**, whose balance rose to €29,826m as of December 31, 2010, primarily due to the commercial initiatives carried out, including: the launch of *Cuenta Uno*, which has become a new reference for transactional clients in the individual segment, and the *Ventajas Uno* transactional schemes within the *Aprovecha tu banco* initiative in which clients who direct deposit their salaries are exempt from paying maintenance fees and commissions on their accounts. Also noteworthy are the two new "*Quincenas del Ahorro*" (Two Weeks of Savings), with €1,636m captured and more than 464,000 gifts given; the various campaigns developed for capturing paychecks and salaries, which have increased new direct payments by 168,000 and the capture of new customers, as approximately 47% of those who took advantage of these offers were not previously customers of the Entity. The gain of 157 basis points in the year for the market share in **term deposits**, is due primarily to the capture of 12,795m since March 2010, making the unit's managed stock €40,381m. Products such as *BBVA Uno*, *Depósito Líder*, and *Depósitos Crecientes* have proven to be a solid response to increased customer demand for this type of product.

Finally, there also was a notable participation by the branches network in the Group's share **capital increase** in November 2010, through which it attracted €1,300m. **Stable resources** (deposits, mutual funds, pension funds and fixed-income) amounted to €112,261m.

BBVA Private Banking closed 2010 with funds under management in Spain of €38,944m, up 5.8% year-on-year, and with a growth of 5.6% in its customer base due primarily to the internal and external capture plans carried out and the strengthening of the BBVA Private Banking brand. At the same time, it continues to be the market leader in SICAV, both in terms of assets under management (€3,017m) with a market share of 11.8%, and in the number of companies (296). The unit's core activities for 2010 have been technological renewal (thanks to the development of a new platform of systems and new channels), staff training, the implementation of *Planifica* (the tax optimization tool) and the new center for investment solutions that centralizes the private banking service. It has also been granted the two biggest awards as the best private bank in Spain from *Euromoney* and *The Banker* (the Financial Times group) for its management model, adaptation to new regulations, investor confidence and innovation in improving customer service.

The various commercial actions carried out in 2010 in the **SME and retailer segment** (which includes the self-employed, farming community and small businesses) include: the plan geared toward retailers, with exclusive offers, such as the *Bono TPV* PoS Voucher, which has led to an 10% increase in the number of stores and exceeds the market in the increase of PoS terminal revenues, up 13.2% from January 1, 2010 (a 5.8% increase in all the companies linked to Servired up to the same date). Likewise, the launch of the *Plan Más Profesional* has resulted in the capture of 2,500 high-value professional clients with over €200m in revenues. In addition, within the



framework of the *Plan Rain*, mention should also be made of the placement of €815m in ICO credit lines through the signing of 27,613 operations over the year. In particular, the *ICO Directo* line has granted €70m to SMEs and the self-employed in 1,600 operations. The signing of collaboration agreements with franchises including McDonald's, Burger King and the Rodilla Group have also contributed positively and have made BBVA the leading Entity as it offers a new, more specialized and supervised manner of studying the opening of new businesses. Finally, in the agricultural segment, the Bank has processed agricultural subsidies from the European Union in 2010 through the bank accounts of 48,300 farmers (43,000 in 2009), worth €204m, 10.3% more than in 2009.

In 2010, the **payment channels** business began to recover its levels of invoicing and transactionality. The stock of credit cards stands at nearly 9.7 million, of which 75% are financial and the rest are private or co-branded. The *Tempo* family of credit cards, which simplifies BBVA's range, has been widely accepted. The above has allowed BBVA to improve its market share in credit card stock to 9.0% as of September 30, 2010 (8.7% as of December 31, 2009). New, more efficient ways of interaction with the customer have also been launched, such as the option to pay for a purchase using a mobile phone, or to add money to a prepaid card through the BBVA.mobi mobile portal. Furthermore, BBVA continues its transition to EMV to improve transaction security.

Within the framework of the **multi-channel business**, the new bbva.es website was launched in March. Its primary attributes

include: simplicity, innovation and transparency, in addition to incorporating important advances in customization and ease in the analysis of the customer's global finances. This banking website is a pioneer in Spain regarding the application of these concepts, which have resulted in a very positive evaluation from the Forrester Research Institute. Visits to the website were up 17% in the year, to 81 million, and logins to private pages increased 28% over the same time period. Connectivity was further consolidated through the mobile phone and other new devices, like tablets. BBVA was also a pioneer in the launch of an iPad application geared towards the private banking customer segment. The self-service line finalized the implementation of a new application that makes operating simpler, faster and more secure, and 800 new ATMs with deposit modules were installed, resulting in the surpassing of the one million mark for monthly deposits via this channel. Finally, the telebanking channel, which continues to consolidate the management model and has started work on the design of its new technological platform, obtained awards for Excellence in customer service, as part of the First Session of the *Contact Center* awards, and for the Best Banking Transaction and Financial Services (CRC Oro Awards).

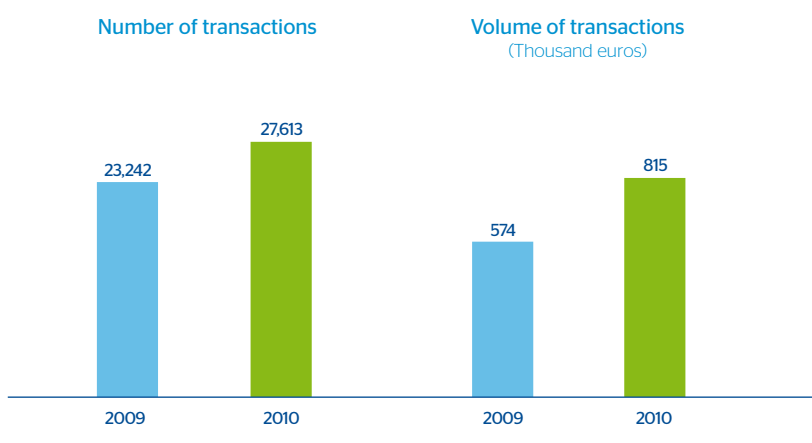
The **Promotion and New Business Models** unit, which manages non-financial services, has participated in 2010 in 85,000 operations for a total of €80m in sales.

Corporate and Business Banking (CBB)

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 commercializes specific products in leasing, renting, factoring, accounts payable financing and foreign trade for all customers in Spain and Portugal.

In a context of uncertainty and financial tension in Europe throughout 2010, the profitable growth model was maintained with the implementation of various plans of action

15 Retail Banking. Number of ICO transactions and credit lines



geared towards increasing loyalty, cross-selling, customer base and market share gains in numerous products. This, along with cost control, has resulted in an **operating income** slightly over that of 2009, at €1,610m (up 0.7%). Furthermore, the prudent risk management policy led to a **net attributable profit** of €877m (up 1.7% year-on-year).

In 2010, supporting Spanish companies was a priority, and the area did so through the marketing of **ICO credit lines** from the Official Credit Institute. BBVA has, for another year, played a key role as one of the most active entities in the distribution of various ICO lines, with the signing of 11,403 transactions, for a total of €1,803m.

In terms of **working capital**, BBVA consolidated its leadership position in Spain as of December 31, 2010 with the marketing of factoring assignments of €15,619m and accounts payable advances and deferments (Reverse Factoring) for €12,861m. On an international level, BBVA was also the leader in international factoring, and reverse factoring in euro and other currencies (accounts payable financing) with a total volume of assignments and advances of 5,018 million.

As of December 31, 2010, the unit's **loan-book** stood at €90,200m, marking a slight 0.2% year-on-year increase. In **customer funds**, CBB closed the year with €27,992m, up 7.8% year-on-year, thanks to the great capture efforts carried out and the incentive plans implemented to increase current and savings accounts. The above has reinforced the unit's liquidity to be consolidated and, therefore, the dependence on the financial markets for financing the loans has decreased.

The **companies** segment has a customer base of 80,000 active clients and has concentrated on the management of

potential clients as part of its strategic action. It attracted 8,500 new customers over the year, thanks to the commercial and marketing plans and initiatives carried out (*Plan Fortaleza, Factorías de clientes internas y externas, Folleto Prestigia*, etc.). BBVA maintains a leadership position in the SME segment, with a penetration share of 35.2% and a 14.4% market share as first financial supplier (according FRS-Inmark in 2009). For companies with greater turnover (between €50m and €100m), the penetration share was at 69%, and the first supplier share stood at 21%.

Particularly notable is the positive performance of **corporates** activity, with a 3.4% year-on-year growth in lending to €17,134m, a significant increase in customer funds (up 49.5%) to €7,831m, and a positive trend in both the operating income (up 21.2% year-on-year to €354m) and the net attributable profit (up 66.4% to €194m). BBVA leads the market in this segment with a 97% market share (according to the most recent report from the Inmark Group), and is the first supplier for 43% of its customer base.

BBVA is still one of the market leaders in the **institutions** segment. Lending increased 11.2% year-on-year to €28,226m, and customer funds totaled €11,587m (€13,403m at the close of 2009). Its decrease is primarily the result of the withdrawal of wholesale deposits at high prices. This has not prevented it from gaining 94 basis points in market share in 2010. The profitable management of the volume of business and cost control have led to a 5.0% year-on-year growth in operating income to €314m, and 2.7% in the net attributable profit to €207m. The leadership position in this segment is due to its business model with a high level of specialization, relationship banking and a differentiated management focus according

CBB. Main transactions in the institutional segment

Fund for Ordered Banking Restructuring (FROB). €350m

Loans to autonomous regions and dependent entities. €4,000m

Concessio Estacions Aeroport L 9 S.A., Barcelona Metro sections I and IV. €200m

Tender for enforced collection contract for the Social Security system

Full management of the treasury of the General Mutual Society of State Civil Servants (MUFACE)

Only Spanish Bank to be awarded Joint European Support for Sustainable Investment in City Areas (Jessica) contract by EIB.

to the type of each public administration and its dependent bodies.

BBVA has participated in the main transactions in the sector, including those listed in the table of the preceding page.

Within the framework of tenders management, the work carried out over 2010 was excellent, as BBVA was awarded more than 50% of the contracts for which it applied, including the Spanish Social Security system's enforced collection units and the comprehensive management of MUFACE, Mutuality General de Funcionarios Civiles del Estado.

In the real estate **developer segment**, the fall in the housing activity led to a 10.3% decline in lending in 2010. In addition, new projects are mainly in the government-regulated category and these now account for up to 72% of the total, versus the 50% in 2009.

Other Units

Consumer Finance

The Consumer Finance unit manages consumer finance as well as equipment leasing activities, through Finanzia, Uno-e and other subsidiaries in Spain, Portugal and Italy. The unit had an operating profit of €231m in 2010, which represents a year-on-year growth of 21.3%. The **net attributable profit** stands at -€6m (-€172m in 2009), as a result of the increase in provisions associated with the new regulatory requirements. At the same time, this has allowed the unit to increase its coverage ratio by 16.3 percentage points.

The **loan-book** under management totaled €5,546m in Spain (down 1.5% year-on-year). The car loan unit, through prescription, was able to respond to the market's needs using the *Cero Pelotero* campaign that facilitated the purchase of automobiles after the disappearance of government aid. At the same time, it was able to increase cross-selling thanks to its high level of assurance. The marketing of new Inditex and Repsol credit cards was noteworthy in Portugal, with a loan-book of €461m (down 3.3%). In Italy, the loan-book reached €663m (up 41.3% year-on-year).

BBVA Portugal

BBVA Portugal closed 2010 with a net interest income of €87m (up 2.5% year-on-year), a 14.8% improvement in fees and commissions income and a **net attributable profit** of €15m (€23m in 2009).

In an environment marked by the slowdown in lending, this unit progressed positively in 2010, with a commercial policy focused on the customer relationship, innovation and service quality and prudent risk management. Thus, total **lending to customers** rose to €7,448m (up 22.8%), boosted by the increased mortgages (up 26.0%) and corporate lending (up 16.2%) as a result of the various campaigns launched during the year, such as *Hipoteca Blue BBVA* and *Nos Adaptamos*. **Customer funds** in 2010 closed up 10.7%, due to the increased demand for customer deposits under management (up 16.7%).

Insurance

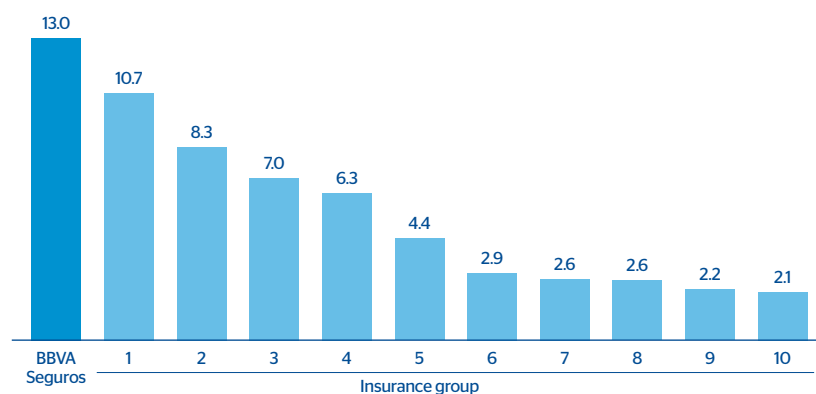
This unit comprises several large companies and has the strategic objective of being the leader in the insurance business. It manages an extensive range of insurances through direct insurance, brokerage and reinsurance, using different networks.

In total the unit obtained **revenues** of €370m for the Group in 2010 from in-house policies and €19m in brokerage on third-party policies. The **net attributable profit** was down 41% year-on-year to €251m.

A total of €1,084m was written in **premiums** over the year, of which €900m corresponds to the individual business (life and non-life) and €184m to groups. The life and accident insurance business remains positive, which contributed €365m in premiums (up 9.1% year-on-year), boosted by the activity in payment protection products. BBVA Seguros is the market leader in individual life and accident insurance policies, with a market share of 13.0% as of September 2010 (latest data available). In non-life policies, the €186m (up 1.7% year-on-year) from multi-risk home and fire insurance stand out. The volume of **funds under management** in private savings policies reached €8,140m, of which €3,115m correspond to individual clients and the rest to company insurance schemes. Moreover, BBVA has brokered premiums for €180m.

16 BBVA Seguros and main competitors. Market shares in individual life-risk premiums as of 31-12-2010

(Percentage)



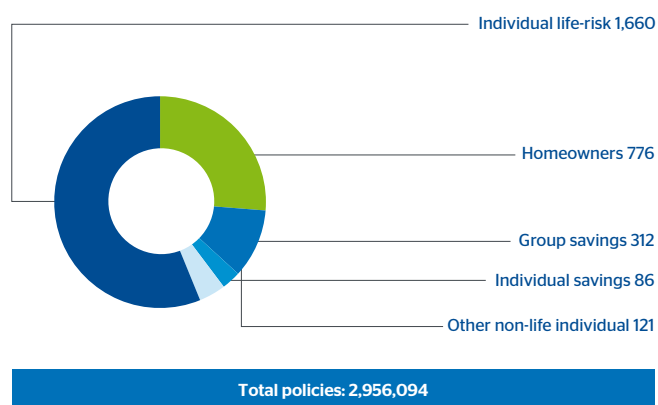
In order to provide greater service to its customers, BBVA Seguros has included new modalities into its range for individual customers, such as *Seguro Financiado Vivienda BBVA* (a single premium multi-risk home insurance) and *Rentas Diferidas BBVA* (BBVA deferred income), as a comprehensive savings solution. New value-added services at no cost to the insured party have also been added, including the *Manitas* and *Pack Dependencia BBVA Class* services, thus boosting customer loyalty. A coinsurance agreement was also signed between BBVA Seguros and Sanitas for the marketing of health insurance. Within the framework of BBVA's sponsorship of the Jacobean Year 2010, the "*Seguro del Peregrino*" (Pilgrim

Insurance) was launched. BBVA Seguros has received an award for most innovative product for *Seguro Afición*, in the II Award for Innovation in Insurance granted by ICEA (*Investigación Cooperativa entre Entidades Aseguradoras*) and Accenture.

The unit achieved more than 2.9m **policyholders**, with an increased quality of service, as reflected by the complaint-free resolution of more than 97% of life insurance claims reported and the complaint-free resolution of 96% of home insurance policies. Periodic independent measurements grant the home insurance policies a score of 7.5 out of 10 for service received during the claims process.

17 BBVA Seguros Policy distribution as of 31-12-2010

(Thousands of policies)



Mexico

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

In 2010 the **Mexican economy** showed signs of a steady recovery, as detailed in the Economic Background section of this Report, with GDP growth around 5% and inflation lower than expected by the Bank of Mexico, at 4.4%. Even so, we can expect the Bank of Mexico to maintain its monetary pause at least throughout 2011, when the policy rate is expected to remain at 4.5%.

With respect to the **exchange rate**, the Mexican peso has gained against the euro both in fixing (14.4%) and average (12.3%) rates. This has a positive impact on the financial statements in the area. As is usually the case, the figures below are given at constant exchange rates, unless indicated

otherwise, and both scenarios can be seen in the adjoining tables of income statements and balance sheets.

In this environment of gradual economic recovery, BBVA Bancomer has presented very sound **revenue** figures that set it apart from its main competitors. Net interest income saw steady progress throughout the year, reflecting the improvement in commercial activity, and closed 2010 at €3,688m, a similar level to 2009. Net fees and commissions increased at a year-on-year rate of 1.9% to €1,233m, boosted mainly by the fees charged by mutual and pension funds. Together with the positive results obtained in the insurance business, this performance has helped **gross income** to increase slightly on the 2009 figure, at €5,496m, despite the reduced contribution from net trading income (-5.1%).

Mexico. BBVA Bancomer and Mexican banking system efficiency⁽¹⁾

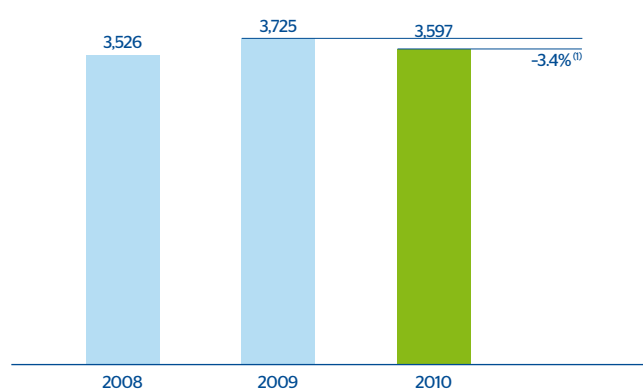
(Million mexican pesos)

	2010	Jan-Sep 2010
	BBVA Bancomer	Mexican banking system
Net interest income	61,727	102,620
Net fees and commissions	20,641	35,565
Net trading income	6,598	8,593
Rest of revenues	3,003	5,475
Gross income	91,968	152,253
Total operating costs	31,788	76,833
Efficiency ratio	34.6%	50.5%

(1) Banamex, Santander Conso, Banorte, HSBC and Scotiabank.

Mexico. Operating income

(Million euros at constant exchange rate)



(1) At current exchange rate: +8.5%.

18

Income statement

(Million euros)

	Units												
	Mexico					Banking business				Pensions and Insurance			
	2010	Δ%	Δ% ⁽¹⁾	2009	2008	2010	Δ%	Δ% ⁽¹⁾	2009	2010	Δ%	Δ% ⁽¹⁾	2009
Net interest income	3,688	11.5	(0.7)	3,307	3,707	3,623	11.4	(0.8)	3,251	61	14.5	2.0	53
Net fees and commissions	1,233	14.5	1.9	1,077	1,189	1,150	12.3	(0.0)	1,024	79	55.1	38.1	51
Net trading income	395	6.6	(5.1)	370	375	283	6.2	(5.5)	266	112	8.0	(3.9)	104
Other income/expenses	179	54.8	37.9	116	155	(144)	9.5	(2.5)	(131)	340	32.5	17.9	256
Gross income	5,496	12.8	0.5	4,870	5,426	4,912	11.3	(0.9)	4,411	591	27.4	13.5	464
Operating costs	(1,899)	22.2	8.8	(1,554)	(1,803)	(1,758)	23.5	10.0	(1,423)	(149)	16.9	4.1	(127)
Personnel expenses	(856)	18.1	5.2	(725)	(845)	(784)	18.7	5.7	(661)	(71)	12.7	0.4	(63)
General and administrative expenses	(956)	25.2	11.5	(764)	(886)	(890)	27.2	13.3	(699)	(75)	21.1	7.8	(62)
Depreciation and amortization	(86)	32.5	18.0	(65)	(73)	(84)	33.0	18.4	(63)	(3)	21.0	7.7	(2)
Operating income	3,597	8.5	(3.4)	3,316	3,623	3,153	5.5	(6.0)	2,988	442	31.4	17.0	336
Impairment on financial assets (net)	(1,229)	(19.4)	(28.2)	(1,525)	(1,110)	(1,229)	(19.4)	(28.2)	(1,525)	-	-	-	-
Provisions (net) and other gains (losses)	(87)	n.m.	261.2	(21)	(24)	(86)	n.m.	273.3	(21)	-	n.m.	n.m.	(1)
Income before tax	2,281	28.8	14.7	1,770	2,488	1,838	27.4	13.4	1,442	442	31.6	17.1	336
Income tax	(570)	38.8	23.6	(411)	(557)	(448)	37.8	22.7	(325)	(122)	38.8	23.6	(88)
Net income	1,711	25.8	12.0	1,360	1,931	1,390	24.4	10.8	1,118	320	29.0	14.9	248
Non-controlling interests	(4)	89.5	68.7	(2)	(1)	-	-	-	-	(3)	43.4	27.7	(2)
Net attributable profit	1,707	25.7	11.9	1,357	1,930	1,390	24.4	10.8	1,117	317	28.9	14.8	246

(1) At constant exchange rate.

Balance sheet

(Million euros)

	Units												
	Mexico					Banking business				Pensions and Insurance			
	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09	31-12-08	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09
Cash and balances with central banks	6,365	2.1	(10.7)	6,236	5,387	6,365	2.1	(10.7)	6,236	-	-	-	-
Financial assets	25,737	9.2	(4.5)	23,564	20,902	20,946	4.5	(8.7)	20,053	5,050	35.6	18.6	3,725
Loans and receivables	40,277	30.9	14.5	30,764	32,155	40,029	30.7	14.3	30,619	302	53.8	34.5	196
Loans and advances to customers	34,743	26.9	11.0	27,373	27,161	34,626	26.9	10.9	27,293	152	59.7	39.7	95
Loans and advances to credit institutions and other	5,535	63.2	42.7	3,391	4,995	5,402	62.4	42.0	3,326	150	48.4	29.7	101
Tangible assets	887	17.8	3.0	753	709	880	17.8	3.0	747	8	14.7	0.3	7
Other assets	1,886	22.7	7.3	1,536	1,620	2,206	21.3	6.0	1,819	160	42.2	24.3	113
Total Assets / Liabilities and Equity	75,152	19.6	4.6	62,855	60,774	70,425	18.4	3.6	59,474	5,520	36.6	19.5	4,041
Deposits from central banks and credit institutions	12,933	21.5	6.3	10,641	9,160	12,933	21.5	6.3	10,641	-	-	-	-
Deposits from customers	37,013	15.7	1.2	31,998	32,467	37,033	15.6	1.1	32,037	-	-	-	-
Debt certificates	3,861	21.1	5.9	3,187	3,127	3,861	21.1	5.9	3,187	-	-	-	-
Subordinated liabilities	2,014	34.4	17.5	1,499	1,606	2,474	32.9	16.2	1,862	-	-	-	-
Financial liabilities held for trading	4,855	18.9	3.9	4,085	4,110	4,855	18.9	3.9	4,085	-	-	-	-
Other liabilities	10,992	25.2	9.5	8,780	7,461	6,121	16.4	1.8	5,259	5,231	37.0	19.8	3,818
Economic capital allocated	3,483	30.7	14.3	2,664	2,843	3,148	31.0	14.5	2,403	289	30.0	13.6	223

(1) At constant exchange rate.

Relevant business indicators

(Million euros and percentages)

	Mexico				
	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09	31-12-08
Total lending to customers (gross)	36,526	26.0	10.2	28,996	28,657
Customer deposits ⁽²⁾	38,051	21.8	6.5	31,252	29,677
Off-balance sheet funds	28,122	40.2	22.6	20,065	16,376
Mutual funds	15,341	45.5	27.2	10,546	9,180
Pension funds	12,781	34.3	17.4	9,519	7,196
Other placements	3,127	12.4	(1.7)	2,781	2,830
Efficiency ratio (%)	34.6			31.9	33.2
NPA ratio (%)	3.2			4.3	3.2
Coverage ratio (%)	152			130	161

(1) At constant exchange rate.

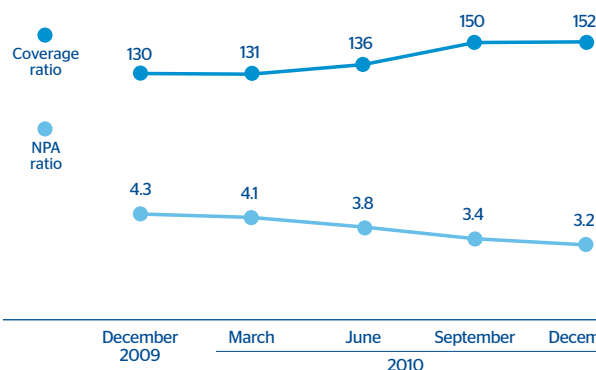
(2) Excluding deposits and Bancomer's Market unit repos.

Operating expenses stood at €1,899m, with a year-on-year increase of 8.8% due to greater investments in technology and infrastructure and the launch of a strategic growth plan that will be in force over the coming two years. The income and expenses figures have ensured an efficiency ratio of 34.6%, among the lowest in the Mexican Banking system. **Operating income** stands at €3,597m, a decrease of 3.4% on the figure the previous year. However, it increased by 8.5% if we take into account the exchange-rate impact.

One of the items in the income statement to improve most over 2010 is **impairment losses on financial assets**, which fell by 28.2% over the year to €1,229m. Loan-loss provisions were down year-on-year in all segments of the portfolio, particularly in the case of credit cards. As a result, the risk premium has continued to fall since the start of 2010 and closed the year at 3.6% (5.3%

Mexico. NPA and coverage ratio

(Percentage)

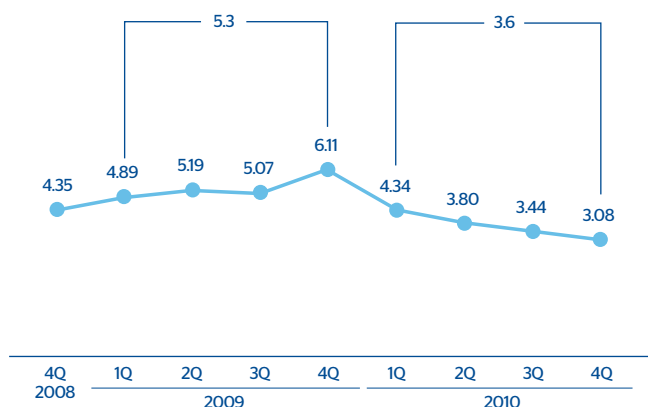


a year before). It is also important to note that the favorable trend in loan-loss provisions has not had a negative impact on **coverage** in the area, which progressed to 152% as of 31-Dec-2010, 22 percentage points up on the figure on 31-Dec-2009. There has also been an improvement in the **NPA ratio**, which closed the year at 3.2%, 1.1 percentage points below the figure on 31-Dec-2009.

Stable income and lower loan-loss provisions meant that in 2010, which was a transition year towards recovery, BBVA Bancomer's pre-tax **profit** grew year-on-year by 14.7% to €2,281m. This positive note can also be seen in the net attributable profit, which was up 11.9% to €1,707m. This is despite the increases in January 2010 in the rate of income tax from 28% to 30% and value added tax from 15% to 16%.

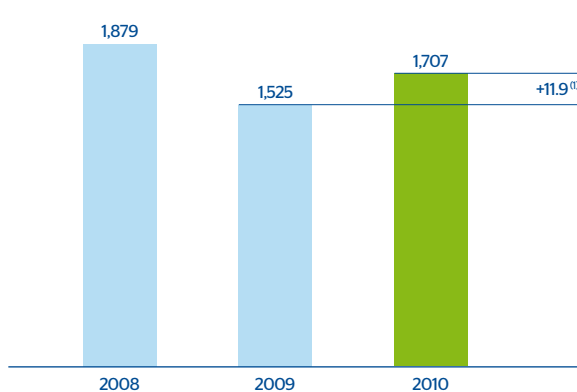
19 Mexico. Risk premium

(Percentage)



Mexico. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +25.7%.

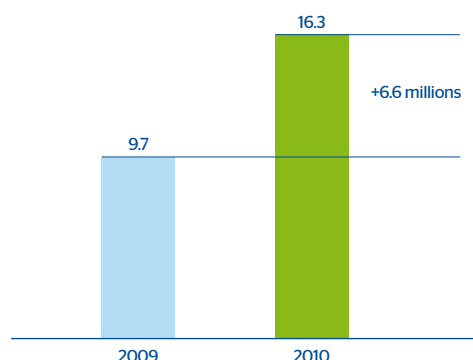
Area strategy

BBVA Bancomer is a **leading** financial institution in Mexico in multiple banking, pension funds, mutual funds and insurance, with a market share of operating income of 59%, managing just 36% of the total assets in the sector⁽¹⁾. It has a policy of strict risk control and a long-term objective of growth and profitability. As is the case with the Group as a whole, BBVA Bancomer is working towards a better future for people by offering its customers a mutually beneficial relationship, including consulting services and comprehensive solutions.

BBVA Bancomer provides services for over 16 million **customers** through specialized business units and distribution networks to cover the needs of each segment of customers. It has the largest branch network in Mexico, which are strategically located across the country, as well as one of the best networks of ATMs and point-of-sale terminals. As of the close of 2010, the

Mexico. Customer base evolution (Million)

24

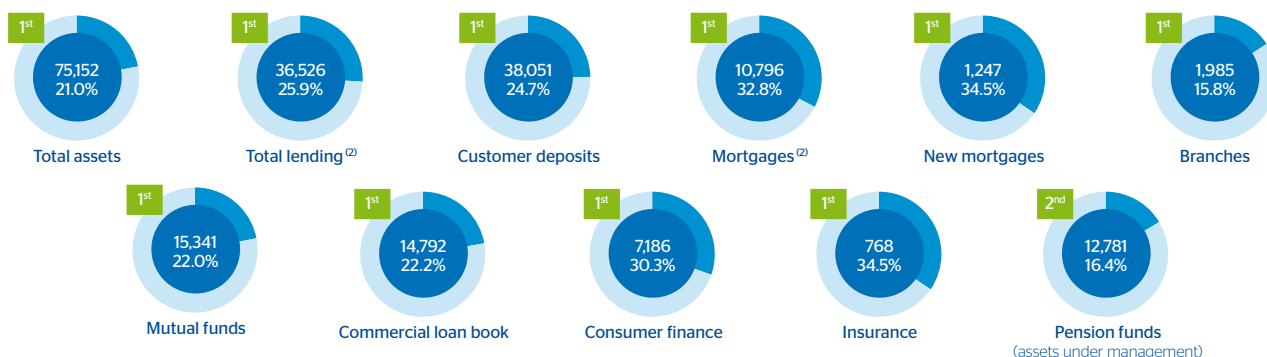


area had 1,985 branches, 6,760 ATMs and 126,002 point-of-sale terminals. One of the highlights in this respect has been the new generation of ATMs introduced in 2010. Called *practicajas* and *recicladoras* (cash recyclers), they reduce the operational volume in branches and increase the sale of products through the self-service mode.

(1) This sector includes Banamex, Santander, HSBC, Banorte and Scotiabank.

22 Mexico. Market share by business line⁽¹⁾

(Million euros and percentages)



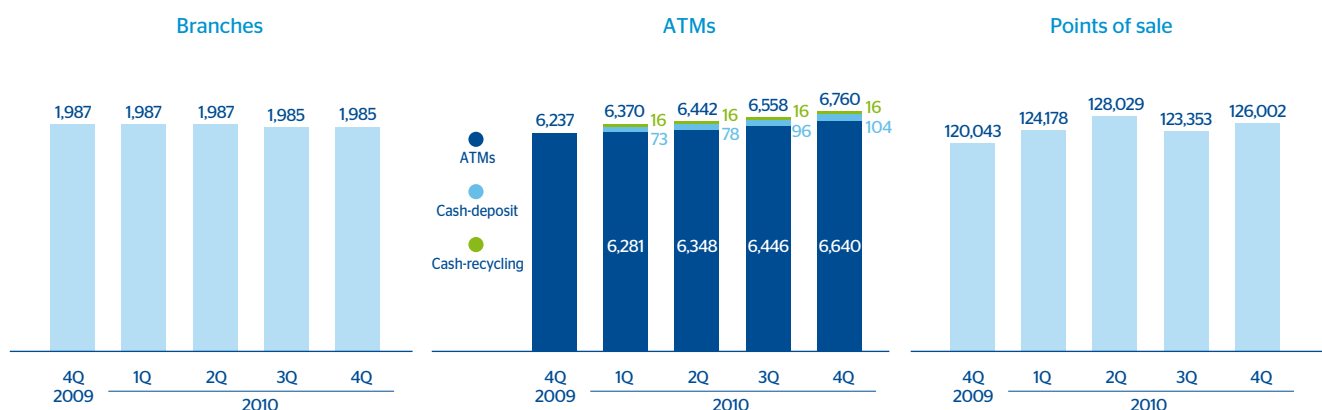
(1) Market share data as of September 2010. Last available data.

(2) Including Sofoles.

Source: CNBV, AMIS, AMIB and CONSAR.

23 Mexico. Distribution network evolution

(Branches, ATMs and points of sale)



In 2010, a year that marked a transition for the area from the financial crisis to the start of economic recovery in the country, BBVA Bancomer successfully completed its **Transformation Plan** focused on increasing innovation and productivity. The area has focused on the following lines of action:

- Increasing new **lending** and attracting more funds than the competition.
- Maintaining the levels of recurrent **earnings**.
- Controlling manageable **expenses**, without limiting investment in technological innovation and networks that boost future growth.
- Maintaining adequate **asset quality**.
- Constructing and designing business initiatives to prepare strategic positioning with a view to boosting **growth** over the coming years.
- Maintaining the efforts designed to meet **corporate responsibility** objectives.

It is also worth highlighting the launch in 2010 of a new strategic plan designed to take advantage of the opportunities offered by Mexico for continued growth. The **Strategic Growth Plan 2010-2012** covers all area units, including business, central services and corporate responsibility. It is an ambitious investment plan that will lead to a qualitative transformation of the business model, service, commercial efficiency (with commercial objectives and plans that are an important challenge for the area), control and monitoring of activity and risk, and thus the bank's profitability as a whole.

Thus for **2011**, the year of economic recovery, BBVA Bancomer will be in a privileged position to take advantage of this

environment. It will be able to construct the bank of the future with its focus on customers and on a different form of relationship with them:

- **Gaining** more customers, basically through new banking penetration plans that take advantage of the opportunities for penetration to capture additional markets with potential for growth.
- Implementing a new clearer **segmentation**. This includes focusing on high-value customers and offering special services for customers that cannot be tied to the Bank.
- Increasing the **loyalty** of the customer base.

The new approach is supported by technology and a greater diversity of distribution channels.

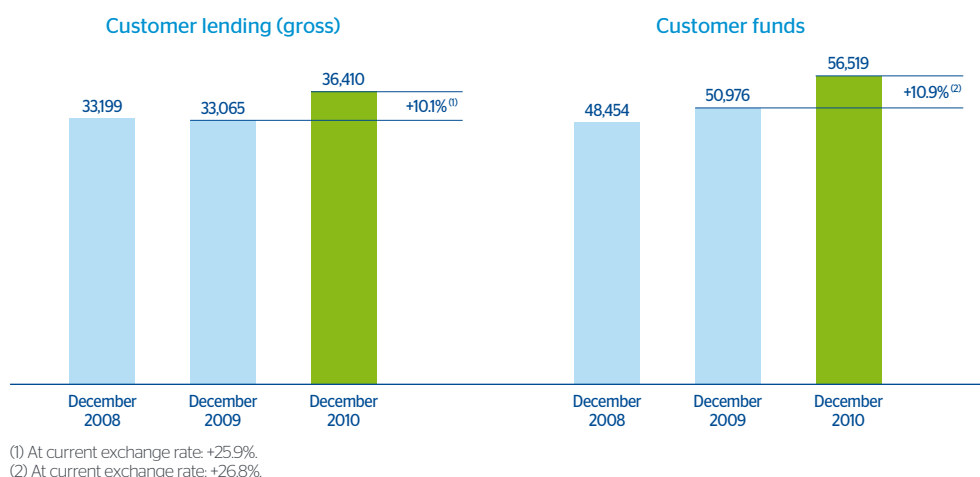
Banking Business

At the end of 2010, BBVA Bancomer achieved a substantial recovery in its business and results, while maintaining its leading position in the Mexican market. This outstanding performance has been recognized by the magazine *Latin Finance*, which named it the best bank in Mexico for its profit and returns, asset growth, management quality, strategic vision and technological sophistication.

The economic recovery, the excellent commercial management of Bancomer, and improved productivity in its distribution networks, have all been reflected in its business results. **Gross lending to customers**, excluding the balances for existing homes, rose year-on-year by 10.1%, the highest figure since October 2008 (+16.5%), to €36,410m at the close of 2010.

25 BBVA Bancomer. Key activity data

(Million euros at constant exchange rate)



The **commercial portfolio**, in other words, the combined loans to corporations, SMEs, financial institutions and the government, amounts to €15,782m, a year-on-year increase of 15.3%. The strength of the corporate portfolio is particularly notable, with growth of 23.4% to a balance of €6,600m. Lending to SMEs and micro-enterprises continued to increase, ending the year at €1,253m. There was a 16.0% growth of new customers in finance for medium-sized companies. This has led to a further increase of 142 basis points in the market share of lending over the year.

Consumer finance, including credit cards, recovered significantly over the year to €7,186m at 31-Dec-2010, a year-on-year increase of 14.6% and the highest level since August 2008. Consumer loans (car, payroll and personal) increased by 23.8% and credit card finance increased at a rate of 9.0%. This performance, together with the low level of activity among some competitors in this segment of finance, helped increase Bancomer's market share in credit cards over the year by 430 basis points and in consumer finance as a whole by 320 basis points.

The **mortgage** loan-portfolio (excluding existing housing but including developer mortgages) was €10,796m, a rise of 5.8% compared with the close of the previous year.

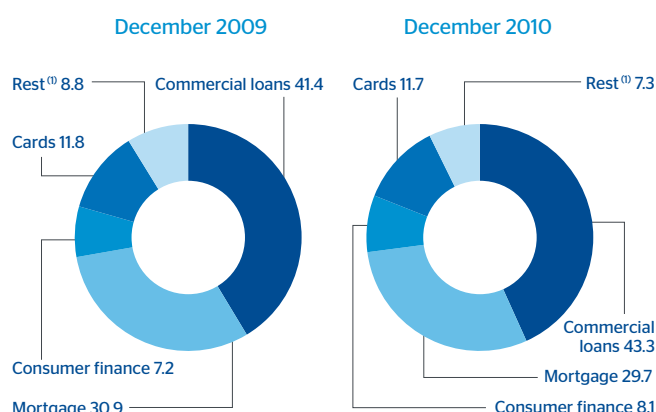
This maintains BBVA Bancomer's leading position in this segment. It financed one out of every three new mortgages and granted more than 34,000 loans to individual customers and more than 93,000 to developers.

The investment portfolio mix remains adequately diversified by segments, with a similar breakdown to the close of 2009. It is worth mentioning that throughout last year, there was a gradual change in its composition, with an increase in the proportion of lower-risk types.

The balance of **customer funds** (bank deposits, repos, mutual funds, investment companies and other placements) amounted to €56,519m on 31-Dec-2010, up year-on-year by 10.9%. Particularly notable are figures for current accounts, which increased by 16.5%. They thus continue to be the main component on the liabilities side of the balance sheet and ensure that BBVA Bancomer maintains a profitable funding

BBVA Bancomer. Structure of the loan portfolio (Percentage)

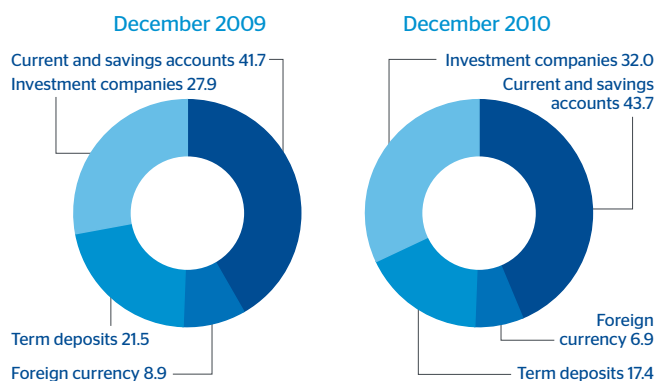
26



(1) Includes non-performing and doubtful loans.

BBVA Bancomer Structure of customer funds⁽¹⁾ (Percentage)

27



(1) Funds on the balance sheet + investment companies.

structure, as can be seen in Chart 27. In terms of off-balance sheet funds 2010 was notable for the positive performance of assets under management in mutual funds, which closed on 31-Dec-2010 at €15,341m, a year-on-year growth of 27.2%. As a result, BBVA Bancomer increased its market share by 59 basis points over the year, as well as remaining the most profitable pension fund manager in the market.

It is also worth highlighting the area's adequate handling of **liquidity and solvency**. BBVA's model of liquidity and interest rate risk management ensures the independence and financial autonomy of its subsidiaries. In Mexico, a total of MXN 29,000m debt was issued on local financial markets, with a total debt issuance of MXN 118,653m. This makes BBVA Bancomer the main debt issuer on the Mexican market. To ensure adequate capital

management, Bancomer made the largest-ever capital notes issue by a Mexican bank on the international markets, at USD 1 billion with a term of 10 years. This issue has been placed with investors in the United States, Europe and Asia at a very attractive price, at a bid-to-offer ratio of 3.5.

Finally, BBVA Bancomer has consolidated its community involvement in Mexico by using its leading position to create development and education programs and actions in the country. Over the year corporate responsibility strategy has been integrated into the business and stakeholder dialog has been extended. In addition, 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 for verification by Deloitte.

Below are some of the most important aspects of the performance of the various business units in 2010:

Commercial Banking

The excellent capillarity of the commercial banking unit's retail network has increased the balance of funds in current accounts and the assets managed in mutual funds. This has had a positive impact on the maintenance of a very profitable deposit structure and the Bank's position as market leader. In terms of lending, finance for SMEs and micro-businesses showed a positive trend. The "Micro-Business Card" was launched in 2010, offering lines of credit from 20,000 to 180,000 pesos, designed to finance working capital mainly. This product is backed by guarantees from Nacional Financiera. The risk is therefore shared with the Federal Government. BBVA Bancomer has been recognized by the Secretariat for the Economy with its SME Award 2010 for its specialized service and complete range of comprehensive financial solutions offered to its customers in this segment.

Consumer Finance

After nearly two years of low levels of activity due to the economic crisis, the Consumer Finance unit closed 2010 with a positive result in its portfolio. Origination of new loans has been very positive, above all in recent months. The number of new consumer finance, paycheck and car loans has increased by 58.2%. To continue boosting car loans, BBVA Bancomer signed an agreement with Ford that in 2010 generated significant growth in the Bank's market share in this type of financing, of more than 600 basis points. Over 2.6 millions of credit cards have also been issued in the year, 25.1% more than in the previous year. In addition, in 2010 the unit has boosted the use of ATMs for issuing pre-approved paycheck loans. This increases the use of multiple channels for granting finance: 27% of all consumer finance is now issued through channels other than the branches. It also enlarges the product distribution options, thus increasing the loyalty of paycheck customers and ensuring that the process of processing and approval of loans is much more efficient.

Government and Corporate Banking

This unit has a specialized network of 80 branches for companies and 38 for government clients. In 2010 the number of customers totaled 45,100, 16.0% more than in 2009. In addition, there was a notable improvement in the lending penetration rate among its customers. At the close of 2010, 64% of customers had five or more families of products, the best figure in the last five years.

Mortgage Banking

This unit provides finance for individuals to buy homes and lends to developers. It has maintained a sustained year-on-year growth throughout the year. The balance of outstanding individual mortgage loans increased by a year-on-year rate of 8.1%. For the third year in a row, BBVA Bancomer was awarded the National Housing Prize. This time the award was granted for offering a variety of solutions as a response to the crisis and supporting more than 50,000 customers affected. A number of new products were launched in 2010: "*Ahorra y Estrena*" (Save and move in), a mortgage loan for people with variable income that enables them to finance their home with monthly installments equivalent to the balances of their monthly savings; and the "Alia2 Plus" loan in partnership with Fovissste (Housing Fund of the Security and Social Services Institute for State Workers), which allows affiliates to increase the amount of their loan and buy a home at a fixed interest rate with set repayment amounts. A similar product "Bancomer Cofinavit AG" was launched in partnership with the Institute of the National Housing Fund for Workers (Infonavit).

Corporate and Investment Banking (C&IB)

This unit's outstanding contribution was the establishment of a new asset class in the local market with the issue of dollar-denominated senior bonds. C&IB has also participated as a leading issuer, including the first public issue of stock in SARE Holding, the housing construction company, for MXN 930m; the issue of development capital certificates by Prudencial Real Estate Investors for MXN 3,095m; and the initial public offering of shares in the Grupo Comercial Chedraui for USD 425m, which was placed in Mexico and abroad.

Asset Management

The unit extended its product catalog in 2010 with the launch of five new international mutual funds for private and HNW banking. The range of products available was extended to new regions and countries (Asia not including Japan, Latin America, emerging countries), technological companies and dollar-denominated government debt. It has given BBVA Bancomer greater coverage of international funds, with 12 funds that invest through the International Quotations System (SIC).

Global Markets

This unit has for more than three years in a row maintained its leadership in structured notes, and closed the year with a market share of 27.0%. At the same time, warrants and a wide variety of underlying assets were placed in 2010 through issues by major companies in the country, such as GMéxico (mining), Grupo Televisa (telecommunications) and Cemex (construction).

Pensions and Insurance business

In Mexico the BBVA Group operates in the pensions business through Afore Bancomer, in insurance through Seguros Bancomer, in annuities through Pensiones Bancomer and in health through Preventis. This business provides diversity and recurrent earnings for the area and Group as a whole, while not being dependent on credit and liquidity risk. It is also an activity with a low capital requirement, high efficiency ratio (25.2% in 2010) and high growth potential, above all in the insurance business. It is a unit with significant synergies with the banking business in distribution and the customer base. In 2010, the combined net attributable **profit** was €317m, 14.8% up on the previous year, amounting to 18.6% of the total profit in the area.

The **pension business** had a more favorable year than previous ones, due to the

improvement in the labor market, economic activity and confidence. In this environment Afore Bancomer's assets under management closed 2010 at €12,781m (+17.4% year-on-year), with increases in revenues and number of pension savers. This has resulted in an increase in net fee income to €162m, 19.9% up on 2009. There was also a positive performance in net trading income. As a result, Afore Bancomer's net attributable profit amounted to €75m, 33.7% up on 2009.

The year was good for the **insurance business**, with a strong commercial performance by the Group's three companies and all its business segments. Seguros BBVA Bancomer, one of the five main insurance companies in Mexico and a leader in the bancassurance business, has written €577m in premiums, 7.4% more than the previous year. It is worth highlighting that it has been named the best insurer in Mexico by the magazine *World Finance* for the diversity of its products, its growth in earnings and sustainability, among other positive aspects. Moreover, it was granted a top rating out of ten by the National Commission for the Protection and Defense of Users of Financial Services (Condusef) for its transparency, quality of information provided and diversity in the channels and products made available to customers. Pensiones BBVA Bancomer also had a positive year, writing premiums for €449m, up 43.2% on the figure for 2009. This commercial success, together with moderate claims levels and expenses, has resulted in a year-on-year increase of 10.0% in the net attributable profit for the insurance business as a whole to €243m.

South America

The South American area manages the BBVA Group's banking, pension and insurance businesses in the region. The area is quite diversified and has units operating in practically all countries.

The year 2010 was clearly driven by the **macroeconomic reactivation**, fully consolidated in recent months and closely linked to the strength of domestic demand as well as the high rates of business and consumer confidence have reduced the need for Government fiscal and monetary investment incentive measures applied since 2009. Another positive factor has been commodity prices, which have helped the positive performance of public finances. In these circumstances, the forecasts for GDP growth have been revised upward a number of times over the year, and finally closed above 5%, without any significant inflationary pressures appearing.

The expectations of rises in interest rates explain the moderate upward move in

exchange rates in the regional currencies over 2010, except for the Venezuelan bolivar, which suffered a devaluation at the start of the year. The exchange-rate effect is slightly negative in the financial statements for South America, both in terms of the income statements and the balance sheets. As usual, the attached tables include columns with the year-on-year changes at constant exchange rates, to which the following comments refer.

In **2010**, the performance of the financial systems in the region has been very favorable, thanks to the high level of liquidity and buoyant domestic demand. For South America the year has featured recovery in all the lines of business, significant progress in revenues, moderation in costs and improved asset quality.

The improvement in revenues is a direct result of the steady increase in the **loan book**, which closed 2010 at €31,512m, 21.5% up on the previous year, with rises in the individuals and corporate segments. The upturn in lending has not led to a worsening in the level of liquidity in the area, as **customer funds** have also performed very well, and closed the year at €39,133m in the banking business (including investment funds), 19.2% above the figure for 2009. There was a particularly notable uptrend in transactional products (current and savings accounts were up by 26.0%). The area registered a good deposit/loan ratio of 114.5%. Assets managed by pension fund managers in the area were €48,800m, 17.1% up on the figure for December 31, 2009.

The upturn in activity has offset the effect that the high competitive pressure in the region has on spreads. As a result, the net interest

BBVA footprint in South America 31-12-2010

	Banks	Pension fund managers	Insurance companies
Argentina	x		x
Bolivia		x	
Chile	x	x	x
Colombia	x	x	x
Ecuador		x	
Panama	x		
Paraguay	x		
Peru	x	x	
Uruguay	x		
Venezuela	x		x

Income statement

(Million euros)

	Units												
	South America					Banking businesses				Pensions and Insurance			
	2010	Δ%	Δ% ⁽¹⁾	2009	2008	2010	Δ%	Δ% ⁽¹⁾	2009	2010	Δ%	Δ% ⁽¹⁾	2009
Net interest income	2,495	(2.8)	11.1	2,566	2,149	2,455	(2.8)	11.3	2,527	41	(4.7)	(4.4)	43
Net fees and commissions	957	5.4	9.5	908	775	690	(1.0)	10.1	697	282	31.0	12.0	215
Net trading income	514	26.7	13.0	405	253	381	35.1	19.4	282	133	7.4	(2.2)	124
Other income/expenses	(168)	(30.7)	48.9	(242)	15	(298)	(9.6)	58.1	(329)	139	45.1	65.3	96
Gross income	3,797	4.4	9.7	3,637	3,192	3,229	1.7	8.9	3,176	594	24.5	15.6	477
Operating costs	(1,668)	5.6	14.2	(1,579)	(1,421)	(1,413)	4.9	16.8	(1,347)	(239)	14.9	4.9	(208)
Personnel expenses	(854)	7.9	15.4	(791)	(725)	(708)	7.2	18.4	(660)	(120)	11.5	1.4	(108)
General and administrative expenses	(684)	1.6	10.9	(673)	(589)	(581)	0.6	13.1	(577)	(113)	18.9	9.4	(95)
Depreciation and amortization	(131)	14.1	24.6	(115)	(107)	(125)	14.1	26.4	(109)	(7)	13.5	(1.5)	(6)
Operating income	2,129	3.4	6.4	2,058	1,770	1,815	(0.8)	3.5	1,829	355	32.0	24.1	269
Impairment on financial assets (net)	(419)	(2.8)	(4.8)	(431)	(358)	(419)	(1.9)	(3.9)	(427)	-	n.m.	n.m.	(4)
Provisions (net) and other gains (losses)	(40)	(22.1)	(32.4)	(52)	(17)	(24)	(14.6)	(31.3)	(28)	(8)	(34.9)	(40.6)	(12)
Income before tax	1,670	6.0	11.3	1,575	1,396	1,372	(0.1)	7.0	1,374	347	37.1	29.0	253
Income tax	(397)	(1.7)	2.0	(404)	(318)	(323)	(10.6)	(6.1)	(362)	(89)	54.4	47.3	(58)
Net income	1,273	8.6	14.5	1,172	1,078	1,049	3.6	11.7	1,012	258	32.0	23.7	195
Non-controlling interests	(383)	(2.1)	10.2	(392)	(351)	(317)	(5.2)	9.9	(335)	(67)	16.2	12.3	(58)
Net attributable profit	889	14.0	16.5	780	727	732	8.0	12.6	678	191	38.7	28.4	137

(1) At constant exchange rate.

Balance sheet

(Million euros)

	Units												
	South America					Banking businesses				Pensions and Insurance			
	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09	31-12-08	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09
Cash and balances with central banks	7,064	21.0	42.6	5,837	5,512	7,064	21.0	42.6	5,837	-	-	-	-
Financial assets	8,550	11.2	10.3	7,688	5,854	6,671	(5.0)	(5.8)	7,021	1,860	73.8	63.8	1,070
Loans and receivables	33,845	19.7	22.8	28,269	27,836	33,067	18.9	22.1	27,810	563	(5.9)	(12.5)	598
Loans and advances to customers	30,408	20.4	21.9	25,256	24,405	30,228	20.7	22.2	25,041	197	(17.2)	(19.8)	238
Loans and advances to credit institutions and other	3,437	14.1	31.2	3,013	3,430	2,839	2.5	20.9	2,769	366	1.6	(8.0)	361
Tangible assets	652	0.6	10.1	648	478	596	(0.6)	11.1	600	56	15.7	0.5	48
Other assets	1,551	(19.9)	(19.7)	1,936	1,922	1,383	(2.6)	(3.1)	1,420	130	134.4	173.8	56
Total Assets/Liabilities and Equity	51,663	16.4	20.7	44,378	41,600	48,781	14.3	18.8	42,687	2,610	47.2	38.6	1,773
Deposits from central banks and credit institutions	4,299	39.0	30.3	3,092	3,674	4,295	39.2	30.4	3,086	4	(57.0)	(58.6)	9
Deposits from customers	33,496	14.3	22.1	29,312	27,921	33,605	14.2	21.9	29,427	-	-	-	-
Debt certificates	1,864	19.9	4.6	1,554	1,243	1,864	19.9	4.6	1,554	-	-	-	-
Subordinated liabilities	1,331	8.3	2.7	1,229	1,240	1,171	59.8	46.5	733	-	-	-	-
Financial liabilities held for trading	876	28.8	10.8	680	1,005	876	28.8	10.8	680	1	-	-	-
Other liabilities	7,407	17.1	24.8	6,326	4,205	5,027	(9.9)	(3.4)	5,576	2,159	78.4	71.8	1,210
Economic capital allocated	2,390	9.4	5.9	2,185	2,313	1,943	19.2	18.5	1,631	446	(19.4)	(27.6)	554

(1) At constant exchange rate.

Relevant business indicators

(Million euros and percentages)

	South America				
	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09	31-12-08
Total lending to customers (gross)	31,512	20.2	21.5	26,223	25,260
Customer deposits ⁽²⁾	36,070	14.4	20.7	31,528	29,374
Off-balance sheet funds	51,862	33.9	16.2	38,720	25,831
Mutual funds	3,063	17.0	4.0	2,617	1,300
Pension funds	48,800	35.2	17.1	36,104	24,531
Efficiency ratio (%)	43.9			43.4	44.5
NPA ratio (%)	2.5			2.7	2.1
Coverage ratio (%)	130			129	149

(1) At constant exchange rate.

(2) Including debt certificates.

commissions (up 9.5%), despite the negative effect of the regulatory limitations that entered into force in some countries during the year. Net trading income was good, partly because of the revaluation of BBVA Banco Provincial's U.S. dollar positions due to the devaluation of the Venezuelan bolivar in January. The other income/expenses items include the adjustment for hyperinflation in Venezuela, which has been more negative than in 2009. **Gross income** was €3,797m, 9.7% up on the figure for 2009.

Expenses have been kept in check throughout the year, with a year-on-year growth of 14.2% due to the effect of expansion projects underway in the area. The efficiency ratio remains positive, at 43.9%, and the **operating income** increased by 6.4% to €2,129m.

income of €2,495m was 11.1% up on the figure for 2009. The increased business also explains the positive progress in net fees and

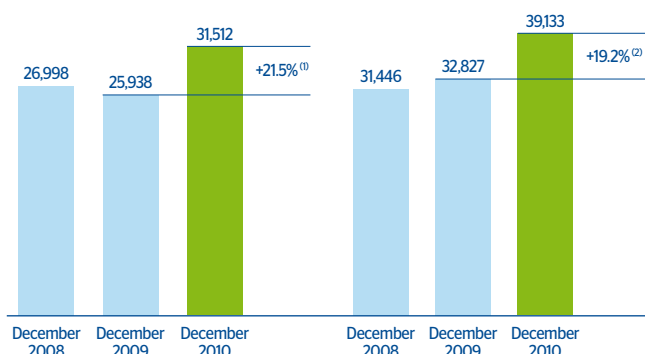
The improvement in asset quality has maintained the volume of NPA practically the

28 South America. Key activity data

(Million euros at constant exchange rate)

Customer lending (gross)

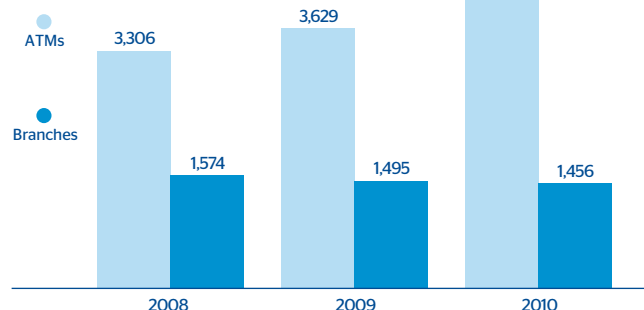
Customer deposits



(1) At current exchange rate: +20.2%.

(2) At current exchange rate: +14.6%.

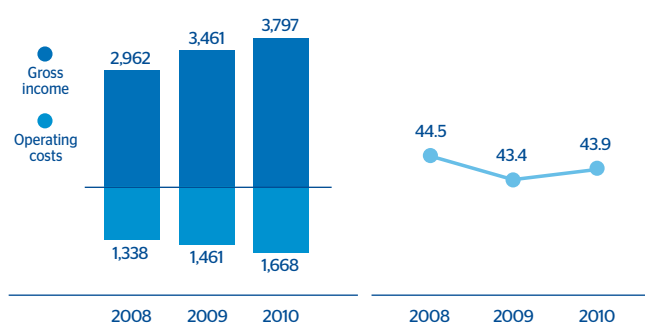
South America. Evolution of branch network and ATMs 30



29 South America. Efficiency

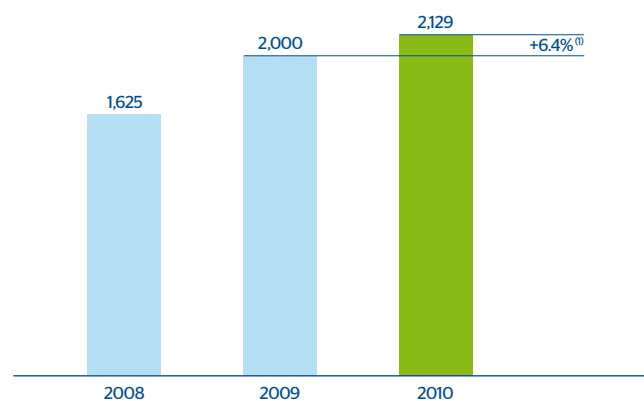
(Million euros)

Efficiency ratio
(Percentage)



South America. Operating income 31

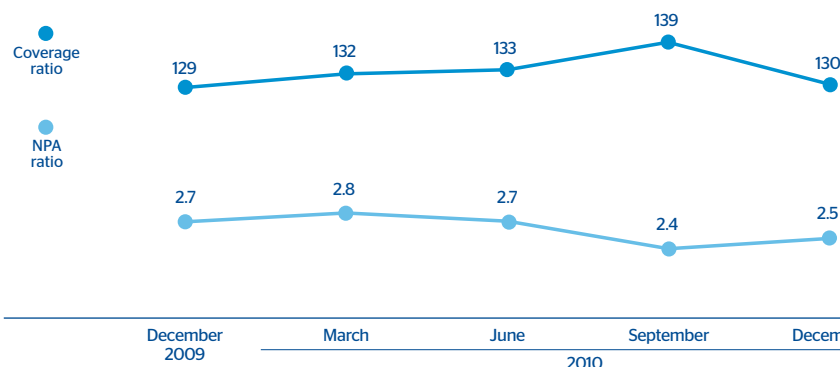
(Million euros at constant exchange rate)



(1) At current exchange rate: +3.4%.

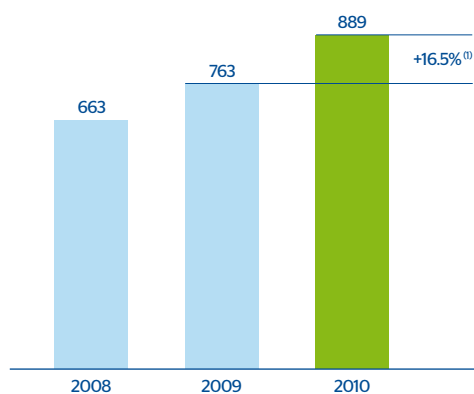
32 South America. NPA and coverage ratio

(Percentage)



33 South America. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +14.0%.

same over the year, with a decrease in the **NPA ratio** to 2.5% (from 2.7% in December 2009). As a result, impairment losses on financial assets were down 4.8% on the figure for 2009, without any negative effect on the level of **NPA coverage ratio**, which closed 2010 at 130% (compared with 129% as of 31-Dec-2009).

To sum up, the year was very favorable for recurrent revenues, with expenses in check and no increase in loan-loss provisions. This has boosted the **net attributable profit** in the area to €889m, 16.5% up on the figure in 2009. All the units have also maintained good liquidity and solvency positions.

Area strategy

In **2010** South America achieved highly positive rates of activity and income, without any worsening in asset quality. This was the result of the regional plans that included the re-launch of the business (improved lending, increasing the customer base and increasing the loyalty of customers with greater credit quality), improved service, cross-selling, better risk screening, improved structures for monitoring and collection and more weight given to alternative channels.

For **2011**, the area will continue to work along the same lines in order to benefit from the strong growth in banking activity in an environment of increasingly tighter margins due to the high level of competition. Expansion and differentiation plans are underway to this end. Their objectives are summed up below:

- **Growth and differentiation plan for individuals.** A regional program is underway to increase the volume of new customer funds attracted, build customer loyalty and improve brand recognition. The program is taking advantage of the demographic changes in the economic population that is relevant for the Group.
- **Growth and differentiation plan for companies and SMEs.** The aim is to increase the number of customers and the volume of profitable business. This involves carrying out segmentation according to sales levels,

and focusing on those sectors with the greatest future. A management model is being introduced based on specialized managers and distribution channels, and specific risk and price circuits. This is supported by a range of products and services of value, with more improvements in service quality, a close relationship with customers and speed of response.

- **Growth and differentiation plan in pensions**, with a focus on the traditional levers: improved regulatory management, protection of market share and optimization of fees. Work is also underway to optimize structures in order to improve efficiency. The main focus will be on voluntary saving products, in which the product range will be improved and there will be a greater stress on retaining customers with greatest value.

Progress will also be made in:

- **Improving the customer knowledge system**. First, using customer insight to identify the specific needs of each segment and each market. And second, by increasing business intelligence as a key to increase customer loyalty.
- **Improving management models** to stimulate the network's commercial activity and the productivity of the direct and automatic channels. This will be done through a complete overhaul of all the commercial process tools and improved contracting processes, which will have a direct impact on the generation of business.
- **A multi-channel model**, involving investment in the branch network and an optimization of mass channels (particularly self-service) in order to reduce the pressure on the sales forces and enhance the capacity for service and efficiency.

As in the rest of the Group's areas, this will be supported by **technology**.

Banking Business

The area's banking business generated a net attributable profit of €732m in 2010, 12.6% up on the figure for the previous year.

Below are some of the most important aspects of the performance of the banks in the region over the year:

Argentina

The Argentinean **economy** performed well in 2010, with GDP growth of 8%, boosted by the good performance of both the foreign sector and domestic demand, as well as a political scenario that was less conflictive than in previous years. The least positive factor continues to be the inflation rate, which remains high.

In 2010, **BBVA Banco Francés** has implemented important initiatives to improve relations with its customers, both individuals (through the alliance with the entertainment producer Time for Fun, the agreement with LAN, the Francés GO campaign and the launch of the first car leasing scheme) and companies (launch of credit lines for SMEs, greater range of products for the agricultural segment and an agreement with the BMW Group). In funds under management, variable-interest deposits were launched (linked to commodity prices, stock market indices and currency trading rates). The year-on-year growth in lending was 43.0% as of 31-Dec-2010, with an increase of 32 basis points in market share to November (latest available figures). There were notable increases in consumer finance (up 88 basis points) and credit cards (up 79 basis points), and no deterioration in asset quality (the NPA ratio continues to be well below that in the rest of the system). Customer funds increased by 22.7% and were highly concentrated in transactional accounts (up 22.2%), with market share up by 24 basis points to November (latest available figures).

The bank's buoyant business has led to significant improvements in the net interest income, which grew year-on-year by 16.5%, and in net fees and commissions (up 15.6%), despite legal limitations that entered into force during the year. Operating expenses were up 28.5%, affected by the upturn in inflation and the expansion projects launched by the unit. The high asset quality has enabled loan-loss provisioning to remain at similar levels to 2009. In all, the net attributable profit in 2010 was €111m.

Chile

The Chilean **economy** grew by over 5% in 2010, thanks to the strength of domestic demand and the favorable impact of high commodity prices, particularly copper. Inflation closed the year under 3%, within the Central Bank's target. Over

the year, the Central Bank has gradually reduced its monetary incentives and raised the interest rate by 300 basis points to 3.5%.

In this environment **BBVA Chile** has strengthened its positioning in the retail businesses by transforming its branch network and the virtual channels, as well as the commercial and distribution models. As a result, the sales volume has doubled, the product range has grown and customer satisfaction levels have improved. So, the loan book grew by 12.2% over the year. There was a notable increase in credit cards (+80.4%) through new products (Signature and MasterCard), as well as associations with other brands (Enjoy) and stores. Increased lending led to an increase in market share in 2010 of 46 basis points in consumer finance plus credit cards and 17 basis points in mortgages (latest available figure to December 2010). The consumer finance unit Forum strengthened its leading position and extended its product range and penetration in its different brands. Finance was up by 31%, without any deterioration in risk indicators (the NPA ratio is 1.9%). In customer funds, current accounts were up by 22.1%, a gain of 13 basis points in market share of transactional deposits (also to December, latest available figure). It is also worth noting the issues of long-term bonds for a total of over €300m.

BBVA Chile and Forum contributed a net attributable profit of €115m (up 41.9%). The figure was benefited by the effect of increased business on net interest income (+12.1%) and net fees and commissions (+27.6%), even though net trading income was below 2009 levels, which included high capital gains from the sale of equity holdings. There was also a positive contribution from the moderate level of expenses (up 7.4%) and major reduction in loan-loss provisions (down 39.4%) due to the improved asset quality.

Colombia

Colombia is also marked by the steady improvement of its **economy**, particularly in the second half of the year, due to a significant increase in public and private investment, as well as a notable recovery in exports and the maintenance of interest rates at all-time lows. As a result, GDP ended 2010 with a rise of 5%.

Under the guidelines set out by the *Plan Unidos* (United Plan) and the New Model of Customer Service, **BBVA Colombia** has

performed very well commercially, in both lending and funds. This has led to a year-on-year gain in market share of 17 basis points to November. Mortgage loans and corporate lending played a remarkable role in this respect, with increases in the market share of 78 and 16 basis points, respectively. In business with individual customers the product range was extended (in cards, real estate leasing and payroll bank accounts and others), while in the corporate segment the Bank's presence in the agroindustrial sector was strengthened and the Cash Net tool was consolidated as a method of customer cash management. In customer funds, there was a year-on-year growth of 22.3% in current and savings accounts, reflecting the policy of reducing the operating costs. In 2010, BBVA Colombia was recognized as the "Bank of the Year" in the country by *The Banker*. It also received an award as the best Colombian bank for good corporate governance practices, social responsibility and ethics from *Latin Finance*.

The remarkable fall in interest rates over the year had a negative effect on the results in the sector in 2010. BBVA Colombia has offset much of this impact by greater growth in lending and by applying a strategy of strict defense of spreads, which has limited the downgrade in net interest income (-4.9%). The comparison of the figures for net trading income is affected by the sale of the public securities portfolio in 2009. Expenses remained in check, with a slight increase of 1.4%. There was a significant limitation of loan-loss provisions (-32.4%), which benefits by the reduction in non-performing assets (-26.6%). As a result, the net attributable profit in 2010 amounted to €184m, 12.0% up on the previous year.

Panama

The Panamanian **economy** has picked up over the year, boosted by the recovery in international trade, abundant liquidity and its achievement of an investment grade rating.

BBVA Panamá has focused its strategy on improving its recognition in the market through various sponsorship deals (including the Panamanian Soccer League) that have supported the product range on offer to individuals, helped by the opening of a new branch. In the corporate segment, efforts have been aimed at the agricultural sector and the Free Zone, with improvements in COMEX and insurance products. Lending increased by 6.8% over the year and customer funds by 5.8%.

In 2010, BBVA Panama had a net attributable profit of €31m, with a positive performance in both income and expenses.

Paraguay

The Paraguayan **economy** performed very favorably in 2010, boosted by the strong agricultural sector and the reactivation plans implemented by the country's economic authorities.

In 2010 BBVA Paraguay showed great commercial strength, with the launch of numerous commercial campaigns, in both the corporate and institutions and retail businesses. Two highlights were the strategic alliance with John Deere, in corporate and institutions, and the launch of the VIP segment in retail banking. Eight new branches were opened over the year as part of an expansion plan which will continue in 2011. This has enabled a year-on-year growth in lending of 45.2% and customer funds of 24.3%, without any negative effects on the NPA ratio, which continues at minimum levels, or on profitability.

BBVA Paraguay had a net attributable profit of €39m, 21.7% more than the previous year. *Euromoney* named it the Best Bank in the country for the fourth year in a row.

Peru

In 2010, the Peruvian **economy** grew almost by 10%, thanks to the recovery in private consumption, high levels of business confidence and favorable financing conditions. This recovery has led the economic authorities to start a cycle of rises in policy rates with the aim of keeping inflationary pressures in check.

BBVA Banco Continental undertook numerous commercial initiatives in all segments in 2010 and increased its sales capacity: an 8% increase in its branch network, 23% in the number of ATMs and 184% in its "express" agent network. As a result, lending was up by 19.5% and customer funds by 20.6%. In lending, BBVA Banco Continental won 47 basis points in market share as of November 2010 (latest available data). There was a particularly notable increase in consumer finance (35 basis points) and corporate lending (46 basis points). The market share in customer funds was 203 basis points above

the figure for the previous year. In the private individuals segment, thanks to the *Mundo Sueldo* product, the number of customers who deposit their payroll directly into their accounts increased by 23%, and the number of companies making salary payments directly by 38%. In mortgage financing, one of Peru's largest real estate projects was started. The VIP individuals segment saw the launch of the "Black" card in partnership with MasterCard. In Corporate and Investment Banking, the aim was to create closer links with customers, with improved financial advice and a broader range of products. A number of hedging derivatives were launched for corporate customers for this purpose. In 2010, the bank was recognized as the Best Bank in Peru by Global Finance and the Best Foreign Trade Bank in Peru by Trade Finance. It was also in third place as Best Bank in Latin America in the ranking by *América Economía*, and third in the sustainability ranking drawn up by Management & Excellence and *Latin Finance*.

In 2010, BBVA Banco Continental had a net attributable profit of €134m (up 6.5%), thanks to the effect of improved economic activity on revenues. The net interest income was up by 4.8%, despite the downward pressure on spreads, and net fees and commissions were up by 12.7%, with a very high recurrent component. Expenses were up by 9.7%, a moderate rate given the expansion in the commercial network and it has not prevented the efficiency ratio from remaining low (30.6%). The NPA ratio continues very low (1.9%), with no pressure on the volume of loan-loss provisioning.

Uruguay

The positive performance of the foreign sector, particularly due to agricultural and livestock production, has pushed **GDP** up by 9% in 2010.

The most important event of the year for **BBVA Uruguay** was the agreement to purchase Crédito Uruguay. The deal has converted the unit in the second biggest financial institution in the country. Within its organic business, BBVA Uruguay has shown great commercial strength in 2010, in both the individuals and corporate segments. In the corporate segment, the bank has focused efforts on the agricultural and livestock business, with the launch of new products such as leasing, the *Cuenta Pymes* (SME account) and special financing lines.

In 2010, the banking business benefited from the recovery in economic growth, although it continued to suffer from an environment of low interest rates. In this context BBVA Banco Uruguay generated a net attributable profit of €3m.

Venezuela

Despite high oil prices in 2010, the Venezuelan **economy** posted a negative growth, due mainly to the limitation on currency flows settled on the official exchange market, a deteriorating business environment, restrictions on electricity in the first half of the year and sluggish private demand.

Despite this situation, **BBVA Banco Provincial** had a good year. The bank has continued to invest in improving infrastructures with the aim of guaranteeing security, adapting spaces for the preferential treatment of customers with disabilities, and carrying on with the extension of the "express" zones. In addition, it launched the "BBVA Provinet" and "Provinet Móvil" portals to provide customers easier access to accounts. It has also been an important year from the commercial point of view. Of particular importance in the individuals segment were the credit card initiatives, with the launch of numerous promotions in partnership with VISA and MasterCard, as well as the re-launch of the *Crédit Auto* product in partnership with General Motors and Chrysler. With respect to attracting funds, a new fund called *Nómina Estándar* was launched aimed at low-income individuals. It introduces a "popular card" as a way of payment adapted to the financial needs of this customer segment. The loan book increased over the year by 41.0%, with an increase in market share of 139

BBVA Group. Business share ranking in South America countries in 2010

	Loans	Deposits	Pensions
Argentina	3 rd	2 nd	-
Bolivia	-	-	1 st
Chile	5 th	4 th	1 st
Colombia	4 th	4 th	3 rd
Ecuador	-	-	1 st
Panama	4 th	4 th	-
Paraguay	3 rd	3 rd	-
Peru	2 nd	2 nd	3 rd
Uruguay ⁽¹⁾	2 nd	2 nd	-
Venezuela	3 rd	3 rd	-

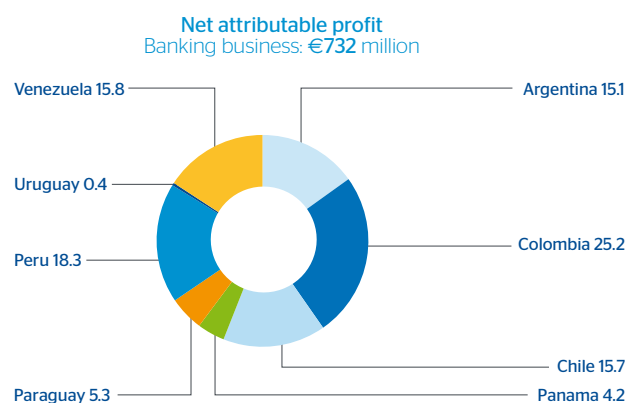
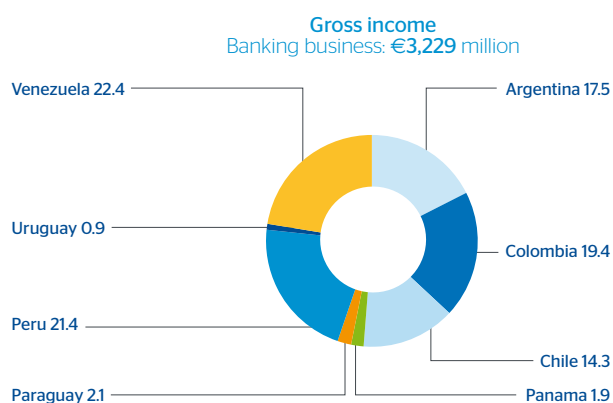
(1) Includes Crédit Uruguay.

basis points (as of October 2010, the latest available data). Customer funds increased by 46.6% and the market share increased by 285 basis points over the year (also according to latest data available to October 2010).

Over the year BBVA Banco Provincial generated a net attributable profit of €115m (up 23.0%), based on the excellent performance of business and positive handling of spreads, which has been reflected in the progress of net interest income (up 28.9%). As a result of the positive performance of other revenues and a moderate increase in expenses (under the rate of inflation), the efficiency ratio has improved to 48.0%, and operating income continues to grow strongly (up 43.6%). In 2010, BBVA Banco Provincial was once again named Best Bank in Venezuela by three prestigious publications: *Euromoney* (for the fourth year in a row), *Global Finance* (also for the fourth year in a row) and *The Banker*.

34 South America. Distribution of gross income and net attributable profit by bank

(Percentage)



South America. Financial statements of the main banks

Income statement

(Million euros)

	ARGENTINA				CHILE			
	BBVA Banco Francés				BBVA Chile			
	2010	Δ%	Δ% ⁽¹⁾	2009	2010	Δ%	Δ% ⁽¹⁾	2009
Net interest income	357	16.4	16.5	307	301	29.0	12.1	233
Net fees and commissions	183	15.5	15.6	158	102	46.8	27.6	69
Net trading income	35	(30.0)	(30.0)	50	48	(37.3)	(45.5)	77
Other income/expenses	(9)	(24.4)	(24.4)	(12)	9	(42.3)	(49.9)	16
Gross income	565	12.6	12.6	502	461	16.4	1.1	396
Administration costs	(300)	28.9	29.0	(232)	(214)	29.3	12.4	(165)
Depreciation and amortization	(14)	17.9	17.9	(12)	(12)	(32.3)	(41.2)	(17)
Operating income	252	(2.4)	(2.4)	258	235	10.2	(4.2)	214
Impairment on financial assets (net)	(28)	8.8	8.8	(25)	(60)	(30.2)	(39.4)	(87)
Provisions (net) and other gains/losses	1	n.m.	n.m.	(10)	(12)	41.6	23.1	(9)
Income before tax	225	1.1	1.1	223	163	37.5	19.5	118
Income tax	(80)	14.4	14.5	(70)	(11)	(45.3)	(52.4)	(19)
Net income	145	(5.0)	(5.0)	153	152	53.6	33.5	99
Minority interests	(35)	(5.3)	(5.2)	(37)	(37)	29.8	12.8	(29)
Net attributable profit	111	(4.9)	(4.9)	116	115	63.3	41.9	70

(1) At constant exchange rate.

Balance sheet

(Million euros)

	BBVA Banco Francés				BBVA Chile			
	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09
Cash and balances with central banks	1,037	9.2	7.8	949	291	(42.3)	(50.6)	505
Financial assets	911	(6.9)	(8.1)	978	2,450	17.1	0.3	2,092
Loans and receivables	3,098	48.7	46.8	2,084	9,150	28.9	10.4	7,099
Loans and advances to customers	2,737	45.8	43.9	1,878	8,717	31.9	12.9	6,610
Loans and advances to credit institutions and other	361	75.3	73.0	206	433	(11.4)	(24.1)	489
Tangible assets	103	9.0	7.6	94	89	18.4	1.4	75
Other assets	94	(48.4)	(49.0)	182	651	10.8	(5.1)	588
Total Assets/Liabilities and Equity	5,243	22.3	20.7	4,288	12,632	21.9	4.4	10,359
Deposits from central banks and credit institutions	36	112.7	109.9	17	1,644	46.5	25.4	1,123
Deposits from customers	4,115	24.3	22.7	3,310	7,076	27.7	9.3	5,541
Debt certificates	-	-	-	-	919	10.2	(5.7)	835
Subordinated liabilities	-	-	-	-	629	80.1	54.2	349
Financial liabilities held for trading	1	n.m.	n.m.	-	768	32.4	13.4	580
Other liabilities	861	11.9	10.5	770	1,273	(23.7)	(34.7)	1,669
Economic capital allocated	229	20.0	18.5	191	322	22.9	5.2	262

(1) At constant exchange rate.

COLOMBIA					PERU				VENEZUELA			
BBVA Colombia					BBVA Banco Continental				BBVA Banco Provincial			
	2010	Δ%	Δ% ⁽¹⁾	2009	2010	Δ%	Δ% ⁽¹⁾	2009	2010	Δ%	Δ% ⁽¹⁾	2009
	484	12.4	(4.9)	431	465	17.3	4.8	397	721	(31.4)	28.9	1,050
	117	15.9	(1.9)	101	133	26.1	12.7	105	128	(47.2)	(0.9)	242
	36	(42.6)	(51.5)	63	99	7.3	(4.1)	93	154	n.m.	n.m.	(5)
	(9)	(29.7)	(40.5)	(13)	(5)	(44.4)	(50.4)	(10)	(280)	(8.4)	72.0	(305)
	627	8.0	(8.6)	581	692	18.4	5.8	585	723	(26.4)	38.2	982
	(234)	18.4	0.2	(197)	(191)	23.9	10.7	(154)	(297)	(33.9)	24.1	(449)
	(25)	34.2	13.6	(19)	(21)	13.0	0.9	(18)	(50)	21.6	128.3	(41)
	369	1.0	(14.5)	365	480	16.5	4.1	412	376	(23.5)	43.6	491
	(127)	(201)	(32.4)	(160)	(85)	35.8	21.3	(62)	(106)	21.8	128.7	(87)
	6	n.m.	n.m.	(6)	(5)	(48.4)	(53.9)	(9)	(14)	n.m.	n.m.	7
	247	24.1	5.0	199	391	14.8	2.6	340	256	(37.8)	16.8	411
	(54)	1.6	(14.0)	(53)	(114)	7.0	(4.4)	(107)	(47)	(50.2)	(6.6)	(94)
	193	32.3	12.0	146	276	18.4	5.8	233	209	(34.1)	23.7	317
	(9)	31.6	11.4	(7)	(143)	17.6	5.1	(121)	(94)	(33.6)	24.6	(141)
	184	32.4	12.0	139	134	19.2	6.5	112	115	(34.5)	23.0	176

BBVA Colombia					BBVA Banco Continental				BBVA Banco Provincial			
	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09
	863	83.9	59.9	469	2,555	137.7	114.3	1,075	2,090	(18.9)	50.5	2,576
	1,303	(3.8)	(16.3)	1,355	706	(33.2)	(39.8)	1,058	1,025	(25.8)	37.7	1,382
	5,982	38.6	20.6	4,315	6,526	33.9	20.7	4,875	5,452	(23.9)	41.1	7,166
	5,783	39.4	21.2	4,149	6,319	32.9	19.8	4,756	4,456	(24.6)	39.9	5,911
	199	19.8	4.2	166	207	74.1	57.0	119	996	(20.7)	47.1	1,256
	102	12.1	(2.5)	91	119	27.7	15.2	93	153	(31.4)	27.2	223
	173	74.6	51.8	99	224	5.6	(4.8)	212	187	(36.7)	17.5	295
	8,423	33.1	15.7	6,329	10,130	38.5	24.9	7,313	8,906	(23.5)	41.9	11,642
	761	24.4	8.2	612	1,347	75.0	57.7	770	203	(46.0)	0.3	375
	5,942	33.3	15.9	4,458	6,709	36.2	22.8	4,925	7,195	(21.0)	46.6	9,107
	476	59.4	38.6	298	376	19.1	7.4	316	-	-	-	-
	161	14.7	(0.3)	140	335	102.1	82.2	166	37	(46.1)	0.0	69
	58	22.2	6.2	47	49	(4.7)	(14.1)	51	-	-	-	-
	378	34.5	17.0	281	1,027	21.5	9.6	845	1,178	(33.5)	23.3	1,773
	648	31.7	14.5	492	287	19.5	7.8	240	293	(7.7)	71.3	318

Pensions and Insurance

In 2010 the Pensions and Insurance unit contributed with a net attributable profit of €191m, 28.4% more than in the previous year. There was positive progress in the pension-fund business (€126m, up 19.3%) and the insurance business (€64m, up 50.9%).

Pensions

The year was positive for the pension fund business, despite the more moderate performance of the financial markets compared with 2009. The recovery of the labor markets in the region has improved the volume of fund revenues, which has in turn boosted net fee income in the sector. This has been in an environment in which the impact of regulatory changes in some countries has been negative. At the close of the year, assets under management by all fund managers amounted to €48,800m (up 17.1%), while the funds attracted over the year were up by 16.6% on the figure for 2009. BBVA thus remains the largest pension business group in the region.

In 2010, **AFP Provida in Chile** has transformed its models of customer relationship, with particular focus on pension advice and building customer loyalty, strengthening links with

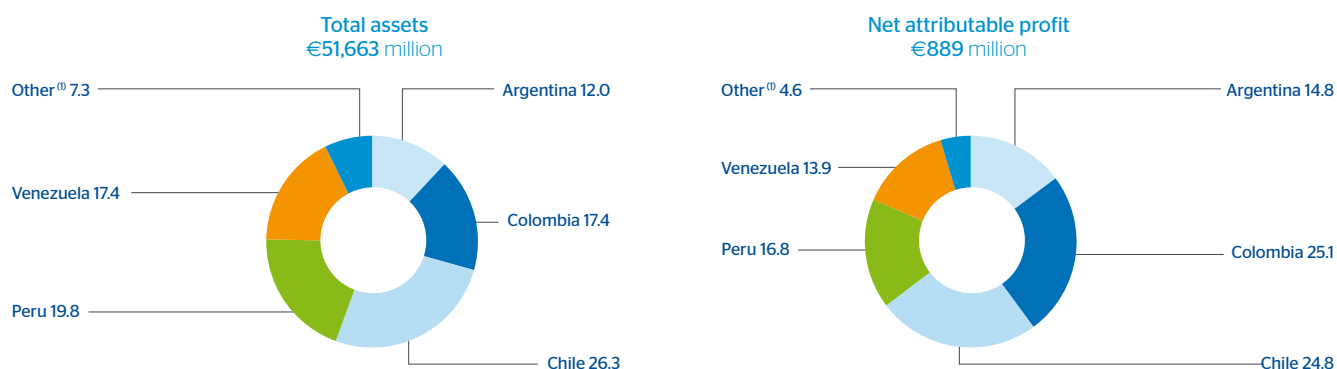
the highest-income segments and providing a range of new voluntary pension savings products. It generated a profit of €89m, 20.8% more than in the previous year, thanks to increased fund revenues (up 9.9%) and its positive effect on the institution's net fee income (up 21.5%). Funds under management increased by 14.0%. **AFP Horizonte in Colombia** increased its assets by 24.3%, its number of pension-savers by 3.8%, and its fund revenues by 32.9%. Profit was €26m. Finally, **AFP Horizonte in Peru** had a profit of €16m, and also increased its fund revenues (up 9.0%), number of pension savers (up 5.3%) and assets under management (up 25.8%).

Insurance

The insurance business also had a very positive year. The BBVA companies were very buoyant commercially (with the launch of new products) and their new distribution and sales channels were consolidated. Thanks to this, the volume of written premiums by all the companies (excluding Colombia, which decreased due to strategic reasons) increased by 28.2% over the year. Combined with the moderate levels of claims and expenses, the result was a net attributable profit of €64m, of which €26m were from the Grupo Consolidar in Argentina, €17m from the Group's companies in Chile, €13m from the Colombian companies and €8m from Seguros Provincial in Venezuela.

35 South America. Distribution of total assets and net attributable profit, by country

(Percentage)



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

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

(Million euros)

Country	Operating income					Net attributable profit				
	2010	Δ%	Δ% at constant exchange rate	2009	2008	2010	Δ%	Δ% at constant exchange rate	2009	2008
Argentina	299	4.3	4.3	287	278	132	1.8	1.8	130	278
Chile	427	22.1	6.1	350	190	221	54.5	34.3	143	190
Colombia	425	4.5	(11.5)	407	362	223	37.2	16.2	162	362
Peru	515	16.9	4.5	441	342	149	18.1	5.6	126	342
Venezuela	399	(23.7)	43.2	523	559	123	(34.6)	22.8	188	559
Other countries ⁽¹⁾	63	24.0	8.2	51	39	41	36.5	15.0	30	39
Total	2,129	3.4	6.4	2,058	1,770	889	14.0	16.5	780	1,770

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

The United States

This area encompasses the Group's business in the United States and in the Commonwealth of Puerto Rico. It also incorporates the assets and liabilities of BBVA's office in New York, 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.

The **economic surge** in the United States at the end of 2009 lost steam at the start of 2010, although growth continued and ended at 3% for the year as a whole. Even so, the recovery is limited, as is explained in the section "The Economic Background," for three reasons: the slowdown in the real estate market; the weakness in employment; and the deleveraging process in which households are still involved.

Inflation in 2010 continued in check, as forecast, while **interest rates** are expected to remain at exceptionally low levels as long as the economic situation does not improve significantly.

Finally, the **exchange rate** of the dollar against the euro has continued to appreciate. Final exchange rates were up 7.8% in the last twelve months, closing on 31-Dec-2010 at \$1.34/euro. Average rates appreciated by 5.2% to \$1.33/euro. Overall, this has had a positive effect on area's financial statements and business over the year. As is normally the case, the figures below are given at constant exchange rates, unless indicated

otherwise, and both scenarios can be seen in the adjoining tables.

In this situation, the rate at which BBVA USA's **loan book** was shrinking slowed considerably in the final months of 2010. In the last quarter the fall was only 1.8% (-3.1% in the previous quarter), and over the year as a whole the drop was 10.7% to €39,570m. However, it is worth highlighting the selective growth of lending in the area, with a change in the portfolio mix towards items of less cyclical risk resulting from a clear focus on customer loyalty, credit quality, promotion of cross-selling and customer profitability. Thus the residential real estate portfolio increased by 28.6% over the year, while commercial, industrial and corporate loans were up 10.7%. In contrast, the construction real estate portfolio has fallen by 40.7%.

In addition, adequate risk control in 2010 and the proactive measures taken in the fourth quarter of 2009, consisting of additional loan-loss provisioning to increase the coverage ratio in the area, have led to better asset quality. As a result, the **NPA ratio** ended the year at 4.4% (4.2% as of 31-Dec-2009) and the **coverage ratio** was up to 61% (58% 12 months earlier).

Relevant business indicators

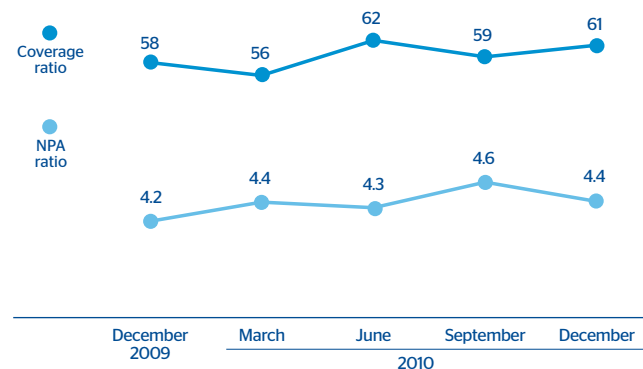
(Million euros and percentages)

	The United States				
	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09	31-12-08
Total lending to customers (gross)	39,570	(3.8)	(10.7)	41,122	41,574
Customer deposits ⁽²⁾	41,354	(32.2)	(37.1)	60,963	50,517
Efficiency ratio (%)	59.6			56.6	62.2
NPA ratio (%)	4.4			4.2	2.5
Coverage ratio (%)	61			58	60

(1) At constant exchange rate.

(2) Excluding deposits and repos issued by Markets unit.

The United States. NPA and coverage ratio (Percentage)



36

Income statement

(Million euros)

	The United States				
	2010	Δ%	Δ% ⁽¹⁾	2009	2008
Net interest income	1,794	6.8	1.3	1,679	1,471
Net fees and commissions	646	5.8	0.3	610	584
Net trading income	156	0.1	(4.9)	156	149
Other income/expenses	(49)	49.4	42.3	(33)	23
Gross income	2,546	5.5	0.1	2,413	2,227
Operating costs	(1,517)	11.2	5.5	(1,365)	(1,384)
Personnel expenses	(753)	7.5	2.0	(701)	(699)
General and administrative expenses	(565)	23.2	17.0	(458)	(441)
Depreciation and amortization	(199)	(3.1)	(7.9)	(205)	(244)
Operating income	1,029	(1.8)	(7.0)	1,048	843
Impairment on financial assets (net)	(703)	(50.5)	(52.9)	(1,420)	(379)
Provisions (net) and other gains (losses)	(22)	(97.9)	(98.0)	(1,056)	(17)
Income before tax	304	n.m.	n.m.	(1,428)	447
Income tax	(68)	n.m.	n.m.	478	(139)
Net income	236	n.m.	n.m.	(950)	308
Non-controlling interests	-	-	-	-	-
Net attributable profit	236	n.m.	n.m.	(950)	308
Net one-offs ⁽²⁾	-	n.m.	n.m.	(1,050)	-
Net attributable profit (excluding one-offs)	236	134.9	116.8	100	308

(1) At constant exchange rate.

(2) In the fourth quarter of 2009, 533 million euros extraordinary allocation to provisions and 998 million euros goodwill impairment charge, both amounts before tax.

Balance sheet

(Million euros)

	The United States				
	31-12-10	Δ%	Δ% ⁽¹⁾	31-12-09	31-12-08
Cash and balances with central banks	2,284	162.3	143.3	871	699
Financial assets	7,469	7.4	(0.4)	6,953	9,717
Loans and receivables	39,729	(6.4)	(13.2)	42,437	42,595
Loans and advances to customers	38,408	(4.1)	(11.1)	40,056	40,926
Loans and advances to credit institutions and other	1,321	(44.5)	(48.5)	2,381	1,669
Inter-area positions	4,883	(80.1)	(81.6)	24,581	18,852
Tangible assets	795	11.8	3.7	711	772
Other assets	2,453	4.7	(2.9)	2,342	1,489
Total Assets/Liabilities and Equity	57,613	(26.0)	(31.4)	77,896	74,124
Deposits from central banks and credit institutions	6,690	(8.1)	(14.8)	7,280	11,034
Deposits from customers	42,343	(31.9)	(36.9)	62,200	55,533
Debt certificates	501	(1.7)	(8.8)	510	662
Subordinated liabilities	1,141	2.0	(5.4)	1,118	1,460
Inter-area positions	-	-	-	-	-
Financial liabilities held for trading	360	92.9	78.9	187	451
Other liabilities	3,838	6.1	(1.6)	3,617	2,453
Economic capital allocated	2,741	(8.2)	(14.8)	2,985	2,531

(1) At constant exchange rate.

Customer deposits also decreased over the year as a whole by 37.1% to €41,354m. However, it is important to highlight the

excellent performance of lower-cost deposits, which were up 7.7%, in detriment to term deposits, which were down by 20.7% in the same period.

The area's **net attributable profit** was €236m. It is worth noting that in 2009 the profit was affected by various one-off costs. First, loan-loss provisions made to increase the coverage ratio in the area; and second, deterioration of goodwill generated in the successive acquisitions made to construct the United States franchise. If these two items are excluded, the net attributable profit in 2010 still registers an increase of 116.8% compared with the figure excluding one-offs in 2009.

This increased profit is the result partly of the strength of the **gross income**, which ended the year at €2,546m (up 0.1% using constant-exchange rates and 5.5% excluding the exchange-rate effect), thanks to the contribution of Guaranty and the repricing effort made. Another positive effect is from the reduction of **impairment losses on financial assets** as a result of the change in the loan portfolio mix to lower-risk items (excluding last-year's one-offs, this item fell by 24.6%). Finally, the lack of additional charges such as the deterioration in goodwill in 2009 also had a positive impact.

37 The United States. Key activity data

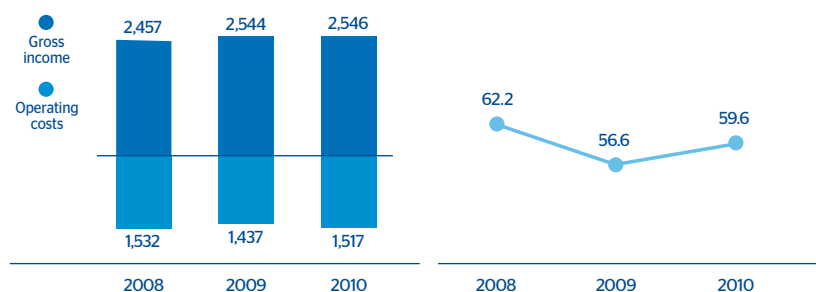
(Million euros at constant exchange rate)



38 The United States. Efficiency

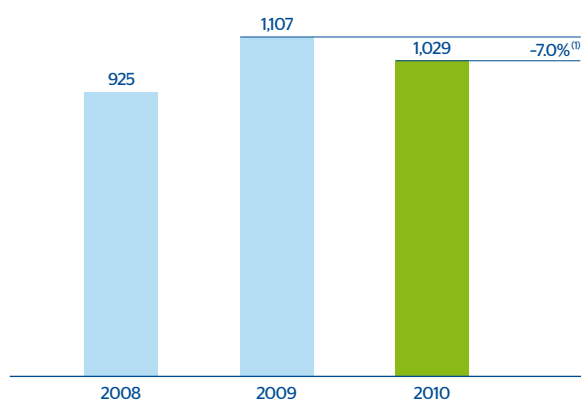
(Million euros)

Efficiency (Percentage)



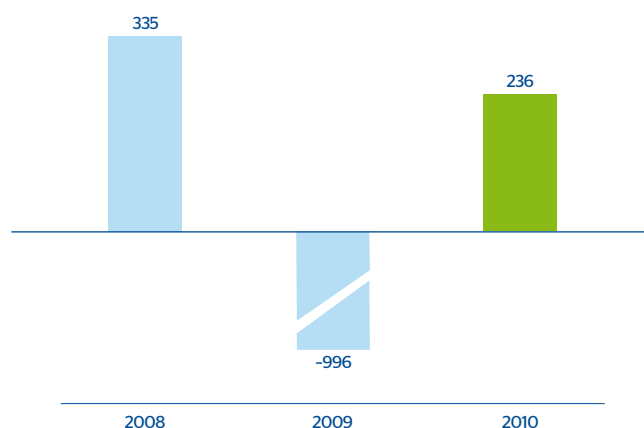
39 The United States. Operating income

(Million euros at constant exchange rate)



The United States. Net attributable profit

(Million euros at constant exchange rate)



40

Area strategy

In **2010**, the United States area focused on:

- The consolidation of the **BBVA franchise** in the country. This has led to increased revenue synergies, more effective and better coordinated management of risks, relations with supervisory bodies and access to financial markets, as well as a notable gain in market share. BBVA is now in 18th place in the United States in terms of volume of customer funds, compared with 24th place a year earlier. These results are explained by the successful integrations of Guaranty, BBVA Bancomer USA and the WB&AM business in the country within BBVA Compass.
- The **Transformation Plan** for the business to a customer-centric model. A number of initiatives have been undertaken in this respect. First, the sales process has been transformed through the introduction of a new working environment following the implementation of the "Business Scenarios" tool. This provides an integrated view of the customer at the start of each of the business processes and makes the customer relationship easier. This has had a positive impact on commercial productivity. The development and introduction of this tool also ensures progress in the process of aligning the infrastructure of BBVA Compass with the corporate technological platform. Second, a new value-based customer segmentation has been introduced, by which customers are offered different products and services depending on their specific needs, as well as being assigned appropriate managers and/or advisers.
- Improvement in **distribution** capacity through the implementation of the corporate management and sales model. This has also led to an increase in commercial productivity, thanks to factors such as the greater use of alternative channels to the branch network, such as cell phones and the Internet.
- BBVA's new **brand positioning** in the country. A long-term agreement has been signed with the National Basketball Association (NBA) to turn the Group into the official bank of the most important basketball league in the world. This

strategic alliance represents a gain in global dimension for BBVA, and also responds to its commitment to sport and sporting values. The first advertising campaign in the United States promoting the NBA sponsorship has already been launched, called "Team. Works." It emphasizes the importance of teamwork in achieving success, and the Bank's effort to become a team colleague and create winning experiences. Another key component of this association is support for "NBA Cares," the league's social responsibility initiative. The aim is to remodel schools in the five markets where BBVA Compass operates.

- Strict monitoring and **risk** control, which has resulted in selective growth in the loan book towards lower-risk items. The aim of these measures is also to prepare the Bank for the new economic and regulatory environment to be faced by the sector.

The management priorities for **2011** will continue in line with the work begun and developed in 2010, and focus on:

- Making progress in implementing the **technological platform**. The implementation will be the basis for the new strategic growth plan for the area.
- Developing, attracting and retaining the best **talent**.
- Continuing to work on the new **brand positioning**. This will include the development of a new design for the branch network. The various acquisitions in recent years have resulted in a mixture of images in each of the branches forming the United States franchise. It is therefore crucial to continue with the creation of a single branch format to strengthen BBVA's brand image.
- Implementing a **Differentiation Plan** that is capable of supplying the products and services required for the needs of the Bank's different customers through the appropriate channels. And, of course, technology will play an important role in all this.

To sum up, work will continue in 2011 with a customer-centric approach, in line with the Group's corporate model.

BBVA Compass Banking Group

BBVA Compass represents approximately 74% of the area's total assets and garners the retail and corporate banking business in the United States (excluding Puerto Rico).

At the close of 2010, the **loan book** was down 7.1% year-on-year to €31,256m. The fall in lending is the result of reduced finance for construction real estate and the planned run-off in consumer finance for car dealerships and students. This drop has in part been offset by the increase in residential real estate, which was up 34.7% over the year; and to a lesser extent, by commercial loans, which were up 11.2% on 31-Dec-2009. It is worth noting that \$3,294m in new residential mortgages were generated during the year, 22.3% up on the figure for the previous year. The residential real estate portfolio accounted for 20.8% of total lending in BBVA Compass as

of December 31, 2010, compared with 14.8% in 2009, and commercial loans accounted for 29.7% (25.7% the previous year). In contrast, construction real estate was down 8.1 percentage points to 12.6% and consumer finance down 2.2 pp to 16.3%.

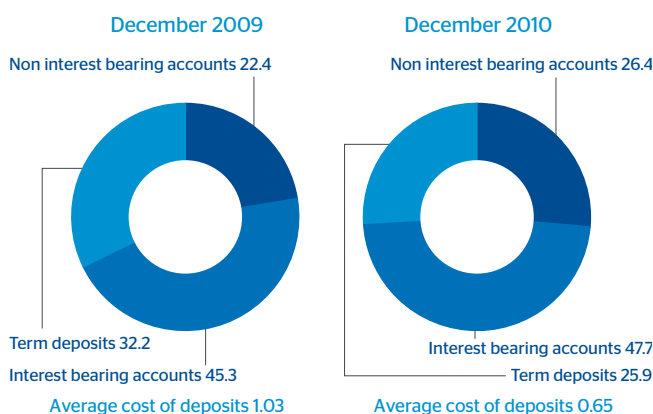
Customer deposits decreased by 1.8% year-on-year to €32,873m as a result of the fall in term deposits (-21.0%). Lower-cost funds such as current accounts were up by 7.7%.

The mix in the loan book and deposits has led to an increase in customer spread of 16 basis points over the year. This is because the interest rates accrued on customer deposits have fallen more than the yield on loans (despite the change in the mix towards items with lower risk and spread). As a result, the net interest income of €1,566m is 7.1% up on the figure for 2009, while net fees and commissions have increased by 1.0% over the same period. Although both net trading income and the other gains (losses) item were down, **gross income** ended the year at €2,168m, 2.7% up on 2009. However, the increased operating expenses, due to the process of integrating Guaranty, led to a 1.7% fall in the **operating income** over the previous year to €816m. Impairment on financial assets improved significantly, reflecting the exceptional measures taken in 2009 and the risk control mechanisms implemented over this year. As a result, the **net attributable profit** increased to €149m (compared with -€1,063m in 2009, or €42m without one-off charges, at constant exchange rates).

Below are the highlights of each of the units making up BBVA Compass:

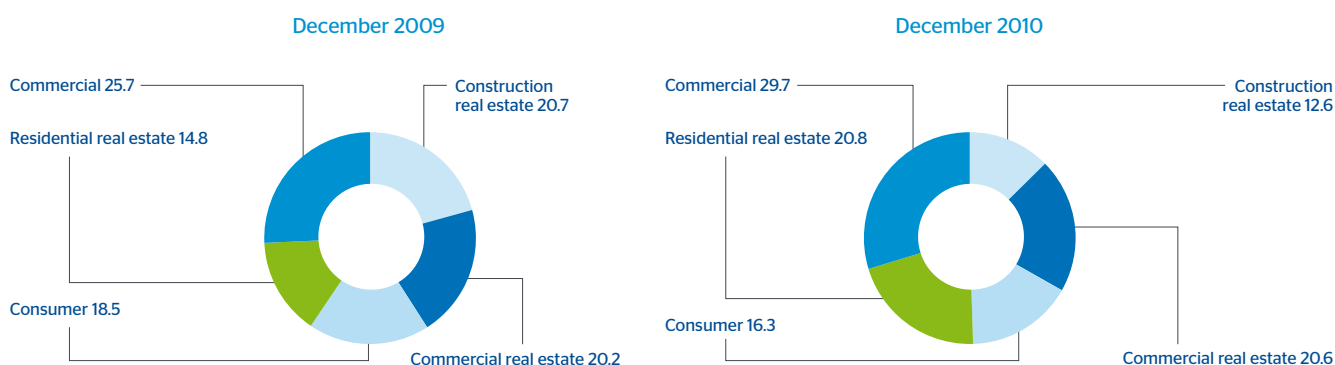
41 BBVA Compass Banking Group Deposit mix

(Percentage)



42 BBVA Compass Banking Group. Loan mix

(Percentage)



- As of December 2010, **Commercial Banking**, the unit that handles business with SMEs, managed a loan portfolio of €15,927m (down 13.9% year-on-year) and customer deposits of €8,789m (up 7.2%). This is the result of a reduction in finance for real-estate developers (-45.2%), which was partly offset by a notable effort made by BBVA Compass with SMEs. A number of products have been launched aimed at SMEs, such as the Integrated Payables, which offers a way of combining payments into a single file and route them using the lowest cost method, and the updating of the Controlled Disbursement Account, which provides customers with the CDA Perfect Presentation reports that notify them of all the checks entering their accounts each day and thus enables companies to maximize their liquidity management.

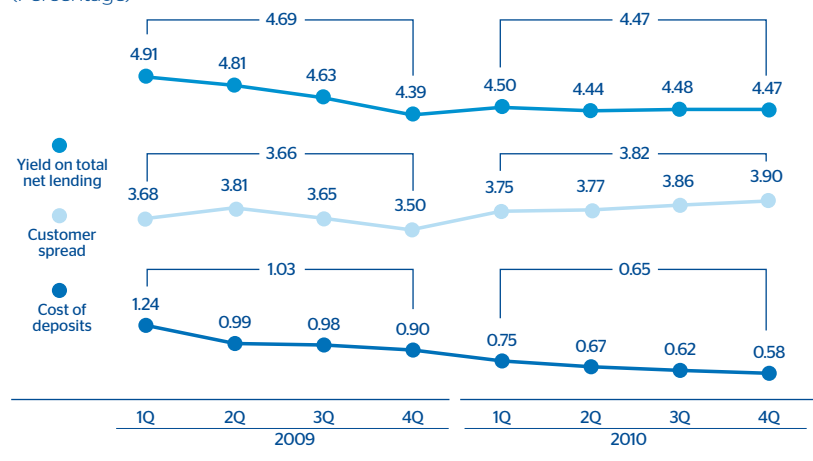
- Corporate Banking**, specialized in large corporations, has increased its loan book by 3.2%, with a major rise in deposits (up 80.5%).

- Retail Banking** has a volume of loans of €10,730m (up 4.3%). The reduction in the auto dealer and student loan portfolios was more than offset by an increase in residential real estate. Customer funds fell by 6.8%, due to the 9.0% reduction in higher-cost funds, while more liquid funds increased by 2.8%. BBVA Compass and SmartyPig concluded a strategic alliance in 2010 through which BBVA Compass will act as a depository for SmartyPig customers in the United States. Compass for your Cause, a program designed for NGOs and launched at the end of 2009, has not only tripled the number of organizations involved, but increased the number of donors to NGOs by more than 700%. Finally, in the health sector, joint teams have been formed made up of representatives from the Retail, Commercial, Wealth Management and Insurance units. They offer a wide variety of products, including a new service that allows payments to be collected from patients at medical consultations.

- The **Wealth Management** unit has a loan book of €2,047m, deposits of €3,686m and assets under management of €13,188m. In 2010 it launched the fixed-income product

Customer spread. BBVA Compass

(Percentage)



Fixed Annuity, which has attracted \$350m in similar assets from other banks. The Managed Money plan offers customers who do not meet the typical Wealth Management profile the chance to have an investment account managed by professionals.

- Finally, the business in **New York** follows the same pattern as the rest of the WB&AM units in the Group: a focus on higher added-value and more loyal customers, price management and the promotion of cross-selling. As a result, the loan book was down by 31.4%, while gross income only fell by 17.9%. NPA still barely exist, and the greater loan-loss provisions compared to the previous year have resulted in increased coverage.

Other units

As of December 31, 2010, **BBVA Puerto Rico** managed a loan portfolio of €2,850m, down 9.3% from the previous year. Customer deposits amounted to €1,588m, at similar levels to the close of 2009. In all, the operating income fell over the year by 100% to €70m, but the reduced impairment losses on financial assets (a year-on-year fall of 64.1%) pushed the net attributable profit to over €1m, compared with a loss of €71m in the previous year.

Finally, **BTS** reported a net attributable profit of €11m, €1.7m down on the previous year. Revenues dropped 9.5% as the number of transactions declined by 4.0%.

Wholesale Banking & Asset Management

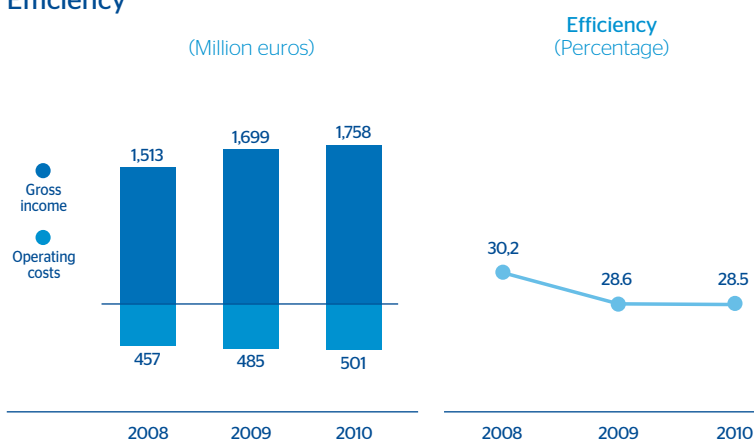
The Wholesale Banking & Asset Management (WB&AM) area handles the Group's wholesale businesses and asset management in all the geographical areas where it operates. For the purposes of this financial report, the business and revenues of the units in the Americas are recorded in their respective areas (Mexico, South America and the United States). WB&AM

is organized in three main business units: Corporate and Investment Banking (C&IB), Global Markets (GM) and Asset Management (AM). It also includes the Industrial and Real Estate Holdings unit and the Group's holdings in the CITIC financial group.

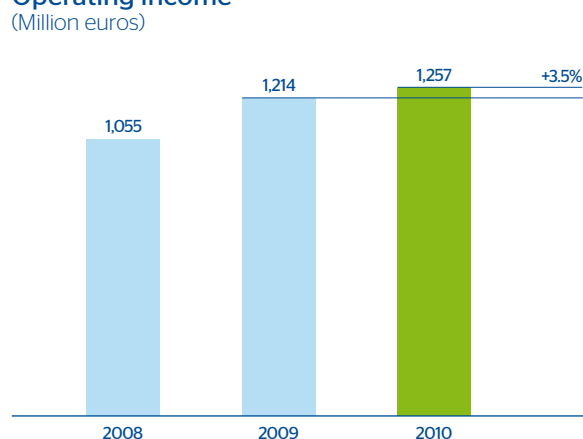
The area once more showed a clear customer focus and a high level of recurrence and quality in its revenues in 2010, despite the economic upheaval in the markets. Accumulated **gross income** amounted to €1,758m, 3.4% up on 2009, supported by recurring revenue (net interest income and net fees) from C&IB and the increased contribution from the CITIC group. Operating costs ended the year 3.3% up on the figure for 2009, mainly the result of systems investments and the various growth plans implemented in all the geographical areas. **Operating income** increased by 3.5% on 2009 to €1,257m.

WB&AM continues with an excellent level of **asset quality**, with a low non-performing asset

44 Wholesale Banking & Asset Management Efficiency

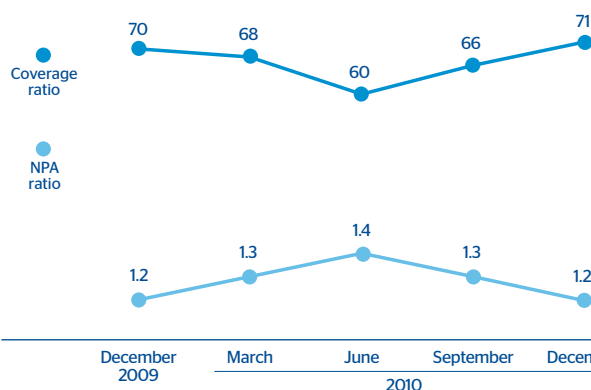


45 Wholesale Banking & Asset Management Operating income



Wholesale Banking & Asset Management NPA and coverage ratio

(Percentage)



46

Income statement

(Million euros)

	Units									
	Wholesale Banking & Asset Management				Corporate and Investment Bankng			Global Markets		
	2010	Δ%	2009	2008	2010	Δ%	2009	2010	Δ%	2009
Net interest income	831	(15.4)	982	618	507	12.1	452	382	(34.0)	579
Net fees and commissions	492	6.8	461	375	351	15.7	304	39	(15.8)	47
Net trading income	(66)	13.1	(59)	114	58	25.8	46	(162)	(2.1)	(165)
Other income/expenses	500	59.2	314	406	-	-	-	156	17.5	133
Gross income	1,758	3.4	1,699	1,513	916	14.2	802	415	(30.0)	593
Operating costs	(501)	3.3	(485)	(457)	(151)	10.4	(137)	(213)	(0.4)	(214)
Personnel expenses	(330)	3.3	(319)	(279)	(90)	11.2	(81)	(116)	(3.0)	(119)
General and administrative expenses	(162)	3.8	(156)	(171)	(59)	9.7	(54)	(96)	2.9	(93)
Depreciation and amortization	(9)	(7.6)	(10)	(8)	(1)	(6.8)	(1)	(1)	(6.2)	(2)
Operating income	1,257	3.5	1,214	1,055	765	15.0	665	202	(46.6)	379
Impairment on financial assets (net)	(116)	92.9	(60)	(171)	(49)	(28.5)	(69)	(31)	n.m.	3
Provisions (net) and other gains (losses)	2	n.m.	(4)	4	2	n.m.	(2)	-	-	-
Income before tax	1,143	(0.6)	1,150	888	718	20.8	595	171	(55.2)	382
Income tax	(192)	(34.8)	(294)	(160)	(212)	21.9	(174)	(29)	(69.7)	(97)
Net income	951	11.2	856	728	506	20.4	421	142	(50.3)	285
Non-controlling interests	(2)	(53.2)	(3)	(6)	-	-	-	-	n.m.	(2)
Net attributable profit	950	11.4	852	722	506	20.4	421	142	(50.0)	283

Balance sheet

(Million euros)

	Units									
	Wholesale Banking & Asset Management				Corporate and Investment Bankng			Global Markets		
	31-12-10	Δ%	31-12-09	31-12-08	31-12-10	Δ%	31-12-09	31-12-10	Δ%	31-12-09
Cash and balances with central banks	1,768	189.9	610	1,488	153	124.7	68	1,607	200.4	535
Financial assets	55,729	(8.7)	61,024	64,113	405	(3.2)	418	52,041	(10.9)	58,441
Loans and receivables	48,346	13.2	42,695	56,871	30,607	(0.7)	30,808	16,700	57.6	10,598
Loans and advances to customers	35,754	16.5	30,684	39,846	28,490	(2.8)	29,323	7,026	n.m.	1,222
Loans and advances to credit institutions and other	12,591	4.8	12,011	17,024	2,118	42.6	1,485	9,674	3.2	9,376
Inter-area positions	12,644	n.m.	-	-	-	-	-	28,676	53.2	18,714
Tangible assets	35	8.9	32	39	1	47.3	1	3	(9.0)	3
Other assets	3,000	36.3	2,202	1,548	25	(13.2)	29	1,208	3.7	1,165
Total Assets/Liabilities and Equity	121,522	14.0	106,563	124,058	31,191	(0.4)	31,324	100,235	12.1	89,455
Deposits from central banks and credit institutions	31,575	0.6	31,399	22,292	3,512	n.m.	573	27,815	(9.1)	30,615
Deposits from customers	43,819	25.7	34,864	36,089	10,608	3.7	10,233	33,210	34.8	24,630
Debt certificates	1	n.m.	-	191	1	n.m.	-	-	-	-
Subordinated liabilities	2,322	18.0	1,967	2,150	837	0.1	836	565	19.2	475
Inter-area positions	-	n.m.	183	16,918	13,321	(20.7)	16,790	-	-	-
Financial liabilities held for trading	34,812	13.0	30,799	38,303	-	-	-	34,811	13.0	30,799
Other liabilities	5,113	36.8	3,738	4,534	1,664	18.4	1,405	2,833	35.0	2,099
Economic capital allocated	3,879	7.4	3,613	3,581	1,247	(16.0)	1,486	999	19.3	838

Relevant business indicators

(Million euros and percentages)

	Wholesale Banking & Asset Management			
	31-12-10	Δ%	31-12-09	31-12-08
Total lending to customers (gross)	36,197	16.5	31,058	40,695
Customer deposits	27,632	(15.7)	32,788	37,356
Deposits	21,118	(16.3)	25,220	27,520
Assets sold under repurchase agreements	6,515	(13.9)	7,568	9,837
Off-balance sheet funds	10,785	(3.2)	11,139	10,824
Mutual funds	3,576	(8.6)	3,914	4,014
Pension funds	7,209	(0.2)	7,224	6,810
Efficiency ratio (%)	28.5		28.6	30.2
NPA ratio (%)	1.2		1.2	0.2
Coverage ratio (%)	71		70	797

ratio (1.2%), a high coverage ratio of 71%.
Loan-loss provisions are €116m, barely 9.2% of the operating income in the area. **The net**

attributable profit for the year was €950m (€852m in 2009).

In terms of business activity, the area's **gross lending** as of 31-Dec-2010 was up 16.5% to €36,197m. This is the result of a greater volume of temporary asset acquisitions in Global Markets, as in C&IB the trend continues to be contained, with a year-on-year fall in gross customer lending of 2.7%. This is because improving asset quality means focusing on customers with a greater loyalty, profitability and credit quality. **Customer funds** (deposits, mutual funds and pension funds) closed the year at €31,903m, 12.3% below the figure for 2009.

The business and earnings of WB&AM units in **the Americas** are recorded in the United States, Mexico and South America. Adding these to the above results, the area's combined contributions to the Group are those shown in the table below.

Wholesale Banking & Asset Management including the Americas

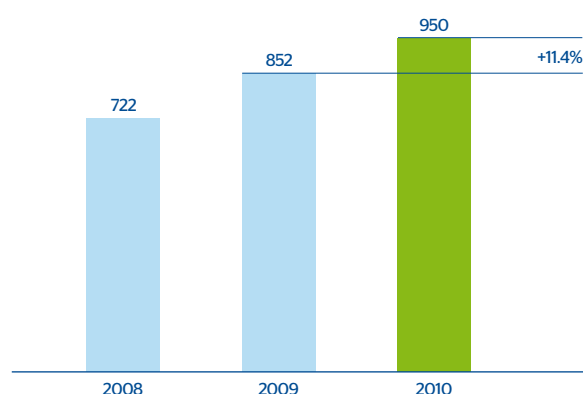
(Million euros)

Income statement	2010	Δ%	2009	2008
Gross income	3,029	(0.8)	3,052	2,626
Administration costs	(800)	7.7	(743)	(708)
Operating income	2,229	(3.5)	2,309	1,918
Income before tax	2,033	(5.2)	2,144	1,679
Net attributable profit	1,486	3.6	1,434	1,169

Balance sheet	31-12-10	Δ%	31-12-09	31-12-08
Total lending to customers (gross)	54,669	13.8	48,054	61,649
Customer funds on balance sheet	48,532	(32.8)	72,208	75,326
Other customer funds	10,294	(4.9)	10,826	20,257
Total customer funds	58,825	(29.2)	83,033	95,584
Economic capital allocated	4,320	5.1	4,111	4,532

47 Wholesale Banking & Asset Management Net attributable profit

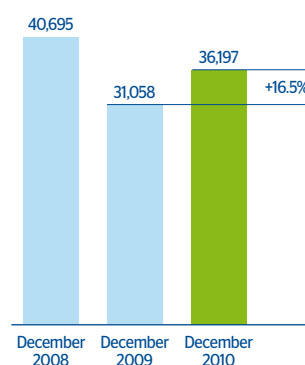
(Million euros)



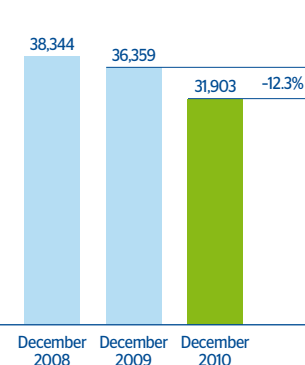
48 Wholesale Banking & Asset Management Key activity data

(Million euros)

Customer lending (gross)



Customer funds



Area strategy

In a difficult year for the markets, WB&AM achieved excellent results thanks to the implementation of a Transformation Plan resting on four key pillars: **globalization**; improved **customer relations**; a wide range of added-value **products and services**; and **risk** discipline aimed at optimizing the use of economic capital.

The Transformation Plan has laid the foundations for a successful future. WB&AM is to implement a **Growth Plan** that involves a change in the organization of the area, ranging from coordination between the different units of the geographical areas to effective integration. It has a threefold objective:

- Strengthen the area's positioning in core markets.
- Take advantage of its major presence in Latin America.
- Export the business model to other geographical areas.

This requires the support of three factors: commercial processes, technology and talent.

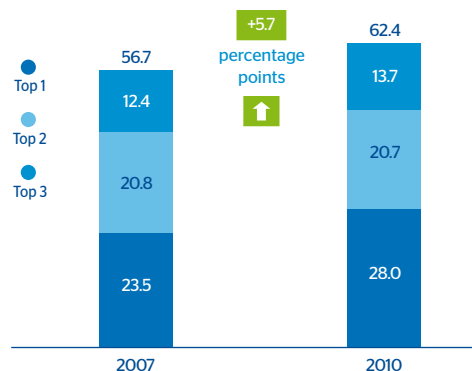
- Progress has to be made in strengthening **commercial processes** to optimize the

desired relationship with customers, and to improve standardization in all geographical areas, both in terms of the approach to the different customer segments and the different products and services offered.

- New investment has to be undertaken in **technology**, including the implementation of a single integrated IT platform.
- Investment to attract and retain **talent** is particularly important.

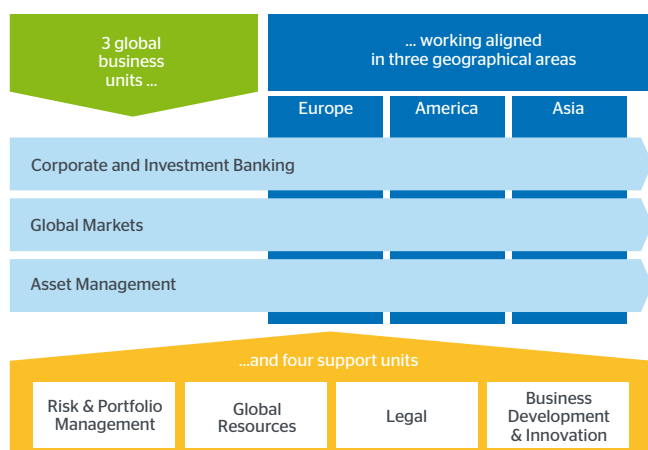
2011 will be a difficult year, but the area will work on these fronts to achieve its objectives.

Wholesale Banking & Asset Management First financial services provider (Percentage)

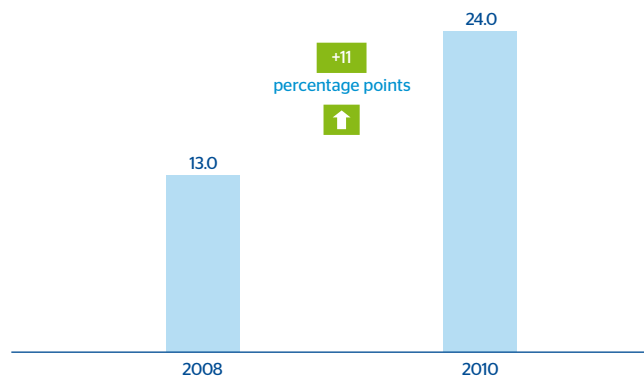


Source: Inmark, Corporates Spain and Corporates Latin America.

49 Wholesale Banking & Asset Management Value chain coordination



Wholesale Banking & Asset Management RAR evolution (Percentage)



Corporate and Investment Banking

This unit coordinates the origination, distribution and management of a complete catalog 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). This business model allows BBVA to consolidate the strong positioning of C&IB in Spain and Latin America; at the same time, a selective customers attraction approach is being developed in Europe and Asia.

Recurrent revenues have performed particularly well in a context of reduced investment. Net interest income grew by 12.1% in 2010 and as a percentage of average total assets it was 1.66% at the close of the year, compared with 1.27% at the end of 2009. Net fees increased by 15.7% to €351m in the same period. As a result, **gross income** grew by 14.2% in the area to €916m, and the **operating income** was up 15.0% to €765m. **Net attributable profit** increased by 20.4% to €506m from €421m in 2009.

The activity of the **Structured Finance** unit has consolidated BBVA as one of the top entities in the business across Europe, the Americas and Asia. Related to the Energy sector, BBVA has remained active in renewable energies in all the geographical areas in which it operates. It has structured and led operations in the solar thermal, wind power and gas sectors. In the gas sector it has participated in Nordstream I, the most extensive operation undertaken in Europe, which consisted in the construction of a gas pipeline between Russia and Germany. In transport infrastructure, BBVA once more had a leading position in the financing of major projects in Australia, Portugal, Spain and France. The Bank has also exported its experience in public-private partnership models to the field of social infrastructure. The Americas closed a very successful year, particularly with operations such as Long Beach Court House and Hydrochile. In the United States, BBVA is also leader in the number of wind-power operations, with a total of nine.

In **Structured Trade Finance**, the first deal with Sinasure coverage (the China Export and

Credit Insurance Corporation) was signed with the participation of CNCB. BBVA has been the first Spanish bank to achieve this. The first transactions have also been concluded in the new Frankfurt office. Major operations in Mexico include the financing of capital goods to develop the electrical power plant in Manzanillo and to extend the Volkswagen plant in Puebla. Finally, for the second year in a row BBVA received the award for the best bank in Trade Finance in Latin America from the three most important publications in the sector: *Trade Finance Magazine*, *Global Trade Review* and *Trade & Forfeiting Review*. According to *Dealogic*, the Group once more ended the year in first place by number of deals at a global level.

Corporate Finance has participated in leading advisory operations. Among these was the sale of Endesa Cogeneración y Renovables to Enel Green Power, considered one of the most important deals in Spain in 2010, and the acquisition of Talecris by Grifols, the most important cross-border transaction this year with a Spanish buyer. The unit closed 2010 in a leading position in the Spanish ranking by number of deals announced (14), according to *Thomson Reuters*.

In **Equity Capital Markets** the reduced Spanish market activity in 2010 has been offset by participation in international operations. Outstanding operations have been the initial public offering of Enel Green Power, the biggest in EMEA (Europe, the Middle East and Asia) since 2008; and OHL Mexico, the biggest in the country for the last ten years. Following these and other operations, BBVA has won the first place in the Thomson Reuters Mexican equity capital markets ranking.

BBVA was very active in **Debt Capital Markets** in 2010, and closed the year in top positions in both Spain and in Latin America.

In **bonds**, BBVA consolidated its leading position in the Spanish market in 2010, and repeated its number one spot both in terms of volume and number of operations (according to *Dealogic* and Thomson Reuters). At the close of the year, the Group had a market share of 10.8% in volume placed, over €15,000m through 69 operations by financial, institutional and corporate issuers. Specifically, there were three syndicated transactions with the Kingdom of Spain, one of which received an award from *Credit Magazine* as Best Euro Sovereign Bond. There has also been excellent activity in Europe, the United States and Latin

Project Finance, Structured Trade Finance y Corporate Finance

Most significant transactions in 2010

<p>2010 Sweden</p> <p>SKK 9,321,832,562</p> <p>Hospital PPP</p> <p>KAROLINSKA University Hospital</p> <p>SKANSKA</p> <p>Project Finance</p> <p>Mandated lead arranger</p>	<p>2010 Portugal</p> <p>EUR 1,400,000,000</p> <p>Pinhal Interior Highway</p> <p>aenor pinhal interior</p> <p>Project Finance</p> <p>Mandated lead arranger</p>	<p>2010 Portugal</p> <p>EUR 467,475,441</p> <p>ENEOP</p> <p>ENEOP</p> <p>Project Finance</p> <p>Mandated lead arranger</p>	<p>2010 Spain</p> <p>EUR 225,000,000</p> <p>Dioxipe</p> <p>enerfin sociedad de energía</p> <p>Project Finance</p> <p>Mandated lead arranger</p>
<p>2010 Australia</p> <p>AUD 970,000,000</p> <p>Peninsula Link</p> <p>southernway</p> <p>Project Finance</p> <p>Mandated lead arranger</p>	<p>2010 United States</p> <p>USD 348,000,000</p> <p>Fowler Ridge II</p> <p>bp Sempra Energy</p> <p>Project Finance</p> <p>Coordinating bank Mandated lead arranger</p>	<p>2010 United States</p> <p>USD 440,000,000</p> <p>Long Beach Court House</p> <p>meridiam infrastructure</p> <p>Project Finance</p> <p>Joint bookrunner, joint mandated lead arranger, hedge provider, admin, agent, collateral agent, deposit account bank</p>	<p>2010 Chile</p> <p>USD 186,000,000</p> <p>Ruta 160</p> <p>acciona</p> <p>Project Finance</p> <p>Joint mandated lead arranger, hedge provider, admin, agent</p>
<p>2010 Mexico and Caribbean</p> <p>USD 265,000,000</p> <p>Playa</p> <p>Playa HOTELS & RESORTS</p> <p>Project Finance</p> <p>Financial advisor and Mandated lead arranger</p>	<p>2010 Mexico</p> <p>USD 495,000,000</p> <p>PetroRig III</p> <p>GRUPO R</p> <p>Project Finance</p> <p>Coordinating mandated lead arranger, bookrunner & sole underwriter, financial advisor</p>	<p>2010 Canada</p> <p>CAD 114,500,000</p> <p>Glen Dhu</p> <p>INVERWANT Shear Wind / Inc.</p> <p>Project Finance</p> <p>Administrative agent, sole bookrunner, sole coordinating bank, mandated lead arranger</p>	<p>2010 Brazil</p> <p>USD 1,050,000,000</p> <p>ODN I & II</p> <p>ODEBRECHT OIL & GAS</p> <p>Project Finance</p> <p>Joint lead arranger, joint bookrunner, coordinator</p>
<p>July 2010 Spain</p> <p>hispat</p> <p>Buyer's Credit USD 69,000,000 EUR 109,700,000</p> <p>coface</p> <p>8.5 years</p> <p>Structured Trade Finance</p> <p>USD 34,500,000 EUR 55,000,000</p> <p>Mandated lead arranger</p>	<p>June 2010 Spain</p> <p>ferrovial</p> <p>Guarantee 250,000,000 USD</p> <p>CESCE</p> <p>6 years</p> <p>Structured Trade Finance</p> <p>USD 250,000,000</p> <p>Mandated lead arranger</p>	<p>2010 Spain</p> <p>Import</p> <p>Import finance lease facility EUR 60,000,000</p> <p>SINOSURE</p> <p>5 years</p> <p>Structured Trade Finance</p> <p>EUR 24,000,000</p> <p>Mandated lead arranger</p>	<p>July 2010 United States</p> <p>TENASKA</p> <p>Borrowing base SCTF 1,000,000,000 USD</p> <p>4 years</p> <p>Structured Trade Finance</p> <p>USD 50,000,000</p> <p>Participant</p>
<p>June 2010 Mexico</p> <p>VW</p> <p>8.5 years</p> <p>USD 110,000,000</p> <p>EULER HERMES Credit</p> <p>Structured Trade Finance</p> <p>Mandated lead arranger</p>	<p>2010 Poland</p> <p>MARCEGAGLIA</p> <p>ECA covered supplier's credit EUR 55,000,000</p> <p>SACE</p> <p>5 years</p> <p>EUR 55,000,000</p> <p>Structured Trade Finance</p> <p>Mandated lead arranger</p>	<p>October 2010 Spain/Guatemala</p> <p>IBERDROLA</p> <p>Fairness opinion on the sale of 49% stake in</p> <p>DECA II</p> <p>USD 891,000,000</p> <p>Corporate Finance</p>	<p>July 2010 Spain</p> <p>PASCUAL</p> <p>Financial advisor in the acquisition of Azkoyen Hostelería</p> <p>Mocay CASTA</p> <p>EUR 33,000,000</p> <p>Corporate Finance</p>
<p>July 2010 Spain</p> <p>Pernod Ricard</p> <p>Exclusive financial advisor in the sale of</p> <p>MARQUÉS DE ARIZZO</p> <p>MARQUÉS DE BISCAL MURIEL</p> <p>EUR 28,000,000</p> <p>Corporate Finance</p>	<p>June 2010 United States/Spain</p> <p>Financial advisor of</p> <p>GRIFOLS</p> <p>In the 100% acquisition of</p> <p>Talecris BIOTHERAPEUTICS</p> <p>USD 3,957,000,000</p> <p>Corporate Finance</p>	<p>May 2010 Brazil/Spain</p> <p>Exclusive financial advisor of</p> <p>MAPFRE</p> <p>In the strategic alliance with</p> <p>BANCO DO BRASIL</p> <p>to create two joint venture in life insurance, general insurance and car insurance businesses</p> <p>USD 5,511,000,000</p> <p>Corporate Finance</p>	<p>March 2010 Spain</p> <p>endesa</p> <p>Exclusive financial advisor of Endesa in the sale of ECYR to EGP</p> <p>Enel Green Power</p> <p>EUR 2,439,000,000</p> <p>Corporate Finance</p>

Equity Capital Markets, Bonds and Syndicated Loans

Most significant transactions in 2010

<p>October 2010 Spain/Italy</p>  <p>EUR 2,600,000,000</p> <p>Initial public offering (IPO)</p> <p>Equity Capital Markets</p> <p>Joint bookrunner</p>	<p>October 2010 Germany</p> <p>Deutsche Bank </p> <p>EUR 10,200,000,000</p> <p>Rights issue</p> <p>Equity Capital Markets</p> <p>Bookrunner</p>	<p>November 2010 Mexico</p>  <p>USD 908,000,000</p> <p>Initial public offering (IPO)</p> <p>Equity Capital Markets</p> <p>Joint bookrunner</p>	<p>December 2010 (ongoing) Spain</p>  <p>EUR 500,000,000</p> <p>Rights issue</p> <p>Equity Capital Markets</p> <p>Joint bookrunner</p>
<p>November 2010 Spain</p> <p>BBVA</p> <p>5,059,758,312 EUR</p> <p>Equity Capital Markets</p> <p>Global coordinator</p>	<p>2010 Mexico</p>  <p>MXN 929,999,992</p> <p>IPO</p> <p>Equity Capital Markets</p> <p>Global coordinator</p>	<p>March 2010 France</p> <p>ALSTOM</p> <p>500,000,000 EUR</p> <p>10 years</p> <p>Bonds</p> <p>Bookrunner</p>	<p>September 2010 France</p> <p>AREVA</p> <p>750,000,000 EUR</p> <p>10.5 years</p> <p>Bonds</p> <p>Bookrunner</p>
<p>June 2010 United Kingdom</p> <p>national express</p> <p>GBP 225,000,000</p> <p>10 years</p> <p>Bonds</p> <p>Bookrunner</p>	<p>October 2010 France</p>  <p>EUR 1,000,000,000 EUR 1,000,000,000</p> <p>7 and 12 years</p> <p>Bonds</p> <p>Bookrunner</p>	<p>October 2010 Spain</p>  <p>EUR 750,000,000</p> <p>6 years</p> <p>Bonds</p> <p>Bookrunner</p>	<p>July 2010 Spain</p> <p>BBVA</p> <p>EUR 2,000,000,000</p> <p>3 years Covered Bond</p> <p>Bonds</p> <p>Joint bookrunner</p>
<p>Julio 2010 Spain</p>  <p>EUR 2,000,000,000</p> <p>3 years</p> <p>Bonds</p> <p>Joint bookrunner</p>	<p>July 2010 Spain</p>  <p>EUR 6,000,000,000</p> <p>10 years</p> <p>Bonds</p> <p>Joint bookrunner</p>	<p>2010 Mexico</p>  <p>USD 1,500,000,000</p> <p>Bonds</p> <p>Joint lead arranger and bookrunner</p>	<p>2010 Mexico</p>  <p>USD 130,000,000</p> <p>Long term bond 5 years</p> <p>Bonds</p> <p>Joint bookrunner</p>
<p>2010 Mexico</p>  <p>USD 400,000,000</p> <p>Long term bond 5 years</p> <p>Bonds</p> <p>Joint bookrunner</p>	<p>June 2010 Spain/United States</p> <p>GRIFOLS</p> <p>USD 4,500,000,000</p> <p>Syndicated loans</p> <p>Underwriter/bookrunner</p>	<p>July 2010 Spain</p>  <p>EUR 8,000,000,000</p> <p>Syndicated loans</p> <p>Bookrunner/mandated lead arranger</p>	<p>July 2010 Spain</p>  <p>EUR 1,400,000,000</p> <p>Syndicated loans</p> <p>Underwriter/bookrunner</p>
<p>April 2010 Italy</p>  <p>EUR 10,000,000,000</p> <p>Syndicated loans</p> <p>Bookrunner/mandated lead arranger</p>	<p>June 2010 France</p>  <p>EUR 4,000,000,000</p> <p>Syndicated loans</p> <p>Bookrunner/mandated lead arranger</p>	<p>October 2010 Germany</p> <p>DAIMLER</p> <p>EUR 7,000,000,000</p> <p>Syndicated loans</p> <p>Bookrunner/mandated lead arranger</p>	

America. In Mexico, a new asset class has been established for placing dollar-denominated bonds with the first issue of Industrias Peñoles stock-market certificates. As a result of these operations and other transactions, BBVA has achieved a leading position in the Loan Pricing Corporation debt capital markets ranking for Mexico.

In **syndicated loans**, BBVA has led the financing of large Spanish and international groups. In Spain, they include the loan arranged for Telefónica to finance the acquisition of a stake in Vivo held by Portugal Telecom, the underwriting of a loan for Red Eléctrica to purchase the electricity networks of Endesa, FCC and Iberdrola, and the finance for Grifols to purchase Talecris. As a result, the Bank has ended the year in first place in the ranking of financial institutions active in the Spanish market (according to *Dealogic* and *Thomson Reuters*). In the international market, BBVA has been present at the highest level in the

operations of groups such as GDF Suez, Anglo American and Vodafone. At the same time, it has increased its presence in Asia and led the syndicated financing of Hutchinson Wampoa, Huawei, Hong Kong Electricity and China Light Power. It has also closed the biggest syndicated loan deal in Mexico for Pemex, at US\$ 3,250m. This puts BBVA at the top of the ranking in this product in the country (according to *Loan Pricing Corporation*).

Finally, within its strategic cross-country and customer focus approach, the **Global Transaction Services** unit has continued to develop products and solutions best suited to covering the transaction needs of customers other than individuals: liquidity management, payment and collection cash flows, working capital requirements, custody services, and securities clearing and settlement. It has also signed an agreement with CNCB for the provision of transactional services to companies and corporations in Spain.

C&IB. Ranking 2010

Product	Location	Ranking	Role	Source	Criteria
Syndicated loans	Spain	1 st	Bookrunner	<i>Dealogic/Thomson Reuters</i>	Volume and number of transactions
	Latin America	1 st	Bookrunner	<i>Dealogic</i>	Volume
	Mexico	1 st	Bookrunner	<i>Loan Pricing Corporation</i>	Volume
Fixed-income origination	Spain	1 st	Bookrunner	<i>Dealogic/Thomson Reuters</i>	Volume and number of transactions
	Mexico ⁽¹⁾	3 rd	Bookrunner	<i>Bloomberg</i>	Volume
Project Finance	Spain	2 nd /3 rd	Mandated lead manager	<i>Dealogic</i>	2 nd Number of transactions/ 3 rd volume
	Europe	2 nd	Mandated lead manager	<i>Dealogic</i>	Number of transactions
	Latin America	3 rd	Mandated lead manager	<i>Dealogic</i>	Number of transactions
	Mexico	3 rd	Mandated lead manager	<i>Dealogic</i>	Number of transactions
	Global	3 rd	Mandated lead manager	<i>Dealogic</i>	Number of transactions
	Global (PFI/PPP) ⁽²⁾	4 th	Mandated lead manager	<i>Dealogic</i>	Number of transactions
Equity capital markets	Spain	4 th	Bookrunner/Global coordinator	<i>Dealogic</i>	Volume
	Mexico	1 st	Bookrunner/Global coordinator	<i>Thomson Reuters</i>	Volume
Corporate finance	Spain	3 rd	Financial advisor	<i>Thomson Reuters</i>	Number of transactions
Trade finance	Latin America	1 st /2 nd	Mandated lead manager	<i>Dealogic</i>	1 st Number of transactions/ 2 nd volume
	Asia-Pacific ⁽³⁾	1 st	Mandated lead manager	<i>Dealogic</i>	Volume and number of transactions
	Western Europe	1 st /3 rd	Mandated lead manager	<i>Dealogic</i>	1 st Number of transactions/ 3 rd volume
	BRIC	1 st	Mandated lead manager	<i>Dealogic</i>	Volume and number of transactions
	Global	1 st /3 rd	Mandated lead manager	<i>Dealogic</i>	1 st Number of transactions/ 3 rd volume

(1) Domestic issues in local currency, including BBVA's issues.

(2) PFI = Public Finance Initiative, PPP = Public-Private Partnership.

(3) Excluding Japan.

C&IB. Awards 2010

Product	Award	Category/Media	Location
Fixed income origination	Sovereign Bond category. Kingdom of Spain deal	Credit Awards / Incisivemedia	Europe
Syndicated loans	Best Syndicated Loan. Grupo México	Latin Finance Awards / Latin Finance	Latin America
	Latino America Loan. Americans Mining Corp.	International Financial Review / Thomson Reuters	Latin America
Equity capital markets	Best Primary Equity Issue. Grupo Commercial Chadreaui	Latin Finance Awards / Latin Finance	The Americas
Structured trade finance	Best Trade Finance Bank in Latin America 2010	Global Trade Review / Trade & Forfaiting Review / Trade Finance Magazine	Latin America
Project finance	5 Deals of the Year 2010 (3 Europe, 2 America)	Project Finance Magazine Awards / Euromoney	Europe/ the Americas
Cash management	Best provider of cash management enterprises services in Spain	Cash Management Poll / Euromoney	Europe
Institutional custody	Top Rated in Spain	Global Investor Magazine / Euromoney	Spain
Project finance	Transport/Road Deal of the year. Peninsula link	Project Finance Magazine Awards	Asia-Pacific

Global Markets

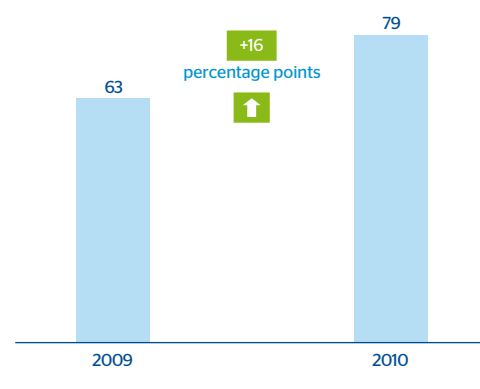
This unit handles the origination, structuring, distribution and risk management of market products traded through markets in Europe, Asia and the Americas.

In 2010, GM has continued with its **geographical diversification** by extending its product and distribution capacities in the main international financial centers. Currently, 67.4% of its revenues are generated outside Spain. In order to continue with its globalization process, the unit is strengthening its international presence with significant investments in technology and innovation and the recruitment of highly experienced professionals, basically in New York, Hong Kong and London markets.

There has been exponential growth on the Asian, New York and Latin American trading floors (particularly Chile). In Europe, despite the difficult

Global Markets. Customer income evolution

(As a percentage of total income)



53

52 Global markets. Income distribution by geographical areas

(Percentage)



market environment, the trading floors of Dusseldorf and Lisbon grew at over double-digit rates. In addition, cross-border business has continued to improve thanks to the global nature of the products and closer cooperation between teams.

GM continues to improve the model of added value it provides customers by offering them the best investment, financing and risk coverage solutions. **Customer income** grew by 20.3% in 2010 and contributes 79.3% of the total. By type of customer, the largest increases have been in institutional investors; and by underlying asset, there has been a notable increase in equity. The unit has consolidated its leading position as top broker in Spanish equities. Its market share was 21.4% as of 31-Dec-2010, a rise of 9.6 percentage points over the last two years.

The unit continues to head product innovation in Latin America, with the launch on the Mexican stock exchange of a new Exchange Traded Fund (ETF) called BRTRAC. It holds all the common stocks of the BMV Brasil 15 index and is the first index constructed by the Mexican Stock Exchange with foreign securities. The project gives further proof the close and continued working relationship between this unit and AM.

Finally, it is worth highlighting the many awards and recognitions the unit has obtained in 2010, as included in the accompanying table.

Asset Management and other business

Asset Management

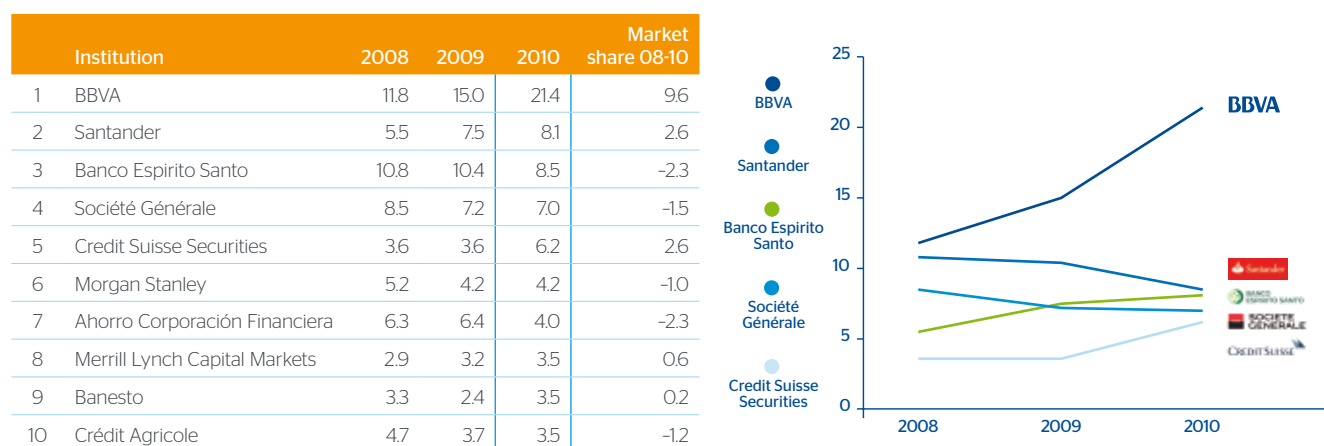
Asset Management is BBVA's asset management provider. It designs and manages mutual funds, pension funds and the third-party fund platform Quality Funds. The unit has solutions tailored for each customer segment, based on constant product innovation as the key to success.

In most of the markets in which it is present, BBVA has strong asset management **franchises** with significant market shares. Among them are Mexico (22.3%), Peru (21.3%), Argentina (7.9%), Colombia (6.2%) and Chile (4.6%), all of them as of December 31, 2010. At year-end, the managed funds had year-on-year growth of 44.3% in Mexico, 22.6% in Colombia and 12.7% in Peru.

As of 31-Dec-2010, the total assets under management in **Spain** were €40,519m. Mutual funds account for €23,708m of this figure, a year-on-year decrease of 28.0%, due partly to the long maturities of some funds, and also to the preference of customers for other products such as bank term deposits.

54 Global Markets. Market shares evolution in Spanish equities brokerage

(Percentage)



Global Markets. Awards 2010

	Location	Ranking	Source
Best Competitive Pricing	Spain	1	Structured Retail Products
Best Innovative Product Ideas	Spain	1	Structured Retail Products
Structured Products Europe Awards 2010	Spain	1	Structured Products
Best Third Party USD Rate Structures	Asia-Pacific	1	MTN-i
Best Structured Product (Retail)	Spain	1	Risk España
Overall Interest Rates	Spain	2	Risk España
Overall Equity Derivatives	Spain	2	Risk España
Overall Currencies	Spain	1	Risk España

The main decrease was produced in short-term assets in fixed-income and money funds. Assets under management in pension funds in Spain were up 2.1% year-on-year to €16,811m. Of this amount, individual private plans account for €9,647m and employee and associate schemes, €7,164m. BBVA continues to be leader in pension plans as a whole, with a market share of 18.3%. Its share in employee schemes is 22.4% and in individual private plans 16.1% (Source: Inverco, data as of December 2010).

In asset management there has been a growing commitment to **socially responsibly investment (SRI)**, which includes new extra-financial, environmental, social, ethical and corporate governance variables (ESG variables) into management, with the aim of obtaining greater returns on portfolios through a correct management of ESG risks. In fact, the employment pension scheme for people working for BBVA (worth over €2,500m) is entirely managed under SRI criteria.

Industrial and Real Estate Holdings

This unit diversifies the area's businesses with the aim of creating value in the medium and long terms through the active management of a portfolio of industrial holdings and private equity, international and real estate funds. The management fundamentals are profitability, asset turnover, liquidity and optimal use of economic capital.

Currently, it manages a portfolio of holdings in more than 50 companies from a wide variety of sectors. Among them are Corporación IBV, Bolsas y Mercados Españoles (BME), Técnicas Reunidas, Tubos Reunidos, Desarrollo Urbanístico Chamartín, the international funds Darby Latin American Private Equity Fund L.P. and Palladium Equity Partners III L.L.C. and CITIC Capital China Real Estates Fund III.

Investments were made in equity holdings for €47m in 2010, and sales of minor stakes of portfolio holdings for about €30m.

Asia

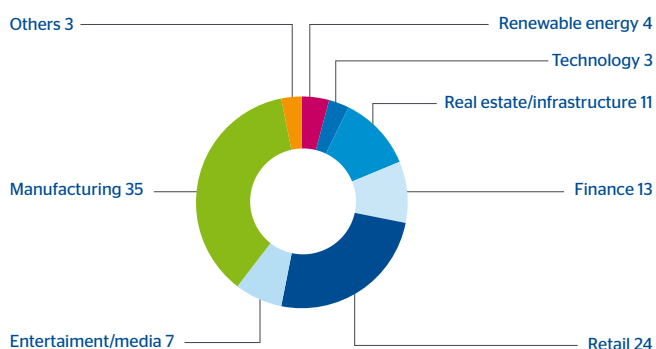
The wholesale business in Asia performed excellently in 2010 and continues to be the basis for organic growth in the region. The loan book was 13.8% up on the close of 2009, with customer funds up 74.1%, supported by GM Asia. The accumulated net attributable profit up 95.6%. Over the year, BBVA has strengthened its trading capacity in the zone, with the opening of trading floor in Singapore.

In addition, the acquisition of an additional 4.93% in **CNCB** was made effective in April for approximately €1,000m, increasing the Group's holding in the entity to its current 15%. BBVA is one of the few strategic international investors that has not only maintained but actually increased its position in the Chinese banking sector during the crisis. Also worth mentioning is the capital increase in CNCB of up to 2.2 new shares for 10 old ones. The board of the Chinese bank approved this increase to support the development and high rate of growth of its banking business. The bank closed an excellent year 2010, with remarkable growth rates in practically all its lines of business (as of 30-Sep-2010, the loan book was up 12.7% on the figure for 31-Dec-2009, and customer deposits were up 22.1%). Profit generation was above market expectations, with the accumulated figure to September up 47.6% year-on-year. In 2010 the collaboration agreement for pensions was also concluded with CNCB. Its aim is to take advantage of BBVA's capacity and CNCB's local presence to develop pension plans in China.

In **India**, another of the strategic markets in the Asian continent and in the sphere of retail banking, BBVA and the Bank of Baroda entered an agreement in December to create a joint company for credit cards. Once approval from the regulatory authorities has been obtained, the Group will be able to acquire a 51% share in the credit card unit of the Bank of Baroda, BobCards. BBVA will invest €34m in this transaction, which will also give it a strategic position in India through a leading and prestigious bank that has a network of 3,100 branches and 36 million customers.

55 Breakdown of the Industrial and Real Estate Holdings portfolio as of 31-12-2010

(Percentage)



Corporate Activities

This area includes all those activities not included in the business areas. Basically, this segment records the costs from head offices with a strictly corporate function and makes allocations to corporate and miscellaneous provisions, such as early retirement. It also includes the assets and liabilities derived from the management of structural liquidity, interest rate and exchange-rate risks by the Asset/Liability Management unit, as well as their impact on results that are not recognized in the business areas via transfer pricing. It also includes portfolios and assets, with their corresponding results, where management is not linked to customer relations, such as Holdings in Industrial and Financial Companies and Real Estate Management.

Over the whole year of 2010, the net interest income from Corporate Activities amounted to negative €163m, as compared to the positive €437m in 2009. This net interest income has been negatively affected, on the one hand, by the finalization of the mortgage loan repricing after the 2009 fall in interest rates and, on the other hand, due to the recent rise of the interest rate curve in the euro zone. However, the substantial contribution over the year of net trading income from the positive contribution of the ALCO portfolios throughout the first half-year resulted in **gross income** of €684m, 33.7% below the same figure for 2009. Operating expenses increased to €798m, compared with €755m in 2009, due to new investments in the new technological platform as well as image and brand identity. **Operating income** accumulated to December was –€114m (€276m in 2009).

Impairment on financial assets amounted to €916m in 2010, significantly over the €107m recorded in 2009. This increase in the volume of impairment is primarily due to greater

generic provisions made in the first half of the year to improve the Group's coverage. Furthermore, the heading "Provisions (net) and other gains/losses" also increased to €893m, which basically includes the provisions for early retirement and write-offs for acquired and foreclosed assets. Thus, the **net attributable profit** for the year came to –€1,245m (–€105m the previous year).

Asset/Liability Management

The Asset/Liability Management 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 is to encourage the financial independence of its banking subsidiaries in the Americas. This aims to ensure that the cost of liquidity is correctly reflected in price formation and the sustainable growth in the lending business. After the period of tranquility originating out of the results of the European Bank's stress tests in July 2010, the crisis in Ireland has again generated unusual financial market volatility. This has been the result of an acute perception of sovereign debt risk attributed to various European countries during the months of October, November and December. BBVA has continued to operate with complete normality

Income statement

(Million euros)

	2010	Δ%	2009	2008
Net interest income	(163)	n.m.	437	(1,043)
Net fees and commissions	(179)	65.4	(108)	(33)
Net trading income	698	44.2	484	437
Other income/expenses	329	50.0	219	177
Gross income	684	(33.7)	1,031	(462)
Operating costs	(798)	5.6	(755)	(663)
Personnel expenses	(478)	(13.1)	(550)	(553)
General and administrative expenses	(88)	n.m.	(9)	53
Depreciation and amortization	(232)	18.1	(197)	(163)
Operating income	(114)	n.m.	276	(1,125)
Impairment on financial assets (net)	(916)	n.m.	(107)	(113)
Provisions (net) and other gains (losses)	(893)	20.5	(741)	(608)
Income before tax	(1,924)	236.3	(572)	(1,847)
Income tax	678	49.3	454	713
Net income	(1,246)	n.m.	(118)	(1,134)
Non-controlling interests	-	n.m.	13	(7)
Net attributable profit	(1,245)	n.m.	(105)	(1,140)
Net one-offs ⁽¹⁾	-	-	-	(395)
Net attributable profit (excluding one-offs)	(1,245)	n.m.	(105)	(745)

(1) In 2008, capital gains from Bradesco and provisions for non-recurrent early-retirements and for the loss originated by the Madoff fraud.

Balance sheet

(Million euros)

	31-12-10	Δ%	31-12-09	31-12-08
Cash and balances with central banks	(88)	n.m.	411	(930)
Financial assets	28,445	(15.6)	33,701	18,793
Loans and receivables	1,091	(36.7)	1,724	5,451
Loans and advances to customers	(1,386)	n.m.	883	(198)
Loans and advances to credit institutions and other	2,477	194.7	840	5,650
Inter-area positions	(17,578)	(28.5)	(24,596)	(18,852)
Tangible assets	3,030	(1.0)	3,060	3,530
Other assets	14,698	10.9	13,251	13,637
Total Assets/Liabilities and Equity	29,597	7.4	27,551	21,629
Deposits from central banks and credit institutions	12,428	(26.2)	16,837	18,137
Deposits from customers	15,649	292.9	3,983	2,765
Debt certificates	78,590	(16.7)	94,319	93,456
Subordinated liabilities	5,920	(23.8)	7,768	6,278
Inter-area positions	(86,944)	(10.8)	(97,446)	(100,943)
Financial liabilities held for trading	(3,796)	18.2	(3,212)	(1,027)
Other liabilities	(3,817)	121.4	(1,724)	(685)
Valuation adjustments	(770)	n.m.	(62)	(930)
Shareholders' funds	33,150	26.8	26,152	23,387
Economic capital allocated	(20,814)	9.2	(19,065)	(18,809)

against this backdrop, and carried out a significant capital increase in November, and was the first banking institution to open doors to the liquidity market in January 2011 with a new issue of covered bonds. The above mentioned, together with the favorable development of the weight of retail deposits in the balance sheet structure in all of its regions, continue to enable the Group to reinforce its liquidity. For 2011 as a whole, BBVA's current and potential sources of liquidity continue to readily overcome expected drainage.

The **Group's capital management** has a twofold aim: to maintain the levels of capitalization appropriate to the business targets in all the countries in which it operates; and, at the same time, to maximize the return on shareholders' funds through efficient allocation of capital to different units, sound management of the balance sheet and proportionate use of the various instruments that comprise the Group's equity: stock, preferred stock and subordinate debt. In this last quarter, BBVA has very successfully executed a capital increase after the announcement of its purchase of 24.9% of the Turkish bank Garanti. The current levels of capitalization ensure compliance with all of its capital objectives.

Foreign exchange risk management of BBVA's long-term investments, basically stemming from its franchises in the Americas, aims to preserve the Group's capital ratios and ensure stability of its income statement, while controlling the impact on reserves and the costs of this management. In 2010, BBVA has maintained a policy of actively hedging 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 and 2011 results in the Americas. In 2010, the favorable performance of most of the currencies in the Americas has had a positive effect on the Group's equity and income statement. For 2011, the same prudent and proactive policy will be pursued in managing the Group's foreign exchange risk from the perspective of its effect on capital ratios and on the income statement.

The unit also actively manages the **structural interest rate exposure** on the Group's balance sheet. This keeps the performance of short and medium-term net interest income more uniform by cutting out interest rate fluctuations. In 2010, the results of this management have been highly satisfactory. Strategies were implemented to provide a hedge against a less positive economic outlook in Europe for the whole of 2010 and

2011, with limited risk on the balance sheets in the United States and Mexico. These strategies are managed both with hedging derivatives (caps, floors, swaps, FRAs) and with balance-sheet instruments (mainly government bonds with the highest credit and liquidity ratings). At the close of the year, the Group held asset portfolios denominated in euros, U.S. dollars and Mexican pesos.

Holdings in Industrial and Financial Companies

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

BBVA applies strict requirements to this portfolio in terms of risk-control procedures, use of economic capital and return on investment, diversifying investments across different sectors. It also applies dynamic hedging and monetization management strategies to holdings. In 2010, investments were made totaling €434m and divestitures came to €409m.

On December 31, 2010, the market value of the Holdings in Industrial & Financial Companies portfolio was €4,168m, with unrealized capital gains of €993m.

In 2010, the management of the industrial and financial holdings generated €317m in dividends and €142m in trading income, giving a net attributable profit of €404m.

Real Estate Management

The Group has always worked with expert teams for the management of the real estate and developer sector. Thus, the Real Estate Management unit focus is to provide specialized management of the real estate assets it has acquired from foreclosures, reposessions, purchases from distressed customers and the assets in BBVA Propiedad, the real estate fund. In 2010, the Group has continued to make an important provision effort for these assets (€657m) with the aim to maintain their coverage above 30%, taking as reference updated appraisals.



Corporate responsibility

“A small loan for a big dream”

Whoever would have thought that putting a name to the fruit store would be Gabriela's most difficult decision? She asked for a microcredit from the BBVA Microfinance Foundation and within only a few weeks she had already set up her small business. A few days ago she opened in the center of Medellin, but there is still no name on the store front. A small loan for a big dream.

After eight editions of the Corporate Responsibility Report (CR) and in line with BBVA's policy to extend the principles of corporate responsibility to the activity of each of the business units and areas comprising the BBVA Group, all financial, social and environmental information will, from now on, be presented in a single document.

Corporate responsibility principles, policies and governance

The **mission** of BBVA's CR policy is to define and strengthen behavior that generates value for all its stakeholders: customers, employees, shareholders, suppliers and society. This is based on the highest levels of integrity and transparency.

The main commitments undertaken by the Group through its CR policy are as follows:

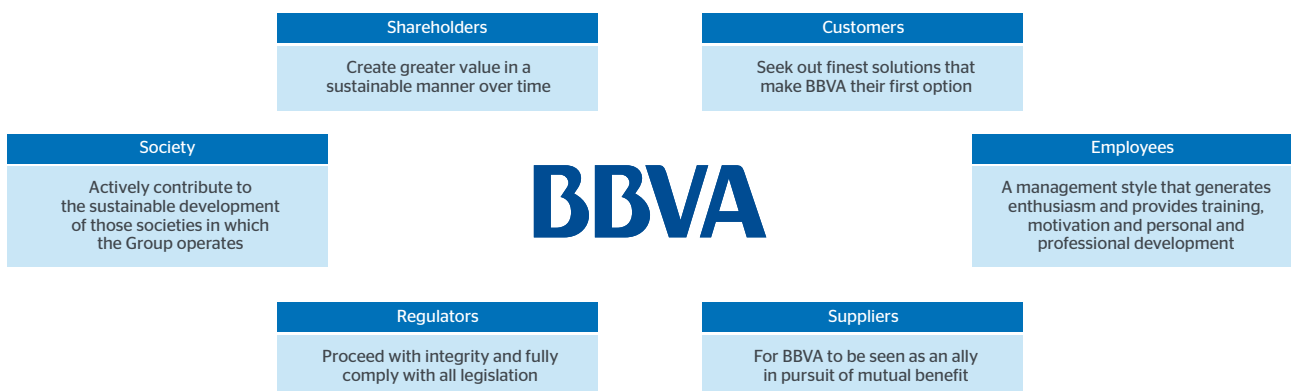
- Uphold excellence at all times in its core business operations.
- Minimize the negative impacts caused by its business activity.
- Create "social business opportunities" to generate both social and economic value for BBVA.

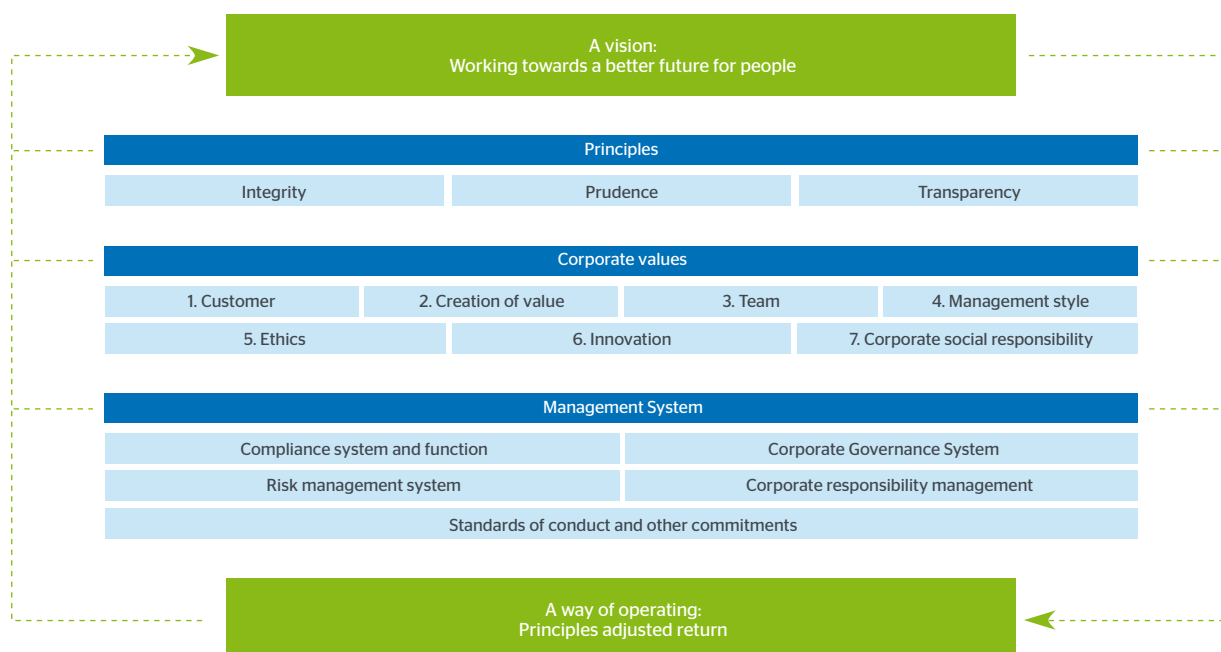
- Invest in those societies in which the Group is present through support for projects, especially those involving education.

In short, they are commitments aligned with the **vision** of "working towards a better future for people" and with BBVA's **principles**.

In terms of the **organization** of the CR function in the Group, corporate responsibility policy is approved by the Board of Directors, and the Corporate Responsibility department is responsible for managing and coordinating it. The Global Corporate Responsibility and Reputation (CRR) Committee formulates and monitors CR policy and programs. This body is made up of the executive managers of the Group's main areas of business and support and chaired by the Brand

1 Main BBVA Stakeholders, and the Group's commitments to each



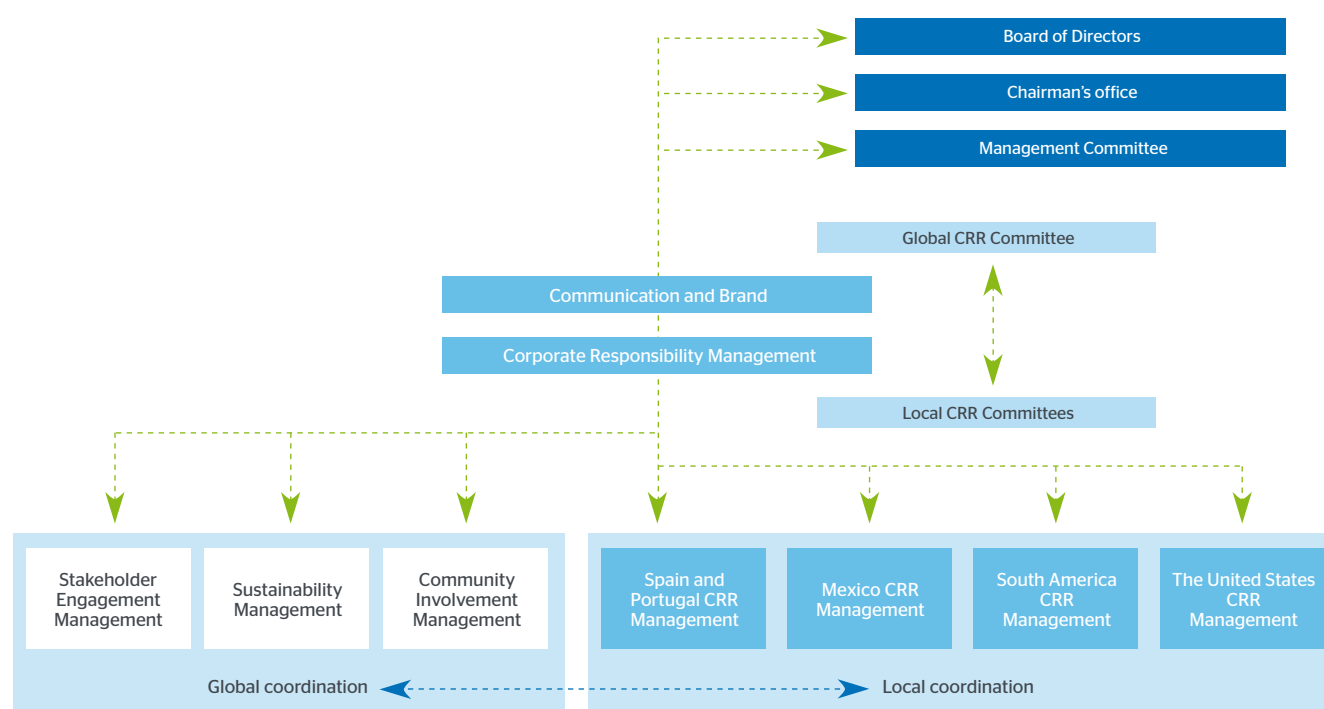


and Communication manager (who in turn is a member of the Bank's Management Committee). Each of the countries where the Group has a significant presence has also created a Corporate Responsibility and Reputation (CRR) committee with representatives from each of the local business areas, chaired by the Country Manager, who is the Bank's CEO in each country. At the close of 2010 there were local CRR committees in Spain and Portugal, Mexico, Argentina, Colombia, Chile, Peru, Venezuela, Paraguay and Uruguay, as well as the Global Corporate Responsibility and Reputation (CRR) Committee. The

Global CRR Committee meets at least twice a year, with the Group's Chairman-CEO and President-COO present at one of the meetings.

Workshops designed to promote strategic reflection on CRR were held in 2010 in Spain and Portugal, Argentina, Chile, Colombia, Peru and Venezuela. Those participating included the main managers of the Group's various business areas. The aim was to ground concepts and look for greater synergies in developing new CR initiatives.

3 Corporate responsibility governance



Within the application of CR policy, permanent dialog with the different **stakeholders** is essential for understanding and managing their different expectations and relevant events in a proactive, balanced and planned way. Thus customers' opinions, their level of satisfaction and the handling of claims are all crucial. The same is true for employees and suppliers; analyses by investors, analysts and experts in sustainability; the initiatives of multilateral bodies and development banks; global corporate responsibility standards; growing legislative initiatives; and the opinion of labor unions, employers' organizations, associations and NGOs. All these form a crossing map of issues that have to be managed. A proactive analysis will be made to determine what issues are and will be relevant in the medium term for a financial institution from the perspective of sustainability; what institutions are leaders in designing solutions; and who the ideal contacts can be for making a head start along this path. In 2010, fourteen issues were identified and analyzed as relevant for the Bank's stakeholders and for the development of its business.

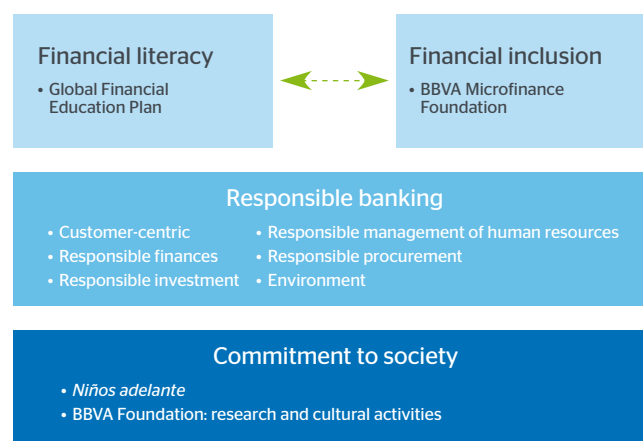
BBVA also continues to be committed to the main **international agreements** on corporate responsibility and sustainability, such as the United Nations Global Compact and the Millennium Development Goals, the UN Environment Program Finance Initiative (UNEP FI), the Equator Principles, the UN Principles for Responsible Investment (PRI) and the Carbon Disclosure Project. Furthermore, the Group publicly adheres to the United Nations' Universal Declaration of Human Rights and the basic employment standards of

the International Labor Organization, as well as the OECD Guidelines for Multinational Enterprises.

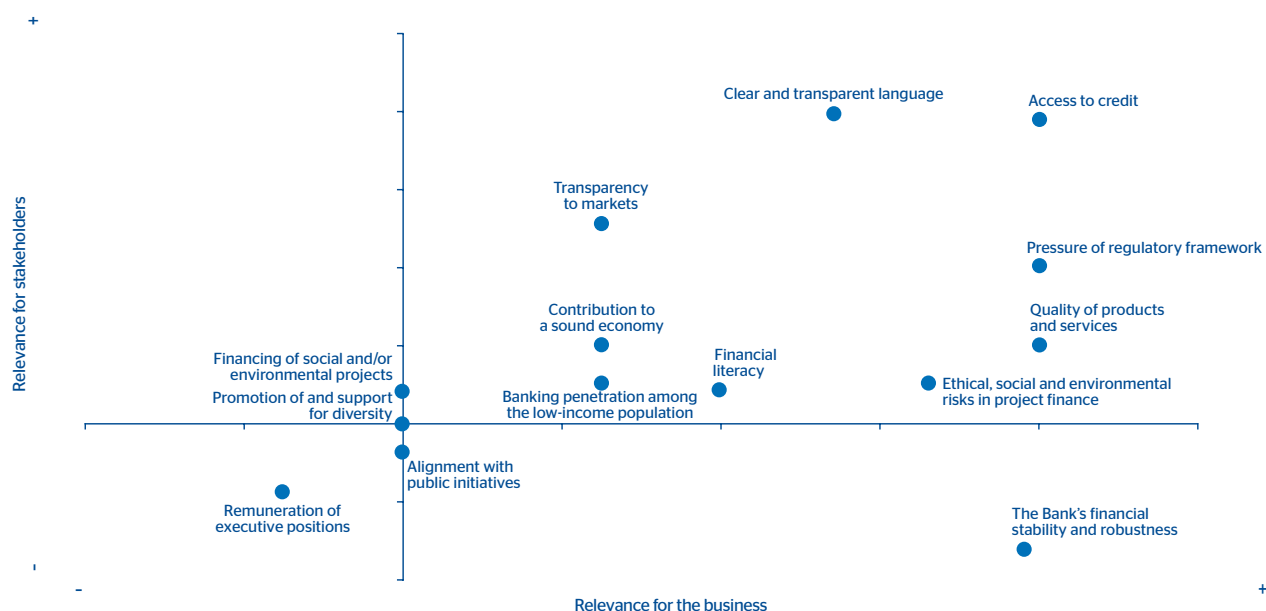
In an environment of financial and economic crisis, BBVA continues to strengthen its commitment to operate under the strictest principles of integrity, prudence and transparency. The Group is moving forward with actions based on the pillars of the **Strategic CR Plan** approved by the Board of Directors in 2008: financial literacy and inclusion, responsible banking and community involvement.

The four core elements of CR policy

5



4 Relevant issues



Financial Literacy

Financial literacy is one of BBVA's strategic CR priorities. Informed decisions enhance the personal financial situation of consumers, improve risk management for financial institutions, encourage saving and strengthen the overall financial system. In short, financial literacy makes for dependable savers and more responsible debtors.

The year 2010 was one of consolidation for the **Global Financial Education Plan** *El dinero en nuestras vidas* (the Money in Our Lives), with a budget of €26m for the 2009-2011 period. The plan aims to support people's financial education and improve their current and future financial situation. It is being implemented in all the geographical areas in which the Group operates, and has more than one million beneficiaries in Spain, Mexico, Portugal and the United States, with specific programs in two priority areas for action: first, as an accompaniment to banking penetration processes, particularly in Latin America; second, as a contribution towards the education of the young in the skills and values associated with the use of money. This approach is clearly linked to BBVA's vision and corporate culture, as well as being recommended by the principles laid down by international authorities.

The Global Financial Education Plan is aimed at different **groups**, according to the geographical area in which it is to operate.

- In Latin America, *Adelante con tu futuro* is aimed at people who already use banking services, or could easily be persuaded to do so.
- In the United States, the "Money Smart" program includes the "Teach Children to Save" scheme for children and young people, and "Get Smart About Credit," aimed at children.
- In Spain and Portugal, *Valores de futuro* (Future Values) is designed for primary school children and those in the first cycle of ESO (the two years following primary school).

The Group's commitment to financial literacy was strengthened in 2010 by an agreement with the OECD to carry out a study on the notions of financial literacy among young people within the framework of the next PISA Report 2012. The aim will be to discover how they are affected by the current economic crisis, the relevance of the crisis for future generations, and the importance of having comparable information available when proposing policies and programs for action. The main progress made in 2010 with respect to the most important financial literacy programs underway is given below:

Adelante con tu futuro (Latin America)

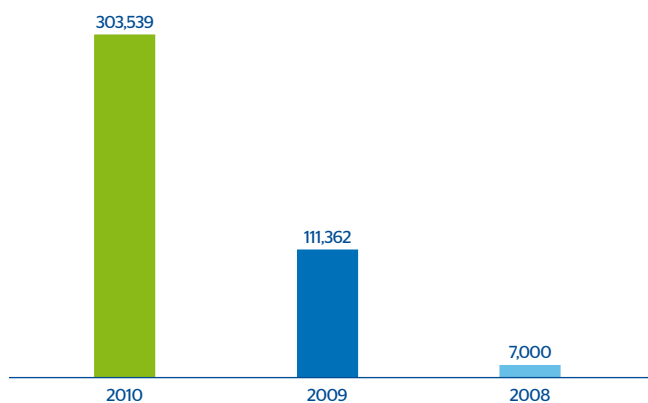
This program was created in 2008 by BBVA Bancomer, the Museo Interactivo de Economía (MIDE) and the Tecnológico de Monterrey (TEC) University to offer both customers and non-customers workshops on personal finance. Currently, there are five interactive workshops in place covering subjects such as saving, saving for retirement, credit cards, credit health and mortgage loans (the latter was introduced in 2010). These workshops are based on six lines of action, which in 2010 with progress made as set out below:

1. Financial literacy classes in the branch network. There are 20 classes in all, with a capacity for up to 20 people in each, in the 14 major cities in the country.
2. Mobile classes. There are 15 classes, compared with 9 the previous year, with capacity for up to 21 people. The aim is to take them to the premises of companies that do not have the physical or technological infrastructure required.
3. Mobile equipment, with 15 mobile systems, compared with 9 the previous year, that can be set up in any skills classroom with a capacity for 20 people.
4. Virtual financial literacy classes. The workshops can be given through the portal <http://www.adelantecontufuturo.com.mx> thanks to the LMS distance learning platform of Monterrey TEC University. There is also a helpline number 018003888761 (FUTURO1).
5. Financial literacy in partnership with educational institutions. In 2010, the workshops have been extended to the educational sector through the agreement with the Monterrey Institute for Technological and Higher Studies (ITSEM) in Mexico City. The aim is to incorporate the idea of the importance of saving and the proper use of financial instruments into the university educational environment, as a way of supporting young people by offering them financial training that can help them handle their personal finances.
6. Awareness-raising campaigns.

At the close of 2010, BBVA Bancomer had given personal finance workshops benefiting 303,539 people.

In 2011 the Group aims to reach 400,000 people in Mexico. The program *Adelante con tu futuro* (Forward with your Future) has also been extended to Chile, Colombia, Paraguay, Peru and Uruguay, where workshops will begin in 2011.

6 Beneficiaries of workshops on personal finance in Mexico



Valores de futuro (Spain and Portugal)

In Spain, the Global Financial Literacy Plan is run through the *Valores de futuro* (Future Values) program, which is a global educational response for elementary school and ESO-level children (7-14 years). It aims to improve the education of children in the skills and values associated with the use of money, such as responsibility, prudence, saving, effort and solidarity. It is one of the biggest private initiatives of its kind in the world. The program is given in Spanish schools during school hours. It consists of a set of classroom activities supervised by teachers. The educational material supplied focuses on people, their values and their skills. It has been developed using innovative educational techniques to encourage the participation of students and their teachers through reflection and self-learning.

"*Valores de futuro*" has the backing of a scientific committee that reflects on and discusses the program and its continuous enrichment from an expert, objective and multidisciplinary perspective. BBVA employees have a very important role in this program as volunteers who give the workshops in the participating schools. Their participation is key to the success of the first part of this campaign, during which more than 500

volunteers have taken part in over 700 sessions in the 2009-2010 academic year, its first year in operation. A network of teachers has also been created with more than 120 associates. A total of 1,734 schools and 334,440 school students have taken part across the whole of Spain.

For the 2010-2011 academic year (the second year of the program) BBVA has decided to enhance the plan and reach out to more children. This will be done by extending the scope of action to areas that are within a radius of 20 kilometers from provincial capitals. The program has also been extended to Portugal, where it is already in place in Lisbon, Porto and Coimbra. In addition, the program offers other major innovations, including an online community where pupils, schools, family members and friends can get involved in the project's various initiatives and competitions; and the *Ahorro para todos* (Savings for all) pilot project which is being organized by 10 schools in Madrid with the aim of implementing real collective saving plans in these schools involving all the students, staff and other workers. A total of 3,600 schools and 680,000 students are expected to take part in Spain and Portugal, double the figure for the 2009/10 year.

American Bankers Association, Federal Deposit Insurance Corporation and Money Smart (United States)

BBVA Compass has continued to support this educational program in partnership with the American Bankers' Association Educational Foundation (ABAEF), focusing on the education of children, with volunteers playing a very important role. BBVA Compass employees have participated in two programs, one entitled "Get smart about credit," which has benefited more than 3,000 children in 2010, and the other "Teach children to save," which has benefited 1,500. Both are ABAEF initiatives designed to educate future consumers in the proper use of credit and the importance of saving.

The first financial literacy program for adults was also launched in 2010 through an alliance with the Federal Deposit Insurance Corporation (FDIC). In addition, support continued to be given to the "Money Smart" program and the platform for the financial literacy plan in BBVA Compass. "Money Smart" is a program that guides adults and adolescents in the proper use of financial products and services through 10 learning modules.

Financial Inclusion

Microfinance

The **BBVA Microfinance Foundation** was created in 2007 as part of BBVA's commitment to financial literacy⁽¹⁾. Currently, the Foundation has 620,584 customers in Latin America, with an accumulated social impact of close to 2.5 million people, 3,350 employees and 275 branches that manage a total volume of microcredits worth over €432m, with an average of €696 per microcredit.

In 2010, the BBVA Microfinance Foundation made progress in consolidating and extending its network of microfinance institutions in Latin America to bring its products and services to people in the region with low incomes. Two new institutions were added during the year to Caja Nuestra Gente in Peru, Banco de las Microfinanzas Bancamía in Colombia, Corporación para las Microfinanzas in Puerto Rico, and Servicios Microfinancieros, S.A. in Chile: Servicios Microfinancieros, S.A. in Argentina, created following an agreement with Fundación Grameen and Microserfin, an institution acquired in Panama.

It is also worth highlighting that the Foundation has concluded agreements of intent with a number of financial institutions

to start its activity in Brazil, Mexico, Central America and the Dominican Republic, as well as extending its operations in the Chilean, Peruvian and Colombian markets by closing new deals.

With regard to strategic alliances, the second of the World Bank (IFC) investments in the Foundation's microfinance entities was concluded in 2010, under a strategic agreement between the two institutions. Under this agreement, IFC bought \$10m of Bancamía preference shares to boost its growth and extend access to productive microfinance for underprivileged people in Colombian society.

Banking penetration plan for Latin America

As part of its banking penetration strategy for the region, BBVA has for a number of years been developing initiatives to bring basic financial services to places not covered by the branch network and segments of the population not covered by banking services. The banking correspondent program in Mexico and Colombia and the network of express agents in

BBVA Microfinance Foundation. Key data 31-12-2010

	Customers	Employees	Branches
Bancamía (Colombia)	343,671	1,634	125
Caja Nuestra Gente (Peru)	261,085	1,472	117
Servicios Microfinancieros (Chile)	6,128	106	23
Corporación para las Microfinanzas (Puerto Rico)	15	7	1
Servicios Microfinancieros, S. A. (Argentina)	896	19	2
Microserfin (Panama)	8,789	112	7
Total	620,584	3,350	275

(1) The BBVA Microfinance Foundation was created as a response to the BBVA Group's corporate responsibility, but as a non-profit institution it is independent of it in both governance and management. Accordingly, the BBVA Group wishes this report to reflect the fact that the BBVA Microfinance Foundation is not part of BBVA financial group. For this same reason, the BBVA Group neither manages nor answers for the activity undertaken by the Foundation or by those financial institutions that the Foundation acquires in pursuit of its goals.

Peru are examples of alliances with commercial establishments that extend the Bank's service network. At the end of 2010, the number of service points was 4,015 in Mexico, 171 in Colombia and 1,144 in Peru.

This plan, aimed at increasing the financial inclusion of people in the region who have no access to basic financial services,

was completed in 2010 in South America. In all it has won a total of 7.7 millions of active customers and 2.6 millions of financed customers. Credit card finance amounted to €1,642m and consumer finance to €5,153m.

In 2010 the plan extended to 16.3 million active customers, 1,793 branches and 6,760 ATMs in Mexico.

Banking penetration plan in South America

	2010	2009	2008	2007	Target 2010 ⁽¹⁾
Number of active customers ⁽¹⁾ (millions)	7.7	7.2	7.1	6.8	8.3
Number of financed customers ⁽¹⁾ (millions)	2.6	2.5	2.4	2	3.4
Card finance ⁽²⁾ (million euros)	1,642	1,110	997	763	1,781
Consumer finance ⁽²⁾ (million euros)	5,153	4,263	4,502	3,331	5,540

(1) Series and targets recalculated according to the new regional and corporate indices and metrics for 2010.

An active customer is one who has at least one commercial line holding or asset or liability balance that is not in default or marked as inactive.

A financed customer is one with any of the following commercial lines: consumer, mortgage (in both cases with a balance and no default) or credit card (with a balance or payment within the last three months).

(2) The series and targets are deflated for their presentation at constant exchange rates.

Scope: South America.

Banking penetration plan in Mexico

	2010	2009	2008	2007	Target 2010
Number of active customers (millions)	16.3	15.3	15.1	14.6	18
Number of of branches	1,793	1,779	1,843	1,765	2,010
Number of of ATMs	6,760	6,237	5,814	5,333	7,500

Scope: BBVA Bancomer.

Responsible banking

The growing integration of CR actions and management of environmental, social and corporate governance (ESG) risks and opportunities is a reality at BBVA. Given the cross-cutting nature of the concept, the information referring to this item is split across the whole report, both in the section on risk management (specifically ESG risk management for financing investment projects and credit profiles) and WB&AM (which deals with the integration of ESG variables in the management of portfolios using socially responsible investment). The same is true with the presence of BBVA in offshore financial centers and the prevention of money laundering and the financing of terrorist activities.

From the perspective of **fraud prevention** in 2010, the preparation and publication of BBVA's Anti-Fraud Program, on the basis of its Code of Conduct, has improved the management of fraud risk. This program is part of the framework of action in which the Group's integrated fraud risk management has to be carried out. The principles of "Zero Tolerance to Fraud" and "Tone at the Top", included in the document, reflect the spirit maintained by the Group in this area. Finally, it is important to mention that BBVA continues to apply the latest fraud prevention technologies in its products. They make it more difficult to commit fraud and increase customer confidence in the financial services offered by the Bank.

Customer focus

BBVA continues to work on its commitment to **quality, satisfaction and customer service**. Despite the difficult macroeconomic environment, the Group continues to be committed to a different model of relationship with its customers, one that is customer-centric. The changes in the customer satisfaction levels of the Group in different countries according to the FRS (Inmark Group) is given below. The improvements made are clear.

Among the highlights this year are the implementation in BBVA Bancomer of the First Contact Resolution project. This initiative handles customer claims at the time they are made. Any corresponding payments can also be made immediately without the customer having to wait for the Bank to analyze the claim. It should also be mentioned that customer satisfaction regarding claims management is on the rise.

In an increasingly global world, the **multi-channel** concept becomes particularly relevant when it comes to designing services for customers. BBVA has continued to develop its global multi-channel project that was launched at the start of 2009.

The introduction of Web 2.0 technologies has been completed in the **Internet** channel. These offer a better user experience,

Individual customer satisfaction levels according to FRS

(On a scale of 1-7)⁽¹⁾

	2010	2009	2008
Argentina ⁽¹⁾	5.54	5.47	5.55
Chile	n.a.	n.a.	5.80
Colombia	5.45	n.a.	6.01
Spain	5.27	5.22	5.57
Mexico	5.91	n.a.	6.01
Peru ⁽²⁾	5.78	5.75	5.74
Venezuela	n.a.	n.a.	5.41

(1) Figures from the FRS study (Inmark Group) ranging from 1-7, except for Argentina, where the figures are from the BRAIN study; the two are compatible.

(2) The figures for Peru are as of May 2010. The 2009 and 2008 figures correspond to year-end.

Note: n.a. = study not available.

greater capacity for personalization and functions that are better adapted to day-to-day needs. In 2010, more than 5.8 million customers used this channel.

The Group has made a major commitment to the **mobile** channel, as it is considered to offer an excellent opportunity for the most disadvantaged segments of the population to access the financial markets. The *Cuenta Express* service has been presented in Mexico to provide easy banking based entirely on the cell phone. This service allows the customer who does not use banking services to carry out all kinds of financial operations, including payment for services or personal payment in shops exclusively by the use of the cell phone.

In the **telephone** channel, BBVA has continued with its plans to personalize and improve it as a complement to the rest of the self-service channels. It currently has 3.1 million regular customers who carried out 125 million transactions in 2010.

A revolutionary concept of **ATM** has been introduced in the ATM channel, called ABIL, which includes the latest technology and user-friendliness. BBVA closed 2010 with a total of nearly 17,000 ATMs.

It is also important to point to the important effort made to improve access to remote channels. This effort will continue throughout 2011 in order to ensure that the main BBVA websites are highly accessible according to the most demanding standards. The objective is to reach a minimum AA rating according to W3C (Worldwide Web Consortium) standards.

Finally, it is important to mention the work carried out on **transparency and clear language** in customer relations. These are very important aspects in the current environment. A number of initiatives will be launched in 2011 to strengthen these aspects.

Human Resources

A global project has been launched in the field of **diversity**, and specifically in that of non-discrimination and equal opportunities,

with women at the forefront. BBVA aims to eliminate all impediments to the professional development of women in the Group.

The two main **focuses of action** in which work is being done to ensure gender equality are: the professional development of women and maternity, by implementing measures to improve the balance between maternity and a professional career.

The **"general"** tool is being tested as part of this project. This is a social network for the debate of opinions on a variety of subjects that must later be translated into specific action plans. The initiative is organized by a strategic committee with high-level representation, which is assisted by an operational committee that deals with greater detail and a managing body that acts to promote and organize the contributions.

The major progress made in this area in Spain and Argentina deserves particular mention. In Spain, BBVA signed the Equal Treatment and Opportunities Plan, which updates and develops the Equality Agreement signed in October 2005. The aim of the Equality Plan is to boost the development of real and effective equality between women and men. Among the items included in the plan are: content related to equal opportunities and the balance between work, personal and family life; a chapter devoted to protection during pregnancy, maternity and paternity; a protocol for action established for the prevention of sexual harassment; and further development of the legal measures on gender violence. Also included are the commitment to draw up a protocol for information and awareness-raising on the subject of disability and the use of non-discriminatory language in all company communications, as well as in public acts, promotion and advertising. At the same time, a joint equality committee has been created with trade-union representation to ensure the monitoring of the Equality Plan. There was a broad consensus in the signing of this agreement, with 97.56% of the trade-union representation in the Bank in favor.

Also in 2010, BBVA Banco Francés obtained the MEGA 2009 certification. This is a pilot project in Argentina that aims to reduce gender inequality. This initiative has been promoted by the National Institute Against Discrimination, Xenophobia and

Distribution of functions by gender and professional category

(Percentage)

	2010		2009 ⁽¹⁾		2008 ⁽¹⁾	
	Men	Women	Men	Women	Men	Women
Group average	48.11	51.89	48.41	51.59	49.36	50.64
Management Committee and Corporate Managers	90.34	9.66	91.05	8.95	90.99	9.01
Senior Management	81.68	18.32	81.74	18.26	81.75	18.25
Middle Management	57.45	42.55	58.31	41.69	58.04	41.96
Specialists	52.84	47.16	53.39	46.61	52.88	47.12
Sales force	46.81	53.19	46.89	53.11	47.57	52.43
Rank & file	40.57	59.43	40.76	59.24	41.45	58.55

(1) In Mexico and South America in 2009 and 2008, the functional groupings of the countries comprising the People Soft management system were reorganized, so as to homogenize the historic series with the current criteria.

Voluntary resignations of the workforce (turnover)⁽¹⁾ and breakdown by gender

(Percentage)

	2010			2009			2008		
	Total turnover	Men	Women	Total turnover	Men	Women	Total turnover	Men	Women
Group average	7.56	43.20	56.80	6.59	41.45	58.55	7.44	40.97	59.03

(1) Turnover = [Voluntary resignations (excluding early retirement)/number of employees at the start of the period] x 100.

Contracts by gender

(Percentage)

	2010 ⁽¹⁾			2009			2008		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Permanent or regular full-time	49.05	50.95	90.28	49.32	50.68	92.22	49.52	50.48	91.31
Permanent or regular part-time	27.87	72.13	3.15	29.40	70.60	3.21	33.13	66.87	4.39
Temporary	44.92	55.08	6.57	43.85	56.15	4.51	44.08	55.92	4.09
Others	n/a ⁽¹⁾			27.87	72.13	0.06	50.88	49.12	0.21

(1) Only permanent and temporary-type contracts were considered in 2010.

Note: n/a = not applicable.

Training

	2010	2009	2008
Total investment in training (thousand euros)	37,348	31,929	40,806
Investment in training per employee (euros)	350	307	374
Hours of training per employee	43	38	39
Satisfaction rating of training (out of 10)	8.8	8.3	8.2
Employees who have received training during the year (%)	73	75	75
Volume of subsidies received for training from FORCEM (Million euros)	31	2.9	3.4

Racism (INADI) and has the support and technical assistance of the World Bank.

On questions of training related to CR, an online training model called *Sensibilización en Diversidad e Igualdad* (Awareness in Diversity and Equality) has been prepared. As well as this, the *Responsabilidad y Reputación Corporativas* (Corporate Responsibility and Reputation) course has been launched and is available via the e-campus tool for all Group employees.

Finally, the Group gives employees who show an interest in participating in community projects the chance to join in initiatives where their technical knowledge and personal skills can be particularly valuable. The Group has a Global Corporate Volunteer Plan. In 2010, 5,251 BBVA Group employee volunteer activities were carried out. In addition, 12,244 employees have contributed €4,969,347 between them to social projects.

Responsible procurement

The principles of BBVA's relations with its suppliers are governed by the Group's Code of Conduct and based on respect for

the law, commitment to integrity, competition, objectiveness, transparency, value creation and confidentiality.

The need for good management of the ESG variables in the procurement process has led to the design of two projects, both forming part of the development of the Group's Global Procurement Model. One is the preparation of a Global Responsible Purchasing Policy for the Group, which will be implemented over 2011; and the other, a new procedure for registration and pre-approval of suppliers, which will enable all the Group's Purchasing units to apply criteria on a standardized basis to improve management of these impacts and lead to increased satisfaction levels among BBVA's suppliers.

The environment

BBVA's environmental policy is in line with sustainable environmental management and the fight against climate change. The policy also includes the commitments subscribed by the Group with some of the main international environmental initiatives in this area, such as the United Nations Environment Program Finance Initiative (UNEP FI), the Equator Principles, the Principles for Responsible Investment and the Carbon Disclosure Project.

Group Eco-efficiency Plan 2008-2012

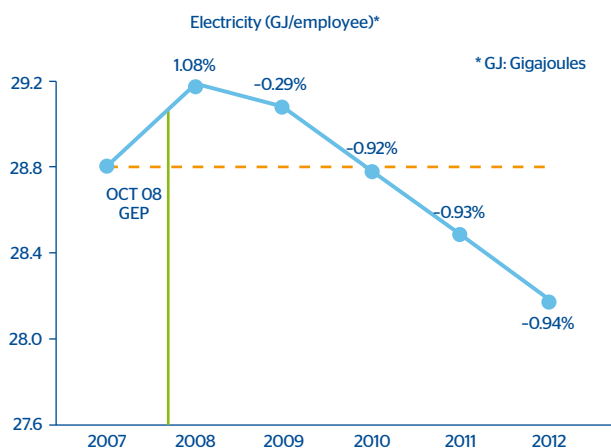
In 2010, BBVA continued to work towards each of the objectives set forth in the Global Eco-efficiency Plan 2008-2012, which include: a 2% reduction in energy use, a 7% reduction in water, a 10% reduction in paper and a 20% reduction in CO₂ emissions (objectives per employee), in addition to a 20% increase of people working in buildings with the ISO 14001 certification. BBVA Paraguay has received the LEED Plata certificate from the Green Building Certification Institute and the US Green Building Council for its headquarters in Asunción. This makes it the first building in the country to earn LEED certification.

In addition, BBVA made a major drive in its Global Eco-efficiency Plan in 2010 by signing contracts with Endesa and Iberdrola. As a result, 10% of the energy used by the Bank in Spain comes from renewable resources. In addition, BBVA has started up a pilot eco-efficiency branch in Madrid, which includes the latest technology available for efficient energy use, essentially in air conditioning, heating and lighting. The annual energy savings amount to 49%.

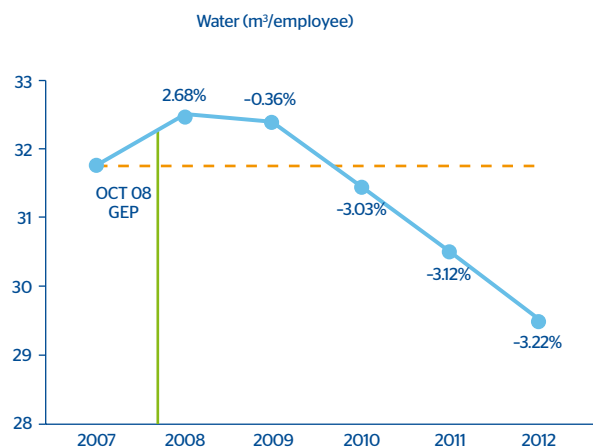
Climate change

BBVA has continued to strengthen its leading position in financing renewable energies in the North American market. It financed two wind farms in Texas (United States) and Nova Scotia (Canada) for \$180m and C\$60m respectively. The Group has also been chosen by the European Investment Bank to implement an initiative for developing renewable energy and energy efficiency operations for €400m, with a credit line and a risk sharing mechanism. BBVA has also once more participated in and sponsored the Carbon Disclosure Project to promote informational transparency and responsible management by large companies in matters affecting climate change. In addition, the Group has joined Water Disclosure, whose aim is to offer high-quality information for investors and make the target public aware of the risks arising from irresponsible use of water. On occasion of the COP16 in Cancún, BBVA signed the Cancún Communiqué and the Global Investor Statement on Climate Change. These high-level initiatives stress the Group's support for the fight against climate change.

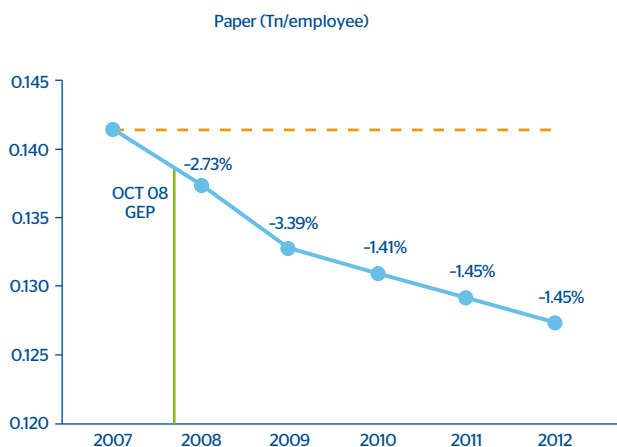
7 Electricity consumption ^{(1) (2)}



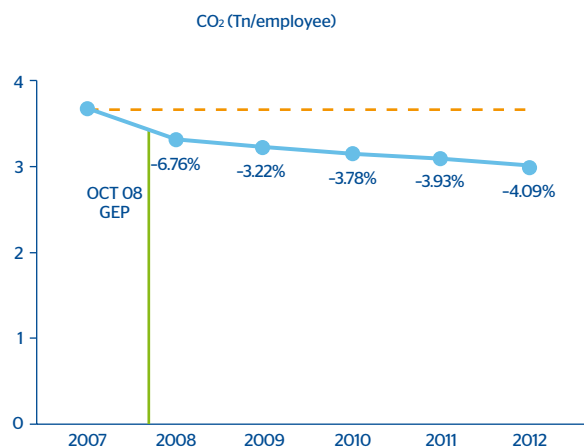
Water consumption ^{(1) (2)}



9 Paper consumption ^{(1) (2)}



CO₂ emissions ^{(1) (2)}



(1) Scope: BBVA, except the United States, Puerto Rico and Bolivia.

(2) The 2010, 2011 and 2012 figures correspond to the objectives of the plan.

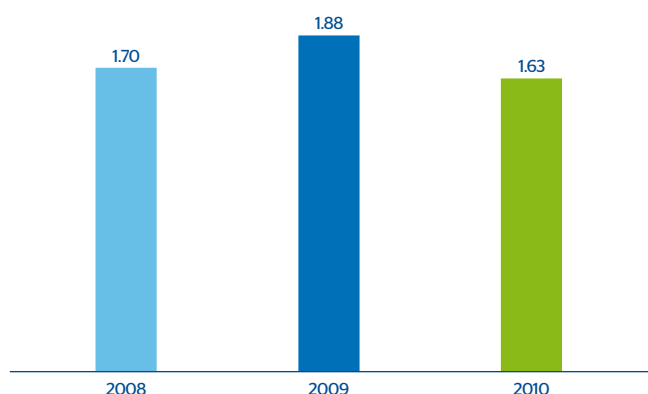
Community Involvement

In 2010, the Group increased its community investment to €74.9m, 1.6% of the Group's net attributable profit.

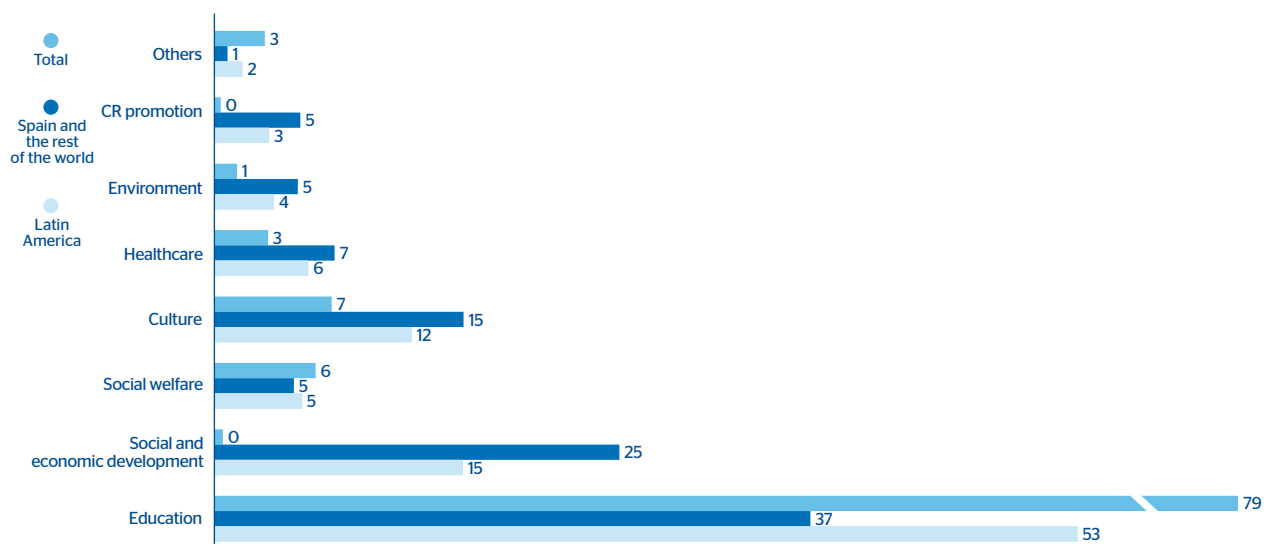
Education

BBVA's commitment to education was once more evident in 2010 through its alliance with the Organization of Ibero-American States and their "Educational Goals 2021: the education we want for the Bicentenary Generation." This is an ambitious project that will decisively contribute to the economic and social development of Ibero-America and to the education of a generation of cultured - and therefore free - citizens, in democratic, egalitarian, open and caring societies. The aim is to achieve an education over the next ten years that provides a satisfactory response to urgent social demands: a higher rate of schooling and for a longer time, with recognized quality education that is fair and inclusive and in which the majority of the institutions and sectors of society take part. In short, a commitment by BBVA to investment in education in Latin America that will benefit more than 8 million people.

11 Resources allocated to community involvement (Percentage over Group net attributable profit)



12 Distribution of resources by activity and geographical region (Percentage)



Activity in South America and Mexico

In 2010 the policy defined in the Community Investment Plan for Latin America was maintained, with the allocation of a minimum budget of 1% of the profit for 2009 in each country in the region in which BBVA operates.

Niños adelante

The star project of this plan is the *Niños adelante* (Forward, children) program of scholarships for social integration, funded with €17.4m in 2010. These scholarships have contributed to the social integration of 53,140 children from underprivileged families through scholarships for primary and secondary education. More than 217,000 people have benefited indirectly through this aid. Currently work is being done with different public and private institutions, with which more than 45 local alliances have already been forged. Among them is the 4-year (2008-2011) alliance with the Organization of Ibero-American States (OIS) to promote awareness of the importance early childhood education in the region. Employees are also contributing their skills to ensure the program has the largest possible social impact.

Adelante con tu futuro

The program *Adelante con tu futuro* (Forward with your Future) is a model project within the Global Financial Literacy Plan, as commented in the section on Financial literacy.

Ruta Quetzal BBVA

Since 1993 BBVA has been organizing and sponsoring Ruta Quetzal, a training program declared of cultural interest by UNESCO. Through it, 8,000 young people of 16 and 17 years of age have extended their knowledge and developed a spirit of international cooperation. The project promotes a values education that encourages effort and mutual respect, promotes equal opportunity and helps overcome inequality. The 2010 edition commemorated 25 years of trips between the Americas and Europe by traveling to Mexico. In Spain, the expedition walked along the Camino de Santiago to celebrate the Jacobean Holy Year 2010 and to commemorate the 11th century of the creation of the Kingdom of Leon.

Work in Spain

Valores de futuro

The second year of the program *Valores de futuro* (Future Values) was launched in 2010 as part of the Global Financial Literacy Plan 2009-2011. (For more information see the Financial Literacy section).

Culture

For over 30 years, BBVA has run an ambitious cultural program, making it a model for art patronage. It also carries out major educational and promotional work. In 2010, the BBVA Foundation also managed cultural activities, to which it allocated €6.3m during the year. The Group's cultural program is based on three lines of action: music, specifically contemporary music and its promotion among the general public; the arts, through key exhibitions; and education, through the program of scholarships designed to provide advanced training for young musicians, doctors, economists and specialists in the environment.

Integra Prize

BBVA's first Integra Prize award was held in 2009 in Spain, to promote the social and labor integration of people with disabilities. This initiative has been developed in collaboration with FEACEM, the ONCE Foundation, FEAPS, CERMI and COCEMFE. The prize pays particular attention to quality employment based on the innovation and sustainability generated by special employment centers (CEE). The prize, worth €200,000, was awarded in 2010 to the Majorcan association AMADIP-ESMENT. Their CEE provides work for 294 people with intellectual disabilities and is dedicated to food and catering, printing, graphics, maintenance, gardening and organic agriculture. A further 6 projects were awarded a total of €300,000: the Association of Paraplegics and People with Great Physical Disability in the Madrid Region (ASPAYM-MADRID); the Private Catalan Foundation for Cerebral Palsy (FCPC); the Association for People with Mental Disability of the Barberà Council (APRODISCA); the Association of Family Members and Mental Patients (LENDIA); Mater Treball i Natura; and Moltacte SCCL.

Activity in the United States

A major effort was made to focus social projects on six priority areas in BBVA Compass. The resources allocated to each are as follows: community development and financial literacy (30%); general education (30%); health (15%); art and culture (15%); the environment (5%); and diversity and inclusion (5%).

Among the educational projects is "Reading Counts," the program designed to promote reading in partnership with Scholastic, Inc. Its aim is to close the achievement gap among children and young people in public education. The program has enabled 25,000 children in Texas and California to have reading books. In addition, BBVA Compass employees have participated as volunteers.

For details of the financial literacy programs in the country, see the Financial Literacy section.

Research

In 2010, the BBVA Foundation continued to develop its commitment to the generation and dissemination of knowledge through support to cutting-edge scientific research and the most innovative Spanish and international creation: economy and society, the environment, biomedicine and health, basic science and technology. One of the highlights since 2008 has been the BBVA Foundation Frontiers of Knowledge Awards. Through these awards, the Foundation recognizes scientific and artistic contributions that have extended the frontiers of knowledge and increased the possibility of a better future for society. The

prize money totaled €400,000 for each of the eight categories. The disciplines they cover and their monetary reward make these the second most important awards in the world after the Nobel Prizes. In their three years (2008, 2009 and 2010) they have earned a position among the most important awards in terms of their relevance and impact on an international scale. In 2010, the repercussion of the 2009 prize-giving ceremony was a milestone due to its extensive coverage in the media. There were live broadcasts on a number of TV channels, and it was preceded by an extraordinary concert.

Additional information on social and environmental issues can be found at www.bancaparatodos.com where you can also contact the CR area through Twitter (www.twitter.com/bancaparatodos) to discuss, ask or share anything you deem appropriate. Said additional information has been verified by Deloitte, and is also in line with the Global Reporting Initiative (GRI) and Accountability standards. In addition to the contents of this chapter, the CR reports for the Group, as well as local CR reports from Mexico, Chile, Venezuela, Colombia, Peru, Argentina and the United States, are available at www.bancaparatodos.com.



Corporate Governance System

“BBVA helped them both to take their first steps”

Maria wanted to improve her education and Ricardo wanted a career change. BBVA helped them both to take their first steps through a special loan for an MBA. Maria wanted to get involved in corporate responsibility in emerging markets and Ricardo was impatient to set up his first business in China. With luck, perhaps they may even manage to be partners at the other end of the world.

Corporate Governance System Banco Bilbao Vizcaya Argentaria, S.A.

The principles and elements comprising the Bank's Corporate Governance are set forth in its Board Regulations, which govern the internal procedures and the operation of the Board and its Committees and directors' rights and duties as described in their Charter.

BBVA's Corporate Governance System is based on the distribution of functions between the Board, the Executive Committee and the other Board Committees, namely: the Audit and Compliance Committee, the Appointments Committee, the Remuneration Committee and the Risks Committee.

The Executive Committee is authorized to execute the Board's powers of administration over the Company, except where prevailing legislation or the Company Bylaws or Board Regulations reserve such powers to the Board.

The Chairman of the Board of Directors is also the Chief Executive Officer of the Bank, unless the Board resolves otherwise, pursuant to its Regulations, and reasons of corporate interest make it advisable to separate the posts of Chairman and CEO.

The Board of Directors has approved the Corporate Governance Report for 2010, pursuant to the regulations regarding disclosure standards for listed companies. It has also approved the Report on the Board Remuneration Policy presented by the Board's Remuneration Committee.

Shareholders can find all these documents (the Board Regulations, the Corporate Governance Report and the Report on the Board Remuneration Policy) on the Bank's website at www.bbva.com, created to facilitate information and communication with shareholders. There is a special direct link to provide easy access to any information considered relevant regarding BBVA's Corporate Governance System.

Composition of the Board of Directors

The Board comprises a number of seats within the limits established in the Company Bylaws (a minimum of 5 and a maximum of 15) and any resolutions adopted by the Company General Meeting of Shareholders.

The General Meeting is responsible for the appointment of the members of the Board of Directors. However, if a seat falls vacant, the Board may co-opt members.

In any event, proposed candidates for appointment as directors must meet the requirements of applicable legislation in regard to the special code for financial institutions, and the provisions of the Company's Bylaws.

Bank directorships may be executive or external. Executive directors have been conferred general powers to represent the Company on a permanent basis; they perform senior-management duties or are employees of the Company or its Group companies. All other Board members shall be considered external.

The Board Regulations establish that the Board shall be composed in such a way as to ensure that external directors represent an ample majority over the executive directors, and that independent directors occupy at least one third of the total number of seats.



At present, independent directors hold an ample majority of the Board seats, since ten of the current thirteen Board members are independent.

For independent directorships, the Board Regulations determine certain requirements reflecting those established by the recommendations of the Unified Code of Good Governance and are in line with the latest international standards.

Proprietary directors are external directors who directly or indirectly hold shares accounting for at least 5% of the Company's capital and voting rights and who represent such shareholders. For such purposes, directors are deemed to represent a shareholder when: they have been appointed to exercise proxy rights; they are a director, senior manager, employee or non-occasional service provider to said shareholder and/or to companies belonging to its group; corporate documents show that the shareholder deems the director to represent or have been nominated by said shareholder; they are married to or bound by equivalent emotional relationship, or related by up to second-degree family ties to a significant shareholder. To such effects, BBVA does not currently have any proprietary directors.

The above criteria for determining whether a person is a proprietary director will also apply in the event of agreements or pacts between shareholders that oblige those concerned to take concerted action in using their voting rights to adopt a common policy in regard to management of the Company or whose goal is to influence it in a relevant manner.

Appointment of directors

The proposals that the Board submits to the Company's AGM for the appointment or re-election of directors and the resolutions to co-opt directors made by the Board of Directors shall be approved at the proposal of the Appointments Committee in the case of independent directors and on the basis of a report from said Committee in the case of all other directors.

To such end, the Committee assesses the skills, knowledge and experience required on the Board and the capacities the candidates must offer to cover any vacant seats. It evaluates how much time and work members may need to carry out their duties properly as a function of the needs that the Company's governing bodies may have at any time. There are no limits imposed on what people may be named a director in the Bank.

Term of office

As established in Article 36 of the Company Bylaws the term of office of members of the Board of Directors shall be three years. Directors may be re-elected one or more times for terms of the same maximum period.

Age limit for directors

BBVA's Corporate Governance System establishes an age limit for sitting on the Bank's Board. Directors must present their resignation at the first Board meeting after the AGM approving the accounts of the year in which they reach the age of seventy.

Duties of Directors

Board members must comply with their duties as defined by legislation and by the Bylaws in a manner that is faithful to the interests of the Company.

They shall participate in the deliberations, discussions and debates arising on matters put to their consideration and shall have sufficient information to be able to form a sound opinion on the questions corresponding to the Bank's governing bodies. They may request additional information and advice if they so require in order to perform their duties. Their participation in the Board's meetings and deliberations shall be encouraged.

The directors may also request help from experts outside the Bank services in business submitted to their consideration whose complexity or special importance makes it advisable.

Remuneration of Board members

The members of the Board Remuneration Committee will determine the extent and amount of the remuneration, entitlements and other economic rewards for the executive directors of the Bank, so that these can be reflected in their contracts. Its proposals on such matters will be submitted to the Board of Directors. The Committee will propose the remuneration system for the Board of Directors as a whole, within the framework established in the Company Bylaws.

BBVA pursues a policy of absolute transparency. Its Annual Report publishes an itemized breakdown of the remuneration received by each member of the Board every year. This is made available to the shareholders for the Annual General Meeting. It also gives detailed information on the remuneration policy for Board members, which will be submitted to a consultative vote at the Annual Shareholders Meeting.

Conflicts of interest

The rules comprising the BBVA Directors' Charter detail different situations in which conflicts of interest could arise between the BBVA Group and its directors, their family members and organizations with which they are linked. They establish procedures for such cases, in order to avoid conduct contrary to the Company's best interests.

These rules help ensure directors' conduct reflect stringent ethical codes, in keeping with applicable standards and according to core values of the BBVA Group.

Incompatibility

Directors are also subject to rules on incompatibilities, which place strict constraints on holding posts on governing bodies of Group companies, or companies in which the Group has a holding. Non-executive directors may not sit on the Boards of subsidiary or related companies because of the Group's holding in them, whilst executive directors may only do so if they are granted express authority.

Directors who cease to be members of the Bank's Board may not offer their services to any other financial institution competing with the Bank or its subsidiaries for two years after leaving, unless expressly authorized by the Board. Such authorization may be denied on the grounds of corporate interest.

Directors' Resignation

Furthermore, in the following circumstances, reflected in the Board Regulations, directors must tender their resignation to the Board and accept its decision regarding their continuity in office (formalizing said resignation when the Board so resolves):

- When barred on grounds of incompatibility or prohibition as defined under prevailing legal regulations, in the Company Bylaws or in the Director's Charter.
- When significant changes occur in their professional situation or that may affect the condition by virtue of which they were appointed to the Board.
- When they are in serious dereliction of their duties as directors.
- When the director, acting as such, has caused severe damage to the Company's assets or its reputation or credit, and/or no longer displays the commercial and professional honor required to hold a Bank directorship.

Relations with shareholders and markets

The principle of transparency informs everything the Bank does on the financial markets. The Board Regulations establish that the Board shall disclose any information that may be relevant to investors, and that the information is correct and true. The Board shall ensure that all shareholders have access to information that is substantially identical, within the same amount of time.

General Meeting of Shareholders (AGM)

Matters relating to how the General Meeting is run and to shareholders' rights are covered in the BBVA General Meeting Regulations, which shareholders and investors can also consult on the Bank's website, www.bbva.com.

The Regulations establish that notice of meeting for the AGM shall state the shareholders' right, as of the date of its publication, to immediately obtain any proposed resolutions, reports and other documents required by law and under the Company Bylaws at the Bank's registered offices, free of charge.

They will also find documents relating to the AGM on the Company website, with information on the agenda, the proposals from the Board of Directors and any relevant information shareholders may need to vote. It shall also include necessary details regarding shareholder information services, indicating telephone numbers, email address, branch offices and opening hours.

The Regulations establish the procedures to be followed in the public call for proxies, in compliance with the law and the Company Bylaws.

They stipulate that the form of proxy must contain or be attached to the agenda, and include a request for voting instructions so that shareholders may stipulate the general way in which their proxy shall vote should no precise instructions be given.

They also determine how directors should formulate the public call for proxy and the way they should exercise the shareholders' representation and vote, with rules covering possible conflict of interests. They also establish the most significant aspects related to the operation of the AGM, voting procedures for motions presented to it, how resolutions are to be adopted and other issues related to running an AGM.

Under the Company Bylaws, the Company's AGMs may be attended by anyone owning 500 shares or more, providing that, five days before the date on which the AGM is to be held, their ownership is recorded on the pertinent registers and they retain at least this same number of shares until the AGM is actually held. Holders of fewer shares may group together until achieving the required number, appointing a representative.

The above notwithstanding, if holders of fewer shares than the Bylaws establish for entitlement wish to attend, they may apply for an invitation to the AGM through the shareholders helpdesk, the website or any BBVA branch. It will be facilitated to them where the inevitable space constraints in the facilities where AGMs can be held allow this, given the very high number of shareholders in the Company.

In accordance with the Company Bylaws, the Regulations state that shareholders may delegate their voting rights on motions regarding agenda items of any kind of General Meeting or exercise them by post, email or any other remote means of communication, provided the voter's identity is duly guaranteed.

Any shareholders entitled to attend may be represented at the AGM by another shareholder, using the form of proxy the Company establishes for each AGM, which will be displayed on the attendance card.

To facilitate communication with the Company's shareholders regarding the organization of the AGMs, the Bank's Board of Directors operates a permanent helpdesk to manage shareholders' requests for information, clarification and questions.

Pursuant to the Capital Companies Act, BBVA has set up an Online Shareholder Forum on the Bank's website (www.bbva.com). Individual shareholders and voluntary associations constituted pursuant to prevailing regulations may access the Forum with due guarantees, in order to facilitate their communication during the run-up to the General Meeting.

The Board of Directors

The BBVA Board of Directors comprises thirteen directors actively performing their duties. Of them eleven are external directors, ten of them being independent, and two of them are executive directors. The attached chart shows the names of the Board members, the date they were appointed, and the kind of directorship they have, pursuant to the Bank's Board of Directors' Regulations:

Board of Directors

Full name	Post on Board of Directors	Type of directorship	Date of appointment	Date of latest re-election
González Rodríguez, Francisco	Chairman & CEO	Executive	28-01-2000	12-03-2010
Cano Fernández, Ángel	President & COO	Executive	29-09-2009	12-03-2010
Alfaro Drake, Tomás	Director	Independent	18-03-2006	
Álvarez Mezquíriz, Juan Carlos	Director	Independent	28-01-2000	18-03-2006
Bermejo Blanco, Rafael	Director	Independent	16-03-2007	
Bustamante y de la Mora, Ramón	Director	Independent	28-01-2000	12-03-2010
Fernández Rivero, José Antonio	Director	Independent	28-02-2004	13-03-2009
Ferrero Jordi, Ignacio	Director	Independent	28-01-2000	12-03-2010
Loring Martínez de Irujo, Carlos	Director	Independent	28-02-2004	18-03-2006
Maldonado Ramos, José	Director	External	28-01-2000	13-03-2009
Medina Fernández, Enrique	Director	Independent	28-01-2000	13-03-2009
Palao García-Suelto, José Luis	Director	Independent	01-02-2011	
Rodríguez Vidarte, Susana	Director	Independent	28-05-2002	18-03-2006

Mr. Francisco González Rodríguez

Chairman and CEO

Born in Chantada (Lugo) in 1944.

Francisco González has been Chairman & CEO of BBVA since January 2000.

Francisco González is member of the European Financial Services Roundtable (EFR), Vice-president of the Institute for International Finance (IIF), member of the Institut Européen d'Études Bancaires (IIEB), Board member of the IMF Capital Markets Consultative Group, Board member of the International Monetary Conference, member of the Global Advisory Council of the Conference Board and member of the International Advisory Committee for the New York Federal Reserve, as well as other international forums. He is also Chairman of the Fundación BBVA and Governor of the Red Cross, Foundation for Help Against Drug Addiction, Foundation for Terrorism Victims, the Guggenheim Museum in Bilbao, Museo de Bellas Artes in Bilbao, Fundación Príncipe de Asturias, Real Instituto Elcano, Fundación Carolina, ESADE, FEDEA, Fundación de Estudios Financieros, Instituto de Estudios Económicos and Institut Europeu de la Mediterrània.

Prior to the merger between Banco Bilbao Vizcaya and Argentaria, Francisco González was Chairman of Argentaria from 1996 to 1999, when he led the integration, transformation and privatization of a very diverse group of State-owned banks.

Before joining Argentaria, Francisco González founded the securities firm, FG Inversiones Bursátiles, which became the first independent firm of brokers in Spain.

Francisco González is also a registered Spanish Stock Broker (the highest-scoring candidate examined in 1980) and Trader for the Bolsa de Madrid. He has sat on the Executive Committee of the Bolsa de Madrid and the Executive Committee of Bancoval. He began his professional career in 1964 as programmer in an IT company. He dates his mission to transform 21st-century banking through the application of new technologies back to this period.

He graduated in Economic and Business Sciences from Universidad Complutense de Madrid.

Mr. Ángel Cano Fernández

President and COO

Born in Santander in 1961.

He was appointed as BBVA's President & Chief Operating Officer in September 2009.

In 1984 joined Arthur Andersen, Financial Area.

In 1991 joined Argentaria and was appointed Director of General Accounting, mainly undertaking and coordinating control functions.

In 1998 was appointed to the Management Committee of Argentaria.

In 2000 joined the Management Committee of BBVA.

In April 2001 was appointed Financial Director of the BBVA Group.

In January 2003 was appointed Director of Human Resources and Services of the BBVA Group.

In December 2005 assumed responsibility for the Group's Technology, becoming Director of Resources and Means.

In January 2006 he was further assigned with the responsibility to develop and undertake the Group's Global Transformation Plan.

Graduated in Economic and Business Sciences.

Mr. Tomás Alfaro Drake

Born in Madrid in 1951.

He was appointed to a BBVA directorship on March 18, 2006. He is Chairman of the Appointments Committee.

1973-1975 Dimetal, S.A. as systems engineer.

1975-1977 Dimetal, S.A. Sales and marketing manager at industrial automation division.

1979-1981 Johnson Wax Española, S.A. Product Manager.

1981-1998 Instituto de Empresa.

Marketing manager.

Director of Master's program on marketing and commercial management.

Director of studies.

Also lectured on finance and marketing, a teaching activity in which he is still actively involved.

1981-1998 Consultant in finance and marketing for domestic and multinational companies in various industries, including: financial services, industry, distribution and services.

1998 Universidad Francisco de Vitoria.

Director of the degree course on Business Management and Administration.

Director of diploma course on Business Sciences.

Studied engineering at ICAI.

Mr. Juan Carlos Álvarez Mezquíriz

Born in Crémenes (Leon) in 1959.

He was appointed to his BBVA directorship on January 28, 2000.

1988 – Joined FISEG, Empresa Financiera de Servicios Generales.

1990 – General Manager of El Enebro, S.A. (holding company of the Grupo Eulen).

1993 – Chief Financial Officer, Eulen, S.A.

2002 – Managing director of Grupo Eulen, S.A.

2010 – Managing director of Grupo El Enebro, S.A.

Graduated in economic science from the Universidad Complutense de Madrid.

Mr. Rafael Bermejo Blanco

Born in Madrid in 1940.

He was appointed to a BBVA directorship on March 16, 2007. Has been Chairman of its Audit and Compliance Committee since March 28, 2007.

1966-1971 Sema – Metra. Analyst for investment projects.

1971-1977 Banco Popular. Investment Division head of sector. Special Risks Officer.

1978 Ministry of Economics and Finance. Director General for Planning.

Instituto Nacional de Industria. Member of the Board of Directors.

1978-1982 Instituto de Crédito Oficial. Chairman.

1982-1988 Fondo de Garantía de Depósitos. Director. World Bank Consultant (Argentine banking system).

1988-2004 Banco Popular.

Member of General Management Committee (1991-2004).

Branch network Director (1991-1995).

Comptroller General (1995-1999).

Technical Secretary General in charge of consolidated financial information, reporting to the Bank of Spain and the Group's equity management (1991-2004).

Member of the Steering Committee of the Spanish banking association (AEB) and Trustee of the Universidad Complutense's Colegio Universitario de Estudios Financieros (CUNEF).

Studied industrial engineering at the school of industrial engineering in Madrid (ETS).

Mr. Ramón Bustamante y de la Mora

Born in Madrid in 1948.

He was appointed to his BBVA directorship on January 28, 2000.

1972 – Iberia, L.A.E. Research Department

1975 – Banco Comercial de Cataluña. Accounts Director.

1976 – Banca Garriga Nogués. Madrid Director.

1986 – Banca Garriga Nogués. Deputy General Manager.

1986 – Banesto. Various senior posts and responsibilities: North Territory Manager (1987) Director O.P. Madrid and Regional Director for Madrid; (1990) Deputy General Manager for Sales and Marketing Strategy; (1992) General Manager and deputy to the Managing Director; (1993) Managing Director of Bandesco.

1996 – Argentaria. Senior Managing Director and Chairman of the Control Committee; Senior Managing Director of Retail Banking; Non-executive Deputy Chairman; (1997) Chairman of Unitaria.

Graduated in Law and Economic Sciences from Universidad Complutense de Madrid.

Mr. José Antonio Fernández Rivero

Born in Gijón (Asturias) in 1949.

He was appointed to his BBVA directorship on February 28, 2004. Has been Chairman of its Risks Committee since March 30, 2004.

1976 – Joined Arthur Andersen (Systems).

1977 – Joined Banco de Vizcaya, where he was Director of Administration and Control for the International Division.

1986 – Chairman of Management Committee, Banque de Gestion Financière, S.A. (Belgium).

1988 – 1989 Deputy Director General for Planning and Control in Commercial Banking, and later Regional Director of Retail Banking in BBV.

In 1990 he joined Banco Exterior de España as Comptroller General, occupying the same post in Corporación Bancaria de España (Argentaria) from 1991 to 1995, where he was appointed Director General for Internal Control and Oversight. In 1997 he took over the duties of General Manager for Organization, Systems, Operations, Human Resources, Procurement and Real Estate.

In 1999, after the merger with BBV, he was appointed General Manager of BBVA Systems & Operations.

Was appointed Group General Manager in 2001, with duties in several areas.

Director representing BBVA on the Boards of: Telefónica, Iberdrola, Banco de Crédito Local, and Chairman of Adquiria.

Graduated in Economic Sciences from the Universidad de Santiago.

Mr. Ignacio Ferrero Jordi

Born in Barcelona in 1945.

He was appointed to his BBVA directorship on January 28, 2000.

Managing Director of NUTREXPA

Managing Director of LA PIARA.

Chairman of ANETO NATURAL

Member of the managing Committee of MAZ (Mutua Accidentes de Zaragoza) since March 31, 2000.

Member of the managing Committee of Instituto De La Empresa Familiar.

Member of Management Board of Spanish commercial coding association, AECOC (Asociación Española de Codificación Comercial) since February 25, 2003.

Trustee of the “Princep de Girona” foundation as of July 2009.

Graduated in Law from Universidad de Barcelona.

Mr. Carlos Loring Martínez de Irujo

Born in Mieres (Asturias) in 1947.

He was appointed to his BBVA directorship on February 28, 2004. He is now Chairman of the Remuneration Committee.

In 1971 joined J&A Garrigues, becoming a partner in 1977. Held posts as Director of the M&A Department, Director of Banking and Capital Markets, and in charge of advisory services for large public companies. Since 1985, has been a member of its Management Committee.

His activity has been focused on mergers and acquisitions, advising large multinational corporations; he has been intensely involved in the legal coordination of some key global IPOs and placements, for Spanish and non-Spanish companies, representing arrangers and issuers.

He has focused on consultancy services for listed companies in their large-scale corporate operations, providing legal assistance at their Annual General Meetings.

He is a renowned specialist in Corporate Governance, having helped several public companies to restructure their organization as new recommendations and regulations on good governance have been published in Spain. Recently, the “International Who’s Who of Business Lawyers” named him one of the leading legal experts worldwide in Corporate Governance.

From 1984 to 1992 he was member of the Board of Governors of the Colegio de Abogados de Madrid (Madrid Law Association). He has worked with the Centro de Estudios Garrigues as a member of the Advisory Board for its Masters in Private Banking.

Graduated in Law from the Universidad Complutense de Madrid.

Mr. José Maldonado Ramos

Born in Madrid in 1952.

Was appointed Director of BBVA on January 28, 2000.

In 1978 passed competitive exam to become a civil-service lawyer (Cuerpo de Abogados del Estado).

Was appointed Technical General Secretary to the Ministry of Territorial Administration, then Under-Secretary of the same department in 1982.

Has acted as Board Secretary and Director of Legal Services for Empresa Nacional para el Desarrollo de la Industria, S.A. (ENDIASA); for Astilleros Españoles, S.A.; and for Iberia Líneas Aéreas de España, S.A.

He also has acted as Legal Secretary for various governing bodies on public companies, including: Astilleros y Talleres del Noroeste, S.A. (ASTANO); Aplicaciones Técnicas Industriales, S.A. (ATEINSA); Oleaginosas Españolas, S.A. (OESA); Camping Gas, S.A. and Aviación y Comercio, S.A. (AVIACO).

Has been Legal Counsel for Banco Exterior, S.A.; Legal Counsel for Banco Internacional de Comercio, S.A. and Banco Central Hispanoamericano, S.A., as well as Company Secretary of Sindibank, S.B.

Was appointed Director & Company Secretary of Argentaria in April 1997. Was appointed Director & Company Secretary of Banco Bilbao Vizcaya Argentaria, S.A. on January 28, 2000. Took early retirement as Bank executive in December 2009.

Graduated in Law from Universidad Complutense de Madrid, winning the extraordinary first prize on graduation.

Mr. Enrique Medina Fernández

Born in La Puebla de Montalbán (Toledo) in 1942.

He was appointed to his BBVA directorship on January 28, 2000.

In 1967 passed competitive exam to become a civil-service lawyer (Cuerpo de Abogados del Estado).

Took up a post in the Cáceres regional tax and court department (Delegación de Hacienda y Tribunales de Cáceres); in the Directorate General for Administrative-Contentious Law; and the Supreme Court.

Was head of the technical staff of the undersecretary for the Spanish treasury and the Director General for territorial planning.

In 1971 was appointed to director of Banco de Crédito a la Construcción.

From 1975 to 1981, was director and company secretary for Banco de Progreso.

From 1985 to 1989, he held similar posts in Corporación Financiera Alba and from 1989 to 1991, in Banco Urquijo.

Deputy Chairman of Ginés Navarro Construcciones until its merger within the new ACS Group.

Graduated in Law from the Universidad Complutense de Madrid.

Mr. José Luis Palao García Suelto

Born in 1944.

He was appointed to his BBVA directorship on February 1, 2011.

1970 - 1977 ARTHUR ANDERSEN. Audit Division.

1977 - 1979 INSTITUTO DE CRÉDITO OFICIAL. Head of Audit and Inspection Department.

1979 - 2002 ARTHUR ANDERSEN. Senior Partner in the Financial Division in Spain.

2002 - 2010 Independent consultant.

Has been a member of the Instituto de Auditores-Censores

Jurados de Cuentas de España, of the Official Accounts Auditor Register and of the Financial Institutions Commission of the Register of Auditor-Economists.

Graduated in Agricultural Engineering from the Madrid School of Agricultural Engineers and in Economics and Business Studies from the Universidad Complutense de Madrid.

Ms. Susana Rodríguez Vidarte

Born in Bilbao (Vizcaya) in 1955.

She was appointed to her BBVA directorship on May 28, 2002.

Has mainly worked in the academic world.

Lecturer and researcher at the Management Department in the Economics Sciences and Economics School La Comercial de la Universidad de Deusto.

Held the Chair in Business Economics and Management Control, with teaching activities for undergraduate and graduate programs at La Comercial in Spain, Argentina and Chile.

From 1996 to 2009 she was dean of the Business and Economics department of La Comercial de la Universidad de Deusto and since 2003, Director of the international business management institute, Instituto Internacional de Dirección de Empresas. Is currently the director of the Graduate Department of the School in Economic Sciences and Economics.

Trustee of the Fundación Deusto, of the Fundación Luis Bernaola and on the Board of the Instituto Vasco de Competitividad.

Joint Editor of Boletín de Estudios Económicos.

Member of Instituto de Contabilidad y Auditoría de Cuentas (Accountants and Auditors Institute).

Doctor in Economic and Business Sciences from Universidad de Deusto.

The ordinary meetings of the Board of Directors take place monthly and an annual schedule of the ordinary sessions is drawn up sufficiently in advance.

The Board of Directors shall meet whenever its Chairman or the Executive Committee deem it advisable, or at the behest of at least one quarter of the Board members in office at any time.

The Board may also meet when all its members are present and unanimously resolve to constitute a meeting.

The agenda shall include the matters determined by the Chairman of the Board, either at his/her own initiative or at the suggestion of any director, deemed to be advisable for the Company's best interests.

Directors shall be provided with any information or clarification they deem necessary or appropriate in connection with the business to be considered at the meeting. This can be done before or during the meetings.

The Chairman shall encourage the participation of directors in the meetings and deliberations of the Board and shall put matters to a vote when he/she considers they have been sufficiently debated.

Group executives and other persons may join the meetings should the Chairman deem their attendance advisable in light of the business laid before the Board.

Article 48 of the Company Bylaws establishes that the Board of Directors, in order to best perform its duties, may create any Committees it deems necessary to help it on issues that fall within the scope of its powers. A description of the composition of the Board's Committees is given below.

Board Committees

Full name	Executive Committee	Audit and Compliance	Appointments	Remuneration	Risks
González Rodríguez, Francisco	x				
Cano Fernández, Ángel	x				
Alfaro Drake, Tomás		x	x		
Álvarez Mezquíriz, Juan Carlos	x			x	
Bermejo Blanco, Rafael		x			x
Bustamante y de la Mora, Ramón		x			x
Fernández Rivero, José Antonio			x		x
Ferrero Jordi, Ignacio	x			x	
Loring Martínez de Irujo, Carlos		x		x	
Maldonado Ramos, José			x	x	x
Medina Fernández, Enrique	x				x
Rodríguez Vidarte, Susana		x	x	x	

The Executive Committee

In accordance with Company Bylaws, the Board of Directors may appoint an Executive Committee when two thirds of its members vote for it. It shall try to ensure that it has a majority of external directors to executive directors and that independent directors occupy at least one third of the total seats.

The Board of Directors has constituted an Executive Committee, to which it has delegated all its powers of administration, except those that cannot be delegated under the law and/or Bylaws and Regulations due to their essential nature.

The Executive Committee comprises five members. Of these, two are executive directors and three are independent:

CHAIRMAN AND CEO:	Mr. Francisco González Rodríguez
PRESIDENT AND COO:	Mr. Ángel Cano Fernández
MEMBERS:	Mr. Juan Carlos Álvarez Mezquíriz
	Mr. Ignacio Ferrero Jordi
	Mr. Enrique Medina Fernández

The Executive Committee deals with those matters that the Board of Directors has delegated to it in accordance with prevailing legislation, the Company Bylaws and/or the Board Regulations.

According to the Company Bylaws, its faculties include the following:

- To formulate and propose policy guidelines, the criteria to be followed in the preparation of programs and to set targets, to examine the proposals put to it in this regard, comparing and evaluating the actions and results of any direct or indirect activity carried out by the Entity.
- To determine the volume of investment in each individual activity.
- To approve or reject transactions, determining methods and conditions.
- To arrange inspections and internal or external audits of all areas of the Entity's operation.
- And in general to exercise the faculties delegated to it by the Board of Directors.

Specifically, the Executive Committee is entrusted with evaluation of the Bank's System of Corporate Governance. This shall be analyzed in the context of the company's development and of the results it has obtained, taking into account any regulations that may be passed and/or recommendations made regarding best market practices, adapting these to the company's specific circumstances.

The Executive Committee shall meet on the dates indicated in the annual calendar of meetings and when the Chairman, or acting Chairman, so decides.

Audit and Compliance Committee

This Committee shall perform the duties attributed it under laws, Regulations and Bylaws. Essentially, it has authority from the Board to supervise the financial statements and the oversight of the BBVA Group.

The Board Regulations establish that the Audit & Compliance Committee shall have a minimum of four members appointed by the Board in the light of their know-how and expertise in accounting, auditing and/or risk management. They shall all be independent directors, one of whom shall act as Chairman, also appointed by the Board.

The BBVA Audit & Compliance Committee comprises the following members:

CHAIRMAN:	Mr. Rafael Bermejo Blanco
MEMBERS:	Mr. Tomás Alfaro Drake
	Mr. Ramón Bustamante y de la Mora
	Mr. Carlos Loring Martínez de Irujo
	Ms. Susana Rodríguez Vidarte

The scope of its functions is as follows:

- Report to the General Meeting on matters that are raised at its meetings and within its scope of competence.

- Supervise the efficacy of the Company's internal control and oversight, internal audit, where applicable, and the risk-management systems, and discuss with the auditors or audit firms any significant issues in the internal control system detected when the audit is conducted.
- Supervise the process of drawing up and reporting regulatory financial information.
- Propose the appointment of auditors or audit firms to the Board of Directors for it to submit the proposal to the General Meeting, in accordance with applicable regulations.
- Establish appropriate relations with the auditors or audit firms in order to receive information on any matters that may jeopardize their independence, for examination by the Committee, and any others that have to do with the process of auditing the accounts; as well as those other communications provided for in laws and standards of audit. It must unfailingly receive written confirmation by the auditors or audit firms each year of their independence with regard to the Entity or entities directly or indirectly related to it, and information on additional services of any kind provided to these entities by said auditors or audit firms, or by persons or entities linked to them as provided under Act 19/1988 of 12 July 1988, on the auditing of accounts.
- Each year, before the audit report is issued, to put out a report expressing an opinion on the independence of the auditors or audit firms. This report must, in all events, state the provision of any additional services referred to in the previous subsection.
- Oversee compliance with applicable national and international regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to anti-trust regulations. Also ensure that any requests for action or information made by official bodies in these matters are dealt with in due time and in due form.
- Ensure that the internal codes of ethics and conduct and securities market trading, as they apply to Group personnel, comply with regulations and are properly suited to the Bank.
- Especially to enforce compliance with provisions contained in the BBVA Directors' charter, and ensure that directors satisfy applicable standards regarding their conduct on the securities markets.
- Any others that may have been allocated under these Regulations or conferred by a decision of the Board of Directors.

To ensure the accuracy, reliability, scope and clarity of the financial statements, the Committee shall constantly monitor the process by which they are prepared, holding frequent meetings with the Bank executives and the external auditor responsible for them.

The Committee shall also monitor the independence of external auditors. This entails the following two duties:

- Ensuring that the auditors' warnings, opinions and recommendations cannot be compromised.
- Establishing the incompatibility between the provision of audit services and the provision of consultancy services, unless there are no alternatives in the market to the auditors or companies in the auditors' group of equal value in terms of their content, quality or efficiency. In such event, the Committee must grant its approval, which can be done in advance by delegation to its Chairman.

The Committee selects the external auditor for the Bank and its Group, and for all the Group companies. It must verify that the audit schedule is being carried out under the service agreement and that it satisfies the requirements of the competent authorities and the Bank's governing bodies. The Committee will also require the auditors, at least once each year, to assess the quality of the Group's internal oversight procedures.

The Audit & Compliance Committee meets as often as necessary to comply with its tasks, although an annual meeting schedule is drawn up in accordance with its duties.

Executives responsible for Accounts and Consolidation, Internal Audit and Regulatory Compliance can be invited to attend its meetings and, at the request of these executives, other staff from these departments who have particular knowledge or responsibility in the matters contained in the agenda, can also be invited when their presence at the meeting is deemed appropriate. However, only the Committee members will be present when the results and conclusions of the meeting are evaluated.

The Committee may engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialization or independence.

Likewise, the Committee can call on the personal cooperation and reports of any member of the management team when it considers that this is necessary to carry out its functions with regard to relevant issues.

The Committee has its own specific regulations, approved by the Board of Directors. These are available on the Bank's website and, amongst other things, regulate its operation.

The BBVA Board of Directors, at its meeting on May 25, 2010, resolved to set up two new committees: one to deal with Appointments and another to deal with Remuneration. These replace the previous Appointments & Remuneration Committee in order to keep the Bank's Corporate Governance System at the forefront of governance practices and enhance the content of each Committee by greater specialization in each separate matter.

Appointments Committee

The Appointments Committee is tasked with assisting the Board on issues related to the appointment and re-election of Board members.

This Committee shall comprise a minimum of three members who shall be external directors appointed by the Board, which shall also appoint its Chairman. However, the Chairman and the majority of its members must be independent directors, in compliance with the Board Regulations.

The Appointments Committee comprises the following members:

CHAIRMAN:	Mr. Tomás Alfaro Drake
MEMBERS:	Mr. José Antonio Fernández Rivero
	Mr. José Maldonado Ramos
	Ms. Susana Rodríguez Vidarte

The scope of its functions is as follows:

- Prepare and report on the proposals for appointment and re-election of directors under the terms and conditions established in the Board Regulations.
- To such end, the Committee shall assess the skills, knowledge and experience required on the Board, as well as the conditions that candidates should display to fill the vacancies arising.
- Review the status of each director each year, so that this may be reflected in the Annual Corporate Governance Report.
- To report on the performance of the Chairman of the Board and, where applicable, of the Company's Chief Executive, for the purpose of their periodic assessment by the Board.
- Should the Chairmanship of the Board or the post of Chief Executive Officer fall vacant, the Committee will examine or organize, in the manner it deems suitable, the succession of the Chairman and/or Chief Executive Officer and put corresponding proposals to the Board for an orderly, well-planned succession.
- To report the appointments and severances of senior managers.
- Any others that may have been assigned in these Regulations or conferred by a decision of the Board of Directors.

In the performance of its duties, the Appointments Committee, through its Chairman, shall consult the Chairman of the Board and, where applicable, the Company's Chief Executive, especially regarding matters involving executive directors and senior management.

In accordance with the BBVA Board Regulations, the Committee may ask members of the Group organization to attend its meetings, when their responsibilities relate to its duties. It may also receive any advisory services it requires to inform its criteria on issues falling within the scope of its powers.

The Chairman of the Appointments Committee shall convene it as often as necessary to comply with its mission, although an annual meeting schedule shall be drawn up in accordance with its duties.

Remuneration Committee

The Remuneration Committee's essential function is to assist the Board on matters regarding the remuneration policy for directors and senior management.

This Committee shall comprise a minimum of three members who shall be external directors appointed by the Board, which shall also appoint its Chairman. However, the Chairman and the majority of its members must be independent directors, in compliance with the Board Regulations.

The Remuneration Committee comprises the following members:

CHAIRMAN:	Mr. Carlos Loring Martínez de Irujo
MEMBERS:	Mr. Juan Carlos Álvarez Mezquíriz
	Mr. Ignacio Ferrero Jordi
	Mr. José Maldonado Ramos
	Ms. Susana Rodríguez Vidarte

The duties of the BBVA Board Remuneration Committee are those established in Article 36 of the Board of Directors' Regulations. They are as follows:

- Propose, within the framework established in the Company Bylaws, the payment compensation system of the Board of Directors as a whole, both as refers to its concepts and amounts and the manner of reception.
- Determine the extent and amount of the remuneration, entitlements and other economic rewards for the Chairman & CEO, the President & COO and, where applicable, other executive directors of the Bank, so that these can be reflected in their contracts. The Committee's proposals on such matters will be submitted to the Board of Directors.
- Issue a Report on the directors' remuneration policy each year. This will be submitted to the Board of Directors, which will apprise the Company's Annual General Meeting of this each year.
- Propose the remuneration policy for senior management to the Board, and the basic terms and conditions to be contained in their contracts.
- Propose the remuneration policy to the Board for employees whose professional activities may have a significant impact on the Entity's risk profile.
- Oversee observance of the remuneration policy established by the Company and periodically review the remuneration policy applied to executive directors, senior management and employees whose professional activities may have a significant impact on the Entity's risk profile.
- Any others that may have been assigned in these Regulations or conferred by a decision of the Board of Directors.

In the performance of its duties, the Remuneration Committee will consult with the Chairman of the Board and, where applicable, the Company's Chief Executive Officer via the Committee Chair, especially with respect to matters related to executive directors and senior managers.

In accordance with the BBVA Board Regulations, the Committee may ask members of the Group organization to attend its meetings, when their responsibilities relate to its duties. It may also receive any advisory services it requires to inform its criteria on issues falling within the scope of its powers.

The Chairman of the Appointments Committee shall convene it as often as necessary to comply with its mission, although an annual meeting schedule shall be drawn up in accordance with its duties.

Risks Committee

The Board's Risks Committee is tasked with analyses of issues related to the Group's risk management and control policy and strategy. It assesses and approves any risk transactions that may be significant.

This Committee consists solely of external directors, with a minimum of three members, appointed by the Board of Directors, which will also appoint its Chair.

The Risks Committee comprises the following members:

CHAIRMAN:	Mr. José Antonio Fernández Rivero
MEMBERS:	Mr. Rafael Bermejo Blanco
	Mr. Ramón Bustamante y de la Mora
	Mr. José Maldonado Ramos
	Mr. Enrique Medina Fernández

Under the Board Regulations, it has the following duties:

- Analyze and evaluate proposals related to the Group's risk management and oversight policies and strategy. In particular, these shall identify:
 - a) The risk map.
 - b) Setting the level of risk considered acceptable according to the risk profile (expected loss) and capital map (risk capital) broken down by the Group's businesses and areas of activity.
 - c) The internal reporting and oversight systems used to oversee and manage risks.
 - d) The measures established to mitigate the impact of risks identified should they materialize.
- Monitor the match between risks accepted and the profile established.
- Evaluate and approve, where applicable, any risks whose size could compromise the Group's capital adequacy or recurrent earnings, or that present significant potential operational or reputational risks.
- Ensure that the Group possesses the means, systems, structures and resources benchmarked against best practices to allow implementation of its risk management strategy.

The Committee meets as often as necessary to best perform its duties, usually once a week.

Management Committee

Chairman and CEO

Mr. Francisco González Rodríguez

President and COO

Mr. Ángel Cano Fernández

The other members of the Management Committee are

Mr. Juan Ignacio Apoita Gordo	Human Resources and Services
Mr. Eduardo Arbizu Lostao	Legal, Tax, Audit and Compliance Services
Mr. Juan Asúa Madariaga	Spain and Portugal
Mr. José Barreiro Hernández	Wholesale Banking & Asset Management
Mr. Manuel Castro Aladro	Global Risk Management
Mr. Ignacio Deschamps González	Mexico
Mr. José María García Meyer-Dohner	Global Retail Business Banking
Mr. Manuel González Cid	Finance
Mr. Ramón Monell Valls	Innovation and Technology
Mr. Gregorio Panadero Illera	Communication and Brand
Mr. Vicente Rodero Rodero	South America
Mr. Manuel Sánchez Rodríguez	The United States
Mr. Carlos Torres Vila	Corporate Strategy and Development



Supplementary information

“He bought his pension plan from BBVA and since then he has been working with wood, with no timetable and no worries”

Marcelo likes Mondays. Although he retired four years ago he still goes to the workshop every day. But he no longer makes furniture; for months he has been preparing a surprise for his granddaughter. He bought his pension plan from BBVA and since then he has been working with wood, with no timetable and no worries. In fact, what Marcelo likes about Mondays is the hustle and bustle, because he has enough peace and quiet the rest of the week.

Consolidated time series

Income statements

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)				
	2010	2009	2008	2007	2006
Net interest income	13,320	13,882	11,686	9,628	8,138
Gross income/ordinary revenues	20,910	20,666	18,978	17,271	15,143
Operating income/operating profit	11,942	12,308	10,523	9,441	8,340
Income before tax	6,422	5,736	6,926	8,495	7,030
Net income	4,995	4,595	5,385	6,415	4,971
Net attributable profit	4,606	4,210	5,020	6,126	4,736

Balance sheet

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)				
	31-12-10	31-12-09	31-12-08	31-12-07	31-12-06
Loans to customers	338,857	323,441	335,260	313,178	258,317
Total assets	552,738	535,065	542,650	501,726	411,663
Customer funds on balance sheet	378,388	371,999	376,380	337,518	286,828
Deposits from customers	275,789	254,183	255,236	219,609	186,749
Debt certificates	85,180	99,939	104,157	102,247	86,482
Subordinated liabilities	17,420	17,878	16,987	15,662	13,597
Other customer funds	147,572	137,105	119,028	150,777	142,064
Total customer funds	525,960	509,104	495,408	488,295	428,892

Additional information

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)				
	31-12-10	31-12-09	31-12-08	31-12-07	31-12-06
Dividends (million euros) ⁽¹⁾	1,752	1,574	2,361	2,717	2,220
Number of shareholders (thousands)	953	884	904	890	864
Number of shares (millions) ⁽²⁾	4,491	3,748	3,748	3,748	3,552
Number of employees	106,976	103,721	108,972	111,913	98,553
Spain	28,416	27,936	29,070	31,106	30,582
Abroad	78,560	75,785	79,902	80,807	67,971
Number of branches	7,361	7,466	7,787	8,028	7,499
Spain	3,024	3,055	3,375	3,595	3,635
Abroad	4,337	4,411	4,412	4,433	3,864

(1) 2008 includes payment-in-kind in the form of shares (valued at the closing price on 17-04-2009).

(2) The data for the period from 1998 to 1999 was re-calculated based on the share exchange ratio (5 BBV shares for 3 Argentaria shares).

IFRS (Bank of Spain's Circular 4/2004)					Bank of Spain's Circular 4/1991						
2008	2007	2006	2005	2004	2004	2003	2002	2001	2000	1999	1998
11,891	9,769	8,374	7,208	6,160	7,069	6,741	7,808	8,824	6,995	5,760	5,516
19,853	18,133	15,701	13,024	11,120	11,053	10,656	12,241	13,352	11,143	9,108	8,374
11,279	10,544	8,883	6,823	5,591	5,440	4,895	5,577	5,599	4,376	3,457	3,120
6,926	8,495	7,030	5,592	4,137	4,149	3,812	3,119	3,634	3,876	2,902	2,374
5,385	6,415	4,971	4,071	3,108	3,192	2,897	2,466	3,009	2,914	2,168	1,785
5,020	6,126	4,736	3,806	2,923	2,802	2,227	1,719	2,363	2,232	1,746	1,424

IFRS (Bank of Spain's Circular 4/2004)					Bank of Spain's Circular 4/1991						
31-12-08	31-12-07	31-12-06	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00	31-12-99	31-12-98
333,029	310,882	256,565	216,850	172,083	170,248	148,827	141,315	150,220	137,467	113,607	99,907
543,513	502,204	411,916	392,389	329,441	311,072	287,150	279,542	309,246	296,145	238,166	202,911
374,308	334,844	283,645	259,200	207,701	199,485	182,832	180,570	199,486	185,718	139,934	119,941
267,140	236,183	192,374	182,635	149,892	147,051	141,049	146,560	166,499	154,146	105,077	99,351
90,180	82,999	77,674	62,842	45,482	44,326	34,383	27,523	25,376	26,460	31,552	17,562
16,987	15,662	13,597	13,723	12,327	8,108	7,400	6,487	7,611	5,112	3,305	3,028
119,017	150,777	142,064	142,707	121,553	121,553	113,074	108,815	124,496	118,831	102,677	74,221
493,324	485,621	425,709	401,907	329,254	321,038	295,906	289,385	323,982	304,549	242,611	194,162

IFRS (Bank of Spain's Circular 4/2004)					Bank of Spain's Circular 4/1991						
31-12-08	31-12-07	31-12-06	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00	31-12-99	31-12-98
2,301	2,717	2,220	1,801	1,499	1,499	1,247	1,109	1,222	1,123	854	699
904	890	864	985	1,081	1,081	1,159	1,179	1,204	1,300	1,268	1,338
3,748	3,748	3,552	3,391	3,391	3,391	3,196	3,196	3,196	3,196	2,931	2,861
108,972	111,913	98,553	94,681	87,112	84,117	86,197	93,093	98,588	108,082	88,556	86,349
29,070	31,106	30,582	31,154	31,056	30,765	31,095	31,737	31,686	33,733	37,052	37,847
79,902	80,807	67,971	63,527	56,056	53,352	55,102	61,356	66,902	74,349	51,504	48,502
7,787	8,028	7,499	7,328	6,751	6,848	6,924	7,504	7,988	8,946	7,491	7,226
3,375	3,595	3,635	3,578	3,385	3,375	3,371	3,414	3,620	3,864	4,336	4,495
4,412	4,433	3,864	3,750	3,366	3,473	3,553	4,090	4,368	5,082	3,155	2,731

BBVA Group branch network

The BBVA Group's branch network in Spain

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